



CENTER ON URBAN & METROPOLITAN POLICY
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What Cities Need from Welfare Reform Reauthorization

Paul Leonard and Maureen Kennedy¹

Cities face a unique set of challenges under welfare reform, especially during the present economic downturn. As a whole they are home to a larger share of the nation's caseload now than prior to the passage of the 1996 welfare reform law. Compared to their suburban counterparts, adult recipients in many urban areas face a lack of jobs where they live, have difficulty accessing employment opportunities elsewhere in the metro area, are often unable to cover high costs for housing, and have educational and experience-related barriers to entering the workforce. In anticipation of this year's debate over the reauthorization of welfare reform, this brief offers a policy agenda for cities that responds to the increasingly urban character of welfare and the particular obstacles to success that many cities face.

Introduction

Five years after the enactment of federal welfare reform legislation, states have adopted a range of welfare reform policies as diverse as the clients they serve. These policies have contributed to a nearly 60 percent decline in the national caseload since 1994, as well as significant caseload reduction in most states. Not surprisingly, though, in a system that allows for a diversity of approaches, and serves a diverse group of clients, there are diverse outcomes. Some places have achieved great success under the new law, while others have struggled to implement reforms and transition recipients into the workforce.

Many of the places that have struggled the most under welfare reform are cities. In general, cities lag the rest of the nation in caseload reduction, work participation rates among welfare recipients, and declines in non-marital births. Now, in a flagging economy, cities will likely be home to disproportionate numbers of displaced workers, including those who only recently transitioned into the workforce.

The spatial dimensions of our nation's welfare and work support programs, unfortunately, have not received a great deal of attention from researchers, state and county program administrators, or policy makers. Little of the large body of welfare reform research has carefully examined the variations between and among cities, suburbs and non-metropolitan areas in welfare reform implementation and outcomes, and the resulting implications for urban residents and cities themselves.

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This year's Temporary Assistance for Needy Families (TANF) reauthorization debate offers cities an important opportunity to insure that the federal welfare law and its rules are sensitive to the needs of urban areas. As states did in 1996, cities should help to set the agenda for the reauthorization debate in 2002.²

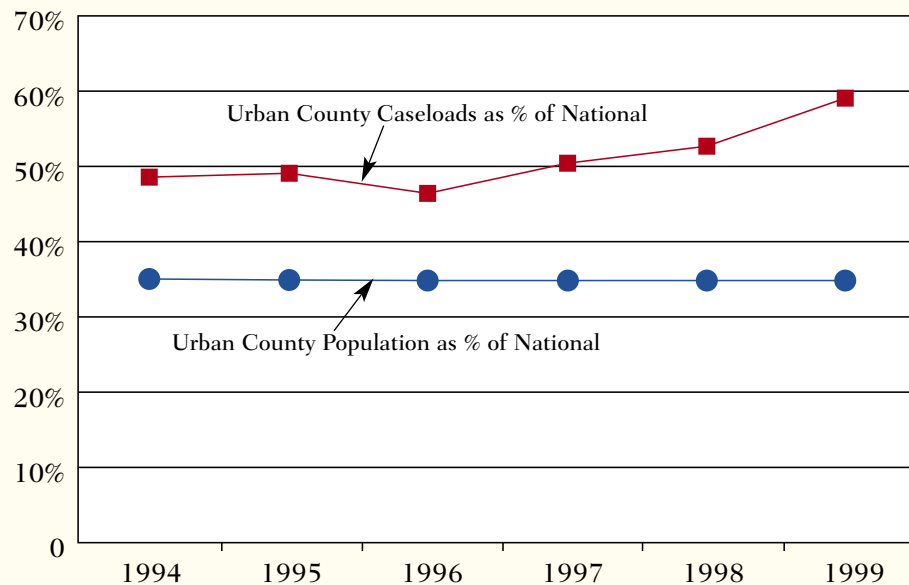
The Increasingly Urban Character of Welfare

While TANF caseloads have been dropping in all parts of the country, they appear to be dropping more slowly in cities than in the nation as a whole, and relative to other parts of states. In the 89 urban counties that contain the 100 largest American cities, the aggregate caseload decline between 1994 and 1999 (41 percent) lagged the national decline (52 percent) by a substantial amount. As a result of the slower urban decline, the nation's welfare cases and the families they represent are now more concentrated in urban areas than prior to welfare reform (see Figure 1). In fact, ten urban counties—including five from the state of California—accounted for roughly one-third of the nation's welfare cases in 1999.

Declines in TANF caseloads have not been consistent across all cities. The number of families on welfare in Duval County, FL (Jacksonville) dropped by 81 percent between 1994 and 1999; in contrast, the caseload in Philadelphia County shrank by only 36 percent over the same period. Differences in state policy may explain part of the difference in urban caseload decline. For instance, sanctions and time limits are generally stricter in Florida than in Pennsylvania, and Florida operates a formal diversion program. State policy alone, however, cannot explain the fact that the caseload in Pittsburgh declined 50 percent faster than that in Philadelphia over the same five years.

The diversity of city economies, and city residents, may also help to explain the varying degrees of success that urban areas have achieved under welfare reform. Some cities have had

Figure 1. Share of National Caseload, and Share of National Population, in 89 Large Urban Counties 1994–1999



very strong employment pictures, even for those with relatively low skills. Some cities offer relative advantages to welfare participants and those who administer programs—good transportation systems, formal and informal job placement networks, and a range of employment programs run by established community organizations.

Other cities, however, particularly those that are home to highly disproportionate shares of their states' welfare cases (e.g., Baltimore, St. Louis, Richmond, Detroit), confront a host of issues that hamstringing their ability to help clients into the workforce. These include: anemic central city economies; large human services bureaucracies still adapting to the new focus on work; impoverished and segregated neighborhoods with high nonmarital birth rates; and client populations with very low education levels. Compared to their non-urban colleagues, TANF administrators in many of these cities have disproportionately less money to work with, secure fewer savings with slower caseload declines, and must serve participants with more intractable problems.

The Unique Challenges of Welfare Reform for Urban Areas

A range of factors contribute to the urban welfare challenge, though they vary in severity across cities: availability of affordable housing, high crime rates, fragmented programs and lack of coordination among service providers. Local officials, however, have highlighted two challenges for welfare reform that cities in general seem to face: the characteristics of urban labor markets, and the characteristics of the urban poor.

Urban Labor Market Challenges

Cities created new jobs more slowly than their suburbs during the 1990s. According to HUD, between 1992 and 1997, the number of jobs at all skill levels in the nation's largest cities grew 8.5 percent, less than half of the 17.8 percent job growth rate in suburbs. Cities with some of the most concentrated and slowly-declining caseloads in the nation—Los Angeles, Richmond, Hartford, Washington, D.C.—actually lost jobs over this period. As unemployment rates climb in the coming months, cities have special reason to be concerned about job availability for low-skilled workers. Between 1990 and 1992, a period covering the last mild U.S. recession, the counties containing the nation's 25 largest cities shed nearly 890,000 jobs, while the rest of the U.S. gained 770,000 jobs.

The decentralizing U.S. economy has, in many metropolitan areas, led to a spatial mismatch between where welfare recipients live and where jobs are available. In Milwaukee, for instance, nearly 90 percent of full-time entry-level job openings in May 2000 were located in the suburban/exurban parts of the metropolitan area. Only 4 percent of full-time and part-time entry-level job openings were located in the central Milwaukee neighborhoods where most W-2 (Wisconsin's welfare reform program) participants lived. An October 2001 survey showed that there were only 2,700 full- and part-time jobs available in central city Milwaukee for the 13,100 persons actively seeking work there.

Disparities in employer demand between cities and suburbs are also reflected in wage levels. Philadelphia interviewees indicate that home health care positions in the city pay the minimum wage, while positions in suburban counties pay roughly \$10.50 per hour. Lower pay in entry-level city jobs can further burden families facing the high costs of housing, child care, health care, food, transportation and taxes in cities. Researchers from the Economic Policy Institute found that it would cost a one-parent, two-child family \$35,000 in Los Angeles, and \$44,000 in New York, to cover these basic needs—two and a half to three times the poverty level for a family of that size.

Connecting inner-city welfare recipients to job opportunities in the suburbs is a particular challenge for many cities. Seattle's bus system, for instance, offers good service north to south, but few routes from downtown to job-rich suburbs east of the city. States have responded to evidence that car ownership can increase employment for participants by raising or eliminating the \$1500 vehicle "asset limit" that existed under AFDC, making it easier to own a decent car without losing eligibility for cash assistance and other work supports. Some states have created programs to assist with car purchase/maintenance. Still, ownership rates in cities remain low.

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In Los Angeles, researchers note that car insurers charge the highest rates in high-poverty neighborhoods that are home to the largest number of welfare recipients.

Stable, affordable housing also promotes access to jobs for city residents moving from welfare to work. Research from Cleveland indicates that families leaving welfare move frequently, but usually within a confined range of distressed neighborhoods and not closer to areas of job growth and economic opportunity. Exclusionary zoning policies, affordability issues, and limited subsidies for eligible families can pose significant barriers to steady employment and economic security for urban welfare participants.

Urban Participant Challenges

Evidence from a number of cities—particularly older, more segregated cities like Milwaukee, Chicago, Washington, Detroit and Philadelphia—indicates that urban TANF participants are more disadvantaged than welfare recipients elsewhere. In general, recipients in these cities appear to have lower levels of education, less work experience, are less likely to be able to read, and have larger households to manage—including more children with disabilities. Employer studies confirm that welfare recipients in cities are more likely to lack the skills or personal circumstances to keep jobs once they find them. In a survey of employers in Chicago, Los Angeles, Milwaukee and Cleveland, high turnover and weak performance were reported to be significant problems for one-fourth to one-third of welfare recipients hired from the inner city.

Partly as a result of these participant characteristics, cities are home to disproportionate numbers of clients who will hit their 60-month federal lifetime limit on cash assistance. In New York City, 30,000 families—about half of whom had been on welfare continuously for ten years or more—hit their time limits in December 2001, as job openings in the city became increasingly scarce. Adults in cities who have managed to leave welfare may also be at risk; to the extent that they are lower-skilled than their suburban counterparts, they may be among the first to lose their jobs in the present economic slowdown. Recent layoffs in the hospitality industry, a major employer of former urban welfare recipients in recent years, have been substantial. Some of these city hospitality workers will have great difficulty finding new employment during the downturn, and their welfare clocks will start ticking upon their return to the rolls.

An Urban Agenda for Welfare Reform

Given the added challenges that most cities face in helping their welfare recipients into the workforce and out of poverty, cities themselves should energize around an agenda for TANF reauthorization that recognizes the urban character of the problem, and promotes policy and program solutions sensitive to the needs of disadvantaged families in cities. The agenda presented here focuses first on policies that would benefit low-income families broadly, supplemented with additional tools that could help cities overcome the special obstacles they face under welfare reform.³

1. Do No Harm: Preserve Funding and Program Flexibility

Preserve Existing Funding. TANF provided \$16.8 billion in funding for states, while at the same time requiring states to continue to spend 75 percent of the amount spent prior to enactment of TANF. While the level of caseloads has diminished substantially, there are four compelling reasons to maintain, if not expand, funding:

- Cities—particularly those with significant caseloads—have experienced greater employment losses during previous recessions. The current economic slowdown will likely cause welfare rolls in cities to swell, increasing the need for TANF cash assistance dollars.
- Programs and services to help those remaining on TANF rolls (concentrated in urban areas) will likely be more difficult and more costly than the programs and services now developed that move those with fewer barriers into jobs.

- TANF funds increasingly provide work supports (including earnings supplements and child care) to the working poor, and these investments pay significant and important dividends to cities. The need for these supports remains high; despite significant TANF transfers to child care use, for example, less than 15 percent of eligible families nationally receive support.
- Relatively little programmatic attention has been paid to the family formation and out-of-wedlock pregnancy components of welfare reform. TANF funds can and should be used in this fashion, and cities would benefit disproportionately, as they are home to neighborhoods with the highest concentrations of non-marital births.

Preserve Existing Flexibility and Expand Flexibility for Education and Training. State and local administrators whom we interviewed were nearly unanimous in their support for continued state and local flexibility to design and implement welfare policies to best meet the needs of their clients and their circumstances. Many of the administrators interviewed did, however, express a desire for greater flexibility to tailor certain programs to meet the needs of their urban participants, including those with the most serious barriers to employment. In particular, program administrators argued for the repeal of limitations on counting education and training activities towards meeting federal work participation requirements. Former recipients who lose their jobs during a recession could benefit significantly from activities like these that help them raise their future earning potential.

2. Address the “Urban Differential”: Promote Spatially Sensitive Policy Tools

Because cities are home to disproportionate concentrations of poverty and numbers of TANF recipients, including those with multiple barriers to work, a range of policy measures could reduce the potential negative consequences of federal time limits and weak labor markets. Broader program changes would provide greater benefits in urban areas.

Adjust Time Limit Language to Ease the Disproportionate Impact on Distressed Areas. There are a range of options available to adjust time limit rules, consistent with a focus on work, that would better account for the variations in economic circumstances of places. These options include: making work pay for recipients who are working near full-time hours by not counting such months towards the federal time limit; using different base periods for calculating the 20 percent exemption depending on the state of the economy; and creating an automatic extension trigger for particularly weak labor markets. States should also be permitted to use TANF funds to provide supplemental rental assistance to families not receiving TANF cash benefits without running their federal time limit clock.

Use Data to Better Understand the Spatial Nature of Welfare. While the federal government collects a great deal of data from states to track the progress of welfare reform nationally, very little of this data contains any detail on the location of recipients and where they find work. By collecting and reporting more specific information on where recipients live, and—particularly in cities and isolated rural areas—where they are able to find work, federal policymakers could better target resources to the places where they are most needed.

Require States to Help Those with Multiple Barriers Attain Self-Sufficiency. At present, few states have collected and analyzed data on families with multiple barriers, or developed specific programs targeted at addressing their problems. States could be required to submit a plan to HHS outlining their strategies for serving the hard-to-serve, and to collect data on the needs of these families and the impacts of their service strategies. In addition, HHS might develop a research and demonstration effort targeted at those with multiple barriers.

Fund a New Work Program to Meet the Needs of Distressed Areas. The Department of Labor’s Welfare-to-Work (WtW) program was created in 1997 to help long-term welfare recipients—the

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bulk of whom live in cities—to prepare for, obtain, and retain work. One of the most innovative local models using this funding stream is “transitional jobs” for welfare recipients who are unable to find work in the private, unsubsidized market. These programs combine wage-paying community-based jobs with education and other support services, and are preferable to “workfare” programs because participants are eligible for the Earned Income Tax Credit. A new funding stream in place of the expired WtW program might provide grants specifically to maintain existing transitional work programs and to seed new initiatives in distressed areas.

3. Promote Job Access for Central City Residents

As discussed above, many urban labor markets have structural obstacles that inhibit the ability of central-city residents to secure jobs in the suburbs.

Enhance Transportation Services to Help City Residents Get to Metropolitan Jobs. The public sector should help remove transportation barriers by extending public transportation routes into suburban communities where low-skill jobs are increasingly located, and by stimulating car ownership strategies for individuals making the transition to work. Congress should consider increasing funding for the Department of Transportation’s Job Access and Reverse Commute program. This program primarily provides enhancements to public transit systems, and funds vanpools and car pools for low-income workers. TANF and the Assets for Independence IDA programs could be amended to allow local programs to permit use of an IDA for car purchase, as the existing federal Refugee IDA program does today.

Increase Opportunities for TANF Participants to Live Near Jobs. The federal government should take additional steps to ensure that recipients of Section 8 subsidies—including 340,000 with TANF income—are able to use these vouchers to move to areas with more jobs. For example, Congress could finance a “voucher success fund” to help public housing authorities provide housing search assistance to families seeking to live in job-plentiful communities. State welfare agencies could also be required to cooperate with PHAs on using TANF funds for this purpose. New earnings disregards for Section 8 participants who recently received TANF would also expand housing choices for families seeking to live near their place of work.

4. Make Work Pay

Cities would also benefit disproportionately from expanding efforts to make work pay—not only because low-income working families are concentrated there, but also because these efforts help city families meet their higher costs of living.

Hold States Accountable for Poverty Outcomes. Poverty alleviation should become an explicit goal of TANF, and the high performance bonus should be reformulated to place greater emphasis on the alleviation of child poverty, and the extreme poverty concentrated in many city neighborhoods.

Reform Unemployment Insurance. With the economy slipping into recession, cities have a particularly large stake in federal efforts to strengthen safety net for unemployed workers—particularly those with limited job experience. The Unemployment Insurance system currently provides little benefit for part-time workers, and recent entrants to the workforce. Federal reforms could include: encouraging states to adopt alternative base periods for earnings calculations, so that the most recent quarter earnings are not disqualified; setting minimum levels of hours for eligibility nationwide; and extending eligibility to part-time workers.

Enhance Access to Financial Services. Many low-income working families do not have access to mainstream financial relationships and the security (and cost savings) that they provide. The federal government could dedicate a portion of the Treasury Department’s \$12 million “First

Accounts” initiative to helping families making the transition from welfare to work to open bank accounts and have their benefits direct deposited.

Streamline and Expand Continued Access to Work Supports. Steep declines in receipt of Medicaid and Food Stamps among families who have left welfare are well documented. Reforms in the Food Stamp program could include modifications to the food stamp quality control program, administrative simplification of asset tests, and greater alignment of eligibility with the Medicaid program. Enrollment options could also be expanded beyond local welfare offices to community-based organizations, and could include greater use of mail, telephone and Internet mediums for enrollment. States should also fortify efforts to expand eligibility and enrollment in state children's health insurance programs (SCHIP).

Extend Supports to Working Legal Immigrant Families. The 1996 welfare law stripped Food Stamp eligibility from the vast majority of non-citizen legal immigrants, a large share of whom live in our nation's cities. Subsequent changes restored benefits to only a portion of these families. Additionally, the welfare law prohibited immigrants entering the country after August 1996 from receiving Medicaid coverage for the first five years of residence. With widespread recognition of the importance of immigrant workers to our economy, and broad-based support for providing nutrition and medical assistance to working poor families, cities should advocate in TANF reauthorization for full restoration of Food Stamps and Medicaid for legal non-citizens, regardless of their date of entry into the U.S.

Conclusion

Cities are home to a disproportionate share of the poor, and in many cases to a disproportionate share of remaining TANF recipients. While large numbers of the urban poor have moved from welfare to work through the TANF program, they face unique challenges in overcoming the remaining problems of urban poverty. Urban labor markets frequently fail to create adequate or accessible job opportunities for lower-income inner-city residents, and city households include many whose heads have more serious barriers to employment. The weakening economy may serve to exacerbate both of these problems in the foreseeable future. For these reasons, the upcoming TANF reauthorization debate is especially important for cities.

The flexible structure of TANF can be tailored to address these concerns, if the federal and state governments focus on the fact that welfare is, more so than ever before, an urban issue. The policy proposals outlined above are intended to achieve two basic goals: to improve the responsiveness of TANF and other anti-poverty programs to the unique needs of urban residents; and to make broad changes that would benefit all TANF participants, most of whom now live in cities. This urban agenda for welfare reform would go a long way towards promoting real opportunity and economic self-sufficiency for welfare recipients and the working poor, and would help bring stability and vitality to thousands of poor inner-city neighborhoods.

Endnotes

- 1 Paul Leonard and Maureen Kennedy are California-based policy consultants specializing in issues of housing, economic and community development, and welfare reform. Each served at the U.S. Department of Housing and Urban Development in the Clinton Administration.
- 2 This policy brief is based on a November 2001 Urban Center discussion paper, “What Cities Need From Welfare Reform Reauthorization,” available at <http://www.brook.edu/es/urban/publications/leonkencitieswelfareexsum.htm>.
- 3 To better understand the unique position of cities in welfare reform, we interviewed welfare officials, advocates and academics in five U.S. cities (Los Angeles, Milwaukee, New York, Philadelphia and Seattle) in late 2000 and early 2001. In March 2001, the Urban Center convened a roundtable of experts to discuss the particular issues facing cities and policy options for addressing them. The ideas presented here are based in large part on the results of the interviews and the roundtable.

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For More Information:

Paul Leonard
Email: paleonard@attbi.com

Maureen Kennedy
Email: MaureenKennedy@aol.com

Brookings Institution Center on Urban and Metropolitan Policy
(202) 797-6139
www.brookings.edu/urban



THE BROOKINGS INSTITUTION

1775 Massachusetts Avenue, NW • Washington D.C. 20036-2188
Tel: 202-797-6000 • Fax: 202-797-6004
www.brookings.edu



CENTER ON URBAN & METROPOLITAN POLICY
DIRECT: 202-797-6139 • FAX/DIRECT: 202-797-2965