Greater Washington Research Center

Welfare to Work
in the Washington Area

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Is Welfare Reform Succeeding in the Washington Area?

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The Welfare to Work Series of Reports

The Greater Washington Research Center has been tracking welfare reform in the Washington Area for over a year and a half. The aim: to analyze how area governments are helping welfare recipients make the transition from welfare to work and to keep the business community and others informed about those efforts. The Research Center periodically distributes its findings and its recommendations about government data collection, presentation, and decision process through this series of reports.

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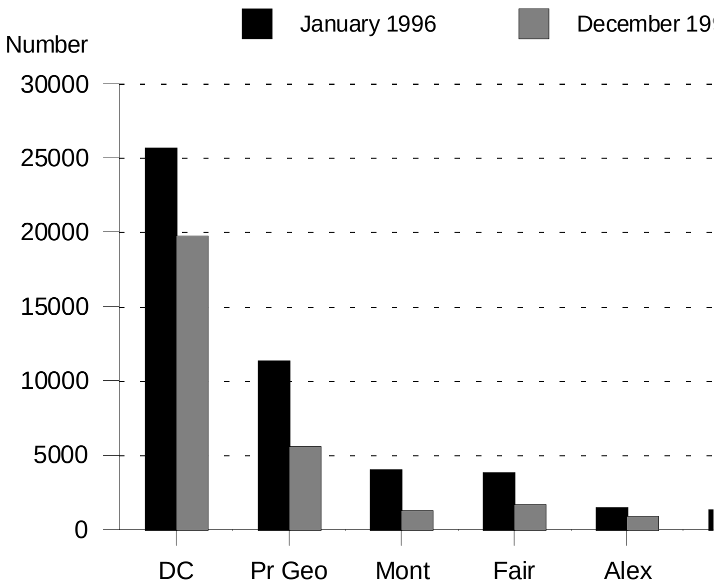
The 1996 federal welfare reform law ended the entitlements of the previous welfare program Aid to Families with Dependent Children (AFDC) and required welfare recipients to work. A flat amount of financial aid was provided to each state based on its welfare spending under the repealed program. Because the new welfare program, Temporary Assistance for Needy Families (TANF), was limited to 60 months of lifetime benefits, welfare recipients would have to replace the cash assistance and food stamp benefits with job earnings or help from other sources.

States and their local governments also confronted new challenges:

- To avoid financial penalties they would have to place increasing proportions of adults receiving welfare in work activities for an increasing number of hours per week.
- States would have to maintain their welfare expenditures at 75 to 80 percent of 1994 levels under the old program, or face reductions in the payment under the new program.
- Governments would also have to overhaul information systems to track child support and revamp other data systems to comply with many new reporting requirements.

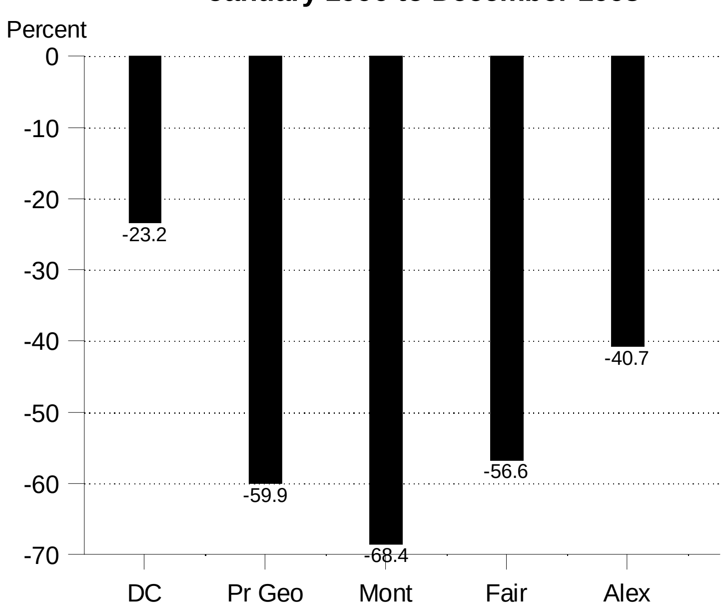
It has been 30 months since the federal welfare reform law was enacted. However, Washington area jurisdictions started implementing the new law at different times and at varying speeds. Northern Virginia began officially under the Virginia welfare reform law in April 1996, and job placements followed rapidly. The Maryland program began the following October, but job placements in volume started in the Washington suburbs only in the summer of 1997. Although it was granted federal approval of its plan by March 1997 and engaged in job placement efforts in summer of 1998, the District did not launch long-term job placement contracts until December 1998. How successful has welfare reform been in the Washington area?

Washington Area TANF Cases



Percent Decrease in Washington Area TANF

January 1996 to December 1998



Percent Changes in Washington Area TANF Cases in 1998

	DC	Mont	Pr. Geo	Alex	Arl	Fair	Total
First Qtr.	-5.7	-17.4	-13.0	-7.8	-8.8	-9.8	-4.4
Second Qtr.	-3.9	-17.0	-8.3	-3.0	-9.1	-4.9	-6.0
Third Qtr.	-3.1	-8.2	-8.7	-4.3	-5.1	-4.8	-4.7
Fourth Qtr.	-0.4	-9.4	-12.6	-3.5	-8.0	-2.6	-3.7

Caseloads have declined sharply in the region, and the rate of decline has shown no signs of slowing.

Washington area TANF cases have declined 38 percent and people receiving assistance have decreased 50,500 since January 1996. Nevertheless, 70,100 people still depend on TANF. The greatest absolute caseload decline was in the District (-6,000), followed by Prince George's County (-5,800).

The greatest percentage decline in caseloads was in Montgomery County (-68 percent), and the smallest was in the District (-23 percent).

The recent rate of decline in Washington area welfare cases is not following reported national trends. The decreases in caseloads are slowing to a trickle in many states because those who can leave the rolls easily have done so. Except for Fairfax County, strong declines have continued in the Washington area through the fourth quarter of 1998. Although District decreases have been small in recent months, they appear to be the result of the protracted delay in entering into job placement contracts.

Area jurisdictions are generally complying with federal TANF requirements.

- States must submit plans showing how they intend to implement the required and optional elements of the new welfare reform. The District, Maryland, and Virginia plans were certified by the federal Department of Health and Human Services by March 1997, well before the mandatory July 1, 1997, TANF implementation date.

- States must place a percentage of families (cases) on welfare in a work activity for a specified number of hours per week. This is known as the "work participation ratio". Single parents of children under one (or parents of children under six who cannot find child care) are exempt.[1] In 1999, single parents

[1]Under Virginia law, parents of children under 18 months are exempt.

must work at least 25 hours a week. A state's required work participation, 35 percent for single parents in 1999, can be adjusted downward when caseloads fall. Because of large caseload declines, the required work participation ratios in the Washington area are quite low and were met in 1997 for single parents. 1998 data will probably show compliance also.[2]

1997 Work Participation Ratios by All Families Receiving TANF

	Required	Actual
District	21.0%	31.3%
Maryland	16.3%	18.3%
Virginia	15.6%	17.3%

- The welfare reform law required that states maintain welfare-related spending at 75 to 80 percent of 1994 spending on AFDC and related programs. Maryland, the District, and Virginia met this maintenance of spending effort requirement in 1997. Results for 1998 are not yet available.

1997 Actual Maintenance of Effort Ratios

District	84%
Maryland	75%
Virginia	75%

- States were required to show by October 1, 1998 that their computer information systems could track child support payments and calculate welfare benefits. Virginia met the federal deadline in 1996. Maryland and the District must submit more information before their compliance is determined.

Early results show mixed progress toward employment and replacing welfare benefits with earnings.

Reducing welfare caseloads and complying with federal requirements are significant accomplishments. The ultimate success of welfare reform, however, depends on replacing cash and other assistance with job earnings, in short, making welfare recipients self sufficient. Recent studies in Maryland and Virginia have found the outlook for self sufficiency is mixed. Outcomes may become more conclusive as welfare recipients gain more time in the labor force and further research traces trends in their jobs and earnings.

Welfare recipients are finding jobs as required under the area's Work First policies, but results have been modest. In their state plans, all Washington area jurisdictions emphasize immediate employment, rather than extensive training, as the first step out of welfare. On average, only half of Virginia's welfare recipients are finding jobs. Recipients most likely to find jobs (based on their previous employment, shorter welfare tenure, smaller families, and high school diploma), have an employment rate of 69 percent. However, this was the same employment rate this group had before the law change. Recipients least likely to find jobs (lack of work experience, high school not completed, four or more children, long welfare tenure) gained significantly–from a near zero employment rate to 33 percent with jobs after nine months. Many high-risk recipeints who were working, though, remained on the rolls because their wages were too low to disqualify them from cash assistance. As a result, many high-risk recipients exhausted their two-year Virginia limit on benefits and stopped receiving assistance.

In the District, 13,700 recipients are required to participate in a work activity, but only 7 percent had jobs in November 1998. Another 13 percent were in unpaid work experience, vocational training, or job search/job readiness training.

Only a little over half of recipients leaving welfare appear to have jobs. Many recipients leave welfare not because they have jobs, but because their family situation has changed or they have failed to comply with welfare rules. In Maryland, only slightly over half the recipients who left the rolls during the period October 1996 through March 1998 were working. In Fairfax County, 56 percent of those leaving the rolls between April 1996 and June 1997 were employed. What happens to the resources of people who leave welfare and are not working is not clear. Better information about their outcomes would help gauge the success of welfare reform.

Part-time work and missed work periods are keeping earnings at or below the poverty level. Fairfax County recipients who left welfare and reported their earnings in a survey had $7.75 in median hourly wages, considerably higher than the $5.15 federal minimum wage. For a full-time job, this pay would mean $1,343 monthly, higher than the $1,111 federal poverty level for a family of three.

[2]Because of continued steep caseload reductions, Maryland has a zero work participation requirement in 1999 for single-parent families. Virginia and District requirements may turn out to be higher. As long as caseloads continue to decline, compliance is not a problem. If the downward trend ends, the mandatory work participation rate will kick in, reaching 50 percent by 2002.

The recipients reported $1,160 in median gross monthly income. While this is slightly higher than poverty level, it is considerably below the full-time, monthly earnings, indicating that many work less than 40-hour weeks or skip weeks of work.

Maryland (and other states') analyses of quarterly earnings data from the unemployment insurance files rather than recipient surveys show statewide earnings are *below* poverty levels. The data also indicate the jobs of former recipients are not full-time. In contrast to hourly wages and even monthly earnings data gained from surveys, quarterly earnings data reflect better the lack of employment continuity. Maryland welfare recipients who worked in the state had $2,200 median gross earnings for the first quarter after leaving the rolls. In the fourth quarter, their earnings were $2,400, still well below the $3,333 (quarterly) federal poverty level for a three-person family.

The new workers are generally not receiving health benefits. Some 70 percent of the working Virginia recipients surveyed have jobs offering no health benefits. Former Fairfax recipients who were employed could have fared somewhat better: 58 percent were offered a health plan. However, mainly due to high costs, only 29 percent participated in plans. Of course, recent expansions of Medicaid to more children in low-income working families (who can now earn up to 175 percent of the federal poverty level in Virginia and up to 200 percent in the District and Maryland and still qualify) mitigate the lack of an employer health plan.

The good news is that recipients with jobs are staying employed.

Most new workers are continuing to work. Almost 80 percent of Virginia recipients were working 18 to 24 months after they began the employment program. This dropped to 65 percent, however, for those who were employed for at least two years. Maryland's experience is parallel: of recipients with work when they exited welfare, 89 percent were working in the second quarter after leaving and 70 percent were working in the fifth quarter. Fairfax County reports similar findings.

Job stability is a characteristic of the new workers. Of former Fairfax County recipients, 65 percent reported that they had held only one job; 26 percent had held two jobs. These findings are hopeful because job retention is crucial to building earnings and career potential. At the same time, research has shown that less skilled workers can increase their earnings faster by changing jobs once a year in the first few years after starting work.

Current studies are producing useful information about employment and earnings of current and former welfare recipients. However, there is not enough history yet to determine if progress is being made toward self-sufficiency. The District and Prince George's County are getting ready to launch their own longitudinal studies of those who have left welfare, and Fairfax County is continuing its evaluations. As a result, measures unique to the Washington area should begin to be available.

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