

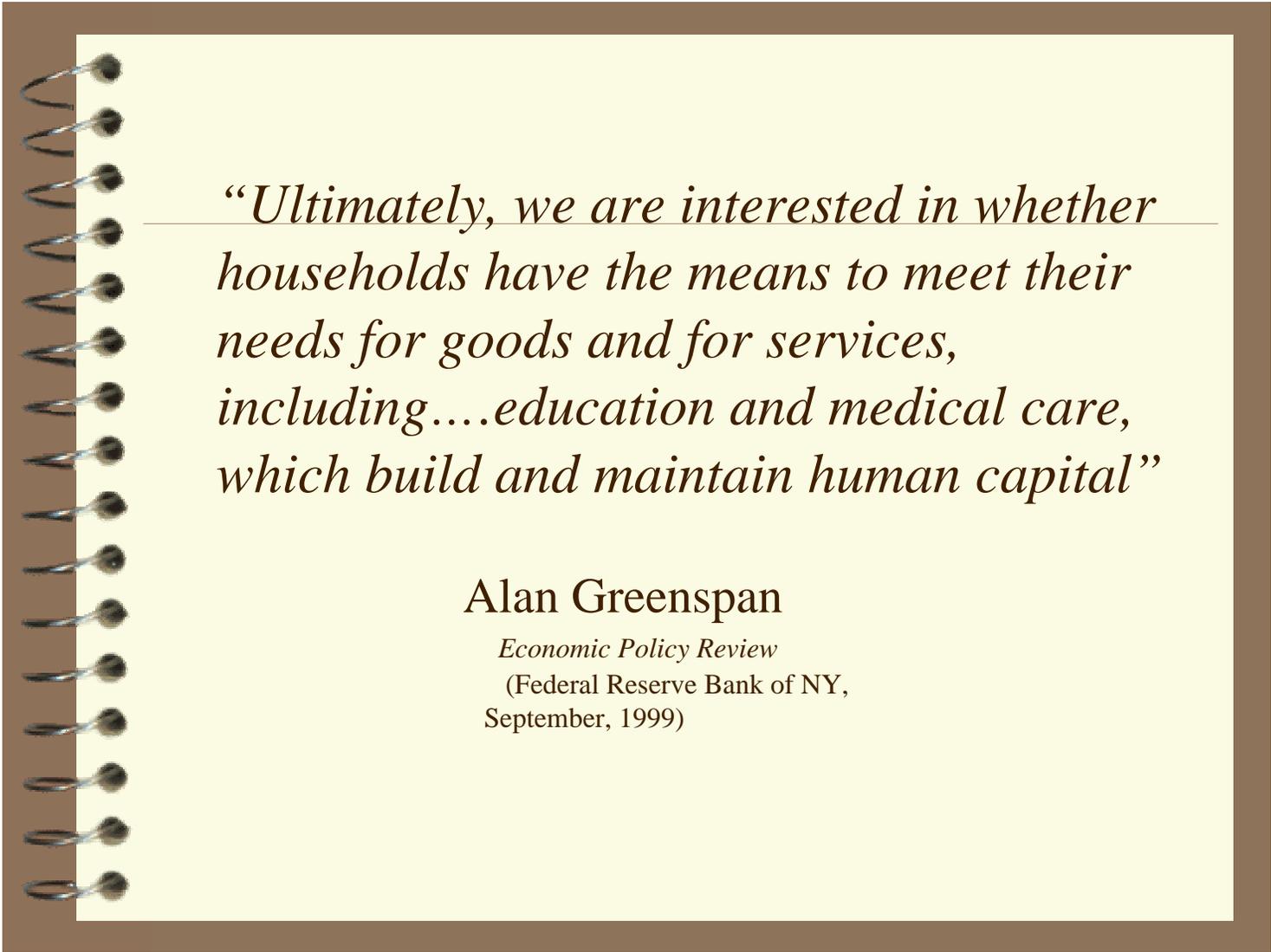


Welfare Reform in CT: Its Impact on CT Families

League of Women Voters
February 16, 2000

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when released.

A graphic of a spiral-bound notebook with a brown cover and a light yellow page. The spiral binding is on the left side. The text is written in a brown, serif font on the page.

“Ultimately, we are interested in whether households have the means to meet their needs for goods and for services, including....education and medical care, which build and maintain human capital”

Alan Greenspan

Economic Policy Review
(Federal Reserve Bank of NY,
September, 1999)

Why is CT's Welfare Reform Initiative Significant?

- ✓ Shortest lifetime limit on cash assistance in the nation -- 21 months
- ✓ One of the first states to impose time limit statewide -- even earlier than federal reform
- ✓ As a result, *more than half* the families in the US who have reached a time limit are in CT

What Are the Key Features of CT's Welfare Reform Initiative?

- ✓ Kept original experimental design for evaluation. Control group in New Haven and Manchester on “old” AFDC rules
- ✓ Switch to a “work first” approach to welfare reform with various incentives and penalties to encourage quick attachment to work -- “Jobs First”

Source: MDRC, *Jobs First: Implementation and Early Impacts of CT's Welfare Reform Initiative* (February 2000)

What Are the Key Features of CT's Welfare Reform Initiative? (cont.)

- ✓ Time limit: 21 mo. with possibility of 6 mo. extensions (if earnings less than payment standard-- \$543/month for family of 3)
- ✓ Benefits cut in half for a baby born while mother on cash assistance (from \$100 to \$50/month)
- ✓ In first 21 months, can keep earnings AND welfare check until earnings at poverty level
- ✓ Can have \$3000 in assets, rather than \$1000

What Are the Key Features of CT's Welfare Reform Initiative? (cont.)

- ✓ Medicaid continued for 2 years after parents leave welfare for work for parents
- ✓ Families get child care and transportation assistance
- ✓ Exempt certain families from program requirements (e.g. infant under age 1, elderly caregiver)

Source: MDRC, *Jobs First: Implementation and Early Impacts of CT's Welfare Reform Initiative* (February 2000)

What Are the Key Features of CT's Welfare Reform Initiative? (cont.)

- ✓ Sanctions are stiff: first instance of failing to comply with program rules results in grant reduction of 20% for 3 months, second sanction cuts grant by 35% for 3 months, third *terminates* grant for 3 months
- ✓ Just one sanction in an extension period terminates the grant

Source: MDRC, *Jobs First: Implementation and Early Impacts of CT's Welfare Reform Initiative* (February 2000)

What Do We Know About the Impact of Welfare Reform?

- ✓ Welfare caseloads have fallen: From 57,000 families when Jobs First began in January 1996 to about 28,000 in December 1999
- ✓ In the first 2.5 years, only about 1/5th of cases were closed because of the time limit: some left for work before the time limit, many got extensions because of low earnings and good faith effort

Source: MDRC, *Jobs First: Implementation and Early Impacts of CT's Welfare Reform Initiative* (February 2000)

What Do We Know About the Impact of Welfare Reform? (cont.)

- ✓ Jobs First families had higher employment rates, earnings, and welfare benefits than families on AFDC (while still on cash assistance). Especially true among families with higher barriers to employment
- ✓ Among families who reached the time limit, many lost cash assistance & family income fell. Some families were worse off.

Source: MDRC, *Jobs First: Implementation and Early Impacts of CT's Welfare Reform Initiative* (February 2000)

What Do We Know About the Impact of Welfare Reform? (cont.)

- ✓ Most in Jobs First found low-wage and/or part-time work; half earned less than \$7.50/hour
- ✓ Less than 40% worked 30+ hours/week in a job with benefits
- ✓ 4 in 10 worked only part-time
- ✓ More than 20% had a part-time job with no benefits

Source: MDRC, *Jobs First: Implementation and Early Impacts of CT's Welfare Reform Initiative* (February 2000)

What Do We Know About the Impact of Welfare Reform? (cont.)

- ✓ 77% of the children were in unregulated child care while their parents worked & only 13% of the home-based care was of good or excellent quality
- ✓ Only 13% of the children were in licensed, center-based care
- ✓ Only 13% of the parents were getting child care subsidies

Source: Kagan and Fuller, *Remember the Children: Mothers Balance Work and Child Care Under Welfare Reform* (Yale University & U California, February, 2000)

What Do We Know About the Impact of Welfare Reform? (cont.)

- ✓ In both the JF & AFDC groups, 22.5% of the children had school problems and 18% had severe school problems.
- ✓ In both groups, kids' school and behavioral problems were much greater if there was violence in the home, mothers reported being depressed, or mothers had been on welfare 5+ years

Source: Horwitz & Kerker, *Initial Results from Interim Study for Women and Children 37 Month to 10 Years* (Yale University, January, 2000)

What Do We Know About the Impact of Welfare Reform? (cont.)

- ✓ In both the JF & AFDC groups, women with more education, better social supports, and no health problems were more likely to be working *long-term*
- ✓ In both groups, women with 2+ years of welfare receipt, poor social supports, and household violence were less likely to be working *long-term*

Source: Horwitz & Kerker, *Initial Results from Interim Study for Women and Children 37 Month to 10 Years* (Yale University, January, 2000)

What Do We Know About the Impact of Welfare Reform? (cont.)

- ✓ Household violence (a strong predictor of losing one's job) was three times greater in households with more than 3 adults and 1.6 times greater in households described as "high stress"
- ✓ In households reporting household violence, children were 5.5 times more likely to have behavioral problems

✓ Source: Horwitz & Kerker, *Initial Results from Interim Study for Women and Children 37 Month to 10 Years* (Yale University, January, 2000)

What Do We Know About the Impact of Welfare Reform? Safety Net Families

Families in the “Safety Net” have multiple barriers to employment:

- ✓ 59% have less than a high school education
- ✓ 53% report depression
- ✓ 35% report domestic violence
- ✓ 31% report their health as poor or fair
- ✓ 16% have children with health problems

Source: Canny, *Barriers to employment in the CT Safety Net Population, Preliminary Analysis* (CT Voices for Children, January, 2000)

What Do We Know About the Impact of Welfare Reform? Safety Net Families

Among Safety Net Families, certain barriers to employment are especially steep:

- ✓ parent education less than 8th grade (7.8 times less likely to work)
- ✓ parent's reading fair or poor, drug program, child with behavior problem (2 times less likely to work)

Source: Canny, *Barriers to employment in the CT Safety Net Population, Preliminary Analysis* (CT Voices for Children, January, 2000)

What Do We Know About the Impact of Welfare Reform? Safety Net Families

Among Safety Net Families, multiple barriers present special challenge:

- ✓ half of parents were employed if they had 3 or fewer barriers
- ✓ only 23% were employed if they had 4 barriers
- ✓ NO parent with more than 4 barriers was employed

Source: Canny, *Barriers to employment in the CT Safety Net Population, Preliminary Analysis* (CT Voices for Children, January, 2000)

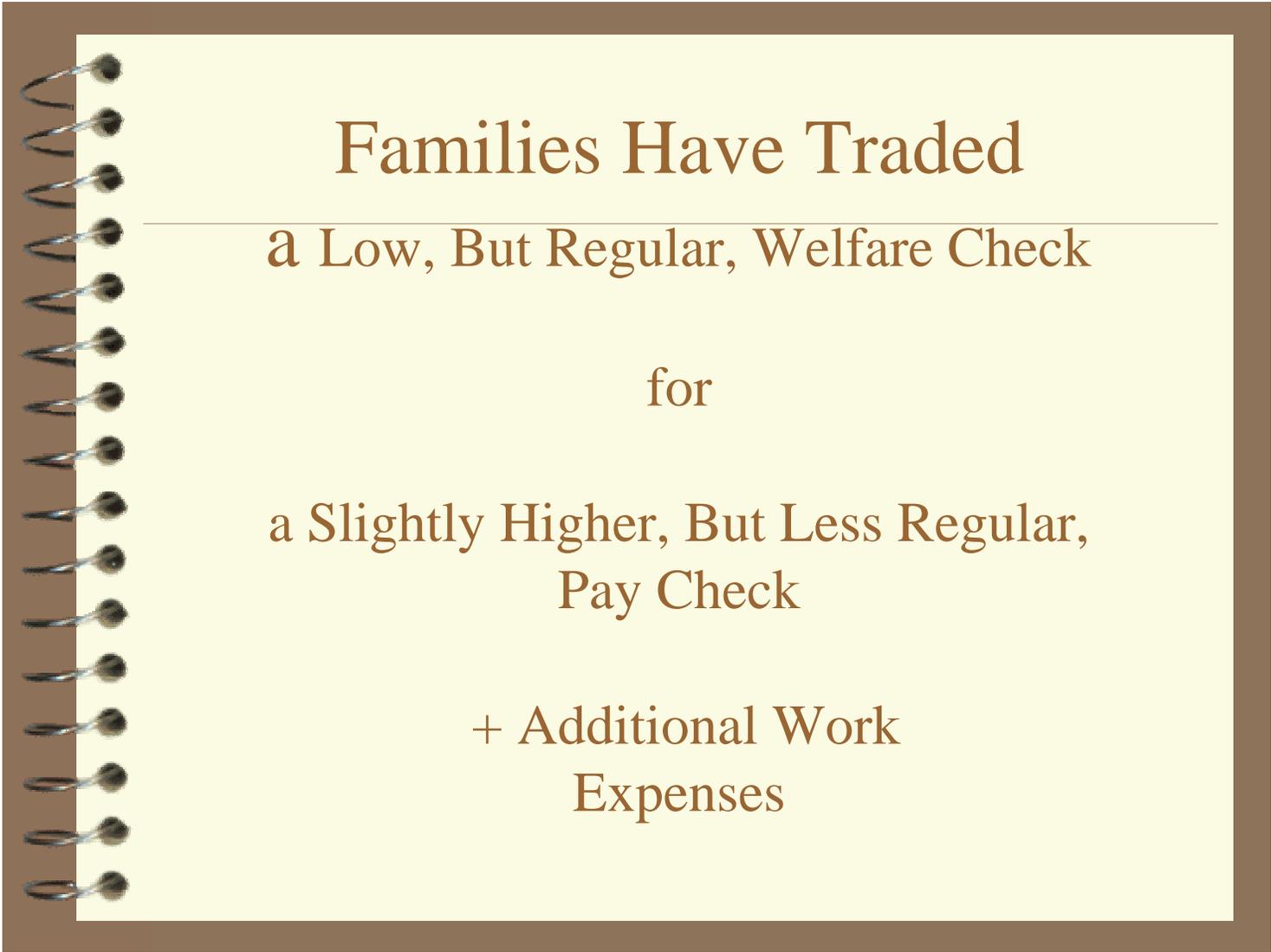
So, Is Welfare Reform a Success?

✓ Caseloads have declined, in part because of Jobs First program rules and in part because of a strong economy

BUT

✓ Many families remain in poverty

It is time to talk about mid-course corrections, particularly in CT's "New Economy"

A graphic of a spiral-bound notebook with a brown cover and a cream-colored page. The spiral binding is on the left side. The text is centered on the page.

Families Have Traded

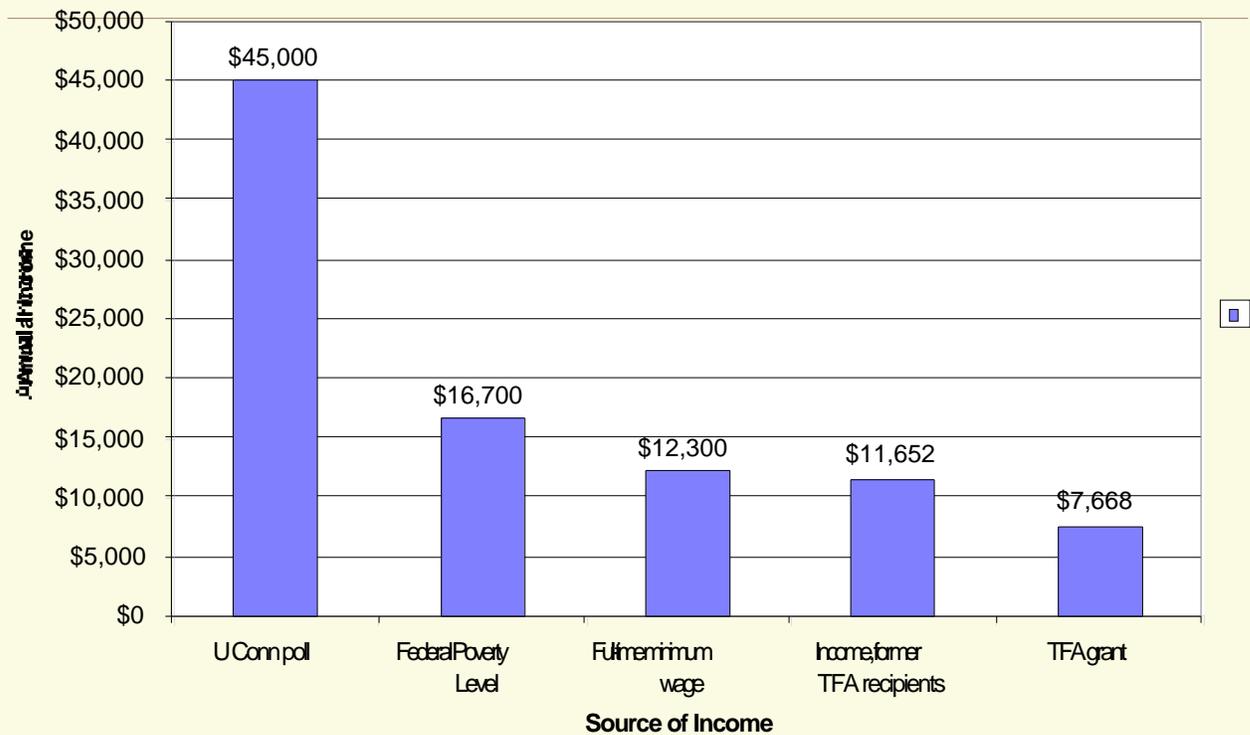
a Low, But Regular, Welfare Check

for

a Slightly Higher, But Less Regular,
Pay Check

+ Additional Work
Expenses

What Does It Take to Get By for a Family of Four in Connecticut?



Off Of Welfare Does Not Equal Out Of Poverty

- ✓ Study of national sample of women leaving welfare --median wages increased only 9 cents/hour each year
- ✓ Even with other benefits, family income low. As income climbs, families reach benefit “cliffs”
- ✓ Jobs with poor benefits, little job security
- ✓ Lack of assets to cushion against crisis



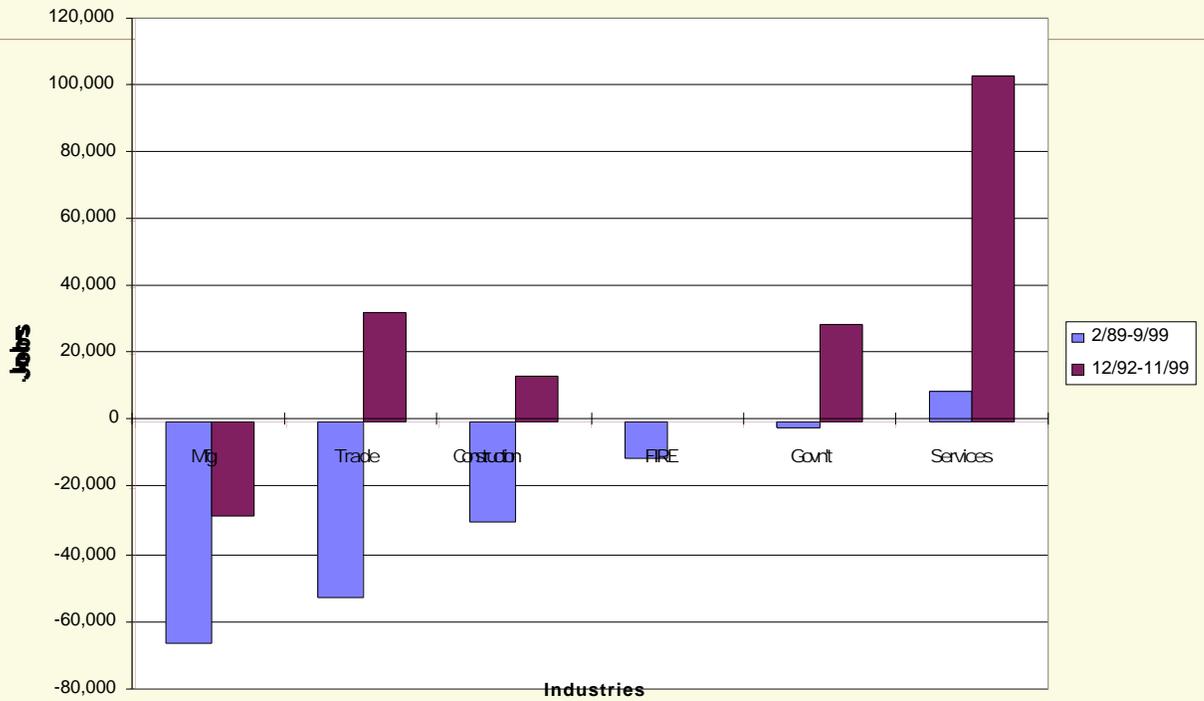
Particularly Not in Connecticut's "New Economy"

"Today, a New Economy is clearing emerging:
it is a knowledge and idea-based economy
where the keys to wealth and job creation are
the extent to which ideas, innovation and
technology are embedded in all sectors of the
economy."

*The State New Economy Index: Benchmarking Economic Transformation in
the States (July, 1999)*

CT Jobs Lost/Gained: February, 1989- November, 1999

CT Department of Labor, Office of Research



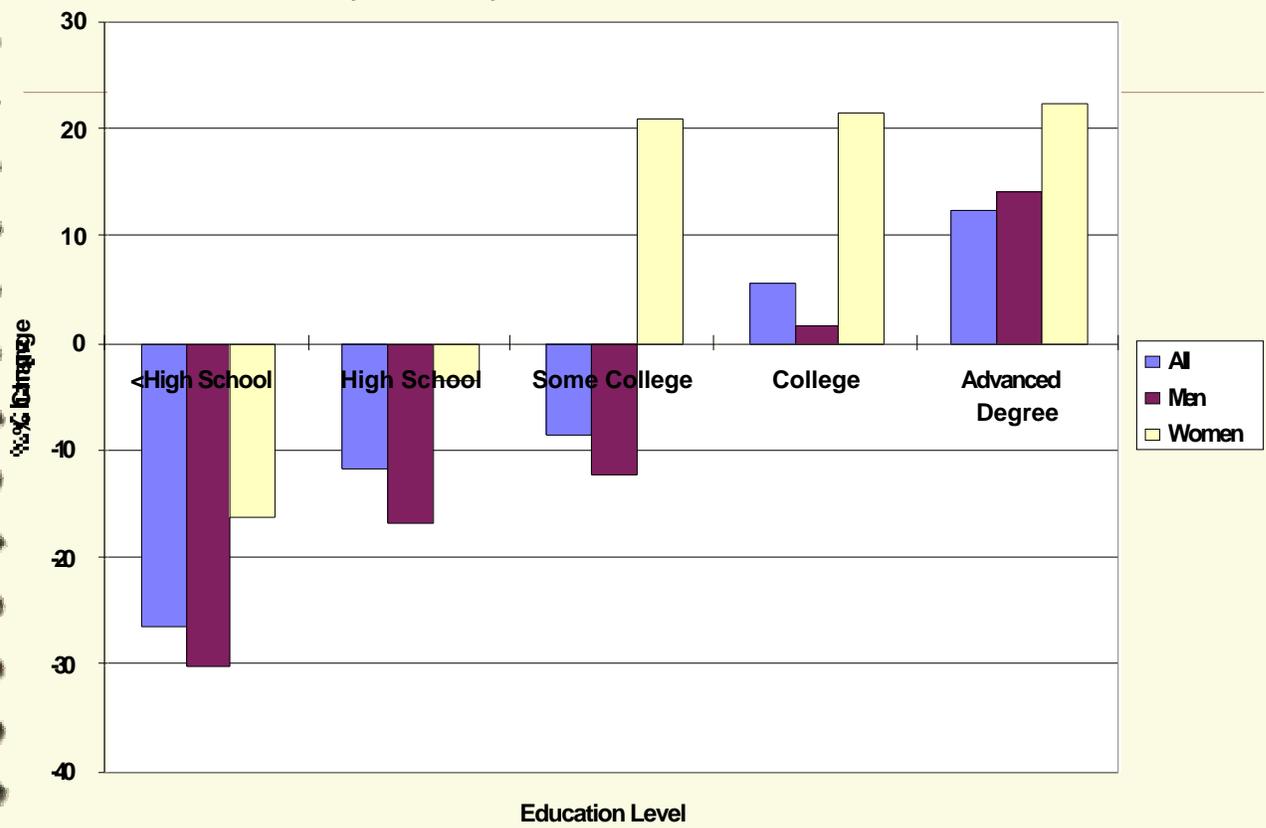
Note: "Government" employment includes employment on Indian Reservations, i.e. casinos.
Finance, Insurance & Real Estate (FIRE) has had no net change in jobs since 12/92.

Average Annual Wages for Top 10 CT Service Sector Jobs Added Between 1992-1998

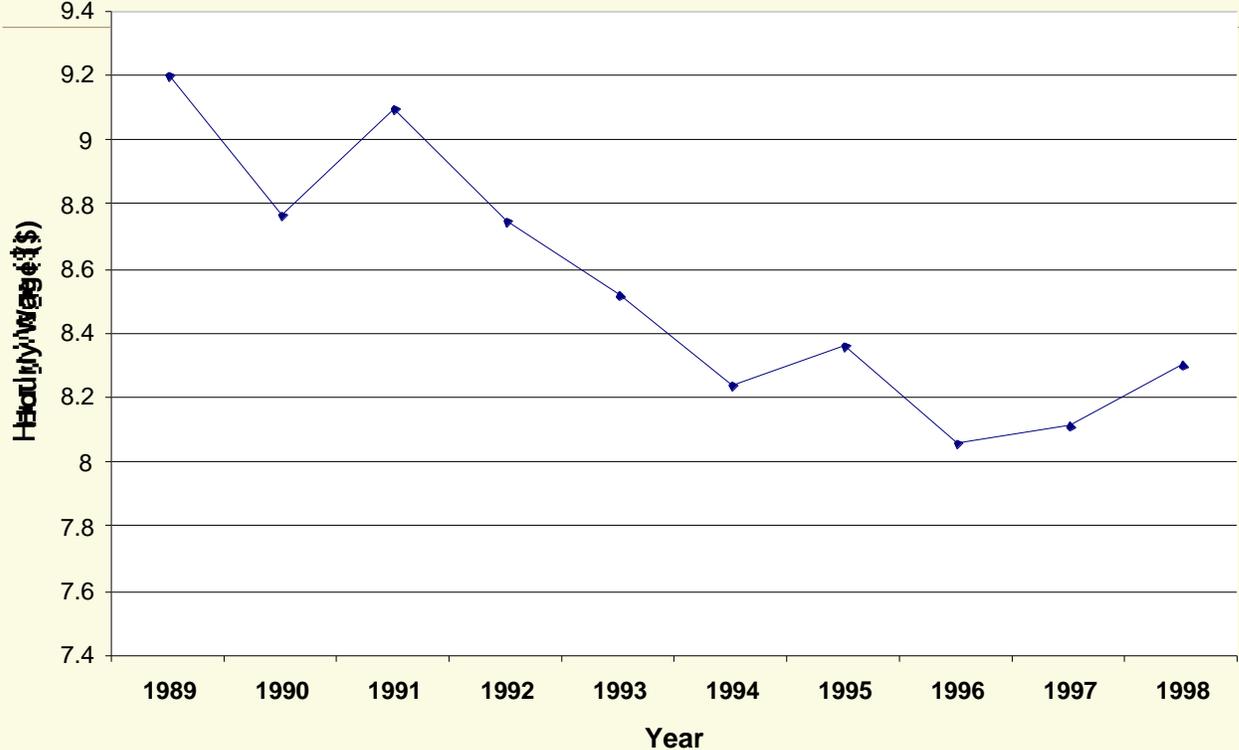
Management and PR	\$86,189	Amusement & Recreation	\$21,999
Medical Offices/Clinics	\$62,333	Personnel Supply Services	\$22,927
Computer Related	\$74,802	Misc. Business Service	\$29,956
		Home Health Care	\$20,260
		Residential Care	\$23,218
		Child Day Care	\$13,675

Source: The CT Economic Digest, December 1999.

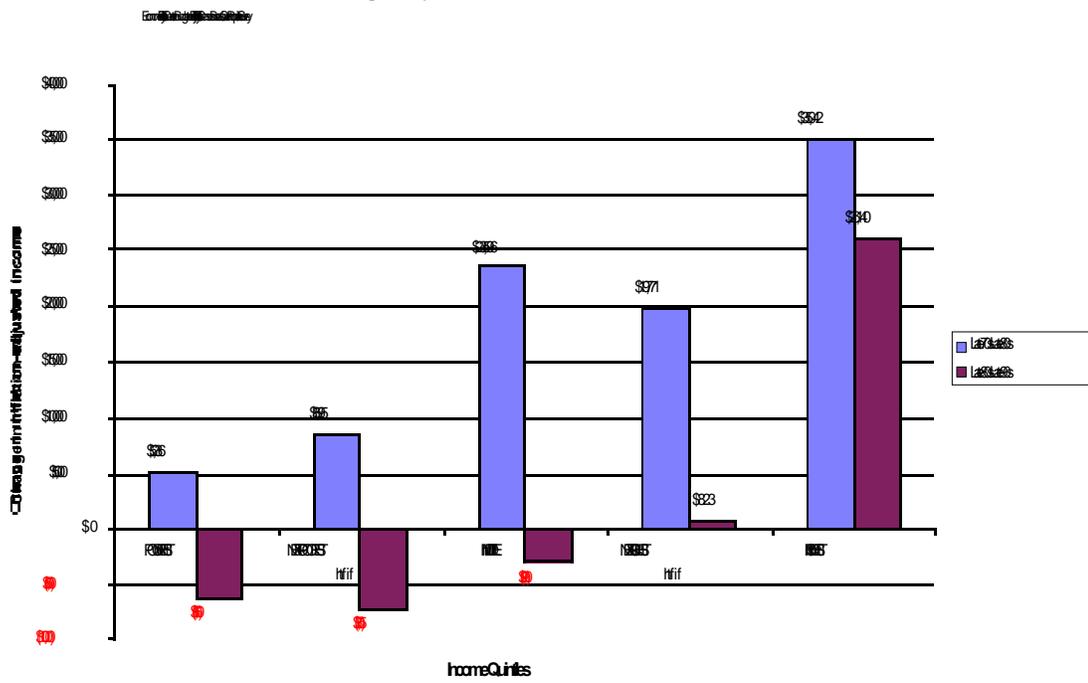
Change in real hourly wages: 1979-1997
Economic Policy Institute analysis of Bureau of Labor Statistics data



**State Hourly Wage Rates for CT's
Low-Wage (20th percentile) Workers (1998 dollars)**



The 'New Economy' of the 1990s Leaving Many CT Families Behind



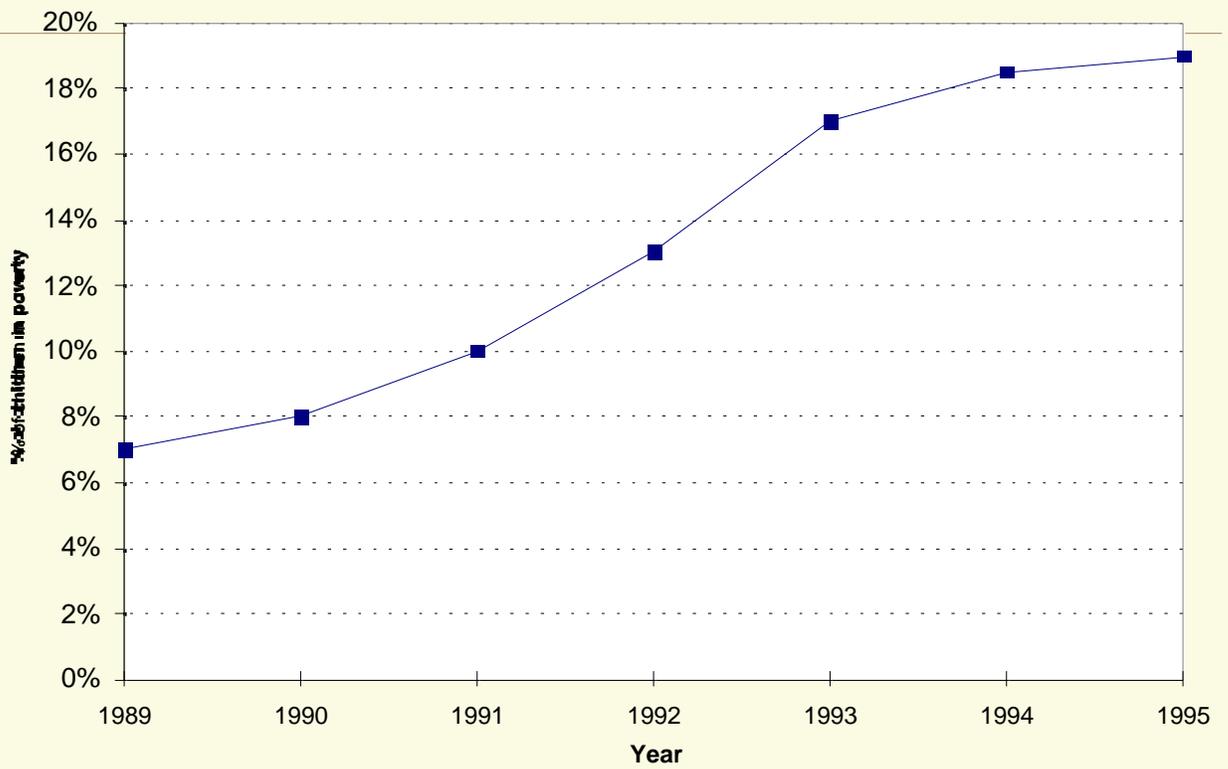
The Income Gap Widens Since the Late 1980s

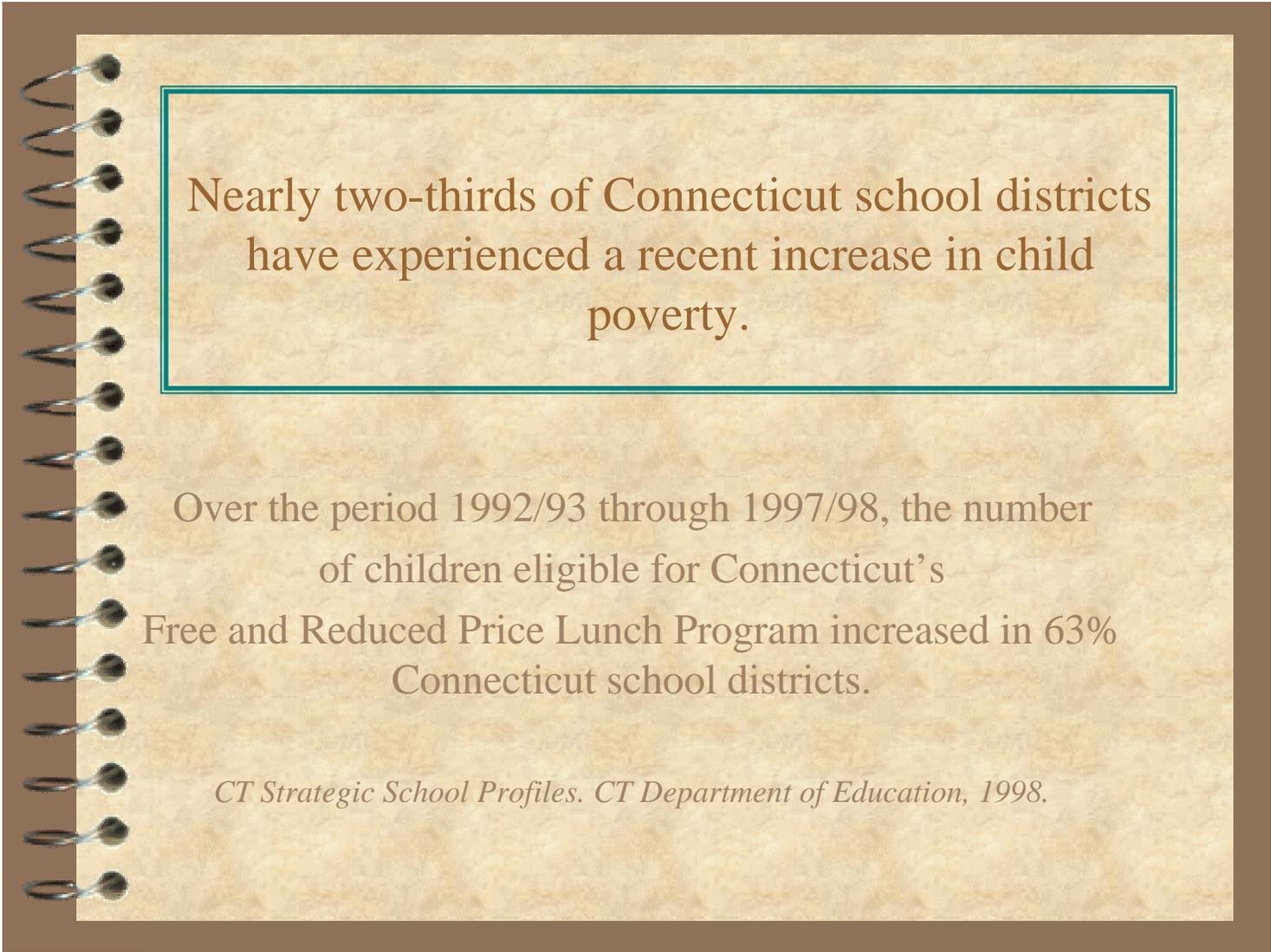
Category	Late 1980s	Late 1990s
Lowest fifth	\$ 23,775	\$17,615 (-26%)*
Middle fifth	\$ 64,315	\$61,461 (-5%)*
Top fifth	\$148,011	\$174,149 (18%)*

Sources: Bureau of the Census; Current Population Survey; Center on Budget and Policy Priorities,
A State-by-State Analysis of Income Trends (January, 2000) (Income in 1997 dollars).

Pulling Apart:

An Increasing Proportion of CT Children Are Living in Poverty



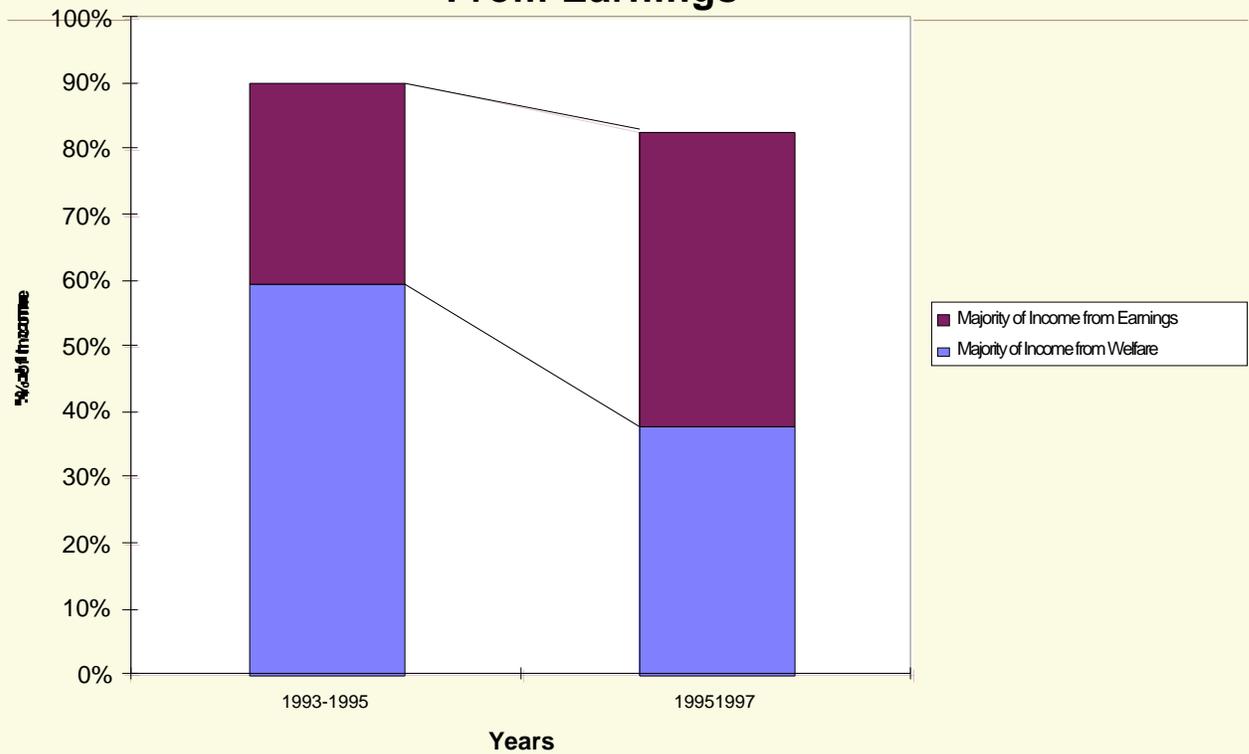
A graphic of a spiral-bound notebook with a brown cover and a light brown, textured paper interior. The spiral binding is on the left side. A teal-bordered box highlights the first paragraph of text.

Nearly two-thirds of Connecticut school districts have experienced a recent increase in child poverty.

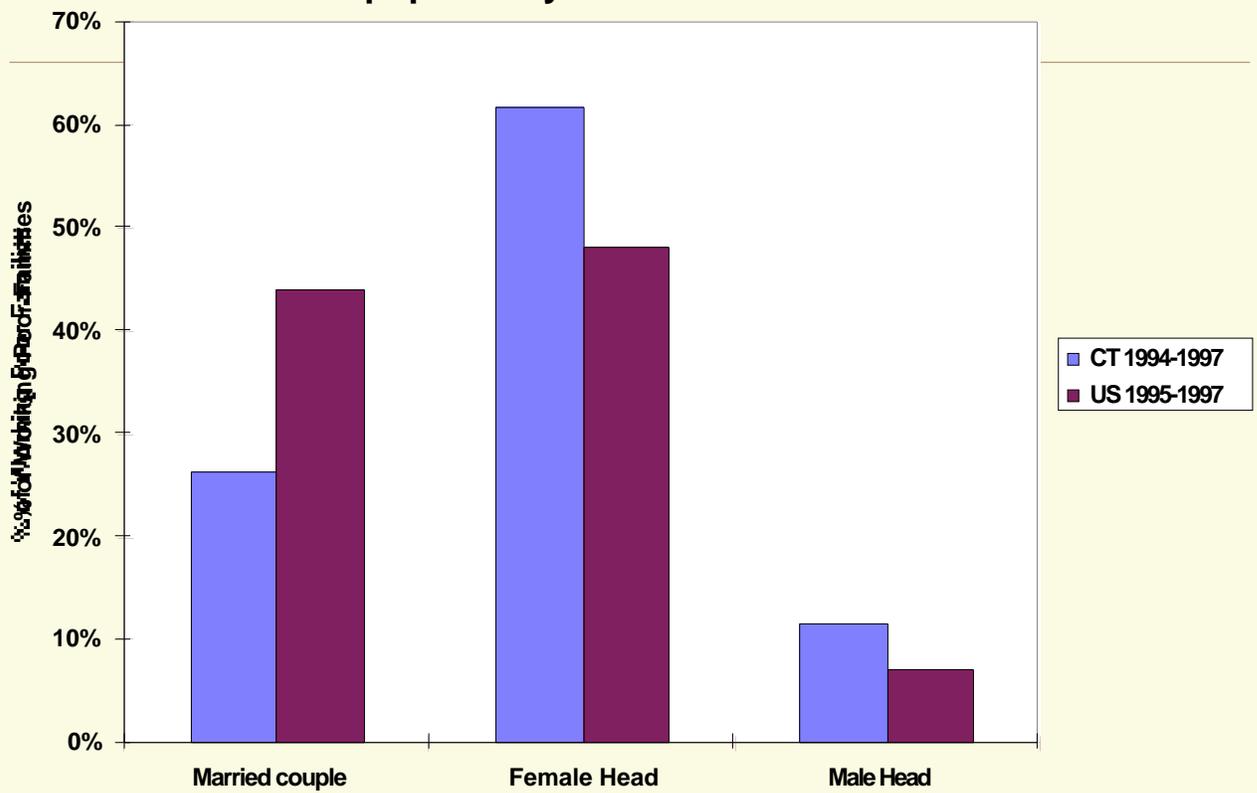
Over the period 1992/93 through 1997/98, the number of children eligible for Connecticut's Free and Reduced Price Lunch Program increased in 63% Connecticut school districts.

CT Strategic School Profiles. CT Department of Education, 1998.

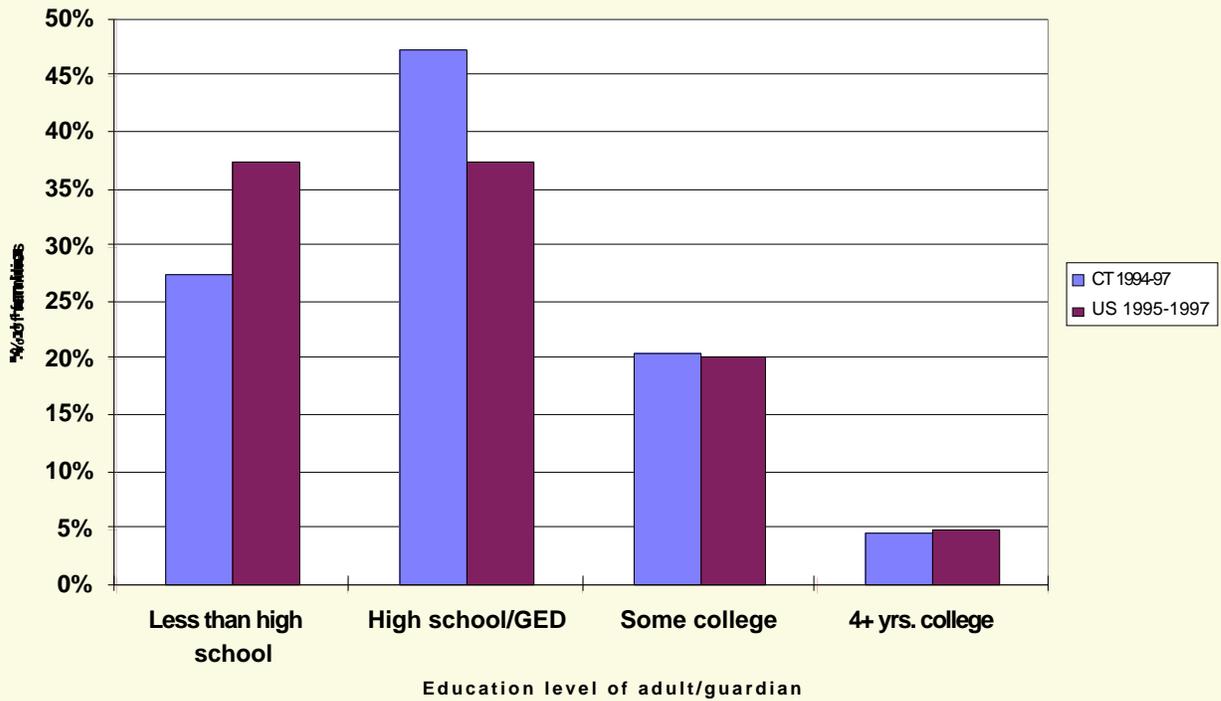
An Increasing Proportion of Poor CT Families with Children Receive A Majority of Their Income From Earnings



CT's Working Poor Families are Disproportionately Female-Headed



Nearly Three-Quarters CT's Poor Working Families with Children Are Headed by an Adult with a High School Degree or Greater



Connecticut's high cost of living adds to the challenges facing our lowest income parents

- ◆ Average two-bedroom apartment (\$781/month) = 78% of annual minimum wage earnings
- ◆ Average cost center-based infant care = 73% of annual minimum wage earnings
- ◆ Lack of health insurance in low-wage jobs

A graphic of a spiral-bound notebook with a brown cover and a cream-colored page. The spiral binding is on the left side. The text is centered on the page.

We Can Make Better Investments in Our Poorest Families

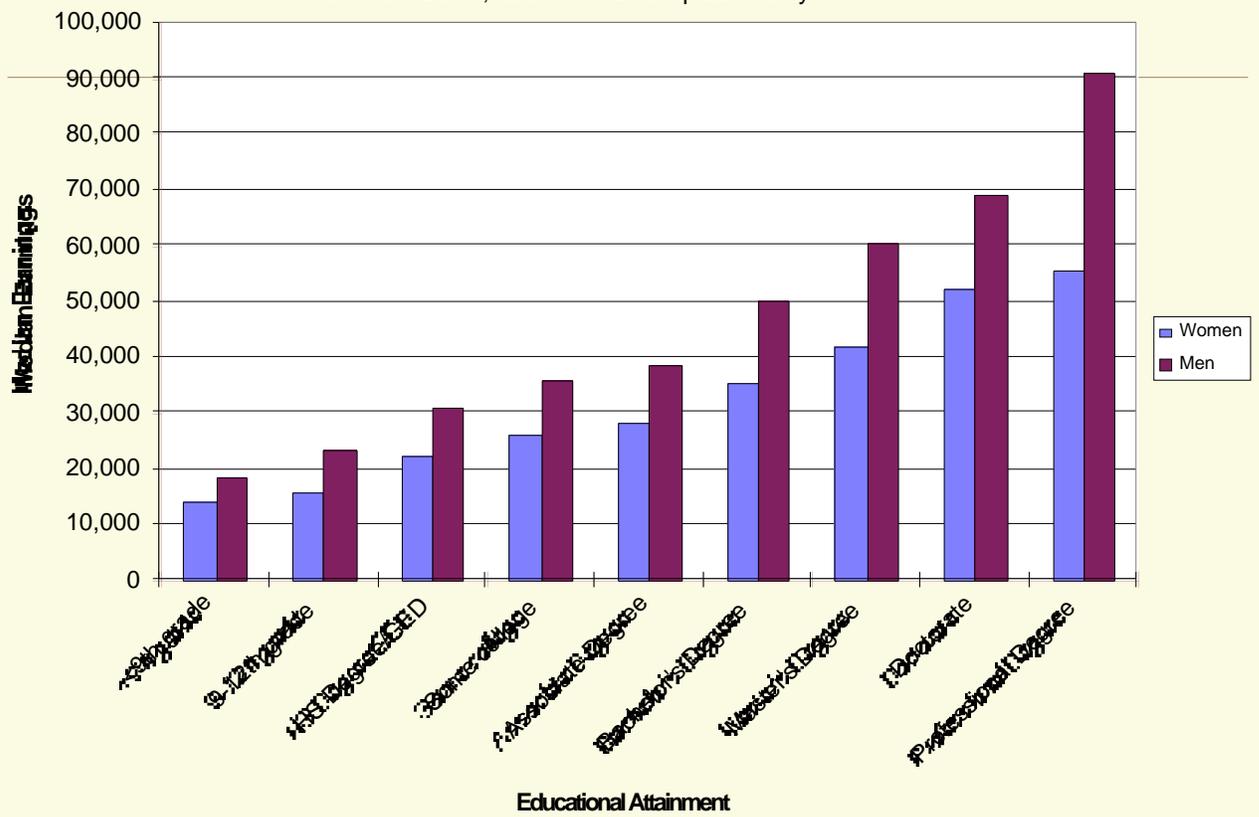
- ◆ Enhance parent's educational attainment and skills
- ◆ Help share the cost of family investments in children
- ◆ Help lower-income families build assets

CT can enhance its education and job training efforts

- ◆ **Quality learning experiences for all CT children and youth from birth through graduation**
- ◆ **Welfare reform that promotes economic self-sufficiency**
 - ◆ **Parents in Jobs First should not be penalized for enrolling in educational and training programs.**
 - ◆ **Post-secondary education opportunities should be expanded for low income parents (with child care and transportation support)**
- ◆ **Affordable higher education**
- ◆ **Opportunities for life-long learning (to gain new skills, shift to emerging career opportunities)**

Economic Returns to Education: 1998

U.S. Census Bureau, March 1999 Current Population Survey

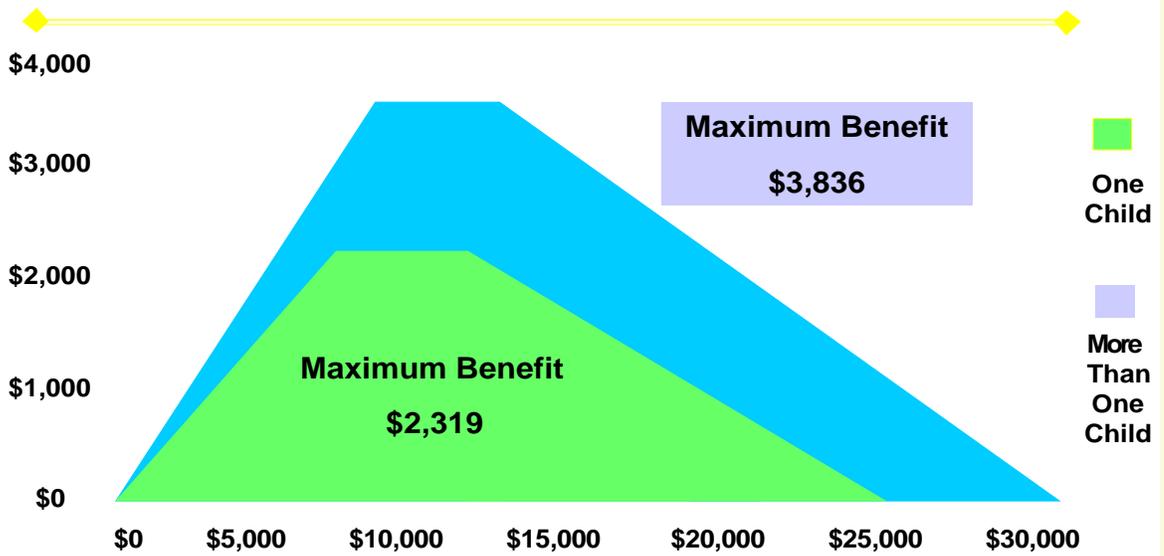


CT's Tax Code Can Support Families Raising Children, and Boost Children Out of Poverty

- ◆ Children can be made visible in CT's tax code, and low income families lifted out of poverty, through one or more of the following:
 - ◆ Income tax exemptions for children
 - ◆ Refundable earned income tax credit
 - ◆ Refundable child/dependent care and/or education expense credit
 - ◆ Expansion of property tax circuit-breaker to low income families with children

The Federal Earned Income Credit

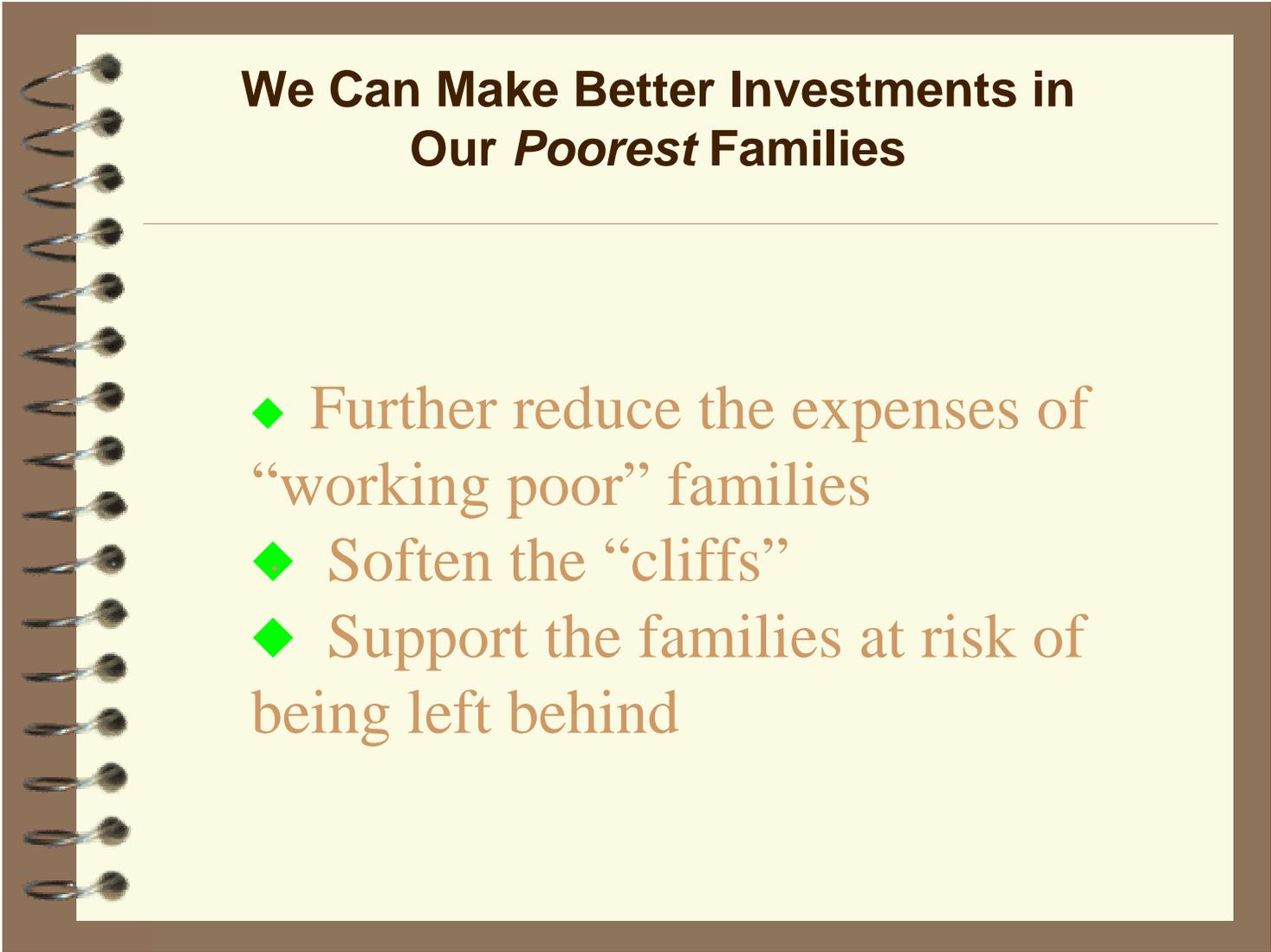
Tax Year 1999



Source: Center on Budget and Policy Priorities

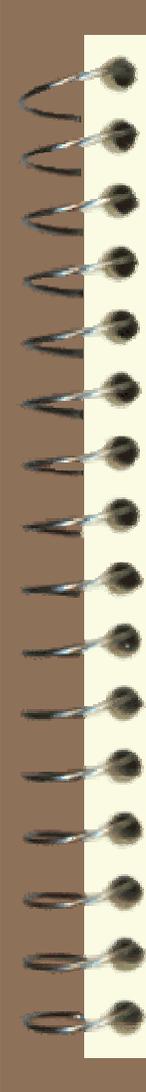
CT Can Help Low Income Families Build Assets

- ◆ Poverty is a function of low assets, not just low income.
- ◆ Individual Development Accounts (IDAs) are matched savings accounts for lower income families.
- ◆ Savings can be used for down payments on homes, secondary school tuition, business startups and other high-return investments.
- ◆ Matching funds may come from public, private, and corporate sources.

A graphic of a spiral-bound notebook with a brown cover and a cream-colored page. The spiral binding is on the left side. The page contains a title and a list of three bullet points.

We Can Make Better Investments in Our *Poorest* Families

- ◆ Further reduce the expenses of “working poor” families
- ◆ Soften the “cliffs”
- ◆ Support the families at risk of being left behind



The 170,000 CT Children Now Living In Poverty Face Many Associated Risks

- ◆ Impaired cognitive growth
- ◆ Poor school outcomes (repeating grades, dropping out)
- ◆ Health problems (e.g., low birth weight, growth stunting, lead poisoning)
- ◆ Being unsafe in their communities and homes
- ◆ Emotional and behavioral problems

Source: CT Voices for Children, *Special Report on Economic Security*

Poverty Amplifies Educational Risk

A sampling of towns in the two top and bottom ERGs includes:

ERG A: Avon, Darien, Easton, Simsbury, Wilton

ERG B: Bethel, Madison, Trumbull, West Hartford

ERG H: Bristol, Middletown, Stamford, Putnam

ERG I: Bridgeport, Hartford, New Haven, New
London, Windham

Poverty amplifies educational risk...

Students in ERG A-- as compared to ERG I -- are:

2x more likely to attend preschool	(1.75 to 1)
5x more likely to pass the CMT at Grade 4	(4.9 to 1)
8x more likely to pass at Grade 6	(7.94 to 1)
7x more likely to pass the CMT at Grade 8	(6.6 to 1)
12x more likely to pass the CAPT in 10th grade	(11.8 to 1)
14x more likely NOT to drop out of high school	(13.9 to 1)

Source: Strategic School Profiles, CT Department of Education, 1998-99

Time is Short....

- ◆ Low parental education increasingly leads to low, and decreasing, family income.
 - ◆ Low family income and low parental educational attainment reduces the likelihood that children will achieve academically, graduate from high school, and attend post-secondary education.
 - ◆ When these children become parents, *their* low parental education will result in low family income, especially in our New Economy.
- BUT, concurrent investments in post-secondary education for parents, family income supports, and enhanced, equalizing K-12 education for children can end this cycle.

CT's Challenge:

CT's workforce is among the nation's best educated.

CT's unemployment rate is at historic lows.

CT's current economic recovery is among the longest in its history.

CT has the highest per capita income, and its lead increases each year.

CT has enjoyed multi-million dollar General Fund surpluses for the past several years, and anticipates another this fiscal year.

Yet, CT has more of its children living in high risk families than nearly all other New England states:

	Median income, families with kids	% of high risk families
CT	\$54,600	14%
MA	\$47,800	12%
NH	\$45,000	7%
RI	\$41,700	14%
VT	\$41,400	8%
ME	\$37,600	8%

Will we choose to ensure that all share in our current prosperity?

Will we choose to invest in our children, our families, our *future*?

Source: Kids Count Data Book 2006. Defined as having 4 or more of these risk factors (not living with 2 parents, household head is dropout, family income under poverty level, parent lacks steady, FT employment, family receives welfare, child has no health insurance).