

Executive Summary

Welfare Restructuring, Work & Poverty

Policy Implications from Oregon

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The state of Oregon is nationally recognized for making strides in instituting new welfare policies, engaging in restructuring experiments well before the passage of the federal *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA) in 1996. Oregon began experimenting with welfare-to-work policies in the early 1990s, although features of its JOBS program changed during the course of the decade. Mirroring the national pattern, Oregon saw dramatic declines in the number of families receiving cash assistance, with caseloads dropping 45 percent between 1996 and 1999.

This report presents results from a two-year study of the experiences of families who left or were diverted from cash assistance (TANF) or Food Stamps in the first quarter of 1998. Our research questions examine the economic status and family well-being of those who left or were diverted from public assistance, focusing on whether poverty and economic hardship were diminished. Our findings and recommendations are based on three sources of data: administrative records; telephone interviews at two points in time over two years with a state-wide random sample of families; and in-depth, in-person interviews with a sub-sample of seventy-eight families at two additional points in time.

Our data show that the effects of PRWORA and state welfare restructuring policies are both **more complex** and **less rosy** than many policy makers admit. During the past five

years, the combination of a strong economy and intensive welfare-to-work policies have reduced caseloads. However, these policies have been far less effective in helping families move out of poverty. The conditions of low-wage work, the scarcity of living-wage jobs, the accumulation of debt, and pervasive problems securing and paying for childcare, housing and health care all profoundly shape the circumstances of poor families' lives. These are issues that should be addressed in the upcoming debates on reauthorization of TANF.

Moreover, both the nation and many states, including Oregon, currently face a much bleaker economic picture than in 1996 when Congress initially passed PRWORA. At this writing, Oregon has the highest unemployment rate in the country, at 8 percent. This is Oregon's highest unemployment rate since January 1993. Not surprisingly, between January 2001 and January 2002, welfare caseloads in the state

have been slowly on the rise, showing a 15.8 percent increase.*

**Oregon TANF caseload statistics are available online at www.afs.hr.state.or.us/papage.html*

The findings we present in this report are consistent with research gathered from many other states. Congress now has the opportunity to reconsider policies in light of the extensive documentation of the impact of PRWORA across the country. There is much work to be done if welfare restructuring is to be part of a concerted social policy focus to reduce poverty and to protect the economic security of our nation's families.

Major Findings of the Oregon Study

1. While welfare-to-work policies appear to promote employment (at least when the economy is strong), a significant number of employed respondents reported inadequate wages, limited employment benefits, and little to no job mobility.

- Eighty percent of respondents were working at some point during the two years of our study.
 - 58 percent were employed at both survey times
 - 61 percent of those not employed at the first survey had worked during the previous year
- However, a significant number of respondents were not employed.
 - 34 percent were not employed at our first contact
 - 28 percent were not employed at our second contact
- Despite working long hours, few respondents earned wages that met the basic needs of their families.
 - 18–21 months after exiting programs, 48 percent of respondents had family incomes below the poverty line
 - during the same period, the average monthly take-home pay for respondents was \$1,016
 - women were earning 72 percent of what men were earning
- Data from the Oregon Employment Department (third quarter 1999) show that former recipients saw scant increases in pay.
 - 49 percent experienced a modest earnings increase over a twenty-one-month tracking period
 - 24 percent saw their earnings decline
 - 27 percent had too little employment to calculate earnings trajectories

- Most employed respondents worked in the low-wage sector.
 - less than 14 percent held jobs that allowed them access to more than a poverty-level wage, health insurance, and other benefits

2. After having left (or being diverted from) TANF or Food Stamp programs, many respondents lived with economic hardships and reported an ongoing need for some form of public assistance.

- Respondents defined three major barriers to getting and keeping a job:
 - problems with job availability and job quality
 - problems with childcare quality and costs
 - health problems
- Data from the Oregon Department of Adult and Family Services (AFS) show that many former welfare clients have continued to need public assistance.
 - at some point during the two years of our survey, 90 percent of those who left or were diverted from TANF used Food Stamps
 - 85 percent of those who left the Food Stamp program returned to it
 - 87 percent of those who left or were diverted from TANF relied on the Oregon Health Plan
 - 42 percent of those who left or were diverted from TANF used the employment-related daycare program
 - 35 percent of those who left or were diverted from TANF had to go back on TANF

- Many suffered significant economic hardship, including:
 - an inability to afford the cost of adequate housing
 - an inability to afford quality childcare and healthcare
 - ongoing food insecurity
 - increased vulnerability to debt
- Childcare problems were significant for these families.
 - more than one-third of respondents reported problems with childcare at both surveys, most commonly problems with cost, accessibility and quality
 - at our second survey, half the respondents with children under the age of six reported problems with childcare
 - even those who said they were satisfied had to rely on cumbersome and often precarious childcare arrangements
- Many families had limited access to health insurance or related benefits.
 - nearly 30 percent reported they had no health insurance coverage
 - 41 percent of respondents employed at both survey times lacked employer-provided health insurance benefits
 - 50 percent had no paid sick leave

3. Increased economic security for low-income families requires an investment in education, training, and the maintenance of safety-net programs to meet both short- and long-term needs.

- Poverty rates fall as education levels rise; but very few respondents were able to obtain education or participate in specialized job training programs during the study.
- More than 80 percent of respondents with less than a high school degree had

incomes below the poverty line compared to 72 percent of those with a high school degree and 47 percent of those with an associate's degree.

- Those who report they are “doing better” at meeting basic needs tended to have access to critical resources, including:
 - regular help from extended family members
 - access to a second income
 - support through low-income housing subsidies
- Respondents voiced the need for a system with more flexibility to address the short- and long-term needs of low-income families. Common problems included:
 - an abrupt decrease or loss of needed Food Stamps, health benefits, or childcare subsidies when incomes began to rise, even modestly
 - serious hardship when diversion strategies blocked access to TANF and other forms of public assistance

4. One size does not fit all. States need a degree of flexibility to respond to the different structural reasons for poverty that affect different groups, including women, families of color, people with disabilities, and people in communities without an adequate supply of jobs.

- In Oregon, Hispanic respondents are more likely to have family incomes below the poverty line, compared to white respondents and other respondents of color.
- As long as the wages of women, especially women of color, continue to be lower than those of men, and women bear disproportionate responsibility for caring for children,

economic supports for families headed by women will be necessary to foster family and child well-being.

- Families in some rural areas have neither the job opportunities nor many of the human and educational services available to those who live in many urban areas.

Policy Recommendations

The primary goals of welfare policy should be the **reduction of poverty** and the **enhancement of economic security** of this nation's most vulnerable families. Based on our research we advocate these policies:

1. Provide living-wage jobs.

- Develop the workforce and implement tax policies that foster the creation of living-wage jobs and meaningful job ladders.
- Raise the minimum wage so that fulltime employment brings a family's income above the poverty line.

2. Make childcare resources more widely available to low-income families.

- Increase federal funds for childcare so that families who need childcare assistance get it.
- Expand eligibility for subsidized childcare.
- Enforce quality standards for state-subsidized childcare.
- Encourage more childcare options outside the eight-to-five work week.
- Make childcare tax credits refundable at both the federal and state levels.

3. Expand eligibility for safety-net programs, such as the Earned Income Tax Credit, Food Stamps, the Oregon Health Plan, and childcare and housing subsidies.

- Change program eligibility so that crucial supports (food, health care, childcare and housing subsidies) decrease more gradually when people are working and their incomes rise modestly.
- Increase outreach to ensure that low-income families with and without an employed breadwinner understand eligibility criteria and can access public assistance.

4. Broaden health care availability for low-income families to alleviate financial hardship and the accumulation of extensive medical debt.

- Expand income eligibility levels for subsidized health care (e.g., the Oregon Health Plan, Medicaid).
- Develop tax credits and other strategies to encourage employers to provide affordable, decent health insurance to employees and their families.

5. Increase federal and state funds for affordable housing and make housing subsidies available to a larger proportion of those who are income-eligible.

- Address the dire shortage of housing subsidies and public housing to reduce homelessness and waiting periods for subsidized housing.

6. Welfare policies should not discourage the education (including higher education) and hard-skills job training. Give states more flexibility and adequate resources to provide high-quality education and training opportunities.

- Lengthen the federal twelve-month time limit for vocational education and training, and change state policies that disallow education and training as work activities.
- Define “training” more broadly to include the attainment of hard skills and post-secondary education.
- Increase funding for training and education through the Workforce Investment Act.

7. Expand eligibility for legal immigrants for TANF and other public assistance.

- Allow states to use federal TANF funds to provide support to legal immigrants who have lived in the U.S. for less than five years.
- Ensure that state welfare programs offer services in the languages of immigrant groups in their communities and offer and count English-language training as part of job-readiness training.

8. Address the high rate of poverty of single mothers through employment services and supports, public assistance, and opportunities for education and training.

- In the absence of paid maternity leave, TANF should remain a viable option for low-income women who need economic support in order to care for infants and young children.

- Congressionally mandated participation in employment activities should consider the value and demands posed by unpaid caregiving work in the home.

9. Improve welfare case management.

- Mandate reasonable caseloads to enable caseworkers to address client needs.
- Support the development of workers’ knowledge and skills.
- Foster a supportive and respectful atmosphere for welfare clients.

Conclusion

Real national security depends on enhancing the **economic security** of all our nation’s families, especially those who are most disadvantaged. We need social welfare and other policies that

- ensure that those who work for a living can support their families on the wages they earn
- value the socially necessary work of caring for and sustaining families
- provide necessary resources for those who want to pursue advanced education and hard-skills training
- maintain a decent safety net to protect families during a recession, when local/regional labor markets do not provide sufficient jobs for all workers, or when health or other problems make employment difficult or unwise for family well-being.