



briefly

S T A T E D

Research Summaries from the Center on Urban Poverty and Social Change

The Center's welfare research program is carried out in collaboration with and funding from the Cuyahoga County Board of County Commissioners and the Federation for Community Planning. Additional support is provided by the Cleveland Foundation, the George Gund Foundation, the Joyce Foundation, and the U.S. Departments of Housing and Urban Development and Health and Human Services.

Briefly Stated is a publication of the Center on Urban Poverty and Social Change, a research center that is part of Case Western Reserve University's Mandel School of Applied Social Sciences. This special policy-makers' issue was created in conjunction with the Federation for Community Planning.

Welfare Reform At Work

Employment Experiences of Those Leaving Welfare

If the principal tenet of welfare reform is moving welfare recipients off of welfare into work, then the full measure of its success lies not merely in finding jobs for former welfare recipients. Rather, the success of welfare reform will be realized only if those entering the workforce from the welfare rolls manage to stay in the workforce, and work enough hours at sufficient wages and benefits to actually raise their standards of living.

Recent national studies show that, in terms of earnings, the standard of living among former welfare recipients relative to their lives on welfare is, in fact, improving. However, these improvements are not distributed equally among all welfare leavers.

The Center on Urban Poverty and Social Change explored the employment experiences of those leaving welfare during a recent one-year period in Cuyahoga County, and arrived at findings generally in line with these national studies. The Center found high rates of employment among former welfare recipients,

but not necessarily consistent, full-time or good-wage employment. It also identified a number of obstacles to employment that particularly plague this population. Ultimately, the study found that leaving welfare does not necessarily mean leaving poverty.

Special Issue for Ohio's Policy-Makers

WHAT THE STUDY FOUND

- 87 percent of those leaving welfare secured some sort of employment during the first six months following exit
- Short work spells and too few work hours undermine the relatively high hourly wage of welfare leavers (the average is \$7.57 and 36% earn more than \$8). About 1/3 report earning less than \$5,000 during this six month period, and about 1/4 earned less than \$4,000
- About 1/3 have never held a full time job in the first 6 months after leaving welfare
- Among the multiple obstacles faced by welfare leavers, 79% are the sole custodial provider for their children and 67% do not have a paid sick leave program at their jobs
- 14% report having quit a job due to childcare problems and 20% report that difficulty arranging childcare limits their ability to find employment.

See full report at <http://povertycenter.cwru.edu>

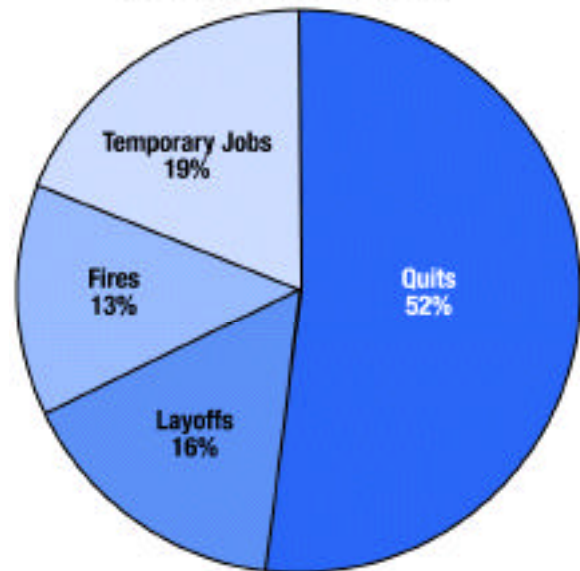
Does Work Pay?

The total earnings of former welfare recipients are the best overall indicator of labor market success and the ability of individuals to raise their family's standard of living. While some persons leaving welfare have achieved significant earnings, experiences vary considerably. Among persons reporting at least some employment during the six months following their exit, total earnings average \$7,104. If this rate of earnings continued for a full year, the resulting annual income would exceed the poverty threshold (\$13,423) for a family of three (one adult and two children). However, it is worth noting that the average masks considerable disparity within the sample of welfare leavers. About one third reported earnings of less than \$5,000 during this period while more than a quarter report earning less than \$4,000.

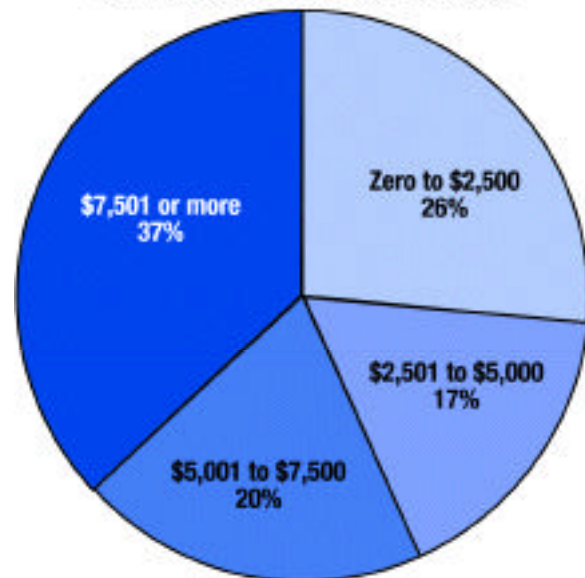
Total earnings, of course, are affected by an individual's ability to find employment, earn a relatively high hourly wage rate, secure sufficient hours per week, and to work continuously month after month. The study found the vast majority of individuals (87%) secure some employment in the first six months following their exit from welfare. Their hourly wages are relatively high—the average is \$7.57 and 36 percent earn more than \$8.00 per hour. However, 41 percent earn less than the \$6.45 per hour that, when taken as an annual, 40-hour workweek salary, equals \$13,423—the poverty threshold for a family of one adult and two children. About one third of the sample have never held a full time job (35 hours/week) since leaving welfare, and a significant portion has never found steady employment. Only 56 percent have worked continuously in at least a half time (20 hours/week) job following their exit from welfare.

These results fall within the range of findings in at least a dozen different studies undertaken across the country—including one by the U.S. Department of Health and Human Services—which report 70 to 90 percent of leavers find employment sometime in the first year following exit from welfare, and 50 to 60 percent are employed at any given time with average earnings ranging from \$2,000 to \$3,400 per quarter. There is less agreement about average hourly wage estimates, which range from \$6.00 to \$7.50.

Reasons for Leaving Jobs



Earnings for welfare exiters during six months following exit



Challenges at Work

Total earnings are a product of a welfare leaver's hourly wage, employment status (full versus part-time), and continuity of employment. Because the study compiled a complete record of jobs between the exit from welfare and the six-month interview, the Center was able to examine each of these components separately.

As a number of people held multiple jobs during the six-month survey period (either simultaneously or sequentially), the study examined work experiences in terms of their duration, which the study terms job spells. The Center found that by far the largest percentage of job spells that ended during the first six months were due to the employee quitting the position (52%). The ending of temporary jobs (19%), layoffs (16%) and fires (13%) account for the remaining job spell terminations.

Public policy assumes quits and firings result from actions taken by workers. This view is relevant for a number of reasons, including the fact that it is central to policy regarding unemployment insurance and impacts cash assistance. Workers who lose employment through no fault of their own may qualify for unemployment compensation benefits if they meet certain earnings tests. However, workers who are fired or who quit employment are not eligible to collect unemployment and may have welfare benefits sanctioned because they are considered to have either voluntarily terminated their own employment or are at fault for their own job termination.

Such a strict view does not recognize a quit or fire as being consistent with a continued desire for employment. Quits or fires may represent an inability to cope with the day-to-day routine of the workplace. For example, habitual tardiness, an inability to deal with work place conflict, or repeatedly missing work due to parental responsibilities may result in job loss. A major study from the Public Policy Institute of California (PPIC), which included Cleveland among the four metropolitan areas it studied, reports that most employers are more satisfied with former welfare recipients as employees relative to other low skill workers that they have hired.



The study found the vast majority of individuals secure some employment in the first six months following their exit from welfare.

However, it finds results similar to the Center's with respect to the incidence of quits and fires. The PPIC study also finds that employers report significant problems with absenteeism among former welfare recipients and the most common reason for absenteeism problems are related to childcare and transportation.

There is considerable evidence that former welfare recipients face a variety of challenges that contribute to difficulty in coping with the daily routine of work and reduce employment rates among welfare recipients. The Center's study identified a similar set of factors that might create difficulties in achieving success in the labor market:

- 79% of former welfare recipients are the sole custodial provider for their children. The absence of a spouse or partner in the household suggests that backup childcare is less readily available to deal with a situation such as a sick child.
- 67% have pre-school aged children in the household. Childcare arrangements for younger children may be more difficult and expensive since younger children require more intensive care.
- 21% report having a child who is disabled and in need of special care. Disabled children may require special childcare situations and need extra attention (e.g., medical care, therapy, etc.) that places time demands on the parent during potential work hours.
- 20% report having a disability that limits their own employment opportunities.
- 67% do not have a paid sick leave program in their jobs. This means days absent for an illness or an illness of their child will result in, at best, lost wages and, at worst, job loss.

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POLICY IMPLICATIONS OF THE RESEARCH

Making Work Work

by John Corlett, Federation for Community Planning

The employment and earning outcomes reported in this most recent issue of *Briefly Stated* illustrate the fact that for many welfare "leavers," leaving welfare does not necessarily mean leaving poverty. The research finds by and large, that these former welfare clients want to work, and in most cases do work. At the same time they face an incredible array of obstacles that would challenge even the most dedicated worker. Some of these obstacles include having disabled children, working non-traditional work schedules, being the sole custodial provider for their children, and having jobs that lack paid sick days. These obstacles can translate into more frequent absenteeism, job quits or job losses. A Public Policy Institute of California study found Cleveland employers were more likely than Los Angeles or Chicago employers to cite absenteeism among former welfare recipients as a problem. These frequent job quits, high absenteeism, or job losses reduce continuity of employment and lower earnings.

Preserve and expand programs to support employment

According to the Center for Law and Social Policy, "the most effective welfare-to-work strategy is flexible [and] individualized, and mixes job search, work, high-quality job training, and employment-focused basic education."

The Prevention, Retention and Contingency (PRC) program allows counties to provide a mixture of cash and non-monetary services to enable a family to retain or obtain employment, and stay off of public assistance. Currently counties are given wide latitude regarding the types and amount of assistance they can offer. Counties have covered such costs as shelter, job-required clothing, household necessities, home repair and transportation, all of which may provide support for employment. Non-monetary assistance has included counseling, employment services and short-term training. The PRC program should be preserved, as should the flexibility given to counties to determine spending priorities for the funds.

The state and counties should also implement longer-term employment services, including education and training to help those who have left welfare move into stable, higher-paying, full-time job. Workforce Investment Act (WIA) funds can be used to support a broad array of pre-employment and post-employment services, among them individualized job preparation services, work-related basic education, skills training and case management before and after employment.

Refundable Child Care Tax Credit Offers Help

Dependable, affordable child care is a critical support for all working families, and especially for those families who have made the tran-



sition from welfare to work. A recent study by the Urban Institute revealed "families with incomes below the poverty level paid 23 percent of their income for childcare." This most recent report by the Center on Urban Poverty and Social Change shows that about one-half of former welfare recipients with children under 13 do not access traditional child care subsidy programs – likely making other arrangements or paying for the care themselves. Fourteen percent of respondents in this study report having to quit a job due to child care provisions. A refundable child care tax credit could provide many of these families with valuable and flexible assistance.

Ohio now has the opportunity to use federal or state TANF dollars to pay for 100% of the cost of a refundable child care tax credit for working Ohioans with a federal adjusted gross income (FAGI) of less than \$20,000 a year. Based upon 1997 tax data from the Ohio Department of Taxation, the Federation for Community Planning estimates that a refundable child care tax credit would cost a maximum of \$4 million per year and would benefit an estimated 19,000 Ohio families with high child care costs.

Health Coverage A Critical Support

In the 2000-2001 biennial budget the Ohio General Assembly expanded eligibility in Ohio's Medicaid program for low-income working parents earning less than a 100 percent of poverty. Earlier research by the Center on Urban Poverty and Social Change has demonstrated what a critical role this coverage plays in ensuring workers have access to healthcare.

Families without health insurance risk both health and financial problems. According to the Ohio Family Health Survey, many uninsured Ohioans delay needed health care, avoid care altogether or have problems obtaining or paying for care. When they do seek care, the Ohio Department of Health reports uninsured Ohioans are more than twice as likely to use emergency rooms than insured Ohioans. In other words, they are accessing care in the most expensive setting.

Employers may also pay indirectly if employees who live with untreated illness miss work for longer periods of time. Not only do these problems undermine family efforts to be self-supporting, but also they are disruptive and expensive for employers seeking a stable, productive workforce.

The Ohio Family Coverage Coalition is proposing that Ohio continue to expand eligibility for low-income working parents through the state Medicaid program. It would cost Ohio approximately \$73 million per year (\$52 million federal and \$21 million state) to expand Medicaid to cover working parents with incomes up to 150 percent

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- 43% rely on others for transportation to work (public transit, car pools, or borrowing a car), reducing the control employees have over their own schedules.
- 45% work non-traditional work schedules, leaving for work outside of the typical morning commute time (6 AM to 9 AM). Non-traditional work shifts imply potential transportation problems (e.g., public transit is geared to the standard work day shift with the most frequent service in the mornings and afternoons). Non-traditional work schedules also present difficulties for finding childcare.
- 29% must stop at a childcare provider on the way to work. Stopping at childcare center on the way to work, particularly for the 43 percent who use public transit or a car pool, further complicates the journey to work and increases the risk of tardiness.
- About 1/2 of families with children under 13 rely on subsidies to help pay for childcare. On the positive side, a childcare subsidy reduces the cost of the care. However, not all childcare providers are willing to negotiate the complexities of the childcare voucher system, and some may opt out if, for instance, a payment does not show up on time.
- 14% report having quit a job due to childcare problems.
- 20% report that difficulty arranging for childcare has limited their ability to find employment.

If these challenges cause former welfare recipients to lose their jobs, they may be harmed in a number of ways. Most obviously, they suffer an immediate decrease in earnings. Second, according to two other studies, the unemployed fail to acquire work experience that pays off in higher future earnings. Third, they may face diminished employment



About one third of those who left welfare reported earnings of less than \$5,000 during the six-month period after they left; more than a quarter report earning less than \$4,000.

prospects in the future as employers may be skeptical of job applicants with a history of relatively short employment spells, as well as of those who have a history of quits or fires. Although the Public Policy Institute of California study generally found employers feel positive about their experiences with former welfare recipients, it also reports that employers hold negative views of former welfare recipients who quit their jobs. Finally, employees suffering job losses may become discouraged from seeking future employment and drop out of the workforce entirely.

To what extent are these challenges or barriers responsible for ending job spells among former welfare recipients in Cuyahoga County? To address this question, we focused on the 54 percent of job spells ending in a quit and examined the stated reason for quitting a job. More than a third of job

spells ending in a quit were the result of on-the-job problems, including working conditions, schedule conflicts, conflicts with other workers, conflicts with supervisors, employee dissatisfaction with hours, schedules, type of work, or pay rates. About one in five quits were for personal reasons, such as health or medical problems for the respondent or their family. An equal portion of the quits were because better jobs were found. Twelve percent of the quits were the result of logistical reasons related to transportation and childcare. The remaining seven percent did not provide a reason for quitting their jobs. It's clear from the responses that these barriers, at least in the eyes of the respondents, play an important role in ending job spells, and contributing to irregular patterns of work.

The Work Ahead

Securing employment, increasing hourly wages, increasing hours and promoting employment continuity are fundamen-

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Briefly Stated is published occasionally and summarizes research from the Center on Urban Poverty and Social Change, a research institute housed in Case Western Reserve University's Mandel School of Applied Social Sciences.

Founded in 1988, the Center seeks to address the problems of persistent and concentrated urban poverty and is dedicated to understanding how social and economic changes affect low-income communities, and how living in these communities affects the well-being of their residents.

The Federation for Community Planning, established in 1913, is a nonprofit health and social service organization that serves as a critical link between health and social services problems and their potential solutions. Not a direct service provider, the Federation works behind the scenes, engaging in applied research, policy analysis, planning and program development, community education and advocacy.

The full report from which this briefing was drawn, *Employment, Earnings and Turnover Among Persons Leaving Welfare in Cuyahoga County*, was written by Neil Bania, Claudia Coulton, Nina Lulich and Marisa Allen.

Briefly Stated is edited by Jeff Hagan.

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tal components for raising the total earnings of former welfare recipients and, therefore, for ensuring the success of welfare reform. The research shows most former welfare recipients hold jobs at some point after leaving welfare, two-thirds have held full-time jobs during that period and those who work have relatively high wage rates. The problem is less that former welfare recipients do not get jobs upon leaving welfare, but rather that so many do not or cannot keep them. Public policy that focuses on helping former welfare recipients find full-time, well paying jobs with benefits is clearly important to the success of welfare reform. Without paying attention to the issue of employment continuity, however, such success may be easily eroded.

FAMILY ISSUES FRIDAY FORUMS

The Center on Urban Poverty and Social Change and the Federation for Community Planning present monthly research briefings for Ohio policymakers on the last Friday of the month, from January through April 2001, in Columbus. These programs will begin at noon in the North Conference Room on the 31st floor of the Riffe Center and will conclude no later than 1:30 p.m. For more information, contact John Corlett at the Federation by phone 216/781-2944 Ext. 222 or by e-mail at jcorlett@fcp.org. Support for the forums is provided by the George Gund Foundation.

The Family Issues Friday Forums schedule is as follows:

January 26, 2001: Welfare Reform and Housing Issues

February 23, 2001: Welfare Reform and Health and Nutrition

March 30, 2001: Welfare Reform and Employment

April 27, 2001: An Overview of Welfare-Related Policy Issues



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