



## CENTER ON URBAN AND METROPOLITAN POLICY

# Welfare, Working Families, and Reauthorization: Mayors' Views

By Margy Waller

*“Federal policy should make it easier—not harder—for state and local governments to design programs that respond to individual and local needs.”*

### Findings

Thirty-one mayors responding to a 2003 survey on the impact of the 1996 welfare law on their cities and residents, current state and local budget difficulties, and President Bush's proposal for reauthorization of the 1996 law report that:

- **Welfare rolls in almost half of the cities increased last year, and two-thirds of cities saw an increase in the proportion of Temporary Assistance for Needy Families (TANF) recipients facing substantial barriers since 1997.** Frequently reported barriers to work include lack of skills training and health problems, although layoffs due to the economy rank as the top reason former welfare recipients returned to the rolls.
- **Work support services like child care are very important in helping TANF recipients find and keep jobs, but current programs are inadequate to meet the needs of either working poor families or TANF recipients.** State eligibility and funding level changes for child care assistance last year hurt working families, and two-thirds of mayors report that their states are considering changes for next year that would negatively affect both groups of families.
- **Over 20 percent of welfare recipients face substantial barriers to employment, and in roughly one-third of the cities, more than one in five recipients could hit a time limit this year.** The most prevalent barrier to work is lack of skills, followed by health problems and lack of transportation. The training services most needed by TANF recipients focus on work habits and soft skills, occupational skills, basic skills, and GED attainment. In addition, the vast majority of mayors state that the lack of affordable housing in their city has a negative effect on the ability of TANF recipients and other low-income families to find and keep jobs.
- **Federal and state funding cuts led to reductions in work support services despite significant unmet need.** Most mayors of cities that received Welfare-to-Work grant funds indicate that their city has or will discontinue services because of expiring funding. At the same time, they anticipate their state will reduce benefits and services to both TANF recipients and poor working families in the coming year. The loss of services for hard-to-place recipients occurs just as caseload decline stops or reverses in most cities, recidivism is significant, and cases with substantial barriers to work are increasing.
- **The change in eligibility for legal immigrants has had a negative impact on needy non-citizens and the institutions that serve them.** Community-based organizations are the most likely entities to serve needy non-citizens, more likely than houses of worship or family members.
- **The administration's proposed changes to work requirements would be costly; funds are not available to cover program and child care changes that would be required; and mayors have an overwhelmingly negative reaction to the proposal.** Almost all mayors said funding is inadequate to meet the increased costs of the proposed work program, so existing supports for working poor families would have to be eliminated. The primary condition preventing compliance with the proposed changes is a lack of jobs in cities, followed by a lack of affordable child care or transportation.



## Introduction

**O**n January 14, 2003, President Bush renewed his administration's proposal for the reauthorization of Temporary Assistance for Needy Families (TANF) and the Child Care and Development Block Grant (CCDBG). On February 13, the House of Representatives passed H.R. 4, legislation that implements most of the essential components of the president's proposal. The Senate is expected to consider its own version of TANF reauthorization legislation this spring.

The administration's proposal for TANF reauthorization maintains the current level of funding for the TANF and child care block grants over the next five years and retains the five-year limit on receipt of federally-funded assistance. The plan also proposes several changes to the law's work requirements that would require more TANF recipients to work longer hours in a more narrowly defined set of activities. The plan seeks to achieve these goals by including mandatory universal engagement, a 40-hour work requirement (up from 30 hours for most participants), a narrower definition of countable work activities, increased work participation rates for states, and elimination of the caseload reduction credit for states.

The impending TANF reauthorization, which coincides with an ongoing economic recession, a slowing of the national caseload decline, and increases in TANF cash assistance caseloads in most states, has motivated researchers and policy makers to continue examining the effects of the law's current work requirements and analyze the proposed changes. Prior research has established that TANF recipients (especially long-term cases) are more likely to live in cities than in suburban or rural areas.<sup>1</sup> In addition, the responsibility for serving the unemployed and needy working families that are not receiving TANF cash

assistance often falls to city and other local agencies.

For these reasons, the Brookings Institution Center on Urban and Metropolitan Policy joined with the National League of Cities (NLC) and the United States Conference of Mayors (USCM) to survey mayors regarding the impact of TANF implementation, as well as their assessment of how the proposed changes to work requirements would affect employment outcomes in their cities. Since passage of the federal welfare law in 1996, and nationwide implementation of the new law by states and localities, Brookings has monitored and evaluated the impact of TANF implementation on the nation's cities and their residents.

The mayors' survey responses highlight challenges for cities, especially as former recipients return to the rolls, a higher percentage of the caseload faces significant barriers to work, and already inadequate funding for services is compromised by budget cuts. These responses suggest that the administration's reauthorization proposal would seriously undermine services mayors need to support successful employment outcomes for working poor families and welfare recipients with barriers to employment. The report concludes with a set of national policy recommendations for welfare reauthorization.

## Background

**I**n 1997, a 34-city survey, conducted by the USCM as states began to implement the 1996 welfare law, found that mayors had many concerns about the ability of recipients in cities to meet TANF requirements. At that time the issues mayors identified included: insufficient jobs in the regular labor market for TANF recipients to meet work requirements, lack of employer-provided health insurance for low-skilled workers, lack of affordable child care, lack of affordable and reliable trans-

portation, lack of affordable housing, and the needs of non-citizens made ineligible by the new law.<sup>2</sup>

Mayors and other metropolitan stakeholders had reason for concern as it turned out. TANF caseloads in cities declined in the late 1990s, just as they did across the country. Still, caseloads in urban areas did not drop at the same rate as in other places. Although state welfare caseloads dropped dramatically in the 1990s, and millions of recipients went to work, caseloads in cities grew as a percentage of their states' caseloads. The job market did not expand as quickly in cities as it did in the suburbs in the late 1990s.

Transportation also appears to be a major challenge, as many jobs are not located near where TANF recipients live. By the end of 2001, the combination of these and other factors, such as concentrated poverty and higher unemployment in some cities, seemed to be showing up in the caseload analyses.<sup>3</sup> Most urban counties have a disproportionate share of their states' adult-headed welfare caseloads. Furthermore, adult-headed welfare cases subject to time limits are concentrated in urban counties with large cities, particularly long-term cases.<sup>4</sup> Poor residents in cities are likely to face particular barriers in getting and keeping jobs, yet cities rarely have direct control over TANF and child care funding and policy decisions.

While the 1996 law expired in September 2002, Congress has extended the statute on a short-term basis three times since then. In early 2003, the President renewed the proposal he made the previous year. In February 2003, the House of Representatives passed legislation largely tracking the administration proposal, and nearly identical to the House bill passed in 2002, without holding hearings or a committee markup. The Senate Finance Committee held one field hearing in Iowa, and a full committee hearing in Washington D.C. in March 2003.

Changes proposed by the administration and backed by the House bill would have a serious impact on cities and their residents. Thus, it is important for federal policymakers to know how mayors and their staff assess the implementation so far, and how they think proposed changes would affect local TANF programs and outcomes for working poor families.

## Methodology

Surveys were mailed to the mayors of 263 cities across the nation on March 21, 2003. Brookings developed the survey instrument with advice and input from NLC, USCM, and other researchers and analysts. We divided the 52-item survey into four main sections. The first section contained 24 questions about the impact of TANF implementation on cities. The second section included four questions about the impact of state and local budget decisions within the current fiscal environment. The third section included 14 questions on the impact of the proposed changes to TANF. The final section included three demographic items about the city: population, number of TANF recipients, and region of the country.

Accompanying the survey was a cover letter from the three organizations explaining the importance of the mayors' input regarding the potential impact of TANF reauthorization on their cities. A summary of the Bush administration's proposed changes to TANF was also included in the mailing. The mayors were encouraged to circulate the survey among their staff to ensure accurate responses. Mayors returned responses via mail, fax, and email.

To encourage a representative sample of respondents, we made telephone calls to cities of various sizes and from different regions of the country during the weeks of March 31 and April 7. Follow-up discussions

with respondents revealed that many mayors chose to consult with non-profit organizations, workforce boards, and state or local agencies to complete the survey.

Thirty-one mayors returned the survey, a 12 percent response rate, with the respondents including mayors from Baltimore, Boston, Chicago, New York, Detroit, Philadelphia, and San Francisco. The responding cities represent 37 percent of the total population of all cities surveyed. City populations ranged from roughly 50,000 to more than 8 million (Figure 1). The TANF recipient population within the cities ranged from about 220 to more than 200,000. Although mayors in all regions of the country responded, the most responses (30 percent) were from cities located in the south (Figure 2).

Survey responses were anonymous in order to promote accuracy and response. Percentages reported for

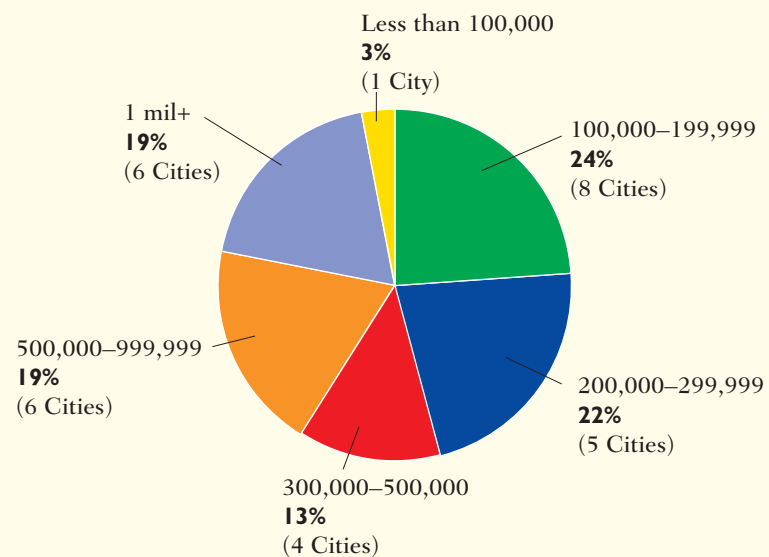
survey questions include only those cities responding to the question.

## Findings

**A. Welfare rolls in almost half of the cities increased last year, and two-thirds of cities saw an increase in the proportion of TANF recipients facing substantial barriers since 1997.**

The continuous and significant decline in welfare caseloads that started in the mid-1990s and led to a national reduction in welfare rolls of more than 50 percent appears to have ceased. Over half of the mayors responding to our survey report that caseloads leveled off or increased during 2002 (Figure 3). This finding is consistent with state reports of caseload numbers.<sup>5</sup> Meanwhile, recipients who left city caseloads for work since 2000 are returning in need of cash assistance. Two-thirds of mayors report that between 10 and 50 percent

Figure 1: What is your city's total population?



of these cases returned at least once. Mayors identify layoffs due to the economy or poor work habits as primary reasons for this recidivism, followed by insufficient skills, lack of reliable and affordable child care, health problems, or lack of reliable and affordable transportation (Figure 4).

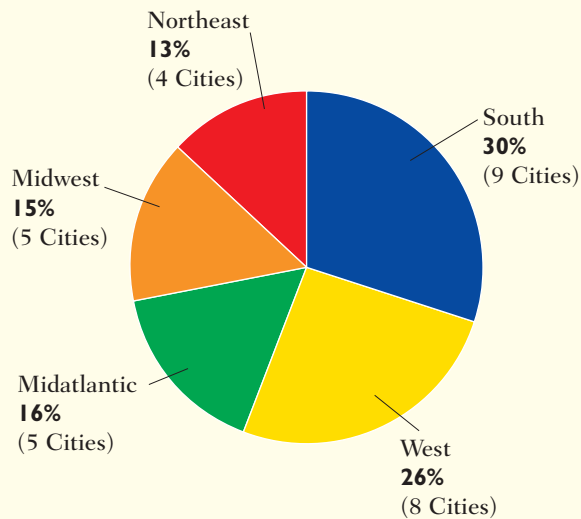
Welfare recipients who leave welfare for work are likely to earn low-wages, just above minimum wage, and receive few or no benefits. An ill child, a flat tire, a child care provider who cancels, can mean missing all or part of a day of work. For parents who have no vacation or sick leave, these common events can lead to job loss. In addition, recipients who return to welfare are likely to have low education and skills.<sup>6</sup> The caseload increases and recidivism may also be linked to the recession. For single mothers, the unemployment rate rose and job-holding declined from 2000 to 2002. These trends were particularly dramatic for single mothers with less education, and they reverse the unprecedented rise in employment experienced between 1996 and 2000.<sup>7</sup>

***B. Work support services like child care are very important in helping TANF recipients find and keep jobs, but current programs are inadequate to meet the needs of either working poor families or TANF recipients.***

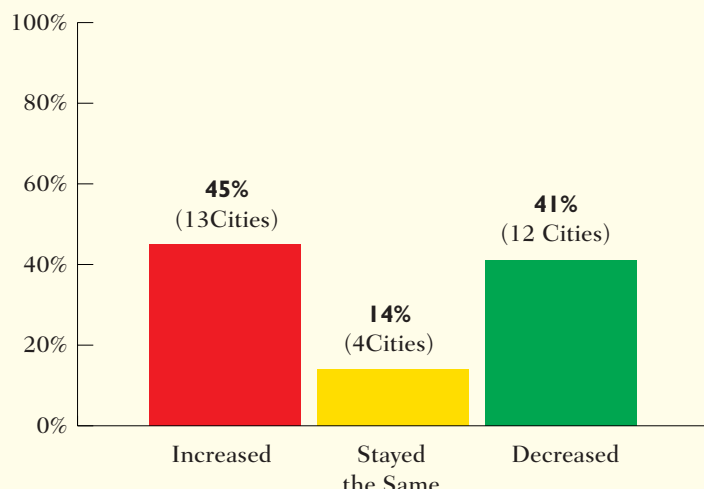
Mayors rate child care as the most important work support service to help TANF recipients get and keep jobs when it is compared to how they rate transportation, housing, and health insurance. Still, transportation and housing run a close second and third, followed by health insurance.

Overall, mayors describe work support services as very important for helping TANF recipients find and keep jobs. Nearly 90 percent say that child care is “very important,” with the remainder describing child care as “important.” Almost 70 percent of mayors rate transportation as very important, and nearly all the rest rate

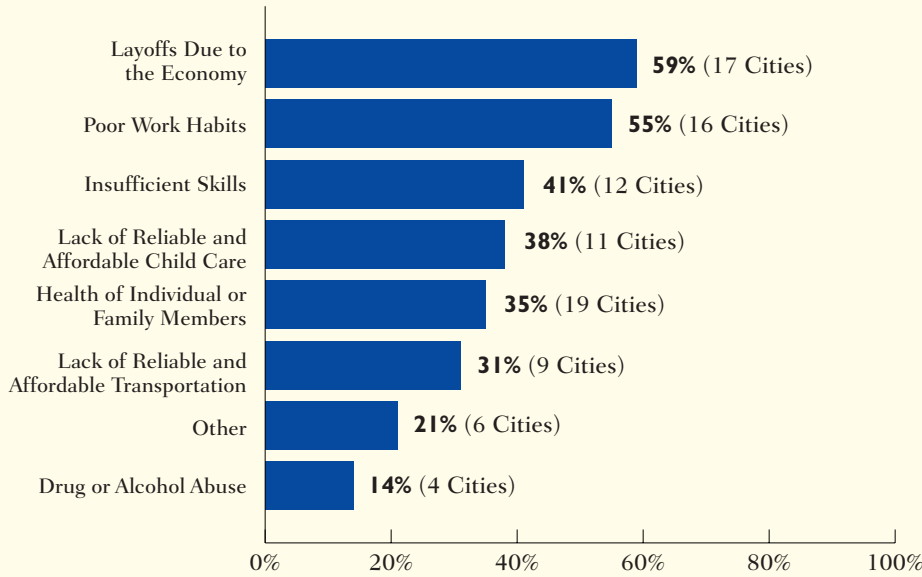
**Figure 2. In what region of the country is your city located?**



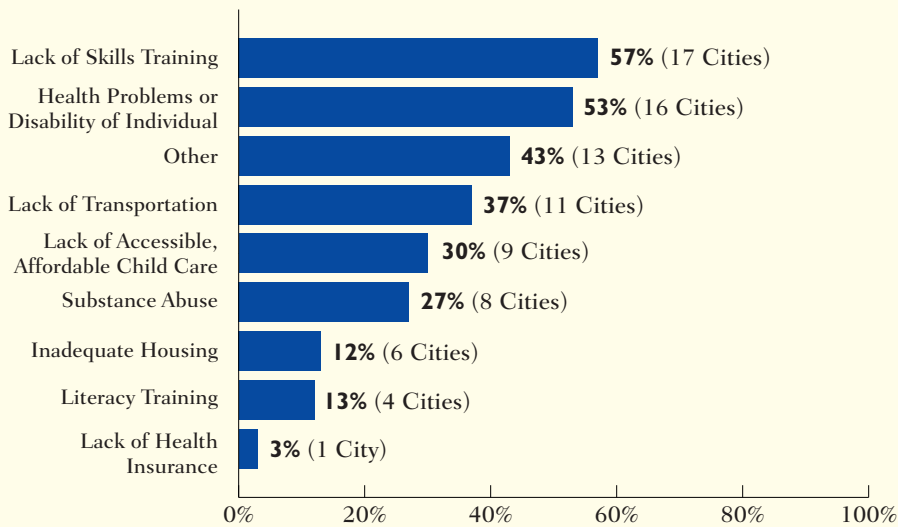
**Figure 3. Did the percentage of cash assistance recipients in your city change between December 2001 and December 2002?**



**Figure 4. Please identify up to three primary reasons that recipients who left welfare for work since 2000 returned**



**Figure 5: Please identify up to three prevalent barriers to employment faced by TANF recipients in your city**



it important. About 90 percent rate housing as important or very important, while only 11 percent described it as neutral.

The survey also asked mayors to identify the top three reasons former recipients returned to welfare and the top three most prevalent barriers to employment (Figure 5). Thirty-eight percent of mayors rank the lack of reliable and affordable child care as one of the primary reasons recipients returned to welfare, and 30 percent of mayors say that lack of child care is one of the top three most prevalent barriers to employment faced by TANF recipients. Over 30 percent of mayors identify lack of transportation as a primary reason for return, and 37 percent say it is a primary barrier to getting a job. Other personal barriers—lack of skills or work habits, and health problems—are also identified as primary reasons for a return to welfare or a barrier to employment. Still, there is no question responding mayors believe that child care is critical to the employment success of current and former TANF recipients.

Over one-half of the mayors state that the supply of affordable, quality child care is insufficient to serve TANF cash assistance recipients, while over 70 percent say there is not enough child care to serve other low-income families. Over one-half of mayors report that the state or local government made changes to eligibility or funding levels for child care in the last year. In these cases, about one-half of mayors say the changes are negative for TANF recipients, and two-thirds say the change negatively affected the availability of child care for other low-income families. Looking at next year, the picture seems worse, especially for low-income working families. Sixty-two percent of mayors say the state or local government is considering changes to child care eligibility or funding in the next year, and they expect the impact to be mostly negative. Fifty-six percent of

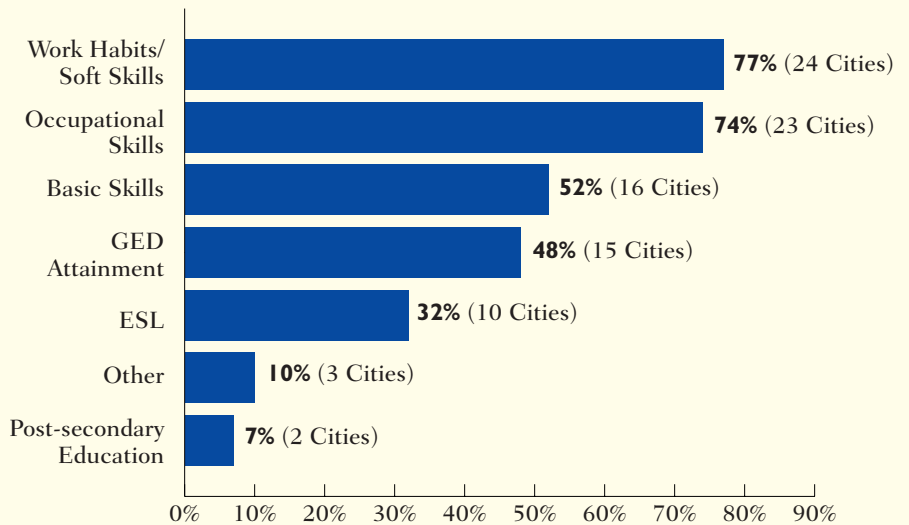
mayors expect state changes in eligibility or funding levels to negatively impact availability of child care for TANF cash assistance recipients; and more than three-fourths expect the impact on other low-income families to be negative as well.

**C. Over 20 percent of welfare recipients face substantial barriers to employment, and in roughly one-third of the cities, more than one in five welfare recipients could hit a time limit this year.**

Over 30 percent of mayors report more than 20 percent of the caseload is facing a state or federal time limit in 2003. While the survey reveals a wide range of barriers to work, lack of employment skills and health problems appear to be primary factors. The most prevalent barrier to work is lack of skills training, followed by health problems or disability of the individual, and lack of transportation or child care. Many mayors identified “other” barriers to employment, including lack of high school diploma or GED, felony convictions, domestic violence, and health problems or disability of a family member. The training services most needed by TANF recipients address work habits and soft skills, occupational skills, basic skills, and GED attainment (Figure 6). After factors related to the economy, poor work habits ranked as one of the top reasons for a return to welfare, confirming the need for skills training. In addition, the vast majority of mayors state that the lack of affordable housing in their city has a negative effect on the ability of TANF recipients and other low-income families to find and keep jobs.

Still, many of the welfare recipients facing a time limit are working. About one-half of the mayors report that more than 20 percent of the recipients who are expected to hit a time limit are working in an unsubsidized job, but not earning enough to leave welfare. One in five mayors reports that

**Figure 6. Which training services are most needed by adult TANF recipients in your city, regardless of funding availability (please select up to three services)**



over one-half of these long-term recipients are working. These families are benefiting from the state’s decision to provide an ongoing wage subsidy to working families. But, this work support can come at a cost—every month a family receives a wage subsidy, it loses a month of eligibility. Also, most of these families remain in poverty, and when they reach the time limit and their wage subsidy ends, their income drops even lower.

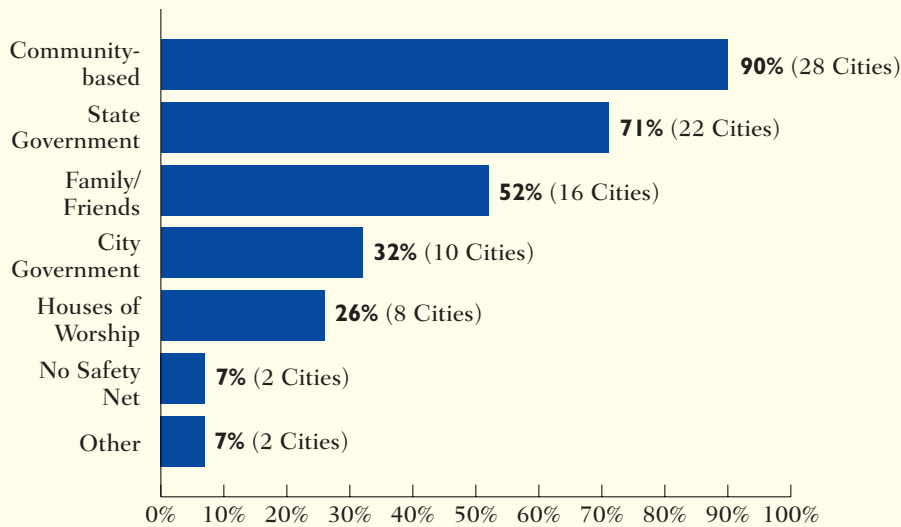
These survey responses suggest the need for flexibility to develop multiple approaches to removing barriers, with a particular focus on training to improve skills and employment outcomes. Unfortunately, more than one-half of mayors report that more than 20 percent of TANF recipients need employment and training assistance but do not receive it. Further, almost three-fourths of mayors indicate that 20 percent or more of other low-income families in need of such workforce development assistance do

not receive it. At the same time, cities are losing their primary source of funding targeted to TANF recipients with barriers to work. Eighty-seven percent of mayors say their city received Welfare-to-Work grant funds, and of those mayors, 84 percent say they cannot identify replacement funding now that the program is ending.

**D. Federal and state funding cuts led to reductions in work support services despite significant unmet need.**

Most mayors of cities that received Welfare-to-Work grant funds indicate that the local program will discontinue services when funding expires. In 1997, as states were implementing the welfare bill, Congress passed legislation creating Welfare-to-Work grants. In a press briefing after Congress agreed to the bill, President Bill Clinton said the money was for “community service jobs in areas of high unemployment.”<sup>8</sup> Welfare-to-Work grants were distributed primarily by

**Figure 7. In 2002, which institution(s) were the primary providers of cash, medical, and other types of assistance to needy non-citizens? Identify up to three**



formula to states, with 25 percent set aside for a national competition open to local workforce boards and local governments, as well as non-profit organizations applying with a board or local government. States were required to match the formula grants, and pass through most of the funds to local workforce boards to administer. The funds were targeted primarily to long-term welfare recipients with barriers to work, although some funds were available to non-custodial parents of TANF eligible children. In addition, later amendments to the law made funds available to a broader set of disadvantaged unemployed persons. The grants had to be used to help targeted populations make the transition to permanent, unsubsidized employment using a set of strategies defined in the law. Creating transitional jobs was one of the permitted uses of Welfare-to-Work grants.

As it turned out, grantees used the Welfare-to-Work grants to create a

diverse set of services for hard-to-place welfare recipients and low-income fathers. For example, by winter 2002, four states and over 30 local governments or organizations in both urban and rural areas had created transitional jobs programs. Local administrators used Welfare-to-Work grants to start many of these programs, and other programs designed to help recipients with significant barriers find and retain work. Since Congress never reauthorized the grants, many states and localities have already run out, or are now running out, of funding for the program.

Eighty-seven percent of mayors responding to the survey indicate that an agency in their city received a Welfare-to-Work grant. Now that the funds are expiring, 84 percent of those mayors state that the city has been unable to identify public or private funds to continue the services begun with the grant.

At the same time, 21 percent of

mayors report that, in the past year, states have decreased services to TANF recipients, and 36 percent report decreases in services to other low-income working families. Significantly, very few mayors report increases to either group in the past year, and the majority report no change. Meanwhile, mayors report that local governments have generally maintained the same level of services. Unfortunately, more than one-half of the mayors expect the state to decrease services to TANF recipients in the next year, and over two-thirds expect decreases for low-income working families.

The loss of federal Welfare-to-Work funding for services to recipients with barriers to work occurs at the same time that other factors reported by mayors may increase service needs. Caseload declines have ceased or reversed in most cities. Welfare recidivism is significant. The percentage of cases with substantial barriers to work is increasing. States are reducing other funding for addressing employment barriers, as well as employment and retention services.

***E. The change in eligibility for legal immigrants has a negative impact on needy non-citizens and the institutions that serve them.***

After 1996, non-citizen eligibility for many federally funded safety-net programs was prohibited or limited by the welfare law. Ninety percent of mayors report that community-based service providers were the primary providers of assistance to needy, non-citizen families in 2002 (Figure 7). Perhaps reflecting awareness that states took advantage of options to continue providing services, or provided state funds to replace lost federal funds, mayors ranked state government second as a primary provider of services. More than 50 percent indicate that family friends are a primary provider of services for needy non-citizens, followed by 32 percent of mayors who describe

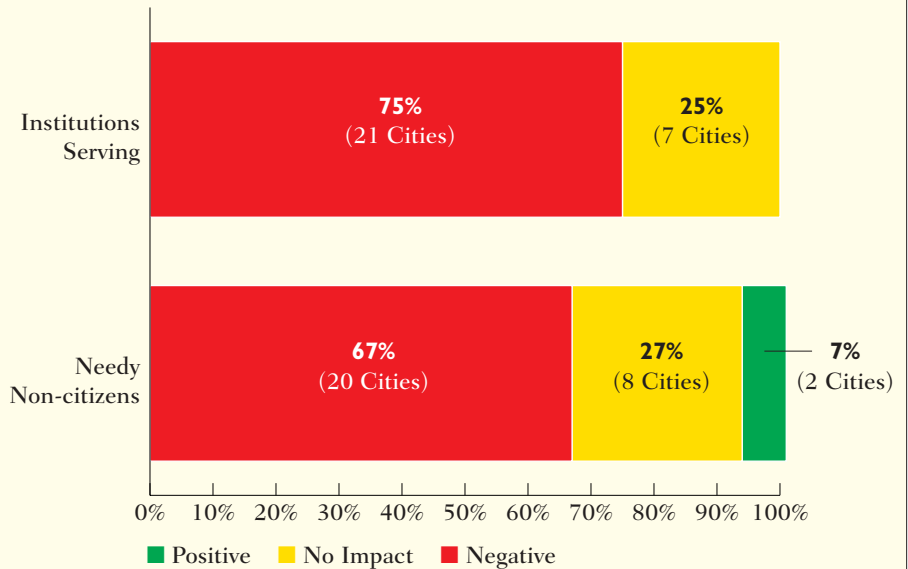
city government as a primary provider. Only one-quarter of mayors described houses of worship as a primary provider, but adding this category to community-based providers shows the critical role played by neighborhood institutions in meeting the needs of these families.

However, the change in non-citizen eligibility for cash assistance, Medicaid, and other services has had a detrimental effect on families and the institutions that serve them (Figure 8). Two-thirds of mayors describe the overall impact on needy non-citizens as negative. Three-fourths of mayors describe the impact on the budget situation of the institutions that serve these families as negative.

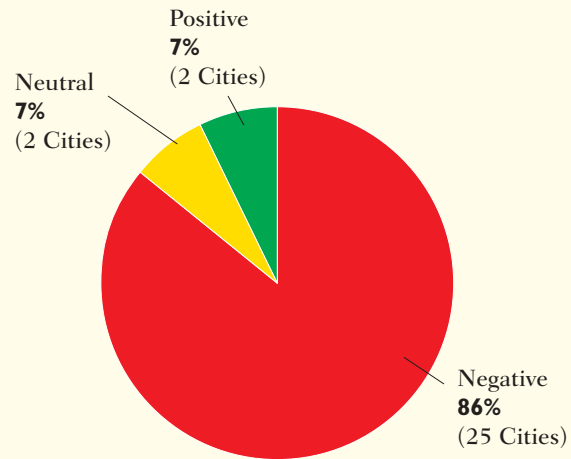
*F. The administration's proposed changes to work requirements would be costly; funds are not available to cover program and child care changes that would be required; and mayors have an overwhelmingly negative reaction to the proposal.*

The mayors surveyed take a generally dim view of the Bush administration's proposal for welfare reauthorization (Figure 9). Ninety-three percent of mayors say there are not enough funds available to meet the increased costs that would result from the proposed work program, and as a result, supports for working poor families would have to be eliminated. Seventy-six percent of mayors say that the proposed work requirements of a 40-hour work week for 70 percent of the caseload would demand changes in the current approach to working with TANF families. Eighty-three percent say there would be no funding available to meet the additional child care costs of the work requirements. The primary condition preventing compliance with the proposed changes is a lack of jobs in cities, followed by a lack of affordable child care. Two-thirds of mayors report that the lack of jobs with a standard, full-time, work week of 40 hours is a primary impediment to local compli-

**Figure 8. Please rate the impact of the change in non-citizens' eligibility status for TANF, Medicaid, and other federal programs on the overall situation of needy noncitizens and the budget situation of the institutions that serve needy non-citizens**

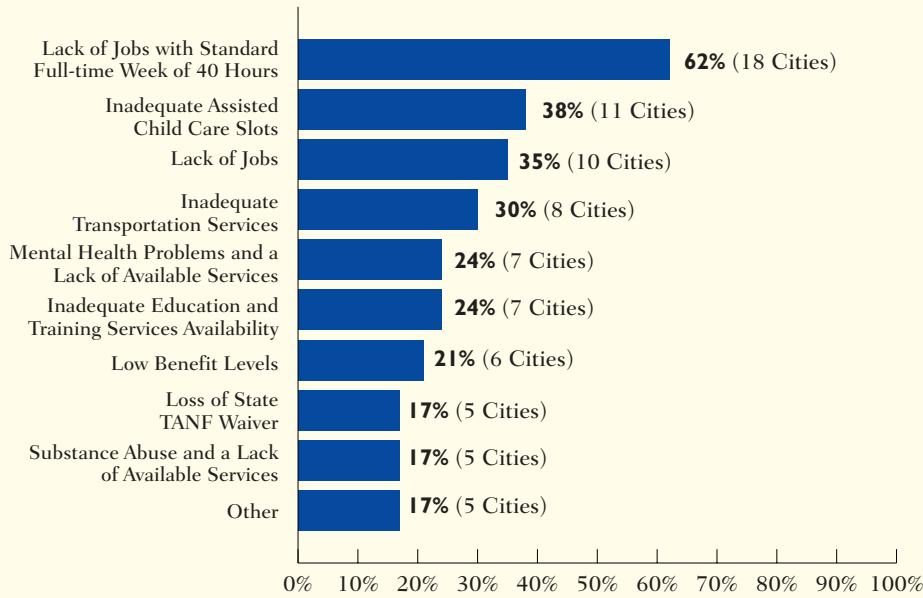


**Figure 9. Please indicate your reaction to the administration's proposed work-related changes**





**Figure 10. Please identify up to three primary conditions in your city that could affect the ability of your local TANF agency to comply with the proposed work requirements**



ance (Figure 10).<sup>9</sup> The mayors indicate throughout the survey that there is a great need for services to address employment barriers. However, nearly all of the mayors indicate that three months (as the administration’s proposal recommends in the definition of countable activities) is an inadequate amount of time to effectively provide services that address barriers to full-time employment, such as mental health services and substance abuse treatment.

### Recommendations for Federal Policy

The survey responses from mayors provide valuable information about the needs of cities and their residents for services to support a transition to work, job retention, and advancement in the workplace. While caseloads have dropped significantly and there are many new supports for low-income working families, cities still face difficult challenges supporting needy families, including working poor families. This information can and should be used to make state and local funding and policy decisions. Furthermore, the responses provide a guide for federal policymaking this year.

Congress is considering legislation to reauthorize the 1996 welfare bill, including TANF, child care block grants, and policies related to work supports for low-income families. In advance of the debate, many academ-

ics and advocates developed recommendations for changes and improvements to the existing law. Indeed, Brookings reported in early 2002 on the results of interviews and a roundtable discussion with local, state, and national experts on the welfare reauthorization policy agenda for cities.<sup>10</sup> In addition, in September 2002, we reported on our survey of states regarding the size, nature, and large-city location of welfare caseloads, and provided a set of reauthorization recommendations based on those results. Since then, the issues under consideration by Congress have narrowed. However, many of the proposals made earlier on behalf of cities remain under consideration at this time. A number of items appear critical:

#### 1. Provide adequate resources for welfare-to-work services, including child care

The mayors’ responses indicate that states and local governments need to continue providing services to low-income working families that help them retain jobs and improve earnings, while also meeting the challenge of serving long-term recipients with significant employment barriers. To accomplish these goals, states will need additional resources in the TANF and child care block grants, as well as funding for targeted, proven initiatives.

Although welfare caseloads nationally have dropped dramatically and millions of welfare recipients have gone to work, state and local governments have an ongoing need for the full federal TANF block grant funding of \$16.7 billion, adjusted for inflation. In 2002, states spent more than \$2 billion above the amount of their annual federal grant, using carryover funds. In the early years after implementation of work-based welfare, states spent less while they were making the transition to a new set of programs designed to meet new goals.

In recent years, as a result of caseload decline, states have spent less than one-half of the block grant on cash assistance. Instead, states have committed more than one-half of the block grant to other TANF purposes, like child care and transportation for low-income families struggling in low-wage jobs.<sup>11</sup>

However, in the current state fiscal environment, with nearly every state facing both a deficit and the obligation to maintain a balanced budget, funding for state welfare-to-work initiatives is growing scarce. States are increasingly unable to continue financing programs they initially paid for with carryover TANF federal funds. To continue funding these work supports, states would need to use state dollars above the minimum state “maintenance of effort” (MOE) requirement. But in fact, as the mayors report, states have been reducing their investments in child care and other programs in an effort to balance their budgets.<sup>12</sup> Meanwhile, since no prominent legislative proposal increases the basic TANF block grant, inflation will erode the value of the grants in 2007 by 22 percent, compared to 1997 values. Compounding this scenario, most states experienced caseload increases in 2001 and 2002, and some cities are reporting a reversal of caseload decline. As caseloads rise, states spend a larger portion of the block grant on cash assistance, forcing officials to reduce spending on other programs for low-income families when they cannot identify state dollars to replace the federal TANF funds.

In addition, child care services are currently severely underfunded. Only one in seven children eligible under federal guidelines gets assistance with child care costs.<sup>13</sup> The many families with children who have left welfare for work desperately need this ongoing assistance to keep their jobs. Ninety percent of mayors rate child care as very important in helping TANF recipients find and retain employment.

Employers report that the lack of reliable child care contributes to absenteeism at work for former welfare recipients.<sup>14</sup> Despite the increases in spending on child care in recent years, the vast majority of low-income working families gets no help with child care costs. At the same time, states are cutting their spending on child care because of significant budget deficits. The administration’s budget proposal makes no increase in the child care block grant and acknowledges that this will mean a loss of 200,000 child care slots over the next five years. In fact, the Congressional Budget Office estimated last year that it would cost \$4.5 billion to \$4.9 billion over the next five years just to maintain the current level of child care in states. Of course, any increase in hours or participation rates would require an additional, and significant, increase in child care spending.

In order to make welfare work, both families receiving cash assistance and those with low-income working parents need help with child care to succeed in getting and keeping a job. Mayors report that low-income working families are scheduled to lose the child care help they need to remain employed. States are lowering eligibility for assistance and waiting lists are growing for those who remain eligible. In order to continue working, families face difficult choices. Often the only options are devoting a significant amount of their limited income to child care, leaving little for other necessities, or placing children in situations that could jeopardize their basic health and safety.

Mayors also report the need for services to overcome barriers to work, including basic skills training and GED classes. To meet this need, states will have to expend more resources targeted to adults with personal barriers to work. That means that without overall increases, states would have to choose between providing targeted

services to recipients with barriers and existing programs important to helping low-income, working families keep their jobs.

## 2. Preserve and extend flexibility to develop individual plans

Mayors responding to this survey describe some welfare recipients as having multiple and varied barriers to work, suggesting the need for individually designed plans to aid parents in getting and keeping a job, as well as earning sufficient income. Local officials interviewed by Brookings in other surveys believe preserving existing flexibility is critical to success, including a number of the officials who recommended additional flexibility to support the education and training needs of welfare recipients.<sup>15</sup> The mayors’ responses underscore the need to provide skills training to recipients with substantial barriers to work and others returning to the rolls.

Under the current federal law, to count a welfare recipient toward the state work participation rate, the recipient must participate in a federally defined work activity. Although job search and certain educational activities meet this definition, federal rules limit the ability of states to count adults participating in these activities toward the work rates. To a large degree, state policymakers have not used education or work-study activities as assigned work-related activities.

However, states have received credit against their work participation rates for the dramatic caseload decline since 1996. This has made it possible for policymakers to design individualized case plans for adults with barriers to work, even though the plan’s activities do not meet the federal requirements (type of activity or number of hours) for a countable activity.

The administration’s welfare reauthorization proposal seeks to increase work requirements for states, reducing state flexibility. The proposal simultaneously narrows the list of countable

activities, which would put enormous pressure on TANF administrators to create one-size-fits-all unpaid work experience programs. Unfortunately, such programs have not proved effective in the past, and no state has implemented a program like the one proposed by the administration.

Some parents have significant barriers to employment—lack of skills training, physical disabilities, mental health problems, substance abuse problems, learning disabilities, very low literacy, or insecure housing—that must be addressed if they are going to secure employment. Some parents need mental health treatment, some need substance abuse treatment, some need to learn to read, and some need time to find and secure safe housing—sometimes away from an abusive partner. For many of these parents, 40 hours—or even 24 hours—of participation in workfare would not be the welfare-to-work activity best suited to helping them succeed in the workplace, or maintain family security and safety.

Over the past six years, states increasingly have worked to develop individualized approaches to helping recipients move from welfare to work. States have had the flexibility to engage recipients in a range of activities, including activities that did not meet the federally prescribed participation rules. States could choose to place recipients in activities the state thought were most appropriate, even if the recipient would not then be countable toward the participation rate requirements. TANF reauthorization legislation should ensure that, as states are required to engage an increasing number of recipients in welfare-to-work activities, they retain the flexibility they now have to tailor those activities to the needs and circumstances of each recipient. The responses of mayors point to the critical need for a menu of options to remove barriers to work, and provide job retention services.

As more recipients face time limits and substantial barriers to work, local administrators must retain the means and flexibility to design individualized programs. Meeting new state work rates, while failing to help families move from welfare to unsubsidized work, is not a desirable outcome. Reauthorization legislation should motivate states to help welfare recipients get and keep unsubsidized jobs. While it may be useful to encourage states to engage most welfare recipients in an activity designed to improve work and income outcomes, state and local officials should have more flexibility in deciding what those activities are than the current proposals provide.

Retaining the welfare law's focus on work does not require sacrificing flexibility. A bill that strengthens the participation of individuals by encouraging universal engagement, increasing direct work requirements to 24 hours, and measuring employment outcomes sends the right signals to states and individuals. It is important to replace the existing caseload reduction credit with a standard that rewards employment and participation in work-related activities rather than caseload reduction. This combination of changes would increase the focus on work but also preserve flexibility for program administrators to meet the particular needs of individuals and places.

### **3. Expand and improve access to benefits and work supports**

Many families leaving welfare for work, and other low-income households, are eligible for work supports like child care, food stamps, health coverage, and earned income tax credits. The value of these benefits can significantly increase household resources. Mayors overwhelmingly indicate that work supports like these are important for successful employment outcomes. Unfortunately, the participation rate in some of these programs remains low, and has declined since states implemented welfare

reform.<sup>16</sup> Although too little is known about the reasons for the low rates of participation, changes in federal rules to reduce paperwork and hurdles to enrollment for working families should be implemented.

The administration's TANF reauthorization proposal seeks to address problems faced by eligible recipients in accessing services by creating a new waiver to facilitate program integration. Although such a goal is important, the proposed process is a means to the end that unnecessarily leaves out important opportunities for stakeholder input. Under the administration's proposal, states and the secretaries administering federal agencies would be largely the sole decision-makers, leaving out local elected officials and providers (not to mention Congress). In addition, this "superwaiver" option is so open-ended that it would permit changes that would fundamentally alter programs in ways that may be wholly unrelated to improving program integration. Instead, it makes sense to provide pilot grants to local communities that test methods to improve uptake of various services. Congress should undertake a thorough review of the true barriers to program integration before recommending sweeping changes in program management.

### **4. Improve job access and retention**

A variety of additional initiatives will be necessary to advance welfare-to-work policy, in ways that are responsive to the mayors' reports. Federal policy should make it easier—not harder—for state and local governments to design programs that respond to individual and local needs.

■ **Address the transportation barrier.** More than once in the survey, mayors indicate that transportation remains a barrier to work for low-income, urban residents and an important work support. Yet, there is scant federal policy to address or

fund solutions to this problem. This should change. Public transportation is sometimes inadequate or unsafe in urban areas, and often virtually nonexistent in rural areas. Even in urban areas with an existing public transit system, service frequently does not match the transportation needs of entry-level workers, whose work schedules may include early morning or late night shifts when public transit is not available. Most welfare recipients do not have access to a dependable automobile, and research indicates that lack of access to an automobile is one of the most prevalent barriers to employment. Research further indicates that car ownership improves the likelihood that low-income people will get and keep work, and improves access to better jobs.

Many nonprofits and public agencies across the country, including states like Arizona, Florida, Iowa, Pennsylvania, Tennessee, and others, have started programs to assist welfare recipients and working poor families with car purchases. A new funding stream for a national demonstration could help ensure that successful low-income car ownership programs continue as states face budget deficits, and support new programs in other places.

- **Create a transitional jobs program for TANF recipients.** Eighty-four percent of mayors responding indicate that services to recipients with barriers that were funded with Welfare-to-Work grants have or will be discontinued. The grant program has expired and Congress has never reauthorized it, despite the Department of Labor's acknowledgment that the TANF block grants are insufficient to "move those most at risk of long-term welfare dependency into jobs."<sup>17</sup> One of the most successful initiatives funded with

the grants was transitional jobs programs, temporary wage-paying jobs in public agencies or nonprofit organizations combined with support services and training. Participants with multiple barriers who complete a transitional job have a very high success rate in finding permanent employment.<sup>18</sup> By comparison, unpaid work experience programs have not been successful for people facing severe barriers to work. For example, in 2002, only 9 percent of those enrolled in New York City's unpaid Work Experience Program found unsubsidized employment. In Washington state, after research showed that unpaid work experience had very limited positive effects on employment and earnings, the state eliminated the program. Since many cities created transitional jobs programs with Welfare-to-Work funds, they are now running out of operating money. Congress should provide funding for transitional jobs through the new Business Links grant model to support existing programs and allow other communities to develop this successful model for adults with barriers to work.

- **Permit states to use TANF-funded housing assistance as a work support like child care and transportation—without counting such aid against federal time limits.** Over 85 percent of responding mayors report a lack of affordable housing in their city. This affordable housing gap has adverse consequences for low-income families trying to work. The demand for affordable housing is increasing and already far exceeds supply. Much of the current stock of affordable housing is located in places that have limited employment opportunities and are a long distance from centers of job growth. Evidence suggests stable, affordable housing fosters success at work for former

welfare recipients.<sup>19</sup> However, federal resources are very limited, and some states have been using TANF funds to provide housing subsidies. Ten states (including Kentucky and Pennsylvania) and several counties in two additional states have committed federal TANF and/or state MOE funds to programs that provide housing subsidies. Many of these jurisdictions were unable to implement the types of housing programs they wanted—particularly ongoing rental assistance to working families—due to Department of Health and Human Services rules that consider any TANF-funded housing subsidy that is not short-term as "assistance," even if families are working and not receiving TANF cash benefits. Under these rules, a TANF-funded housing subsidy provided for more than four months counts against the family's federal lifetime TANF time limit. TANF-funded supplemental housing benefits should be categorized as "non-assistance" to facilitate states' use of TANF funds to serve working families.

- **Reinstate public benefits to legal immigrants.** Many mayors report that the overall situation of non-citizens is very negative as a result of the change in eligibility status for support services. The bar on benefits for recent immigrants disproportionately affects cities, as they are home to nearly one-half of all immigrants in the United States. Many states use state dollars to provide some benefits to legal immigrants. In some places, local governments are required to share the cost of providing these benefits. In other places, local governments finance some services without help from the state. Mayors report that the most likely providers of services to needy non-citizens are community-based organizations, and that the budget situation for such insti-

tutions is overwhelmingly negative as a result of the change in eligibility in federal law. While immigrants are likely to work, they often earn low wages and few benefits. Many working immigrants would benefit from the work supports that other low-wage workers may receive, such as health coverage and child care, as well as TANF-funded training and education (particularly English-as-a-second-language classes). When new immigrants are temporarily unemployed, they should be able to access the same safety net as other taxpayers. States should be able to use federal funds to support these working families, and the non-profit providers that serve them.

- **Enhance local options to prepare and support a skilled workforce.** Taken together, the survey responses indicate a need to provide training to recipients with barriers and those returning to the rolls. States that chose to make education and training immediately available as one of a mix of service options for their welfare recipients—as determined by each person’s specific situation and by the skill requirements of jobs in the local labor market—have documented some of the greatest achievements in the nation in terms of employment and earnings gains for their TANF clients. Oregon allowed certain welfare clients to enroll in education (ranging in length from a few weeks to two years) as part of its welfare-to-work strategy. Other Oregon clients participated in job search, or some combination of job search and education—but there was no mandated combination for how and when such services should be combined. With that flexibility, and the flexibility to use education and training freely as part of an employment strategy, Oregon’s earnings and employment gains surpassed those in any other state in the

study.<sup>20</sup> However, under the administration’s proposal, this strategy would be essentially impossible to implement. States should have the flexibility to replicate Oregon’s successful program.

- **Allow states to provide wage subsidies to low-income workers from federal TANF funds without counting months of such assistance against federal time limits.** Mayors report that some recipients facing time limits are working in the regular labor market. Reauthorization should address the contradiction in the TANF law that makes it difficult for states to provide wage subsidies to low-income working parents. The current law creates a push and pull that places these working adults in a tug-of-war. If they find a job and the state offers a federally funded wage subsidy (also called an earned income disregard), the family must choose between forgoing the enhanced economic security provided by the wage subsidy, or using up the time limited benefit. Congress can address this inherent contradiction by clarifying that wage subsidies may be provided to working parents without counting months when families receive such subsidies against the five-year time limit.
 

The mayors report that many of the adults facing and reaching time limits are currently working and using up months of assistance. While it is possible for TANF administrators to provide such wage subsidies in a separate program funded with state dollars not subject to time limits, it reduces flexibility to require states to manage the accounting of two separate programs. Instead, federal welfare-to-work policy should ensure that states have the option to use federal funds to support families who are working but poor. Federal policy should signal states that providing a

monthly wage subsidy to working families does not have to count toward federal time limits.

- **Make state plans more transparent.** Mayors responding to the survey should be able to evaluate state-level policy and funding decisions. To make this possible, states should be required to include information in state TANF and child care plans about the process and criteria for allocation of federal and state TANF-funded resources and services, including a description of any cost-sharing arrangements with local government. Policymakers know very little about intra-state allocation of the \$16.5 billion in federal TANF funds, the \$10 billion in required MOE state funds, or the \$4.8 billion in federal child care dollars. Other, much-smaller, federal block grants, such as the Social Services Block Grant, Community Development Block Grant, and the Community Services Block Grant, incorporate carefully negotiated funding formulas that reflect policymakers’ assessment of local need. In contrast, TANF and child care block grants are based on state formulas that reflect policies and caseload levels that are nearly a decade old, and quite different from current state realities. Although it will prove contentious, Congress should reconsider the funding formulas for these programs. Short of that, states should consider such factors as poverty levels, number of cases with barriers, and local service-delivery infrastructure needs. Information about state criteria and any formula developed after such consideration should be available to mayors and other stakeholders in the plans that states publish for comment and file with the federal government.

## Conclusion

Since 1996, state and local administrators have made enormous progress in turning what was a check-writing safety net program into a job preparation, placement, retention, and advancement system. Millions of welfare recipients have made the leap from welfare to work. Along the way, it has become clear that retaining flexibility, and improving the options for states to support parents with employment barriers or struggling to stay on the job, are the best ways to sustain and expand the success of welfare recipients and program administrators alike. Now, the mayors have weighed in, and seem to support that view. Mayors of cities large and small report a pressing need to improve access to work supports like affordable child care, transportation, and housing for working poor families. Likewise, they emphasize the importance of improved availability of programs that address employment barriers like transitional jobs, and skills development programs. While these recommendations reflect in particular the challenges confronting mayors, the solutions are not terribly different for addressing the needs of less concentrated caseloads in other places. In all cases, progress requires adequate funds and local flexibility. In contrast, the administration's recommendation would reduce flexibility and funding for work support services, so it is not surprising that mayors reacted so negatively to the proposal. Work-based welfare policy requires success in cities. The administration's proposal would leave mayors to manage the problems created as long-term recipients hit time limits, and working families lose critical supports like child care assistance. Federal policymakers should heed the word of experienced state and local leaders as they take the next steps in welfare-to-work policymaking.

## References

- Clinton, William J. 1997. "Remarks on the Budget Agreement and an Exchange with Reporters." *Public Papers of the Presidents of the United States*. National Archives. ([www.clinton.nara.gov/public\\_papers/public\\_papers.html](http://www.clinton.nara.gov/public_papers/public_papers.html)).
- Holzer, Harry, and Michael A. Stoll. 2001. "Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace." San Francisco: Public Policy Institute of California.
- Kirby, Gretchen, and others. 2002. "Transitional Jobs: Stepping Stones to Unsubsidized Employment." Washington: Mathematica Policy Research, Inc.
- Levitan, Mark, and Robin Gluck. 2003. "Recession and Reauthorization: The Economic Downturn and Federal Welfare Policy." New York: Community Service Society.
- Martinson, Karin, and Julie Strawn. 2003. "Built to Last: Why Skills Matter for Long Run Success in Welfare Reform." Washington: Center for Law and Social Policy.
- Mezey, Jennifer, Mark Greenberg, and Rachel Schumacher. 2002. "The Vast Majority of Federally-Eligible Children Did Not Receive Child Care Assistance in FY 2000." Washington: Center on Law and Social Policy.
- Neuberger, Zöe. 2002. "States Are Already Cutting Child Care and TANF-Funded Programs." Washington: Center on Budget and Policy Priorities.
- Richer, Elise, Hedieh Rahmanou, and Mark Greenberg. 2003. "Welfare Caseloads Increase in Most States in Fourth Quarter." Washington: Center for Law and Social Policy.
- Sard, Barbara, and Margy Waller. 2002. "Housing Strategies to Strengthen Welfare Policy and Support Working Families." Washington: Brookings Institution and Center on Budget and Policy Priorities.
- U. S. Conference of Mayors. 1997. "Implementing Welfare Reform in America's Cities: A 34-City Survey." Washington.
- U.S. General Accounting Office. 2002. *Welfare Reform: States Provide TANF-Funded Services to Many Low-Income Families Who Do Not Receive Cash Assistance*. Washington.
- Waller, Margy. 2002. "Transitional Jobs: A Next Step in Welfare to Work Policy." Washington: Brookings Institution.
- Waller, Margy, and Alan Berube. 2001. "Timing Out: Long-term Welfare Caseloads in Large Cities and Counties." Washington: Brookings Institution.

## Endnotes

1. Margy Waller and Alan Berube, "Timing Out: Long-term Welfare Caseloads in Large Cities and Counties" (Washington: Brookings Institution, 2001).
2. United States Conference of Mayors, "Implementing Welfare Reform in America's Cities: A 34-City Survey" (1997).
3. Paul Leonard and Maureen Kennedy, "What Cities Need from Welfare Reform Reauthorization" (Washington: Brookings Institution, 2002).
4. Waller and Berube, "Timing Out."
5. Elise Richer, Hedieh Rahmanou, and Mark Greenberg, "Welfare Caseloads Increase in Most States in Fourth Quarter" (Washington: Center for Law and Social Policy, 2003).
6. Karin Martinson and Julie Strawn, "Built to Last: Why Skills Matter for Long Run Success in Welfare Reform" (Washington: Center for Law and Social Policy, 2003).
7. Mark Levitan and Robin Gluck, "Recession and Reauthorization: The Economic Downturn and Federal Welfare Policy" (New York: Community Service Society, 2003).
8. Public Papers of the Presidents of the United States, William J. Clinton—1997, "Remarks on the Budget Agreement and an Exchange with Reporters," available at [www.clinton.nara.gov/public\\_papers/public\\_papers.html](http://www.clinton.nara.gov/public_papers/public_papers.html) (May 2003).
9. The House bill requires 24 hours of "direct work," followed by 16 hours of other activities to be defined by the state. However, developing and managing the program activities for the remaining hours to reach 40 per week could be costly and burdensome. Most TANF recipients participating in countable activities in 2001 worked in an unsubsidized job in the regular labor market for an average of 29 hours per week.
10. Leonard and Kennedy, "What Cities Need."
11. U.S. General Accounting Office, *Welfare Reform: States Provide TANF-Funded Services to Many Low-Income Families Who Do Not Receive Cash Assistance* (Washington, 2002).
12. Z e Neuberger, "States Are Already Cutting Child Care and TANF-Funded Programs" (Washington: Center on Budget and Policy Priorities, 2002).
13. Jennifer Mezey, Mark Greenberg, and Rachel Scumacher, "The Vast Majority of Federally-Eligible Children Did Not Receive Child Care Assistance in FY 2000" (Washington: Center on Law and Social Policy, 2002).
14. Harry Holzer and Michael A. Stoll, "Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace" (San Francisco: Public Policy Institute of California, 2001).
15. Leonard and Kennedy, "What Cities Need."
16. Michael O'Connor, "Using the Internet to Make Work Pay for Low-Income Families" (Washington: Brookings Institution, 2002).
17. Department of Labor Employment and Training Administration Fact Sheet, "Meeting the Challenge," available at <http://www.doleta.gov/resources/fact-challenge.asp> (May 2003).
18. Gretchen Kirby, and others, "Transitional Jobs: Stepping Stones to Unsubsidized Employment" (Washington: Mathematica Policy Research, Inc., 2002).
19. Barbara Sard and Margy Waller, "Housing Strategies to Strengthen Welfare Policy and Support Working Families" (Washington: Brookings Institution and Center on Budget and Policy Priorities, 2002).
20. Gale Hamilton, "Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies" (New York: Manpower Demonstration Research Corporation, 2002).

### **Acknowledgments:**

The Brookings Institution Center on Urban and Metropolitan Policy would like to thank the Annie E. Casey Foundation, the Charles Stewart Mott Foundation, the Joyce Foundation, and the Fannie Mae Foundation for their support of the Center's research and policy work on the place-based nature of welfare and working family policy, and the implications for America's cities and low-income neighborhoods. The author would also like to thank the National League of Cities and the U.S. Conference of Mayors for their contribution and partnership in this project; Mark Greenberg, Andrea Kane, Meghan McNally, Guy Molyneux, Julie Morganstern, Sharon Parrott, Jennifer Sargent, Audrey Singer, Laura Waxman, and her Brookings colleagues for their assistance with survey development, data analysis, and drafting; and the mayors and their colleagues who provided responses to the survey.

### **For More Information:**

Margy Waller  
Visiting Fellow  
Brookings Institution Center on Urban and Metropolitan Policy  
Email: [mwaller@brookings.edu](mailto:mwaller@brookings.edu)  
Phone: (202) 797-6466



## **THE BROOKINGS INSTITUTION**

1775 Massachusetts Avenue, NW • Washington D.C. 20036-2188  
Tel: 202-797-6000 • Fax: 202-797-6004  
[www.brookings.edu](http://www.brookings.edu)



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