

Sanctions and Exits: What do States Know about Families Who Leave Welfare Because of Sanctions and Time Limits

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Let me start by explain some context. For the past several years, I have worked with legislators and staff on welfare issues. One of the things I have learned from them is that you should explain up front what you think they should know. That's what I am going to do here. What do I think you should know?

Research Questions for Policymakers

First, the critical purpose of state studies of welfare, and my purpose in working on these studies, is to inform policymaking. I read studies to help policymakers and me understand the answers to three sets of questions:

- What has happened so far? Where are we in welfare reform? This involves data about caseload declines, employment rates of families leaving welfare, wage rates, job retention, food deprivation, etc.
- What do we need to do now? Looking at this same data, we can identify key policy questions that policymakers need to address. If most families leaving welfare are not working, that points to the importance of strengthening work training programs and perhaps to review the reasons families are leaving welfare if they are unable to adequately support themselves. If leavers' employment rates are high, we need to look at job retention and earnings progression. State policymakers need to figure out where they are—that is the first questions—and how to move forward—the second question.
- That leads to the third question—how to address these issues. What kind of programs can states use to improve employment rates or to increase earnings progression. Part of this information can come from outcome studies—looking at programs in states that are relatively successful in the desired outcome. Even better are evaluations of programs that give us a scientific basis for estimating their impact and for understanding the circumstances in which they would be most effective.

But, and this is a point I will come back to, we need to make decisions on what information we have. We do not have great evaluation data on critical questions, such as job retention or the effects of time limits, but we need to be making decisions now about how to structure our programs. At the same time we design studies to provide better answers, we need to make decisions on the basis of the studies and data we have.

That's the first thing I want to make sure you know.

Social Science Research and Policymaking Research

Next I want to talk about the difference between using research for policymaking and using it for social science investigation into the effects of welfare programs. The wave of welfare reform occurring in the mid and late 1990's is a rich opportunity to develop a greater understanding of key questions: how do welfare recipients move or do not move into work, how welfare receipt affects self-esteem and work behavior, how human capital approaches can improve the future earnings and family life and the mix of other questions we are now addressing. This is an important research agenda. It requires careful design, substantial resources and time. In five or ten years, we will have much better understanding of key social and economic relationships because of the coincidence of investment in social research and rapid, far-reaching change.

But social policy—states' decisions about how to structure and change their welfare programs -- is moving much faster than this research. The pace and scope of change is so great, I suspect we will never be able to determine the impact of welfare reform, either the effect of policy changes such as time limits or up-front job search or the effect of the massive shift in public attitudes toward welfare and work and expectations for welfare clients.

Because the pace of change is so fast, policymakers are often making decisions about programs and strategies with very little research-based understanding of those programs. States are investing money in job retention programs and earnings progression strategies without much data about how they work. They try to recognize the critical challenges and they are doing the best they can to devise answers to them.

I think researchers can do more to help them in this effort—help them use research to answer their key questions--what has happened so far, what needs to be done now and how do we do it. There are exceptions, but most research is not focused on helping policymakers. Academic researchers, most of the people in this field, pay attention to academic concerns. And many academics are somewhat uncomfortable about being in the middle of policy debates and political issues. They focus on research that will meet the challenges of other academics, not on research that will improve the understanding of policymakers.

One way to think about this issue is in terms of significance tests. Social science researchers strive for high levels of significance, ruling out to a high degree of probability that their results might be due to chance. This is how we build research understanding and our peer review journals enforce this fairly rigorously. If you want to publish research, you better reach that 95% level of significance or better.

Another critical audience—policymakers—does not look at these questions in the same way. For those of us who have been inside the policymaking process, it would be generous to suggest that the understanding behind some key ideas is much better than a coin flip—50-50. I would nominate the 20% hardship exception to the federal five-year limit as a possible example of that. Even preliminary research can add to the understanding of policymakers in many cases. Research that is far too rough for publication or even presentation can still help policymaking. Where a researcher is only 60% confident that the relationship is genuine, it is still better than the 50-50 guess that a policymaker might have. Especially on welfare issues, politics and the myths on both sides that have developed over the years can skew policymakers' understandings of critical issues. One of the clear lessons we can take out of the events of the past few years is an humility about how well we understand how welfare works and what factors influence welfare clients' behavior. We need to work hard to improve our understanding of these issues and help policymakers understand them. This does not mean that we should not be doing social science research, but that we should be devoting more effort to drawing lessons from what we know **now** to help policymakers.

We should make our best estimates and try to work with them instead of emphasizing qualifications about what we know or saying we do not have enough research to answer the question. When I start talking about sanctions and time limits in a few minutes, I am going to use the existing research—which is not much—to do the best job I can to identify the key questions and piece together answers to them. I recognize that this is not a pretty process and that if I went back to my social science academic days, I would conclude that I was a long ways from being able to address these issues in a way other social science researchers would accept. On the other hand, I am sure that the understanding of time limits and sanctions that I can draw from existing state studies is better and more solidly grounded than the understanding most policymakers have. And that policymaking will be better with this understanding than it would be without using this information.

A second difference between social science research and policymaking research involves doing work in particular states. In building social science research we try to identify and measure the critical variables so that we can generalize our findings beyond the specific places where the research is done. Figuring out whether up-front job searches result in high employment rates both four months and fifteen months after clients leave welfare should not be place specific—yes in Arizona and no in Mississippi. We need to figure out what it is about Arizona and Mississippi that results in these differences. But policymakers have a particular interest in their state. They want to know what's going on in Arizona or Mississippi, for the simple reason that that is their state and its citizens are their constituents (and voters). And, since we do not yet have a full understanding of

these processes, states are different in ways we do not yet understand. We certainly are not in a position to argue that the patterns in one state will be like those in other states – former recipients’ employment rates, retention, earnings progression, and families’ hardship and deprivation. We need information about particular states to identify the critical policy issues in those states.

And as researchers trying to engage policymakers, we want to give them information they want. One key effect of the leavers’ studies that have been released in so many states is how they have engaged policymakers. Combine high caseload decline with high employment rates for clients leaving welfare and you have one proud governor and many proud legislators. Even though we cannot isolate the impacts of welfare changes, policymakers are happy to take the credit. (We cannot prove that policy changes were not the primary reason either.) And with the credit comes responsibility. As they boast about employment rates, they are more receptive to hear about the next challenge—how services have to be directed at these working recipients to help them stay in jobs and increase their earnings so they stay off welfare. And when policymakers hear that 50% of their former recipients are finding jobs, but that the neighboring state is achieving a 56% rate, they immediately focus on how to do better. Research into outcomes has reinforced policymakers’ concerns with outcomes—reinforced their continuing interest and investment in welfare policy. Maintaining and building this interest requires state-specific studies, even if those state-specific studies do not move us forward much in our overall understanding of the effects of welfare programs.

Critical Opportunity in Welfare Policy

The third thing I think you should know: For state welfare policymakers, the time is now. I will not belabor this point, because it is so damn obvious. States have an historic opportunity to transform welfare programs. States have flexibility. New federal TANF regulations issued in April clarify the broad flexibility states have to design their own programs. States have money. The stunning drop in welfare caseloads means that almost every state has resources available for new or expanded programs—several billion dollars of many they have not spent. State policymakers can continue their work-based reforms—expanding services to recipients who have not been able to leave welfare, offering child care and transportation assistance to working poor families, even if they have never been on welfare, and providing job training so low-income workers can improve their jobs. States can also think about new and expanded programs to help poor families and children—expanded head start, economic and community development, job training and parenting skills for non-custodial parents. States have an unprecedented set of choices about how to remake their welfare programs into programs that serve low-income families and children. This opportunity will last only as long as the economy stays strong, political interest in welfare reform remains high, and the federal investment in resources and commitment to state flexibility remains high.¹

¹ For more information state flexibility and available resources, see Jack Tweedie, Dana Reichert and Sheri Steisel, Challenges, Resources, and Flexibility: Using TANF Block Grant and State MOE Dollars (National Conference of State Legislatures, September 1999)

Of course what this means is that policymakers need answers to their questions now-- what has happened so far, what needs to be done now and how do we do it. We need to devote more of our efforts to address those questions—to help policymakers continue their work on welfare

Should Research Focus on Sanctions and Time Limits or on Exits?

The fourth thing I think you should know is that most of our knowledge about the outcomes of welfare reform is about recipients and families that have left welfare for whatever reason. State research has focused on leavers or exits and, other than cataloguing the reasons that recipients or administrative data say that cases were closed, there is little further attention paid. States that base research on samples of case closures—most states—have not structured their sample to focus on sanctions or time limits. Early on, several states focused on sanctions in their research, but most studies now cannot specifically address those questions. Now states' interest and research focused on the huge number of families who have left welfare. Tell policymakers that half of the welfare caseload has left and that you do not know why or what has happened to them and stand back. They will want to know why you do not have answers now and why you cannot produce them next week. Most states are funding research that will provide information about leavers, but may not include enough sanctioned or time-limited families to enable conclusions specifically about them. Because of the magnitude of case closures, policymakers want to know about all exits. They will not be specifically concerned about sanctions and time limits unless you show them that this population is significantly different from all exits and, as I will talk about in a minute, we do not yet have clear data about that question.

Policymakers' interests are wide-ranging. In my work with policymakers, mostly legislators, I have identified a set of questions that they want answered about families leaving welfare. To provide context for the discussion of particular questions below, I provide the entire list. It combines the issues I have heard policymakers raise and the concerns that, in working with them, I advise them to examine.

Most discussions of the outcomes of welfare reform focus on a more limited set of questions, both because of limited time and limited data. These five questions are:

How many recipients are working?

How much do former recipients earn from work? How many earn more than the poverty level?

Do former recipients increase their earnings over time?

In households where no adult works, how do the families support themselves? Are these sources of support stable over time?

Are families better or worse off after leaving welfare? How many families experience hardships or deprivation--unable to make rent payments, late on utility payments, running out of money for food?

These questions are also the key issues for families who leave welfare because of sanctions and time limits. I will structure my discussion of state studies in terms of these questions, including noting where we do not have much or any information.

What do states know about families that leave welfare because of sanctions and time limits?

During the first stages of welfare reform, attention focused on the fate of families who left welfare because of sanctions. Welfare programs imposed new work and program participation requirements on welfare recipients. Most analysts and policymakers expected significant numbers of recipients to drop off the rolls because of those requirements—either because they were unable to fulfill the requirements or because they preferred to work or do without cash assistance rather than meet those requirements. In many states, researchers started to address these questions. Studies were carried out in Iowa, Tennessee, New Jersey and Michigan to find out what was happening to families that left welfare due to sanctions. These studies provided our first look at how families fared after being sanctioned. Recent studies have looked more generally at families that have left welfare. While these studies include sanctioned families most do not separate out those families in their analysis, so they do not give us specific information about those families. Examining the three best studies that focus on sanctioned families—from Iowa, Tennessee and Arizona—gives us a good understanding of what we know and what we don't know about sanctions and their effects on families.

It is difficult to talk generally about sanctions and time limits across the country. Sanctions and time limits policies differ among the states. Much concern has been expressed about the increase in the number of states implementing full-family sanctions as opposed to partial sanctions. And our understanding of sanctions must incorporate different approaches to implementation. In several states and areas within states, caseworkers work hard with recipients to avoid imposing a sanction, particularly if it is a full family sanction or a long period without an opportunity to correct the problem and come back onto welfare. Finally, there is often not a clear distinction between cases that are sanctioned formally and those that leave for other reasons. Arizona has sanctions and a second category of exits (the largest category) called “failure to comply with procedures.” In many states, these cases would be classified as sanctions and, more importantly, many of the cases will look like sanctions—the recipient just gave up before they had formal obligations they could not comply with. Because there are so many exits and because the problems those families face are so large, it makes more sense to focus on exits rather than sanctions or time limits, at least until we can show that sanctions and time limits raise different or more serious problems.

We need to approach this research recognizing the limited picture we can develop of what happens to families that lose benefits because of time limits or sanctions. As states develop their research into the effects of welfare, some of them will once again focus on sanctioned cases and as more states hit time limits (particularly the five-year time limits), more attention will be focused on that question. At the same time, it is still important for us to look at families leaving welfare as a whole, rather than limiting our concern to families that are sanctioned or time-limited.

Iowa - Sanctions

Iowa implemented welfare reforms—the Family Investment Program -- in October 1993.² The new policies require recipients to participate in a variety of program activities designed to move them toward self-sufficiency—education, job search, job readiness and work. Adult recipients who were not disabled and who were not caring for infants were required to negotiate and fulfill a Family Investment Agreement that would set out a plan of activities to move the recipient off welfare and into a job. Clients who do not complete an agreement or who fail to carry out their responsibilities in the agreement are assigned to the Limited Benefit Plan (LBP). Under the LBP, recipients continue to receive full benefits for three months and reduced benefits for three more. (The LBP was changed after the period of this study to eliminate the initial period of three months with full benefits). If families had not corrected their non-compliance by that time, they received no benefits for six months. Assignment into the LBP and termination after six months do not affect the family's food stamps or Medicaid eligibility.

Iowa had approximately 35,000 cases during this period. In the six months beginning November 1994, 4,224 cases were assigned to the LBP. Ninety-seven percent of those assignments came because the client did not sign a Family Investment Agreement. Most of these cases involved failing to make a required appointment (30.9% of all assignments) or failing to keep a required appointment (57.7%). Slightly more than half (53%) of all LBP assignments were cancelled—families were returned to regular FIP status as a result of signing a Family Investment Agreement or, in about 10 percent of the cases, winning an appeal. Most cases (64%) that were not cancelled resulted in exits from the LBP before the six months of benefits were complete. Only thirty-six percent of the cases completed the six-month limited benefits period. So out of 4,224 families initially assigned to the LBP, 710 (16.8%) cases hit the six month time when benefits were eliminated.

Iowa contracted with Mathematica Policy Research and the Institute for Social and Economic Development to conduct an evaluation of its LBP. The study included a survey of families who had lost their benefits in month 7 of the LBP. Researchers sampled 172 cases who had received benefits in month six and not received benefits in month seven. Ten were excluded in survey screening because they said they did not fit

² This discussion of the Iowa welfare reforms and the Limited Benefit Plan is drawn from Lucia A. Nixon, Jacqueline F. Kauff, and Jan L. Losby, "Second Assignments to Iowa's Limited Benefit Plan." (Washington, DC: Mathematica Policy Research, Inc., August 1999)

this pattern and they indicated they received benefits in the current month. Of the 162 cases remaining in the sample, researchers completed 137 interviews, a response rate of 85%.

The Iowa LBP study gives partial answers to the five key questions:

How many recipients are working?

In the survey, 53% of the respondents indicated they had worked at least at some time since losing their benefits. (Most surveys were carried out three to five months after the elimination of benefits.) There was no question about whether the former recipients had worked in the previous month.

How much do former recipients earn from work? How many earn more than the poverty level?

Mean earnings from those jobs was \$170 per month, far below the maximum grant in Iowa and very far below the poverty threshold. Surveyors also asked about household income—income before taxes and deductions for all household members from all sources, including work, welfare benefits, and food stamps. Mean monthly household income was \$748.92. Twenty-two percent of the respondents reported household incomes of over \$1000 in the most recent month.

Do former recipients increase their earnings over time?

No information available.

In households where no adult works, how do the families support themselves? Are these sources of support stable over time?

The Iowa study does not report statistics separately for those working and those not working. For all families, 63.5% report receiving food stamps (a mean of \$275 for those families) and 5.8% report SSI (a mean of \$469). Nineteen percent received child support (a mean of \$167). Thirty percent reported receiving Women, Infant, and Children (WIC) benefits. Sixty-six percent were enrolled in Medicaid.

Respondents also reported receiving financial support from parents, spouse or partners and other relatives. Twenty-eight percent reported increased support after losing benefits while 16% reported less support. Respondents also reported assistance from community organizations—food bank (24.8%), emergency shelter (3.6%), crisis center (2.9%) and a soup kitchen (2.2%).

Are families better or worse off after leaving welfare? How many families experience hardships or deprivation--unable to make rent payments, late on utility payments, running out of money for food?

More respondents (48.9%) reported a decrease in household income after losing cash assistance than reported an increase (40.4%). Income swings were substantial—the mean gain was \$496 per month and the mean loss was \$384.

Use of the food bank indicates a substantial number of families having difficulty meeting food needs. Relatively few respondents need emergency shelter or other services, but there is limited information in this study to indicate the level of hardship or deprivation.

Tennessee – Sanctions

Tennessee implemented its Families First Program in 1995.³ For families subject to work requirements, Families First includes a sanction policy “to provide a consequence for not complying with program requirements” and “to promote responsible behavior in personal, family and program activities.” Three categories of behavior result in a full family sanction—closure of the case:

- Failure to cooperate with work or work-related Personal Responsibility Plan components
- Voluntary termination of employment
- Failure to cooperate with child support

Tennessee had a welfare caseload of 74,820 in January 1997. Between the months of January and April 1997, 3041 cases were closed. Eight hundred and forty-six of these closures were due to sanctions. From the surveys described below, they determined that 86% of the sanctions were due to a failure to cooperate with work or work-related Personal Responsibility Plan components (almost three-quarters of these involved failing to show for appointments), 10% were due to failure to cooperate with child support and 3% were due to voluntary termination of employment.

The state contracted with the Bureau of Business and Economic Research at the University of Memphis to conduct telephone surveys of recipients who lost benefits because of sanctions and because they did not sign a personal responsibility plan. (They also conducted surveys of former recipients whose cases were closed due to employment. That report is not summarized here.). Researchers attempted to contact each of the 1509 families that had been sanctioned. They were able to conduct interviews with 587 former recipients for a response rate of 39% of all the families whose cases were closed due to sanction. They interviewed 139 of the 696 families who lost benefits because they failed to sign the individual responsibility plan (a response rate of 46%).

How many recipients are working?

The survey asked recipients, “How are you paying your bills?” Thirty-nine percent of the sanctioned cases and 42% of the non-signers answered that they were working full-time

³ This section is drawn from Bureau of Business and Economic Research, University of Memphis, “Summary of Surveys of Welfare Recipients Employed or Sanctioned for Non-Compliance.” (Tennessee Department of Human Services, March 1998)

or part-time. Of those who said they were not working, 65% and 70% said they were looking for work.

How much do former recipients earn from work? How many earn more than the poverty level?

The average hourly wage for sanctioned cases was \$5.50 an hour. The survey report did not indicate how many were working full- or part-time. Nor is there any wage distribution which would enable analysts to identify how many former recipients were earning more than the poverty level.

Do former recipients increase their earnings over time?

The survey does not provide any basis for assessing changes in earnings over time.

In households where no adult works, how do the families support themselves? Are these sources of support stable over time?

In response to the question about how they were paying their bills, 14% said they were supported by family members, 10% said they were receiving other benefit checks (disability, SSI, AFDC, and Pell grants), 4% indicated support from the husband or spouse, 4% said they were receiving child support, and 15% listed other miscellaneous sources (friends, looking for work, borrowing). Seventeen percent answered “nothing.”

Researchers also asked all respondents whether they had help paying their bills. Fifty-one percent said yes. Of those receiving help, 71% listed family as a source, 14% husband, 9% boyfriend and 12% other. Only one percent listed a church or community agency.

Are families better or worse off after leaving welfare? How many families experience hardships or deprivation--unable to make rent payments, late on utility payments, running out of money for food?

The survey asked if the family was able to pay its rent: 66% answered yes. Sixty-eight percent indicated they were able to pay their utilities. Eighty-eight percent indicated they received TennCare, Tennessee’s Medicaid program.

Arizona – Sanctions

Arizona implemented its welfare reforms—EMPOWER-- in 1995.⁴ The reforms include a time limit on the adult portion of the grant of 24 months. It also includes several progressive sanctions related to program participation, immunization, and child support cooperation. In the first month after non-compliance, the grant is reduced by 25%. Clients who do not correct their non-compliance lose 50% of the grant in the second month and then the case is closed if the requirements are not met by the third month.

Arizona is conducting a study of cases closed for at least one month during the first quarter of 1998. Their caseload was 41,233 in January 1998. They closed 10,647 cases in the first three months of 1998, 2155 cases (20%) were closed due to sanction. The remaining cases were closed due to employment (19%), increased resources (9.1%) and failure to comply with procedures (36.9%). This report will focus initially on cases closed due to sanction, but will also address closed cases as a whole. Particularly because of the large number of cases closed due to failure to comply with procedures (which seem similar to sanctions but which we cannot separate out at this time), we will need to be careful about making conclusions about differences between sanction and other closures.

How many sanctioned recipients are working?

Looking at UI wage data from the first quarter (April – June 1998) after the families lost their cash assistance, 40% of sanctioned families had reported earnings. In addition, 24.3% of those families had already corrected their non-compliance and had returned to cash assistance in that first quarter. (The number of families with reported wages may overlap with the families returning to welfare.)

For non-sanctioned closed cases, 55% had UI reported earnings in the first quarter after leaving welfare. Sixteen percent of the cases returned to welfare in the first quarter after leaving.

How much do former recipients earn from work? How many earn more than the poverty level?

Earnings for sanctioned cases were low relative to non-sanctioned cases and relative to earnings reported for leavers in other states. Median quarterly earnings during the first quarter after exit for sanctioned cases who were working were \$1,245. Mean earnings were \$1649. Few earned enough to go over the poverty line. About 34% of those families earned more than \$2,000 in three months and 17.5% had earnings of over \$3000. Out of all sanctioned cases, 86.3% either had no earnings or earnings under \$2,000.

For non-sanctioned cases, earnings were higher. Median earnings in the first quarter of exit were \$2,086. Forty-eight percent of the families with earnings had incomes over

⁴ Information for this section was drawn from Karen Westra and John Routley, “Cash Assistance Exit Study: First Quarter 1998 Cohort,” (Arizona Department of Economic Security, May 1999).

\$2,000 and 29.4% had earnings of over \$3000. Of all non-sanctioned cases, 71% had no earnings or earnings of less than \$2,000.

Do former recipients increase their earnings over time?

The survey and administrative data do not provide any basis for assessing changes in closed cases earnings over time.

In households where no adult works, how do the families support themselves? Are these sources of support stable over time?

The Arizona report does not report on working and non-working families separately and there is no information about non-governmental sources of income. Out of all sanctioned families, 73% are enrolled in Medicaid in the first quarter after exit and 59% receive food stamps. Twenty-six percent of the families have returned to cash assistance. By the third quarter after exit, Medicaid enrollment rates have dropped to 55.1%; food stamp receipt has declined slightly to 53%. Twenty-five percent of the original leavers due to sanctions are receiving cash assistance.

Out of all non-sanctioned families leaving welfare, 54% are enrolled in Medicaid in the first quarter after exit and 47% receive food stamps. Twenty percent of the families have returned to cash assistance. By the third quarter after exit, Medicaid enrollment rates have dropped to 45.7%; food stamp receipt has declined to 42.4%. Twenty-two percent of the original leavers due to reasons other than sanctions are receiving cash assistance.

Are families better or worse off after leaving welfare? How many families experience hardships or deprivation--unable to make rent payments, late on utility payments, running out of money for food?

No information. Arizona's study relies exclusively on administrative data, so there are no measures concerning well-being or hardship. Arizona is also conducting a survey of families who have left welfare, but it is not yet complete.

North Carolina – Time Limits

North Carolina is one of several states with a two-year time limit that resulted in many families losing their benefits.⁵ They are the first state to have carried out a focused study of time-limited cases that can give us a glimpse of how these families are faring after losing cash assistance.

⁵ Information for this section was drawn from Maximus, Status of Families Leaving Work First after Reaching the 24-Month Time Limit, (Maximus, May 1999)

North Carolina's Work First program took effect in July 1996. It included a 24-month time limit for families subject to work requirements. Several categories of families were exempted—child-only, disabled parents, parents taking care of a disable child, over 65 and in school if the parent was under 18. Extensions were available if the parent could show good faith efforts to cooperate in getting a job. In the first four months of the program, 12,724 families were made subject to the time limit. Paralleling the experience in most other states with time limits, almost all of those families had left welfare, at least for a few months, before hitting the time limit. By December 1998, 538 families (4.2% of those originally subject to the limit) exhausted their two years of benefits. Of these 538 families, 83 requested extensions from county welfare administrators. Twenty-eight of these requests were granted.

North Carolina contracted with Maximus to carry out a survey of the families that first lost their benefits under the time limit. Maximus tried to interview all 315 families that hit the time limit and lost their benefits in the first month--August 1998. They completed telephone interviews with 241 families (a response rate of 76.5%) in November and December of 1998. They also used administrative data to construct case files of the 315 families who had been time-limited and to compare them to other families in Work First.

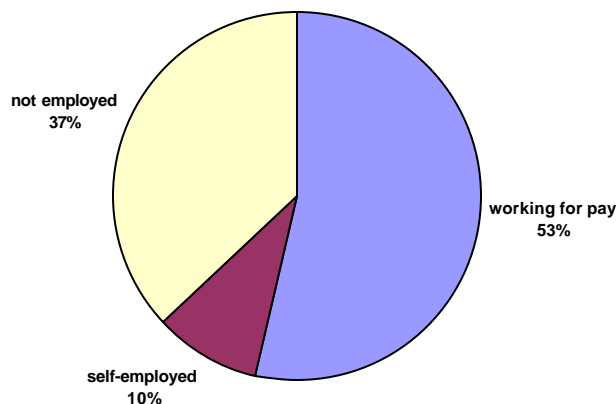
How many recipients are working?

Of the 241 families contacted, 129 were working for pay (53.5%) and another 23 (9.5%) described themselves as self-employed.

About half of the former recipients (53.5%) were employed at the time their benefits were cut off. Over half of this group had found jobs within the past three months.

About twenty percent of all recipients had not held a job in the four months since losing their benefits.

Time Limits in North Carolina - percentage of adults working



The most frequent jobs were child care/babysitter (15.7%), nurse's aide (11.8%), and cashier/checker, sales clerk (7.8%). These numbers include both employed and self-employed persons. Most of the self-employed persons appear to work in the child care/babysitter jobs.

Employment rates varied by the adult's level of education, ranging from 39.6% for adults with no high school diploma or GED to 76.9% for those with a 2 year college degree. Self-employment rates were highest among adults with high school diplomas or less education.

Employment rates varied to a lesser extent by work history either before or during their time on welfare (determined from UI wage records). Fifty percent of those recipients with no work history were employed, compared to 55.6% of those with a work history. And persons with no work history were more likely to be self-employed (15.9% compared to 5.9%) so that fewer of those without a work history were not employed.

There was even less difference in employment rates between those families who had received cash assistance continuously between January 1995 and July 1998. Fifty-three percent of the adults that received benefits in all of these months were employed, compared to 55% of those who had had been off welfare for a time during this period. As in the case of work history, those who had received benefits continuously were more often self-employed (10.4% to 5%) resulting in a lower percentage who were not employed compared to those who had left welfare for a time.

Finally, recipients who had been sanctioned were much less likely to be employed or self-employed. Ninety-seven of the 241 families (40%) had been sanctioned. Of the sanctioned families, 46.4% were employed and 5.2% were self-employed while 58.9% of the never-sanctioned families were employed and 12.8% were self-employed.

North Carolina Time Limits - Monthly Earnings from Work



How much do former recipients earn from work? How many earn more than the poverty level?

The median monthly earnings from work for employed adults was \$947.19. Self-employed former recipients earned much less—a median income of \$259.80 and the highest self-employed income was \$649.50. Nineteen percent of the employed adults earned more than \$1371 (the poverty threshold for a family of four) while none of the self-employed adults did so.

Despite the low earnings, more self-employed former recipients worked over 30 hours per week (78.3%) than did the employed former recipients (63.6%) Three self-employed adults who worked more than 40 hours per week earned less than \$297 dollars a month—the maximum Work First cash payment for a family of four.

Earnings were strongly related to education level. Former recipients with no high school diploma or GED earned a median of \$624.39, those with a high school diploma earned \$654.91 up to \$1732 for former recipients with 4-year degrees.

Do former recipients increase their earnings over time?

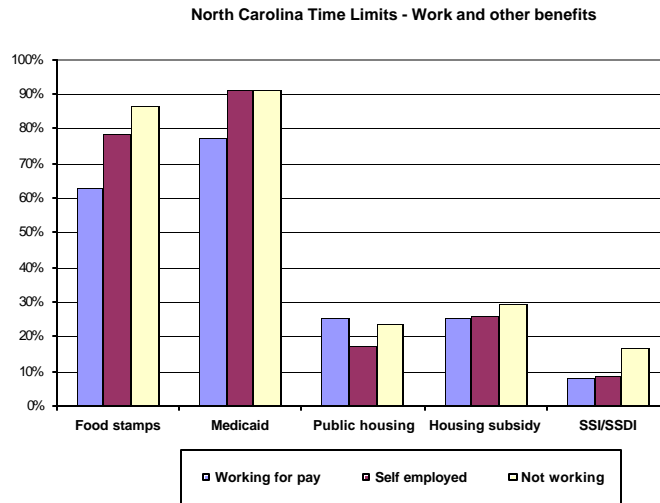
The survey and administrative data do not provide any basis for assessing changes in earnings over time.

In households where no adult works, how do the families support themselves? Are these sources of support stable over time?

The survey provides limited information about the income and resources of families who were not working. Of the families who were not employed or self-employed, most continued to receive food stamps (86.5%) and Medicaid (91%). Slightly more than one-half either received a rent subsidy (23.6%) or lived in public housing (29.2%). About 17% of the families received SSI or SSDI payments. Forty-four percent of those families received child support. The median monthly child support payment for all families who received child support was \$142. No amount is reported for unemployed respondents.

The survey was conducted only four months after families lost cash assistance so it does not provide information about the stability of families' financial support.

Because the study looked at families who lost benefits due to time limits, no families had



the opportunity to return to cash assistance after leaving.

Are families better or worse off after leaving welfare? How many families experience hardships or deprivation--unable to make rent payments, late on utility payments, running out of money for food?

The survey asked respondents whether they felt the combined income from all sources was adequate to meet the families needs. Forty-one percent of employed recipients reported that their income was adequate for their needs, compared to 24% of unemployed recipients and 34.8% of self-employed respondents. There was no comparative data on how many families felt that the level of income was adequate while on welfare.

Some respondents reported housing changes – 11.4% moved to a different apartment or home, 4.2% moved in with family or a friend and 3% sent a child to live with family or a friend. No one reported having a child placed in foster care or becoming homeless (although it must be recognized that telephone surveys may not be the most effective way to identify homeless families).

Most families reported at least some difficulty getting food for their families. Fifty-three percent reported trouble getting enough and the kinds of food they wanted to eat, but that number was significantly lower than the 72% who reported such difficulty while receiving welfare. Twenty-four percent of families reported that sometimes there was not enough to eat after leaving welfare compared to 6.8% while on welfare.

Not surprisingly, food difficulties were concentrated in families who were not employed. Fifty-four percent of the unemployed families reported difficulties compared to 23% of the employed families. Self-employed families (50.9%) were also likely to face difficulties.

The Outcomes of Sanctions and Time Limits

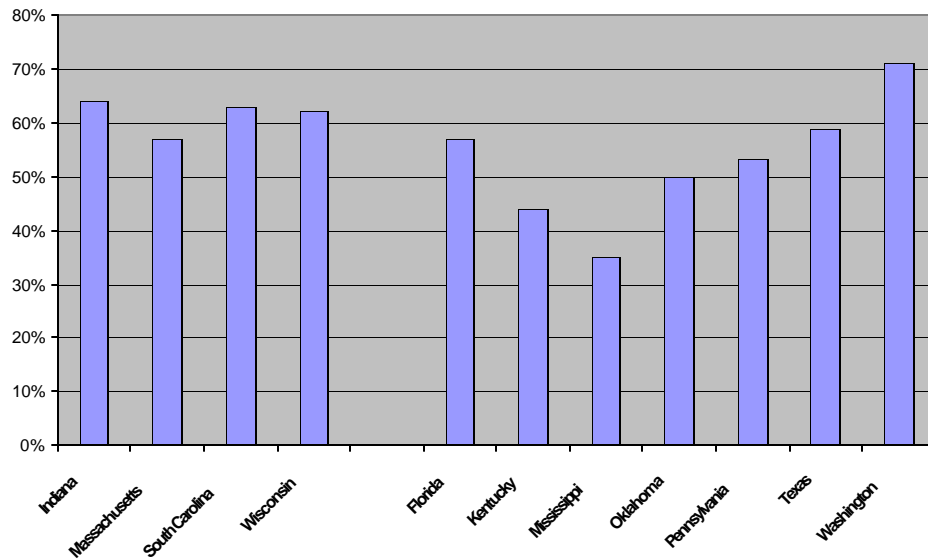
It is only a slight exaggeration to say that the stories in Iowa, Tennessee, Arizona and North Carolina pretty much captures all we know about the effects of sanctions and time limits on families leaving welfare. The key point is that we do not know very much. In examining these questions, it is useful to compare the results in sanction and time limit cases with those for welfare leavers in general. One question we want to answer is whether sanctions and time limits are different from other exits—do policymakers need to focus specifically on sanctions and time limits or will a focus on families leaving welfare suffice?

Let me summarize the findings of the sanction and time limit studies by comparing them to the results of state studies of welfare leavers. Of course, the circumstances in these other states are different, but we need to piece together whatever relevant information to get a better—the best available—understanding of these issues.

How many recipients are working?

Surveys of families who have left welfare report that in six of the eleven states the percentage of former recipients who are working at the time of the survey is between 55% and 65%.⁶ One state—Washington—is higher at 71%. Four states are lower—Pennsylvania (53%), Oklahoma (50%), Kentucky (40%) and Mississippi (35%). Of the sanctioned states, Iowa had a 53% work rate at some point since leaving welfare (3 to 5 months before) and Tennessee had a much lower work rate (39% for sanctioned families and 42% for families who had not signed the personal responsibility agreement. Taking into account that Iowa's measure covers any point after leaving welfare, both of these states are low compared to the state leavers' studies. But looking at specific comparison states, Tennessee might be best compared to Kentucky and Mississippi. The work rate for Tennessee's sanctioned families is in line with the work rate for all families that left welfare in those states. We must recognize the limits of this comparison, but it does not

⁶ Jack Tweedie, Dana Reichert and Matthew O'Connor, Tracking Recipients after They Leave Welfare: Summaries of New State Tracking Studies (National Conference of State Legislatures, August 1999).



provide strong evidence either way on the questions whether sanctioned cases are different from all families who leave welfare.

The outcomes in Arizona do provide strong evidence though, in large part because its study provides a direct comparison between sanctioned cases and other families who have left welfare. In Arizona, 40% of sanctioned families had UI reported earnings compared to 55% of the Arizona families who left welfare for other reasons during that period. This difference is consistent with the UI data reports in seven other states which reported employment rates for all leavers' between 50% (Arkansas) and 63% (Georgia).

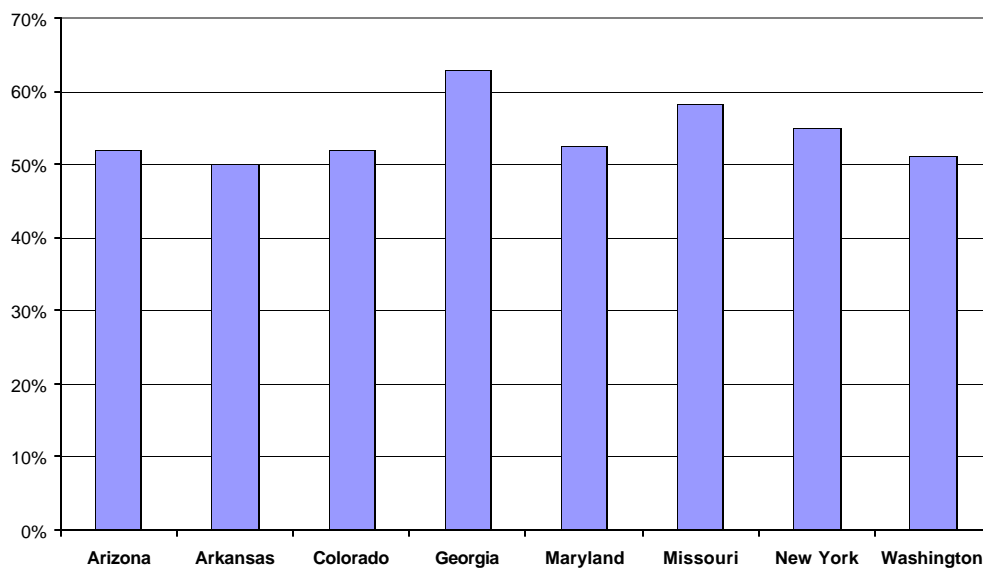
Results from the one report on time limits are surprising. Families that reach time limits would seem to be one of the most vulnerable groups. They have been unable to move off welfare, despite knowing that they would lose eligibility for benefits at a certain time. Given the large number of families who have left welfare before hitting time limits, we would expect these families to have the fewest options. (Recall that only 4.2% of North Carolina families originally subject to the 24 month time limit actually hit the limit in the first 29 months. Most states with time limits have had similar experiences.) In North Carolina, 53.5% of these families were working for an employer at the time of the survey and a further 9.5% described themselves as self-employed. Especially given the low earnings of many of these self-employed former recipients, it is better to compare the number of employed former recipients. There is not a large difference between the number of time-limited North Carolina families and leavers in other states who are working. The numbers are slightly lower in North Carolina but not by enough to justify a conclusion that time-limited families are clearly in worse situations. For many North Carolina families the end of their welfare benefits simply required them to go to work. Over half of the time limited families who were working got jobs after their benefits ran out. It seems that the difference about families whose time limits expired is not so much that it was harder for them to get work, but that they waited until their benefits were exhausted before they did so.

That said, North Carolina is only one state and we need to continue examining families who hit their states' time limit to determine whether they are more vulnerable to hardship

and deprivation after leaving welfare. It is also important to remember that North Carolina's time limits, adopted before the federal reforms, exempted many families who would face greater difficulties finding jobs. But combining the large proportion of families who left welfare before hitting the time limit and the fate of those families who did hit the time limit raises questions about how severe the effects of time limits will be for this population. Clearly, we need to continue research. Drawing conclusions now may be like closing the Presidential election after the Iowa straw polls.

How much do former recipients earn from work? How many earn more than the poverty level?

Recipients with Earnings in First Quarter after Leaving Welfare (administrative data)



Let me comment more quickly on these other factors. Families who were sanctioned do seem to earn less than families who left welfare for other reasons. The best comparison is Arizona because we can make a direct comparison. Median quarterly earnings for sanctioned families were \$1,245 in the first quarter after leaving welfare. Only 17.5% of the working, sanctioned families averaged \$1,000 a month. Families who left welfare for other reasons earned somewhat more-- a median of \$2,086 in the first quarter after exit. Twenty-nine percent earned more than \$1,000 a month.

Arizona's median earnings for non-sanctioned families are lower than those in most other states, raising questions about the value of comparing Arizona's sanctioned families with all leavers' in those other states. The difference is consistent, however, with the conclusion that sanctioned families earn less. Looking briefly at the other states lends some support to this conclusion. Working sanctioned families in Iowa averaged only \$170 a month, much less than the maximum grant payment and much less than earnings reports for working leavers' from other states. Median hourly wages in Tennessee were \$5.50 an hour, at the bottom end of reported wages for leavers, even for Southern states.

In North Carolina, median monthly earnings were \$947 for employed former recipients at the high end of earnings reported.

Like many other questions about sanctioned and time-limited families, about all we can do is point out questions that need continued attention. The low earnings and wages for sanctioned families suggests that there may be a difference between these families and those that leave for other reasons. It makes some sense that families who end up being sanctioned for non-compliance may not be as successful in the workplace as people who left for other reasons. Individuals who do not follow welfare rules such as showing up for a meeting (the primary reason for sanctions in Iowa) or who do not participated in required program activities (Tennessee) and do not correct their non-compliance in three months (Arizona), are also less likely to meet employers' expectations. Even this limited evidence suggests that states should consider providing job readiness and job coaching activities to help sanctioned former recipients overcome these difficulties.

Do former recipients increase their earnings over time?

We have no particular evidence about sanctioned or time-limited families so we cannot make a comparison. It would be particularly interesting to see if sanctioned recipients who may have some early trouble in the workplace eventually work through these difficulties or whether they persist.

- For leavers in general, there is some evidence that they increase their earnings over time. Even though most studies looking at hourly wages find only small differences, studies of leavers that look at earnings over time show substantial increases in the first year after exit. In Arkansas, median earnings were \$2,034 in the first quarter after exit and increased to \$2,592 in the fifth quarter after exit (an increase of 27% in a year). In the first quarter, 14% of the former recipients had earnings over the poverty line compared to 26% by the fifth quarter.
- A study in Colorado focused on families who left in the first three months of welfare reform found that the earnings of former recipients with earnings every quarter (the analysis cannot determine if they were constantly employed) went from \$3,116 in the first quarter to \$3,472 in the fourth quarter (an increase of 11% in 3 quarters). Slightly over half of these families earned more than the poverty line by the fourth quarter.
- In Maryland, reported earnings went from \$2,039 in the first quarter after exit to \$2,417 in the fifth quarter (an increase of over 18%).
- In Missouri, median quarterly earnings went from \$1,996 in the first quarter after exit to \$2,340 in the fifth quarter (increase of 17%) and \$2,797 in the eighth quarter (40%).

Except for Colorado, these earnings reports cover all families with earnings or earnings over \$100 during a quarter (consistent within each state).

In households where no adult works, how do the families support themselves? Are these sources of support stable over time?

The studies of states with sanctions and time limits give a very limited picture of how families are supported if they are not working and are not receiving case assistance. Some are supported by spouses or boyfriends, some by their families, some from other benefit programs, and a few from child support. No survey report breaks down these families so that we can identify which have each form of support and which have no or few identifiable forms of support.

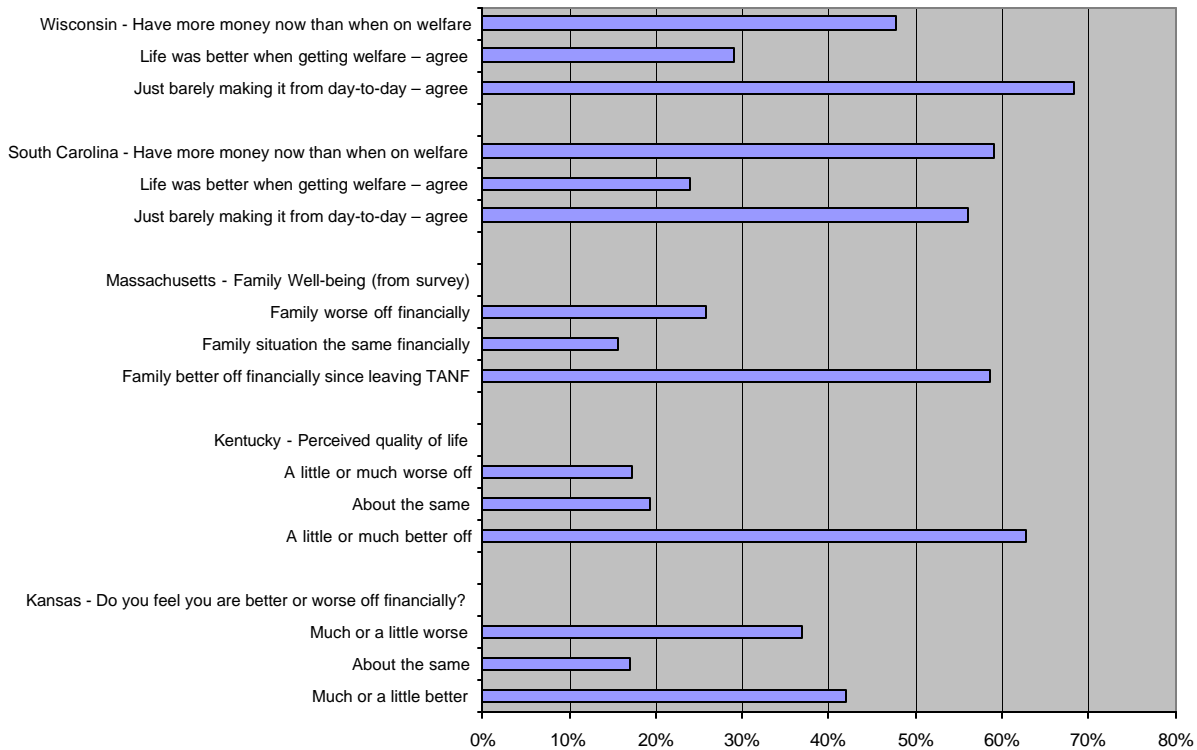
This lack of good data focused on families is also true of the larger group of studies of families leaving welfare. Some reports look at household income as well as the former recipient's earnings. For instance, Massachusetts reports that 57.5% of its former recipients are employed and that a further 8.9% of the former recipients live in households where a spouse or significant other works. In South Carolina, 37% of former recipients do not work. Of that group, 11% live in households where a spouse or partner works and another 6% live in a household where another adult works.

States are also collecting data about receipt of food stamps and Medicaid enrollment. In cases of sanctions and time limits as well as in other forms of exits, there is a large drop off of families from food stamp and Medicaid rolls. A significant number of families who appear to remain eligible leave the rolls. The number of families who leave Medicaid and food stamps increases rapidly over time. States that have recognized this as a problem and have directed outreach and linking programs to retain families on food stamps and Medicaid have seen significant increases in retention rates. This is a good example of how research showed a pattern that alarmed policymakers—drop-off of food stamps and Medicaid—and policymakers responded in ways that improved the situation.

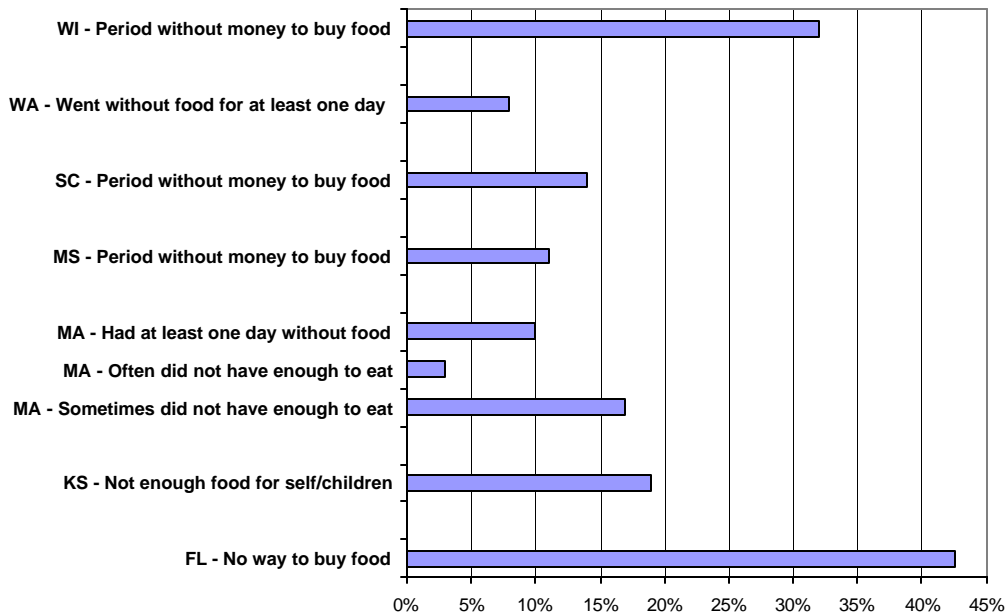
Are families better or worse off after leaving welfare? How many families experience hardships or deprivation--unable to make rent payments, late on utility payments, running out of money for food?

Many state surveys have asked questions about the former recipients' sense of well-being or independence. They have also directed questions at food deprivation in particular. We are starting to get an idea of how families fare after leaving welfare—that their earnings tend to go up, but they experience slightly higher levels of deprivation after leaving welfare. There is strong evidence also that most families feel they are better off without welfare, but that they still struggle from day-to-day.

Perceptions after leaving welfare



Food Issues



Conclusion

State studies of families leaving welfare are starting to give us a picture of what is happening to these families and what kinds of challenges remain for them. They give policymakers information about what remains to be done to complete a remarkable transformation in our welfare systems. Many questions remain unanswered. Indeed,

answers provide by state studies generate even more questions. One set of questions we have little information about involves those families who leave welfare because of sanctions or time limits. Most of what we know includes them as part of the larger group of families that leave welfare. We do not have a good picture of whether the difficulties they face are greater or different. But we need to work with existing studies to pull out what information available as well as to design studies that will quickly provide us with a better understanding of these families and will alert us to potential problems in time to respond to those problems.

**What Policymakers Need to Know:
Questions for Studies of Families that Leave Welfare**

Employment:

How many former recipients are working?

How much do former recipients earn from work? How many earn more than the poverty level?

How many former recipients have health insurance and other benefits?

How many recipients stay employed--have earnings consistently over the course of the year?

Do former recipients increase their earnings and/or advance to better paying, higher skilled jobs?

Is this better than what occurred under AFDC?

Household Income and Other Supports:

How many families who have left welfare are in households where at least one adult works?

How many of these families change households, moving in with relatives, husbands, or boyfriends? Does this change improve their ability to support their family?

How many families who have left welfare receive continued assistance from social service programs including Food Stamps, Medicaid, and child care?

How many eligible families do not receive these continuing support services? Why not?

In households where no adult works, how do the families support themselves? Are these supports stable?

Barriers to Becoming Employed and Staying Employed

How many former recipients do not look for work? Why?

For those former recipients who look for but do not find jobs, what kinds of barriers do they still face?

If former recipients lose their jobs, what are the causes?

Well Being Of Children And Families

How many families are better off after leaving welfare?

Income

Sense of independence

Child and family outcomes

How many families experience hardships or deprivation--unable to make rent payments, late on utility payments, running out of money for food?

Severe hardship – homeless, children have to live somewhere else?

Do families where the parent is not working experience greater degrees of hardship and deprivation?

Are the children in families that leave welfare at higher risk for abuse and neglect and foster care placement?

Returns to Welfare

How many families return to cash assistance?

Within two months

Within a year

Are recipients with certain characteristics, such as physical work limitations, low levels of education or young children, more likely to return to welfare?

Are recipients who have been sanctioned more likely to return to welfare than those who leave for other reasons?

Leaver Studies Reviewed

Administrative Data

Arizona	Arizona Department of Economic Security, Office of Research and Evaluation	Cash Assistance Exit Study	Dec. 1997 to F
Arkansas	Berkeley Planning Associates	Evaluation of Arkansas's Transitional Employment Assistance (TEA) Program	July 1996 and S
Colorado	Berkeley Planning Associates	Interim Report on Caseload Characteristics, Program Eligibility, and County Policies	July 1997 and S
Georgia	Georgia Department of Human Resources	Transition from Welfare to Work: Findings from the First Year of Temporary Assistance to Needy Families	Jan. 1997 - De
Maryland	Welfare and Child Support Research and Training Unit, School of Social Work, University of Maryland	Life After Welfare: Third Interim Report	
Missouri	Department of Economics, University of Missouri	Preliminary Outcomes for 1996 Fourth Quarter AFDC Leavers: First Interim Report	Oct. 1997 - Ja
New York	The Nelson Rockefeller Institute of Government	After Welfare: A Study of Work and Benefit Use After Case Closing	Jan. 1997 - M
Washington	Washington Department of Health and Human Services	Transition from Welfare to Work: Findings from the First Year of Temporary Assistance to Needy Families	4th qtr. 1996 & 1997

Surveys

Florida	Robert Crew and Joe Eyerman, Florida State University	After Leaving Wages	Oct. 1996 - Se
Indiana	Abt Associates Inc.	The Indiana Welfare Reform Evaluation: Who is On and Who is Off? Comparing Characteristics and Outcomes for Current and Former TANF Recipients	May 1995 - M
Iowa	Mathematica Policy Research, Inc. and the Institute for Social and Economic Development	Iowa's Limited Benefit Plan	Nov. 1994 - Ja
Kansas	Kansas Department of Social and Rehabilitative Services, Division of Quality Assurance	TAF Closure Followup Reviews	Dec. 1997 - Ni
Kentucky	Center for Policy Research and Evaluation, University of Louisville	From Welfare to Work: Welfare Reform Evaluation No. 2	Oct. 1998 - Ni
Massachusetts	Massachusetts Department of Transitional Assistance	How Are They Doing? A Longitudinal Study of Households Leaving Welfare Under Massachusetts Reform	Jan. 1997 - Ju
Mississippi	Center for Applied Research, Millsaps College	Tracking of TANF Clients – First Report of a Longitudinal Study	
New Jersey	Bureau of Quality Control, New Jersey Department of Human Services	WFNJ (TANF) Sanction Survey	Jan. 1998 - Fe
North Carolina	Maximus	Evaluation of the North Carolina Work First Program - Status of Families Leaving Wrok Firt after Reaching the 24-Month Time Limit	August 1998 - I 1998
Oklahoma	University of Oklahoma's Center for Economic and Management Research	Family Health & Well-Being in Oklahoma: An Exploratory Analysis of TANF Cases Closed and Denied October 1996-November 1997	Jan. 1998 - Ap
Pennsylvania	Bureau of Program Evaluation	TANF Telephone Survey: Employment Status since Case Closed	Mar. 1997 - Ja

South Carolina	Department of Social Service, Division of Program Quality Assurance	Survey of Former Family Independence Program Clients: Cases Closed during July through September 1997	Jul. 1997 - Se
Tennessee	Bureau of Business and Economic Research, Center for Manpower Studies, University of Memphis	Summary of Surveys of Welfare Recipients Employed or Sanctioned for Non-Compliance	
Texas	Texas	Texas Families in Transition - The Impacts of Welfare Reform Changes in Texas: Early Findings	Dec. 1997 - M
Washington	Department of Social and Health Services, Division of Program Research and Evaluation	Washington's TANF Single Parent Families after Welfare	Apr. 1998 - At
Wisconsin	Department of Workforce Development	Survey of Those Leaving AFDC or W- 2 – January to March 1998 – Preliminary report	Jan. 1998 - M