WHAT CITIES NEED FROM WELFARE REFORM REAUTHORIZATION

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and
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ABSTRACT

While welfare caseloads have dropped and poverty has been reduced since the enactment of welfare reform five years ago, many cities are still struggling to help welfare recipients move into and stay in the workforce. Cities face unique challenges to welfare reform, including having a greater share of the nation's welfare caseloads, being home to the hardest to serve, and now confronting a looming economic recession that further threatens low-income workers. This paper argues that cities should organize now around an agenda for next year's reauthorization of welfare reform that is sensitive to the particular needs of urban areas. The paper offers a full range of policy recommendations for TANF reauthorization. For instance, cities should advance policies that will benefit these families broadly – maintaining TANF funding and flexibility; strengthening the contingency fund; holding states accountable for poverty reduction; and streamlining access to work supports like Food Stamps and Medicaid/SCHIP. Cities should also support tools that could help them overcome the special obstacles they face under welfare reform – a redesigned Welfare-to-Work program with greater local flexibility; an expansion of transitional jobs for the hard-to-serve; and enhanced transportation and residential mobility for inner-city recipients. The agenda advanced in this paper, if implemented, would promote real opportunity and economic self-sufficiency for urban welfare recipients and the working poor, and bring stability and vitality to thousands of poor inner-city neighborhoods.

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WHAT CITIES NEED FROM WELFARE REFORM REAUTHORIZATION

I. INTRODUCTION

Among the numerous sweeping changes to our nation's welfare system that resulted from the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), perhaps the most significant was the substantial devolution of responsibility to the states. The new Temporary Assistance for Needy Families (TANF) program, which replaced Aid to Families with Dependent Children (AFDC), granted states far-reaching flexibility in tailoring their welfare strategies. Devolution, it was believed, would give states the opportunity to respond to the diverse needs and circumstances of low-income populations in places as different as Massachusetts and Mississippi.

Five years after the passage of PRWORA, states have adopted welfare reform policies as diverse as the clients they serve. These policies have contributed to a significant caseload reduction in most states, which has resulted in a nearly 60 percent decline in the national caseload since 1994. Not surprisingly, though, in a system that allows for a diversity of a approaches, and serves a diverse group of clients, there are diverse outcomes. Nowhere is this variation more apparent than in cities; not surprisingly, Seattle and Philadelphia have achieved different levels of success in caseload reduction, work participation rates, and earnings among welfare leavers.

For all of their differences, though, cities share common challenges under welfare reform that merit attention during the upcoming debate over the reauthorization of TANF. Overall, they are home to a growing proportion of the nation's welfare caseload. In almost every metropolitan area, the bulk of job creation is occurring in the suburbs, often at great distances from welfare participants in city neighborhoods. A disproportionate number of the nation's hardest-to-serve participants—those with multiple barriers to steady work including a lack of basic education, health problems, domestic violence, or long-term dependency—live in cities. Most large cities still contain neighborhoods of deep, concentrated poverty. With a disproportionate share of the working poor, cities also have a large stake in state efforts to direct TANF resources to support low-income families who have made the transition to work, but are still struggling.

Many cities have struggled to overcome these challenges in the last five years during a time of unprecedented economic growth. Unfortunately, cities are beginning the next five years of welfare reform in a much weaker economic position. The looming recession's effects on current and former urban welfare recipients' employment prospects are difficult to predict. However, several factors, including substantial slackening in the hospitality industry, where large numbers of former participants in cities are employed; large cuts in welfare-to-work funding targeted to cities; and the concentration of the hard-to-serve and those closest to time limits in cities suggest that urban areas may face additional difficulty helping clients into the workforce – and providing them with needed support services – during an economic downturn.

For these reasons, cities must not miss a crucial opportunity during TANF reauthorization to ensure that the federal welfare law and rules are sensitive to their unique and diverse challenges, both now and in the next five years. As states did in 1996, cities should help to set the agenda for the reauthorization debate in 2002. To that end, this paper:

1. Presents and analyzes available data that describe how the implementation of TANF has affected cities and their residents in poverty;

2. Identifies unique urban factors, including labor market features, TANF participant characteristics, and implementation issues that may affect the success of TANF and other related anti-poverty programs in cities; and

3. Offers proposals designed to support urban low-income workers, and to assist families in the city who still have deep obstacles to work.

This work is based on a review of the recent literature evaluating welfare reform programs in large urban areas, and interviews with a diverse group of constituencies involved in welfare and/or anti-poverty efforts in five cities: Los Angeles, Milwaukee, New York City, Philadelphia, and Seattle. These cities were selected based on a range of criteria including geographic diversity, strength of the local economy, variation in their implementation strategies and caseload declines, and other factors. The interviews were intended to identify urban issues and policy ideas of national importance rather than to document thoroughly local experiences.[1] The literature review and interviews were bolstered by a roundtable discussion among two dozen city, state, non-profit and national welfare experts (see Appendix for a list of participants).

A. The Status of Welfare Reform Nationwide

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 dramatically changed the nature of welfare assistance. It replaced the Aid to Families with Dependent Children (AFDC) program, which provided a federal entitlement to assistance for eligible needy families with children, with the Temporary Assistance for Needy Families (TANF) block grant to states. TANF has four stated purposes: 1) to provide support to poor families so that children may be cared for in their own homes or in the homes of relatives; 2) to promote job preparation, work and marriage in order to reduce families' receipt of government benefits; 3) to prevent and reduce the incidence of non-marital pregnancies; and 4) to encourage the formation and maintenance of two-parent families.

Under the new law, states are provided broad flexibility to design and implement programs to accomplish these goals and can, if they choose, further devolve these responsibilities to the

[1] In this paper, the terms "central city," "inner city" and "urban" are used interchangeably to describe cities set within metropolitan areas. Data describing the "city" sometimes refer to the central city (as defined by the Census Bureau), city (as defined by the city itself) or urban county (as defined by the Census Bureau). In each case, the authors are clear as to the scope of the data.

county level. States may use TANF funds for a range of benefits and services including cash assistance, earnings supplements to TANF and non-TANF recipients, child care and transportation subsidies, and education and training activities.[2] TANF currently provides $16.5 billion to states each year through 2002, the same amount the states received under the AFDC program in 1994. State policies regarding eligibility, benefit levels, services provided, time limits, and sanctions for non-compliance vary widely. There is no longer a single or dominant model for the provision of welfare benefits or services at the state or local level.

Notwithstanding states' broad flexibility in program design and implementation, the 1996 welfare law did have several proscriptive elements. The most notable are requirements that states' caseloads meet federally established work participation goals, and that states enforce a five-year lifetime limit on participants' receipt of federal cash assistance. Even in light of these requirements, however, striking changes in welfare policy design and program participation have occurred nationwide.[3]

- Welfare rolls have dropped sharply – by 57 percent from January 1994 (two and a half years before PRWORA) through September 2000.

- Labor force participation among former and current welfare recipients and other single mothers with children has risen sharply. The percentage of recipients engaged in work activities increased from 11 percent in 1996 to 33 percent in 1999.[4] Research on welfare leavers consistently shows that approximately 60 percent of mothers are employed at the time of interview, and that about 75 percent have been employed at some point since leaving welfare. Overall, the number of single mothers working increased by 25 percent between 1993 and 1999, with the largest increases (50 percent) among those who had never been married.

- Most recipients entering the labor force earn low wages, typically around $6.75 per hour. While poverty rates declined during the late 1990s for single female-headed households, many former recipients remain poor or near-poor even years after leaving welfare. A 1998 study found that five years after leaving welfare, 41 percent of families had incomes below the poverty line and 22 percent had incomes between 100 and 150 percent of poverty.[5]

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[2] States may use federal TANF funds for any activity reasonably calculated to accomplish a TANF purpose. However, only some education and training activities count towards meeting the law's work participation requirements. Based on discussion during the roundtable, it appears that few states/urban counties have pursued thus far large-scale strategies related to the out-of-wedlock birth reduction and family formation portions of the law.

[3] Unless otherwise noted, findings in this section are taken from Ron Haskins, Isabel Sawhill and Kent Weaver, "Welfare Reform: An Overview of Effects to Date," Brookings Institution Welfare Reform and Beyond Policy Brief No. 1, January 2001.

[4] Administration for Children and Families, *Annual Report to Congress*, August 2000.

[5] Marie Cancian, Robert Haveman, Thomas Kaplan, Daniel Meyer and Barbara Wolfe, *Work, Earnings and Well-Being After Welfare: What Do We Know?,* Institute for Research on Poverty, www.ssc.wisc.edu/irp, as reported in Julie Strawn and Karin Martinson, *Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce,* Manpower Demonstration Research Corporation, June 2000.

- States and local governments are now spending substantially less of their welfare funds on cash benefits, and more on job search assistance, child care subsidies, education, earned income tax credits, and other work supports. In some states, these changes are not only targeted at TANF recipients, but also are integrated into the state's supports for broader classes of low-income workers. During a prolonged recession, many states may shift their TANF funding priorities back toward cash benefits to support growing caseloads. On the other hand, some states may preserve a focus on work supports by using diversion payments and procedural barriers to keep cash assistance caseloads low.

B. Urban Caseload and Poverty Trends

A range of outcomes could be used to measure the success of TANF. One comprehensive measure might examine the overall economic and social well-being of very low-income families, including their incomes, receipt of critical supportive services including health care and child care, and measures of the well-being of their children.[11] Other measures might include reductions in teen pregnancy, increases in employment, and increases in child support payments by low-income fathers. A great deal of policy and media attention has focused on a more limited measure of success: reduction in TANF caseloads. As a result, detailed caseload level data are available, and shed some useful light on the status of welfare reform in cities.

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 lagged behind the national rate by more than 10 percentage points: the urban county and national caseload declines between 1994 and 1999 were 41 and 52 percent, respectively.[12]

As a result of these slower urban declines, the nation's welfare cases and the families they represent are becoming more concentrated in urban areas. The 89 urban counties contained one-third (33 percent) of the nation's population in 1999, but they accounted for 58 percent of the nation's welfare cases, up ten percentage points from 1994. Ten urban counties – including five from the state of California – now account for roughly one-third of the nation's welfare cases. Figure 1 shows

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[6] U.S. Census Bureau, *Historical Poverty Tables, Table 8: Poverty of People, by Residence: 1959 to 1999*, http://www.census.gov/hhes/poverty/histpov/hstpov8.html

[7] Derived from U.S. Census Bureau, *Historical Poverty Tables, Table 8: Poverty of People, by Residence: 1959 to 1999*, http://www.census.gov/hhes/poverty/histpov/hstpov8.html, and *Resident Population Estimates of the United States by Age and Sex,* http://www.census.gov/population/estimates/nation/intfile2-1.txt.

[8] U.S. Census Bureau,. http://ferret.bls.census.gov/macro/032000/pov/new15_000.htm.

[9] These trends are documented in Jargowsky, Paul A., *Poverty And Place: Ghettos, Barrios And The American City*. New York, Russell Sage, 1997.

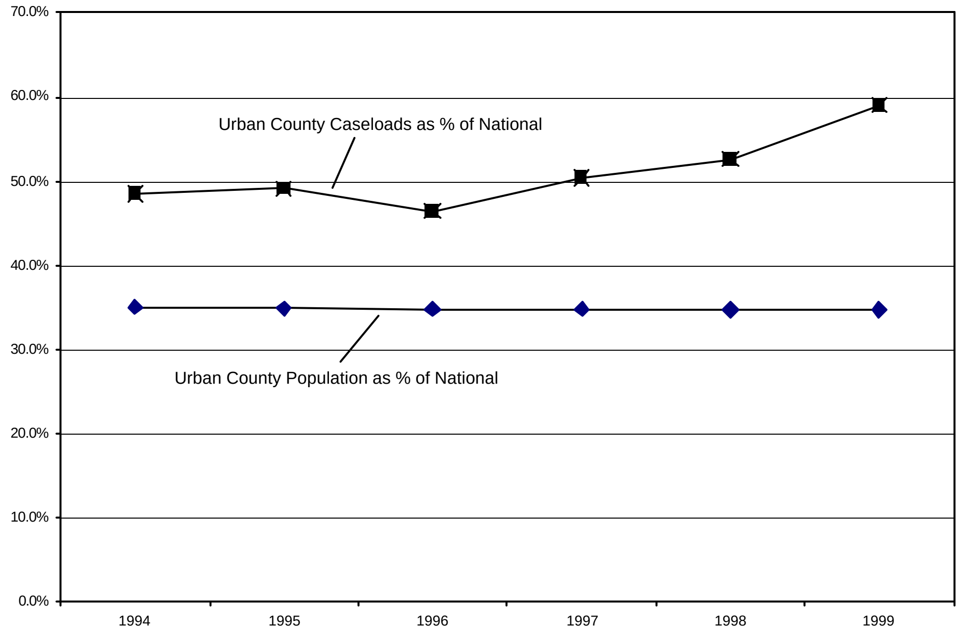
[10] Authors' calculations, based on U.S. Census Bureau Historical Poverty Tables.

[11] New performance measures to be used in allocating High Performance Bonus awards to states have more comprehensive measures of earnings, family formation, job retention and access to supportive services including health insurance through Medicaid and State's Children's Health Insurance Programs (SCHIP), food stamps and child care subsidies.

[12] Katherine Allen and Maria Kirby, *Unfinished Business: Why Cities Matter to Welfare Reform,* Brookings Institution Center on Urban and Metropolitan Policy, July 2000.

that while the percentage of the nation's population in the 89 urban counties was stable, their proportion of welfare cases grew significantly.

Figure 1. TANF Caseloads Are Increasingly Concentrated in Cities

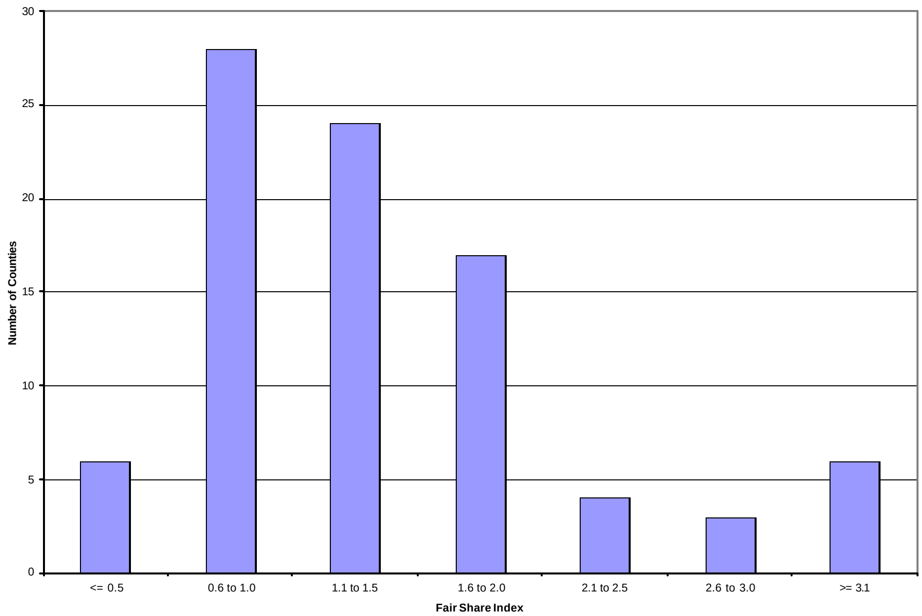


Source: Allen and Kirby (2000); U.S. Census Bureau

However, declines in urban TANF caseloads are not consistent across all cities. Allen and Kirby devised a "fair share index" and determined that nearly 40 percent (34 of 88) of urban counties examined had less than their per capita fair share of welfare caseloads.[13] That is, these counties had *fewer* TANF recipients than their share of statewide population would suggest. Sixteen urban counties bore more than twice their fair share of welfare caseloads, with five counties bearing more than four times their fair share of welfare caseloads.[14] (See Figure 2.)

[13] The Fair Share Index is a ratio of the county's percentage of the state welfare caseload in 1999 divided by the county's percentage of the state total population in 1999.
[14] Allen and Kirby, Appendix B, p. 15.

Figure 2. A Majority of Large Urban Counties Bear a Disproportionate Share of their States' Welfare Caseloads



Source: Allen and Kirby (2000)

While welfare program designs now vary dramatically from state to state, poverty continues to be a disproportionately urban phenomenon. In 2000, 16.1 percent of all residents in central cities were poor, compared to 7.8 percent of suburban residents and 13.4 percent of non-metropolitan residents.[15] As Table 1 shows, the disproportionate level of poverty in central cities has changed little since 1994. In addition, it shows that central cities have even more disproportionate numbers of the *very* poor – those earning less than 50 percent of the poverty line.[16] While home to 29 percent of U.S. population, central cities are home to 44 percent of the very poor.

Importantly, though, the most recent reductions in poverty have been concentrated in the nation's cities, with 75 percent of the nationwide drop in poverty between 1996 and 1999 occurring within central cities. The proportion of the poor found in cities in 2000, while still high, is lower than in any year since 1983.[17]

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[15] U.S. Census Bureau, *Poverty in the United States: 2000*, Table A.
[16] U.S. Census Bureau,. http://ferret.bls.census.gov/macro/032000/pov/new15_000.htm.
[17] Authors' calculations, based on U.S. Census Bureau Historical Poverty Tables.

Table 1. Poverty Remains Concentrated in Central Cities

	Central City		Suburb		Non-metropolitan	
	1994	*2000*	*1994*	*2000*	*1994*	*2000*
% of total population	29.5	29.1	50.2	52.4	20.2	18.5
% of total poor	42.3	41.6	35.5	36.4	22.2	22.0
% of very poor	44.4	43.3	35.0	36.2	20.6	20.5
Poverty rate (%)	20.9	16.1	10.3	7.8	16.0	13.4

Source: US Census Bureau

Poverty rates and TANF caseloads respond to a wide range of factors. According to a Council of Economic Advisers study, between 34 and 36 percent of the reduction in caseloads between 1996 and 1998 was attributable to TANF implementation. The study also attributed between 8 and 10 percent of the caseload reduction to economy-wide declines in unemployment, between 10 and 16 percent to increases in the minimum wage, between 1 and 5 percent to lower cash benefits, and between 35 and 45 percent to other unidentified factors.[18]

Variance among all of these factors – state policy, unemployment rates, labor market structure – at the city level may help to explain the range of TANF receipt seen in cities across the country. Some cities have very strong employment markets, and an abundant supply of jobs requiring relatively few skills. Others suffer from persistently high unemployment and a lack of job growth. Program managers in some cities are able to take better advantage of urban agglomeration effects—transportation can be more manageable, networking less difficult, and job programs more effective and plentiful than in suburbs or rural areas. In other large urban counties, severe spatial mismatches exist between the location of low-skill jobs and welfare recipients, and transportation and information networks are not aligned to help inner-city recipients get suburban jobs. Finally, some large urban counties are in states where strict sanctions policies reduce caseloads in cities faster than elsewhere in the state. Other large urban counties, however, continue to provide cash assistance to families even as their earnings approach the poverty line, and retain larger caseloads as a result.

C. TANF Reauthorization: An Urban Opportunity

Because TANF is more of an urban program now than it was five years ago, cities have an even greater stake in the debate over the future of welfare reform. Beyond considerations over cities' disproportionate share of caseloads, though, welfare reform should be viewed as central to promoting neighborhood stability in our nation's inner cities, given its role in mitigating urban poverty and enhancing the earnings of low-income residents. Raising the incomes of poor mothers and helping them to enter the workforce has proved instrumental in improving the well-being of their

[18] *The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update*, the Council of Economic Advisers, Table 3.

children.[19] Increasing rates of work may change the character of high-poverty urban neighborhoods and contribute to the formation of more stable families.[20] The large investments in *people* that constitute the federal welfare and work support budget may have large, positive economic impacts on *places*, especially in cities where recipients are most concentrated.[21]

The role of an array of programs, including TANF (and programs supported by state maintenance-of-effort funds), the Earned Income Tax Credit, Food Stamps, Medicaid and the State Children's Health Insurance Program (SCHIP), child support, and federal housing and child care subsidies are likely to be considered during or in concert with TANF reauthorization in 2002. Together, these policies can help move the urban poor toward economic self-sufficiency, thereby reducing the deep concentrations of poverty that have hamstrung many urban neighborhoods in recent years. These programs entail very large financial investments in city residents.[22]

As home to disproportionate numbers of the poor and of TANF recipients, cities have a significant stake in the upcoming reauthorization of TANF and other related anti-poverty programs. The effects of a flagging national economy may also be particularly pronounced in inner cities, giving urban leaders further reason to focus on how the new safety net will respond in the event of prolonged economic decline.

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.

To further examine the spatial dimensions of welfare reform in U.S. cities, the Brookings Urban Center convened a roundtable in March 2001 with representatives from city and state human services agencies, and national welfare policy experts and researchers, to explore the urban agenda on TANF reauthorization. In large part, participants agreed that while cities and their residents suffer disproportionately from the effects of concentrated poverty, the remedies for these problems do not exist in narrow programs at the federal level targeted at certain places. They believed instead that

[19] Pamela A. Morris et al. *How Welfare and Work Policies Affect Children: A Synthesis of Research.* Manpower Demonstration Research Corporation, March 2001.
[20] See, e.g., William Julius Wilson, *When Work Disappears: The World of the New Urban Poor*, New York, Knopf, 1996.
[21] A recent Brookings study found that there were several zip codes in cities including New York, Chicago, New Orleans and Memphis where families collectively received over $20 million from the EITC in 1998. Alan Berube and Benjamin Forman, *A Local Ladder for the Working Poor: The Impact of the Earned Income Tax Credit in U.S. Metropolitan Areas*, Brookings Center on Urban and Metropolitan Policy, September 2001.
[22] For instance, a recent legislative report concludes that W-2 – the state of Wisconsin's pioneering welfare reform program – invested $267 million in support payments and training resources in Milwaukee County residents over a recent 16-month period. Wisconsin Legislative Audit Bureau, *An Evaluation of Wisconsin Works (W-2)*: Department of Workforce Development, April, 2001, available online at http://www.legis.state.wi.us/lab/Reports/01-7tear.htm.

cities should focus primarily on two broader priorities in the upcoming debate: maintenance of program flexibility; and support for universal national policies that support low-income working people. Most participants felt that giving cities the flexibility to respond programmatically to their particular urban circumstances, and strengthening work supports like the EITC and subsidized health care that provide disproportionate benefits to cities, were the critical ingredients for urban success in the next five years of welfare reform.

The next section of this paper considers the unique characteristics of cities, and their TANF caseloads, that affect the successful implementation of welfare reform. It integrates specific examples from five "focus" cities visited as part of this project. The final section of the paper outlines a possible urban agenda for TANF reauthorization, offering policy options that could improve the effectiveness of welfare reform for cities, their low-income residents and the neighborhoods where they live. An appendix contains additional information on each of the five focus cities.

II. THE UNIQUE CHALLENGES OF WELFARE REFORM FOR URBAN AREAS

To supplement the existing research on how welfare reform is playing out in urban areas, we selected five cities for particular focus in our research. Our five "focus" cities, Los Angeles, Milwaukee, New York, Philadelphia and Seattle, were selected for their size, their range of experiences under TANF (both in terms of state policy design and implementation), their geographic diversity, and the diverse political alignments of their mayors, state legislatures and governors. The authors interviewed influential stakeholders in each city, including city/county welfare administrators, senior city officials and welfare policymakers, academics and welfare reform researchers, and state or local advocates who follow TANF issues closely. We sought to gain the broadest possible range of perspectives on the experience with TANF in these communities to date, and on what types of changes could be made at federal, state or local levels to improve outcomes in cities. Appendix A contains brief descriptions of the authors' most important observations from visits to each city, as well as basic information on caseloads, welfare policies and labor markets for each of the cities.

Interviewees for this report argued that many cities face two primary obstacles in moving the poor from welfare to work and to self-sufficiency: the characteristics of urban labor markets, and the characteristics of the urban poor. In addition to these two primary differences, cities also vary in their relative stock of affordable and stable housing, level of serious crime and public safety issues, degree of administrative fragmentation within the design and implementation of welfare and work support services, and the level of coordination among service providers. When combined with the continuing high levels of poverty and TANF receipt in many cities, these factors suggest that federal and state policymakers should consider the unique attributes of cities when crafting welfare reform and other anti-poverty strategies.

A. Characteristics of Urban Labor Markets

While urban labor markets vary considerably, there are fundamental questions about the opportunities for TANF recipients and other low-income people who might be seeking jobs in cities.

1. Are There Enough Jobs?

Despite strong economic growth in recent years, cities have substantially higher rates of unemployment than their surrounding suburbs. In June 2001, the central city unemployment rate for the Census Bureau's 331 metropolitan areas was 5.3 percent, compared to 3.9 percent in the suburbs. Among the 50 largest MSAs, the unemployment rate spread was slightly larger: 5.4 percent in central cities vs. 3.8 percent in suburbs.[23]

Cities have also been creating new jobs more slowly than their suburbs. Between 1992 and 1997, the number of jobs at all skill levels in cities grew 8.5 percent, less than half of the 17.8

[23] HUD State of the Cities Data System, http://socds.huduser.org/BLS_LAUS/emplstat.pdf.

percent job growth rate in suburbs. Due to substantial job growth in the later years of this period, only 13 of 114 central cities examined in a recent HUD report experienced negative job growth from 1992 to 1997. However, cities that lost jobs over the period included those with some of the slowest-declining caseloads in the nation: Los Angeles, Richmond, Detroit, Hartford, and Washington, D.C.[24]

Higher unemployment rates and lower job growth do not necessarily mean that central city job markets cannot absorb TANF participants effectively. In fact, it appears that to date, there have been sufficient numbers of jobs for welfare recipients ready to work in many, if not all, metropolitan labor markets. Two recent studies indicate that, due to the buoyancy of the economy, metropolitan labor markets have successfully absorbed welfare recipients who are seeking work. Certain metropolitan areas and their central cities, however, have not met with the same degree of success:

- Robert Lerman and Caroline Ratcliffe of the Urban Institute reviewed labor market outcomes for single mothers looking for work between 1996 and 1999. They found that in 20 metropolitan areas, the overall share of single mothers looking for work or working jumped from 67 to 79 percent. Moreover, between early 1996 and the middle of 1998, the employment of never-married single mothers in these 20 metropolitan job markets rose by 40 percent. The study found that across these markets, 76,000 single mothers entered the labor force per year, while the number of jobs held by single mothers grew by 93,000 per year. Yet while the majority of regions Lerman and Ratcliffe studied experienced an increase in labor force participation among single mothers, Baltimore and Detroit experienced an absolute decline in the number of single mothers in the labor force. Wage trends for single mothers also varied by region: New York and Los Angeles, the two regions with the largest caseloads in the nation, had the weakest growth in nominal wages. Single mothers in Detroit, surprisingly, experienced above-average wage growth, despite their declining labor force numbers.[25]

- Similarly, a study by Harry Holzer and Michael Stoll found encouraging employment outcomes, but with several qualifications. The authors conducted a detailed survey in 1998 and 1999 of over 3,000 employers in four major metropolitan areas: Los Angeles, Chicago, Cleveland, and Milwaukee. Overall, the study found many positive employment results for welfare recipients. For all four metro areas, the jobs filled by welfare recipients pay an average of $7 per hour and generally provide 40 hours of work per week; employers are willing to contribute to health care coverage in two-thirds of the jobs.[26] However, Holzer and Stoll also found that employer demand for welfare recipients is greater among suburban employers than city employers, and that new low-skill job opportunities are often located far from recipients in the inner city – particularly in Los Angeles and Chicago.[27] A significant

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[24] HUD, *State of the Cities 2000*, Exhibit 1-2, p. 5 and Exhibit 1-2 pp. 6-8.
[25] Robert I. Lerman and Caroline Ratcliffe, "Did Metropolitan Areas Absorb Welfare Recipients without Displacing Other Workers?" Number A-45 in Series, *New Federalism: Issues and Options for States*, the Urban Institute, Washington, November 2000, http://newfederalism.urban.org/html/anf45.html.
[26] Harry Holzer and Michael Stoll, *Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace,* Public Policy Institute of California, San Francisco, CA. January, 2001.
[27] Holzer and Stoll, *Meeting the Demand*.

portion of the jobs filled by welfare recipients still pay relatively low wages, provide few working hours, or offer no health insurance. There are also large numbers of welfare recipients who lack the skills or personal circumstances to keep jobs once they find them. High turnover and weak performance are significant problems for one-fourth to one-third of welfare recipients hired in all four cities. Absenteeism is particularly problematic and often linked to child care and transportation issues.

Both studies also raise serious questions about the consequences of a significant economic downturn on the employment opportunities for TANF recipients and other very low-income workers.

2. Are Metropolitan Jobs Accessible to City Welfare Recipients?

Data above suggest the existence of a "spatial mismatch" between where urban job seekers live and the predominantly suburban locations of available jobs. Though researchers still remain divided on the importance of spatial mismatch in explaining urban employment patterns, the preponderance of recent evidence suggests that the effects are real and significant in a number of metropolitan areas.[28] A study of five metro areas (including Los Angeles, Milwaukee, and Philadelphia) found that the degree of spatial mismatch varies considerably across metropolitan areas. The study found that four factors underlie the degree to which these cities experience a spatial mismatch: 1) the degree of job decentralization and labor market tightness between the center city and its suburbs; 2) the level of racial segregation; 3) the size of the metro area — both population and geography; and 4) the adequacy of its transportation system.[29]

Many of these issues arose during our interviews, and are discussed in greater detail below:

a. City-Suburb Labor Market Disparities

In Milwaukee, a May 2000 survey revealed that most entry-level job openings are located in outlying counties and the Milwaukee County suburbs. Eighty-nine percent of full-time and 83 percent of part-time entry-level openings 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 (the state of Wisconsin's welfare reform program) participants lived. In these central city neighborhoods, job openings (1,707 full-time and 739 part-time) fell far short of the estimated 11,400 unemployed persons considered to be actively seeking work in May 2000 and the 3,770 W-2 cases.[30] Similarly, the Illinois Family Study found that nearly one-quarter of all Cook County TANF workers worked at a job more than 20 miles away from where

[28] Keith Ihlanfeldt and David Sjoquist. 1998. "The Spatial Mismatch Hypothesis: A Review of Recent Studies and Their Implications for Welfare Reform." *Housing Policy Debate* 9(4), pp. 849-892.
[29] Margaret Pugh, *Barriers to Work: The Spatial Divide between Jobs and Welfare Recipients in Metropolitan Areas*, Brookings Center for Urban and Metropolitan Policy, Washington, September, 1998, http://www.brook.edu/es/urban/mismatch.pdf.
[30] John Pawasarat and Lois M. Quinn, *Survey of Job Openings in the Milwaukee Metropolitan Area: Week of May 15, 2000* Employment and Training Institute, University Outreach, University of Wisconsin-Milwaukee, 2000.

they lived, more than double the percentage of TANF workers who commuted that far in less urban and rural counties.[31]

City-suburb disparities in employer demand are also reflected in wage levels. Interviewees in New York and Philadelphia noted wage disparities between entry-level jobs in cities compared to suburbs. For example, one Philadelphia interviewee said that a home health care position in the city would likely pay the minimum wage, while one in a suburban county might pay $10.50 per hour. Researchers find a positive correlation between distance traveled to work and wages earned in Milwaukee as well.[32]

b. Discrimination and segregation

Despite more than a generation of legal battles, legislation and debate, employment discrimination continues to occur frequently. Christopher Edley, Jr. cites Fair Employment Council of Greater Washington and Urban Institute research conducted in the early 1990s that concluded that "blacks were treated worse [in employment interviews] than equally qualified whites 24 percent of the time and Latinos were treated worse 22 percent of the time. . . ."[33] There is also evidence that suburban employers are less likely to hire inner-city workers. This is especially true in smaller firms and at establishments that serve primarily white customers, pointing to racial discrimination as a root cause of these disparate hiring practices.[34]

Discrimination is still found in housing markets as well, serving to keep many U.S. metropolitan areas highly residentially segregated, and to keep many minority families far from employment opportunities. Urban Institute research demonstrated that black and Hispanic testers faced discrimination in roughly half of their contacts with real estate agents. A 1999 Urban Institute re-analysis of an earlier study on mortgage lending patterns in Boston concluded that differences in loan denial rates between black and white applicants establish a presumption that discrimination continues to exist.[36]

These findings were reinforced by most interviewees in the five focus cities, who frequently mentioned that despite the abundance of jobs in suburban areas, inner-city residents (who in most cities are more likely to be minorities) had difficulty securing them. For example, interviewees in

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[31] Dan A. Lewis, Kristen L. Shook, Amy Bush Stevens, Paul Kleppner, James Lewis, Stephanie Riger, *Work, Welfare and Well-Being: An Independent Look at Welfare Reform in Illinois,* Illinois Family Study, Project Description and First Year Report, The University Consortium on Welfare Reform, November, 2000, Table 24, p. 34.
[32] John Pawasarat and Lois M. Quinn, "Integrating Milwaukee County AFDC Recipients into the Local Labor Market," Employment and Training Institute, University of Milwaukee-Wisconsin, November, 1995, p. 15, quoted in Pugh, p. 27.
[33] Christopher Edley, Jr. *Not All Black and White: Affirmative Action and American Values*, Hill and Wang, 1998, pp. 42-47.
[34] Harry Holzer, *What Employers Want,* Russell Sage Foundation, 1996.

[36] Margery Austin Turner and Felicity Skidmore, eds. 1999. *Mortgage Lending Discrimination: A Review of Existing Evidence*. Urban Institute.

Philadelphia and New York reported that suburban mall shop owners outside the cities avoided minority hires referred by city employment projects, deferring to their predominantly white customers' supposed preferences. In Milwaukee, W-2 service providers said that suburban employers acknowledged they were recruiting employees from Eastern Europe, rather than hiring African-American residents from the city.

c. Social Isolation within the City

Two Philadelphia job placement directors pointed to another, more subtle barrier: extreme social isolation within lower-income inner-city neighborhoods. The traditional spatial mismatch argument suggests that good jobs are in the suburbs, and that inner-city residents could gain employment if they were able to reach those jobs. The Philadelphia interviewees noted that with the concentration of poverty in inner-city neighborhoods, working role models are few, supportive networks are absent, and the most basic life-skills, such as finding the bus route from the neighborhood to a downtown job site, were beyond the reach of too many of their inner-city clients.[37] They reported that these women would not be able to routinely commute 12 blocks without extensive social and life-skill training and assistance.

Social isolation also appears to matter after recipients enter the workforce. Researchers in Los Angeles found that fully 46 percent of Latinos and 41 percent of blacks in a sample of welfare recipients who found work lived in high-poverty neighborhoods.[38] Although unemployment rates for those living in high-poverty and low-poverty neighborhoods were roughly the same (around 33 percent), earnings among leavers from low-poverty neighborhoods were consistently higher than earnings among leavers from high-poverty neighborhoods: 17 percent higher for African-Americans, and 14 percent higher for Latinos.[39]

d. Transportation

If inner-city residents remain in place and commute to suburban jobs, they can face long bus rides with inadequate connections and timetables; in some areas, they may face a dearth of bus or subway routes. Seattle's system offers good service north to south, but few routes from downtown to the job-rich suburbs to the east. Philadelphia transit passes function throughout the metro area's suburban counties, but not in nearby New Jersey, increasing costs for recipients seeking jobs in that state.[40]

Private vehicles can expand employment opportunities for welfare recipients – car ownership in Los Angeles, for example, is strongly correlated with employment status.[41] But few welfare

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[37] See Wilson, *When Work Disappears*, for further insights into the inner-city neighborhood effects of social isolation and persistent joblessness.
[38] The sample was comprised of those who found work in 1995.
[39] Drayse, et al p. 150 154, 157.
[40] Electronic communication with Donna Cooper, March 12, 2001.
[41] Manuel Moreno, Nicole Eisenberg, Paul Ong, Doug Houston, Terry Bills, John Horton, Linda Shaw, *Assessing the Transportation Needs of Welfare to Work Participants in Los Angeles County, Executive Report,*

recipients own cars due to the substantial expense of ownership, maintenance and insurance. The low level of car ownership persists despite the fact that all states have increased the $1500 vehicle "asset limit" under the old AFDC system so that more working welfare parents could have access to reliable transportation. Twenty-two states have no asset limit on the value of at least one car owned by a family on welfare.[42] In Milwaukee, only 12 percent of adult recipients own a car; another 22 percent have a car in their household. Researchers in that city have also found that only a quarter of welfare recipients have valid drivers' licenses, due in part to suspensions or revocations for non-payment of fines and civil forfeitures, rather than for traffic-related violations, driving-while-intoxicated, or drug convictions.[43]

Barriers to car ownership for low-income workers do not end with purchase costs and licensing. Contacts in Philadelphia pointed out that annual car insurance costs can reach $2000 in the city, but are much lower in the suburbs, posing a differential barrier for city-dwellers. A 1998 Philadelphia study concluded that an employee earning $6 per hour and working 30 hours per week would devote 11 percent of his/her income to car ownership and maintenance.[44] In Los Angeles, insurance rates vary dramatically among neighborhoods, and insurers charge the highest rates in high-poverty neighborhoods.[45]

These transportation barriers have significant effects. Studies in Milwaukee have shown that single mothers with cars are much more likely to be employed. For those single women with young children and a car, 42 percent were employed full-time and 16 percent worked part-time. Single mothers without cars and with young children worked significantly less often – only 12 percent were employed full-time and 11 percent part-time.[46] Public transit can improve employment opportunities as well. An extension of the BART system into a suburban area southeast of Oakland was found to significantly increase hiring rates for urban minority workers at employers surrounding those stations.[47]

3. Do the Jobs that Are Available Pay Enough to Make Families Better Off?

There is limited evidence available on the question of whether work makes former and current TANF families in cities better off financially, and the evidence that is available is mixed. Statewide studies of welfare leavers consistently find that about 60 percent of former recipients are

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Urban Research Division, Chief Administrative Office, County of Los Angeles. Prepared for the Los Angeles County Department of Public Social Services, November 2, 2000, p. 2.

[42] See http://www.spdp.org/tanf/financial/asset.pdf. Michigan excludes all vehicles from the limit.

[43] Pawasarat and Stetzer, *Removing Transportation Barriers to Employment*.

[44] Pennsylvania Economy League, p. 32. National studies have show that poor households may spend even higher proportions of their limited income on transportation. According to the Surface Transportation Project's report *Driven to Spend,* (http://www.transact.org/Reports/driven/driven.htm), the poorest Americans spend an average of 36 percent of after-tax income on transportation.

[45] Interview with Paul Ong, UCLA School of Public Policy and Social Research, January 10, 2001.

[46] Pawasarat and Stetzer, p. 3.

[47] Harry Holzer, John Quigley and Steven Raphael, "Public Transit and the Spatial Distribution of Minority Employment: Evidence from a Natural Experiment." Working Paper W01-002, Institute of Business and Economic Research, University of California, Berkeley, June 2001.

working at any one time. In many cases, however, less than 60 percent of former recipients have actually increased their incomes as a result of moving into the workforce. Research from Wisconsin finds that a year after leaving welfare, between 55 and 60 percent of leavers had total incomes at least $1,000 lower than the previous year. Only about 30 percent had increased their income by more than $1,000.[48]

An analysis of the experience of Los Angeles welfare recipients who had left welfare for work under GAIN (the predecessor to CalWORKS, the state's TANF program) showed similar results. It found that 84 percent of all welfare recipients who went to work at some point between 1990 and 1997 still lived in poverty in 1997. Of the 99,469 welfare workers in the sample, 30 percent were unemployed in 1997, and 54 percent were working but had earnings below the federal poverty line. Only 16 percent had earnings that exceeded the federal poverty line.[49] The study identified three key factors that allowed wages to grow over time: work experience, placement in higher wage industries and, to a lesser extent, educational achievement.[50]

Research findings from Milwaukee County on the earnings of welfare leavers echoed the Los Angeles results. Quinn and Pawasarat studied 7,502 single parents who left W-2 as of September 1996 to determine their earnings in the subsequent three months. They found that while two-thirds of former recipients had earnings in the fourth quarter of 1996, only 16 percent earned income of $4,000 or above, sufficient (on an annual basis) to lift their families out of poverty. Following this subset of families, they found that only half were able to sustain that level of earnings in the first quarter of 1997, suggesting that perhaps less than 10 percent of Milwaukee County welfare leavers actually attained above-poverty level earnings in the year after they left the rolls.[51]

In many cities, even poverty-level earnings – which do not take into account the varying costs of living across the U.S. – do not allow families to achieve a basic level of self-sufficiency. Researchers from the Economic Policy Institute constructed "basic family budgets" that measure, by metropolitan area, "the income a family requires to afford basic needs for a safe and decent standard of living." The budgets reflect the costs of housing, child care, health care, food, transportation and taxes. In the five focus cities studied in this report, the researchers found that it would cost a one-parent, two-child family between $33,000 (Milwaukee) and $44,000 (New York) to cover these basic needs – two and a half to three times the poverty level for a family of that size.[52]

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[48] Marie Cancian and Daniel Meyer, "Work After Welfare: Women's Work Effort, Occupation, and Economic Well-Being," *Social Work Research,* National Association of Social Workers, Washington, D.C., May 2000. pp. 27-28. The study's definition of total income included earnings, cash assistance, food stamps, earned income tax credits, payroll and income taxes, but did not account for work expenses.
[49] Drayse, *et al,* . Table 5, pp. 70, 72-3. These figures did not include receipt of the federal Earned Income Tax Credit.
[50] Drayse, *et al.*, pp. 74-75.
[51] Quinn, Lois and John Pawasarat. *Tracking Welfare Reform Quickly: Data Techniques to Measure Inner-City Economic Changes*, Brookings Institution Center for Urban and Metropolitan Policy, Washington, forthcoming.
[52] Heather Boushey et al. 2001. *Hardships in America: The Real Story of Working Families*. Washington: Economic Policy Institute.

In the end then, it appears that recipients leaving welfare earn modest wages, and that even over time, these wages may not increase appreciably. Not only do these earnings fail to lift many former recipients' families above the federal poverty line, but also they leave these families far short of a budget that would allow them to pay for the necessities associated with working life.

B. Characteristics of Urban Welfare Participants

1. Urban Caseloads Include More Recipients with Multiple Barriers to Employment

As TANF caseloads have declined, research indicates that many heads of households that now remain on the rolls have more significant barriers to employment. These include lower levels of education and basic skills, less work experience, longer spells of past welfare receipt, lack of English fluency, having a child with a disability, or problems with mental health, substance abuse or domestic violence. Those with multiple barriers are less likely than others to be able gain the benefits of work and independence that TANF is structured to help participants achieve.

The trend towards families and individuals with more complicated barriers to work may be especially pronounced in cities:

- In Milwaukee, researchers found that TANF recipients in 1997 were more likely to have multiple barriers to employment – lower levels of education, more children, and more disabled children – than recipients in other parts of the state, and than Milwaukee welfare recipients in 1995.[53]

- In Illinois, a 1998 sample of TANF recipients found that Cook County recipients were less likely to have had previous work experience, had lower high school graduation rates, and were less likely to have married compared to recipients from less urban counties and rural areas. Cook County recipients were substantially less likely to be working than recipients in other parts of the state.[54]

- In the District of Columbia in 2000, officials estimate that two-thirds to three-quarters of the city's welfare recipients read between a third and sixth grade level, while job trainers in the Washington area require eighth grade reading proficiency in order to train clients for all but the lowest-skill jobs.[55]

- Limited data from employer surveys suggest that a lower quality candidate pool in the Philadelphia region appears to be keeping employers from filling vacant jobs.[56] The training programs that can work with low-literacy clients and successfully place them into good jobs

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[53] Cancian and Meyer, Appendix, Table 1.
[54] Lewis, *et al*, Table 2, p. 5; Table 5, p. 15; Table 7, p. 17.
[55] Carol S. Meyers, *The District and Baltimore Face Double Whammy in Welfare Reform*, Brookings Greater Washington Research Program, May 2001, p. 3.
[56] Pennsylvania Economy League, *Workforce 2000*, *An Annual Report on Greater Philadelphia's Labor Market*, The Reinvestment Fund, Philadelphia, May 2000, p. 27.

are few and far between; the urban welfare recipients who read at such low levels, unfortunately, are not as rare.

- In Detroit in February 2000, nearly one-third of adult recipients residing in Wayne County were from households with six or more individuals, likely reflecting the added challenge of finding and retaining work while managing a household with a large number of dependents.[57]

The presence of these barriers matters. A report on welfare reform in Los Angeles found that education, work history, and type of industry that a worker is employed in explain nearly one-quarter of the differences in earnings among welfare workers.[58] Greater Philadelphia Works staff found a significant positive correlation between reading rates and wages.[59] To the extent that urban residents have lower educational attainment and literacy skills, they can face greater barriers to achieving self-sufficiency.

2. Urban Caseloads Include More Long-Term Recipients Who May Face Time Limits

Few participants have yet begun to trip time limits for state-set time limits, but many will face federal 60-month time limits over the next year. For a number of states, the majority of households who will be affected likely live in central cities. This is because of the disproportionate concentration of remaining caseloads in cities, and the disproportionate concentration of longer-term receipt among central city recipients.

In New York state, recent estimates suggest that 83 percent of the 71,000 families who will reach their 60-month time limit reside in New York City.[60] Over half of D.C. cases in July 2000 were "long-term," having received benefits for at least 30 of the most recent 41 months, a much larger share than in surrounding suburban jurisdictions.[61] Welfare recipients in Milwaukee in 1997 were substantially more likely than recipients in other parts of the state to be in the midst of a welfare spell of more than 24 months (54 percent for Milwaukee recipients compared to 31 percent for rural recipients).[62]

Some urban areas have already felt the sting of shorter state-enforced time limits. Cuyahoga County (Cleveland) was home to 1,725 of the 4,000 Ohio residents who hit the state-imposed 36-month time limit in October 2000. County staff completed a detailed assessment of each of these families in the months before October. They found that roughly one-third were working (though still eligible for some cash assistance), one-third were likely to be working soon, and

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[57] Scott W. Allard, *Place, Race and Work: The Dynamics of Welfare Reform in Metropolitan Detroit*, Brookings Center on Urban and Metropolitan Policy, September 2001.
[58] Drayse, *et al*, Executive Summary.
[59] Pennsylvania Economy League, p. 8.
[60] Somini Sengupta, "71,400 Poor Families Nearing Limit on Federal Benefits," *New York Times,* February 10, 2001.
[61] Meyers, p. 5.
[62] Cancian and Meyer, Appendix, Table 1.

one-third of the families faced "significant barriers" to work. Seventy of this last group of participants took advantage of a short-term transitional job offer and 200 used short-term cash assistance.[63]

In a number of cities, long-term welfare recipients may not actually be at risk of losing all of their cash assistance thanks to state or county policies that provide exemptions past the federal time limit for participants who are engaged in work activities, or provide benefits to children when adult assistance is terminated. Nevertheless, in a climate of shrinking state budget surpluses, it is reasonable to expect that those states that seek cost savings in their social services budgets may look to these cases first when considering reductions in cash assistance, since their assistance is derived entirely from state dollars.

It should be noted that from its inception, the crafters of the TANF law always assumed that up to 20 percent of those on welfare would be exempt from the 60-month lifetime limits on *federal* cash assistance based on hardship. However, the *absolute number* of exemptions from time limits has fallen sharply as caseloads have declined. Since caseloads have fallen by more than 50 percent nationwide, the number of exemption slots has fallen by over 50 percent as well. But the number of participants with multiple barriers to work that would otherwise make them eligible for an exemption is unlikely to have fallen in proportion to the total caseload. Since the majority of those on TANF and the majority of those with multiple barriers to work reside in cities, cities may be hit harder than other areas by the federal time limit. To the extent that city residents who left welfare for work had longer spells before leaving the rolls than recipients from other areas, cities will also face difficulties in supporting former clients who lose their jobs during the economic downturn.

3. Urban Households Are More Likely to Face Sanctions

Perhaps in part because of the greater likelihood of barriers to employment outlined above, urban recipients are more likely than their suburban or rural counterparts to be sanctioned for failure to comply with program rules and requirements. As a result, sanctions may have disproportionate effects on urban populations.[64]

Evidence from the states supports this thesis. For instance, of 823 full-family sanctions in place in Pennsylvania in August 2000, 625 were in Philadelphia.[65] In Milwaukee County, 28 percent (1,447) of recipients receiving W-2 payments in 1999 were being sanctioned, as compared to 16 percent of cases (242 with sanctions) in the balance of the state. The average amount of the sanction was more than half of the total grant amount. Sanctions in Milwaukee County in 1999

[63] Bette Meyer, Deputy County Administrator, Cuyahoga County, March 5, 2001 email communication, 5/3/01.
[64] At this point in the evolution of TANF, families are more likely to be removed from TANF as a result of sanctions than as a result of reaching either state- or federally set time limits. Nationwide, Bloom and Pavetti estimate that 500,000 families have lost all TANF assistance as a result of sanctions, with an unknown share in cities.
[65] Community Legal Services, *Welfare Law Update 2000*, "Planning for Year Five," p. 3.

totaled $10.6 million, a potentially significant sum foregone in the neighborhood economies where recipients reside.[66]

Many participant actions that result in sanctions are under the personal control of individual adult recipients. Others may result from unavoidable complications with health, child care or transportation arrangements. Some would argue that long-standing, severe, concentrated urban poverty has led directly to the personal barriers to success that many urban participants face today, and that sanctions largely result from these barriers. Whatever the reason for the higher incidence of sanctions in cities, the evidence strongly suggests that women in urban areas face more problems entering and staying in the workforce than women in non-urban areas, and that families and neighborhoods in cities may suffer as a result.

C. Other Issues May Hinder Urban Success

While labor markets and caseload characteristics constitute two of the most important differences between urban areas and other areas in welfare reform, interviewees identified a number of other factors that could make successful transitions from welfare to work more difficult in urban areas. As noted, states have implemented TANF in very different ways, consistent with welfare reform's philosophy of devolution. At its best, this state-level flexibility enables states to develop or support programs in cities that meet the unique needs of city residents, and improves administrators' ability to move those residents from welfare to work. Based on our interviews, however, several problems that have particular relevance for cities stand in the way. These include: lack of sufficient administrative funding; jurisdictional fragmentation and lack of service coordination; higher urban costs of living (particularly housing), higher crime and related obstacles, and limited performance-based data to ensure continuous improvement of urban programs.

1. Insufficient Administrative Resources

In some cities we visited, interviewees described a fundamental split (in some places, a fundamental distrust) between the state's legislature, its governor, and/or the mayor of the city visited. As the legislature and the executive developed their TANF program, some interviewees felt that the concentration of caseloads in urban areas and the unique needs of city participants were not reflected in the allocation of administrative dollars, sometimes for reasons of state or national politics.

- Some noted that state administrative and/or program funding dollars were distributed in a politicized fashion throughout the state, rather than on a per capita basis, leaving cities that are politically weak in the state house at a disadvantage. Although Philadelphia was home

[66] Unpublished state data provided to author by Pamela Fendt, University of Wisconsin-Milwaukee Center for Economic Development, February 16, 2001.

to 46 percent of the state's caseload in February 1998, the Department of Public Welfare planned to target only 34 percent of job search assistance slots there.[67]

- Because TANF cash assistance caseloads have fallen more quickly outside of cities, while staff numbers have generally remained stable, urban staffers have higher per-worker caseloads than non-urban staffers. This is particularly true in states such as Wisconsin, where nearly 90 percent of the remaining caseload resides in Milwaukee County and a number of counties no longer have any open TANF cases. Many states and counties now assist working poor families with work supports funded through TANF, but these services tend not to be as labor-intensive as those provided to clients who remain on the rolls.

Additionally, because urban TANF participants tend to have deeper barriers to work, urban staffers generally require more intensive programmatic assistance, and more resources per case. Thus, some urban counties start out with less money, get fewer advantages from caseload declines, and have more intractable problems to resolve with those funds they do receive from states.

2. Jurisdictional Fragmentation

Most large U.S. cities are located within labor markets that span several counties, and in some cases, two or more states. As a result, inter-jurisdictional fragmentation makes effective job-hunting more difficult for clients. For instance, Philadelphia's TANF participants can find work in any one of several suburban Pennsylvania counties, and also in New Jersey. New Yorkers can look throughout the tri-state area for work. However, many states organize their welfare programs along county lines, either delegating responsibility to the counties, or organizing their state staffs along county lines.

In contrast, the workforce system administers programs in service delivery areas, which have a much less consistent administrative geography at the local level. For example, there are nine service delivery areas for workforce programs in Los Angeles County. Some cities are set within larger counties, while some have boundaries that are coterminous with county lines. As a result, job placement and other support services for the urban poor are frequently fragmented to a far greater extent than are services for the non-urban poor. Many of those interviewed argued that jurisdictional fragmentation leads to less effective services for TANF participants.

3. Lack of Coordination Among Service Providers

While the density of programs in urban areas could make coordination among support systems (for instance, domestic abuse services, child care services, and so on) easier, many of our interviewees argued that such coordination is more difficult than in non-urban areas. Significantly, in

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[67] Janet E. Raffel, *TANF, Act 35, and Pennsylvania's New Welfare System*, 21st Century League, Philadelphia, June, 1998. Most interviewees agreed that urban areas enjoy some economies of scale due to geographic and programmatic density. At the same time, they argued that their caseloads are, generally, much more difficult to serve effectively.

each city visited, there appeared to be serious problems in ensuring that former TANF clients still eligible for food stamps and/or Medicaid receive this assistance.[68] For example, Philadelphia interviewees note that "…[b]y the state's own count, at least 32,000 women and their children in [Philadelphia] inadvertently lost their Medicaid coverage."[69] In New York City, a Human Resources Administration report found that only 14 percent of those who left TANF in recent years received Medicaid, though "virtually all were entitled."[70] There is no definitive evidence suggesting that this problem is more prevalent in urban areas than non-urban ones. However, because so many more current and former TANF participants are now residing in urban areas, and because these benefits are especially crucial for urban families facing high costs of living, cities may bear the brunt of any failure to coordinate the provision of these services.

4. Housing

Program administrators and advocates in a number of cities, including relatively low-cost housing markets like Milwaukee and Cleveland, pointed to housing affordability as a significant barrier to steady employment. A recent study in Cleveland found that the majority of families leaving welfare face severe housing hardship, and that relatively few receive housing assistance to help reduce excessive rent burdens. Families leaving welfare also move frequently, but usually within a confined range of distressed neighborhoods and not closer to areas of job growth and economic opportunity.[71]

Conversely, Section 8 housing appears to offer welfare recipients with residential choice and mobility that enhances employment opportunities. Researchers from UCLA found that, on average, families in urban California counties receiving both Aid to Families with Dependent Children (AFDC) benefits and Section 8 housing subsidies worked significantly more hours than AFDC families living in other forms of housing, including unsubsidized housing.[72]

In FY 1999, Congress provided funding for 50,000 special Welfare to Work housing vouchers administered by the U.S. Department of Housing and Urban Development. These vouchers enable local public housing authorities to work with local welfare offices to use housing assistance to help welfare recipients make the transition to work. HUD is conducting a random-assignment evaluation

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[68] For an overview of Medicaid and Food Stamp participation issues in the aftermath of welfare reform, see M. Robin Dion and LaDonna Pavetti, *Access to and Participation in Medicaid and the Food Stamp Program: A Review of the Recent Literature*, Mathematica Policy Research, March 2000.

[69] Cheryl L. Weiss and Graham S. Finney, *Improving Health Care Access for the Uninsured in Greater Philadelphia*, 21st Century League, March, 2000, p. 23.

[70] *The Unfinished Business of Welfare Reform*, Community Service Society of New York, Urban Agenda Issue Brief, November, 1999, p. 2.

[71] Claudia Coulton, Cara J. Pasqualone, Toby Martin, Neil Bania, Nina Lalich, and Lisa Nelson, *Issues Of Housing Affordability And Hardship Among Cuyahoga County Families Leaving Welfare,* Special Topics in Welfare Reform Report, No. 1, Center on Urban Poverty and Social Change, Case Western Reserve University, January 26, 2001

[72] Paul Ong, "Subsidized Housing and Work Among Welfare Recipients," *Housing Policy Debate* Vol. 9, No. 4, p. 77.

of this program. Interviewees in Los Angeles indicated that this program was providing effective assistance, but that the limited number of vouchers available significantly constrained its success.

Under final TANF rules, states are allowed to use TANF funds or their own Maintenance of Effort (MOE) funds to support the housing needs of eligible families, and a few states and counties are doing so. As of February 2000, six states and two counties, including Los Angeles County, had initiated housing assistance programs using TANF funds. These programs all assisted relatively small numbers of households and all placed time limits on the receipt of housing assistance.[73]

5. Crime and Safety

Crime and safety concerns were significant deterrents to work in inner-city neighborhoods of some cities. In particular, Los Angeles officials said that TANF participants in high-crime areas expressed serious concerns about taking second and third shift jobs, given the risks they would run, while others felt very uncomfortable leaving preteen and teenage children in these neighborhoods while they worked. Greater Philadelphia Works has instituted a van escort service for elementary school children to respond to the latter issue, although it is underused at this time.[74]

6. Lack of Urban Data

In each location we visited, local advocates and some city officials complained that the dearth of appropriate program and performance data made it particularly difficult to assess prospects for work among urban TANF participants and to determine which tools were most likely to achieve success. While all cities keep caseload data, most lack easy-to-access information about job placement, long- and short-term wage rates for those who moved to work or came back to TANF, variations across neighborhoods and office staffs, levels of transitional assistance, and so on. As a result, neither managers nor advocates seemed to have the data needed to fine-tune operations in urban locales. While all types of jurisdictions may fail to provide timely and useful data to track the progress of welfare reform, the consequences for urban areas are more significant, as caseloads in cities tend to be larger and more dynamic, and thus in need of enhanced attention.

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[73] See Barbara Sard and Jeff Lubell, *The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving from Welfare to Work,* Center on Budget and Policy Priorities, Washington, D.C. February 2000, available online at http://www.cbpp.org/2-17-00hous.pdf.
[74] Pennsylvania Economy League, p. 36.

III. POLICY RESPONSES

Evidence presented in the previous sections strongly suggests that cities have greater needs and face larger challenges than other areas in meeting the goal of moving welfare participants to work. As mentioned earlier, however, the Brookings roundtable group largely agreed that cities should not focus foremost on special provisions targeted to those living in urban areas. Instead, participants supported widely-applicable adjustments to TANF, as well as the preservation of overall program funding and flexibility, indicating that this type of "non-targeted" approach would disproportionately benefit those living in cities. In fact, the vast majority of the proposals outlined below involve improvements for participants nationwide (but would benefit those in cities disproportionately by virtue of their sheer numbers); only a few involve proposals targeted to cities or their residents.

The proposals fall into five categories:

- Do No Harm: Preserve Funding and Flexibility
- Provide States and Localities with Additional Tools for Cities
- Develop and Enhance Services Targeted to Those with Multiple Barriers
- Promote Job Access for Central City Residents
- Make Work Pay

A. Do No Harm: Preserve Funding and Program Flexibility

The most fundamental decisions for policymakers facing reauthorization will be how much money to spend for TANF and other welfare supports, and whether to modify the programmatic structure created under PRWORA in 1996. Roundtable participants argued strongly that, at a minimum, existing funding levels should be preserved, if not increased. They also supported preserving the broad state flexibility created under TANF and giving states and counties additional flexibility in certain areas.

1. Preserve Existing Funding

TANF provides $16.8 billion in annual 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:

- First, programs and services to help those remaining on TANF rolls (who are concentrated in urban areas) will likely be more costly than the programs and services now developed that move those with fewer barriers into jobs.

- Second, 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. Not only do these programs provide transitional support to former TANF participants to help them solidify their attachment to the workforce, they also provide key incentives to help working poor families move up the economic ladder and stay out of the welfare system.

- Third, 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. These investments, if successful, would again benefit cities disproportionately, since cities are home to neighborhoods with the highest concentrations of non-marital births. To provide additional incentives to states to experiment with non-marital birth policy, Congress should consider allocating additional dollars above current TANF funding to support evaluative efforts.[75]

- Finally, most analysts suggest that TANF is not structured to withstand the potentially serious economic downturn into which the nation may be headed. From past experience, economic downturns generally affect those with the weakest attachments to the labor force first, significant proportions of whom live in cities. A number of recent studies indicate that an economic slowdown will increase caseloads, both among those who have recently left the rolls for the workforce, and those who will be pushed onto welfare for the first time by a weakened economy.[76] This could quickly increase the need for state cash assistance to participants, as well as TANF employment-related services.

While PRWORA provides a $2 billion contingency fund for economic slowdowns, most observers do not believe this amount will be sufficient to cover increased demand for benefits and services if a significant recession occurs. Blank notes that if the eight states with the largest block grants (states that are home to the nation's largest cities) were all to qualify in one year for contingency fund dollars, the fund would be exhausted.[77] Further, the contingency fund was only authorized through 2001. In addition to reauthorization, statutory changes may be needed to ensure that the contingency funds are available where and when they will be needed. For instance, very few states are likely to meet the threshold requirement that their expenditures match 1994 levels (when caseloads were much higher), or that their unemployment rates reach 6.5 percent (when most now have rates of 3 to 5 percent).[78]

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[75] For additional commentary on such a strategy, see Paul Offner, *Reducing Non-Marital Births*, Brookings Welfare Reform & Beyond Policy Brief No. 5, August 2001.

[76] See Harry J. Holzer, *Unemployment Insurance and Welfare Recipients: What Happens When the Recession Comes*, The Urban Institute New Federalism Issues and Options for States, December, 2000. Also see Rebecca Blank and Lucie Schmidt, *Work Wages and Welfare Reform,* New World of Welfare Reform Conference, February, 2001.

[77] Rebecca Blank, *Welfare and the Economy*, Brookings Welfare Reform & Beyond Policy Brief No. 7, September 2001.

[78] An excellent summary of TANF contingency fund issues that should be addressed during reauthorization is contained in Harry J. Holzer, "TANF Contingency and Supplemental Funds," Testimony before the U.S. House of Representatives Subcommittee on Human Resources, Committee on Ways and Means, 26 April 2001.

2. Preserve Existing Flexibility; Expand Flexibility for Education and Training

State and local administrators 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. The area mentioned most frequently was education and training. Under current law, states can use TANF funds to provide many types of education and training activities; however, states are also under strict limits on the amount and types of education and training activities they can count toward meeting the federally-required work participation rates. In the spirit of providing greater flexibility to states and localities, these limitations could be softened. This would enable states and localities to provide greater work-oriented education and training, particularly to those recipients with very low levels of education who are concentrated in cities. At this point, those who administer poverty programs in cities understand the value of the work-first approach for most participants. They also understand that it does not work for a portion of their caseloads.

B. Provide Additional Tools for Cities

Cities are home to disproportionate amounts of concentrated poverty and TANF recipients. There are a range of policy measures that could reduce the potentially negative consequences of federal time limits and weak labor markets. These initiatives would not have to be targeted to specific places; broader program changes would provide greater benefits in urban areas. For instance, the federal government could adjust time limit language to ease the disproportionate impact of time limits on distressed areas as they begin to "bite."

1. Stop the Federal Time Limit Clock for Recipients Who Are Working

With the implementation of much stronger individual work requirements and the substantial expansion of earned income disregards in many states, large proportions of households are playing by the rules: they are working and still receiving some cash benefits. Illinois state data indicate that 42 percent of those TANF cases who are able to work (excluding child-only cases, elderly TANF heads, and parents with very young children) had earned income in May, 2001.[79] Illinois is one of the few states that stops the clock for single-parent TANF households where the household head works at least 30 hours per week, and the state has achieved levels of employment and caseload reduction that are comparable to states that do not stop the clock.

Moreover, many families who have reached state time limits are working, but with earnings that are low enough that they would continue to qualify for cash TANF benefits. In studies of families that have lost benefits due to time limits, 44 percent of families in Florida, 63 percent of families in

[79] http://WWW.STATE.il.us/agency/dhs/tanfnp.html

Virginia, and 85 percent of families in Connecticut were employed when they reached their time limit.[80]

A change in TANF to stop the federal clock for families who are meeting work requirements is consistent with policies to encourage work and alleviate poverty. Under current law, states essentially can stop the federal 60-month time clock for those families that are paid with state maintenance-of-effort funds, and at least six do so. A change in federal law would make what is now an option exercised by a few states into the national norm, and strengthen TANF's role in alleviating poverty. Because urban recipients appear more likely to hit the federal five-year time limit, softening this requirement would benefit them disproportionately.

2. Modify the 20 Percent Time-Limit Exemptions

As noted earlier, the original 20 percent exemption for any given year was intended to apply to those with long-term and deep obstacles to work—obstacles that would probably not be resolved by an improving economy or new training and assistance. Yet the number of individuals eligible for the exemptions has declined by about 57 percent nationwide, as a result of the 57 percent reduction in overall caseloads. In our declining economy, former recipients who lose their jobs and return to the rolls may need the benefit of these exemptions to stay on cash assistance until the labor market begins to tighten again.

There are a number of possible approaches for modifying the exemption provision. The 20 percent exemption, instead of being based on the current caseload, could be based on the caseload in 1996 or a subsequent year. Alternatively, the exemption could be applied to a three-year rolling caseload figure in strong-economy years, but the prior-year figure in weak-economy years. In this way, the number of exemptions would better reflect prevailing economic conditions, and would permit individuals with multiple, severe barriers to work and their children to continue receiving assistance in a downturn.

[80] See Liz Schott, *Ways that States Can Serve Families That Reach Welfare Time Limits*, Center on Budget and Policy Priorities, June 2000. The high percentage of recipients who are employed when they reach the time limit in Connecticut results from the state's unusual earnings disregard. Because the state disregards all earnings that are below the poverty level, families with earnings in Connecticut are less likely to lose TANF benefits due to their income and instead are more likely to lose TANF benefits due to reaching a time limit. Similarly, Virginia also has an unusual work incentive policy that allows families to continue to receive welfare benefits until countable earned income (after deductions) reaches the federal poverty line. Connecticut and Virginia have two of the most generous "make work pay" policies in the nation.

3. Create an Automatic Eligibility Extension Trigger for Slack Labor Markets

Poor labor market conditions in some cities – especially in the inner-city core where TANF recipients are often concentrated – appear to contribute to the difficulty urban TANF participants face in joining the labor force. Urban participants could be exempted from federal time limits in ways that parallel the automatic extensions of eligibility for unemployment insurance granted to states during economic downturns. Specifics of this proposal need to be developed, but might include exemptions at the metropolitan area labor market level. These triggers could apply to all high-unemployment areas, such as Indian reservations and rural areas well.

4. Require State Allocation Formulae for Administrative and Program Resources to Account for Caseload Size

As noted earlier, cities frequently have more than their "fair share" of TANF recipients. They also frequently have less than their proportional share of TANF administrative and programmatic resources. Federal legislation could stipulate that states take the geographic distribution of current and "potential" (former, diverted, and working poor) TANF program participants into account in the allocation formulas for both administrative and program resources. Details of such a formula would need to be developed, particularly in light of determining an adequate definition of "potential recipients."

5. Fund a Redesigned Welfare-to-Work Program That Provides Greater Local Flexibility

The Department of Labor's Welfare-to-Work (WtW) program originally provided $3 billion in formula and competitive funding over two years to states and communities to help long-term welfare recipients – the bulk of whom live in cities – to prepare for, find, and retain work. While many states and communities will soon exhaust these funds, no plans have been made to provide additional funds to states or cities under this program. The WtW program gave urban officials a direct role in welfare reform efforts and spawned new and innovative initiatives to serve the hard-to-employ, including transitional work programs that provide paid work experience combined with support services.

A new and redesigned WtW program might be funded at a level of $1 billion per year, equivalent to current levels. To provide cities with greater flexibility in designing reforms that meet the particular needs of their low-income families, WtW funds could flow directly to local Workforce Investment Boards instead of passing through states first. The funds could be distributed based on caseload size, local poverty and unemployment rates, and/or share of the caseload that are long-term recipients. Eligibility requirements could also be streamlined to permit more TANF families to be served by these funds. WtW has provided a crucial opportunity for states and counties to begin to link their welfare and workforce systems, and building on that program would permit this healthy integration to continue.

6. Use Data Collection 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 physical location of recipients and where they find work. The federal government should revisit the new surveys created and new data items states were required to report as part of the 1996 law. With specific information on where recipients live and – particularly in cities and isolated rural areas – where they are able to find work, resources could be better targeted to the places where they are truly needed.

C. Develop and Enhance Services Targeted to Those with Multiple Barriers

The federal government, states and localities could develop special initiatives, matching programs, and evaluative efforts to help meet the needs of those with particularly difficult barriers to work, whether those barriers are geographic or personal in nature. These might include:

1. Establish a Statutory Requirement that States Help Those with Multiple Barriers to Self-Sufficiency

At present, few states have collected and analyzed data on these families or developed specific programs targeted at addressing their problems or protecting them from overly harsh sanctions. States could be required to submit a plan to HHS outlining their strategies for the hard-to-serve, and to collect data on their needs and the impacts of their service strategies. Local staff could be required to do a final assessment of those nearing time limits. In addition, HHS might develop a research and demonstration effort targeted at those with multiple barriers, and set aside funds for state programs in this area.

2. Expand Transitional Jobs

Another approach for serving those with multiple barriers who are not equipped to compete for jobs in the private sector involves the expansion of transitional, wage-based jobs. The federal government could create incentives in TANF or a special allocation of funding for states/localities that create wage-based public service jobs or supported work programs for those with multiple barriers to work. These programs provide employment for those currently unable to perform private sector work, and would be in place should a downturn result in a mismatch between those required to work and the jobs in the private sector available to them. Several cities and states—Philadelphia, San Francisco, Los Angeles and Washington State – have developed promising wage-based community service jobs programs that provide hard-to-serve recipients with time-limited work experience that leads to placement in permanent jobs.[81] Wage-based programs are also preferable to more traditional workfare programs because workers with earnings are eligible for the Earned Income Tax Credit, a substantial work-based earnings supplement.

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[81] See Clifford Johnson, *Publicly Funded Jobs for Hard-to-Serve Welfare Recipients,* Center on Budget and Policy Priorities, Washington, D.C., August 1999. See also "Transitional Jobs," Progressive Policy Institute, July 13, 2001.

D. Promote Job Access for Central City Residents

As discussed above, many urban labor markets have structural obstacles that inhibit the linkage of central-city residents to jobs in the suburbs, or dampen the creation of high-quality jobs in the city. The interventions that follow would help address these obstacles:

1. Remove Transportation Barriers

In many communities access to reliable transportation is critical to the transition from welfare to self-sufficiency. 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 creating car ownership strategies for individuals making the transition to work. In addition, the federal government should address the problem of automobile insurance redlining in inner cities.

2. Expand the Department of Transportation's Job Access and Reverse Commute Program

The Job Access and Reverse Commute program has two goals: to provide transportation services in urban, suburban and rural areas to help welfare recipients and low-income individuals reach employment opportunities; and to increase collaboration among transportation providers, human service agencies, employers, metropolitan planning organizations (MPOs), states, and affected communities and individuals. This program primarily provides enhancements to public transit systems, and funds van-pools and car pools for low-income workers. For FY 2001, Congress appropriated nearly $100 million for this program, though nearly three quarters of the funding was allocated through specific earmarks. A large proportion of funds flow to urban areas and the demand for funds consistently exceeds supply. Congress should consider expanding funding for this important program in concert with TANF reauthorization.

3. Redouble Efforts to Reduce Employment and Housing Discrimination

Employment and housing discrimination remain prevalent, and appear to be an important obstacle for job-ready central city residents seeking higher paying and upwardly mobile jobs, many of which exist in areas outside the central city. The federal and state governments should ensure that HHS, the EEOC, HUD and their state counterparts provide guidance and funds for anti-discrimination outreach and enforcement efforts targeted at housing and job discrimination based on welfare receipt. While current and former welfare recipients are not a protected class, much could be done to educate employers and landlords to reduce discrimination against them. A successful model is the Welfare to Work Partnership, a consortium of private employers that has undertaken significant public education and outreach efforts to overcome stereotypes that many businesses had about welfare participants.

4. Build Greater Mobility into HUD's Welfare to Work Voucher Program

Evaluations of Chicago's Gautreaux housing mobility program and HUD's Moving to Opportunity demonstration indicate that helping inner-city families move to lower-poverty neighborhoods is a promising strategy for improving the employment opportunities of mothers and outcomes for their children.[82] While the Welfare to Work housing voucher program involves only 50,000 vouchers out of 1.4 million managed by HUD, it could be changed and expanded to better support the employment needs of low-income families. For example, HUD could require that families receive metro area-wide mobility counseling to help them fully understand the range of housing opportunities that might be available to them. The Department could also require public housing authorities to enhance landlord recruitment services to attract more landlords with units closer to job opportunities into the program. Finally, because housing and labor markets do not stop at city/county borders, the program should be administered on a metropolitan basis.[83]

E. Make Work Pay

Cities would also benefit disproportionately from an expansion of interlinked supports that low-wage workers need to attain self-sufficiency. To expand these supports, states need a clear signal that the federal government will hold them accountable not just for caseload reduction, but also for wage advancement, protecting the incomes of low-wage workers, and ultimately, poverty alleviation.

1. Hold States Accountable for Poverty Outcomes

The language in the purposes section of the TANF law makes no reference to poverty alleviation as a goal of the program. The current High Performance Bonus allocates $200 million annually to reward states based on five performance measures: job entry; job retention; wage progression; participation in food stamps, child care and Medicaid; and the percent of children living with two parents. These data are now collected by HHS on an annual basis. However, the measures do not include measure of poverty alleviation, either for children or adults. The high performance bonus should be reformulated to place greater emphasis on the alleviation of child poverty and the extreme poverty (families making less than 50 percent of poverty) that is concentrated in many city neighborhoods.

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[82] Alessandra Del Conte and Jeffrey Kling, "A Synthesis of MTO Research on Self-Sufficiency, Safety and Health, and Behavior and Delinquency," *Poverty Research News,* Jan-Feb, 2001, Vol. 5, No. 1.

[83] For a complete discussion of proposals to enhance mobility in the Section 8 program, see Bruce Katz and Margery Austin Turner, *Who Should Run the Housing Voucher Program? A Reform Proposal,* Brookings Institution Center on Urban and Metropolitan Policy, Washington, November 2000.

2. *Reform Unemployment Insurance*

The Unemployment Insurance (UI) system currently provides little benefit to part-time workers or low-wage workers who change jobs frequently, such as some TANF leavers at the beginning of their careers. In many state unemployment compensation systems, even full-time workers who been in the workforce less than several quarters do not qualify for benefits. Twelve states have adjusted their systems to make it easier for TANF leavers and other workers to qualify for UI.[84] Federal UI program 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 allowing part-time workers, or those who have quit for specified family difficulties to be eligible for UI.[85] Such state and federal reforms to UI would "mainstream" former TANF recipients in the workforce, and would allow more TANF leavers to avoid returning to TANF and restarting their federal time clock.

3. *Raise the Minimum Wage*

An increase in the minimum wage could directly contribute to higher earnings for welfare recipients. A recent study of a 1999 state minimum-wage increase in Oregon found that as many as one-half of the welfare recipients entering the workforce in 1998 were likely to have received a raise due to the increase. After the increase, the real hourly starting wages for former welfare recipients rose to $7.23 per hour.[86] A substantial body of research indicates that a minimum wage increase would disproportionately benefit the lowest income workers and minorities, both groups that are likely to live in cities.

4. *Enhance Access to Financial Services*

The urban leaders we interviewed do not believe that making work pay begins and ends with enhancing the earned income tax credit and other federal and state income supports. Many low-income working families do not have access to mainstream financial institutions and the security (and cost savings) that they provide. According to the Board of Governors of the Federal Reserve, an estimated 10 percent of all American families - including a quarter of all African-American and Hispanic families, and a quarter of all families with incomes less than $20,000 - do not have even the most basic of financial tools, a bank account. Some researchers estimate that as many as 75 percent of welfare recipients are unbanked. These families, especially those in cities, often have no financial services options other than high-priced check cashers whose fees eat into their already-small incomes. The federal government should dedicate a portion of the Treasury Department's $10 million "First Accounts" to helping families who are making the transition from welfare to work open bank accounts. For instance, the funds could support state pilots to transition welfare systems from

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[84] See Community Legal Services, *Welfare Law Update 2000*, "Why Former Welfare Recipients May Not be Protected by Unemployment Compensation," p. 1. For instance, some states create an "alternative base period" approach, when doing so would qualify a worker otherwise ineligible.

[85] Holzer, *What Happens*, p. 5.

[86] Economic Policy Institute, *Minimum Wage: Facts at a Glance,* Available online at http://www.epinet.org/Issueguides/minwage/minwagefacts.html.

electronic benefits transfer (EBT) delivery to Direct Deposit of cash assistance into new bank accounts for recipients.

5. Streamline and Expand Access to Work Supports, Including Food Stamps and Health Care

Steep declines in receipt of Medicaid and Food Stamps among families who have left welfare have been well-documented. Efforts to expand outreach and streamline eligibility determination should be pursued vigorously. Many adjustments can be achieved without statutory changes, though it is likely that some statutory changes could enhance enrollments.[87] For instance, reforms in the Food Stamp program could include modifications to the food stamp quality control program, administrative simplification and greater alignment of eligibility with the Medicaid program. In particular, Food Stamp asset tests should be revisited, because current tests make the program difficult to administer and make too many low-income working families ineligible. Enrollment options could also be expanded beyond local welfare offices, including greater use of mail, telephone and internet for enrollment.[88] In addition to ensuring that those eligible for subsidized health care receive benefits, it is up to states to take advantage of Section 1931 and SCHIP waivers to extend (through enhanced income disregards) and streamline eligibility for low-income parents and children.

[87] See Robert Greenstein and Jocelyn Guyer, "Supporting Work Through Medicaid and Food Stamps, Presented at New World of Welfare conference, Washington, D.C., February 1, 2001.
[88] See Ron Haskins and Wendell Primus, *Welfare Reform and Poverty*, Brookings Welfare and Beyond Policy Brief No. 4, July 2001.

IV. CONCLUSION

Cities are home to a disproportionate share of the poor, and in many cases to a disproportionate share of remaining TANF recipients. While administrators and service providers have moved a huge portion of the urban poor from dependency to work through the TANF program, they face unique challenges in addressing the remaining problems of urban poverty. Urban labor markets frequently fail to create adequate or accessible job opportunities for low-income inner-city residents, and urban caseloads include a larger share of households whose heads have serious barriers to employment. The recession into which the nation appears headed, and the terrorist attacks that accelerated the economy's decline, are likely to impact cities and their lowest-skilled workers disproportionately. That is why the upcoming TANF reauthorization debate is so important for cities.

The welfare reform debate fundamentally changed the way Americans think about poverty. Implementation of welfare reform has literally changed the culture of the welfare administration system and the politics and the public perceptions of welfare. Over the past several years, federal and state welfare policymakers have come to understand the profound difference between TANF and AFDC – the program is no longer one that simply provides open-ended income assistance to poor families. Local welfare offices are recognizing, for instance, that working mothers need evening hours to sign up for the food stamps that help them to make ends meet for their families. The time is ripe to take this transformation one step further.

TANF represents an increasingly important portion of the resources and job-based programmatic support needed to transform cities into the economically productive, amenity-rich neighborhoods they need to be for their residents to prosper. And local program managers increasingly understand this. If we consider TANF and other related programs to be an urban poverty-reduction strategy, rather than thinking narrowly of TANF as a way to move families off welfare caseloads and into work, we may help families and neighborhoods thrive.

The flexible structure of TANF can be tailored to address these concerns, if states understand and focus on the fact that disproportionate numbers of welfare clients live in cities. Five years is enough time to understand how to fine-tune a system that largely works, and how to adjust a system that now faces additional challenges in urban areas. As reauthorization approaches, it is important to preserve the funding and flexibility currently afforded the states, so that they can attack current challenges in urban areas with renewed vigor, new insights, and programs that work.

The policy proposals outlined above would accomplish two basic things: they would offer strategies to improve the responsiveness of TANF and other anti-poverty programs to the unique needs of urban residents, and they would 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 bringing stability and vitality to thousands of poor inner-city neighborhoods.

APPENDIX A: WELFARE REFORM IN FIVE "FOCUS" CITIES

Appendix Table 1. Information on the Five Focus Cities

	Los Angeles		Milwaukee		New York		Philadelphia		Seattle	
	City	*Sub.*	*City*	*Sub.*	*City*	*Sub.*	*City*	*Sub.*	*City*	*Sub.*
Unemploy. (percent, 2000)[89]	6.1	4.9	6.7	2.2	5.7	3.0	6.1	3.1	4.2	3.5
Job Growth (percent, '94-'97)[90]	(5.8)	6.9	(0.4)	10.5	5.1	2.5	(1.2)	8.9	8.4	14.9
	City	*State*	*City*	*State*	*City*	*State*	*City*	*State*	*City*	*State*
Percent Caseload Decline 1994-1999[91]	23.8	28.7	82.5	89.7	27.7	29.4	36.2	49.6	43.0	36.0
Welfare Caseloads (Urban Counties)[92]	212,466		8,629		154,066		41,828		11,416	
	Cash	*F.S.*	*Cash*	*F.S.*	*Cash*	*F.S.*	*Cash*	*F.S.*	*Cash*	*F. S.*
Maximum Benefits[93]	$626	$248	$673	$240	$577	$284	$403	$335	$546	$293
When First Families Reach Time Limits[94]	January 2003		October 2001		December 2001		March 2002		August 2002	
Recipient Earnings Limits[95]	$1,477		$673		$1,157		$806		$1,092	
Earnings Disregards[96]	$225+50% of remainder		None		$90+46%		50%		50%	

[89] HUD State of the Cities database; http://webstage1.aspensys.com/socds/
[90] HUD State of the Cities database; http://webstage1.aspensys.com/socds/
[91] Allen and Kirby (2000), Appendix A. '94-'99 caseload data. More recent data from Philadelphia shows a 42% caseload decline in the city and a 57% decline in the state between TANF implementation and August, 2000 (Community Legal Services, *Welfare Law Update 2000*, Philadelphia, November, 2000).
[92] Los Angeles September, 2000 caseload data from Los Angeles Department of Public and Social Services, electronic correspondence with author, date 5/14/01; Milwaukee October, 2000 caseload data, Department of Workforce Development; New York City Feb., 2001 caseload data from http://www.ci.nyc.ny.us/html/hra/html/hra_facts.html; City of Philadelphia August, 2000 figures from Community Legal Services, *Welfare Law Update 2000*, Philadelphia, November, 2000; King County, WA, July 2001 figures http://www.wa.gov/WORKFIRST/reporter/caseload.htm.
[93] www.spdp.org/tanf/financial/MAXBEN2000.PDF. Cash and food stamps, for a single-parent family of three.
[94] Brookings Institution Center on Urban and Metropolitan Policy, unpublished spreadsheet, 2000.
[95] www.spdp.org/tanf/timelimits/tlovervw.pdf. Current (single head, family of three) recipients cannot receive TANF benefits when monthly income climbs above these figures.
[96] www.spdp.org/tanf/financial/treatmentearnings2000.pdf

Los Angeles

The distinguishing feature of welfare reform in Los Angeles is its scale. Of the 89 urban counties studied by Allen and Kirby (2000), Los Angeles County had the largest caseload in 1999. In 2000, about 10 percent of the nation's caseload – 215,000 families – lived in Los Angeles County.

California's TANF program, CalWORKS, largely follows a county-administered "work first" philosophy. However, it lacks some of the more punitive features that many other states have adopted. California has generous earnings disregards that allow many families to combine work with ongoing TANF receipt. While such incentives provide greater rewards to work, they also keep the federal time limit clock running even for a small benefit. California has no full-family sanctions; benefits for children are preserved even if a mother forfeits her benefits as a result of non-compliance. Similarly, only adult benefits, not children's benefits, are subject to a 60-month time limit. Like other parts of California, Los Angeles had a relatively slow start in implementing CalWORKS, but within the last year the county has accelerated spending on a range of services and work supports.

The Los Angeles TANF caseload reflects the county's enormous ethnic and racial diversity – for example, administrators translate certain documents for clients into eight languages. Transportation is very often a key difficulty for families making the transition from welfare to work. Los Angeles is an automobile-oriented city and has a very weak public transportation system, which often results in long commuting times for TANF participants who do not own cars.

Throughout the mid- to late-1990s, the Los Angeles metro area labor market recovered slowly from the deep California recession of the early 1990s; the city of Los Angeles actually experienced negative job growth from 1994 to 1997. Researchers examining Los Angeles welfare data between 1990 and 1997 found that there was an increasingly bifurcated nature to the regional labor market, with growth occurring primarily in high-skill, high-wage jobs, and in low-wage service industry employment. They found that welfare workers typically were employed two to three quarters a year in part-time, low-wage jobs, and tended to change jobs frequently.[97]

Milwaukee

Wisconsin's welfare reform program, Wisconsin Works (or "W-2"), was one of the earliest, most innovative, and farthest-reaching of all state welfare reform designs. The program requires immediate work participation for those who are identified as "job ready." Those who are categorized as not employable are eligible to enroll in either a community service jobs or transitional jobs program. Early on, the state implemented rigorous diversion efforts to inhibit recipients from receiving cash and other public assistance benefits. Wisconsin also pioneered an innovative

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[97] See Mark Drayse, Daniel Flaming and Peter Force, *The Cage of Poverty*, Economic Roundtable, Los Angeles, September, 2000.

implementation strategy in Milwaukee County, by dividing the city into six regions and contracting out program administration functions in each area to one of five for-profit or non-profit agencies.

Wisconsin had remarkable reductions in welfare caseloads over the 1990s. Between 1994 and 1999 state caseloads declined by nearly 90 percent, and Milwaukee County caseloads declined by 82 percent. Despite the large caseload reductions in Milwaukee County, TANF recipients there accounted for 83 percent of the total state caseload by the end of 1999 – largely because recipients were concentrated there in the first place. Research and interviews indicate that those households remaining on the caseloads had significant and often multiple barriers to employment.

Despite the significant caseload decline in Milwaukee County, recent research has found that Milwaukee's labor market is characterized by robust job growth and plentiful entry-level jobs in surrounding suburbs, but few job opportunities within the city boundaries.[98] Public transportation options for city residents traveling to suburban jobs are limited, and few Milwaukee welfare recipients own or have access to a car. Researchers have also documented that few Milwaukee welfare recipients even have valid drivers' licenses.[99]

New York City

The city of New York began to experiment with welfare reform in 1995, prior to its national implementation. Mayor Rudolph Giuliani and his staff were tremendously effective in changing the culture and focus of the city's welfare system so that it emphasized work over benefits.

Run by the city's Human Resources Administration, the city's program emphasizes "work first" and "workfare" jobs, and until recently has provided few resources or support for education and training efforts. Local operations are quite decentralized, and a significant portion of job search assistance is provided by a relatively small number of large private agencies. Since the mid-1990s, the city's relationship with the welfare advocacy and service agency communities has been quite adversarial, much more so than in the other cities surveyed.

The number of people on public assistance in the city of New York dropped by 58 percent between March 1995 and July 2001.[100] Despite this record, the city's poverty rate remains stubbornly near the 25 percent mark reached during the last recession. While the economy is somewhat stronger in the surrounding suburbs, some say that New York itself is so large that suburban areas are not job centers for city residents. Others point to suburban discrimination as a reason for the lack of jobs for inner-city residents there.

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[98] See Harry Holzer and Michael Stoll, *Meeting the Demand: Hiring Patterns of Welfare Recipients in Four Metropolitan Areas*. Brookings Center on Urban and Metropolitan Policy, May 2001.
[99] John Pawasarat and Frank Stetzer, *Removing Barriers to Employment: Assessing Driver's License and Vehicle Ownership Patterns of Low-Income Populations*, University of Wisconsin-Milwaukee Employment and Training Institute, July 1998.
[100] Figures reflect persons on public assistance. The New York caseload has steadily declined since approximately March 1995, accounting for the difference between this figure and the Figure in Table 2. See http://www.ci.nyc.ny.us/html/hra/pdf/case_load.pdf.

Philadelphia

Philadelphia's program, administered at the local level by Pennsylvania Department of Public Welfare employees, focuses very heavily on job search efforts and "pathways to self-sufficiency." The Department, which also manages food stamps and Medicaid, contracted with several Philadelphia agencies to implement "quick attachment" job search programs for about a quarter of the city's 72,000 TANF households in 1996; offered "next step" education and training slots to less than 10 percent of clients; and planned to serve the needs of the balance of families through caseworker support.

Despite staffing levels described by interviewees as the "lowest per capita in the nation," by August 2000 the TANF caseload in Philadelphia had declined to 41,800 families. There is relatively little information on the wages or status of those who departed the welfare system. While the other four cities visited experienced rates of caseload decline relatively close to those of their states, Philadelphia's decline is only two-thirds that of Pennsylvania's.

The city's employment picture may help explain some of the difficulty of successful welfare-to-work transitions in Philadelphia. The city's population dropped nearly 5 percent in the 1990s, while the total number of jobs in the city shrunk by 3 percent. The economic picture in the surrounding suburbs was much stronger.

Seattle

Washington State, like Pennsylvania, operates its TANF program through offices staffed by state employees. The state tracks a detailed set of wage progression and other performance measures unseen in other cities visited. Within the "work first" mandate set by state policy, the staff appears to have some flexibility in implementing the program to meet the unique needs of Seattle's client base and more permissive political culture.

As in other cities, however, a training and education approach to moving out of poverty, supported by many local support providers, is generally not an option. Some of those interviewed in Seattle and Philadelphia expressed concern that staff tend to focus first on those closest to time limits, allowing new clients' clocks to tick for months before they are served.

The area's strong economy largely explains the fact that Seattle's caseload decline is *higher* than that of the state overall. The unemployment rate is very low, and job growth in suburbs *and* city is among the highest in the nation (although the high cost of living presents a consistent challenge for low-income workers). Interviewees pointed out, however, that the skills required of many career ladder jobs available in the area often outstrip those of TANF participants. The city also has a large immigrant population whose lack of English skills makes it difficult for them to move into jobs. The state does, however, attempt to address the language needs of a diverse set of welfare clients by publishing notices in at least seven languages. Interviewees also noted that it can be difficult for city residents trying to reach jobs on the job-rich far eastern side of the metro area via public transportation.

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