EFFECTS OF WELFARE REFORM

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

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EFFECTS OF WELFARE REFORM

THURSDAY, MAY 27, 1999

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:53 a.m., in room B–318, Rayburn House Office Building, Hon. Nancy L. Johnson (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE CONTACT: (202) 225–1025
May 20, 1999
No. HR–7

Johnson Announces Hearing on Effects of Welfare Reform

Congresswoman Nancy L. Johnson (R–CT), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the effects of welfare reform. The hearing will take place on Thursday, May 27, 1999, in room B–318 of the Rayburn House Office Building, beginning at 10:30 a.m.

Oral testimony at this hearing will be from invited witnesses only. Witnesses will include representatives from the Administration, State welfare directors, child advocacy groups, and researchers. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The "Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (P.L. 104–193), dramatically changed American social policy. Perhaps the most dramatic change was that the entitlement-based Aid to Families with Dependent Children (AFDC) program was replaced with the Temporary Assistance for Needy Families (TANF) program. The new program has five major features. First, it ends the entitlement to cash welfare created by the AFDC program. Second, it creates a block grant with fixed funding that transfers a great deal of control over welfare programs to the States. Third, the law requires both States and individuals to meet stringent new work standards that require an increasing percentage of the adults on welfare to be involved in actual work; by 2002, 50 percent of the adults on welfare in every State must be involved in a work program. Fourth, it imposes strong sanctions on both States and individuals if they fail to meet program requirements. Fifth, the law imposes a five-year limit on cash welfare benefits funded by the TANF program. Taken together, these provisions represent one of the most substantial changes in a major American social program ever enacted.

It has now been well over five years since a majority of States implemented welfare-to-work programs under waivers from pre-1996 welfare law, three years since enactment of the Federal welfare reform law, and nearly two years since all States were required to implement their work programs. Many research and evaluation studies have been undertaken to study the effects of these programs on families, and many studies have already published results. Thus, it is now possible to formulate an initial judgment about whether the new work programs are having their intended effects.

In announcing the hearing, Chairman Johnson stated: "The 1996 welfare reform law is one of the most important pieces of legislation enacted in recent years. Now we have a wealth of information about the effects of the legislation on welfare programs and families on welfare. We have examined this evidence carefully and come to the conclusion that so far welfare reform has been a solid success. There are some issues we need to carefully address—and we are committed to do that—but I believe an unbiased assessment of the evidence is that the nation's welfare programs are

at last helping poor and low-income Americans find work and improve their economic status."

FOCUS OF THE HEARING:

The goal of this hearing is to review important evidence on the effects of welfare reform, more specifically, information available on the details of state implementation, State spending, caseload declines, women's labor force participation, poverty, and the income of female-headed families.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, with their name, address, and hearing date noted on a label, by the *close of business*, Thursday, June 10, 1999, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Human Resources office, room B–317 Rayburn House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette WordPerfect 5.1 format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at 'HTTP://WWW.HOUSE.GOV/WAYS__MEANS/'.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman JOHNSON of Connecticut. Good morning. My apologies for starting this hearing late. I do not like to do that. The journal vote detained us, and it is hard to get away.

We are here today, though, on a very, very important purpose. It is very important when you legislate to look back at what you did—not something that the Congress has been strong on, but something that is very, very important. And today, we are going to take a sustained look at what we know about the effects of the welfare reform legislation that we passed 3 years ago.

We have a group of witnesses who represent the academic world, government research, program administration, and the advocacy community. There will be some disagreements, and that is healthy. We need to know what those who are out there in the field following this more closely are concluding about what is working and what problems remain.

I urge those who have come today and everyone interested in the effects of welfare reform to read the papers that have been submitted for today's record. They are sophisticated, based on national data, well-reasoned, and provocative. This is exactly the way democracy is supposed to work, and I am proud to be part of the process and proud of all of you who have brought the information that we need to us today.

The Republicans have also published a report that details some of the information about how welfare reform has worked. There has been a dramatic change in the offices, in the bureaucracy, amongst the people administering the program, and frankly, rarely in my 22 years in government have I passed laws that actually have affected the environment, the mindset, what is happening in the offices between government and its people to the degree that welfare reform has succeeded in doing that. We needed to jostle ourselves up, and we have done that. And I have been really excited to read some of the reports that have been done as to what actually is happening out there in the offices and for the people.

I have been startled and proud of the drop in the number of people on welfare; the rise in the amount of money that the States have per welfare recipient to deal with the kinds of problems that many still face; the drop in poverty and child poverty, and particularly in black child poverty; the rise in the number of women heads of households that are now in the work force. The statistics at this point are for only a few years, but they are startling. They are unprecedented, both in their dimensions and in the consecutive number of years that we are seeing trend lines develop. We have made some profound and significant change. That does not give us the right to rest.

This Subcommittee will be developing a "welfare reform two" bill, and it is for that reason that we are holding this hearing, as we held hearings on fatherhood issues earlier.

[The opening statement follows:]

Opening Statement of Nancy L. Johnson, a Representative in Congress from the State of Connecticut

I have seldom looked forward to a hearing as much as I have looked forward to this one. Today we are going to take a sustained look at what we know about the effects of the welfare reform legislation we passed nearly 3 years ago. To help us

with this examination, we have invited a dazzling set of witnesses who represent the academic world, government research, program administration, and the advocacy community. I'll bet we will have some disagreements among our distinguished witnesses.

I urge those who have come today and everyone who is interested in the effects of welfare reform to read the papers submitted for the record of today's hearing. They are sophisticated, based on national data, well reasoned, and in many cases provocative. This is exactly the way democracy is supposed to work. We passed an important law; now we want to study its effects. And much to my delight, we find that truly intelligent, dedicated, and honorable people have been conducting illuminating studies of the effects of the welfare law. Here is something we can all agree on—We have a lot to learn.

Unfortunately, our witnesses do not all come to the same conclusions. As always, it is up to members of this committee to survey the evidence and come to our own lessons for public policy.

If there is to be disagreement, let me speak for myself and Republicans on our Committee. This morning, Republicans published a detailed report of what we know to date about the impacts of welfare reform. Here are the results in brief:

1. There has been dramatic change in welfare offices around the country. Now when able-bodied adults walk into the welfare office, they are given help preparing for and finding work. They are given to understand that welfare is temporary and they must learn to support themselves—with government assistance if necessary. Most respond positively. For those who refuse to work toward self-reliance, sanctions in the form of benefit reductions are frequently employed.

2. There has been an amazing decline in the welfare rolls. Since the summer of 1994, the rolls have declined 45 percent. This decline is completely without precedent in the history of American social policy. By comparison, the biggest continuous decline in the AFDC rolls between the Korean War and the enactment of welfare reform in 1996 was 8 percent.

3. There has been a big increase in the per-family money available to states to both pay cash benefits and to help people move into the work force. There has been no race to the bottom. In fact, if states use their money wisely, they can maintain benefits and launch new and sophisticated programs to help even very disadvantaged adults get into the labor force.

4. There has been a striking increase in labor force participation by mothers. In 1997 we saw an increase of well over 400,000 in the number of mothers working. Even more important, between 1993 and 1998, the number of never-married mothers in the labor force increased 40 percent.

5. Although many predicted the strong work requirements and time limits in the welfare reform law would increase poverty, in fact the poverty rate has declined every year as the welfare rolls were plummeting. In 1997, for example, while the welfare rolls were falling 20 percent, the biggest single-year decline in history, overall poverty, child poverty, and poverty among minority children all declined. In fact, the decline in poverty among black children was the largest ever.

6. For the first time in several generations, the ratio of nonmarital to marital births has leveled off and the rate of nonmarital births per 1,000 unmarried women has even declined modestly—and in 1998 the rate of teen pregnancy declined for the sixth year in a row.

We do not argue that all these outcomes were caused by the welfare reform law. But there is strong evidence that some of them were. And even a cynic must agree that we're witnessing some very positive social trends in our nation.

Later this year our Subcommittee will study some of the problems we see in the implementation of welfare reform. But by the end of our hearing today, I believe we will find that there is lots of positive news and very modest bad news.

Chairman JOHNSON of Connecticut. So with that, I would like to yield to my Ranking Member, Mr. Cardin, again, with my apologies to Mr. Cardin and my colleagues on the Subcommittee who had to wait and to all of you.

Mr. CARDIN. Thank you, Madam Chair. And, Madam Chair, let me compliment you for holding this hearing on the oversight of welfare reform. I think that is one of the most important responsibilities of this Subcommittee.

I must tell you—and I would ask that my entire statement, which is very well balanced, be put into the record—my comments may not be so balanced right now. And my reason is that it is my understanding that the Republicans held a press conference before the hearing, which is a little bit unusual, to talk about all of their partisan accomplishments on welfare reform.

I find that regrettable. Reading from the Republican statement, they said this system was especially generous in cases of families with children—like it is some crime for us to take care of children in our society. I would hope that we would be generous for children in our society. And I was disappointed that the Republican news conference did not talk about the 1993 economic program that was passed with Democratic votes only. It gave us the strong economy we have right now, in which welfare reform has a much better chance of success because of what is happening in our economy.

Madam Chair, I am one of those who voted for the welfare reform bill and worked very hard with Democrats and Republicans, so that we could change our welfare system. We did not do that in a partisan way. We did it because we thought the current system needed to be changed. But make no mistake about it, we have not achieved our objectives of welfare reform.

Our goal is not to reduce the welfare rolls. Our goal is to reduce poverty. And as we look at the some of the recent statistics—we have major concerns as to whether, in fact, we are reducing poverty in our country. We find that, yes, people are moving from welfare to work, but, in many cases, they are worse off than they were before, and not able to continue in the job for long periods of time. We are finding that a lot of people who are being forced off of welfare are living in poverty. What are we doing about that?

People who are entitled to food stamps and Medicaid are not being enrolled. Why? In some cases, we think that the States are being overly aggressive, in some cases violating law. Is that success? I do not think so. These are concerns that I would hope all of us would have, Democrats and Republicans.

There is a child care gap in our society. It is very difficult for people to be able to afford decent child care. Recent events tell us one thing—tell us many things—is that we have to do a better job in society of taking care of our children. Is welfare reform succeeding in that regard? I think that is an open issue and one that we need to debate. Many individuals have multiple barriers to being able to find employment. And yet, what are we doing for that population? Very little.

And then for noncustodial fathers, Madam Chair, you and I have both talked about doing more for noncustodial parents. So before we start bragging that we have accomplished our job, let us look at what is really happening in our community. We have a long way to go. Yes, we made some initial progress in this area, but we have a long way to go, and we are never going to be able to achieve it by partisan news conferences before very serious hearings.

I regret the way that we have started today's hearing, and I know the Chair and I know how well she wants to work in a bipartisan way, and we have worked in a bipartisan way. But I would hope that this hearing can be conducted in a bipartisan way; that

we can work together for the next chapter of improving everyone's lot in our society.

[The prepared statement follows:]

Opening Statement of Hon. Benjamin L. Cardin, a Representative in Congress from the State of Maryland

Madame Chairman, overseeing the implementation of welfare reform is one of the most important responsibilities of this Subcommittee. I therefore commend you for holding this hearing to evaluate the impact of welfare reform on low-income families.

Before we immerse ourselves in statistics and research findings, I want to offer a few words of general caution to both supporters and opponents of welfare reform.

To my friends who may have grave misgivings about the legislation enacted by Congress almost three years ago, I urge you *not* to simply wait for welfare reform to fail. The initial success States have shown in moving many welfare recipients into work provides a tremendous opportunity to promote the permanent self-sufficiency of millions of individuals, not to mention future generations. With the lowest unemployment rate in 29 years, there may never be a better time than today to help even the hardest-to-employ get a foothold in the workplace.

And to my colleagues who may have concluded that the work on welfare is done, I remind you that the purpose of welfare reform is to reduce poverty, not caseloads. On this central issue, the preliminary data on welfare reform sends us two cautionary messages.

First, some portion of the poorest Americans have fallen even deeper into poverty because they have been sanctioned off, or diverted from, welfare. The rise in the reported use of food banks and soup kitchens during such a strong economy appears to reflect this trend, which should be a concern to all of us.

And second, many of those leaving welfare for work have yet to leave poverty for a better life. Employment is very important, but replacing a generation of welfare-dependent poor with a generation of working poor is not my definition of success. Such a result would strike at the very heart of our uniquely American concept that every citizen can make a better life for themselves, and for their children, through hard work.

Therefore, we should not only assist welfare recipients in finding employment, but we must also help them keep and improve their jobs. In other words, our focus should evolve from job placement to career development.

I look forward to hearing from our witnesses on this critical issue of transforming recent employment gains into permanent poverty reductions.

In addition, I hope our witnesses will explore four issues that are important to the long-term success of welfare reform.

First, there are disturbing reports about reduced access to food stamp and Medicaid benefits for individuals leaving or being diverted from cash welfare. This Subcommittee needs to hear how widespread this practice is and how best to prevent it.

Second, there is evidence that most States are spending the vast majority of their child care funding on individuals exiting welfare, leaving little if any resources for other poor families. In fact, it appears many low-income, working families have fallen into a child care gap—caught between ineligibility for day care subsidies and not benefitting from child care tax credits. I would like to hear from our experts about the need for increased child care assistance for these families attempting to meet the dual challenges of working and raising a family.

Third, I hope to hear suggestions about how to help welfare recipients with multiple barriers to work, such as a substance abuse problem, a disability, or the lack of a high school degree, make the transition to employment.

And fourth, I would like to hear recommendations about how to help non-custodial fathers play a greater role in the lives of their children.

I will close by reminding the Subcommittee that the Administration's proposal to reauthorize the Welfare-to-Work program addresses both the need to help hard-to-employ welfare recipients and the need to assist fathers in supporting their children. And of course, the President's proposal to increase child care funding would make great strides in filling the child care gap faced by millions of working families.

Madame Chairman, I look forward to a detailed discussion of these and many other issues. Thank you.

Chairman JOHNSON of Connecticut. Well, I certainly hope so, too. There were certain partisan controversies during the welfare reform debate. Luckily, they mostly came together in a lot of bipartisan agreement, but I think the revolution that has made welfare reform a success is truly a bipartisan revolution, because it has to do with expanding the EITC, the earned income tax credit, which certainly was in the President's proposal as has been in Republican Presidents' proposals, and the other support systems for working people, and we did certainly point out that bipartisan aspect of the revolution.

We will call the first panel now.

Mr. CAMP. Madam Chairman, if I could make a comment?

Chairman JOHNSON of Connecticut. Well, certainly.

Mr. CAMP. I just want to say that I think, when we got to the end of the welfare process, it became fairly bipartisan, but it certainly did not start that way. And I think you are very gracious in your comments, and I certainly admire that. But we had a lot of partisan shots, and I do not think the fact that some Members hold a news conference is going to affect what we do in this hearing. There are news conferences all over this Hill every day and on every issue, and you certainly cannot control what people say.

You know there has been tremendous progress made. We are all here because we know there is more we need to do. And I just want to be a part of doing that, but I do not really see—and I was not at that press conference, so I do not know exactly what was said there, but I do not think that is going to get in the way of what we are trying to do here.

Chairman JOHNSON of Connecticut. Thank you, Mr. Camp.

Now we call the first panel: Doug Besharov, resident scholar of the American Enterprise Institute; June O'Neill, Wollman Professor of Economics at the Zicklin School of Business, Baruch College, New York; Wendell Primus, director of income security, Center on Budget and Policy Priorities; and Howard Rolston, Director of the Office of Planning, Research and Evaluation, from HHS.

Mr. Besharov.

STATEMENT OF DOUGLAS J. BESHAROV, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE; AND PROFESSOR, UNIVERSITY OF MARYLAND SCHOOL OF PUBLIC AFFAIRS

Ms. BESHAROV. Thank you very much, Chairman Johnson and Members of the Subcommittee. Thank you for inviting me to testify here today. Like most of the other witnesses today, I find that the result of welfare reform has been more work and less dependency. My testimony is long and has a number of charts. Chart 1 portrays what you all know, which is the sharp decline in the caseload.

Although a strong economy, no doubt, helped a lot to reduce this caseload, and the major expansions of aid to the working poor, as Chairman Johnson mentioned, also has helped, I think most impartial experts agree that without welfare reform, the caseloads would not have fallen nearly as much as they did. And that is widely agreed upon, even by the administration, by outsiders, and so forth.

Why is that? Because the key elements of welfare reform—work first, diversion, job search, yes, even sanctions and time limits—encourage mothers to work, help them to work, and make some other mothers think twice before seeking benefits. I will get back to that point in a moment.

So what is happening to the people who have left the rolls? That is the big question, and that is the question that Mr. Cardin mentioned, and which I think Wendell Primus will be talking about as well.

Today's Washington Post summarizes the GAO report. My own sense is that the GAO report is about right, although if I use the phrase regular work as opposed to any work, it is more in the neighborhood of 50 to 60 percent. What about those leaving welfare who are not working? Either way, we have large numbers who are not working.

My own work, and I think those of many others, suggests that many of those leaving are living with others, living in households either with their parents, relatives, or a boyfriend, often with the boyfriend being a parent of one of their children.

And that is why so many people are worried that the folks who have left welfare are suffering more hardship. So my testimony, the rest of it, is really somewhat defensive, and I wasn't sure how I was going to bring it up until I heard Mr. Cardin speak.

Let me draw your attention to my chart 2, which is relatively complicated. I am not going to walk you through it. I just want you to see that especially between 1994 and 1998, the Congress has sharply increased child care spending to about $3 billion a year by 1998. My assessment, which is in my testimony, and which I believe is concurred—I do not want to assert that too strongly—by the Children's Defense Fund, is that there is enough money in what you all have already passed to meet the child care needs of people leaving welfare. The big issue is the working poor. That is a different issue, but for welfare reform, I think there is no disagreement that you all have appropriated enough money.

Second, there has been an argument—and Mr. Cardin mentioned it—about declines in food stamp participation, so I am glad that I have chart 5, which actually is a play on something that the center on Budget and Priorities presented. The center tends to talk about the period from 1995 to 1997 in order to show that a large number of people—I think six times larger—left food stamps than left poverty.

However, if you examine the longer period, from 1993 to 1997, and if you include the people excluded from the Food Stamp Program by policy decisions of this Congress, mainly legal aliens and able-bodied workers, what you find in chart 5 is that the differences between the declines in food stamps and the declines in poverty are about equal. As usual in this town, it depends on when you measure.

Getting to measurement issues, take a look at chart 6. Again, in the time I have I won't walk through this whole chart, but what this says is you should take everyone's statistics, including mine, with a grain of salt. Most analyses use the Current Population Survey of the Census Bureau to determine what is happening to low-income Americans. This chart shows you that, whether it is Medic-

aid receipt, AFDC, Aid to Families With Dependent Children, TANF, Temporary Aid to Needy Families, or food stamps, the Census is becoming increasingly unable to measure accurately participation in these programs. If you look at these numbers, we are talking about only 65 percent of TANF recipients being identified.

Where does that take me in conclusion? Again, take all these numbers with a grain of salt. There is a concern that Dr. Primus mentions about the reductions in income among the lowest quintile of single-mother families. You will see in my last chart, chart 7, that if you look at households, that is, where these families live: First, the income is almost twice as high as what we are used to seeing. And second, there is not a downward trend in the income.

What this says to me is that when we think about welfare reform, we should think not just about people leaving welfare for work, but we should also think about the households in which these families are embedded. And we should be worrying about the well being of those households. And in the 10 seconds or so I have left, what that means is strengthening those relationships when they are cohabitations. I applaud the Subcommittee, because I understand that you are considering legislation to help erase the marriage penalties, both in the tax law in general, but more particularly in the EITC and in child support. Those marriage penalties affect these numbers very directly.

Thank you very much.

[The prepared statement and attachment follow:]

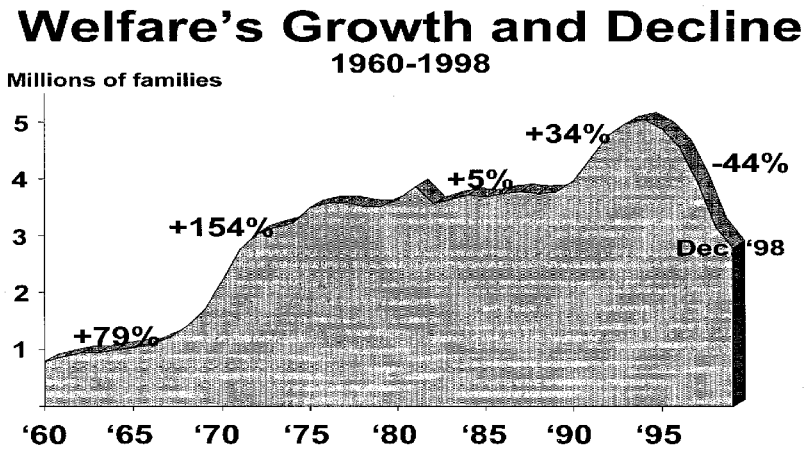
Statement of Douglas J. Besharov, Resident Scholar, American Enterprise Institute; and Professor, University of Maryland School of Public Affairs

Chairman Johnson and Members of the Subcommittee on Human Resources:

Thank you for inviting me to testify about the impact of the 1996 welfare reform law and associated policy changes. My name is Douglas Besharov. I am a resident scholar at the American Enterprise Institute for Public Policy Research, where I conduct research on children and families. I am also a professor at the University of Maryland School of Public Affairs, where I teach courses on family policy, welfare reform, and evaluation.

Welfare reform in 1996—embodied in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and the Temporary Assistance for Needy Families (TANF) block grant—resulted in massive changes in the operations of state and local welfare agencies. Many have gone from being check-writing offices to being engines of employment and personal and family responsibility. Contemporaneously, welfare caseloads declined sharply. (This was actually the first serious caseload decline in at least 30 years.) Although the strong economy helped, experts are unanimous that "welfare reform" is a major explanation for this unprecedented decline—now reaching 44 percent since March 1994. (Chart 1.)

Chart 1



Even many of the harshest critics of the welfare reform law have been impressed with what has been accomplished. Besides lower caseloads, there has been an explosion of work among never-married mothers with children—the women most likely to become long-term welfare dependents. Since 1993, their employment rate has risen from 44 percent to 61.5 percent.

I recount some of these developments below. But my real focus is on the concerns of those who say that this decline in welfare and increase in work has been accompanied by increased levels of material hardship on what once would have been welfare families. Any such increase in material hardship should be of concern to us all. If we found increased hardship, we would have to make the difficult ethical determination about whether the hardship was justified by all the good that has also been accomplished by the welfare reform law. However, and this is the key point in my testimony, with the measures available, there is no evidence of significant increases in material hardship.

WHY CASELOADS ARE FALLING

As I mentioned, welfare rolls are down an amazing 44 percent since their historic high in March 1994. That's about 2.2 million fewer families (or about 6.7 million fewer parents and children) on welfare. At least fifteen states have seen declines of over 50 percent. Fewer families are going on welfare, and more are leaving.

Unfortunately, political credit claiming and ideological preconceptions, assisted by limited data, have obscured what is really going on. There is nothing new in that, of course. But without a true understanding of what is driving down welfare rolls, we cannot judge whether the decline is a good thing, nor capitalize on its lessons.

A strong economy is the obvious first explanation, and the one most attractive to those who think that welfare dependency is largely a reaction to a lack of opportunity. Between January 1994 and September 1998, for example, the unemployment rate fell a remarkable 30 percent, from 6.7 percent to 4.6 percent. In that period, 7.5 million more people entered the labor force. Even more striking: Never-married mothers, the group most prone to long-term welfare dependency, are 40 percent more likely to be working since 1993 (from 44 percent to 61.5 percent).

But we have had strong economies before, without such sharp declines in welfare. In fact, most studies suggest that the good economy accounts for no more than about 20 percent of the total decline. What else is going on?

The end of the welfare entitlement, or, as Candidate Bill Clinton used to say, the "end of welfare as we know it," seems to be the best explanation. Across the nation, the culture of welfare offices has changed—from places where mothers sign up for benefits to places where they are helped, cajoled, and, yes, pressured to get a job or rely on others for support.

Many welfare offices are now "job centers," where workers help applicants and recipients find employment. Depending on the office, they teach how to write resumes and handle job interviews; provide access to word processors, fax machines, telephones and even clothes; offer career counseling and financial planning services;

and refer them to specific employers with job openings. In a survey of former welfare recipients in Texas who left the rolls in December, 1996, over 60 percent said the welfare agency "gave me the kind of help I needed."

Some of this is boosterism, plain and simple, with workers giving young mothers the moral support they so often need. As one worker said, "Some of these women never thought that they could get a job. We give them the confidence to try."

Also helping are the recent massive increases in federal aid to low-earning parents, to "make work pay." Since 1993, a conservative estimate is that total aid to the working poor increased by about $30 billion, almost doubling. For example, between 1993 and 1997, the Earned Income Tax Credit's cash subsidy to single mothers with two children working full-time at the minimum wage more than doubled, rising from $1,511 to $3,656. Often of even more importance to mothers with young children, most welfare agencies can now offer child care to any applicant or recipient who gets a job.

This genuine help to mothers—and it permeates the implementation of welfare reform in most states—unquestionably assists many to leave welfare for work. But this isn't the whole story: Only about half the mothers who leave welfare seem to have jobs, often very low-paying jobs. The other half are just leaving—perhaps to work eventually, but more immediately they are moving in with family, friends, or boyfriends, or being supported by them. Some are simply getting by with less income. (So far, there is little evidence of more marriage, even though that has traditionally been a major reason for leaving welfare.) Why are they leaving without having jobs?

The other palpable aspect of welfare reform has been the reintroduction of a long-gone aspect of being on welfare: hassle. In most places, a new element, "diversion," has been added to the application process. Diversion is encapsulated in two simple questions now asked of welfare applicants: Have you looked for a job? Can someone else support you? Many welfare agencies maintain a bank of phones that applicants must use to call 5, 10, or even 20 potential employers before they can receive benefits. When told of these requirements, many applicants simply turn around and walk out.

New York City's "Job Centers," for example, exemplify this interplay between new welfare's help and hassle. All applicants are encouraged to look for work (and offered immediate cash support for child care) or support from relatives or other sources. For those who still decide to apply for welfare, the new rules require that they go through a 30-day assessment period during which they complete the application process and go through a rigorous job-readiness and job-search regimen involving many sessions at the Job Center and other offices. At the end of this period, eligible able-bodied adults who choose to receive assistance are required to participate in the city's workfare program. As a result, the percentage of mothers who walk in the door who are eventually enrolled has fallen by about 40 percent, from about around 50 percent to around 30 percent.

Being on welfare has also changed with the imposition of various mandatory activities. In almost all states, recipients are required to sign "self-sufficiency agreements" describing their plan for becoming self-sufficient within a specified time frame. Iowa, for example, requires able-bodied recipients without infant children to develop and sign a Family Investment Agreement, which describes the person's plan for becoming self-sufficient within a specified time frame. Failure to sign or comply with this agreement can result in an initial reduction in benefits, followed soon thereafter by complete termination of cash assistance. About 10 percent of those who begin this process have their benefits terminated for a six-month period for failure to sign or comply with the agreement.

Although these new requirements are intended to help recipients find and keep jobs, they undeniably raise what economists would call the "cost" of being on welfare. By a rough calculation that assumes recipients value their time at the minimum wage, this kind of hassle can reduce the advantage of being on welfare versus working to zero in very low-benefit states and, nationally, can reduce the advantage by about 50 percent.

How much of a factor is this hassle? When these new requirements are explained to applicants and recipients, they often say things like: "I guess I might as well get a real job" or "I might as well move back home." In the survey of Texas recipients leaving welfare, about a quarter said that important factors were either "unfriendly caseworkers" or "new program requirements." And in a survey of those who left welfare in South Carolina between January and March 1997, 60 percent said they felt "hassled," and 13 percent said that's why they left. About a third said that the state's welfare program "wants to get rid of people, not help them."

So far, at least, this combination of helping and hassling mothers off welfare—and discouraging them from signing up in the first place—does not seem to have

caused undue hardship. Surveys of those who have left welfare indicate that, although some are worse off, most families are doing as well or better after having left. Perhaps more tellingly, despite intensive efforts, journalists have found few horror stories with which to document the harmful effects of welfare reform. And in the same South Carolina survey where 60 percent of those who left welfare complained about being hassled, 80 percent said that the caseworkers treated them "with perfect fairness." Only a quarter reported that "life was better" when they were receiving welfare.

Indeed, an analysis by Richard Bavier of the Office of Management and Budget suggests that the decline in welfare benefits caused by families leaving welfare was offset by two-or three-fold gains in income due to work. According to Bavier, from 1993 to 1997, female family heads with children experienced reductions of $6.7 billion in cash welfare and $2.1 billion in food stamps. However, their earnings increased by $26.9 billion and their EITC benefits by $5.1 billion. After including taxes and other noncash benefits in the calculation, he finds that "income for this family type increased $19.6 billion in 1997 dollars."[1] Although household surveys have problems of underreporting or misreporting income, the magnitude of this income gain suggests that it is both real and substantial.

As I note below, some argue that these overall gains mask losses in income among the poorest female-headed families. For example, Wendell Primus of the Center on Budget and Policy Priorities has written: "Between 1993 and 1995, the earnings and incomes of the poorest fifth of single mother families increased despite a modest decline in income from welfare programs. Between 1995 and 1997, however, the very poorest single mother families faced a significant decline in their incomes after including all government taxes and transfers largely due to sizeable declines in their welfare assistance."[2] For the reasons I describe below, I think that the available data does not support this conclusion.

Assessing Welfare Reform

Others today, I am sure, will discuss these developments in greater detail. Let me focus on the concerns that have been raised by various advocacy groups.

1. Insufficient child care? During the debate leading up to the passage of TANF, the provision of adequate child care was a major bone of contention. As a result, the Congress sharply increased funding. Was it enough? Testifying before this committee on March 16 of this year, Helen Blank of the Children's Defense Fund said: "enormous gaps still remain in our efforts to help low-income parents work and take care of their children. Much more needs to be done to ensure that families on welfare have the child care assistance they need to get and keep jobs, without sacrificing low-income families who are struggling to keep their jobs and stay off welfare."[3]

I have tried to calculate child care needs under welfare reform compared to this increased funding. Between 1994 and 1998, state and federal child care spending increased by at least $3.1 billion. If the President's FY 2000 proposals are approved, they will add another $3.053 billion. Furthermore, if states use their unexpended TANF funds for child care, that could add another $4.302 billion by the year 2000. (Chart 2.)

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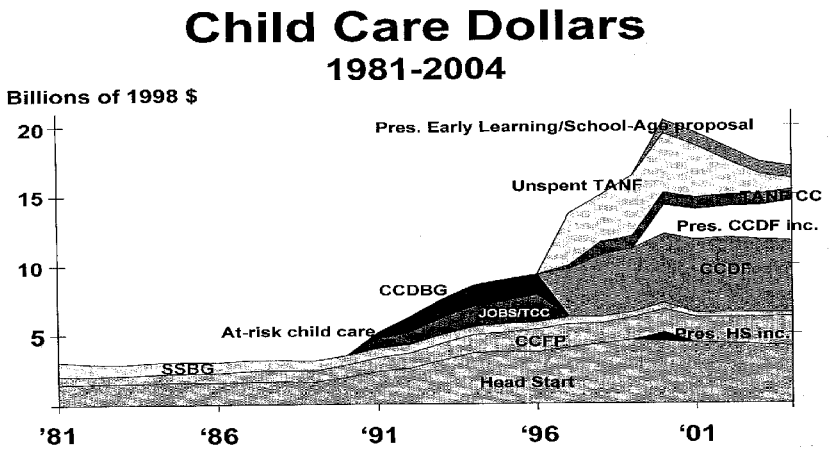
[1] Richard Bavier, "An early look at the effects of welfare reform," March 20, 1999, p. 7.

[2] Wendell Primus, Testimony before the Committee on Government Reform and Oversight, April 22, 1999.

[3] Testimony of Helen Blank, Director, Child Care and Development, Children's Defense Fund, before the Ways and Means Committee, March 16, 1999; p. 4.

Chart 2



As my third chart illustrates, *states have enough money to cover the child care needs generated by welfare reform—so long as they are not forced to monetize and formalize child care.* (Chart 3.) That is, so long as we do not discourage family members from caring for children without charging the government and so long as we do not drive low-cost providers out of business with onerous (and, in the end, sterile) regulations.

Chart 3

ESTIMATING TANF-RELATED CHILD CARE NEEDS–ROUGHLY

In billions of 1998 dollars

Number of children leaving TANF whose mothers are working	*Estimates based on:* Census data for all families that use child care (includes unpaid)	Census data for those families that pay for child care	Costs under Child Care Development Fund (CCDF)	Head Start and Head Start-like services
	FT: $2.583/$713 PT: $1.189/$178	FT: $4,100/ $1,740 PT: $2,900/ $435	FT: $4,500/ $2,500 PT: $2,500/ $625	FT: $14,000/ $4,500 PT: $3,411/ $625
0-5 year olds				
Full time: 902,087	$2.4	$3.9	$4.3	$12.7
Part time: 508,317	$ .431	$1.1	$ .91	$ 1.9
6-11 year olds				
Full time: 566,526	$ .404	$ .986	$1.4	$1.4
Part time: 480,797	$ .086	$ .209	$ .301	$ .301
12-13 year olds				
Full time: 167,931	$ .120	$ .292	$ .420	$ .420
Part time: 128,970	$ .023	$ .056	$ .081	$ .081
TOTAL: 2,806,819	**$3.4 billion**	**$6.5 billion**	**$7.4 billion**	**$16.8 billion**

Estimated additional federal and state funds available (1998 minus 1994) = $3.1 billion in 1998

Some state spending variables: (1) encouraging vs. discouraging use (information, cash, vouchers); (2) using unlicensed vs. licensed care (capacity and cost); and (3) requiring copayments.

Note: Payments for children 0-5 leaving TANF with mothers working full- or part-time have been adjusted to reflect that 80 percent of low-income four-year-olds are already in Head Start and 100 percent of five-year-olds are in kindergarten. Thus, costs for those age groups represent the additional money required to provide full-day full-year care for children with mothers working full time and part-day full-year care for children with mothers working part-time.

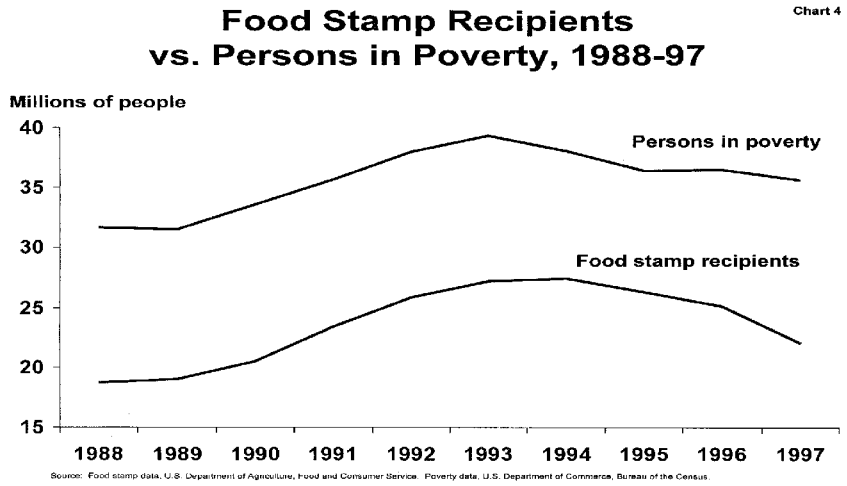
2. Declines in Food Stamp receipt? The critics of welfare reform often compare changes in program caseloads to changes in poverty to make claims about the effects of public policy. Consider a recent statement released by the Center on Budget and Policy Priorities:

> During the two-year period from 1995 to 1997, the decline in the number of people receiving food stamps—4.4 million—was five times greater than the decline in the number of people living in poverty.
>
> The food stamp figures are especially noteworthy because the income limit for food stamps is slightly above the poverty line; as a result, families moving from public assistance to low-wage work that leaves them in poverty do not lose eligibility for food stamps. These data indicate that the reduc-

tions in the number of households receiving food stamps have exceeded reductions in need and that the proportion of poor people receiving basic food assistance to help them secure an adequate diet has declined.[4]

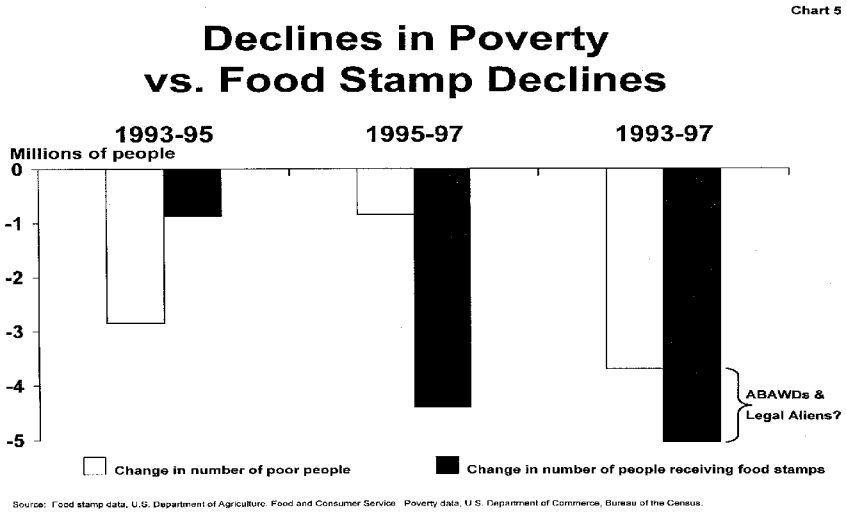
This analysis is very misleading. It is very sensitive to the time period chosen. The 1995–1997 period chosen by the Center just happens to be the one that shows the greatest difference in the decline between the number of poor and the number receiving food stamps. Had the Center used 1993 as the starting point of its comparison, a very different picture would have emerged. (Chart 4.)

Chart 4



Between 1993 and 1995, for example, the figures were reversed. The decline in poverty was 3.3 times greater that the decline in food stamps. Thus, if the Center had viewed the period 1993–1997, the declines would have been more comparable: 5.2 million fewer food stamp recipients compared to 3.7 million fewer people living in poverty. That would be a decline in food stamp receipt 40 percent greater than the drop in the number of poor, not five times greater. (Chart 5.)

Chart 5



[4] Center on Budget and Policy Priorities, "Poverty Rates Fall, but Remain High for a Period With Such Low Unemployment," October 8, 1998.

Furthermore, part of the decline in the food stamp rolls can be attributed directly to policy decisions contained in the 1996 welfare reform law to remove from the Food Stamp program certain immigrants and unemployed childless adults (ABAWDs). According to the U.S. Department of Agriculture, the 1996 welfare reform law made about 1.3 million food stamp recipients, primarily immigrants and unemployed childless adults, ineligible for benefits.[5] Indeed, from July 1996 (the month before the landmark welfare reform legislation passed) to September 1997, the number of permanent resident aliens and ABAWDs declined by 953,000 and 477,000, respectively, for a total decline of 1.43 million.[6]

Taking this longer view and accounting for the deliberate removal of certain groups from the Food Stamp program almost erases the difference in declines between poverty and food stamp recipiency.

I want to emphasize that I believe that the intersection of the Food Stamp and welfare programs has received insufficient policy attention. The two programs are in desperate need of coordination, as I wrote in a recent article for *Policy & Practice,* of the American Public Human Services Association. But that is a very different point.

3. Declines in Medicaid Coverage? A recent report from Families USA asserts that "state administrative systems often continue to treat Medicaid as an extra welfare benefit. This means that when a family is terminated from welfare, its Medicaid case is often closed at the same time. Because the two programs remain connected in the minds of caseworkers and recipients as well as in state computer eligibility systems, the new emphasis on closing welfare cases as quickly as possible is causing many families to be cut off Medicaid, even when they are still eligible."[7] Perhaps, in some places. But that seems to be a substantial exaggeration of state practices.

First, there has be a decline in Medicaid recipiency. Two prime reasons are the strong economy and welfare reform (including the delinking of Medicaid and TANF eligibility). Another reason is that many families that are Medicaid eligible simply forego signing up until a family member gets sick (something that was almost automatic under AFDC). After all, unlike private insurance, there is no pre-existing condition rule for Medicaid.[8]

Second, assertions about declines in Medicaid coverage are often based on analyses of the Census Bureau's Current Population Survey (CPS), the government's primary data source for measuring employment, earnings, poverty, welfare receipt, and a range of other important outcomes. Unfortunately, the survey appears to miss about one-third of AFDC/TANF, food stamp, and Medicaid recipients. Perhaps even more important, this problem has been getting worse in recent years, a deterioration that has important implications for judging the impact of welfare reform. (Chart 6.)

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[5] Craig Gundersen, Michael LeBlanc, and Betsey Kuhn, "The Changing Food Assistance Landscape: The Food Stamp Program in a Post-Welfare Reform Environment," U.S. Department of Agriculture, Economic Research Institute, Agricultural Economic Report No. 773, March 1999, p. 5.

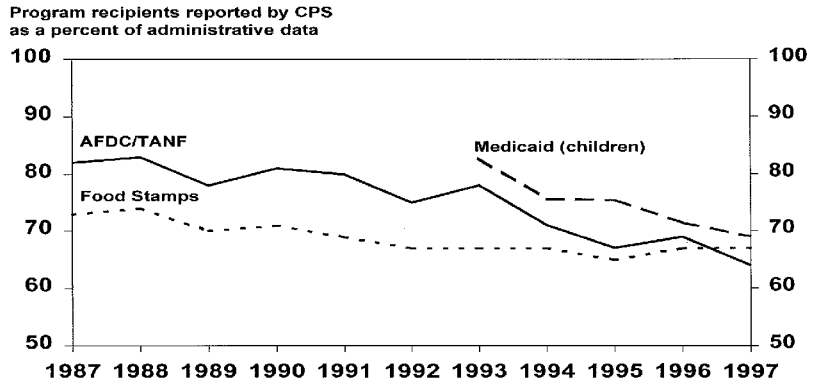
[6] Scott Cody and Laura Castner, *Characteristics of Food Stamp Households: Fiscal Year 1997* (Alexandria, VA: U.S. Department of Agriculture, Food and Consumer Service, February 1999). The declines using the average monthly caseloads for FY 1996 to FY 1997 are bit smaller: 440,000 and 174,000 for a total of 614,000.

[7] Families USA Foundation, *Losing Health Insurance: The Unintended Consequences of Welfare Reform,* by Rachel Klein (Washington, D.C.: Families USA Foundation, May 1999), p. 7.

[8] *See Expanding Health Insurance Coverage for Children Under Title XXI of the Social Security Act* (February 1998: Congressional Budget Office, Washington, D.C.); p. 12, stating that, most likely, "many children . . . are joining the ranks of those with contingent coverage: as families sever their ties to the welfare system, they have less opportunity to enroll their children in Medicaid—if, indeed, they are even aware that their children may still be eligible for the program. Although such children are not currently enrolled, they are still likely to use the program if they become sick."

Chart 6

CPS Underestimates "Welfare" Coverage



Source: AFDC/TANF and food stamp comparisons of recipients based on CPS estimates and administrative data by Richard Bavier. Medicaid comparison of CPS estimates and administrative counts for children under 15 enrolled in Medicaid by John Czajka, Mathematica Policy Research, Inc.

For example, according to the CPS, between 1993 and 1997, the number of children under 15 enrolled in Medicaid declined by 3.2 million. But reliable administrative data from the Health Care Financing Administration show an increase of 400,000.[9] (For the period 1995–1997, HCFA data also show a decline of 700,000 children, but CPS shows a much larger decline of 1.7 million.) These kinds of discrepancies led the authors of an Urban Institute report to conclude: "until the phenomenon of Medicaid underreporting is better understood, it will be difficult to reach firm conclusions about the changing Medicaid caseloads and their effect on the number of uninsured."[10]

This problem of underreporting of government benefits also undermines estimates of income declines for low-income families. For example, analyses of income trends involving low-income single mothers will understate their incomes because they miss an increasing percentage of welfare income.

4. Declines in income? In recent testimony before the Committee on Government Reform and Oversight, Wendell Primus said, "While some poor single mother families have been able to maintain or raise their income levels because of increased earnings and the expanded EITC, other poor single mother families' incomes have fallen substantially and they are now deeper in poverty than earlier in the decade."[11] As we will see, on the basis of available evidence, one should not conclude that "incomes have fallen *substantially*" for a large number of families. (emphasis added)

Such estimates are tremendously dependent on the assumptions embedded in the analysis. For example, Dr. Primus's initial estimates did not include a correction for the growing deterioration of the accuracy of the CPS in reporting welfare payments. I understand that he has now made a correction for this problem. His current numbers, which I have not seen, now suggest a small decline in incomes for some groups of low-income mothers. My judgement is that the declines he finds are too small—

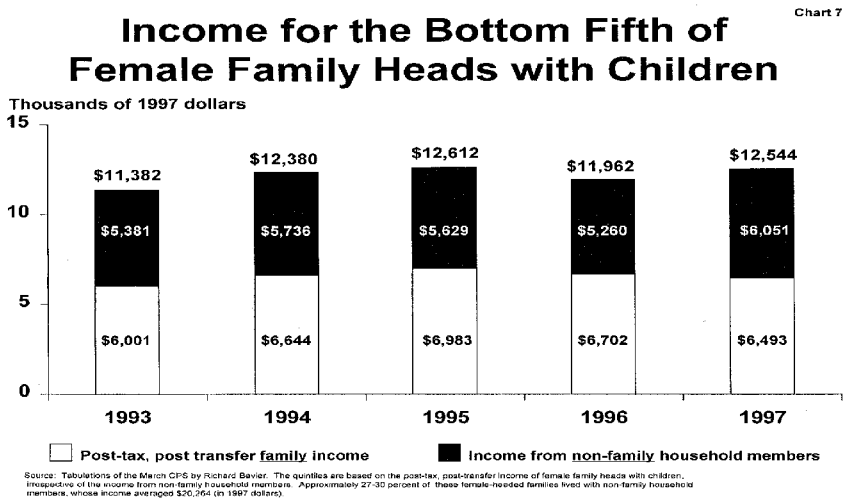
[9] The Census Bureau cautions that "In the Current Population Survey (CPS), Medicare and Medicaid coverage estimates are underreported, compared with enrollment and participation data from the Health Care Financing Administration (HCFA). A major reason for the lower CPS estimates is the fact that CPS is not designed to specifically collect health insurance data. Instead, it is largely a labor force survey, with minimum interviewer training on health insurance concepts. Data from HCFA represent the actual number of people who were enrolled or participated in these programs and is therefore a more accurate source of data on levels of coverage." *See* Robert L. Bennefield, *Health Insurance Coverage: 1997* (Washington, D.C.: U.S. Department of Commerce, Bureau of the Census, September 1, 1998), pp. 6–7.

[10] Kimball Lewis, Marilyn Ellwood, and John L. Czajka, "Counting the Uninsured: A Review of the Literature," The Urban Institute, June 1998.

[11] Wendell Primus, Testimony before the Committee on Government Reform and Oversight, April 22, 1999. Dr. Primus also asserted that, "Between 1995 and 1997, the economic status of persons in the bottom decile declined. The average incomes of families in the poorest decile fell by almost $1,000, a statistically significant decline of 16.3 percent."

and too dependent on the assumptions that any analyst would make—to be the basis of policy.

But Dr. Primus's analysis did encourage us to look further at what was happening in the female-headed families with the lowest incomes. His research showed than many of them had zero incomes. That is, they neither had earnings from work, nor income from investments, nor did they receive welfare benefits. But they were also not homeless, nor in shelters. My next chart helps explain what is happening. (Chart 7.)



Based on data from the CPS, as analyzed by Richard Bavier of the Office of Management and Budget, it appears that about 30 percent of the female family heads with children in the bottom fifth of the income distribution (based on post-tax, post-transfer *family* income) were living with other non-family household members. The average income of these household members was over $20,000, with some much higher.

Adding this "household income" to the families that Dr. Primus said lost income suggests that the households containing these families have at least held their own—and perhaps improved their situation. (Remember, this is only reported income.)

This explains, by the way, why as many as a third to half of the mothers who leave welfare do not report that they are working. TANF has raised the "cost" of being on welfare, as described above, and these women are simply deciding to forego the heightened "hassle" of being on welfare. They can leave welfare because someone else—usually a boyfriend—is supporting them or will support them. This brings me to my final point.

COHABITATION AND MARRIAGE PENALTIES

Cohabitation was once unusual and largely limited to low-income and less-educated couples, whereas now it is more mainstream. In the mid 1950s, for example, cohabitors were five times more likely to be high school drop outs than college graduates, but in either case, the proportions were low (5 percent vs. 1 percent). By the mid 1980s, the figures were strikingly higher (45 percent vs. 22 percent), with the difference cut almost in half.[12]

[12] Data from the National Survey of Families and Households shows that about 5 percent of people with less than a high school education, and who were born between 1928 and 1932 lived in a cohabiting relationship prior to age twenty-five (somewhere between 1953 and 1957). The corresponding figure for persons with a college education born during the same time frame was less than 1 percent. Among the cohort born between 1958 and 1962 (who hit age twenty-five between 1983 and 1987) the chances of cohabiting before age twenty-five increased dramatically. A little over 45 percent of people with less than a high school education born between these years cohabited before age twenty-five, compared to 35 percent of those with some college education and about 22 percent of those with a college degree. Thus, over the thirty year period the differences in cohabitation rates between the least and most educated were reduced from

The foregoing statistics are for women who have "ever" cohabited. What about "current" cohabitations? In 1995, about 7 percent of women were currently cohabiting.[13] Larger numbers of mothers on welfare report that they are cohabiting, between 9 and 24 percent,[14] depending on the survey question. According to the Panel Survey of Income Dynamics, for example, 9 percent of welfare mothers were cohabiting in 1987. This included 18 percent of welfare mothers under thirty, with less than a high school education, and with children under age eighteen.[15]

Finally, according to preliminary data from the Fragile Families study of unmarried parents in twenty-two major American cities,[16] as many as half of the children born out of wedlock may have an unwed father living at home."[17] Similarly, Larry Bumpass and Hsien-Hen Lu, of the Center for Demography and Ecology at the University of Wisconsin-Madison, report that according to the National Survey of Family Growth about 41 percent of births to unmarried mothers from 1990 to 1994 were to women who were currently cohabiting.[18]

To some extent, cohabitation—"informal marriage," in the phrase some analysts use—is a reality of the modern world. Increasing numbers of affluent couples around the world are choosing to forego marriage. However, these "unions" tend to be less stable than marriages, and therefore less nurturing for children. I don't know how (or whether) the government should encourage marriage, but I do know that it should not discourage marriage. But that it just what it does with the marriage penalties embedded in the Earned Income Tax Credit (EITC) and our refusal to conform child support laws to the realities of life for low-income families.

I know that many members of congress are concerned about the marriage penalties embedded in our tax laws. As a percentage of household income, those penalties pale when compared to the penalties faced by welfare recipients and the working poor. According to Eugene Steuerle of the Urban Institute, for example, "the marriage penalty faced by a young couple consisting of a man who is working full time at the minimum wage and a mother on welfare with two children. He concluded that, if they marry, the new family's combined earnings plus benefits would be $16,194, or $3,862 (almost 20 percent) less than the couple's premarriage income."[19]

If we do not examinine what is happening in these households, we will miss half of what is happening under welfare reform.

I sincerely recommend that, *in addition to worrying about good jobs for former welfare recipients, we also worry about the well-being (and safety) of these informal unions—and do the best we can to strengthen them by removing the obstacles to marriage embedded in our welfare laws.*

Thank you.

Data Sources and Assumptions

Spending is converted to 1998 dollars using the CPI–U, including projections from the Budget of the United States, Fiscal Year 2000.

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80 percent to about 50 percent. [Andrew J. Cherlin, *Marriage, Divorce, Remarriage* revised and enlarged edition (Cambridge, Mass.: Harvard University Press, 1992), p. 12.]

[13] National Center for Health Statistics, *Fertility, Family Planning, and Women's Health: New Data From the 1995 National Survey of Family Growth,* by Joyce C. Abma, Anjani Chandra, William D. Mosher, Linda S. Peterson, and Linda J. Piccinino (Hyatsville, MD: U.S. Department of Health and Human Services, 1997), Table 33.

[14] Robert A. Moffitt, Robert Reville, and Anne E. Winkler, "Beyond Single Mothers: Cohabitation, Marriage, and the U.S. Welfare System." (Discussion paper #1068–95, Madison, Wisc., University of Wisconsin-Madison, Institute for Research on Poverty, July 1995), pp. 5–6.

[15] Ibid. These figures may be as much as one-third higher, however, if they are calculated as the proportion of *unmarried* women who receive welfare as opposed to the proportion of all women who receive welfare.

[16] Julien Teitler, "Father Involvement, Child Health, and Maternal Health Behavior." (Paper prepared for the Urban Seminar on Children's Health and Safety, Cambridge, Mass., April 23–24, 1999), Table 1.

[17] Julien Teitler, "Father Involvement, Child Health, and Maternal Health Behavior." (Paper prepared for the Urban Seminar on Child's Health and Safety, Cambridge, Mass., April 23–24. 1999), p. 5.

[18] Larry Bumpass and Hsien-Hen Lu, "Trends in Cohabitation and Implications for Children's Family Contexts in the U.S." (CDE Working Paper No. 98–15, Madison, Wisc., University of Wisconsin-Madison, Center for Demography and Ecology, March 1999), p. 13.

[19] Douglas Besharov and Timothy Sullivan, "Welfare Reform and Marriage," *The Public Interest,* No. 125 (Fall 1996), p. 88.

Head Start: For FY1981–1996, appropriations; source: Administration for Children and Families. For FY1997–98, obligations and for FY1999–2004, budget authority; source: Budget of the United States, Fiscal Year 2000. The budget authorized Head Start funding for FY2000 only, thus the "President's Increase" reflects the increase in spending for FY2000 above the inflation-adjusted FY1999 level. Although Head Start has a 20 percent matching requirement, this can be in-kind or waived, and it was not included here.

Child and Adult Care Food Program (CACFP): For FY1981–1997, outlays; source: various editions of the Budget of the United States. For FY1998–2004, budget authority; source: Congressional Budget Office.

Social Services Block Grant (SSBG): Child care spending was estimated to be 20 percent of the SSBG in FY1997 (Children's Defense Fund, "Federal and State Government: Partners in Child Care," October 24, 1997); this assumption is applied to spending throughout the entire period. For FY1981–1997, outlays; source: Historical Tables, Budget of the United States, Fiscal Year 1999. For FY1998–2000, budget authority; source: Budget of the United States, Fiscal Year 1999. For FY2001–2004, budget authority, source: Congressional Budget Office, H.R. 2400, Transportation Equity Act for the 21st Century, CBO pay-as-you-go estimate.

JOBS Child Care and Transitional Child Care (TCC): For FY1991–1996, federal and state outlays are included; source: Committee on Ways and Means, *1998 Green Book*, for federal outlays; state spending is estimated assuming that federal outlays are 56 percent of total spending.

At-Risk Child Care: For FY1991–1996, federal and state outlays are included; source: *1998 Green Book*, for federal outlays; state spending is estimated assuming that federal outlays are 56 percent of total spending.

Child Care Development Block Grant (CCDBG): For FY1991–1996, outlays; source: Congressional Budget Office.

Child Care Development Fund (CCDF): For FY1997, federal budget authority and state matching funds; source: Budget of the United States, Fiscal Year 1999 and Administration for Children and Families data on FY1997 state allocations for the CCDF. For FY1998–2000, federal budget authority and state matching funds; source: Budget of the United States, Fiscal Year 2000 and Administration for Children and Families data on FY1998–2000 state allocations for the CCDF. For FY2001–2004, federal budget authority and maximum state matching; source: Budget of the United States, Fiscal Year 2000 and author's calculations of state spending based on Administration for Children and Families data on FY1997–2000 state allocations for the CCDF. State spending was estimated by assuming that the federal "Child care entitlement to states" amount represents 57 percent of total spending. This assumes that states spend all of their guaranteed federal entitlement (about $1.2 billion) plus their entire MOE amount (the amount they spent of their own funds in FY1994 or FY1995, whichever is higher, under the previous AFDC-related child care programs). In addition, it includes the state share of matching funds for the remaining entitlement funds. Finally, an additional $1.2 billion in discretionary federal funds is authorized for each year. The "President's Increase" for FY2000–2004 reflects an additional $7.5 billion over five years plus state matching funds, assuming a 20 percent state match rate; source: Budget of the United States, Fiscal Year 2000. Although the budget does not specify a match rate, analysts at the Office of Management and Budget and the Congressional Budget Office indicated a 20 percent state match rate would be applied.

TANF Transfers and Expenditures: For FY1998, Congressional Research Service, Data on Temporary Assistance for Needy Families (TANF) and Child Care and Development Fund (CCDF) Expenditures, statement of Gene Falk before the Subcommittee on Human Resources, House Committee on Ways and Means, March 16, 1999. For FY1999–2004, 1998 amount was inflation adjusted over five years.

Unspent TANF Funds: For FY1997–2004, Congressional Budget Office, Spending Projections for the Temporary Assistance for Needy Families Program and Federal Child Care Programs, Paul Cullinan, Unit Chief, Human Resources Cost Estimates Unit, Budget Analysis Division, Congressional Budget Office, statement before the Subcommittee on Human Resources, House Committee on Way and Means, March 16, 1999. TANF is a block grant, therefore annual unspent TANF funds decrease over the years as a result of inflation, population growth and other factors (communication with Paul Cullinan, Unit Chief, Human Resources Cost Estimates Unit, Budget Analysis Division, Congressional Budget Office, May 12, 1999).

President's Early Learning/School-Age Proposal: For FY2000–2004, Overview of Additional Funding Proposed in Administration's 1999 Child Care Initiative, FY2000–FY2004, in *Child Care Issues in the 106th Congress,* Congressional Research Service.

The estimated number of children leaving AFDC/TANF, by age group, was estimated by subtracting the estimated number of children on TANF, by age group, in December 1998 from the number of children on AFDC, by age group, in 1994. The 1994 data are reported in ACF's "Characteristics and Financial Circumstances of AFDC Families: FY 1994." This information is not available for December 1998, the last month for which data on the number of TANF recipients are available. According to ACF, there were about 7,600,000 TANF recipients in December 1998. Historically, about 70 percent of the recipient caseload was composed of children, so there were about 5,300,000 child recipients in December 1998. The age distribution of children was last reported by ACF for the first nine months of fiscal year 1997. It was assumed that the same distribution would apply in December 1998. With the number of children in each age group for each time period, the difference was used as a proxy for the number of children who potentially need child care as a result of the caseload decline.

It was assumed, from a review of leavers' studies, that (at most) 65 percent of those not on the rolls would be employed. It was also assumed that 70 percent of those working worked full-time and 30 percent worked part-time. (This was not an empirically based assumption, but was deemed reasonable since part-time work would often not generate enough in earnings for a case to "leave" the rolls.) These percentages were applied to each age category.

Child care costs were estimated separately by age of child and whether the employment was full-time vs. part-time. Census data from 1993 were used to derive these estimates. The cost of part-time care was about 60 percent of the cost of full-time care. The cost per school-age child was about 70 percent of the cost per preschooler. However, because the costs vary by a number of factors, such as poverty, and the cross-tabulations available were limited, these estimates should be viewed as proxies. All estimates are adjusted by the CPI–U and reported in 1998 dollars.

For preschoolers, child care needs followed the work patterns of parents. Full-time work was assumed to require full-time child care and part-time work would require part-time child care. For four year olds and above, however, the cost of care for children with full-time earners was based on the part-time cost of child care, since the children were assumed to be in Head Start or school most of the time. For children with part-time earners, the cost of care was assumed to be one-quarter the rate for part-time employment, since these children were assumed not to need child care during the school year, but only for 3 months over the summer.

Census data for all families that *use* child care. The annual cost of full-time care for preschoolers was estimated at $4,100 and the cost of part-time care was estimated at $2,900. About 63 percent of child care arrangements for preschoolers are paid when the work is full-time and about 41 percent of child care arrangements are paid when the work is part-time. Thus, the average cost was reduced to reflect the fact that a considerable amount of child care provided is at no cost to the family. Thus, the average across all preschoolers (including those who do not pay for child care) was estimated to be $2,583 for full-time care and $1,189 for part-time care. A similar procedure was applied to school-age children. For school-age children, the cost of part-time care for those with full-time working parents was estimated to be $1,740 and for those whose parents are working part-time, it was estimated to be $435. Applying the 41 percent estimate for those who pay for child care results in an estimated $714 for school-age children whose parents work full-time and $178 for those whose parents work part-time.

Census data for those families that *pay* for child care. This estimate assumes that all children classified as "leavers" need paid child care. Thus, the cost for preschoolers is estimated at $4,100 per child for full-time care and $2,900 for part-time care. The respective numbers for school-age children were $1,740 and $435. (The assumptions for these numbers were described above.) Assuming that all children who potentially need child care use paid child care overstates the actual cost needed to provide child care to these children.

Costs under Child Care Development Fund (CCDF). These child care costs were estimated by dividing the total cost of the CCDF program by the average monthly number of children in child care subsidized by the program. Full-time and part-time payments were approximated by examining state payment schedules.

Head Start and Head Start-Like Services. The estimated cost for part-time care under Head Start is $5,411 based on program data and discussions with ACYF and Head Start officials. For full-time Head Start care, the cost per child was estimated at $14,000. This was based on discussion with ACYF and Head Start officials and a report by the General Accounting Office. (GAO, "Head Start Programs: Participant Characteristics, Services, and Funding Letter Report," March 31, 1998, GAO/HEHS–98–65.) The cost increase is based on taking a program that currently runs part-time, part-year to one running full-time, full-year.

Chairman JOHNSON of Connecticut. Thank you.
Welcome Ms. O'Neill.

STATEMENT OF JUNE O'NEILL, PROFESSOR OF ECONOMICS AND FINANCE; AND DIRECTOR, CENTER FOR THE STUDY OF BUSINESS AND GOVERNMENT, BARUCH COLLEGE, CUNY, NEW YORK, NEW YORK

Ms. O'NEILL. Madam Chairman, I appreciate the opportunity to testify today on welfare reform. I can only echo your comments and Doug Besharov's comments that the welfare reform legislation that passed in 1996 and the waivers that preceded it are true landmarks in social policy, and the results have certainly exceeded what I and many other long-time observers of the welfare scene anticipated would be possible. The changes have been quite dramatic, and, as you mentioned, not only in the results on caseload declines, but also in reports that confirm the relationship between the legislation and the results. Onsite investigations of welfare offices suggest that in many States the culture has really been transformed. So, it is not a sheer coincidence that these caseload changes have occurred.

My testimony addresses whether the shift off of welfare is having beneficial effects on those affected by the program change. To preview my conclusions, I find reason for a lot of optimism, even at this early stage. Single mothers are the group most closely identified with welfare. Their employment has surged as the welfare rolls have declined. Their employment gains are stronger than could be expected based on the performance of the economy alone. Many critics had doubted that single mothers would be able to adapt to the stringent work demands of the reform because of skill deficiencies in addition to child care burdens. Yet, despite these handicaps single mothers have significantly changed their lifestyles already, as a substantial proportion has shifted from welfare to work.

My comments focus specifically on labor market effects and changes in the level and composition of income for never-married women with children. First, however, I would like to point out that the plunge in the welfare caseload is likely to have occurred in part because of an acceleration of exits from the program and in part because of a slowdown in the rate of entrance onto the program. Even under the old AFDC Program, Aid to Families With Dependent Children, there was considerable turnover. Although attention is usually focused on the effects of the policy changes on welfare leaver rates, the ultimate efficacy of welfare reform is going to turn on the extent to which it will have changed the incentive structures in the program, and whether that change is enough to deter young women from entering in the first place.

It is apparent that the decline in the welfare caseload has been mirrored by a surge in labor market activity. Let me give you a few numbers. In March 1994, close to 58.5 percent of nonmarried mothers were employed. By 1998, just 4 years later, that percentage had increased to 69 percent, more than a 10-percentage point gain.

Moreover, those women who are working are working more than a trivial amount. Close to 70 percent of those who were employed

in March 1998 were full-time workers, that is, they worked 35 hours a week or more. And looking at both hours and weeks worked during the year, among those who worked at all during the year, that was in 1997, the most recent year for which we have the data, 56 percent worked full time, year round. That is a considerable work effort.

How much of this change can be attributed to welfare and how much to the economy? One way to try to answer the question is to look at changes in employment among groups of women with differing attachment to welfare. Without longitudinal data, it is difficult to do that, but we can use marital status as a proxy for welfare attachment. I would point you to my chart, which is in the back of the testimony. I have disaggregated single mothers into the usual categories. Never-married women have the closest attachment to welfare. Longitudinal data from the National Longitudinal Survey of Youth show that close to 80 percent of women with a first child born out of wedlock eventually go on welfare. So we know that this group in the past has considerable welfare attachment. However, mothers who were previously married, divorced, separated, or widowed are less likely to go on welfare. And married mothers have the lowest incidence of welfare receipt of all.

Now, as the chart shows, married mothers' work participation has increased. The chart shows the changes in employment of women in these different marital status categories over the period 1983 to 1998. You will see that married mothers' work participation has increased gradually throughout the period.

However, the employment rates of never-married and previously married mothers show a sharp upturn in employment, starting in 1993 to 1994, which is about the time that States were beginning to change their welfare programs through waivers. It is particularly striking that the employment rate of never-married mothers began to soar after 1996, the year of enactment of TANF, rising much more rapidly even than that of previously married mothers, while married women's employment rates appear to have leveled off.

If the economy was the whole story, we would expect to see much more similar patterns of change between married mothers and the two unmarried groups. Of course, a full assessment of the effect of welfare policies on the employment of women with children would need to control for the effects of the economy and State welfare policies in a much more detailed and systematic way, and, in addition, take account of demographic characteristics of women and changes in their education and skill. Together, with Terry Devine, I have been working on such a study and our preliminary results suggest that welfare policies, after controlling for all of those other factors, appear to account for one-third to one-half of the increase in employment for never-married and previously married mothers after 1995.

The other part of my comments, and I see I do not have much time to discuss them, but one point that is important to keep in mind is that wage rates, plus, of course, the amount of employment, determine the income people earn. And work, finding and keeping employment is very important, because that is an important way that work skills are obtained. There is frequently a focus

only on the earnings of single mothers when they first leave welfare. At that point in time, wages are going to be low for two reasons: one is that these women have lower skills than other people in terms of their years of school completed and their past work experience.

But the other reason is that they are new entrants to the labor force. This is true of all new entrants, whether they are immigrants, whether they are veterans who are leaving the armed forces, whether they are women, married women, who are first going to work. For example, it was apparent during the sixties and seventies that married women, who initially entered the labor force with low earnings, pulled down the average earnings of women on the whole. So it was assumed that the earnings of experienced women were falling, particularly compared to that of men. But that was not really the case. It was only because there was a compositional change—an influx of inexperienced women.

But eventually, new entrants, if they hang in there, develop work experience and their earnings rise.

Chairman JOHNSON of Connecticut. I think this is something we will have to come back to.

Ms. O'NEILL. Yes. And I think that that is beginning to be illustrated, and in looking at income data, these are important things to keep in mind. But even without adjustment, the income data that I have attached show that earnings have certainly increased as a share of the income of nonmarried women. And in addition to that, I think Doug Besharov's point should be emphasized that standard data really are not very accurate when it comes to assessing the income of people in lower portions of the income distribution.

Chairman JOHNSON of Connecticut. Thank you.

Ms. O'NEILL. And half of the never-married women lived in households that were contributing considerable amounts to the their general well-being——

Chairman JOHNSON of Connecticut. Thank you.

Ms. O'NEILL. I would certainly commend the Subcommittee not only for their role in developing the legislation in the first place, but for monitoring the results.

[The prepared statement follows:]

Statement of June O'Neill, Professor of Economics and Finance; and Director, Center for the Study of Business and Government, Baruch College, CUNY, New York, New York

Madam Chairman and Members of the Committee:

Thank you for the opportunity to testify on the effects of welfare reform. The sweeping welfare reform legislation enacted in 1996 and the associated state waivers that preceded it are landmarks in social policy. In my opinion they have begun to bring positive solutions to problems that not too long ago had seemed intractable. The dramatic decline in the welfare caseload since 1994 is well known. Although researchers may disagree on the precise contribution of welfare reform to the decline, there is little doubt that it is responsible for much of the change.

My testimony today addresses a parallel issue—the question whether the shift off of welfare is having beneficial effects on those affected by the program change. To preview my conclusions, I find reason for optimism, even at this early stage. Single mothers are the group most closely identified with welfare. and their employment has surged as the welfare rolls have declined. Their employment gains are stronger than could be expected based on the performance of the economy alone. Many critics had doubted that single mothers would be able to adapt to the stringent work demands of the reform because of skill deficiencies in addition to child care burdens.

Yet despite these handicaps single mothers have significantly changed their lifestyles as a substantial proportion has shifted from welfare to work.

It is useful to recall that the reason why welfare reform became an urgent policy concern in the first place was the growing realization that the old AFDC program was itself inducing long-term welfare dependency with detrimental consequences for vulnerable women and their children. Those consequences included the blunting of normal incentives for self-betterment and marriage.

The 1996 federal legislation that created Temporary Assistance for Needy Families (TANF) and the preceding State initiatives implemented through the waivers were intended to change the perception of welfare from a long-term means of support to a temporary helping hand. Although earlier efforts had also aimed to move recipients to jobs, they had done so mainly by trying to enhance the skills of recipients through training programs, leaving in place the basic entitlement to welfare and the financial incentives to claim it. By contrast, the new welfare reform has terminated the entitlement status of welfare, converting it instead to a State block grant, and it has imposed stringent conditions such as a lifetime limit of 60 months for receipt of TANF benefits and a requirement that adult recipients engage in proscribed work activity within 24 months of welfare receipt. States have moved to the foreground in the design and implementation of welfare programs and many States have taken the opportunity to transform the organizational culture of their programs. One example is the successful transformation of Massachusetts's program through its "Chapter 5" welfare reform implemented by Governor Weld, which has been detailed by my colleagues M. Anne Hill and Tom Main in their study "Is Welfare Working? The Massachusetts Reform Three Years Later."

The momentous changes in the welfare program have not gone unnoticed and researchers around the country have begun to evaluate the results. I will briefly review some of the results of analysis that I have conducted together with colleagues. I will focus specifically on labor market effects and changes in the level and composition of income for non-married women with children, the basic groups which makes up more than 90 percent of the welfare caseload.

First, however, I would like to point out that the plunge in the welfare caseload since 1994 undoubtedly occurred in part because of an acceleration in exits from the program and in part because of a slowdown in entrants onto the program. Even under the old AFDC program there was considerable turnover. Close to half of those who went on welfare did not accumulate more than five years on the program (frequently involving more than one spell), although 35 percent stayed on for more than seven years. The time limit directly aims to reduce welfare duration. The work requirement reinforces that aim and promotes self-sufficiency. Although attention is often focussed on the effects of these policy changes on the welfare leaver rate, the ultimate efficacy of welfare reform will turn on whether it will have changed the incentive structure of the program enough to deter young women from entering in the first place.

CHANGES IN EMPLOYMENT

It is apparent that the decline in the welfare caseload has been mirrored by a surge in labor market activity among unmarried mothers with children under age 18. In March of 1994, 58.5 percent of non-married mothers were employed; by 1998 that percentage had increased to 69.2 percent—more than a 10 percentage point gain. Moreover, these women are working much more than a trivial amount. Close to 70 percent of those who are employed are now full-time workers—that is, they work 35 hours or more a week. And looking at both hours and weeks worked during the year, among those who worked at all during the year, 56 percent worked full-time and year-round in 1997.

How much of this change can be attributed to welfare reform? Clearly the booming economy is likely to have played a role. One simple way to try to answer the question is to look at changes in employment among sub-groups of women with differing attachment to welfare. Mothers who have never married have had a high propensity to go on welfare. Using data from the National Longitudinal Survey of Youth (NLSY) I find that close to 80 percent of women with an out-of-wedlock first birth eventually have gone on welfare. However, mothers who were previously married—that is, divorced, separated or widowed—are less likely to have been on welfare. And currently married mothers have had the lowest incidence of welfare receipt of all.

I would like to direct you to the Chart at the end of my Statement which shows the percentage of mothers employed by these marital status categories. The chart indicates that married mothers' work participation has increased gradually throughout the period 1983 to 1998, while never-married and previously married mothers

show a sharp upward turn in employment starting in 1993–1994, a time when the states were beginning to change their welfare programs through waivers. It is particularly striking that the employment rate of never-married mothers began to soar after 1996, the year of enactment of TANF, rising much more rapidly than even that of previously married mothers, while married women's employment rates appeared to have leveled off. If the economy was the whole story we would expect to see much more similar patterns of change between married mothers and the two unmarried groups.

Of course a full assessment of the effect of welfare policies on the employment of women with children would need to control for the effects of the economy and State welfare policies in a more detailed and systematic way and in addition take into account changes in the demographic characteristics of women, such as the number and ages of their children, and changes in their education and skill levels. Theresa Devine and I have been conducting such a multivariate analysis examining the entire period 1984–1998. Our preliminary results suggest that after controlling for year to year changes in unemployment in a woman's state of residence along with other economic, demographic and human capital variables, welfare policies appear to account for one-third to one-half of the increase in employment for never-married and previously married mothers after 1995.

EARNINGS AND INCOME

A key issue in evaluating welfare reform is the extent to which persons with the attributes of welfare recipients can actually become self-sufficient. Finding and keeping employment is one component of self-support; the other is the wage rate of jobs obtained. The two are related, since work experience and the skills acquired on the job have significant positive effects on earnings. Moreover, a woman who stays on welfare long term will not only lose the experience she could have gained while working, but may also find that skills acquired in school or obtained from early work experience have eroded over time. For those reasons, women who leave welfare for work are likely to earn less than women who were never on welfare in the first place, even if they had similar years of schooling and skill attainment.

Welfare recipients, however, have lower skills than other women as reflected in a higher high school dropout rate, a much lower rate of post secondary schooling and much weaker performance on achievement tests such as The Armed Forces Qualifications Test (AFQT). Therefore, it is to be expected that the annual earnings of women who leave welfare may initially be considerably lower than those of other women. But if former recipients persist in the labor force, the gap between their earnings and those of other workers never on welfare, is likely to narrow over time.

Data on the earnings and incomes of unmarried mothers in 1997 and 1988 permit a comparison of a post welfare reform year with a pre-reform year that is also at a peak in the business cycle. Tables 1 and 2 show the comparison for never married and for previously married mothers respectively. The income data are expressed in 1997 dollars and only cash income sources are included.

Among never-married women the declining role of welfare is apparent. In 1988, 48 percent received welfare benefits; in 1997, only 31 percent did. Because the average welfare benefit also declined for those receiving it (perhaps because of fewer months of collection during the year) welfare declined even more sharply as a share of total income, accounting for only 8.5 percent in 1997 (down from 22 percent). However, both the percentage with earnings and the average value of earnings for recipients increased over the decade, and as a result the share of income from earnings grew to 79 percent. The percentage receiving child support increased sharply, but is still incredibly low—only 19 percent. There was also an increase in SSI, although that remains a minor source of income over all. On balance, the average income of never married mothers increased by $2000 to $13,100. Because these amounts exclude all non-cash sources of income and also exclude the Earned Income Tax Credit (EITC) they do not give a complete picture. While food stamp benefits are likely to have declined with rising earnings, income from the EITC is likely to have increased, both because of the increase in women with earnings and the increase in the generosity of the EITC. (Between 1989 and 1997 the average EITC payment per recipient for heads of household—largely single parents—increased in real terms from $760 to $1902.)

The income picture for never-married mothers is incomplete in other ways as well. About six percent report no income from any source of their own. But a substantial proportion are part of families and households with other sources of income. Thus in 1997 about 48 percent were part of households in which other household members added $27,500 in income.

Previously married women have more education and are likely to have had more work experience because of their lower welfare participation. Consequently their earnings and total money incomes are considerably higher than those of never-married mothers. The composition of their incomes also has shifted to more income from earnings and less from welfare, but the change is smaller because their welfare dependence was always at a lower level than that of never-married mothers.

On average, the incomes of unmarried mothers have improved over the past decade. Even the incomes of never-married mothers show a gain. Fortunately, the dire predictions of some skeptics have not materialized. In the short run, difficulties could have been anticipated. Women coming off welfare likely added significantly to the low skill labor force in certain areas and that could have depressed wages. Undoubtedly the booming economy helped. But it should be recognized that in time new entrants to the labor force gain experience and that will boost their future earnings.

In conclusion, the initial changes surrounding the implementation of welfare reform provide grounds for optimism that the old welfare system and the dysfunctional behavior that it engendered may finally begin to wane. This committee is to be commended both for their role in the development of the legislation and for their continued monitoring of the results.

Table 1

ANNUAL CASH INCOME AND ITS COMPONENTS
NEVER MARRIED MOTHERS AGES 18 TO 44
(1997 dollars)

	1988			1997		
	Percent With Source	Average Income from Source for Recipients	Share of Aggregate Income (Percent)	Percent with Source	Average Income from Source for Recipients	Share of Aggregate Income (Percent)
Mother's Own Income						
Earnings	56.6	$12,600	69.8	73.5	$13,200	79
Welfare benefits	48.2	$4,700	22.2	30.5	$3,400	8.5
SSI	2.4	$4,500	1.1	4.5	$5,300	1.9
Child support	11.2	$1,700	1.9	18.8	$2,300	3.5
Other	34.3	$1,500	5.1	33.7	$2,600	7.1
Total	93.7	$10,900	100	93.8	$13,000	100
Family income net of mother's	37.6	$27,300	50.1	32.9	$28,700	43.4
Total Family Income	98.6	$20,800	100	97.1	$22,400	100
Household income net of mother's	49.3	$26,000	55.6	47.5	$27,500	51.4
Total Household Income	99.5	$23,200	100	98.6	$25,700	100

Source: Current Population Survey

Table 2

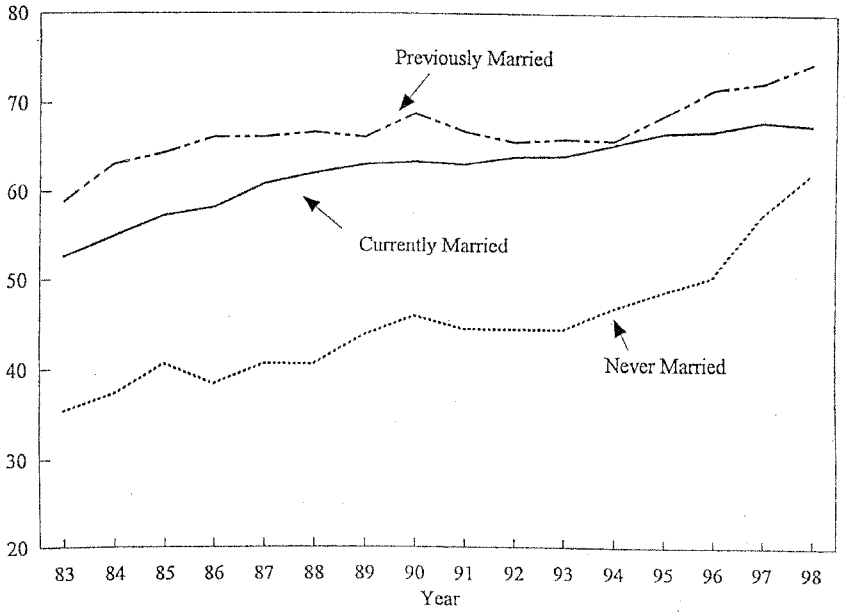
ANNUAL CASH INCOME AND ITS COMPONENTS
FOR PREVIOUSLY MARRIED MOTHERS AGES 18 TO 44
(1997 dollars)

	1988			1997		
	Percent With Source	Average Income from Source for Recipients	Share of Aggregate Income (Percent)	Percent with Source	Average Income from Source for Recipients	Share of Aggregate Income (Percent)
Mother's Own Income						
Earnings	77.1	$18,700	76.6	81.7	$20,000	79.2
Welfare benefits	24	$4,700	6	15.9	$3,600	2.8
SSI	2	$5,200	0.5	4.3	$5,300	1.1
Child support	35.5	$3,800	7.1	38.4	$4,100	7.6
Other	59.2	$3,100	9.7	46.9	$4,100	9.3
Total	97.1	$19,400	100	96.3	$21,400	100
Family income net of mother's	32.3	$17,100	22.7	32.6	$17,600	21.8
Total Family Income	98.7	$24,700	100	98.3	$26,800	100
Household income net of mother's	42.5	$20,600	31.7	46.9	$22,300	33.7
Total Household Income	99.3	$27,800	100	98.7	$31,500	100

Source: Current Population Survey

Employment Rates of Women Ages 18-44 with Children under 18, by Marital Status

Percent of Mothers Employed in March (Current Population Survey)



Source: Theresa Devine and June O'Neill, paper presented at meetings of the American Economic Association, Jan., 1999

Chairman JOHNSON of Connecticut. Thank you. Thank you. Wendell, welcome back.

STATEMENT OF WENDELL PRIMUS, DIRECTOR OF INCOME SECURITY, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. PRIMUS. Thank you. Chairman Johnson and Members of the Subcommittee, thank you for this hearing and the invitation to testify on the impact of welfare reform.

My testimony today draws upon a larger study that the Center will be releasing in the near future. Participation in AFDC and food stamp programs began to decline in 1994. This decline was gradual until 1996, and then accelerated sharply after the enactment of the welfare law. And because of that, the conventional wisdom is welfare reform is working well.

Caseload reduction, however, is a very inadequate measure of success. The ultimate criterion should include whether the economic well-being of children and families has been enhanced.

Over the past several years, two major trends have influenced the economic well-being of the Nation's poorest families with children. Strong economic growth, unusually low unemployment rates, continued expansion of the EITC, expanded availability of Medicaid coverage, and welfare policy changes have contributed to an in-

crease in employment. Other changes in the policies of means-tested programs—increased sanction rates, diversion policies, restricted eligibility for legal immigrants has led to a dramatic decrease in the number of families receiving public assistance, many who have left without having a job.

This analysis uses Census data as well as administrative data to make an assessment. We employ the same methodology as the CBO has done in its analysis of family income, and we use a comprehensive measure of income. We have three major findings, and it really it is a tale of two time periods.

If you look at that first chart, the caseload declines in AFDC basically match the decline in poverty between 1993 and 1995. But between 1995 and 1997, the decline in people receiving cash plummeted by 22 percent, and yet the decline in poverty was only 5.4 percent for single-mother families.

The next chart shows exactly the same pattern for food stamps. The caseloads declined here sharply between 1993 and 1995 versus 1995 and 1997. Again, you can see that same pattern. Poverty declined and food stamps declined at the same rate between 1993 and 1995, and then very sharp declines in caseload between 1995 and 1997. And not that much of a change in poverty.

What has this meant for incomes? Between 1993 and 1995, the average earnings and incomes of single-mother families increased substantially. The increases were particularly large for the poorest 60 percent, or three quintiles, of persons in single-mother families. They experienced double digit gains in disposable income.

And the chart here shows that even the income of the bottom quintile increased by 13.7 percent.

But then the picture changes. Between 1995 and 1997, the poorest single-mother families experienced a significant decline in their disposable income, primarily due to sizeable declines in welfare assistance and food stamps. For the poorest quintile, income fell by $660. About 80 percent of this, or $540, was due to the decline in means tested assistance. For the poorest 10 percent of persons in single mother families, average income declined by $860. This represents a decline of 15.2 percent, and, again, about 80 percent of this was due to a decrease in the average amount of means tested assistance.

June and Doug are right that our instrument is not the best, but we have tried to adjust these numbers for underreporting.

The next to the poorest fifth had earnings increases of $900 between 1995 and 1997, and an average EITC increase of $400 per family. But these gains were completely offset by a loss of $1,580 in means tested assistance.

As a result, also the antipoverty effectiveness changed between 1995 and 1997. In 1997, seven hundred thousand fewer children were lifted out of poverty than in 1995. And about two-thirds of that was offset by the increase in the effectiveness of the EITC. It illustrates a simple point: that when you strengthen a program, you get more poverty reduction; when you weaken it, you get less.

These findings should be considered an issue. We would like to see if they are confirmed when we get the 1998 CPS, Current Population Survey, data, when SIPP, the Survey of Income and Pro-

gram Participation, becomes available—the 1997 SIPP becomes available later.

I think the conclusion I would reach from this is that there is no doubt that the average income of a significant number of the poorest single-mother families is lower in 1997 than 2 years earlier compared to their counterparts. And this is a very surprising and unanticipated finding, given the strong economic growth. And when I look at that chart and say what is going on here? The only policy change I can come to is the difference in the decline in the number of people getting welfare assistance.

So, Chairman Johnson, I am not here today to argue that welfare reform has been a complete failure. I think you have done the right thing by writing to States and saying to spend their surplus TANF money wisely. And I think the administration has also done the right thing by changing the final TANF regulations considerably. What I think these data suggest is that we make a midcourse correction, and that we deemphasize caseload reduction and emphasize the goal of increasing the welfare, the income, of our poorest single-mother families with children. And we have to do that by making sure that families who are entitled to Medicaid and food stamps actually receive that assistance.

My further suggestion would be that the high performance bonus that the Secretary controls under the law be changed to reward States that have increased the number of children getting food stamps among the working poor and that have increased the amount of children getting Medicaid and emphasize poverty reduction in addition to emphasizing work. And I think there are also some other suggestions I will make. But I think, again, some families have been hurt by welfare reform. I think no matter how you cut the data, that will stand up. I would like to see it change in the future if we do change some things that are going on in State welfare offices. And, yes, some families are better off. But it is a very mixed picture right now. And it is way too early to pronounce welfare reform an unqualified success.

Thank you.

[The prepared statement and attachments follow:]

Statement of Wendell Primus, Director of Income Security, Center on Budget and Policy Priorities

Mr. Chairman and Members of the Subcommittee on Human Resources of the Committee on Ways and Means:

I very much appreciate your invitation to testify on the impact of welfare reform on low-income families. My name is Wendell Primus and I am Director of Income Security at the Center on Budget and Policy Priorities. The Center is a nonpartisan, nonprofit policy organization that conducts research and analysis on a wide range of issues affecting low-and moderate-income families. We are primarily funded by foundations and receive no federal funding.

My testimony today will draw on some preliminary findings from a much larger analysis of the initial impacts of welfare reform that is nearing completion and will be released by the Center on Budget and Policy Priorities in the near future.

INTRODUCTION

Participation in the Aid to Families with Dependent Children (AFDC) and food stamp programs began to decline in 1994; this decline was gradual until 1996 and accelerated after enactment of the federal welfare law. Because AFDC (which has been replaced by the Temporary Assistance to Needy Families or TANF block grant) and food stamp participation have declined so sharply, the conventional wisdom is that the federal welfare law and state welfare reforms are working very well.

Caseload reduction alone, however, is an inadequate measure of the success of welfare reform. The ultimate criteria should include whether the economic well-being of children and families has been enhanced. For that to occur, the loss of benefits would have to be more than offset by increases in other sources of income: through increased labor force participation and earnings of custodial parents, increased child support collections received by custodial parents, or an increase in the number of children who reside with both parents.

Over the past several years, two major trends have influenced the economic well-being of the nation's poorest families with children. First, strong economic growth, unusually low unemployment rates, continued expansion of the Earned Income Tax Credit (EITC), expanded availability of Medicaid coverage for children in low-income working families, and welfare policy changes have contributed to an increase in employment among poor families. Second, at the same time, other changes in the policies of means-tested programs[1] (e.g., increased sanction rates, diversion policies, and restricted eligibility for legal immigrants) have led to a dramatic decrease in the number of families receiving public assistance, many of whom have left without having a job.

Data that begin to shed light on the combined effect of these divergent trends on the economic well-being of poor families with children are just becoming available on a national basis. This study focuses on the effects on single-mother families and their children, as reflected in Census data.

These data show that the disposable incomes of single-mother families rose substantially and across-the-board from 1993 to 1995. The data from 1995 to 1997, which cover the period from just before passage of the federal welfare law in 1996 to just after, tell a different and less promising story. Despite continued growth in the national economy and further expansion in the EITC, the average disposable income of the poorest fifth of single-mother families *fell* during this two-year period, with a substantial drop in means-tested benefits the primary contributing factor. The average disposable income of the next-to-the-bottom fifth of single-mother families was unchanged—earnings and EITC gains were completely offset by declines in means-tested assistance, leaving the families no better off.

Data Sources and Methodology Issues

This analysis uses the Census Bureau's Current Population Survey (CPS) data as well as administrative data from means-tested programs to examine trends in the economic well-being of mothers and children in single-parent families, with a particular focus on the poorest single-mother families. We examine a cross-section of families each year.[2] We measure the welfare receipt and income of a cross-section of families over the four years from 1993 to 1997, a period of sustained economic growth and increasing employment. This analysis examines how the average income of single-mother families changed between 1993 and 1995, a time when many states were implementing state welfare reform policy through waivers, and also examines changes in the economic status of these families between 1995 and 1997, the year prior to and the year after enactment of the federal welfare law. During the second period, state-level reforms began taking effect on a larger scale, and program participation fell sharply.

To examine changes in the economic well-being of single-mother families by income level, we first array all single-mother families from poorest to richest by their incomes, adjusted for family size. (The methodology used is identical to that employed by the Congressional Budget Office in its analyses of family incomes.) We use a comprehensive measure of income, which includes as income the approximate cash value of food stamps, school lunch, and housing assistance, and EITC benefits, and deducts state and federal income taxes as well as payroll taxes. This is similar to the recommendations of a distinguished National Academy of Sciences panel in 1995 concerning how to count income when measuring poverty.

As noted, we divided the population into groups of equal size (such as fifths or tenths of the population) and compared the average income of persons in one part of the distribution in a given year to the average income of persons in the same part of the income distribution in another year. For example, the average incomes of those in the poorest fifth of single-mother families in 1995 can be compared to the average income of those in the poorest fifth of single-mother families in 1997. Each

[1] Means-tested programs include cash assistance such as welfare and SSI as well as non-cash means-tested programs including food stamps, school lunch, and housing assistance.

[2] The study does not follow the same families over several years; it is not a longitudinal study. The Current Population Survey is not a longitudinal survey. The CPS examines a representative sample of families, including low-income families, each year.

tenth, or decile, of individuals in single-mother families consists of about three million individuals. Each fifth, or quintile, includes about six million people.

The analysis examines changes in the average incomes of single-mother families throughout the income distribution but with a special emphasis on the bottom three-fifths of single-mother families, most of which are eligible for means-tested benefits. All of the single-mother families in the bottom three quintiles have disposable incomes of below 155 percent of the poverty line.

Between 1993 and 1997, the under-reporting of means-tested benefits in Current Population Survey increased. Under-reporting of income occurs when the total amount of benefits from a means-tested benefit, as reported in the Current Population Survey, is less than the total amount of benefits that data from the program show to have been issued. Under-reporting of means-tested benefits in the CPS is a well-known phenomenon; as long as the degree of under-reporting from year to year remains unchanged, under-reporting does not distort comparisons of data from different years. In the 1990s, however, the degree of under-reporting of income from means-tested benefits increased in the CPS. To ensure that the results of this analysis are not an artificial result of the increase in under-reporting of these benefits, this analysis adjusts both AFDC/TANF benefit receipt and food stamp benefit receipt to compensate for this decline in reporting.

The analysis does not adjust for work-related expenses incurred by single-mothers leaving welfare for work. A better measure of family well-being would take into account the fact that a family may not be better off if increased earnings are more than offset by increased work expenses such as child care. If, on the other hand government expenditures on such work supports as child care and transportation are sufficient to compensate families entering the labor force fully for their increased expenses, income gains among these families would represent true improvements in well-being. Some preliminary estimates of the annual cost of child care incurred by single mothers that have left TANF for work seem to indicate that increased government expenditures on child care have not been sufficient to fully compensate families leaving TANF for their increased child care costs.

FINDINGS

Caseload declines exceed decline in need. AFDC/TANF and food stamp participation has declined far more sharply in recent years than can be explained by increases in the earnings of poor households. For example:

- From 1995 to 1997, the number of people in single-mother families who had income below the poverty line before receipt of means-tested government benefits declined by 0.8 million people, or 5.4 percent. By contrast, the number of people receiving AFDC/TANF benefits fell by 3.0 million, or 22.6 percent.
- Similarly, from 1995 to 1997, the number of people (both in single-mother families and in other families) who had incomes below the poverty line before considering the effects of means-tested benefits fell 2.5 percent. The number of people receiving food stamps dropped by 16.6 percent, five times as much.

Trends in disposable income.[3] This paper examines changes in earnings, the EITC, and other sources of income as well as changes in means-tested benefits. By examining the change in the income that single-mother families received from each income source, we can identify the causes of these trends. (All of the figures noted below are adjusted for inflation and expressed in 1997 dollars, rounded to the nearest ten dollars; thus $702 is expressed as $700.) Table 1, which summarizes the findings of this analysis, shows the following:

- Between 1993 and 1995, the average earnings and incomes of single-mother families increased substantially. The increases were particularly large for the poorest 60 percent of persons in single-mother families, who experienced double-digit percentage gains in disposable income, on average. For the poorest 20 percent of individuals in single-mother families, disposable income increased an average of 13.7 percent between 1993 and 1995, or more than $1,000 per family, after adjusting for inflation. Earnings increased by one third, or $430 per family. Income from the Earned Income Tax Credit and means-tested benefit programs also increased.
- Between 1995 and 1997, by contrast, the poorest single-mother families experienced a significant *decline* in their disposable incomes, largely due to sizeable declines in welfare assistance and food stamps, but also due to a drop in earnings. Table 2 shows how the various components of income have changed for the poorest

[3] Disposable income includes all cash income including both means-tested and non-means-tested cash transfers, the approximate cash value of means-tested non-cash transfers including food stamps, school lunch benefits, and housing assistance, and the EITC, less state and federal income and payroll taxes.

single-mother families. As shown, among the poorest 20 percent of the population in single-mother families, average disposable income fell by $660, a 7.6 percent decline.[4] About 82 percent, or $540, of this income loss was due to declines in means-tested assistance.

• For the poorest 10 percent of persons in single-mother families, average income declined by $860. This represents a decline of 15.2 percent.[5] Nearly 80 percent, or $660, of this income decline was due to a decrease in the average amount of means-tested assistance these families receive.

• The next-to-the-poorest fifth of single-mother families experienced an average increase in earnings of $900 from 1995 to 1997 and an average EITC increase of $400. These gains were fully offset, however, by an average loss of $1,580 per family in means-tested benefits.[6 7] As a result, their average incomes remained unchanged despite strong economic growth.

Anti-poverty effectiviness of the safety net. Between 1995 and 1997, a period of rapid caseload declines and extensive policy changes, certain parts of the safety net for poor children weakened significantly. Table 3 shows the number and percent of children lifted from poverty by government programs in 1989 and each year since 1993. As shown, in 1997, means-tested benefit programs lifted from poverty smaller percentages of children who otherwise would be poor—and did a less effective job of increasing the incomes of children who remain poor—than in 1995. Some 700,000 more children would have been lifted out of poverty in 1997 if means-tested benefits had not weakened since 1995.

The decline in the number of children removed from poverty by means-tested assistance is offset to a large extent by the increase in the number of children removed from poverty by federal tax policy due to the impact of the EITC. Approximately 450,000 more children were removed from poverty by federal taxes in 1997 than in 1995 due to the strengthening of the EITC, offsetting slightly less than two-thirds of the decline in the strength of means-tested assistance. As this example illustrates, when government programs have been strengthened, as in the case of the EITC, the number of children removed from poverty has increased. In contrast, when government programs have been weakened, as in the cases of TANF and food stamps, the number of children removed from poverty has declined.

Findings should be considered initial. These findings are based primarily on data from the Current Population Survey for 1997. Data from another Census Bureau survey, the Survey of Income and Program Participation, are not yet available for 1997, and 1998 CPS data will be available in several months. When those data become available, they should be carefully evaluated to see if they confirm the income trends found in the 1997 CPS data for single-mother families. These results also should be more carefully reconciled with data from state studies of families that have left public assistance rolls and other national evaluations of changes in welfare policies. (State "leaver" studies are surveys of a random sample of families who have left the TANF or AFDC programs during a given time period. These surveys examine the employment and financial circumstances of families that have left the rolls. The findings from our study are not inconsistent with the leaver studies conducted to date, which have found that families leaving welfare for work have below-poverty earnings, that many leave welfare without work, and that, in some states, the financial well-being of some children has worsened.)

CONCLUSIONS AND POLICY RECOMMENDATIONS

Among other findings, this study finds that the average disposable income of a significant percentage of the poorest single-mother families was lower in 1997 than the average disposable income of their counterparts (families in the same place in the income distribution) two years earlier. It also finds that whereas income trends among poor single-mother families were very positive from 1993 to 1995, these

[4] This is statistically significant at the 90-percent confidence level.

[5] This is statistically significant at the 90-percent confidence level. Several other statistical tests show this finding to be robust and not a product of data anomalies at the bottom of the income distribution.

[6 7] These families also gained an average of $274 in "other" income. The increase in earnings of $901 plus the increase in the EITC of $398 and an increase in other income of $274 minus the reduction of $1,581 in means-tested benefits meant these families had average incomes of $8 less in 1997 than in 1995. ($901 + $398 + $274 − $1,581 = −$8). The $8 change is not statistically significant.

The average disposable income of the middle fifth of single mother families did not change significantly from 1995 to 1997. Their average disposable incomes jumped by $2,400 from 1993 to 1995. The fifth of single mother families with the highest disposable incomes experienced a large boost in income from 1995 to 1997, of $4,000 on average. From 1993 to 1995 their disposable income increased by $320 on average.

trends changed for the worse in the 1995 to 1997 period. These surprising and unanticipated findings occurred during a period of strong economic growth and before any sizeable number of welfare recipients reached their time limits. They suggest considerable caution ought to be exercised before pronouncing welfare reform an unqualified success.

Many states now have substantial amounts of unspent TANF funds that can be used to aid poor families. These funds could be used to provide more adequate support for families that have gone to work but remain poor and to provide more intensive assistance to help families with serious barriers to employment surmount these barriers. For instance, efforts should be made to improve the performance of the food stamp program in serving eligible working poor families. Benefit restorations could be made to poor households no longer eligible for assistance. Additional efforts are also needed to reach children and parents, primarily in working families who are eligible for health insurance under Medicaid or a state child health insurance program. States should continue to work with families that lose assistance due to non-compliance to ensure that the requirements are understood and that there is a way for these families to overcome the barriers to compliance.[8]

In addition, the formula used to award the "high performance" bonuses provided to some states under the welfare law should be reexamined in the light of the findings discussed here. The federal government could allocate a portion of these funds to reward the states that are most successful in serving low-income working families in food stamps and Medicaid and in reducing child poverty. The bonuses currently are rewarded entirely on state performance in increasing work effort among TANF recipients, an important goal, but one that should be supplemented.

The federal welfare law has provided more funding and more flexibility to states. Many families have benefitted from these changes. Employment has increased, and there has been a greater emphasis on work. The flexibility has allowed states to expand earnings disregards and thereby provide supplemental cash assistance to more families that go to work, to increase funding for child care, to treat two-parent families more equitably, to assist more non-custodial parents, and to experiment with some innovative measures to assist families with the most severe employment barriers. One key aspect of the federal legislation—federal and state time limits—had not yet been implemented to any great extent by 1997. Most families will not begin to reach the federal time limits until 2001 or later. In addition, the law has been in effect for only a short period of time, during which states have run budget surpluses.

The wide-ranging features of welfare reform are still being implemented. A final judgment on the law's impacts is premature. Such a judgment should not be rendered until several years after time limits are in full effect and we also have seen how the incomes of the poor change through all phases of the economic cycle, including recession. In the interim, these findings provide a preliminary picture of some of the impacts of welfare reform on the incomes of single-mother families with children. Some aspects of this picture must be considered troubling.

Table 1.—Average Earnings and Income of Single-Mother Families by Income Level

[1997 dollars]

	1993	1995	1997	Change 1993–95	Change 1995–97
Average Earnings:					
Poorest Decile	$870	$973	$862	$153**	$111*
Poorest Quintile	$1,270	$1,705	$1,523	$435**	−$182**
Second Quintile	$3,314	$4,956	$5,857	$1,642**	$901**
Third Quintile	$10,044	$13,404	$13,299	$3,360**	−$105
Fourth Quintile	$20,724	$22,742	$23,687	$2,018**	$945
Fifth Quintile	$45,738	$47,218	$52,453	$1,480	$5,235**
Average Disposable Income:					
Poorest Decile	$4,888	$5,688	$4,825	$800**	−$863**
Poorest Quintile	$7,588	$8,627	$7,968	$1,039**	−$659*
Second Quintile	$13,433	$15,754	$15,746	$2,321**	−$8
Third Quintile	$17,908	$20,304	$20,454	$2,396**	$150

[8] The states of Tennessee and Connecticut have implemented innovative approaches in this area.

Table 1.—Average Earnings and Income of Single-Mother Families by Income Level—Continued

[1997 dollars]

	1993	1995	1997	Change 1993–95	Change 1995–97
Fourth Quintile	$25,757	$27,972	$27,454	$2,215*	−$518
Fifth Quintile	$47,638	$47,960	$51,959	$322	$3,999*

Note: Averages in the tables are weighted by persons
*Statistically significant, α = .1
**Statistically significant, α = .05
Explanation of Table 1 : Table 1 shows the average family earnings levels and average family incomes, including government benefits, of single-mother families weighted by persons by income group for 1993, 1995, and 1997. Figures in the "Change" column with asterisks designate statistically significant differences between 1993 and 1995, and between 1995 and 1997. Figures without asterisks indicate that changes were not statistically significant. For example, in the poorest quintile, average disposable income was $8,627 in 1995 and was $7,968 in 1997. This represents a $659 difference or a 7.6% decrease in income, which was found to be statistically significant. The earnings figures in the table represent average family earnings over all single-mother families, including both families with a worker and families without a worker. Average earnings just among families with a worker are higher than the average earnings figures in the table.

Table 2.—Income Amounts by Source for Single-Mother Families by Income Level

[1997 dollars]

	1993	1995	1997	Change 1993–95	Change 1995–97
Poorest tenth:					
Earnings	$820	$973	$862	$153**	−$111*
EITC	$123	$250	$261	$127**	$11
Means-tested ..... income†	$2,778	$3,370	$2,706	$592**	−$664**
Other	$1,413	$1,095	$996	−$318	−$99
Disposable income	$4,888	$5,688	$4,825	$800**	−$863**
Poorest quintile:					
Earnings	$1,270	$1,705	$1,523	$435**	−$182**
EITC	$171	$399	$472	$228**	$73**
Means-tested ..... income†	$4,868	$5,163	$4,623	$295	−$540**
Other	$1,279	$1,360	$1,350	$81	−$10
Disposable income	$7,588	$8,627	$7,968	$1,039**	−$659*
Second quintile:					
Earnings	$3,314	$4,956	$5,857	$1,642**	$901**
EITC	$454	$971	$1,369	$517**	$398**
Means-tested ..... income†	$7,620	$7,594	$6,013	−$26	−$1,581**
Other	$2,054	$2,233	$2,507	$179	$274
Disposable income	$13,433	$15,754	$15,746	$2,321**	−$8

†Includes AFDC/TANF, food stamps, SSI, and housing assistance
*Statistically significant, α = .1
**Statistically significant, α = .05 Averages in the tables are weighted by persons
Note: Tests for statistical significance were not performed on the "Other" source of income category.

Table 3.—Child Poverty and Means-Tested Benefits

[in thousands]

Calendar Year	No. of Poor Children before Receipt of Means-tested benefits	No. of Children Removed from Poverty by Means-Tested Programs	Percentage of Children Poor before Receipt of Government Benefits who were Removed from Poverty by Means-Tested Benefits	Percentage Reduction in Child Poverty Gap due to Means-tested Benefits
1989	13,846	2,437	17.6%	52.1%
1993	16,685	2,811	16.8%	52.2%
1994	16,324	3,112	19.1%	52.3%
1995	15,717	3,241	20.6%	52.1%
1996	15,426	2,850	18.5%	49.6%
1997	14,898	2,379	16.0%	45.0%

Source: CBPP calculations based on Census data

Chairman JOHNSON of Connecticut. Thank you.

Dr. Rolston.

STATEMENT OF HOWARD ROLSTON, DIRECTOR, OFFICE OF PLANNING, RESEARCH AND EVALUATION, ADMINISTRATION FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. ROLSTON. Madam Chairman, Members of the Subcommittee, I am pleased to be here today to discuss the critical role of research and evaluation in the implementation of welfare reform.

This Subcommittee played a central role in ensuring that these activities would be an integral part of the Temporary Assistance to Needy Families, or TANF, Program.

Today, I will describe key elements in the Department's welfare reform research agenda: what we have learned and what we will learn.

The broad flexibility provided by TANF creates the opportunity to evaluate different approaches to welfare reform to determine which strategies are most effective in moving families to work and self-sufficiency. We are grateful that Congress has appropriated funds for HHS to allow us to support over three-quarters of the States in activities related to the assessment of welfare reform. Some of the primary areas for these grants include evaluations of the effectiveness of welfare reform programs and studies of families leaving welfare.

While State and local studies provide depth, only national studies can provide representative information about how families are faring overall. An important source of national data is TANF data reported to HHS by the States. In addition, a number of surveys will be central to the study of welfare issues, including the Census Bureau's Current Population Survey, as we have talked about today; its Survey of Income and Program Participation; and its Survey of Program Dynamics, which this Subcommittee was instrumental in creating.

The panel study on income dynamics and the National Longitudinal Survey of Youth are also very important.

Except for the CPS and one fiscal year's quarter of TANF administrative data, post-TANF data from these national sources are not yet available.

I will now, though, discuss the information we do have in three areas: employment, earnings, and income.

First, all available sources show that the employment of welfare recipients and former recipients has increased significantly. Analysis of the CPS reveals the employment rate for previous year recipients increased from 20 percent in 1992 to 34 percent in 1998. Waiver evaluations also indicate substantial employment gains, and about 18 percent of TANF adults currently on the roles were employed in the last quarter of fiscal year 1997, compared to 14 percent in the first three quarters.

Second, earnings have also increased, but not uniformly. Welfare reform demonstrations that were strongly oriented toward increasing employment activities and mandatory participation typically

achieved annual earnings gains in the $600 to $700 range. But programs which provided only financial incentives did not increase earnings.

CPS data suggest average earnings for female-headed families with children have increased substantially between 1993 and 1997. But the early data suggest the gains are not evenly distributed over the period, with roughly three-quarters of the gain occurring between 1993 and 1995.

In addition, while employment gains for the bottom one-fifth of female-headed families with children were stronger from 1995 to 1997, the average earnings of this group did not increase over the period.

Better understanding these trends will require both longer term followup and analysis of other national data as they became available.

Third, income has increased for some families, but there is also some preliminary evidence that other families are experiencing losses.

Data from the four waiver evaluations in which the reform program succeeded in increasing mandatory work activities, employment, and earnings suggest mixed effects on family income, depending on the generosity of benefit levels and of earnings disregards.

Findings in one State suggest that these effects are not uniform across recipients, and that higher skilled recipients may gain income whereas the income of lower skilled recipients may decline.

CPS data indicate that from 1993 to 1997, the average annual income of all female-headed families with children increased. The income increases were unevenly distributed over the period and across the income distribution. The bottom quintile in particular did not fare as well as the top four-fifths, especially in the 1995 to 1997 period, suggesting preliminarily that we need to be alert to monitoring more disadvantaged families.

All the findings I have noted are preliminary. Time and resources will be necessary to produce more definitive results. These will include longer term followup and more comprehensive information, especially regarding income. And in addition, we will obtain more information on more outcomes, with an emphasis on measuring child well-being. States now have significant financial resources that are available for investments to assist families on the caseload to become self-sufficient and to assist families who leave the rolls to keep their jobs and move up.

HHS is working with the States to develop and evaluate the effects of alternative investment strategies. As more post-TANF data become available from the national surveys, it will be possible to merge findings from indepth studies in States and localities with these national data to develop a comprehensive picture on how the Nation's families are faring under welfare reform, along with the determining what strategies are most effective in increasing family sufficiency.

I will be happy to answer your questions.

[The prepared statement follows:]

Statement of Howard Rolston, Director, Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services

Madam Chairman, members of the subcommittee, I am pleased to be here today to discuss the critical role of research and evaluation in the implementation of welfare reform. This subcommittee played a central role in ensuring that these activities would be an integral part of the Temporary Assistance to Needy Families (TANF) program.

A central focus of the Department of Health and Human Services' (HHS') welfare reform research and evaluation effort is to develop reliable, credible information about how different strategies are working in order to inform federal and state policy makers and the public about how welfare reform is progressing and how families are faring. Today I will describe key elements of the Department's welfare reform research agenda, what we have learned so far and what we will learn in the future. Our efforts have two major parts: working in partnership with states to develop in-depth information; and using national data to understand the overall progress of welfare reform. (There are other important areas, however, for brevity I'll focus on these two parts today.)

STATE EVALUATION ACTIVITIES

The broad flexibility provided by TANF creates the opportunity and the challenge to evaluate a variety of different approaches to welfare reform to determine which strategies are most effective in moving families to work and self-sufficiency. A state-federal partnership is critical to any successful strategy to evaluate welfare reform for several reasons.

• Studies of processes, programs and populations that are carried out at a local level can have a depth that is not possible at the national level, especially given the great flexibility in program design that TANF permits.

• Studies that employ random assignment methods, which are the most rigorous methods for measuring the magnitude of the effects of alternative policies and program designs, must be implemented at the state or local level.

• States and localities have access to a rich set of administrative data, including linked administrative data sets, that can be used for tracking recipients and former recipients.

• Involving states as partners assures that the information produced will be relevant to state policy makers and thereby greatly increases the likelihood that states will use the information as they re-design their TANF programs.

We are grateful that Congress has appropriated funds for the Administration for Children and Families (ACF) and the Office of the Assistant Secretary for Planning and Evaluation (ASPE) to allow us to fund over three-quarters of the states for activities related to the assessment of welfare reform. Some of the primary areas for these grants include:

• *Evaluations of Specific Employment Programs and Welfare Reform Policies Using Randomized Field Experiments*—As authorized under TANF, we provided funds to nine states to continue evaluations that began under waivers and use random assignment to address the effects of alternative welfare reform programs and policies. In addition, we continued previous multi-site experiments of welfare-to-work strategies and post-employment services. Recently, we also funded two demonstrations to rigorously evaluate: (1) an innovative strategy to identify and provide treatment linked to employment and training for welfare recipients who are substance abusers, and (2) an innovative approach that combines a strong commitment to work (requiring at least 20 hours of work a week) with a strong commitment to post-secondary education.

• *Welfare Leavers*—We are providing grants to 11 states and three counties (or consortia of counties) to collect and analyze, using a combination of administrative and survey data, information on families that have left welfare. In the next several months we intend to fund additional studies with an emphasis on studies of families that have been formally or informally diverted from coming on the rolls.

• *Implementation*—We are funding numerous studies of the implementation of particular policies and programs in order to identify problems and solutions. For example, we're funding a study of local devolution across the counties of Maryland, a study of implementation of state TANF in rural and tribal areas in Montana, and a study of relocation of families from economically depressed areas in South Carolina.

Two weeks ago the strength of the state-federal partnership was demonstrated in ACF's Second Annual Welfare Reform Evaluation Conference. The two and one-half day meeting was attended by about 300 people from state and federal agencies, uni-

versities and policy research and evaluation organizations. The attendees included research and program staff from 49 states plus the District of Columbia who participated in a lively meeting both presenting and hearing the latest findings from evaluations. The gathering also provided the venue for two one-day meetings: an ASPE/ACF-sponsored meeting for states conducting studies of families leaving assistance and a meeting of researchers and states working on a book to improve the design of implementation studies.

Analysis of National Data

While state and local studies provide us with depth, only national studies can provide nationally representative information about how families are faring overall. Another important source of national data is, of course, the national TANF data reported to HHS by the states. These data provide information on the characteristics and conditions of families that continue to receive TANF assistance. There are also a number of surveys that have long been central to the study of welfare issues. All capture information on income from various sources including earnings and transfer payments, and several contain detailed information on employment, childbearing, family structure, and child well-being. While the strength of these surveys is their ability to capture very detailed and rich information, they also generally suffer from some degree of underreporting, and there is some evidence that underreporting of Aid to Families with Dependent Children (AFDC)/TANF benefits is increasing over time. Specific examples of the most important national surveys for assessing welfare reform follow.

- The Census Bureau's March Income Supplement to the Current Population Survey (CPS) provides an annual snapshot of the economic and employment condition of families.
- The Census Bureau also conducts the Survey of Income and Program Participation (SIPP) which collects in-depth information three times a year on families' income and program receipt over four-year periods. This committee was instrumental in providing an additional $70 million to the Census Bureau to extend two panels of the SIPP and create the Survey of Program Dynamics (SPD) which will track some families up to ten years.
- The Panel Study on Income Dynamics (PSID) has tracked a representative sample of families for nearly 30 years, collecting in depth information on income, family formation, and program participation.
- The National Longitudinal Survey of Youth (NLSY) has tracked a representative sample of youth and young adults for nearly 20 years collecting detailed information on how these individuals have moved into adulthood.

No one national survey will provide us with all the information needed. It is important to link information across surveys, and also to take advantage of administrative data. For example, we are funding a project to link SPD data to earnings records kept by the Social Security Administration, both to get a better understanding of biases in that SPD sample that may result for attrition, and to get a longer earnings history to complement the survey data.

Except for the CPS and one quarter of TANF administrative data, post-TANF data from these national sources are not yet available, but ultimately they will provide a critical complement to data derived from state and local sources. An important part of what I'll discuss today is based on some early analysis, by staff in the Administration, of CPS data.

What We've Learned So Far

The employment of welfare recipients and former recipients has increased significantly.

A key measure of the success of welfare reform is its effect on employment. Analysis of all available sources of information shows that the employment rate of current and former TANF recipients has increased significantly. Each March the CPS, which is used to calculate unemployment rates, collects information about households' income and program participation in the previous calendar year in addition to employment and earnings data reflecting individuals' March employment status. As a result we know whether adults who received AFDC or TANF in the preceding calendar year were employed the following March. Between 1992 and 1996, the employment rate increased from 20 percent (its approximate level for the previous four years) to 27 percent. However, in the last two years it jumped even more dramatically to 34 percent in 1998. Thus, whereas in 1992 one in five previous year recipients was working the following spring, in 1998, the figure was one in three.

Large employment gains are also evident from rigorous waiver evaluations that measure the effects of reform policies by comparing randomly assigned individuals who were subject to either welfare reform or standard AFDC rules. Unlike the CPS analysis, which does not separate out the effects of state welfare reform policies from those of the economy, other policies which promote employment such as the enhancement of the Earned Income Tax Credit (EITC) or the expansion of child care subsidies, the strength of experimental studies is that they do precisely that. Several studies examined policies which are typical of state TANF programs in that they increase participation in mandatory work activities and/or increase the amount of assistance a family can receive when they go to work. The persistent employment effects of these programs are in the five to 13 percentage point range. I would also note that these are probably quite conservative estimates in that the treatment groups are compared to control groups which received a substantial level of mandatory employment services and also were not isolated from the atmosphere of welfare reform, even though they did not directly experience welfare reform policies.

Preliminary findings from four of the ASPE-funded studies of families leaving welfare indicate that between one-half and three-fifths of former TANF recipients found work in jobs which were covered by their state's Unemployment Insurance program. Employment rates were even higher—75 to 82 percent—when measured as the percentage of those who were *ever* employed within the first 12 months. These employment rates are consistent with findings in many other leavers' studies, although methodological differences cause rates to be slightly higher in some studies (e.g., rates are sometimes higher in studies using survey data, or limiting study population to leavers who do not return to welfare). While these employment rates are not radically different from the patterns of AFDC leavers in earlier studies, they indicate a dramatically large increase in the *absoluteGt1 number of families leaving welfare with earnings, given the significant caseload decline in the past few years.*

Finally, there has also been a significant increase in employment of current welfare recipients. Between 1992 and 1997, the percentage of adults on welfare in direct work activities (including employment, work experience and community service) has tripled. All states met the overall work participation rate requirement for 1997. And, the percent of TANF adults who were employed rose from 14 percent in the first three quarters of 1997 to 18 percent in the last quarter of 1997. Thus, each of these sources of information consistently points to higher levels of employment, among current and former welfare recipients.

EARNINGS HAVE ALSO INCREASED, BUT NOT UNIFORMLY.

A second important measure of success in welfare reform is whether welfare recipients and former recipients are earning more. Although welfare reform is having a positive effect on the earnings of some categories of recipients, the story here is somewhat more complicated than the employment story. For example, an examination of welfare reform waiver demonstrations suggests that those programs which were strongly oriented toward increasing employment activities and mandatory participation (as measured by an increase in participation and sanction rates) achieved annual earnings gains in the range of $600–$700 for a least one primary target group of applicants or recipients. One employment and training program in Portland which combined a strong employment focus, an emphasis on moving recipients into higher paying jobs with benefits, and the provision of necessary child care produced even larger effects with averaging earnings gains of over $900 per year. Of state welfare reform approaches which relied primarily on incentives without work requirements, earnings gains were not observed.

Along with the employment gains described above, the CPS data suggests average earnings for all female-headed families with children have increased substantially between 1993 and 1997 from $14,668 to $17,646 (both in 1997 dollars). However, the early CPS suggest preliminarily that the gains are not evenly distributed over the period with roughly three-quarters of the gain occurring between 1993 and 1995, and only one-quarter between 1995 and 1997. In addition, while employment gains for the bottom fifth of female-headed families with children were stronger from 1995 to 1997, the average earnings of this group increased from 1993 to 1995 but did not increase from 1995 to 1997. Better understanding of these trends will require both longer term follow up and analysis of other national data sets as they become available.

Finally, TANF administrative data just for welfare recipients who remain on the rolls indicate that average monthly earnings for those who are working increased substantially from $506 in the first three quarters of FY 1997 to $592 in the last quarter.

INCOME HAS INCREASED FOR SOME FAMILIES, BUT THERE IS ALSO SOME PRELIMINARY EVIDENCE THAT SOME FAMILIES ARE EXPERIENCING LOSSES.

Income is another central measure of how families are faring under welfare reform. Here our results are even more preliminary than for employment and earnings, although we will have much better data over time. Much of our current information relies on administrative records which typically examine family income defined as the total of TANF, Food Stamps and earnings. However, these analyses do not take into account other sources of income, such as the EITC, child support and Supplemental Security Income (SSI); the income of other household members; in-kind supports such as child care or Medicaid; nor, on the other side of the ledger, the expenses that families incur when they are working. A few current data sources such as the CPS and some early studies of families leaving welfare are based on household surveys, and many more of our studies ultimately will have this information.

Data from the four waiver evaluations in which the reform program succeeded in increasing mandatory work activities, employment and earnings suggest mixed effects on family income, depending on the generosity of benefit levels and earnings disregards. In the two states with both generous benefits and earnings disregards, there were increases in average annual income of $762 for applicants in Iowa, and $1,065 for long term recipients in Minnesota. In Florida, a program that accomplished comparable earnings gains, but had low benefits and generous earnings disregards raised family income by $289, whereas a fourth program in Indiana that accomplished comparable earnings gains but had low benefits and retained the standard AFDC earnings disregards had no effect on income.

Examination of the Florida findings also suggests that these effects are not uniform across recipients and that higher-skilled recipients may gain income, whereas the income of lower-skilled recipients may decline. In Florida, recipients who had both a high school degree and recent work experience averaged $752 higher average annual income for the three years following entry into a welfare reform program, while those with neither experienced losses of about $485. This gain/decline pattern is consistent with patterns in some earlier leaver studies. For example, a study in Iowa of families that lost their entire benefit because they failed to establish a self-sufficiency plan showed that about 40 percent increased their income, about 50 percent suffered a decrease, and about 10 percent had unchanged income.

For the period 1993 to 1997, CPS data indicate that the average annual income of all female-headed families with children increased, as did employment and earnings as described above. This measure of income includes both earnings and a broad range of transfer programs. Again, the income increases were unevenly distributed over the period, with larger gains in the 1993–1995 period, and across the income distribution. The bottom quintile did not fare as well as the top four fifths, especially in the 1995–1997 period, suggesting preliminarily that we need to be alert to monitoring more disadvantaged families.

WHAT WE WILL LEARN

As described above all the findings I've noted are preliminary. In almost all the studies I've described above, additional administrative data are being collected and surveys are being fielded or will be in the next several years. In the national surveys, data for 1997 and 1998 have been collected and are being processed. Thus, time and resources are necessary to produce more definitive results. I'll describe some of the more important information that we'll be obtaining.

Longer Term Follow-Up

Our findings are currently based on follow-up periods ranging from 6 months to 3 years. To understand the effects and outcomes of welfare reform will require longer term follow-up on the order of four to six years. Particularly important is that in most states, very few individuals have reached time limits, and in many larger states, none have.

More Comprehensive Information

As indicated above most of our current measures of employment, earnings and income are from administrative records. Over time we will obtain much more comprehensive information through surveys, both in conjunction with waiver demonstrations and through studies of families that have left TANF. Most importantly, we will be able to learn a great deal more about the income families have to support themselves and in particular, what happens to families who leave welfare and do not have earnings.

More Outcomes, Especially Related to Child Well-Being

A critical measure of the success of welfare reform is how it affects children. In 1996 ACF provided grants to 12 states to work with a team of researchers (funded by ASPE) to develop measures of child well-being to examine how different welfare reform programs and policies are affecting children. The partnership proved to be very successful, and subsequently ACF has augmented the funding of five state welfare reform evaluations (Connecticut, Florida, Indiana, Iowa, and Minnesota) to rigorously evaluate the effects of welfare reform on family processes and child well-being. In addition, ASPE has provided funds to 13 states to work with the Chapin Hall Center for Children at the University of Chicago and other experts to develop indicators of child well-being. Some of the 13 states are exploring using similar measures to those used in the five states as well as other administrative and survey data. The importance of measuring child well-being is vividly illustrated by the presentation you are hearing today on the New Hope demonstration. A central finding of the interim effects of this program designed to support working families was that it increased significantly boys' school performance along with increasing their participation in extended day child care and other structured activities, while having other positive family effects.

More Rigorous Information about What Works and What Doesn't

Because of caseload reduction, states now have significant financial resources that are not required for immediate cash assistance, and thus are available for investments in those families still on the caseload, including those with the greatest problems, and to enable families who leave the rolls to keep their jobs and move up instead of returning to welfare. As a result, many states are increasingly focused on strategies to increase job retention and advancement for recipients and former recipients. ACF is working with thirteen states to develop, pilot and ultimately rigorously evaluate the effects of alternative strategies. Through this activity and others, we will be learning about the role of supports for working families such as child care, child support and other services in sustaining and advancing in employment. These kinds of evaluations are critical to using the flexibility provided by TANF to maintain a learning environment in which federal and state tax dollars are used to make investments that really work.

More Information about Sub-Populations, especially the Harder-to-Employ

As more in-depth information is developed it will be possible to understand better how particular sub-populations are faring. We currently have projects underway to examine issues related to: non-custodial parents, rural populations, families with disabled members, Native Americans, victims of domestic violence, child-only cases and families with mental health or substance abuse problems. In addition, we will learn more about the impact of strategies to serve the hardest-to-employ through our Department's recently begun evaluation of the Department of Labor's Welfare-to-Work grants program. The evaluation, which is at an early stage, will include an examination of the impact of Welfare-to-Work on participants' employment and wellbeing. We will share these results with Congress as the project progresses.

More Nationally Representative Data

Over time as more post-TANF data become available from the national surveys, especially longitudinal data, it will be possible to merge findings from in-depth studies in states and localities with nationally representative data and use the strengths of each to develop a comprehensive picture of how the nation's families are faring under welfare reform.

CONCLUSION

The preliminary results I've described above illustrate the promise of how investments in careful research and evaluation can produce information that can inform policy makers at all levels. Perseverance in these investments can play a critical role in supporting strategies that can realize the goals of welfare reform.

I will be happy to answer your questions.

Chairman JOHNSON of Connecticut. Thank you. Thank you very much. I thank the panel for their testimony.

Wendell, would you repeal welfare reform?

Mr. PRIMUS. No, but I would make the midcourse corrections. I think, again, I said it is too early for me to give a definitive recommendation, but I do think the Subcommittee has to be much more concerned that families who are eligible are indeed served, particularly under food stamps and the Medicaid Programs. And I think——

Chairman JOHNSON of Connecticut. I was very interested in that part of your remarks, as we are concerned about that, and we are going to have a special hearing with the States to see if we can understand better how we might help them make sure that the intent of the law is passed, that is, the intent that there should be eligibility for Medicaid and food stamps, and I think particularly in the diversion program, we probably are losing eligible people. And that certainly would have an impact on not only poverty but well being.

Mr. PRIMUS. The only other thing I would say, Chairman Johnson, is that I think some changes need to be made in terms of the welfare-to-work reauthorization. The moneys that are the pipeline, I think, need to be—the regulations need to be loosened up so that money can really be spent.

I agree with Mr. Cardin that we have to be concerned also with noncustodial parents. So there are—and that the $50 passthrough has been completely repealed about 30 States. I think when dads pay, they should get—their children should actually be better off when dads pay.

I think there are some changes that I clearly would recommend, but I think the main thing is that you and the administration can do is send a signal that we care more about economic well being and less about caseload reduction.

Chairman JOHNSON of Connecticut. Well, I guess that is the part of your testimony that I really would not agree with. I do not think it is an either or. I think the caseload reduction is spectacular. We now do want to be sure that the people who are going off welfare are being supported and that ultimately the money in the system finds a way to deal with the issue of career development. And I do not think we know how to legislate. And furthermore, I think States are just beginning to figure that out. Once they get someone in a low-paying job, particularly if it is a half-time job, how do you then help them get the training they need to not only get a full-time job, but a higher paying job.

But I think there is a material difference, a profoundly significant difference between getting a half-time wage and some income disregards, some public stipend as well and getting the same amount from public stipend, and I think we overlook the difference between those two things at our peril. And while I am keenly aware of some of the families that do not seem to be doing as well as we would think they should be doing, the comments of the children are touching and should be kept in the forefront of our mind. The pride, the greater attention to schoolwork, the greater ambition the children have.

And so, I think those are things that we do not see reported on here at this moment. We do have to find a way to understand, because I think they are generationally really the reason for welfare reform. The reason for welfare reform is not to save stipend money. The reason for welfare reform is to give every American the oppor-

tunity to make the best of their abilities. And the old system certainly was not doing that.

I certainly want to see how we get Medicaid and food stamps going, and we will be doing a lot of work on the welfare-to-work program. Frankly, it is a total failure. And when you have $3 billion, and you are spending $84 million. This is a failure, especially when you know that there are people out there. When you go out and people say to you, we can get them the psychological analysis they need, or we know they are abusing a substance, but we cannot pay for the treatment program, even though we think they can pay for the treatment program, you have got a problem.

There are lots of ways we can better use reform two money, and we are very interested in everybody's thoughts about how to best do that.

And it is really a joy in today's environment to have some money that you actually can use to better advantage. But I want to—my question really goes to the other panelists, because you are more knowledgeable about data and so on. What do you make of Wendell's data that there is more, not less, poverty among some of the people leaving welfare?

Ms. O'NEILL. I really do not think one can be sure of that because the census data are extremely limited, particularly for the lowest portion of the distribution. For one thing, you can only infer noncash benefits received by those who are on welfare and for those who have left welfare and are still entitled. Food stamps are probably reported reasonably well, but everything else is inferred like the EITC or not measured at all.

Also, we are looking at snapshots. These are not the same people in the bottom quintile from year to year; and without longitudinal data, one cannot be sure how welfare leavers are doing over time. Eventually SIPP may offer a better view of what is actually going on. Also, with these snapshots, you are picking up people in March and asking them about their sources of income, their cash income, in the preceding year. And somebody who collected welfare in January, February, March of the preceding year, but not hereafter, may not recall and certainly might not remember how much it was.

And another thing, I was truly surprised at the large extent to which there was additional household income—that is, on average—I did not separate the data by quartiles or deciles, just for the average. In 1997, 48 percent of never-married women with children were in households and additional income, apart from the mother's, was $27,500. Should it be counted or not? Is there cohabitation or other reasons for sharing of income amongst these household members? We do not really know. So, without having more information on these matters, I do not think that we are getting a reliable barometer of real resources available to those families.

The data certainly do not show what has happened to particular women who have left welfare. But from what I see, these women are not worse off. And in terms of the resources that they have available to live on they may be better off. Another factor, of course, is the underground economy. There are strong temptations because of taxes and particularly in low-income levels, many employers are quite willing to pay under the table; it is certainly not uncommon. That is another factor that we do not know about.

Chairman JOHNSON of Connecticut. Thanks.

Mr. BESHAROV. I know the red light is on, but could I take a crack at that?

Chairman JOHNSON of Connecticut. Yes.

Mr. BESHAROV. Today's Washington Post has an article about how the Deputy Chief of Staff in the White House and Chris Edley are going to cohabit here in Washington, DC. And Chris' comment here is that a mortgage is much more serious than a ring, because they are not going to get married.

We have a number of surveys that say—there are a number of surveys—when we survey welfare recipients, over 20 percent say they are living with the father of one of their children—live with. We have two new surveys that say that 50 percent, 50 percent of the children born out of wedlock last year, the father of that child was living in the home. My message to you today is that this discussion of just the income of the single mother is both tremendously limited and misleading. I would ask you to think of the following:

When we think of middle-class couples and a decision being made about whether the wife will work—and I hate to put it in those terms, but that is the tendency—the husband and wife sit at the proverbial kitchen table, and they decide: Does it pay for the wife to work, or for the husband to work more hours? That is the question. They weigh questions about child care, and so forth.

What you see in these data—what I believe Wendell is describing in welfare reform—is two things happening. One, in those households and in those single-mother families, where it pays for the mother to work, she is going to work and her income is going to go up.

In the chart I showed you, which shows you the households in which those women live, you see something else going on. You see that the income in those households, at least the nonsingle mothers' income is rising, even when the total is flat. And I think it is inescapable. I cannot put 15 footnotes on this, but it is inescapable to me that the following conclusion is true. Welfare reform is saying to a woman on welfare that she has to either work or leave welfare. And in some of these embedded households, a decision is being made to forego the welfare and, he—and that is what it is, unfortunately, in our kind of our sex role society—he is working more hours or earning more money because of the economy.

Now, what is the message there? That is not the message about a fight about what is going on with welfare reform. My message and my conclusion here would be: Do not focus all your efforts on welfare-to-work because many of the households and families we are most concerned about are couples—these are families just like Chris Edley and the President's Deputy Chief of Staff. We should respect those relationships, try to strengthen them, and the most direct way to raise their combined income is to raise the income of that household, which may mean the man working more, and not pushing the mother into the labor force.

Now there is a difficult and challenging question of how to do that. And I mentioned just in passing about the marriage penalties in the earned income tax credit, which can be substantial, in the thousands of dollars. Gene Steuerle has estimated that if the cou-

ples we are talking about get married, they lose 20 percent of their income—20 percent of their income. That is an easy fix, as I understand.

The same is true, as Wendell was mentioning, about child support. If we do not watch out about how we enforce child support, we take 30 percent of the income from these households. So we have to be very careful about how we do it.

Chairman JOHNSON of Connecticut. Thank you. Let me yield to my Ranking Member, Mr. Cardin.

Mr. CARDIN. Thank you, Madam Chair.

Dr. Rolston, we look at the number of people leaving the welfare rolls, and certainly those numbers are one indication of what is happening as far as success of a program. But a person might be leaving the welfare roll and getting a good job, and that is great. Other people are leaving the welfare rolls, getting employment, and living below the poverty or close to the poverty line. And then you have a third category that do not have regular employment.

Can you give us some indication as to how many people fall into those various categories of employment?

Mr. ROLSTON. I do not think we have good answers to that right now. I think we will have much better answers to it as time progresses, as I mentioned in my testimony. Most of the information we currently have about families leaving welfare comes from administrative records, mostly from unemployment insurance, so we know what somebody earned in a quarter.

Currently, many of the activities we are carrying out, the evaluation activities, are surveys, and there are surveys to come. It is in that setting that we can get a much better idea of how these earnings are coming about; and, also, from some of the national surveys over time.

But right now, we are limited in what we can say about that.

Mr. CARDIN. How much more—how much longer will it take before we have good, reliable information that tracks people who have left welfare as to the type of employment that they have?

Mr. ROLSTON. I think we will have much better information over the course of the next year. I think it is broadly recognized that this is an important issue, and that there need to be investments made in order to improve people's work trajectory so that they do not end up in part-time jobs that do not pay very much and have no benefits.

I think it is also a really important part of learning agenda, because right now we do not know how to make those investments very well. But, with diligence and good evaluation, we can really learn about those things.

Mr. CARDIN. I think that information is critically important to us. We have two programs out there—the earned income tax credit and minimum wage—that I would suggest have had as much impact on getting people out of poverty who have left welfare and found employment as any other program. They are at least able to get some help from these programs.

I think it would be useful to us in evaluating EITC and minimum wage as to whether we need to make further adjustments is to know what is happening to this new wave of people who are leaving the welfare rolls. I understand that you are dependent

upon the reliability of information, but to the extent that this information becomes available, I think it will be very useful to us. Any of you—any one of you, if you could make that available to our Subcommittee.

One of the very disturbing trends is the fact that there are a large number of people who are eligible for Medicaid who are not receiving Medicaid and food stamps. And I am just wondering whether you all share that observation and what we can do to make sure that people who are eligible to have Medicaid, in fact, are enrolled in the program. Is this a problem with the States just not—doing something that is wrong or lack of information? What is happening out there?

Mr. ROLSTON. We certainly share your concern, and I think it is a complicated situation, and it is a complicated situation because the world has changed so much in this regard. Certainly, the Department believes that it is important to enforce the law as it exists and to make sure that people who are entitled and eligible and apply for assistance and can qualify for assistance have access to Medicaid.

We are doing a number of things to encourage States to look at how some other States are doing this. We recently issued a handbook, a guidebook, to States around this issue. And we are also doing a significant amount of research on this issue—for example, looking at families that have been diverted from assistance and looking at the underlying processes and how States can be allowing that to happen and how those processes can potentially be fixed. I think the issue has a lot to do with outreach, improving people's knowledge, their access to the program, and their desire to participate in the program. So, we think it is a very central agenda.

Mr. BESHAROV. Could I just jump in on one thing that Howard just said, their desire to participate? It is a very complicated issue here because, unlike the rest of us, people who are Medicaid eligible do not face a preexisting condition rule. And so, the reason we want them to sign up for Medicaid, and we all do, is for preventive service. That is the only reason when you get right down to it. And that is very tricky to persuade people about. I daresay most of us, if we did not have to face a preexisting condition rule, would not pay for health insurance until somebody in the family got sick. There is evidence that that is a real issue. That does not explain it all. But it means that any efforts that the Congress makes to increase eligibility have to fight that problem in the field.

Mr. CARDIN. Well, there have at least been some reports that there has been confusion generated by State administrators because of the changes in welfare rules that have added to people not enrolling in Medicaid. Do you subscribe to that?

Mr. BESHAROV. I surely do. I surely do, and I also would add, as my chart six shows, that the data we use to make these judgements are seriously flawed. The CPS, as everyone has talked about here, is now showing only 69 percent of the people that HCFA say are getting Medicaid. It is a tremendous problem of underreporting as well.

Mr. CARDIN. And let me just conclude, Mr. Primus, with your point about the fatherhood programs or the noncustodial parents with the passthrough of their child support payment to the family.

We had a very interesting debate yesterday in the Ways and Means Committee on a bill that deals with removing the hold harmless to the States on child support enforcement. An amendment was offered by Mr. Kleczka that would have permitted a set-off for those States that pass through their support. I see that our next witness will talk about that. I thought that was a really—it would accomplish two good purposes.

One, it would negate, mitigate some of the pain of removing the hold harmless, but, second, it would move forward the good policy of encouraging the States to allow the noncustodial parents support to actually go to the benefit of the family. Your comments?

Mr. PRIMUS. I think that is a good amendment. I think it is small step in the right direction. I think you need to do more than that, but it clearly is a good first step. But I also—I guess the point I want to make is to Chairman Johnson in all of this, is really the issue that we do not have to confuse the message of work in caseload reduction.

In other words, we can keep a strong message about work, and I am going around the country urging that some of the same changes that have been happening to welfare in terms of culture of the office, in terms of trying to get noncustodial parents into work, and then making sure that their child support is actually all passed through, I think you can send the message about work without necessarily implying that caseload reduction is, also, comes with it. And, you know, most of the mothers who go to work here will remain eligible for Medicaid and will remain eligible for food stamps.

And so that really I think is what has got to change here. And I think the TANF funds, which is really good right now—there is lots of it. Maybe a lot of it should be spent on child care, but there is also a lot of other needs that need to be addressed. And if we really value child support, why do not we subsidize it, just like we subsidize the earnings of mothers through the EITC. I mean, and that is what I think—we have a long way to go yet to help both parents meet their parental responsibility.

Mr. CARDIN. Thank you. Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. Mr. English.

Mr. ENGLISH. Thank you, Madam Chair.

Dr. Besharov, I was intrigued by the parting shot in your testimony in which you expressed concern about the obstacles to marriage in the welfare laws. Can you enumerate what you regard as the biggest barriers, building on your previous testimony?

Mr. BESHAROV. Sure, and here it goes back to the same question: Where are these low-income women living today? What are the relationships they have today, not in some time in the future, with the men in their lives and the fathers of their children. Remember that finding. According to a study from Princeton University and so forth, 50 percent of those newborns born out of wedlock have a father living at home.

The conversation for the last half hour or so has been limited to single-mother families and ignores men; ignores them whether they are living at home, or living outside. When Wendell speaks about noncustodial parents in child support, I respond by saying, What about custodial parents? These guys are living in these households.

When we worry about eligibility for Medicaid, and we determine it by the status of the mother, in the family, she is embedded in the household. Often the household is not eligible for either Medicaid or food stamps. She does not tell the authorities and so forth. I am not getting into fraud and abuse. What I am into here is that there is a reality about cohabitation, not just, by the way, for low-income Americans—8 percent of Americans today live in what we used to say was "without benefit of clergy." And this Congress has shown itself to be relatively flexible about these issues. It is time to be flexible about them when it comes to low-income Americans, and that means an across-the-board rethinking of all this.

I have the floor for a second. Look, Wendell's figures say, these families have $6,000 or $7,000 of income. There are a few places in Idaho or someplace—I hope no one here—where you can live on $6,000 a year. Mr. Cardin knows we are from the same State. I think it is impossible for someone, on their own, to be living on $6,000. They are living with someone or someone is providing additional money. That is a reality that ought to permeate our discussions about welfare.

Now, what does that mean? That means you have one heck of a problem with, for example, the question of child support. Twenty or thirty percent of those dads are living at home. If you dun him for up to 30 percent of his income and keep it in the welfare, you have made that family poorer. You have not reflected that he is there and providing some kind of support. That is a tough fix. It is an expensive fix. It means that the first step is to not have the kind of conversation we have had only about single-mother families, but to think about these as households. An easy fix, and then I will stop talking, is on the EITC. The EITC has a large marriage penalty. It also has a marriage benefit. But it has a penalty. I understand it can be fixed within the dollar amounts—I do not do this kind of thing—that are available to this Subcommittee. I pass on that.

I know, though, that the marriage penalty in the earned income tax credit is quite significant. And if I were, in today's day and age, where there is no stigma to living unmarried without benefit of clergy, and if you told me that 20 percent of my household income would disappear the day I married my wife, I would have second thoughts, especially if my household income were $20,000 a year.

So, one thing we could do here to fix this, and it would change Wendell's charts immediately, is to deal with the marriage penalty in the EITC.

Chairman JOHNSON of Connecticut. Thank you.

Mr. ENGLISH. Dr. Primus, do you want to comment on that?

Mr. PRIMUS. Yes, let me make a couple of comments. One is this is a very complicated subject, and right now there are both marriage bonuses and marriage penalties. And you have to be aware of that, because if a mother with zero income marries a single guy with about $13,000 of income, the EITC that is a big marriage bonus.

The second is if you look at participation of two-parent families, and I will agree with Doug, their rate of participation is even lower. The programs right now do not serve two-parent families. And that is another thing this Subcommittee ought to be very con-

cerned about. And I think some of those barriers are being eliminated, but unfortunately the Welfare Act, with its 90 percent work participation rate, is really causing a lot of States to say, we want to stay away from a two-parent family, because, otherwise, we are going to be concerned about getting a work penalty; and the last thing you want as a welfare administrator is having your State assessed with a penalty.

The last thing I want to say, Doug implies that my research here, if I had just looked at cohabiting, that these income declines would go away. That is false. The change in the amount of cohabiting between 1995 and 1997 is maybe somewhere between 1 out of 100, of these single-mother families and 3 out of 100, at the most. So the declines that I am finding in the bottom quintile and in that bottom decile are not being eliminated, and, in fact, I have seen preliminary numbers where the analysis has been done right, and the cohabiting situation does not turn around the decline in the numbers that I presented to the Subcommittee this morning.

Mr. BESHAROV. Could I have 30 seconds to the word "false?"

Mr. ENGLISH. That would be up to the Chair.

Chairman JOHNSON of Connecticut. Yes, go ahead. Certainly.

Mr. BESHAROV. The issue is not declines and increases. The issue is when you do this analysis, you add as much as $6,000 and $7,000 to the money these women have. This is why the consumption data about these families shows vastly more consumption than their income. We are not disagreeing about trends. We are disagreeing about where the base is, and it is a lot higher, thank goodness.

Chairman JOHNSON of Connecticut. This is a key issue that I did not focus on specifically. Let me get through the other——

Mr. ENGLISH. Madam Chair, I did have a followup question. Can I hold it possibly until the end after other Members have asked questions?

Chairman JOHNSON of Connecticut. That will be fine.

Mr. ENGLISH. Thank you.

Chairman JOHNSON of Connecticut. I do think we need to give the others a chance.

Mr. Stark.

Mr. STARK. Well, Madam Chair, thank you for the hearing. I hate to rain on your press conference and the glowing glory of the welfare reform bill, which I might add that four out of the five Democrats on this Subcommittee oppose. And I might further add that it is the—I guess the arrogant obscenities that the Republicans bask in—it is a kind of arrogance that would let Chairman Archer say, in his press conference today, "Today, there are no children on the sewer grates. None of those things we worried about have come true." It does not say what he worried about, but he sure must be checking all those sewer grates in this district.

Clay Shaw, who used to chair this Subcommittee, said that liberals fell down—that may very well be as we did not have enough votes—and that he has faith in human spirit. But this is the same man who when referring to children with mental illness who receive SSI disability checks called those payments "crazy checks." I wonder if he says crazy checks to senior citizens with Alzheimer's disease.

It is under this attitude that Republicans—Nancy Johnson, Archer, Shaw, Hastert—refer in this document to illegitimacy as the scourge of American social policy. In Shakespeare's day, which is about the political climate that would satisfy the Republicans, we called them bastards. We do not say "bastards" anymore, and we do not say illegitimate. There is no illegitimate child in the United States, and I hope the Republicans some day will have enough humanity to understand that they are harming children who had nothing to do—they do not vote yet. They have not chosen a religion that some right-wing religious wacko might suggest will lead them out of poverty. I get very sick and tired of hearing people say to children, when you pray right, vote right, things will be good.

Then, they want to go on, and we are talking about fatherhood programs. Well, let us just force people to be married. I can suggest to you at least two women in this country who think that having remained married to their original husband would have been foolhardy. I can suggest that in many cases where we force a husband and wife to stay together, it can lead to abuse and other sorts of problems that I suppose most adult white males in the Congress would not understand or recognize.

So, to say that marriage will solve illegitimacy, and marriage, according to the Bible, and letting faith-based groups train these people will solve these problems to me is an obscenity. And it is the height of arrogance. And you ought to know where this comes from.

And I might add that there were three experts in the Department of Health and Human Services, Dr. Rolston, who resigned in protest—Mary Jo Bane, Peter Edelman, Wendell Primus—considered the leading authorities in this country on welfare. They resigned in protest, as they should have.

Now, unfortunately, I cannot ask career civil servants to resign. That is not fair, and it is not fair to blame them for what the political leaders for whom they work decide.

I presume, Dr. Rolston, that your testimony today was cleared by the Assistant Secretary for the Administration of Children and Families, is that correct?

Mr. ROLSTON. That is correct.

Mr. STARK. All right. I have a letter, if the Chair will indulge me, to Ms. Golden and to you, sir, with a list of questions. I would ask unanimous consent that it be placed in the record, and I would ask you if you could find in the next 30 days to respond, having it cleared, please, to these questions. They deal with research and research that you are about to do. Would you do that for us?

Mr. ROLSTON. Certainly.

Mr. STARK. Thank you. Madam Chair, I would like this in the record, and would you give Dr. Rolston a copy of this letter?

May 27, 1999

Olivia Golden, Assistant Secretary,
Administration for Children and Families
901 D St. S.W.
Washington, D.C. 20477

Howard Rolston, Director of Planning,
Research and Development
370 L'Enfant Promenade S.W.
Washington, D.C. 20447

Dear Olivia and Howard,

This is a request for HHS to provide answers to the following questions, which will shed light on the impact of welfare reform on low-income families. In your response, which I would like to have within six weeks, please provide copies of relevant research, data and surveys.

I look forward to reading your responses to these queries at your earliest possible convenience.

Sincerely,

PETE STARK
Member of Congress

July 9, 1999

The Honorable Pete Stark
House of Representatives
Washington, D.C. 20515

Dear Mr. Stark:

I am pleased to have the opportunity to address the important questions you raised in your letter of May 27, 1999 regarding welfare reform. I also appreciate the opportunity to lay out the critically important agenda that we share: ensuring that supports such as child care, Medicaid, and food stamps are available to all eligible low-income families and investing in all families on welfare, including those with the greatest barriers to employment. To achieve these goals, in addition to continuing aggressive implementation, enforcement, and technical assistance activities, I also want to highlight two key legislative next steps. First, as I noted in my testimony before the Committee on Ways and Means Human Resources Subcommittee on March 16, I believe that the President's child care proposal is enormously important to parents and children in low-income working families. Second, the proposal to extend and expand the funding authority to allow States to address the challenges created by the de-linking of Medicaid from welfare is critical to ensuring access to and enrollment in the Medicaid program by all eligible families.

The many important questions you raised are part of our on-going research agenda. For some of these questions, we do not yet have sufficient evidence to reach definitive conclusions because we are awaiting findings from ongoing studies and analyses or we have only preliminary information. However, we are using what information we have and we are not waiting for each of these studies to be concluded to begin working on the issues because we believe it is important to have a strong strategy in place to help families. We will utilize results as they become available to build on and enhance our efforts.

My responses are presented in the enclosure with the questions in the order in which they were presented in your letter. We will be providing relevant reports and studies to supplement those you cite and we will continue to provide you and your staff with copies of future research reports on these and related topics as they become available.

I look forward to additional opportunities to discuss new findings from our observations and sponsored research and related activities. My staff and I are available

to answer any additional questions you may have or meet with your and your staff to further discuss these important issues.

Sincerely,

OLIVIA A. GOLDEN
Assistant Secretary
for Children and Families

Enclosure

Question 1. There are many who maintain that welfare reform is a success because fewer people are on the rolls today. Aside from the fact that our booming economy is clearly playing a role, caseload reduction is a narrow measure that ignores the question of whether those who are no longer receiving cash assistance are better off economically once they return to work, or are diverted or sanctioned off the rolls. Does DHHS agree that claims of welfare reform "success" are premature until we have answers to the following critical questions:

How many are getting jobs that provide a wage that allows them to escape poverty?

How many of those leaving welfare—or those who are diverted—are able to find jobs with health insurance?

How many have jobs where their kids have health insurance?

How many have access to good child care?

Answer. The Department of Health and Human Services (DHHS) believes that the success of welfare reform has to be judged based on a multiplicity of outcomes including parental employment and earnings, family income, and child and family well-being. There is clear and consistent evidence that welfare reform has been successful in increasing the employment of low-income mothers. For example, Census data show that the percentage of people on welfare who were working the following year has increased from 20 percent in 1992 to 34 percent in 1996. Studies show that many families are earning more than they received on welfare. On the other issues there is currently insufficient evidence to judge success. The specific questions you raise are important ones. We agree that answering them is also central to assessing the success of welfare reform.

We have specifically targeted our research effort and funding to address many of these questions. Most of the evaluations of State welfare reform programs include data collection efforts that will provide valuable information about the families' circumstances when they are no longer receiving TANF cash assistance. This will include information on employment, wage levels, benefits such as health insurance coverage, and child care arrangements utilized. The special studies funded to track "leavers" and those diverted from TANF will also provide important information about wage levels and earnings, benefits available from the job such as health insurance coverage, family income, and utilization of other program services, such as Medicaid and food stamps. Interim reports from several large-scale welfare reform evaluation studies and some of the first round of "leavers" studies have been received. Additional reports are expected to be submitted to DHHS over the coming months. We will be reviewing findings and analyzing the information produced. We would be pleased to brief you on this work as it is completed.

Question 2. Census data suggests that the poorest families leaving welfare have "lost" economic ground in the last few years, despite our robust economy. Why is this, and what steps is HHS prepared to take to get states to start meeting the needs of extremely poor families?

Answer. The most current post-TANF data available from the Census Bureau is the March 1998 Current Population Survey (CPS), reflecting calendar year 1997. As indicated in Howard Rolston's testimony before the Ways and Means Subcommittee on Human Resources, analysis of all available sources of information, including the CPS, shows that the employment rate of current and former TANF recipients has increased significantly. Along with these employment gains, early analysis of the CPS data suggests substantial increases in average earnings for all female-headed families. When we look at the bottom fifth of female-headed families with children, we find that there are employment gains but the average *earnings* of this group did not increase from 1995 to 1997. CPS data indicate that the average annual income of all female-headed families with children increased. But when we examine differences between the top four fifths and the bottom group, those in the latter group did not fare as well. The role of welfare reform in these changes cannot be determined from these analyses. Nevertheless, the early indications of a reduction in in-

come among those in the lowest income group are of concern to us. We will further examine these outcomes using the March 1999 CPS data as soon as they are available.

The Administration has put in place a number of initiatives to help families with the greatest challenges. In the 1997 Balanced Budget Act we fought for and obtained an additional $3 billion to assist long-term recipients in high poverty areas. The Administration's $1 billion proposal to reauthorize this Welfare-to-Work Program will help long-term welfare recipients in areas of concentrated poverty get and keep jobs and will help more low-income fathers increase their employment and support their children. The Administration secured $7.5 million for Access to Jobs transportation grants to help welfare recipients and other low-income workers get to work and has proposed doubling resources in FY 2000. The Administration has proposed 25,000 additional welfare to work housing vouchers, building on a successful request for 59,000 in FY 1999. Finally, the Administration has proposed extending tax credits to encourage businesses to hire and retain long-term welfare recipients and the President has challenged the business community and the Federal government to do their part. To date, companies participating in the Welfare-to-Work Partnership have hired over 410,000 people from the welfare rolls, and the Federal government has hired over 12,000 recipients.

In addition, we have undertaken a number of efforts to strongly encourage States to use their existing funds to make investments in families who are likely to have the greatest barriers to self-sufficiency. We have taken active steps to promote and encourage State and local TANF agencies to utilize the flexibility provided through the final TANF regulations, including issuance of a guidebook on the use of TANF funds (May 1999). The guidebook provides guidance and examples of how existing Federal TANF funds, as well as State Maintenance of Effort (MOE) funds, may be used to address multiple barriers faced by current or former TANF families. For example, the guide points out that Federal TANF funds may be used to provide appropriate counseling services (e.g. mental health services, anger management counseling, non-medical substance abuse counseling services) to family members with barriers to employment and self-sufficiency. Both Federal and State MOE funds may be used to provide non-medical substance or alcohol abuse services, including room and board costs at residential treatment programs. Further, TANF or MOE funds can be used to help victims of domestic violence relocate somewhere else where employment or safe housing has been secured. Among other things, these funds can be used to support collaboration with domestic violence service providers to screen and identify victims applying for TANF, establish confidentiality procedures and ensure safety, and develop appropriate staff training. Further, we have actively promoted use of the EITC and encouraged States to make significant investments in strategies that can move families who enter the workforce at low wages up to higher wage jobs.

Question 3. Last January, a federal district judge issued an injunction against New York City, which until then had a policy of blatantly denying welfare applicants the opportunity to immediately apply for food stamps and Medicaid. This practice is not only illegal, it's despicable. Does HHS have any authority to sanction New York for illegally denying Medicaid to welfare applicants? If the agency does not have the authority under TANF to penalize localities and states for this kind of behavior, does it have any other authority to impose financial sanctions on localities that are caught denying benefits? Did HHS recommend that any sanctions be applied in the New York City case? Would you recommend that sanctions be used in the future if similar circumstances arise? Or do you think the courts and letters of guidance like the one HHS issued on March 22, 1999, are a sufficient response, and that penalties are inappropriate?

Answer. The Administration is taking aggressive steps to ensure that States and communities do not undermine the Medicaid guarantee of coverage in implementing their welfare programs. DHHS recently issued guidance to States explicitly underscoring that States with joint applications for TANF and Medicaid must provide Medicaid applications upon request and must process Medicaid applications without delay, regardless of the State rules governing the TANF application. HCFA is undertaking numerous other activities to ensure that States are in compliance with the law in this area.

When concerns are identified, HCFA begins the process by working with the State to reach a satisfactory resolution. If these efforts fail, HCFA would take all steps available under the law to ensure that the State takes corrective action. This could include withholding Federal Financial Participation (FFP) for the State's program. If HCFA determines that a State is not in substantial compliance with Federal Med-

icaid requirements, there is authority in section 1904 of the Social Security Act, after notice to the State and a hearing, to withhold FFP from the State.

After court action and significant HCFA efforts to address the problems you cite, the New York City Human Resources Administration has agreed to provide Medicaid applications without delay at TANF offices in New York City. To ensure compliance, HCFA has been reviewing several aspects of New York's eligibility process. HCFA will continue to investigate all allegations of improper enrollment practices.

Question 4. Some studies show that states using initial full-check sanctions have seen the highest welfare caseload declines. At the same time, we know that the very poorest families who need help the most are losing assistance, and are not getting jobs that pay anything close to a living wage. In HHS' view, is it appropriate for states to use full-check sanctions against these very poor families?

Answer. TANF provides States the flexibility to establish the size of a sanction for families who fail to cooperate with work, child support, and other requirements, as long as the minimum sanction for failure to cooperate with work requirements is a *pro rata* reduction of the TANF assistance grant. Therefore, within the overall structure of welfare reform, we believe that the amount of the sanction is appropriately a matter of State flexibility. However, we believe that it is important for States to apply fairly and accurately all sanctions, and to provide appropriate assistance and services where needed in order for parents to comply with requirements.

As we state elsewhere in our responses, we are taking various steps through regulations, policy guidance, and technical assistance to encourage States to use TANF flexibility and resources to develop policies and strategies to help TANF families who may have more barriers to self-sufficiency. For example, we are funding direct technical assistance and sponsoring conferences and workshops to allow for important information sharing about promising approaches among policy makers and practitioners. We also expect that findings from several research studies will provide important information about these families and methods to most effectively help them meet their goals for employment and meeting the needs of their children. Some of the leavers studies, for example, explicitly examine the outcomes for families that leave due to sanctions, as compared to those that leave for other reasons.

Question 5. There are several published reports suggesting that many welfare case workers are failing to check the eligibility of TANF applicants and those leaving welfare for food stamps and Medicaid. Why aren't all eligible families moving through the new TANF system, which emphasizes employment, getting Medicaid and food stamps, as required by law? What policy changes does HHS recommend to ensure that crucial eligibility linkages, which are really work supports for low-income families, are promptly and consistently made?

Answer. We agree that work supports such as Medicaid, food stamps, transportation, housing, and reliable child care are needed and should be available to eligible former TANF recipients and other low-income families, including those diverted from cash assistance. We have strongly advocated for policies that support access to and participation in these programs as reflected in the Administration's budget request. The request would extend and expand the funding authority for outreach for Medicaid and help States address other challenges associated with the de-linking of Medicaid from welfare and the establishment of section 1931. Examples of the use of funds under this authority include outreach, education campaigns, and worker training.

The major changes in the organization and culture of cash assistance delivery brought about by welfare reform have created both opportunities and challenges. In many cases, State and local agencies have been innovative and creative in developing new policies and practices and utilizing the flexibility provided to link programs and help to ensure that families have access to the supports needed as they move toward self-sufficiency. Federal law and regulations require that States that use a joint TANF-Medicaid application must furnish a Medicaid application upon request, may not impose a waiting period before providing it, and must process Medicaid applications without delay. We will continue to work with State and local TANF and Medicaid agencies to ensure that they comply with existing law and regulation and to find new ways to reach eligible children and families through the welfare system as well as outside of it.

We have sent notices to State Medicaid and TANF Directors outlining the requirements of the law and Federal policy, alerting them to possible problem areas that may need attention, and providing them with guidance on ways to improve their systems and expand Medicaid coverage. Specifically, DHHS developed and issued a 24-page guide: "Supporting Families in Transition: A Guide to Expanding Health

Coverage in the Post-Welfare Reform World." This publication was sent to all State Medicaid and TANF Directors and many other interested parties.

We have a follow-up strategy to this guide that includes an educational component, aggressive outreach, and a proactive enforcement process. In the isolated examples where specific problems have been identified, DHHS has acted aggressively. For example, in New York, HCFA has been reviewing several aspects of the eligibility process in the State. We are also undertaking research activities to find ways to promote increased participation of eligible individuals in these programs. While we believe the problems derive from State and local practices and procedures rather than from problems with current Federal law and policy, we will continue to consider proposals to address these issues.

Question 6. There is also research documenting that food bank use is up in the last several years. At the same time, food stamp enrollment has declined nationally by 33%, or 9.1 million people, since September 1994. The Department of Agriculture says almost all of the drop in food stamp caseload is due to welfare reform. Does DHHS think this precipitous decline is due in large part to the fact that TANF recipients and leavers simply aren't being told they're eligible for food stamps? If so, what is the agency going to do about it?

Answer. As indicated in our response to the prior question, we believe that access to and receipt of food stamp benefits, in addition to Medicaid, transportation, housing, and child care, are critical work supports which can help meet the nutritional needs of low-income children and families, particularly former TANF families. The USDA believes that the reasons behind the rapid drop in food stamp participation are complex. Part of the drop is due to the strength of the economy and the success of welfare reform, which helped move families from welfare to work. Part of the drop is due to new restrictions on the participation of certain legal immigrants and able-bodied unemployed adults without dependent children. But other factors may also be at work.

Some families who leave welfare for work may not be aware that they still may be eligible for food stamps; in other instances, State or local agencies may have discouraged or prevented those eligible for benefits from applying. In both of these cases, this ought not to happen. In some cases, families may have decided that participation was not worth the "costs" in terms of time, paperwork burden, or stigma. In any case, families that work hard and play by the rules ought to have access to sufficient and nutritious food.

The Administration believes this is a very important issue and has proposed $7 million for nutrition education and outreach in the Administration's FY 2000 budget for USDA. We will continue to work with officials within the USDA and with State and local agencies to identify and correct policies and practices that discourage or deter participation, to encourage outreach, and ensure that families have complete information about their eligibility.

Question 7. Medicaid enrollment dropped by 2% in 1996 (600,000 people) and by another 3% (800,000 people) in 1997. A recent Families USA study argues that more than a million people who were eligible for Medicaid were not covered by the program in 1997 as a consequence of welfare reform. Families USA further calculates that 675,000 of that 1.25 million were uninsured, including nearly 420,000 children. These are children who would have been enrolled in Medicaid under the old linked AFDC-Medicaid system. This means that the rate of uninsurance among children has actually increased, according to the study—despite the fact that States have been busy passing laws in the last two years to expand Medicaid eligibility among children. What explains this phenomena and what does DHHS plan to do about it? What steps is DHHS prepared to take to make it clearer to States that Congress did not intend for people to lose access to Medicaid as a result of welfare reform?

Answer. While there are likely many factors that have contributed to the decline in the number of Medicaid beneficiaries, such as the robust economy and the strong job market, the Administration and DHHS believe that people entitled to Medicaid should be enrolled and we have developed aggressive responses to address the declines, whatever the reasons.

As mentioned earlier, we are continuously promoting approaches to improve access and enrollment by all eligible families. Our technical assistance and research activities will be at the forefront of our efforts. We will offer to train staff in the States on the provisions of law and the opportunities to fund outreach and expand coverage as outlined in the "Expanding Health Coverage" guide. We are actively working with States to maximize coverage of low-income working families under Medicaid and to ensure compliance with the Medicaid statute. We will support research activities to assess program policies and practices and document lessons for

program administrators and interested parties. These are important issues and we are actively taking steps to address them.

In addition, we have fought to expand health care coverage in the following ways:

Creation of the Children's Health Insurance Program (CHIP). The President, with bipartisan support from the Congress, created the CHIP. The Balanced Budget Act of 1997 allocated $24 billion dollars over five years to extend health care coverage to uninsured children through State-designed programs. States project that they will ensure 2.5 million children when their new CHIP programs are fully implemented.

Allowing States to Expand Medicaid to Cover Families. The welfare law allows States to expand Medicaid coverage under section 1931 to families who earn too much to be eligible for Medicaid but not enough to afford health insurance. These expansions allow States to present Medicaid as a freestanding health insurance program for low-income families—an important step towards removing the stigma associated with the program and reaching families who do not have contact with the TANF system.

Providing Medicaid Coverage to Low-Income Two-Parent Families Who Work. In August 1998, the President eliminated a vestige of the old welfare system by allowing all States to provide Medicaid coverage to working, two-parent families who meet State income eligibility requirements. Under the old regulations, adults in two-parent families who worked more than 100 hours per month could not receive Medicaid regardless of their income level. Because the same restrictions did not apply to single-parent families, these regulations created disincentives to marriage and full-time work. Prior to eliminating the rule entirely, the Administration allowed a number of States to waive this rule. The new regulation eliminates this requirement for all States.

Question 8. Section 1931 of the 1996 welfare law allows States to count income and resources far more liberally than they could under the old AFDC law for purposes of determining eligibility for Medicaid. As I understand Section 1931, this means that States can offer Medicaid to a far larger number of the working poor if they choose to do so. Indeed, an August 1998 letter to State Medicaid Directors says that the implementing regulation allows all "States.., to provide health care coverage under Medicaid to virtually all TANF recipients and to continue that health coverage after a parent has found employment." How actively has DHHS been urging States to take advantage of this new flexibility to decrease uninsurance among the working poor? How many States have submitted 1931 plans, and how many are expanding Medicaid eligibility under this section to date, and how many more would you expect to see expand eligibility within the next year?

Answer. DHHS is aggressively promoting State coverage of working poor families through section 1931. As previously indicated, we issued the 24-page guide that addresses 1931 expansion options and developed a follow-up strategy to work with States. In addition, the letter you cite is just one of many that we issued that discusses the flexibility available under 1931. We have worked closely with States in the development of expansions that will assure that the TANF population is eligible for Medicaid. At this time, 45 States have submitted 1931 State Plan Amendments (SPAs). Most of these involve an eligibility expansion, though the degree of expansion varies considerably. Some have only increased the vehicle or resource exclusion. At the opposite end, the District of Columbia will effectively exclude all income below 200 percent of poverty in order to cover all the working poor. A number of States have already revised their original 1931 amendments to add additional expansions. While we have no way of predicting how many will do so in the next year, we will continue to encourage States to expand coverage through 1931. We do expect that States will continue to use the 1931 flexibility to both simplify and expand Medicaid eligibility in the future.

As indicated elsewhere, we are taking steps through research activities, technical assistance, and information sharing through conferences and workshops to encourage States to develop policies to support working families, particularly those leaving TANF rolls.

Question 9. In March 1998, DHHS issued a high performance bonus guidance document that proposes to reward the 10 States deemed to be doing the best job at welfare reform every year. It incorporates only work-related measures in the form of job gain, job retention and job gain earnings. Wendell Primus of the Center on Budget and Policy Priorities argues in his testimony today that additional factors that provide a measure of how many are receiving Medicaid and food stamps should be part of any assessment of how well States are doing in implementing welfare reform. Conceptually, do you agree or disagree with the Center's approach? Are you willing to

recommend that some measurement of how well States do in serving low-income families, or a measurement of childhood poverty, should be a component of a final rule for State high performance bonuses? If not, then how do you really expect to convince States that they have to do a far better job than they have been in enrolling welfare leavers in these work support programs in order to make welfare "reform" truly successful?

Answer. We are exploring a number of possible additional measures that could be used to assess TANF high performance. In making decisions about the measures that will be included, it is important to consider the consistency of measurement across States, the degree to which there is accurate measurement of the variable at the state level, and other similar factors. We plan to issue a proposed rule this summer regarding the High Performance Bonus in which we will address the issue of moving beyond the current work measures and hope to obtain valuable feedback and input from experts and interested parties in response to the proposed rule.

In addition, as you note, the current High Performance Bonus measures include retention and earnings gains on the job, as well as job entry. These measures are likely to reward States that do a good job of providing supports to working families such as health care and child care because these supports help families keep their jobs and move up on the job.

Question 10. On the issue of child care, is there any evidence that are States are denying child care services to TANF recipients and leavers? I am told that in the State of Utah, parents who are being sent to work must first seek out free child care before they are allowed access to TANF-based child care services. In how many States is this practice replicated?

Answer. The availability of quality child care is critically important for all low-income working families, including those who are transitioning from welfare to work, and for their children. The Administration and DHHS are dedicated to increasing our investments in quality child care for TANF and low-income working families.

We are not aware of any States denying child care services to TANF recipients if it is needed for participation in required activities or employment. Federal law and regulations for the Child Care and Development Block Grant (CCDBG) and TANF specify that TANF agencies may not impose a sanction on a single mother of a child under age 6 for refusal to participate or work if the parent demonstrates an inability to obtain needed child care based on the State's definitions of "appropriate child care," "reasonable distance," "unsuitability of informal care," and "affordable arrangements." Both the TANF and CCDBG regulations specify steps that the State must take to carry out this provision, including a requirement that State TANF and child care agencies must inform families about these provisions.

With regard to the practice you were informed about in Utah in which families are encouraged to find free care as a first option, we are told that the State does not require that families seek out free child care prior to approval of child care subsidies. State workers ask parents if child care is available at no cost. If the parent states that such care is not available, the TANF worker proceeds with a subsidy request. The State assures us that no parent is refused child care services or required to find free care prior to approval of child care subsidies. We are not aware of any other State that engages in a similar practice. We will be in a better position to learn more about current State practices once the State CCDBG Plans for the 2000–2001 biennium are received and analyzed. The plans are due July 1. We would find it useful to hear if you learn of other practices that cause concern.

We also know that after families leave TANF, there is considerable variation among States in the availability of child care subsidies. Some States seek to provide child care to leavers for a set period of time, while others have moved to an income-based system where low-income families are served on an equal basis whether or not they came from welfare. The critical issue for all the States, however, is that there are insufficient resources to serve all the low-income working families, both former TANF families and other low-income families, who need child care subsidies in order to hold onto their jobs and ensure that their children are in safe and stable care. Nationally, despite considerable State investments as described below, data from 1997 showed that only about 1.25 million of the 10 million children who met the Federal income eligibility standards for the Child Care and Development Block Grant received a subsidy in 1997.

Because the Administration believes the availability of safe, affordable, quality child care is so important to working families, the President has proposed a major initiative to ensure that America's working parents are not forced to choose between a job they need and a child they love. We very much appreciate your and your col-

leagues' support for this initiative, which proposes to expand the Child Care and Development Block Grant by $7.5 billion over five years to serve an additional 1.15 million children in low-income working families; to help low and moderate income families who earn too much to qualify for subsidized care, but still need help paying for child care by expanding benefits for the Child and Dependent Care Tax Credit; to expand after-school care to one million children; and to strengthen the quality of care for our youngest and most vulnerable children through an investment of $3 billion over five years for an Early Learning Fund that communities would use to ensure healthy, safe, and high quality care for babies, toddlers, and preschoolers.

As indicated in my testimony before the Subcommittee last spring, States are making considerable investments in child care but simply cannot meet the needs of low-income working families for stable care without an additional Federal commitment. In FY 1998 States obligated 100% of the entitlement funds available to them through the CCDBG, including the matching funds that they must supply in order to draw down the Federal assistance. In 1998 12 States reported expending TANF funds for child care and 28 States transferred TANF funds to their CCDBG programs. Yet, even in the States that have made the largest resource commitments, eligibility levels are often set far below the allowable Federal level and there are long waiting lists for services among eligible families. And, States that have studied the impact on families on waiting lists of failing to get a child care subsidy report that such families often return to welfare, having problems paying their bills, and shuffle their children between unsatisfactory child care arrangements. For these reasons, we believe that it is extremely important to families that the President's child care initiative be enacted.

Question 11. Can you discuss the research showing that the quality of child care directly affects employment, and can make a difference in whether low-income women are willing and able to return to the work force for the long term? And would you agree that care that is convenient, affordable, and of high quality may help parents succeed in their transition from welfare to work while deficits in any of these dimensions may interfere with parents' education and work activities, not to mention compromise a child's well-being?

Answer. Child care is centrally important to children's well-being and to parents' ability to work. As you note, convenience, affordability and quality of child care are all critically important dimensions that can enhance parents' ability to succeed in the transition from welfare to work and, as noted above, can also influence the ability of low-income working families to keep their jobs and succeed at work. In addition, the quality of care is important to children's well-being, healthy development, and school readiness, as demonstrated by an expanding body of research. Over the past several years, in partnership with the Congress, the Administration has provided leadership by expanding public investment to serve more needy children and families, by stronger efforts to improve program quality and accountability, and by creative work to support partnerships across different early childhood programs. Yet, as noted above, there are critical next steps we must take at the Federal level to ensure quality care. These include enacting the President's proposal for an Early Learning Fund that would enable communities to improve care for the youngest children and enacting the President's proposed budget for Head Start, the nation's premier early childhood program, which still serves less than half of eligible children.

Among the most important recent research findings on the impact of quality child care on children are the following:

- The National Institute of Child Health and Human Development recently reported that higher caliber child care was consistently related to high levels of cognitive and language development. In addition, research shows that higher quality child care is related to stronger pre-mathematics and social skills.
- A recent follow-up to the Cost, Quality, and Outcomes in Child Care Centers study, co-sponsored by the Department of Education and several foundations, found that children who had experienced high quality child care had higher language and mathematics skills than those who had been in poorer quality care. Most strikingly, the effects lasted into the second grade. High quality child care particularly benefited children whose mothers had lower levels of education.
- A rigorous evaluation of a Milwaukee program designed to provide child care, health care, earnings subsidies, and guaranteed jobs to low-income working families, Project New Hope, found that a key impact of the program was to substantially increase boys' school performance and substantially reduce boys' behavioral problems. Researchers attributed this finding to several aspects of the program, including especially increased participation by the boys in preschool care, extended-day child care, and other structured activities.

Given the growing body of research that indicates the fundamental importance of quality, we have significant concerns about the quality of care that is available. As noted above, the President's initiative includes the Early Learning Fund to support higher quality child care in communities across the country. The Early Learning Fund will provide challenge grants to communities for children aged zero-to-five to enhance the quality of early care and education services for our youngest and most vulnerable children. A variety of research also suggests that child care makes a difference in parents' ability to sustain employment as well as their consistency and productivity on the job. For example, several studies have shown that improvements in employee absenteeism, lateness, and turnover have been shown to be related to the availability of employer provided child care services. A study sponsored by the National Conference of State Legislatures (1997) found that child care issues were cited by surveyed employers as causing more problems in the workplace than any other family-related issue.

Continued research and evaluation of issues affecting child care are essential to improve Federal, State and local policies, promote effective practice, and increase our capacity to better serve low-income children and parents. We appreciate your efforts and those of others in authorizing $10 million for child care research and evaluation that will become available in fiscal year 2000. We support continuation of this research funding authority because it provides us an important opportunity to enhance our knowledge in critical areas and in ways that will be helpful to parents, providers, employers, communities, States, and the country as a whole.

Question 12. Testimony presented by Wendell Primus of the Center on Budget and Policy Priorities at a May 27 Ways & Means Human Resources Subcommittee hearing concludes that the average disposable income of the poorest fifth of single-mother families fell from 1995–97 by about $660, a 7.6% decline. Income in the next-to-the-bottom income quintile remained unchanged. For these families, welfare reform has not produced "success," but dramatic failure. Part of that failure is due to these families not getting food stamps. How does DHHS think this poverty gap should be addressed?

Answer. As stated above, analysis of all available sources of information, including the CPS, shows that the employment rate of current and former TANF recipients has increased significantly and for some the analysis suggests there have also been substantial increases in average earnings. Based on early analysis of the data, the average earnings for those in the bottom fifth of female-headed families with children did not increase. We are concerned with this preliminary finding and will continue to monitor it. At the same time, we are aggressively promoting strategies to increase investments to provide supports to the hardest to employ families and to increase access to and participation in both the Medicaid and Food Stamp programs by all eligible families. Our technical assistance efforts and those of USDA, as well as our recently issued guidance on the flexibility on the use of TANF funds based on the final regulations, will encourage States to invest resources to provide needed supports for the poorest families and those with multiple problems. As we note in response to other questions, there are many examples of promising strategies that State and local TANF agencies are putting in place to assist families who face more difficult challenges to self-sufficiency.

Question 13. In other testimony by the American Enterprise Institute, it is suggested that the poorest women—those in the bottom income quintile—are doing reasonably well because they're moving in with non-family members. In DHHS' view, is it appropriate that very low-income women are being "hassled" by "job centers" to the extent that no cash assistance or other aid is extended to them whatsoever?

Answer. While we support State and local TANF agency efforts to implement strong work requirements for families applying for and receiving TANF cash assistance, work requirements must not be applied in a way that deters families eligible for Food Stamps and Medicaid from applying for and receiving them. As we have noted in responses to other questions, we are using a variety of approaches to correct inappropriate or illegal practices.

Question 14. The "hassle" factor referenced in AEI's May 27 testimony has been institutionalized in some State diversion policies. Unfortunately, these tactics can cause potential welfare applicants to walk out the door before talking at length with a caseworker, and in some cases, transformed into policies to effectively deny benefits illegally, as happened last year in New York City. Does DHHS believe this suggests that Federal parameters on State diversion policies are needed?

Answer. DHHS sponsored a research project that examined State policies to divert families from receipt of TANF cash assistance and the implications for Medicaid en-

rollment. The study surveyed state-level administrators to gain information about policies and included case studies of five local offices to examine field operations and practices more closely. The study found that the new administrative requirements brought about by de-linking Medicaid and cash assistance and the use of diversion strategies created both opportunities and challenges for State and local policymakers and operators. While some States used the flexibility and expansion opportunities to directly support their diversion programs, the researchers found that there were also situations where applications for Medicaid could potentially "fall through the cracks" where there were diversion programs.

As a result of these and similar findings, DHHS used issuance of the Guide to Expanding Health Coverage as well as several letters to State Medicaid and TANF Directors to emphasize the requirement for States to process applications for Medicaid without regard to eligibility factors related solely to TANF and to notify families of their continuing eligibility for Medicaid despite ineligibility or noncompliance with TANF requirements. USDA has issued similar guidance regarding the Food Stamp program. We will continue to address the issue through a variety of approaches, including technical assistance, further research, and program monitoring. We will react quickly to any information about illegal practices. At this time, DHHS does not believe that Federal parameters on State TANF diversion policies are necessary.

Question 15. There is information from a number of sources that some families are indeed worse off since the passage of PRWORA in 1996. Wendell Primus has testified that the bottom fifth of single mothers experienced a drop in annual incomes from 1995 to 1997. Also, the Children's Defense Fund has reported that former welfare families are reporting that they are unable to pay for food, are falling behind in rent, losing health coverage, and going without needed medical care. NETWORK, a National Catholic Social Justice Lobby, also reports that parents report that they and their children are skipping meals or eating less per meal. In light of this information, how can we deny that some families are in fact worse off?

Answer. As noted above, there is clear evidence from multiple sources that employment rates have increased and that earnings have increased for many families. But, the early, preliminary evidence from the CPS does suggest that the income picture is more complicated, that some families may have gained income while others lost, and that there is particular reason for concern about families at the bottom of the income distribution. We believe that it is important to continue to monitor this issue. In many of the leavers studies, the States are examining subgroups of families leaving welfare in order to understand which are succeeding and which are struggling. This will enable them to target additional resources to those families who are most vulnerable.

We are aggressively encouraging States to invest TANF funds in strategies that will make a difference to these families; both strategies that support low-income working families who have left welfare, and strategies that invest in families on welfare, particularly the most disadvantaged. Further, we believe that the flexibility provided within the recently issued final regulations for TANF will make it easier for States to invest resources to support former welfare families. We are encouraged by initial State reaction and response to this new flexibility. In addition, the Administration fought for an additional $3 billion investment in Welfare-to-Work funds which are now helping long-term recipients in high poverty areas get jobs and succeed in the workforce and we have proposed an additional $1 billion for this effort.

Moreover, the Administration and DHHS have advocated for an array of important supports for working families so that families are better off when they choose work over welfare. These include the Earned Income Tax Credit, increased minimum wage, expanded Medicaid eligibility, access to food stamps, transportation and housing vouchers, strong child support enforcement provisions, and the availability of affordable quality child care. We are pursuing an aggressive strategy to work with State and local TANF agencies to support working families.

Question 16. An amendment was recently offered in the Senate to require DHHS to submit a report annually to Congress on how well those leaving welfare do in the first two years after leaving cash assistance. It failed by only one vote. The amendment called for DHHS to track employment status, wages, health insurance status and child care information. Do you agree that this kind of an overarching broad examination of the economic well-being of those leaving welfare is integral to a fair evaluation of welfare reform?

Answer. As we stated in response to the first question in your letter, we agree that the success of welfare reform should be judged using a multiplicity of outcomes. We will be obtaining information about the measures you mentioned from a variety

of research projects that we sponsor (e.g., the "leavers") studies, child outcome studies, national surveys) as well as from studies sponsored by other organizations. Some relevant measures will also be expected to be available through the data reported by States participating in the High Performance Bonus.

Question 17. States have a substantial amount of TANF monies that have not yet been obligated—about $3 billion in unobligated funds. Will DHHS recommend that it be used for helping the hardest-to-serve welfare recipients, for improving the food stamp program and for Medicaid outreach. Are States prepared to use the money for these purposes, or should the Federal government direct States to do so?

Answer. We believe that assisting the "hardest to serve" to become self-sufficient and facilitating job retention and advancement are two of the most central uses for directing unobligated TANF funds. We are promoting these strategies aggressively through ongoing technical assistance, information provision, and research activities. We will use the flexibility provided in the final TANF regulations and the written guidance we have provided on the use of TANF funds to aggressively encourage States to make important investments in those families facing multiple challenges in their effort to become self-sufficient.

The types of services or approaches needed to help families with multiple barriers may be different from those used with families that exited earlier. State and local agencies are using a variety of approaches to work with families with significant barriers to employment. The opportunity provided to furnish employment-focused services specifically for the hardest to serve through the Welfare-to-Work Program is critical to this goal. That is why we fought for the $3 billion investment in the Welfare-to-Work Program and why we support reauthorization of the Welfare-to-Work Program and an additional investment of $1 billion. As mentioned elsewhere, we are working with other agencies and organizations to identify promising strategies and practices for working with the hardest to serve families (e.g., those with substance abuse and mental health problems, victims of domestic violence, individuals with disabilities) through peer-to-peer technical assistance, workshops and conferences, and research.

As noted throughout, we have taken numerous steps to encourage States to conduct outreach and to examine and correct policies and practices that result in families being deterred or discouraged from making application for Medicaid and Food Stamps. We will continue to address this issue through our technical assistance strategy, research activity, and program monitoring.

Question 18. I understand that DHHS will soon be issuing a proposed regulation on State high performance bonuses, worth $200 million per year. Temporary guidance for 1999 focuses only on work-related measures of job entry, job earning gains, and job retention. Does DHHS think broader measures of family well-being should be included as incentives to States to bolster food stamp and Medicaid participation among welfare participants to help lift them out of poverty?

Answer. As stated above, we are exploring a number of possible types of measures for inclusion in the High Performance Bonus that could be used to assess TANF high performance. We expect that the comments we receive on the proposed rule will help us in making final decisions about the types of measures to include. In the meantime, we will continue to use other means to assist and encourage States to increase access to and participation in the Medicaid and Food Stamp programs among former TANF families and other low-income families.

Question 19. Does DHHS agree that caseload reductions are only one possible measure of welfare reform? What are some other markers we should be looking at to assess the success or shortcomings of welfare reform?

Answer. DHHS believes that the success of welfare reform has to be judged based on a multiplicity of outcomes including parental employment and earnings, family income, and child and family well-being.

Question 20. The General Accounting Office points out in a report released on May 27, "Welfare Reform: Information on Former Recipients' Status," that "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." Those State studies vary considerably in the way they are conducted and are not generalizable, making it harder to do cross-comparisons. Does DHHS support a requirement for States to provide data every year in a report to Congress on uniform parameters—employment status, wages, health insurance, and child care information—in order to greatly increase the understanding of the impact of welfare reform?

Answer. As we stated above, we agree that the success of welfare reform should be judged using a multiplicity of outcomes. In addition to the state-sponsored leavers studies mentioned by GAO, we will also be obtaining information about the measures you mentioned from a variety of research projects that we have sponsored as well as from studies sponsored by others organizations. The number of studies with findings that were available to GAO at the time of their study was somewhat limited. Over time, we will have much more information when all of the studies are completed. DHHS has provided funding to support 14 "leavers" studies using comparable methodologies and definitions, where possible, and will fund additional projects or expansions this year. While we will not be able to generalize the findings to all States, we will have a considerable amount of information from a large number of States with different benefit levels and other program characteristics. Some relevant measures will also be expected to be available through the data reported by States participating in the High Performance Bonus and through case closure data required by the final TANF rules.

The President's budget has requested $27 million in mandatory and discretionary funding and an additional $5 million for policy research for FY 2000 to continue to support these and other welfare research efforts. We hope that Congress will fully fund this request. Proposals to require states to track all former TANF recipients and collect data about their employment status, wages, health insurance and child care services would be a very costly undertaking that raises a number of complex data collection issues.

Question 21. There are now 31 States using diversion tactics in their welfare offices, according to GAO. Any comprehensive assessment of welfare reform and outcomes must determine whether these diversion practices are negatively affecting families. What State diversion policies identified by DHHS are hurting low-income families?

Answer. We believe that any policies that deny individuals the right to apply for Food Stamps and Medicaid are illegal and hurt families. Such policies need to be eradicated wherever they exist and we have taken steps to ensure that States comply with the law and regulations. Under Federal regulations, families must be given the opportunity to apply for Medicaid and Food Stamps without delay.

As mentioned previously, DHHS sponsored a study of State diversion policies with a special focus on implications for Medicaid. The findings from the study highlighted both challenges and opportunities brought about by diversion programs and the "delinking" of Medicaid from cash assistance eligibility. We have used the findings from this study and other sources in developing the Guide to Expanding Health Coverage to provide specific recommendations and examples for State and local use and to encourage expansion of health care coverage. DHHS' follow-up strategy will help to ensure that States understand and comply with Federal policies.

Question 22. As welfare rolls shrink, some States are concerned that a growing proportion of people on the rolls are the hardest-to-employ, such as those with mental health and substance abuse problems, or victims of domestic violence. In DHHS' experience visiting States and learning about their TANF programs, what are some of the programs that have been put into place to help this population?

Answer. State and local agencies are using a variety of approaches to work with individuals with these types of problems. For example, in some areas (e.g., Oregon), the TANF agency has established an agreement with the local substance abuse or mental health agency to have a professional from such organization stationed in the TANF office to conduct assessments of applicants or recipients or to provide additional information or consultation to workers. Some States (e.g., North Carolina and New York) are using Employee Assistance Programs to address these types of problems and increase employment. Others have committed resources specifically for treatment and services to individuals and families identified as having substance abuse problems (e.g., New Jersey) and many have taken steps to provide additional training to front-line staff in the use of tools to help identify the existence of problems which could impede the transition to self-sufficiency.

Under TANF, States have flexibility to give special treatment to the victims of domestic violence. Under the "Family Violence Option," States may certify that they will assist victims by: screening for them when they apply for TANF; referring them to counseling and supportive services; and waiving program requirements (such as time limits, residency requirements, child support cooperation, or family cap provisions) if necessary. Our latest information indicates that twenty-seven States have certified that they will assist victims of domestic violence. Examples of State and local actions include authorization of special appropriations for services for TANF recipients who are victims of domestic violence (e.g., Pennsylvania); implementation of demonstrations to examine new approaches to serving battered women (e.g., Ten-

nessee, Illinois, Texas, Massachusetts, Kansas, Arizona, Utah, Minnesota); and hiring of domestic violence experts as employees of the TANF agency to work with caseworkers and to advise on policy (e.g., Massachusetts).

In order to promote policies and practices in these areas, we have co-sponsored, with the Substance Abuse and Mental Health Services Administration, numerous conferences throughout the country which have been attended by hundreds of State and local welfare staff and practitioners from many disciplines. Attendees have participated in day-long sessions by experts on practical approaches to working with the hardest to employ, including those with mental or physical health problems, substance abuse problems, and those with very low basic skills or learning disabilities as well as those who face difficult challenges simply because they live in very rural areas. In many cases, the barriers faced by some TANF families may not be completely overcome in a short period of time. We believe the flexibility provided in the final TANF regulations will encourage State and local TANF agencies to continue to work with working families who face greater challenges to their continued self-sufficiency. (Under the final TANF regulations, the expenditure of TANF funds to provide supportive services to *working families* will not count towards the 60-month Federal time limit on the receipt of assistance.)

We have taken active steps to promote and encourage State and local TANF agencies to utilize the flexibility provided through the final TANF regulations, including issuance of a guidebook on the use of TANF funds (May 1999). The booklet provides guidance and examples of how Federal TANF funds, as well as State Maintenance of Effort (MOE) funds, may be used to address multiple barriers faced by current or former TANF families. For example, the guide points out that Federal TANF funds may be used to provide appropriate counseling services (e.g. mental health services, anger management counseling, non-medical substance abuse counseling services) to family members with barriers to employment and self-sufficiency. Both Federal and State MOE funds may be used to provide non-medical substance or alcohol abuse services, including room and board costs at residential treatment programs. Further, TANF or MOE funds can be used to help victims of domestic violence relocate to an area where employment or safe housing has been secured. These funds can be used to support collaboration with domestic violence service providers to screen and identify victims applying for TANF, establish confidentiality procedures and ensure safety, and develop appropriate staff training.

We will be using multiple approaches (e.g., presentations, instructional workshops on the final TANF regulations, sponsorship of conferences, provision of technical assistance) to encourage creativity, innovation and replication of promising practices. In addition, the Department of Labor has made a special effort to attract applications for competitive Welfare-to-Work grants in these areas by including substance abuse, disabilities, and domestic violence as priority groups for funding.

Question 23. GAO finds that the average hourly wage rates in leaver studies varies between $5.67 an hour in Tennessee to $8.09 an hour in Washington State. At $5.67 an hour, annual income at 32 hours per week for 50 weeks is only $9,072. That's not enough to break through the Federal poverty level of slightly over $13,000 for a family of three in 1998. At $8.09 per hour, annual income is $12,944, still below the Federal poverty level. Is this what DHHS considers a successful outcome for welfare reform?

Answer. DHHS believes that it is important that working families have a package of supports available to assist them as they transition from welfare to self-sufficiency. As indicated by the findings in the GAO study, a low-wage job may be the first step for many former welfare recipients. In fact, given the work experience and skill level of many recipients, we believe that it will be the likely first step for many parents. That is why it is critical for such families to receive other supports such as food stamps, Medicaid, the Earned Income Tax Credit, and subsidized child care. For example, for tax year 1998, for a family with two qualifying children with earnings of $9072 and no other income, the EITC would be $3,630. If the same family earned $12,944, the EITC would be $3,616.

We also believe, and have reflected in all of our activities, that a key investment area for States is employment advancement strategies that can move families who enter the workforce at low wages up to higher wage jobs.

Question 24. In general, state evaluations of people leaving welfare all point to the fact that individuals who leave welfare for work earn low wages, with most not earning enough to raise their income above poverty. The Urban Institute points out that most of these people get jobs in low-wage industries, such as fast food restaurants, or clerical or retail positions. These aren't positions with generous salaries, and you note that "a key issue in evaluating welfare reform is the extent to which persons

with the attributes of welfare recipients can actually become self-sufficient." Without work supports such as child care and health insurance, is it realistic to expect that former welfare recipients can, as you recommend, "persist in the labor force" until "the gap between their earnings and those of other workers never on welfare" narrows?

Answer. As we cited elsewhere, we believe that families transitioning from welfare to work and other low-income working families need a package of supports to help them make and sustain the transition. We have and will continue to work aggressively to see that these supports are in place and are accessible to those who need them. Adequate funding for child care is critical. High utilization of the EITC by welfare families is an important step in helping parents in low-wage jobs move out of poverty.

As we have indicated in responses above, we are actively working with States to ensure access to the Food Stamp and Medicaid program benefits by all eligible families, including those who leave the TANF rolls and ensuring families have the child care, transportation and housing they need. In addition, Welfare-to-Work funds can be used to support working families, and we are supporting a $1 billion reauthorization of that program. We will continue to use a variety of strategies to accomplish our goals including technical assistance and research activities.

Mr. STARK. Yesterday, Senator Wellstone offered an amendment to require Health and Human Services to submit an annual report on how well those leaving welfare do in the first 2 years after leaving cash assistance. It would ask HHS to track employment status, wages, health insurance status, and child care information. The amendment failed by one vote. It sounds to me as if we do not want to know what is happening. All we want to do is get people off the welfare rolls and that in this case ignorance is bliss.

Wendell, your analysis shows the poorest lost ground. It seems to me that we report here that under the rosiest circumstances in the article this morning in the paper that no one got up to the level of $13,000, even if they worked for $8.09 an hour in Washington, or $5.67 in Tennessee. Under the statistics that Ms. O'Neill quoted, they still are not above poverty. Is there something wrong with those measures? Am I hearing that all these people are getting so rich, and they are not making $13,000? Can you comment on that? Am I being misled? Why are these people doing so well?

Mr. PRIMUS. I think, Congressman, that these data will stand up under scrutiny. One thing that bothered about Doug's written testimony is there is the implication, when he compares analysis being done at OMB with the analysis that I have done that we are reaching diametrically different results. The truth is that there is a small cadre of us that are looking at this same data. And the pattern of results are the same——

Mr. STARK. Just to interrupt for just 1 second, has there been one advocacy group for children that has applauded this welfare reform bill?

Mr. PRIMUS. Not that I am aware of, Mr. Stark.

Mr. STARK. OK. Thank you.

Mr. PRIMUS. But I guess the point is here that, again, when you look at this data, and it is the best data we have, that the pattern of results from all the researchers that I know of that have looked between 1993 and 1995 and 1995 to 1997, it is the same pattern. And I think this Subcommittee has the resources, they can ask and I recognize that the majority may not trust analysis that comes from yours truly. But you have the ability to ask CBO or GAO or

CRS to redo the methodology that we are doing. And I think you will find the same results.

And I think when you look at that, you know, you have to scratch your head and say, what was going on. Why was 1993 to 1995 so good? And the results change between 1995 and 1997. And that is really I think the question that this Subcommittee needs to grapple with.

Mr. STARK. Thank you. Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. Thank you. I would just say for the record that this is not the first hearing we have held in our work to oversee the implementation of welfare reform. It is at least the third, and there will be a number of others coming. And that in planning those hearings, we have invited every witness the Minority has suggested. I regret my colleague from California's rather intemperate description, characterization of some of my colleagues and our motives. But I think there is enough good and enough problems in this new reform for us to be both proud and concerned. And I, as a Chairman of this Subcommittee, feel exactly that way.

Mr. McCrery.

Mr. MCCRERY. Thank you, Madam Chair. The gentleman from California is a friend of mine. I consider him a friend, and I also know, from having numerous conversations with him, that he is very concerned about the poor. He is very well-intentioned and a very capable advocate for his position.

So is Mr. Primus. And, Mr. Primus, I was intrigued by your response to the Chairwoman's question, would you repeal welfare reform? And you said no. I suppose—I am inferring from that anyway—that you have had a change of heart, because, indeed, as Mr. Stark pointed out, you did resign in protest over the President's signing this welfare bill. Is my inferring that correct? Have you had a change of heart?

Mr. PRIMUS. Yes and no. In many ways, the implications of this bill, as it actually has played out, is different than I think the analysis that we made in 1995 and 1996. The fact is the States do have a lot more money than we anticipated them having, and so it has not played out exactly the way that we predicted.

That answer was also tempered by the fact that when you say, what is welfare if I repeal it. What takes its place? And I look at the political situation, and I am not so sure that I think I want this replaced by something else that you might produce at this particular time. [Laughter.]

That was also part of the answer. And I do—I believe that, again, there has been some success here. The employment rates are up. But I also think there has been some down side. And we, again, we put too much emphasis on caseload reduction, and we have not paid enough attention to the fathers side; and we have not paid enough attention—and there is some very good examples. Tennessee is one, and the State of Connecticut, where they have gone and carefully reviewed the cases that have been closed due to noncompliance, due to sanction. And then, when they reexamine it and make sure recipients really understand their obligations, 30 percent of that noncompliance goes away. And more States need to do what Tennessee and Connecticut are doing, because we are taking off the rolls arbitrarily too many families. And I think that is what

is causing this income decline, and that is what I think the Subcommittee should be concerned about.

Mr. MCCRERY. Well, thank you. That is a fair answer, and I am pleased that you do recognize some virtue in what we have done. I would point out that Mr. Stark's comments do underscore, I think, the fact that welfare reform would not have happened had it not been for the Republican majority in place. This was not really a bipartisan effort at its beginning. It ended up with a bipartisan vote on the House floor. But, as you will recall, and Mr. Stark just revisited, we were called all kinds of names at the beginning of that process that I do not want to repeat. But it was not very pleasant. Mr. Stark might. But, for those of us who were being called those names, it was not a pleasant experience.

And the fact is that I remain proud of the effort that we made in the face of all of that, and I am convinced that welfare reform has been one of the most successful changes in social policy in this country in a long, long time. And if we stick with it, and if we continue to have hearings like this that examine the things we could do better, then it will, indeed, I think, pay dividends for future generations in this country. I see that you would like to make a comment on that.

Mr. PRIMUS. Can I just—two more thoughts? One, I would also say that these income declines were not necessarily the result of the 1996 Welfare Act. The States did not have to take those families off of food stamps and Medicaid. It is happening.

Mr. MCCRERY. Well, we think it is happening. You think it is happening. But HCFA data do show that there is a greater percentage of folks that are actually getting the benefits than is being reported by the Census data. So, we are not really sure what the level of participation is, and we will continue to work on that. And I agree, but getting to your point, Mr. Primus, about income decline—and it has been alluded to here a couple of times—if you look at expenditures by household, expenditures in the bottom 20 percent and even the bottom 10 percent have gone up, not down. And they have gone up significantly—6 percent in the bottom decile; 20 percent in the bottom quintile. So, there is an upward trend in expenditures for the very people that you are talking about, and that you are concerned about.

I do not think it is clear from your data or from any other data that there has, in fact, been a worsening of the condition of those folks at the lower end. And my conclusion is bolstered by the fact that poverty data remain down. It continues to show a decline in overall poverty in this country, so I would say that the jury is still out at worst, but to me it is—the data that I have reviewed point to the fact that things are getting better, not worse, even for the lower quintile, the lowest quintile and the lowest decile. And if we do some things right, from here forward in welfare reform, I think it can get even better.

Mr. PRIMUS. Can I add just one more comment? And that is that when we made the prediction of some of the declines—what we thought would have been the declines, and that was due when the Federal time limits and the State time limits take effect. I did not anticipate that we would find income losses in 1997. The time limits are not in effect yet. And I guess I think the primary thing that

I find troubling about the legislation, the underlying legislation, is when those time limits take effect. And I think there are some parents in our society, through no fault of their own, and sometimes they need to work harder—I do not doubt you there, either—but, they are not going to be able to support their children without some assistance from the government, whether that is child care or Medicaid or an earnings subsidy. And the expectation that we can completely, especially working families, who are working, doing the right thing, that we should say, let us withdraw all cash assistance, I think is still very troubling to me.

Now, some States are doing innovative things. They are stopping the clock when families are working.

Chairman JOHNSON of Connecticut. Mr. Primus, we must give two more Members that have not had a chance to question, their right to question.

Mr. Camp.

Mr. CAMP. Thank you, Madam Chairman.

It is sort of doodling social science data here. But I think there are a lot of ways to try to get at this idea of what is happening to families with low income.

And, Mr. Besharov, if I understand some of your testimony, if you use another look at this, use another measure, which would be their personal consumption or personal expenditures, it seems to me the data are saying that families with incomes under $10,000 and families with incomes under $5,000 are spending more each year. Is that a fair statement? Is that, therefore, an indication that they are better off?

Mr. BESHAROV. Well, consumption data are quite complicated. But the short answer to your question is yes. These are not my data. I think these are Committee staff data, but we historically have seen that low-income Americans, poor Americans, consume much more than what their family income indicates.

Chairman JOHNSON of Connecticut. These are CRS data?

Mr. BESHAROV. Yes, and it is—some people have always puzzled and say, "Where is that? They must have it wrong. That VCR does not exist there." And the answer is that we are a relatively rich country. And these folks, and I would not want to trade places with them—I think there is tremendous disadvantage and suffering and hardship in this country, and we ought to be doing something about it, or we ought to be identifying what the culprit here is—these folks are usually either embedded in family situations or with boyfriends or someone else is supporting them, or, as June said, there is other income coming into the household that they are not reporting. That is why there is more consumption.

This indicates that we are in a range where things are maybe getting a little better, maybe getting a little worse. I keep arguing here that we should not worry about $300 or $400 differences between year to year. In these data sets, they are measurement errors. What we should be looking at is that these folks are at a level much higher in consumption and in earnings than when we think about just family income. And, again, that does not mean we turn our backs on them. It changes the nature of the discussion. It goes from a discussion of what Wendell mentioned about welfare response to working mothers to a discussion on tax policy, EITC, and

child support policies that could be entirely outside the welfare world.

If we are serious about work, and we are looking at incomes like this, we do not need to talk about welfare. Welfare reform may have already done its work if it has moved more mothers into the labor force. And no one argues that that did not happen.

We should take a positive spin, whatever this welfare reform number two is, and recognize that these families are doing not as well as we would like them to do, but better than before. And let us build on this.

Mr. CAMP. So, you are saying there are other things we should look at for a more accurate view, and particularly the work among never-married mothers—the dramatic increase there is a much better measure, or at least a very good measure of what is happening.

Mr. BESHAROV. Absolutely. To echo what Dr. O'Neill said, you expect earnings to be low when people first enter the labor force. These numbers, one would predict, will go up over time if history is any kind of indication.

Mr. CAMP. I do think, though, it is important to clear up some of the fog, and I am interested particularly in this whole idea, and I know you do not like the words decline in the poverty rate, and the relationship to food stamps—if I understand what you are saying is if you include EIC, the number of people in poverty is much, the number of people, the decrease in the number of people in poverty is much greater; that there are fewer people in poverty.

Mr. BESHAROV. That is correct. Yes, at the risk of Wendell saying again that what I say is false, let us remember the big picture. As the President would point out, poverty in this country is down substantially, not just since he took office. It is down in the period we are talking about here. African-American poverty is down the last time I looked 24 percent during the last 6 years. As a nation, we are richer. But what we are arguing about here is we have taken this loaf of bread, and we have sliced it and sliced and sliced it until we found a group that, on average, is either doing about the same as 4 years ago or a little worse. And what I have said is that is the wrong slice, because a lot of those folks do not even exist. They live with someone else. Their household earnings are higher.

Mr. CAMP. You have to take into account other factors. You have to take into account the timeline. You have to take into account the deliberate removal of people from the Food Stamp Program, as you have testified to, and to get a—if you want to slice it down, you have to take in other factors I think is what I hear you saying.

Well, I appreciate all the witnesses testifying today. I was around for all the heated debate and rhetoric, and, in fact, when the Chairman of the Committee was in a working group when we were in the Minority trying to put this legislation together quite a few years ago. I appreciate the fact, Dr. Primus, that you said that, and I think you used the words that it is not an unqualified success, this legislation. I presume that means it is a qualified success, and I think you have testified to that.

And I realize that no piece of legislation is perfect, but given the doom and gloom we heard about "race to the bottom" and 1 million children in poverty and all of that sort of thing, I think that, looking at some of these other factors, poverty has declined. More peo-

ple are working. I think this has certainly been a very positive hearing, and my time has expired.

Chairman JOHNSON of Connecticut. Mr. Coyne. I really need to go on to Mr. Coyne. There has been a——

Mr. COYNE. I would yield to Mr. Stark.

Mr. STARK. I just wanted to ask, under these expenditure figures, if somebody buys a car for $5,000, the full $5,000 is in the expenditure figure, is that correct?

Ms. O'NEILL. I do not know how they handle it. They might handle it according to the consumer's installment expenditure—and not count the full durable good. But how many people are buying cars?

Mr. STARK. Well, most working people—most of the poor people buy a car and pay for it $50, $75, $100 a month. But if they include the cost in these figures and also the fact that we just heard that bankruptcies are going up among poor people because of increased credit card——

Mr. MCCRERY. If the gentleman—will the gentleman yield? I will be glad to try to clear that up.

Mr. STARK. OK.

Mr. MCCRERY. It is possible that those figures are included. But the fact is that the trend is up. The overall trend is up 6 percent in the bottom decile.

Mr. STARK. I was just trying to figure out how we arrived at these figures.

Mr. MCCRERY. Twenty percent up in the bottom quintile. So even if——

Mr. STARK. No quarrel. I was just curious.

Mr. MCCRERY [continuing]. Even if all that is included, the trend is up, not down.

Chairman JOHNSON of Connecticut. Mr. Coyne.

Mr. COYNE. Dr. Rolston, we have all heard the stories about welfare recipients who were given misinformation about the new rules relative to welfare. And, for example, one woman was told that she could not receive benefits unless she went to work immediately. She had to drop out of the welfare rolls, even though she was in the midst of a 1-year program for a nursing training program. It is misinformation, as we understand it, but what are the States doing to retrain caseworkers in these instances and so they make sure that they are giving applicants accurate and up-to-date information?

Mr. ROLSTON. Well, I think that a lot of has been done to retrain caseworkers, and I think there is also a long way to go. It is——

Mr. COYNE. So not enough has been done.

Mr. ROLSTON. It appears to be where we are in general——

Mr. COYNE. Not enough has been done, is that right?

Mr. ROLSTON. I think more needs to be done. That is my personal opinion.

Mr. COYNE. Are we doing anything at the Federal level to move that along?

Mr. ROLSTON. I think in a number of areas, for example, related to Medicaid participation, part of the information and best practice that go out would relate to training of workers; would relate to out-

reach activities to ensure that people are knowledgeable about benefits that they are eligible for.

We have actually over a period of years—I do not know that we are currently are—have been involved with States and localities on culture change projects that do have a lot to do with training workers to have to train for a different set of skills that they needed to have before, because they are not just writing checks now and do eligibility work. They are very heavily focused on self-sufficiency activities. But I think there is still a long way to go on these issues, and a lot more they can do and that we can do.

Mr. COYNE. Is there anything your Department, any initiatives you are making to try to rectify the situation as quickly as possible?

Mr. ROLSTON. Well, the ones that I mentioned—putting out the guidebook related to Medicaid eligibilities has been an important one; the activities I mentioned related to culture change did involve training of workers. We are currently working with HCFA and the Department of Agriculture around a new project to try to assist States in picking up practices that other States have had that are effective, and in trying to measure what the effects of these changes are. So, yes, we are involved in that.

Mr. COYNE. Thank you.

Chairman JOHNSON of Connecticut. Thank you. I am going to move on now to the next panel and forgo any further questions of this panel because the Speaker has called the Republicans to a conference at 12:45 p.m., and I want the Republican Members to be able to at least hear the testimony of the next panel. But while this panel is leaving, I will stay afterward as long as people want to question. But——

Mr. BESHAROV. Can we come to the speakers?

Chairman JOHNSON of Connecticut. While this panel, though, is adjourning and the other panel is assembling, I have one thing I do want to say. And I want to say it very clearly. One of the things that really makes me angry is stereotypes. And when Mr. Primus said that he did not want to have—and I do not object to this. This is his right. I know him very well, and this is fine for him to say. One of the concerns that he had was what kind of welfare bill we might write. I was offended by the laughter that went through the crowd. And this is why I am offended.

If you look at the statistics, we are providing more money per recipient than has ever been provided to the States in America's history. And that is because we froze the TANF funding, and we kept it there. I was on this Subcommittee when we reformed welfare under Tom Downey. I was sitting right in that chair, and I worked hard on it. And you know what happened to the 1988 reform, the Congress, then controlled both the House and the Senate, by Democrats, would not provide the money for day care or for anything else. So we had a great bill, and we did not have the resources.

Now that is a thumbnail sketch. But I am very proud, and I consider it a mark of compassion and concern for children that not only did we freeze our money, but we forced the States to continue spending 75 percent of the money they had been spending, even if their caseload dropped 80 percent. And that does not count the 4.5-percent increase in day care funding.

So I ask you to come to these hearings, and if you are going to express yourself, remember to be fairminded.

The next members should be sitting here. We do have to move forward.

Mr. CARDIN. Yes, Madam Chair, as a matter of personal privilege, I think that Mr. Primus was responding to a question asked by a Member that was a rather difficult question for him to figure out an appropriate answer. So, I am not so sure we should be blaming Mr. Primus for that set up. Maybe I should blame Mr. McCrery.

Chairman JOHNSON of Connecticut. No, I intended not to blame Mr. Primus.

Mr. MCCRERY. I thought it was a pretty clever dodge myself.

Chairman JOHNSON of Connecticut. I think Mr. Primus was answering and with some humor. But, you know, when that kind of laughter goes through, it tells you something. Old stereotypes are still alive and well, and, by gum, you are each responsible to wipe them from your mind if you are going to help us face the future.

Jean Rogers, administrator of the Wisconsin Department of Workforce Development, Madison.

STATEMENT OF J. JEAN ROGERS, ADMINISTRATOR, WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT, MADISON, WISCONSIN

Ms. ROGERS. Thank you, Madam Chairman. Over the 21 months that Wisconsin Works has been in operation, we have seen our cash assistance caseload drop over 75 percent.

Chairman JOHNSON of Connecticut. Could you speak a little more directly into the microphone, please? Thank you.

Ms. ROGERS. Is that better?

Chairman JOHNSON of Connecticut. Yes.

Ms. ROGERS. OK. Over the 21 months that W–2 has been in operation, we have seen our cash assistance caseload drop over 75 percent, to under 8,300 families. This has led to a growing national interest in how our families are doing. Why is national concern surfacing now? Because with the AFDC Program in operation, it was too easy to assume that the guarantee of a welfare check solved these problems.

In contrast, W–2 staff act as counselors and mentors, helping parents address personal and family problems that may prevent them from working. Wisconsin has ensured that necessary support will continue through a package of supportive service.

Public opinion strongly favors the direction that we are taking in Wisconsin, 83 percent, in fact, on our UW-Milwaukee poll. AFDC created a culture of dependency that produced families with several generations living in poverty. Yet, critics of welfare-to-work restructuring have predicted that child welfare would suffer as a result of the new focus. Has it? Let us see.

An Urban Institute study offers a first look at the well being of children and adults on a variety of measures. How are we doing? Among the 13 States surveyed, Wisconsin has the lowest child poverty level and the highest rate of employed parents. In addition, Wisconsin has the third highest incidence of children living in two-parent families, at 66 percent, and what else? Kids Count ranks

Wisconsin sixth best in the Nation in overall child welfare; second best for the lowest percentage of teen high school dropouts ages 15 to 17; second best for the lowest percentage of teen high school—of children, excuse me, not attending school; and in addition, first in the Nation for SAT and ACT scores. And Wisconsin has more people covered by health insurance, including children than any other State in America.

Anecdotal evidence also supports the belief that children are thriving. A Milwaukee child care director, Vicky Hill, says home life is getting more structured, and the children also show new respect for their mothers. Hill says, we hear them say mom's at work, or grandma's picking me up because mom is working late, and you can hear the pride in their voices. And Hill is seeing more dads with their children. She says, we even had some dads offer to be volunteers.

In January, Wisconsin released the first in a series of four reports on people who have left W–2. Among the findings: 62 percent were employed at the time of the interview, and that is compared to 69 percent in the entire work force as an average. The average wage of those employed was $7.42. An additional 21 percent were not employed right at that moment, but had worked since leaving the program. Ninety-four percent of those who were not working received other family or government support. Sixty-eight percent said getting a job was easier than being on welfare, and 60 percent said they would probably not need welfare again.

As pleased as we have been with the results of W–2, our remaining families need more expensive services, increased focus on AODA, alcohol and other drug abuse, treatment. And with more than 50 percent of our remaining caseload lacking a high school diploma, more emphasis is being put on basic education.

W–2's success is also dependent on strong partnerships with the employer community, and we do so by appealing to the bottom line, not their sense of social consciousness. And it is working. Seventy percent of employers rate welfare recipients positively in terms of attitude and reliability.

It is also important to note another, perhaps most critical partnership, and that is between the Federal Government and the States. Wisconsin urges you not to jeopardize our continued success by abrogating those agreements that were included in the 1996 welfare reform law. There have been proposals to cut both our TANF block grants and funding for child support enforcement. We strongly object to such proposals. We have kept our part of the bargain, and we urge you to please keep yours.

What is the bottom line? We are training an underutilized segment of the population to enter the work force. We are providing the needed support for individuals to sustain those jobs. The employers are getting workers who are loyal and eager to get the job done. And through their jobs, our people are gaining new skills that, over time, will bring them better employment opportunities, in other words, hope.

Pearlie Duncan, a 17-year veteran bus driver with a Milwaukee inner-city route, said it best, and I quote: Now that many people have gotten into it, their morale and self-esteem is boosted. And

you can tell they feel good. Most of the kids are happy, too. You look into their eyes, they are happy. The eyes tell no lies.

Thank you.

[The prepared statement follows:]

Statement of J. Jean Rogers, Administrator, Wisconsin Department of Workforce Development, Madison, Wisconsin

Thank you for the opportunity to share some highlights with you of the impacts we are seeing from the Wisconsin Works program. Over the brief period of time (21 months) that W–2 has been in operation, we have seen our caseload reduced from 34,491 families at the start of the W–2 program down to the current cash assistance caseload of 8,567 families (as of March 1999). This has lead to a growing national interest, in how these families are doing.

But stop and think about why this national concern is just surfacing now. Because with the AFDC program in operation, it was too easy to assume that the guarantee of a welfare check solved these families problems. Let me tell you a little bit more about this welfare guarantee:

• In 1994, The Center on Addiction and Substance Abuse at Columbia University found that more than one in every four welfare recipients abused alcohol and drugs. And, many of these recipients were actually excused from the AFDC work program for this reason. What kind of message were we sending these individuals?

• According to a 1995 study by Kathryn J. Edin titled, The myths of dependence and self-sufficiency: Women, welfare, and low-wage work, more than one-third of welfare mothers interviewed said their total benefits did not cover their basic housing and food costs. On average, their benefits were a staggering $311 less than their monthly household expenses.

Imagine families living under these conditions for years at a time.

• Other studies have found that between 25% and 40% of the women who left welfare for work were back on AFDC within a year (1, 2, 3, 4).

When times got tough for these working mothers, under AFDC, there were no case managers to help them. It wasn't until after the individual had quit her job or significantly reduced her work hours and returned to welfare, that the program took notice of her needs.

In contrast, W–2 staff act as counselors and mentors, helping parents address personal and family problems that prevent them from working and providing the parents with continued support as they make that transition into the workforce. If the first real job is not successful, the participant is reassessed to determine what W–2 services are still needed in order to achieve a better employment outcome.

Of course for some families, the ability to permanently leave welfare for work requires ongoing support. Wisconsin has ensured that the necessary support will continue through a package of services including job retention services, food stamps, Medicaid, child care assistance, and the state earned income credit. And, the Governor's 1999–2001 Budget proposal strengthens these services even more through several different approaches: 1) increasing the income eligibility limits and reducing the co-payment amounts for child care assistance; 2) expanding education and training opportunities for parents already in the workforce; and 3) funding local projects aimed at strengthening workforce retention and advancement among low-income working parents.

Wisconsin views the 60 month time-limits as an important means of motivation for the participants. But, for the time-limits to work in our favor, Wisconsin ensures that all of our participants are getting immediate, intensive work-training services that enable them to rapidly move into the workforce. This is an important distinction from other states who are continuing to exempt segments of their caseload from participation while their time-limits loom ever closer. The time-limits have also impacted on how W–2 caseworkers do business. They know that a job-opening for a participant today, may be gone tomorrow if they don't act quickly.

AFDC created a culture of dependency that produced families with several generations living in poverty. Yet, critics of welfare to work restructuring have predicted that child welfare would suffer as a result of the new focus. Has it? Lets see:

An Urban Institute study entitled Snapshots of America's Families (1/99) offers a first look at the well-being of children and adults on a variety of measures. The survey sample included 13 states and was taken between February and November, 1997. Since it was done literally on the eve of W–2 implementation—a point at which Wisconsin had already made a major shift to a work focused set of reforms—it can also be used as a measure of effects.

How are we doing? Among the 13 states surveyed:

• Wisconsin has the lowest child poverty rate at 11.4%. Nationally the child poverty rate is 20.5%.

• Wisconsin has the highest rate of employed parents. 74.4% of our low-income parents and 86.9% of all our parents are working. Nationally, 65% of low-income parents and 79.8 percent of all parents are working.

• And, Wisconsin has the third highest incidence of children living in two-parent families at 66.6%. Nationally, this figure drops to 62.6%.

Anecdotal evidence also supports the belief that children are thriving in the era of welfare-to-work. A Milwaukee Child Care Director, Vicky Hill says "Homelife is getting more structured. It's 8:30—time to go to bed. It's morning—time to get up." The children also show new respect for their mothers. Hill says "We hear them say, 'My mom's at work,' or 'Grandma's picking me up cause Mom's working late,' and you can hear the pride in their voices." And, Hill is seeing more dads with their kids. "They're coming to check on the kids. We've even had some dads offer to be volunteers," she said. W–2 is pulling families together and teaching them how to rely on themselves and their larger communities for support.

As we seek to learn about the status of families who leave our program, we must be careful not to be too intrusive with people who are striving to be independent of the system that has bound them for so long. But hearing their story is an invaluable tool for program improvement, and so ... we are asking. And we're learning a great deal that is gratifying about the progress these families are making, and things we need to change in order to make the program stronger.

In January, Wisconsin released the first in a series of four reports on people who have left W–2. The first report is the result of surveys completed with participants who left during the first quarter of 1998, a period which contained both W–2 and AFDC leavers.

Among the findings:

• 62% were employed at the time of the interview (69% in entire WI workforce is average).

• The average wage of those employed was $7.42.

• 21% were not employed then, but had worked since leaving the program.

• 94% of those not working received other family or government support.

• 68% said getting a job was easier than being on welfare. And,

• 60% would probably not need welfare again.

Governor Thompson has made a habit of visiting with small groups of participants periodically, to hear first-hand what they think. They are usually very forthright, like the woman who said, "I hated the program, and I hated you. But I was really just scared. Now, I'm so proud, and my kids are too. Look, what I can give you—my very own business card. Can you believe it?

Another one of those visits with the Governor resulted in a woman named Michelle Crawford being invited to speak along side the Governor at this year's State of the State Address. Michelle summed up her thoughts at the end of the speech with the following comments: "My kids see a difference in me. They see their mother making it. W–2 gave me a chance and I feel good about myself—so thank you to everyone involved. I especially want to thank my employers who are here tonight for believing in me. And I ask others to take a chance on W–2 workers. We won't let you down."

Michelle was recently the subject of a New York Times article that focused on the difficulties in her personal life. That story serves to accentuate how important W–2 really is. The transition from welfare into a full-time job will not by itself alleviate all of the personal problem these families face. But, it's the first step. As individuals increase their level of confidence in their personal abilities, they develop positive strategies for dealing with their personal problems. And they no longer view welfare as their panacea.

As pleased as we've been with the results of W–2, the dynamics that shape our program are constantly changing, requiring us to rethink and adjust our policies over time.

While we've been successful in moving parents into the workforce, our remaining cases have more severe barriers. And so our efforts must be focused on strategies that help remove those barriers. Other community based organizations with expertise in such areas as substance abuse and domestic violence are partners with the W–2 agencies in this process. And, with more than 50% of our remaining caseload lacking a high school or equivalency diploma, more emphasis is being put on basic education. And, through W–2 case management services we are encouraging individuals to enhance their skills with additional education or training in order to help them advance in their careers.

W–2's success is also dependent on strong partnerships with the employer community. We do so by appealing to the bottom line, not their sense of social conscious-

ness. A national telephone survey of 500 employers conducted for the Assessing the New Federalism project showed that 70 percent of employers rate welfare recipients positively in terms of attitude and reliability. Employers who have already hired welfare recipients are even more likely to express positive views.

It is also important to note another, perhaps most critical, partnership—that between the federal government and states. We would urge you not to jeopardize our continued success by abrogating those agreements included in the 1996 welfare reform law. There have been proposals to cut both our TANF block grants and funding for child support enforcement. We strongly object to such proposals. We have kept our part of the bargain, we urge you to keep yours.

What's the bottom line? We're training an underutilized segment of the population to enter the workforce. We're providing the needed support for individuals to sustain those jobs. The employers are getting workers who are loyal and eager to get the job done. And, through their jobs, our people are gaining new skills, that over time will bring them better employment opportunities.

Pearlie Duncan, a 17 year veteran bus driver with a Milwaukee inner-city route said it best. "When W–2 first started, there were a lot of complaints. People were afraid—how would they fit in, everything was new and different. But now that many people have gotten into it, their morale and self-esteem is boosted, and you can tell they feel good. Most of the kids are happy too. You look into their eyes; they're happy. The eyes tell no lies."

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Chairman JOHNSON of Connecticut. That was very interesting, and thank you.

Mr. Larson, the director of the Office of Policy, Research and Systems, Maryland Department of Human Resources.

STATEMENT OF RICHARD E. LARSON, DIRECTOR, OFFICE OF POLICY, RESEARCH AND SYSTEMS, FAMILY INVESTMENT ADMINISTRATION, MARYLAND DEPARTMENT OF HUMAN RESOURCES, BALTIMORE, MARYLAND

Mr. LARSON. Madam Chairman and Members of the Subcommittee, thank you very, very much for the opportunity to come and speak before you today. I would also like to personally thank you as a 30-year veteran of welfare, starting as a caseworker in Baltimore City, for the political risks that the Congress took in passing welfare reform and in trusting the States. And I particularly want to thank my Congressman, Mr. Cardin, for voting for that bill.

It has given Maryland and myself personally the opportunity and flexibility to develop programs that are specifically tailored to the citizens of our State and to move them into independence and to safeguard and take care of those people with problems that will not be cured by employment.

The Maryland Family Investment Program is the first effect of welfare reform. We were an early TANF implementer. We specifically designed the program to help families move into the work force, and at the same time protect individuals who were vulnerable and the disabled. Our specific program tools were devolving to

our counties the flexibility that was granted to us by the Congress and then taking caseload savings, which we planned for, and ploughing them back into the program, because we knew from the very beginning, from work we had done with the University of Maryland, that some of our customers could, indeed, move off welfare very quickly. Others were going to have a great deal of difficulty getting there.

The effect on our caseload is reflected in my written statement. We have had a 61-percent decline in our caseload since January 1995. There has been some discussion by other people in this testimony about how much of that do we attribute to welfare reform and how much of that do we attribute to the economy. We have actually tried to answer that question with some work we have done with the Regional Economic Studies Institute at Towson University. They attribute about 8.1 percent of the decline to the booming economy, and the balance to welfare reform.

The other chart in the additions to my testimony is one reflecting the caseload shifts and the way the caseload is shifting in the State, from primarily the suburbs—it used to be 60 percent suburbs, 40 percent city. It is now 60 percent city, 40 percent suburbs. This is pretty much a national phenomenon, a concentration of the caseload in the urban areas.

With such a decline in caseload, one is going to ask two questions. One, what happened to the people who left and what is happening to the people who are still on.

I would like to briefly summarize the results of two studies we have published as a result of a long research partnership with the University of Maryland School of Social Work. The first one is—deals with people who have left, "Life After Welfare," the third of a series of reports. We are now reporting on samples of cases of individuals who have left welfare. We have now gotten about 3,171 families in that sample. And I do want to point out that Maryland studies all welfare leavers. Unlike other studies, we look at everybody who left for whatever reason and whether they came back or not from day one. So we have probably the most conservative estimates. Also, our employment data is matched with administrative records rather than surveys. And again, that produces conservative findings.

We found out that most people are leaving welfare voluntarily. Maryland has a very low sanction rate. Only 8 percent of the exits were caused by Maryland's full family sanction.

We found that over, about 60 percent of the people were able to find work in unemployment insurance covered employment.

We found that that employment persists over time and that people's earnings do increase over time.

We also found out that recidivism, true recidivism, not just caseload churning, is relatively rare. For 3 months post exit, only about 6 percent of the people come back.

And finally, and a very important question not reported in Life—what we call "Life Three" but "Life Two," our previous report, is the effect on children. At that time, we had 3,467 children in our sample of children who left welfare. Only 15 of them showed up in the foster care caseload after that. A very, very small number.

We also have begun looking at those who are still on welfare. I will report briefly on a study we did on Frederick County. We read all of their cases, everybody who was on cash assistance in March 1998. We found, in some instances, no surprises, but we also found the glimmers of the challenges ahead. For example, of those people still on the caseload, there were long-term receivers, about three times as many as those people who have left. They have formidable problems. This group is going to present a formidable challenge—problems of substance abuse, physical and mental disability, teen childbearing, domestic violence. Getting these people to transition from welfare to work is going to be difficult, time consuming, and, I think, relatively expensive.

In closing, I would like to make some suggestions based on all of this.

First of all, we have answered the easy questions. We are moving into the harder questions. The bar, in a very real sense, is being raised. We are moving from questions such as, Are children going to be harmed? Will people go to work? Well, now that they have gone to work, what kind of jobs are they going to get? So the bar is constantly raising. We are looking at job skills enhancement through a pilot project in Maryland, relooking at the role of education, and really realigning our Department to look not just at moving people off welfare and making them satisfied in doing that, but in supporting low-wage working families.

In closing I have four brief suggestions:

First, avoid premature closure; don't declare victory too soon—we still have yet to see the results of a recession on this program; please maintain your current levels of support; continue and expand State flexibility. And, I know all about committees of jurisdiction and everything else, but for somebody who has been on the line for a long time, you need to come up with common definitions of income and resources among TANF, food stamps, and medical assistance. These are an absolute must. The more you—the more we can simplify, the more we can make clear the better off we will all be. The real end of the social policy continuum is an individual worker talking things over with an individual customer. And if we confuse them we are losing the battle.

Thank you very much for your time.

[The prepared statement follows. Attachments are being retained in the Committee files.]

Statement of Richard E. Larson, Director, Office of Policy, Research and Systems, Family Investment Administration, Maryland Department of Human Resources, Baltimore, Maryland

Good morning, my name is Richard Larson, Director of the Office of Policy, Research and Systems at the Maryland Department of Human Resources' Family Investment Administration. It is a great privilege to be here today to discuss the early successes of Maryland's welfare reform program. I would like to thank Chairman Johnson and the Committee for this opportunity. I would also like to thank all of you, particularly my Congressman—Ben Cardin, who took the risk of passing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Based on my thirty years of experience in this field, starting as a caseworker in Baltimore City, I think the Temporary Assistance to Needy Families program has had a dramatic and positive impact not only on welfare but on the entire human services delivery system. In Maryland and across the nation, we are making great strides in assisting families to become independent of welfare and to enter the workforce. At the same time, we are safeguarding children, people with disabilities, and other vulnerable populations by providing needed services. Thanks to the collaborative efforts

and foresight of Governor Parris N. Glendening and the Maryland General Assembly, our state has become a leader in welfare reform. Today I will discuss Maryland's approach to moving families from welfare to work, our substantial caseload decline and the results of our ongoing research studies of those who have left welfare and those who remain on welfare in Maryland.

THE FIRST EFFECT OF WELFARE REFORM: MARYLAND'S FAMILY INVESTMENT PROGRAM

The Family Investment Program is Maryland's welfare reform initiative. We implemented it in October of 1996. The program is based on the new vision of a Maryland where everyone works, families are strong, children are nurtured and partnerships are found among families, businesses, faith and nonprofit communities and government. Our welfare reform represents a major shift from an "income maintenance" focus to one that promotes family independence through work, personal and family responsibility, and community involvement.

We included a broad base of stakeholders in the design of the Family Investment Program including: legislators, the president of the local social services directors' association, local service providers, businesspeople and former customers.

Maryland adopted a workforce attachment model to move as many families as possible into the work force as quickly as possible. We are committed to helping Temporary Cash Assistance customers find employment, keep employment and progress in the job market.

To do this we:

- Designed a program in close partnership with the Maryland Legislature (Especially its Joint Committee on Welfare Reform)
- Built on the strengths of our recipients
- Changed the culture of our welfare offices
- Carefully invested our resources
- Reinvested savings from caseload declines into services aimed at those families with multiple barriers to employment
- Pushed resources down to the local level where the real problems and opportunities exist
- Created partnerships with the private and public sectors
- Measured our results

The program has as its two key strategies the innovative concepts of local flexibility and reinvestment of program savings. To maximize creativity and experimentation after the transition from Aid to Families with Dependent Children to Temporary Assistance to Needy Families, we recognized that one size does not fit all. We have operated on the principle that the local departments of social services know best how to meet the needs of their customers. They know the customers, the services needed, the resources available, the opportunities that exist for customers in their area and the creative partnerships that can be forged. As a result, the Maryland Department of Human Resources has allocated funds directly to local departments of social services. We gave them only a brief outline of a plan which they then filled in to meet the unique needs of their communities and the families and children in them. Each local department is implementing its own plan with measurable performance standards to achieve mutually agreed upon outcomes.

We also recognized that our labor force attachment model would result in many people leaving welfare relatively quickly with the hard to place remaining on the caseload for a longer time. As the caseload declines due to these early exits, savings can be plowed back into services for those with multiple barriers to independence. This reinvestment strategy allows the local departments to continue their success in placing customers in appropriate activities that will result in independence. Local departments use these funds for a variety of creative programs and partnerships. The accomplishments of the Family Investment Program are largely attributable to the partnerships among other State departments, community organizations, businesses and other agencies that serve our customers. We have already established fruitful partnerships with a dynamic group of stakeholders who share in the commitment to build a program that fosters responsibility and independence for our customers.

THE EFFECT ON OUR CASELOAD

On the highest level—that of caseloads—we have built on the strengths of our customers and moved many of them to independence. Since January 1995, we have helped 139,265 Marylanders become independent of welfare. As of April 1999, our caseload has gone from 227,887 customers to 88,622 customers, a decline of 61.1%. Based on work done by the Regional Economic Studies Institute of Towson Univer-

sity, the caseload decline in Maryland can be attributed largely to the implementation of the Family Investment Program. Towson University has been forecasting the State's welfare caseload since 1992 and has projected the caseload in the current economic environment both with and without welfare reform. Their forecast shows that without welfare reform, but with the booming economy, the caseload in Maryland would currently be 209,289, a decline of 8.1%, instead of the actual caseload of 88,622, a decline of 61.1%. The dramatic difference in the rate of caseload decline is at least partially due to the strong economy, but even more importantly, is a result of sound policy decisions.

Maryland's caseload also mirrors the national trend in that the population remaining on cash assistance is disproportionately located in urban areas. While the state caseload has declined 61.1%, the caseload in Baltimore City has declined 49.8%. As a result of the difference in the rate of decline, Baltimore City now has 60% of the state's caseload. In addition, estimates show that the majority of job opportunities available to people exiting welfare are located in suburban communities outside of Baltimore City and are difficult for city residents to access.

THE EFFECTS—THOSE WHO HAVE LEFT THE CASELOAD

On the more important level of what happens to people after they leave welfare, our results have also been good. For nearly 20 years, the Department of Human Resources and the University of Maryland School of Social Work have had a research partnership to develop solid information to craft welfare policies. This information provided, and continues to provide, the empirical backbone for the customer-specific, investment-focused, locally tailored approach that is Maryland's Family Investment Program.

The University of Maryland School of Social Work has drawn a five percent random sample of cash assistance cases that closed each month during the first 18 months of welfare reform (October 1996 through March 1998). Together, the 18 monthly samples include a total of 3,171 families. We note that Maryland includes in its exit studies all people who leave: for whatever length of time, for whatever reason, no matter if they come back, or stay off. We also match with administrative records. Consequently, our findings are conservative. Based on this research, we have recently published *Life After Welfare: Third Interim Report* (March, 1999) It is clear that the trends remain positive.

- The vast majority of families leaving welfare have done so voluntarily (92.0%) and not due to full family sanctions imposed for noncompliance with work requirements (7.3%) or child support (0.7%).
- The majority of exiting adult payees is able to secure work (59.3%) and work efforts persist in subsequent quarters. At least 50% of all exiting adults work in the 2nd through 5th quarters after they stop receiving welfare.
- There has been little change in the profile of exiting cases over time. There is no evidence that early and later welfare exiters differ in family size, length of time on welfare, number or age of children. Most adults do work in unemployment insurance covered jobs after leaving welfare.
- Work effort and employment persist over time. Of those who worked during the first post-exit quarter, 86.7% had earnings in the second post exit quarter and 77.3% were employed in the third quarter. Additionally, small gains in median earnings were reported over time for exiting families.
- The most frequent types of employment for customers exiting welfare were in the areas of wholesale and retail trade (35%), personal services such as temporary agencies and motels (23%) and organizational services such as hospitals and nursing homes (21%).
- Research shows that recidivism (returns to welfare) is relatively rare, but "administrative churning" (cases that close but reopen in 30 days or less) happens more frequently. True recidivism, however, is fairly rare. Excluding churners, at the three-month post-exit point, only 5.2% of customers have come back on cash assistance.

In addition to the positive employment outcomes for families leaving welfare, there is also evidence that children are not being adversely affected by welfare reform. As reported in *Life After Welfare: Second Interim Report* (March, 1998), the University of Maryland research indicated that foster care usage among children in families who leave cash assistance has not increased. Of the 3,467 children in the October 1996 through August 1997 samples, 92 children (2.7%) had been in foster care at some point before their families left welfare. After leaving the welfare rolls, fifteen children (0.4%) from eleven families had at least one foster care placement. Seven of these fifteen children had a pre-exit history of abuse and/or neglect and

two children had experienced a pre-exit foster care placement. We are planning a separate report in the near future updating and expanding our findings in this area.

THE EFFECTS—THOSE WHO ARE STILL ON THE CASELOAD

There are still many important challenges in the evolving welfare-to-work environment in Maryland and across the nation. One of them is to obtain a better understanding of who is left on the rolls. Using one county in Maryland which, like many local subdivisions, has experienced a precipitous drop in the size of its cash assistance population, the School of Social Work at University of Maryland has also examined the characteristics of those still on the rolls 18 months (March 1998) into welfare reform. In keeping with our multi-method approach to welfare reform research, the researchers took a different approach from sampling and record matching. They attempted to look specifically at obstacles or barriers which may help explain why these families are on assistance and/or which may impede their ability to exit in the future. This research attempted to add flesh to the skeletal phrase "hard to place," that has been used to describe customers who may not be job ready and/or who, for various reasons, may be at heightened risk of hitting the five-year lifetime time limit. The report is *Life On Welfare: Who Gets Assistance 18 Months Into Reform? (November, 1998)*

Drawing heavily on case narratives recorded in Maryland's automated eligibility system for every one of 358 Frederick County families who received a Temporary Cash Assistance check in March 1998, the researchers selected 72 study cases and coded each as to the primary problem or major issue affecting each family.

• In some respects, there are no surprises in the profile of these cases. The vast majority of Temporary Cash Assistance families (95%) are headed by women. About half (48%) of the payees are never-married women, few of them (4.5%) are under the age of 20 years, and the majority (58.7%) have been receiving Temporary Cash Assistance continuously for 12 months or less. Notably, the proportion of families (58%) with a current spell length of 12 months or less is identical to the proportion of such cases among those who exited cash assistance during the first year of reform. Likewise, the median or midpoint current spell length (10 months) is relatively short among the active cohort and is again identical to the median spell length observed among Frederick County families who left Temporary Cash Assistance during the first year of reform.

• However, in other key areas, these cases do differ from cases which have exited. The most dramatic difference between on-welfare and off-welfare families is in the proportion of long-term welfare users. There are about three times as many families who have been on welfare continuously for more than five years in the on-welfare group (11.5%) as in the group who exited welfare (4%) during the first year of reform. When lifetime welfare use is examined, differences between the two groups are more dramatic, especially at the extremes. Among those on Temporary Cash Assistance in Frederick County in March of this year, just about one of every four (24.2%) have more than five years of total welfare receipt. About two-fifths (41.3%) have 12 or fewer months of lifetime welfare use. In contrast, about one in five cases (20.7%) who exited Temporary Cash Assistance in the first year of the Family Investment Program implementation had a lifetime welfare history of 12 months or less and three in ten (29.7%) had more than five years of total lifetime welfare use.

• It is apparent that families on Temporary Cash Assistance 18 months post-implementation are a diverse group. Except for female-headship (95% of cases), there is no one characteristic which describes the March 1998 caseload in the study county. The 358 families include those who have been on Temporary Cash Assistance for just a few short months, but also those who have received cash assistance continuously for many years. There are many families who appear to have turned to Temporary Cash Assistance in times of short-term crisis; for these families, the transition from welfare to work may not be terribly difficult. There are many other families, however, for whom the prospects of a swift, lasting exit from welfare do not seem very good.

• There appears to be an identifiable cohort of families where problems such as substance abuse, physical/mental disability, teen childbearing, domestic violence and the like, acting singly or in combination, present a formidable challenge insofar as a welfare-to-work transition is concerned. The case vignettes reveal that many of the families are struggling with one or more serious issues. Furthermore, these problems are frequently of longstanding duration. For certain situations, the needed service, intervention, or behavioral change seems fairly obvious, but in many other cases, especially when problems are numerous and heavily intertwined, solutions are not at all clear-cut.

• One group of families—those in which the adult custodian is a grandparent or other relative—may be of particular interest and concern, especially with regard to forecasting future assistance payment expenditures. Although it is a trend which, in Maryland and nationally, began before welfare reform, the researchers were struck by the number of Temporary Cash Assistance cases headed by relatives other than the child(ren)'s parent, largely by grandmothers. This situation is not unique in our state, or to Frederick County. Fully one in four (24.9%) active Temporary Cash Assistance cases in Maryland in August 1998 were child-only cases. This compares to a historical, statewide figure of roughly 10–15%. We note that the actual numbers of this type of case are not increasing. Rather, they are not declining as rapidly as the general caseload.

We are finding that it is prudent to take a closer look at the characteristics and circumstances of these families for several reasons. First, in a number of such families, there may be unidentified need for other supportive services. This may be especially true in cases headed by older grandmothers where there is no other adult in the home. Second, child-only cases are exempt from work and time limit requirements and, all else equal, it might be expected that child-only cases will remain on cash assistance for longer periods of time than other cases. Thus, our ability to more accurately forecast likely overall expenditures for cash assistance in future years would probably be enhanced by more detailed information about these families.

• There is reason for optimism, but also reason for concern. The quantitative data and the case vignettes indicate that many families have turned to cash assistance for support in a time of crisis. Most of them probably will not remain on Temporary Cash Assistance for extended periods of time and the majority do not seem at risk of reaching the five-year time limit in the foreseeable future. There is also reason for concern, however. The vignettes establish what front-line staff has long known and what Maryland's welfare reform plan explicitly recognizes as well: there is a sizeable minority of families for whom making a successful transition from welfare to work will be difficult, time consuming and relatively expensive. For some, transition seems unlikely to happen at all despite customers' and agencies' best efforts. For this group of families, the 20% exemption provided for in federal law will be essential.

To be successful, welfare reform must be understood to be a community-wide challenge. The case narratives make clear that, for a great many of the more troubled families especially, state and local welfare agencies cannot be expected to "go it alone." Among services clearly needed by families in this study are: detoxification/rehabilitation, counseling, stress management, family-life skills training, education, and child support enforcement, as well as child care and transportation.

Two specific, important examples of the importance of viewing welfare reform as a community-wide challenge were thought to be most relevant to the cases reviewed for this study. One is the invidious problem of substance abuse which state policy explicitly acknowledges cannot be addressed solely within the welfare department.

A second example concerns the separate Welfare to Work Block Grant funds which Maryland also receives. Helping many of today's Temporary Cash Assistance families to successfully transition from welfare to work will not be a simple matter. It seems clear, too, that traditional job placement strategies may be inappropriate or inadequate in many cases. Thus, it is imperative for elected and appointed officials to insure that these Welfare to Work funds are spent effectively and that results are closely monitored. In this area, as is true with regard to substance abuse and, indeed, "welfare reform" in its entirety, neither our state nor its low-income families can afford for us to do any less than our best. The stakes are simply too high.

EFFECTS ON THE PROGRAM DEVELOPMENT CYCLE:

The last set of effects I would like to discuss is the one that affects the Program Development Cycle. In this process, Maryland used the research we have done to:

• Debate and plan the program
• Create and operate the program
• Define the initial open questions
• Answer the initial open questions
• Define the new questions

In response to the concerns of Governor Glendening and the Maryland General Assembly, the Department and the University have answered, in at least a preliminary way, the open questions from the initial debate:

• Would our customers go to work? They did.
• Would they come back? They did not.
• Would they be sanctioned off? They were not.

• Would there be adverse effects on the Child Welfare System? There were not.

We have also learned that our work is not finished. Our answers to the initial questions are giving rise to newer, more difficult issues, which we are addressing. Among these:

• Job Retention. With assistance from planning grants, and more importantly the exchange of ideas with other states and HHS, we are devising strategies to insure those who have left the rolls to become employed stay employed. Among these is *Project Retain* which attempts to mobilize existing resources to help those who experience a post-employment problem. We have found that this is not enough.

• Job Skills Enhancement. While we have seen gains in earnings, for some there have been none. Accordingly, Governor Glendening and the Maryland General Assembly have enacted and funded a Job Skills Enhancement Pilot Project aimed specifically at those who have left the cash assistance rolls and who find themselves in need of upgrade training.

• The Role of Post-Secondary Education. Maryland has adopted a Labor Force Attachment Model as its principal and successful means of helping our customers move quickly into unsubsidized employment. However, our locally driven, individually focused approach has also demonstrated that there are some persons for whom such an approach may not be the most appropriate. Accordingly, Governor Glendening, advocates and the Department established a pilot project at the Baltimore City Community College. This enabled an experimental group to use post-secondary education as their work activity. Dr. Catherine Born and her staff at the School of Social Work will do an evaluation of this pilot project by comparing the welfare and employment experience of this group with a matched control group from the rest of the caseload in Baltimore City.

• Re-Aligning the Major Welfare Reform Goals of the Department. In the first stages of our welfare reform effort, Governor Glendening and the Department developed a Reinvestment Strategy. Our major articulated goals were caseload reductions and customer satisfaction with an overall objective of creating caseload savings and then reinvesting those savings back into programs that would help those with greater barriers to independence. The Maryland General Assembly endorsed this strategy and gave the Department unprecedented fiscal flexibility to carry forward caseload savings into the future. Faced with issues of job retention, earnings gain, diversion and prevention, we are more clearly articulating a goal of the Support of Low Wage Working Families. The policy shift to welfare as a temporary support has accentuated the fact that other means-tested programs are supports to employment and independence.

—Child Support. We have a Child Support First component in our program. It is becoming increasingly evident that we need to formalize a Child Support Last component for those exiting welfare to ensure that families have the multiple sources of income necessary to get through the temporary loss of one of them.

—Child Care. As our welfare caseload projections go down, our child care projections increase. We are transferring more TANF funds to Child Care.

—Medical Assistance. In Life After Welfare: Third Interim Report, our researchers noted the difference between the reported reason of employment for case closure and the number of people who were working in the quarter the case closed. The conclusion was that our customers were not aware of their eligibility for benefits while working, particularly Transitional Medical Assistance. Consequently, we are developing review mechanisms to ensure that Medical Assistance denials and closing are proper. We are also developing materials for our customers to ensure that they better understand the importance of giving us accurate information so that they can continue to get the benefits for which they are eligible.

—Food Stamps. This program has taken on increased importance as cash assistance caseloads have declined. This program, unfortunately, does not have the flexibility that exists in TANF.

—Earned Income Tax Credits. The Department continues to aggressively market both the federal EITC and Maryland's refundable EITC.

Some Suggestions Based on These Effects: In closing, I would like to offer the following general observations/suggestions as you review the effects of welfare reform.

• Avoid premature closure. We have been very successful. However, our research tells us that there are still many problems we are only beginning to uncover and understand. We also have yet to see how our progress and programs will fare in a time of economic downturn.

• Maintain current levels of support. We understand the Subcommittee's concern that some states have accumulated substantial TANF reserves. I think that these reflect prudence on the part of the states. We also have yet to see how our progress and programs will fare in a time of economic downturn.

• Continue and expand state flexibility. The final regulations promulgated by HHS are a dramatic improvement over the draft regulations. There is a real attempt to create and maintain a true federal/state partnership. However, there are some statements that indicate HHS thinks it is constrained by the statute to limit state flexibility. I would suggest examination of these areas to consider granting HHS the explicit authority to increase state flexibility. Areas of specific concern include: 1) granting flexibility to meet the two parent work participation rate requirement since these families have been very difficult to serve in Maryland because of their relatively small numbers, 2) not limiting the spending of accumulated reserves to "assistance," and 3) eliminating the distinction made between supportive services, e.g. child care and transportation, for unemployed families as "assistance" and employed families as not being "assistance."

• Program Coordination and Simplification. Finally, I simply cannot stress too strongly the need for program simplicity and coordination, especially between TANF and Food Stamps. Nothing confuses customers, workers and the general public more than the lack of consistency among the rules for federal means tested programs. Perhaps the truest test of real welfare reform is that different programs look at the same thing the same way. That certainly does not happen with a car. In Maryland's cash assistance program, we do not count the value of any car against a customer's family because we see it as means to independence. As long as the family remains on cash assistance, Food Stamps (because of categorical eligibility) does not count it either. The minute that family leaves cash assistance the value of the car has to be figured out (no easy task) and then, sometimes yes other times no, may make the family ineligible. Such is a recipe for confusion, error, and lack of access. I fully realize that this issue is not totally within the purview of this subcommittee, but I plead it to whomever I can, wherever I can.

Thank you for your time, attention and the continued risk of giving Maryland the flexibility we need to succeed in operationalizing your vision of welfare reform.

[Attachments are being retained in the Committee files.]

Chairman JOHNSON of Connecticut. Thank you very much, Mr. Larson.

Cynthia Fagnoni, Director of Education, Workforce, and Income Security Issues, HEHS, U.S. General Accounting Office.

STATEMENT OF CYNTHIA M. FAGNONI, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Ms. FAGNONI. 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.

My testimony today focuses on States' implementation of welfare reform, what State-sponsored studies tell us about the status of children and families leaving welfare, and key issues involved in assessing the success of welfare reform.

My testimony is based on completed and ongoing work for the Subcommittee.

Our work shows that States are transforming the Nation's welfare system into a work-focused, temporary assistance program for 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. In some instances, applicants

are expected to engage in job search activities as soon as they apply for assistance.

Such 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 5,000,000 families in 1994 to under 3,000,0000 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? 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.

Early indications from our review of State-sponsored studies in seven States are that most of the adults who left welfare were employed at some time after leaving the rolls, often at low-paying jobs. Studies measuring whether an adult and a family had ever been employed since leaving welfare reported employment rates from 63 to 87 percent.

Regarding the incomes of those who left welfare, average quarterly earnings for former recipients ranges from $2,378 to $3,786 in the studies that either reported quarterly earnings or for which we estimated quarterly earnings.

Extrapolating these quarterly earnings to a year results in estimated average annual earnings for former welfare recipients in the seven States ranging from $9,512 to $15,144. These amounts of annual earned income are greater than the maximum amount of cash assistance and food stamps that a three-person family with no other income could have received in these States. However, if these earnings were the only source of income for families after they left welfare, many of them would remain below the Federal poverty level.

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, or financial assistance from relatives and friends.

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 State 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.

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 ill-

ness, 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; 65 percent of the families of the remaining nonworking former recipients were receiving Social Security, State unemployment insurance, child support or foster care payments; and 23 percent were not receiving cash assistance, but were receiving noncash assistance, such as free housing, rent subsidies, Medicaid, or food stamps.

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 while they were on welfare.

While former recipients in both States were more likely to experience some deprivations after leaving welfare, over two-thirds disagreed or strongly disagreed with the statement that life was better when you were getting welfare.

While these studies help us 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. However, many efforts are underway to provide information to better understand the effects of welfare reform on families. In the near and long term, these efforts promise to provide more data to help us understand the effects of welfare reform on families. 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.

Madam Chair, that concludes my formal remarks. I will be happy to answer any questions you may have.

[The prepared statement and attachments follow:]

Statement of Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, Health, Education, and Human Services Division, U.S. General Accounting Office

Madame 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 implemen-

tation of welfare reform in seven states,[1] 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.[2] 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,[3] 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 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?

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.[4] 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 policy-

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[1] 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.

[2] See *Welfare Reform: Information on Former Recipients' Status* (GAO/HEHS–99–48, Apr. 28, 1999).

[3] For the purposes of this report, the term "welfare" will refer to cash assistance received under AFDC or TANF.

[4] 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.

makers, 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.

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 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.[5]

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.[6] A 1999 Rockefeller Institute review of 20 states' welfare programs found that states and localities have developed a range of diversion programs.[7] 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.

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.[8] Moreover, many families who do not meet state-defined eligibility criteria for TANF can still be eligible for

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[5] See *Welfare Reform: States' Experiences in Providing Employment Assistance to TANF Clients* (GAO/HEHS–99–22, Feb. 26, 1999).

[6] 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).

[7] 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).

[8] For more information, *see Medicaid: Early Implications of Welfare Reform for Beneficiaries and States* (GAO/HEHS–98–62, Feb. 24, 1998).

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.

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[9] to provide services to help families address barriers to employment, including lack of child care,[10] lack of transportation,[11] 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.

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 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.

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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[9] For more information, see *Welfare Reform: Early Fiscal Effects of the TANF Block Grant* (GAO/HEHS–98–137, Aug. 18, 1998).

[10] 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).

[11] 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).

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.[12] 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.

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.[13] 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.

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[12] 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.

[13] 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

Table 1.—Employment and Earnings Data From Studies in Seven States

State and period during which families studied left welfare [1]	Employed at time of follow-up (percentage)	Ever employed since leaving welfare (percentage)	Average hourly wage rate [2]	Estimated average earnings per quarter [3]	Estimated average earnings per year
Indiana (1995–96) [4]	64.3	84.3	$6.34	$2,637	$10,548
Maryland (1996–97) ..	(5)	63.0 [6]	(5)	2,384 [6]	9,536
Oklahoma (1996–97) ..	64.5	(5)	6.51	2,877	11,508
South Carolina (1997)	61.8	85.6	6.45	3,019	12,076
Tennessee (1997) [7]	61.0	[5]	5.67	2,727	10,908
Washington (1998)	71.0	87.0	8.09	3,786	15,144
Wisconsin (1995–96) [8]	(5)	82.1	[5]	2,378 [9]	9,512
Wisconsin (1998) [10]	62.0	83.0	7.42	3,473 [9]	13,892

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

[1] 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.

[2] 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.

[3] 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.

[4] 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.

[5] Data were not available.

[6] This figure also includes individuals who returned to welfare.

[7] 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.

[8] These data are based on a study using administrative data for families leaving welfare from July 1995 to July 1996.

[9] 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 date were self-reported, they could understate or overstate earnings.

[10] 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.[14] However, if these earnings were the only source of income for families after they left welfare, many of them would remain below the federal poverty level.[15]

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 Wash-

[14] 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.

[15] For 1998, the federal poverty level for a family of three was $13,650.

ington 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.

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.

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.[16] 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.

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

[16] These and other factors are considered indicators of well-being.

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 [1] (Percentage respondiing "yes")		Wisconsin [2] (percentage responding "yes")	
	On	Off welfare	On welfare	Off welfare
Did you ever get behind in rent or house payments?	13	15	30	37 [3]
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 [3]
Was there ever a time when you could not afford child care when needed in order to work?	11	9	22	33 [3]
Did somebody in your home ever get sick or hurt when you could not get medical care?	1	7 [3]	8	11
Did you have to go to a homeless shelter?	2	1	5	3

[1] Based on a sample of 403 former welfare recipients.
[2] Based on a sample of 375 former welfare recipients.
[3] 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.

EFFORTS 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, rates of self-sufficiency, and participation in employment. Five of these states' studies also will include information on outcomes for children.[17]

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

[17] 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.

people to obtain comprehensive information on the well-being of adults and children as welfare reform is being implemented in the various states.[18] 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.[19] 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.[20] 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 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.[21] In some instances, states and localities have undertaken efforts to help these low-wage workers upgrade their skills to improve their job prospects.[22] 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.

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[18] 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' Web site: 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.

[19] For a listing of completed and ongoing studies of welfare reform, see the Web site 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.

[20] 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).

[21] The earned income credit is a refundable tax credit for qualified working people who have earned incomes below certain specified levels.

[22] 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 Yorkievitz, *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). *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).

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 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.

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

REPORTS FROM STATES' STUDIES OF FAMILIES WHO LEFT WELFARE

APPENDIX I

IDAHO

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

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.

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.

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.

LOUISIANA

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

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.

MICHIGAN

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

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.

NEW JERSEY

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

NEW MEXICO

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

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.

PENNSYLVANIA

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

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.

TENNESSEE

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

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.

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

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.

WYOMING

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

Appendix II.—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	
Indiana:			
Families receiving AFDC May 1995 to May 1996 who subsequently left AFDC.	Once	12 to 18 months after enrollment.	Telephone survey
Maryland:			
Families who left TANF Oct. 1996 to Sept. 1997.	Quarterly	Up to 12 months after exit.	Review of administrative data
Oklahoma:			
Families who left or were denied TANF Oct. 1996 to Nov. 1997.	Once	2 to 18 months after exit or denial.	Telephone survey
South Carolina: [1]			
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
Tennessee:			
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
Washington: [1]			
Single-parent families who left TANF Apr. to July 1998	Once	2 to 4 months after exit.	Telephone survey and review of administrative data
Wisconsin:.			
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

[1] 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.

Chairman JOHNSON of Connecticut. Thank you very much.
Ms. Weinstein.

STATEMENT OF DEBORAH WEINSTEIN, DIRECTOR, FAMILY INCOME DIVISION, CHILDREN'S DEFENSE FUND

Ms. WEINSTEIN. Madam Chair, thanks very much for the opportunity to testify about the impact of the recent welfare changes on children and families.

The Children's Defense Fund and the National Coalition for the Homeless sought to answer the question we are asking today: welfare to what, in a report we jointly issued last November.

We found that work is up, but that above poverty work is rare. Looking just at people with earnings in March 1998 who had re-

ceived welfare in the previous year, seven out of ten had below poverty wages.

More than half had earnings below three-quarters of the poverty line, that is, below $185 a week for a family of three. Their earnings are so low because their work is unstable.

Wisconsin, with some of the most favorable outcomes reported, found that almost one-third of those surveyed had spent from a few days to 3 months at their best job, and the typical was 34 weeks.

Some families leave welfare because they are unable to comply with program requirements and earn little, if at all. Families with severe barriers to employment are likely to fail to meet work requirements. In Minnesota case managers found that families being penalized were twice as likely as other welfare families to have serious mental health problems, five times as likely to have family violence problems. They will leave welfare because they are unable to comply with the rules, not because they found success in the job market.

Some families leaving welfare for below-poverty wages or for no wages experience hardship trying to secure necessities. In Wisconsin, about one-third of families leaving welfare reported not being able to buy food at some point in their first months off welfare, compared to one in five while they still received benefits. Reports from Indiana, Kansas, South Carolina, New York show children and adults doing without health care.

Projects in six States reported that one-quarter of former welfare recipients were doubling up in housing to save money.

Poverty matters, and please remember that while the overall poverty level is down, the number of children living below half the poverty line, less than $6,400 a year for a family of three, rose from 1995 to 1997. As for combined household earnings, those are also low. Only one in five recent welfare recipients, counting all household earnings, were above poverty in March 1998. And that is the lowest level in 5 years.

The hardships exacted by continued child poverty have significant costs. Poor children are more likely to have health problems, to fall behind in school, to experience mental health problems and antisocial behavior. That is why lifting families out of poverty ought to be our national goal for real reform. So far, for most families, we are not succeeding.

In order to stabilize families' work and raise their children out of poverty, families need work supports—help like Medicaid or food stamps, child care, transportation help and wage subsidies. But while this Subcommittee and Congress intended that such supports should continue for low-wage workers who no longer receive TANF, in many States eligible families are not receiving these vital benefits. Families USA earlier this month issued a report documenting that by 1997, 675,000 people lost Medicaid and became uninsured. Three out of five were children.

Families often do not know they are eligible for help. In South Carolina, over half of former recipients did not know about child care aid. Food stamp use is declining far more than poverty is.

Far too often, our new world of welfare includes stories like one mother, Jo, who got a job and then was wrongfully denied Medicaid and food stamps. It took 4 months of phone calls for Jo to get a

fair hearing and for Medicaid to be restored for herself and her children. During the period without health coverage, Jo came down with pneumonia and other illnesses. She went without proper treatment, had to borrow money to fill prescriptions. That is not a recipe for stable employment.

But Michelle Crawford was luckier. She was struggling with domestic violence. Her welfare-to-work program let her combine community service with mental health counseling. Then, she was placed in a training program to operate a plastics molding machine and got a job at $7.40 an hour. She got the services she needed to overcome barriers to employment that, if ignored, might have made it impossible for her to work. Programs like Project Match in Chicago, among others, allow that kind of broad range of activities to count as work as part of a multistep plan toward work readiness.

What next steps are needed? The Subcommittee should continue, as it plans wonderfully, to hold oversight hearings about whether families are getting the package of work supports they need, to identify good practices as well as determine whether State practices or omissions are resulting in eligible families doing without benefits. Hearing more about good outreach efforts or transportation plans or comprehensive service delivery systems would help States to do what Madam Chair Johnson memorably exhorted them to do: to spend the money.

Based on what is learned from hearings, the Subcommittee should consider future legislative changes to broaden allowable work activities to help families with severe employment barriers, reward States to do a good job with outreach, penalize States that do not; permit the State-Federal time limit clock to stop for families who combine partial TANF aid with low-wage work, approve the extension of the welfare-to-work programs and increase funding for a seamless web of child care services.

The real goal of welfare reform is not accomplished until supports are in place to make work possible and to make work pay for parents trying to raise their children out of poverty. There is still much more work to do.

Thank you.

[The prepared statement follows:]

Statement of Deborah Weinstein, Director, Family Income Division, Children's Defense Fund

Thank you very much for the opportunity to testify about what the Children's Defense Fund (CDF) has learned so far about the impact of new welfare policies on families with children. CDF is a privately supported charity that advocates for the interests of low income children, and that monitors closely the effect of welfare changes on child well-being. CDF receives no federal grants or contracts. In my testimony today, I am not representing any entity that receives federal grants or contracts.

The growing body of research about the lives of families in the aftermath of the 1996 welfare law illuminates three broad categories of families leaving welfare. One, a distinct minority, includes parents who are able to secure above-poverty wages sustained over time. The second category includes families who have worked after leaving welfare, but at unstable, below-poverty jobs. A third category includes families who have left welfare because parents were unable to comply with various program requirements, and who earn little if at all. Families certainly move from one to another of these categories, but considering them separately is important if we are to encourage policies that increase the likelihood and stability of work, and to prevent children and families from being abandoned when severe barriers block their ability to succeed.

Some, like Jo, get jobs (in her case, a temporary one) and are wrongfully denied the Medicaid and food stamp help they need. After four months of fruitless phone calls, Jo was granted a fair hearing and finally received Medicaid for her children and herself. Jo and all her children suffer from asthma. During their period without health coverage, Jo came down with pneumonia, and an illness that resulted in a lowered immune system. She went without proper medical treatment, and had to borrow money to fill urgently needed prescriptions.[1] Jo's experience is not a recipe for stable employment.

For others, the inability to find or keep work has devastating consequences. A social service provider in Roxbury, Massachusetts reported a sharp increase in homelessness among the mothers with whom she works. She attributed this to problems in keeping jobs. "When it doesn't work out for a variety of reasons, they lose housing, and can't get back on the system. Hearing from the women, once you're off the system, everything falls apart."[2] Families unable to keep jobs need help to keep everything from falling apart: they need services to overcome barriers to employment, and supports to keep their families from destitution.

The Children's Defense Fund and the National Coalition for the Homeless collaborated on an analysis of more than 30 studies of the new law's effects on families with children. We looked at national data collected from the Census Bureau's Current Population Survey and at many state and local surveys. Our report, *Welfare to What: Early Findings on Family Hardship and Well-Being,* compiled data to document these central themes:

Work is up. Of those who received welfare in 1997, almost one-third had a job in March of 1998, according to annual surveys conducted by the Census Bureau. In contrast, only 20.7 percent of those who had received any welfare in 1989 had a job in March 1990.[3]

But above-poverty work is rare. By March 1998, only 8 percent of individuals who had received welfare benefits in the previous year had weekly wages above the three-person poverty line, barely up from 6 percent in March 1990. That figure includes all individuals who had received welfare assistance in the previous year, whether or not they had any earnings. But even looking solely at the subset of that group with earnings, only 29 percent had above-poverty wages. Seventy-one percent did not. *While employment increased from 1990 to 1998, two-thirds of the growth in employment among individuals who had received welfare in the previous year involved jobs paying far below poverty levels.*

The National Governors' Association (NGA) compiled findings from state surveys of the effects of changing welfare policies. They found that "most of the jobs (held by former recipients) pay" between $5.50 and $7 an hour ... not enough to raise a family out of poverty."[4]

Not everyone who leaves welfare works. State surveys have tended to show that about half to two-thirds of families that leave welfare find employment. (These proportions are higher than the Census data because the state surveys include only families who have left welfare. The Census data looks at a sample of people who had received welfare in the previous year, and who may or may not still receive benefits during the March period of the annual survey.) *That means about one-third to one-half do not.*

Employment barriers drive some families off the caseload. Many of the families without work leave welfare because they are judged not to have complied with program rules. Some fail to show up for required appointments or fail to bring proper documentation, and are dropped from the caseload. Others are penalized for not meeting work requirements. In Minnesota, case managers found that penalized families were twice as likely as other welfare families to have serious mental health problems and five times as likely to have family violence problems.[5] Similarly, a 1997 Michigan study found much higher rates of physical or mental health problems, domestic violence, and lower rates of school completion among mothers on welfare compared to women in national samples. The more barriers to employment like these faced by mothers, the less likely they were to work 20 hours or more per week.[6] Since work requirements imposed by the 1996 welfare law are at least 20 hours per week, those with barriers to employment will be far more likely to face reduced or terminated cash benefits.

POVERTY MATTERS

Some treat the news of the dramatic reduction in welfare caseloads as proof that the new welfare policies are a success. We ask "welfare to what?" because we believe that success cannot be judged until we know what is happening to children and families when they leave welfare. The overwhelming evidence so far is that families who leave welfare do not escape poverty even when they work. For some families

leaving welfare, poverty and/or specific experiences of hardship have even increased. Our national commitment to welfare reform ought to promise more than that to families with children.

It is troubling that despite years of economic recovery, child poverty has edged downwards only slightly, and that one in five American children remains poor. It is even more disturbing that the number of children living below *half* the poverty line increased by almost 400,000 from 1995 to 1997[7] (half the poverty line for a family of three was less than $6,400 a year in 1997). This increase in extreme poverty occurred in female-headed working families, a group likely to be heavily drawn from families moving from welfare to work. Changes in welfare policies are not the only reason for the increase in deep poverty among children in working single-mother families, but it is fair to say that those changes have played a part.

We emphasize persistent and deepening poverty among children because the consequences of continued deep poverty are grave:[8]

- A baby born to a poor mother is more likely to die before its first birthday than a baby born to an unwed mother, a high school dropout, or a mother who smoked during pregnancy.
- Poor children are more likely to have health problems, to suffer from stunted growth or unstable living arrangements, and to score lower on reading, math, and vocabulary tests, compared to non-poor children.
- Poor children are more likely to fall behind in school and to complete fewer years of education.
- New research in 1998 showed that the longer children are poor in the pivotal first years of childhood, the more signs they show of anxiety-depression and anti-social behavior later in their childhood years.

In other words, the hardships exacted by continued child poverty have significant costs. The goal of real reform of the nation's welfare system ought to be to help as many families as possible move out of poverty through work. So far, the findings from around the nation show that for most families, we are not succeeding. But that goal is attainable, if we learn from families' real experiences trying to work and care for their children, and offer them the supports they need.

Barriers to Employment

Michelle Crawford was struggling with domestic violence and the break-up of her marriage. Her welfare-to-work program let her combine community service and several months of mental health counseling. Then it placed her in a training program to operate a plastics-molding machine. Within eight months, she had found a job at $7.40 an hour.[9]

If Michelle had simply been required to work, without any help to deal with her problems, she might have been overwhelmed. Her family's aid might have been terminated for failure to comply with the work requirement. They would have added to the caseload reduction statistics, but their departure would not have represented a "success."

States like Minnesota and Michigan have led the way by revealing that severe problems including disability, illiteracy, and family violence are frequently at the root of parents' inability to work or comply with program rules. Still, Michelle was one of the few lucky ones: most states have not moved effectively to identify the presence of such barriers and to provide services to overcome them. The Children's Defense Fund sent a written survey to all fifty states in 1997, to learn what procedures and services were in place to assist families with barriers to employment. We received 37 responses, and we conducted follow-up telephone interviews with certain states. States were still in early stages of planning their welfare programs, so the information we collected, while raising important questions for follow-up, is preliminary.

Many states have some policy accommodations for families with employment barriers. Twenty-three out of the 37 states surveyed reported waiving time limits for families facing severe barriers. Twenty-two reported waiving work requirements, while 21 reported some form of case management targeted to families with severe barriers. But adequate training of caseworkers to help them identify the presence of barriers was rare, as was a coordinated approach across state agencies to refer parents to appropriate services. Most states reported that they had procedures to provide such follow-up, but a majority either had no knowledge of whether there were sufficient services available to meet the need, or reported that the services were insufficient. Our survey plus other research in this area suggests that only a relative handful of families with special needs are receiving case management and services to allow them to make progress. Others are at risk of penalties for failure

to satisfy state requirements without having barriers to compliance identified or addressed.

As long as states do not identify and serve families to enable them to overcome their barriers to employment, sanctions and case closures for failure to comply with various state policies will continue to hit them hard. HHS data on case closures for these reasons are not fully informative, because states do not code reasons for case closures uniformly. But the wide variation reported by states is troubling. In Florida, Mississippi, and South Carolina, for example, more than one-fifth of closed cases in those states occurred through sanctions; in Indiana, sanctions accounted for more than two-fifths of closures. Michigan, New Jersey, and Wisconsin terminated more than half of their closed cases because of "state policy"—for example, failing to show up for appointments or to provide required documentation.[10]

WORK EXPERIENCES FOR FAMILIES: LOW WAGES, UNSTABLE WORK

Findings across state surveys are quite uniform in showing low earnings and less than full-time, year-round employment. In Maryland, employed former recipients earned an average of $2,439 in their second quarter of work—equivalent to less than $9,800 a year, or about three-quarters of the three-person poverty line in 1997.[11] A Cuyahoga County (Cleveland) Ohio study found that only one in four former TANF recipients who left the rolls in the last quarter of 1996 showed as much as $3,000 in quarterly earnings a year later. Nearly half showed no quarterly earnings at all.[12]

A more recent study tracking Wisconsin's W–2 participants who left welfare between January and March 1998 contained some of the most favorable work outcomes revealed so far. But these findings turn out so favorably in part because families who left welfare and then returned during the six-to nine-month period of the survey are excluded from the analysis. In effect, those who did not succeed are taken out of the calculations. Eighty-three percent of those who did not return to welfare had worked at some point since leaving W–2, and 62 percent had jobs at the time of the survey. Those leaving the rolls were asked to describe their best current or previous job. The average wage reported was $7.42 and the typical (median) wage was $7.00 an hour, with an unusually high 40-hour typical work week. The typical number of weeks at the "best" job was 34, with 31 percent of those employed at the time of the survey having spent a few days to three months at their best job. The analysis does not show what typical annual earnings were; without that information, it is impossible to know how sporadic or steady these employment experiences are.[13]

The recently released two-year evaluation of Milwaukee's New Hope Project shows that low-income individuals want to work, but that their work is not steady. These voluntary participants, who received earnings supplements, child care, and health coverage if they worked at least 30 hours per week, worked on average 5.9 quarters out of a possible eight, with earnings far below the federal poverty level. New Hope was successful in increasing the amount of work and earnings levels among its participants (compared to a control group), but its findings illustrate the difficulty that low-wage workers have in sustaining employment over time.[14]

The data from states is still very sketchy in tracking families' job histories over time. Policymakers need to note that survey findings showing that individuals have worked at some point during a year may mask sporadic work histories. Hourly wage rates are an important indicator, but tell a very incomplete story without taking into account quarterly and annual total earnings.

LOW-INCOME FAMILIES: EXPERIENCES OF HARDSHIP

Whether they find employment or not, troubling numbers of families experience difficulty in paying for food, housing, utilities, or health care. These findings occur both in local surveys of families seeking aid at social service agencies and in state studies tracking samples of families leaving welfare.

Food: In South Carolina, almost one in five (19 percent) families were unable to purchase food at some point in their first few months off welfare, compared to 8 percent while still receiving welfare benefits.[15] Strikingly, despite its strong economy, the situation was worse in Wisconsin. There, about one-third of all families leaving welfare (32 percent) reported not being able to buy food at some point in their first months off welfare, compared to one in five (22 percent) while they still received benefits.[16]

Early findings from the Children's Defense Fund's Community Monitoring Project (in seven sites in six states) showed that 38 percent of families who sought help from participating social service agencies and who had lost welfare benefits in the preceding six months reported going without food for one or more days in the past

month. Twenty-seven percent of families currently receiving welfare were experiencing the same inability to buy food.[17]

The recently released study by NETWORK (compiled from 59 Catholic social service agencies in ten states) documents hardship among working and non-working poor families (many of whom do not receive public assistance benefits). NETWORK found that 41 percent of working parents surveyed at the social service agencies reported that their children were eating less, close to the 44 percent of non-working parents reporting such hardship for their children. Twenty-two percent of employed parents said their children were going hungry, compared to 25 percent of non-working parents.[18]

Housing: The Community Monitoring Project's seven-site survey found that 25 percent of former welfare recipients reported that they had doubled up in housing to save money (compared to 15 percent of current recipients).

In South Carolina, 26 percent of former welfare recipients had fallen behind in rent or mortgage, compared to 17 percent of the same group while they were still receiving benefits.

There is no question that the nation's shortage of affordable housing causes problems for families whether or not they have ever been on welfare. Urban Institute's and Child Trends' *Snapshots of America's Families,* drawn from extensive interviews with a large national sample, found that among parents with incomes below 200 percent of the federal poverty guidelines, 28 percent reported being unable to pay for rent, mortgage, or utilities at some point in the preceding twelve months.[19] If more than one-quarter of families with incomes up to about $26,000 (twice the poverty level for a three-person family) fall behind in housing expenses, it is not surprising that families leaving welfare for below-poverty wages struggle with their housing costs.

An early Wisconsin study showed increased homelessness among families as the state implemented its new welfare policies in advance of the federal law change. In La Crosse County, researchers found that the number of children sleeping in Salvation Army shelters shot up by 50 percent from 1994 to 1996, a period during which the number of homeless men rose by only one percent.[20]

In Atlanta, a survey of homeless families with children found that almost half (46 percent) had lost TANF benefits in the previous 12 months. In contrast, only one-fifth (20 percent) of families in public housing had lost TANF in the previous year.[21]

Health care: In Indiana, 35 percent of the children of former recipients had no public or private health insurance.[22] Among those working about six months after leaving welfare in New York City, 46 percent reported no health insurance coverage.[23]

In Johnson County, Kansas, in a study of 202 Catholic Community Services clients, 40 percent of former welfare recipients told researchers they had found it harder to get health care for their children during the preceding six months. Only half as many (20 percent) of current recipients reported similar difficulties.[24] And nearly one in ten South Carolina former recipients (9.7 percent) reported that someone in their home had been sick or hurt and was unable to obtain medical care, more than three times as many as the 2.8 percent reporting similar hardship when they were still receiving welfare.[25]

Failure to Receive Basic Work Supports

When the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was being debated, proponents assumed that families that no longer received cash benefits would still receive Medicaid and subsidized child care at least for a transitional period if their incomes remained low, and that low-income families would continue to receive food stamps indefinitely. But far too often, families leaving welfare do not receive these basic supports. The inability to secure food and health care described above is directly related to the loss of food stamps and Medicaid by families, although many remain eligible for these benefits.

Medicaid: As of 1997, 1.25 million people with incomes below 200 percent of the federal poverty line lost Medicaid due to welfare policy changes, according to a reported issued this month by Families USA. Of those, 675,000 did not secure other health insurance. Sixty-two percent of the uninsured were children.[26]

The Families USA findings are consistent with reports from states that families do not realize they are still eligible for Medicaid, or are wrongly dropped from Medicaid by states when TANF benefits are terminated. In South Carolina, 60 percent of former recipients did not know that a parent could get transitional Medicaid. North Carolina announced it would investigate whether welfare workers erroneously stopped Medicaid help for 24,000 children who were not receiving Medicaid coverage two months after their families lost welfare help.[27]

Food Stamps: From 1996 through November 1998, food stamp caseloads declined by 21 percent.[28] Some of this drop can be attributed to the improving economy, but much occurred either because eligibility was restricted in the 1996 welfare law or because eligible families did not know they could receive this help.

Legal immigrants and able-bodied childless individuals lost food stamps under the 1996 law. A March 1998 study of Latino and Asian legal immigrants, conducted by medical researchers in California, Texas, and Illinois, found high levels of food insecurity and hunger. Fully 79 percent of the households surveyed reported that they had cut back on nutritional quality and quantity of food (seven times the rate of food insecurity in the general population). [29] Congress has restored food stamp benefits for some legal immigrants, and should complete the restoration this session.

Eligibility changes and the improved economy do not explain the entire drop in the use of food stamps. Despite the fact that federal law requires that those who seek food stamps receive an application immediately, when families are diverted from receiving TANF, they sometimes do not realize they can get food stamps. Sometimes, as in the case of New York City, they are actively discouraged. New York has been cited by the USDA and in federal court for violations of food stamp and Medicaid law.[30] Similarly, when families leave TANF, they may not realize they continue to be eligible for food stamps and Medicaid, or they may be unable to get to the welfare office during business hours to be recertified every month or quarter, depending on state practice.

Child Care: Child care is one of the most basic work supports, but it is not uniformly available. There is evidence that parents do not always know about the possibility of subsidized child care. In South Carolina, over half of former recipients in the survey cited above were unaware of child care assistance (although those who were currently employed were somewhat better informed). In Milwaukee, a bureaucratic mix-up resulted in up to 60 percent of child care placements begun by one agency being canceled by another.

Some parents have been steered towards inexpensive and at times inadequate child care. In Utah, families were directed to seek free child care before being offered a subsidy. In Maryland, caseworkers were sent a memo telling them to encourage parents to use cheaper, informal care. That policy was rescinded, but workers were not informed of the change.

Many states do not provide a continuum of child care available not only to those trying to get off welfare but also to low-or moderate-income families who cannot work without affordable child care. As of January 1998, about half the states had to turn away eligible low-income working families or put them on waiting lists. Texas, for example, had a waiting list of 30,000 families.[31]

PROMISING APPROACHES

These findings demonstrate that earnings alone rarely place a family on a route to self-sufficiency. In order to find and keep jobs, and in order to raise their children in safety and out of poverty, parents need access to a menu of work supports. Some states and localities are providing some or all of the necessary supports: child care, health coverage, continued access to food stamps, transportation, education/training, job placement, services to overcome barriers, effective child support collection, and wage supplements among them. Few areas offer a comprehensive approach where all of the needed supports are readily at hand. But good efforts in each of these areas separately exist, and can point the way for states to develop the comprehensive menu of items that families need.

Lifting families out of poverty through work and work supports. The New Hope Project in Milwaukee provided a set of services and benefits that helped families to increase earnings, increase work, and increase income. New Hope was a three-year demonstration offering poor families or individuals health coverage, child care, and a wage supplement if they worked at least 30 hours per week. New Hope promised to supplement low earnings if work plus state and federal earned income tax credits were not enough to raise the worker and his/her family out of poverty. The project offered community service jobs if participants could not work the required hours through regular employment. New Hope's project representatives offered referrals to services, guidance about New Hope's rules, and personal encouragement. An evaluation after two years showed significant earnings gains, particularly for individuals who had not worked full-time at the project's outset, and who had one barrier to employment such as an arrest record or long-term unemployment. These participants earned 30 percent more over two years, compared to the control group. Another benefit emerged from New Hope: boys in New Hope participant families did much better in school performance and behavior than did the control group boys. New Hope resulted in more work, higher earnings, and benefits for children. But

it did not provide solutions for everyone. It was less beneficial for participants who had multiple barriers to employment, perhaps because New Hope was not set up to handle such problems. New Hope saw its approach as necessary, but not in all cases sufficient, to meet the needs of low-income people.[32]

Illinois also helps to make work pay for families earning low wages. Families working at least 25 hours per week at low wages qualify for partial cash assistance benefits. Since Illinois uses state dollars to pay benefits for these wage-earning families, their aid does not count towards the federal time limit.

Helping families to overcome barriers. Project Match in Chicago has been a pioneer in providing services to families with multiple barriers to employment. Individualized plans are modified on a monthly basis, recognizing that in some cases many steps may be necessary to prepare a parent for employment. Helping at a child's school, arranging for child support enforcement help, or signing up for therapy are among the activities that may be steps in an individual's plan. Project Match also maintains contact with participants as they move in and out of employment or training, helping them to make the transition to the next job or other activity.

While more than twenty states offer waivers of work or time limits for families with severe barriers, far too few accept the broad range of productive activities in the Project Match individual plans as fulfilling the work requirement. Vermont and Utah are two states that do allow parents who need to take these steps to count them towards the work requirement.

Making sure that eligible families get food stamps, Medicaid, or CHIP. At minimum, states must do a better job of reaching out to poor and near-poor families that do not receive TANF, so that they know about health coverage and nutrition help for which they are eligible. Georgia's Right From the Start Medicaid Project placed 185 eligibility workers in clinics, hospitals, etc., to sign up children and/or families eligible for Medicaid.[33] South Dakota's food stamp caseload dropped less than the national average from 1994 to 1998. This may be because the state directs families to food stamps and Medicaid when they divert them from receiving TANF cash assistance.

Investing in work supports. Just a few examples:[34] Maine's Parents as Scholars program provides work-study opportunities for up to 2,000 post-secondary students who would otherwise have received TANF. Illinois, Minnesota, North Carolina, and Arizona are among the states that have committed state funds to expand the supply of low-cost child care. Rhode Island has guaranteed child care for all working families below 185 percent of poverty, regardless of welfare status. The Suburban Job-Link Corporation in Chicago operates a fleet of eight-passenger buses to transport inner city workers to suburban jobs. Ten states provide state earned income tax credits, of which six are refundable. Maryland is one example of a state that both instituted its own refundable credit and engages in outreach to inform low-wage workers about the federal and state credits.

RECOMMENDATIONS

Successful efforts towards welfare reform require initiatives that can help families in differing stages of work readiness. For those who can work, supports are needed to increase work stability while protecting children through above-poverty income and quality child care. For families with significant barriers to employment, services are needed that can overcome barriers. Parents' efforts to progress beyond their employment barriers should count toward meeting their work requirements. Among the actions the Subcommittee on Human Resources of the House Committee on Ways and Means should take to spur improved performance for families at all stages of work readiness:

• The Subcommittee should continue to hold oversight hearings about whether families are getting the package of work supports they need. Since success in welfare-to-work is so dependent on children and families getting supports such as Medicaid or CHIP, food stamps, and child care, oversight would be especially important to determine whether state practices or omissions are resulting in eligible families doing without these benefits. Such hearings would serve a very useful purpose if they identified good state practices, including effective outreach to ensure that eligible families get the services or benefits they need. Since the research summarized here demonstrates the need for a comprehensive menu of services ranging from education/training to protection from family violence to transportation help, hearings should illuminate effective approaches that both (1) provide those services and (2) guide families to the help most appropriate for them. Current or former TANF recipients, advocates, and service providers, as well as state or county officials, would be important voices to include in oversight hearings.

• Looking ahead, the findings from such oversight should lead to consideration of future federal legislation to encourage good practices and protect families. Some possibilities include (1) broadening allowable work activities to include activities that help parents to overcome work barriers, as part of an overall self-sufficiency plan; (2) penalizing states with poor track records in reaching eligible families with Medicaid, food stamps, and child care benefits (for example, by denying high performance bonuses to those states), and specifying rewards for good achievements in these areas; (3) restoring food stamp eligibility for legal immigrants; and (4) permitting the federal time limit clock to stop for families combining partial TANF aid and low-wage work.

• The Subcommittee should approve extension of the Welfare-to-Work program, with funding of $1 billion in FY 2000, including the changes sought in H.R. 1482, the Welfare-to-Work Amendments of 1999. The Welfare-to-Work program can provide job training and placement for non-custodial fathers whose children need their support. Further, the program will become an increasingly important part of the menu of work supports as more families approach time limits.

• Child care funding should be increased in order to provide a seamless web of support to families leaving welfare, and to low-income working families trying hard to avoid it.

With the necessary supports, and when jobs are available, work is possible for a majority of parents on welfare. The Subcommittee is right to look beyond the mere numbers of caseload decline to see what life is like for the families with children who leave Temporary Assistance for Needy Families. The goal of welfare reform is not accomplished until supports are in place to make work possible, and to make work pay for parents trying to raise their children out of poverty. The evidence so far is clear, on this at least: there is much more work to do.

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Chairman JOHNSON of Connecticut. Thank you very much, Deborah, from the Children's Defense Fund.

And now Mr. Granger, senior vice president, Manpower Demonstration Research Corp., New York.

STATEMENT OF ROBERT C. GRANGER, SENIOR VICE PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORPORATION, NEW YORK, NEW YORK

Mr. GRANGER. Thank you, Madam Chair. Good afternoon, I guess, and thank you for the opportunity to testify.

In mid-April, the Associated Press reporter filed a story on the recent report chronicling the 2-year followup to a study that we released on the New Hope Project. Her story was picked up in about 135 papers around the country. And the headlines tell you and other Subcommittee Members something about this project's findings and the public's reaction to them.

"Program Assists Working Poor" the Daily, Oklahoman; and "Wisconsin Program Found to Help the Working," Baltimore Sun. Somewhat in contrast, another reporter at the Milwaukee Journal Sentinel focused on how New Hope affected the next generation. "New Hope Families Have Less Stress: Study Finds Improved School Work." And then, indeed, in further contrast, more recently in the New York Times on the front page above the fold, "Project to Rescue Needy Stumbles Against the Persistence of Poverty."

Now, while headlines are unquestionably written to get attention, these are all frankly reasonable responses to the results that we have released so far. The sample of headlines also sends I think an important message to Members of this Subcommittee and to others about the strengths and limits of policies meant to support the working poor.

I am Bob Granger, senior vice president, at MDRC. We are a nonprofit research firm dedicated to improving the well being of low-income people and the effectiveness of public policies and programs through rigorous research. I direct the evaluation of something called the New Hope Project. That evaluation team includes MDRC staff and prominent university-based scholars.

Having submitted the executive summary of this report for the record, I am only going to highlight four things in my few moments.

First, a package of earnings supplements, health and child care benefits, and full-time jobs opportunities can substantially increase the work effort, earnings, and income of those who are willing to work full time, but need assistance to do so. That is true even in an environment of falling caseloads, a hot economy, and assertive welfare policies. It is going to be truer in harder times.

Second, such changes in income, employment, and family supports can have a significant and positive effect on family well being and on how the children are doing in those families.

Third, that the supports for the working poor may lead to modest reductions in work effort, especially among those that are already working lots of hours but happen to be poor. That can be minimized, but it is going to occur.

And that finally, most of those who applied to New Hope remain poor 2 years and reliant on some form of public subsidy to make ends meet.

The New Hope program was designed and operated by a community-based organization in Milwaukee. It was premised on a simple assumption: those people who work full time in this country should not be poor. They should at least be at the level of poverty. It provided four things: an earnings supplement, when combined with the EIC got you, on your earnings up to the level of poverty for your household, at least.

Two, if you needed child care assistance, it provided child care assistance.

Three, if you needed health care support, it provided subsidized health care support.

And finally, if you could not find full-time employment in the unsubsidized regular employment sector, it provided on a short-term basis wage paying community service jobs in nonprofit organizations—jobs meant to be a bridge to unsubsidized employment.

Let me tell you about the key findings on employment earnings and how the kids were doing.

The report distinguishes between two groups of people that came forward. One large group of people were not working full time. They were poor. Some of them were not working at all. Some of them were working part time. In that group, this set of supports increased their earnings. It increased their employment rates. It increased their family incomes, and, in fact, it allowed for only the earnings-related income for a significant proportion of the families in that group on earnings-related income alone to move their families above the poverty threshold.

On the other hand, there is another third of the group that came forward: those people who in this country are working full time, but are still poor. Within this group, the New Hope supports caused some reduction in work effort. This was not cutting back from 30 to 20 hours a week. This was giving up the over 50-hour second job. It was also giving up the extra overtime. And as we looked more closely, it seemed that some of those reductions in time were coursing through the families in ways that the public and this Subcommittee might find interesting.

Let me focus on New Hope's effects on the children. A critical aspect of this and eight other studies that MDRC is currently doing involves taking a look at the question that you have posed: What is happening to the kids?

In this study, we found that, using surveys of parents, children, and their teachers, that the children in these families were doing better on school achievement, were having reductions in behavior problems, were having increases in positive behavior. And as close as we can come to it, it seems that the possible pathways are a combination of more economic resources for some of these families through these supports, better formal child care and other kinds of afterschool programs for some of these families, decreased stress and increased family well being among some of these families, and that all of those things together accumulate and seem to be showing up in how the kids are doing.

In summary, supports for work such as those embedded in New Hope help some people earn their way out of poverty. As with any approach, they are not going to be a panacea.

Second, that supports for work can create important, positive nonmonetary effects for families and children.

Third, policymakers who want to increase the economic and emotional well being of families should focus some of their efforts, as I have heard today, on health insurance and improving child care resources.

And fourth, concerns that support for work may reduce some work effort are, in fact, founded, but such reductions can be minimized and society may benefit in nonmonetary ways.

No single study is definitive. It would be wise to replicate this kind of work in other environments. But it is reasonable to assume that in an environment with a less favorable labor market, less State attention to work, that these initial results may be, in fact, more encouraging. And these initial results are encouraging, indeed.

Thank you very much.

[The prepared statement and attachment follow:]

Statement of Robert C. Granger, Senior Vice President, Manpower Demonstration Research Corporation, New York, New York

Good morning and thank you for the opportunity to testify.

On April 15, 1999 Laura Meckler of the Associated Press filed a story on the recent report chronicling the two-year follow-up of participants in the New Hope Project. Her story was picked up by approximately 135 papers on April 16–18. The headlines tell you something about the project's findings and the popular reaction to them. "Program Assists Working Poor" (*Daily Oklahoman*, April 16, 1999); "Wisconsin Program Found To Help Working Poor" (*Baltimore Sun*, April 16, 1999).

Another reporter at the *Milwaukee Journal Sentinel* focused on how New Hope affected the next generation: "New Hope Families Had Less Stress: Study Finds Improved School Work." (Mary Beth Murphy, *Milwaukee Journal Sentinel*, April 16, 1999).

More recently, the *New York Times* announced, on the first page above the fold: "Project To Rescue Needy Stumbles Against the Persistence of Poverty," (Jason DeParle, *New York Times*, May 15, 1999).

While headlines are unquestionably written to grab attention, these are all reasonable responses to the interim results from this project. The sample of headlines also sends important signals to this Subcommittee and others about the strengths and limits of policies meant to support the working poor.

I am Bob Granger, a Senior Vice President at the Manpower Demonstration Research Corporation (MDRC). MDRC is a non-profit research firm dedicated to improving the well-being of low income people and the effectiveness of public policies and programs through rigorous research. We have been pursuing that mission for the last 25 years. I direct the New Hope evaluation team, which includes MDRC staff and prominent university-based scholars. The work is being done with funding from private foundations as well as the City of Milwaukee, the State of Wisconsin, the Federal Department of Health and Human Services, and the National Institute of Child Health and Development. The current report will be followed by a long-term follow-up in three more years.

Having submitted the Executive Summary of our recent report for the record (attached), I want to briefly highlight four messages:

1. A package of earnings supplements, health and child care benefits, and full-time job opportunities can substantially increase the work effort, earnings, and income of those who are willing to work full-time, but need assistance to do so. This is true even in an environment of falling caseloads, a hot economy, and assertive welfare policies. It may be more true in harder times.

2. Changes in income, employment, and family supports can have significant, positive effects on family well-being and child outcomes.

3. Supports for the working poor may lead to modest reductions in work effort among those already working a lot of hours. This can be minimized, but it is likely to occur.

4. Most of those who applied to New Hope remain poor two years later and reliant on some public subsidy to make ends meet.

The New Hope Program. New Hope was designed and operated by the New Hope Project, Inc., a community-based nonprofit organization in Milwaukee. Focused on any adult who was poor and living in two low-income areas in Milwaukee, it offered participants an earnings supplement designed to lift them out of poverty, when combined with state and federal Earned Income Credits, provided they worked at least 30 hours a week. The program also offered these workers low-cost health insurance and child care if they needed these services. For participants who could not find full-time work, the program offered access to wage-paying "community service jobs"—short-term subsidized jobs in nonprofit agencies, designed to be stepping stones into regular employment. With the help of New Hope staff, participants could access any or all of these services on an as-needed basis for a three-year period. The program operated in a flexible, client-focused, and respectful environment. Designed as a demonstration project, New Hope began operating in 1994, enrolling approximately 1,360 people through December 1995. These adults were assigned at random to one of two groups: the New Hope program group who were eligible to receive New Hope benefits and the control group, who differed from the program group only in that they could not receive New Hope benefits. The evaluation team collected follow-up data on both groups and the differences between outcomes for the two groups are attributable to New Hope.

Key Findings on Employment and Income. The report distinguishes between two groups of New Hope participants. Two-thirds of the participants were not working

full time when they entered the study. Among these participants, and compared to the control group that was not in New Hope, the program reduced by half the number who were never employed during the two years of the study (from 13 percent for the control group to less than 6 percent for New Hope participants). Over the two years, participants earned $1,389 more than the control group, a difference of more than 13 percent. (This does not include the earnings supplement.) Their incomes were $2,645 (also approximately 13 percent) more than the control group's. As a result, more of these participants had earnings-related income that was enough to raise their households above the federal poverty level, although the majority remained poor, primarily because they did not consistently work full time (and could receive New Hope benefits only when they did). Also, many did not apply for the state and federal Earned Income Credits, even if they qualified. Many used community service jobs, and most of those who used these jobs found regular unsubsidized employment afterwards. In short, for this group New Hope showed how policies can increase work by making work pay and offering opportunities where they are needed.

One-third of the participants were working full time when they entered the study. Thus, New Hope had little opportunity to increase employment among such workers. However, the program did not leave them unaffected. Having the support of the program, these workers somewhat reduced their work hours (compared to the hours worked by the control group), mostly by cutting back on overtime and second jobs. New Hope improved parent-child relations in the families in this group, possibly because these families were better able to balance work and family life. New Hope did not increase the income of participants who already were employed full time, but it reduced these participants' use of public assistance, cutting second-year AFDC and Food Stamp benefits by $719, or more than 30 percent, compared to control group levels.

New Hope's Effects on Children. A critical aspect of this study is its complementary focus on assessing the well-being of families and children, capturing outcomes that are not easily measured in dollars and cents. Using surveys of parents, children, and teachers, compared to the control group, parents in New Hope had less stress, fewer worries, and better parent-child relations. As judged by teachers, there were substantial positive effects on children's classroom behavior, school performance, and social competence. These effects occurred primarily for boys, who also showed reductions in problem behavior and higher educational and occupational expectations. (On these measures, girls generally do better than boys, leaving less room for improvement. New Hope brought the outcomes of boys and girls closer together.)

There are several possible pathways to the improved child well-being. From our analyses, the causes appear to be a combination of more economic resources for some families, better parenting for others, the general improvements in adult well-being, and increased child participation in formal child care, after-school programs, and structured activities such as sports and clubs.

IN SUMMARY

- Supports for work, such as those embedded in New Hope, help some people earn their way out of poverty. As with any approach based on employment, they are not a panacea.
- Supports for work can create important, positive, non-monetary effects for families and children.
- Policy makers who want to increase the economic and emotional well-being of low-income families should focus some of their efforts on providing health insurance and improving child care resources.
- Concerns that supports for work may reduce work effort for some people appear accurate, but such reductions can be minimized and society may benefit in non-monetary ways.

No single study is definitive and it would be wise to test the effects of similar interventions in other locales. But it is reasonable that the effects might be larger in an environment with a less favorable labor market or less state attention to encouraging work. This makes these initial results encouraging indeed.

Thank you for the opportunity to share my thoughts. I look forward to your questions and reactions.

Executive Summary—New Hope for People with Low Incomes: Two-Year Results of a Program to Reduce Poverty and Reform Welfare, by Hans Bos, Aletha Huston, Robert Granger, Greg Duncan, Tom Brock, Vonnie McLoyd, with Danielle Crosby, Christina Gibson, Veronica Fellerath, Katherine Magnuson, Rashmita Mistry, Susan Poglinco, Jennifer Romich, Ana Ventura

EXECUTIVE SUMMARY AND POLICY IMPLICATIONS

This is the second report from the evaluation of New Hope, an innovative project developed and operated in Milwaukee, Wisconsin, that has sought to improve the lives and reduce the poverty of low-income workers and their families. New Hope relied on several components and services to increase the income, financial security, and access to full-time employment of low-income workers in two areas of Milwaukee. In these target areas, all low-income workers (and those not employed, but willing to work full time) were eligible to receive New Hope benefits. New Hope began operating as a demonstration program in 1994, enrolling volunteers during an intake period that lasted through December 1995.

Reflecting its broad eligibility rules, New Hope served a diverse group of low-income people. For example, 37.5 percent were employed at enrollment, and 84.9 percent had been employed full time during their adult work life (with the average longest full-time job lasting about three years). While 59.8 percent were never married and 18.3 percent were separated, divorced, or widowed, 21.8 percent were married. Men made up 28.4 percent of the full sample, and 37.1 percent of the sample were not receiving AFDC, Food Stamps, General Assistance, or Medicaid at enrollment. Participants, on average, were 32 years old.

New Hope offered access to four distinct program components: an earnings supplement to raise participants' income to the poverty level for their household, affordable health insurance, child care subsidies, and a full-time job opportunity for those unable to find one. (Part-time jobs also were available for those who needed to supplement an existing part-time job.) In return, the program required its participants to work full time (at least 30 hours a week) and to document their work hours in order to qualify for program benefits. Program representatives ("project reps") would meet frequently with participants to collect their wage stubs, verify their full-time employment, and discuss any needs or concerns related to participants' employment. Thus, the project combined a requirement to work full time with the necessary supports and guarantees to enable its beneficiaries to meet this requirement.

New Hope operated outside the existing public assistance system, though it was designed to be replicable as government policy. It was funded by a consortium of local, state, and national organizations interested in work-based antipoverty policy, as well as by the State of Wisconsin and the federal government. It was designed and operated by a community-based nonprofit organization, the New Hope Project, and thus provides insights into the role nongovernmental agencies can play in income support.

One goal of the project was to provide credible information to policymakers on the implementation, effectiveness, and costs of the New Hope approach. To this end, New Hope contracted with the Manpower Demonstration Research Corporation (MDRC) to conduct an independent evaluation, which began with the start of enrollment. In order to provide a reliable test of the difference the program made, 1,357 applicants were randomly assigned in a lottery-like process to either a program group (with access to New Hope services) or a control group (with no access to New Hope services, but able to seek other services). The difference in the two groups' outcomes over time (for example, their differences in employment rates or average earnings) are the observed effects or—in the language of evaluations—"impacts" of the program. The 678 participants (that is, the program group members) and their households were entitled to New Hope's benefits and services for a period of three years, and the last enrolled participants ended their spell of New Hope eligibility in December 1998. To determine New Hope's effectiveness, this report compares the experiences of these participants during the first two years of their eligibility with the experiences of the 679-member control group.

The previous report presented findings on recruitment, program operations, participation patterns, and participant characteristics.[1] Shorter working papers were prepared to convey early impressions from focus groups with participants, to describe the neighborhood context of New Hope, and to report on the program's work opportunity component: community service jobs, or CSJs.[2] The present report is the first to show how the program changed the experiences and lives of New Hope participants during their first two years in it. A subsequent report will cover the last year of the program and two further years of follow-up.

This report addresses important policy questions pertaining to the lives of low-income workers and their families, the choices they make in the labor market, and the effects of financial and other supports on their material and overall well-being.

Following a brief summary of the report's key findings, the Executive Summary introduces the New Hope Project, its context, and key policy questions. It then presents the report's findings in detail and concludes with policy implications.

FINDINGS IN BRIEF

Overall, New Hope increased employment and earnings, leading in turn to increased income during the first year of follow-up and enabling more low-income workers to earn their way out of poverty. New Hope's effects on employment and income, coupled with its provision of health insurance and child care subsidies, set off a chain of beneficial effects for participants' families and their children. On average, New Hope participants were less stressed, had fewer worries, and experienced less material hardship (particularly that associated with lack of health insurance) than control group members. Participants' children had better educational outcomes, higher occupational and educational expectations, and more social competence; boys also showed fewer behavior problems in the classroom.

Analyses found that New Hope's effects varied with the employment status of its participants at random assignment. On the one hand, those working part time or not at all needed to either find a full-time job or increase their hours of work to qualify for earnings supplements, health insurance, and child care subsidies. New Hope project staff assisted them in this process, sometimes by offering CSJs when they were needed. On the other hand, those working full time (30 hours or more) could take advantage of program benefits immediately, without having to increase their work effort. Indeed, New Hope allowed these participants to make ends meet without excessive overtime or simultaneously holding multiple jobs.

Among those not employed full time at random assignment (about two-thirds of the sample), New Hope increased[3] both work effort and earnings. Compared to the control group, New Hope reduced by half the number who were never employed during the two years of follow-up (from 13 percent for the control group to less than 6 percent for New Hope participants). Program group members who were not employed full time at random assignment worked in 5.5 out of 8 quarters (three-month periods covered by the earnings data for this report) compared with 4.8 quarters for control group members. The program increased average two-year earnings of the program group (including those who had no earnings) by $1,389, from $10,509 for the control group to $11,898 for the program group. This increase in earnings, boosted by New Hope's earnings supplement and the Earned Income Credits (EICs), resulted in a substantial income gain of $2,645 over the two-year follow-up period, which made it possible for many of these participants to work their way out of poverty.

CSJs were important in bringing about the employment effect for participants who were not employed full time at random assignment. However, it is unlikely that the entire employment effect was due to this program component. For that to be the case, one would have to assume that no CSJ user would have worked if there had been no CSJs. The data suggest the opposite, because most CSJ users transitioned into unsubsidized employment once their eligibility for CSJ employment ended, and many CSJ users had both CSJ earnings and earnings from unsubsidized employment in the same quarter.

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[1] Thomas Brock, Fred Doolittle, Veronica Fellerath, and Michael Wiseman, *Creating New Hope: Implementation of a Program to Reduce Poverty and Reform Welfare (New York: MDRC, 1997).*

[2] Dudley Benoit, *The New Hope Offer: Participants in the New Hope Demonstration Discuss Work, Family, and Self-Sufficiency* (1996); Michael Wiseman, *Who Got New Hope? (1997); and Susan Poglinco, Julian Brash, and Robert Granger, An Early Look at Community Service Jobs in the New Hope Demonstration* (1998). All were published by MDRC.

[3] In discussion of impacts "increases" and "decreases" refer to differences between the program and control groups, not to change over time in outcomes for the program group.

For the remaining one-third of the sample (those employed full time at random assignment), there were modest reductions in hours worked and earnings. These participants were less likely to work more than 40 hours a week and did not experience net income gains, partly because New Hope reduced their receipt of AFDC and Food Stamps. In the second year of follow-up, New Hope's effect on income for this group was a reduction of $1,148, or 7.5 percent.

The evaluation includes a "Child and Family Study" (CFS) of family dynamics and outcomes for children. Focusing on sample members with children aged 3–12 at the two-year follow-up—89.8 percent of whom were women, and 69.4 percent of whom were receiving AFDC at enrollment—this study found evidence that New Hope increased the use of center-based child care and other structured out-of-school activities. Among those employed full time at random assignment, New Hope increased the quality of parent-child interactions. This may reflect participants' greater ability to achieve a sustainable balance between work and parenting by cutting down on long work hours.

To capture possible effects on participants' children, the CFS obtained permission to survey teachers of these children. From the teacher reports, it appears that New Hope had substantial positive effects on the classroom behavior, school performance, and social competence of children in the sample. These effects occurred primarily for boys, who also showed less problem behavior and higher educational and occupational expectations than boys in the control group.

This report has important implications for policymakers and program developers who are concerned with improving the lives of low-income working families. The analyses show that a package of earnings supplements, health and child care benefits, and full-time job opportunities can substantially increase the work effort, earnings, and income of those who are willing to work full time, but need assistance to do so. Such effects are not limited to nonworkers and welfare recipients, but extend to many different groups of low-income people.

On the other hand, the analyses show that earnings supplements may lead to modest reductions in work effort among those already working full time or more than full time. Interestingly, New Hope shows that such reductions can be kept to a minimum and can actually benefit the families involved to the extent that these reductions limit excessive overtime or multiple jobs.

Finally, the New Hope evaluation shows how modest changes in income, employment, and family resources can have significant effects on noneconomic outcomes, such as family well-being and child outcomes. A narrow focus on economic outcomes may understate the effects of interventions like New Hope, whose benefits extend beyond those outcomes.

THE NEW HOPE PROJECT

New Hope offered low-income workers in two areas of Milwaukee an opportunity to use a comprehensive set of integrated program services, designed to address longstanding problems associated with the low-wage labor market and delivered in a small-scale, friendly, and respectful environment. The program had broad eligibility rules, applying to any adult in the target areas (two zip codes) whose income was below 150 percent of the federal poverty level and who was willing to work full time. It was not limited to welfare recipients or families with children. The program had four components, which could be used separately or in any combination suiting program participants. For persons who worked at least 30 hours a week, New Hope provided the following:

- Earnings supplements, which were designed to complement the state and federal Earned Income Credits (EICs)—refundable tax credits for low-income working families—in order to raise the income of full-time workers to the poverty level. In designing the structure of these supplements, program developers tried to make sure that additional work effort or higher wages would always increase participants' overall income. This was done by reducing the proportion of each additional dollar earned that is lost to taxes or reduced benefits. In other words, program participants were able to keep more of their earnings gains, giving them an incentive to increase their hours of work and look for better-paying jobs. At the same time, the supplements raised their income to the poverty level. On average, the 78.0 percent of program group members who received any earnings supplements received $1,165 over the two-year follow-up period. (The average for all participants was $911.)
- Affordable health insurance, which was available to any participant who did not already have access to such coverage through an employer or government-provided health plan. Lack of such insurance is a continuing source of concern for low-wage workers, one they often cite as an impediment to their trying to leave welfare for work. New Hope required a copayment, increasing with income. This service was

used by 47.6 percent of participants. (New Hope spent an average of $1,464 per program group member over two years.)

• Child care subsidies, which were available to parents of children under age 13. The cost of child care is a major concern to low-income workers and their families. Although there are public child care subsidies for welfare recipients who go to work, the programs that provide these subsidies sometimes have long waiting lists. Low-income workers who have not recently received welfare have an even harder time accessing such subsidized child care. New Hope allowed participants to find their own licensed child care arrangements and then paid most of the expenses involved (the copay increased with a family's income). This service was used by 27.9 percent of New Hope participants (38.8 percent of program group members with children). (New Hope spent an average of $2,376 per participant over two years.)

For those willing to work 30 hours a week, but unable to find such full-time employment, New Hope provided:

• Community service jobs (CSJs), which were wage-paying positions with local nonprofit organizations, available to those who wanted to work full time, but could not find a full-time job on their own. CSJs were not automatic: Participants had to apply for them and could lose their CSJ if their attendance or performance on the job was poor. Each CSJ was limited to six months in duration, but participants could work in CSJs for a total of 12 months. CSJs were used by 32.0 percent of all participants. On average, participants who worked in a CSJ earned $3,000 during the two-year follow-up period. (The average for all participants was $945.)

Program Context

The New Hope evaluation unfolds in the context of rapidly changing labor markets and welfare environments, both in Milwaukee and across the United States. In many ways, the New Hope Project foreshadowed some of these changes, and in some instances it directly influenced state and local welfare policy. During the years covered by this evaluation, active social policy and a generally vibrant economy combined to make work easier to find and more rewarding for many low-income people in Wisconsin. Since New Hope was first conceived, unemployment in Milwaukee County has fallen from 6.5 percent to as low as 3.6 percent, the minimum wage has increased from $4.25 to $5.15, and the state and federal EIC programs have been expanded twice. Since the end of the two-year follow-up period covered in this report, state Medicaid programs are being expanded to include low-income working adults even if they do not receive public assistance.

At the same time, the state's welfare system has been dismantled, replaced with a work-based system of public assistance called Wisconsin Works (W–2). It began during the last four months of the period covered in this report. More relevant to the findings presented here was a program preceding W–2, entitled Pay for Performance, which required work and work-related activities of every welfare recipient in Wisconsin. All these changes in state welfare policy took place within the larger context of federal welfare reform. The landmark 1996 federal welfare law ended the 60-year-old Aid to Families with Dependent Children (AFDC) program and its entitlement to cash welfare assistance, placed a five-year limit on most families' receipt of federally funded cash welfare, and required states to place an increasing share of their caseload in work or work-related activities. States now have major responsibility for designing programs for the poor, and they receive block grants of federal Temporary Assistance for Needy Families (TANF) funds.

The Milwaukee economy, and the policy changes that affect the supports available to members of both the program and control groups, makes this a conservative test of New Hope. The changes have diminished the difference between what New Hope offers and what is available outside New Hope, making it more difficult for the project to create a net difference.

Policy Lessons: What Can We Learn from New Hope?

The New Hope Project offers an opportunity to learn about relevant and innovative approaches to the ongoing problems of low-income workers. Following are some of the questions that are particularly important in the current post-AFDC policy debate about helping families, supporting work, and increasing self-sufficiency:

• With supports that make work pay, will low-income people work their way out of poverty? How much will various incentives induce people to work? Is the problem that people need some support, or are they just unable or unwilling to work?

• Can such supports foster full-time work? Many low-income people work part time or intermittently. With better supports, will they work full time?

• Is it possible to make work pay without reducing work effort? The New Hope program supplemented the earnings of its participants, which in theory is a good

way of providing financial support to low-income families because it rewards work instead of idleness. However, past research involving income subsidies for low-income workers (implemented without providing work incentives like those in New Hope) has left a legacy of discouraging findings, showing that such subsidies reduced work effort. Could New Hope do better?

• Should interventions like New Hope be targeted at those not already working full time? Inclusiveness was an important aspect of the New Hope program, seeking to serve not just welfare recipients or people with poor work histories. However, what is the price of inclusiveness? Does it dramatically increase program cost? Do those already employed benefit from the program? Does being inclusive have other benefits?

• Does subsidized employment work? New Hope provided CSJs to participants who could not find full-time work on their own. This is another promising approach to helping low-income workers who may have a hard time finding their way into the labor market. But does it work? Do these jobs increase employment or do they just offer an easy alternative for people who otherwise would have found a regular job on their own? Did they set up and maintain a pool of public service jobs that are more than "make work"?

• How much do health insurance and child care subsidies matter? New Hope offered health insurance and child care subsidies. The need for these services is widely documented and proclaimed. But would low-income workers use them? Would they appreciate these benefits as making a difference in their lives?

• How important is the nature of staff-participant interactions? New Hope operated on a small scale and was based in the target areas it served. Staff developed a more positive relationship with participants and interacted with them more frequently than is typical in welfare offices. Does such an approach affect the quality of program operations and the use of program services?

• If more people work and their income increases, is their family life improved? Poverty and low-wage work can be stressful for families. Is it possible to improve family life by supporting employment and increasing available income? Could increased employment have negative consequences for family well-being?

• How do make-work-pay policies affect children? The American public wants those parents who can work to do so. But the public remains concerned about the children in poor families. How might these children be affected by policies that support work?

LIMITATIONS OF THIS EVALUATION

In this demonstration, the New Hope offer was available to program participants alongside the existing welfare system. While New Hope designers thought of the program as an alternative to this system, many participants continued to use public assistance or Medicaid, either along with or instead of New Hope benefits. Therefore, the demonstration does not fully answer the question: What if we replaced the current welfare system with a work-based set of supports like those available in New Hope? Rather, it addresses the question: What if we added the supports available in New Hope on top of existing policies and programs? In addition, the demonstration provides a definitive answer to that question only for persons like the volunteers who enrolled in New Hope and who live in labor markets like Milwaukee.

THEORY AND EXPECTATIONS

The design of the New Hope program was guided both by practical consideration of the challenges facing low-income workers and by theoretical expectations about how people respond to financial incentives. As mentioned above, New Hope was targeted primarily at specific problems inherent in the low-wage labor market, such as "poverty wages," lack of health care coverage, intermittent unemployment, and lack of good, affordable child care. However, as the program was being developed, the expected behavioral responses of those who would benefit from program services were very much part of the discussion. As noted above, prior evaluations of other interventions targeted at low-income workers had found that income subsidies could significantly reduce the work effort of some workers, even if the same programs enticed others to seek employment. This phenomenon, discussed more extensively in Chapter 4 of the report, is potentially costly to society and to participants. In the case of New Hope, these considerations led program designers to limit benefits to those working at least 30 hours a week. This ensured that any reductions in work effort would be small, and it also provided an added incentive to those not already working full time to make an effort to reach a higher level of employment.

The goals and expectations of program designers were not limited to participants' earnings and income. In addition to those "economic" outcomes, they targeted other

aspects of participants' lives, including their access to health insurance and affordable child care and their overall financial situation. By guaranteeing a full-time job and by supplementing participants' earnings, New Hope was expected to reduce the stress and financial worries that are common among low-income workers. By allowing some workers to reduce overtime and drop second jobs, the program might free up more of their time for personal development and family time. And by exposing sample members' children to subsidized, good-quality child care and after-school care, the program might improve their well-being and school readiness, just as the expected increase in family income and greater financial stability might benefit these children.

DATA, SAMPLES, AND RESEARCH METHODS

This report relies on a number of data sources for its estimates of New Hope's effects. All in all, 1,357 applicants to the program were included in the study and randomly assigned to program or control group status: 678 to the program group and 679 to the control group. For each of these sample members, the researchers collected two years of earnings data from unemployment insurance (UI) records and AFDC, Food Stamp, and Medicaid data from other state databases.[4] These administrative data were augmented with information collected from a two-year follow-up survey. This survey covered details on employment histories, job characteristics, and additional income sources. It also measured material hardship, access to health care, and sample members' feelings about their financial situations, job security, and, in the case of program group members, their experiences with the New Hope program.

Although all program and control group members were approached for this survey, some could not be found and others refused to participate, leaving a sample of 1,086 for analyses involving survey questions.

For the 678 program group members, data from the New Hope management information system (MIS) were added to the administrative and survey data. These MIS data cover participation in the program, use of program benefits, and earnings from CSJs. Administrative data from New Hope were also used to estimate program costs.

The analyses of child and family outcomes rely mostly on an expanded version of the two-year survey, conducted in respondents' homes. Special age-appropriate modules were added to the survey to be administered to respondents' children. The Child and Family Study (CFS) survey was targeted at 745 adult sample members and completed by 591. In many cases, more than one child per family was included in the study, resulting in a sample of 927 children for most analyses.

Finally, if children were in school, their teachers were sent a questionnaire (with permission and assistance from the children's parents) which contained a number of scales measuring behavior and performance in school. These assessments are a primary source of data on relevant child outcomes; they are available for 420 children in the study.

Most analyses presented in this report identify program effects using straightforward comparisons of outcomes for program and control group members. Because sample members were randomly assigned to either the program group (and thus eligible to participate in New Hope) or the control group (not eligible), the only systematic difference between the two groups is the assignment of program group members to New Hope. This means that any differences in outcomes measured at follow-up are attributable to the New Hope program; as noted earlier, such differences are called the program's "impacts."

PROGRAM IMPLEMENTATION AND CONTEXT

• New Hope was implemented successfully and delivered benefits and services to those who qualified. Some participants did not access benefits as often as they could have, either because they did not fully understand the program procedures or chose not to report their earnings each month as required.

Implementing a program like New Hope poses important challenges to program developers, managers, and staff. The New Hope program was designed around a set of complex rules centered on the requirement that participants work 30 hours a week on average to qualify for program benefits; they were required to submit wage

[4] The researchers supplemented the administrative data on earnings, welfare recept, and program participation with data from the State of Wisconsin on use of the state and federal EIC. Aggregrate EIC data (provided in groups of 15 to protect individual confidentiality) were used to approximate individual EIC benefits, which constitute an increasingly important source of work-related income for low-wage workers.

stubs monthly, which then were incorporated into a management information system for calculation and distribution of benefits. New Hope program staff were successful in developing such a system and implementing it in a real-world setting. Participants were paid their benefits on time. In interviews, participants expressed their satisfaction with New Hope, comparing the program favorably with other employment and welfare programs they had experienced. They consistently rated the support received from project reps as "what they liked best" about New Hope.

However, New Hope staff and management did experience some difficulty in getting participants to understand and follow program rules. Many participants did not maximize their use of program benefits because they failed to comply with these rules, falling short of the required work hours or neglecting to submit required documentation. Participants also occasionally expressed dismay at the month-to-month variation in benefit levels, which was a function of sometimes small month-to-month changes in earnings or in the number of pay periods in a month. The fact that participants had to "renew" their commitment to the program monthly (because they were required to hand in their pay stubs) may have led some to leave New Hope even when they were still eligible for benefits. Staff also had difficulty getting participants to make full use of the EIC, which is an integral part of the New Hope benefit calculations. It is likely that some of this confusion would not occur if New Hope was an ongoing, widely available program.

• People's initial experience with New Hope differed depending on their employment status at the time they enrolled. Those employed full time could receive benefits immediately, but those not employed full time were more focused on finding a job or increasing their hours.

New Hope's requirement that participants work 30 hours a week made their initial program experience dependent on their employment status. About one-third of program participants entered the study working full time, attracted by the financial benefits and help with health and child care. Program staff would explain the program rules to participants and help them access health insurance and child care benefits. The remaining two-thirds of participants experienced a different initial contact, which was focused on their need to find a full-time job. After a job search of eight weeks, these participants would have access to the program's CSJ component. In the meantime, project reps would give them job leads and advice on how to get a job. Thus, these participants would be more likely to actually experience a change in their initial employment status, either finding a job if they were not working or finding a full-time job if they were working part time.

• The New Hope program operated in two inner-city target areas with high rates of poverty and limited economic opportunities. However, the regional economy was healthy and other changes in the environment also promoted work among low-income residents of Milwaukee.

A neighborhood survey conducted in New Hope's target areas before the program began found high rates of poverty and a large contingent of low-income workers who could have been eligible for New Hope if it had operated on a larger scale. Analyses of job opportunities found most openings to be dispersed in the suburbs surrounding Milwaukee, either difficult or impossible to access without a car. Many positions also required post-secondary educational credentials, which few low-income residents in New Hope's target areas had. Nevertheless, the Milwaukee economy was generally very good during New Hope's implementation, making it relatively easy for many participants to find and maintain full-time employment.

As discussed earlier, the welfare environment was changing rapidly during the time of this study. General Assistance (cash welfare for low-income adults who do not have dependent children) was eliminated and welfare rolls were reduced through new welfare-to-work programs like Pay for Performance. New federal legislation eliminated the AFDC program, replacing it with TANF, whose incarnation in Wisconsin (labeled Wisconsin Works, or W–2) took effect, however, near the end of the two-year follow-up period covered in this report. Changing welfare rules and attitudes together with an improving economy caused increasing numbers of welfare recipients to leave the rolls and enter employment, offering both New Hope participants and control group members a substantial incentive to work.

USE OF PROGRAM SERVICES

• A large majority of those assigned to New Hope (79.2 percent) received program benefits, but few received such benefits every month and for many participants program benefits were limited in scope and duration.

The design of the New Hope offer directly influenced, and often limited, the use of program benefits. First, the offer was extended only to those willing and able to work at least 30 hours a week. If, for any reason, a participant could or did not

want to comply with this requirement, his or her eligibility for program benefits may have been interrupted (project reps did continue to extend help and support).[5] Second, the value of benefits was linked to participants' income and decreased substantially as their income approached 200 percent of the poverty level for their family, or $30,000 a year, whichever was higher. At that point, earnings supplements were quite small, and copayments for health care and child care were larger. Third, three of the four primary benefits (health insurance, child care, and CSJs) were useful only to a subset of participants. For example, participants with Medicaid or free employer-provided health insurance did not need New Hope's health coverage or its contribution to employee copayments; those with steady employment (or good job-seeking skills) did not need CSJs; and those without children had no use for New Hope's child care subsidy. Consequently, the program allowed participants to use the components they needed when they were ready to use them.

The consequences of this approach for participation patterns are presented in Table 1, which shows that 79.2 percent of program group members used any financial program benefit, with almost all of them (78.0 percent of program group members) receiving at least one earnings supplement.[6] In contrast, only 47.6 percent used New Hope's health plan (or received help in paying an employee copay), and only 27.9 percent used child care assistance. About a third of all program group members (32.0 percent) worked in a CSJ. Program rules and variation in participant needs affected not only overall benefit use rates, but also the length of time that participants used New Hope's services. The table shows that those who received any financial benefit did so for an average of only 10.8 of the 24 months of follow-up.

Table 1

The New Hope Project

Financial Benefit Use Within 24 Months After Random Assignment

New Hope Benefit	Ever Received New Hope Benefit (%)	Average Number of Months That Users of a Benefit Received That Benefit
Earnings supplement	78.0	9.0
Health insurance	47.6	8.7
Child care	27.9	11.5
Any of the above	79.2	10.8
Worked in CSJs	32.0	6.1
Sample size	*678*	

Comparing program benefits across the two employment subgroups defined above shows that those employed full time at random assignment received more benefits than those not so employed, reflecting the fact that the former group could begin receiving benefits immediately, while the latter group had to secure a 30-hour-a-week job first. Also, more participants among those not employed full time at random assignment experienced significant obstacles to employment, preventing them from ever meeting the 30-hour requirement (or working in a CSJ).

In analyzing these figures, it may appear that New Hope's effect on participants' lives was less profound than it could have been. However, that is not necessarily the case. First, it is important to consider the program's effects on participants' behavior even if they did not receive an earnings supplement or child care assistance in a particular month. If, for some reason, participants failed to work 30 hours a week or were not "ready" for full-time work, New Hope still offered them an incentive to continue pursuing full-time employment, an incentive that was backed up by a CSJ when they needed it. If participants already had health insurance or child care arrangements, the availability of a reliable backup might offer some peace of mind. Second, New Hope's project reps met with most participants on a regular basis. These meetings, and what they accomplished, are not reflected in the figures in Table 1, but the findings on social support shown in Table 7 suggest that the

[5] Also, health insurance could be extended for a month if participants lost their job and were actively looking for a new one. Similarly, participants who lost a job would be provided with three hours of child care per day for up to three weeks, as long as they were actively looking for work. After three weeks, they were eligible for a CSJ.

[6] All the tables in this Executive Summary summarize more detailed information given in the main body of the report. For additional measures and analytical details, see the tables in the full report.

one-on-one support from project reps meant a great deal to participants. In fact, it may have been a key program component, setting New Hope apart from other programs and benefits available to low-income workers.

EMPLOYMENT AND EARNINGS

• New Hope increased the work effort and earnings of those not already working full time.

For the two-thirds of the sample not employed full time at random assignment, New Hope provided a clear positive incentive to work and to work longer hours. The lower panel of Table 2 shows that such an incentive can increase employment, especially when backed up with CSJs for those who need them. In the two years of follow-up, New Hope reduced by half the number of sample members who were never employed (from 13 percent for the control group to less than 6 percent for program group members), and it increased the number of quarters that these sample members were employed by 0.7 of a quarter and increased earnings by 13.2 percent ($1,389). Both of these effects are substantial, especially given the high level of work effort among control group members. (Again, these data are for all sample members, including those with no employment or earnings.)

Table 2

The New Hope Project

Two-Year Impacts on Employment and Earnings

Outcome	Program Group	Control Group	Difference (Impact)
Employed Full Time at Random Assignment			
Ever employed (%)			
Year 1	97.2	94.7	2.5
Year 2	94.4	91.8	2.6
Both years	98.4	97.3	1.1
Never employed (%)	1.6	2.7	-1.1
Number of quarters employed			
Year 1	3.5	3.4	0.1
Year 2	3.3	3.3	0.0
Both years	6.9	6.7	0.2
Earnings ($)			
Year 1	10,227	10,480	-253
Year 2	10,662	11,550	-889
Both years	20,889	22,030	-1,142
Sample size	*218*	*200*	
Not Employed Full Time at Random Assignment			
Ever employed (%)			
Year 1	87.8	77.9	9.9 ***
Year 2	83.3	76.7	6.6 ***
Both years	94.1	86.9	7.2 ***
Never employed (%)	5.9	13.1	-7.2 ***
Number of quarters employed			
Year 1	2.8	2.3	0.5 ***
Year 2	2.7	2.5	0.2 **
Both years	5.5	4.8	0.7 ***
Earnings ($)			
Year 1	5,295	4,380	916 ***
Year 2	6,602	6,129	473
Both years	11,898	10,509	1,389 **
Sample size	*459*	*476*	

NOTE: Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, and * = 10 percent.

Not shown in the table is the extent to which CSJs contributed to these program effects. Although it is not possible to know how program group members would have

responded to New Hope in the absence of CSJs, we do know that 32 percent worked in one and that CSJs contributed $945 to participants' average two-year earnings. This suggests that CSJs played an important role in bringing about New Hope's impacts on employment and earnings.

• New Hope did not change the rate of employment of those employed full time at random assignment, and while it does appear to have reduced earnings somewhat, this effect was not statistically significant.

As pointed out above, New Hope offered different incentives to those who were employed full time at random assignment and those who were not. One might expect those employed full time to reduce their work effort in response to the increase in disposable income experienced while in New Hope. On the other hand, imposing a 30-hour-a-week minimum on hours worked would limit any such reductions, and other New Hope services and guarantees might help these participants to stay employed full time throughout the follow-up period.

The upper panel of Table 2, showing impacts on employment and earnings for this group, indicates that New Hope was moderately successful in preventing reductions in work effort among those employed full time at random assignment. The very high levels of employment in the control group make program-induced increases in employment very difficult to achieve. The estimated impacts on two-year earnings are negative for this group, but this reduction is not statistically significant.[7] It appears that New Hope's supports may have slowed the growth in earnings of participants who were employed full time when they entered the program.

• New Hope somewhat reduced hours worked by those employed full time at random assignment. It did so primarily by reducing the number of weeks in which these participants worked more than 40 hours. There were no statistically significant reductions in full-time work.

The upper panel of Table 3 shows impacts on hours worked and on other job characteristics for those employed full time at random assignment. Aside from the program effects, it is noteworthy how high the average levels of work effort were in this subgroup. Members of the control group worked an average of almost 3,600 hours in the two years of follow-up, which translates into a weekly average of 34.6 and includes any periods of unemployment or part-time work. Thus, many control group members (and program group members) must have worked substantially more than 35 hours a week when they worked.

[7] A "statiscally significant" result is one that has less than a 10 percent probability of having occurred simply to chance and not as a result of the program.

Table 3

The New Hope Project

Two-Year Impacts on Other Employment Outcomes

Outcome	Program Group	Control Group	Difference (Impact)
Employed Full Time at Random Assignment			
Total hours worked			
Year 1	1,712	1,862	-150 **
Year 2	1,706	1,744	-38
Both years	3,411	3,598	-187
Number of months with weekly hours worked:			
Below 30	5.7	5.4	0.4
Above 40	2.7	4.3	-1.6 **
Above 50	0.9	2.0	-1.0 **
Hourly wage of last job ($)	7.28	7.74	-0.46 **
Job benefits (%)			
Paid sick days	43.9	42.8	1.1
Paid vacation	55.1	63.9	-8.8 *
Health plan/insurance	37.4	53.5	-16.1 ***
Pension	32.3	35.2	-2.9
Sample size	*186*	*162*	
Not Employed Full Time at Random Assignment			
Total hours worked			
Year 1	1,221	1,069	152 **
Year 2	1,414	1,288	126 **
Both years	2,640	2,355	285 ***
Number of months with weekly hours worked:			
Below 30	10.3	12.6	-2.3 ***
Above 40	2.6	2.6	0.0
Above 50	1.1	1.0	0.1
Hourly wage of last job ($)	6.99	7.08	-0.09
Job benefits (%)			
Paid sick days	29.3	24.9	4.4
Paid vacation	39.1	33.9	5.2
Health plan/insurance	32.4	27.3	5.1
Pension	20.2	17.3	2.9
Sample size	*365*	*366*	

NOTE: Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, and * = 10 percent.

New Hope reduced hours worked by those employed full time at random assignment, mostly in the first year of follow-up and mostly by limiting overtime (and second jobs). In the first year of follow-up, program group members in this group worked 150 fewer hours than their counterparts in the control group, a reduction of 8.1 percent.

As expected, given New Hope's program rules, there was no reduction in the number of people who worked at least 30 hours a week. There were also no statistically significant reductions in the number of people working at least 40 hours a week. However, program participants were less likely to work more than 40 hours in an average week.

If one looks at job characteristics, it appears that the jobs held at follow-up by program group members employed full time at random assignment might not have been as good as those held by control group members. The average hourly wage at follow-up was 46 cents lower for program group members than for control group members, an effect that may be related to the reduction in overtime, but may also reflect program group members working in CSJs (which pay only minimum wage). In addition, control group members had more fringe benefits than program group members, possibly a result of the fact that New Hope provided health insurance, reducing participants' incentive to find a job that provided it.[8]

• New Hope increased hours worked by those not employed full time at random assignment. This effect is a combination of nonworkers becoming employed and others increasing their hours to meet the 30-hour minimum to receive benefits.

Program effects on hours worked among those not employed full time at random assignment were substantial in both years of follow-up. Overall, hours of work were increased by 285, or 12.1 percent (lower panel of Table 3). This was achieved by reducing the number of months with no work from 9.2 to 7.9 and reducing the number of months with some, but fewer than 30, weekly hours worked from 3.4 to 2.4. These effects represent a shift in the work patterns of these sample members, brought on to some extent by participation in CSJs.

There were no statistically significant program effects on characteristics of the jobs held by those not employed full time at random assignment.

• Among those not employed full time at random assignment, the strongest earnings effects were found for participants with only one of a number of potential barriers to employment.

A further breakdown of the group that was not employed full time at random assignment revealed a pattern of program impacts that depended on the number of potential employment barriers that participants had, such as having limited work experience, having very young children, or lacking an educational credential. New Hope program participants best able to translate program benefits into sustained earnings increases came into the program with one potential barrier to employment. The program made less of a difference for those with none of the potential barriers or those who had two or more. This pattern of findings (not shown in tables) suggests limits to the New Hope model, which may be less necessary for some participants and not strong enough for others.

• New Hope's effects on employment and earnings showed similar patterns across a wide range of subgroups and did not vary between the two target areas served by the program.

In addition to the subgroups defined by employment status at random assignment, program effects were examined for people varying in family status, gender, ethnicity, welfare receipt at random assignment, and target area. None of these analyses showed significant variation in impacts. This implies that New Hope's effects were widespread and not limited to a single group or target area. (These analyses are not shown in tables.)

Welfare Receipt, Income, and Material Well-Being

• Overall, New Hope participants did not receive fewer AFDC and Food Stamp benefits than their counterparts in the control group. However, in the second year of follow-up those employed full time at random assignment experienced larger reductions in their receipt of public assistance than control groups.

New Hope was not designed or operated as a welfare-to-work program, although it was billed as an alternative to welfare or working poor families; that is, the program did not emphasize typical welfare-to-work services, such as job club and job training. Although program designers expected to find indirect effects on welfare receipt by increasing sample members' earnings or income, pursuit of such effects was not part of the original program design. New Hope program group members who were receiving welfare continued to be subject to any mandates imposed by the welfare department, such as those in the Pay for Performance program.

One might expect to see reductions in the receipt of AFDC and Food Stamps as a consequence of the increases in earnings discussed above. However, this pattern of impacts was not found. Both program and control group members received sub-

[8] It is possible that New Hope participants did not always fully understand the survey question asking them about the availability of employer-provided health benefits. These participants may have had access to employer-provided benefits, but may have chosen to use New Hope-provided health insurance insdtead. In that case, they may have incorrectly indicated in the survey that they did not ahve employer-provided health benefits. This, in turn, would have caused the reduction in employer-provided health insurance to appear larger than it was.

stantially reduced public assistance during the follow-up period. But rather than further reducing welfare receipt among those not employed full time at random assignment (the group experiencing impacts on earnings), the program accelerated transitions from welfare for those who were employed full time, and only during the second year of follow-up. Table 4 shows that in the second year those employed full time at random assignment received $445 less in AFDC benefits (a reduction of 37.7 percent) and $274 less in Food Stamps (a reduction of 23.5 percent).

Table 4

The New Hope Project

Two-Year Impacts on Receipt of AFDC and Food Stamps

Outcome	Program Group	Control Group	Difference (Impact)
Employed Full Time at Random Assignment			
Number of months receiving AFDC			
Year 1	3.3	3.4	-0.1
Year 2	1.9	2.6	-0.8 **
Both years	5.2	6.0	-0.9
Amount of AFDC received ($)			
Year 1	1,341	1,396	-56
Year 2	736	1,181	-445 **
Both years	2,077	2,578	-501
Number of months receiving Food Stamps			
Year 1	5.0	5.3	-0.3
Year 2	3.5	4.5	-1.0 **
Both years	8.5	9.8	-1.3 *
Amount of Food Stamps received ($)			
Year 1	1,238	1,305	-67
Year 2	893	1,167	-274 **
Both years	2,131	2,473	-341
Sample size	*218*	*200*	
Not Employed Full Time at Random Assignment			
Number of months receiving AFDC			
Year 1	5.9	5.9	0.0
Year 2	3.9	3.6	0.3
Both years	9.8	9.5	0.3
Amount of AFDC received ($)			
Year 1	2,951	2,962	-11
Year 2	1,716	1,690	26
Both years	4,668	4,652	15
Number of months receiving Food Stamps			
Year 1	7.4	7.5	-0.1
Year 2	5.6	5.2	0.4
Both years	13.0	12.7	0.3
Amount of Food Stamps received ($)			
Year 1	1,827	1,837	-10
Year 2	1,418	1,242	176 **
Both years	3,245	3,079	167
Sample size	*459*	*476*	

NOTE: Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, and * = 10 percent.

Thus, rather than reducing welfare receipt through increased employment, it seems that New Hope effected such reductions by offering those who were close to leaving welfare anyway alternative sources of support. In other words, to some extent New Hope's supplements and in-kind benefits replaced welfare and Food Stamps for these families.

One might have expected to see reductions in welfare receipt tied to increased work effort for those not employed full time at random assignment, but no such reductions materialized. (In fact, New Hope increased the amount of Food Stamps received by this subgroup in the second year of follow-up, a program effect that is difficult to explain.) The lack of reduction in welfare receipt in this group may be due to changes in welfare rules that would have delayed or prevented such reductions—for example, increased earnings disregards, which allow people to earn more without having their welfare grant reduced. On the other hand, all participants and control group members volunteered to enroll in New Hope, expressing their ability and willingness to work full time. This means that many would have left welfare anyway, limiting New Hope's effects on this outcome.

• New Hope caused a modest increase in sample members' income, an effect that was concentrated among those not employed full time at random assignment.

One of New Hope's primary goals was to increase the income of low-wage workers and to reduce poverty among them. Table 5 documents the extent to which the program met this goal, focusing on two-year cash income and Food Stamps for the full sample and the two employment subgroups. The table shows that by increasing and supplementing earnings, New Hope increased both "earnings-related income" (income directly tied to one's earnings) and total income. However, these effects were modest for the full sample, representing increases of $1,718 and $1,611 for earnings-related income and total income, respectively. This represents 10.8 and 7.1 percent of the income available to these participants in the absence of New Hope (as captured by the control group).

Table 5

The New Hope Project

Two-Year Impacts on Income from Selected Sources

Outcome	Program Group	Control Group	Difference (Impact)
	Full Sample		
In year 1, income from ($)			
Earnings	6,833	6,250	583 **
EIC benefits	893	881	12
Earnings supplement	483	0	484 n/a
Earnings-related income[a]	8,210	7,130	1,080 ***
AFDC	2,450	2,482	-32
Food Stamps	1,643	1,674	-31
All of the above	12,303	11,287	1,016 ***
In year 2, income from ($)			
Earnings	7,862	7,799	63
EIC benefits	1,170	1,022	149 **
Earnings supplement	425	0	425 n/a
Earnings-related income[a]	9,457	8,818	639 *
AFDC	1,427	1,519	-92
Food Stamps	1,262	1,213	49
All of the above	12,145	11,551	595
Sample size	*677*	*676*	
	Employed Full Time at Random Assignment		
In year 1, income from ($)			
Earnings	10,227	10,480	-253
EIC benefits	1,312	1,369	-57
Earnings supplement	630	0	630 n/a
Earnings-related income[a]	12,169	11,859	310
AFDC	1,341	1,396	-56
Food Stamps	1,238	1,305	-67
All of the above	14,748	14,561	187
In year 2, income from ($)			
Earnings	10,662	11,550	-889
EIC benefits	1,358	1,390	-32
Earnings supplement	496	0	496 n/a
Earnings-related income[a]	12,516	12,946	-429
AFDC	736	1,181	-445 **
Food Stamps	893	1,167	-274 **
All of the above	14,146	15,294	-1,148 *
Sample size	*218*	*200*	

(continued)

Table 5 (continued)

Outcome	Program Group	Control Group	Difference (Impact)
Not Employed Full Time at Random Assignment			
In year 1, income from ($)			
Earnings	5,295	4,380	916 ***
EIC benefits	699	671	28
Earnings supplement	418	0	418 n/a
Earnings-related income[a]	6,412	5,044	1,368 ***
AFDC	2,951	2,962	-11
Food Stamps	1,827	1,837	-10
All of the above	11,190	9,843	1,347 ***
In year 2, income from ($)			
Earnings	6,602	6,129	473
EIC benefits	1,081	862	219 ***
Earnings supplement	396	0	396 n/a
Earnings-related income[a]	8,079	6,984	1,095 **
AFDC	1,716	1,690	26
Food Stamps	1,418	1,242	176 **
All of the above	11,213	9,915	1,298 ***
Sample size	*459*	*476*	

NOTES: Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, and * = 10 percent.

N/a = not applicable.

[a]This measure combines earnings, EIC, and the New Hope earnings supplement.

The subgroup breakdown shows that all of this effect is concentrated among those not employed full time at random assignment, for whom there was a more substantial increase in total income of $2,645 (11.8 percent), mostly resulting from an increase of $2,450 in earnings-related income (20.3 percent). No such effects were found for those working full time at random assignment, who actually lost some income in the second year owing to the aforementioned reductions in receipt of AFDC and Food Stamps.

- By supplementing earnings, New Hope increased the number of sample members whose employment yielded enough income to lift their family out of poverty.

Another way to look at New Hope's effects on income is to focus on sample members' ability to rise above the poverty line using only their own earnings and benefits directly connected to their work (EIC and New Hope earnings supplements). Ultimately, this outcome best captures New Hope's underlying philosophy: making work pay so that full-time workers would not be poor. Table 6 summarizes the program's effects on this poverty measure for the two employment subgroups. For the program group as a whole (not shown in the table), New Hope increased the number of participants whose earnings-related income was above the federal poverty line for their family by 5.6 percentage points in year 1 and by 7.8 percentage points in year 2.

Table 6

The New Hope Project

Two-Year Impacts on the Relationship of Earnings-Related Income to the Federal Poverty Standard

Outcome	Program Group	Control Group	Difference (Impact)
Employed Full Time at Random Assignment			
Earnings-related income above the poverty standard (%)			
Year 1	46.7	41.5	5.2
Year 2	50.7	43.8	6.9
During follow-up, reported any: (%)			
Unmet medical needs	15.1	14.2	0.9
Unmet dental needs	19.9	19.7	0.2
Periods without health insurance	46.8	55.2	-8.5
Overcrowding	12.4	16.7	-4.3
Utility shutoffs	35.6	34.3	1.3
Other housing problems	43.5	37.1	6.4
Number of times answered "yes" to any of the above	1.7	1.8	0.0
Sample size	*187*	*162*	
Not Employed Full Time at Random Assignment			
Earnings-related income above the poverty standard (%)			
Year 1	16.3	10.7	5.6 **
Year 2	26.9	18.6	8.2 ***
During follow-up, reported any: (%)			
Unmet medical needs	17.0	22.6	-5.6 *
Unmet dental needs	26.7	33.6	-6.8 **
Periods without health insurance	49.3	60.5	-11.3 ***
Overcrowding	13.8	15.2	-1.4
Utility shutoffs	41.9	43.0	-1.1
Other housing problems	46.0	49.7	-3.7
Number of times answered "yes" to any of the above	1.9	2.2	-0.3 ***
Sample size	*365*	*369*	

NOTES: Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, and * = 10 percent.

Earnings-related income combines earnings, EIC, and the New Hope earnings supplement.

Nevertheless, most program participants were unable to "work their way out of poverty" using only the regular earnings and CSJ wages of a single worker, even after New Hope supplements and EIC were included. The impacts on poverty status did not vary significantly across the two subgroups defined by employment status at random assignment.

• New Hope reduced material hardship, partly by increasing participants' incomes, but more importantly by providing participants' households with health insurance and subsidized child care.

The effects on income and poverty presented thus far fail to consider the contributions made by the program in providing health insurance, child care subsidies, and support by project staff. As discussed in an earlier section, New Hope spent more money on health insurance and child care than on earnings supplements and CSJ

wages. Having access to these benefits and being able to afford them can greatly add to the material well-being of low-income households. The New Hope survey measured impacts on material well-being by asking respondents about a number of different material hardships that commonly affect low-income households, including unmet medical and dental needs, periods without health insurance, housing problems, and utility shutoffs. Program effects on these outcomes are shown in Table 6.

The table shows that New Hope did not produce improvements in all of these areas, but significantly reduced material hardships associated with lack of health insurance. Those effects were stronger for those not employed full time at random assignment, although differences across subgroups were not statistically significant.

Also, analyses of survey data found that program group members spent significantly less of their own funds on child care than control group members, despite the fact that they were more likely to use center-based care, which tends to be more expensive. (Impacts on child care use are discussed in more detail in a later section of this Executive Summary.)

STRESS, WORRIES, AND EMOTIONAL WELL-BEING

• New Hope reduced stress and worries reported by participants, but it increased time pressure in the lives of those who worked more in response to the program's incentive. The program also increased the social support available to participants. However, New Hope did not improve participants' feelings of depression, mastery, or self-esteem.

To gauge the less tangible benefits of New Hope, the survey asked sample members about issues like stress, financial worries, satisfaction with their standard of living, and social support. Sample members who were part of the Child and Family Study (CFS) were also asked about depression, mastery, self-esteem, feelings of agency, and time pressure. An analysis of the program's effects on these outcomes showed an interesting pattern, summarized in Table 7.

Table 7

The New Hope Project

Two-Year Impacts on Emotional Well-Being

Outcome	Program Group	Control Group	Difference (Impact)
Employed Full Time at Random Assignment			
Stressed much or all of the time (%)	42.5	49.2	-6.8
Worried "quite a bit" or "a great deal" about (%)			
Bills	50.9	51.1	-0.2
Job security	30.6	33.6	-2.9
Medical care	39.2	41.0	-1.8
Paying for food	27.9	27.6	0.3
Affordable housing	30.1	34.3	-4.2
General financial health	51.4	55.2	-3.7
Sample size	*187*	*162*	
Satisfied or very satisfied with standard of living (%)	70.6	74.4	-3.8
CES-Depression Scale	15.1	16.3	-1.2
Pearlin Mastery Scale	3.1	3.2	0.0
Rosenberg Self-Esteem Scale	17.7	17.5	0.2
State Hope Scale	3.0	2.9	0.2 **
Parent Time Pressure Scale	3.9	3.7	0.1
How happy with progress toward goals	2.1	2.3	-0.2
Social Support (%)			
Received practical advice/assistance	31.0	11.1	19.8 ***
Received emotional support/counseling	34.1	12.4	21.7 ***
Sample size[a]	*95*	*87*	
Not Employed Full Time at Random Assignment			
Stressed much or all of the time (%)	44.6	49.6	-5.0
Worried "quite a bit" or "a great deal" about (%)			
Bills	53.3	54.8	-1.5
Job security	40.7	44.6	-3.9
Medical care	41.7	50.8	-9.2 **
Paying for food	29.9	32.8	-2.8
Affordable housing	34.2	40.5	-6.3 *
General financial health	57.7	65.1	-7.4 **
Sample size	*365*	*369*	

(continued)

Table 7 (continued)

Outcome	Program Group	Control Group	Difference
Satisfied or very satisfied with standard of living (%)	64.6	66.7	-2.1
CES-Depression Scale	17.8	17.1	0.7
Pearlin Mastery Scale	3.1	3.1	0.0
Rosenberg Self-Esteem Scale	17.5	17.4	0.1
State Hope Scale	2.9	2.9	0.0
Parent Time Pressure Scale	3.8	3.6	0.2 **
How happy with progress toward goals	2.3	2.3	0.0
Social Support (%)			
Received practical advice/assistance	29.1	22.5	6.5
Received emotional support/counseling	32.1	19.6	12.5 ***
Sample size[a]	*194*	*214*	

NOTES: Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, and * = 10 percent.

These scales are sets of questions developed to assess particular personal and social characteristics. The CES-D measure assesses parent's experience of depression; the Pearlin Mastery Scale assesses a person's sense of control; the Rosenberg Self-Esteem Scale assesses a person's level of self-esteem; the State Hope Scale assesses a person's belief in her ability to achieve goals; the Parent Time Pressure Scale consists of two questions regarding whether a person had too little or too much time; and social support consists of two questions regarding whether or not a person ever received practical advice or assistance and emotional support/counseling from staff in any program. See Appendix I in the full report for a more detailed explanation of these scales.

[a]Data from the measures to which this sample size applies are for the Child and Family Study (CFS) sample only. (Most of these measures were only available for this sample).

First, sample members in the CFS reported large and significant increases in social support as a result of their participation in New Hope, probably because the program provided valuable advice, assistance, and emotional support. This effect was strong for both employment subgroups and identifies an aspect of the program that has not yet been discussed extensively, namely, the role of project reps. The frequent interaction of these program staff members with New Hope participants can almost be considered a fifth program component (in addition to the earnings supplements, CSJs, health insurance, and child care subsidies), which may have had its own effects on sample members' well-being. These services were especially valuable to participants who were employed full time at random assignment and were less likely to find case management in other venues).

Overall, New Hope program group members reported being less stressed than control group members (effects for the full sample, not shown in Table 7, were statistically significant). Reasons for the reduction in stress may include, for example, greater financial security, less overtime work, and fewer child care hassles. Among those not employed full time at random assignment, New Hope also reduced a number of specific worries. These program group members were less worried about their medical care, about being able to afford housing, and about their financial situation in general.

Among CFS parents, effects were found on their feelings of agency (measured with the Hope Scale), capturing their sense that they could achieve their goals, but these positive socioemotional effects were accompanied by an increase in time pressure, especially for those not employed full time at random assignment.[9]

The evaluation did not find significant program effects for CFS parents on more stable, personal dispositions such as depression, mastery, and self-esteem.

[9]The latter two effects were measured only for the CFS people.

IMPACTS ON PARENT-CHILD RELATIONS AND CHILD CARE USE

• For parents employed full time at random assignment, New Hope moderately increased parental warmth and monitoring of children's activities.

The Child and Family Study (CFS) component of the New Hope evaluation measured family dynamics and the interaction between parents and children using the participant survey and surveys administered to children. (See Table 8.) It was expected that changes in parental employment, material resources, and emotional well-being would play themselves out in the relationships between parents and children and in the home environments in which children grow up. Boys in New Hope families perceived relationships with their parents to be more positive (not shown in a table).[10] Parents in New Hope who were employed full time at random assignment expressed more feelings of warmth to their children and monitored their activities more. These positive effects on parents' behavior suggest that New Hope modestly improved the lives of these families, perhaps by allowing parents to cut back their work hours without significantly reducing their earnings-related income.

Those not employed full time at random assignment did not experience similar effects on parenting, which may reflect increased demands and time pressure for these parents that could offset positive effects from increased resources and employment.

• Through its provision of child care subsidies and its effects on parental employment, New Hope substantially increased children's exposure to formal child care, after-school care, and other organized activities.

The provision of child care subsidies coupled with increases in parents' employment were expected to increase the use of child care and to allow parents to select the care they preferred. As parents consolidated their employment, many used New Hope to provide formal center-based and school-based child care for their preschool and school-age children. Although the program effect was significant for the full sample (not shown in a table), there was a somewhat stronger effect on use of center-based care during the preschool and early school years for girls and on use of school-based extended day care for school-age boys (see Table 9).

The New Hope subsidy could be used for licensed home-based child care, but there was no effect of the program on using this type of care. There was some tendency for program group members to use less home-based child care (licensed or unlicensed) than control group members; program group boys were less likely to be cared for by someone outside the household, and program group girls received less care by household members.

[10] All of these findings are based on scales used in the two-year follow-up survey. Because it is diffcult to gauge the size of effects on such scales, researchers like to express them in terms of "effect sizes," which correspond to the effect divided by the standard deviation of the outcome. In those terms, New Hope increased reported warmth and observed warmth by .27 and.22 standard deviations and caused an effect of .31 of a standard deviation on parental monitoring. All of these effects are considered moderately large compared with effects in other intervention studies. For more details, see Chapter 6 of the full report.

Table 8

The New Hope Project

Two-Year Impacts on Parenting and Parent-Child Relationships for the Child and Family Study (CFS) Sample

Outcome	Program Group	Control Group	Difference (Impact)
CFS, Employed Full Time at Random Assignment			
Parenting			
Reported warmth	4.7	4.4	0.3 *
Observed warmth	2.1	2.0	0.2
Control[a]	2.7	2.8	-0.1
Monitoring[b]	3.7	3.6	0.1 **
Cognitive stimulation	24.2	23.2	1.0
Sample size	*148*	*122*	
Child's perception of parent-child relations			
Perceived positive quality	4.6	4.4	0.1
Perceived negative quality	2.5	2.6	-0.1
Sample size	*77*	*74*	
CFS, Not Employed Full Time at Random Assignment			
Parenting			
Reported warmth	4.5	4.5	0.0
Observed warmth	2.0	2.0	0.0
Control[a]	2.8	2.9	-0.1
Monitoring[b]	3.6	3.7	-0.1
Cognitive stimulation	24.1	24.1	0.0
Sample size	*290*	*334*	
Child's perception of parent-child relations			
Perceived positive quality	4.5	4.4	0.1
Perceived negative quality	2.6	2.6	0.0
Sample size	*168*	*194*	

NOTES: Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, and * = 10 percent.

[a]Parental control is a measure of the consistency and effectiveness of parents' disciplinary strategies.

[b]Parental monitoring is a measure of parents' familiarity with their children's friends and whereabouts.

Table 9

The New Hope Project

Two-Year Impacts on Child Care Outcomes for Children in the Child and Family Study (CFS) Sample, by Child's Gender

Outcome	Program Group	Control Group	Difference (Impact)
Boys			
Since random assignment, children who were ever in: (%)			
Formal care	59.7	52.3	7.4 *
Head Start	21.0	19.7	1.3
Center-based care	36.8	31.9	4.9
School-based extended day care	15.5	7.2	8.3 ***
Any other program	4.2	8.5	-4.3 *
Home-based care[a]	62.9	66.3	-3.3
Care by non-household member	18.1	25.0	-6.9 *
Care by household member, not primary caregiver	50.4	55.5	-5.1
Sample size	*241*	*232*	
Girls			
Since random assignment, children who were ever in: (%)			
Formal care	57.2	44.7	12.5 ***
Head Start	13.3	17.2	-3.9
Center-based care	39.4	25.8	13.6 ***
School-based extended day care	10.0	6.8	3.2
Any other program	4.3	7.3	-3.0
Home-based care[a]	63.7	70.3	-6.7
Care by non-household member	21.3	21.4	0.0
Care by household member, not primary caregiver	52.7	60.4	-7.7
Sample size	*197*	*235*	

NOTES: Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, and * = 10 percent.

[a]Home-based care includes both regulated and unregulated care in residential settings.

In addition, 9- to 12-year-old children whose parents were New Hope participants were more likely to engage in structured out-of-school activities (such as lessons, organized sports, religious classes, clubs and youth groups, and recreation centers). They also watched more TV on weekends (not shown in a table).

Impacts on Child Outcomes

• Teachers reported that boys whose parents were in New Hope had better academic performance, stronger study skills, higher levels of social competence, and fewer behavior problems than control group boys.

The Child and Family Study (CFS) component of the New Hope evaluation included a survey of teachers of children who were in school. New Hope had large effects on the behavior and school performance of boys. Using standardized scales, teachers rated their students' academic performance, classroom skills (for example, ability to work independently and to make transitions), positive behavior (for example, social competence), and behavior problems (for example, aggression). The teachers, who were unaware of the program or control group status of their students' families, rated boys whose parents were in New Hope significantly higher than control group boys on school performance, classroom skills, and positive behavior and

significantly lower on behavior problems (see Table 10).[11] No effects occurred for girls, but girls in both research groups scored better than boys on the above measures, possibly indicating less need for improvement.

Table 10

The New Hope Project

Two-Year Impacts on Education, by Child's Gender

Outcome	Program Group	Control Group	Difference (Impact)
Boys			
School achievement[a] (%)			
Teacher report			
Social Skills Rating System			
Academic Subscale	3.3	2.9	0.3 **
Classroom skills			
Total skills	3.7	3.3	0.4 **
Social behavior[b] (%)			
Teacher report			
Total positive behavior	3.6	3.3	0.3 ***
Total behavior problems	2.3	2.6	-0.3 ***
Sample size	*113*	*96*	
Educational expectations (ages 9-12) (%)			
Child report			
Expects to finish high school	4.6	4.3	0.2
Expects to attend college	4.3	3.7	0.6 **
Expects to finish college	4.1	3.5	0.6 **
Sample size	*76*	*61*	
Occupational expectations[c] **(ages 6-12)** (%)			
Child report			
Expectations	58.3	54.1	4.2 *
Sample size	*108*	*113*	
Girls			
School achievement[a] (%)			
Teacher report			
Social Skills Rating System			
Academic Subscale	3.4	3.3	0.1
Classroom skills			
Total skills	4.1	4.1	0.0
Social behavior[b] (%)			
Teacher report			
Total positive behavior	3.8	3.7	0.0
Total behavior problems	2.2	2.1	0.1
Sample size	*89*	*121*	

(continued)

[11] Expressed in effect sizes, the effects on academic performance, classroom skills, positive behavior, and behavior problems were .33, .38, .50, and −.48 of a standard deviation, respectively. All of these effects are considered large compared with effects in other intervention studies.

Table 10 (continued)

Outcome	Program Group	Control Group	Difference (Impact)
Educational expectations (ages 9-12) (%)			
Child report			
Expects to finish high school	4.1	4.3	-0.2
Expects to attend college	4.0	4.2	-0.1
Expects to finish college	3.9	3.9	0.0
Sample size	*75*	*75*	
Occupational expectations[c] **(ages 6-12)** (%)			
Child report			
Expectations	57.2	56.4	0.8
Sample size	*100*	*127*	

NOTES: Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, and * = 10 percent.

[a]The Academic Subscale asked teachers to rate a child's performance in comparison to others on academic skills such as math, reading, and oral communication. In addition, teachers rated classroom skills based on a child's ability to work independently and conform to rules and routines.

[b]Positive behavior was measured by questions assessing a child's self-control, social competency, and autonomy. Behavior problems were measured by questions assessing a child's aggression, lack of control, social withdrawal, and how often a child needed to be disciplined for misbehavior.

[c]Children were asked what job they thought they would have and responses were coded for occupational prestige.

For families in which parents were not employed full time at random assignment, these effects on school outcomes were reflected in two measures of school progress: Children in New Hope families were less likely to be receiving educational services or to have been retained in a grade than control group children.

- Boys whose parents were in New Hope reported higher educational expectations and higher occupational aspirations and expectations, implying that the program affected their ambitions for future study and careers.

The New Hope survey asked children about their educational and occupational aspirations. It was hypothesized that New Hope might change children's feelings in this regard, following its effects on their parents' employment and the children's own increased participation in child care and after-school programs. Again, substantial impacts were found, but they were limited to boys. Boys whose parents were in New Hope expected to attend and finish college in greater numbers and were more likely to aspire to professional and managerial occupations with high social prestige than boys in the control group.

Two-Year Costs of New Hope

- Over two years, New Hope cost about $7,200 per participant.

It is too soon to write any final assessment of New Hope's costs and benefits. Two years of costs had been incurred, but the ultimate benefits for families (in terms of employment, income, and poverty) and children (in terms of general well-being and school performance) are not known. Beyond this, the New Hope vision is not easily summarized in any traditional benefit-cost framework, since many of its key goals and achievements cannot be captured in dollar terms. New Hope sought to reduce poverty, improve family functioning, and improve the well-being of children.

With this caveat, the results to date do provide some information on cost effectiveness. Through two years, it cost, on average, approximately $9,000 per participant to provide the New Hope package of services and benefits. Offsetting reductions in public assistance and the value of the work produced in CSJs reduce the costs to about $7,200 per participant. In return, New Hope produced clear impacts on children, moved families out of poverty, and provided participants with about $4,600 in cash or in-kind benefits. Future reports will show the extent to which these total benefits cumulate over time.

POLICY IMPLICATIONS

• The New Hope program represents a useful tool for improving the ability of people to earn their way out of poverty. As with any single approach based on employment, however, it is not a panacea.

It is unlikely that any effort to reduce poverty through employment could succeed for all participants, even with bolder incentives. To the degree that policymakers hold antipoverty goals, they will need to consider both employment-based solutions and other means to transfer income.

• It is insufficient to focus solely on work effort and earnings when evaluating employment-related approaches to reducing poverty. The kinds of positive, nonmonetary effects for families and children New Hope achieved are important to many policymakers and the public at large.

While the public wants all low-income adults who are able to work to do so, it also hopes that policies and programs will help (or at least not harm) the well-being of families and children. New Hope demonstrates that packages like the one it offered can affect families and children in positive ways. This is encouraging and underscores the need to assess such outcomes as part of the evaluation of such efforts.

• Subsidized community service employment appears to play a central role in a package of incentives and supports like New Hope's.

New Hope had strong employment effects for those not employed full time at random assignment, effects at least partly accounted for by the CSJs provided by New Hope. However, it is unlikely that providing full-time employment without making sure that it benefits participants financially will produce sustained employment effects. More important, these findings suggest that it is possible to operate a system of subsidized employment, providing real wage-paying jobs, and have people progress into regular employment as these jobs end. There is little evidence that the availability of CSJs enticed workers to leave regular jobs to take subsidized employment instead. However, this may happen and policymakers who are considering a CSJ-like program should develop safeguards and disincentives to reduce its occurrence.

• Policymakers who want to increase the material and emotional well-being of low-income families should focus at least some of their efforts on providing health insurance, improving child care resources, and offering a user-friendly support system.

Some of New Hope's strongest impacts were only tangentially related to participants' employment or cash income, centering on the other services provided through the program. New Hope's provision of health insurance and child care subsidies significantly reduced material hardship and worries, may have reduced stress, and may have improved both family relations and child outcomes. In the provision of child care assistance, it appears important to provide immediate and seamless access to these benefits. This means anticipating and addressing the communication difficulties that can occur between parents, child care providers, and the program. New Hope developed a functional system to manage this process.

One possible drawback of providing health insurance to low-income workers is that it dissuades them from looking for a job that provides these benefits. The evaluation found some evidence along these lines, and such an effect could have adverse long-term consequences.

Finally, a key contribution of New Hope to the lives of its participants was the provision of "social support." Project reps were not only eligibility workers, but also provided advice and emotional support that was highly valued by participants. Although it is difficult to prove, the value of New Hope's subsidies and services was likely enhanced by the way in which they were delivered.

• Policies that encourage parents with low incomes to be employed full time, while allowing some reduction in second jobs and overtime, may represent an optimal strategy.

By increasing the hours worked by some parents and reducing overtime for others, New Hope enabled its participants to find a more sustainable balance between work and family life. This effect translated into important noneconomic benefits for these families, suggesting that work-based programs should not focus on increasing employment and earnings at all cost.

• Policymakers interested in improving the well-being of children in low-income families should ensure that child care is actually provided and that out-of-school activities for preschool and school-age children are readily available.

New Hope produced substantial positive impacts on the behavior and classroom skills of boys, which held up across different age groups and were consistent across different measures. This is encouraging, because academic failure and problem behavior are predictors of later school failure, dropping out, and delinquency. These

risks are high for boys in low-income families and promising policy alternatives to improve child outcomes are scarce. Although at this point it is not clear which features of New Hope affected the outcomes of these children, formal child care and structured out-of-school activities are strong candidates. Family dynamics and changes in income may also have contributed.

• Policymakers interested in employment-based approaches to reducing poverty should consider the strengths and limits of having broad eligibility rules, rather than limiting interventions to particular groups of low-income adults. In New Hope, such rules led to positive economic and nonmonetary effects for many groups. However, such a policy of inclusion appears to increase the cost of the program.

One of New Hope's accomplishments was its ability to reach out to a wide variety of people with low incomes in the target areas it served, including underserved groups such as men, families without children, and working poor families without a welfare history. All of these groups used some parts of the New Hope offer, even though some groups experienced more profound effects on their circumstances and well-being than others.

A major benefit of targeting a program like New Hope to welfare recipients or people with limited work experience is that those groups are more likely to respond to the program by increasing their employment and earnings. Such an employment effect benefits society, offsetting some of the cost of providing program services. The lack of positive employment effects among those already working full time makes it more likely that the program will operate at a net financial loss for these individuals, especially if they reduce their hours of work as happened in New Hope. Thus, policymakers face a trade-off. They can operate a program of work supports that is narrowly targeted at those least likely to seek employment on their own or they can choose to extend those services to the larger population of low-income working families. The former is likely to be less costly, but the latter may generate additional nonmonetary benefits that are valued by society.

• Other states and localities should consider testing policies like those New Hope implemented. Such a program might have bigger effects in a different context: a weaker labor market, a less employment-driven public assistance system, or a low-income population with less work experience.

In some ways, this evaluation is a conservative test of New Hope. The job market was healthy, the welfare system was being restructured, and the state and federal EIC programs were expanding, making work an increasingly attractive alternative for low-income residents of Milwaukee. Adding New Hope to this picture further enhanced this climate of promoting and supporting work, producing the program effects detailed in this report. However, had New Hope been implemented in a less favorable environment, its effects might have been more substantial. This report chronicles the potential of a new approach to helping low-income families succeed in the world of work. This approach deserves to be put to the test in a wider range of local environments and economic settings.

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Chairman JOHNSON of Connecticut. Thank you. Thank you very much. I appreciate the panel's testimony.

It is very important that we continue to do the research and try to determine, for example, why though poverty is declining, the number of children in acute poverty is actually increasing and how much of that is related to our ability to gather data or not gather data. We certainly want to keep our attention on that. I think also, as we look at the new welfare, you know, better use of the welfare-to-work dollars, how do we take people who are entering the work force at a minimum wage, but have children, and help them move up the career ladder so that maybe not after 2 years, but eventually, they do earn enough to support their children above the poverty level of income.

It is not surprising to me that on minimum wage, you are below poverty with children. That is just the way it is, and you are not going to get above the minimum wage until you have gotten in the work force for a while. So, I think the problems in some areas that we are seeing are not surprising, but they do mean we need a system, and this is one of the reasons why that TANF level of funding is so terribly important. We need a system that is able to do things that the current system has not yet learned how to do. And some of it has to do with getting people with very difficult problems into the work force. People with problems such as lack of basic education, or with serious substance abuse or other kinds of mental health problems. But, a lot of it is how do we advance this latter group.

But there were two things that interested me in your testimony. One, which I just want to call to the attention of my colleagues. One of you mentioned that—I cannot find it right now—oh, yes, it was you, Mr. Granger, that some were not applying for EITC. That is the first time—well, I guess someone else mentioned it earlier. But in addition to the Medicaid, food stamp problem, we really have to have a system that better makes sure that people do get the benefits that are there, because it is sort of new to have tax benefits as important as they are now, through EITC and the child benefit. But I did want to come back to Ms. Fagnoni's comment on annual earnings. Average annual earnings to former welfare recipients in the seven States, it ranged from $9,512 to $15,000. That is such a different picture than we got from Wendell, that I wonder—you know, maybe I am just not hearing it right. It is hard when you just hear the statistics for the first time in a hearing, but is it that you picked States that are pretty affluent; I mean, that they are the ones that reported, so we have different information?

Ms. FAGNONI. Well, I should talk about the universe of what we looked at versus the kinds of national data Wendell and others are looking at.

What we looked at specifically were State—efforts States have made to try to determine what has happened to those individuals who have left welfare. And after looking through about 17 or 18 different studies that attempted to do that, we identified eight studies in seven States where the information was good enough. They get a high enough response rate. It was generalizable enough

that we could learn something about what was happening to people leaving welfare in those seven States. So it gives us a more limited universe, I think, than what he was looking at. We only looked at those leaving welfare in some specific States where there were enough data collected by those States for us to be able to look across the studies and talk about what the findings were.

Chairman JOHNSON of Connecticut. Thank you. Mr. Cardin.

Mr. CARDIN. Thank you, Madam Chair. And let me thank all of you for your testimony. I particularly appreciate those of you that are on the frontlines of the States for the work that you are doing.

Mr. Larson, obviously, I am very proud of what Maryland has achieved and what you have been able to achieve in our State. We do always cite Maryland here frequently, usually in good terms. So, thank you.

But you know, it is interesting, in your testimony, you point out what is happening to people who are leaving welfare, but also who is left on welfare. And I thought that was a very important point because we have a very difficult assignment ahead of us for people who are still receiving cash assistance. These are more complicated individuals. And we are not going to have the same degree of success and be using the same resources. We need to develop new strategies. We have a bill here that I encourage you to take a look at to reform the welfare-to-work law, to make it easier and more flexible for the States to get at that money. And we are hoping that during the course of this Congress, we will be able to deal with the welfare-to-work issue so that you can take some of that money and use it for the people who still are on welfare in a more flexible way.

Ms. Rogers, let me compliment you also in Wisconsin. We are very pleased, as I have mentioned earlier, on your way that you allow the child support collections for the noncustodial parent to go directly to the family. I think that is a very fine program. I think only three States do that today, so you are one of the three States that allow that. And we also understand that you have established some new initiatives to try to provide entitlement to childcare subsidies to all low-income families, which is also encouraging.

But let me just mention a couple facts that have us somewhat concerned. First, the participation rate in the child care subsidies is rather low. It appears to be rather low.

Second, there has been at least some reports that some of the savings in Wisconsin have not been plugged back into the program or reserved for the more difficult people who might need additional attention; that it has been used for a property tax cut within your own State. If, in fact, that is true, it just lends credibility to those in Congress who say there is too much money out there for the States; we should be cutting back.

I do not subscribe to that. I am fighting very hard to protect the money in TANF and the money in the welfare-to-work and expand programs to give our States additional resources, knowing full well that you have a very difficult assignment on your hands. But if some of these savings are being used directly, that we are providing, for property tax relief, a very laudable goal, but it makes it difficult to sustain funds here. And I would appreciate your comments.

Ms. ROGERS. First of all, relative to child care.

Mr. CARDIN. Yes.

Chairman JOHNSON of Connecticut. Would you pull the microphone closer, please, Ms. Rogers. Thank you very much.

Ms. ROGERS. Relative to child care, we are doing a tremendous amount of outreach and have been, as a matter of fact, since early last fall, because we want very much to make sure that everybody is aware of the fact that if they are entitled to child care subsidy that they take advantage, particularly the working poor who have never touched the cash assistance programs, because they are the ones that are least likely to be familiar with the program. In fact, we have been investing——

Mr. CARDIN. Does that also apply to their eligibility for Medicaid, because the information we had is that——

Ms. ROGERS. Yes.

Mr. CARDIN. You were not doing much outreach there also.

Ms. ROGERS. Oh, no. We are doing a tremendous amount of outreach there as well. In fact, specifically on the child care side, there was an investment of over $85,000, and it is packaged with information about MA and food stamps just to do employer-based outreach and specifically with regard to Medicaid and food stamp outreach in another arena, we are investing a tremendous amount of effort, as are our local agencies in establishing additional outreach points. In Milwaukee alone, we have 40 additional outreach stations at which people can get full information, places where they are likely to come—emergency health care and other sites. Where we can sign them up and let them know what is available in terms of these supportive services, Medicaid and food stamps, so they can continue.

With regard to your comment about some of the things that you have been hearing in terms of potential investment for the dollars, I think it is important to—for me to share the issues and programs and proposals that the Governor has put forth in his budget, all of which are reinvestment of the TANF dollars in programs that do, in fact, go back to supporting the very population that we need to help most with these dollars, including such things as a work force advancement program for people who are either just leaving the programs or at risk of falling back into them, and that is, alone, to the tune of $30 million; tremendous increase in additional investment in the next generation child care programs for developmental advancements in helping children in child care settings.

Wisconsin is already one of the tops in the Nation in terms of our child care program, not to mention the dollar amount that we put into subsidies, all of which child care subsidies are also being increased in the Governor's budget proposal, again using these TANF dollars to lower the copays, increase the scope of the number of people that are covered for subsidized child care, including disabled children up through age 18, and the list goes on. Thank you.

Mr. CARDIN. Well, so the property tax cut did not use any of the savings from welfare reform or Federal funds?

Ms. ROGERS. I am saying there are a number of discussions and proposals that are underway. As you might imagine in the legislative process, but none of what you see there is a part of the Governor's budget proposal.

Mr. CARDIN. OK. Is he supporting the——

Ms. ROGERS. Well, he has always been a supporter of tax breaks, but, in addition to that, he first and foremost is a supporter of helping of our most——

Mr. CARDIN. Let me just caution that it is—again, those of us who really are working hard to maintain the money. We are doing it for children. We are doing it for the success of the program. I love to see States able to. I would like to see the Federal Government provide tax relief, but let us make sure that the programs that we are working on, the money is directed for those needs. And I take your answer to say that you support that, which I appreciate.

And my time has expired, but I just really want to make an observation about Mr. Granger and your program. That is exactly what we should be doing. I am very much impressed by what you have been able to accomplish. You have put together the combination of actors that give us a much better chance of success, and just really wanted to compliment you on what you are doing and assure you that we are watching.

Mr. GRANGER. Mr. Cardin, I should take no credit for the program itself. That was put together by a group of extraordinary people in Milwaukee. And it was a very bipartisan coalition that put it together. What we put together was the evaluation of, and I appreciate your remarks.

Chairman JOHNSON of Connecticut. Mr. Stark.

Mr. STARK. Thank you, Madam Chair.

Ms. Weinstein, it is my understanding that in Utah parents who are being sent to work must first seek free child care before they are allowed access to TANF-based child care services. Are there other States where this practice is occurring?

Ms. WEINSTEN. Well, yes, there are, and I cannot list them out for you, but we have heard that there are other States where there is a strong encouragement that people make use of either the least expensive or no-cost child care.

Mr. STARK. Ms. Rogers, I am—I am troubled and the State of California is troubled by the State of Wisconsin. I am going back to Wauwatosa in September for my 50th reunion at Wauwatosa High School, and most people in California will tell you they wish I had not left. But, if it was a trade between me and Eloise Anderson, they would have taken me a thousand times over.

I remember the Governor testifying here a few years ago on welfare reform, and he was informed that Archbishop Meyer opposed the welfare reform, and Governor Thompson said he did not really care what the Archbishop thought. He does not know what he is talking about. Anyway, so I want to put into perspective the good Governor's approach to people who may, particularly in Milwaukee County, have some strong commitment to the welfare of children.

Do you still operate—I notice here in item seven in chapter one of the Wisconsin Works manual, you say that the new system should provide only as much service as an eligible person asks for or needs. Many persons will do much better with a light touch. Is that still the predominant philosophy in your program?

Ms. ROGERS. Absolutely, it is.

Mr. STARK. OK. That is what I thought.

Ms. ROGERS. But let us defer to share what the definition of that——

Mr. STARK. Look, ma'am, I can read. I do not need a whole lot of definitional mumbo jumbo. It seems to say to me—particularly when we find the Milwaukee Journal reports that in one case, the reporter went to one of the contractors on a Wednesday at 3 p.m. and was told there were no forms available for food stamp applications, which is, by the way, against the law, and was told to come the back the next day—that this goes on quite repeatedly.

I have some other reports here about Milwaukee, they tell us that 65,000 fewer children receive public support than 5 years ago, which I suppose is all right, except that the 39 percent more Milwaukee County single parents are working poor, and one out of every three employed single parents had income earnings below the poverty level in 1997; and two out of three had income earnings below 185 percent of poverty. And at least 61,000 Milwaukee County children are in employed families with earnings below poverty. And 111,500 children are in families with income earnings below 185 percent of poverty. And the number of children receiving county-administered day care assistance doubled in the last 3 years, but fewer than 15 percent of eligible low-income families are receiving day care support; and that the Federal and State earned income tax credit raised family earnings above poverty level for 16,000 children and about 90 percent of the eligible families are claiming the credit. Good for them. But the number of working poor employed families has increased. The number of children receiving food stamps benefits, however, has dropped by nearly 30,000, and there are numerous articles in newspapers suggesting that it is your own employees and your policy that is encouraging people to not inform people, or to make it difficult for them to get Medicaid and food stamps. And they point, with some pride, to this idea of light touch, and interpret it to mean that Wisconsin is denying eligible people these services.

I think that is inhumane, and you might care to comment on that.

Ms. ROGERS. I would, sir, and thank you for the opportunity because I would agree with you that if, in fact, that what was happening, indeed, it would be inhumane.

Mr. STARK. It is happening.

Ms. ROGERS. When in reality what is occurring in Wisconsin is that we are investing a tremendous amount in making sure that people understand what supportive services are available to them because those are the very thing that help them——

Mr. STARK. There were no signs posted in these offices, according to law?

Ms. ROGERS. That is not true, sir, and that has since—I understand you read that in the article. The reporter has since retracted that statement because it was pointed out to him that the signs were, in fact, there, and he did agree——

Mr. STARK. He just could not find it.

Ms. ROGERS [continuing]. And he did agree that they were there, but he did not understand what they meant. They are the kind of signs and specifically the signs that appear all over the United States. And they really are quite clear, so I am not sure what his

problem was. But that has been clarified. It was an error in the newspaper.

I must go on, however, and clarify, sir, the kinds of things that we are doing in Wisconsin, because we believe so strongly, as you have just mentioned, that these supports are critical to the ongoing ability of people to make it from welfare on, because, by definition, people who are on welfare, even in Wisconsin by the old benefits were generous, were at about 78 percent below the Federal poverty level. And while we still have many people who are not above the Federal poverty level, they are better off, by far, and have an opportunity for a future that they did not have before.

Compared to the national average, Wisconsin had the fewest families that worried about buying food, according to the Urban Institute study. And health insurance coverage in Wisconsin is the highest of low-income children in the Nation. Medicaid and family coverage in August 1997 compared to March 1999, we have had only a very slight decrease in the amount of——

Mr. STARK. But, nonetheless, the number of children receiving medical assistance coverage declined in Milwaukee over the last 2½ years by 24,800.

Ms. ROGERS. That is true, but it is a very small amount, and it is strictly a function of eligibility.

Mr. STARK. What is a smaller—24,000 children in Milwaukee County is not a small, indeed.

Ms. ROGERS. By comparison and relative to Medicaid——

Mr. STARK. Well, I look—comparisons, ma'am—by comparison to Kosovo, Milwaukee may be doing very well, but do not say that on the south side.

Ms. ROGERS. I would only say, sir, that pick another State, because we are the best in the Nation for that coverage.

Mr. STARK. And that is good enough?

Ms. ROGERS. Never.

Mr. STARK. All right. Then why do you continue to say that a person should receive only as much service as they ask for and need. Is not that suggesting to your employees and contractors that they minimize exposure of the people to these services? Is not that a sort of a do not ask, do not tell?

Ms. ROGERS. No, because the emphasis that seems to be missed is that they need, and many, many of these families do need these supportive services, and we do, in fact, do everything we can to make sure they——

Mr. STARK. Like not having the forms in the office for them to fill out and asking them to come back the next day.

Ms. ROGERS. Not at all. The reporter was not interested in filling one out at the time.

Mr. STARK. Ma'am, let us take just this report, then, where they find the same kinds of problems happening time and time again; that day care support has risen but reaches fewer than 15 percent of the eligible children. I would like to suggest that while you may be better than the State of California, as I say because you sent us Eloise, and she will kill children if she had her way. But I do not know why you can take any pride in a program that tries to deny entry to people who need it, as a policy.

Ms. ROGERS. Because child per child, sir, we are investing more in child care subsidy than any other State in the Nation.

Chairman JOHNSON of Connecticut. Ms. Rogers, I would like to ask you a question about the really astounding data from the county department of health and human services regarding child abuse and neglect referrals in Waukesha County. Would you just acquaint the Subcommittee a little bit with that? You also did a followup study of what happened to people who left welfare in that county, where welfare recipients went from 1,118 recipients down to 37 families. Would you just talk a little bit about that and also particularly this issue of child abuse and neglect referrals.

Ms. ROGERS. Thank you, Madam Chairman, I would be happy to do so. And Waukesha County, by the way for those of you who might not be aware, is right next door to the Congressman from California's area in Waukesha. Their caseload did, in fact, drop, from 1995, April 1995 high of 1,118 families down to 37 families in January 1999.

Their population, by the way, was growing at the same time at the rate of about 5,000 residents for every year since 1990. Their shelter use, when you compare April 1995 to January 1999, fell from 235 episodes to 102, down 66 percent. And specifically relative to families, the number of families that were served in our shelters remained constant from those two date line points, so a zero-percent increase in that.

Food pantry usage from January to June 1997 compared to the same months in 1998 shows that there were 3 months of increase and 3 months of decrease, but the decreasing months were down as much as 18 percent, and the increasing months were only up 7 percent. And, of 50 randomly selected families in that county who received AFDC in 1995 and were then followed again in the fall of 1998, 86 percent of them reported earned income, with an average income of $15,892 per family, and that is a conservative number, because it did not include self-employed, out of State earnings, EITC, or other household members' income.

Chairman JOHNSON of Connecticut. And as to the child abuse and neglect referrals?

Ms. ROGERS. Yes, a decrease of 66 percent.

Chairman JOHNSON of Connecticut. Sorry, I missed that.

Ms. ROGERS. Oh, I am sorry. Excuse me. I am giving you the wrong statistic. Also down dramatically. In 1994, 963 down to 639 in 1998, about a 25-percent drop.

Chairman JOHNSON of Connecticut. Now, I want to call the Subcommittee's attention to this, not just because I think it is really terrific and really reflects an ability to implement our service laws and our benefit programs in a way that is really helping children, but because if this is happening, around the country, and I am sure it is not happening to this degree, but that drop in referrals for child abuse and neglect means that there were also fewer kids referred to foster care. Right now, Federal money goes to States according to out-of-home placements. Very, very little of it goes for prevention, and it goes for prevention only as appropriated. The only entitlement is for placed children.

With that kind of decline in just one county, in one State, folks, let me tell you, if we do not reform the way we fund foster care

and child protective services, we need our heads examined, and we will have neglected the very children we hope to serve. So, we will be talking about that more in this Subcommittee. But I was stunned at that decline, and I think it is very impressive, particularly in a county moving forward.

Now, let me conclude by saying that I appreciate the excellent testimony of all of you. And, Mr. Larson, I had noted your interest in expanded flexibility and uniform definitions. I invite any of you in the audience to submit to us written recommendations as to what we need to do in the welfare-to-work money, that is, it is an opportunity to make that money far more flexible and far more useful to the States. And we intend to do that. So we appreciate your good work. And, Mr. Larson, I appreciate your many years of experience out there in the frontline. And all of you. I thank all of you for excellent testimony.

[Whereupon, at 1:23 p.m, the hearing was adjourned.]

[Submissions for the record follow:]

Statement of NETWORK

THE PROBLEM

Contrary to the widespread publicity about unparalleled economic prosperity in the United States today, a significant percentage of the population lives in abject poverty. The nation rarely hears the voices of most people who are poor since they are routinely overlooked by poll and census takers. Many live on the fringes of society—without telephones or stable addresses—while their struggles and suffering go unnoticed by society as a whole.

Today, government officials are quick to point out that national welfare caseloads are at their lowest point in 30 years. However, they are unable to tell us for the most part what is happening to people after they leave the welfare rolls—and what is happening to people living in poverty who never received assistance in the first place. The *Welfare Reform Watch Project* provides some early answers to these critically important questions.

THE PROJECT

The Welfare Reform Watch project is an in-depth look at the lives of people living in poverty. Subsequent to the enactment of "welfare reform" legislation in 1996, and realizing that virtually nobody had a genuine understanding of the legislation's impact on people who are poor, NETWORK joined forces with other faith-based groups to reach out to these people whose voices had been little heard. NETWORK and its partners in the study were able to utilize the resources of a large number of affiliated social services agencies to conduct one-on-one interviews with people in soup kitchens, homeless shelters and other facilities. This direct connection among study sponsors, service providers and clients made the project a uniquely powerful instrument through which people who are poor could at last tell their own stories.

As part of the study, a statistical survey instrument designed by Dr. Douglas Porpora was distributed to 59 Catholic social service facilities in ten states (California, Florida, Illinois, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, and Texas). The ten states were selected based on their heavy caseloads of people who were eligible for AFDC. A total of 2,555 questionnaires were returned for analysis in three phases—October 1997 (829 cases), March 1998 (926 cases) and October 1998 (800 cases). Statistical information in this report is based on Dr. Porpora's analysis of the questionnaire responses.

Four hundred fifty "watchers," individuals who followed implementation of the welfare changes in their own communities, also took part in the project. Their role was to monitor effects of the legislation and to report on their findings to local media outlets and legislators.

The Participants:

- 41% of the respondents are without operative telephone numbers, making them difficult to reach for most surveys and studies.
- Clients of the social service facilities included in this study are predominatly female (79%), with most women respondents (75%) having minor children who live with them.

• 38% of the women respondents had not completed high school, while only 13% received education beyond high school.
• Female respondents under age 30 are less likely than men of the same age to have jobs (22% versus 36%). Women and men over 30 have roughly equal levels of employment (20% and 18%).
• Survey respondents are almost evenly divided according to race/ethnicity: White (29%); Black (35%); Latino (36%).
• 38% of the respondents live in non-urban settings.

KEY FINDINGS

1. Poverty continues as people receive less government assistance.
• Percentage of respondents receiving welfare whether unemployed or in transition to work, down sharply (33% in October 1997—less than 5% in October 1998).
• Percentage of the "disconnected," unemployed people who do not receive welfare benefits, up sharply (52% – 79%).
• Percentage of respondents receiving Medicaid down (76% – 60%).
• Percentage of respondents receiving food stamps down (63% – 52%).
2. Suffering continues as basic needs go unmet.
• Hunger and poor health continue.
—Nearly half (49%) of the respondents report that their health is only "fair" or "poor."
—31% unable on accasion to fill physicians' perscriptions for needed medication due to cost.
—45% unable to meet dental needs due to cost.
—43% eat fewer meals or less per meal due to cost
• Women and children are suffering
—14% of the parents unable at times to secure needed medical care for their shildren due to cost.
—25% of the parents unable at times to secure needed dental care for their children due to cost.
—24% of the parents report that their children are skipping meals or eating less per meal due to cost.
—52% of soup kitchen patrons and 42% of respondents at food pantries unable to provide sufficient food for their children.
—70% of respondents without any government assistance are female.
—63% of respondents without any government assistance have children.
• The working poor are suffering.
—41% of respondents with jobs experience hunger.
—The children of respondents with jobs suffer the effects of their parents' low wages:
—lack of food (22%), lack of adequate health care (14%), unmet dental needs (24%).
• People without government assistance are suffering.
—Of respondents without government assistance: 51% report inadequate dental care, 36% report inadequate medical care.
• Parents without government assistance report that their children receive: inadequate dental care (36%), inadequate medical care (21%).

THE CHALLENGE OF POVERTY IN THE MIDST OF PLENTY—A CALL TO ACTION

In the United States today, a staggering 35 million people live in poverty while the nation as a whole enjoys unparalleled economic prosperity. The situation is intolerable. We can and must do better.

U.S. citizens, policy makers and media must move the conversation from:

"Wefare reform is working because welfare rolls are dropping." to

"The unfinished agenda of our nation is moving people out of poverty."

To alleviate poverty and suffering, the United States must establish social policies that aim to provide opportunity for economic security for every household.

The life experience of the people in the Welfare Reform Watch Project are riddled with debilitating poverty and suffering. Their experiences raise questions that demand further study and resolution.

NETWORK will participate in creating social, political and economic structures that promote economic well-being.

What actions will you take to move people out of poverty and create economic justice for all?

PROJECT SPONSORS:

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Statement of Hon. Fortney Pete Stark, a Representative in Congress from the State of California

In the aftermath of welfare reform under the 1996 Personal Responsibility and Work Opportunity Reconciliation Act, many are pointing to plummeting welfare caseloads as a sign of welfare reform's success. While the rolls have fallen by 4.6 million people, or 38 percent, since the signing of the welfare reform law, any claims that welfare reform is a success are premature.

A main factor to consider when assessing the success of welfare reform is whether individuals and families leaving the rolls ("welfare leavers") are better off economically. Various reports illustrate that these welfare leavers are earning low wages that do not pull them above the poverty line, are typically not finding jobs with employment-based health coverage, and are not being signed-up for food stamps or Medicaid, two assistance programs that could serve as critical work supports. In fact, it appears that in their efforts to deter people from cash assistance, some States are wrongfully diverting families from Medicaid and food stamps.

Following is an overview of several studies that illustrate the downside of welfare reform and underscore the need to be cautious before declaring victory or failure.

SHARON PARROT, CENTER ON BUDGET AND POLICY PRIORITIES, WELFARE RECIPIENTS WHO FIND JOBS: WHAT DO WE KNOW ABOUT THEIR EMPLOYMENT AND EARNINGS?, November 1998.

• This report synthesizes findings from recent studies on employment and earnings patterns for welfare recipients who left their state's cash assistance program or who were subject to new rules under welfare reform "demonstration" programs. Across the studies, the following patterns emerged:

• Employed former recipients and recipients combining work and welfare typically are paid less than $8 per hour and a substantial portion earn less than $6 per hour.

• Those who find jobs tend to work a substantial number of hours—typically more than 30 hours per week during weeks in which they are employed.

• Despite this relatively high number of weekly work hours, recipients who find jobs typically earn between $2,000 and $2,700 per quarter (or between $8,000 and $10,000 annually), a total well below the poverty line for a family of three.

• Most recipients who do find jobs do not receive paid vacation or sick leave from their employer or employer-sponsored health insurance. Many individuals are also not covered by the Family and Medical Leave Act because they do not meet the minimum work requirements (worked for their current employer for at least one year and who worked at least 1,250 hours in the last year).

• The report concludes that recipients who find jobs are likely to have incomes that are inadequate to meet their families' basic needs. For many families, a combination of earnings, cash and in-kind government income support, and child support for single-parents, will be necessary to make ends meet.

SHARON PARROT AND STACY DEAN, CENTER ON BUDGET AND POLICY PRIORITIES, FOOD STAMPS CAN HELP LOW-INCOME WORKING FAMILIES PUT FOOD ON THE TABLE, March 31, 1999.

• This report builds on the state evaluation data discussed above.

• The authors illustrate that, given recent data indicating that families leaving welfare for work are earning wages below the poverty line, food stamps can contribute greatly to a family's income. In combination, food stamps, the EITC and family earnings can lift a full-time minimum wage worker almost to, or above, the poverty line.

• Data show that as cash assistance rolls have fallen, so has food stamps participation. However, the decline in food stamps caseloads far outstrips the decline in the number of people eligible for food stamps. Many families are still eligible for food stamps, yet are not participating in the program. The most recent data on food stamp participation among low-income households with earnings showed that only 55.2 percent of food stamp eligible households with earnings and children participated in the food stamp program.

• These working poor families could use food stamp benefits to boost their incomes and the report provides examples to illustrate that point. For instance, in a family of three with one person working 30 hours per week at the minimum wage, "take-home earnings" (after taxes, before EITC) increase by $223 to $283 due to food stamps.

KAISER FAMILY FOUNDATION, PARTICIPATION IN WELFARE AND MEDICAID ENROLLMENT, September 1998.

• This report summarizes eight state studies that examined AFDC/TANF exits and health care coverage. The overarching theme is that when families stop receiving AFDC/TANF, Medicaid enrollment goes down.

• The magnitude of the decline varies between studies, but often one-third or more of children and most adults in families that have exited AFDC/TANF are no longer reported to be receiving Medicaid.

• Furthermore, most families entering employment after having received AFDC/TANF do not have employment-based health care coverage. Typically, among families who are employed, the share reporting employment-based coverage is 25% or less.

URBAN INSTITUTE, WHERE ARE THEY NOW? WHAT STATES' STUDIES OF PEOPLE WHO LEFT WELFARE TELL US, May 1999.

• This report summarizes the findings of eleven studies examining the well-being of welfare leavers.

• While all the studies report employment rates for welfare leavers of over 50 percent, it is important to note that these rates can be skewed since some studies may not count individuals who leave welfare for work but then subsequently return to welfare, and some studies may count individuals as employed even if they make only $100 in a three-month period.

• In general, the studies show that leavers are not earning enough to raise their income far above the poverty line, and that the jobs they find are typically concentrated in low-wage industries.

CHILDREN'S DEFENSE FUND, WELFARE TO WHAT: EARLY FINDINGS ON FAMILY HARDSHIP AND WELL-BEING, November 1998.

This report found the following:

• Only a small fraction of welfare recipients' new jobs pay wages sufficient to lift a family of three above the poverty line; most of the new jobs pay far below the poverty line.

• Many families who leave welfare are losing income or not finding steady jobs at all.

• Extreme poverty (below one-half of the poverty line) is growing more common for children, especially those in female-headed and working families. The number of children in extreme poverty grew from 6 million in 1995 to 6.4 million by 1997, an increase of nearly 7 percent. This increase is surprising since it occurred during a time of economic growth and a decline in overall child poverty.

• Former TANF recipients report increasing difficulty buying sufficient food, paying their rent and utilities, as well as loss of Medicaid and greater signs of homelessness.

• Potential welfare recipients face administrative barriers to cash assistance including complex application policies, procedures discouraging applications, agency errors and poor communication.

• Furthermore, workers may fail to tell parents about protections that can keep them from being sanctioned (e.g., that they may be exempt from work requirements if they cannot find child care for pre-school age children.)

JOCELYN GUYER AND CINDY MANN, CENTER ON BUDGET AND POLICY PRIORITIES, EMPLOYED BUT NOT INSURED: A STATE-BY-STATE ANALYSIS OF THE NUMBER OF LOW-INCOME WORKING PARENTS WHO LACK HEALTH INSURANCE, March 1, 1999.

• This report uses 1997 U.S. Census Bureau data to analyze the number of parents of low-income working families who are without health insurance.

• The data show that these parents are at high risk of being uninsured. In fact, more than 5.4 million low-income working parents were uninsured in 1997. These parents have limited access to publicly funded coverage and are often not covered through their employers.

• Working poor parents are twice as likely to be uninsured as their unemployed counterparts. In 1997, some 23 percent of poor parents without earnings were uninsured compared to 46 percent of working poor parents.

• A review of state policies found that although states generally provide Medicaid to parents who are receiving welfare, and all have recently expanded coverage for low-income children, few states cover low-income working parents who have no current or recent attachment to the welfare system. In fact, 43 states do not cover working parents whose earnings bring them just to the poverty level.

• Until passage of PRWORA, federal Medicaid law limited coverage to parents who were receiving welfare or who recently had left welfare. Under PRWORA, states now have a new option to expand coverage more broadly to low-income working parents. Rhode Island and DC have taken advantage of this, and Missouri and Wisconsin recently adopted parent coverage expansions under federal Medicaid waivers.

FAMILIES USA, LOSING HEALTH INSURANCE: THE UNINTENDED CONSEQUENCES OF WELFARE REFORM, May 1999.

• In the aftermath of welfare reform, Medicaid enrollment declined and the number of low-income people without health insurance increased.

• Specifically, Families USA reported that as of 1997, 1.25 million people with incomes under 200 percent of the poverty level lost their Medicaid coverage.

• Of those who moved off of Medicaid in 1997, more than half, or 675,000 children and adults, were instead uninsured in 1997.

• For the 675,000 people who lost Medicaid after welfare reform and were uninsured, more than three out of five were under the age of 19. Most of these children were probably still eligible for Medicaid and should not have lost coverage.

• There are three ways in which these low-income people lose health care coverage as a result of welfare reform: (1) they or a family member successfully move from welfare to work, often to a job with no health insurance, and lose coverage even though they may still be eligible for transitional Medicaid; (2) they are terminated from welfare, resulting in a wrongful loss of Medicaid; and (3) state efforts to deter people from welfare often can result in people being denied the opportunity to apply for Medicaid.

NETWORK'S NATIONAL WELFARE REFORM WATCH PROJECT, POVERTY AND PLENTY, THE UNFINISHED BUSINESS OF WELFARE REFORM, MAY 1999.

• NETWORK is a National Catholic Social Justice Lobby that utilizes the resources of a large number of social service agencies to conduct one-on-one interviews with people in soup kitchens, homeless shelters and other facilities

• Survey findings highlighted by NETWORK were as follows:

• People are receiving less government assistance while still living in poverty: the percentage of respondents receiving Medicaid decreased from 76 percent to 60 percent, the percentage receiving food stamps decreased from 63 percent to 52 percent, and the percentage receiving welfare, whether unemployed or in transition to work, decreased from 33 percent in October 1997 to less than 5 percent in October 1998.

• Low-income families report their basic needs are not being met: among all respondents, 31 percent report being unable at times to fill physicians' prescriptions due to cost; 14 percent of parents reported being unable to secure medical care for their children. 45 percent are unable to meet dental needs; 42 percent eat fewer meals or less per meal due to cost.

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