8/3/99

CLINTON-GORE ACCOMPLISHMENTS
REFORMING WELFARE

On August 22, 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act, fulfilling his longtime commitment to 'end welfare as we know it.' As the President said upon signing, "... this legislation provides an historic opportunity to end welfare as we know it and transform our broken welfare system by promoting the fundamental values of work, responsibility, and family."

TRANSFORMING THE BROKEN WELFARE SYSTEM

- **Overhauling the Welfare System with the Personal Responsibility Act**: In 1996, the President signed a bipartisan welfare plan that is dramatically changing the nation's welfare system into one that requires work in exchange for time-limited assistance. The law contains strong work requirements, performance bonuses to reward states for moving welfare recipients into jobs and reducing illegitimacy, state maintenance of effort requirements, comprehensive child support enforcement, and supports for families moving from welfare to work -- including increased funding for child care. State strategies are making a real difference in the success of welfare reform, specifically in job placement, child care and transportation. In April 1999, the President unveiled landmark new welfare regulations that will promote work and help those who have left the rolls to succeed in the workforce and stay off welfare.

- **Law Builds on the Administration's Welfare Reform Strategy**: Even before the Personal Responsibility Act became law, many states were well on their way to changing their welfare programs to jobs programs. By granting federal waivers, the Clinton Administration allowed 43 states -- more than all previous Administrations combined -- to require work, time-limit assistance, make work pay, improve child support enforcement, or encourage parental responsibility. The vast majority of states have chosen to build on their welfare demonstration projects approved by the Administration.

the country connect with job training organizations and job-ready welfare recipients. In addition, SBA provides training and assistance to welfare recipients who wish to start their own businesses. SBA provides assistance to businesses through its 1-800-U-ASK-SBA number, as well through its network of small business development and women's business centers, one-stop capital shops, Senior Corps of Retired Executives (SCORE) chapters, district offices, and its website.

- **Mobilizing Civic, Religious and Non-profit Groups**: Vice President Gore created the Welfare-to-Work Coalition to Sustain Success, a coalition of national civic, service, and faith-based groups committed to helping former welfare recipients succeed in the workforce. Working in partnership with public agencies and employers, Coalition members provide mentoring, job training, child care, transportation, and other support to help these new workers with the transition to self sufficiency. Charter members of the Coalition include: Alpha Kappa Alpha, the Boys and Girls Clubs of America, the Baptist Joint Committee, Goodwill, Salvation Army, the United Way, Women's Missionary Union, the YMCA, the YWCA, and other civic and faith-based groups.

- **Doing Our Fair Share with the Federal Government's Hiring Initiative**: Under the Clinton/Gore Administration, the federal workforce is the smallest it has been in thirty years. Yet, this Administration also believes that the federal government, as the nation's largest employer, must lead by example. In March 1997, the President asked the Vice President to oversee the federal government's hiring initiative in which federal agencies committed to directly hire at least 10,000 welfare recipients in the next four years. In August 1999, Vice President Gore announced that the federal government has hired over 14,000 welfare recipients, meeting the goal nearly two years ahead of schedule. As a part of this effort, the White House pledged to hire six welfare recipients and has already exceeded this goal.

- **Funds to Help Move More People from Welfare to Work**: Because of the President's leadership, the 1997 Balanced Budget Act included $3 billion for Welfare-to-Work grants to help states and local communities move long-term welfare recipients, and certain non-custodial parents, into lasting, unsubsidized jobs. These funds can be used for job creation, job placement and job retention efforts, including wage subsidies to private employers and other critical post-employment support services. The Department of Labor provides oversight, but most of the dollars are placed through the Private Industry Councils, in the hands of the localities who are on the front lines of the welfare reform effort. In addition, 25% of the funds are awarded by the Department of Labor on a competitive basis to support innovative welfare-to-work projects. The President announced the first round of 49 competitive grants in May 1998, and the Vice President announced the second round of 75 competitive grants in November 1998. In January 1999, the Department of Labor announced the availability of $240 million in competitive grants for FY 1999. These funds will support innovative local welfare-to-work strategies for noncustodial parents, individuals with limited English proficiency, disabilities, substance abuse problems, or a history of domestic violence.

  The President's FY 2000 Budget proposes to invest $1 billion to extend the Welfare-to-Work program to help more long-term welfare recipients and noncustodial parents in high-poverty areas move into lasting unsubsidized employment. The initiative would provide at least $150 million to ensure that every state helps fathers play a responsible part in their children's lives. Under this proposal, states and communities would use a minimum of 20% of their formula funds to provide job placement and job retention assistance to low-income fathers who sign personal responsibility contracts committing them to work, establish paternity, and pay child support. This effort would further increase child support collections, which have risen 80% since the President took office, from $8 billion in 1992 to $14.4 billion in 1998. Remaining funds will go toward assisting long-term welfare recipients with the greatest barriers to employment to move into lasting jobs. The reauthorized program also would double the Welfare-to-Work funding available for tribes. The Administration's reauthorization proposal is included in H.R. 1482 introduced by Congressman Cardin and S. 1317 introduced by Senator Akaka.

- **Tax Credits for Employers**: The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Act, provides a credit equal to 35% of the first $10,000 in wages in the first year of employment, and 50% of the first $10,000 in wages in the second year, to encourage the hiring and retention of long term welfare recipients. This credit complements the Work Opportunity Tax Credit, which provides a credit of up to $2,400 for the first year of wages for eight groups of job seekers. The Omnibus Budget Act of 1998 included an extension through June 30, 1999 and the President's FY 2000 Budget proposes to extend both credits for an additional year.

- **Welfare-to-Work Housing Vouchers**: In 1999, the President proposed and Congress approved $283 million for 50,000 new housing vouchers for welfare recipients who need housing assistance to get or keep a job. Families will use these welfare-to-work housing vouchers to move closer to a new job, to reduce a long commute, or to secure more stable housing that will eliminate emergencies which keep them from getting to work every day on time. Nearly all of these vouchers will be awarded to communities on a competitive basis, to communities that create cooperative efforts among their housing, welfare and employment agencies. The President's FY 2000 Budget provides $430 million for 75,000 welfare-to-work housing vouchers, including $144 million in new funds for 25,000 additional vouchers.

- **Welfare-to-Work Transportation**: One of the biggest barriers facing people who move from welfare to work -- in cities and in rural areas -- is finding transportation to jobs, training programs and child care centers. Few welfare recipients own cars. Existing mass transit does not provide adequate links to many suburban jobs at all, or within a reasonable commute time. In addition, many jobs require evening or weekend hours that are poorly served by existing transit routes. To help those on welfare get to work, President Clinton proposed a $100 million a year welfare-to-work transportation plan as part of his ISTEA reauthorization bill. The Transportation Equity Act for the 21st Century (TEA-21) authorized $750 million over five years for the President's Job Access initiative and reverse commute grants. Of this amount, $50 million is guaranteed funding in FY 1999, rising to $150 million in 2003. The Omnibus Budget Act included $75 million for this program in FY 1999, and in May, Vice President Gore awarded $71 million of these funds to 179 communities in 42 states around the country. The President's Budget proposes to double funding for FY 2000, bringing the program to the authorized level of $150 million. The Job Access competitive grants will assist states and localities in developing flexible transportation alternatives, such as van services, for welfare recipients and other low income workers.

SUPPORTING WORKING FAMILIES

- **Expanding the Earned Income Tax Credit:** Expansions in the EITC included in the President's 1993 Economic Plan are making work pay for 15 million working families, including former welfare recipients. A study conducted by the Council of Economic Advisors reported that in 1997, the EITC lifted 4.3 million American out of poverty -- more than double the number in 1993. The findings also suggest that the increase in labor force participation among single mothers who received welfare is strongly linked to the EITC expansion.

- **Improving Access to Affordable and Quality Child Care:** Under the Clinton Administration, federal funding for child care has increased by 70%, helping parents pay for the care of about one million children. The 1996 welfare reform law increased child care funding by $4 billion over six years to provide child care assistance to families moving from welfare to work.

  The President's budget proposes to expand the Child Care and Development Block Grant to help working families struggling to meet the costs of child care. The President's proposal: (1) increases funding for child care subsidies by $7.5 billion over five years, and these new funds, combined with funds provided in welfare reform, will enable the program to serve an additional 1.15 million children by FY 2004; (2) provides $3 billion over five years to promote early learning; and (3) provides $173 million to improve child care quality. Additional funds for subsidies are necessary because currently, only 1.25 million of the approximately 10 million families eligible for assistance under federal law receive help.

  The President's proposal also includes $5 billion over five years to expand the Child and Dependent Care Tax Credit (CDCTC) to provide greater tax relief for nearly three million working families paying for child care and eliminate income tax liability for almost all families with incomes below 200% of poverty. Additionally, the proposal includes $1.3 billion to enable parents who have children under one year old to take advantage of the CDCTC by allowing these 1.7 million families to claim assumed child care expenses of $500. The President's plan also includes a new tax credit to businesses that offer child care services to their employees. The President has proposed spending $600 million in FY 2000 to triple funding for the 21st Century Community Learning Center Program, which supports the creation and expansion of after-school and summer-school programs to help roughly 1.1 million children each year. Finally, the President's proposal includes a significant new investment in Head Start, our nation's premier early childhood development program, with an additional $607 million in FY 2000 to reach 42,000 more children, enabling the program to serve 877,000 low income children.

- **Providing Health Care to Low-Income Working Families.** The President has insisted on maintaining the Medicaid guarantee and has successfully fought to increase low-income families' access to health care.

- ***Creation of the Children's Health Insurance Program.*** The President, with bipartisan support from the Congress, created the Children's Health Insurance Program (CHIP). The Balanced Budget Act of 1997 allocated $24 billion dollars over the next five years to extend health care coverage to uninsured children through State-designed programs. States project that they will ensure 2.5 million children when their new CHIP programs are fully implemented.
- ***Allowing States to Expand Medicaid to Cover Families.*** The welfare law allows states to expand Medicaid coverage under section 1931 to families who earn too much to be eligible for Medicaid but not enough to afford health insurance. These expansions allow states to present Medicaid as a freestanding health insurance program for low-income families -- an important step towards removing the stigma associated with the program and reaching families who do not have contact with the TANF system.
- ***Providing Medicaid Coverage to Low-income Two-Parent Families Who Work.*** In August 1998, the President eliminated a vestige of the old welfare system by allowing all states to provide Medicaid coverage to working, two-parent families who meet State income eligibility requirements. Under the old regulations, adults in two-parent families who worked more than 100 hours per month could not receive Medicaid regardless of their income level. Because the same restrictions did not apply to single-parent families, these regulations created disincentives to marriage and full-time work. Prior to eliminating the rule entirely, the Administration allowed a number of states to waive this rule. The new regulation eliminates this requirement for all States, providing health coverage for more than 130,000 working families to help them stay employed and off welfare.
- ***Transitional Medical Assistance (TMA).*** TMA provides time-limited Medicaid coverage to low-income households whose earnings or child support would otherwise make them ineligible for welfare-related Medicaid under state income eligibility standards. The President's FY 2000 Budget would reduce burdensome reporting requirements, including TMA eligibility procedures in the current Medicaid eligibility redetermination process. The budget also exempts those states that have expanded Medicaid coverage to families with incomes up to 185% of the federal poverty level from burdensome TMA reporting requirements, providing states with additional incentives to provide critical health care services.
- ***Helping States Help Low-Income Families.*** In March 1999, the Administration released new guidance encouraging States to reach out to children and families who are no longer eligible for cash assistance but are still eligible for Medicaid or CHIP. It also establishes that states must provide Medicaid applications upon request and process them without delay. The guidance reiterates state responsibilities to establish and maintain Medicaid eligibility for families and children affected by welfare reform, and provides creative examples of the best way to liberalize eligibility.

- **Helping Working Families to Buy Food**: In July 1999, the President took the following three executive actions to help ensure working families who need Food Stamps have access.

- New policy guidance making it easier for working families to own a car and still receive food stamps;

- New regulations making it easier for states to serve working families by simplifying rules so that families don't have to report income as often and states won't be penalized for small errors in projecting families' future earnings; and,
- A new public education campaign to educate working families about food stamps, including a toolkit to assist local, state, and community leaders in understanding food stamp program requirements, as well as model strategies to improve participation and future efforts by Secretary Glickman to include new informational materials and an enhanced toll-free information line.

- **Investing for the Future**: In 1992, the President proposed to establish Individual Development Accounts (IDAs) to empower low-income families to save for a first home, post-secondary education, or to start a new business. The 1996 welfare reform law authorized the use of welfare block grants to create IDAs. And last year, the President signed legislation creating a five-year demonstration program. Households that are either eligible for Temporary Assistance for Needy Families or qualify for the Earned Income Tax Credit and have a net worth below $10,000 are eligible to participate in the demonstration. The FY 1999 budget includes $10 million to launch this initiative, and the President has proposed to double the commitment to $20 million in FY 2000.

PROMOTING PERSONAL RESPONSIBILITY

- **Increasing Parental Responsibility and Enforcing Child Support**: Tougher measures under the Clinton Administration resulted in a record $14.4 billion in child support collections in 1998, an increase of $6.4 billion, or 80% since 1992. Not only are collections up, but the number of families that are actually receiving child support has also increased. In 1997, the number of child support cases with collections rose to 4.2 million, an increase of 48% from 2.8 million in 1992.

  - ***Improving the Collection System.*** A new collection system, proposed by the President in 1994 and enacted as part of the 1996 welfare reform law, has located over 1.2 million delinquent parents in its first nine months of operation. With approximately one-third of all child support cases involving parents living in different states, this National Directory of New Hires helps track parents across state lines.
  - ***Tougher Penalties.*** In June 1998, the President signed the Deadbeat Parents Punishment Act, a law based on his 1996 proposal for tougher penalties for parents who repeatedly fail to support children living in another state or who flee across state lines to avoid supporting them.
  - ***Increasing Paternity Establishments.*** Paternity establishment, often the crucial first step in child support cases, has dramatically increased, due in large part to the in-hospital voluntary paternity establishment program begun in 1994 by the Clinton Administration. In 1998, the number of fathers taking responsibility for their children by establishing paternity rose to a record 1.5 million, triple the 1992 figure of 512,000. In 1998, 40%, or 614,000 of all paternities were established through the in-hospital program.

- ➢ ***Increasing Collections***. Finally, President Clinton has taken executive action, including: collections from federal payments such as income tax refunds and employee salaries, and steps to deny federal loans to delinquent parents. The federal government collected over $1.1 billion in delinquent child support from federal income tax refunds for tax year 1997, a 70% increase since 1992.

- **Breaking the Cycle of Dependency -- Preventing Teen Pregnancy**: Significant components of the President's comprehensive effort to reduce teen pregnancy became law when the President signed the 1996 Personal Responsibility Act. The law requires unmarried minor parents to stay in school and live at home or in a supervised setting; encourages "second chance homes" to provide teen parents with the skills and support they need; and, provides $50 million a year in new funding for state abstinence education activities. Since 1993, the Administration has supported innovative and promising teen pregnancy prevention strategies, including working with boys and young men on pregnancy prevention strategies. The National Campaign to Prevent Teen Pregnancy, a private nonprofit organization, was formed in response to the President's 1995 State of the Union. In 1997, the President announced the National Strategy to Prevent Teen Pregnancy. The first annual report on this Strategy reported that HHS-supported programs already reach at least 31% or 1,470 communities in the United States. In April 1999, the Vice President announced new data showing that we continue to make real progress in encouraging more young people to delay parenthood -- teen births have declined nationwide by 16% from 1991 to 1997, and have fallen in every state and across ethnic and racial groups. In addition, teen pregnancy rates are at their lowest level in 20 years.

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)

5/24/99

Summary of State Spending of Federal Funds
FY 1997 through First Quarter FY 1999

	FEDERAL FUNDS AWARDED	TRANSFERRED TO CCDF	TRANSFERRED TO SSBG	AVAILABLE FOR TANF	TOTAL EXPENDITURES	UNLIQUIDATED OBLIGATIONS	UNOBLIGATED BALANCES
FY 97 FUNDS	13,360,423,923	314,735,733	432,529,883	12,613,158,307	11,487,797,994	922,446,091	232,473,219
FY 98 FUNDS	16,562,380,591	747,852,288	1,090,643,748	14,723,884,555	11,099,568,087	1,605,238,438	2,078,594,795
FY 99 FUNDS	4,431,919,162	125,821,015	83,035,017	4,223,063,130	1,569,143,349	762,884,098	1,900,785,649
TOTAL	$34,354,723,676	$1,188,409,036	$1,606,208,648	$31,560,105,992	$24,156,509,430	$3,290,568,627	$4,211,853,663
PERCENTAGE	100%	3%	5%	92%	70%	10%	12%

Table 2 *Monthly Total Income for a Family of Three under Four Work Scenarios in 12 States*

	Work Scenario			
State	No Work	Part-Time, Minimum Wage	Full-Time, Minimum Wage	Full-Time, $9/Hour
Alabama	$479	$894	$1,198	$1,442
California	825	1,226	1,449	1,512
Colorado	674	1,041	1,243	1,478
Florida	618	1,036	1,275	1,489
Massachusetts	825	1,209	1,448	1,522
Michigan	743	1,082	1,257	1,470
Minnesota	763	1,168	1,409	1,475
Mississippi	435	905	1,215	1,477
New Jersey	726	1,066	1,300	1,491
New York	833	1,205	1,447	1,536
Texas	503	901	1,233	1,482
Washington	812	1,120	1,344	1,482
Median	734	1,074	1,287	1,482

Notes: Total income consists of earnings, TANF benefit, cash value of food stamp allotment, federal Earned Income Tax Credit, and state earned income and other tax credits, less the employee's share of payroll taxes and federal and state income tax liabilities.

Program rules are based on the Urban Institute's summary of state TANF plans, legislation, and regulations as of October 1997.

Source: G. Acs, et al. (1998) Does work Pay? Analysis of the Work Incentives Under TANF (Occasional Paper #9). Washington, DC: Urban Institute

IMMIGRANT / FOOD STAMPS

*

RESTORING FAIRNESS AND PROTECTING THE MOST VULNERABLE

The President made a commitment to fix several provisions in the welfare reform law that had nothing to do with moving people from welfare to work. In 1997, the President fought for and ultimately was successful in ensuring that the Balanced Budget Act protects the most vulnerable. In 1998, the President continued his proposals to reverse unfair cuts in benefits to legal immigrants. The Administration's FY 2000 budget would build on this progress by restoring important disability, health, and nutrition benefits to additional categories of legal immigrants, at a cost of $1.3 billion over five years. The Administration's proposal is included in the Fairness for Legal Immigrants Act of 1999 (S.792/H.R.1399) recently introduced by Senator Moynihan and Representative Levin. In addition, Senators Chafee, McCain, Mack, Jeffords, Graham, and Moynihan introduced S. 1227, a bipartisan bill similar to the Administration's proposal to restore health coverage to legal immigrant children and pregnant women.

- **Disability and Health**: The Balanced Budget Act of 1997 and the Noncitizen Technical Amendment Act of 1998 invested $11.5 billion to restore disability and health benefits to 380,000 legal immigrants who were in this country before welfare reform became law (August 22, 1996). The President's FY 2000 Budget would restore eligibility for SSI and Medicaid to legal immigrants who enter the country after that date if they have been in the United States for five years and become disabled after entering the United States. This proposal would cost approximately $930 million and assist an estimated 54,000 legal immigrants by 2004, about half of whom would be elderly.

- **Nutritional Assistance**: The Agricultural Research Act of 1998 provided Food Stamps for 225,000 legal immigrant children, senior citizens, and people with disabilities who enter the United States by August 22, 1996. The President's FY 2000 Budget would extend this provision by allowing legal immigrants in the United States on August 22, 1996 who subsequently reach age 65 to be eligible for Food Stamps at cost of $60 million, restoring benefits to about 20,000 elderly legal immigrants by 2004.

- **Health Care for Children and Pregnant Women**: Under current law, states have the option to provide health coverage to immigrant children and pregnant women who entered the country before August 22, 1996. The President's FY 2000 Budget gives states the option to extend Medicaid or CHIP coverage to low-income legal immigrant children and Medicaid to pregnant women who entered the country after August 22, 1996. The proposal would cost $325 million and provide critical health insurance to approximately 55,000 children and 23,000 women by FY 2004. This proposal would reduce the number of high-risk pregnancies, ensure healthier children, and lower the cost of emergency Medicaid deliveries.

- **Helping People Who Want to Work but Can't Find a Job**: The Balanced Budget Act, as amended by the Agricultural Research Act, also restored $1.3 billion in food stamp cuts. The welfare reform law restricts food stamps to 3 out of every 36 months for able-bodied childless adults, unless they were working. Acknowledging that finding a job often takes time, the BBA provided funds for work slots and food stamp benefits to help those who are willing to work but, through no fault of their own, have not yet found employment. In addition, the BBA allows states to exempt up to 15% of the food stamp recipients (70,000 individuals monthly) who would otherwise be denied benefits as a result of the “3 in 36” limit.

THE WHITE HOUSE

Office of the Vice President

For Immediate Release **Contact:**
Monday, August 2, 1999 **(202) 456-7035**

VICE PRESIDENT GORE ANNOUNCES FEDERAL GOVERNMENT IS DOING ITS SHARE IN MOVING FAMILIES FROM WELFARE TO WORK

Washington, DC -- Vice President Gore announced today that the federal government has hired over 14,000 welfare recipients since launching the Federal Welfare-to-Work Hiring Initiative in March 1997, far exceeding the goal to hire 10,000 individuals by the year 2000. And, new data from the U.S. Office of Personnel Management show that federal Welfare-to-Work hires are not only getting off welfare, but they are staying off and succeeding in their new jobs.

"More and more people are moving from welfare to work, and I'm proud the federal government is doing its part," said Vice President Gore. "And I'm particularly pleased that nearly 70 percent of federal Welfare-to-Work hires were still on board with us after one year -- a far higher retention rate than for other federal employees. Clearly, welfare to work can pay off for both employers and employees."

As of September 1998, almost 70 percent of federal Welfare-to-Work hires were still working in their federal positions after one year. In comparison, only 37 percent of the non-Welfare-to-Work employees hired during the same period for similar jobs and pay levels, were still in their jobs. These results are consistent with the experience of the private sector employers involved in The Welfare-to-Work Partnership. Businesses in dozens of industries find that welfare-to-work retention is often higher than that experienced with non-welfare hires. Welfare hiring programs not only help meet labor needs, but decrease costly employee turnover.

Today, Vice President Gore will talk with successful federal Welfare-to-Work hires from several agencies around the country. Dedicated cabinet secretaries and agency coodinators have hired over 14,000 individuals in jobs such as Clerks, Food Service Workers, Enumerators, and Motor Vehicle Operators in hundreds of federal offices nationwide. Four out of five federal Welfare-to-Work hires work outside the Washington area. As part of this effort, the White House pledged to hire six welfare recipients and has already brought eight individuals on board.

Vice President Gore's *Second Annual Report to the President on the Federal Welfare-to-Work Hiring Initiative* highlights strategies that agencies use to recruit and retain their federal Welfare-to-Work hires. Retention strategies include: on-the-job training, mentoring programs, counseling services, health benefits, assistance with transportation and child care, flexible work schedules, and information on supports for working families such as the Earned Income Tax Credit.

"Welfare-to-Work works for federal employers," said U.S. Office of Personnel Management Director Janice Lachance. "Federal Welfare-to-Work hires are almost twice as likely to stay on the job for a full year than non-Welfare-to-Work employees. What a great incentive to keep the momentum going."

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Agency	Total Commitment Thru 2000	Hires Reported Thru July 22	% of Total Year 2000 Commitment Hired since 3/8/97
Commodity Futures Trading Commission	--	3	--
Department of Agriculture	375	559	149%
Department of Commerce	4180	4953	118%
Department of Defense	1600	2634	165%
Department of Education	21	26	124%
Department of Energy	55	73	133%
Department of Health & Human Services	300	362	121%
Department of Housing & Urban Development	200	142	71%
Department of the Interior	325	246	76%
Department of Justice	450	305	68%
Department of Labor	120	161	134%
Department of State	220	56	25%
Department of Transportation	400	290	73%
Department of the Treasury	405	1870	462%
Department of Veterans Affairs	800	1380	173%
Environmental Protection Agency	120	85	71%
Equal Employment Opportunity Commission	--	9	--
Executive Office of the President	6	8	133%
Federal Emergency Management Agency	125	69	55%
General Services Administration	121	102	84%
National Aeronautics & Space Administration	40	32	80%
National Archives & Records Administration	--	32	--
National Credit Union Administration	--	5	--
National Endowment for the Humanities	--	1	--
National Labor Relations Board	--	1	--
Office of Government Ethics	--	1	--
Office of Personnel Management	25	58	232%
Railroad Retirement Board	--	1	--
Securities & Exchange Commission	10	12	120%
Small Business Administration	120	61	51%
Social Security Administration	600	463	77%
U.S. Information Agency	20	27	135%
U.S. Nuclear Regulatory Commission	--	1	--
TOTAL	10638	14028	132%

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES
TANF WORK PARTICIPATION RATES
FISCAL YEAR 1998

Circled states failed 2-parent

STATE	ALL FAMILY RATES: RATE	ALL FAMILY RATES: ADJUSTED STANDARD 3/	ALL FAMILY RATES: MET TARGET	TWO-PARENT FAMILY RATES: RATE	TWO-PARENT FAMILY RATES: ADJUSTED STANDARD	TWO-PARENT FAMILY RATES: MET TARGET
UNITED STATES	35.4			42.3		
ALABAMA	38.9	5.0%	■	1/		NA
ALASKA	42.5	26.8%	■	36.8	68.6%	
ARIZONA	30.2	8.7%	■	76.6	53.7%	■
ARKANSAS	19.4	16.6%	■	20.3	57.8%	
CALIFORNIA	36.6	17.8%	■	36.2	32.7%	■
COLORADO	28.7	7.5%	■	25.7	15.1%	■
CONNECTICUT	41.4	21.5%	■	73.2	66.5%	■
DELAWARE	26.2	9.4%	■	23.7	54.4%	
DIST. OF COL.	22.8	20.1%	■	22.5	30.1%	
FLORIDA	34.5	5.8%	■	1/		NA
GEORGIA	29.3	6.1%	■	1/		NA
GUAM	12.4	30.0%		13.8	75.0%	
HAWAII	30.0	28.1%	■	1/		NA
IDAHO	28.6	4.2%	■	22.5	0.0%	■
ILLINOIS	37.7	13.6%	■	77.7	45.0%	■
INDIANA	29.9	0.0%	■	32.8	20.1%	■
IOWA	56.9	9.1%	■	53.6	51.4%	■
KANSAS	41.3	1.9%	■	44.2	23.2%	■
KENTUCKY	38.3	16.3%	■	51.6	37.5%	■
LOUISIANA	29.2	2.0%	■	38.1	0.0%	■
MAINE	45.6	15.1%	■	49.9	35.3%	■
MARYLAND	12.7	3.1%	■	1/		NA
MASSACHUSETTS	29.0	7.3%	■	73.3	44.6%	■
MICHIGAN	49.2	5.2%	■	63.9	38.4%	■
MINNESOTA	30.6	17.0%	■	30.8	42.5%	
MISSISSIPPI	25.2	3.7%	■	70.4	1.2%	■
MISSOURI	24.1	10.4%	■	34.9	0.0%	■
MONTANA	78.3	7.2%	■	86.4	52.2%	■
NEBRASKA	36.2	20.6%	■	39.5	53.1%	
NEVADA	34.5	6.0%	■	58.7	31.7%	■
NEW HAMPSHIRE	37.3	5.5%	■	44.6	1.6%	■
NEW JERSEY	26.5	14.7%	■	1/		NA
NEW MEXICO	15.9	8.5%	■	16.8	35.6%	
NEW YORK	37.5	15.0%	■	58.8	38.5%	■
NORTH CAROLINA	14.5	10.0%	■	30.9	55.0%	
NORTH DAKOTA	31.5	10.7%	■	1/		NA
OHIO	44.9	11.6%	■	51.5	49.2%	■
OKLAHOMA	35.2	0.0%	■	31.4	4.2%	■
OREGON	98.2	0.0%	■	95.2	9.8%	■
PENNSYLVANIA	19.3	9.9%	■	21.8	26.3%	
PUERTO RICO	6.8	17.1%		1/		NA
RHODE ISLAND	27.5	19.3%	■	32.4	51.1%	
SOUTH CAROLINA	42.7	19.0%	■	60.9	48.5%	■
SOUTH DAKOTA	39.2	11.2%	■	1/		NA
TENNESSEE	43.2	2.0%	■	39.1	4.6%	■
TEXAS	25.2	5.2%	■	44.3	47.9%	
UTAH	39.8	2.5%	■	49.7	47.5%	■
VERMONT	2/		NA	2/		NA
VIRGIN ISLANDS	15.5	27.7%		1/		NA
VIRGINIA	27.5	6.8%	■	26.5	51.8%	
WASHINGTON	48.5	21.1%	■	45.5	52.2%	
WEST VIRGINIA	33.4	19.2%	■	37.2	46.8%	
WISCONSIN	64.0	0.0%	■	39.2	0.0%	■
WYOMING	55.3	0.0%	■	65.8	4.9%	■

KEY

1/ State does not have any two-parent families in its TANF Program.

2/ State claims waiver inconsistencies exempt all cases from participation rates.

3/ The work participation rate standard before the application of the caseload reduction credit is 30% for the overall rate and 75% for the two-parent rate.

Highest

Oregon	98.2
Montana	78.3
Wisconsin	64.0
Iowa	56.9
Wyoming	55.3

Lowest

Maryland	12.7
North Carolina	14.5
New Mexico	15.9
Pennsylvania	19.3
Arkansas	38.9

○ highest

□ lowest

ACF/OPRE: 07-231-99

CHANGE IN TANF CASELOADS

Total TANF families and recipients

(in thousands)

	Jan-93	Jan-94	Jan-95	Jan-96	Jan-97	Jan-98	Mar-99	Percent (93-98)
Families	4,963	5,053	4,963	4,628	4,114	3,305	2,668	-46%
				2,295,000 fewer families				
Recipients	14,115	14,276	13,931	12,877	11,423	9,132	7,335	-48%
				6,780 fewer recipients				

Total TANF recipients by State

STATE	Jan-93	Jan-94	Jan-95	Jan-96	Jan-97	Jan-98	Mar-99	Percent (93-98)
Alabama	141,746	135,096	121,837	108,269	91,723	61,809	46,934	-67%
Alaska	34,951	37,505	37,264	35,432	36,189	31,689	28,020	-20%
Arizona	194,119	202,350	195,082	171,617	151,526	113,209	92,467	-52%
Alabama	73,982	70,563	65,325	59,223	54,879	36,704	29,340	-60%
California	2,415,121	2,621,383	2,692,202	2,648,772	2,476,564	2,144,495	1,818,197	-25%
Colorado	123,308	118,081	110,742	99,739	87,434	55,352	39,346	-68%
Connecticut	160,102	164,265	170,719	161,736	155,701	138,666	90,799	-43%
Delaware	27,652	29,286	26,314	23,153	23,141	18,504	16,581	-40%
Dist. of Col.	65,860	72,330	72,330	70,082	67,871	56,128	52,140	-21%
Florida	701,842	689,135	657,313	575,553	478,329	320,886	198,101	-72%
Georgia	402,228	396,736	388,913	367,656	306,625	220,070	137,976	-66%
Guam	5,087	6,651	7,630	7,634	7,370	7,461	8,620	69%
Hawaii	54,511	60,975	65,207	66,690	65,312	75,817	45,515	-17%
Idaho	21,116	23,342	24,050	23,547	19,812	4,446	2,897	-86%
Illinois	685,508	709,969	710,032	663,212	601,854	526,851	382,937	-44%
Indiana	209,882	218,061	197,225	147,083	121,974	95,665	109,675	-48%
Iowa	100,943	110,639	103,108	91,727	78,275	69,504	60,151	-40%
Kansas	87,525	87,433	81,504	70,758	57,528	38,462	32,873	-62%
Kentucky	227,879	208,710	193,722	176,601	162,730	132,388	99,560	-56%
Louisiana	263,338	252,860	258,180	239,247	206,582	118,404	111,074	-58%
Maine	67,836	65,006	60,973	56,319	51,178	41,265	34,108	-50%
Maryland	221,338	219,863	227,887	207,800	169,723	130,196	89,003	-60%
Massachusetts	332,044	311,732	286,175	242,572	214,014	181,729	151,592	-54%
Michigan	686,356	672,760	612,224	535,704	462,291	376,985	263,583	-62%
Minnesota	191,526	189,615	180,490	171,916	160,167	141,064	140,128	-27%
Mississippi	174,093	161,724	146,319	133,029	109,097	66,030	38,426	-78%
Missouri	259,039	262,073	259,595	238,052	208,132	162,950	135,383	-48%
Montana	34,848	35,415	34,313	32,557	28,138	20,137	15,508	-55%
Nebraska	48,055	46,034	42,038	38,653	36,535	38,090	34,662	-28%
Nevada	34,943	37,908	41,846	40,491	28,973	29,262	20,283	-42%
New Hampshir	28,972	30,386	28,671	24,519	20,627	15,947	16,090	-44%
New Jersey	349,902	334,780	321,151	293,833	256,064	217,320	175,223	-50%
New Mexico	94,836	101,676	105,114	102,648	89,814	64,759	80,686	-15%
New York	1,179,522	1,241,639	1,266,350	1,200,847	1,074,189	941,714	828,302	-30%
North Carolina	331,633	334,451	317,836	282,086	253,286	192,172	138,570	-58%
North Dakota	18,774	16,785	14,920	13,652	11,964	8,884	8,355	-55%

STATE	Jan-93	Jan-94	Jan-95	Jan-96	Jan-97	Jan-98	Mar-99	Percent (93-98)
Ohio	720,476	691,099	629,719	552,304	518,595	386,239	282,444	-61%
Oklahoma	146,454	133,152	127,336	110,498	87,312	69,630	56,640	-61%
Oregon	117,656	116,390	107,610	92,182	66,919	48,561	45,450	-61%
Pennsylvania	604,701	615,581	611,215	553,148	484,321	395,107	312,364	-48%
Puerto Rico	191,261	184,626	171,932	156,805	145,749	130,283	107,447	-44%
Rhode Island	61,116	62,737	62,407	60,654	54,809	54,537	53,859	-12%
South Carolina	151,026	143,883	133,567	121,703	98,077	73,179	42,504	-72%
South Dakota	20,254	19,413	17,652	16,821	14,091	10,514	8,445	-58%
Tennessee	320,709	302,608	281,982	265,320	195,891	139,022	152,695	-52%
Texas	785,271	796,348	765,460	714,523	626,617	439,824	313,823	-60%
Utah	53,172	50,657	47,472	41,145	35,493	29,868	26,428	-50%
Vermont	28,961	28,095	27,716	25,865	23,570	21,013	18,230	-37%
Virgin Islands	3,763	3,767	4,345	5,075	4,712	4,129	3,533	-6%
Virginia	194,212	194,959	189,493	166,012	136,053	107,192	88,910	-54%
Washington	286,258	292,608	290,940	276,018	263,792	228,723	174,099	-39%
West Virginia	119,916	115,376	107,668	98,439	98,690	51,348	44,367	-63%
Wisconsin	241,098	230,621	214,404	184,209	132,383	44,630	28,863	-88%
Wyoming	18,271	16,740	15,434	13,531	10,322	2,903	1,770	-90%
U.S. Total	14,114,992	14,275,877	13,930,953	12,876,661	11,423,007	9,131,716	7,334,976	-48%

Source:
U.S. Dept. of Health & Human Services
Administration for Children and Families
Aug-99

Lowest
Rhode Island -12%
New Mexico -15%
Hawaii -17%
Alaska -20%
Calif. -25%

Highest
Wyoming -90%
Wisconsin - 88%
Idaho -86%
Mississippi -78%
Florida -72%

THE WHITE HOUSE

Office of the Vice President

For Immediate Release	**Contact:**
Monday, August 2, 1999	**(202) 456-7035**

VICE PRESIDENT GORE ANNOUNCES FEDERAL GOVERNMENT IS DOING ITS SHARE IN MOVING FAMILIES FROM WELFARE TO WORK

Washington, DC -- Vice President Gore announced today that the federal government has hired over 14,000 welfare recipients since launching the Federal Welfare-to-Work Hiring Initiative in March 1997, far exceeding the goal to hire 10,000 individuals by the year 2000. And, new data from the U.S. Office of Personnel Management show that federal Welfare-to-Work hires are not only getting off welfare, but they are staying off and succeeding in their new jobs.

"More and more people are moving from welfare to work, and I'm proud the federal government is doing its part," said Vice President Gore. "And I'm particularly pleased that nearly 70 percent of federal Welfare-to-Work hires were still on board with us after one year – a far higher retention rate than for other federal employees. Clearly, welfare to work can pay off for both employers and employees."

As of September 1998, almost 70 percent of federal Welfare-to-Work hires were still working in their federal positions after one year. In comparison, only 37 percent of the non-Welfare-to-Work employees hired during the same period for similar jobs and pay levels, were still in their jobs. These results are consistent with the experience of the private sector employers involved in The Welfare-to-Work Partnership. Businesses in dozens of industries find that welfare-to-work retention is often higher than that experienced with non-welfare hires. Welfare hiring programs not only help meet labor needs, but decrease costly employee turnover.

Today, Vice President Gore will talk with successful federal Welfare-to-Work hires from several agencies around the country. Dedicated cabinet secretaries and agency coodinators have hired over 14,000 individuals in jobs such as Clerks, Food Service Workers, Enumerators, and Motor Vehicle Operators in hundreds of federal offices nationwide. Four out of five federal Welfare-to-Work hires work outside the Washington area. As part of this effort, the White House pledged to hire six welfare recipients and has already brought eight individuals on board.

Vice President Gore's *Second Annual Report to the President on the Federal Welfare-to-Work Hiring Initiative* highlights strategies that agencies use to recruit and retain their federal Welfare-to-Work hires. Retention strategies include: on-the-job training, mentoring programs, counseling services, health benefits, assistance with transportation and child care, flexible work schedules, and information on supports for working families such as the Earned Income Tax Credit.

"Welfare-to-Work works for federal employers," said U.S. Office of Personnel Management Director Janice Lachance. "Federal Welfare-to-Work hires are almost twice as likely to stay on the job for a full year than non-Welfare-to-Work employees. What a great incentive to keep the momentum going."

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Agency	Total Commitment Thru 2000	Hires Reported Thru July 22	% of Total Year 2000 Commitment Hired since 3/8/97
Commodity Futures Trading Commission	--	3	--
Department of Agriculture	375	559	149%
Department of Commerce	4180	4953	118%
Department of Defense	1600	2634	165%
Department of Education	21	26	124%
Department of Energy	55	73	133%
Department of Health & Human Services	300	362	121%
Department of Housing & Urban Development	200	142	71%
Department of the Interior	325	246	76%
Department of Justice	450	305	68%
Department of Labor	120	161	134%
Department of State	220	56	25%
Department of Transportation	400	290	73%
Department of the Treasury	405	1870	462%
Department of Veterans Affairs	800	1380	173%
Environmental Protection Agency	120	85	71%
Equal Employment Opportunity Commission	--	9	--
Executive Office of the President	6	8	133%
Federal Emergency Management Agency	125	69	55%
General Services Administration	121	102	84%
National Aeronautics & Space Administration	40	32	80%
National Archives & Records Administration	--	32	--
National Credit Union Administration	--	5	--
National Endowment for the Humanities	--	1	--
National Labor Relations Board	--	1	--
Office of Government Ethics	--	1	--
Office of Personnel Management	25	58	232%
Railroad Retirement Board	--	1	--
Securities & Exchange Commission	10	12	120%
Small Business Administration	120	61	51%
Social Security Administration	600	463	77%
U.S. Information Agency	20	27	135%
U.S. Nuclear Regulatory Commission	--	1	--
TOTAL	10638	14028	132%

not given to WH press office — includes additional info from HHS

Welfare to Work Q&As
August 3, 1999 – long version

Today's Announcements

Q: What is the President announcing today?

A: Today, three years after enactment of the welfare reform law, President Clinton will announce that all 50 states met the law's overall work requirements in 1998, and nearly four times more of those on welfare are working than when he took office. These are the first work data from every state to be released under the 1996 welfare reform law, and they confirm a growing body of evidence that three years later, record numbers of people are moving from welfare-to-work. These findings, along with new figures showing caseloads have declined by 6.8 million since the President took office, will be contained in a report transmitted to Congress today. The President will make these announcements at a National Forum convened by The Welfare-to-work Partnership, whose companies have hired over 410,000 welfare recipients. At the National Forum, the President will talk to former recipients about their experiences moving from welfare-to-work, call on business leaders to hire even more people from the welfare rolls, challenge federal, state and local officials to invest funds in those who need help the most, and warn Congress not to renege on the bipartisan commitment to help states and communities finish the job of welfare reform.

Q: What's the significance of the work participation rates released today?

A: These are the first full year of work data available under the 1996 welfare reform law, and the first data available for all states. The data to be released by the President today show that every state and the District of Columbia met the welfare law's overall work requirement for 1998, which requires 30 percent of families to have a parent working or engaged in a work activity at least 20 hours per week. Nationally, 35 percent of all welfare recipients were participating in a work activity in 1998, confirming that we are dramatically changing the welfare system to focus on work. Not all states met the law's two parent work rates, which require 75 percent of two parent families to participate: of the forty-one states subject to the rate, 28 met it. These data cover fiscal year 1998 (October 1, 1997 through September 30, 1998). Last December, HHS released data for that 39 states that were required to meet the work rates for the last quarter of FY 1997 (July 1, 1997 – September 30, 1997), showing that the 39 states met the overall work requirement and 15 states met the two-parent rate.

NOTE: A table with state-by-state participation rate data has been provided to the press office.

Q: How is welfare reform going?

A: First, welfare reform has been successful in moving many families from welfare-to-work. The 1998 data show that four times more welfare recipients are working than when the President took office. Nationally, the percentage of the welfare recipients working rose from 7 percent in 1992 to 27 percent in 1998, with the remainder fulfilling their participation requirements through job search, education and training.

Second, we have learned a fair amount about the effects of welfare reform on employment and earnings, and the early news is very encouraging. Numerous independent studies confirm that more people are moving from welfare-to-work. A recent General Accounting Office report found that between 63 and 87 percent of adults have worked since leaving the welfare rolls. Preliminary findings from six of the HHS funded studies of families leaving welfare indicate that between one-half and three-fifths of former TANF recipients found work in jobs which were covered by their States' Unemployment Insurance program. At the same time, the Census Bureau's Current Population Survey shows that between 1992 and 1998, the employment rate of previous year welfare recipients increased by 70 percent.

Third, caseloads are down dramatically. Welfare caseloads are at their lowest level since 1967 and the welfare rolls have fallen by nearly half since the beginning of this Administration. The number of recipients fell from 14.1 million in January 1993 to 7.6 million in March 1999, a decline of nearly 6.8 million or 48% fewer since President Clinton took office.

Fourth, there has been NO race to the bottom in state welfare spending-states are spending more per recipient now than they did in 1994. In 1998, all states met the minimum spending requirements required by law and 13 states exceeded them.

Fifth, a majority of states are increasing their "earnings disregards." That means they're raising the amount of earnings that are not counted when determining a recipient's benefits. This will not only help pull families out of poverty, it will send the message to low wage earners that going to work is a better deal than staying home.

This is clearly not the end of welfare reform, it is only the beginning. And that's why this Administration has challenged all Americans to help make this historic law work even better. The President has spoken forcefully about the need for the business community to hire people coming off welfare. The 12,000 companies that have joined the Welfare-to-Work Partnership have hired 410,000 welfare recipients. The federal government has done its fair share too, hiring over 14,000 welfare recipients.

Congress can also do more. The Administration's budget requests $19 billion in significant new funding for child care to help working families meet the cost of child care requests; $430 million for welfare-to-work housing vouchers; doubles Access to Jobs transportation funding; and extends tax credits to businesses to encourage the hiring and retention of welfare recipients.

Participation Rates

Q: What do these participation rates tell us about welfare reform?

A: This early report on activities in the states is very promising, showing that we are making progress in moving parents on welfare into jobs or giving them the work skills they need to get a job. It's important to note that all states met the all family participation rate standard for 1998, confirming a growing body of evidence that three years since the welfare reform law, record numbers of people are moving from welfare to work.

Q: What is going to happen to the states which failed to reach their participation rate requirements?

A: First, it's important to note that all states met the overall participation. Second, there were some states that failed to meet the two-parent participation rate. For these states, the penalty amount will be based on the percentage of two-parent families in the state's caseload. However, states can submit corrective compliance plans or appeal the penalty for a reasonable cause exception.

The states that failed to meet the two-parent participation rates are Alaska, Arkansas, Delaware, District of Columbia, Minnesota, Nebraska, New Mexico, North Carolina, Pennsylvania, Rhode Island, Texas, Virginia, Washington, and West Virginia. In 1998, the territories were subject to penalties for the first time. Guam, Puerto Rico and the Virgin Islands did not meet the overall participation rate requirements and are liable for penalties. They can also submit corrective plans or appeal the penalty.

[Background: The penalty amounts range from $2,339 to $1,616,434. The list of states follows:

For the states failing to meet the 2-parent rate the penalties are as follows. (Also note that the two-parent penalty has been pro-rated based on the proportion of two parent cases in the state.)

Alaska	$150,237
Arkansas	$13,803
Delaware	$15,581
D.C.	$2,339
Minnesota	$159,123
Nebraska	$13,710
New Mexico	$71,481
N. Carolina	$60,988
Pennsylvania	$148,251
Rhode Island	$38,250
Texas	$61,182
Virginia	$13,214
Washington	$127,175
West Virginia	$42,640

For the 3 territories failing the all-family rate, the penalties are:

Guam	$76,241
Puerto Rico	$1,616,434
Virgin Islands	$47,015

Q: What is the maintenance of effort penalty and are any states going to be penalized?

A: As a condition of signing the 1996 welfare law, President Clinton insisted on a provision that would require states to maintain a percentage of state spending in the welfare program to guard against a "race to the bottom." The requirement includes a strong penalty for failing to maintain state spending. There has been no race to the bottom since the welfare law was enacted with states spending more per recipient now than they did in 1994. If a state failed to meet the level of funding, the penalty is the amount under spent by the state plus the state is required to spend the same amount into the TANF program. In 1998, no state is subject to the maintenance of effort penalty.

Q: Why are there such differences between the states as far as two-parent caseloads? Is there any way to categorize these differences?

A: Under the new welfare law, states continue to have considerable flexibility in establishing eligibility for programs for two-parent families. Nationally, the numbers remain small at about 6 percent of the total caseload. Some states have made changes to expand eligibility for the two-parent family program by increasing the number of hours parents can work while retaining their benefits. This change can account for some of the increase in both numbers and percentage of families engaged in work activities.

Q: Why do some states not have two-parent programs?

A: States have always had, bother under the previous AFDC and current TANF programs, flexibility in the eligibility and size of two-parent welfare programs. There is no requirement for a state to have a two-parent program. Nationally, the numbers remain small at about 6 percent of the total caseload. Of the 10 states and territories not subject to the participation rate requirement, six states have opted to establish separate state programs for two-parent families that they have the flexibility to do under the 1996 welfare law. Under a separate state program, the state is not subject to the participation rate requirements. Four states and territories have chosen not to have a two-parent program.

Q: What is the participation rate requirement and how do you calculate the rates?

A: Under the Temporary Assistance for Needy Families (TANF) program established by the new welfare law, states are required to meet minimum participation rates of parents on welfare either working or engaged in work activities. The rates for all families started at 25 percent in 1997 and increase 5 percent each year to 50 percent in 2002. For two-parent families, the rates started at 75 percent and increase in 1999 to 90 percent. In 1998, states were required to meet 30 percent for all families and 75 percent for two-parent families with single parents working a minimum of 20 hours per week and two parents working a minimum of 35 hours per week. States can receive a credit for reductions in their welfare caseloads for parents leaving welfare compared to previous years. The credit adjusts the target in both rates for each state. Also, several states had adjustments to their rates because they continued waivers approved under the Clinton administration.

Q: How do the participation rates work? What kind of work activities are the families doing?

A: Under the new welfare reform law, states are required to have a specific percentage of their welfare cases involved in work activities for each year. There are two rates for FY 1998: 30 percent of all TANF families must be engaged in work activities (for at least 20 hours per week) and 75 percent of two-parent TANF families must be engaged in work activities (for at least 35 hours per week). The two-parent families make up only a small percentage of the total caseload, less than 10 percent nationwide. About three-quarters of those counting toward the work rates were in a direct work activity (unsubsidized employment, subsidized employment, work experience or community service, with the vast majority of these in unsubsidized employment). The remainder fulfilled their participation requirements through job search, education or training.

Q: Isn't it true that some states only met the participation rate because they reduced their welfare caseloads?

A: The law provides states with credit for those who left the welfare rolls, to ensure success is not simply measured by those who stay on welfare and work. However, two-thirds of states met or exceeded the overall family work rate without the caseload reduction credit, and nationally, 35 percent of all welfare families were participating – exceeding the target of 30 percent.

The "caseload reduction credit" in the law reduces a state's participation rate target by the number of percentage points its caseloads declined between 1995 and 1997. For example, if a state's caseload went down by 10 percent between 1995 and 1997, its participation rate target for all families is reduced from 30 percent to 20 percent.

Q: What is the basis for saying the percent of people working has quadrupled?

A: State data reported to HHS shows that four times more of those on welfare are working than when the President took office. Nationally, the percentage of welfare recipients working rose from 7 percent in 1992 to 27 percent in 1998 – the highest level ever recorded. The 27 percent working includes employment, work experience and community service.

Caseload

Q: How much have welfare caseloads declined?

A: New welfare caseload numbers to be released by the President today show the percent of Americans on welfare is at its lowest level since 1967. The welfare rolls have fallen by 48 percent, or 6.8 million, since January 1993, when they stood at 14.1 million. State-by-state numbers show that since 1992, 31 states have had declines of 50 percent or more. Since the welfare reform law was signed in 1996, caseloads have declined by 4.9 million or 40 percent. Nationally, 2.7 percent of Americans receive welfare benefits funded through the Temporary Assistance for Needy Families program.

NOTE: A table showing state-by-state caseloads has been provided to the press office.

Q: How much of the caseload decline is due to the economy?

A: A new report by the Council of Economic Advisers, released today, finds that the implementation of welfare reform is the single most important factor contributing to the widespread and continuous caseload declines from 1996 to 1998. CEA estimates that the program changes implemented as a result of welfare reform account for approximately one-third of the caseload reduction from 1996 to 1998. The strong economy has also played an important role, accounting for approximately ten percent of the decline between 1996 and 1998.

A growing economy does not always produce caseload declines. The General Accounting Office recently testified that during the 1980s, with a booming economy, welfare rolls actually increased by 12 percent. Declines did not begin until 1994, and decreases were modest until welfare reform was enacted.

Q: Is the rate of caseload decline beginning to slow?

A: No. Both the absolute decline (238,000 recipients) and the rate of decline (-3.1 percent) for January to March 1999 is larger than the declines for the same period last year (222,000 recipients and –2.4 percent). However, we would not find it terribly surprising that the rate of decline may be slowing for some states that have reduced their caseloads dramatically over the past few years and are now working with those who have the greatest challenges to employment. That is exactly why we need to make an additional investment in helping those who remain on the rolls move into jobs and to ensure that those who have gone to work succeed in their jobs.

Q: **How can you continue to tout caseload declines as a measure of welfare reform success when you still don't know what's happening to families leaving the rolls?**

A: Welfare caseload is one measure we have to determine how welfare reform is succeeding. We have several other reports that show that more parents on welfare are working and those leaving the rolls are going into jobs. Nationally, the percentage of the welfare recipients working rose from 7 percent in 1992 to 27 percent in 1998, with the remainder fulfilling their participation requirements through job search, education and training. Thus, almost one in four recipients was employed in a typical month, the highest level ever recorded. State evaluations indicate that 60 percent or more of the parents leaving welfare are going into jobs. We will learn even more about parents moving into jobs, staying employed and earning more, both as a result of the high performance bonus that will encourage states to compete for $200 million additional federal dollars and from the ongoing HHS-funded studies of families leaving welfare.

Q: **What is the caseload reduction credit?**

A: Welfare reform effectively began prior to the new welfare law in 1996 when the Clinton administration granted 43 states waivers to test stronger work requirements, time limits of assistance and tougher parental responsibility provisions. States can claim a credit for reductions in their welfare caseload to be applied to the reporting year's minimum participation rate for the year previous to FY 1995. States do have to adjust that number for any reductions that are attributable to eligibility changes. For this second participation rate requirement, states can take a credit for caseload reductions in FY 1997.

Q: **All-families versus two-parent families – are we using two different caseload reduction credits?**

A: States have the option to use the all-family caseload reduction rate for both all-family and two-parent minimum participation rates. Otherwise, states apply the reductions for all-families and two-parents for the two participation rates respectively.

Q: **What process does ACF use with the States for calculating compliance with work participation rates?**

A: First, states submit to ACF their work participation rate and recipient characteristic data, caseload reduction and waiver information. ACF then determines a caseload reduction credit for each State. (To ensure fair treatment of States that help families become self-sufficient and exit the welfare rolls, Congress created the caseload reduction credit. As a result, states can claim a credit for reductions in their welfare caseload to be applied to the reporting year's minimum participation rate for the year previous to FY 1995. It excludes reductions due to Federal law or to changes in eligibility criteria). ACF also determines and applies the waiver provisions, and calculates the final rate as well as appropriate penalties.

Second, ACF sends notification letters to States, which have 60 days to submit any requests for reasonable cause exceptions and corrective compliance plans. To ensure State accountability, a limited number of circumstances under which States may demonstrate reasonable cause are defined. Although the final TANF regulations do not go into effect until October 1, 1999, ACF is following the same basic principles concerning reasonable cause exceptions that the regulations embody.

The general factors that a State may use to claim reasonable cause exceptions are: (a) natural disasters and other calamities; (b) federal guidance that provided incorrect information; or (c) isolated problems of minimal impact. There are also two specific reasonable cause factors for failing to meet the work participation rate: (a) federally recognized good cause domestic violence waivers; and (b) alternative services provided to certain refugees. Finally, the Secretary has discretion to grant reasonable cause in other circumstances.

The statute provides for reductions in the work participation penalty based on the degree of the state's noncompliance. ACF is carrying this requirement out as follows: (a) if a State fails only the two-parent work participation rate, its penalty is prorated based on the proportion of two-parent cases in the State; and (b) a State receives a penalty reduction based on the percentage it achieves of the target rate (as reduced by its caseload reduction credit).

Finally, if a State does not demonstrate that it had reasonable cause, it may enter into a corrective compliance plan that will correct the violation and insure continued compliance with the participation requirements. If a State achieves compliance with work participation rates in the time frame that the plan specifies, then we do not impose the penalty.

Vice President Announcement

Q: What is the Vice President announcing Monday?

A: The Vice President is announcing Monday that the federal government has hired over 14,000 welfare recipients since launching the federal Welfare-to-Work Hiring Initiative in March 1997. We not only exceeded our goal to hire 10,000 individuals by the year 2000, but we did so nearly two years ahead of schedule. As a part of this effort, the White House pledged to hire six welfare recipients and has already brought eight individuals on board. And new data compiled by the Office of Personnel Management (OPM) show that welfare-to-work hires have 85 percent higher retention rates: almost 70 percent of federal Welfare-to-Work hires were still working in their federal government positions after one year, compared to 37 percent of the non-Welfare-to-Work employees hired during the same period for similar jobs and pay levels. According to The Welfare-to-

Work Partnership, these results are consistent with the experience of the private sector employers.

NOTE: A table showing agency-by-agency hires has been provided to the press office.

The Welfare-to-Work Partnership Convention

Q: What is the Welfare-to-Work Partnership and what is the purpose of the Chicago conference?

A: The Welfare-to-Work Partnership is an independent, nonpartisan entity consisting of businesses committed to hiring welfare recipients into private sector jobs, which was created in response to the President's challenge in the 1997 State of the Union. Over 12,000 businesses of all sizes and industries have joined The Welfare-to-Work Partnership since its launch at the White House in May 1997, and they have already hired an estimated 410,000 people from the welfare rolls.

The three-day Chicago convention will allow over 2,000 company representatives, federal, state and local officials, and community-based organizations from around the country to participate in over 100 workshops highlighting successful welfare-to-work strategies they can replicate at home.

Seventy-six percent of companies in The Welfare-to-work Partnership have hired former welfare recipients for full-time jobs and the average salary is $17,000 a year. More than 8 in 10 executives have found their new hires are good, productive employees; sixty-five percent of business leaders report that welfare-to-work hires have the same or higher retention rates than other employees, making welfare-to-work a smart solution for business.

Q: Who were the participants in today's National Forum with the President?

A: Today, the President participated in a national forum with over 2,000 businesses, federal, state and local officials, community-based organizations, and individuals who have moved from welfare-to-work around the country. He spoke with large and small businesses from a variety of industries, former welfare recipients who have been hired by these companies, community-based groups who partner with business to recruit and prepare welfare recipients for work and help them succeed on the job, and state and local elected officials.

General Welfare

Q: Are you concerned that families leaving welfare may be experiencing hardship?

A: This Administration has always been concerned about making work pay for low-income working families just above the poverty line. In particular, we have fought for and succeeded in ensuring that families moving from welfare-to-work will have support, such as child care, housing, transportation, food stamps and Medicaid that they need to succeed in the work force. This Administration also fought successfully to expand the

Earned Income Tax Credit and raise the minimum wage to ensure that working families can get out of poverty. In addition, through the welfare high performance bonus, we are providing states with a powerful incentive to move people not just off welfare but into jobs by rewarding the states based on their success in placing people into jobs and helping them succeed in the work place.

Since welfare reform there has been a dramatic increase in employment among welfare recipients. The percentage of recipients who were working, including employment, work experience and community service, reached 27 percent in 1998, a nearly fourfold increase over the 7 percent recorded in 1992. Finally, all States met the first overall work participation rates required under the welfare reform law for FY 1998.

Preliminary findings from six of the HHS funded studies of families leaving welfare indicate that between one-half and three-fifths of former TANF recipients are working jobs which are covered by their States' Unemployment Insurance program. Employment rates were even higher – 68 to 82 percent – when measured as the percentage of those who were ever employed within the first 12 months. A recent General Accounting Office report also found that between 63 and 87 percent of adults have worked since leaving the welfare rolls.

We know from state evaluations and Census data that more parents are leaving the rolls and moving into jobs than was the case under the old AFDC program. We do expect to know more as states compete for the High Performance Bonus. The bonus for each state will be measured by the numbers of adults moving into jobs, staying in work and earning more. We will, of course, continue to monitor both the states' success in placing people into jobs and having these people succeed in the work place.

Q: **Do you agree with Families USA that 675,000 people lost Medicaid coverage and became uninsured in 1997 because of welfare reform?**

A: No. While the latest Medicaid enrollment figures show that there was a decline in the Medicaid rolls from 1996 to 1997, it is too early to say with confidence what has caused the decline. There are a number of employees participating in employer-sponsored health insurance that contribute to any change in enrollment numbers. It's also important to note that while Medicaid enrollment has declined since 1996, the number of people under the poverty level who are uninsured has not increased in that period.

We do believe that states can and should do more to ensure that they retain access to important work supports such as health insurance. In fact, states have more options now than ever before to provide health insurance to low-income families, including the ability under section 1931 to make more families eligible for Medicaid, and the option to waive the "100 hour rule" to expand Medicaid eligibility to working, two-parent families.

HCFA also intends to be aggressive in ensuring that states carry out their responsibilities under Medicaid law. A new guidebook for states released last month is just the latest of our efforts to work with states to ensure that people moving off cash assistance programs, and working families who may not realize they are eligible for assistance still get Medicaid benefits. The guidebook also makes clear that states' TANF-Medicaid application must furnish a Medicaid application upon request and may not impose a waiting period. States must also process Medicaid applications without delay.

Q: What has HCFA been doing to ensure that States have been following the law and enrolling people into the Medicaid program? Has HCFA been lax in its enforcement of the law?

A: HCFA has been working hard with states to ensure that people who should be enrolled in Medicaid are, in fact, enrolled.

Medicaid is a joint partnership between HCFA and the states. States have primary responsibility for operating their programs. Nevertheless, HCFA continues to provide technical assistance to states and intends to be aggressive in ensuring that states follow all federal rules involved with Medicaid eligibility determinations.

Since the beginning of 1997, HCFA has issued numerous letters designed to inform and educate States of their responsibilities under Medicaid. A new guidebook for states released last month is just the latest of our efforts to work with states to ensure that people moving off cash assistance programs, and working families who may not realize they are eligible for assistance, still get Medicaid benefits. The guidebook also makes clear that states' TANF-Medicaid application must furnish a Medicaid application upon request and may not impose a waiting period. States must also process Medicaid applications without delay.

Next Steps on Welfare Reform

Q: What's the President's agenda for moving more people from welfare-to-work?

A: Today, the President called for:

- The companies in The Welfare-to-Work Partnership to hire even more people from the welfare rolls, and to help new employees succeed in the workplace.
- Congress to honor its bipartisan commitment to welfare reform by resisting proposals to cut the Temporary Assistance for Needy Families block grant created in the 1996 welfare act.
-
- States and communities to use the resources provided in the welfare reform law and the flexibility provided in the recent welfare reform rules to invest in those who need additional help to leave the welfare rolls and to support working families who have left the rolls succeed in the workforce.

- Congress to finish the job by enacting his initiatives to help those families with the greatest challenges move from welfare-to-work and succeed in the workforce, including:

  ✓ $1 billion to extend the Welfare-to-Work program to help long-term welfare recipients and low-income fathers work and support their families. Welfare-to-Work funds are targeted to those individuals who need the most help, including long-term welfare recipients with low basic skills, substance abuse or poor work history, and are distributed to states and communities based on concentrations of poverty, welfare dependency, and unemployment. Also under the President's proposal, states and communities would use a minimum of 20 percent of their formula funds to provide job placement and job retention assistance to low-income fathers who sign PROWA contracts committing them to work, establish paternity, and pay child support. The Administration's reauthorization proposal, which has been endorsed by the U.S. Conference of Mayors, is included in H.R. 1482 introduced by Congressman Cardin and S. 1317 introduced by Senator Akaka. The reauthorization would build on the $3 billion Welfare-to-Work program the President secured in the 1997 Balanced Budget Act. To date, communities in nearly every state are using Welfare-to-Work funds to help individuals with the greatest challenges, and today the Vice President announced the Department of Labor would release over $100 million in grants to the states of Alaska, Illinois, Indiana, Kansas, Minnesota, and New Jersey.

  ✓ Significant new funding for child care to help working families meet the cost of child care including: (1) $7.5 billion over five years to expand the Child Care Block Grant, (2) $5 billion over five years in greater child care tax relief, (3) $3 billion over five years in child care quality improvements, (4) a new tax credit for businesses that provide child care services for their workers, and (5) new tax relief for parents who choose to stay at home with their young children. With more parents entering the work force, the need for child care has risen as a critical support to help parents keep their jobs. The 1996 welfare law did provide $4 billion in additional funds to states to provide more care and help improve the quality of programs, but the unmet need remains large. There are approximately 10 million children eligible for CCDBG child care assistance, yet in 1997, only 1.25 million children received assistance. Ensuring that families who leave welfare for jobs stay employed is one of the next challenges of welfare reform, and reliable, safe, and affordable child care is one of the critical ingredients for parents succeeding in work.

  ✓ Additional welfare-to-work housing vouchers and transportation funds to provide 25,000 more housing vouchers and double Access to Jobs transportation funding from $75 million to $150 million. The welfare-to-work housing vouchers will help families move closer to a job, reduce a long commute, or secure more stable housing that will help them get or keep a job. The Job Access grants will provide funds for communities to provide innovative transportation solutions so welfare recipients and other low income workers can get to work.

✓ Extend both the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit to encourage the hiring and retention of long-term welfare recipients and other disadvantaged individuals.

Q: Why is the President seeking more funding for child care, Welfare-to-Work, housing vouchers, and transportation when states aren't spending all their welfare block grant (TANF) funds?

A: First, not all states have unspent TANF funds -- 19 states have obligated all of their FY 1998 TANF dollars, including large states such as California, Illinois, Ohio and Texas and small states such as Connecticut and Delaware. Many states that have TANF reserves are prudently saving funds for a rainy day. Second, an even more intensive commitment of welfare-to-work resources will be necessary in the coming years as the work requirements increase and those left on the rolls face the most serious barriers to employment. Third, there is a great need for child care funds -- the Child Care and Development Block Grant serves only 1.25 million of the estimated 10 million children eligible for child care assistance under federal law and states have many more applicants than they can serve. And finally, in many regions, jobs are being created far from where many welfare recipients live -- about two-thirds of new jobs are being created in the suburbs, but three of four welfare recipients live in rural areas or central cities -- and new housing vouchers and transportation efforts are needed to help people get to work.

Q: Why aren't states spending their TANF funds more quickly?

A: The most recent data reported by the states to the Department of Health and Human Services show that by the 1st quarter of FY 1999, states had obligated about 27.3 billion of $31.5 billion TANF funds available to them from FY 1997 through the first quart FY 1999. HHS expects future data to show a substantial increase in spending commitments because states will have had the opportunity to appropriate these additional funds, which they did not initially plan for because they did not expect such large caseload declines. HHS expects states to leave some TANF funds unspent, leaving them in the federal treasury for a "rainy day" when additional funds may be needed due to population increases or a regional recession.

Q: Isn't it true that some states don't even want this Welfare-to-Work money?

A: Demand for Welfare-to-Work funds continues to be strong. In FY 1998, 44 states applied for formula funds and the Department of Labor received 1,400 applications for competitive grants totaling $5 billion and only had funds to award grants of $468 million. This year, 42 states have already applied for formula funds.

Other Welfare Reform Issues

Q: How do you respond to critics who say we don't know what's happening to people leaving welfare?

A: Numerous independent studies confirm that people leaving the rolls are going to work. Results from a new national survey released yesterday by the Urban Institute found 69 percent of recipients had left welfare for work, and 18 percent had left because they had increased income, no longer needed welfare, or had a change in family situation. A recent General Accounting Office report based on state surveys found that between 63 and 87 percent of adults have worked since leaving the welfare rolls, results similar to state studies funded by the Department of Health and Human Services. At the same time, the Census Bureau's Current Population Survey shows that between 1992 and 1998, the employment rate of previous year welfare recipients increased by 70 percent.

We will soon know more about the employment status of those leaving the rolls when HHS completes its analysis of data from the states applying for the High Performance Bonus that will reward states with the most success in placing welfare recipients in jobs and ensuring they succeed in those jobs. According to HHS, 46 states have submitted these data. In addition, HHS has funded numerous state and national research efforts that will enhance our knowledge on these important questions.

Q: What are the implications of the study released by the Urban Institute yesterday?

A: This new national survey released yesterday confirms what has been shown in a number of state-specific studies – most women who have left welfare are working. The study found 69 percent of recipients left welfare for work, and 18 percent left because they had increased income, no longer needed welfare, or had a change in family situation. The report also found that women leaving welfare were working at nearly identical rates, types of jobs, and at salaries as other mothers with incomes up to 200 percent of poverty or $32,000 a year for a family of four.

Q: Didn't the Urban Institute study find that former welfare recipients are struggling to pay their bills and put food on the table?

A: The Urban Institute found that low income families – whether or not they used to be on welfare – have trouble paying bills and putting food on the table, and former welfare recipients have slightly more difficulty. To help low income working families like these is why the President is pushing an increase in the minimum wage to $6.15 an hour, which would provide a full-time worker with another $2,000 a year, enough to buy groceries for 7 months or pay for 5 months' rent. Also, last month the President took executive action to help ensure working families access to food stamps, by: (1) allowing states to make it easier for working families to own a car and still be eligible for food stamps; (2) simplifying food stamp reporting rules to make it easier for families to get food stamps; and (3) launching a nationwide public education campaign and a toll-free hotline to help working families know whether they're eligible for food stamps. Families with earnings up to 130 percent of poverty ($8.50 an hour for a family of three) can be eligible for food stamps to supplement their income and help buy food for their families, but only two of five working families eligible for food stamps actually apply for and receive them. And, finally, the President's proposal to increase child care subsidies and tax credits for low income families would help low income working families pay one of their largest monthly expenses.

Background: The report found 28 percent of families under 200 percent of poverty who were not recently on welfare and 39 percent of former welfare recipients sometimes cannot pay bills. Similarly, 36 percent of families not formerly on welfare and 49 percent of former welfare recipients said food doesn't always last through the month.

Q: What has the President done to help welfare reform succeed?

A: The President started reforming welfare early in his first term, granting waivers to 43 states to require work and encourage personal responsibility, expanding the Earned Income Tax Credit and the minimum wage to make work pay, and pushing the Congress for nationwide welfare reform legislation which he signed into law in August 1996. Since 1996, he has launched The Welfare-to-work Partnership which now includes 12,000 businesses that have hired an estimated 410,000 welfare recipients; issued an executive order to ensure the federal government hired its share of welfare recipients -- over 14,000 hired to date; encouraged the launching of the Vice President's Coalition to Sustain Success, a coalition of national civic, service, and faith-based groups are working to help these new workers with the transition to self sufficiency; fought for and won additional funds for welfare-to-work efforts for long term recipients in high poverty areas ($3 billion in Department of Labor Welfare-to-Work funds enacted in the Balanced Budget Act), a new tax credit to encourage the hiring of long term recipients, and funding for welfare-to-work transportation ($75 million in FY 1999) and welfare-to-work housing vouchers (50,000 enacted to date); and put in place new welfare rules (announced April 12th) that make it easier for states to use TANF funds to provide supports for working families such as child care, transportation, and job retention services.

Q: Has welfare reform caused declines in food stamp and Medicaid rolls and what is the Administration going to do about it?

A: While the latest Medicaid enrollment figures show that there was a decline in the Medicaid rolls from 1996 to 1997, it is too early to say with confidence what has caused the decline. There are a number of factors, such as fewer people in poverty, lower rates of unemployment, and the decline in the number of employees participating in employer-sponsored health insurance that contribute to any change in enrollment numbers. It's also important to note that while Medicaid enrollment has declined since 1996, the number of people under the poverty level who are uninsured has not increased in that period.

Similarly with food stamps, there are a number of factors contributing to the decline in food stamp participation, such as the strength of the nation's economy allowed participants to find work, reducing their need for food stamps; the success of the Temporary Assistance for Needy Families (TANF) has moved participants from welfare-to-work, with an increase in income sufficient to eliminate the need for food stamps; working families don't realize they are eligible for food stamps and have difficulty obtaining them leading some participants to leave the program unnecessarily and discouraging others from applying for benefits; changes in program rules under welfare reform restricted the participation of immigrants and unemployed childless adults (these changes explain less than 20 percent of the decline).

The President recently announced steps that will go a long way to ensuring working families have access to the food stamp program (see above) and extensive outreach efforts are under way in all 50 states to enroll children in health insurance as part of the implementation of the Children's Health Insurance Program. In addition, both USDA and HHS are working aggressively to enforce the law requiring states to provide Medicaid and Food Stamp applications upon request and ensuring they process them without delay, regardless of the state rules governing the TANF application.

Child Care

Q: The President repeated his challenge to the Congress to pass his child care initiative, yet it failed last year. Do you think you'll get it this year?

A: Yes. The President is committed to working with the Congress on a bipartisan plan that will help America's working families to afford quality child care. The Senate recently added to its tax bill almost $4 billion in additional child care funding over the next five years. Although the Administration strongly opposes the Senate tax bill overall because it is too large, leaving no funding for Medicare and critical discretionary programs, the addition of child care funding represents a positive step. We believe this is the year we'll be able to say yes to millions of parents when they ask about child care: "Can I afford it? Can I find it? Can I trust it?" With more parents entering the work force, the need for child care has risen as a critical support to help parents keep their jobs. The 1996 welfare law did provide $ 4 billion in additional funds to States to provide more care and help improve the quality of programs, but the unmet need remains large. There are approximately 10 million children eligible for federal funded support, yet in 1997, only 1.25 million children received assistance.

Reliable, safe and affordable childcare is one of the critical ingredients for parents succeeding in work. A recent GAO study demonstrated that parents who receive child care assistance more often complete training, get jobs and experience positive outcomes. To address this growing challenge, President Clinton proposed an $19 billion child care initiative comprised of increased subsidies to states, expanded tax credits and an early learning fund so States have a dedicated source of funding to improve the choices parents can make for child care programs.

Q: How many people are working? What kinds of jobs are they in? What are their wages?

A: The percent of TANF adults who were employed has nearly quadrupled, rising 27 percent in 1998. Thus, almost one in four recipients was employed in a typical month, the highest level ever recorded. Results from a new national survey by the Urban Institute found 69 percent of recipients had left welfare-to-work, and 18 percent had left because they had increased income, no longer needed welfare, or had a change in family situation. The report found that women leaving welfare were working at nearly identical rates, types of jobs, and at salaries as other mothers with incomes up to 200 percent of poverty or $32,000 a year for a family of four.

A recent GAO study found annual earnings of $9,512-$15,144 among those who had left welfare. At the same time, the Census Bureau's Current Population Survey shows that between 1992 and 1998, the employment rate of previous year welfare recipients increased by 70 percent. Additionally, we know from state evaluations and census data that more parents are leaving the rolls into jobs than under the old AFDC program. We do expect to know more as more studies of families leaving welfare are completed and as states compete for the High Performance Bonus. The bonus will be measured by numbers of adults moving into jobs, staying in work and earning more.

Declaration FOR Independence

The Business Community's Report on the Progress of Welfare to Work

When Congress passed and President Clinton signed the new welfare law in August 1996, they challenged the American business community to take the lead to "end welfare as we know it." Over the next three years, more than 12,000 businesses of all sizes and industries joined The Welfare to Work Partnership by committing to hire and retain people off public assistance.

In order to track the progress and trends of welfare to work within the business community, Wirthlin Worldwide, a national polling firm, conducts regular surveys of The Partnership's Business Partners. The survey has been conducted at the request of the governors on The Partnership's National Advisory Council, chaired by Governor Tommy Thompson (R-WI) and Governor Tom Carper (D-DE). There are 26 governors on the Advisory Council, organized to advise, support and further the mission of The Partnership.

In just three years, the American business community produced the following results:

- BUSINESSES ARE DOING MORE THAN JUST COMMITTING - THEY ARE HIRING. Through 1998 alone, The Welfare to Work Partnership's Business Partners have hired more than 410,000 welfare.

- WELFARE RECIPIENTS ARE LANDING FULL-TIME JOBS WITH FULL MEDICAL BENEFITS. Seventy-six percent of companies hiring former welfare recipients hire them for full-time positions and 71% of these companies offer health care benefits.

- COMPANIES WILL CONTINUE TO HIRE AND RETAIN WELFARE RECIPIENTS. Sixty-seven percent of the Partnership's businesses still believe they are facing a labor shortage in either their company or industry. Almost eight of every ten employers (79%) expect to hire a former welfare recipient this year.

- WELFARE RECIPIENTS MAKE SUCCESSFUL EMPLOYEES. More than eight out of ten (82%) executives who have hired former welfare recipients found that their new hires are "good, productive employees." This number continues to improve. It is up 3% from Wirthlin's second survey in August 1998 and 6% from the first survey in February 1998.

- COMPANIES FIND HIGHER RETENTION RATES WITH WELFARE TO WORK EMPLOYEES. Sixty-five percent of business leaders report that welfare to work hires have the same or higher retention rates than standard-hire employees. The percentage has increased from 48% in February 1998 and from 53% in August 1998.

- SMALL BUSINESSES FIND WELFARE TO WORK IS SMART SOLUTION. Eighty percent of Small-business owners (those with 250 or fewer employees) report that the employees hired from the welfare rolls have turned out to be "good, productive workers," and that level of satisfaction has been rising. In fact, 67% of these small business members also report that their welfare to work hires stay on the job as long as – or longer than – other entry-level workers.

- WELFARE RECIPIENTS ARE RECEIVING TRAINING, PROMOTIONS. Eight out of ten (77%) companies hiring former welfare recipients hire them for "promotional track" positions. In fact, 91% of companies hiring former welfare recipients offer them opportunities for training that could lead to a promotion and 60 percent of businesses report some promotion of welfare hires -- the same rate as standard hires among member companies.

- WELFARE RECIPIENTS ARE GAINING SALARY JOBS AND EARNING ABOVE MINIMUM WAGE. Twenty-seven percent of Partnership businesses are hiring welfare recipients into salaried positions (up from 19% in August 98). The average starting annual salary is nearly $17,000. The average starting wage is $7.20 per hour – 40% higher than the national minimum wage of $5.15.

- PARTNERSHIPS WITH COMMUNITY GROUPS ARE KEY TO SUCCESS. Those companies that have successfully hired welfare recipients are much more likely to have formed partnerships with community-based organizations. The Wirthlin Survey showed that 48% of companies are turning to non-profit, community-based organizations to find candidates to hire. That number is up from 25% in 1998. Community groups often provide key services (like training, mentoring and counseling) that are too difficult or costly for businesses to offer on their own.

- WELFARE TO WORK PROGRAMS ARE GOOD FOR THE BOTTOM LINE. Companies say welfare to work programs cost no extra money and in some cases save money. Sixty-five percent of businesses say they run successful welfare to work programs without increasing their costs while 16% companies have actually saved money by creating a welfare to work program, with savings averaging $5,803 per company.

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3-PAGER FOR TOMORROW

PRESIDENT CLINTON WILL ANNOUNCE RECORD NUMBERS OF PEOPLE ON WELFARE ARE WORKING AS BUSINESSES HIRE FROM THE WELFARE ROLLS

August 3, 1999

Today, three years after enactment of the welfare reform law, President Clinton will announce that all 50 states met the law's overall work requirements in 1998, and nearly four times more of those on welfare are working than when he took office. These are the first work data from every state to be released under the 1996 welfare reform law, and they confirm a growing body of evidence that three years later, record numbers of people are moving from welfare to work. These findings, along with new figures showing caseloads have declined by 6.8 million since the President took office, will be contained in a report transmitted to Congress today. The President will make these announcements at a National Forum convened by The Welfare to Work Partnership, whose companies have hired over 410,000 welfare recipients. At the National Forum, the President will talk to former recipients about their experiences moving from welfare to work, call on business leaders to hire even more people from the welfare rolls, challenge federal, state, and local officials to invest funds in those who need help the most, and warn Congress not to renege on the bipartisan commitment to help states and communities finish the job of welfare reform.

All 50 States Meeting Overall Work Participation Goals

New data to be released by the President today show that every state and the District of Columbia met the welfare law's overall work requirement for 1998, which requires 30 percent of families to have a parent working at least 20 hours per week. Nationally, 35 percent of all welfare recipients were working in 1998. This is the first full year of work data available under the 1996 welfare reform law (not all states had to report in 1997 and those that did only had to report data for the last quarter). Not all states met the law's two parent work rates, which require 75 percent of two parent families to work: of the forty-one states subject to the rate, 28 met it. These data cover fiscal year 1998 (October 1, 1997 through September 30, 1998).

Four Times More of Those on Welfare Are Working than in 1992

The 1998 data also show that four times more of those on welfare are working than when the President took office. Nationally, the percentage of welfare recipients working rose from 7 percent in 1992 to 27 percent in 1998, with the remainder fulfilling their participation requirements through job search, education, and training. The President began to reform welfare early in his first term, granting waivers to 43 states to require work and encourage personal responsibility, expanding the Earned Income Tax Credit and the minimum wage to make work pay, and pushing the Congress for nationwide welfare reform legislation which he signed into law in August 1996.

Independent Studies Confirm People are Moving from Welfare to Work

Numerous independent studies also confirm that more people are moving from welfare to work. Results from a new national survey released yesterday by the Urban Institute found 69 percent of recipients had left welfare for work, and 18 percent had left because they had increased income, no longer needed welfare, or had a change in family situation. The report found that women leaving welfare were working at nearly identical rates, types of jobs, and at salaries as other mothers with incomes up to 200 percent of poverty or $32,000 a year for a family of four. A recent General Accounting Office report based on state surveys found that between 63 and 87 percent of adults have worked since leaving the welfare rolls, results similar to state studies funded by the Department of Health and Human Services. At the same time, the Census Bureau's Current Population Survey shows that between 1992 and 1998, the employment rate of previous year welfare recipients increased by 70 percent.

Caseloads Have Fallen to Historic New Lows * CASELOAD

New welfare caseload numbers to be released by the President today show the percent of Americans on welfare is at its lowest level since 1967. The welfare rolls have fallen by 48 percent, or 6.8 million, since January 1993, when they stood at 14.1 million. State-by-state numbers show 31 states have had declines of 50 percent or more. A new report by the Council of Economic Advisers, released today, finds that the implementation of welfare reform is the single most important factor contributing to the widespread and continuous caseload declines from 1996 to 1998. CEA estimates that the federal and state program and policy changes implemented as a result of welfare reform account for approximately one-third of the caseload reduction from 1996 to 1998. The strong economy has also played an important role, accounting for approximately ten percent of the decline between 1996 and 1998.

Companies are Hiring from the Welfare Rolls

Over 12,000 businesses of all sizes and industries have joined The Welfare to Work Partnership since its launch in May 1997, and they have already hired an estimated 410,000 people from the welfare rolls. Seventy-six percent of companies have hired former welfare recipients for full-time jobs and the average salary is $17,000 a year. More than 8 in 10 executives have found their new hires are good, productive employees; sixty-five percent of business leaders report that welfare to work hires have the same or higher retention rates than other employees, making welfare to work a smart solution for business. The federal government is also doing its part: as Vice President Gore announced yesterday, the federal government has hired over 14,000 people in dozens of agencies across the U.S., far surpassing the goal of 10,000 hires set in April 1997. The three-day Chicago convention will allow over 2,000 company representatives, federal, state and local officials, and community-based organizations from around the country to participate in over 100 workshops highlighting successful welfare to work strategies they can replicate at home.

More Must Be Done to Help Those Still on the Rolls

The President called on the public and private sector to do more to help those still on welfare move to work and succeed on the job. He urged the companies in The Welfare to Work Partnership to hire even more people from the welfare rolls, challenged federal, state and local officials to invest funds in those who need help the most, and warned Congress not to renege on its bipartisan commitment to help states and communities finish the job of welfare reform.

- Congress should honor its bipartisan commitment to welfare reform by resisting proposals to cut the Temporary Assistance for Needy Families block grant created in the 1996 welfare act. At the same time, states should use the resources provided in the welfare reform law and the flexibility provided in the recent welfare reform rules to invest in those who need additional help to leave the welfare rolls and to support working families who have left the rolls succeed in the workforce.

The President also called on Congress to finish the job by enacting his initiatives to help those families with the greatest challenges move from welfare to work and succeed in the workforce, including:

- $1 billion to extend the Welfare-to-Work program to help long-term welfare recipients and low-income fathers work and support their families. Welfare-to-Work funds are targeted to those individuals who need the most help, including long-term welfare recipients with low basic skills, substance abuse or poor work history, and are distributed to states and communities based on concentrations of poverty, welfare dependency, and unemployment. Also under the President's proposal, states and communities would use a minimum of 20 percent of their formula funds to provide job placement and job retention assistance to low-income fathers who sign personal responsibility contracts committing them to work, establish paternity, and pay child support. The Administration's reauthorization proposal, which has been endorsed by the U.S. Conference of Mayors, is included in H.R. 1482 introduced by Congressman Cardin and S. 1317 introduced by Senator Akaka. The reauthorization would build on the $3 billion Welfare-to-Work program the President secured in the 1997 Balanced Budget Act. To date, communities in nearly every state are using Welfare-to-Work funds to help individuals with the greatest challenges, and today the Vice President announced the Department of Labor would release over $100 million in grants to the states of Alaska, Illinois, Indiana, Kansas, Minnesota, and New Jersey.

- Significant new funding for child care to help working families meet the cost of child care including: (1) $7.5 billion over five years to expand the Child Care Block Grant, (2) $5 billion over five years in greater child care tax relief, (3) $3 billion over five years in child care quality improvements, (4) a new tax credit for businesses that provide child care services for their workers, and (5) new tax relief for parents who choose to stay at home with their young children. With more parents entering the work force, the need for child care has risen as a critical support to help parents keep their jobs. The 1996 welfare law did provide $4 billion in additional funds to states to provide more care and help improve the quality of programs, but the unmet need remains large. There are approximately 10 million children eligible for federal funded support, yet in 1997, only 1.25 million children received assistance. Ensuring that families who leave welfare for jobs stay employed is one of the next challenges of welfare reform, and reliable, safe, and affordable child care is one of the critical ingredients for parents succeeding in work. Consistent with the Administration's proposals, the new investments in child care have gained bipartisan support in Congress.

- Additional welfare-to-work housing vouchers and transportation funds to provide 25,000 more housing vouchers and double Access to Jobs transportation funding from $75 million to $150 million. The welfare-to-work housing vouchers will help families move closer to a job, reduce a long commute, or secure more stable housing that will help them get or keep a job. The Job Access grants will provide funds for communities to provide innovative transportation solutions so welfare recipients and other low income workers can get to work.

- Extend both the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit to encourage the hiring and retention of long-term welfare recipients and other disadvantaged individuals.

CEA
STUDY
1-PAGER

THE EFFECTS OF WELFARE POLICY AND THE ECONOMIC EXPANSION ON WELFARE CASELOADS: AN UPDATE

EXECUTIVE SUMMARY

This study investigates the causes behind recent changes in welfare caseloads, updating a 1997 CEA study of caseload change.

- *The fall in welfare caseloads has been unprecedented, wide-spread, and continuous, and employment has increased.* 14.1 million people received welfare in January 1993, and this number had fallen to 7.6 million by December 1998. In 23 states the caseload is less than half of what it was when President Clinton took office, and all states have experienced double-digit percentage declines. For 22 states, the percent drop during 1998 was larger than during 1997 (from January to December). Previous analyses by the Department of Health and Human Services show that the percentage of welfare recipients working tripled between 1992 and 1997, and an estimated 1.5 million adults who were on welfare in 1997 were working in 1998.

- *The 1996 legislation has been a key contributor to the recent declines.* PRWORA produced a dramatic change in welfare policy: work and self-sufficiency became a primary goal; state and local governments were given much greater control of their programs; and states experimented with a host of program designs. The evidence suggests that these changes caused a large drop in welfare participation, a drop that is independent of the effects of the strong labor market. The estimates imply that TANF has accounted for roughly one-third of the reduction from 1996-98. In the earlier years, 1993-1996, most of the decline was due to the strong labor market, while welfare waivers played a smaller yet important role.

- *The strong labor market has made work opportunities relatively more attractive, drawing people off welfare and into jobs.* The unemployment rate has not declined as much in the post-TANF period as it did in the 1993-96 waiver period. As a result, the share of the decline in the caseload that is attributable to improvements in the labor market was much higher in the 1993-96 period (roughly 26 to 36 percent) than in the 1996-98 period (8 to 10 percent).

- *Past increases in the minimum wage have made work more attractive and, as a result, caused welfare participation to decline.* The estimates imply that a $0.50 increase in the minimum wage has been associated with a decline in welfare participation of 4 to 6 percent.

- *The specific program design adopted by a state can affect its caseload declines.* The study examines the effects of a number of specific policies, including family caps, earnings disregards, time limits, work exemptions, and work sanctions on the size of the caseload.

The large sustained declines in caseloads provide one piece of evidence about the effectiveness of welfare reform efforts. However, there are multiple indicators of the impact of welfare reform, including changes in work and earnings among welfare leavers, in marriage rates and out-of-wedlock pregnancies, and in poverty rates. The Clinton Administration is collecting and tracking information on all of these measures in order to fully assess the impact of welfare reform.

Technical Report:

THE EFFECTS OF WELFARE POLICY AND THE ECONOMIC EXPANSION ON WELFARE CASELOADS: AN UPDATE

August 3, 1999

A Report by the Council of Economic Advisers

This study could not have been completed without the generous assistance of the Department of Health and Human Services in providing data and program information.

MOVING PEOPLE FROM WELFARE TO WORK: WELFARE ROLLS DECLINE AS MORE RECIPIENTS GO TO WORK

- **Caseloads Have Fallen to Historic New Lows.** In August 1999, the President released state State-by-state data (from March 1999) showing that welfare caseloads are at their lowest level since 1967 and that the welfare rolls have fallen by nearly half since he took office. Since January 1993, 31 states have had caseload declines of more than half, and nationwide the rolls have fallen by 48 percent, from 14.1 million to 7.3 million. According to the Council of Economic Advisors, the single most important factor contributing to this historic decline is the implementation of welfare reform. Of the caseload reduction from 1996 and 1998, approximately one-third is due to federal and state policy changes resulting from welfare reform and about 10 percent is due to the strong economy.

- **Four Times More of Those on Welfare are Working than in 1992.** The first full year of work data since welfare reform, released in August 1999, show that all 50 states met the law's overall work requirement for 1998, confirming that record numbers of people are moving from welfare to work. Nationally, 35 percent of all welfare recipients were working in 1998. The data also show that nationwide, the percentage of welfare recipients working has nearly quadrupled since the President took office, rising from 7 percent in 1992 to 27 percent in 1998, with the remainder fulfilling their participation requirements through job search, education and training.

- **Independent Studies Confirm People are Moving from Welfare to Work.** Numerous independent studies also confirm that more people are moving from welfare to work. A national survey released by the Urban Institute found 69 percent of recipients had left welfare for work, and 18 percent had left because they had increased income, no longer needed welfare or had a change in family situation. A recent General Accounting Office report found that between 63 and 87 percent of adults have worked since leaving the welfare rolls – results similar to state studies funded by the Department of Health and Human Services. At the same time, the Census Bureau's Current Population Survey shows that between 1992 and 1998, the employment rate of previous year welfare recipients increased by 70 percent.

- **Mobilizing the Business Community**: At the President's urging, the Welfare-to-Work Partnership was launched in May 1997 to lead the national business effort to hire people from the welfare rolls. The Partnership began with 105 participating businesses, and as of August 1999, has grown to more than 12,000 businesses. Since 1997, these businesses have hired over 410,000 welfare recipients, surpassing the challenge the President set in May of 1998. The Partnership provides technical assistance and support to businesses around the country, including: its toll-free number 1-888-USA-JOB1, a web site, a quarterly newsletter, and a number of resource guides for businesses. The Partnership also published "The Road to Retention," a report of companies that have found higher retention rates for former welfare recipients than for other new hires, and strategies they used to achieve this success.

- **Connecting Small Businesses with New Workers and Creating New Entrepreneurs**: The Small Business Administration is addressing the unique and vital role of small businesses who employ over one-half of the private workforce, by helping small businesses throughout

Suggested Welfare to Work Discussion Forum Participants
August 3, 1999

DRAFT as of 7/30 – 9 PM

Announce 4 of the 5 founding CEOs of the Welfare to Work Partnership on stage (Monsanto, Sprint, UPS, Burger King)

Announce Mayor Daley, Eli Segal, Jerry Greenwald, POTUS

Mayor Daley
Welcome, highlight strength of the welfare to work public private partnership in Chicago, proud to host people from xx cities and states around the country, introduce POTUS

POTUS remarks:
Acknowledge: Eli Segal, Jerry Greenwald, Governor Carper, Ryan, Mayors Daley, Webb, Helmke, Morial, O'Neil; Secretaries Herman, Slater, Daley, Administrator Alvarez.

- Announce new work numbers, caseload declines.
- Applaud growth in the Partnership from 5 to over 12,000 who have hired over 410,000 former welfare recipients and public-private partnerships formed in key cities across the country; thanks Eli and Jerry for their vision and commitment
- Challenge businesses to do more, states to invest in those remaining on the rolls, Congress to keep their promise on TANF and enact budget initiatives to finish the job.
- Introduce **Rodney Carroll**, moderator (Operations Division Manager, UPS; Chief Operating Officer, The Welfare to Work Partnership)

Rodney (RC): explains that we are fortunate to be joined by so many dedicated businesses, individuals, service providers, and public officials from all over the country. I will be calling on just a few of them to share briefly their stories, but we know they will speak for many of you who probably share their experiences.

Wendy Waxler, Account Associate, Xerox (African America Female, D.C., manages Overnight Fax Room for Xerox client, Arnold & Porter)
RC: Wendy works as for Xerox, where she is responsible for managing the overnight fax center at one of the major law firms in Washington, D.C. Wendy, tell us how you ended moving from welfare to this job and what you like best about it.

WW: I have a lot of responsibility, I love the challenge, and it gives me a chance to be with my daughter during the day.

POTUS: What kinds of things did Xerox do to help you make the transition from welfare to work?

WW: training, flexible hours

Bill McDermott, Senior Vice President, Xerox (Partnership Board Member)

RC: Bill, Xerox has hired 380 people, with an impressive 76% retention rate. In addition to all the training Wendy talked about, can you tell us about the mentoring program you have developed.

Bill: we collaborate with non-profits like Women in Community Service to design a program for our existing Xerox employees to become mentors to the new employees we hire from welfare. We find this is a two-way street – mentors help former welfare recipients adjust to worklife, and former welfare recipients also give back and inspire.

Rena Burns, Automated Data Sciences (Hispanic, Small Business, SBA Award Winner, Santa Monica, CA, former welfare recipient herself)
RC: Now let's hear from Rena Burns about how this works in a small business where they may not be able to have formal mentoring and training programs. Rena runs an information technology/ software development firm, and is a winner of the Small Business Administration's Regional Welfare to Work Entrepreneur Award.

Rena: People think this would be hard to do in a small business but it's not. All it takes is a little personal time and coaching and she's had great results with the 4 people she has hired. She feels it's important to give back to the community.

POTUS: what is the greatest challenge small businesses face in hiring welfare recipients?

Rena: responds

Tiffany Smith, UPS Package Sorter (Caucasian female, Philadelphia)
RC: One of the biggest challenges we hear about is transportation. Tiffany Smith, who works at the UPS Air Hub in Philadelphia knows about this challenge, and knows how hard we worked at UPS to overcome it.

Tiffany: Takes her daughters to day care, then a bus to a subway to the bus to the air hub.

POTUS: That sounds like a lot of effort. Is it worth it?

Tiffany: Grew up on welfare but I wanted to get off because I like being independent and didn't like taking a handout.

POTUS: Mention our Access to Job proposal will help more areas design innovative solutions such as Rodney helped launch. Tiffany, you've been at UPS for several years— what's the next step? [she just put in a letter to become a UPS supervisor]

Governor George Ryan
Rodney: And now let's turn to our host Governor, Governor Ryan. Governor, you must feel lucky to have committed companies such as United located here in Illinois. What do you see as the key issue facing states as we move into the next phase of welfare reform?

Governor Ryan: We must maintain the federal-state partnership on welfare reform so we can invest in helping more people move from welfare reform.

POTUS: What other kinds of investments are you making with your welfare reform funds? [The new work numbers announced today show Illinois passing the work rates with flying colors]

CVS/pharmacy – Rosemary Mede, Senior Vice President (Board Member), HQ in Ohio
RC: Some people wonder how welfare recipients can move up the ladder from an entry level job. CVS has developed a pharmacy apprenticeship program to provide people in the Washington D.C. area with career track opportunities. Rosemary, tell us how this program works.

Rosemary: We help people combine work and learning through an apprenticeship program. Antoinette is a pharmacy technician we hired last October-- one of the nearly 4,000 former welfare recipients CVS has hired. She has excelled in her job and we hope she will take advantage of the educational benefits and loans we offer to attend pharmacy school in the future.

Antoinette Patrick, CVS, Pharmacy Technician, (African American female, D.C.)

POTUS: Antoinette, how do you like working in a pharmacy?

Antoinette: I love helping people who come into the pharmacy who are ill, or are caring for a sick child or parent.

Bill Simmons, CEO, Masterlube, (White male, small business, Billings, MT)
RC: Bill Simmons operates a fast growing business in Billings, MT. Bill, tell us what you think is the key to your success.

Bill: My competitors want to know why my business is so efficient – it's the people, people like Tyler Left Hand! I have a wall of pictures of my current and former employees and I'm proud to say many have moved on to even better jobs.

Tyler Left Hand, Assistant Manager, Master Lube (Native American, non-custodial father, Billings, MT)
RC: Tyler Left Hand was recently promoted to assistant manager at Master Lube. Tell us how your job has helped you provide a better life for your daughter.

Tyler: This job helps me make a decent living so that I can pay child support for my daughter.

POTUS: Bill, congratulations on the success of your business. [20-25% of his employees are current or former welfare recipients] Tyler, what do you hope to do next [he hopes to open his own business some day].

Governor Tom Carper, Delaware (Co-Chair Partnership's Advisory Committee)
RC: Governor Carper is known as a leader on strengthening fathers. How have you worked to involve fathers as part of your broader welfare reform agenda?

Carper: Fathers are a critical part of welfare reform -- every child needs the support of both their mother and father, both financial and emotional. The President's WtW reauthorization will help even more low income fathers work, pay child support, and be involved with their children. [Background: DE met all family rate (26%), but not two parent (24%).

POTUS: what are you doing in to help those fathers like Tyler who want to work and pay child support?

Eli Segal [idea of putting Eli here is to shift the focus to the remaining challenges]
RC: Eli, we've come so far on welfare to work. What do you see as the remaining challenges for welfare to work and what is the Partnership doing to address these?

Eli: Cities – highlight Citilink effort targeting 30 cities with the largest welfare populations, transportation (Road to Work guide released with Secretary Slater), helping employers deal with issues like substance abuse (though not unique to welfare recipients).

POTUS: did you ever imagine two and a half years ago that you'd have 12,000 businesses involved in this magnificent effort?

Mayor Wellington Webb, Denver (President USCM, Citilink Community)
RC: Mayor Webb, we know you are here not just representing Denver, but as President of the Conference of Mayors, you speak for over 1,000 mayors around the country. Tell us what Welfare-to-Work means to you.

WW: The Welfare to Work program is critical to cities. As the declining caseload continues to be concentrated in urban areas, it is critical to have resources targeted to those areas. The Welfare to Work program does just that. The USCM strongly supports President Clinton's budget proposal to invest an additional $1 billion to extend the WTW program. It is more important than ever that sufficient resources are appropriated by Congress to meet the employment goals driving national welfare reform. I'm proud to be here with **Mayor Helmke**, from Fort Wayne, Indiana.

POTUS: Acknowledges Mayor Helmke. Mayor Webb, how are you using Welfare-to-Work funds to help those with the greatest challenges get and keep good jobs?

WW: talks about Denver's Welfare to Work competitive grants (United Cerebral Palsey of Colorado, Rocky Mountain SER/Jobs for Progress, City and County of Denver).

Joanne Hilferty, CEO, Morgan Memorial Goodwill Industries, Boston
RC: TJX, the world's largest off-price apparel retailer (including stores like TJ Maxx and Marshall's), has hired over 10,000 welfare recipients since joining as a charter member of the Partnership. Through a public/private partnership with Goodwill in Boston, TJX has found a way to hire and retain individuals who are still on welfare who have less work experience. **Ted English, TJX President & COO,** is here with Joanne Hilferty from Goodwill. Joanne, how does this program work?

Joanne: Using Welfare-to-Work funds received through our local Private Industry Council, we've worked closely with TJX to develop the First Step Transition program – an intensive retail and customer service training program. One of the most important features is that we continue to work with people for one year after they've gone to work. We find this is really helpful for employees like Maria who want to work but may lack the experience.

Maria Mercado, Merchandising sales associate, Marshall's (Hispanic female, Boston)
RC: Maria is one of the successful graduates of the First Step program.

POTUS: How did it feel to make the leap from welfare to work?

Maria: After 10 years on welfare, it was scary and without this program I would probably still be on welfare. I'm proud of the steps I've taken and so are my kids.

LaTonya Stephens, Telephone Personal Banker, Bank of America, (African American female, Dallas)
RC: Through its Welfare to Self Sufficiency Initiative, Bank of America has hired more than 280 former welfare recipients. They provide a wide range of supports such as child care, tuition assistance, and even a home ownership program. LaTonya Stephens was hired as a telephone banking representative at Bank of America in Dallas almost a year ago. Since then she's gotten her GED, received a promotion, and even bought a car. LaTonya, as the mother of two daughters, how important was the child care you received?

LaTonya: talks about child care, recent promotion, has saved enough to buy a car.

POTUS: Mention our child care initiative

Catherine (Cathy) Bessant, President, Community Development Banking Group Bank of America (Board Member)
RC: Cathy Bessant is responsible for Bank of America's welfare to work program. Cathy, why does Bank of America provide these generous benefits to entry level employees?

Cathy: Highlight corporate investments in things people need to sustain self-sufficiency.

POTUS: You joined us on the New Markets Tour last month. What do you see as the connection between investing in underserved areas and welfare to work?

Loew's Miami Beach – Jonathan Tisch, CEO (Board Member)
RC: tell us about the initiative you're leading in Miami with others in the hospitality industry?

JT: Together with Mayor Penelas (who could not join us today), I lead an industry-based initiative with 44 other hotels and motels in the community to recruit businesses and address the barriers of hiring former recipients such as education and ESL. I'm particularly proud of **Consuelo McGlond, Loews Overnight Phone Operator** (African American female, Miami) who recently won my President's Award for her professional manner and great attitude.

POTUS: congratulates Consuelo and thanks Jonathan Tisch.

Gerald (Jerry) Greenwald, Chairman of the Welfare to Work Partnership and Chairman/CEO of United Airlines
RC: Jerry, United has hired over 1,500 people off welfare since you began leading the Partnership. What's the secret?

GG: highlights mentoring, investing in people, this pays off for businesses in reduced turnover. We're now applying lessons learned from welfare to work to all our entry-level workers.

POTUS: What would you say to other companies who want to get involved in welfare to work?

RC or POTUS close.

Bruce N. Reed
07/30/99 12:50:08 PM

Record Type: Record

To:

cc:
Subject:

We've cut the welfare rolls by half in the last 6 years, and people still on welfare are four times more likely to be working.

Because of welfare reform, people across the country are earning paychecks instead of welfare checks.

This proves what we've said all along: we can replace welfare

The old welfare system is gone: now work is a way of life.

Some in Congress want to take back some of the money we promised the states to make welfare reform work. That's wrong. Now is the time to finish the job

All across the country, people are trading the world of welfare for the world of work

~~It's time to finish~~
~~We should~~

- Bea W.
- Ivan Fong

We have a chance to reach a goal no one dreamed possible,

of ~~putting every able-bodied~~ putting every able-bodied everyone on welfare who can work

Welfare reform is ~~moving~~ putting more welfare recipients ~~people~~ to work than anyone ~~dreamed possi~~ imagined possible.

17.5 m

Mid school construction
35 m

Trading w. checks for paychecks

~~More people are mo~~

People are moving from W to W faster than anyone ~~dreamed possible~~, thought possible.

Our next goal: We have a chance to ... Now our goal

Our goal shd be to move every able-bodied person from welfare to work, not make it harder for them to do so.

67431

[Note: parts in brackets would not be in paper given to NYT, but in paper released Tuesday]

PRESIDENT CLINTON WILL ANNOUNCE RECORD NUMBERS OF PEOPLE ON WELFARE ARE WORKING AS BUSINESSES HIRE FROM THE WELFARE ROLLS

August 3, 1999 – 7/29 1:30 DRAFT

Today, three years after enactment of the welfare reform law, President Clinton will announce that all 50 states met the ~~welfare reform~~ law's overall work requirements in 1998, and nearly four times more welfare recipients are working than when he took office. These are the first work data from every state to be released under ~~since the President signed~~ the 1996 welfare reform law ~~Personal Responsibility Act into law~~, and they confirm a growing body of evidence that three years later, record numbers of people are moving from welfare to work. [These findings, along with new figures showing caseloads have declined by 6.8 million since the President took office, will be contained in a report transmitted to Congress today.] The President will make these announcements at a National Forum convened by The Welfare to Work Partnership, whose companies have hired over 410,000 welfare recipients. At the National Forum, the President will talk to former recipients about their experiences moving from welfare to work, call on business leaders to hire even more people from the welfare rolls, challenge ~~exhort~~ state and local officials to invest funds in those who need help the most, and warn ~~urge~~ Congress not to renege on the bipartisan commitment to help states ~~[illegible]~~, and communities ~~to provide additional funds for the Welfare to Work program, child care, and other critical initiatives to help those with the greatest challenges succeed in the workforce~~. finish the job of welfare reform.

All 50 States Meeting Overall Work Participation Goals

New data to be released by the President today show that every state and the District of Columbia met the welfare law's overall work requirement for 1998, which requires 30 percent of families to have a parent working at least 20 hours per week. Nationally, 35 percent of all welfare recipients were working in 1998. This is the first full year of work data available under the 1996 welfare reform law (not all states had to report in 1997 and those that did only had to report data for the last quarter). Not all ~~Fewer~~ states met the law's two parent work rates, which require 75 percent of two parent families to work: of the forty-two states subject to the rate, 27 met it. These data cover fiscal year 1998 (October 1, 1997 through September 30, 1998).

Four Times More People on Welfare Are Working than in 1992

The 1998 data also show that four times more welfare recipients are working than when the President took office. Nationally, the percentage of the welfare recipients working rose from 7 percent in 1992 to 27 percent in 1998, with the remainder fulfilling their participation requirements through job search, education, and training. The President began to reform welfare early in his first term, granting waivers to 43 states to require work and encourage personal responsibility, expanding the Earned Income Tax Credit and the minimum wage to make work pay, and pushing the Congress for nationwide welfare reform legislation which he signed into law in August 1996.

Independent Studies Confirm People are Moving from Welfare to Work

Numerous independent studies also confirm that more people are moving from welfare to work. [Results from a new national survey released yesterday by the Urban Institute found 69 percent of recipients had left welfare for work, and 18 percent had left because they had increased income, no longer needed welfare, or had a change in family situation. The report found that women leaving welfare were working at nearly identical rates, types of jobs, and at salaries as other mothers with incomes up to 200 percent of poverty or $32,000 a year for a family of four.] A recent General Accounting Office report based on state surveys found that between 63 and 87 percent of adults have worked since leaving the welfare rolls, results similar to state studies funded by the Department of Health and Human Services. At the same time, the Census Bureau's Current Population Survey shows that between 1992 and 1998, the employment rate of previous year welfare recipients increased by 70 percent.

[Caseloads Have Fallen to Historic New Lows

New welfare caseload numbers to be released by the President today show the percent of Americans on welfare is at its lowest level since 1967. The welfare rolls have fallen by 48 percent, or 6.8 million, since January 1993, when they stood at 14.1 million. State-by-state numbers show 31 states have had declines of 50 percent or more. A new report by the Council of Economic Advisers, released today, finds that the implementation of welfare reform is the single most important factor contributing to the widespread and continuous caseload declines from 1996 to 1998. CEA estimates that the federal and state program and policy changes implemented as a result of welfare reform account for approximately one-third of the caseload reduction from 1996 to 1998. The strong economy has also played an important role, accounting for approximately ten percent of the decline between 1996 and 1998.]

Companies are Hiring from the Welfare Rolls

Over 12,000 businesses of all sizes and industries have joined The Welfare to Work Partnership since its launch in May 1997, and they have already hired an estimated ~~over~~ 410,000 people from the welfare rolls. Seventy-six percent of companies have hired former welfare recipients for full-time jobs and the average salary is $17,000 a year. More than 8 in 10 executives have found their new hires are good, productive employees; sixty-five percent of business leaders report that welfare to work hires have the same or higher retention rates than other employees, making welfare to work a smart solution for business. [The federal government is also doing its part: as Vice President Gore announced yesterday, the federal government has hired over 14,000 people in dozens of agencies across the U.S., far surpassing the goal of 10,000 hires set in April 1997.] The three-day Chicago convention will allow over 2,000 company representatives, federal, state and local officials, and community-based organizations from around the country to participate in over 100 workshops highlighting successful welfare to work strategies they can replicate at home.

More Must Be Done to Help Those Still on the Rolls

The President called on the public and private sector to do more to help those still on welfare move to work and succeed on the job. He urged the companies in The Welfare to Work Partnership to hire even more people from the welfare rolls, and he called on Congress to enact his initiatives to help those families with the greatest challenges move from welfare to work and succeed in the workforce, including:

- $1 billion to extend the Welfare-to-Work program to help long-term welfare recipients and low-income fathers work and support their families. Welfare-to-Work funds are targeted to those individuals who need the most help, including long-term welfare recipients with low basic skills, substance abuse or poor work history, and are distributed to states and communities based on concentrations of poverty, welfare dependency, and unemployment. Also under the President's proposal, states and communities would use a minimum of 20 percent of their formula funds to provide job placement and job retention assistance to low-income fathers who sign personal responsibility contracts committing them to work, establish paternity, and pay child support. The Administration's reauthorization proposal, which has been endorsed by the U.S. Conference of Mayors, is included in H.R. 1482 introduced by Congressman Cardin and S. 1317 introduced by Senator Akaka. The reauthorization would build on the $3 billion Welfare-to-Work program the President secured in the 1997 Balanced Budget Act. [To date, communities in nearly every state are using Welfare-to-Work funds to help individuals with the greatest challenges, and today Secretary of Labor Alexis Herman will announce over $100 million in grants to the states of Alaska, Illinois, Indiana, Kansas, Minnesota, and New Jersey.]

- Significant new funding for child care to help working families meet the cost of child care including: (1) $7.5 billion over five years to expand the Child Care Block Grant, (2) $5 billion over five years in greater child care tax relief, (3) $3 billion over five years in child care quality improvements, (4) a new tax credit for businesses that provide child care services for their workers, and (5) new tax relief for parents who chose to stay at home with their young children. With more parents entering the work force, the need for child care has risen as a critical support to help parents keep their jobs. The 1996 welfare law did provide $4 billion in additional funds to states to provide more care and help improve the quality of programs, but the unmet need remains large. There are approximately 10 million children eligible for federal funded support, yet in 1997, only 1.25 million children received assistance. Ensuring that families who leave welfare for jobs stay employed is one of the next challenges of welfare reform, and reliable, safe, and affordable child care is one of the critical ingredients for parents succeeding in work.

- Additional welfare-to-work housing vouchers and transportation funds to provide 25,000 more housing vouchers and double Access to Jobs transportation funding from $75 million to $150 million. The welfare-to-work housing vouchers will help families move closer to a job, reduce a long commute, or secure more stable housing that will help them get or keep a job. The Job Access grants will provide funds for communities to provide innovative transportation solutions so welfare recipients and other low income workers can get to work.

- Extend both the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit to encourage the hiring and retention of long-term welfare recipients and other disadvantaged individuals.

The President also called upon Congress to honor its commitment to welfare reform, and resist proposals to cut the Temporary Assistance for Needy Families block grant, which was created in the 1996 welfare act.

Bigger Deal — should be the first bullet under More Must Be Done (Congress shouldn't renege; states ~~must~~ should spend the $.)

Table 1. Changes in the Number of Recipients in Each State

State	Number of recipients		Percentage Change From		
	1993	1998	'93 to '96	'96 to '98	'93 to '98
Alabama	138,465	54,635	-26	-46	-61
Alaska	37,078	29,582	-1	-19	-20
Arizona	199,153	102,511	-16	-39	-49
Arkansas	71,989	32,633	-21	-43	-55
California	2,511,293	1,998,618	3	-23	-20
Colorado	122,890	50,746	-22	-47	-59
Connecticut	162,481	117,777	-2	-26	-28
Delaware	27,736	15,820	-16	-32	-43
DC	69,549	54,856	0	-21	-21
Florida	691,053	261,581	-22	-52	-62
Georgia	398,077	185,052	-15	-45	-54
Hawaii	57,336	46,724	16	-30	-19
Idaho	21,877	3,867	1	-83	-82
Illinois	694,050	476,576	-7	-26	-31
Indiana	215,367	111,176	-35	-21	-48
Iowa	102,438	65,665	-16	-24	-36
Kansas	88,363	34,536	-26	-47	-61
Kentucky	220,766	119,360	-22	-31	-46
Louisiana	259,762	124,800	-12	-46	-52
Maine	66,914	39,423	-18	-28	-41
Maryland	219,998	116,456	-11	-40	-47
Massachusetts	321,219	167,043	-28	-27	-48
Michigan	689,139	332,240	-26	-35	-52
Minnesota	192,173	143,685	-12	-15	-25
Mississippi	168,924	52,523	-26	-58	-69
Missouri	262,382	147,105	-14	-35	-44
Montana	34,875	19,540	-13	-35	-44
Nebraska	47,840	36,665	-20	-4	-23
Nevada	36,009	25,472	-2	-28	-29
New Hampshire	29,797	15,409	-22	-34	-48
New Jersey	345,370	196,947	-19	-30	-43
New Mexico	97,246	74,170	2	-25	-24
New York	1,215,526	886,746	-5	-23	-27
North Carolina	335,620	169,144	-20	-37	-50
North Dakota	18,215	8,541	-28	-35	-53
Ohio	712,277	340,179	-24	-37	-52
Oklahoma	135,762	61,191	-27	-38	-55
Oregon	117,852	46,001	-31	-43	-61
Pennsylvania	610,531	360,009	-14	-32	-41
Rhode Island	62,187	54,150	-8	-6	-13
South Carolina	146,280	60,110	-22	-48	-59
South Dakota	19,913	9,653	-21	-39	-52
Tennessee	310,486	149,089	-20	-40	-52
Texas	784,816	370,857	-16	-44	-53
Utah	52,144	28,258	-25	-28	-46
Vermont	28,301	19,643	-12	-21	-31
Virginia	194,765	99,053	-20	-36	-49
Washington	289,965	202,573	-6	-25	-30
West Virginia	118,113	38,638	-25	-56	-67
Wisconsin	235,247	40,167	-33	-75	-83
Wyoming	17,859	2,471	-32	-80	-86
Total	14,007,468	8,199,666	-13	-33	-41

Data are the average monthly caseloads for the calendar year.

Table 1. Changes in the Number of Recipients in Each State

State	Number of recipients 1993	1998	Percentage Change From '93 to '96	'96 to '98	'93 to '98
Alabama	138,465	54,635	-26	-46	-61
Alaska	37,078	29,582	-1	-19	-20
Arizona	199,153	102,511	-16	-39	-49
Arkansas	71,989	32,633	-21	-43	-55
California	2,511,293	1,998,618	3	-23	-20
Colorado	122,890	50,746	-22	-47	-59
Connecticut	162,481	117,777	-2	-26	-28
Delaware	27,736	15,820	-16	-32	-43
DC	69,549	54,856	0	-21	-21
Florida	691,053	261,581	-22	-52	-62
Georgia	398,077	185,052	-15	-45	-54
Hawaii	57,336	46,724	16	-30	-19
Idaho	21,877	3,867	1	-83	-82
Illinois	694,050	476,576	-7	-26	-31
Indiana	215,367	111,176	-35	-21	-48
Iowa	102,438	65,665	-16	-24	-36
Kansas	88,363	34,536	-26	-47	-61
Kentucky	220,766	119,360	-22	-31	-46
Louisiana	259,762	124,800	-12	-46	-52
Maine	66,914	39,423	-18	-28	-41
Maryland	219,998	116,456	-11	-40	-47
Massachusetts	321,219	167,043	-28	-27	-48
Michigan	689,139	332,240	-26	-35	-52
Minnesota	192,173	143,685	-12	-15	-25
Mississippi	168,924	52,523	-26	-58	-69
Missouri	262,382	147,105	-14	-35	-44
Montana	34,875	19,540	-13	-35	-44
Nebraska	47,840	36,665	-20	-4	-23
Nevada	36,009	25,472	-2	-28	-29
New Hampshire	29,797	15,409	-22	-34	-48
New Jersey	345,370	196,947	-19	-30	-43
New Mexico	97,246	74,170	2	-25	-24
New York	1,215,526	886,746	-5	-23	-27
North Carolina	335,620	169,144	-20	-37	-50
North Dakota	18,215	8,541	-28	-35	-53
Ohio	712,277	340,179	-24	-37	-52
Oklahoma	135,762	61,191	-27	-38	-55
Oregon	117,852	46,001	-31	-43	-61
Pennsylvania	610,531	360,009	-14	-32	-41
Rhode Island	62,187	54,150	-8	-6	-13
South Carolina	146,280	60,110	-22	-48	-59
South Dakota	19,913	9,653	-21	-39	-52
Tennessee	310,486	149,089	-20	-40	-52
Texas	784,816	370,857	-16	-44	-53
Utah	52,144	28,258	-25	-28	-46
Vermont	28,301	19,643	-12	-21	-31
Virginia	194,765	99,053	-20	-36	-49
Washington	289,965	202,573	-6	-25	-30
West Virginia	118,113	38,638	-25	-56	-67
Wisconsin	235,247	40,167	-33	-75	-83
Wyoming	17,859	2,471	-32	-80	-86
Total	14,007,468	8,199,666	-13	-33	-41

Data are the average monthly caseloads for the calendar year.

a variety of other options. During the Clinton Administration (from the beginning of 1993 to 1996), 43 states received welfare waivers, more than any previous Administration. At the federal level, welfare policy was changed dramatically by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which replaced the AFDC program with the Temporary Assistance for Needy Families (TANF) block grant. Under PRWORA, welfare became more work-focused and time-limited: with few exceptions, federal welfare assistance is strongly linked to the recipient's efforts to find a job. In most cases, adults cannot receive federal aid for more than a total of 5 years during their lifetime, and some states have chosen to set shorter time limits. PRWORA also shifted primary responsibility for welfare program design and management to States and localities.

In 1997, the Council of Economic Advisers issued a report using 1976 to 1996 data that examined the reasons for the decline in caseloads between 1993 and 1996. That study found that roughly 45 percent of the decline was accounted for by improved labor market conditions, about 30 percent was due to welfare waivers, and the remaining 25 percent was explained by other factors. Several subsequent studies were conducted that examined changes in welfare caseloads during this and earlier periods (Bartik and Eberts, 1998; Blank, 1997; Figlio and Ziliak, 1998; Levine and Whitmore, 1998; Moffitt, 1999; Stapelton, 1998; Wallace and Blank, 1998; Ziliak, Figlio, Davis, and Connolly, 1997).

Since 1996 caseloads have continued to fall, the labor market has grown even stronger, and welfare policy has been fundamentally changed, making it important to update the earlier report. This study extends the earlier study on several dimensions. Most importantly, the effects of TANF are assessed by analyzing data through 1998. In addition, the study provides more recent evidence of the effects of labor market conditions on changes in caseloads, and the study examines whether increases in the minimum wage also played a role.

The large sustained declines in caseloads provide one piece of evidence about the effectiveness of welfare reform efforts. However, there are multiple indicators of the impact of welfare reform, including changes in work and earnings among welfare leavers, in marriage rates and out-of-wedlock pregnancies, and in poverty rates. The Clinton Administration is collecting and tracking information on all of these measures in order to fully assess the impact of welfare reform.

FACTORS AFFECTING CASELOAD TRENDS

Economic Conditions

Caseloads normally fluctuate with the business cycle, rising in periods of high unemployment and declining when unemployment falls. Chart 1 illustrates this relationship between labor market opportunities and welfare participation (i.e., the number of welfare recipients divided by the total population) over the past three decades. When unemployment increased in the early 1970s, so too did welfare participation. The increase in welfare participation in the late 1980s and early 1990s, as well as the decline that began in 1994, also correspond with changes in employment opportunities during these periods. However, the trend in welfare participation does not always match that in unemployment, most notably when other important changes are taking place, including changes in family structure and welfare policies. Indeed, increases in welfare participation during the recession of the early 1980s were truncated by eligibility restrictions that were part of President Reagan's welfare reform efforts in 1982. Over the entire 1980s the simple correlation between unemployment and welfare participation was much lower (0.23) than in the 1970s (0.41) or the 1990s (0.78).

Chart 1. Welfare Participation and Unemployment Rates

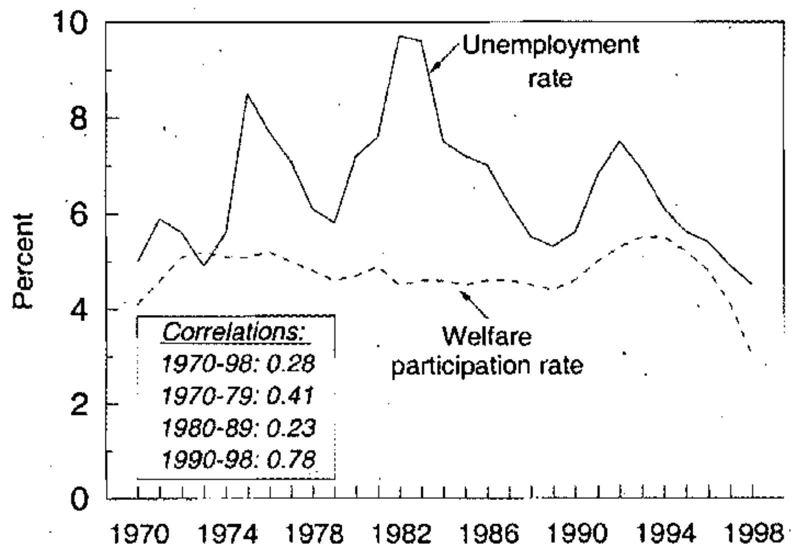
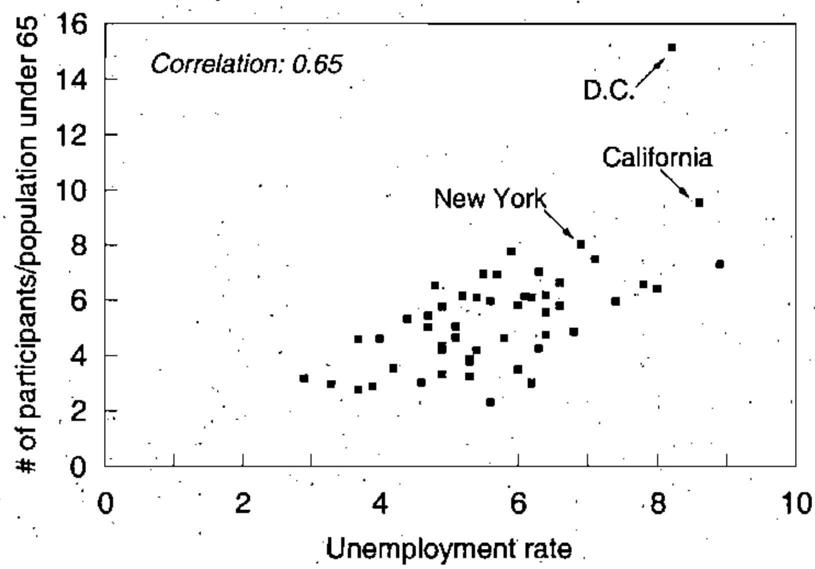
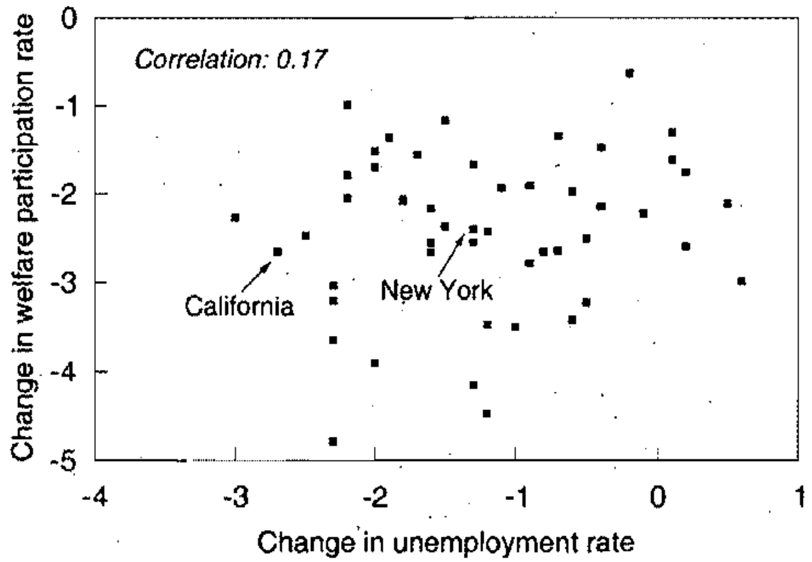


Chart 2. Welfare Participation Rate Versus Unemployment Rate for Each State, 1994



Economic conditions vary across states as well as over time. Chart 2 displays a scatterplot of the unemployment rate versus the welfare participation rate for each state and the District of Columbia in 1994, when participation was near its peak. (California and New York are highlighted because they are home to roughly one-third of the nation's welfare recipients, and DC is highlighted because it is an outlier on this Chart.) This relationship is quite strong, with a simple correlation of 0.65. While this correlation suggests a strong role for economic factors, it is likely to over-state the true role of economic factors. Fixed characteristics of states that cause them to have high unemployment rates may also lead them to high welfare participation. These characteristics include the state's age distribution, educational level, metropolitan/rural population shares, and racial and ethnic composition. While these factors may change over time, such change occurs more slowly than changes in policy or economic conditions. One way to abstract from these factors is to examine changes over time within states, which is the approach employed in the econometric models below. Chart 3 displays the simple relationship between the *change* in the unemployment rate and the *change* in the welfare participation rate in each state between 1994 and 1998 to illustrate the potential importance of these fixed effects. The chart demonstrates that once state fixed effects are removed by examining changes in these variables, the relationship is not nearly as strong as the simple cross-sectional one, with a correlation of 0.17.

Chart 3. Change in Welfare Participation Rate Versus Change in Unemployment Rate for Each State, 1994-98



Federal and State Policies

Welfare Waivers. Since 1962, the Secretary of Health and Human Services has had the authority to waive federal welfare requirements if a state proposed experimental or pilot programs that furthered the goals of AFDC. Although there were a few waivers granted in the early 1980s, it was not until the early to mid-1990s that major, state-wide waivers became widespread.

These waivers varied substantially across states, and in many cases they differed greatly from the rules under AFDC. Some waivers increased the amount of earnings recipients were allowed to keep and still be eligible for welfare. Other waivers expanded work requirements to a larger number of recipients, established limits on the length of time recipients could remain on aid, permitted states to sanction participants who failed to meet work requirements, or allowed states to eliminate benefit increases to families who conceived and gave birth to children while on welfare (the so-called "family cap"). Given the widespread use of waivers and the degree to which these policies differed from traditional AFDC policy, there is substantial reason to believe that waivers contributed to changes in welfare caseloads.

PRWORA. In August of 1996, President Clinton signed the Personal Responsibility and Work

Opportunity Reconciliation Act into law, dramatically changing federal welfare policy. PRWORA was designed to emphasize self-sufficiency and employment in place of welfare dependency, and it gave states greater flexibility to design and implement programs to achieve these goals. Benefits are time-limited; adults usually cannot receive federal aid for more than 5 years during their lifetime, and some states have chosen to set shorter time limits. Most recipients must also participate in a work activity within two years to continue receiving aid.

Under the TANF block grant established by PRWORA, federal assistance consists of an annual fixed transfer to each state equal to the amount of federal transfers the state received in fiscal year 1994, 1995, or the average of 1992-4, whichever was higher. In addition, most of the authority to design welfare programs was passed along to the states, who are required to have half of all recipients working by 2002 (40 percent by 2000). As a result, there are now substantial differences in how welfare programs operate across the nation. Some states increase benefits to welfare families who have additional children, while others do not. Some states stop payment of benefits to the entire family at the first instance of their failure to meet work activity requirements, while other states never sanction more than the adult. And some states allow welfare recipients to keep a substantial portion of their labor market earnings without reducing their welfare payments, while others do not.

AFDC/TANF Benefit Levels. States have long set their own level of maximum monthly benefit payments, with variation by family size and composition. All else equal, higher benefit levels are expected to increase the number of participants. Over the period of this study, the inflation-adjusted level of welfare benefits fell in almost all states. In some cases the state explicitly changed benefits, but in most states benefit levels were fixed and eroded over time with inflation.

Minimum Wage. The real value of the federal minimum wage decreased substantially between 1976 and 1989. A $0.45 legislated increase in 1990, followed by a $0.45 increase in 1991, offset some of this long-run decline, but by 1995 the real minimum wage ($4.55) was nearly as low as it was in 1989. The minimum was then legislatively raised by $0.50 in 1996 and an additional $0.40 in 1997. During the period analyzed in this study, 1976-1998, several states established minimum wage levels that were above the federal minimum that prevailed at that time.[1]

A higher minimum wage can make work more attractive, giving welfare participants a greater incentive to enter the workforce and leave public assistance. On the negative side, if a higher minimum wage reduces employment of low-skilled workers, some people may lose their jobs and enter welfare. At the same time, an increase in the minimum wage may lead employers to substitute away from teenagers (a relatively large share of whom work for the minimum wage) and towards older welfare workers (who are perhaps not as likely to work at the minimum wage, but more likely to be working just above the minimum than teenagers). The evidence on the disemployment effects of the minimum wage is mixed. Some studies have found that a 10 percent increase in the minimum wage causes a 1 to 2 percent decline in employment (e.g., Neumark and Wascher, 1992; Neumark and Wascher, 1994; or the estimates surveyed by Brown et al., 1982), while other studies have found no disemployment effects (e.g., Katz and Krueger, 1992; Card, 1992a; Card, 1992b; Card, Katz, and Krueger, 1994; Bernstein and Schmitt, 1998; Card and Krueger, 1998). Two recent studies have examined the effects of minimum wages on welfare caseloads, with one finding a negative effect over the 1990-91 period (Turner, 1999) and the other finding a positive effect over the 1983-96 period (Page, Spetz, Millar, 1999).

There are a variety of other factors that may affect caseloads, including the Earned Income Tax Credit, the availability of child care, transportation, and Medicaid coverage, family structure, and out-of-wedlock births. Although our models do not directly examine these factors, our approach controls for them indirectly, as described in the next section.[2]

ECONOMETRIC SPECIFICATION

Two approaches are implemented to estimate the effects of policy and economic conditions over the

[1] The states that had minimum wages above the federal level during 1976-98, and the years in which they had such policy, are: Alaska from 1976-98, California from 1989-90, Connecticut from 1976-90 and 1992-98, DC from 1976-98, Hawaii from 1976-77, 1988-90, and 1993-98, Iowa from 1990 and 1992-95, Maine from 1985-1990, Massachusetts from 1987-89 and 1995, Minnesota from 1988-90, New Hampshire from 1987-89, New Jersey from 1993-96, Oregon from 1990-98, Rhode Island from 1987-90 and 1992-96, Vermont from 1987-89 and 1995-98, Washington from 1989-90 and 1995-96.

[2] Of particular interest is the EITC, but because the most significant EITC changes are enacted nationally and effect all persons at the same time, these effects are subsumed by the model's time fixed effects.

period 1976-1998. Both approaches utilize the same dependent variable, use the unemployment rate to capture the effects of labor market conditions, and specify the minimum wage and welfare benefit levels in identical ways. The difference between the two models is the specification of the remaining welfare policy variables. The first model uses two simple 0/1 indicator variables: one to capture the period during which a major waiver was in effect in each state, and one to capture the period during which TANF was in effect in each state. Specifically, Model (1) is:

$$(1)\quad lnR_{st} = Waiver_{st}\,\beta_w + TANF_{st}\,\beta_{tanf} + lnBenefits_{st}\,\beta_b + lnMinWage_{st}\,\beta_{mw} + Unemployment_{st}\,\beta_u + \gamma_s + \gamma_t + trend * \gamma_s + \varepsilon_{st}$$

The variables are defined for state *s* in calendar year *t* as follows:

R:	the ratio of the number of recipients to the population under 65 years of age (the number of recipients is obtained from administrative reports on AFDC/TANF); the model estimates the natural log of this ratio.
Waiver:	an indicator variable that takes the value of one if the state had a major waiver in effect; the indicator is turned off when TANF is implemented in the state.[3]
TANF:	an indicator variable that takes the value of one if TANF was in effect in the given state (the TANF implementation date varied across states, as discussed below).
Benefits:	the maximum monthly benefit for a family of three on AFDC/TANF.
MinWage:	the value of the state-specific minimum wage expressed as a monthly amount (to make comparable with the benefits variable) assuming employment for 30 hours per week for 4.33 weeks. (In most cases, this is the federal minimum wage.)[4]

[3]In most cases, the waiver concept becomes meaningless once TANF was implemented because states were given broad control over their welfare policies. In particular, states could operate the broad categories of policies under TANF, whether or not they were continuing a waiver. However, if a state continued a time limit waiver, then participants' time clocks in that state would have been running prior to TANF implementation. As a result, these participants would reach their time limits more quickly than if their clock would have been reset on the date of TANF implementation.

[4] If the state had a range of minimum wages, the highest minimum wage was used to construct this variable. In the year that the minimum wage changed, the weighted average of the minimums in effect during that year were used in

Unemployment: the unemployment rate (current, lagged one year, lagged two years)

γ_s: state fixed effects

γ_y: year fixed effects

trend$*\gamma_s$: linear state-specific time trends

All dollar values are expressed in 1998 dollars using the CPI-U-X1.

The second approach examines the effects of specific welfare policies, regardless of whether the policy was implemented under waivers or TANF. That is:

$$(2) \quad lnR_{st} = X_{st}\beta_x + lnBenefits_{st}\beta_b + lnMinWage_{st}\beta_{mw} + Unemployment_{st}\beta_u + \gamma_s + \gamma_y + trend*\gamma_s + \varepsilon_{st}$$

In Model (2), X represents a vector of variables that describe specific policies that are in effect in state s in year t. There are a variety of policies that could be analyzed. The five policies that were examined were chosen because, a priori, they were expected to significantly influence participation and they could be quantified based on available sources. The five policies are:

1. Termination or work requirement time limits are represented by an indicator variable for whether the state either terminates eligibility, reduces benefits, or requires participants to work (not just participate in a "work activity") after a given duration on aid. The date that participants first began to reach the time limit was used as the date that this policy came into effect. (These time limits had become binding in too few states for us to examine the distinct effects of each of these three policies.)
2. A second indicator variable takes the value of 1 (0 otherwise) if the state has a family cap, that is, the state does not increase benefits for participants who give birth to or conceive a child while on aid.
3. Work exemptions are represented by three indicator variables based on the state's policy toward families with young children: the first takes the value of 1 if the state exempts mothers with a child as old as 6 months to 3 years, 0 otherwise; a second indicator takes the value of 1 if the exemption applies to mothers with a child newly born to 6 months old

the analysis, where the weights are equal to the share of the year in which each minimum wage was in effect.

(and not older), 0 otherwise; and a third takes the value of 1 if the state allows no exemptions based on the age of the mother's children, 0 otherwise. Years in which a state has a traditional AFDC/JOBS exemption policy serves as the reference group. These four groups are mutually exclusive.

4. A set of three indicator variables capture the aggressiveness of work sanction policies. One indicator represents states that impose full family sanctions with the first offense ("full/full"), a second indicator represents states that impose full family sanctions only after repeated offenses ("partial/full"), and a third indicator represents states whose maximum sanction is a partial family sanction ("partial/partial"). States that impose no sanction or some lesser sanction, which was the case under traditional AFDC, serve as the reference group.
5. The aggressiveness of disregarding earned income is represented by the amount of earnings disregard if a welfare recipient earns \$750 per month (in 1998 dollars). When the disregard formula varies with duration on welfare, the disregard applicable for the longest duration (typically more than 3 months) is assumed.

The "policy oriented" approach used in Model (2) has the advantage of being able to identify the specific policies that influence caseloads. However, there a number of TANF policies and practices that may affect participation that could not be captured in Model 2 because of data limitations, such as diversion policies, work requirements and targets, and welfare office culture. The simple indicator-variable approach used in Model 1 is more effective in capturing the total effect of waiver and TANF policies.

State, year, and state-specific time trends are included to capture unobserved factors, such as family structure and other policies, that may be correlated with the observed variables. Most policies were not in effect the entire calendar year that they were implemented. In these cases, fractional values are used corresponding to the share of the calendar year that the policy was in effect. The model is estimated with weighted least squares, where the weight is the population under 65 in state s in year t. The standard errors of the coefficient estimates are corrected for general forms of heteroscedasticity.[5]

Before discussing the results, it should be acknowledged that a maintained assumption in this study is that welfare policies are exogenous to welfare participation (after controlling for the factors in the models described above). All previous studies have also made this assumption. Endogenous policy is probably more likely to affect the estimates of Model 2. While most states received waivers, and every state has implemented TANF, the specific types of policies vary considerably. For example, states whose caseloads were increasing (or not decreasing as much as desired), may have adopted relatively harsh policies.[6]

DATA

Using annual calendar year data from 1976 to 1998 on all states and the District of Columbia, the analysis is based on 1,173 observations. Most of the data used in the analysis come from well-known sources, with a few exceptions (described below). The federal and state minimum wage data were obtained from the Wage and Hours Division of the Bureau of Labor Statistics.

Welfare Waivers

The data that are unique to this study are the waiver implementation dates and TANF policies. These policies are difficult to categorize and measure, and the pace and intensity of their implementation typically vary across and within states. Experts from the Department of Health and Human Services as well as non-government research institutions were consulted to characterize these policies as fully as possible. Specifically, information on waivers was obtained from the Department of Health and Human Services. Most waivers permitted simultaneous implementation of various provisions. For example, the California Work Pays Demonstration increased the AFDC resource limit for recipients to $2,000, increased the excludable equity value for a vehicle to $4,500, allowed recipients to place up to $5,000 in restricted accounts which did not count against the resource limit and which may

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[5]As a check of the robustness of the estimates, model 1 in Table 2 was re-estimated without correcting the standard errors, and all statistically significant coefficients remained so at the 0.01 level. Estimates when the weights are not used are reported in Table 4.

[6]One set of studies has modeled welfare caseloads by including the lagged value of the dependent variable as an explanatory variable (Zilaik et al, 1997; Figlio and Ziliak, 1998). This approach is an alternative way to control for past history. We have not chosen this specification, however, and we instead include year effects, state effects, and

only be withdrawn for certain uses, and (among other things) required pregnant or parenting teens (under 19) who did not possess a high school diploma or equivalent to participate in CalLEARN.

Like the 1997 CEA study, this report focuses on six "major" types of waivers that received approval to be implemented state-wide[7]: termination time limits, work requirement time limits, family caps, JOBS exemptions, JOBS sanctions, and the earnings disregard. Each of these policies was discussed in detail in the appendix to the 1997 CEA Technical Report.[8]

Some of the waivers that were approved for state-wide implementation were initially implemented state-wide, some were implemented in selected areas of the state, while still others began in small regions of the state but were eventually phased-in state-wide. Information on the pace of implementation is not available for all states. Therefore, the date that is used to signal implementation is the date that the waiver began to be implemented. The earliest dates that these waivers were approved and implemented in each state are listed in Table A1.[9]

PRWORA & TANF

PRWORA was signed into law in August of 1996, but a given state could not begin its TANF-funded program until that state submitted its TANF plan and it was certified as complete by the federal government. Beginning on the date the state formally implemented its TANF plan, the state could begin to draw down federal funds and was subject to all of the requirements and restrictions in TANF. The earliest *official* implementation date was September 1996 and the latest was July 1997,

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state-specific time trends in models of the level of welfare participation.

[7] In a few instances waivers were examined which were not approved to be implemented state-wide but affected a large share of the state's caseload.

[8] It was determined that the waiver in West Virginia, which was considered a "major" waiver in the 1997 CEA study, did not in fact meet this requirement (Martini and Wiseman, 1997), which is reflected in Table A1.

[9] Somewhat larger effects are estimated when the date of approval, which was utilized in the 1997 CEA study, is used instead of the date of implementation, as described in appendix A.

when all states were required to begin operating under TANF. The date that the state formally implemented its TANF plan is the date that is used to construct the TANF indicator variable in Model (1). However, in some states the initial plan was simply a placeholder, designed to allow the state to begin to draw down its TANF block grant, and some state policies were not changed until a later date. Therefore, the actual implementation date differs from the official date. In particular, in five states (California, Mississippi, New Jersey, New York, and Wisconsin) specific information was available indicating that the policies most associated with TANF – time limits, work requirements, sanctions, etc. – were not implemented until a later date; in these cases, the later date was used to construct the TANF indicator.[10] Table A1 reports the official and actual TANF implementation dates for each state.

To specify Model (2) the policies that were in effect in each state in each year were determined. To construct indicator variables for the existence of a termination or work requirement time limit and a family cap, we used the date that the relevant waiver was implemented (for time limits, the date that participants began to hit the limit) and assumed that the waiver continued to be in effect until (at least) TANF was implemented in that state (i.e., the date listed in Table A1).[11]

For the TANF period, we use information on state TANF plans as of October 1997 (Gallagher et al., 1998) along with the date the current policy (as of October 1997) was implemented to determine which policies were in effect in each state in each year. It is assumed that the policies in place in October 1997 were not changed by December 1998, which is the end of our sample period. If a policy was implemented and rescinded between the date that TANF was implemented and October 1997, we would not capture this policy change. However, the earliest TANF implementation was October 1996, just one year prior to our TANF information, and many states implemented TANF in the first 6 months of 1997. Therefore, it is unlikely that a policy was both implemented and rescinded within such a short period.[12]

[10] Model 1 in Table 2 was re-estimated without using this additional information for these five states. The coefficient estimates changed very little; the largest change was for the TANF indicator, which increased to -23.8 with a t-statistic of 2.70.

[11] Again, the date that was used was the date that the policy initially began to be phased in within the state.

[12] New Mexico implemented its TANF program in July 1997, but it was found unconstitutional in September of that year. A revised TANF program was implemented in April 1998.

RESULTS

Table 2 contains the estimates of Models 1 and 2. The table also reports a version of each of these models that excludes state-specific time trends. The rationale for including these trends is to control for unobserved changes over time that are specific to each state. For example, if there is a long-run increase in female-headed households, and the rate of this increase varies between states, other variables in the models may be biased if this factor is not controlled. On the other hand, some of the interesting and important variation for identifying effects of some of the variables of interest may be reduced substantially by the inclusion of these trends, making it difficult to identify their effects. For example, cash benefit levels follow a long-run trend in some states, and including the state-specific trends leaves much less variation in benefits to identify its effects. Therefore, estimates with (Models 1 and 2) and without (Models 1A and 2A) the state-specific trends are reported.

Estimates from Model 1

Waivers had a large and precisely estimated effect on welfare participation (Table 2). The estimates in Models 1 and 1A imply that states that implemented a major waiver experienced a decline in participation that was 8 to 9 percent greater than other states. The implementation of TANF is associated with a decline in participation of 18 percent, roughly double the size of the effect of waivers.

All other statistically significant estimates in Models 1 and 1A alter participation in the expected direction. Higher cash welfare benefits raise participation. The estimates in Model 1 imply that a $50 increase in the monthly benefit above its 1998 average monthly value would increase participation by 1.8 percent. For the reasons described above, the estimates from Model 1A, which exclude the state-specific linear trends, are much larger and imply that the same $50 increase would lead to a 6.2 percent increase in participation.

Table 2.
Baseline Specifications
(Coefficient estimates are multiplied by 100)

	Model 1		Model 1A		Model 2		Model 2A		
	Beta	t-stat	Beta	t-stat	Beta	t-stat	Beta	t-stat	Mean
Any waiver	-9.40	2.90	-7.99	2.90					0.08
TANF	-18.84	4.37	-18.12	1.75					0.09
Log maximum monthly benefit	14.98	1.93	51.74	6.20	15.01	2.37	53.84	7.63	1.55
Log monthly minimum wage	-39.59	4.02	-63.91	3.61	-25.59	2.27	-51.95	2.74	1.91
Unemployment rate:									
Current	-0.36	0.74	0.20	0.30	-0.30	0.61	-0.13	0.20	6.63
1-year lag	1.50	2.40	1.70	1.88	1.29	2.06	1.65	1.92	6.79
2-year lag	4.27	8.92	5.13	7.40	3.94	8.34	4.77	7.39	6.83
Specific welfare policy variables (X)									
Termination/work req. time limit					-3.75	0.76	-4.30	0.73	0.03
Family cap					6.71	2.19	8.21	2.35	0.05
Work exemption based on age of youngest child:									
Traditional AFDC & JOBS exemption (reference group)									
Child as old as 6 months to 3 years					12.37	2.46	-2.79	0.57	0.05
Child newly born to 6 months old					11.56	1.53	3.05	0.40	0.03
No exemptions based on age of youngest child					4.86	0.77	0.81	0.12	0.01
Work sanctions:									
Traditional AFDC or JOBS (reference group)									
Partial/Partial					-9.71	2.52	-1.36	0.32	0.05
Partial/Full					-18.14	3.76	-22.76	4.20	0.04
Full/Full					-39.36	5.57	-33.53	4.51	0.03
Log earnings disregard					5.38	2.40	5.86	2.00	0.64
State-specific trends?	Yes		No		Yes		No		

All models include state and year effects. Estimates use the population under 65 as weights and robust calculation of standard errors. N=1173. Weighted mean of the dependent variable: 1.589

Increases in the minimum wage are found to decrease welfare participation. In particular, consider an increase in the minimum wage by $0.50. If this increase were on top of the average minimum that existed in 1998, monthly earnings at the minimum wage (evaluated at 30 hours per week, full month) would increase by $65. This rise would translate into a decline in welfare participation of roughly 3.7 to 5.9 percent.[13]

Tight labor markets, as measured by the unemployment rate, reduce welfare participation. The models demonstrate the lagged nature of the unemployment effects. In fact, the largest effects are for unemployment lagged two years. Model 1 implies that a one percentage point decrease in the unemployment rate that persists for three years is associated with a 5.41 percent (4.27+1.50-0.36) decline in welfare participation. The estimates are substantially higher if state-specific time trends are not included in the model.

Estimates from Model 2

The effects of cash benefits, minimum wages, and the unemployment rate estimated for Models 2 and 2A are similar to those estimated in Models 1 and 1A, respectively. The welfare reform policy variables included in Models 2 and 2A show mixed results. The coefficient on the time-limit indicator variable is negative, as expected, but it is not precisely estimated. It is important to note that all participants who have hit time limits by the end of 1998 were doing so under a waiver policy. And because only a small number of states had time limit waivers, a relatively small number of participants had hit a time limit. Therefore, it is not surprising that, through 1998, time limits had not significantly altered national caseloads.[14]

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[13] Some studies of the disemployment effects of the minimum wage have included a measure of average state wages in their specifications. Although there are problems that arise from including this variable (see Card, Katz, Krueger, 1994 for a discussion), Model 1 in Table 2 was re-estimated including the average wages of production workers because this variable is incorporated in a large number of studies. (This variable is not available for DC or for Indiana in some years.) Including this variable causes the effect of the minimum wage to fall somewhat, but it is still large (-30.45) and precisely estimated (t-statistic of 3.39).

[14] Time limits may alter participants' behavior before they actually hit the limit. For example, some recipients may leave the rolls sooner or not come on the rolls at all in order to save up time that could be used at a later date. When the date of implementation was used to construct this variable instead of the date that people first began to hit the limit, the estimated effects were actually positive. This counterintuitive result is likely due to the endogeneity issues raised earlier in the report. In particular, the states that chose to implement time limits under waivers may have

As expected, a higher earnings disregard raises participation (at least in the short-run), but this effect is relatively small. The estimates suggest that an increase in the disregard equivalent to $50 on a monthly basis is associated with less than a 1 percent increase in participation. Family caps do not have the expected negative effect; in fact, they are positive and precisely estimated. Similarly, looking across Model 2 and 2A, it appears that work exemption policies based on the age of the youngest child do not play a substantial role in determining caseloads. In fact, the one significant effect is of unexpected sign.

Not surprisingly, policies that sanction recipients who do not go to work are associated with large declines in welfare participation. The effects of the work sanction policies may be due to the fact that impending sanctions cause welfare recipients to accelerate their job search and find employment, or the effect may be due to the fact that recipients did not find a job and were sanctioned. States with full family sanctions on the first violation of work requirements have much lower caseloads than other states. States whose most severe work sanction policy is a partial reduction in benefits also have lower participation, but not nearly as low as the rates for states with full family sanctions. As with all policies examined in the model, the effects of these sanctioning policies on the caseload may be distinct from their effects on other important factors, such as child health and development, illegitimacy, education, poverty, and work participation.

Relative Contribution of Each Factor

1993-96 Welfare Waiver Period. Table 3 provides estimates of the relative contribution of each factor to the change in welfare participation during two periods: 1993-1996 (the waiver period under the Clinton Administration) and 1996-98 (the TANF period). Specifically, the change in the national average of each variable (obtained by weighting by the state population under 65) is multiplied by its respective coefficient estimate to determine the change induced by that factor. The ratio of the share of this change to the total change in participation during this period is reported in Table 3. For example, 22 percent of the population under 65 lived in states with major waivers in place in 1993.

been the states whose caseloads were increasing, or perhaps not declining as much as desired.

Table 3.
Percentage of Change in
Participation Attributable to Each Factor
(Based on Estimates of Models 1 and 1A in Table 2)

	Based on Model 1		Based on Model 1A	
Factor	1993-96	1996-98	1993-96	1996-98
Welfare waivers	14.6%		12.4%	
TANF		36.2%		34.8%
Decline in unemployment	26.4%	7.8%	35.6%	10.4%
Increased minimum wage	-9.7%	9.6%	-15.6%	15.5%
Lower cash benefits	6.3%	1.4%	21.7%	4.7%
Other	62.4%	45.0%	45.9%	34.5%

By 1996, this share increased to 53 percent. Multiplying the change in the share living under waivers (0.53-0.22=0.31) by the respective coefficient estimate in Model 1 (-9.40), it is found that the expansion of waivers led to a 2.91 percent decline in participation during this period. Participation in total dropped by about 20 percent between 1993 and 1996, which implies that roughly 14 percent of the decline can be attributed to the increase in waivers.

While waivers accounted for about 14 percent of the decline from 1993-96 according to Model 1, the lower unemployment rate was responsible for 26 to 36 percent of the decline (depending on the model). Cash benefits declined by about 8 percent from 1993 to 1996, which led to a decline in participation. The actual amount of the decline that can be attributed to the benefit reduction differs substantially between the two models; 6 percent for Model 1 and 22 percent for Model 1A. The real value of the minimum wage fell between 1993 and 1996 (the increase in 1996 was in October, so it was not effective most of the year)[15], which is why the minimum wage explains a negative share of the caseload decline; the caseload would have increased between 1993 and 1996 if the only change that had occurred were the decline in the real minimum wage.

[15] Recall that the minimum wage measure used in the analysis is the weighted average of the minimum wages in effect in the state in the given year, where the weights are equal to the share of the year that the respective minimum was in effect.

TANF Period: 1996-98. Welfare participation declined by roughly 33 percent between 1996 and 1998, and TANF was a major contributing factor. Roughly one-third of the decline is due to TANF. Economic factors are still important in drawing people off welfare, but since the unemployment rate has declined relatively little since 1996, it accounts for just 8 to 10 percent of the decline in participation over this period. Higher minimum wages accounted for about 10 percent of the drop in participation, and reductions in cash benefits accounted for an additional 1 to 5 percent decline. The remaining share is unexplained and may be due to other changes in policy, practice, or behavior.

ALTERNATIVE SPECIFICATIONS

Several alternative specifications were estimated to examine the robustness of the findings, and some of these results are reported in Table 4. All of the models in Table 4 include state-specific time trends, and the estimates from Model 1 of Table 2 are listed for comparison.

It has been argued that analyses of waiver policies should not utilize population weights (Martini and Wiseman, 1997). Comparison 1 demonstrates that the effects of waivers, TANF, cash benefits, and the unemployment rate are not very sensitive to whether weighting is used. However, the effects of the minimum wage are substantially larger when the weights are not used.

Quite often it is said that welfare reform would not have been as effective in reducing caseloads if it had not been for the strength of the labor market. This hypothesis is tested in Comparison 2 by interacting the unemployment rate with the waiver indicator and with the TANF indicator.[16] Although the precision of the estimate of the interaction between TANF and the unemployment rate is slightly below standard levels for determining statistically significance (with a p-value of 0.12), the coefficient estimate implies that TANF policy is more effective when unemployment is low. For

[16]In reality, people who make such statements are sometimes referring to the direct effect of labor market conditions on participation, and not the interaction.

Table 4.
Alternative Specifications of Model 1
(Coefficient estimates are multiplied by 100)

	Baseline Model 1		Comparison 1 Without Population Weights		Comparison 2 Policy & Economy Interactions		Comparison 3 Changing Economic Effects Model A		Comparison 3 Changing Economic Effects Model B		Comparison 4 With Leads of TANF and Waivers		Comparison 5 Population as an Explanitory Variable	
	Beta	t-stat	Beta	t-stat	Beta	t-stat	Beta	t-stat	Beta	t-stat	Beta	t-stat	Beta	t-stat
Any waiver	-9.40	2.90	-7.34	2.95	-1.90	0.21	-8.86	2.42	-9.34	2.54	-5.53	1.82	-8.29	3.01
Any waiver, lead											-6.84	2.39		
TANF	-18.84	4.37	-18.04	2.38	-46.23	2.77	-21.28	4.23	-22.07	4.14	-15.19	3.20	-15.94	3.94
TANF, lead											-4.84	1.19		
Log max. monthly benefit	14.98	1.93	20.92	3.34	-5.44	0.78	-6.99	0.87	-6.10	0.75	14.91	1.95	29.06	4.27
Log monthly min. wage	-39.59	4.02	-67.31	4.01	-53.00	3.73	-51.59	3.81	-47.44	3.44	-40.28	4.26	-15.14	1.48
Unemployment rate														
Current	-0.36	0.74	0.63	1.36	3.21	8.51	3.17	8.80			-0.26	0.54	0.74	1.70
One lag	1.50	2.40	1.80	3.23							1.51	2.44	1.25	2.31
Two lags	4.27	8.92	3.66	8.12							4.17	8.78	2.68	6.04
Current*1976-80									1.48	1.93				
Current*1981-86									3.20	7.97				
Current*1987-92									3.87	6.03				
Current*1993-98									4.37	3.54				
Waiver*Current					-1.01	0.63								
TANF*Current					5.32	1.57								
Log(Population under 65)													-136.77	4.62

All models include state effects, year effects, and state-specific time trends. Estimates use the population under 65 as weights and robust calculation of standard errors, except in Comparison 1 where the weights are not used.

example, after adjusting for other factors, TANF is estimated to reduce participation by 14.8 percent if the unemployment rate were 5.9 (as it was in California when it implemented TANF in 1998) and by 20.2 percent if the unemployment rate were 4.9 (as it was in Michigan when it implemented TANF in 1996).

It has been argued that the effects of waivers may be accounted for by an increase in the sensitivity of the caseload to labor market conditions in the 1990s (Moffitt, 1999). For this argument to hold, economic conditions must be correlated with waivers, the caseload must have become more sensitive to the unemployment rate over time, and the model must not have allowed the effects of the economic factors to change over time. Comparison 3 (Model B) tests this hypothesis by allowing the effects of the unemployment rate to differ between four periods: 1976-80, 1981-86, 1987-92, and 1993-98. (While Model B allows the effects of unemployment to vary across time, it does not include lagged unemployment effects. Therefore, the baseline model, which does not incorporate time-varying unemployment effects, is re-estimated with no lags in unemployment so that proper comparisons can be made. This specification appears as Model A in Comparison 3.) Indeed, the caseload has become more sensitive over the past two decades. A one percentage point increase in unemployment led to an increase in welfare participation of 1.5 percent in the 1976-80 period, 3.2 percent in the 1981-86 period, 3.9 percent from 1987-92, and 4.4 percent since 1993. (The 1976-80 period is statistically significantly different from each of the other three periods, but the three latter periods are not statistically significantly different from each other.) This rise may be due to the fact that most of the changes to AFDC introduced by waivers and TANF emphasize employment. This also suggests that the estimates of the contribution of the unemployment rate reported in Table 4 may be a lower bound. Most importantly for this study, however, the effects of waivers and TANF are robust to this specification, changing very little from the baseline model.

Comparison 4 permits "lead" effects of TANF and waivers. The 1997 CEA study argued that welfare policies may begin to have an effect on behavior in the year leading up to their enactment because of the heightened awareness generated by the debate surrounding their passage. Indeed, the 1997 study found that state caseloads were declining significantly in the year prior to receiving approval for a waiver. The estimates with the data through 1998 and incorporating TANF imply a fairly large and statistically significant association between welfare participation and the one-year lead of waivers; the lead of TANF is not significant. However, it is difficult to interpret these estimates. While a true causal interpretation is plausible, an alternative interpretation is that the leads are picking up unobserved differences across states or within states across time. For example, perhaps states with recently declining caseloads (or caseloads declining more -- or increasing less -- than expected) had slack resources and manpower to design and submit a waiver. In this case, waivers themselves may not be causing the decline. For this reason, the estimates without the leads are emphasized.[17]

The final alternative specification, Comparison 5, uses a less restrictive functional form by using the population variable as an explanatory variable instead of using it as the denominator in the dependent variable. In this model the dependent variable is simply the natural log of the number of recipients. The results are fairly stable to this specification change. However, the coefficient estimate on the minimum wage, while still negative, is reduced, and it has a p-value of 0.14.

CONCLUSIONS

There has been an unprecedented decline in welfare caseloads. The drop has occurred in every state in the nation, and it has persisted now for almost 5 years. In the earlier years, from 1993 to 1996, most of the decline was due to the strong labor market and welfare waivers. The declines in the more recent period, from 1996 to 1998, have been very large, and the single most important factor that can be identified is the implementation of TANF. PRWORA produced a dramatic change in welfare policy: work and self-sufficiency became a primary goal; state and local governments were given much greater control of the programs they ran; and states experimented with a host of program design changes. The evidence suggests that these changes have caused a large drop in welfare participation, a drop that is independent of the effects of the strong labor market during this period.

[17] Models that include lagged values of the waiver and TANF indicator variables were also examined to determine whether there was an effect of these policy changes above and beyond the initial-year change. Although in some specifications there were substantial lagged effects, the estimates were quite sensitive to specification, especially sample weighting and inclusion of data from California and New York.

The estimates imply that TANF alone has accounted for roughly one-third of the reduction from 1996-98.

The strong labor market has made work opportunities relatively more attractive, drawing people off welfare and into jobs. In fact, the size of the caseload has become more sensitive to labor market changes in recent periods. However, the unemployment rate has not declined as much in the post-TANF period (1996-98) as it did in the 1993-96 waiver period. As a result, the share of the decline in the caseload that is attributable to improvements in the labor market was much larger in the 1993-96 period (roughly 26 to 36 percent) than in the 1996-98 period (8 to 10 percent).

While this study helps to explain the post-TANF changes in welfare participation, there is much about welfare participation that is unknown. In most models that were estimated, a large share of the variation over time could not be explained. The variation across states in welfare policy and management has increased as a result of TANF, and the research community will struggle to keep abreast of these changes. Merely documenting the changes, let alone understanding their effects on caseloads, work, self-sufficiency, child well-being and the like, is a major challenge.

Appendix A

Comparison with the 1997 CEA Study

A replication of the estimates reported in the 1997 CEA study is provided in Table A2. There are five reasons why the "old" estimates may differ from the "new" estimates:

1. different time periods of analysis
2. different variables included in the models
3. use of approval vs implementation date of waivers
4. use of calendar vs fiscal year data
5. use of population under 65 instead of all population in calculating participation rates.

All models in Table A2 analyze the 1976-1996 period and include the same explanatory variables. Comparison between the "old CEA" estimates and the estimates in Model I of Table A2 shows that the effects of waivers are larger when calendar year data is used instead of fiscal year data. This finding is not surprising because the caseload continued to decline at the end of 1996, and some of this decline is attributed to waivers in Model I.[18] Table A2 also demonstrates that the effects of waivers is somewhat smaller when the implementation date (Model I) is used instead of the approval date (Model II). Use of the population under 65 instead of the total population in the denominator of the recipiency rate alters the results very little.

Although the use of the implementation date instead of the approval date and a different population control does not alter our results substantially, two other choices do. First, we include a second lag of the unemployment rate in our models in the current study (Table 2). The effect of the second lag is quite large and precisely estimated. It turns out that the inclusion of the second lag explains an important difference in the reported results between the two studies. With only one lag in unemployment, the 1997 study found that unemployment could explain 45 percent of the change in

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[18]Some of the effects of waivers in 1996 may be picking up the effects of PRWORA, or the heightened public awareness of reform prior to PRWORA (Moffitt, 1999). Re-estimating Model IV in Table A2 without 1996 data leads to a coefficient n the waiver dummy of -3.65 (t-statistic of 1.60).

participation from 1993-96. (See Table 3, column labeled (3), in the 1997 report.) Using the 1976-1998 data, and the full specification reported as Model 1 in Table 2 but without the second lag in unemployment, we find results that are almost identical to those reported in the 1997 study: unemployment explains 42 percent of the change between 1993 and 1996. But with the second lag included, the share explained by unemployment falls to 26 percent. Therefore, the specification of the lag structure does alter the results from the simulations. However, the effects of waivers change very little with the specification of the lag structure of unemployment: the share explained by waivers between 1993-96 based on Model 1 in Table 2 is 14 percent with two lags and 15 percent with just one lag.

The studies also differ in their findings regarding the importance of waivers. However, the primary difference is not due to different estimates within the same specification, but in the choice of which specification to emphasize. The 1997 study emphasized results from a specification that included a lead value of the waiver variables (model 6 in Table 2 of the 1997 report) while the current study emphasizes models that exclude the leads (model 3 in Table 2 of the 1997 report). As described in the 1997 technical report, "... it may be that the waiver application process, the publicity surrounding it, and potential changes in case workers' behavior and attitudes may provide a signal to potential recipients that the environment in which the welfare system operates is about to change. It may lead some individuals contemplating applying for benefits to find other sources of income support, whether from work or elsewhere (p. 15)." While this is a plausible scenario, an alternative interpretation is that the leads are picking up unobserved differences across states or within states across time. For example, perhaps states with recently declining caseloads (or caseloads declining more -- or increasing less -- than expected) had slack resources and manpower to design and submit a waiver. For this reason, the current study uses the simple contemporaneous value for waivers and TANF.

Excluding the leads does not change the estimates of the effect of unemployment rates. However, the waiver effects are substantially smaller without the leads. As reported in Table 3 of the 1997 study, the share of the 1993-96 change explained by waivers falls from 31 percent if the leads are included to 13 percent if the leads are not included. The 13 percent estimate in the 1997 study is comparable to the estimate of 14.6 percent in Table 3 of the current study.

Other than these differences, the updated study is quite consistent with the earlier report. Most importantly, strong labor markets, as measured by the unemployment rate, and welfare waivers played an important role in explaining the declines from 1993-96. The new study builds on the 1997 report and finds that TANF has had an even more profound effect on participation than did waivers.

Table A1. Dates of TANF Implementation and Major Welfare Waivers

	Date of First Major Waiver		TANF Implementation	
	Approval	Implementation	Official	Actual, if Different from Official
Alabama			November-96	
Alaska			July-97	
Arizona	May-95	November-95	October-96	
Arkansas	April-94	July-94	July-97	
California	October-92	December-92	November-96	January-98
Colorado			July-97	
Connecticut	August-94	January-96	October-96	
Delaware	May-95	October-95	March-97	
DC			March-97	
Florida	June-96		October-96	
Georgia	November-93	January-94	January-97	
Hawaii	June-94	February-97	July-97	
Idaho	August-96		July-97	
Illinois	November-93	November-93	July-97	
Indiana	December-94	May-95	October-96	
Iowa	August-93	October-93	January-97	
Kansas			October-96	
Kentucky			October-96	
Louisiana			January-97	
Maine	June-96		November-96	
Maryland	August-95	March-96	December-96	
Massachusetts	August-95	November-95	September-96	
Michigan	August-92	October-92	September-96	
Minnesota			July-97	
Mississippi	September-95	October-95	October-96	July-97
Missouri	April-95	June-95	December-96	
Montana	April-95	February-96	February-97	
Nebraska	February-95	October-95	December-96	
Nevada			December-96	
New Hampshire	June-96		October-96	
New Jersey	July-92	October-92	February-97	July-97
New Mexico			July-97	
New York			December-96	November-97
North Carolina	February-96	July-96	January-97	
North Dakota			July-97	
Ohio	March-96	July-96	October-96	
Oklahoma			October-96	
Oregon	July-92	February-93	October-96	
Pennsylvania			March-97	
Rhode Island			May-97	
South Carolina	May-96		October-96	
South Dakota	March-94	June-94	December-96	
Tennessee	July-96	September-96	October-96	
Texas	March-96	June-96	November-96	
Utah	October-92	January-93	October-96	
Vermont	April-93	July-94	September-96	
Virginia	July-95	July-95	February-97	
Washington	September-95	January-96	January-97	
West Virginia			January-97	
Wisconsin	June-94	January-96	September-96	September-97
Wyoming			January-97	

*New Mexico implemented its TANF program in July 1997. It was found unconstitutional in September 1997. A revised TANF program was implemented in April 1998.

Table A2.
"Old CEA" Compared with "New CEA" for the 1976-1996 Period
(Coefficient estimates multiplied by 100)

	Old CEA		New CEA							
			Model I		Model II		Model III		Model IV	
	Beta	t-statistic	Beta	t-statistic	Beta	t-statistic	Beta	t-statistic	Beta	t-statistic
Any waiver	-5.17	2.97	-6.74	3.33	-6.81	3.33	-5.66	2.67	-5.71	2.67
Unemployment										
Current	-0.90	2.09	-0.58	1.18	-0.63	1.28	-0.61	1.24	-0.66	1.33
Lagged	4.97	11.83	4.60	9.50	4.66	9.52	4.61	9.47	4.67	9.49
Log max. monthly benefit	7.93	1.65	6.57	1.02	5.75	0.88	7.06	1.09	6.23	0.96
Years	1976-1996		1976-1996		1976-1996		1976-1996		1976-1996	
Date of waivers	Approval		Approval		Approval		Implementation		Implementation	
Population	All		All		Under 65		All		Under 65	
Calendar vs fiscal	Fiscal		Calendar		Calendar		Calendar		Calendar	

All models include state effects, year effects, and state-specific time trends. "Old CEA" refers to the estimates for Model 3 in Table 2 of the 1997 CEA report. To be consistent with the 1997 CEA report, the waiver in West Virginia is assumed to be a "major" waiver.

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Statewide TANF Time Limits

State	*Date*
Connecticut	10/01/97
Texas	11/05/97
Tennessee	04/01/98
Arizona	10/01/98
Florida	10/01/98
Indiana	10/01/98
Oregon	10/01/98
South Carolina	10/12/98
Massachusetts	12/01/98
Nebraska	12/01/98
Georgia	01/01/99
Louisiana	01/01/99
North Carolina	01/01/99
Virginia	02/01/99
Delware	03/10/99
Arkansas	07/01/99
California	07/01/99
Ohio	10/01/99
Utah	10/01/99
Vermont	09/20/01
Michigan	09/30/01
Wisconsin	09/30/01
Kansas	10/01/01
Mississippi	10/01/01
New Hampshire	10/01/01
Oklahoma	10/01/01
Kentucky	10/18/01
Maine	11/01/01
Alabama	11/15/01
Missouri	12/01/01
South Dakota	12/01/01
New York	12/02/01
Nevada	12/03/01
Maryland	12/09/01
Iowa	01/01/02
Wyoming	01/01/02
Washington	01/10/02
West Virginia	01/11/02
Montana	02/01/02
New Jersey	02/01/02
District of Columbia	03/01/02
Pennsylvannia	03/03/02
Rhode Island	05/01/02
Alaska	07/01/02
Colorado	07/01/02
Guam	07/01/02
Hawaii	07/01/02
Illinois	07/01/02
Minnesota	07/01/02

North Dakota	07/01/02
Puerto Rico	07/01/02
Virigin Islands	07/01/02
New Mexico	Pending Legislative Changes

some States use a narrow definition of "work," whereas others allow for a broader range of activities, including training or volunteering.

Another major feature of State policy regarding work is the increased use of sanctions if family members fail to participate in required activities. While reliable national data is not available at this point, the State waiver studies suggest that there is much more aggressive State use of sanctions under welfare reform. For example, waiver demonstrations indicate that a demonstration county in Florida increased its sanction rate from seven to 30 percent and Delaware's sanction rate increased from nearly zero to 50 percent. Under PRWORA, if the individual in a family receiving assistance refuses to engage in required work, the State has the option to either reduce or terminate the amount of assistance payable to the family, subject to good cause. Thirty-seven States have elected to terminate the amount of assistance payable to a family for not cooperating with work requirements (typically after several infractions), and fourteen States have chosen to reduce the amount of cash payable to a family (by a pro rata share).

States have also enacted policies to make work pay, generally by increasing the amount of earnings disregarded in calculating welfare benefits. Forty-three States made changes to simplify and expand the treatment of earnings compared to the AFDC treatment. In conjunction, all States have raised their limits on assets and/or vehicles thus allowing families to keep a vehicle that may be their only means of transportation to work, and to accumulate savings.

Time Limiting Assistance

The Federal law limits the percent of cases that may receive federally-funded assistance for more than 60 months in order for the State to avoid a time-limit penalty. Within that framework, States have broad flexibility to set policies on time-limits, including policies on the duration for which benefits may be received, exemptions, and criteria for hardship extensions.

State policies related to time limiting assistance to a family vary greatly. States have chosen the following time limit policies:

- 27 States use the five-year federal time limit (Alabama, Alaska, Colorado, District of Columbia, Hawaii, Iowa, Kansas, Kentucky, Maine, Maryland, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Oklahoma, Pennsylvania, South Dakota, Vermont, Washington, West Virginia, Wisconsin, and Wyoming);

- 8 States (Louisiana, Nebraska[2], Nevada, North Carolina, Oregon[3], South Carolina, Tennessee, and Virginia) have chosen "intermittent" time limits (for example, Louisiana limits TANF receipt to 24 months in any 60 month period, with a lifetime limit of 60 months);

- 8 States have chosen a lifetime time limit shorter than the federal limit (Arkansas, Connecticut, Delaware, Florida, Georgia, Idaho, Ohio, and Utah);

[2] Families are limited to 24 out of 48 months of cash assistance. However, State law will not allow any family to be terminated if it will result in an economic hardship. [2]

[3] Cash assistance to families is limited to 24 cumulative months in any 84 consecutive months. The time limitation will not apply to any person who is participating in the JOBS.

- 3 States have chosen options that do not involving supplements for families reaching the federal time limit (Illinois, Massachusetts, and Michigan); and
- 5 States have chosen time limits for adults only (Arizona, California, Indiana, Rhode Island, and Texas).

Diversion

Many States are experimenting with a variety of strategies to divert families from receiving cash assistance. These diverse strategies include: lump-sum cash payments, where families receive a payment sufficient to resolve an immediate emergency (such as a car breakdown) and keep the family working and off cash assistance; applicant job search, where the applicant is required to look for a job for some period of time (with or without structured assistance from the welfare office) before receiving benefits; and other alternative support services (such as linkages to child care or community resources). These strategies are quite new, and there is little research yet on their effects.

However, a recent study by the Center for Health Policy Research at the George Washington University, funded by the Department, has examined the emergence of diversion programs as a welfare reform strategy and the potential for diversion to affect access to Medicaid. The study reported on the use of diversion in all 50 States and the District of Columbia, and also included an examination of the experiences of five local communities in establishing and operating diversion programs (See chapter Summary 14:3). In addition to noting the importance of processing Medicaid applications even in cases in which TANF assistance is deferred, it highlights promising approaches that other States may follow to ensure access to Medicaid and other supports, such as child care, for those who obtain employment through diversion or are otherwise diverted from the TANF rolls.

One of Montana's local programs was examined in the study. In that program, child care and Medicaid-only option are provided for families with work or child support income. The study found that this option has greatly increased demand for child care.

Families Facing Specific Barriers to Employment

Although there have been dramatic gains in work for many TANF families, too many families with multiple barriers to success are at risk of being left behind. While many parents on welfare have succeeded in moving to work, despite extraordinary obstacles, others will need additional treatment and support services to work and succeed at work. The States vary a great deal in the extent to which they have planned and invested in programs to provide these supports. There are no completely reliable estimates of specific family needs among welfare families, but recent studies suggest that as many as 27 percent of adults in the caseload have a substance abuse problem; up to 28 percent have mental health issues; up to 40 percent have learning disabilities or low basic skills; and up to 32 percent are current victims of domestic violence.

The Department (including both ACF and the Substance Abuse and Mental Health Administration) has co-sponsored with the Department of Labor a series of conferences on Promising Practices under welfare reform, featuring practitioners and researchers providing

Work Participation Rates Talking Points

- This is the first full year of work data available under the 1996 welfare reform law, and the first data available for all states. Not all states had to report in 1997 and those that did only had to report data for the last quarter. Last December, HHS released data for that 39 states that were required to meet the work rates for the last quarter of FY 1997 (July 1, 1997 – September 30, 1997), showing that all 39 states met the overall work requirement and 15 states met the two-parent work requirement.

- Nationally, 35 percent of all welfare recipients were working in 1998, exceeding the 30 percent target. (Note that this means 35 percent of those subject to the work rate were in a work activity for at least 20 hours per week).

- Two-thirds of the states (30) met or exceeded the 30% rate without a caseload reduction credit.

- While not all states met the law's two parent work rates, which require 75 percent of two parent families to work, 27 of the 42 states met it. Nationally, 42 percent of two parent families were in work activities. (Both the work rate and the hourly requirement are tougher for two parent families – hourly requirement is 35 hours/week).

- Why have a caseload reduction credit: remember that the participation rates only reflect people who are currently on welfare and involved in work activities; they do not reflect people who have left the rolls to go to work. In order to give credit to states for the many people who have already left the rolls and gone to work, the welfare reform law included a "caseload reduction credit." For FY 1998, this credit means a state's participation rate target is reduced by the number of percentage points its caseloads went down between 1995 and 1997. For example, if a state's caseload went down by 10 percent between 1995 and 1997, its participation rate target for all families goes down from 30 percent to 20 percent.

- The two-parent families make up only about 6 percent of the total caseload (17% in CA).

[Bruce, we have tables on work activities by category but don't think we'd want to give them to Robert now – they'll be in the report to Congress—so you'll probably want to keep this more general:

- The vast majority of those counting toward the rates were in unsubsidized employment (70%). Direct work activities combined accounted for about 85% of those counting toward the work rate (unsubsidized employment, subsidized employment, work experience or community service). The remainder fulfilled their participation requirements through job search, education, and training.]

MEMORANDUM

TO: President Clinton

FROM: Eli Segal EJS

DATE: July 22, 1999

IN RE: *One America* Conference: August 2-4, 1999 (Chicago IL)

Well, seven years after the campaign, this is another one for the good guys. No one -- not even you in your most optimistic moments -- could have imagined the extent to which the old welfare system could be torn asunder. Whatever the alchemy of (1) the strong economy, (2) the new law, and (3) the business community, you are responsible for each of the three components of this extraordinary transformation.

This is a brief note to encourage you to use August 3 (and the days leading up to it) to make the case not just for the quiet revolution now in place, but the continuing responsibility to complete the job. Look back a little, but only for context. Use the three year anniversary of the legislation to challenge all of us anew: Congress to pass laws, Governors to spend their surpluses wisely and to keep pushing their administrators to move from eligibility clerks to job coaches, service providers to expand their capacity and improve their quality, and businesses to do even more, including investing in our cities and rural areas where our welfare recipients live and helping their new employees develop the skills they will need in the next millennium.

Your great ally in this would be the business community. For the most part, the private sector sees the welfare rolls at over two million as an opportunity, not the foreboding threat that many welfare policy analysts envision. They are prepared to invest in "the hardest to place" (a concept they hate because it suggests predetermined failure). Many are even talking about hiring job ready ex-offenders and all are committed to moving their recent hires up the career ladder. They are ready to be motivated. They know it's going to be harder going forward, but I see very little pessimism.

In short, I think the stars are in place to use the third anniversary to look ahead -- perhaps a Saturday radio address to challenge Congress on the now pending appropriation for the Department of Labor, perhaps a *New York Times* op-ed piece on Tuesday morning of Chicago, certainly a Chicago speech unveiling another reduction in the caseload coupled with a fresh challenge to the private sector, and then the Town Hall meeting. I'm sure that there are additional and better vehicles as well.

There is obvious news value of a roll-out like this – it would make it possible for us to battle the widely held public notion that welfare reform is yesterday's story, and the increasing chorus of academics who are trying once again to make the case that welfare reform is a cruel hoax on the poor. But even more fundamentally it would continue to shift the debate from time limits and related minutiae to the unfinished business of helping those who have been left behind.

The trip to Chicago for the day will be great; a campaign in behalf of those for whom economic independence was inconceivable just a few years ago would be even better.

######

P.S. I include the media advisory for you to see all who will be in attendance on August 3.

Declaration FOR Independence
The Business Community's Report on the Progress of Welfare to Work

When Congress passed and President Clinton signed the new welfare law in August 1996, they challenged the American business community to take the lead to "end welfare as we know it." Over the next three years, more than 12,000 businesses of all sizes and industries joined The Welfare to Work Partnership by committing to hire and retain people off public assistance.

In order to track the progress and trends of welfare to work within the business community, Wirthlin Worldwide, a national polling firm, conducts regular surveys of The Partnership's Business Partners. The survey has been conducted at the request of the governors on The Partnership's National Advisory Council, chaired by Governor Tommy Thompson (R-WI) and Governor Tom Carper (D-DE). There are 26 governors on the Advisory Council, organized to advise, support and further the mission of The Partnership.

In just three years, the American business community produced the following results:

- BUSINESSES ARE DOING MORE THAN JUST COMMITTING – THEY ARE HIRING. Through 1998 alone, The Welfare to Work Partnership's Business Partners have hired more than 410,000 welfare.

- WELFARE RECIPIENTS ARE LANDING FULL-TIME JOBS WITH FULL MEDICAL BENEFITS. Seventy-six percent of companies hiring former welfare recipients hire them for full-time positions and 71% of these companies offer health care benefits.

- COMPANIES WILL CONTINUE TO HIRE AND RETAIN WELFARE RECIPIENTS. Sixty-seven percent of the Partnership's businesses still believe they are facing a labor shortage in either their company or industry. Almost eight of every ten employers (79%) expect to hire a former welfare recipient this year.

- WELFARE RECIPIENTS MAKE SUCCESSFUL EMPLOYEES. More than eight out of ten (82%) executives who have hired former welfare recipients found that their new hires are "good, productive employees." This number continues to improve. It is up 3% from Wirthlin's second survey in August 1998 and 6% from the first survey in February 1998.

- COMPANIES FIND HIGHER RETENTION RATES WITH WELFARE TO WORK EMPLOYEES. Sixty-five percent of business leaders report that welfare to work hires have the same or higher retention rates than standard-hire employees. The percentage has increased from 48% in February 1998 and from 53% in August 1998.

- <u>SMALL BUSINESSES FIND WELFARE TO WORK IS SMART SOLUTION.</u> Eighty percent of Small-business owners (those with 250 or fewer employees) report that the employees hired from the welfare rolls have turned out to be "good, productive workers," and that level of satisfaction has been rising. In fact, 67% of these small business members also report that their welfare to work hires stay on the job as long as – or longer than – other entry-level workers.

- <u>WELFARE RECIPIENTS ARE RECEIVING TRAINING, PROMOTIONS.</u> Eight out of ten (77%) companies hiring former welfare recipients hire them for "promotional track" positions. In fact, 91% of companies hiring former welfare recipients offer them opportunities for training that could lead to a promotion and 60 percent of businesses report some promotion of welfare hires -- the same rate as standard hires among member companies.

- <u>WELFARE RECIPIENTS ARE GAINING SALARY JOBS AND EARNING ABOVE MINIMUM WAGE.</u> Twenty-seven percent of Partnership businesses are hiring welfare recipients into salaried positions (up from 19% in August 98). The average starting annual salary is nearly $17,000. The average starting wage is $7.20 per hour -- 40% higher than the national minimum wage of $5.15.

- <u>PARTNERSHIPS WITH COMMUNITY GROUPS ARE KEY TO SUCCESS.</u> Those companies that have successfully hired welfare recipients are much more likely to have formed partnerships with community-based organizations. The Wirthlin Survey showed that 48% of companies are turning to non-profit, community-based organizations to find candidates to hire. That number is up from 25% in 1998. Community groups often provide key services (like training, mentoring and counseling) that are too difficult or costly for businesses to offer on their own.

- <u>WELFARE TO WORK PROGRAMS ARE GOOD FOR THE BOTTOM LINE.</u> Companies say welfare to work programs cost no extra money and in some cases save money. Sixty-five percent of businesses say they run successful welfare to work programs without increasing their costs while 16% companies have actually saved money by creating a welfare to work program, with savings averaging $5,803 per company.

THE EFFECTS OF WELFARE POLICY AND THE ECONOMIC EXPANSION ON WELFARE CASELOADS: AN UPDATE

August 3, 1999

A Report by the Council of Economic Advisers

This study could not have been completed without the generous assistance of the Department of Health and Human Services in providing data and program information.

EXECUTIVE SUMMARY:
THE EFFECTS OF WELFARE POLICY AND THE ECONOMIC EXPANSION ON WELFARE CASELOADS: AN UPDATE

This study investigates the causes behind recent changes in welfare caseloads, updating a 1997 CEA study of caseload change.

- *The fall in welfare caseloads has been unprecedented, wide-spread, and continuous, and employment has increased.* 14.1 million people received welfare in January 1993, and this number had fallen to 7.6 million by December 1998. In 23 states the caseload is less than half of what it was when President Clinton took office, and all states have experienced double-digit percentage declines. For 22 states, the percent drop during 1998 was larger than during 1997 (from January to December). Previous analyses by the Department of Health and Human Services show that the percentage of welfare recipients working tripled between 1992 and 1997, and an estimated 1.5 million adults who were on welfare in 1997 were working in 1998.

- *The 1996 legislation has been a key contributor to the recent declines.* PRWORA produced a dramatic change in welfare policy: work and self-sufficiency became a primary goal; state and local governments were given much greater control of their programs; and states experimented with a host of program designs. The evidence suggests that these changes caused a large drop in welfare participation, a drop that is independent of the effects of the strong labor market. The estimates imply that TANF is the single largest factor that can be identified, accounting for roughly one-third of the reduction in caseloads from 1996-1998. In the earlier years, 1993-1996, most of the decline was due to the strong labor market, while welfare waivers played a smaller yet important role.

- *The strong labor market has made work opportunities relatively more attractive, drawing people off welfare and into jobs.* The unemployment rate has not declined as much in the post-TANF period as it did in the 1993-96 waiver period. As a result, the share of the decline in the caseload that is attributable to improvements in the labor market was much higher in the 1993-96 period (roughly 26 to 36 percent) than in the 1996-98 period (8 to 10 percent).

- *Past increases in the minimum wage have made work more attractive and, as a result, caused welfare participation to decline.* The estimates imply that a $0.50 increase in the minimum wage has been associated with a decline in welfare participation of 4-6 percent.

- *The specific program design adopted by a state can affect its caseload declines.* The study examines the effects of a number of specific policies, including family caps, earnings disregards, time limits, work exemptions, and work sanctions on the size of the caseload.

The large sustained declines in caseloads provide one piece of evidence about the effectiveness of welfare reform efforts. However, there are multiple indicators of the impact of welfare reform, including changes in work and earnings among welfare leavers, in marriage rates and out-of-wedlock pregnancies, and in poverty rates. The Clinton Administration is collecting and tracking information on all of these measures in order to fully assess the impact of welfare reform.

THE EFFECTS OF WELFARE POLICY AND THE ECONOMIC EXPANSION ON WELFARE CASELOADS: AN UPDATE

OBJECTIVE OF STUDY & SUMMARY OF FINDINGS

During the first six years of the Clinton Administration, the number of people receiving welfare declined by 6.5 million. Not since 1968 has such a small share of families received welfare. Not only have the declines been large, they have also been widespread and continuous (Table 1). Between 1993 and 1998, all 50 states and the District of Columbia experienced double-digit percent reductions in welfare participation, and in most states the declines were unprecedented. Although a substantial share of the reduction occurred between 1994 and 1996, in many states the largest declines have occurred more recently. In fact, in 22 states the percentage decline during 1998 (from January to December) was greater than it was in 1997.

This study updates and extends a 1997 Council of Economic Advisers (CEA) study examining the relative importance of a variety of economic and policy changes on caseload declines.[1] The earlier study examined changes in welfare participation between 1993 and 1996; the current study updates that report by including data through 1998. It also analyzes the effects of additional factors, such as changes in the minimum wage as well as the welfare reforms enacted in 1996.

This report uses data from 1976 to 1998 and finds that from 1996-98 policy factors were extremely important, which is not surprising given the scope of the 1996 reform. The 33 percent decline in the recipiency rate between 1996 and 1998 was due in large part to the changes in state welfare programs implemented under the Temporary Assistance for Needy Family (TANF) block grant. Specifically, roughly one-third of the caseload decline between 1996 and 1998 was due to program reforms implemented under TANF, 8-10 percent was due to the improved labor market, about 10 percent was due to the higher minimum wage, and 1-5 percent was due to lower cash welfare benefits.

During 1993-96, roughly 26-36 percent of the caseload decline was due to the improved labor market. The relatively large effect of labor market conditions on the caseload over this period reflects the fact that the decline in unemployment between 1996-98 was much smaller than the decline experienced between 1993-96. Another 12-15 percent of the decline in welfare participation was due to welfare waivers, which were issued to states to allow them to experiment with alternative program designs. The caseload fell 6-22 percent because of lower inflation-adjusted welfare benefits. The real value of the minimum wage fell between 1993 and 1996 (the increase in the minimum wage in 1996 occurred in October, so it was not effective most of the year), which by itself would have caused the caseload to increase by about 10 percent. The remaining change was due to other factors.

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[1] Council of Economic Advisers (1997). "Explaining the Decline in Welfare Receipt, 1993-1996: Technical Report," Executive Office of the President of the United States.

Table 1. Changes in the Number of Recipients in Each State

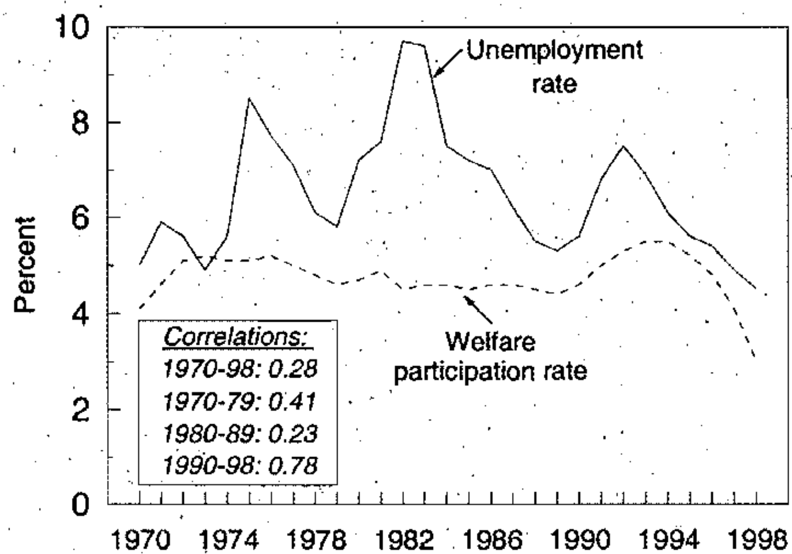
State	Number of recipients 1993	1998	Percentage Change From 93 to 96	96 to 98	93 to 98
Alabama	138,465	54,635	-26	-46	-61
Alaska	37,078	29,582	-1	-19	-20
Arizona	199,153	102,511	-16	-39	-49
Arkansas	71,989	32,633	-21	-43	-55
California	2,511,293	1,998,618	3	-23	-20
Colorado	122,890	50,746	-22	-47	-59
Connecticut	162,481	117,777	-2	-26	-28
Delaware	27,736	15,820	-16	-32	-43
DC	69,549	54,856	0	-21	-21
Florida	691,053	261,581	-22	-52	-62
Georgia	398,077	185,052	-15	-45	-54
Hawaii	57,336	46,724	16	-30	-19
Idaho	21,877	3,867	1	-83	-82
Illinois	694,050	476,576	-7	-26	-31
Indiana	215,367	111,176	-35	-21	-48
Iowa	102,438	65,665	-16	-24	-36
Kansas	88,363	34,536	-26	-47	-61
Kentucky	220,766	119,360	-22	-31	-46
Louisiana	259,762	124,800	-12	-46	-52
Maine	66,914	39,423	-18	-28	-41
Maryland	219,998	116,456	-11	-40	-47
Massachusetts	321,219	167,043	-28	-27	-48
Michigan	689,139	332,240	-26	-35	-52
Minnesota	192,173	143,685	-12	-15	-25
Mississippi	168,924	52,523	-26	-58	-69
Missouri	262,382	147,105	-14	-35	-44
Montana	34,875	19,540	-13	-35	-44
Nebraska	47,840	36,665	-20	-4	-23
Nevada	36,009	25,472	-2	-28	-29
New Hampshire	29,797	15,409	-22	-34	-48
New Jersey	345,370	196,947	-19	-30	-43
New Mexico	97,246	74,170	2	-25	-24
New York	1,215,526	886,746	-5	-23	-27
North Carolina	335,620	169,144	-20	-37	-50
North Dakota	18,215	8,541	-28	-35	-53
Ohio	712,277	340,179	-24	-37	-52
Oklahoma	135,762	61,191	-27	-38	-55
Oregon	117,852	46,001	-31	-43	-61
Pennsylvania	610,531	360,009	-14	-32	-41
Rhode Island	62,187	54,150	-8	-6	-13
South Carolina	146,280	60,110	-22	-48	-59
South Dakota	19,913	9,653	-21	-39	-52
Tennessee	310,486	149,089	-20	-40	-52
Texas	784,816	370,857	-16	-44	-53
Utah	52,144	28,258	-25	-28	-46
Vermont	28,301	19,643	-12	-21	-31
Virginia	194,765	99,053	-20	-36	-49
Washington	289,965	202,573	-6	-25	-30
West Virginia	118,113	38,638	-25	-56	-67
Wisconsin	235,247	40,167	-33	-75	-83
Wyoming	17,859	2,471	-32	-80	-86
Total	14,007,468	8,199,666	-13	-33	-41

Data are the average monthly caseloads for the calendar year.

WELFARE PARTICIPATION AND THE LABOR MARKET

Caseloads normally fluctuate with the business cycle, rising in periods of high unemployment and declining when unemployment falls. Chart 1 illustrates this relationship between labor market opportunities and welfare participation over the past three decades. When unemployment increased in the early 1970s, so did welfare participation. The increase in welfare participation in the late 1980s and early 1990s, as well as the decline that began in 1994, also correspond with changes in employment opportunities during these periods. However, the trend in welfare participation does not always match that in unemployment, most notably when other important changes are taking place, including changes in family structure and welfare policies.

Chart 1. Welfare Participation and Unemployment Rates

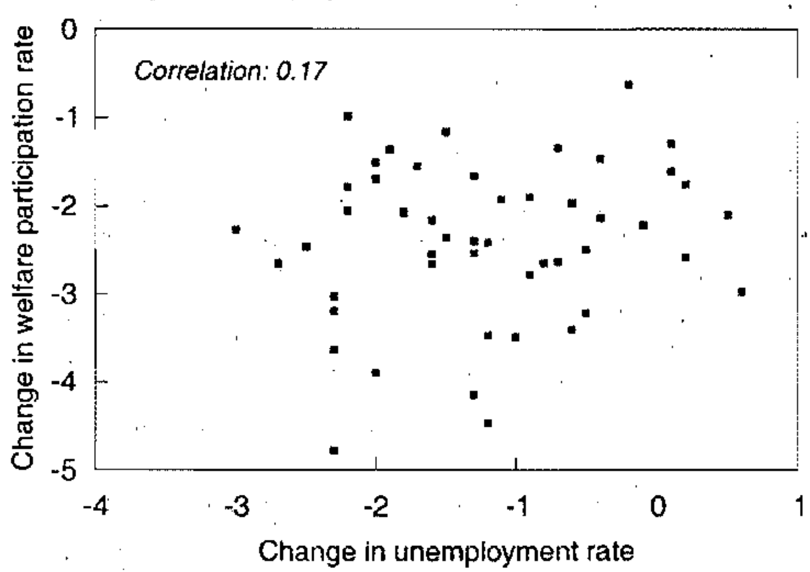


Economic conditions vary across states as well as over time. Chart 2 displays a scatterplot of the unemployment rate versus the welfare participation rate for each state and the District of Columbia in 1994 when participation was near its peak. This relationship is quite strong, with a simple correlation of 0.65. While this correlation suggests a strong role for economic factors, it is likely to overstate their true role. Characteristics of states that influence their unemployment rates may also influence welfare participation. These characteristics include the age distribution, educational level, metropolitan/rural population shares, and racial and ethnic composition. While these factors may change over time, such change occurs more slowly than changes in policy or economic conditions.

One way to eliminate the effects of these "fixed" factors is to examine changes over time within states, which is the approach employed in this study. Chart 3 displays the simple relationship between the *change* in the unemployment rate and the *change* in the welfare participation rate in each state between 1994 and 1998. It demonstrates that once unchanging state characteristics are removed, the relationship between the unemployment rate and caseloads is not nearly as strong as the simple cross-sectional one, with a correlation of 0.17.

Chart 2. Welfare Participation Rate Versus Unemployment Rate for Each State, 1994

Chart 3. Change in Welfare Participation Rate Versus Change in Unemployment Rate for Each State, 1994-98



The changes over time for the nation as a whole also suggest that factors other than the economy have a substantial effect on welfare participation (Chart 1). For example, increases in welfare participation during the recession of the early 1980s were truncated by eligibility restrictions that were part of President Reagan's welfare reform efforts in 1982. As a result, over the entire 1980s the simple correlation between unemployment and welfare participation was much lower (0.23) than it was in the 1970s (0.41) or the 1990s (0.78).

FEDERAL AND STATE POLICIES

A number of key policy changes have been implemented in recent years and might be expected to have had an impact on welfare participation and caseloads.

Welfare Waivers

Since 1962 the Secretary of Health and Human Services has had the authority to waive federal program requirements in the Aid to Families with Dependent Children (AFDC) program if a state proposed experimental or pilot programs that furthered the goals of AFDC. Although there were a few waivers granted in the early 1980s, it was not until the early to mid-1990s that major, state-wide waivers became widespread. Between 1993 and 1996, the Clinton Administration issued welfare waivers to 43 states, more than any previous Administration. Table 2 lists the date that each state implemented a major state waiver.

These waivers varied substantially across states, and in many cases they differed greatly from the rules under AFDC. Some waivers increased the amount of earnings recipients were allowed to keep and still be eligible for welfare. Other waivers expanded work requirements to a larger number of recipients, established limits on the length of time recipients could remain on aid, permitted states to sanction participants who failed to meet work requirements, or allowed states to eliminate benefit increases to families who conceived and gave birth to children while on welfare (the so-called "family cap"). Given the widespread use of waivers and the degree to which these policies differed from traditional AFDC policy, there is substantial reason to believe that waivers contributed to changes in welfare caseloads.

Like the 1997 CEA study, this report focuses on six "major" types of waivers that received approval to be implemented state-wide[2]: termination time limits, work requirement time limits, family caps, JOBS exemptions, JOBS sanctions, and the earnings disregard. Each of these policies was discussed in detail in implementation were initially implemented state-wide, some were implemented in selected areas of the state, while still others began in small regions of the state but were eventually phased in state-wide.

[2] In a few instances waivers were examined which were not approved to be implemented state-wide but affected a large share of the state's caseload.

Table 2. Dates of Major Welfare Waivers and TANF Implementation

	Date of First Major Waiver Implementation	TANF Implementation Date
Alabama		11/15/96
Alaska		7/1/97
Arizona	11/1/95	10/1/96
Arkansas	7/1/94	7/1/97
California	12/1/92	1/1/98
Colorado		7/1/97
Connecticut	1/1/96	10/1/96
Delaware	10/1/95	3/10/97
DC		3/1/97
Florida		10/1/96
Georgia	1/1/94	1/1/97
Hawaii	2/1/97	7/1/97
Idaho		7/1/97
Illinois	11/23/93	7/1/97
Indiana	5/1/95	10/1/96
Iowa	10/1/93	1/1/97
Kansas		10/1/96
Kentucky		10/18/96
Louisiana		1/1/97
Maine		11/1/96
Maryland	3/1/96	12/9/96
Massachusetts	11/1/95	9/30/96
Michigan	10/1/92	9/30/96
Minnesota		7/1/97
Mississippi	10/1/95	7/1/97
Missouri	6/1/95	12/1/96
Montana	2/1/96	2/1/97
Nebraska	10/1/95	12/1/96
Nevada		12/3/96
New Hampshire		10/1/96
New Jersey	10/1/92	7/1/97
New Mexico		7/1/97
New York		11/1/97
North Carolina	7/1/96	1/1/97
North Dakota		7/1/97
Ohio	7/1/96	10/1/96
Oklahoma		10/1/96
Oregon	2/1/93	10/1/96
Pennsylvania		3/3/97
Rhode Island		5/1/97
South Carolina		10/12/96
South Dakota	6/1/94	12/1/96
Tennessee	9/1/96	10/1/96
Texas	6/1/96	11/5/96
Utah	1/1/93	10/1/96
Vermont	7/1/94	9/20/96
Virginia	7/1/95	2/1/97
Washington	1/1/96	1/10/97
West Virginia		1/11/97
Wisconsin	1/1/96	9/1/97
Wyoming		1/1/97

the appendix to the 1997 CEA Technical Report.[3] Some of the waivers that were approved for state-wide Information on the pace of implementation is not available for all states. Therefore, the date that is used to signal implementation is the date that the waiver began to be implemented.[4]

The statistical analysis in this report, as in the earlier CEA report, compares states that did and did not have welfare waivers, determining whether those states that implemented waivers experienced larger caseload declines than those that did not. It improves on the earlier report by using the actual date the waivers were implemented in the states rather than the dates they were approved by HHS. In making these comparisons, the current analysis also adjusts for other differences across these states that may account for the differential decline, including economic conditions, cash benefit levels, and the minimum wage.

PRWORA

Enacted in August of 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) is designed to emphasize self-sufficiency and employment in place of welfare dependency and gives states greater flexibility to design and implement programs to achieve these goals. Benefits are time-limited; adults usually cannot receive Federal aid for more than 5 years during their lifetime, and some States have chosen to set shorter time limits. Most recipients must also participate in a work activity within two years to continue receiving aid.

PRWORA abolished the AFDC program and established the Temporary Assistance for Needy Families (TANF) block grant to help states fund their welfare programs. Under the TANF block grant, Federal assistance consists of an annual fixed transfer to each state equal to the amount of federal transfers the state received in fiscal year 1994, 1995, or the average of 1992-4, whichever was higher. In addition, most of the authority to design welfare programs was passed along to the States, who are required to have half of all recipients working by 2002 (40 percent by 2000). As a result, there are now substantial differences in how welfare programs operate across the nation. Some states increase benefits to welfare families who have additional children, while others do not. Some states stop payment of benefits to the entire family at the first instance of their failure to meet work activity requirements, while other states never sanction more than the adult. Most states allow welfare recipients to keep a substantial portion of their labor market earnings without reducing their welfare payments, while others do not. We investigate both the overall effect of TANF-funded programs on caseloads, as well as the impact of specific policy choices made by the states as part of their waiver or TANF-funded plan.

The effects of the new state programs implemented under the TANF block grant are estimated by examining changes in each state's caseload before and after it implemented TANF, again, after adjusting for other factors such as the unemployment rate and the minimum wage. States were required to submit their TANF plans to the Department of Health and Human Services for approval no later than July 1, 1997. Some states moved quickly after PRWORA was passed to enact TANF-funded programs, building on their welfare reform waivers, while other states operated for a period of time

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[3] It was determined that the waiver in West Virginia, which was considered a "major" waiver in the 1997 CEA study, did not in fact meet this requirement (Martini and Wiseman, 1997), which is reflected in Table A1.

[4] Somewhat larger effects are estimated when the date of approval, which was utilized in the 1997 CEA study, is used instead of the date of implementation, as described in appendix A.

under the older AFDC program rules.[5] The date that each state implemented its TANF program is listed in Table 2.

Minimum Wage

A higher minimum wage can make work more attractive, giving welfare recipients a greater incentive to enter the workforce and leave public assistance. On the negative side, if a higher minimum wage reduces employment of low-skilled workers, some people may lose their jobs and enter welfare. At the same time, an increase in the minimum wage may lead employers to substitute away from teenagers (a relatively large share of whom work for the minimum wage) and towards older welfare workers (who are perhaps not as likely to work at the minimum wage, but more likely to be working just above the minimum than teenagers). The latest empirical evidence is mixed, but most studies find either modest or no disemployment effects associated with past increases in the minimum wage.

The minimum wage also varies among states, with 15 states having minimums above the federal floor at some point during the period analyzed in the study (1976-1998). Therefore, the study compares the relationship between welfare participation and minimum wages over time and across states.

AFDC/TANF Benefit Levels

States have long set their own level of maximum monthly benefit payments, with variation by family size and composition. All else equal, higher benefit levels are expected to increase the number of participants. Over the period of this study, the inflation-adjusted level of welfare benefits fell in almost all states. In some cases the state explicitly lowered (or raised) benefits, but in most states benefit levels were fixed and eroded over time with inflation.

DATA AND METHODOLOGY

Using annual calendar year data from 1976 to 1998 on all states and the District of Columbia, the analysis is based on 1,173 observations. A set of models are estimated, which correlate movements in welfare participation with movements in state unemployment rates, state AFDC benefit levels, state/federal minimum wage levels, the implementation of state waivers, and the implementation of state TANF-funded welfare programs.[6]

The estimated models also control for the characteristics of states that are largely unchanged over the entire (1976-98) time period, and for changes in each year that are common to all states. In technical jargon this is known as controlling for state and year fixed effects; this technique is used in most existing studies of annual caseload changes. The estimates are based on a technique known as

[5] In most cases, the waiver concept becomes meaningless once TANF was implemented because states were given broad control over their welfare policies. In particular, states could operate the broad categories of policies under TANF, whether or not they were continuing a waiver. However, if a state continued a time limit waiver, then participants' time clocks in that state would have been running prior to TANF implementation. As a result, these participants would reach their time limits more quickly than if their clock would have been reset on the date of TANF implementation.

[6] Most of the data used in the analysis come from well-known sources, with a few exceptions. The information on implementation dates as well as program waivers and TANF were obtained from the Department of Health and Human Services and the Urban Institute (Gallagher et al., 1998).

weighted least squares, which uses the data across states and over time, and weights the data in each state by its overall population. A Technical Report is available which provides more details on the data and the estimation procedures for interested readers. As always in such studies, we estimate a variety of slightly different models to test the robustness of our results to the exact set of variables included.

The results of this methodology are to estimate the effect of changes in the economy or in policies *over time within a state* on the caseload in that state. Hence, the results are the direct result of asking "If variable X changes over time within a state, what will be the effect on caseloads in that state?" This is clearly the question in which we are most interested. It allows us to measure the effects of (say) waiver implementation or unemployment changes on caseload changes over time.

This approach is very similar to the approach used in the 1997 study. One difference is that the earlier study emphasized models that incorporated a "lead" effect of waiver policies. That is, waivers were allowed to affect caseloads one year prior to the date they were approved. While the current study also reports models that incorporate leads, the preferred models do not contain leads, since the leads may capture more than the causal effects of these policies. (For example, perhaps states with recently declining caseloads had slack resources and manpower to design and submit a waiver.) This difference explains why waivers were found to account for 31 percent of the change between 1993 and 1996 in the 1997 study, but only 12-15 percent of the change in the current study.

RESULTS

These results report the estimated effects on caseloads of each of the variables discussed above over the 1976-98 period, holding constant the effects of changes in all other variables. Based on these estimated relationships, chart 4 shows the contribution of various factors in the recent 1996-98 period.

The 1996 welfare reform legislation has been a key contributor to caseload declines since it was enacted. The average state experienced an 18 percent decline in welfare participation following the implementation of their TANF-funded state welfare plan, holding all other policy and economic variables constant. These new state programs funded by the TANF block grant account for roughly one-third of the 33 percent decline in the recipiency rate that has occurred since 1996 (Chart 4).

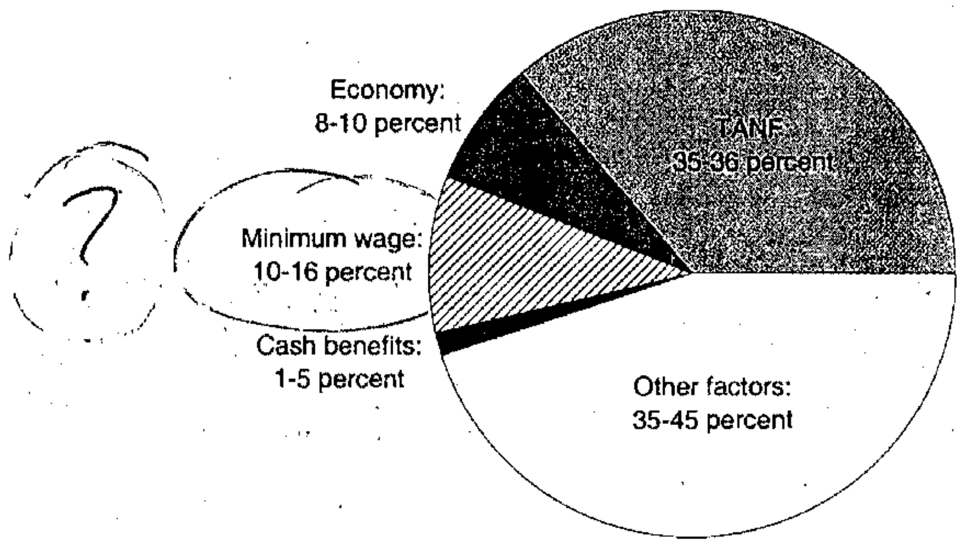
As reported in the earlier CEA study, welfare waivers that were implemented prior to PRWORA explain a substantial share of the caseload decline from 1993 to 1996. States that implemented major waivers experienced an 8-9 percent greater decline in welfare participation than states that did not, holding all other policy and economic variables constant. This accounts for 12-15 percent of the overall decline between 1993-96.

The strong labor market has made work opportunities relatively more attractive, drawing people off welfare and into jobs. The unemployment rate has not declined as much in the post-TANF period (1996-98) as it did in the 1993-96 waiver period. As a result, the share of the decline in the caseload that is attributable to improvements in the labor market was much higher in the 1993-96 period (26 to 36 percent) than in the 1996-98 period (8 to 10 percent). This study reaffirms the importance of maintaining a healthy macroeconomy with low unemployment rates in order to help families move off and remain off of welfare. Any future 1-percentage-point increase in unemployment is likely to produce a 5 to 7 percent increase in welfare caseloads.

The study also finds that increases in the minimum wage have made work more attractive and, as a result, caused welfare participation to decline. The estimates suggest that a $0.50 increase in the minimum wage has been associated with a decline in welfare participation of 4 to 6 percent. Hence, the recent minimum wage increases have helped reduce welfare rolls (Chart 4).

As many other studies have confirmed, higher welfare benefit levels result in higher caseloads. As noted above, this need not reflect any behavioral differences in higher-benefit states, but may only be due to the fact that higher benefits typically imply that a larger share of the population is eligible to receive public assistance.

Chart 4. Percentage of Change in Participation from 1996-98 Attributable to Each Factor



The specific program design adopted by a state can affect its caseload declines. The study examines the effects of a number of specific policies, including time limits, earnings disregards, work sanctions, family caps, and work exemptions on the size of the caseload. We estimate the effects of these policies regardless of whether they were implemented as part of a state's waiver plan or a TANF-funded plan. Our results on the effects of specific policies should be interpreted with caution, since only a limited number of states have implemented many of these policies for only a relatively short period of time. The primary results with regard to these policies are:

- Time limits have the expected negative effect, but this is not precisely estimated (very few participants have actually hit time limits in any state.)

- Higher earnings disregards raise participation modestly.

- Strong work sanctions are associated with declines in welfare participation.
- Contrary to expectations, family caps are associated with an increase in caseloads.
- Work exemption policies based on the age of the youngest child do not play a substantial role in determining caseloads.

Conclusions

The large sustained declines in caseloads provide one piece of evidence about the effectiveness of welfare reform efforts. This study suggests that caseload declines have occurred in part because of a strong economy with low unemployment rates. However, policy changes by state and Federal governments have been even more important in explaining the post-1996 decline than the strong labor market. The new state programs implemented following the enactment of PRWORA, most of them focused on increasing work effort among welfare participants, have been the most important identifiable factor explaining the decline from 1996-1998. Increases in the minimum wage, at the Federal level and among some states, have also reduced caseloads.

However, there are multiple indicators of the impact of welfare reform, including changes in work and earnings among welfare leavers, in marriage rates and out-of-wedlock pregnancies, and in poverty rates. The Clinton Administration is collecting and tracking information on all of these measures in order to fully assess the impact of welfare reform.