

**“ The Challenge of Welfare-To-Work in San Diego County”**

**A White Paper of San Diego Dialogue**

**Prepared by:**

**Scott Grimes**

**Director of Policy Research and Program Development**

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## **Introduction**

In 1996 the Congress of the United States ended the entitlement of a guaranteed income to poor families with children in America. The adoption of welfare reform by the Congress implemented on a national level a number of precepts that had been the subject of policy experiments by states and localities over the last decade. Foremost of these principles is the idea that anyone receiving federal income assistance should be required to work at least a percentage of a typical work week in the United States. In addition, welfare reform essentially removed the federal government from any role in policy implementation, shifting responsibility for the design and implementation of new welfare-to-work systems to states and local government.

This white paper of San Diego Dialogue seeks to outline the challenge of welfare reform in San Diego County. The paper provides an overview of new government requirements that constitute “welfare reform” on the federal, state and local level. It also examines the scale of the challenge, by describing what is known about San Diego’s welfare population and the characteristics of welfare recipients that have been identified by national studies. It reports on actions taken to date by the County of San Diego to design and implement a county-wide welfare-to-work plan, and discusses the current policy alternatives facing the region on this issue. The paper closes with a brief consideration of options for delivering welfare-to-work services at the neighborhood level. These options include following the established pattern of devolving responsibility in welfare reform by shifting resources and decision-making responsibilities to low-income neighborhoods.

Welfare reform has the potential to severely impact the social and fiscal “health” of San Diego County. On one hand, a successful program designed to transition regional welfare recipients to full, unsubsidized and sustainable employment will be an enormous accomplishment for our region. Such an effort will eliminate dependency, reduce the potential fiscal burden on municipal government, and help to significantly reduce poverty in the region. On the other hand, a program that fails to accomplish this objective will place responsibility for welfare recipients solely in local hands.

Fundamentally, there are three reasons why successful welfare reform matters to every resident of San Diego County. First, welfare reform offers unprecedented resources and regulatory flexibility to close the income gap in the region. Many have questioned how the region can expect to continue to grow and remain prosperous while leaving a significant portion of its population in poverty. Second, if welfare reform is only a partial success, there is a serious risk of the intensification of poverty in the region. Policy initiatives taken at the federal and state level have created a one-time opportunity to transition the entire welfare caseload into unsubsidized and sustainable employment. If this opportunity is missed, the likely result will be an intensification of poverty for those neighborhood residents left behind, with all the resulting negative social impacts that entails.

Third, the failure of welfare reform could result in a potential devastating fiscal responsibility for the County government, a responsibility that could be passed on to San Diego County taxpayers in the form of an increased local tax burden. Given the County’s current policy approach, if a significant percentage of the welfare caseload is not transitioned into unsubsidized and

sustainable employment, the result could be a massive community service employment program that is increasingly funded by County taxpayers out of general funds.

For these reasons it seems important to examine the progress and direction of welfare reform in San Diego County. One major question this paper leaves unanswered is the appropriate role of regional civic leadership in the implementation of welfare reform. We hope a process of dialogue will help to identify who currently “owns” the challenge of welfare reform. Such a process might also consider who should own this issue now and in the future.

## **What Do We Mean By ‘Welfare Reform’?**

### *The Personal Work and Family Responsibility Act of 1996*

Welfare reform, as it is commonly termed, is the result of the passage into law of the Personal Responsibility and Work Opportunity Act of 1996. With the passage of this legislation, Congress eliminated the federal guarantee of income support for low-income families with children in the United States. Welfare reform eliminated the Aid for Families with Dependent Children (AFDC) program, which was run as a joint federal/state program, and replaced it with the Temporary Assistance for Needy Families (TANF) Block Grant program.

The 1996 legislation built upon several trends in reforming the welfare system that had resulted from experiments at the state level, most notably the creation of work requirements for recipients and the limiting of cash support. More importantly, the TANF program grants broad discretion to the states to design and manage their own welfare programs. Specifically, states have the option to direct their TANF block grant funding to any program that achieves the purposes of the federal legislation. In addition, states can establish their own eligibility criteria to decide who qualifies for support from the program and how much funding is provided to an enrolled family on a monthly basis. As a result, the TANF program eliminated welfare benefits as a federal entitlement available to any family that meets minimum eligibility requirements.

For state governments, welfare reform represents both increased freedom and increased risk for managing programs designed to provide minimum income support to poor families with children while eliminating dependency on government benefits. Under TANF states receive a block grant of funding from the federal government that is based on the amount of support received by an individual state for AFDC and related welfare-to-work programs in the early 1990s. This amount is fixed at a set level, and will not change with the amount of matching state funds contributed to state programs or with negative economic conditions that may arise in future years in a given state. Moreover, the grant received by the states is fixed in nominal dollars, so the real value of federal funding for welfare reform will decline over time with inflation.

Despite the freedom contained for states in the structure of the 1996 welfare reform legislation, the legislation also imposed strict new work requirements and time limits on payments for welfare recipients enrolled in state programs. In order to continue to qualify for their federal TANF grants, states are required to transition an increasing percentage of their welfare

population into “work-related” activities. While there are a variety of activities that qualify as “work-related”, the 1996 legislation did not provide additional funding to support state welfare-to-work programs. As a result, states have a strong incentive to encourage welfare recipients to leave the program and secure unsubsidized employment.

To further encourage reductions in the welfare caseload, the federal legislation also places mandatory time limits on support received by TANF households. Under the federal legislation, families have a 60-month maximum time limit on the receipt of welfare assistance, beginning from the implementation of the state’s new welfare program. In addition, no adult can receive more than 24 months of continuous welfare support.<sup>i</sup>

In order to qualify for their federal TANF block grant, each state was required to develop, pass into law, and submit its own welfare reform plan. In California, this new welfare program is entitled CalWORKS.

### *CalWORKS*

Welfare reform represents a substantial public policy challenge for the State of California. California has a total of approximately 2.4 million welfare (TANF) recipients. This is more than one-fifth of the country’s 10.9 million welfare population.<sup>ii</sup> While California has approximately 12 percent of the total national population it has nearly 20% of the nation’s welfare caseload. Currently there are roughly 788,000 adults receiving TANF in California.<sup>iii</sup>

California’s welfare reform program, entitled CalWORKS, was passed into law in August of 1997 and took effect on January 1, 1998. The program’s total budget is \$6.6 billion. Of this amount, slightly over half is funded by California’s federal TANF block grant<sup>iv</sup>.

Under CalWORKS, current welfare recipients can receive aid for 24 months and new applicants can receive aid for 18 months. Counties have the option of extending aid for an additional six months. After the end of the pure benefits period, if counties certify that no work is available, a family can continue on aid provided the adults in the household work at least 32 hours per week in community service employment.<sup>v</sup>

Under CalWORKS, TANF recipients subject to work requirements must devote at least 20 hours a week to “work-related activities” in the first year after the law goes into effect. This work requirement will increase to 32 hours per week starting in the year 2000.<sup>vi</sup> TANF recipients subject to work requirements who do not meet those requirements will have their monthly TANF grant reduced. For example, a mother of two in an urban area would see her monthly grant of \$565 would be cut by \$125, to \$440.<sup>vii</sup>

It is important to note that under CalWORKS work requirements apply to the vast majority of the welfare caseload. In order to be in compliance with the federal legislation, even single mothers with young children are expected to participate in work-related activities in exchange for their welfare benefits. Mothers of newborns under CalWORKS are exempted from work

requirements for only six months after a child's birth. Counties have the option to extend the exemption to up to one year or reduce it to 12 weeks.<sup>viii</sup>

CalWORKS is being implemented in California as both the total welfare caseload and the value of provided welfare benefits are dropping dramatically. As of April, 1997 California had a total of 822,244 TANF cases. This is a reduction of 11 percent from a peak of 932,345 cases in March of 1995. Between May and July of 1997 -- the most recent months for which figures are available -- California TANF caseloads have continued to drop. California's caseload fell 1.8 percent in May, 2.1 percent in June, and 1.9 percent in July.<sup>ix</sup>

At the same time as caseloads have been declining, the value of provided welfare payments has been consistently reduced. Since Pete Wilson took office as Governor of California in 1991, five grant reductions have lowered the total value of welfare payments in the state by 20 percent. However, among the eight largest states, California's monthly TANF payment of \$565 for an urban family of three still ranks second in total value.

The conference committee staff for welfare reform in the California state legislature has estimated that federal welfare-to-work requirements will compel 478,000 adults currently receiving TANF to ultimately find jobs. This figure assumes all exemptions permitted in the federal legislation.<sup>x</sup>

#### *U.S. Welfare-to-Work Grants*

When President Clinton signed the welfare reform law in 1996 he committed to seek additional federal funding to assist welfare recipients transition into the workforce. The result of this commitment is the federal Welfare-to-Work Grant program, which was passed into law as part of the Budget Reconciliation Act in the summer of 1997. The Welfare-to-Work Grant program provides categorical and competitive grants to states and localities to provide employment preparation services to TANF recipients. The program is funded for two years at \$1.5 billion per year. Unlike the TANF block grant program, the Welfare-to-Work Grant program is administered by the U.S. Department of Labor, and the funding through the program is provided to regional Private Industry Councils (PICs), rather than to state and county social service departments.

In early fall, 1997 California was awarded \$189 million in categorical funding through the new Welfare-to-Work Grant program. The program currently carries a one-third state matching requirement. The federal Welfare-to-Work Grant program requires that 85 percent of total funds committed to the program be distributed to regional PICs. The balance of the funding can be devoted to welfare-to-work programs designed or administered by county governments. The program also requires that 70% of the funding must be directed towards long-term welfare recipients or those TANF recipients who are within 12 months of reaching their time limits.<sup>xi</sup>

The distribution of categorical funding by each state to a PIC's "Service Delivery Area" is dependent on state-devised allocation formula. San Diego County's regional PIC, the Workforce

Partnership, estimates that the agency will receive approximately \$12 million per year for two years as part of the categorical funding available through the program.

It is important to note that the funding received from the Welfare-to-Work is not the sum total of training dollars available to assist the welfare-to-work effort. For example, each year the state of California receives an estimated \$550 million in federal funding for job training programs targeted at dislocated workers and economically disadvantaged youth and adults.<sup>xii</sup> In addition, significant funding is directed to job training and preparation programs each year through the regional community college districts.

Twenty-five percent of federal funding under the Welfare-to-Work program is reserved for competitive grants to PICs or local government agencies by the U.S. Department of Labor. It is estimated that approximately \$368 million will be awarded in fiscal year 1998 and \$343 million in fiscal year 1999. Grants awarded under the program in each fiscal year must be spent within three years, and all spending under the program is scheduled to be completed by September 30, 2001.

The Welfare-to-Work Grant program offers relative flexibility to regional agencies to provide welfare-to-work services for TANF recipients in their regions. Activities eligible for support under Welfare-to-Work Grant funding include:

- Job Placement Services
- Job Creation through wage subsidies
- Public/community service employment programs
- On-the-job training
- Workfare/work experience programs
- Vouchers for job-placement, readiness and post employment services, and
- Job retention and support services (if not otherwise available)

The program also places a strong emphasis on incentives and rewards for performance in contracted job placement services. The legislation specifies that contracts or vouchers for job placement services must require that at least one-half of the payment for services occur after the individual has been placed in a job and has retained employment for at least six months.

The 1997 budget reconciliation legislation also contains an important welfare-to-work tax credit for employers. The legislation provides a tax credit to employers on the first \$20,000 in eligible wages paid to qualified long-term TANF recipients for the first two years of employment. The program provides for a tax credit of up to \$8,500 per qualified employee.<sup>xiii</sup>

Nondisplacement requirements attached to the Welfare-to-Work grants may create problems in trying to use the grant funding to subsidize private sector employment. Specifically, the legislation states that “An adult participant in a work activity engaged in under a program operated with welfare-to-work grant funds shall not be employed or assigned if the employer has caused an involuntary reduction to less than full time in hours of any employee in the same or substantially equivalent job.”<sup>xiv</sup>

## *San Diego County's Strategic Plan for Welfare Reform*

In August of 1997 the Board of Supervisors of the County of San Diego adopted a Strategic Plan for Welfare-to-Work. An Implementation Plan based on the approved Strategic Plan has been developed and submitted to the State of California for an exemption from the state-mandated program requirements established under CalWORKS. This exemption will allow the County to operate its own TANF program under the broad guidelines of the state legislation.

The County's Strategic Plan identifies a number of goals for the next several years as part of an aggressive effort to transition the County's welfare population into permanent employment. Among these goals are:<sup>xv</sup>

- Over the next five years the County intends to reduce its caseload to 36,000 households, a reduction of 21,000 households, or 36.84%.
- By 1999 the County wants 40% of all adult welfare recipients to have unsubsidized employment.
- By 1999 the County wants 100% of adults in welfare families engaged in "work-related activities", excepting those with severe medical or substance abuse problems. The County estimates that 68% of all TANF households contain adults that fall into this category.
- By 2002 the County wants every adult welfare recipient participating in work-related activities, with 50% engaged in unsubsidized employment.

These goals encompass the County's previous objective of placing approximately 10,000 adult TANF recipients into unsubsidized employment by September, 1998.<sup>xvi</sup> The County's employment goals are quite ambitious, given the typical annual rate of total job growth in San Diego County. For example, from October, 1995 to September, 1996, a total of 11,100 new payroll jobs were added in San Diego.<sup>xvii</sup> As the pace of economic recovery has quickened, annual job growth has accelerated in the region. In calendar year 1996, for example, the County added a total of 20,500 jobs. Taking a broader perspective, between 1990 and 1996, a period that included the region's most recent recession, a total of 32,600 net jobs were created in the region.<sup>xviii</sup> These figures suggest that this is an opportune moment to assist welfare recipients to transfer into the labor force, however sufficient jobs may be more difficult to secure over the long-term if the economy experiences an economic slowdown or another recession.

### *Implementing Welfare-to-Work*

The primary component of the County's operating plan is the decision to contract out case management services for a substantial number of TANF recipients to for-profit companies and non-profit organizations. These entities will engage in a process of managed competition with the County's own staff, drawn primarily from the County GAIN program. This process is part of

a larger effort on the part of the County's Department of Health and Human Services to streamline operations and outsource the provision of certain types of services.

In the fall of 1997 the County issued a Request for Proposals (RFP) to provide case management services to TANF recipients. An important aspect of this decision is to develop managed competition in the provision of services based on geographic areas, rather than segments of the TANF caseload or other criteria. The Department of Health and Human Services is dividing San Diego County into six regions with varying numbers of TANF recipients in each region. Case management services are to be contracted out for four of the six regions, while the County will retain responsibility for the remaining two. Both for-profit companies and nonprofit organizations were encouraged to apply for the case management contracts..

The selected contractors are to provide case management services to a caseload of TANF recipients over the course of 15 months. The contractor will start with a base caseload and will intake additional TANF recipients as they are referred by County staff. Case management in this instance includes arranging for specific employment and social services necessary for the TANF recipient to participate in work-related activities designed to enable job placement and continuous employment. The activities that fall under case management include assessing the recipient's skills and barriers to employment, designing and implementing an individual Welfare-to-Work plan, and monitoring the recipient's participation in sanctioned work-related activities.

While the exact dollar amount of each regional contract has not yet been determined, the total dollar value of the anticipated contracts is approximately \$18 million. In April of 1998 the County announced the selection of contractors for each of the geographic regions specified in its Welfare-to-Work plan. The contracts to be awarded and case management areas are as follows:

**Table 1: Welfare Case Management Entities by Geographic Region**

Geographic Region	Case Management Entity
Central	County of San Diego
East	Lockheed Martin
North Inland	Lockheed Martin
South Bay	Maximus, Inc.
North Central	Catholic Charities
North Coastal	County of San Diego

### **About San Diego's Welfare Population**

San Diego County has approximately 150,000 individuals who are part of TANF households. San Diego's welfare caseload represents roughly 7% of the state's total TANF population (San Diego County's total population is about 8.3% of the state's population)<sup>xx</sup> As with welfare caseloads across the country, the most notable characteristic of San Diego's welfare population is that it is shrinking rapidly. As of January, 1998, approximately 50,000 families were receiving assistance from the Temporary Assistance to Needy Families (TANF) program in San Diego County. According to the County's Department of Health and Human Services, the TANF caseload in San Diego County dropped by 17.5% between January, 1997 and January, 1998.<sup>xx</sup>

To date there is no clear explanation as to why the welfare caseload is falling so dramatically. Some analysts have argued that public discussions of welfare reform, including work first requirements, may be resulting in a "dissuasion effect" that deters potential new applicants from applying for TANF support. In San Diego declining welfare applications may also be the result of new efforts to eliminate fraud in the welfare system. Since June of 1997 the District Attorney's office has sent investigators to investigate every new welfare applicant in San Diego County. The investigators have found fraud in approximately 30 percent of the cases investigated.<sup>xxi</sup>

Changes in the welfare caseload may also be the result of the County's implementation of a new "work first" philosophy in its administration of the TANF program. This philosophy is being implemented as part of the County's effort to transform welfare offices to "family resource bureaus." This policy requires applicants to complete a certain number of job searches before they can complete the application process for TANF benefits. A pilot project that implemented this approach at the County's Imperial Avenue welfare office found that in a one-month period, 263 out of 348 welfare applicants failed to complete the process. This essentially resulted in a screening rate that eliminated 75% of the applicant pool.<sup>xxii</sup> The County expects to expand the program to all of its welfare offices by the beginning of 1998.

San Diego's caseload is also distinguished by an increasing percentage of welfare recipients who are employed at least part-time. Currently roughly 30% of TANF household adults in San Diego County report working to earn income that supplements their welfare benefits.<sup>xxiii</sup> Working adults on TANF work on average 28.7 hours per week and earn an average entry wage \$5.64 per hour. Since 1992 the number of TANF households that includes a working adult has increased by 9%. In addition to income earned via employment, approximately 4% of all TANF households in San Diego County report some unearned income that supplements their benefits.<sup>xxiv</sup>

The most recent available demographic data (based on a caseload of 64,000 families) suggest that 65% of San Diego County TANF families are composed of single-parent households. 16% are composed of two-parent families on aid. 19% are composed of child-only cases, where the parent(s) are not aided by the TANF program.<sup>xxv</sup>

Over half of all welfare families in San Diego County live in the city of San Diego. Other cities with relatively high percentages of the TANF household population include El Cajon (8%), National City (5.2%) and Chula Vista (6.9%). While there are members of the TANF caseload throughout the San Diego region, TANF recipients as a percentage of total city populations vary widely across the county. For example, over 16% of all residents of El Cajon are receiving TANF and roughly 13% of the populations of both National City and Imperial Beach receive assistance. By contrast, .84% of Encinitas households and 1.84% of Poway households are enrolled in TANF.<sup>xxvi</sup>

The typical family on TANF qualifies for a monthly grant in cash that averages \$525.00 per month. For the majority of TANF recipients this cash grant is augmented by a food stamp grant or voucher of \$192.00.<sup>xxvii</sup> On January 1, 1997, TANF recipients in California urban areas received an average 4.9% reduction in their benefits. This reduction cut the average monthly payment for a family of three in urban areas from \$594 to \$565.<sup>xxviii</sup> This rate will stay in effect through the next state fiscal year.

## **The Role of Time Limits**

Ultimately the challenge of welfare reform in San Diego will be defined by how many recipients are engaged in work-related activities and how quickly they are transitioned into unsubsidized employment. To estimate the scale of this challenge it is important to assess the role of time limits on the existing welfare caseload and new applicants for TANF assistance.

A recent analysis by the Joint Center for Poverty Research at Northwestern University has estimated a significant number of low-income families may be effected by time limits and the cutoff of benefits associated with the federal welfare reform legislation. These estimates have calculated that up to 40 percent of the current caseload can be expected to reach the federal 60-month limit on total receipt of benefits. Given the mobility of the welfare population and the fact that many welfare families go on and off the caseload with some frequency, these researchers estimate that only half of the total recipients who are projected to reach the time limit will do so right away.<sup>xxix</sup> While this average spell of AFDC/TANF receipt is relatively short (typically less

than two years) most recipients have more than one spell of receiving benefits. Historically the median length for total welfare receipt is approximately four years.<sup>xxx</sup>

Locally estimates for the length of time spent on TANF for the current caseload are as follows:

**Table 2: Distribution of Length of Time on TANF for San Diego County**

Length of Time on Aid	Percentage of County Caseload
Less than one year	15%
1-2 years	16%
2-5 years	29%
5+ years	28%
Unknown	12%

Source: *San Diego County Department of Health and Human Services*

In California approximately half the TANF population experiences only a single period of their lives when they are receiving aid. The distribution of the number of times the typical household in California receives aid is as follows:

**Table 3: Average Number of Episodes of Aid for California TANF Recipients**

Number of Times on Aid	Percentage
One Time	46%
Two Times	24%
Three Times	10%
Four or more Times	8%
Unknown	12%

Source: *San Diego County Department of Health and Human Services*

The Northwestern research also estimates that more than half of the current caseload will be subjected to work requirements in the near-term, in the sense that they will reach the 24-month limit of continuous receipt of benefits without finding private sector employment.<sup>xxxi</sup>

There is an important distinction that needs to be drawn between the population of welfare recipients first starting to receive benefits (the “ever on” population of recipients) and the population that comprises the welfare caseload at any given point (the “point in time” population of recipients). Since long-term recipients accumulate in the system and are much more likely to

show up in the caseload at any given point in time, the caseload as a whole is dominated by long-term recipients. Previous estimates have calculated that over three-quarters (76%) of AFDC caseload families at any point are in the midst of welfare “careers” lasting 60 months or more. Yet only one-third of all households that have ever been on welfare will experience total “careers” exceeding 60 months.<sup>xxxii</sup>

Note that these estimates are biased in the sense that they are based on data on the behavior of welfare recipients prior to the passage of welfare reform in 1996. Nevertheless they suggest the worst-case scenario for states and localities whose welfare population is beginning to experience time limits on the total receipt of benefits. In addition, the estimates provided are based solely on reported paid employment, thus they offer a reasonably accurate forecast of the likely budgetary impact of welfare reform on states and counties which must choose to either continue to provide some form of benefit after the termination of federal funding or subsidize some form of public sector, community-service employment.

### **Potential Barriers to Welfare-to-Work Efforts**

The structure of the federal and state welfare reform legislation opens a limited window of opportunity for public sector agencies to assist welfare recipients to transition to unsubsidized employment. In order to meet the objectives outlined in the legislation, state and county governments will need to move the vast majority of the current welfare caseload into jobs. However, policies to designed to accomplish this objective will need to address a variety of employment barriers faced by welfare recipients. Such barriers are strongly correlated with length of time of welfare and in the past have often been employed as reasons for exempting a significant percentage of the caseload from work requirements.

Analysts of welfare reform and welfare-to-work programs point to a variety of barriers that may prevent welfare recipients from transitioning to unsubsidized employment. Perhaps the most frequently discussed of these challenges are so-called “logistical barriers” such as transportation and child care. A sense of the scope of these barriers is outlined below.

#### *Transportation*

Analysts of welfare reform frequently point to transportation as a major barrier to involving welfare recipients in work-related activities or sustaining unsubsidized employment. Welfare recipients may lack access to private or public transportation or may find that public transportation does not serve locations where their jobs or job preparation activities are to be conducted.

Transportation challenges for welfare recipients are exacerbated by the fact that the jobs current or former TANF recipients are most likely to occupy involve non-traditional work schedules. Thus the working poor frequently encounter limited public transportation options when deciding how to get to and from their place of employment.

Analysis of the work schedules of low-educated employed women with children suggests that the occupations most likely to be occupied by former welfare recipients will require a non-standard work schedule. Using data drawn from the Current Population Survey analysts have estimated that only 56.7 percent of low-educated employed mothers in the United States have a fixed, “standard” work schedule, meaning they work daytime hours on weekdays only. **Thus nearly half of all women working the occupations most likely to be occupied by welfare recipients work either nonstandard evening or night shifts or work on the weekends.** Moreover, nearly 16 percent of women in these categories report having to work both nonstandard weekday shifts and weekends.<sup>xxxiii</sup>

While women with young (pre-school aged) children are more likely to work non-standard hours, presumably to allow alternative child care by adult providers working standard hours, the available evidence suggests that most women work non-standard hours because it is the only employment option available to them. In survey research of low-educated working women, the most commonly given reason for working a non-traditional work schedule is either that it is a “requirement of the job” or that the respondent “could not get another job.”<sup>xxxiv</sup> These findings suggest the importance of adopting child care and transportation strategies that address the “off-hours” needs of employed former welfare recipients.

### *Child Care*

The distinguishing characteristic that qualifies a family for aid under the TANF program is the presence of a dependent child in the household. Frequently welfare households contain at least one child who is below school age and requires an alternative form of child care to enable their parent(s) to secure employment.

In San Diego County the majority of TANF households have at least one child who is under five years in age.<sup>xxxv</sup>

**Table 4: Distribution of Age of Children in Families on TANF in San Diego County:**

Age of Children in TANF Households	Percentage of Households
Less than one year	12%
One year to less than 5 years	48%
Over five years	40%

Source: *San Diego County Department of Health and Human Services*

As a result of work requirements under welfare reform, the County Department of Health and Human Services estimates that by 2002 45,000 additional children from TANF families in San Diego County will require child care to support their parents transition into sustainable employment.<sup>xxxvi</sup>

There is also a supply-side barrier to securing child care for welfare recipients. A study by the California Child Care Resource and Referral Network estimates that the California child care system for the working poor will need to double in size in the next three years to serve approximately 560,000 children. The study also found that most child care centers do not care for children under 2 (only 4% of day care centers are licensed to serve children under age 2). The study found that only 2% of the state's child care centers offer services during the evenings or overnight hours or on the weekend.<sup>xxxvii</sup> As noted above, welfare recipients frequently take employment positions that require them to work off-hours such as night and weekend shifts. Therefore securing available child care may be a significant barrier to employment for some members of the welfare caseload.

Securing adequate child care for welfare mothers is also complicated by the high average cost of child care in California. In California the average cost of child care is \$135 per week for children under two and \$94 per week for a child between ages 2 and 5.<sup>xxxviii</sup> Recall that the average TANF grant for an urban family of three in California is \$565 per month.

### *Housing*

Efforts to transition regional TANF recipients to employment may also be challenged by the high cost of housing in San Diego County. Because many of the jobs likely to be secured by TANF recipients may pay a wage that results in a lower net household income, the high cost of housing may deter some TANF recipients from securing unsubsidized employment until their time-limited receipt of aid is exhausted. Consider that only one in eleven TANF families in California is living in subsidized housing. The average two-bedroom apartment in San Diego County rents for \$719 per month. TANF benefits for a family of four in urban areas total \$707 per month. As noted above, the average benefits for a family of three on TANF total \$565.00 per month.<sup>xxxix</sup> In other words, many families are already devoting the majority of their monthly income to housing payments; taking a low-wage, unsubsidized job may by definition price them out of their only housing alternative.

In addition to the logistical and financial barriers described above, there is significant evidence that many TANF recipients will face substantial personal and family challenges to securing unsubsidized employment. Not surprisingly, the incidence of these challenges are more apparent in long-term TANF recipients. Even in an era of declining total caseloads, those recipients still receiving aid may face substantially more daunting challenges than those facing TANF recipients who have traditionally been referred to welfare-to-work programs. Some of the more notable personal and family challenges experienced by TANF households are described below.

### Personal and Family Barriers to Employment

A 1996 study by the Urban Institute estimated that up to 90 percent of all current TANF recipients between ages 27-35 may experience one of five potential personal or family-based barriers to employment. The major barriers identified by the study are: low basic skills,

substance abuse, a health “limitation,” depression, or a child with a chronic medical condition or serious disability.<sup>x1</sup>

Analysis of the results of past national surveys of AFDC recipients by the Urban Institute found that the majority of recipients who report one of the identified barriers to employment report only one rather than multiple barriers. When analysis of the data excludes low basic skills, **90 percent of the respondents with a self-reported barrier to employment note only a single barrier.**<sup>xli</sup> These findings may suggest the need for integrated but flexible separate support services that can be accessed by TANF recipients at the same time as they begin their job search.

### *Low Skills*

Low basic skills is the most commonly identified barrier to employment and one the most easily verifiable.<sup>xlii</sup> For example, approximately one-third of all TANF recipients score in the bottom 10 percent of the women’s distribution of the Armed Forces Qualifying Test (AFQT), a widely-recognized test of basic skills. An additional one-third place between the 10th and 25th percentiles.<sup>xliii</sup>

The lack of basic skills for many TANF recipients is a reflection of their average attained levels of education. For example, a 1991 study that surveyed over 17,000 randomly selected households found that at least 10 percent of women receiving AFDC benefits have only a grade-school education.<sup>xliiv</sup> In San Diego County the majority of adult TANF recipients do not have a high school degree.

**Table 5: Distribution of Attained Education Level of TANF Parents in San Diego County:**

Attained Education Level	Percentage of Adult TANF Recipients
No High School Diploma	55%
High School Diploma	43%
College or Graduate Degree	2%

Source: *San Diego County Department of Health and Human Services*

### *Health/Disability*

Many analysts point to frequent or chronic health problems and disability status as a potentially significant barrier to employment for welfare recipients. While this problem may often be overstated based on isolated program findings and varying definitions of what constitutes a health condition that precludes employment, there is national-level evidence that many TANF recipients feel that the condition of their health precludes their participation in the workforce. A

review of the available literature indicates that between 10 and 11 percent of welfare recipients report that they are unable to work due to their own serious medical condition or chronic/permanent disability.<sup>xlv</sup>

A second but related barrier is the presence of children with chronic health problems or disabilities in TANF households. Independent studies of the number of TANF families with children with disabilities show a wide range of estimates. Excluding relatively mild forms of disability (such as conditions that limit the type of activities children can undertake at school), studies estimate that between 1.7 to 9.3 percent of children in TANF families have severe levels of disability, including major health problems that limit their ability to attend school or perform major activities. It is worth noting that 45 percent of working single parents living in poverty do not have any paid sick leave in a given year.<sup>xlvi</sup>

### *Mental Illness*

There are a wide range of estimates of the prevalence of mental illness among TANF recipients. Most estimates drawn from program samples suggest TANF recipients have a high level of risk for depression or display “depressive symptoms.” However, national estimates suggest that a relatively small proportion of adults living under the poverty threshold (2 percent of all adult women and 4 percent of all adults) have a serious mental illness.<sup>xlvii</sup> To date there seems to be insufficient national evidence of the prevalence of mental illness in the TANF population, but it seems a reasonable assumption that some percentage of the welfare caseload will require mental health treatment services to secure and maintain unsubsidized employment.

### *Drug and Alcohol Abuse*

National studies that have examined the relationship between employment and drug or alcohol abuse suggest that approximately 5 percent of female TANF recipients experience significant functional impairment due to substance abuse. These persons are self-identified as either being a) dependent on alcohol and drunk at least weekly or b) dependent on an illicit drug other than marijuana and used an illicit drug at least monthly or used heroin in the past year.<sup>xlviii</sup>

These estimates are conservative and based on the most tightly-defined criteria for impairment of functions related to employment. Many estimates of the problem of drug and/or alcohol abuse among TANF recipients are much higher, however these estimates are often drawn from the outcomes of single programs with relatively small sample sizes.

### *Domestic Violence*

Domestic violence has been recognized as a serious potential barrier to welfare-to-work efforts and both the federal legislation and CalWORKS permit relatively broad exemptions from work requirements for TANF recipients who report being the victims of domestic violence.

There is limited national level data on the prevalence of domestic violence among TANF recipients. The Department of Justice has estimated that women in households with an annual income of less than \$10,000 are four times more likely to be violently attacked, typically by intimates. Estimates drawn from state-level data suggest that up to 60 percent of TANF recipients have suffered from some form of domestic violence.<sup>xlix</sup>

Evidence from state-level welfare-to-work programs have resulted in much lower estimates of self-reported domestic violence experiences. This may be the result of female TANF recipients who are unwilling to report domestic violence “on the record” and/or may be unwilling to acknowledge that they are living with their boyfriend or spouse.<sup>1</sup>

### *Child Welfare*

There is significant evidence that children in TANF households are more likely to experience child abuse or neglect than national averages or averages for low-income families. However, for the purposes of examining how child abuse can become a barrier to employment the evidence focuses on those TANF households that also have overlapping involvement in child welfare programs such as foster care. The best state level estimates of this problem are drawn from Illinois, where a 1993 study found that 2 percent of first-born children in Illinois who received AFDC at some point in their first five years also experienced at least one foster-care placement. Nationally an estimated 3.2 percent of children in low-income families have been estimated to be abused or neglected.<sup>li</sup> Interventions by child protective services in these cases, while essential, represent an important barrier to employment for TANF families.

### Lack of Labor Force Participation

The effects of the barriers to employment described above are reflected when examining rates of labor force participation for recipients of TANF. Data from national survey research suggests that TANF recipients do typically accumulate some form of work experience while on welfare. Approximately 60 percent of the TANF caseload will report “working” in the current or previous year, and even those recipients with a self-reported serious barrier to employment will still report having worked at least 50 percent of the time. However, the available data on current welfare recipients suggests that the majority of the caseload has very limited experience with continuous work. Only 19 percent of TANF recipients responding to a national survey indicated that they had worked for at least 50 weeks out of the current or prior year. When combined with a self-reported serious barrier to employment this number drops to seven percent.<sup>lii</sup> Such data suggests that welfare-to-work entities may need to permanently eliminate one or more barriers to employment to guarantee TANF recipients secure unsubsidized and sustainable employment.

### **Current Policy Alternatives**

While the fundamental thrust of the region’s policy approach to welfare reform has already been established (i.e. “work first”, managed competition, separate contracting of services by each

entity receiving designated TANF funding), several key policy alternatives remain to be assessed and selected. Among the major policy questions still to be answered are the following:

1. What incentives will be provided to entities that win case management and/or welfare-to-work grant contracts to reward both the placement and retention of employment by TANF recipients. How will these outcomes be evaluated? Will a percentage of the contract amount be awarded only after an individual TANF recipient is on the job for a specified period of time (e.g. six months, nine months)?
2. How will entities who are awarded contracts to provide case management or employment preparation services be judged on their performance? What will be the “reward” provided to successful contractors after the initial contract period? Will contractors have the opportunity to bid for additional geographic regions or a higher percentage of the total caseload if they meet with success?
3. Will entities receiving contracts be encouraged to partner with neighborhood-based organizations? If so, will the contracting system permit the primary contractor to subcontract some portion of service provision to neighborhood-based entities? Will whatever incentives offered by regional agencies to encourage employment placement and retention be passed on to the subcontractor?
4. What types of employment promotion strategies will be adopted by entities contracted to assist welfare recipients to secure unsubsidized, sustainable employment? Specifically, will contractors develop strategies based on those segments of the economy producing the most jobs or on those occupational categories most congruent with the skills typically possessed by TANF recipients?
5. How will the emerging regional welfare-to-work system be evaluated? What benchmarks and indicators can be established to measure not only employment outcomes but changes in the income, health and quality-of-life of the region’s welfare households?

A regional conversation on welfare reform will have the opportunity to assess and develop answers to these and other critical questions still pending in the policy debate on this issue. One of these questions revolves around the issue of where services designed to promote employment for TANF recipients are physically located. As the implementation of welfare reform moves forward, government agencies and their contractors may wish to consider the merits of shifting, or even block-granting, an increasing percentage of their resources to the communities most directly impacted by the end of “welfare as we know it.”

### **Neighborhood-based Strategies**

In 1997 San Diego Dialogue was invited by the Rockefeller Foundation to join a collaborative of regional organizations dedicated to examining neighborhood-based approaches to promoting employment in San Diego’s low-income communities. This collaborative was organized by the Consensus Organizing Institute, a national nonprofit community development organization, and

includes the County of San Diego, the San Diego Workforce Partnership, the San Diego Labor Council/Service Workers Center and the Eureka Foundation. For the past nine months this collaborative has considered alternatives for promoting employment in low-income communities in the context of welfare reform.

As regional policy approaches to welfare reform have been established, it has become clear that services for TANF recipients seeking unsubsidized employment will remain committed to separate categorical funding streams administered by different agencies. The County of San Diego will contract case management services out to up to four entities that will, along with the County's own staff teams, direct the welfare-to-work process. The Workforce Partnership will sign separate contracts with additional entities to provide its own TANF-related employment services. The regional community college districts will continue to provide direct services to TANF recipients and there will continue to be a broad range of employment preparation and training programs accessible by both TANF recipients and other disadvantaged and/or dislocated workers.

In addition to direct employment services, many of the other social services that will be required by TANF recipients to eliminate personal and family barriers to employment will continue to remain available to other regional residents needing access to similar services. Thus there are and will continue to be multiple points of intersection within various service delivery systems and multiple points of access for an individual TANF household requiring services. The absence of a central coordinating entity or a common pool of resources means that those organizations or individuals taking primary responsibility for providing employment services and eliminating barriers to employment will need to navigate multiple agencies, and often deal with multiple contractors of those agencies, to accomplish their mission.

One solution to this complicated system of service delivery may rest in the sales maxim "stay close to your customer." In other words, these services should be directed to and located in those neighborhoods with the highest concentration of welfare recipients. In these neighborhoods it seems appropriate that a system be created to allow local residents seeking unsubsidized, sustainable employment to access an integrated set of "employment enabling" services. The idea of integrated service delivery is not new, but what may be required is a change in mindset (and in some cases, capacity) to allow community-based social service organizations to become employment enabling entities. These organizations represent the neighborhood's 'social infrastructure,' and the available data suggests that this infrastructure is necessary to promote employment. Central to this approach is the idea that services be delivered in the neighborhood, both to eliminate transportation barriers and to ensure the highest level of coordination possible.

Such a system may also require a grassroots, neighborhood-based system of social reinforcement to be successful. Through the creation of "neighbor-to-neighbor" support networks that provide peer mentoring and support, one can envision a system that identifies candidates for employment opportunities, refers them to service networks, reinforces the resident's desire to seek employment, and identifies and trouble-shoots barriers to sustainable employment.

Unfortunately there is little empirical evidence or theoretical research to guide the creation and implementation of this new form of social infrastructure. Few evaluations of specific job

training and employment strategies have examined the effects of social or supportive services on employment outcomes.<sup>liii</sup> However, it seems clear that a neighborhood-based strategy will require a high level of planning, coordination, and ongoing monitoring to be effective. In some cases, service providers who have strong relationships with many neighborhood residents but who do not currently focus on employment – particularly those providers with ties to particular neighborhood subgroups – may need to take on additional responsibility for employment services. In some cases, agencies that provide effective employment services but which do not operate within low-income neighborhoods may need to establish satellites within those neighborhoods.

It seems logical that comprehensive, neighborhood-based supportive services could be built through the neighborhood collaboratives that have arisen in San Diego County over the last few years. These Title V and AB 1741 collaboratives represent a cross-section of residents, neighborhood-based organizations and professionals working in the region's low-income communities. Their primary purpose is to serve as a point of coordination for the delivery of social services at the neighborhood level, including those 'employment-enabling' social services that serve to eliminate barriers to employment. These organizations could form the cornerstone of a neighborhood-based information, service, and support infrastructure capable of addressing the needs of TANF recipients who face severe challenges in transitioning to sustainable employment.

## **A Civic Issue**

As welfare reform has progressed in San Diego County, coalitions of community members have stepped forward to indicate their willingness to play a constructive role in addressing the challenge of transitioning welfare recipients to unsubsidized employment. Groups of business leaders have committed to hire welfare recipients as jobs become available in their companies and individual philanthropists and community members have helped to organize support to attract innovative job preparation programs to the region. Both regional and national foundations are bringing significant resources to the welfare reform effort by offering funding to nonprofit organizations and technical assistance to regional agencies.

Despite these individual efforts, however, it remains unclear whether the greater San Diego region has grown to feel a sense of ownership over this issue. Unlike such issues as the financing of major stadium projects, K-12 education, and transportation concerns, there is only a limited regional conversation on welfare reform, and that conversation is primarily between government agencies and organizations that work in low-income communities. Regional coverage of welfare reform in the media has typically focused on declining caseload numbers, with little attention directed towards the ultimate fate of the families and children that have left public assistance programs.

As the County of San Diego, the San Diego Workforce Partnership, and their contracted service providers move forward to address the challenge of assisting 50,000 San Diego families to leave welfare, there may be room for a broader and deeper regional conversation on the issue of welfare reform and the larger goal of reducing poverty in the region. Such a conversation might

play an important role in educating the citizens of the County as to how this issue effects the long-term development of the region and the personal prosperity of each of its residents.

## NOTES

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- <sup>i</sup> “Policy Watch - The 1996 Welfare Reform,” Rebecca M. Blank, *Journal of Economic Perspectives*, Vol. 11, No.11, Winter, 1997, p. 171.
- <sup>ii</sup> *Ibid.*
- <sup>iii</sup> *Los Angeles Times*, 9/4/97, p. A-1
- <sup>iv</sup> *Copley News Service*, 8/12/97, p. A-11 In 1997 California’s TANF grant was \$3.7 billion.
- <sup>v</sup> *Los Angeles Times*, 7/29/97, p. A-1.
- <sup>vi</sup> *Ibid.*
- <sup>vii</sup> *San Diego Union-Tribune*, 8/5/97, p. A-1
- <sup>viii</sup> *Los Angeles Times*, 7/29/97, p. A-1.
- <sup>ix</sup> *San Diego Union Tribune*, 7/7/97, p. A-3 and 10/10/97, p. A-3
- <sup>x</sup> *San Diego Union-Tribune*, 6/2/97, p.A-1.
- <sup>xi</sup> *The Los Angeles Times*, 9/4/97, p. A-1.
- <sup>xii</sup> *San Diego Union-Tribune*, September 4, 1997, p. A-4
- <sup>xiii</sup> *National Governors’ Association*, August, 1997, p. 7.
- <sup>xiv</sup> *Center for Law and Social Policy*, August, 1997, p. 10.
- <sup>xv</sup> *San Diego Union-Tribune*, August 7, 1997, p. B-1.
- <sup>xvi</sup> *San Diego Union-Tribune*, May 16, 1997, p. A-1.
- <sup>xvii</sup> *San Diego Union-Tribune*, November 13, 1996, p. A-1.
- <sup>xviii</sup> “1998 Update: Evaluating Economic prosperity in the San Diego Region,” *San Diego Association of Governments (SANDAG)*, January, 1998, p. 7.
- <sup>xix</sup> *San Diego Union-Tribune*, August 7, 1997, p. B-1.
- <sup>xx</sup> *San Diego Union Tribune*, March 5, 1998, p. A4.
- <sup>xxi</sup> *San Diego Union Tribune*, July 7, 1997, p. B1
- <sup>xxii</sup> *San Diego Union Tribune*, May 14, 1997, p. B-1.
- <sup>xxiii</sup> “Welfare to Work in San Diego County - Executive Summary,” *San Diego County Department of Health and Human Services*, September, 1997, p. 4.
- <sup>xxiv</sup> “Welfare to Work in San Diego County - Demographic Data Supplement,” *San Diego County Department of Health and Human Services*, September, 1997, pp. 1-2.
- <sup>xxv</sup> *Ibid.*
- <sup>xxvi</sup> *Ibid.*
- <sup>xxvii</sup> *Ibid.*
- <sup>xxviii</sup> *San Diego Union Tribune*, December 9, 1996, p. A1.
- <sup>xxix</sup> Greg J. Duncan, Kathleen Mullan Harris and Johanne Boisjoly, “Time Limits and Welfare Reform: New Estimates of the Number and Characteristics of Affected Families,” *Joint Center for Poverty Research: Northwestern University and the University of Chicago*, April 22, 1997, p. 1. These estimates are drawn from the authors’ analysis of the Panel Study of Income Dynamics (PSID).
- <sup>xxx</sup> *Ibid.*, p. 4.
- <sup>xxxi</sup> *Ibid.*, p. 1.
- <sup>xxxii</sup> *Ibid.*, p. 4.
- <sup>xxxiii</sup> Harriet B. Presser and Amy G. Cox, “The work schedules of low-educated American women and welfare reform,” *Monthly Labor Review*, April, 1997, p. 27.
- <sup>xxxiv</sup> *Ibid.*, p. 29.
- <sup>xxxv</sup> *Ibid.*
- <sup>xxxvi</sup> *San Diego Union Tribune*, August 5, 1997, p. B1.
- <sup>xxxvii</sup> *Los Angeles Times*, February 13, 1997, p. A3.
- <sup>xxxviii</sup> *Ibid.*
- <sup>xxxix</sup> *San Diego Union Tribune*, December 9, 1996, p. A1.
- <sup>xl</sup> Krista Olson and LaDonna Pavetti, “Personal and Family Challenges to the Successful Transition from Welfare to Work,” *The Urban Institute*, May 16, 1996, p. 3.
- <sup>xli</sup> *Ibid.*, p. 16.

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<sup>xlii</sup> Many of the identified barriers are self-reported by TANF recipients responding to survey questions. Moreover, recipients who report a potential barrier to employment are almost as likely to have been recently employed as those who did not.

<sup>xliii</sup> Olson and Pavetti, p. 4.

<sup>xliv</sup> *Ibid.*, p. 13.

<sup>xlv</sup> *Ibid.*, p. 7.

<sup>xlvi</sup> *Ibid.*, p. 8.

<sup>xlvii</sup> *Ibid.*

<sup>xlviii</sup> *Ibid.*, p. 9

<sup>xlix</sup> April Kaplan, "Domestic Violence and Welfare Reform" Welfare Information Network Issue Notes, Vol. 1, No. 8, September, 1997, p. 4.

<sup>l</sup> Olson and Pavetti, p. 11.

<sup>li</sup> *Ibid.*, p. 12.

<sup>lii</sup> *Ibid.*, p. 18.

<sup>liii</sup> "Welfare-to-Work Options for Families Facing Personal and Family Challenges: Rationale and Program Strategies", LaDonna Pavetti, Julie Isaacs et al, The Urban Institute, August, 1997, p. 22.