The End of Welfare as They Knew It

What happens when welfare recipients reach their time limits?

An executive summary of the report
A Comparison of Time Limited and Non-Time Limited Welfare Leavers in Cuyahoga County, Ohio, October 2001
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When They Left: Time Limits Hit

One of the aims of welfare reform legislation signed into law in 1996 was to break the cycle of welfare dependency by imposing a limit on the amount of time a person may collect benefits. In addition to the five-year lifetime limit mandated by the federal legislation, Ohio's implementation of welfare reform included a provision limiting benefits to three-years in any given five year period. In October 1997, the clock began ticking for those on welfare, and over four thousand individual Cuyahoga County welfare recipients who were still receiving benefits 36 months later were removed from the rolls. Hundreds more left cash assistance in the months preceding the deadline, perhaps in anticipation of it, or to preserve personal safety nets for a later time of greater need.

Since October 1998, the Center on Urban Poverty and Social Change has been studying the experiences of those who left welfare in the wake of reform to help inform the public policy discussions regarding welfare and its future. For its on-going tracking study, the Center combines data provided by state and county sources with extensive interviews of exiters conducted at roughly six and twelve months following their exits. With this summary, and the full report from which it is drawn (*A Comparison of Time Limited and Non-Time Limited Welfare Leavers in Cuyahoga County, Ohio, October 2001*), the Center takes its initial look at the well being of the first group of individuals and families who left welfare upon hitting their time limits, which first occurred in October 2000. The study compared the characteristics and experiences among three groups of exiters: those who left in the fourth quarter of 2000 (2000Q4) as a result of time limits; those who left at the same time for other reasons and those who left prior to the imposition of time limits. The most significant differences between the groups lie between those who hit time limits and those who left for other reasons, regardless of when they left.

By definition, those who exit welfare voluntarily have demonstrated greater potential for labor market success or for obtaining other potential sources of income. Conversely, those recipients who exhausted their 36 months of benefits in October 2000 or later are likely to be among the most challenged individuals with respect to achieving labor market success or finding alternative income sources. The Center's analysis generally confirms this and documents the extent of the gap between the time-limited exiters and those who left for other reasons (most in this group left voluntarily but some were taken from the rolls as a sanction). The study finds that along many different dimensions, persons who leave welfare because of time limits are worse off than those who have for other reasons. It is important to note that this finding cannot be interpreted as evidence that time limits are responsible for the relative disadvantages faced by the time-limited leavers. Rather, the imposition of time limits has served as a sorting mechanism, resulting in the most employment-ready welfare recipients leaving welfare prior to hitting time limits, and the most challenged exiting upon hitting their limits.

Who Are They: Characteristics and the Caseload

The welfare caseload in Cuyahoga County has dropped dramatically since the implementation of reform. In September 1998, there were slightly more than 70,000 persons on welfare; by June 2001, there were approximately 25,000, a decline of about 65 percent over slightly less than three years. A longer view, however, indicates the decline in the Cuyahoga County caseload pre-dates welfare reform, and mirrors national trends. Both locally and nationally, the decline in caseloads is likely the result of the long economic expansion in addition to reform. The success of moving people off of welfare, then, is tied to the success of the economy in general, an issue of particular relevance as the economy contracts.

In October 2000, there was a spike in welfare exits in Cuyahoga County, with time limits responsible for much of it. But the number of time-limited exiters has dropped since then and should, over time, level off. Even though exiters in the past have had a high likelihood of returning to assistance within the first year of leaving, time limits will partly dampen the overall impact of recidivism on the caseload.

In addition, many of the differences in characteristics between time-limited leavers and those leaving welfare for other reasons will level off over time. For instance, beginning with October 2000, the study finds that time limited exiters are more likely than non-time limited exiters to be African-American, more likely to be associated in assistance groups with three or more children, more likely to have a long history of receiving cash assistance, less likely to have a high school degree or GED and more likely to be headed by a person age 35 or older. However these differences disappeared in the first quarter of 2001. The most notable and obvious change in the characteristics of the caseload post-time limits is in the percentage of welfare recipients who have been on the rolls for 60 months in the previous 72. The percentage fell from 40 percent of the caseload in the fourth quarter of 1999, to less than ten percent by March 2001. Understanding these demographic changes will be important in developing services targeted for the exiters and the caseload in general.

How Are They: Family Well Being

Many families leaving welfare still qualify for food stamps and Medicaid, at least for some time after exit. Participation is much higher, though, among time-limited leavers than non-time limited leavers once the time limits were imposed. The percentage for the time limited group receiving food stamps (averaging above 90 %) exceeds the percentage for the non-time limited group by 40 percentage points. This could be due to greater eligibility among time limited leavers or to more intensive efforts to ensure that time limited individuals are enrolled in the program.

The study found a similar pattern for enrollment in Medicaid, both adult and child. In both cases, the participation levels of the time-limited leavers exceeds that of the non-time limited leavers, and in some cases approaches 100 percent (for children of time-limited leavers). This follows an already increasing rate of participation among leavers that began prior to October 2000, the result of greater efforts by Cuyahoga Work and Training to enroll eligible participants in Medicaid.

In terms of income, time limited leavers are worse off in every measure than the non time-limited leavers, regardless of when they exited. Time-limited leavers have an average monthly income of $869, over $400 less than their non-time limited counterparts. While adding food stamps to monthly income diminishes the differences, it does not eliminate it. The study found that the average family leaving welfare for reasons other than time limits has monthly income approximately at the federal poverty line, which is brought above the line when the face values of food stamps are factored in. In contrast, the time-limited leavers average about 60 percent of the poverty line without food stamps and 79 percent with food stamps. Including the face value of food stamps, 75 percent of time-limited families live below the poverty line. The comparable figures for the non-time limited leavers are between 54 and 57 percent.

Time-limited leavers by definition cannot return to cash assistance, although about four percent did receive hardship extensions. In contrast, we find that 21 percent of the pre-October leavers and 20 percent of the October 2000 non-time limited leavers had returned to welfare by six months following their initial exits. Among non-time limited leavers, the most common reason for return to cash assistance is a lost job.

Other indicators of family status present a mixed picture. On the positive side, time-limited leavers are much less likely to skip a needed medical and dental treatment than either of the other two groups, most likely due to higher rates of Medicaid coverage. They are also less likely to have moved to a worse neighborhood than the 2000Q4 non-time limited leavers. On the negative side, time limited leavers are more likely than either of the other two groups to have experienced a worsening relationship with their children. They were also more likely to be evicted than either the pre-October 2000 leavers or the 2000Q4 non-time limited leavers.

The time-limited leavers are more likely to live in over-crowded housing, and they are more likely to spend 50 percent or more of their income on housing than the 2000Q4 non-time limited leavers.

One of the goals of reform was to move people from welfare to work, and, generally, most welfare leavers have had a great deal of success finding some type of employment. Seventy-eight percent of time-limited leavers were employed at least part of the six months following their exits, while over 90 percent of the non-time limited leavers worked in the six months following exit. But finding steady employment and full-time status has proven problematic for all leavers, but particularly time-limited leavers. Fifty-seven percent of the non-time limited leavers in 2000Q4 and 54 percent of the pre-October 2000 exiters experience continuous employment (of at least 20 hours per week) between exit and interview, while the comparable figure for the time-limited leavers is only 32 percent. On almost all of the employment outcome measures, the time-limited leavers under perform the non-time limited leavers by about 15 or 20 percentage points. This includes earnings, where time-limited leavers report mean and median earnings during the first six months that are nearly $2,000 less than their non-time limited counterparts.

The study data suggests that time-limited leavers are less likely to be employed continuously and are especially unlikely to secure continuous, full time employment. In terms of hours worked per week on the current or most recent job, we find the greatest difference between the pre-October 2000 leavers, who averaged 42 hours per week, and the 2000Q4 leavers, both time-limited and not, who averaged 33 and 35 hours respectively. Based on these data, we can be most certain that the earnings gap between time limited leavers and both the pre-October 2000 leavers and the non-time limited leavers is attributable to the inability of time-limited leavers to find steady employment. Time-limited leavers are also less likely to find jobs that provide benefits such as sick pay and health insurance. Among other interesting findings: time limited leavers are more likely to be employed at home than the other two groups and much more likely to have found employment through a referral from the welfare agency, which may reflect the very focused and intensive efforts by Cuyahoga Work and Training to find employment placements for the time-limited leavers.

The study finds that concerns over their own health is an obstacle to employment for time limited and pre-October 2000 leavers (37 percent for time limited leavers, 23 percent for pre-October 2000 leavers).

One of the most significant differences between the time limited leavers and the non-time limited leavers is that that time-limited leavers are much more likely to use a broad range of support services, such as food stamps, Medicaid, and public housing, particularly Section 8 vouchers. Interestingly, the group least likely to have some form of medical insurance six months after leaving cash was the pre-time limit leavers.

What's Next: Conclusions and More Questions

In previous studies, the Center has explored the experiences of those leaving welfare and found a mixed picture of economic success. While generally earning more than they did on welfare, a significant portion of welfare leavers experience difficulties in the labor market and their families suffer economic and material hardships characteristic of the working poor. Many end up relying on various aspects of the social safety net other than welfare. In this study, the Center finds that those leaving welfare as a result of time limits are in many ways even worse off than those not affected by time limits.

Relative to those who left welfare without facing time limits, the time limited leavers have lower employment rates, work less steadily, work fewer hours and make less per hour and therefore have significantly lower family incomes. They are also less likely to hold jobs with benefits and more likely to depend on public transit or others for a ride to work. And they face more housing hardships such as overcrowding and excessive rent burdens.

However, the time-limited leavers have been more able to utilize support services such as Medicaid and food stamps, employment referrals and housing support, services for which they were still eligible after reaching their cash assistance time limit.

Since prior to October 2001, 40 percent of the caseload had been receiving welfare for five of the last six years, the more chronically welfare-reliant recipients will eventually be drained from the pool as time limits affect more and more welfare recipients. Eventually, the longest time to cycle through welfare will be 36 consecutive months, although, according to Ohio's reform plan, those who hit that time limit may return after 24 months for up to 24 months. Such factors will change the characteristics of both the group of those leaving and of the welfare caseload.

All of this suggests that, if the goal of welfare reform is more than to simply reduce the rolls, those leaving welfare still require a broad range of services, such as child care, transportation, housing assistance, job training and referral, and emergency funds for unforeseen needs, and may even need more than is already provided. While this is particularly true of the time-limited leavers who face multiple barriers to success off of welfare, even those who voluntarily leave welfare could use greater access to such support services. Understanding the changing characteristics of those leaving welfare, both time limited and voluntary, will be critical in assessing their changing needs. Policy makers need to know they have not gotten rid of a population in need—they've only moved them off of welfare. Short of eliminating or extending the time limits for cash assistance, it is clear that other types of support are even more important.

It's worth noting that this study does not explore the experiences of those who have successfully moved from welfare into employment with livable wages, some of whom may have been "inspired" by a pending time limit to secure such employment. However, the experience of the typical former welfare recipient shows a persistent need for, in the absence of cash assistance, a wide range of support services.

But what is also beyond the reach of this study is the effect of an economic downturn on the data—and indeed on the lives of those represented by the data. Since welfare reform shares responsibility for the decline in welfare caseloads with a protractedly robust economy, more needs to be known about what happens now that the economy has shown significant signs of weakening. Among other questions, policy makers will need to ask what circumstances might make the welfare caseload grow again, and what will happen to those who reach time limits and still have no luck finding employment. Given the minimum qualifications for Unemployment Insurance, it is unlikely many former welfare recipients who found employment would be eligible to collect the benefit if they lose their jobs. While a recession is always most disruptive to the lives of the very poor, a recession coming after time limits have eliminated the last shred of a safety net for the poorest could be even more devastating for them.

As the Center continues to track welfare leavers through the economic changes in the year after time limits, some of these questions will be answered and, no doubt, additional questions deserving further study will be posed.

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