

## *Families Leaving Welfare: How Well Are They Doing?*

More than 1.4 million people left California's welfare rolls during the five years between August 1996 and September 2001. In these first years following welfare reform, one fear was that some families would leave welfare without having other sources of income. Such a departure from the rolls, it was speculated, could be caused by many factors: rigorous participation requirements, the specter of time limits, confusion about program rules (especially among immigrants), or merely the publicity about "the end of welfare as we know it." Thus, the same dramatic caseload declines seen by some as heralding the triumph of welfare reform were seen by others as an alarm bell regarding the well-being of former welfare recipients.

To help families successfully leave CalWORKs (California's welfare program) and to prevent them from falling through the social safety net, policymakers need more information about the well-being of these families and how their circumstances change over time. In *What Happens to Families When They Leave Welfare?* Thomas MaCurdy, Grecia Marrufo, and Margaret O'Brien-Strain provide significant new information about those who leave the welfare rolls. Their report addresses five basic questions:

- How many families who leave CalWORKs remain off the program for an extended time?
- What are their circumstances, and do these circumstances improve over time?
- What public assistance and services do those who leave welfare rely on?
- What problems and barriers do these leavers encounter while off CalWORKs?
- What factors determine which families succeed in staying off welfare?

The answers suggest that certain characteristics of welfare leavers signal potential problems that targeted policies might forestall.

### *Key Findings*

The report draws on extensive telephone surveys of welfare leavers conducted in six Bay Area counties in the late 1990s. The surveys were conducted by The SPHERE Institute in cooperation with the six counties and with support from the U.S. Department of Health and Human Services and the William and Flora Hewlett Foundation.

Two waves of surveys were conducted, capturing the circumstances of welfare leavers 5–10 months after exit (depending on the county) and 11–16 months after exit. The report presents snapshots of how well one-parent and two-parent families who have not returned to CalWORKs are doing during each of these periods. The snapshots describe the families' economic security, use of public assistance, and difficulties encountered in maintaining employment and coping with adverse conditions. These are some of the findings:

*Approximately one year after leaving CalWORKs, one-parent families had an average monthly income of about \$2,400 and two-parent families had a monthly income of about \$2,300. This is sufficient income to bring about 70 percent of average one-parent households and about 55 percent of average two-parent households above the poverty line. However, 14 percent of two-parent households remained very poor, with income below 70 percent of the poverty threshold.*

*Around 90 percent of families had at least one adult in the workforce. In one-parent families, workforce participation (almost always by mothers) was quite high, around 77 percent. In two-parent families, mothers were somewhat less likely to work. However, for both types of families, the surveys captured a significantly higher share of households with earnings than could be found in administrative data used by the welfare system to track employment and earnings.*

*Between the two survey waves, income gains averaged only \$60 to \$70 per month, and half of the households saw no income growth.*

*About 30 percent of one-parent families and over 40 percent of two-parent families who were eligible for Food Stamps were not receiving them.*

*Around 50 percent of families reported Medi-Cal coverage about one year after exit.* However, administrative data show higher rates of Medi-Cal enrollment, so some families may not have been aware that they were still covered by Medi-Cal.

*Among two-parent families, almost half lived in crowded housing, one-third faced an excessive rent burden, and one-quarter lived in substandard housing.* Housing conditions improved over time for one-parent households, but crowding and substandard housing grew worse for two-parent families.

*Although child care subsidies are available to working parents who leave welfare, more than one-quarter of one-parent families and one-third of two-parent families did not know about these subsidies.* Yet, one-quarter of the respondents said that getting child care was a significant barrier to full-time employment.

*Only about 10 percent of families reported child risk behaviors (e.g., expulsion from school, trouble with police, use of drugs, pregnancy), and such problems did not increase over time.* The percentage of respondents reporting substance abuse problems in the household fell among leavers the longer they were off welfare.

In addition to comparing circumstances over time, the researchers identified factors that might predict a return to welfare and other poor outcomes for families. They found that larger families, families with younger children, and black families (more than white families) were more likely to return to welfare. Two-parent Hispanic families were more likely than other two-parent families to remain off welfare. Inexplicably, a large proportion of families who remained off welfare are quite poor and face the same kinds of problems and barriers that families who returned to welfare face.

Factors that had little effect on returning to welfare sometimes predicted other problems. For example, among one-parent families, the results indicated that Spanish-speaking families, larger families, and families with no earnings at exit were more likely to encounter problems such as lack of earnings, poverty, crowded housing, problems with child care, and lack of health coverage within a year after exit.

## ***Policy Implications***

The study's findings suggest the need for policies aimed at providing families with information about the availability of post-CalWORKs benefits. For example, 25 percent of one-parent families failed to claim more than \$300 per month in Food Stamps alone. Similarly, families were often unaware of the Earned Income Tax Credit (EITC) and child care subsidies. Since it may be difficult to contact recipients after they leave welfare, they should be given such information while they are still on aid. Similarly, this type of information could also be provided to CalWORKs applicants who are denied assistance but who could be eligible for other types of assistance.

Knowing which recipient characteristics are most likely to predict problems could be useful in targeting supplemental assistance to certain families while they are on CalWORKs and immediately after exit. For example, services designed to help recipients retain their jobs could be targeted more intensively toward leavers with these characteristics.

Awareness of a discrepancy between administrative data and survey data that measure leavers' earnings may also be useful. Policymakers relying on information on earnings from unemployment insurance files—the most common source of this information—should recognize that these data might significantly understate earnings.

Finally, the question of why many families in poverty choose not to return to welfare warrants further attention. About one-third of leavers who had been off welfare for around a year had household incomes below the federal poverty level, and 11 percent had monthly incomes of less than 70 percent of the poverty level. Poor long-term leavers face problems and barriers similar to those families who return to cash assistance. Those who returned were only marginally more likely to indicate that they had been experiencing domestic violence, unstable child care, substance abuse, and depression; and, somewhat surprising, fewer reported that child care was a barrier to employment. After accounting for work and earnings experience, no particular condition appears as a prominent factor or trigger event for predicting who will reenter CalWORKs.

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*This research brief summarizes a report by Thomas MaCurdy, Grecia Marrufo, and Margaret O'Brien-Strain, What Happens to Families When They Leave Welfare? (2003, 118 pp., \$12.00, ISBN 1-58213-076-0). The report may be ordered by phone at (800) 232-5343 [U.S. mainland] or (415) 291-4400 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet ([www.ppic.org](http://www.ppic.org)). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California.*

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