

OCTOBER 2003
NUMBER 6

TRENDS IN WELFARE TO WORK

What's Happening to TANF Leavers Who Are Not Employed?

By Robert G. Wood and Anu Rangarajan

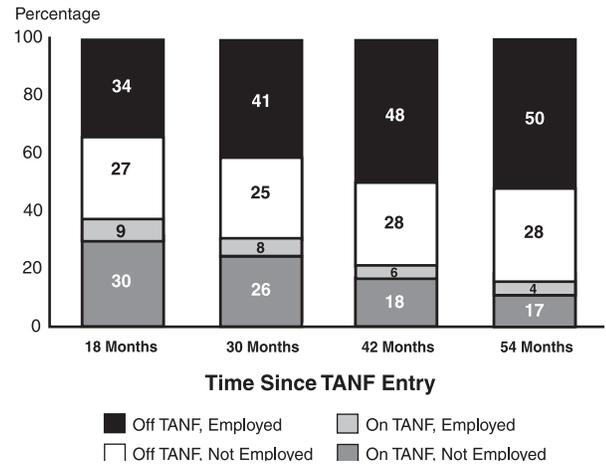
This brief is based on Mathematica's comprehensive evaluation of Work First New Jersey (WFNJ), the state's welfare reform initiative. Through a series of five annual surveys, the evaluation is tracking the progress of a representative statewide sample of 2,000 welfare recipients who received cash assistance in 1997 and 1998, during the first 18 months of the state's Temporary Assistance for Needy Families (TANF) program. The analysis relies on data from the first four survey rounds with this early group of TANF recipients. The most recent survey was conducted in spring 2002, about four and a half years after they entered the program.

Widespread Success, But Not for All

Mirroring national trends, New Jersey welfare recipients who participated in the TANF program during its first few years have made substantial economic progress. Many have left welfare for work in the years since first receiving TANF; average income for the group has increased substantially. Moreover, economic hardships, such as housing instability or difficulty getting enough food to eat, have declined as incomes have risen.

However, some individuals have been less successful than others. During much of the four- to five-year follow-up period for the study, about one in four in this early group of TANF recipients was off welfare and not working in a given month, similar to findings from other states (Figure 1). This group generally fares

Figure 1: Employment and TANF Status for WFNJ Participants



worse economically than TANF leavers who have jobs—they have lower incomes, more housing problems, and more trouble getting enough food to eat. As a consequence, those off TANF and not working are of particular concern to policymakers because it is unclear how these individuals are supporting themselves.

A closer look reveals more diversity in this group than initially meets the eye. Here, we explore that diversity—who these individuals are and how they are getting by—with a special focus on those whose financial support appears the least stable.

A Diverse Group

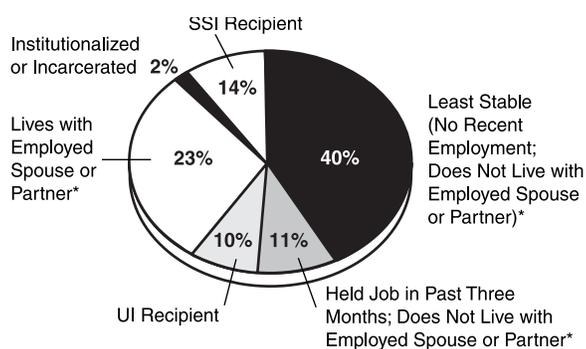
TANF leavers who are not working generally fall into one of five distinct groups (Figure 2):

- *Those who are living with an employed spouse or partner.* Individuals in this group are faring the best financially, with incomes averaging about \$1,700 a month—or just above the poverty

threshold for a family of four. Their incomes come mainly from the earnings of the spouse or partner.

- *Those who are disabled and have gone on Supplemental Security Income (SSI).* These clients get by on about \$1,000 a month, mainly from SSI and food stamp benefits. Switching to the SSI program, which offers more generous benefits than TANF and has no time limits, is usually a good move for those who qualify.
- *Those who are receiving Unemployment Insurance (UI) benefits.* These individuals also have average incomes of about \$1,000 a month, mainly from UI benefits, which typically are more generous than TANF benefits. Many in this group will return to work or welfare within a few months.
- *Those who have worked recently.* These individuals have worked in the past few months but are not receiving UI. They get by on less income than most of their counterparts who have left TANF and are not working, an average of about \$700 a month. Similar to those on UI, many in this group are in the process of finding another job; others will return to TANF. Only a small number will remain off TANF and not employed over the longer term.
- *Those who are considered the “least stable” TANF leavers.* These individuals have left TANF, have not worked recently, and lack alternative sources of financial support. Four in 10 leavers who are not working are in this group.

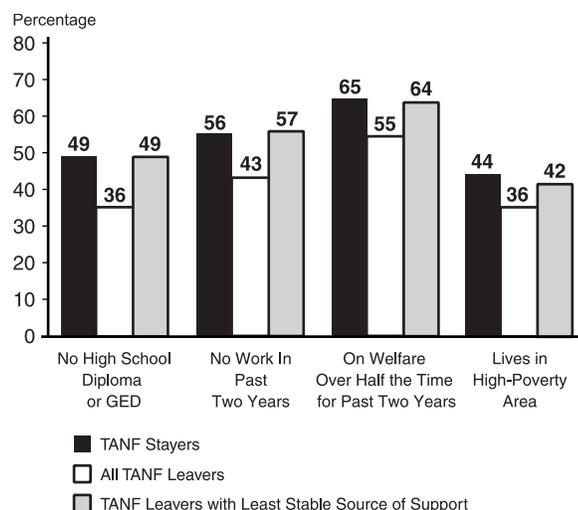
Figure 2: Sources of Support for Those Off TANF and Not Employed



* Excludes SSI recipients, UI recipients, and those who are incarcerated or institutionalized.

Although the first four groups show signs of some financial stability, it is not clear how the least stable are supporting themselves. Their average monthly income is only about \$500, putting them at high risk of extreme economic hardship. These individuals tend to be more disadvantaged than TANF leavers generally—with less education and work experience—and look much like clients who have remained on or returned to welfare (Figure 3). In addition, they have longer welfare histories and are more likely to live in high-poverty areas. Many may lack the skills necessary for stable employment.

Figure 3: Characteristics at WFNJ Entry



Reasons for Leaving and Strategies for Coping

Why did the least stable TANF leavers exit welfare? About 40 percent originally left for work and then lost their jobs. Another third left because of a sanction—a proportion twice as high as that for TANF leavers as a whole. Smaller proportions left TANF because their youngest child turned 18 or they lost custody of their children, they had other sources of income (such as child support), or they simply thought welfare was too much of a hassle.

To get by, the least stable leavers depend heavily on help from friends and relatives. About half live with another adult, usually a grown child, parent, or sibling, and many pay no rent. More than a third

receive money or in-kind help from friends or relatives who do not live with them. One in four receives child support.

These individuals also rely on community and government supports. About one in five used a food bank or soup kitchen in the past year; a third received a government housing subsidy during this period. Four in 10 are currently receiving food stamps.

Many of the least stable TANF leavers have poor mental health, a problem that is substantially more common among this group than among other TANF recipients. Some may have had this problem for years, making it difficult to maintain employment. Alternatively, their extremely poor economic status may have contributed to depression and anxiety and be a cause (rather than a result) of their mental health problem. In addition, half of this group have no health insurance, which may contribute to their stress and anxiety.

The least stable leavers are also more likely to experience serious economic hardships—17 percent experienced hunger in the past year—and to have poorer opinions of life after welfare. Two-thirds report barely making it from day to day, compared to fewer than half of all TANF leavers.

Looking Over the Longer Term

Substantial numbers of welfare recipients fall into the least stable group, with its difficult economic circumstances, although typically not for very long. At any given point during the study’s follow-up period, about 1 in 10 recipients was off TANF, not

employed, and lacked a stable alternative source of support. Moreover, 3 in 10 were in this status at the time of at least one of the four surveys. However, people’s circumstances change, and those in this group are typically not the same individuals year after year. Among those in the least stable group at a given point, one in four was back on TANF a year later and a similar proportion was off TANF and working (Figure 4). Fewer than 4 in 10 of the least stable were in the same circumstances 12 months later. Those who remained in the least stable group for a year or more (about five percent of the early group of TANF recipients tracked by the study) tend to be even more disadvantaged than the least stable leavers generally—with less education and work experience.

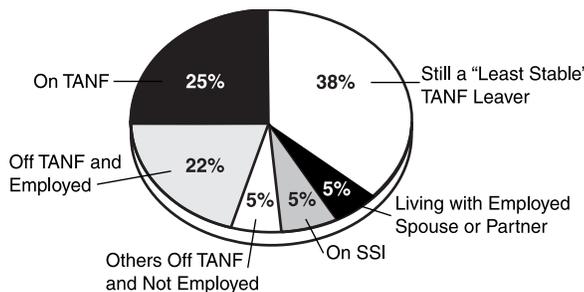
Policy Implications

Under time limits and work requirements, many TANF recipients are leaving welfare for work, but some are leaving without jobs or stable sources of financial support. These individuals get by on very little income and rely heavily on the support of friends and family to make ends meet. Although relatively few spend extended periods in these tenuous circumstances, a substantial number spend at least some time in this status and are at high risk of serious economic hardship.

In light of the tight budgets and limited resources facing many states, the current challenge for policymakers is to design programs targeted to those most at risk, to ensure that they get needed services to help them through these difficult periods and perhaps avoid ending up in such periods in the first place. Options to consider include the following:

- Using careful assessment and screening to identify those with mental health problems and other serious barriers, who may be at particular risk of leaving welfare without stable financial support
- Implementing sanctioning policies with care, since those exiting welfare because of a sanction are more likely to enter the least stable group
- Enlisting community organizations to provide outreach to those leaving welfare without a job, to inform them of benefits for which they are still eligible, such as food stamps and medical assistance

Figure 4: The Least Stable: Employment and TANF Status One Year Later



Note: Represents status at fourth survey for those who were least stable TANF leavers at third survey.

- Providing job-retention services to those at greatest risk of job loss (including those with less education and those in low-paying jobs), since many least stable leavers left TANF with a job that they later lost.
- Offering transitional employment or supported work programs, including TANF-funded work placements, job coaching, and other supports, for some hard-to-employ clients who cannot find work on their own.

The WFNJ evaluation is funded by the New Jersey Department of Human Services (NJDHS). The opinions expressed here are those of the authors and do not necessarily represent the views of NJDHS. A more detailed presentation of these findings is included in two reports: “Current and Former WFNJ Clients: How Are They Faring 30 Months Later?” and “WFNJ Clients Under Welfare Reform: How Is an Early Group Faring Over Time?” available at www.mathematica-mpr.com. For more information on this brief, contact Robert G. Wood at (609) 936-2776, rwood@mathematica-mpr.com, or Anu Rangarajan at (609) 936-2765, arangarajan@mathematica-mpr.com. For more information on the full WFNJ evaluation, contact Anu Rangarajan or visit www.mathematica-mpr.com/3rdLevel/workfirst.htm.

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To Find Out More:
Communication Services
Phone: (609) 799-3535
Fax: (609) 799-0005

Princeton Office
PO Box 2393
Princeton, NJ 08543-2393
Phone: (609) 799-3535
Fax: (609) 799-0005

Washington Office
600 Maryland Ave., SW, Suite 550
Washington, DC 20024-2512
Phone: (202) 484-9220
Fax: (202) 863-1763

Cambridge Office
50 Church St., 4th Floor
Cambridge, MA 02138-3726
Phone: (617) 491-7900
Fax: (617) 491-8044