

Work-Related Activities and Limitations of Current Welfare Recipients

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Assessing
the New
Federalism

An Urban Institute
Program to Assess
Changing Social Policies

Discussion Papers

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Assessing the New Federalism

Assessing the New Federalism is a multiyear Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states. It focuses primarily on health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. Alan Weil is the project director. In collaboration with Child Trends, the project studies changes in family well-being. The project provides timely, nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

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Abstract

The dramatic shift from cash assistance to work embodied in the 1996 passage of Temporary Assistance for Needy Families (TANF) gives policymakers a strong need to understand the extent to which current cash assistance recipients participate in required work-related activities and the obstacles they may face in getting and keeping a job. The 1997 wave of the National Survey of America's Families (NSAF) provides a national picture of recipient work activity and obstacles to work in the early period of TANF implementation. The study finds that, compared to historic levels, a high proportion of the TANF caseload in 1997 was participating in work activities. More than half reported either working, being in school, or actively looking for work in the past four weeks. On the other hand, more than 4 out of 10 reported at least two significant obstacles to work, such as low education, no recent work experience, or work-limiting mental or physical health problems. The study also explores the relationship between states' pre-TANF work-participation policies and caseload decline and the characteristics of those remaining on welfare in 1997. These results show that states with strong work policies had significantly higher shares of recipients working regardless of reported obstacles, and that steep caseload decline per se does not seem to be clearly related to caseload disadvantage.

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Work-Related Activities and Limitations of 1997 Welfare Recipients

Federal welfare reform dramatically shifted the focus of welfare from cash assistance to work. The new Temporary Assistance for Needy Families (TANF) program requires nearly all cash assistance recipients to move into "work activities" within two years in order to maintain benefits, and benefits end for most recipients after five years regardless of work experience. Work activities can include paid employment, subsidized employment, unpaid work, up to 12 months of education and training, and six weeks of job search activity. While some states were already operating "work first" programs that encouraged or required large shares of their caseloads to move into paid employment quickly before federal welfare reform began, many others were operating programs consistent with federal Aid to Families with Dependent Children (AFDC) rules that exempted many aid recipients from any work activity and focused on education and training activities for those who were not exempt.

Given the new focus on work nationwide, policymakers have a strong interest in understanding current work-related activities and work limitations of adults currently receiving welfare. Some part of the caseload may require substantial resources to help them overcome obstacles to employment such as low education levels, the lack of any recent work experience, personal health limitations, and the health limitations of persons in their care. Policymakers also need to assess the likelihood that new work requirements and time limits present realistic goals for all cash recipients.

This policy brief uses data from the National Survey of America's Families (NSAF) to examine the work characteristics of parents receiving cash assistance during 1997, a year representing a transition to the new work-focused system. We examine three questions:

- To what extent are current recipients already engaged in work activities?
- To what extent do current recipients report personal or family characteristics that could limit work

activity?

- Do patterns of work activities and the incidence of obstacles vary across states?

This information provides an early look at the ability of recent welfare recipients to move into work activities and meet the goals set by the new legislation. It also provides a sense as to whether some states will require more resources than others to move their current caseload into work activities. Many hypothesize that as states move farther along in welfare reform, their caseload will become increasingly disadvantaged because those most ready to work will be the first to leave welfare. The more-disadvantaged part of the caseload will require new programs and resources to assist them in making the transition to work. One way to test this hypothesis is to examine whether states with "work first" programs prior to TANF or with the steepest declines in caseloads prior to the NSAF interviews have more-disadvantaged caseloads than states less focused on these types of reforms prior to the federal legislation.

The New Legislation: The Focus Is on Work

A major goal of the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 was to move a greater share of cash assistance recipients into work activities. PRWORA replaced the 60-year-old AFDC program with the TANF program and provided a block grant to states to finance the federal share of program costs. TANF requires that 25 percent of recipient families participate in work activities in 1997, gradually increasing to 50 percent by the year 2002, and all nonexempt adults must participate in work activities after two years of benefit receipt.¹ In addition, work participation can include only a limited amount of educational activity, and required participation for single-parent families

¹States' TANF work activity targets are reduced by the number of percentage points by which a state's caseload in the preceding fiscal year is smaller than in fiscal year 1995 unless the caseload decline results from changes in state eligibility criteria or was required by federal law. Since caseloads generally have been shrinking, the actual required participation rates in the near future (for most states) will be smaller than the statutory ones.

must increase from 20 hours per week to 30 hours per week by 2000. States must include all families with adults in their work-participation rates unless the family has a child under age one. In contrast, a large share of the adult caseload was exempt from participation in work activities under the federal rules governing the AFDC/JOBS program, and states had to reach only a 20 percent participation rate for their nonexempt caseload.²

At the time that the legislation passed, many were concerned that these work-participation goals would be difficult to meet. The legislation passed without a very clear understanding of the potential challenges of the current caseload regarding work participation. A variety of studies documented that a large share of adults receiving cash assistance had personal characteristics that could limit work activity. For example, based on analyses of data from the 1992 National Longitudinal Survey of Youth, Olson and Pavetti reported that almost 90 percent of welfare recipients between the ages of 27 and 36 experienced one of five potential barriers to employment (low basic skills, substance abuse, a health limitation, depression, or a child with a chronic medical condition or serious disability).³ About half of the recipients experienced a more serious form of one or more of these barriers. Other studies reported a variety of factors that might inhibit the ability of welfare recipients to move into work, including physical disabilities and health limitations, mental health problems, health or behavioral problems of children, substance abuse, domestic violence, involvement with the child welfare system, work history, housing instability, and low basic skills and learning disabilities.⁴

²The JOBS program had a number of categorical exemptions, the most significant of which was to exempt mothers with children under age three (or age one, at state options) from mandatory participation, so that only about half of the adult caseload was required to participate.

³Krista Olson and LaDonna Pavetti, "Personal and Family Challenges to the Successful Transition from Welfare to Work," Urban Institute Project Report, May 17, 1996, Washington, D.C.

⁴Olson and Pavetti (1996), *op. cit.*, provide a comprehensive review of this literature, highlighting the variability in sample sizes, representation of coverage, and measurements for personal characteristics that might limit work.

However, it was difficult to make a general assessment of the needs of recipients across the United States because different studies reported a wide range of potential challenges based on different definitions of obstacles to work and samples of recipients not necessarily representative of the U.S. welfare population.

Families Reporting Welfare Benefits on the NSAF

The NSAF helps to fill the gap in our understanding by providing a nationwide sample of individuals of all ages currently receiving cash assistance in 1997.⁵ The NSAF measured recipients' personal characteristics and work behavior, along with characteristics of members of their families. The first year of the NSAF occurred between February and November of 1997. During this time, most states were beginning to transition to the new TANF program. States were required to submit a TANF plan to the federal government by July 1, 1997. While many states submitted plans in the fall of 1996 in order to ensure receipt of their maximum block grant funds available under TANF, many continued to debate their TANF plans throughout their 1997 legislative sessions. In addition, some of the states' plan provisions were implemented prospectively.⁶ Since new welfare laws also take time to articulate to clients, we presume that the NSAF primarily provides a pre-TANF profile of the population, incorporating only short-run TANF effects for a

⁵The NSAF is representative of the noninstitutionalized, civilian population of persons under age 65 in the nation as a whole and in 13 states: Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Detailed information was obtained on 75,437 adults and 34,439 children in 44,461 households. Over 40 percent of respondents lived in families with incomes below 200 percent of poverty. Detailed documentation of the survey, a source and reliability statement, and technical papers describing response rates and weights can be found in various papers available on the Urban Institute Web site, <http://www.urban.org>.

⁶Variations in implementation dates for benefit termination time limits provide one example of the variation in states' scheduled implementation. Time limit clocks began late in 1996 in 7 of the 13 states for which we have representative samples in the NSAF; New Jersey began its clock in April of 1997; Colorado, Minnesota, and Washington began the time limit during the summer of 1997; and California began its time limit in January 1998. (The remaining state, Michigan, does not have a time limit.) See L. Jerome Gallagher et al., *One Year after Federal Welfare Reform: A Description of State Temporary Assistance for Needy Families (TANF) Decisions as of October 1997*, *Assessing the New Federalism* Occasional Paper Number 6, The Urban Institute, Washington, D.C., June 1998, for a description of states' rules.

relatively small subset of the population.

We restrict our analysis to parents currently receiving TANF who were likely to be affected by the new work requirements. We exclude nonparent adults in TANF units where the children were receiving cash assistance and parents who were receiving Supplemental Security Income (SSI) for themselves. Both cases would be designated as “child only” units and not subject to the work requirements or included in states’ work participation targets.⁷ We simplify our analysis by focusing on the characteristics of the parent most knowledgeable about the children in the family.⁸ This sample of adults was asked additional questions about their welfare participation. That is, for two-parent or single-parent-with-partner families, we only analyze the characteristics of the primary caretaker of the children. There are 1,564 persons in our analysis file, representing about 2 million adults receiving TANF in 1997. The NSAF asked individuals currently participating in AFDC/TANF about their current work activities and about program requirements for continued benefit eligibility. It also includes data on a wide variety of personal characteristics that might inhibit work participation.

To What Extent Does the Current Caseload Participate in Work Activities?

More than half of the TANF parents in our sample reported that they currently participate in some work-related activity (figure 1). Twenty-one percent reported working; 10 percent were in school; and 25

⁷We are not able to identify parents who are not citizens on the NSAF, another important category of adults excluded from assistance units. These adults cannot be distinguished from parents who may not be in the assistance unit because they were sanctioned. The latter category is subject to the work requirements.

⁸Nine percent of adults reporting current receipt of TANF benefits were married and another 5 percent reported living with a partner. In these cases, we include the work characteristics of the primary caretaker of the children, usually the mother, who would also be included in the assistance unit. All adults receiving assistance are required to participate in work activities as defined by the states. However, some spouses and most partners would not be in the assistance units and thus would not be subject to the TANF work requirements.

rates of work-related activities are high by historic standards. For example, 12 percent of AFDC families with parents had earnings in 1995.¹⁰ The NSAF results are closer to more recent data from states showing that 18 percent of the adults receiving assistance in July through September of 1997 were employed.¹¹ (Unfortunately, comparable data on other types of work activities are not available.)

While we can't tell from the NSAF whether school and job search activities reported by recipients actually counted toward states' work activities for their caseloads, the high level of work activity among the current caseload, coupled with a reduction in the target rates for most states because of declining caseloads, seems to indicate that states, on average, will have little trouble meeting the new federal work-activity targets for their total caseloads, at least in the short run.^{12, 13} Of course, this picture may change over time if those with the fewest personal work obstacles and presumably the highest work-activity levels exit welfare and leave behind a more-disadvantaged caseload less capable of work-related activity. Work participation rates apply to the current caseload each year.

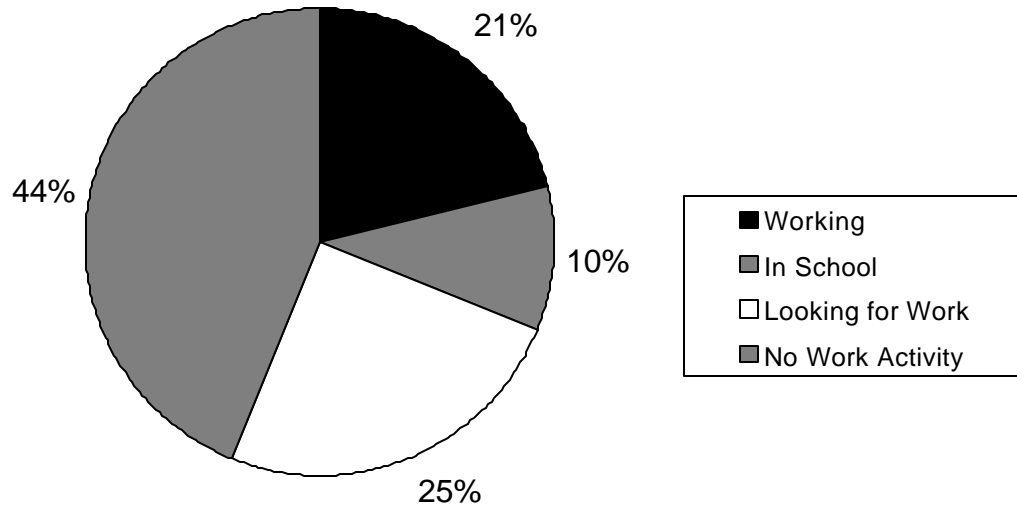
¹⁰Calculated from Zedlewski and Giannarelli (1997), "Diversity of State Welfare Programs: Implications for Reform," *Assessing the New Federalism* Policy Brief Number 1, The Urban Institute, Washington, D.C. Child-only cases were included in the 1995 estimates of employment shown for 1995; we recalculated the rates to exclude these cases for comparability.

¹¹"Characteristics and Financial Circumstances of TANF Recipients, July-September 1997," U.S. Department of Health and Human Services, Washington, D.C., December 14, 1998, table 19, shows that 18 percent of adult recipients in the United States are working. This figure includes adults receiving federal disability assistance and both parents in assistance units, which are likely to depress the average employment rate relative to that shown for our NSAF analysis file, which excludes those receiving disability assistance and both parents in two-parent units.

¹²Of course, states use administrative data to report work-participation rates, which can differ from self-reports of work activity on a survey.

¹³Of 36 states reporting (including the District of Columbia), all but one (West Virginia) met TANF's "all family" 25 percent work-participation rates for 1997, but only 15 met the two-parent 75 percent participation rates. Source: <http://www.acf.dhhs.gov/news/press/1998/prrate97.htm>, updated 12/29/98.

FIGURE 1
CURRENT WORK ACTIVITIES OF ADULTS RECEIVING TANF
BENEFITS WHEN INTERVIEWED IN 1997^{1, 2}



Source: The 1997 National Survey of America's Families, The Urban Institute.

¹National sample of adults who are primary caretakers of children and likely to be subject to work requirements.

²Self-reported work activities. Current TANF recipients were asked if they were working for an employer or in a business; if they were not working, they were asked if they were in school and if they were actively looking for work in the past four weeks. (Only one response per recipient is recorded, with school taking precedence over looking for work.)

To What Extent Do Current Recipients Report Obstacles to Work?

Despite the high work-activity participation rates, we need to go deeper to understand whether individuals can move into paid work and eventually successful employment. The NSAF asked a number of questions that help to provide a sense of current recipients' ability to work. We summarize factors that could potentially inhibit work activity in figure 2. We show a number of characteristics shown in previous studies to limit work, including limited education (less than high school or the equivalent), lack of recent work experience, caring for an infant or a child on Supplemental Security Income (used as a proxy for caring for a disabled child), whether the interview was conducted in Spanish (used as a proxy for limited English skills),¹⁴ whether the family had no car and lived outside a metropolitan area (indicating a potential transportation barrier),¹⁵ and a number of different measures of health limitation.¹⁶

Low education levels and the lack of recent work experience stand out as the most common factors that could inhibit employment, at 41 percent and 43 percent of parents on welfare, respectively.¹⁷ Fifteen percent of parents had an infant and 4 percent were caring for a child receiving Supplemental Security Income (SSI) benefits (used as a proxy for caring for a disabled

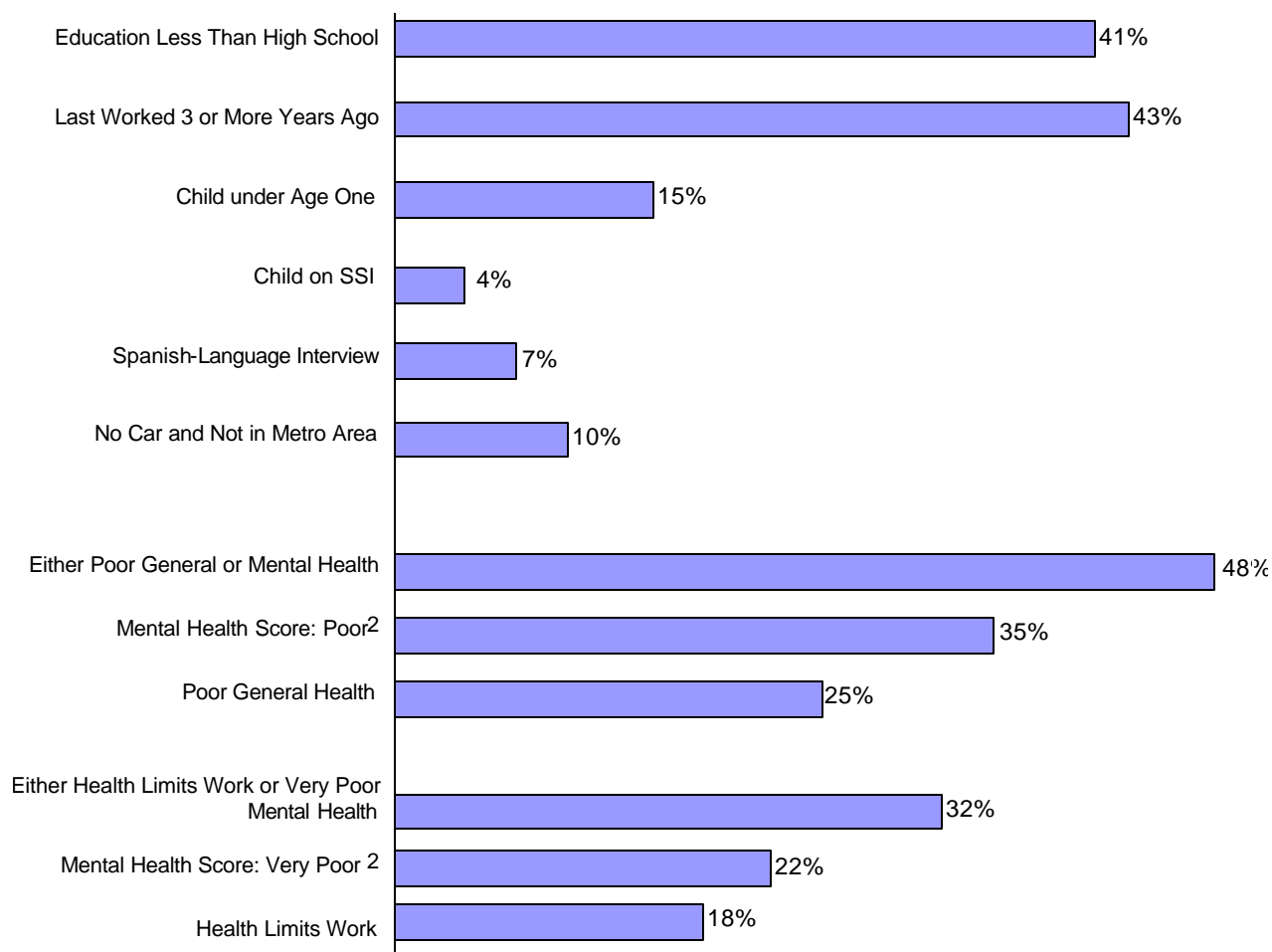
¹⁴Unfortunately, the NSAF does not indicate all types of language limitations that could reduce work opportunities. The measure we included, Spanish-language interview, identifies only a subset of the potential population with limited language skills.

¹⁵We use this indirect measure because the NSAF did not ask welfare recipients directly whether transportation to work was a difficulty. Individuals living outside of metropolitan areas without a car may find it more difficult to commute to jobs than those with cars or those living inside metropolitan areas, who presumably have better access to public transportation. However, our indicator probably identifies only a subset of individuals with potential transportation difficulties, because public transportation is not always readily available within metropolitan areas.

¹⁶Some studies have included alcohol or drug abuse and domestic violence as obstacles to work. These were not included in the NSAF because of the obvious measurement difficulties using telephone interviews.

¹⁷While 41 percent reported having an education less than high school, 36 percent of the sample reported completing high school or a GED; 21 percent had some college; and 3 percent had completed college.

FIGURE 2
ADULTS RECEIVING TANF BENEFITS WHEN INTERVIEWED IN 1997:
POTENTIAL OBSTACLES TO WORK¹



Source: The 1997 National Survey of America's Families, The Urban Institute.

¹ National sample of adults who are primary caretakers of children and likely to be subjected to work requirements.

² The mental health score was developed from a five-item scale that asked parents to assess their mental health along four dimensions: anxiety, depression, loss of emotional control, and psychological well-being (see Ehrle and Moore, 1999). Poor mental health indicates those falling in the bottom 20th percentile nationally and very poor mental health indicates those falling in the bottom 10th percentile.

child). We also show that interviews for 7 percent of the parents were conducted in Spanish, providing some indication of limited English skills, and 10 percent reported that they lived outside a metropolitan area and did not have a car, possibly indicating difficulty getting transportation to work.

Figure 2 includes two sets of personal health characteristics that vary in the severity of health conditions that they measure. The first set uses broader measures of health limitations, including whether individuals report that they are in poor general health and whether they have "poor" or "very poor" mental health based on a five-item mental health scale.¹⁸ The second set includes whether individuals report that their health limits work and whether they fell into the "very poor" mental health category.

The less severe measures of health conditions show that one-quarter of the parents in our sample report "poor" general health and 35 percent fall into the poor mental health category. Nearly half (48 percent) of parents indicate *either* poor physical or poor mental health. This summary measure avoids "double-counting" health factors as obstacles to work, because parents could take mental health into account when reporting their general physical health or whether they are limited in their ability to work.

The alternative measures of health conditions show that about one-third of parents receiving welfare have relatively severe health limitations. Eighteen percent report that health limits work, and 22 percent fall into the very poor mental health group.

¹⁸The five-item scale asked parents to assess their mental health along four dimensions: anxiety, depression, loss of emotional control, and psychological well-being. (See Jennifer Ehrle and Kristin Moore, "Mental Health of Parents," in *Snapshots of America's Families, Assessing the New Federalism*, The Urban Institute, Washington, D.C., January 1999). The scale was adapted from the Medical Outcomes Study (MOS) with a defined cutoff for poor mental health at a score of 67 or below, the lowest 19 percent of the general population. We use a cutoff of 62, including the lowest 10 percent of the general population on this scale, to indicate very poor mental health.

To What Extent Do These Obstacles Limit Work Activity?

Of course, many persons with work obstacles do work, both in the welfare and general population, and we expect that persons with multiple obstacles face greater challenges to work than others. In addition, some obstacles present more severe work limitations than others. In order to measure a distribution of the number of *significant* obstacles to work for parents receiving welfare, we selected only characteristics found to significantly reduce the probability of work activity in the sample.¹⁹ There are six variables that present significant obstacles to work: low education level, no recent work experience, caring for a child under age one, caring for a child on SSI, a Spanish-language interview, and an indicator that the individual either had very poor mental health or had other health problems limiting work.

Figure 3 shows that 44 percent of parents on welfare report two or more obstacles to work (27 percent with two and 17 percent with three or more obstacles). Only 23 percent of parents report no significant obstacles to work.

Most (86 percent) parents without obstacles report some current work activity, and over half of them work for pay while receiving cash assistance (table 1). At the other extreme, only about one-quarter of parents reporting three or more obstacles to work engaged in work activity, and only 3 percent work in paid employment. As shown, the percentage of TANF parents working for pay diminishes rapidly as the number of obstacles increases. The majority of those with one obstacle to work participate in some work activity, although more report that they are actively looking for work than any other activity. On the other

¹⁹We estimated the significance of the personal characteristics in predicting work activity using regression analyses. The lack of a car in a nonmetropolitan area was not a significant predictor of work activity when other factors were taken into account and was therefore excluded from the distribution. Several regressions were estimated to test the significance of the various health measures, and the strongest relationship was found between the variable indicating either health limits work or the parent reports very poor health. The broader measure of mental health problems was not a significant predictor of work activity. All regressions also included age, marital status (to indicate the presence of another potential earner), and race of the parent.

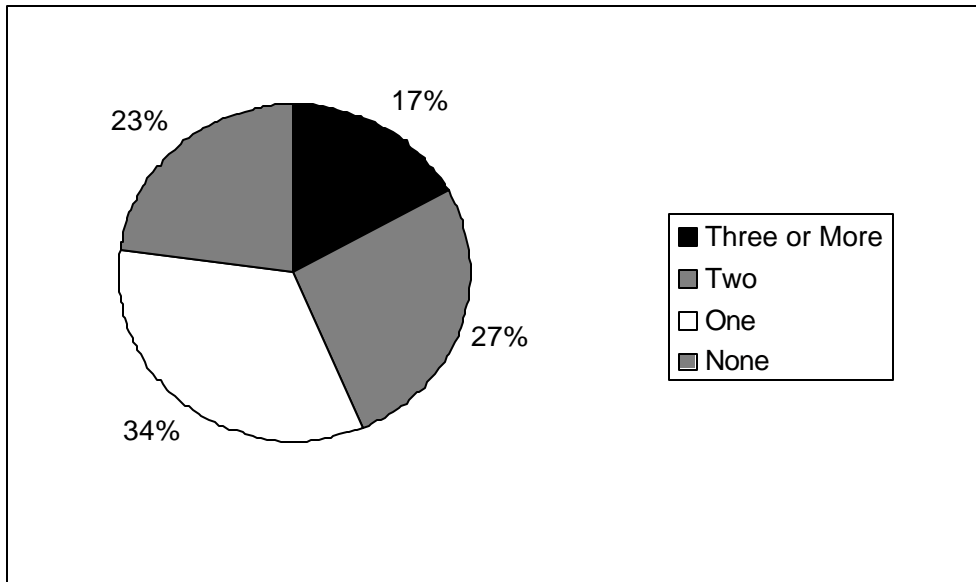
hand, the majority of those with two or more obstacles report no current activity, and very few are working. Fifty-seven percent of those with two obstacles and 73 percent of those with three or more obstacles report no current work activities. Combining results for these two groups shows that 27 percent of parents currently on welfare have two or more obstacles and are not engaged in any work activity.

Do Work Activities and Limitations Vary across States?

The NSAF results show a high level of work activity among the current caseload, especially among those who report none or one personal characteristic that could potentially reduce work activity. It is not clear, however, whether these average results hold across states. Work-activity levels of the current caseload reflect individual characteristics, state policies, and state and local environments. For example, states with larger immigrant populations might have a greater percentage of their caseloads with English-language difficulties than others. States' benefit levels might affect the mix of individual recipients, with higher-benefit states drawing in a larger, more heterogeneous (and potentially less-disadvantaged) group. States' work requirements for welfare recipients should affect work activity (and perhaps recency of employment) for the caseload, and their economic environments could affect the caseload's recency of work.

It is useful to begin to understand whether caseload characteristics vary across the states. Knowing how different state policies align with work activities or that larger or smaller shares of

FIGURE 3
NUMBER OF OBSTACLES TO WORK:
ADULTS RECEIVING TANF BENEFITS WHEN INTERVIEWED¹



Source: The 1997 National Survey of America's Families, The Urban Institute.

¹ National sample of adults who are primary caretakers of children and likely to be subject to work requirements.

² Includes obstacles shown to significantly depress work activity (education less than high school, last worked three or more years ago, child under age one, either very poor mental health or health condition that limits work, caring for a child on SSI, and English-language limitation).

TABLE 1
WORK ACTIVITY STATUS OF ADULTS RECEIVING TANF IN 1997
BY NUMBER OF OBSTACLES TO WORK ^{1, 2}

Number of Obstacles	Percent Distribution	Current Work Activity ³			
		Working	In School	Looking for Work	No Activity
0	23%	52%	16%	18%	14%
1	34%	22%	9%	30%	40%
2	27%	6%	10%	27%	57%
3+	17%	3%	6%	18%	73%
Total	100%	21%	10%	25%	44%

Source: The 1997 National Survey of America's Families, The Urban Institute.

¹ National sample of adults currently receiving TANF who are primary caretakers of children and likely to be subject to work requirements.

² Includes obstacles shown to significantly depress work activity: education less than high school, last worked three or more years ago, child under age one, reports either very poor mental health or health limits work, caring for a child on SSI, and English-language limitation.

³ Self-reported work activities: "currently working for an employer or business," "not working because in school," "actively looking for work in last four weeks."

states' caseloads face obstacles to work, for example, would help policymakers understand whether resources in the TANF block grant are targeted effectively. States' block grant allocations were determined using spending on welfare over the few years preceding federal reform. However, that spending reflected different historic caseload sizes and benefit levels across the states. Spending requirements are changing as welfare caseloads decline dramatically; those states with the most-disadvantaged caseloads will require the greatest resources per recipient to ensure the success of their reforms. While most states currently enjoy ample federal TANF funds, this could change in the event of an economic downturn. In addition, some states have spent or obligated all of their TANF funds, while others have significant reserves in the federal treasury to cover economic downturns, further exacerbating differences in available TANF funds across states.²⁰

In this part of our analysis, we focus on results for welfare parents living in the states selected for intensive study in the NSAF. Table 2 shows variations in some key dimensions among these states. First, we categorize states according to their work policy prior to TANF. As mentioned earlier, some states were using waivers from federal AFDC rules to focus their programs more on work activities. Relative to AFDC rules, states typically used tougher work-participation standards (that is, requiring larger shares of the caseload to enroll in work activities), tougher sanctions for nonexempt adults who did not participate in work activities, and higher incentives for paid employment (by disregarding greater shares of earnings when calculating the cash welfare benefit). We categorize states into intensive, moderate, and limited work-participation policies in table 2, depending on whether the state had implemented new *statewide* rules in all three of these categories, whether it had implemented one or two new policies across the state, and whether

²⁰Thirty-two states left unobligated balances in the federal treasury for the 1998 fiscal year totaling \$2.7 billion, 16 percent of the total TANF block grant. From TANF Financial Data, <http://www.acf.dhhs.gov/news/welfare/stats/q4tnfa3.htm>, updated March 2, 1999.

it was basically operating the federal AFDC program at the start of TANF, respectively.²¹ We use states' pre-TANF policies because we expect that pre-1997 work policies would have the greatest effect on the caseload we observe in 1997.²²

This is a broad policy categorization, simply indicating whether the state was seriously trying to increase work activity and/or employment among the caseload. It obviously obscures important work policy differences across states. For example, Michigan and Wisconsin, the only states in the pre-TANF intensive group, actually had somewhat different work-participation policies. Michigan implemented a waiver in 1994 that emphasized work through incentives and sanctions (encouraging the receipt of wages and cash welfare), while Wisconsin's pre-TANF waiver, implemented in 1995, used time limits to enforce the message of finding gainful employment rather than receiving public aid.²³ The four states that fall in the moderate category—California, Massachusetts, New Jersey, and Texas—had implemented at least one statewide policy to increase work participation. California's pre-TANF work focus began in 1994 and focused primarily on increasing incentives to work; New Jersey implemented a waiver in 1992 that increased work-participation requirements (with a focus on education and training activities); Massachusetts implemented a strong work-first policy in 1995 (including stronger incentives and sanctions, although it exempted a large share of the caseload from these requirements); and Texas adopted a strong work-first policy with a time limit in 1996.

²¹This policy characterization is derived from a discussion of pre-TANF policies in Sheila Zedlewski, P. Holcomb, and A. Duke, *Cash Assistance in Transition: The Story of 13 States, Assessing the New Federalism* Occasional Paper Number 16, Washington, D.C., The Urban Institute, December 1998. Many other states had demonstrations under way affecting the caseload in some of their counties. These policy differences would obviously affect the results for part of their caseload. However, the statewide reforms indicate the greatest pre-TANF differences across the states.

²²States that began implementing TANF in early 1997 typically were those with waivers, and their TANF work-participation policies typically reflected earlier directions.

²³See Michael Wiseman, "In the Midst of Welfare Reform," June 1999, The Urban Institute, Washington, D.C., for a description of the differences between these two midwestern states' policies.

TABLE 2
CHARACTERISTICS OF STATES OVERREPRESENTED
IN THE NSAF SAMPLE

State	Pre-TANF Work Policies Related to AFDC ¹	Relative Caseload Decline: March 1994 - March 1997 ²	1997 Unemployment Rate (%)
Michigan	Intensive	High	4.1
Wisconsin	Intensive	High	3.7
California	Moderate	Low	6.3
Massachusetts	Moderate	Medium	4.0
New Jersey	Moderate	Low	5.1
Texas	Moderate	Medium	5.4
Alabama	Limited	Medium	5.1
Colorado	Limited	Medium	3.3
Florida	Limited	Medium	4.8
Mississippi	Limited	Medium	5.7
Minnesota	Limited	Low	3.3
New York	Limited	Low	6.4
Washington	Limited	Low	4.8

Source: The Urban Institute.

¹States listed with intensive work participation had implemented new sanctions, work incentives, and work-participation requirements statewide prior to TANF; states in the moderate category had implemented one or two of these policies statewide; and states in the limited category were either using AFDC rules statewide or were experimenting with stronger work policies in a few counties.

²States in the high caseload decline group had caseload reductions of 32 to 45 percent, states in the medium category had caseload reductions of 23 to 29 percent, and states in the low caseload decline category had declines of 15 percent or less. Sensitivity tests that switched the state nearest the medium-high caseload decline border did not produce significantly different results

The remaining special study states had not implemented new statewide work-participation waivers prior to TANF.

We also group the 13 special study states by their relative caseload decline between March 1994, the peak of the caseload, and February 1997, the beginning of the NSAF interviews. Caseloads had declined by more than 30 percent in the high caseload decline group, by 23 to 29 percent in the medium group, and by 15 percent or less in the low group.²⁴ The two states with intensive work-participation policies (Michigan and Wisconsin) are also the only two states in the highest caseload decline group, while states categorized with moderate and limited work-participation policies fall into both the medium and limited caseload decline groups.

Table 2 also shows the average unemployment rates for the states during 1997. Low unemployment rates and tight labor markets could mitigate personal circumstances that inhibit work and affect the patterns we see across the state groups. The association between state unemployment rates and work for welfare recipients may be weak, however, because job availability more closely tracks local labor market conditions and unemployment rates across skill levels.

It is clear that the states in our sample varied across all three dimensions. While states with intensive work-participation policies fell into the high caseload decline group and their unemployment rates were relatively low (at 4.1 and 3.7 percent), three of the states with limited efforts to move participants into work and higher unemployment rates had medium caseload declines.

²⁴Caseloads decline specifically from 8 percent to 15 percent in the low caseload decline group, from 23 to 29 percent in the medium group, and from 32 to 43 percent in the high group. Since one state (Massachusetts) was close to the borderline between the medium and high caseload decline groupings, with a caseload decline of 29 percent, we tested the sensitivity of our results by moving it into the next grouping. Our results were relatively insensitive to this change.

Obstacles to Work Grouped by States' Pre-TANF Work-Activity Policies

The distribution of obstacles by states' pre-TANF work policies gives us some indication as to whether states that are just beginning to implement TANF will face greater or lesser difficulties in moving their caseloads into work activities. As mentioned earlier, states must increase the proportion of the caseload in work activities over time in order to maintain their full federal block grant funding. Table 3 shows the incidence of obstacles to work and work activity for TANF parents in the special study states, with the states grouped by their pre-TANF work-participation policies.

These results show that more than half of the caseload in the limited work-participation policy group have multiple obstacles to work, and states with intensive and moderate pre-TANF work-participation policies have significantly less-disadvantaged caseloads.²⁵ In fact, a significantly larger share of the caseload report no obstacles to work in states with the most intensive work-participation policies (32 percent, compared with 16 percent in the limited work-participation group). These results seem to indicate that states in the limited work-participation group—those primarily operating AFDC policies prior to TANF—may be doubly challenged because they need to implement dramatically different policies for their caseloads, and they start with more-disadvantaged caseloads. Moreover, it is possible that the two states far out in front on welfare reform (the intensive work-participation policy group) began with a less-disadvantaged group on AFDC, a group more ready to move into employment. On the other hand, it is also possible that recipients living in states that expect work participation for most of their caseload are less likely to report obstacles to work (for example, recipients may be less likely to report that their health limits or prevents them from working).

²⁵Significance tests compare results for the intensive and moderate policy groups to those for the limited policy groups, since states in this group were primarily using federal AFDC rules.

TABLE 3**STATES GROUPED BY PRE-TANF WORK POLICIES:
DISTRIBUTION OF OBSTACLES TO WORK AND WORK ACTIVITIES ^{1, 2}**

Number of Obstacles ³	Percent with Obstacles to Work by State Work-Participation Policy Groups ⁴			
	Total	Intensive	Moderate	Limited
0	23%	32% **	25% **	16%
1	32%	36%	32%	31%
2+	45%	32% **	43% **	53%
Total ²	100%	100%	100%	100%

Number of Obstacles ³	Percent of Caseload in Work Activities by State Work-Participation Policy Groups ⁴			
	Total	Intensive	Moderate	Limited
0	86%	86%	87%	87%
1	60%	79% **	55%	60%
2+	36%	44% *	38%	31%
Total ²	55%	70% **	56%	49%

Source: The 1997 National Survey of America's Families, The Urban Institute.

¹ States grouped by their pre-TANF work policies, indicating the strength of policies designed to move recipients into work activity relative to federal AFDC policy.

² Includes only adults receiving TANF in the 13 focal states who are primary caretakers of children and likely to be subject to work requirements.

³ Includes obstacles found to be significant inhibitors of work activity: education less than high school, last worked three or more years ago, child under age one, reports either very poor mental or physical health, caring for a child on SSI, and English-language limitation.

⁴ Significance tests indicate whether results for intensive or moderate differ from the limited policy state group (indicative of AFDC policies), with ** indicating significance at the 0.05 level and * indicating significance at the 0.10 level.

As would be expected, work activity rates for parents on TANF also vary across these state groups (the bottom half of table 3). Seventy percent of current TANF parents in the intensive work-participation policy states are engaged in some work activity, compared with 56 percent for the moderate and 49 percent for the limited groups. It is surprising, however, that intensive policy states have significantly larger shares of their caseload who report obstacles in work activities compared to both the moderate and limited policy groups. Moderate and limited policy groups have no significant differences in work-activity rates for TANF parents.

Work-Activity Obstacles and Recent Caseload Decline

Results presented in table 4 present mixed evidence as to whether states with the greatest caseload decline will be left with the most-disadvantaged caseload. TANF recipients living in states with the highest recent caseload decline report fewer multiple obstacles to work activity than those living in states with medium or low recent caseload decline, mirroring the earlier results for the two states in this group. In contrast, TANF parents living in the medium caseload decline state group report significantly *more* multiple obstacles to work activity than in the low caseload decline group (53 percent in the medium caseload decline group report two or more obstacles, compared with 44 percent for the low caseload decline group), and significantly fewer have no obstacles to work.

Once again, parents with at least one obstacle to work who live in the high caseload decline states (Michigan and Wisconsin) have significantly higher work-activity rates than those living in the other two state groups, perhaps indicating that these states have been more successful in moving individuals with work obstacles toward employment. This could help explain some of the differences in the distribution of obstacles we observe among current TANF parents across the state groups.

TABLE 4

**STATES GROUPED BY PRE-TANF CASELOAD DECLINE:
DISTRIBUTION OF OBSTACLES TO WORK AND WORK ACTIVITIES^{1, 2}**

Number of Obstacles ²	Distribution of Obstacles to Work by States' Recent Caseload Decline ⁴			
	Total	High	Medium	Low
0	22%	32%	14% **	25%
1	32%	36% *	33%	31%
2+	45%	33% **	53% **	44%
Total	100%	100%	100%	100%

Number of Obstacles ³	Percent of Caseload in Work Activities by States' Recent Caseload Decline			
	Total	High	Medium	Low
0	87%	86%	80% *	89%
1	60%	80% **	61%	55%
2+	36%	44%	39%	33%
Total	55%	70% **	52%	54%

Source: The Urban Institute.

¹ Categorized by relative caseload decline from the peak in March 1994 through February of 1997 (the beginning of the NSAF interviews).

² Includes only adults receiving TANF in the 13 focal states who are primary caretakers of children and likely to be subject to work requirements.

³ Includes obstacles found to be significant inhibitors of work inactivity: education less than high school, last worked three or more years ago, child under age one, reports either very poor mental health or health limits work, caring for a child on SSI, and English-language limitation.

⁴ Significance tests indicate whether results for high or medium differ from the low caseload decline group, with ** indicating significance at the 0.05 level and * indicating significance at the 0.10 level.

Our results showing differences across states grouped by their pre-TANF work-participation policies and pre-NSAF caseload decline experience are obviously exploratory. The NSAF data represent a period early in the process of welfare reform, and results could change as larger shares of the caseload leave welfare. Other factors in these states might also shape these results. For example, medium caseload decline states (Alabama, Colorado, Florida, Massachusetts, Mississippi, and Texas) represent a diverse group of states with different pre-TANF work policies, unemployment rates, and geographic locations. Nevertheless, these early results point to the importance of examining differences across states as welfare reform plays out over time.

What Are the Implications for Policy?

Our results present a good-news, bad-news kind of story for parents receiving TANF in 1997. On the one hand, there was a high level of work-participation activity among all parents receiving welfare during 1997. On the other hand, a large share of them reported personal and family characteristics that could present significant obstacles to work participation. More than one-half of parents receiving TANF benefits were engaged in some work activity, including one-fifth who were combining some work for pay with welfare benefits and one-quarter who were actively looking for work. As would be expected, work activity diminished with the number of obstacles to work. While 86 percent of parents with no identifiable obstacles were participating in work activity, only 27 percent of parents with three or more obstacles were participating. Moreover, most of the reported work activity among those with obstacles consisted of active job search. If we define those at greatest risk of remaining on welfare as those with multiple obstacles and no current work activity (not even job search), 27 percent of current TANF parents are at risk. If we exclude current job search activity, the percentage of current TANF parents at risk increases to 38 percent.

States were starting at different places when TANF began. States with the most intensive pre-TANF

work-participation policies (statewide policies requiring large shares of the caseload to participate, use of strong sanctions for those not exempt from work activity, and strong financial incentives for paid work) have less-disadvantaged caseloads in 1997 and larger shares of their caseloads working regardless of the number of obstacles to work. States still operating AFDC programs on the eve of welfare reform may be doubly challenged because they started with a significantly more-disadvantaged caseload and they had the farthest to go in implementing tougher work-related activity policies.

The results present mixed evidence as to whether states farthest along in welfare reform have more-disadvantaged caseloads. Parents still on TANF in 1997 living in the special study states represented in the NSAF that had the steepest recent caseload decline are significantly less likely to report multiple obstacles to work than those living in sample states with the lowest caseload decline. On the other hand, significantly more parents in the medium caseload decline states report multiple obstacles to work than in states with low caseload decline.

It will be extremely important to track the changing characteristics of the TANF caseload across states and the United States as TANF evolves over time. States' block grants are based on their highest spending over the 1994–1996 period. It is not clear whether some states may be faced with more-disadvantaged caseloads in greater need of expensive and intensive services than others. While most states currently have ample funds to provide support services to their TANF programs, financial needs would increase if there is an economic downturn and more individuals turn to TANF as a means of temporary support. As noted earlier, the 1997 NSAF results represent a very early stage of welfare reform. The second round of NSAF, with interviews of families during 1999, will provide a picture of states' caseloads at a time when more states have fully adapted to the requirements and opportunities presented by the federal welfare reform legislation of 1996.

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