

To Strengthen Michigan Families  
Executive Summary  
1996 1115 Waiver Package

"We Strengthen Individuals and Families  
through  
Mutual Respect and Mutual Responsibility"

Family Independence Agency Vision Statement  
Adopted April 1996

Copy to:  
Bisce Book  
Diana Erdon  
Raton

WR -  
Michigan

The State of Michigan has had considerable success under its first two sets of waivers in moving individuals and families towards self-sufficiency. The AFDC caseload has dropped from 221,884 cases in September of 1992 to 176,634 cases in May 1996; a drop of 45,250 cases. Our AFDC cases with earned income peaked in January 1996 at 31.1%. The September 1992 percentage was 15.7%. As of the end of May 1996, 29.1% of the caseload had earnings.

During Fiscal 1994, under a new partnership with the Michigan Jobs Commission to provide employment and training services, nearly 30,000 individuals were placed into employment with 66.7% retaining employment at least 90 days. In support of this strong emphasis to place individuals into employment, the department, under waiver, instituted a new penalty: reduction of 25% of the monthly AFDC benefit for up to 12 months for noncomplying clients. Additionally, a case would close if the noncompliance exceeded 12 months. This policy was instituted in conjunction with a renewed reconciliation effort to determine why individuals would not comply. As of April 11, 1996, 168 cases closed due to 12 months of noncompliance.

During December of 1995, the Michigan State Legislature, following the leadership of Governor John Engler, enacted Public Act 223 in anticipation of Block Grant Welfare Reform. This act changed the name of the department from the Department of Social Services (DSS) to the Family Independence Agency (FIA). FIA is charged with enactment of a number of reforms, many of which are included in this package. One change, which does not require a waiver, will rename AFDC to the Family Independence Program (FIP), effective October 1996. Expedient approval of the TSMF 1996 package will enable Michigan to build on its current reforms and forge the bridge needed to further strengthen To Strengthen Michigan Families (TSMF).

The proposed changes are as follows:

A. AFDC/Family Independence Program

1. Require attendance at a joint orientation held by Michigan Jobs Commission and the Family Independence Agency for all adult AFDC applicants/recipients (except ineligible grantees) as a condition of eligibility. Policy is consistent among State Family Assistance, Food Stamps and Refugee Assistance Cash Programs.

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2. Modify penalties for noncooperation with JOBS as follows:  
Failure to comply with Employment and Training (JOBS) requirements by the end of the first two months of initial eligibility will result in loss of the entire family's AFDC/FIP benefits for a minimum of one month and until compliance with the JOBS requirements. Policy is consistent among State Family Assistance, FS, and RAP.

Modify current penalty policies by reducing from 12 months to 4 months the 25% AFDC/FIP and FS benefits reduction for noncompliance. If at the end of 4 months the client is still in noncompliance, the AFDC/FIP and FS case would close.

3. Increase the AFDC/FIP and FA-FS asset limit to \$3,000.
4. Count only cash assets (liquid resources) of the AFDC program group (policy simplification).
5. Eliminate the 6-month redetermination requirement and adopt a 12-month face-to-face review.
6. Deny AFDC/FIP benefits to persons who have entered the state for employment purposes but do not intend to remain in Michigan. A previous waiver, dropping of the 100 hour per month limit on employment contributed to eligibility for this group. This waiver will rectify that unintended impact of the 1992 waiver.
7. Provide for the immediate effect of negative actions. (Note: Clients believing the action erroneous could request an administrative hearing within ten days and have benefits reinstated to the former level pending the outcome of the hearing. Further, allow specific case changes to be reflected in the month following the month of change and increase the agency overpayment standard for recovery purposes to \$1,000 (policy simplification).
8. Modify existing AFDC/FIP group composition policy to:
  - . Allow a dependant child to live with an unrelated caretaker.
  - . Disallow nonparent caretakers from eligibility when the parent of the dependant child is in the home (except in cases involving a minor parent).
  - . Include stepparents and stepsiblings.
  - . Include the spouse of the nonparent caretaker.
  - . Include a child age 18-19 attending school full-time and expected to graduate by age 20.
  - . Include the spouse of a pregnant woman.

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9. Eliminate the 1958 test and the \$30 expenses of employment and dependant care deductions.

Note: The dependant care deduction will be replaced with payments based on the Child Day Care Services program eligibility requirements. Payment will be made on behalf of the client to the provider.

10. Require Minor Parents to live with an adult and attend school as a condition of eligibility for AFDC and Food Stamps. A separate waiver was submitted 4/96. Modify the start date to 10/1/95.
11. If the custodial parent is noncooperative with child support, their needs will be removed from the grant. If the custodial parent remains noncooperative on child support issues for 4 consecutive months, the family's AFDC/FIP case will be closed until compliance is demonstrated. This change achieves policy consistency with employment and training (JOBS) penalties.
12. Eliminate deprivation as an eligibility criterion.
13. Provide AFDC/FIP benefits to a pregnant woman starting at any point in the pregnancy rather than just the last trimester.
14. Use 100% Title IV funds to provide the advance Earned Income Credit payments to eligible, employed AFDC/FIP recipients.
15. Budget actual sponsor's contribution to a sponsored alien when determining the client's AFDC and Food Stamp eligibility. The contribution will be treated as unearned income of the sponsored alien and budgeted against the needs of the group. (Policy consistency between AFDC and FS.)
16. Extend AFDC eligibility only to U.S. citizens and to the following aliens:

.legal permanent residents

.refugees and other aliens fleeing persecution, limited to:

- .refugees admitted under section 207 of the Immigration and Nationality Act (INA)
- .conditional entrant refugees granted status under section 203(a)(7) of the INA
- .aliens granted political asylum under section 208 of the INA
- .aliens granted temporary parole status under section 212(d)(9) of the INA
- .Cuban and Haitian entrants

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17. Exclude the following types of income:

- .Inconsequential income that is unpredictable, irregular, and of no appreciable effect on continuing need (ex. Cash gifts, yard sale proceeds). This would not include lump-sums or accumulated benefits.
- .Donations or money received from a private, nonprofit organization based on need.
- .Earnings of a dependent child, regardless of school attendance.
- .Adoption subsidy assistance paid to the adoptive parent.
- .Child support refunds and reimbursements.
- .Training payments (such as incentives and stipends). Only on-the-job payments would be treated as earned income.

18. Families must report all gross income changes of \$100 or more.

19. Define dependent child as a child who is unemancipated according to state law.

Define dependent child as including children who are age 18 or 19, attending high school full-time, and reasonably expected to graduate before age 20.

20. Allow a dependent child living with an unrelated caretaker to be eligible.

21. Provide law enforcement officers with the address of an AFDC or Food Stamps recipient who is a fugitive felon or who the law enforcement officer believes has a fugitive felon living in the home.

Do not require that law enforcement officers provide the recipient's social security number to the agency when making a request for a recipient's address.

22. Deny assistance to any AFDC applicant or recipient who is identified as a fugitive felon. The Agency is not required to determine if a recipient is a fugitive felon but will apply this policy if it comes to our attention through a law enforcement inquiry or other means that a client is a fugitive felon.

23. Current monthly support collections will be paid directly to the family and budgeted against the AFDC grant. (We will continue to disregard up to \$50 as required by 45 CFR 233.20(a)(3)(iv)(G). Arrearage collections will continue to be retained by the state to offset past AFDC payments.

The date of collection will be adjusted to maximize the amount of support attributed to the current monthly support obligation, thus increasing the amount payable to the family.

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24. Treat all lump sums as cash assets (liquid resources) rather than income.
25. Disallow nonparent caretakers from eligibility when a parent of the dependant child is in the home, that is, assume that a parent in the home is the caretaker of his or her dependant child (with the exception of minor parents living with their own parents--see our waiver request regarding minor parents).

#### B. FOOD STANDS

1. Require FS applicants to participate in a joint orientation as a condition of eligibility. (Consistent with AFDC (PIP) and Refugee Assistance Cash Program (RAP).)
2. Noncompliance with Employment and Training during the first two months of eligibility will result in loss of entire family's FS benefits until compliance with the JOBS components. (Consistent with AFDC, SFA, and RAP.)
3. Eliminate the need to sign an E&T registration form. Registration will be done as part of the application and redetermination process. (Consistent with AFDC, SFA, and RAP.)
4. Disqualify an adult failing to cooperate with child support for up to 4 months and close entire case after 4 consecutive months of disqualification. After one month of disqualification, the case will be opened again if the adult demonstrates cooperation. (Consistent with AFDC child support and employment and training noncompliance penalties.)
5. Provide for the immediate effect of negative actions. (Note: Clients believing the action erroneous could request an administrative hearing within ten days and have benefits reinstated to the former level pending the outcome of the hearing. Further, allow specific case changes to be reflected in the month following the month of change and increase the agency overpayment standard for recovery purposes to \$1,000 (policy simplification).)
6. Change reporting requirement from \$25 or more to \$100 or more. Households may report changes of less than \$100. If those changes are expected to continue for more than 30 days, the agency will act on the reported changes. (Consistent with AFDC, SFA, and RAP.)
7. Exclude a variety of currently counted income sources such as inconsequential income, adoption subsidies, educational loans, PIR commodity, training expenses, etc. (Consistent with AFDC, SFA, and RAP.)

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8. Increase combined countable assets limit to \$3,000.  
(Consistent with AFDC/FIP.)
9. Count only cash assets (liquid resources). (Consistent with AFDC/FIP.)
10. Modify certification and redetermination requirements.
11. Exclude strikers, their spouses, and children from the Food Stamp Group. (Consistent with AFDC policy.)
12. Provide a flat per diem nutrition allotment rather than food coupons for each resident of a nonprofit group living arrangement.
13. Provide the Michigan Department of Community Health with funds equal to our estimated FY expenditures in Substance Abuse Treatment Centers. DCH will distribute nutrition to the centers without having to make individual eligibility determinations for residents.
14. Exempt from B&T only those individuals aged 65 or older, those working at least 20 hours or more per week, or the caretaker of a child under the age of 3 months. (Policy consistent with AFDC.)
15. Eliminate the divestment policy.
16. Modify the eligibility requirements for students in post-secondary education. At least one of the following conditions must exist:
  - A. Receive FIP
  - B. Employed at least 20 hours per week
  - C. Medically disabled
  - D. Participating in an employment program which placed them in school
  - E. Participating in a state or federally funded work study program.
17. Eliminate the dependent care expense deduction for all Family Independence Program (FIP/AFDC) cases. The AFDC program will be modified through a State Plan amendment to eliminate the dependent care expense. Child care costs will be covered (within program limits) by the Child Care program.
18. Make the heat and utility and utility only standards mandatory for all FY households that qualify for the deduction.
19. Adopt mandatory standards to cover basic shelter that includes rent, mortgage, taxes, and insurance.

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20. Budget actual sponsor's contribution to a sponsored alien when determining the client's AFDC and Food Stamp eligibility. The contribution will be treated as unearned income of the sponsored alien and budgeted against the needs of the group. (Policy consistency between AFDC and FS.)

21. Provide law enforcement officers with the address of an AFDC or Food Stamp recipient who is a fugitive felon or who the law enforcement officer believes has a fugitive felon living in the home. (Consistent with AFDC, SFA, and RAP.)

Do not require that law enforcement officers provide the recipient's social security number to the agency when making a request for a recipient's address.

22. Require Minor Parents to live with an adult and attend school as a condition of eligibility for AFDC and Food Stamps. A separate waiver was submitted 4/96. Modify the start date to 10/1/96.

23. Make any Food Stamp recipient and/or applicant identified as a fugitive felon ineligible for Food Stamp benefits. The Agency is not required to determine if a recipient is a fugitive felon but will apply this policy if it comes to our attention through a law enforcement inquiry or other means that a recipient is a fugitive felon. (Consistent with AFDC, SFA, and RAP.)

#### C. MEDICAID

It is important to understand that simplification of Medicaid policy is critical to the success of the goals of To Strengthen Michigan Families. Medicaid reforms will allow staff resources to work with families to become self-sufficient and support families in those efforts. A major barrier to self-sufficiency is lack of health care coverage. The burdensome constraints of federal law impede our ability to address this issue.

1. Simplify groups eligible for Medicaid.

2. Extend transitional Medicaid (TMA) for AFDC cases that close due to support payments from 4 to 12 months. (Consistency with TMA for AFDC cases closed due to earned income.) Waive the requirement that a family receive AFDC in at least three of the six months immediately preceding the first month of AFDC ineligibility.

3. Allow an age test for children (e.g., under age 16) rather than a birth date test (e.g., born after September 30, 1961).

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4. Simplify Medicaid eligibility for newborns.
5. Include blind individuals, as defined in section 1614(a)(2) of the Social Security Act, in the definition of disability under section 1902(m) of the Act.
6. Determine a family's financial eligibility by recognizing that a family operates as a single economic unit. Define child as an unmarried person under age 18.
7. Use income and resource standards based on family composition rather than separate standards for individual members. Limit eligibility outcomes to one per family.
8. Use one set of rules defining income and income disregards. Break the link between SSI financial methodologies for some Medicaid families and AFDC methodologies for others. Supports one eligibility outcome per family.
9. Use one set of rules defining resources and resource exclusions. Break the link between SSI financial methodologies for some Medicaid families and AFDC methodologies for others. Supports one eligibility outcome per family.
10. Increase personal responsibility by modifying funeral arrangement policies.
11. Encourage people with substantial assets to provide for some of their long-term care needs through purchase of insurance coverage.
12. Increase personal responsibility by modifying trust policy.
13. Waive the Miller trust provision of section 1917(d)(4)(B) of the Act.
14. Simplify administration by allowing FIA's disability and blindness determinations for noncash clients to be final.
15. Waive the requirement of an advance notice of adverse actions. (Consistency with other benefit programs' requirements.)
16. Allow AFDC/FIP participants whose TMA has expired to pay a premium to continue Medicaid coverage.

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## D. Child Day Care/AFDC-QA

1. Extend transitional child care to 24 months. Waive the requirement that a family receive AFDC in at least three of the six months immediately preceding the first month of AFDC ineligibility.
2. Allow the state to set child care reimbursement rates which represent reasonable child care market rates. Eliminate the 75th percentile rule.
3. Waive QC review of deprivation factors in all active AFDC/FIP cases.
4. Place the Title IV-E funding (except adoption subsidy payments) in a block grant.

## E. JOBS

1. Use JOBS funds to provide, pay for, or reimburse transportation and other ongoing and one-time related work experience to enable an AFDC recipient to maintain employment.
2. Assign individuals to community work experience (CWE) for 20 hours per week irrespective of the family's AFDC/FIP benefit level or receipt of child support.
3. Include in the "countable components" used to calculate the AFDC-U participation rate, all mandatory and optional JOBS components.
4. Redefine "Target Population" as "an applicant or recipient of AFDC, or a former recipient of AFDC whose case closed within 90 days of the current month."

## F. Refugee Assistance

1. Require RAF applicants to participate in joint orientation with the refugee contractor as a condition of eligibility. (Consistent with AFDC and FS.)
2. Noncompliance with R&T after the first two months of eligibility will result in loss of the entire family's benefits until compliance with the JOBS components. (Consistent with AFDC/FIP and FS.)
3. Waive employment and training exemptions for RAF participants which matches the AFDC waiver granted to Michigan October 5, 1994. (Consistent with AFDC/FIP and FS.)
4. Adopt the AFDC waiver regarding earned income disregards. (Consistent with AFDC.)

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**MEMORANDUM FOR:** Bruce Reed, Elena Kagan, and Terry Edmonds

**FROM:** Cynthia Rice

**DATE:** March 3, 1997

**RE:** Possible Mention of Welfare in Michigan Speech

Attached is a one-page description I wrote of Michigan's successful welfare to work program.

For your information, a brief official Michigan document says under the Engler's revised plan "most legal aliens are eligible for cash assistance from the state but not eligible for federal food stamps or SSI." I am trying to find out exactly what this means -- i.e., is Engler's policy toward legal immigrants worthy of praise from the President. In general, I'm afraid the President's praise of Engler would step on the education message. I should have an answer tomorrow morning if you want to run with it.

## WELFARE REFORM IN MICHIGAN

Over the last four years, welfare rolls have declined dramatically in Michigan and child support collections have increased. Between January 1993 and November 1996, the number of people on welfare in Michigan decreased by 30 percent or 208,274 people; nationwide, the welfare caseload declined by 18 percent or nearly 2.5 million people. Michigan's percentage reduction ranks 16th among the states (Wisconsin's 44 percent decline is largest).

Michigan increased child support collections by \$165 million, or 21.2 percent, from fiscal year 1992 to fiscal year 1996. At the same time, the state doubled the number of paternities established, from 29,087 to 60,827.

Some of Michigan's success can probably be attributed to its robust economic recovery. The state's unemployment rate, 7.0 percent in 1993, fell to 4.2 percent in November 1996.

At the same time, President Clinton's reform-minded waiver policy allowed Michigan to impose tough new welfare rules. In both October 1994 and June 1996, President Clinton granted waivers to expand Michigan's "To Strengthen Michigan Families" program. The program encourages work and responsibility by:

- Allowing welfare recipients to keep more of what they earn (increasing the "income disregard");
- Cutting grants by 25 percent for those who refuse to work or go to school and eliminating assistance for those who refuse to cooperate for 12 months;
- Requiring minor teen parents to live in approved, adult-supervised settings and attend school as conditions of eligibility.

The latest figures released by the state of Michigan show that as of January, 31 percent of welfare recipients had earnings averaging \$466 a month. A June 1996 evaluation of the To Strengthen Michigan Families program conducted by Abt Associates found that welfare recipients randomly assigned to the program had earnings 11% higher than those assigned to a control group, half the impact of the GAIN program in California. A pilot project in six counties of the state, called Project Zero, is working intensively with about 3,500 recipients with the aim of achieving 100% employment.

Michigan will continue its welfare reform program, with some minor changes, under the new welfare law. The state plans to use its own dollars to provide assistance to all adults who comply with program rules (despite the five year limit on use of federal funds) and will use state dollars to help most legal immigrants who become ineligible for SSI and food stamps.

*Wk  
Michigan*

## WELFARE REFORM IN MICHIGAN

Over the last four years, welfare rolls have declined dramatically in Michigan and child support collections have increased. Between January 1993 and November 1996, the number of people on welfare in Michigan decreased by 30 percent or 208,274 people; nationwide, the welfare caseload declined by 18 percent or nearly 2.5 million people. Michigan's percentage reduction ranks 16th among the states (Wisconsin's 44 percent decline is largest). Michigan increased child support collections by \$165 million, or 21.2 percent, from fiscal year 1992 to fiscal year 1996. At the same time, the state doubled the number of paternities established, from 29,087 to 60,827.

In the state there is a great political battle over credit for the lower welfare caseloads. According to staff of Speaker Hertell, Assembly Democrats think the good economy, for which they think the President is greatly responsible, is the primary reason for the caseload decline. (Michigan's unemployment rate, 7.0 percent in 1993, fell to 4.2 percent in November 1996.)

Democrats re-took the Assembly last fall and their major welfare-to-work proposal this session is a state earned income tax credit. The measure proposed by Rep. John F. Freeman of Royal Oak, would allow a family of four who claims a \$2,400 EITC on their federal income tax return to claim a \$240 tax credit on their state return. The measure was reported out of the committee on Wednesday, February 26th and is expected to pass the Assembly (but may not pass the Republican-controlled Senate). State Democrats think praise from the President could give this proposal legs.

The one thing Governor Engler and the state Democrats can agree upon is "Project Zero", a demonstration project in six sites around the state which provides intensive social services (child care, education, transportation, job placement) with the goal of achieving 100% employment. In January 1997, 54% of welfare recipients at these sites were working. In this pilot, welfare recipients receive intensive case management (including home visits if they don't attend work). The state spends extra funds for staff, child care, and transportation at these sites and the Governor's budget proposes to expand it to an additional six sites. The President could use Project Zero as way of arguing that as we move people off welfare into work and insist they take responsibility for their own lives, we must ensure their child is cared for, that they don't lose their health care, and they can get to their jobs. Child care spending in Michigan has increased 300% since 1991, Governor Engler's staff say.

Michigan is best known not for Project Zero but the tough new welfare rules imposed under President Clinton's reform-minded waiver policy. In both October

1994 and June 1996, President Clinton granted waivers to expand Michigan's "To Strengthen Michigan Families" program. The program encourages work and responsibility by:

- Cutting grants by 25 percent for those who refuse to work or go to school and eliminating assistance for those who refuse to cooperate for 12 months;
- Requiring minor teen parents to live in approved, adult-supervised settings and attend school as conditions of eligibility.
- Revoking drivers' licenses of parents who don't pay child support or don't allow the other parent visitation rights.

While Michigan's program allows them to subsidize jobs for welfare recipients, it is not a widely used option.

There is strong evidence that Michigan's program has been successful state-wide. In January, 31 percent of welfare recipients had earnings averaging \$466 a month. A June 1996 evaluation of the To Strengthen Michigan Families program conducted by Abt Associates found that welfare recipients randomly assigned to the program had earnings 11% higher than those assigned to a control group, half the impact of the GAIN program in California.

Michigan will continue its welfare reform program, with some minor changes, under the new welfare law. The state plans to use its own dollars to provide assistance to all adults who comply with program rules (despite the five year limit on use of federal funds). The governor's staff says the state provides cash assistance (using block grant dollars) and Medicaid to those legal immigrants in the U.S. before August 22, 1996 and who were eligible for AFDC or Medicaid. They do not use block grant dollars to provide cash assistance to SSI or food stamp recipients cut off because of the welfare law meaningfully, generally, that poor families with kids will get cash assistance and other disabled individuals and other adults will not. Legal immigrants who arrive in the U.S. after August 22, 1996 will be banned from assistance for five years as required by the federal welfare law and then will be eligible. Currently, in Michigan some legal immigrants banned from SSI may be eligible for a state-funded disability program. The Governor's budget would prevent this, banning legal immigrants cut off of SSI from the state disability program. He needs legislation to accomplish this, and Democrats plan to fight him every step of the way. Because of this brewing battle, it may be best not to praise Michigan's immigration policy but simply to simply say the welfare bill's ban is unworthy of a great nation of immigrants.

THOMAS J. BLAKEY, JR., CHIEF CLERK

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U.S. House of Representatives  
Committee on Commerce

Room 2125, Rayburn House Office Building  
Washington, DC 20515-6115

*W. McHugh*

July 3, 1996

JAMES E. DECKERMAN, CHIEF OF STAFF

The Honorable Donna E. Shalala  
Secretary  
Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Dear Madame Secretary:

I understand that the Department of Health and Human Services last week received from the State of Michigan an amended welfare reform package in which the State seeks modifications to several waivers previously approved by the Executive Branch as well as waiver approvals in a number of additional areas.

Although these waiver requests were delivered last week amidst much publicity, there has to date been no thorough public analysis at the federal level of the requests or their potential impacts. Our recent experience in the House with the Wisconsin welfare waiver requests -- in which the House leadership precipitously scheduled legislation approving the Wisconsin requests for debate and a vote before adequate information on their terms, impacts, costs, and benefits was available to all Members -- leaves me concerned that the same process might be employed for these Michigan waiver proposals.

Accordingly, I request that the Department of Health and Human Services, in its capacity as lead agency, undertake immediately a comprehensive study and analysis of Michigan's requests, particularly as they relate to Medicaid, Aid to Families with Dependent Children, and food stamps, and including answers to the following questions:

- What individuals or classes of individuals would be helped or hurt by each of these proposals -- economically, nutritionally, or in terms of their health and the availability to them of affordable health care?

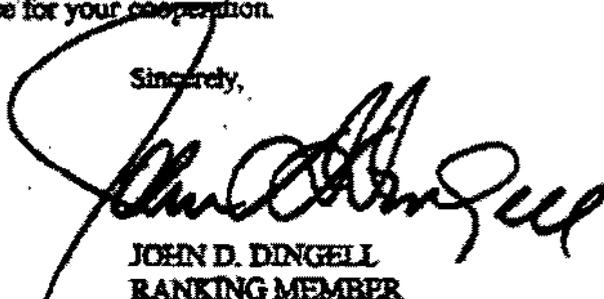
-- What would the impact be of these proposals on Federal spending, on Michigan's state and local spending, and on private sector spending or costs?

Legislation to implement the Michigan waiver requests has been introduced and could be scheduled for floor consideration at any time, perhaps as early as next week. Therefore, I must request a prompt response from the Department to these questions and seek your answers and analysis by the earliest possible date.

By copy of this letter, I am requesting Secretary of Agriculture Dan Glickman to cooperate with you in providing your Department with the information and analysis necessary to respond to my questions as they relate to food stamp issues.

If any of these issues and questions require further clarification, please feel free to contact Bridgett Taylor or Alan Roth of the Committee's Minority staff at 225-3400 or 225-3641 respectively. Thank you in advance for your cooperation.

Sincerely,



JOHN D. DINGELL  
RANKING MEMBER

cc: The Honorable Dan Glickman  
Secretary of Agriculture

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**U.S. House of Representatives**  
**Committee on Commerce**  
 Room 2125, Rayburn House Office Building  
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July 3, 1996

JAMES J. O'NEILL, CHIEF OF STAFF

Dr. James E. O'Neill  
 Director  
 Congressional Budget Office  
 H2-402 Ford House Office Building  
 Washington, D.C. 20515

Dear Dr. O'Neill:

I am enclosing a copy of the relevant portions of Michigan's 1996 amended welfare reform package, in which Michigan seeks modifications to several waivers previously approved by the Executive Branch as well as waiver approvals in a number of additional areas.

Although these waiver requests were delivered to the Executive Branch last week amidst much publicity, there has to date been no thorough analysis at the federal level of the requests or their potential impacts. Our recent experience in the House with the Wisconsin welfare waiver requests -- in which the House leadership precipitously scheduled legislation approving the Wisconsin requests for debate and a vote before adequate information on their terms, impacts, costs, and benefits was available to all Members -- leaves me concerned that the same process might be employed for these Michigan waiver proposals.

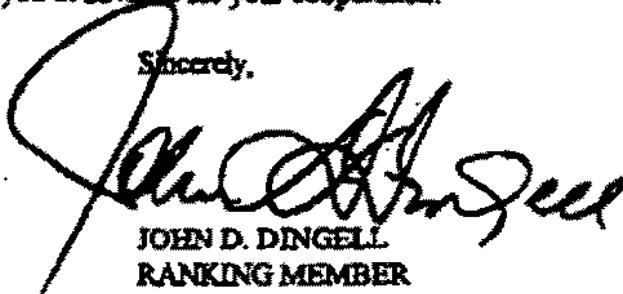
Accordingly, I request that the Congressional Budget Office undertake immediately a comprehensive study and analysis of the enclosed Michigan requests, particularly as they relate to Medicaid, Aid to Families with Dependent Children, and food stamps, and including answers to the following questions:

- What individuals or classes of individuals would be helped or hurt by each of these proposals -- economically, nutritionally, or in terms of their health and the availability to them of affordable health care?
- What would the impact be of these proposals on Federal spending, on Michigan's state and local spending, and on private sector spending or costs?

Dr. June E. O'Neill  
Page 2

Legislation to implement the Michigan waiver requests has been introduced and could be scheduled for floor consideration at any time, perhaps as early as next week. Therefore, I must request a prompt response from CBO to these questions and seek your answers and analysis by the earliest possible date. If any of these issues and questions require further clarification, please feel free to contact Bridgett Taylor or Alan Roth of the Committee's Minority staff at 226-3400 or 225-3641 respectively. Thank you in advance for your cooperation.

Sincerely,



JOHN D. DINGELL  
RANKING MEMBER

Enclosure

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April 29, 1994

Dear Colleague,

Enclosed find a copy of the Second Interim Report of the General Assistance Termination Project. This project is funded by the Ford Foundation. It is a collaborative effort between the University of Michigan's School of Social Work and the Michigan Department of Social Services.

Two errors in the report are:

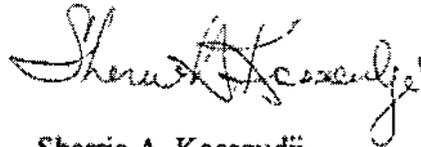
- Page 8: line 6; paragraph 2 should read "minority (14%) has stayed off all..."
- Page 15: line 3; paragraph 3 should read "oldest group reported ..."

We appreciate your interest in this policy research.

Sincerely,



Sandra K. Danziger  
Associate Professor



Sherrie A. Kossoudji  
Assistant Professor

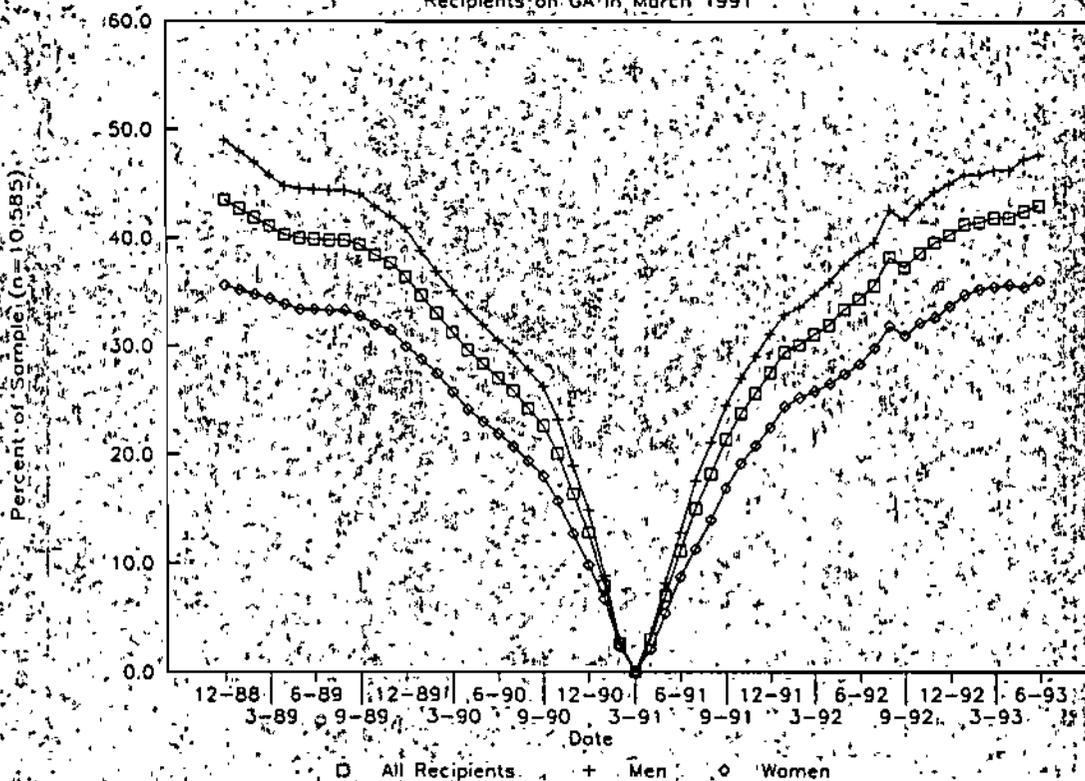
enc. 1 report

# What Happened to Former GA Recipients?

Sandra K. Danziger  
 Sherrie A. Kossoudji

Figure 2: Off-All Assistance

Recipients on GA in March 1991



## **What Happened to Former GA Recipients?**

### **The Second Interim Report of The General Assistance Termination Project**

Sandra K. Danziger  
Sherrie A. Kossoudji

*University of Michigan  
School of Social Work  
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*April, 1994*

We gratefully acknowledge the support of the Ford Foundation and cooperation of the Michigan Department of Social Services in making this research possible. We wish to thank the Program on Urban and Regional Affairs, UM-Flint, for excellent survey field operations. For invaluable research assistance, we thank Alowin Moes, Julie Henly, Jim Kunz and Gema Ricart-Moes. We are grateful to Geri Randall for secretarial and editing assistance and to Kay Sherwood, Jeff Lehman, Michael Sosin, Stephanie Shipman, Mary Corcoran, Paula Allen-Meares, and Mark Elliott for helpful comments on a previous draft. Robert Lovell, our co-principal investigator and Director of Planning and Evaluation at MDSS, provided important consultation and review of this report. The opinions expressed are those of the authors alone and not of any sponsoring agency or institution.

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## Chapter 1: Introduction

### 1. Background

In the first report of the General Assistance (GA) Termination Project (Kossoudji, Danziger, and Lovell, 1993), we described the fiscal context of the program's elimination, provided a summary of program and benefit changes between 1990 and 1992, and presented descriptive profiles of the March, 1991 GA population. Proposed by Governor Engler, the program's elimination was debated in the state legislature throughout 1991, and it was terminated on October 1, 1991. This policy change was designed to reduce the state's budget deficit. It was not based on changes in GA population characteristics or need.

At the time of termination, General Assistance provided a maximum of \$160 a month to income-eligible adults with no dependent children. Recipients also received medical coverage under a state medical program and Food Stamps. Over 80,000 people lost benefits when the program ended. Just after GA was eliminated, the state initiated the State Family Assistance program (SFA) to provide assistance for two-parent families who are not eligible for Aid to Families with Dependent Children - Unemployed Parents (AFDC-UP). The state also set up the State Disability Assistance Program (SDA), a program that requires medical certification of disabling conditions of 90 days. Two months after GA was eliminated, the state re-instated GA-Medical with a new name, the State Medical Assistance Program (SMP). Wayne county kept its own medical coverage going for former GA recipients and virtually all former recipients were allowed to remain on the Food Stamp rolls until their next recertification date (occurring every six months). The state also changed its Emergency Assistance program so that one-time financial assistance would not generally be available for this population.

Michigan's GA termination was one of the more drastic state budget cuts that occurred across the nation in 1991-1992, but many other states made significant cuts in their programs for the poor (Shapiro et al, 1991; Center on Social Welfare Policy and Law, 1994). Of the 28 states with statewide programs for this population, 17 made cuts in either 1991 or 1992 (Lav et al, 1993). Among states that cut aid to "employable" adults over this period are Ohio, Illinois, Pennsylvania, District of Columbia, Massachusetts, Minnesota, Connecticut Rhode Island, Maryland, Wyoming and Virginia. Many other states have no income support for this population at all.

The budget shortfall causing states to target these relief programs may not be long term problems. The most recent Michigan estimate reveals a budget surplus for the 1993 fiscal year that is roughly equal to cost of the GA program at its elimination. In January, 1994, the Michigan Senate Fiscal Agency Director reported that the state will finish the '92-'93 year with a surplus of \$292 million. The costs of the line item of GA benefits that were eliminated in 1991 was approximately \$240 million.

Aside from the costs of these programs and caseload sizes, very little research has been conducted on the recipients of general relief programs. There are a few extant studies that suggest that access to GA income support staves off or reduces homelessness rates in communities (Burt, 1992) and that very few recipients who lose benefits are likely to become employed (Halter, 1989). However, stereotypes of these recipients abound in the media and public opinion, suggesting that they tend to be young, able-bodied men who do not seek or maintain employment.

Our project's evolution and methodology are reviewed below to set the context for this report.

## **2. Project methodology.**

Shortly after the elimination of Michigan's GA program, faculty at the School of Social Work of the University of Michigan, and staff members of the Michigan Department of Social Services (MDSS) began exploring ways to assess the impact of these changes. After discussions with Ford project officers, Mark Elliott and John Lanigan, a multi-faceted strategy was developed to analyze the impact of GA termination. The project has three research approaches:

1. To use state level MDSS administrative data and Michigan Employment Security Commission employment data to analyze welfare and employment participation over time.
2. To conduct random sample surveys of former recipients (one and two years after termination) to explore more deeply the health status, employment seeking behavior, and coping strategies of former recipients.
3. To collect in-depth case study data on a subset of those surveyed to understand the process of how they cope and get by and what alternatives they have in their lives.

## **3. First interim report.**

The first report provided a basic descriptive analysis of the GA population (Kossoudji et al., 1993). The data were drawn from the MDSS administrative records and represent the entire GA population in March of 1991 that was "at risk" of termination. Recipients in GA Family or Disability categories were excluded from the analysis because they were automatically transferred to other programs. These data revealed the following facts.

- One-half of the state's cases were in Wayne County, one of the highest unemployment and concentrated minority poverty areas of the state. Detroit,

Michigan's largest city, with a high proportion of the State's minority population, is in Wayne County.

- The stereotype of the young, able-bodied, inner city minority male on the GA welfare program was a very small minority. In fact, African American men under age twenty-six represented only 5% of the caseload in the state.
- Two of five recipients were women.
- Two of five recipients were people over age 40.
- Recipients had extensive barriers to employment, including:
  - only half had a high school diploma.
  - one-fourth had applied for disability benefits at some point.
  - recipients over the age of forty had been on GA for an average of nearly three years.
  - fewer than one in five had reported earnings while on GA, so work experience, if any, was prior to or intermittent with public assistance.
- The GA budget cut coincided with a continuing severe recession in Michigan's economy, making employment an uncertain option for low-skill workers.

In short, the data gave little reason for optimism about the former recipients' capability to replace GA income.

#### **4. Regional comparisons.**

Because of the question of the possible wide variation in patterns in the caseload across the state, our first task was to explore urban/rural differences in the GA caseload. Overall, GA recipients in more rural regions of the state may have had fewer barriers to employment. A more detailed description of urban/rural comparisons is in the Appendix attached to this report. Some highlights of these comparisons are:

- Only 1% of rural adults were on GA (compared to 3% in Wayne County).
- The unemployment levels and poverty rates varied greatly in these rural regions, but both were generally lower than in Wayne County.
- Rural recipients were more likely to be high school graduates than the GA population as a whole.
- Rural recipients were much younger than the GA population as a whole.

- Rural recipients tended to have shorter spells on GA and a higher percentage reported earnings while on GA. One-third of the rural recipients reported earnings while on GA. In contrast, closer to one in four in the urban areas outside Wayne county, and fewer than one in ten Wayne County reported earnings while on GA.

## 5. The first post-GA year.

This report begins to assess the impact of General Assistance termination by examining the well being, economic outcomes, and changes that have occurred in former recipients' lives since the program ended. Nearly all evidence in this report come from two sources. The first is a 10% random sample of the March 1991 GA population. This caseload sample contains sixty-six months of MDSS administrative records on each former recipient, covering the period from January 1988 to June 1993.

These state administrative records allow us to document and track each individuals' welfare history, along with selected other outcomes (like job training, employment, and residence) that are likely to change over time. The state administrative records, however, while rich in the information related to outcomes, tell us little about the backgrounds and lives of individuals. We also conducted a stratified random sample survey of 530 of these former recipients (in five Michigan counties) to help us analyze the "whys" and "hows" of the outcomes observed in the state administrative records, and to help us accurately assess the health status and health-related issues associated with personal well being.

Table 1 presents demographic characteristics of the GA population and the survey group in both unweighted and weighted figures. Weights are used in all analyses presented in this report to adjust for sampling proportions. The survey group and the population have roughly comparable proportions of men and women, African Americans and whites, Wayne county residents compared to the rest of the state, and people with high school diplomas. The survey has fewer younger respondents than the population as a whole. The age range in our survey is from 19 to 62 (at the time of interview in 1992). The survey includes 10% minorities who are neither African American or white. Most of these other minorities are Native American or Latino/Latina.

Further survey sampling information is presented in the Appendix of this report. The survey recruitment procedures resulted in our interviewing former recipients with more stable residential situations and those most likely to continue receiving public assistance of some kind. It is possible that the survey results, with proportionately fewer young people than the GA caseload as a whole, underestimates homelessness but overestimates poor health and disability.

**Table 1: Time 1 Survey Sample Compared to GA Population Characteristics**

|                        | 3/91 GA<br>Population | Time-1 Survey<br>Fall, 1992 | Weighted<br>Survey |
|------------------------|-----------------------|-----------------------------|--------------------|
| Size:                  | 106,812               | 530                         | 530                |
| Age:                   |                       |                             |                    |
| % 16-25                | 20                    | 13.9                        | 14.5               |
| % over 40              | 39                    | 48.1                        | 51.9               |
| % Male                 | 59                    | 59.2                        | 57.9               |
| % African American     | 53                    | 58.9                        | 52.9               |
| % in Wayne County      | 49                    | 51.1                        | 45.5               |
| % w/High School Degree | 50                    | 52.0                        | 52.5               |

This report is organized as follows. The next chapter summarizes generalized findings and draws out the potential short and long term implications of our research results. After that, we present specific findings on health status and health changes, work experience, housing changes, welfare participation and quality of life in the first year. The first three chapters are based primarily on the survey data with occasional reference to the state level data. The chapter on public welfare program participation uses state administrative data from January 1988 through June 1993. Comparisons of state program use both before and after the GA cuts allow us to assess changes in reliance on public assistance. The last chapter of the report on quality of life after GA uses survey indicators and in-depth interviews. These measures include coping behaviors, and the extent to which financial and social resources are available. Three case illustrations demonstrate very different patterns of reliance on General Assistance and coping after program termination. The appendix has two sections, one describing our survey sample methodology and the administrative data, the second providing urban and rural regional comparisons of the GA caseload.

## Chapter II: Overview Findings and Implications

This overview provides readers with a summary of results in this report. We also integrate specific findings to explore some potential short and long term implications of our analyses. Each of the findings highlighted here is discussed in more detail in the following chapters.

### 1. Finding: Many Former Recipients Report They Are In Poor Health.

The majority of former recipients are neither healthy enough to be attractive job candidates nor disabled enough to qualify for disability benefits. More than 58% of all survey respondents report one or more chronic health conditions for which they need medical care as defined by the International Classification of Diseases (ICD). Of those over forty years old, about 77%, or more than three out of four, have one or more chronic health conditions. One-third of the respondents say they are in poor health and one third report deteriorating health status since GA ended. One-third report no health problems for which they needed to see a doctor.

In addition, 55% of the survey respondents reported that their health affected their ability to work. About 23% said their health completely, and 33% said it partially, affected their ability to work.

Despite their probable eligibility for state medical assistance, a large number of former recipients, particularly outside of Wayne County, reported no coverage for health care at the time of interview. Over half of former recipients in the rural and other urban counties were not covered. In addition, over one-third of the overall sample cited difficulties in receiving health care. At the same time, use of medical care, particularly for expensive forms of service, is high – for example, over three-quarters of the chronically ill had gone to an emergency room at least once since GA termination.

Short term implications. If a universal health coverage system is passed, the functional health of these former recipients may improve, increasing their attractiveness in the labor market. For many of them with chronic illnesses, however, public service employment, subsidized employment, or public assistance may be the only viable paths to economic subsistence in an economy where employers consider health in hiring and firing, and workers with health limitations may not be able to maintain full time employment. Only one-fifth of the chronically ill had worked at all since GA termination.

Long term implications. While more former recipients who are in poor health probably qualify for disability benefits than are currently enrolled, many will neither qualify nor realistically gain stable, full time, adequate-paying employment. Even with a universal health coverage system, employers will seek out the healthiest job candidates at every skill level. As the population ages and age-related chronic diseases become more prevalent, the chronically

ill may become a larger share of the poverty population. Other states with general relief assistance programs would be wise to ascertain the magnitude of this group and consider realistic alternatives for them when debating welfare reform.

**2. Finding: A Significant Minority Of The GA Population Is Disabled.**

The analysis of the state-wide GA population focuses solely on those who were classified as "able-bodied" in March, 1991. This was the population at risk of termination in October. After termination, however, disability recipiency (principally SSI) burgeons for this group. About 2% were on SSI rolls in the termination month; in June 1993, however, 15% were enrolled in a disability program and nearly one in five of these former recipients had received SSI disability or state disability for at least one month in the post termination period. The majority of these disability recipients were not newly disabled. More than two out of five GA recipients had an indicator of potential disability on their GA records some time before program termination. One half of those who had enrolled in disability programs in the post-termination period had been denied disability status in the past.

Short term implications. It is likely that a high proportion of post-termination disability recipients were already disabled before GA was terminated. Significant savings to the state could have been accrued, and the GA population could have been reduced in size, if more GA recipients were assessed for disabilities, if more were appropriately directed to SSI, if the timeliness of the SSI application process were trimmed, or if such a high proportion of SSI applicants did not have to reapply before being deemed disabled. Other states, when considering whether to eliminate their general relief programs, should first undertake a review of the disability status of their recipients to see if significant cost saving can be attained without the elimination of the program.

Long term implications. The rate of growth of disability recipiency shows no sign of abating nearly two years after GA termination. Assuming this trend continues, and that at least some other states will also terminate their adult public assistance programs, the federal government should expect a great increase in SSI program application and recipiency, and the attendant budgetary problems associated with that growth.

**3. Finding: Post-Termination Employment Is Sporadic.**

Most former recipients have been unsuccessful at maintaining self-sufficiency through continuous employment. We draw this conclusion from several results.

- Looking at the entire March 1991 GA population for the 1992 calendar year shows that while 38% of all former recipients worked in the formal

economy at some point over the year, less than 20% was employed in any single quarter and less than 5% was employed in all four quarters of 1992.<sup>1</sup>

- Looking at the period from GA termination (October 1991) to June 1993, we find that while two out of three former recipients have been off all public assistance for at least one month since GA termination, only a small minority (14%) has and stayed off all public assistance the entire time since termination. Over half (52%) of those who left the rolls for at least one month were off less than 12 months out of the entire period.
- Of the former recipients in the survey sample, one of every three who found employment during the first year following termination was not employed at the end of the first year.

Short Term Implications: Alternating spells of employment and welfare participation were also present before GA was terminated. The principal difference between the GA and post-GA eras is that fewer resources are available from the state if they receive public assistance now. As a result, either their well-being is significantly reduced, or friends, family and private charities have borne (along with the recipients, themselves) the cost of GA termination.

According to the survey sample, reliance on friends and family has increased since GA ended. However, only a minority reports receiving any money from these sources in the last year -- 12% from a partner, 25% from relatives, and 14% from friends. Food pantry use has also increased, but again, just over one third (35%) of the survey sample went to a food pantry in the last year.

Long Term Implications: Given their skill and health deficiencies, and the volatile nature of service sector employment, long-term employment may be unlikely for a majority of these former recipients. For some, friends and families may continue to bear the cost of GA termination. Others will have to rely on available private charities. However, many private charities are at least partially funded by the public sector. In addition, recipients' health may deteriorate because of inconsistent access to resources associated with fluctuating employment and participation in less lucrative welfare programs. The state funded medical plan may find claims increasing. Hospitals, too, may bear additional costs.

#### **4. Finding: Skills Increase The Probability Of Post-Termination Employment.**

Regression analysis allows us to predict the probability of post-GA employment for people with specific characteristics. The "baseline" probability of working is 34.5%<sup>2</sup>. This

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<sup>1</sup> These figures are based on required quarterly employer's reports to the Michigan Employment Securities Commission. All employers are identified for tax purposes. These data were merged with the Michigan Department of Social Services records to identify those who had been employed.

figure increases to 55.2% for those otherwise similar former recipients who have ever participated in a job training program. Job training increases influences the odds that African Americans are employed in the post GA period. The "baseline" probability of employment is 12.4% for African Americans. Those with job training are two and a half times more likely (28.4%) to have found employment.

In addition, having a high school degree is a critical component of predicting employment for African Americans (but not for whites and other minorities) and having recent work experience is a significant predictor for whites and other minorities (but not for African Americans). An otherwise average African American recipient who has all three skill characteristics has a predicted probability of employment of 54.2%; it is 79.5% for non-African Americans.

The implications of this potentially important finding need to be substantiated with other data. If these results hold, one interpretation could be that the conditions under which former recipients find employment may differ by race and ethnicity. African Americans successfully find employment when they acquire skills and educational credentials from outside the labor market. Non-African American former recipients successfully find employment when they recently have been engaged in the labor market, or, possibly, have acquired references from a recent employer.

Short term implications. If states and the federal government are committed to encouraging smooth and more rapid transitions from welfare to work, and if our results are valid, then incentive packages while on welfare may need to recognize labor market realities faced by racially identified workers. African American recipients may gain more from job training and education programs, while non-African American recipients may gain more from decreased benefit-reduction rates (the loss of welfare dollars if a recipient works while on welfare) or subsidized employment in order to accumulate more recent work experience.

Long term implications. The perception of public assistance as a safety net is being recast. Welfare programs are necessitated by the realities of labor markets with involuntary unemployment and discriminating hiring by age and race, along with the personal and social failures associated with high drop-out rates from our education system. Current reform efforts are retooling public assistance as skills and work preparation programs; if these reforms are ineffective, we can expect continued reliance on welfare from a permanent and destitute underclass.

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<sup>2</sup> The baseline prediction is for males who did not live in Wayne County, never worked intermittently with GA, have no health problems that limit their work ability, have no job training, did not graduate high school, were not black, and had first gone on GA nine years before.

**5. Finding: Employment Does Not Necessarily Lead to Self-Sufficiency.**

Many former GA recipients were employed in Michigan's industrial sector in the past. There, with unionization, low-skilled and semi-skilled workers could maintain a relatively secure life style with expectations of a comfortable retirement. Now employment is no longer necessarily a path to self-sufficiency. The average recipient who has worked since GA termination has gross earnings of only about \$650 per month, which still qualifies him or her for Food Stamps.

Comparing the characteristics of jobs held since GA termination with the characteristics of the last job held for recipients who have not worked since termination reveals the cost of deindustrialization in the Midwest. While more than one-third of the previous jobs of former recipients were in the relatively high paying manufacturing sector, only 9% of post-termination jobs are in manufacturing. In addition, nearly three out of five post termination jobs are in service occupations with one out of two workers earning wages as a janitor or kitchen help. Finally, job benefits are scarce in post-termination employment. Only 12% of post-termination jobs provide health insurance. Furthermore, only 6% of post-termination jobs have retirement programs. These jobs are also much less likely to provide life insurance, paid sick leave or vacations than jobs held in the past.

Short term implications. If deindustrialization continues, and if one effect of NAFTA is the accelerated loss of manufacturing and factory assembly jobs, then poorly paid, low benefit service employment may represent the extent of labor market opportunities for these low-skilled former recipients. In the short term, we can expect a steady growth in the federal Food Stamp program because even the working poor will qualify.

Long term implications. If wages for these unskilled workers are insufficient for current subsistence, and if retirement benefits remain at such low levels for the jobs that they hold, then even if these former recipients maintain steady employment over their working lives, they may fall back into welfare reliance or unsupported poverty when they reach retirement age. Overall, the long term implication (especially considering the aging of the population) will be a renewed rise in poverty among the elderly and, depending on social security support and health, rising welfare dependence among the elderly.

**6. Finding: GA Termination May Have Affected Housing Stability.**

Our ability to assess housing stability in the first year after GA termination is relatively weak due to the nature of our survey sample (see the appendix). If we ignore Wayne County, however, where these problems were most pronounced, and compare our other urban and the rural sample, we find stark differences in both housing status and stability in the post GA period. Nearly one-half of the urban residents moved at least once in the year following termination and one half of the movers moved two times or more. In addition, more than one out of four of these urban residents was in a transient living arrangement one year after GA termination, primarily doubled up with friends or relatives. By contrast, only one in six rural

residents moved in the year following termination and 16% were in transient living arrangements. For both urban and rural residents, however, these figures represent an increase in mobility and a decrease in housing status. Of the entire sample, one in seven surveyed has had their utilities shut off in the last year and one in ten has been evicted for non-payment of rent. Housing stability and quality have declined since GA.

Short term implications. If these results are indicative of true changes, then it is clear that once GA cash (which was typically used to pay rent) was no longer available, many former recipients were unable to maintain stable and independent housing. In a shelter provider survey conducted in Detroit, we find evidence that shelter capacity has doubled since GA ended and demand has greatly outstripped this increased availability of beds (Park et al, 1994).

Long term implications. The lack of a cash assistance program and the relatively low prospects of continued and self-sufficient employment suggest that the number of homeless in Michigan will continue to rise, transferring at least some of the state's savings from GA termination to other budgetary line items and to other fiscal jurisdictions. This substitution is expensive: the current per diem for shelter is \$300 a month (\$10.00 per day).

#### **7. Finding: Prevalence of Public Assistance Use Not Affected by Termination.**

The public perception of the success of GA termination is influenced by two publicized findings. The first (and already discussed) is that at some point in 1992, 38% of these former recipients was employed in the formal economy. The second is that over time, a gradually rising percentage of former recipients is not receiving public assistance. In June 1993, this figure stood at 43%.

These findings do not support an assumption that public assistance recipients are welfare dependent unless they are forced off the rolls. We must emphasize that, contrary to these assumptions, our figures do not indicate a strong behavioral impact of termination. The impact of GA termination can only be assessed by analyzing the change in behavior as a result of the loss of a public assistance option.

We examine the behavior of the same recipients before GA was terminated to make this comparison. In June 1993, 43% of this population was not receiving any public assistance; this is exactly twenty-seven months after March, 1991 (when the GA population was measured - see the appendix). We examine the same figure for the same people for twenty-seven months before. In December 1988, 43.5% of these same former recipients was receiving no public assistance. In between these two months, non-participation falls and rises symmetrically. there is no shift at the time at termination. The termination itself, then, had virtually no impact on the prevalence of public assistance participation.

People move onto and off of public assistance in accordance with fluctuations in the economy and with their own needs and abilities. Publicity aside, the termination of GA was not a prerequisite for getting recipients off the welfare rolls. Also revealing, if carefully interpreted, is the participation histories of these GA participants. We divide the months from January 1988 until June 1993 into two periods -- before and after GA termination. Nearly 53% of the population had at least one month of non-participation both before and after termination. Another 19% had at least one month of non-participation before but not after termination. Only 11% received no welfare benefits after but not before GA ended, and 17% have participated in every month (see the participation chapter for characteristics of these groups).

The principal impact of GA termination is that fewer public resources are now available to these former GA recipients when they do still receive public assistance. Because these recipients are only eligible for cash assistance if there is a status change (like becoming pregnant or disabled), most qualify only for Food Stamps or a basic medical plan.

Short term implications. The termination of GA was not a prerequisite for getting recipients off the welfare role. While the termination may have changed the behavior of a small fraction of these former recipients, the vast majority have historically gone on and off public assistance as needed. We cannot tell from our evidence what the consequences of GA termination are for people who did not need GA in 1991 but may need it now. For example, new entrants to the Food Stamps and Medical rolls may have greater housing problems now than in 1991. Other states considering welfare reform measures can draw from our evidence to produce well informed policy decisions.

Long Term Implications: Policy changes such as Michigan's need to be assessed in detail in terms of their net benefits and costs to taxpayers. In addition, public policy makers need to be held accountable for the consequences of ending these programs. GA termination did little to change recipient behavior, it may not save the state much in the long run, and the quality of life has declined for people unable to support themselves. Careful analysis must guide future welfare reform measures if they are to successfully save public sector funds and take into account the needs of the poor.

## **8. Finding: Needs Of Rural And Urban Poor Are Different.**

In Michigan, public assistance reliance is primarily an urban phenomenon. However, about 15% of the former GA recipient population resides in a rural area. Rural GA recipients were much younger than urban recipients; about one-third of rural recipients was under age 26. In addition, rural recipients were much more likely (than urban recipients) to report earnings while receiving GA. More than one-third of all rural recipients reported earnings while on GA. Among rural recipients, the older the individual, the more likely he or she was to report earnings. In addition, two out of five rural recipients in the survey sample found employment in the first year after termination and nearly all of them were working at the end of the first year.

Short term implications. Our tentative conjecture for the age discrepancies between rural and urban recipients is that rural residents may have a more difficult time finding first jobs (perhaps because of the relative scarcity of service sector employment) than do young urban residents. As a result, the former recipients in rural and urban areas will have different needs reflecting their different age distributions. In addition, rural recipients (especially older rural recipients), were more likely to have used GA as a supplement to, rather than a substitute for, employment, suggesting that below-subsistence wages are a more pressing problem than lack of jobs in rural areas.

Long term implications. If young rural residents have a difficult time finding first jobs and public assistance is no longer an option, we can expect a continued depopulation and aging of the rural population. Other aspects of rural communities, such as the lack of food pantries and shelter services, imply that there are few long term alternatives for public assistance.

### **Overall welfare policy implications**

A national willingness to target public assistance cash when making budgetary decisions rose throughout the 1980's and is escalating in the early 1990's. Despite evidence that economic cycles of the last decade drove a deeper wedge between the advantaged and disadvantaged, the federal and state governments are looking at the budgetary toll of their means-tested programs. More people are in need of public assistance while the public sector is attempting to provide less. At the same time, without public safety nets for some of the poor, we risk greater costs in shelter or other institutional expenses, and in health care and eventual disability provision.

Michigan's policy shift was bold and risky. It stemmed from a budgetary crisis and it reflected public misperception of the behaviors and characteristics of the GA recipient population. There was little public support for people who in fact had few alternatives.

Even if GA termination were inevitable, state policy makers failed both taxpayers and former recipients by not providing timely transition assistance based on a sound knowledge of the people whose lives were affected most directly by the program's termination. At the time of termination, state and federal disability programs should have better facilitated a transition to SDA and SSI for those who lost GA benefits.

What former recipients need now is what they have needed all along: more investment in jobs, more jobs for minority and older workers, adequate health care and job skills training, expanded disability criteria, and greater targeting of resources for community development in impoverished areas. The quality of life after GA ended generally declined for former recipients. The majority of people were unable to replace benefits with adequate alternative means of support. Rather than terminate programs abruptly, states should base welfare budget cuts on accurate appraisals of need and should provide transitional resources and services.

### **Chapter III: Health Status, Disability and Health Care Use**

Health status among former recipients is critical to assess for three reasons. One presumption underlying program termination was that the recipients were mostly able-bodied, that the small minority who were disabled were perhaps on GA only temporarily, in the application and certification process for Supplemental Security Income, (SSI). We look at the number of people with chronic health problems and disabling conditions of long standing duration to assess this assumption.

Second, we examine changes in health status as a potential impact of losing GA benefits. Do former recipients suffer health declines in the first post-termination year? Finally, because receipt of GA included enrollment in the GA-Medical program, we examine what happened to health care after termination. To what extent are former recipients covered in medical programs, and do they get medical care when needed?

Indicators of former recipients' health, disability, and access to and use of health care are based on questions in the survey where respondents listed their health problems, and appraised their health status and extent of any health-caused limitations in functioning. They also reported current health insurance coverage, any disability benefits applied for and received, and their use of health services.

The chapter is organized to first present the data on health problems. The second section compares our survey sample with findings on health status in other studies. We compare the prevalence of poor health among former GA recipients with that found among older people, low income populations, and low income African Americans as a whole. The third section focuses on disability status and the extent to which those who are in poor health become categorized as disabled. The last section of this chapter examines access to and use of health care. Given the extent of poor health and disability in the post-termination year, is health care perceived to be available? Is it being received, and what kinds of care are being used?

#### **1. Extent of health problems.**

By many measures, our survey indicates a high prevalence of poor health. First, we used a self-rating scale of how healthy a person is, a measure used in many studies (see below). Almost a third of the survey respondents (30.2%) report they are either not very healthy or are in poor health. With respect to changes in health, we asked whether their health (on a 5-point scale), had gotten better, worse, or stayed about the same compared to two years ago (a point in time definitely prior to GA termination). Over a third (37.2%) reported declines in health, while about one-fifth (21.3%) said their health had improved over this period. Two-fifths (41.5%) reported no change.

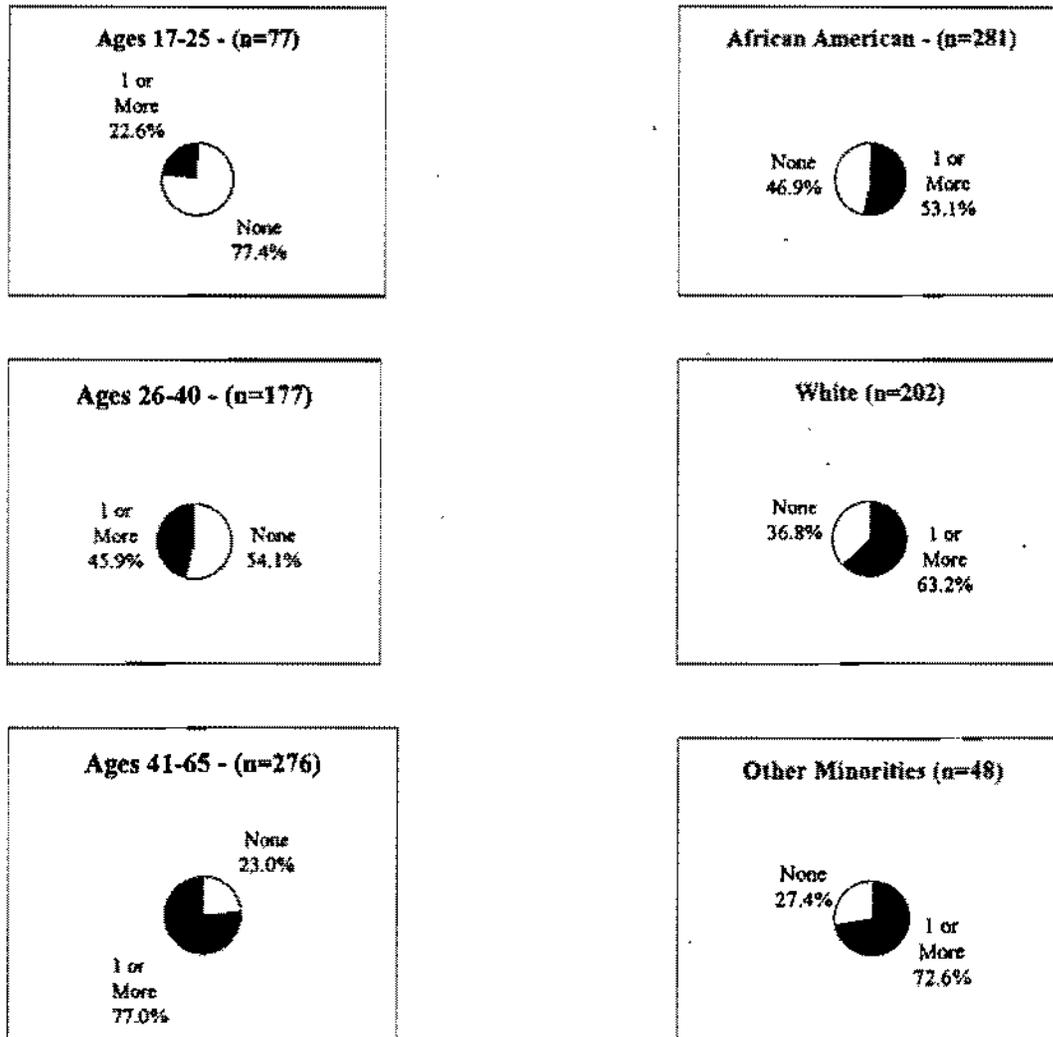
When asked two items about how health affects current functioning, often used in self reports of disability, the former recipients described a high prevalence of perceived limitations.

Over one-half of our sample said sickness often (29.1%) or sometimes (27.0%) interferes with their activities. Similarly, a quarter (22.7%) of the respondents reported that their health completely reduced their ability to work and another third (32.8%) claimed partial reductions in ability to work. Thus, less than one-half reported no limitations in activities (43.6% reported rare or no limitations) and not having any health effects on their ability to work (44.5%).

While these single-item self reports show compelling consistency, we also used a measure of the types of health or mental health problems that respondents listed as conditions that have required them to see a doctor or get a medical prescription within the last two years. We identified the number of chronically ill people by those who listed having one or more health problems that matched a chronic disease classification used in medical care utilization review (International Classification of Diseases, 9th edition, 1992). Of the 100 or so total different conditions people listed in these open-ended questions, where they could list as many conditions as they had, thirty-five conditions fall into the chronic disease category (listed in Figure 1). Less than one-third of the survey respondents (31.3%) named no health problems occurring within the last two years at all. On average, people listed 1.5 problems, and of the people who listed any health problems at all, most had at least one chronic condition. Of the 364 respondents with health problems, only 62 (17%) did not report a chronic condition.

Overall, 58.7% of the sample had at least one chronic condition. There were important differences by age and race. Figure 1 shows that over three-quarters of the youngest group reported chronic illnesses. African Americans were less likely than whites or other minorities to report these conditions; however, over half of African Americans suffered from chronic illnesses.

**Figure 1: Percent with Chronic Health Problems by Age and Race**



**Note:** A person is categorized to have chronic health problems if he or she report at least one of the following problems for which they need to see a doctor: hypertension, arthritis, gout, lupus, back problems, heart problems, diabetes, epilepsy, ulcer, asthma, respiratory problems, bronchitis, stroke, migraine headaches, kidney problems, AIDS/STDs, glaucoma, cataracts, pneumonia, emphysema, TB, cancer, thyroid problems, anemia, gall bladder, liver problems, hepatitis, cirrhosis, pancreatitis, stomach or bowel problems, schizophrenia, manic depression, anxiety disorder, post traumatic stress syndrome, alcoholism or drug use. These are listed in the International Classification of Diseases (9th edition), which is used in utilization reviews and health care financing.

## **2. Comparisons of health status.**

How bad is the health of this population relative to other groups? In terms of perceiving themselves as unhealthy, 30.2% in our survey rated their current health in the worst two categories. By comparison, in 1984 a national random survey of people between the ages of 55-64, 25% assessed their health as fair or poor (worst two categories), (Dunkle and Kart, 1990). Still another comparison from a 1989 survey indicates that only 20% of people with annual incomes below \$14,000 reported fair or poor health (Wolfe, 1993).

More precisely, in a sample of low income African Americans in 1985-87, (less than \$10,000), only 18% rated their health as poor or fair. Among African Americans in our sample, 28.8% gave this rating. All of the figures in our survey suggest much higher prevalence of poor health compared to levels found among groups known to be at risk of poor health. The data here suggest that older people, low income people, and low income African Americans are typically far more healthy than these former GA recipients.

In addition, levels of perceived functional limitations in this sample exceed those found in other studies. In a 1989 survey, 23.2% of low income persons reported limitations of activity (Wolfe, 1993), compared to over half of our sample. Even if we restrict our definition to often experiencing limitations (reported by 29.1% of our sample), we find higher-than-average levels of health problems.

Using the chronic conditions listings, we can compare these former recipients' self report with the numbers of General Assistance recipients in an Ohio county who were treated for, or prescribed medication for, the same set of chronic conditions. According to Verma and Coulton, 27% of Cuyahoga's GA recipients had medical documentation of one or more of these chronic conditions (Verma and Coulton, 1992), which is about half the rate of the self report in our survey. This may reflect the degree to which people get care when they have problems; but it could also reflect poorer health of our sample. In fact, in terms of care utilization, our rates are higher. While in Ohio it was documented that 16% had gone to an emergency room within the previous two years, we find that 37.9% of our respondents had gone to the emergency room at least once in the year since GA ended.

## **3. Level of disability.**

Given their poor health status, it is not surprising that exactly half of those we surveyed reported having applied at some point in their lives for disability benefits. Of those who had ever applied, 82% reported a chronic illness within the last two years. In terms of current receipt of disability, the rates are much lower. Only 12.7% of the sample were on disability at the time of the survey (approximately one year after termination) and another 2% had been approved but were not yet receiving benefits. Of the 67 people who were on either federal (SSI) or state (SDA) disability, 13 began their benefits in October, 1991 or before the GA termination. The overwhelming majority had to begin the application process after losing

GA. Thus, most of these people were not in the process of being transferred over to a disability program despite their health problems.

Who were the disabled? Those receiving (or approved to receive) benefits were more likely to be older than the sample as a whole. Over two-thirds (69%) of the disabled were over 40 (compared to 52% of the sample). Given the older group's poorer health status, this would be expected. However, very few of those in poor health were able to get on disability.

**Table 1: Percent Disabled By Health Status**

|  | Sample Size | Percent Currently Approved for or Receiving Disability Benefits |
|--|-------------|---|
| Survey population as a whole                 | 530         | 14.7%   |
| Self-report of one or more chronic illnesses | 311         | 21.5%   |
| Self-report that health affects their work   | 292         | 21.2%   |
| Self-report that sickness limits activity    | 297         | 22.2%   |

Table 1 shows a pattern that only one in five persons with chronic or disabling conditions were approved for disability. Only 21.5% of those with a chronic condition and 22% with work or activity limitations were getting disability. Of the 265 people who had ever applied, only 90 had ever received benefits, which is an "uptake" ratio of .34. By contrast, Social Security Administration figures indicate that one in two disability applications eventually get approved (Kochar, 1993). These data suggest that many disabled former GA recipients are likely to be eligible but are not receiving benefits.

Finally, when we group the survey sample as a whole by level of disability or illness we find that 14.7% of former recipients are disability recipients, another 46.2% have a chronic illness but are not on disability, and only 39.1% are neither chronically ill nor disabled. This latter group is on the whole very healthy by most of the self-report questions in the survey. For example, of those who neither receive disability nor report a chronic condition, 73% listed no health problems, only 17.2% report their health deteriorated in the last year, and only 8.3% report being in poor health.

#### 4. Health care access.

It is important to clarify the medical benefits that impoverished adults not on AFDC or SSI can receive in Michigan. MDSS reinstated a medical program for all who were income-

eligible, but its service coverage is rather minimal, even below Medicaid. It requires prior authorization for outpatient care and minimal co-payments. Hospitalization is not covered in this program, but counties cover in-patient care in some areas, including Wayne. Wayne County issues a medical card authorizing eligibility each month and as of late 1993, enrolled about 40,000 people, a number roughly equal to the number of people in the county who were cut off of GA in 10/91.

Despite these programs, a large number of former recipients, 42.3% reported not having any current health coverage. While 70% of Wayne county respondents reported that they remained covered, less than half of the rural and the urban former recipients were covered. While the state has reinstated this coverage, many people are either unaware of it, have not re-applied, or do not think they qualify.

When asked whether they had had any problems getting medical care since GA termination, over one-third (34.7%) reported difficulties. Another 42.3% reported that they currently owed money for medical bills. It is important to note, then, that the majority of respondents were not experiencing problems in obtaining health services.

In fact, and consistent with the prevalence of poor health, the use of care in the last year is quite high. We mentioned earlier the high rates of emergency room visits in our survey compared to the Ohio GA caseload. Over one third (37.9%) of our respondents had been to the emergency room at least once, and 18.6% had been hospitalized at least once in the last year. Of those with chronic illnesses, over three-quarters (75.5%) had been to an emergency room (but 23% had gone to emergency 2-4 times), and one-quarter (24.7%) had been hospitalized since GA. In general, two-thirds of our respondents (65.5%) had seen a doctor in the post-termination year. High rates of hospital and emergency room care may reflect, however, a lack of access to outpatient and clinic services.

Given the very widespread need for medical care information at the time of the cut off, we asked respondents whether their MDSS case workers had offered any informational help with medical care. Cases with higher rates of utilization of services, such as those who had chronic illnesses, might have been more likely to receive this information. Only one-quarter of the respondents (26.2%) reported receiving this help. Ironically, a third of younger (under age 26) former recipients (32.2%) reported this assistance. The chronically ill, on the other hand, were no more likely to remember getting MDSS help than the survey sample as a whole (27.1% vs 26.2%); nor were those who had ever applied for disability benefits. Only a quarter (25.1%) of those who had ever applied for disability received medical care information at the time of GA termination.

In sum, this chapter indicates high rates of illness and disability and consequently high utilization of medical care among former recipients. Only two in five are neither ill nor disabled. A significant minority report problems in access to care, and many (particularly outside of Wayne County) are without health care coverage. The number of respondents who have gotten disability assistance is low relative to reported levels of disabling conditions. One-third of respondents also reported declines in health since losing GA. These results

indicate that poor health plagued many recipients while on GA and continued to limit their functioning in the first post-termination year. While access to care was not a problem for the majority of respondents, many were without health care coverage despite their probable eligibility. The extent to which these problems affect employment experiences after GA ended is one issue we turn to in the next chapter.

## Chapter IV: Employment Since GA Termination

Much of the current welfare reform debate revolves around work requirements after a limited time on assistance. In general, policy makers have accepted that many recipients will have a difficult time acquiring private sector jobs. Many of them do not have the skills and training to obtain existing jobs and many reside in inner city areas where few jobs are available. A less obvious concern, and one about which there is little concrete evidence, is the role of health in employment and welfare participation decisions. People with health problems may, because of their condition, be less likely to seek employment. If they do try to become employed, they are less likely (than a similarly qualified but healthy applicant) to be hired by employers, who must consider scheduling, physical and mental ability to routinely perform required tasks, and, if they provide employee health care, the costs of medical coverage. Finally, policy makers are grappling with the perception that welfare recipients may not want to work, many never have worked, and must be forced to become employed. Again, there is little concrete statistical evidence that this is a prevalent phenomenon. Nonetheless, the perception needs to be addressed.

We discuss, in this chapter, the employment experiences of former GA recipients, the characteristics associated with employment in the first year, with job search for those who are not employed, and the characteristics of those who are not in the labor force at all. We also compare the characteristics of post GA jobs with the last job held before GA was terminated. For some recipients, the loss of that job was the impetus to participating in General Assistance.

The evidence in this chapter comes from our survey of 530 former recipients. The survey questions include information on employment history and post GA employment experience, as well as the types of jobs, wages, and benefits acquired, and job hunting behavior. To carefully distinguish between jobs in the formal economy and casual or sporadic laboring activities, we use the concept of the steady job. A steady job is defined in the survey as having been hired in a job for pay that could have lasted a month or more.

First we present a very rough measure of employment histories. Next, any employment since GA termination and labor force status about one year since termination are compared for gender, race, age, and health groups. Following that, we examine the determinants of post GA employment, and, for those not employed, the determinants of actively looking for employment. Detail is provided on job quality by documenting benefit levels and job characteristics of the most recent job.

### 1. Employment History

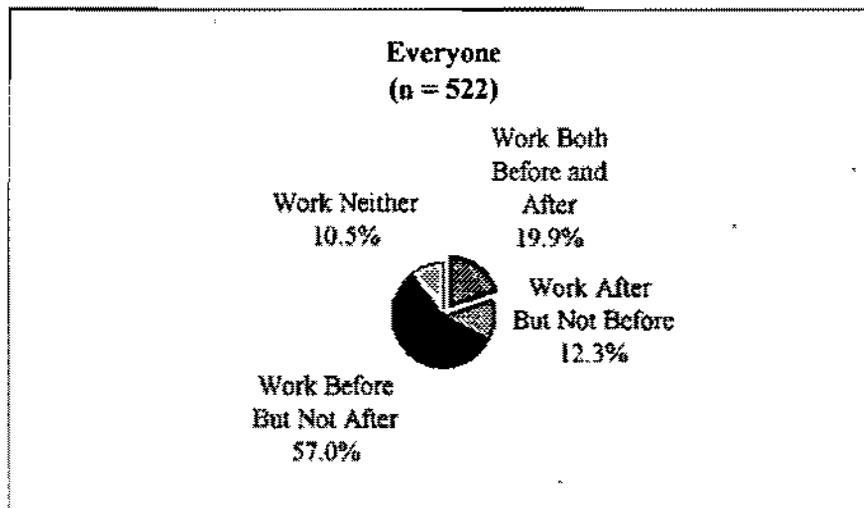
Figure 1A divides the respondents into four groups according to employment experience before and after GA termination.<sup>3</sup> The expectation of Governor Engler's administration was that GA termination would increase employment levels and force people to

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<sup>3</sup> On some figures in this chapter, the sample size is less than 530 because we could not calculate exact timing of some employment

find employment. The question of whether more people are working since the program's termination requires knowledge of their employment history both before and after termination. Over three-quarters of the survey respondents worked at some point prior to program elimination (Figure 1A: 57% + 19.9%).

**Figure 1A: Employment Experience of Survey Respondents**



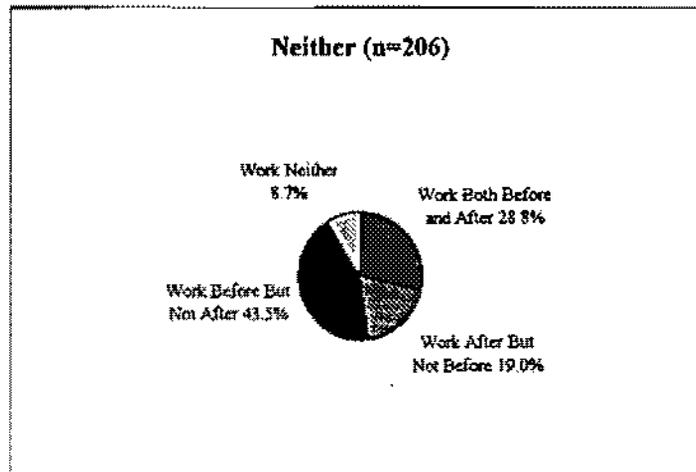
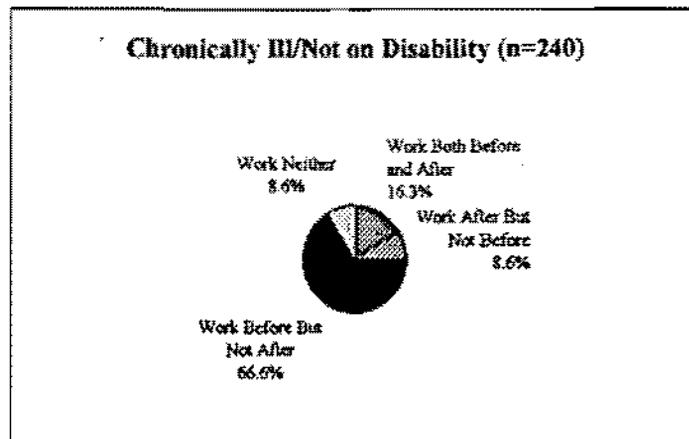
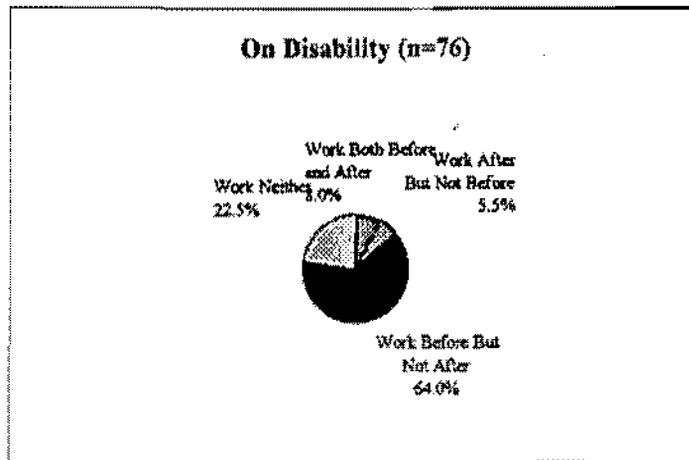
The 12.3% who had not worked before, but did work after the program was terminated may reflect the administration's expectation of increased employment. This group accounts for only one of every nine former recipients.

About one-third of the respondents have been employed in a steady job since GA termination (19.9% + 12.3%). A majority of these people also worked prior to termination. In addition, an overwhelming majority (84% = 57% / 57% + 10.5%) of those who have not held a steady job since October, 1991, do have prior work experience. Some of this prior experience reflects jobs held several, or even many, years ago. About two of five people who have not worked since GA termination were working within the previous five years. Job loss and unemployment are the principal reasons given for applying for General Assistance. And, as this figure shows, some employment experience prior to GA termination is, in fact, the norm.

The relationship between health and employment experience is very telling. Later in this chapter we examine the relationship between health and post employment while controlling for other factors likely to determine employment. First, however, we want to document the correlation between health and employment experience. The panels in Figure 1B exhibit employment experience for people in three health categories: receiving disability payments, chronically ill but not receiving disability, and having neither of those two conditions.

**Figure 1B: Employment Experience of Survey Respondents**

**By Health Status**



Respondents who are currently receiving disability are most likely to have worked before GA termination but not after, or to have not worked at all. Similarly, two-thirds of the respondents who are chronically ill worked before but not after. Respondents in either of these two categories are unlikely to have worked since GA termination. The chronically ill who are not receiving disability are, however, twice as likely to have worked since GA termination than those on disability (24.9% vs 13.5%). Without the cash resources provided by the disability program, those with chronic illnesses must support themselves or find financial support from private sources.

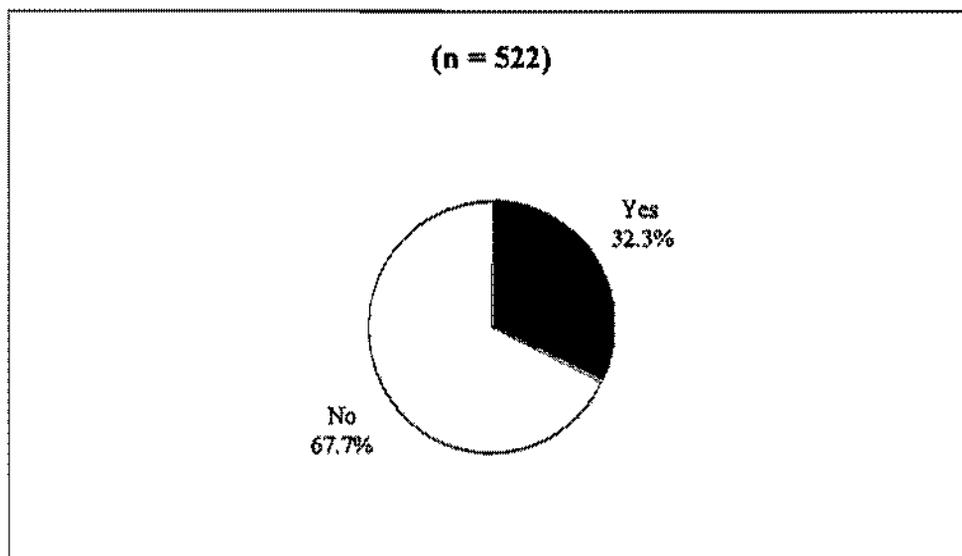
Respondents who fall into neither of these categories (two in five people in the sample) are surely in a better position to find employment in the post GA period. The numbers bear this out: one-half of this group has found employment since GA termination and nearly three-quarters worked prior to termination. Further, only 43% of them worked before GA termination but not after. For this group, GA may have been a stop-gap during periods of unemployment.

## 2. Employment since GA Termination

Figure 1A above documents that about 32% of the survey respondents worked in a steady job at some time between GA termination (October 1991) and the time of their interview (July to October 1992). In this section we explore post GA employment for different groups within the sample. Figure 2 displays the percentage of recipients that have held a steady job since GA termination for everyone, men and women, by race, by age groups, and by health status.

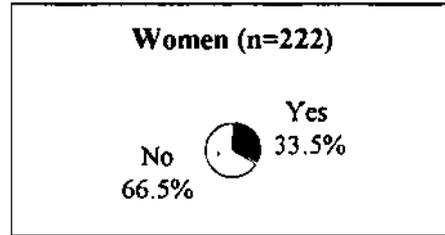
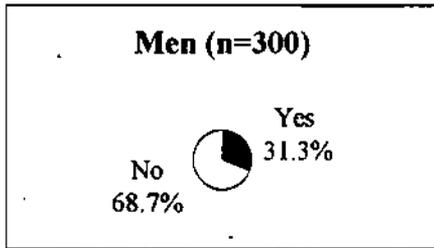
**Figure 2: Post Termination Employment for Survey Respondents**

a: Everyone

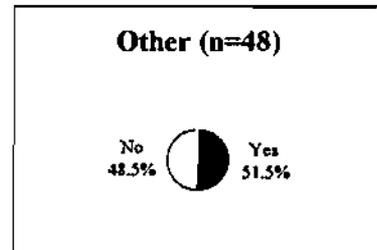
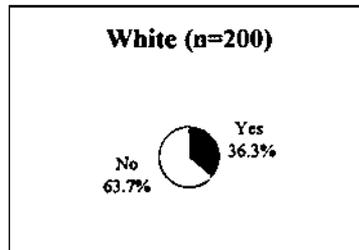
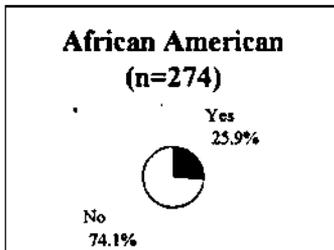


**Figure 2: Post Termination Employment for Survey Respondents**

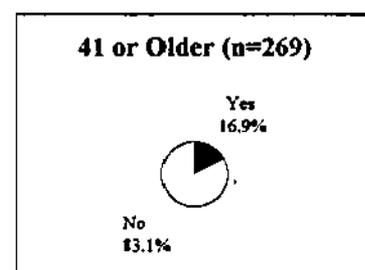
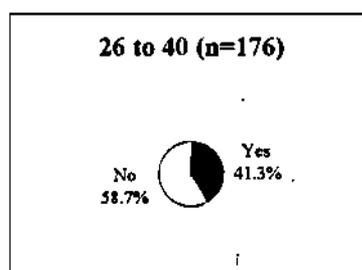
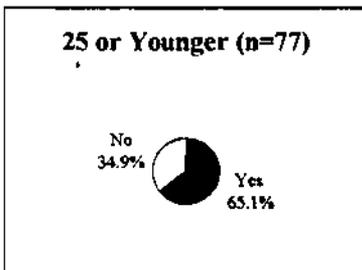
**b: By Gender**



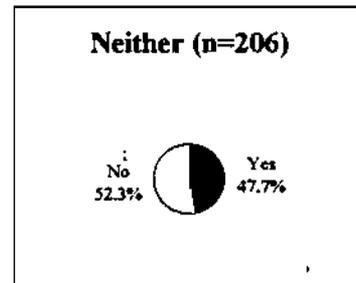
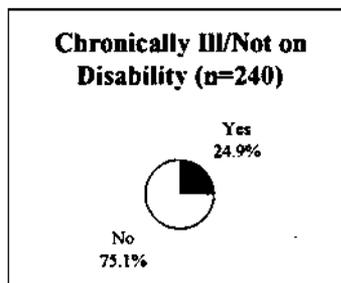
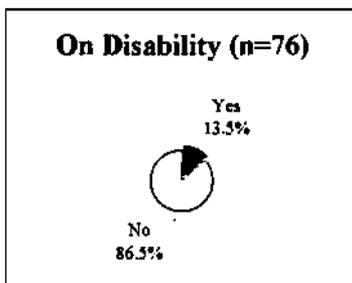
**c: By Race**



**d: By Age Group**



**e: By Health**



Who is likely to have held a steady job at some time since GA termination? There appears to be no employment differences by gender. About one-third of both men and women worked in a steady job at some time in the year after termination (see Figure 2, Panel b).

Race is correlated with post termination employment. African Americans are least likely and other non-whites most likely to have been employed at all in the first post-program year. Just over one-quarter of African American respondents (25.9%), one-third of white respondents (36.3%), and one-half (51.5%) of other minorities worked at some time in the year following termination. The reasons behind this race correlation are difficult to assess with our survey data. We established in our first report that race differences in working while on the program disappeared once we controlled for residential location. But the survey sample size is too small and respondents were clustered in too few labor markets to explore race differences by residence. A resolution of this issue will have to await further analysis of the state administrative data.

As expected, age is correlated with post GA employment experience (see panel d). The association is very dramatic: The majority of the youngest former recipients (65.1%) but only 41.3% of those aged twenty-six to forty and a mere 16.9% of those over forty have been employed in the post GA period. This strong age correlation may suggest a need for transitional aid for older former recipients.

Similarly, the pattern of post-GA employment by recipients' health status highlights the degree to which poor health interferes with employment opportunities. Probably because of their relative access to cash resources, recipients currently receiving disability are highly unlikely to have worked (13.5%) in the post-GA period. The chronically ill are twice as likely to have worked since GA (24.9%) than those who are on disability, but only half as likely as the group with no obvious health problems (47.8%). The chronically ill, not all of whom are older, will have a difficult time finding employment in today's economy. Appropriate means of smoothing their transition off welfare will need to be devised.

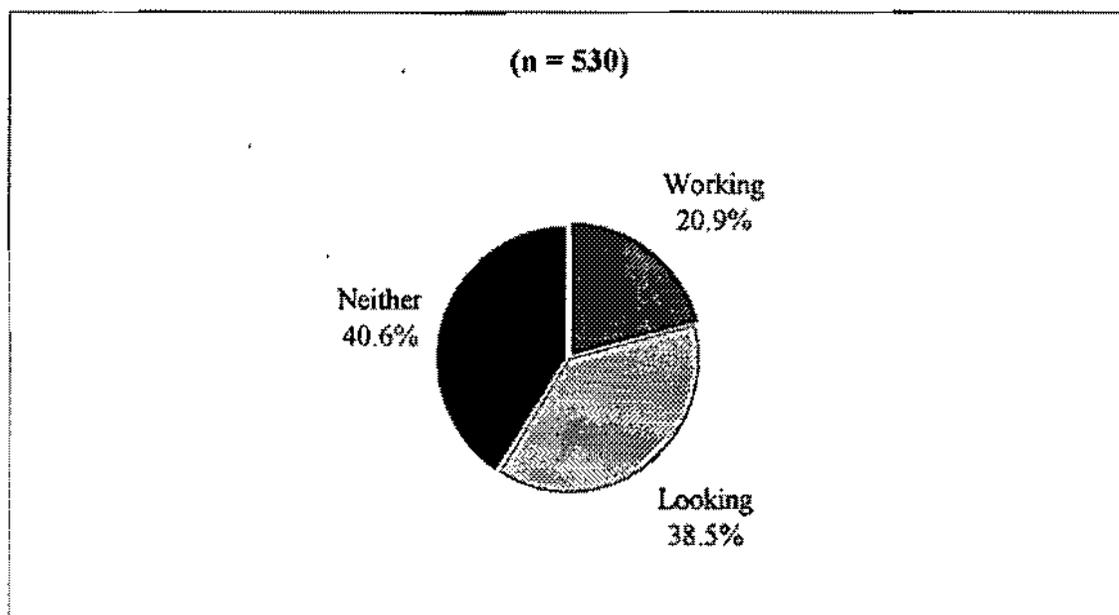
Have these former GA recipients successfully made the transition from welfare to work? The figures in this section document employment at any time in the past year. In the next section, we briefly review and summarize employment at a single point in time -- the date of the survey -- to see if employment has become a stable feature of these former recipients' lives.

### **3. Labor Force Status at the Time of the Survey.**

The panels in Figure 3 are like Figure 2 but present labor force status at the time of the interview. The interviews were nearly all conducted between the end of July and October of 1992. Labor force status is categorized as working, looking for a job, or neither. By the standard definition, those who are working or looking for a job are active in the labor force. Those who are neither working nor looking for a job are inactive. The unemployment rate is calculated by comparing the number actively seeking employment with the number of active

labor force participants. At the time of the interview, only one in five (20.9%) former recipients was employed while more than a third (38.5%) report actively looking for a job. Thus, most of the respondents (59.4%) are categorized as labor force participants but the unemployment rate is 65%. The proportion who were neither working nor looking for work at the time of the interview was 40.6%. Comparing the percentage employed at all since GA termination (32.2%) with the percentage that was working at the time of the survey (20.9%) reveals that 35% - or just over one-third - of the survey respondents who have managed to find employment have already lost or left their jobs.

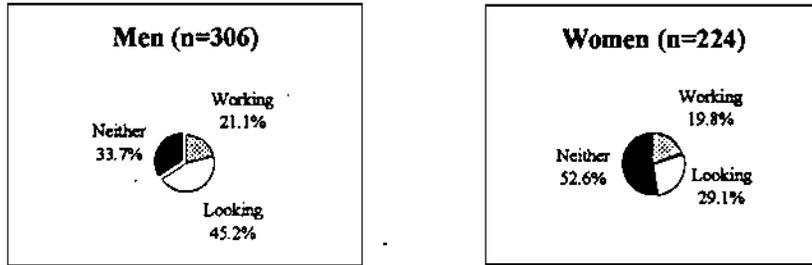
**Figure 3:: Labor Force Status at Time of Survey**  
**a: Everyone**



**Everyone: 20.9% working, 59.4% in labor force**

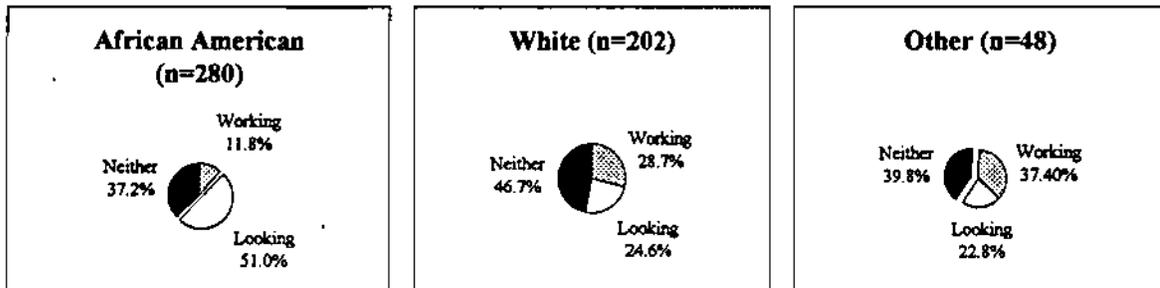
**Figure 3: Labor Force Status at Time of Survey**

**b: By Gender**



Men: 21.1% working, 66.3% in labor force  
 Women: 19.8% working, 48.9% in labor force

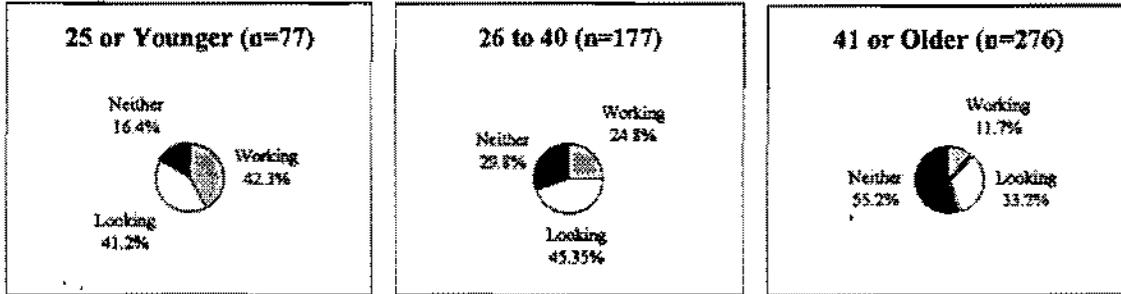
**c: By Race**



African American: 11.8% working, 62.8% in labor force  
 White: 28.7% working, 53.3% in labor force  
 Other: 37.4% working, 60.2% in labor force

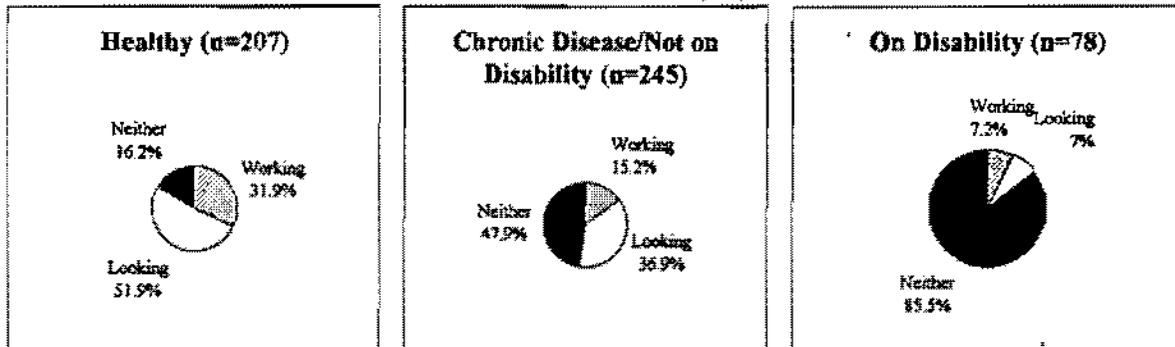
**Figure 3: Labor Force Status at Time of Survey**

**d: By Age Group**



|                |                                     |
|----------------|-------------------------------------|
| 25 or younger: | 42.3% working, 83.5% in labor force |
| 26 to 40:      | 24.8% working, 70.1% in labor force |
| 41 or older:   | 11.7% working, 44.9% in labor force |

**e: By Health**



|                                   |                                      |
|-----------------------------------|--------------------------------------|
| Healthy:                          | 31.9% working, 83.8% in labor force. |
| Chronic Disease/Not on Disability | 15.2% working, 52.1% in labor force. |
| On Disability:                    | 07.2% working, 14.5% in labor force. |

Women are slightly less likely than men to be working, implying that more women lost or left the jobs they found after GA was terminated. Men, however, are more likely to be looking for work (45.2% men, 29.1% women). Over half of the women (52.6%), but only one-third of the men (33.7%), are not in the labor force at all.

Racial differences in current labor force status are shown in Panel c. While African American respondents were least likely to be working at the interview (11.8% had jobs compared with 28.7% for white respondents), white respondents had the lowest labor force participation. Close to half of the white respondents (46.7%) were neither working nor looking for jobs. Hispanics and members of other ethnic groups or races (including Arab Americans and Native Americans), were most likely to be employed at the interview. These statistics raise some perplexing questions about the race differences in the labor force behavior of these former welfare recipients.

To summarize these outcomes for African Americans, we find that just over one-quarter found employment in the post GA year. Since only 11.8% were working at the time of the survey, more than one-half of those who found employment have already lost or left their jobs -- indicating high employment instability. At the same time, African Americans are most diligent about actively seeking employment; nearly two-thirds of them are active in the labor force, but the majority have not found a job in the year since GA termination.

On the other hand, just over one-third of the white recipients found employment in the post GA year and the vast majority of them (79%) were employed at the time of the survey. This indicates relative employment stability. A much smaller percentage of the white non-workers (when compared to African Americans) is actively seeking employment. Are non-working white respondents less optimistic about future employment prospects than African American respondents?

Just like employment since GA termination, differences in labor force participation by age categories are again more pronounced than race and gender differences (see Panel d). Over 80% of the former recipients under age twenty-five were either working or looking for work. These young labor force participants are evenly split between those with jobs and those without. Note that this employment rate is double that for the sample as a whole. This contrasts with the group aged forty-one or older, where less than 12% was employed. Of those in the middle age range of the former recipients, about one in four (24.8%) had jobs at the time of the interview. The proportionate decline (about one-third) between those who worked at all since GA termination and those who were employed at the time of the interview did not vary by age.

The correlation between health and labor force status stands out. Nearly all respondents on disability are neither working nor looking for work. The chronically ill also have extremely low rates of labor force participation -- nearly half of them are neither working nor looking for work. Those who meet neither of these two conditions, on the other hand, are overwhelmingly likely to be in the labor force (83.8%), but still have a very high rate of unemployment. This group, while not constrained by health, may have a difficult time finding employment because of their lack of skills.

We focus on the survey sample in this chapter to be able to exploit its information on recipients' health. At the same time, it is important to provide substantiating evidence about the inability to maintain steady employment. Employee records must be filed quarterly to the Michigan Employment Security Commission for tax purposes. These records were merged with the MDSS administrative records for the entire March 1991 GA population to identify those who were employed. Looking at the entire March 1991 GA population for the 1992 calendar year shows that 38% of all former recipients were employed in the formal economy at some point over the year -- a prevalence consistent with our survey findings for the year following GA termination. In none of the individual four quarters of 1992, however, was the employment rate as high as 20%, suggesting movement into and out of employment. Less than 5% of the entire population was employed in all four quarters of 1992.

#### **4. Predictors of Post GA Employment and Active Job Search**

##### **a. Post GA Employment**

The descriptive figures in the previous sections are validated by the population data. Now we want to address the determinants of employment in the first year following GA termination and the differences between those who were looking or not looking for work.

Welfare reform discussion at the state and federal level is currently focused on mandatory work requirements after a limited time on welfare. One way to clarify the issues associated with this debate is to examine the empirical evidence on the probability of finding employment for recipients with different and identifiable characteristics. We present, in this section, our analysis of the probability of working since GA termination by using regression analysis. Regression analysis allows us to examine these probabilities for people with various characteristics and to calculate which characteristics significantly determine post GA employment.

Ten different individual characteristics are included in the regressions. The variables include demographic status (gender, race, age, residence in Wayne County), skills (recent work experience, job training, education), welfare history, and several versions of health limitations. Each of these variables is defined in Table 1.

**Table 1: Variable Definitions for Regressions**

| <b>Variable Name</b> | <b>Description</b>   |
|----------------------|--|
| Woman                | Dummy variable - respondent is a women   |
| Wayne                | Dummy variable - Wayne County residence  |
| Workinter            | Dummy variable - worked while on GA or intermittently with GA                      |
| Hlthwork1            | Dummy variable - respondent claims health <u>completely</u> limits ability to work |
| Hlthwork2            | Dummy variable - respondent claims health <u>partially</u> limits ability to work  |
| Chronic              | Dummy variable - respondent has a chronic health condition                         |
| Disabled             | Dummy variable - respondent is receiving disability benefits                       |
| Jobtrain             | Dummy variable - ever enrolled in a job training program                           |
| Age                  | Age in September, 1992   |
| Agesq                | Age squared  |
| GASstart             | Number of years since first went on GA   |
| HSGrad               | Dummy variable - has graduated from high school or earned GED                      |
| African American     | Dummy variable - respondent is an African-American                                 |

To see if the determinants of employment were different for white and African American respondents, these (probability of employment) regressions were analyzed once for everyone and once for African Americans and non-African Americans separately. We also analyzed the regressions separately using several different health measures, each of which has advantages and disadvantages. A respondent's self report that his or her health affects the ability to work could be a good gauge of the physical limitations that narrow a respondent's job options. But, it could also reflect an ex-post rationalization of an inability to find employment. Receiving disability, on the other hand, provides substantiating evidence on the degree to which a respondent is unhealthy, but the disability cash benefits reduce the incentives to find a job. Finally, chronic illnesses, while less subject to respondent biases for employment purposes, are varied enough in the way they impair the ability to work or be hired (compare a mild heart murmur with severe rheumatoid arthritis, for example) that their presence may only roughly correlate with the ability to find employment.

Within this section we discuss the results of the analysis. At the end of the chapter we provide appendix tables for full documentation. In the Appendix tables, asterisks indicate that a variable is a significant determinant of post GA employment.

This evidence suggests that, while health, age, and skills are generally significant determinants of employment, the specific factors associated with employment for African Americans and non-African Americans do not necessarily coincide.

To facilitate the discussion, we present the predicted probabilities of employment for people with different characteristics. The regression we use for the predictions contained the self-reported health limits work variable. In the first column of Table 2, we report the predicted probability of working, using the regression that included everyone, and allowing only one characteristic to change at a time. First we calculated a "baseline" probability. This "baseline" person is a male who did not live in Wayne County, who did not work intermittently while on GA, who had no health limitation that affected his ability to work, who had never had job training, who was not a high school graduate, was not black, and had an average welfare history. The probability of post GA employment for this person is 34.5% (see Table 2).

**Table 2: Predicted Probabilities of Post GA Employment**

|   | Everyone | African-American | Non-African-American |
|---|----------|------------------|----------------------|
| <b>Baseline<sup>1</sup></b>                         | 34.5     | 12.4             | 42.4                 |
| <b>Having Each of the Following Characteristics</b> |          |                  |                      |
| <b>Hlthwork1</b>                                    | 9.3      | 4.3              | 10.1                 |
| <b>Hlthwork2</b>                                    | 23.0     | 8.3              | 29.5                 |
| <b>African American</b>                             | 18.7     | ---              | ---                  |
| <b>Workinter</b>                                    | 49.2     | 16.9             | 64.9                 |
| <b>Jobtrain</b>                                     | 55.2     | 28.4             | 60.7                 |
| <b>HSGrad</b>                                       | 44.2     | 22.7             | 44.8                 |
| <b>Jobtrain and HSGrad</b>                          | 65.1     | 45.2             | 63.1                 |
| <b>Jobtrain HSGrad and WorkInter</b>                | 77.4     | 54.2             | 79.5                 |

<sup>1</sup> Baseline Prediction - Male, non-Wayne County, non-intermittent GA worker, no health/work limit, no job training, average age (40), average welfare start (9.2), not high school graduate, not black.

If this person reported that he had health limitations that completely hampered his ability to work, for example, then his predicted probability of employment is only 9.3% -- a dramatic testament to the role of health in the ability to become employed. If he reported that his health partially affected his ability to work, then his employment probability is 23.0%. The other versions of health limitations all produced the same qualitative results: indicators of poor health are associated with a lower probability of employment.

A lack of skills acts as a barrier to employment for these former recipients. If our "baseline" person had some recent work experience, then his employment probability rises from 34.5% to 49.2%. If he had participated in a job training program (but going back to having no recent work experience) his employment probability is 55.2%. And if he had a high school diploma, his employment probability is 44.2%.

To recognize the importance of skills to the ability to become employed in the post GA period, we also calculated this probability if our "baseline" person had some recent work experience and a high school diploma and had recent work experience. His probability of employment (77.4%) is double that of a similar individual without those three characteristics.

Finally, even after controlling for health and employment related skills, older recipients are significantly less likely to find employment than younger recipients. We cannot say at this point, whether demand or supply is more important to this outcome. Older former recipients may be unwilling to work at available jobs, unable to search, or employers may be less likely to hire them, or some combination of factors may be influential.

We also present these calculations for African Americans and non-African Americans based on the separate regressions by race (see the Appendix table). The significant determinants of employment are different for these two groups. While job training and high school diplomas (formal credentials) are significant for African Americans, they are not for non-African Americans. On the other hand, while recent work experience is significant for non-African Americans, it is not for African Americans.

How do these differences affect the probability of working? First, according to the baseline probabilities in Table 2, an African American (12.4%) has a predicted probability only one-quarter that of a non-African American (42.4%). Compare the probabilities when each "baseline" individual<sup>3</sup> has both a high school diploma and has participated in a job training program. The African American's probability of employment (45.2%) is now nearly three-quarters that of the non-African American's (63.1%). The skills training and educational credentials have a stronger impact for the African American's success in becoming employed (everything else being equal).

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<sup>3</sup> The only difference between the two "baseline" individuals is that one is African American and one is not. These "baseline" calculations differ from the one discussed earlier because, in the separate regressions, all characteristics are allowed to affect African American and non-African American employment differently.

## **b. Looking for Employment**

Finally, we discuss the results of job seeking behavior among those not employed. See Appendix Table A2 for the actual regression. Interestingly, only three characteristics distinguish those who are looking for a job from those who are not. Women are less likely than men to be seeking employment (everything else equal). Those whose health affects their ability to work are less likely to be seeking employment than those who report no health limitations, and, finally, African Americans are more likely than non-African Americans to be actively looking for a job.

To summarize, while education, training, and better health predict employment experiences of African American former recipients, health, age, and recent work experience predict employment for whites and other minorities looking for employment. None of the skills and experience variables predict job search for those not in the labor market. Unemployed men, African Americans, and people with better health are more likely to be looking for work than are women, those with disabling conditions and non-African Americans.

## **c: Non-labor Force Participants**

We know that the group of respondents who are neither working nor looking for work is dominated by women, by older recipients, and by people with health problems. Health, in particular is associated with a lack of post GA labor force participation. Respondents on disability or with chronic health problems were 85% of non-labor force participants.

We asked respondents to explain why they were not looking for work. While the reasons for not seeking employment were varied, three themes stand out. Over 54% of responses were because of disability or illness. Another 12% referred to the lack of jobs available, or discouragement from being turned down by employers. Finally, another 10% expressed difficulties related to their residence (transportation problems, no telephone for employers to contact them, nowhere to shower). For this group of respondents the long term prospects of employment are virtually non-existent.

## **5. The Last Steady Job: The Characteristics of Jobs Held in the Past and Present.**

It is important to examine the nature of the employment since GA, and where possible, to compare the jobs held before and after GA was eliminated. If the jobs obtained since termination are less desirable than jobs held earlier, this suggests that the labor market faced by former recipients has deteriorated. This could occur either because they were less able to compete for better jobs because of their own skill decline, increasing age, or amount of time they had been out of work; or because the kind of jobs available to them had changed. The data indicate that both of these possibilities are producing a shift in the quality of employment.

Table 3 shows the proportion of respondents (by whether or not they have worked since GA termination) who reported having each type of job benefit in the most recent job they held. For those who have worked since GA termination, these characteristics refer to the job held since GA. For the rest, the last steady job was prior to GA termination. Post-GA jobs provide few fringe benefits; benefits that were much more likely in jobs held in the past. In particular, health insurance, life insurance and retirement programs are important benefits that were much more frequently a part of the employment package in the past jobs of those who have not worked since GA termination. Union membership was also more likely in former jobs than in current post-GA employment.

This paucity of benefits suggest that even if these recipients maintain steady employment over the long run, their prospects for a decent level of economic well being are slim. Few will retire with any job related retirement benefits, few can afford to get sick on the job -- they do not get sick pay nor have employer provided health insurance. Few have the protections associated with a union contract.

**Table 3: Benefits with Last Steady Job by Employment since GA Termination.**

| <b>(percent responding Yes)</b>  |                        |                         |
|----------------------------------|------------------------|-------------------------|
| <b>Last Steady Job Provided?</b> | <b>Worked Since GA</b> | <b>No Work Since GA</b> |
| <b>Health Insurance</b>          | 12.4                   | 47.1                    |
| <b>Life Insurance</b>            | 8.0                    | 27.6                    |
| <b>Retirement Program</b>        | 6.3                    | 32.2                    |
| <b>Paid Sick Leave</b>           | 11.5                   | 36.8                    |
| <b>Paid Vacation</b>             | 22.4                   | 40.7                    |
| <b>Commissions</b>               | 2.2                    | 7.2                     |
| <b>Bonuses</b>                   | 11.2                   | 19.0                    |
| <b>Union Contract</b>            | 12.6                   | 31.2                    |

**Table 4: Job Characteristics of Last Steady Job  
By Post-Termination Employment Status**

|                                     | Working<br>Now | Worked<br>Since GA | No Work<br>Since GA |
|-------------------------------------|----------------|--------------------|---------------------|
| <b>Avg. Hourly Wage</b>             | \$4.68         | \$5.46             | \$5.70 <sup>1</sup> |
| % Making less than \$4.25           | 41.1           | 35.1               | 42.6 <sup>1</sup>   |
| % Making more than \$6.00           | 11.9           | 16.9               | 29.4 <sup>1</sup>   |
| <b>Avg. Weekly Hours</b>            | 35             | 33.5               | 40.0                |
| % Working less than 25 Hs           | 30.4           | 31.5               | 16.0                |
| % Working exactly 40 hrs            | 14.2           | 20.1               | 44.3                |
| % Working more than 40 hrs          | 26.1           | 21.6               | 25.9                |
| <b>% Wanting more hours of work</b> | 72.6           | 73.4               | 59.0                |
| <b>Avg. Months worked since GA</b>  | 9.3            | 8.4                |                     |
| % Working less than 4 mo.           | 16.8           | 23.7               |                     |
| % Working more than 8 mo.           | 72.2           | 61.3               |                     |
| <b>Avg. Months on last job</b>      | 26.8           | 23.2               | 50.8                |
| <b>Occupation</b>                   |                |                    |                     |
| % janitor                           | 23.3           | 17.6               | 12.7                |
| % kitchen/restaurant workers        | 24.2           | 18.6               | 7.3                 |
| % all service employment            | 58.4           | 52.3               | 29.2                |
| % machine operators                 | 10.1           | 10.3               | 34.4                |
| <b>Industry</b>                     |                |                    |                     |
| % eating & drinking                 | 18.8           | 16.6               | 7.6                 |
| % all retail                        | 29.3           | 31.5               | 17.3                |
| % auto                              | 0.8            | 1.4                | 17.6                |
| % all personal service              | 20.5           | 17.1               | 6.9                 |
| % manufacturing                     | 10.1           | 9.4                | 35.2                |
| <b>Reason left last job</b>         |                |                    |                     |
| % Involuntary                       |                | 54.3 <sup>2</sup>  | 56.3                |
| % Voluntary - Neg. Cite RE Job      |                | 15.6 <sup>2</sup>  | 15.4                |
| % Voluntary - Health                |                | 18.6 <sup>2</sup>  | 19.1                |
| % Voluntary - Personal Reasons      |                | 13.8 <sup>2</sup>  | 13.8                |
| <b>Sample Size</b>                  | 109            | 168                | 298                 |

1 This is a nominal wage not a real wage. Some last reported wages were from many years ago.

2 These figures are for the 59 workers who have held a job since GA termination, but were not working at the time of the survey.

Table 4 documents the earnings, hours, and occupation and industry distribution for recipients in three post-termination employment statuses. Here we compare the characteristics of the current job (for those working now) with the most recent job held for those whose last job was prior to GA termination. In addition, the second column reports on the characteristics of the last steady job for all respondents who have worked since GA termination, whether or not they are currently employed. This table omits the 10% who have never worked.

This evidence presents a strong case for declining labor market opportunities and dramatic shifts in job structure. Minimum wages and below are more likely in current jobs. High wages are scarce in both current jobs and in all jobs held since GA termination. Only 11.9% of current jobs and 16.9% of all post-termination jobs paid wages above \$6.00 an hour, whereas closer to a third (29.4%) of pre-termination jobs paid at or above this rate. Not only are current workers earning lower wages, they are also working fewer hours. About one-third of current (or any post GA) jobs are part time. Although one in four (26.1%) current workers work more than forty hours per week -- a rate similar to that of pre-termination workers (25.9%) -- very few current workers (14.2%) are in traditional forty hour per week employment and they attain these hours by working more than one job.

From their self reports, however, we can ascertain that low number of hours worked is a demand, rather than a supply-related, phenomenon. Nearly three quarters of all current or post-GA workers reported they wanted to work more hours per week.

The average number of months worked since termination is relatively high (9.3 and 8.4 months) for current and for all post termination workers. This high figure reflects the fact that a majority of these workers began their employment before GA termination -- perhaps while on GA. The average length of time on the current or last steady job is approximately two years for post-GA workers. Those who have not worked since GA spent just over four years in their last steady job.

Service jobs have replaced factory jobs for former GA recipients. Well over half of those currently working are restaurant or other kitchen workers or janitors, while over one-third of those who last worked before termination were classified as machine operators. Industry of employment also reflects these shifts. Less than 1% of current workers, but over 17% of pre-termination workers, were employed in auto-related industries. Current employment is primarily in retail (29.3%) and personal service (20.5%) industries. Almost one in five current workers (18.8%) is working at a restaurant compared with fewer than one in thirteen (7.6%) whose last job was prior to the termination.

The last panel of Table 4 reports the reason for leaving the last job. The majority were laid off or fired. For those who left their last job voluntarily, health, personal reasons and job characteristics are similarly cited, with a slightly higher proportion referring to their health. Note that these distributions are remarkably similar for jobs held before and after GA termination. Well over half in each case (54.3% and 56.3%) left involuntarily and another almost one in five (18.6% and 19.1%) left voluntarily because of health problems.

## Summary

We have found that, at least for the respondents in our survey sample, employment is more likely to have occurred in the past than in the present. Our estimates for post-GA employment suggest that non-employment is principally related to health and age and also significantly influenced by skills.

When we examine job search behavior, we find that ill health reduces the probability of looking for work as well as finding work. Neither skills nor age however, once we have controlled for health, are associated with actively searching for a job. These results imply that a lack of employment for older or less skilled workers probably results because employers are not willing to hire them -- not because they are unwilling to work.

When former recipients do find jobs the stability of employment is uncertain. Over one-third of the respondents who found employment since GA termination were unemployed at the time of the interview. In addition, the jobs that these former recipients found are unsuitable for long term self-sufficiency by any measure. They are low wage, low benefit, low hour jobs in the highly volatile service sector.

**Chapter IV - Appendix Table 1: Estimates from Logistic Regressions on Probability of Having Held a Steady Job Since GA Termination (Standard error in parentheses)**

| <b>Variable</b>                    | <b>Everyone</b>    | <b>African-American</b> | <b>Non-African-American</b> |
|------------------------------------|--------------------|-------------------------|-----------------------------|
| <b>Woman</b>                       | 0.068<br>(0.236)   | 0.257<br>(0.335)        | -0.083<br>(0.351)           |
| <b>Wayne</b>                       | -0.180<br>(0.247)  | -0.110<br>(0.334)       | -0.327<br>(0.393)           |
| <b>WorkInter</b>                   | 0.609*<br>(0.258)  | 0.361<br>(0.356)        | 0.823*<br>(0.398)           |
| <b>Hwork1</b>                      | -1.634*<br>(0.358) | -1.144*<br>(0.513)      | -1.884*<br>(0.507)          |
| <b>Hwork2</b>                      | -0.565*<br>(0.258) | -0.450<br>(0.351)       | -0.567<br>(0.392)           |
| <b>Jobtrain</b>                    | 0.854*<br>(0.249)  | 1.030*<br>(0.325)       | 0.742<br>(0.408)            |
| <b>Age</b>                         | -0.184*<br>(0.040) | -0.125<br>(-0.109)      | -0.199*<br>(0.105)          |
| <b>Agesq</b>                       | 0.002*<br>(0.001)  | 0.001<br>(1.001)        | 0.002<br>(0.001)            |
| <b>GASstart</b>                    | -0.016<br>(0.021)  | -0.014<br>(0.029)       | -0.018<br>(0.031)           |
| <b>HSDegree</b>                    | 0.411<br>(0.241)   | 0.730*<br>(0.333)       | 0.099<br>(0.381)            |
| <b>African American</b>            | -0.825*<br>(0.238) | --                      | --                          |
| <b>Constant</b>                    | 3.916*<br>(1.294)  | 1.780<br>(1.930)        | 4.453<br>(2.027)            |
| <b>Pseudo R<sup>2</sup></b>        | 22%*               | 20%*                    | 25%                         |
| <b>Correct prediction of No's:</b> | 89%                | 92%                     | 86%                         |
| <b>Correct prediction of Yes's</b> | 49%                | 40%                     | 61%                         |
| <b>Overall correct prediction</b>  | 76%                | 78%                     | 76%                         |
| <b>Sample Size</b>                 | 514                | 301                     | 213                         |

\* significant at 5% level - two tailed test.

**Chapter IV - Appendix Table 2: Estimates from Logistic Regressions on Probability of Actively Looking for Work if not Working.**  
**(standard errors in parentheses)**

| <b>Variable</b>             | <b>All Non-Workers</b> |
|-----------------------------|------------------------|
| <b>Woman</b>                | -0.722*<br>(0.255)     |
| <b>Wayne</b>                | -0.516<br>(0.263)      |
| <b>Workinter</b>            | 0.301<br>(0.304)       |
| <b>Hlthwork1</b>            | -2.587*<br>(0.364)     |
| <b>Hlthwork2</b>            | -0.358<br>(0.272)      |
| <b>Jobtrain</b>             | 0.376<br>(0.298)       |
| <b>Age</b>                  | 0.060<br>(0.078)       |
| <b>Agesq</b>                | -0.001<br>(0.001)      |
| <b>GASstart</b>             | 0.017<br>(0.021)       |
| <b>HSGrad</b>               | 0.305<br>(0.252)       |
| <b>African American</b>     | 0.870*<br>(0.260)      |
| <b>Constant</b>             | -0.059<br>(1.505)      |
| <b>pseudo R<sup>2</sup></b> | 38%                    |
| <b>Sample Size</b>          | 418                    |

\* significant at 5% level - two tailed test.

## Chapter V: Housing Since GA Termination

Has the termination of the GA program affected people's ability to maintain stable and independent housing? General Assistance was often considered to be a "shelter allowance" because it was used so often for rent. In the event that former recipients had trouble maintaining independent housing after GA, private charities, friends, and family were expected to substitute for state resources. This cost transfer from the public to private sector for shelter is not complete, however, because a majority of private charities who are currently providing temporary shelter to the homeless are funded, at least in part, by state resources (Park, Danziger, and Parrot, 1994)<sup>4</sup>. If the loss of GA support led a significant number of former recipients to lose their housing, then the state savings from terminating GA will be lower than estimated. Some GA program costs will simply have been transferred to a different line item in the state's budget or to federal and local budgets.

We report two characteristics of housing in this chapter. The first is status and the second is stability. Status refers to the kind of housing arrangements people have while stability refers to simple movement from one residence to another. In order to assess status, housing types are assigned to one of five categories: owned house, rented house, rented apartment, rented room or single room occupancy (SRO), and transient arrangements. Transient arrangements consist of living in a shelter, on the streets, in jail (a very few people), going from place to place, or doubling up with friends or relatives but not contributing to the rent.

SROs or transient arrangements are considered lower status housing than rented apartments and houses; owned houses, for the purposes of our discussion, are higher status housing. Admittedly, status is a very weak concept here. It suggests that rented apartments and houses, and owned houses, are potentially more durable, with more space, more privacy, and more potential for stability (leases or rental agreements are typically monthly or longer) than SROs and transient arrangements. Transient arrangements and SROs have a high potential for instability. Stability, on the other hand, refers to the actual experiences of the respondents themselves; whether and how often they move and what kinds of housing status changes accompany moving.

In the survey, we asked respondents for the type of housing they lived in during three different time periods: "two years ago", "one year ago", and "this last month". For most respondents, "one year ago" was before GA termination, but for a few it was after. We include some changes that took place since "two years ago" in our analysis to eliminate timing uncertainty.

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<sup>4</sup> According to our 1993 survey of Detroit emergency shelter providers, 3 in 5 shelters are funded from 50% to 100% by public funds. Over half of the agencies receive federal funding specifically through community economic development funds, but many also receive state funds through MDSS programs and the Michigan State Housing Development Authority.

For the survey, potential respondents were tracked from their last known address in state administrative records. Former recipients who were still at that address were more likely to be found and interviewed than those who had moved or become homeless. Thus, our data contain a bias toward residential stability. This bias was particularly acute in the Detroit area where, at the survey research firm's discretion, mostly for safety reasons, people were less likely to be interviewed if they were not at the listed address (see Appendix for further detail). The Flint and Saginaw interviewers were much more successful finding potential respondents who were no longer living at the listed address. We will often use Flint and Saginaw to document the typical urban residential experience. Although we will also report the data as it was recorded by area, it should be strongly noted that the overall rate of transiency is biased downward and that Wayne County transiency is particularly suppressed. It is likely, then, that the proportion of former recipients without stable housing in the GA population is higher than we estimate from our survey.

### 1. Current housing status

Current housing status reflects the housing arrangements at the time of the interview. Nearly all interviews were conducted between August and November of 1992. Approximately 28% of these former recipients were living in low status housing; about 7% resided in SRO's and about 21% were in transient living arrangements. About 72% lived in higher status housing; 25% in rented apartments, 28% in rented houses, and 18% in owned houses. Those who lived in owned housing tended to be much older than the typical GA recipient. Over 76% of those living in owned housing (but only 52% of the entire sample) were more than forty years old.

Men are much more likely than women to be residing in lower status housing. As Figure 1 shows, more than 36% of the men, but only 17% of the women reside in low status housing. Conversely, 23% of the women, but less than 15% of the men resided in an owned home.

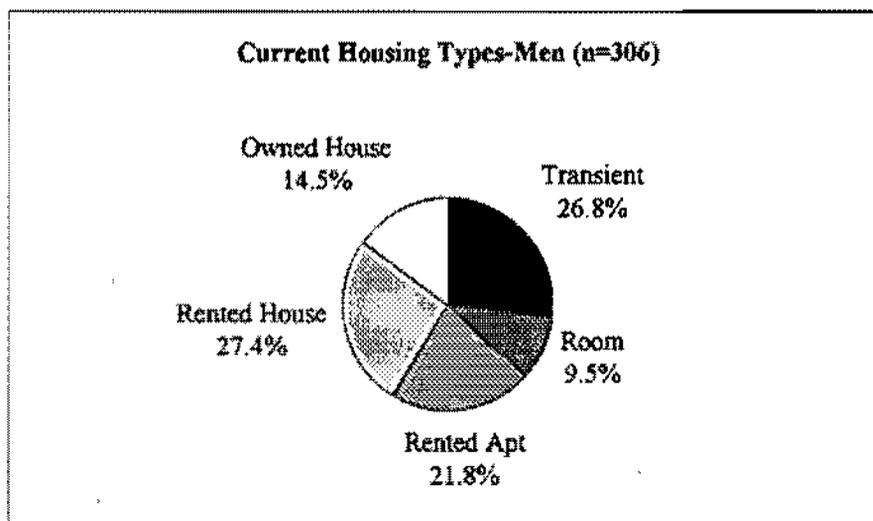
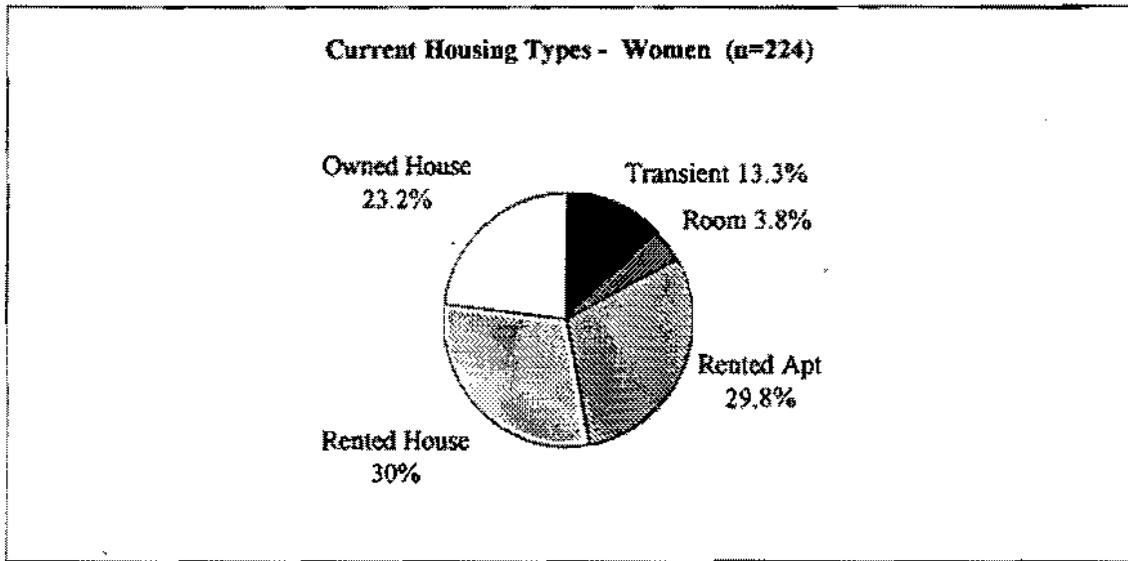


Figure 1



Housing status differs dramatically by area of residence. We do not know how much of this results from response bias due to variation in contacting former recipients, the supply of housing stock (e.g. fewer rental units of all types in rural areas), shelter space, or differing resources available to former recipients. Whatever the cause, rural residents are, by far, the best situated in terms of housing status. Four out of five (79%) of the rural residents in our survey reside in higher status housing. Fewer than two out of three Flint and Saginaw residents fall into this category. As predicted, because of poor follow up of Detroit residents who moved, Wayne County respondents are also highly likely (74.5%) to be in higher status housing. If Wayne County residents lived in lower-status housing at the same rate as Flint and Saginaw residents, then about one-third of these former recipients is living in low status, potentially unstable living arrangements.

Table 1 reveals that the specific housing type utilized by these former recipients depends on residential location. Over 38% of all rural residents live in their owned home. Only 15% of Wayne County residents and just over 9% of Flint and Saginaw residents lived in owner occupied housing. At the other end of the scale, nearly 28% of Flint and Saginaw residents, but less than 16% of rural residents lived in transient arrangements.

Table 1: Current Housing Status by Areas of Residence

|              | Rural | Flint/Saginaw | Wayne |
|--------------|-------|---------------|-------|
| Transient    | 15.6  | 27.7          | 18.9  |
| Rented Room  | 5.5   | 8.8           | 6.5   |
| Rented Apt.  | 20.5  | 35.0          | 20.1  |
| Rented House | 20.1  | 19.1          | 39.4  |
| Owned House  | 38.4  | 9.4           | 15.0  |
| Total %      | 100.0 | 100.0         | 100.0 |
| Sample Size  | 113   | 176           | 240   |

## 2. Changes in housing status.

One important question related to the termination of GA was whether there would be a rise in transiency and homelessness when GA payments were cut off. Even with our biased sample, we find a rise in transient living arrangements over the past two years with the biggest jump coming since "one year ago". Transient living arrangements rose by 24% between 1990 and 1991 and, given the range of interview dates, some of this change may have been brought about by GA termination. They rose by another 50% between 1991 and 1992, which is mostly after GA ended. Overall, transient living arrangements nearly doubled in the two year interval.

**Table 2: Housing Status in Three Time Periods**

|                  | Two Years Ago<br>(1990) | One Year Ago<br>(1991) | This Last Month<br>(1992) |
|------------------|-------------------------|------------------------|---------------------------|
| Transient        | 11.3                    | 14.1                   | 21.1                      |
| Rented Room      | 9.6                     | 9.6                    | 7.0                       |
| Rented Apartment | 32.2                    | 30.8                   | 25.2                      |
| Rented House     | 31.5                    | 29.7                   | 28.5                      |
| Owned House      | 15.4                    | 15.8                   | 18.2                      |
| Total %          | 100.0                   | 100.0                  | 100.0                     |

Much of the post GA rise in transient living arrangements resulted from a decline in living in rented rooms and apartments. The proportion of former recipients residing in rented houses declined only slightly (from 31.5% to 28.5%), and the proportion in owner occupied housing actually rose slightly (from 15.4% to 18.2%).

The distributions in Table 2 reflect only net housing status changes for the respondents. Looking more closely at individual housing status changes reveals that one in four former recipients changed housing status between 1990 and 1992. About one in five people changed housing status in the interval between 1991 and 1992. We compare the current housing status of each respondent with his or her housing status two years previously in Table 3. Table 3 does not document all moves (covered in the next section) in the intervening two years, only moves that resulted in a change in housing type.

Of the 112 former recipients living in transient arrangements at interview, the majority (57%) were in higher status housing types two years earlier. Nearly 48% of those currently in transient housing used to live in rented apartments or rented houses (see Table 3: column 1).

In general, the table indicates that the majority of housing status changes were downward. However, some respondents did move to higher status housing. We must emphasize that we have no measure of the quality of the housing. In particular, 8.2% of those now living in rented apartments (column 3) were living in transient arrangements two years earlier; 8.1% of those living in rented houses moved from rented apartments (column 4); and

13.7% of those now in owner occupied housing used to live in rented houses (column 5). Some of these people may be doubling up, some may be contributing to rent with more people, and some may have gotten onto SSI and can afford better housing.

**Table 3: Past Housing Status for Recipients Currently in Each Housing Type**

| Current Housing Status - 1992       |                      |                       |                       |                         |                        |
|-------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|------------------------|
|                                     | Transient<br>(21.1%) | Rented Room<br>(7.0%) | Rented Apt<br>(25.2%) | Rented House<br>(28.5%) | Owned House<br>(18.2%) |
| <b>Housing Status Two Years Ago</b> |                      |                       |                       |                         |                        |
| Transient                           | 42.9                 | 2.3                   | 8.2                   | 0.2                     | 0.0                    |
| Rented Room                         | 8.3                  | 74.3                  | 5.9                   | 3.0                     | 1.5                    |
| Rented Apt.                         | 35.6                 | 15.6                  | 81.1                  | 8.1                     | 4.8                    |
| Rented House                        | 12.1                 | 7.8                   | 4.6                   | 86.7                    | 13.7                   |
| Owned House                         | 1.2                  | 0.0                   | 0.2                   | 1.9                     | 80.1                   |
| <b>Total %</b>                      | 100.0                | 100.0                 | 100.0                 | 100.0                   | 100.0                  |
| <b>Sample Size</b>                  | 112                  | 37                    | 133                   | 151                     | 96                     |

In the urban areas of Flint and Saginaw, which represent our best guess of the typical urban experience in housing status changes, the current transiency rate rose from 5.9% to 17.7%, nearly a fourfold increase. Overall, 56% of Flint and Saginaw residents changed housing status in the two year interval. Again, nearly all of the increase in transiency came from movements out of rented rooms and rented apartments. The percentage of Flint and Saginaw residents residing in rented apartments fell from 52% to 35% and the percentage in rented rooms fell from 14% to just under 9%.

These respondents moved much more often than they changed housing status. A move from one rented apartment to another does not show up as a change in status even though the quality of the housing may have changed. While one in four people overall changed housing status between 1990 and their interview date, half as many again (36%) had changed residences by moving in the intervening period (whether or not housing status changed). Once again, this rate of movement is deflated by Wayne County (20%).

It can be difficult to gauge the impact of GA termination on housing stability because these public assistance participants tended to be highly mobile. An increase in mobility, however, is clearly evident in our survey sample. Using Flint and Saginaw as the typical urban experience, we find that 44% of the respondents lived in their current residence for less than one year, another 12% have lived in their current residence between one and two years, and the remainder have lived in their current residence for more than two years. Comparing single year moving rates (44% who moved in the past year with 12% who moved in the previous year) produces a nearly fourfold increase in mobility. This increase suggests that GA

termination, or other mobility influences arising at the same time, spurred a striking amount of residential change.

More specifically, respondents were also asked several specific questions about housing changes since they were cut off from General Assistance. Twenty-eight percent of these former recipients have moved at least once since they went off GA. Of those who have moved, more than two out of five have moved two times or more. In Flint and Saginaw nearly one out of every two former recipients has moved at least once since they went off GA (compared with fewer than one out of eight the year before). Of those who have moved at least once since cut off from GA, half have moved two times or more. If Flint and Saginaw represents the typical urban experience since GA termination, then we must conclude that the loss of GA support has had a devastating impact on former recipients' housing stability.

As expected, those currently in transient living arrangements have shown the highest propensity to move since GA ended. While at least three quarters of those currently living in all other housing types have not moved since GA ended, more than 56% of those living in transient arrangements at interview have moved at least once and 24% have moved two times or more.

Our conclusion is that General Assistance operated as an effective source of housing stability for these former recipients. According to our survey, 69% used their GA checks to cover rent or mortgage payments. One out of five used their GA check exclusively for shelter payments. Once this resource was lost, however, housing became more tenuous. For some, evictions spurred their move. One in ten have been evicted since GA was terminated because they could not pay the rent.

### 3. Housing status and work history.

Interestingly, there is a relatively low correlation between current housing status and the employment histories of these former recipients. Recall that about 10% of these former recipients have never been employed in a steady job, 57% have work histories but have not been employed since GA ended, 29% both have work histories and have been employed since GA ended, and 12% have held their first steady jobs since GA ended.

**Table 4: Current Housing Status and Employment History**

|                            | Never Worked | Not Worked Since GA | Worked Since GA & Before | Worked Since GA Only | Total  |
|----------------------------|--------------|---------------------|--------------------------|----------------------|--------|
| <b>Overall</b>             | 10.6         | 57.0                | 20.1                     | 12.3                 | 100.0% |
| <b>By Current Housing:</b> |              |                     |                          |                      |        |
| Transient                  | 10.4         | 61.5                | 17.7                     | 10.3                 | 100.0% |
| Rented Room                | 14.6         | 58.1                | 21.9                     | 5.4                  | 100.0% |
| Rented Apt                 | 11.7         | 54.1                | 23.0                     | 11.3                 | 100.0% |
| Rented House               | 11.6         | 51.7                | 20.8                     | 15.9                 | 100.0% |
| Owned House                | 6.4          | 63.8                | 16.9                     | 12.9                 | 100.0% |

There is some variation in employment histories for those in different housing types, shown in Table 4; but deviation from the overall average is relatively small. A higher proportion of former recipients who live in rented rooms and a lower proportion who live in owned houses have never worked at all. A lower proportion of those in rented rooms and a higher proportion in rented houses have worked only since GA was terminated.

Why is there such a low correlation between employment histories and housing status? At this point, we do not know the answer to this question. In further work, we will explore whether the wages of workers are enough to sustain housing and whether continued public assistance participation, such as turning to AFDC or disability programs, mitigates the instability of housing arrangements once GA was terminated.

In sum, GA provided shelter funds for the majority of former recipients. After termination, over one-fifth of the sample were living in transient arrangements, primarily doubled up with relatives or friends. One-third of the men were either doubled up, living in shelters or on the streets, or else renting in single room occupancy facilities. The rate of transient residency increased since GA ended and half of these former recipients moved from higher status living quarters. Almost one in two urban respondents in Flint and Saginaw moved since GA ended, half of whom have moved two or more times. Housing stability and quality have declined in the last year and employment itself does not correlate with residence type.

## Chapter VI: Participation in Public Assistance Programs

We answer four basic policy questions in this chapter. How much have former GA participants used other state and federal welfare programs since GA was terminated? How extensive was the welfare participation of these same recipients before GA was terminated? How has the mixture of program use and non-participation changed since GA was terminated? And finally, what are the characteristics of people in different participation categories?

We began our investigation by constructing a welfare participation history for every single person who was a GA recipient in March 1991.<sup>5</sup> The evidence in this chapter is drawn from state administrative records (not from our survey respondents), which contains monthly information on each individual. The constructed histories contain sixty-six months of data and cover the time period from January 1988 to June 1993. For this report, we drew a 10% random sample from this data set. The tables and figures in this chapter have a sample size of 10,585.

We examine welfare participation from several vantage points. First we break down welfare participation (in each month) into six hierarchical participation categories, based on the extent of resources available to recipients in those programs. First are the cash programs, which include as part of their eligibility access to medical programs and Food Stamps. The three cash programs are General Assistance (GA), Aid to Families with Dependent Children (AFDC), and, considered jointly, disability programs -- either Supplemental Security Insurance (SSI) or State Disability Assistance Program (SDA). The fourth category is medical programs, which also includes access to Food Stamps. People classified in the fourth category are either enrolled in Medicaid or State Medical Assistance Program (SMP). They may be receiving Food Stamps but they are not enrolled in any cash granting programs. The fifth category is Food Stamps Alone. People classified in the fifth category were enrolled in the Food Stamp program that month, but were not enrolled in either a cash program or a medical program. The final category is for people who are off all public assistance in that month. They are enrolled in no public assistance program. These participation categories are listed in Table 1.

For each of the sixty-six months, recipients from the March 1991 GA caseload are classified into one of the six participation categories. A person receiving GA cash in March 1991 could, for example, have some months of receiving no assistance, some months of receiving minimal assistance, such as Food Stamps alone, and months of receiving some other kind of cash assistance. We then calculated the percentage of the sample in each category for each month. Our analysis adds up these case histories in each month in order to examine the extent of welfare participation and the type of assistance provided to these individuals over time. The figures presented in this chapter document the monthly percentages in each

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<sup>5</sup> See the appendix for information on the construction of data set and for the logic of using the March 1991 population.

participation category for the fifty-five months that symmetrically span March 1991.<sup>6</sup> Adding the percentages in each participation category for a given month totals 100% of the sample. Our hierarchical participation categories result in 100% of the sample classified as GA recipients and 0% of the sample classified in other categories in March 1991. This does not mean that these recipients were not receiving medical coverage or Food Stamps in March, only that their cash benefits took precedence in their categorization.

In addition, the time span we cover is broken down into two "eras": before GA termination (until September 1991) and after GA termination (from October 1991). We classify people into four new "era" groups: For each of the welfare participation categories listed above (except for GA, for which the division is definitive). Those who were in that category for at least one month both before and after GA termination, those who were in that category for at least one month after GA termination only, those who were in that category for at least one month before GA termination only, and those who were never classified in that category. We examine the demographic, human capital, and welfare participation characteristics of people in these "era" groups.

The figures in this section trace the participation categories for male, female, and all recipients. Following each figure (except the GA figure) is a table documenting the "era" group characteristics.

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<sup>6</sup> Only fifty-five months are used in the figures for easy visual comparison of equal lengths of time before and after March 1991. The eleven omitted months (January to November 1988) follow the same trends as the presented data.

**Table 1: Welfare Participation Categories<sup>1</sup>**

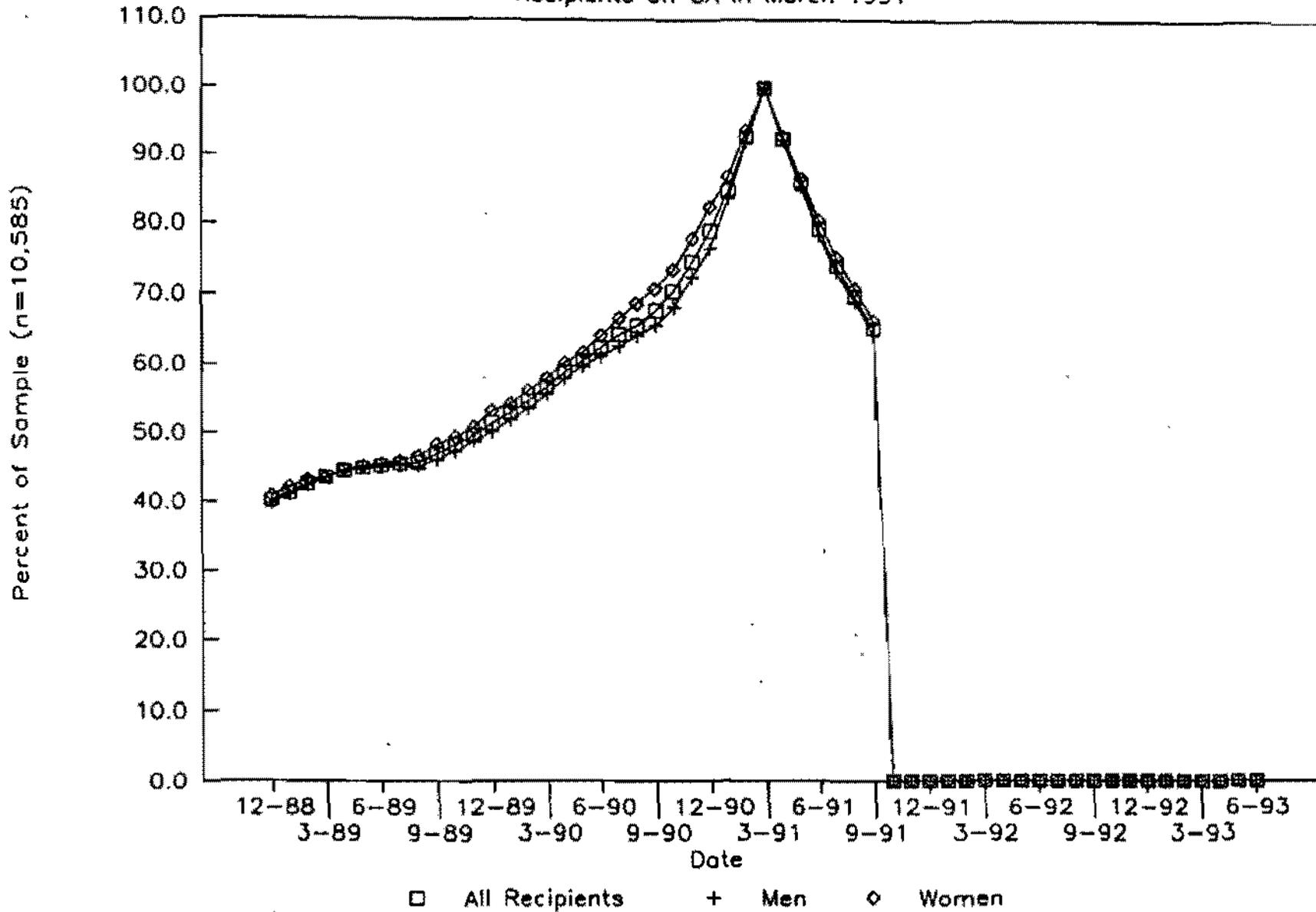
| <b>Category</b>          | <b>Name</b>   | <b>Definition</b>   |
|--------------------------|---|---|
| <b>GA</b>                | General Assistance (cash)   | People enrolled in the GA cash assistance program. They were also eligible for medical assistance and Food Stamps. <sup>2</sup>   |
| <b>AFDC</b>              | Aid to Families with Dependent Children (cash)  | People enrolled in AFDC. They are also eligible for Medicaid and Food Stamps. <sup>2</sup>  |
| <b>Disability</b>        | Supplemental Security Income or State Disability Assistance (cash)  | People enrolled in either of these two disability programs. They are also eligible for either Medicaid (if on SSI) or State Medical Assistance Program (if on SDA) and Food Stamps. <sup>2</sup>  |
| <b>Medical</b>           | State Medical Assistance Program or Medicaid insurance but not income support (health insurance coverage) | People who are not enrolled in any cash program but are receiving medical coverage under either of these programs. They are eligible also for Food Stamps. <sup>2</sup>   |
| <b>Food Stamps Alone</b> | Federal Food Stamp Program (food stamp coupons)   | People who are not enrolled in any of the above programs but are enrolled in the Food Stamp program. People in this category usually (but not always) do not qualify for cash assistance programs for demographic reasons (like not having dependent children) or for economic reasons. |
| <b>No Assistance</b>     |   | People who are not enrolled in any of these programs.   |

<sup>1</sup> In each of these cases there are people who are eligible but choose not to participate. These categories are based on the highest level at which a person chooses to participate. If they choose to participate in program X, then they are eligible for the programs categorized with it.

<sup>2</sup> and probably, but not necessarily, receiving these benefits.

# Figure 1: On General Assistance

Recipients on GA in March 1991



## 1. On General Assistance.

We know that 100% of the sample was enrolled in GA in March, 1991 but these recipients could have entered the GA program at any time. GA participation is tracked over time in Figure 1. Only March 1991 recipients' participation over time is illustrated in this figure. To help guide interpretation, it should be read as follows: "of all the March 1991 GA recipients, 39% were also on GA in December 1988, 40% were also on GA in January 1989..."<sup>7</sup> At the beginning of the time series (December, 1988), just under 40% of the sample was enrolled in GA. The percentage gradually rises until March 1991, with very little difference in participation by gender. Participation in GA falls after March, in a pattern that is roughly symmetric with the rise earlier on. In October, however, the program is terminated, participation falls to zero, and stays at zero thereafter. Only in the GA category is men's and women's participation behavior so similar.

We now turn to the other five participation categories, beginning with the critical participation category "off all assistance" and ascending up the hierarchy to other cash assistance programs.

## 2. Off all assistance.

Much publicity has been generated as a result of the rising percentages of former GA recipients who no longer receive any public assistance since GA termination (see Reed, 1993, and Kossoudji, Danziger, and Lovell, 1993). It has often been erroneously concluded, in media and policy circles alike, that the post GA termination rise in the percent off all assistance implies both that the effect of terminating GA was to spur former recipients to supply labor to the market and reduce their dependency on welfare and that GA had to be terminated to achieve this outcome. Many draw this conclusion because they assume that until GA was terminated, these recipients were fully dependent on the state. It is important to remember, however, that the impact of GA termination is measured by changes in behavior.

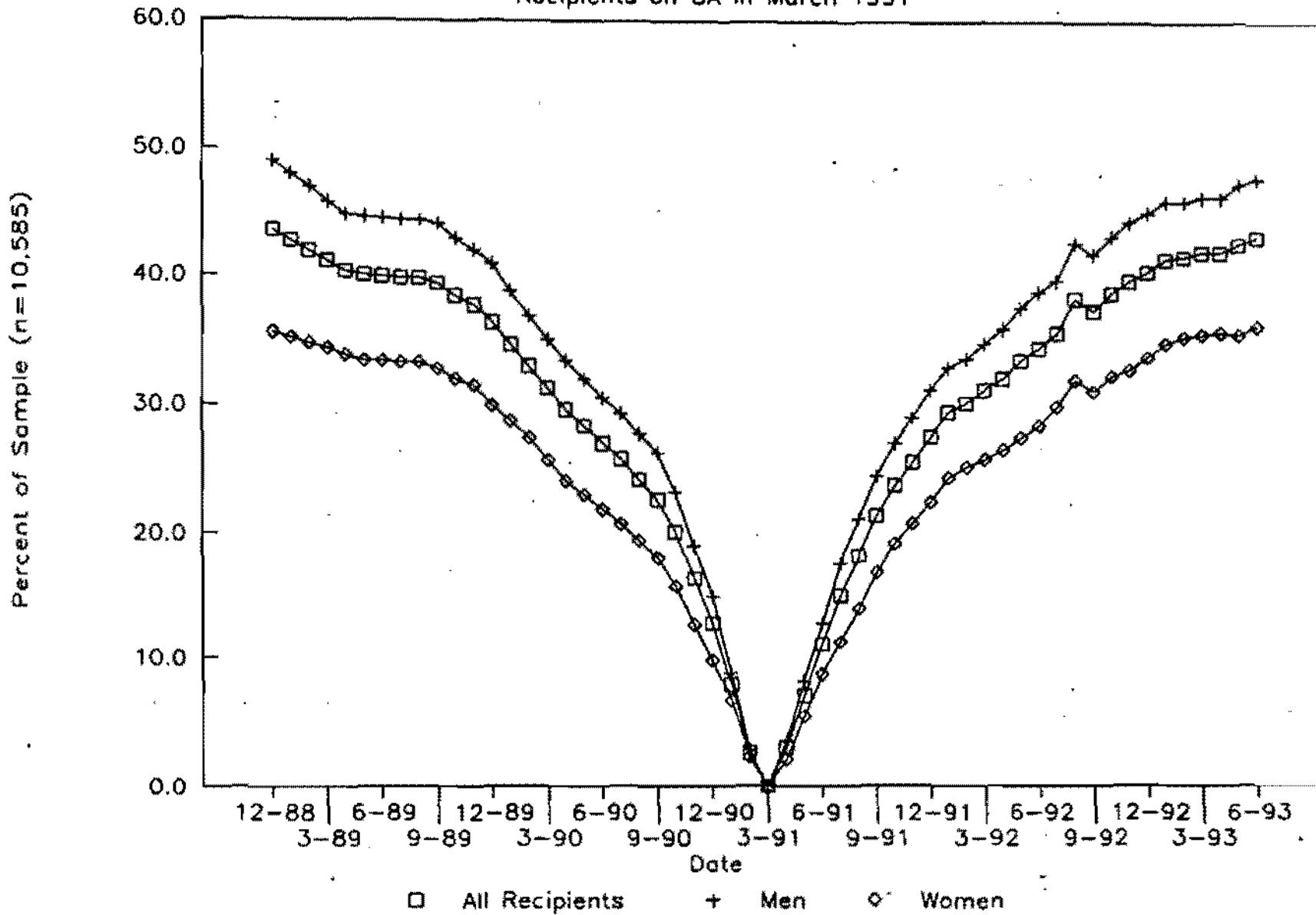
Figure 2 illuminates the behavior of the same people (GA recipients in March, 1991) over the same time period as Figure 1.<sup>8</sup> Until October 1991, GA was an available option for these people. After October 1991, it was not. Figure 2 should be read the same way as Figure 1: "Of all the March 1991 recipients, 43% were not enrolled in any public assistance program in December 1988, ...".

<sup>7</sup> Note that this figure (and any of the other figures in this chapter) cannot be read that the 39% of 3/91 recipients who were on GA in December 1988 were also on GA in January 1989 along with an additional 1%. All we can say from this figure is that, on net, more of the 3/91 people enrolled between December of 1988 and January of 1989 than left the program.

<sup>8</sup> In order to fully assess the impact of GA, we would like to have experimental data that allows us to compare behavior in the presence and absence of GA during the same time period. This, of course, is impossible in light of the state policy change.

# Figure 2: Off All Assistance

Recipients on GA in March 1991



**Table 2: Characteristics of Recipients in Off Public Assistance "Era" Groups  
(Before and After GA Termination)**

|   | <b>Off 1+ Month<br/>Before and After<sup>1</sup></b> | <b>Off 1+ Month<br/>After Only<sup>1</sup></b> | <b>Off 1+ Month<br/>Before Only<sup>1</sup></b> | <b>Never<br/>Off</b> | <b>All</b> |
|---|--|--|---|----------------------|------------|
| <b>% of Sample<sup>2</sup></b>                    | 52.6   | 10.8   | 19.2  | 17.3                 | 100.0      |
| <b>% Women<sup>3</sup></b>                        | 33.2   | 47.5   | 46.4  | 55.0                 | 41.1       |
| <b>% White<sup>3</sup></b>                        | 47.1   | 35.8   | 41.3  | 35.0                 | 42.7       |
| <b>% African American<sup>3</sup></b>             | 49.1   | 60.9   | 55.4  | 61.7                 | 53.8       |
| <b>% over 40<sup>3</sup></b>                      | 25.1   | 53.6   | 42.4  | 69.4                 | 39.2       |
| <b>% HS Grads<sup>3</sup></b>                     | 61.2   | 45.8   | 57.2  | 39.3                 | 55.0       |
| <b>% State Training<sup>3</sup></b>               | 47.7   | 48.6   | 45.1  | 38.3                 | 45.7       |
| <b>% Disabled<sup>3,6</sup></b>                   | 34.0   | 38.6   | 50.7  | 49.5                 | 40.4       |
| <b>% Detroit<sup>3</sup></b>                      | 37.8   | 56.5   | 46.5  | 56.7                 | 44.8       |
| <b>Months off<sup>4</sup></b>                     | 33.0   | 8.4  | 15.0  | 0.0                  | 21.1       |
| <b>Months on GA<sup>4</sup></b>                   | 18.8   | 37.8   | 23.5  | 40.4                 | 25.4       |
| <b>Months off Welfare<br/>After<sup>4,5</sup></b> | 12.5   | 8.4  | 0.0   | 0.0                  | 7.5        |

1 Before and after = 66 months; after = 21 months; before = 45 months.

2 Percent of sample in each category.

3 Percent of people in each category with that characteristic.

4 Averages for each category.

5 Number of months off all welfare since GA was terminated

6 Categorized as potentially disabled in the recipient's record prior to March, 1991.

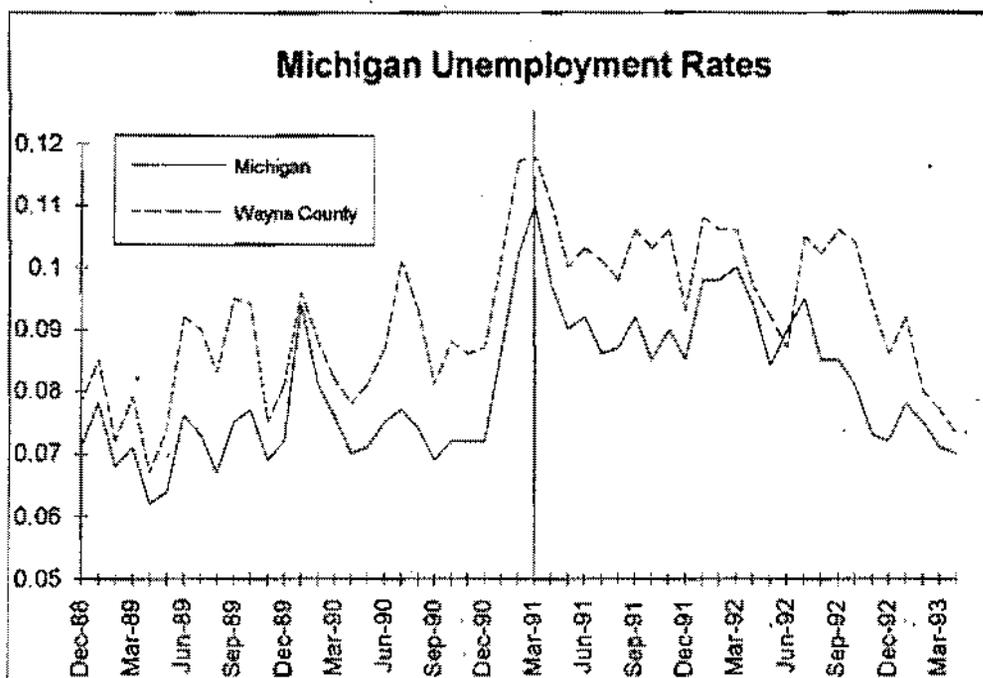
The data in Figure 2 show conclusively that non-participation was just as prevalent before GA termination as after. This figure shows nearly perfect symmetry in rates of non-participation before and after the population sampling month and there is no shift in non-participation after GA was terminated. While much is made of the fact that 43% of these former recipients were off all welfare in June 1993 (27 months after March of 1991), this figure is only revealing when compared with the 43% who were off all welfare in December 1988 (27 months before March 1991). In December 1988, GA, and any other welfare program, was an available, but unchosen, option.

Figure 2 also reveals that even though the pattern of non-participation is the same for men and women, the levels of participation are significantly different. Women are much less likely than men to be non-participants. Looking at the two extremes of the time series, about one-half of men, but only about 37% of the women are non-participants in June 1993 or December 1988.

This figure, because it looks at participation in each month separately, can hide some important statistics about the dynamics of welfare non-participation. Although there is never more than 44% of the sample off all welfare in any given month, about 83% of the population has spent at least one month off public assistance. The difference in these two figures suggest that many people are moving back and forth, on and off welfare, as their labor market and health status warrant.

Policy changes and the overall economic environment will determine, to a great extent, the context of welfare use and non use. Before discussing the individual characteristics associated with patterns of welfare use and welfare independence, we want to emphasize the strong connection between the health of the economy and the ability of extremely poor people to maintain self-sufficient living. The people in this GA population are in general older, in poorer health, and have fewer job related skills than the population at large. The kinds of jobs for which they qualify are typically (like service jobs or factory work) those that are most subject to the vacillations of economic cycles.

Michigan's economy, partly because of its heavy dependence on the auto industry, exhibits stronger cycles than the nation's economy as a whole. Monthly unemployment rates for the state of Michigan and for Wayne County are charted in the box below. The correlation between this picture and Figure 2 should be obvious. There is an inverse correspondence between the propensity to be off all assistance and unemployment rates. In our first report we assessed some of the relationships between the health of the economy, the availability of jobs, and the size of the welfare population (Kossoudji, Danziger, and Lovell, 1993). We also discussed the particular devastation of Detroit's economy and indicated that differences in local GA population behavior related to local economic differences. In the employment chapter of this report, we document the changing character and quality of employment. The shift from industrial to service work is substantial.



Economic and policy context aside, however, the capacity to move off welfare depends on one's ability to be self supporting, or to have friends, family, or private charities to lean on for support. Given how little is known about the GA population, we need to paint an empirical picture of recipients who are relatively more or less successful at gaining independence from the welfare system.

The characteristics of people who were off public assistance at different points between January 1988 and June 1993 are portrayed in Table 2. Altogether, 52.6% of the sample was off all public assistance at least one month both before and after GA termination (Table 2: row 1). Only 10.8% was off after termination only, 19.2% was off before termination only, and 17.3 % was never off all assistance in the sixty-six month period.

Non-participation before GA termination arises from a different set of motivations and economic conditions than non-participation after GA was terminated. In particular, non-participation before termination implies an ability to find cash support that does not come from the state (after termination, cash support is not available for most of these people). The differences in characteristics among the four "era" groups can help us assess the contours of this ability. Table 2 is best interpreted by comparing any number in the first four columns with its counterpart in the final column. From this comparison, we can draw a detailed picture of how any "era" group differs from the overall sample.

For example, a lower percentage of those who were off all public assistance at some time both before GA ended and after were women (33.2%) than in the overall sample (41.1%). In addition, they were more likely to be white (47.1%) or less likely to be African American (49.1%). They are much younger than the sample as a whole (only 25.1% over age

40), more likely to have a high school diploma (61.2%), less likely to be disabled by our classification (34.0%) and less likely to live in Detroit (37.8%) than other recipients as a whole. Recipients in this group spent relatively little total time, just over a year and a half on average, on General Assistance. They were off all assistance for an average of 33 months -- exactly half of the time period under study.

Those who were never off public assistance, on the other hand, were mostly female (55.0%), more likely to be African American (61.7%), much older than the sample as a whole (69.4% over age 40), less likely to have a high school diploma (39.3%), more likely to be disabled (49.5%) and more likely to live in Detroit (56.7%) than recipients as a whole. This group had spent an average of over 40 months on GA and, by definition, had no months off all assistance. These people very clearly have different opportunities and abilities to succeed outside of public assistance programs in comparison to those who left all programs at least one month.

As a contrast, consider the average person in each of these two extreme groups. The average person who gained some independence from welfare (at least for periods of time) is a young, healthy, African American or white male who has a high school diploma and does not live in Detroit. The average person in the group that never succeeded in gaining independence from welfare during the sixty-six months study period is a much older African American female who does not have a high school diploma and lives in Detroit. She may or may not be disabled.

An interesting policy question for other states (and the federal government) considering welfare reform is whether a variety of transition strategies should be put into place for different sub-groups of the assistance population, and for different urban economies.

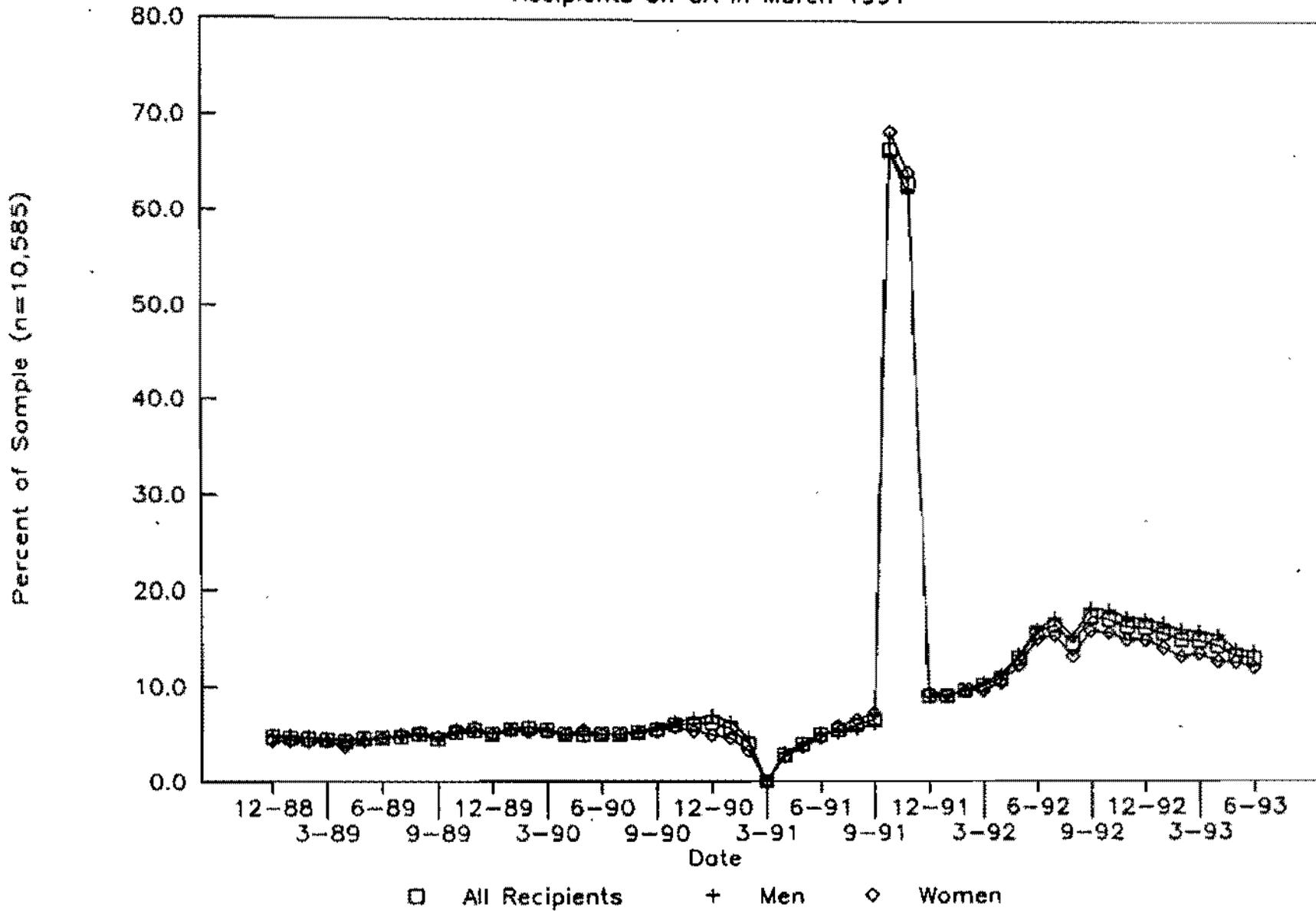
Less than 11% of the sample was off all public assistance since GA termination but not before (Table 2: column 2). This group is most likely to include people whose behavior was influenced by GA termination. When compared with the overall sample, there is a higher percentage of women (47.5%) and a higher percentage of African Americans (60.9%) than in the overall sample. Interestingly, this group is older than the sample (53.6% over the age 40) but slightly less likely to be disabled (38.6%) by our criteria (see Section 5 of this chapter). Also somewhat contrary to expectations, they are less likely to have a high school degree (45.8%) but more likely to have received job training in a state-funded program (48.6%).

### **3. On Food Stamps Alone.**

Of all the categories associated with public assistance, Food Stamps Alone represents the least involvement in terms of resources. At most, a single individual receives an allotment of \$111 in Food Stamps each month. Recall from our first report (see Kossoudji, Danziger, and Lovell, 1993) that from October to December 1991, Food Stamps was the only public assistance available to most former GA recipients. Figure 3 shows this spike in Food Stamps Alone use for those months.

# Figure 3: On Food Stamps Only

Recipients on GA in March 1991



**Table 3:** Characteristics of Recipients in Food Stamp Only "Era" Groups  
(Before and After GA Termination)

|   | <b>On 1+ Month<br/>Before and After<sup>1</sup></b> | <b>On 1+ Month<br/>After Only<sup>1</sup></b> | <b>On 1+ Month<br/>Before Only<sup>1</sup></b> | <b>Never<br/>On</b> | <b>All</b> |
|---|---|---|--|---------------------|------------|
| <b>% of Sample<sup>2</sup></b>                        | 35.9  | 20.3  | 25.0   | 18.7                | 100.0      |
| <b>% Women<sup>3</sup></b>                            | 38.5  | 44.1  | 39.7   | 44.5                | 41.1       |
| <b>% White<sup>3</sup></b>                            | 35.4  | 42.5  | 45.0   | 53.6                | 42.7       |
| <b>% African<br/>American<sup>3</sup></b>             | 61.8  | 53.7  | 51.1   | 42.0                | 53.8       |
| <b>% over 40<sup>3</sup></b>                          | 34.0  | 51.5  | 32.0   | 45.3                | 39.2       |
| <b>% HS Grads<sup>3</sup></b>                         | 58.9  | 47.7  | 59.8   | 48.9                | 55.0       |
| <b>% State<br/>Training<sup>3</sup></b>               | 50.4  | 42.7  | 46.4   | 38.7                | 45.7       |
| <b>% Disabled<sup>3,6</sup></b>                       | 40.5  | 36.3  | 41.9   | 42.5                | 40.4       |
| <b>% Detroit<sup>3</sup></b>                          | 49.4  | 47.3  | 42.0   | 35.8                | 44.8       |
| <b>Months on Food<br/>Stamps Only<sup>4</sup></b>     | 9.1   | 4.5   | 3.4  | 0.0                 | ---        |
| <b>Months on GA<sup>4</sup></b>                       | 23.7  | 33.8  | 19.7   | 27.3                | 25.4       |
| <b>Months off all<br/>Welfare After<sup>4,5</sup></b> | 5.6   | 4.0   | 11.8   | 9.3                 | 7.5        |

1 Before and after = 66 months; after = 21 months; before = 45 months.

2 Percent of sample in each category.

3 Percent of people in each category with that characteristic.

4 Averages for each category.

5 Number of months off all welfare since GA was terminated

6 Categorized as potentially disabled in the recipient's record prior to March, 1991.

While the probability of being off assistance is not affected by GA termination, Figure 3 shows that the monthly percent of the sample on Food Stamps Alone exhibits a continued rise after the transition spike. By September of 1992, Food Stamps Alone use is nearly four times higher (19%) than it was at any time before termination. Thereafter, Food Stamps Alone shows a slight decline, although by the end of the series it is still at 13%.

There is no gender differential in Food Stamp Alone before GA termination. After termination, however, men are slightly more likely to be Food Stamps Alone recipients. We can trace the rise in the Food Stamp Alone category after termination to three sources. First, unless these former GA recipients undergo a change in status (like becoming pregnant or disabled) or a re-evaluation of their disability status, they do not qualify for any cash programs. Second, although many of these recipients may qualify for the new state medical program initiated after GA termination, they may not be aware of it, or may not feel the need to enroll. Finally, as we have shown in the earlier chapter on employment, many of these former GA recipients are working for wages that are so low that they are still eligible for Food Stamps.

The characteristics of people who are in each of the four food Stamps Alone "Era" groups (received Food Stamps Alone at least one month before and after termination, etc.) are displayed in Table 3. More than one-third of the sample (35.9%) had spent at least one month before and after termination receiving Food Stamps Alone. A relatively high percentage of this group (61.8%) was African American and a relatively low percentage was white (35.4%) compared to the sample average (All column). People in this group are also relatively young (34.0% over 40), slightly more likely to have received state-funded training and slightly more likely to reside in Detroit. Otherwise, they are relatively indistinguishable from the sample average.

Those who have never been on Food Stamps Alone (18.7% of the sample), on the other hand, are more likely to be white (53.6%), less likely to be African American (42.0%) and are less likely to have high school diplomas (48.9%) or to have received job training from the state (38.7%). They are less likely to reside in Detroit (35.8%).

People in the two "Era" groups representing Food Stamps Alone receipt either before or after termination, but not both, are both relatively similar to the entire sample in race and gender composition. They represent the extremes, however in several other characteristics. More than half (51.5%) of those who received Food Stamps Alone after termination only were over 40 years old. They also spent the longest time on General Assistance (33.8 months) than any of the groups and spent the least amount of time off all welfare since termination (4 months). They are the group with the least education; only 47.7% have graduated from high school. Perhaps helping to explain their presence in this category is the fact that they are the least disabled. In contrast, less than one-third (32.0%) of those who received Food Stamps Alone before termination was over 40 years old. They spent the least time on GA (19.7 months) and the most time off since termination (11.8 months).

The most curious group in this table is the 20% of recipients who have received Food Stamps Alone for at least one month since GA termination but did not before. One interpretation could be that this is a group that is much older than average and less skilled, giving them relatively few employment prospects. They obviously were reliant on GA before termination but now, because of their relative health, have no recourse to a cash program. For the same reason they may not have enrolled in a medical program. Further investigation into the well being and housing situation of this particular group may be warranted. This group may be vulnerable to destitution if they are unable to find a substitute for GA cash allowance.

#### 4. On any medical program.

Food Stamps Alone represents the least involvement with public assistance and, because it is a federal program, is the least costly for the state to administer. The next level of involvement is participation in medical programs (which may include Food Stamp reciprocity).

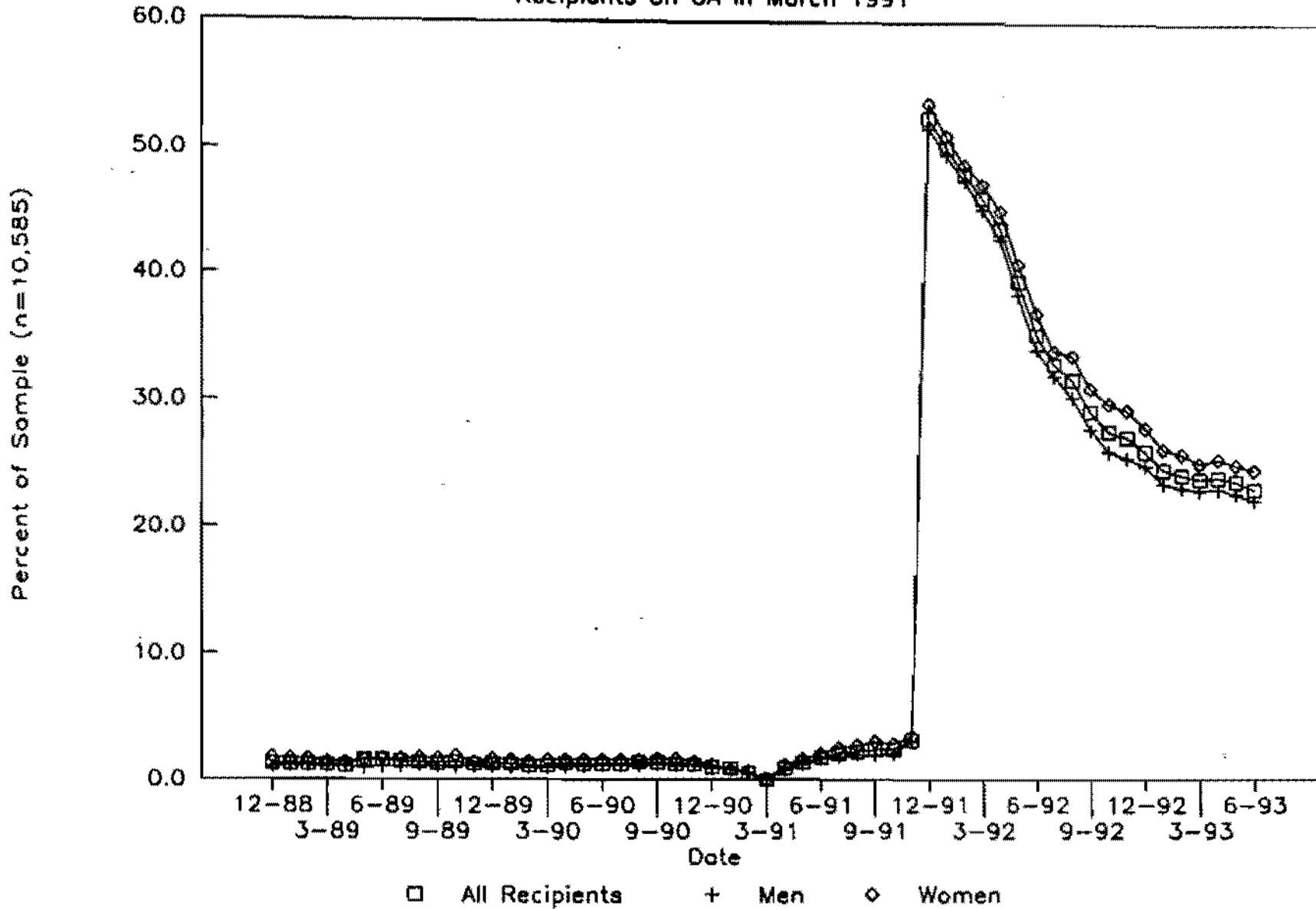
In response to negative publicity in the months immediately following GA termination, the state created State Medical Assistance Program (SMP) (see Kossoudji, Danziger, and Lovell, 1993). The transition spike in Figure 4 reflects the creation of the new program. Before termination, participation in medical programs without participation in a cash program was very rare. In the year following termination, medical program public assistance covered a higher percentage of these former recipients than any other participation category. By the end of the first year, however, a higher percentage were off all assistance in each month than were covered by medical programs.

It is important to reiterate here that our participation categories reflect actual enrollment, not eligibility. The state has had a difficult time publicizing eligibility for its new program and is considering new strategies for doing so. Many former recipients may be eligible for the state medical program but have failed to enroll because of a lack of awareness of its presence or because its limited benefits are perceived to be "more trouble than they are worth".

Only two "era" groups in Table 4 cover the vast majority of these former GA recipients. Either they have never been on medical programs exclusively (28.6%) or they were on medical programs exclusively only after GA termination (58.0%). The "never on" has an over representation of white people (52.4%) while those "on exclusively after" are predominately African Americans (61.9%). This racial split arises because of Wayne County's self-administered medical program (see health status chapter). Outside of residence, the major differences in these two groups are in age and welfare use. Those enrolled exclusively after GA termination are older than the other groups (46.2%), have spent the longest number months on GA (29.7) and the fewest months off all assistance since GA termination (4.1) compared to the sample average. Those never on medical programs alone are younger (32.6% over 40), spent only 20.6 months on GA on average, and have spent an average 13.7 months off all assistance since GA terminated.

Figure 4: On Medical (SMA or Medicaid)

Recipients on GA in March 1991



**Table 4: Characteristics of Recipients in Medical "Era" Groups<sup>1</sup>  
(Before and After GA Termination)**

|   | <b>On 1+ Month<br/>Before and After<sup>2</sup></b> | <b>On 1+ Month<br/>After Only<sup>2</sup></b> | <b>On 1+ Month<br/>Before Only<sup>2</sup></b> | <b>Never<br/>On</b> | <b>All</b> |
|---|---|---|--|---------------------|------------|
| <b>% of Sample<sup>3</sup></b>                        | 7.9   | 58.0  | 5.4  | 28.6                | 100.0      |
| <b>% Women<sup>4</sup></b>                            | 51.3  | 40.4  | 48.4   | 38.2                | 41.1       |
| <b>% White<sup>4</sup></b>                            | 52.6  | 35.0  | 58.9   | 52.4                | 42.7       |
| <b>% African<br/>American<sup>4</sup></b>             | 44.3  | 61.9  | 37.5   | 43.1                | 53.8       |
| <b>% over 40<sup>4</sup></b>                          | 24.6  | 46.4  | 18.3   | 32.6                | 39.2       |
| <b>% HS Grads<sup>4</sup></b>                         | 49.1  | 53.4  | 52.4   | 60.4                | 55.0       |
| <b>% State<br/>Training<sup>4</sup></b>               | 57.6  | 43.1  | 55.6   | 45.8                | 45.7       |
| <b>% Disabled<sup>4,7</sup></b>                       | 39.8  | 42.3  | 38.5   | 36.9                | 40.4       |
| <b>% Detroit<sup>4</sup></b>                          | 25.1  | 55.9  | 20.9   | 32.2                | 44.8       |
| <b>Months on<br/>Medical<sup>5</sup></b>              | 12.6  | 9.1   | 4.1  | 0.0                 | ---        |
| <b>Months on GA<sup>5</sup></b>                       | 18.8  | 29.7  | 15.4   | 20.6                | 25.4       |
| <b>Months off all<br/>welfare after<sup>5,6</sup></b> | 6.1   | 4.1   | 12.4   | 13.7                | 7.5        |

<sup>1</sup> Medical programs include Medicaid and State Medical Assistance Program (SMP).

<sup>2</sup> Before and after = 66 months; after = 21 months; before = 45 months.

<sup>3</sup> Percent of sample in each category.

<sup>4</sup> Percent of people in each category with that characteristic.

<sup>5</sup> Averages for each category.

<sup>6</sup> Number of months off all welfare since GA was terminated

<sup>7</sup> Categorized as potentially disabled in the recipient's record prior to March, 1991.

## 5. On any disability.

Our analysis of the state-wide GA population focuses solely on recipients who were classified as "able-bodied" in March 1991. This was the population at risk of termination in October. Recipients who were already in various disability categories are not in our sample. In order to receive any cash assistance once GA was terminated, these former recipients had to either undergo a change in status (like becoming pregnant or disabled) or they had to be reclassified on the basis of new or existing information. The trends in disability show a failure in the SSI determination process or in the interface between a GA determination of potential disability and an actual application to SSI, or in GA assessment of disability<sup>9</sup>. More than 40% of the March, 1991 GA population had some indication of disability on their GA record. Their GA case record had been opened while their SSI application was pending, a disability claim had been processed and they were deemed disabled, their claim had been denied or otherwise disposed of, or they were deemed potentially disabled by GA but had not made it to the SSI determination process.

The data exhibited in Figure 5, however, show that, with the exception of a small rise just before termination, there is little movement onto disability programs until the explosive growth following termination. In June 1993, about 15% of former GA recipients are enrolled in disability programs. Altogether, 17.6% have spent at least one month in a disability program (Table 5: column 2) since GA ended.

Our population base for March 1991 sample was almost 107,000. This means that almost 19,000 former GA recipients have been enrolled in a disability program (either SSI or SDA) at some point since GA termination.

Who are these new disability recipients? Table 5 (column 2) shows that women are slightly more likely than men to be newly enrolled in disability programs after termination; but once again, the major distinguishing characteristic is age (57.5% over age 40) compared to the sample average. The newly disabled also spent nearly 31 months on General Assistance. Their relative lack of high school diplomas (49.3%) and job training (39.7%) probably reflects their age and disability. Three out of five (59.9%) of these post termination disability participants had historical data in their GA records indicating some disability.

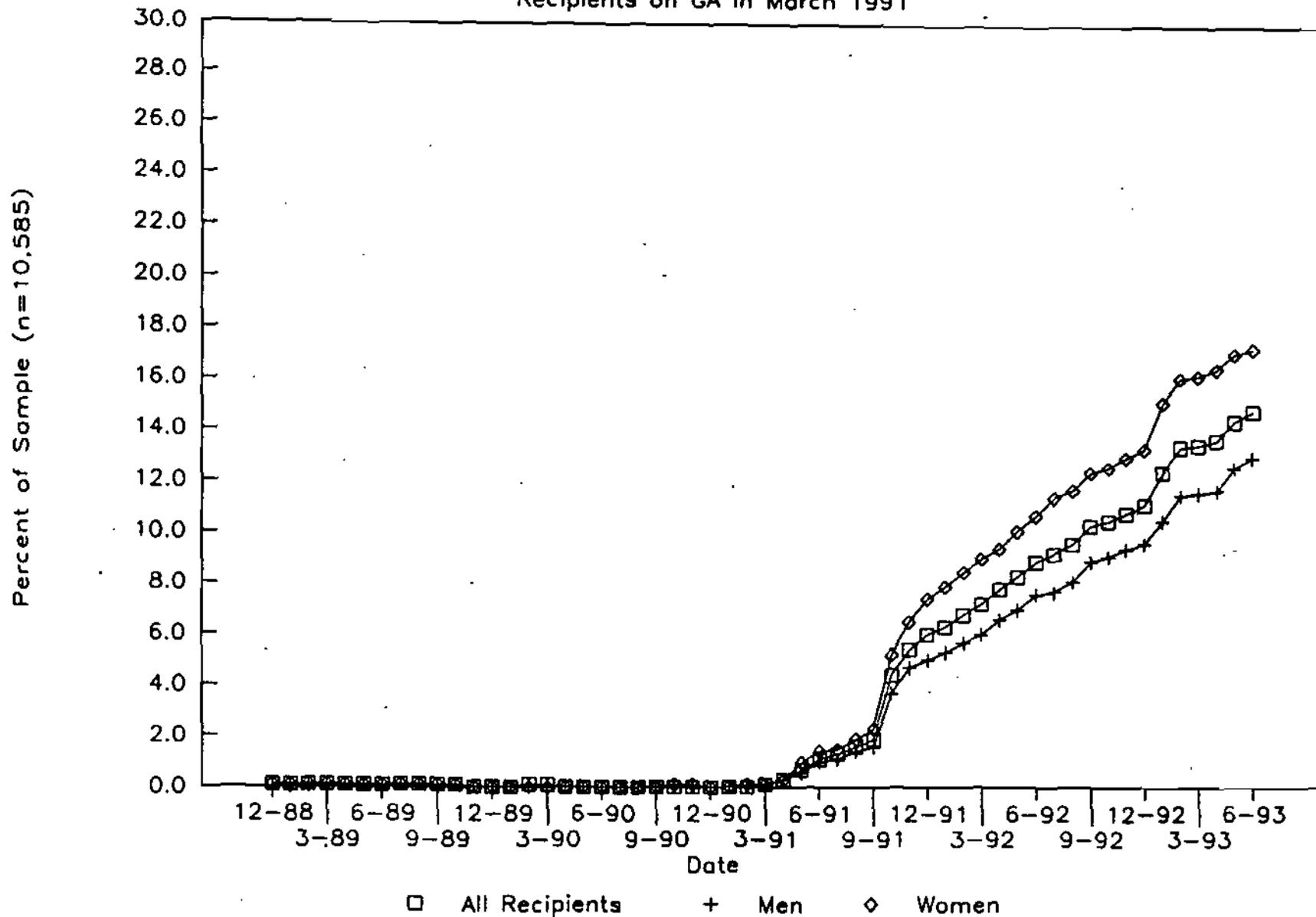
We conclude that if the state were interested in saving money that was allotted to the GA budget, instead of penalizing GA recipients, savings could have accrued by expediting and more carefully processing disability applications or by screening more recipients for disabilities. GA administrators or other state officials could also have put pressure on SSI to expedite and streamline the determination process.

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<sup>9</sup> In response to an earlier draft of this report, one MDSS official wrote "We attempted this at various times but if not pushed by MOST (Michigan Opportunity and Skills Training Program) we didn't discover the disability".

# Figure 5: On Any Disability (SSI or SDA)

Recipients on GA in March 1991



**Table 5: Characteristics of Recipients in Disability "Era" Groups<sup>1</sup>  
(Before and After GA Termination)**

|   | <b>On 1+ Month<br/>Before and After<sup>2</sup></b> | <b>On 1+ Month<br/>After Only<sup>2</sup></b> | <b>On 1+ Month<br/>Before Only<sup>2</sup></b> | <b>Never<br/>On</b> | <b>All</b> |
|---|---|---|--|---------------------|------------|
| <b>% of Sample<sup>3</sup></b>                        | 2.0   | 17.6  | 0.2  | 80.3                | 100.0      |
| <b>% Women<sup>4</sup></b>                            | 50.2  | 44.9  | 41.2   | 40.0                | 41.1       |
| <b>% White<sup>4</sup></b>                            | 49.8  | 43.1  | 58.8   | 42.4                | 42.7       |
| <b>% African<br/>American<sup>4</sup></b>             | 44.9  | 53.6  | 23.5   | 54.1                | 53.8       |
| <b>% over 40<sup>4</sup></b>                          | 61.8  | 57.5  | 58.8   | 34.6                | 39.2       |
| <b>% HS Grads<sup>4</sup></b>                         | 42.0  | 49.3  | 52.9   | 56.6                | 55.0       |
| <b>% State<br/>Training<sup>4</sup></b>               | 33.3  | 39.7  | 41.2   | 47.3                | 45.7       |
| <b>% Disabled<sup>4,7</sup></b>                       | 99.5  | 59.9  | 88.2   | 34.5                | 40.4       |
| <b>% Detroit<sup>4</sup></b>                          | 36.7  | 45.4  | 41.2   | 44.8                | 44.8       |
| <b>Months on<br/>Disability<sup>5</sup></b>           | 22.2  | 5.6   | 4.2  | 0.0                 | 21.1       |
| <b>Months on GA<sup>5</sup></b>                       | 25.8  | 30.6  | 14.9   | 24.3                | 25.4       |
| <b>Months off all<br/>Welfare After<sup>5,6</sup></b> | 1.5   | 2.2   | 14.0   | 8.8                 | 7.5        |

- 1 Disability programs include SSI and State Disability Assistance Program (SDA).
- 2 Before and after = 66 months; after = 21 months; before = 45 months.
- 3 Percent of sample in each category.
- 4 Percent of people in each category with that characteristic.
- 5 Averages for each category.
- 6 Number of months off all welfare since GA was terminated
- 7 Categorized as potentially disabled in the recipient's record prior to March, 1991.

Two out of five post-termination disability recipients had no indication of disability in their GA records. Some of these disabilities undoubtedly post-date GA, but many of them may not have. The GA population could have been reduced by a minimum of 10% and possibly as much as one-quarter to one-third of GA recipients could have been transferred to SSI (to see this, note that 34.5% of those never on disability also had an indication of disability) in their case records.

In addition, when comparing the self-reported health status of our survey respondents with disability up take, we found exceptionally low levels of acceptance into disability programs even after GA termination. On March 18th, 1994, Ingham Circuit Judge Carolyn Stell ruled that the standards used by the Department of Social Services to determine eligibility for its State Disability Assistance Program are overly restrictive and have been illegally implemented. New applicants will thus come under somewhat broader eligibility criteria.

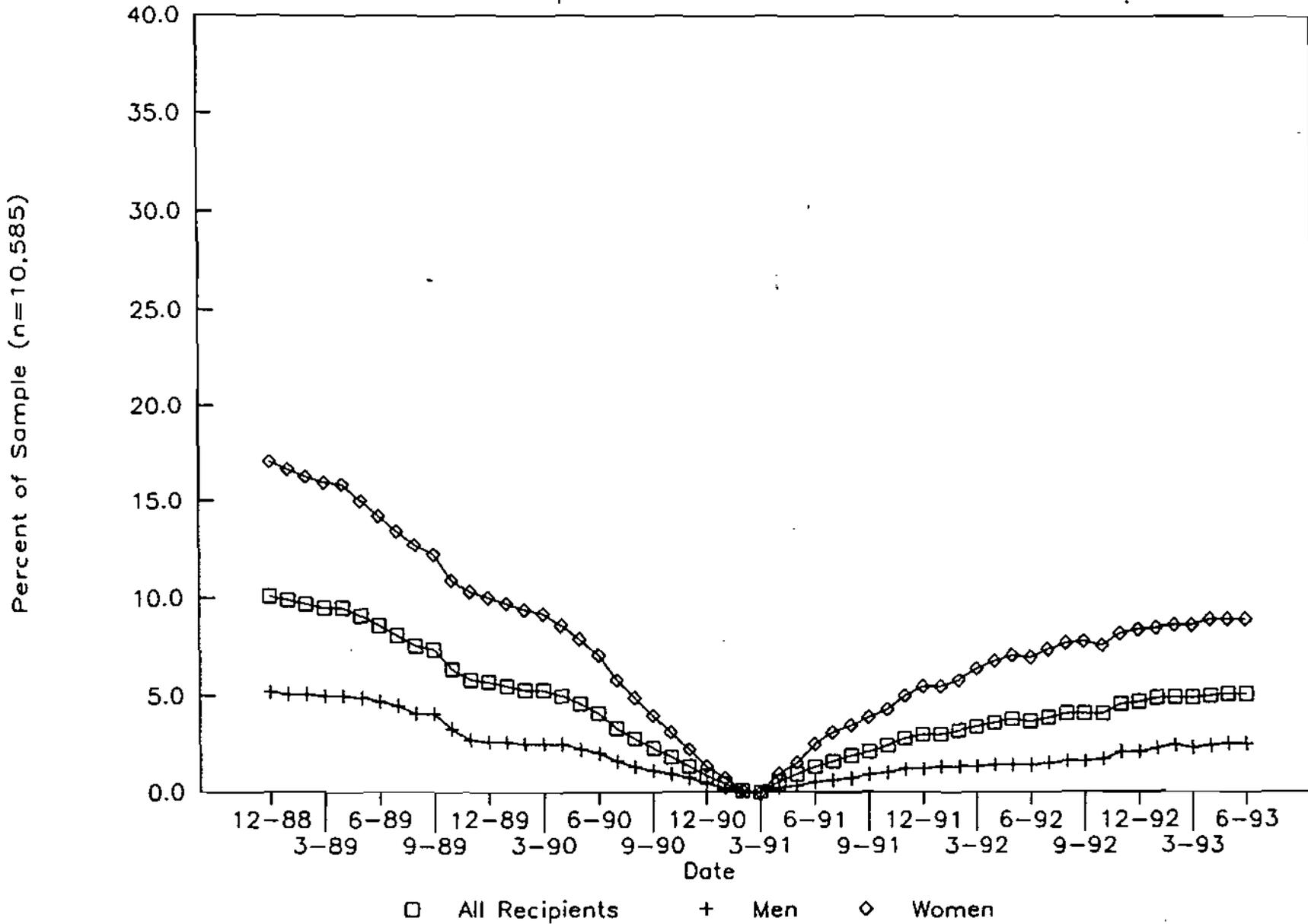
## 6. On AFDC.

Finally, we examine former GA recipients' participation in AFDC. First, it is fairly clear that, especially for women, there is a significant overlap between the GA and AFDC programs. As Figure 6 shows, this is especially true before GA termination. This figure shows any enrollment in AFDC, whether as dependent children on their mother's AFDC, or as AFDC heads. Usage of AFDC after termination is much lower; by June 1993 only 8% of the women and 2% of men were on AFDC.

More than 18% of the sample had been active on AFDC in the 33 months shown before termination. Table 6 displays the characteristics of March 1991 GA recipients who had participated in AFDC also. Most former GA recipients (78.1%) were never on AFDC in the entire documented period. Of those who had been on AFDC, most of them were enrolled before GA termination only. Those who were enrolled in AFDC before termination only were, on average, older (37.7% over 40) than those on AFDC after (13.1% and 12.8% over age 40). This may simply reflect age related childbearing and rearing differentials (young women are more likely to bear children than older women). Those who have been on before and after termination or after termination only are fairly similar in their characteristics; they are very young, slightly more likely to be white than the overall sample and slightly less likely to be African American. They are also less likely to be disabled and less likely to reside in Detroit than the sample as a whole.

# Figure 6: On AFDC

Recipients on GA in March 1991



**Table 6: Characteristics of Recipients in AFDC Groups<sup>1</sup>  
(Before and After GA Termination)**

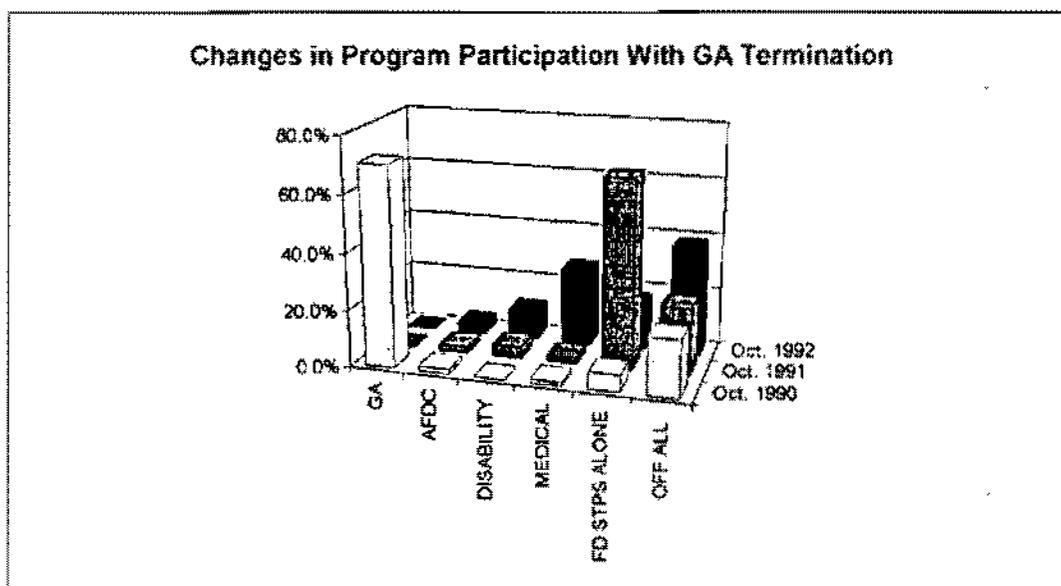
|   | <b>On 1+ Month<br/>Before and After<sup>2</sup></b> | <b>On 1+ Month<br/>After Only<sup>2</sup></b> | <b>On 1+ Month<br/>Before Only<sup>2</sup></b> | <b>Never<br/>On</b> | <b>All</b> |
|---|---|---|--|---------------------|------------|
| <b>% Sample<sup>3</sup></b>                           | 4.2   | 3.5   | 14.2   | 78.1                | 100.0      |
| <b>% Women<sup>4</sup></b>                            | 78.3  | 53.7  | 62.7   | 34.6                | 41.1       |
| <b>% White<sup>4</sup></b>                            | 46.8  | 46.3  | 46.0   | 41.7                | 42.7       |
| <b>% African<br/>American<sup>4</sup></b>             | 50.9  | 48.0  | 49.9   | 54.9                | 53.8       |
| <b>% over 40<sup>4</sup></b>                          | 13.1  | 12.8  | 37.7   | 42.0                | 39.2       |
| <b>% HS Grads<sup>4</sup></b>                         | 55.7  | 52.0  | 51.4   | 55.7                | 55.0       |
| <b>% State<br/>Training<sup>4</sup></b>               | 58.6  | 53.1  | 56.0   | 42.8                | 45.7       |
| <b>% Disabled<sup>4,7</sup></b>                       | 28.3  | 30.5  | 34.0   | 42.6                | 40.4       |
| <b>% Detroit<sup>4</sup></b>                          | 33.9  | 34.3  | 37.7   | 47.1                | 44.8       |
| <b>Months on<br/>AFDC<sup>5</sup></b>                 | 26.3  | 9.0   | 16.3   | 0.0                 | ---        |
| <b>Months on GA<sup>5</sup></b>                       | 15.6  | 21.9  | 18.2   | 27.5                | 25.4       |
| <b>Months off all<br/>Welfare After<sup>5,6</sup></b> | 3.1   | 4.0   | 7.6  | 7.9                 | 7.5        |

- 1 As classified here, AFDC could be case heads or dependent child recipients.
- 2 Before and after = 66 months; after = 21 months; before = 45 months.
- 3 Percent of sample in each category.
- 4 Percent of people in each category with that characteristic.
- 5 Averages for each category.
- 6 Number of months off all welfare since GA was terminated
- 7 Categorized as potentially disabled in the recipient's record prior to March, 1991.

## 7. Changes in program participation.

We have repeatedly stressed that while the termination of General Assistance has had little impact on the propensity to participate in welfare programs, the overall mix of programs has changed dramatically. It is easy to lose sight of this dramatic shift when we examine the trends in each program alone.

To reclassify this outcome, we compare the distribution of our former recipients across our six participation categories for three different months: October 1990 (one year before GA termination), October 1991 (the termination date), and October 1992 (one year after termination). The boxed figure below is set up to facilitate comparisons among the three months. Along the left are the cash granting programs, followed by the participation categories associated with fewer resources. On the extreme right side is non-participation in a public assistance program.



In October 1990, the overwhelming majority of the sample was receiving GA cash benefits, followed by a substantial minority who were off all assistance. In October 1991, the GA program has disappeared supplanted by a similar percentage who now receive Food Stamps alone. The immediate and direct impact of GA termination is the loss of the GA cash benefit and (temporarily only) the GA medical benefit. The transition is complete by October of 1992. While some people are receiving cash grants, principally disability payments, the access to public assistance cash has been closed off to most of these former recipients. They either receive non-cash benefits only, or they are off all assistance.

## Summary

When we put all of these tables and figures together, the patterns that stand out for participation by former GA recipients in other public assistance programs include:

Older recipients are far more likely than others to have never been off public assistance in the time period studied. They spent the longest time on GA, and once this program ended, a high proportion moved to disability or medical program assistance.

Women are less likely than men to have been off public assistance in the time span studied. Women are more likely to participate in AFDC both before and after GA and disability programs both before and after GA.

White recipients are less likely to be in the group that has never been off all assistance and more likely to be in the group that has never been on Food Stamps only. For African Americans, the pattern is the reverse. They are more likely to have not left the public assistance rolls, in part because they are likely to be enrolled in medical programs in the post-termination era.

The overall impact of termination on public assistance participation is minimal. Despite the change in available cash support, similar percentages are non-participants before and after GA termination. Conversely, similar percentages are enrolled in some public assistance program before and after GA termination. There are probably some individuals whose behavior was altered by the elimination of this welfare program, but overall, movement into and off of public assistance programs appears to be more directly related to economic opportunities outside of public assistance, and by their own abilities, age and health.

A stronger impact of termination is seen in the mix of programs available to and utilized by these former recipients. Current recipients have much less support available and they do not have access to cash support unless they are deemed disabled or have children.

In closing this chapter, we want to suggest that the lack of a strong impact of GA termination, and the evidence of pre-termination, non-participation by these recipients should be grounds for optimism and food for considerable thought on the part of welfare reform advocates. In general, the poor do not rely exclusively on welfare, and do not appear to require the drastic measure of program termination to push them to seek self sufficiency. What they need are jobs, more stable jobs, and jobs with higher wages, a less age discriminatory economy, and, in some cases, recognition of their disabilities.

## Chapter VII: Quality of Life Since GA Termination

The processes by which former recipients cope and get by, and how they find alternative sources of help, can be illustrated in three case studies. Using both the in-depth interviews and survey data, these cases depict in greater specificity how former recipients responded to losing GA. While each individual cannot typify the caseload in a general way, their personal situations highlight impacts of losing GA. Since termination, many people characterize themselves as living "day to day," with tremendous uncertainty. By and large, they do not qualify for further public assistance beyond Food Stamps and the state medical plan. Most have fewer resources than they had in 1991. Casual and intermittent, informal work activities are more likely found than steady employment. Nearly two out of every five former recipients have raked leaves, shoveled snow, baby-sat, or run errands in the past year in exchange for cash or for rent-reduction.

While few people report resorting to illegal or illicit means of support, unreliable subsistence strategies have increased noticeably since termination. For example, going to pawn shops or food pantries, panhandling, trading Food Stamps for cash, or selling blood or plasma are utilized by a substantial minority of former recipients. All of these strategies are on the rise. A full 35% report going to food pantries, while 24% report asking for spare change, 14% sold Food Stamps, and 3% stole food in the last year.

An estimate of the financial resources available to people comes from the self-report of cash received in the last month. We asked this question, along with a long listing of possible sources of support, cognizant of the fact that in any survey, people across all income categories under-report income. Most people report having less than \$160 per month, which was the maximum GA stipend at the time of program termination. One third of the sample report no cash income from any source and of those who report income amounts, 35% receive less than \$160 in the last month. These sources include income received from casual labor, steady jobs, transfer programs, spouse's work or transfer programs, and cash received from family or friends.

Those who have access to cash from these sources report that they receive more from them now than before GA termination. However, very small proportions of the sample report access to these resources. While close to half of the people (48%) had received money from work or casual labor over the year, only 12% received support from a partner, 26% from relatives and 14% from friends. Their economic marginality contributes to a highly stressful social and psychological situation and as a result, many people report dissatisfaction and emotional or mental health problems.

Over half (53.7%) of those surveyed say they are somewhat or very dissatisfied with their lives; a third of respondents report that their emotional health has gotten worse. A large proportion (36.7%) in the survey report that they often or sometimes use alcohol, drugs, or medications when they are tense or nervous. Of these, 38% say they have increased their use of these substances. Finally, on an item that may suggest an ultimate sense of insecurity, over one out of five (21.6%) of the respondents say that they perceived themselves as homeless,

even though very few were specifically living in shelters or without housing altogether at the interview. This perception suggests highly unstable living situations.

It is important to recall that the budget cuts were NOT the result of changes in recipient behavior. The caseload did not change except that it grew in size over the period in which the program was in existence (a period of generally increasing unemployment rates). State politics and fiscal priorities altered the rules for how Michigan's impoverished adults were expected to get along. This program was as much a fixture within Michigan's low income urban landscape as was the auto industry and other programs such as Unemployment Compensation, Workmen's Compensation, AFDC, and SSI. The changes in both the auto industry and the state's public welfare programs have left these individuals feeling abandoned and devastated. The following three cases exemplify these hardships.

### **1. Case Illustration: A Life on the Edge**

"Sharon" is in her mid-thirties, an African-American high school graduate who lives in Flint. She first went on GA at age 18, after an honorable discharge from armed service. She reported that she could not adjust to military life. From the late 1970s, she had been on GA four different times. She reported that she had worked at least two jobs in the mid 1980s, each lasting 9-10 months. One was as a home health aide and the other was as a cashier at a drug store.

She had used her GA benefits to pay the utilities and taxes on the family home she had grown up in, which allowed her to live on her own there for over ten years. After the cut off, she found it difficult to keep up the payments.

During the first year, she could not find work, being willing to search and take most any job she could find. She said she had done some baby-sitting on a casual basis, for approximately 30 hours a month to bring in \$130 a month. She also occasionally has sex with someone for money as a means of getting by, and relatives and friends help her out with cash assistance on occasion.

Less than a year and a half after her last GA check, Sharon became homeless. Her father, to whom she had owed "rent", threw her and her possessions "out on the streets" in February, 1993. She wandered from place to place for a month and a half. She tried unsuccessfully to stay with some women friends. She then took refuge in a women's shelter where she stayed "the limit", which was about two months. Her reason for going to the shelter was that she had been "using stuff" while on the streets, so she felt the shelter would be the best place for her to get herself together. This program connected her with a temporary work agency, but she does not always get to the sporadic jobs she has been offered.

When she found a job that was located near her sister's house, she asked if she could stay with her family and walk to work. She moved out of the shelter and in with her sister's family but then lost the job. Sometimes her job changes result from unreliable circumstances

such as tenuous transportation arrangements. For example, the previous day before the interview in June, she was to go to work at a new place and use her sister's husband's car. That morning, he said he needed the car so he would drive her. He quarreled with the sister over the empty gas tank and was not leaving. Sharon gave up, refused to get involved and said disparagingly, "so that job could have turned out to be a permanent job, or whatever."

Sharon has no children, which she said meant that there are no people who are obligated to take care of her. She also claims to have no real friends. As the eldest daughter who is not, in her words, handicapped or an invalid, she also feels she has no right to be dependent on her father for support. She has thought about and talked of applying for SSI, particularly when she was at the homeless women's shelter. She felt that it was not a good idea for her to try for it, however, that it would be "like giving up". She is in very transient quarters, doubled up with her sister's family, with no space to herself. She gets Food Stamps, goes to soup kitchens, and is quite knowledgeable about the process of obtaining prior authorization for medical care. However, she had yet to use it because, "I'm just lucky that I haven't been sick".

## **2. Case Illustration: The Public Assistance Cushion**

"Louise" is a hard working African-American widow in her fifties who had raised two children in Flint. She had been doing nurses' aide work for over twenty years when her health began to deteriorate from arthritis. For example, between 1982-1985 she provided in-home nursing care, full time for \$5 an hour, a job that ended upon the patient's death.

In 1988, she was diagnosed with Lupus and began receiving General Assistance, primarily for the medical coverage. When the program ended, she lost her benefits, which at the time came to only \$70 per month because she had been able to continue working part time. She had to stop doing "day work" -- cleaning houses -- even two days a week because of her health. It had progressed to where she "couldn't stand the climb" to go up and down stairs.

After termination, she was provided no further help. However, in February, three months later, because her health condition was documented, she was notified that she was eligible for SDA. She began receiving the medical coverage, Food Stamps, and \$246 a month. This was fortunate because later in 1992, she was diagnosed and treated for breast cancer. Louise feels extremely grateful for her benefits and medical care. Because she had finished paying for her house prior to GA and has a son who lives nearby and is employed, who provides maintenance on her house and chores, and because of two cousins who help by doing grocery shopping, etc., she manages to get by.

By the summer of 1993, she had recently filed a claim for her Social Security Widow's pension and was feeling hopeful about increasing her financial support in the near future. She is someone who had "never been on aid" and had only "dealt with people who had jobs", until she was in her fifties. She feels favorable toward the local Social Services and helping community and the cushioning from her family. She increased her reliance on public

assistance after GA ended. Her very critical health care needs were met without disruption, although her SDA income is inadequate to meet her taxes and utilities and, for example, she does not use her car to avoid buying gas.

### 3. Case Illustration: A Town Without Work

"Harold" grew up in a African-American family in the General Motors' town of Saginaw. In his mid-thirties, he is attending a publicly-provided eight-month computer skills training course, for which he applied, was tested, and accepted. When he talked with us in July of this year, he was living in his retired parents' home, and was in need of, but was not getting, regular medical care. He had no insurance to continue treatments for a congenital curvature of the spine, a problem that was discovered in early adulthood. In 1977,

"When I was 18 I got hired in at General Motors. That's when I found out about it... they put me on restrictions soon as I got there... I couldn't pick nothing up over 10 pounds, no repeated bending and twisting... then they laid me off about a year after that."

With his back problems and the massive numbers of plant closings in the town throughout the 1980s, he was on and off GA between spells of employment in janitorial or maintenance services. For example, he worked through a temporary job service for seven to eight months, and once at a local community agency doing maintenance for one and one-half years. At this last job between 1988-90, he had benefits and worked full time, receiving \$250 biweekly. However, he quit because of no pay increases. With GA support for several years, he said it was a marginal existence, "trying to make it day by day"; however, he had his own place, a rented basement, where he lived by himself. He also owned an old truck which he used to raise cash by moving people and running errands. He went to a doctor once a month and was on medication for constant pain. His truck broke down and he continued to search for work and do odd jobs.

After termination, he had to move from his apartment and return to live in a crowded but supportive home environment where other siblings and their children returned to stay from time to time. Harold reported that the whole town was in shock over the ending of GA. At that time, after his rent was vendored for \$200, he had been receiving less than \$40 per month along with Food Stamps. He didn't know where he would live or how he would get his pain pills. He was apparently discouraged from trying to get disability. He says he cannot afford to get a doctor to review his case at this point. To get by, he helps out his parents' elderly friends doing mostly painting and other odd jobs, when he isn't traveling to or attending the classes or studying for a few hours each evening.

Despite these efforts, Harold seems to be suspended in time, like many others in his community. Everyone he knows does what he does -- submits job applications all the time, but no one is hiring. He noted that one local firm had 400 applicants for 11 temporary positions. He still fills out applications every week and reads the newspaper ads every day. He doesn't go shopping any more, he doesn't have people over to visit like he did when he was

living on his own. At the time of both interviews he was living with eight people -- both parents, a sister, and five nieces and nephews. Harold had about \$50 a month to his name, obtained from casual jobs and cash given to him by various family members. There are several indications that he might be coping with the back pain and stress through drinking. He had the "shakes" during the 1992 and 1993 interviews, he reported using alcohol when he felt depressed and when he felt tense and when he went out with friends. He was animated about learning to type and learn programs such as Lotus, but he was vague about future plans. Upon completion, he said he would have to see about job placement. Family support is Harold's program of last resort.

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## Appendix

### 1: Research and Survey Sampling Methodology.

#### The Sample Survey

Many of the statistics reported here are based on a survey of 530 former recipients. They were interviewed between August and October, 1992. All of the respondents were enrolled in GA in March of 1991 and most of them received their last GA check in September, 1991. A small portion (18%) had left the GA rolls prior to the program's termination.

Our sample was randomly generated within particular strata of the state caseload and surveyed approximately one year after the cut off. We focused primarily on the counties with large caseloads, and the counties with the most deteriorated economic conditions. For this reason we interviewed in the areas of Detroit/Wayne County<sup>1</sup> and Flint/Genesee County. We also randomly selected one other urban area of the state, Saginaw, and two non-urban counties. These were Osceola county, a rural area; and Eaton county, a rural and suburban county, partly adjacent to the city of Lansing.

We drew the sample from the March caseload, which was one of the highest caseloads on record. We chose this population as the base population in order to have a representative group of GA recipients. MDSS has shown that by September, the last month prior to the cut off, caseload volume decreased because there were many fewer applicants over the summer when publicity about the potential termination was generated. If we had used the September "terminated" population instead of the March population to generate the sample, the time on welfare would have been biased upward.

We also restricted our sample to those members of the population who were "at risk" of termination. March recipients who were in the GA Families program or GA disabled categories were automatically transferred to other programs when GA was terminated and were not at risk of losing any state resources. Recipients in the "at risk" population were officially classified as able-bodied. However, with GA termination imminent, reclassification of some cases were made over the summer months.

A few cases in our survey who were in cut-off categories as of March, 1991, were actually transferred over to the "disabled" category prior to the cut-off and thus began to automatically receive State Disability Assistance without losing benefits. A total of 13 people in the survey, 2.5%, began receiving disability benefits between April and October, 1991. They make up one-fifth of those who were receiving disability benefits at the time of our survey in 1992.

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<sup>1</sup> Within Detroit/Wayne, we randomly selected to sample from assistance payment offices in the eastern part of the city, the western area of the city, and from suburban Wayne county districts. We also sampled from the district office located in the "skid-row" section of downtown Detroit. Our Detroit/Wayne sample was thus drawn from 9 of the 27 district offices within this county.

Several response biases are possible in our survey sample. While cases were randomly selected from the various regional strata, we attempted to locate individuals by using their most recent address and phone listing as documented by MDSS. For some individuals (who left the welfare rolls in July, 1991, for example), this information was over a year old. The more recent the welfare participation, then, the more current the address listing. As a result, our sample contains more post-termination welfare recipients than the population average. While we made extensive attempts to track people down, we found many instances of no forwarding information, no informal contact leads, etc. Appendix Table 1 compares the number of people we searched for with the number we succeeded in identifying in each area in the survey. Our success in locating people in Detroit was lowest of all the strata. Our bottom line completion rates of the numbers interviewed divided by the numbers of names released for possible recruitment are found in the bottom row of the table.

**Appendix Table 1: Response Rates by Survey Area**

|                                  | Area               |                    |                    |                  |                  | Totals              |
|----------------------------------|--------------------|--------------------|--------------------|------------------|------------------|---------------------|
|                                  | Detroit            | Flint              | Saginaw            | Eaton            | Osceola          |                     |
| # of people in sample pool       | 773                | 265                | 194                | 37               | 28               | 1297                |
| Mean # attempts per person       | 2.03               | 2.84               | 4.10               | 2.46             | 3.25             | 2.94                |
| Number Identified:               | 347                | 169                | 135                | 33               | 26               | 710                 |
| <u>Of those identified:</u>      |                    |                    |                    |                  |                  |                     |
| # who died                       | 8                  | 0                  | 2                  | 1                | 0                | 11                  |
| # in prison                      | 11                 | 3                  | 3                  | 0                | 0                | 17                  |
| # moved out of sample area       | 6                  | 9                  | 15                 | 12               | 5                | 47                  |
| # refused interview              | 52                 | 28                 | 18                 | 1                | 6                | 105                 |
| # completed interview            | 270                | 129                | 97                 | 19               | 15               | 530                 |
| Ratio of identified to sample    | 347:773<br>(44.9%) | 169:265<br>(63.8%) | 135:194<br>(69.6%) | 33:37<br>(89.2%) | 26:28<br>(92.9%) | 710:1297<br>(54.7%) |
| Ratio of completes to identified | 270:347<br>(77.8%) | 129:169<br>(76.3%) | 97:135<br>(71.9%)  | 19:33<br>(57.6%) | 15:26<br>(57.7%) | 530:710<br>(74.6%)  |
| Ratio of completes to sample     | 270:773<br>(34.9%) | 129:265<br>(48.7%) | 97:194<br>(50%)    | 19:37<br>(51.4%) | 15:28<br>(53.6%) | 530:1207<br>(40.9%) |

The ratios in Appendix Table 1 indicate that, overall, very few people who were actually contacted and informed about the study refused or could not participate. The incentive payment of \$25.00 was very encouraging to former recipients. We could only officially determine deaths, imprisonment, or moves out of the sample area for a total of 75 people. Included in the 105 refusals were two people whose houses were deemed too dangerous to interviewer safety. Thus, for those we received identifying information, we succeeded in interviewing three-quarters, 75%.

However, the GA population is highly transient and we were simply unable to find many people who had moved. Some were living in areas where people are unfamiliar with neighbors or suspicious about providing information about neighbors. In Detroit in particular, we were unsuccessful in making contact with over half of those we attempted. A large number of these attempts to locate persons yielded no identifying information whatsoever. Sometimes interviewers went to addresses where the buildings had been totally vacated or torn down. Sometimes the address was the DSS office which had lost track of the person, or a shelter which either would not violate confidentiality to provide information or else kept no records tracking individuals that they had served. As a result, our ability to assess housing instability is relatively weak and we know that moving and transiency are downwardly biased in our survey sample. We know this resulted in fewer younger people than in the caseload as a whole. These are the healthier and more "employable" former recipients according to results in this study.

To reiterate, our sample is probably less transient than those not sampled. Our survey may overestimate the extent of stable housing among former recipients, particularly in Detroit. We can also assume that the recipients in our sample were more successful in continuing and/or receiving new benefits from MDSS than those not in the sample. We may thus possibly overestimate the extent of Food Stamp use, medical benefit coverage, and reliance on disability or AFDC among former GA recipients when using the survey sample data.

In this report, we present the results for the 530 survey respondents weighted for their representation in the statewide caseload as a whole. Each of the 270 survey respondents from Detroit have a weight according to the caseload volume of the nine Wayne county offices from which they were sampled. The Eaton, Osceola, Saginaw, and Genesee county respondents receive weights proportional to their county's caseload size relative to the state caseload as a whole as of March, 1991.

### The Administrative Data

Our second source of information for this report is longitudinal files containing administrative information on every single recipient in the March 1991 GA population. A point in time glimpse of the state's entire recipient population is recorded every thirty days. From these monthly tapes we have constructed longitudinal records containing sixty-six months of administrative records. These records include information on demographics, public assistance participation, job training in state programs, education, work behavior while on welfare and problematic budget information. Matched to these data are quarterly employment records for 1992 (soon to be updated to 1993) from the Michigan Employment Security Commission. As a result, we know the employment status for all four quarters of 1992 for all former GA recipients.

These state administrative records are the basis of the evidence in the welfare participation section, and are also used to provide additional evidence in other sections. For

the purposes of this report, we drew a 10% random sample of the March, 1991 GA population. Thus the sample size for administrative data is 10, 585.

Comparison of interview sample with survey sample pool

The source of our survey sample pool was this March 1991 caseload. By rematching recipient ID's (encoded to ensure confidentiality), we are able to compare some characteristics of our interviewed sample with former recipients for whom contact was attempted but not achieved. The results of this comparison are below in Appendix Table 2. Comparisons are restricted to information available in the state administrative records.

**Appendix Table 2: Survey Sample Characteristics**

|   | Interviewed | Not-Interviewed |
|---|-------------|-----------------|
| % Women                                 | 41.3        | 35.2            |
| % African American                      | 58.3        | 63.5            |
| % other non-white                       | 4.2         | 4.6             |
| % High School Grads                     | 55.5        | 56.2            |
| % on SSI post-termination               | 16.2        | 10.8            |
| % never off assistance post-termination | 52.6        | 32.5            |
| # of people                             | 530         | 767             |

From this table, we can ascertain that there are indeed some differences in the interviewed and non-interviewed sample group. In particular, we were less successful at finding African Americans and men and more successful at finding post-termination SSI recipients and former GA recipients who had never been off public assistance in the post termination period. The first two differences are probably explained by transiency behavior or by interviewer's reluctance to continue to seek information in some neighborhoods of Detroit. We captured more SSI recipients and those who had never been off welfare both because we had more recent access to addresses and because their relative access to resources permitted them to remain in relatively stable housing. These results further suggest that our survey data in this report may underestimate homelessness and overestimate disability and reliance on public assistance after GA termination.

**2: Rural, Urban and Regional Differences in the GA Population.**

As background for our survey sampling frame, we present the differences across the state in demographics, economics, and caseload characteristics. Tables 3 and 4 present these regional comparisons. The tables indicate that both the regional economic environment and the skill levels of the recipients are less favorable for post-termination employment in urban than in rural areas of the state.

**Appendix Table 3** Statewide Distribution of Economic Conditions and General Assistance Recipients

|  | MDSS Regional Zone           |   |                             |                         |                    |              |
|--|------------------------------|---|-----------------------------|-------------------------|--------------------|--------------|
|  | Upper Peninsula <sup>a</sup> | Northern Rural Part, (Lower P) <sup>b</sup> | "Thumb" Region <sup>c</sup> | Semi-Urban <sup>d</sup> | Urban <sup>e</sup> | Wayne County |
| # Counties                                     | 15                           | 29  | 14                          | 14                      | 10                 | 1            |
| Adult Population aged 18+, 1990                | 235,540                      | 442,405                                     | 658,494                     | 1,065,070               | 2,896,954          | 1,541,050    |
| # GA cases at risk, 3/91                       | 2,961                        | 6,496                                       | 8,503                       | 7,060                   | 29,607             | 52,178       |
| Ratio, Cases to population                     | .0126                        | .0147                                       | .0129                       | .0066                   | .010               | .0339        |
| Density of counties – Range of persons/Sq. Mi. | 3.1-38.9                     | 13.9-138.2                                  | 41.4-251.5                  | 72.5-398.4              | 191.8-1493.3       | 3438.7       |
| Range of County Unemployment Rates, 1990       | 5.5 - 17.0                   | 5.0 - 17.6                                  | 4.8 - 11.4                  | 4.1 - 9.2               | 5.3 - 10.9         | 12.4         |
| Range of county poverty rates, 1990            | 9.9 - 21.0                   | 8.5 - 26.4                                  | 6.0 - 25.1                  | 4.1 - 15.1              | 5.2 - 16.6         | 20.1         |

Sources: 1990 Census and MDSS Caseload Data

### Appendix Table 3: Footnotes

a Michigan's 14 Upper Peninsula counties include:

Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, and Schoolcraft.

b Twenty-nine mostly rural counties in the northern part of the Lower Peninsula of Michigan include:

Alcona, Alpena, Antrim, Arenac, Benzie, Charlevoix, Cheboygan, Clare, Crawford, Emmet, Gladwin, Grand Traverse, Iosco, Kalkaska, Lake, Leelanau, Manistee, Mason, Missaukee, Montmorency, Newaygo, Oceana, Ogemaw, Osceola, Oscoda, Otsego, Presque Isle, Roscommon, and Wexford.

c The fourteen counties in the "thumb" region of Michigan, in the northeastern section of the Lower Peninsula include a mix of urbanized industrial (Midland and Bay City) and rural counties including:

Bay, Clinton, Gratiot, Huron, Ionia, Isabella, Lapeer, Mecosta, Midland, Montcalm, Sanilac, Shiawasee, St. Clair, and Tuscola.

d The fourteen counties in the southern to central part of the Lower Peninsula that have towns or are adjacent to urban areas are:

Allegan, Barry, Branch, Cass, Eaton, Hillsdale, Jackson, Lenawee, Livingston, Monroe, Ottawa, St. Joseph, Van Buren, and Washtenaw.

e The ten urbanized counties that are all less metropolitan than Wayne county include:

Berrien, Calhoun, Genessee (city of Flint), Ingham (city of Lansing), Kalamazoo, Kent (city of Grand Rapids), Macomb, Muskegon, Oakland (cities of Southfield and Pontiac), and Saginaw.

Table 3 shows regional differences from the 1990 census that could relate to the GA caseload across six geographic areas. The counties in the Upper Peninsula are grouped together as largely rural areas dominated by forestry, fishing, and tourism. The northern rural counties are located across the top of the lower peninsula and are largely tourism, forestry and agricultural communities. Osceola (a survey site) is located in this region. The thumb region in the southeast corner of the lower peninsula is a mix of urbanized industrial and rural agricultural areas. The semi-urban counties in the southern and western parts of the state contain medium sized cities but also include agricultural as well as tourist areas. Eaton (also a survey site) is one of these semi-urban counties. The urban counties are those which contain large cities, but none are quite as populous as metropolitan Detroit/Wayne county. Flint and Saginaw are also counties classified as urban regions of the state.

Adult population size, along with GA caseloads, increases generally with urban density, from left to right in Table 3. The exception is that the semi-urban counties have a very low ratio of GA cases to population. Detroit/Wayne county's caseload and its ratio of cases to adults far exceeds that found in the rest of the state. The ranges of average annual county unemployment and poverty rates in 1990 are consistent with the ratio of 1991 GA cases to population with a few exceptions. In general, average unemployment and poverty rates rise along with GA caseload size and urban density from left to right in the table.

However, both unemployment and poverty rates in a few of the rural counties exceeded the rates for Wayne County in 1990. In all four cases, there were relatively large numbers of rural GA cases. These include Ogemaw with 110 GA recipients, Lake with 384 recipients, Gladwin with 461 recipients, and Clare county with 604 recipients.

Appendix Table 4 documents caseload characteristics across the regions of the state and the data in this table indicate that the Detroit/Wayne County General Assistance caseload was composed of recipients with more employment-related problems than the caseloads in other areas. Detroit cases in March, 1991 were no more likely to have ever been processed for disability review than cases in several other regions of the state (row 2). According to recipient records, however, Detroit cases were less likely to be high school graduates, and more likely to be older-aged recipients. These result in much longer average duration on GA (in the last spell) than in the rest of the state. Detroit/Wayne's overall recipiency is longer, as is the more specific spell length for the group of recipients in the median age range, aged 25-40. Finally, with respect to having ever reported earnings while on General Assistance, Wayne county recipients were least likely of all the regions to have documented earnings while on GA. Very few Wayne recipients reported earnings in the population drawing month.

**Appendix Table 4: Comparisons of GA Caseload Characteristics by Region of the State,  
March 1991**

|  | Upper<br>Peninsula | Northern Rural<br>(Lower P) | "Thumb"<br>Region | Semi-<br>Urban | Urban  | Wayne<br>County |
|--|--------------------|-----------------------------|-------------------|----------------|--------|-----------------|
| # Cases at risk of<br>termination                    | 2,961              | 6,496                       | 8,503             | 7,060          | 29,607 | 52,178          |
| % ever applied for<br>disability (under age 65)      | 15.4               | 26.5                        | 20.0              | 23.3           | 26.3   | 25.0            |
| % High School Graduates                              | 66.2               | 56.0                        | 56.0              | 50.0           | 53.3   | 45.5            |
| % aged 16 - 25                                       | 32.0               | 27.1                        | 35.6              | 26.0           | 23.7   | 13.7            |
| % aged 41 - 65                                       | 34.1               | 37.8                        | 32.1              | 36.8           | 34.1   | 43.6            |
| # of months average spell<br>(all ages)              | 17.0               | 14.7                        | 15.6              | 13.6           | 17.6   | 27.7            |
| # of months average spell<br>(ages 26 - 40)          | 13.8               | 11.7                        | 13.7              | 10.1           | 14.9   | 21.3            |
| % ever reported earnings<br>while on Gen. Assistance | 37.0               | 35.6                        | 31.9              | 25.6           | 22.6   | 8.3             |
| % earning in March 1991                              | 16.8               | 11.6                        | 12.2              | 10.2           | 7.2    | 2.9             |

Source: MDSS Caseload Data. For county listings, see Appendix Table 3 footnotes

The three rural areas, on the other hand, appear to have caseloads with characteristics distinctly different from the semi-urban or urban areas. The most striking difference is in the age of the caseload. In most rural counties the youngest age group (16-25) constitutes approximately one-third of the caseload. One possible cause of this relatively high percentage of young recipients (recall that GA recipients have no dependent children) is that entry-level or first jobs after high school are more difficult to find in rural areas than in urban areas. Given our findings on the prevalence of service sector employment for GA recipients, it would be useful to further explore whether a dearth of service sector jobs in the rural areas has led to such a young rural GA population.

On the other hand, a relatively high percentage of rural recipients used General Assistance as a supplement to, rather than a substitute for, work. Comparing the rural and urban counties shows a much higher rural rate of reported earnings in the population draw month and for ever reporting earnings while on GA. Appendix Table 5 looks at the rural counties only and examines this behavior for different age groups. This illustrates the extent to which rural recipients combine work and welfare. Although the youngest recipients have a slightly higher propensity to be working in March of 1991, it is the oldest recipients who are far more likely to have combined work and welfare in the recent past. More than two out of

five rural recipients over the age of 40 have combined work and welfare. Thus, use of GA may have been more transitional and mixed with employment particular to conditions of rural labor markets.

**Appendix Table 5: Earning While on General Assistance  
in Rural Areas by Age Group**

| <b>Age Group</b>                                | <b>Upper Peninsula</b> | <b>Northern Rural<br/>(Lower P)</b> | <b>"Thumb" Region</b> |
|---|------------------------|-------------------------------------|-----------------------|
| <b>% Earning in March 1991</b>                  |                        |                                     |                       |
| 16-25   | 19.0                   | 11.9                                | 13.6                  |
| 26-40   | 16.3                   | 12.1                                | 11.1                  |
| 41-65   | 15.2                   | 11.0                                | 11.8                  |
| <b>% Ever Reported<br/>Earnings while on GA</b> |                        |                                     |                       |
| 16-25   | 29.1                   | 29.2                                | 25.4                  |
| 26-40   | 37.0                   | 34.5                                | 30.9                  |
| 41-65   | 44.5                   | 41.1                                | 40.0                  |

The caseload numbers and the regional comparisons of skills and opportunities suggest that the emphasis in our survey on other urban areas along with Detroit is critical. The rural areas of the state in general have proportionately fewer cases (relative to population), have generally lower poverty and unemployment rates, and the caseloads are younger, better educated, and have more work experience while on GA. Given that in our survey these factors enhance the probability of working after GA termination, these regional comparisons highlight the urgent need to focus on the plight of former recipients facing the state's urban economies. Indeed these are where the overwhelming majority of former recipients reside.

However, the distinct needs of the rural population should not be ignored when considering any new poverty reduction programs or policy changes. Rural public assistance needs and access to employment appear to be quite different from urban needs.



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FOR IMMEDIATE RELEASE  
April 26, 1993

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## Engler Releases Preliminary Status Report on Reform Plan: "To Strengthen Michigan Families"

Governor John Engler today released the preliminary status report on the progress of Michigan's welfare reform initiative, "To Strengthen Michigan Families."

The Governor spoke at a welfare reform conference sponsored by the National Governors' Association in Dearborn. He has been appointed by the NGA to a task force to work with the administration of President Clinton on welfare reform.

"I am greatly heartened by this initial progress — the strength of our families has a direct bearing on the overall social and economic strength of Michigan. That's why we've taken such bold steps to strengthen families in Michigan," the Governor added. "I'm confident that our efforts will be rewarded with success."

Most of the 21 initiatives of "To Strengthen Michigan Families" were implemented on October 1, 1992. The status report released today summarizes the progress to date.

Dr. Gerald Miller, director of the Department of Social Services, said, "I want to emphasize the fact that this is a preliminary report, and not a formal evaluation."

Michigan's 21 welfare reform initiatives are based on four fundamental values: encouraging employment, targeting support, increasing personal responsibility, and involving communities.

These are a few of the highlights from the report.

The EDGE program (Education Designed for Gainful Employment) combines literacy development with vocational training for AFDC recipients who have not completed high school. Of the 2,037 people enrolled from January through June of 1992, more than 66 percent have completed the program and 23 percent are now gainfully employed. Almost 3,000 students are now enrolled in EDGE in 53 school districts.

Michigan's concept of disregarding a sizeable portion of the earnings of AFDC recipients to encourage people to find jobs has already reaped benefits. Before October of last year, 15.7 percent (33,589) of the AFDC cases reported income from working. By March of this year, that number had already grown to 18.9 percent (42,657). It is too early to tell whether this increase is the result of the policy change, or if it is an outgrowth of the recent improvements in the state's unemployment rate.

-more-



**Welfare Reform**  
**Page 2**

One of the most significant recent changes has been in the number of disabled children who have been approved by the federal government to receive SSI (Supplemental Security Income).

Michigan began a concerted effort in 1992 to obtain this additional income for poor families as the result of a U.S. Supreme Court decision, *Zebley vs Sullivan*.

In early 1990, less than 900 children in Michigan were receiving SSI. According to estimates at the end of 1992, that number had grown to almost 4,500, an increase of over 400 percent!

Efforts to preserve families had been a goal of DSS even before last October, but this reform package increased that emphasis. Social workers and the probate courts work with families to resolve the problems which could otherwise lead to the removal of children from the home. Family preservation has involved initiatives such as Families First and family-based alternatives for delinquent youth.

For the past eleven consecutive months, the number of children in out-of-home placements due to abuse or neglect has decreased. In April 1992, the total was 11,310, and as of March 1993, it was down to 10,323 - a decrease of almost nine percent. Michigan had never before experienced even a two-month decline: the trend had been consistent increases.

An overall decrease has also occurred in the delinquency caseload over the same time period, from 3,026 children to 2,793 (7.6 percent). This has happened during a time when other states are reporting dramatic increases in out-of-home placements.

The philosophical centerpiece of Michigan's plan, and the concept which has drawn the most attention, is the "social contract" - the expectation that recipients of public assistance will become actively involved for at least 20 hours a week in self-improvement activities: employment, education/training activities, or community involvement such as volunteer service.

February was the second month of expected participation in the social contract. Reports were submitted by 58 percent of the initial group of people expected to participate. Almost 59 percent reported that they were participating to some degree: over three-fourths of them for at least 20 hours per week.

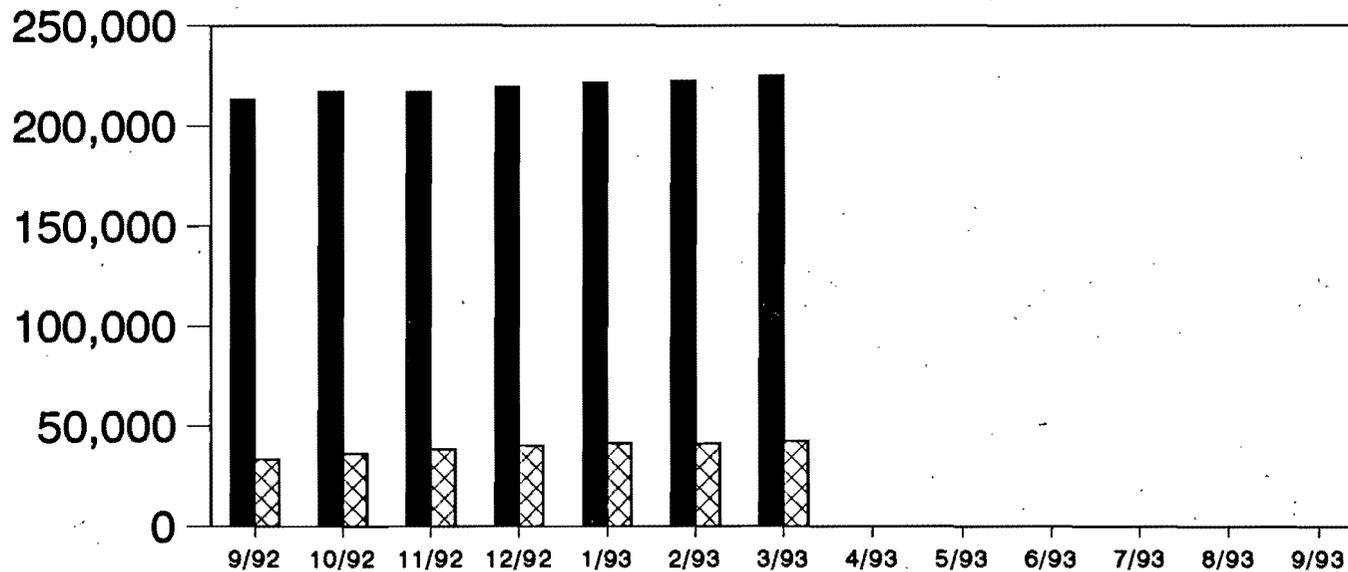
Miller said, "It is too early in the process to identify any trends. However, this preliminary data shows that recipients are becoming productively involved. In general, the reaction of recipients who have been exposed to the concept of the social contract has been overwhelmingly positive."

"To Strengthen Michigan Families" is a five-year project which will be fully evaluated by a private firm.

**MEDIA NOTE:** Attached is the "Preliminary Status Report" discussed in the release. Detailed information regarding "To Strengthen Michigan Families" can be obtained through the Department of Social Services. Call either Karen Smith or Chuck Peller at (517) 373-7394.

## AFDC Cases With Earned Income Average Amount of Earnings

Total Caseload 
  Cases W/Earned Income



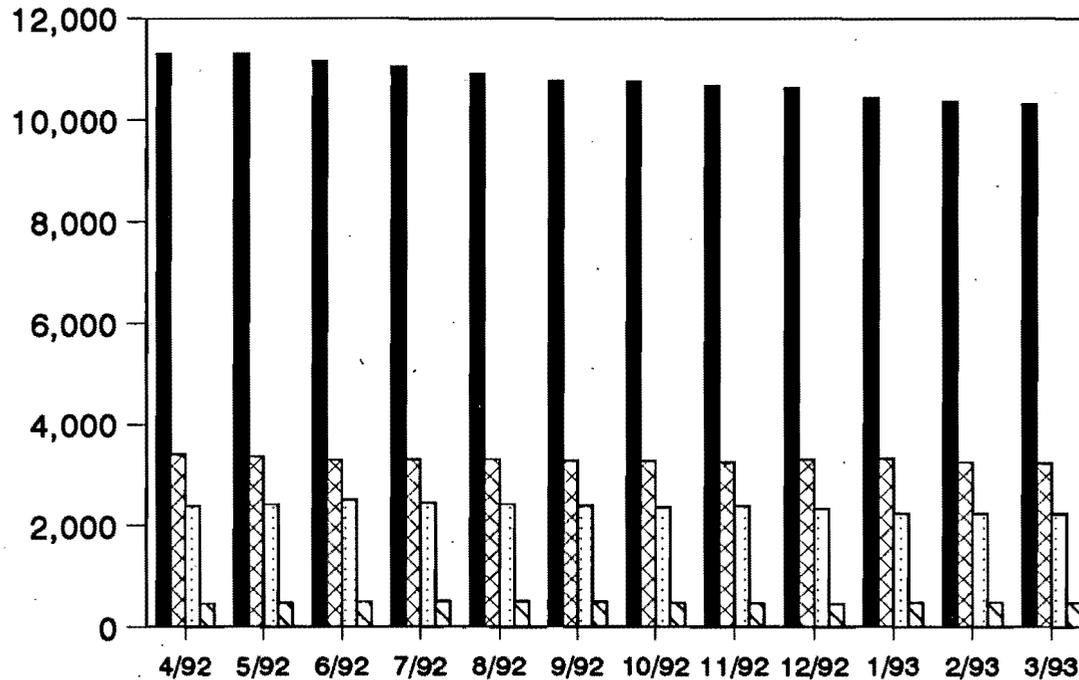
|                          |         |         |         |         |         |         |         |       |       |     |       |       |       |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|-------|-------|-----|-------|-------|-------|
| Total Caseload           | 213,320 | 217,056 | 217,150 | 219,979 | 221,770 | 222,981 | 225,319 |       |       |     |       |       |       |
| Cases W/Earned Income    | 33,589  | 36,399  | 38,613  | 40,402  | 41,551  | 41,402  | 42,657  |       |       |     |       |       |       |
| % W/Earned Income-Act    | 15.7%   | 16.6%   | 17.8%   | 18.4%   | 18.7%   | 18.6%   | 18.9%   |       |       |     |       |       |       |
| % W/Earned Income-Proj   | N/A     | 16.6%   | 16.8%   | 18%     | 17.8%   | 17.6%   | 17.3%   | 17.6% | 17.8% | 18% | 18.1% | 17.9% | 17.8% |
| Average Earnings         | \$ 396  | \$ 393  | \$ 427  | \$ 398  | \$ 422  | \$ 394  | \$ 384  |       |       |     |       |       |       |
| *Unemployment Rate-State | 8.8%    | 8.6%    | 7.9%    | 8%      | 7.1%    | 6.8%    | 6.3%    |       |       |     |       |       |       |

- Both the number and percent of cases with earned income has steadily increased from 9/92 to 3/93.  
Point-in-time data.

\* MESC data--seasonally adjusted.

## STATEWIDE ABUSE/NEGLECT CASELOAD

Out-of-Home Placements\*
  Relative Placements
  Own Home/Legal Guardian
  Other\*\*



|                         |        |        |        |        |        |        |        |        |        |        |        |        |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Out-of-Home Placements* | 11,310 | 11,308 | 11,180 | 11,072 | 10,924 | 10,797 | 10,773 | 10,695 | 10,638 | 10,455 | 10,373 | 10,323 |
| Relative Placements     | 3,415  | 3,372  | 3,302  | 3,311  | 3,317  | 3,284  | 3,284  | 3,249  | 3,313  | 3,327  | 3,252  | 3,236  |
| Own Home/Legal Guardian | 2,393  | 2,419  | 2,515  | 2,452  | 2,420  | 2,397  | 2,359  | 2,389  | 2,329  | 2,233  | 2,233  | 2,235  |
| Other**                 | 466    | 479    | 511    | 508    | 510    | 496    | 477    | 468    | 462    | 475    | 489    | 487    |

- The total abuse/neglect caseload decreased by 7.4% between 4/92 and 3/93 (17,584 vs. 16,281). During the same period, out-of-home placements decreased by 8.7% or 987, and own home/legal guardian placements decreased by 6.6% or 158.

\* Includes DSS foster home, private agency foster homes, DSS group homes, public shelter homes, residential care center, detention, jail, private institution, DSS training school, DSS camp, mental health facility, court treatment facility, out-of-state placement, Arbor Heights.

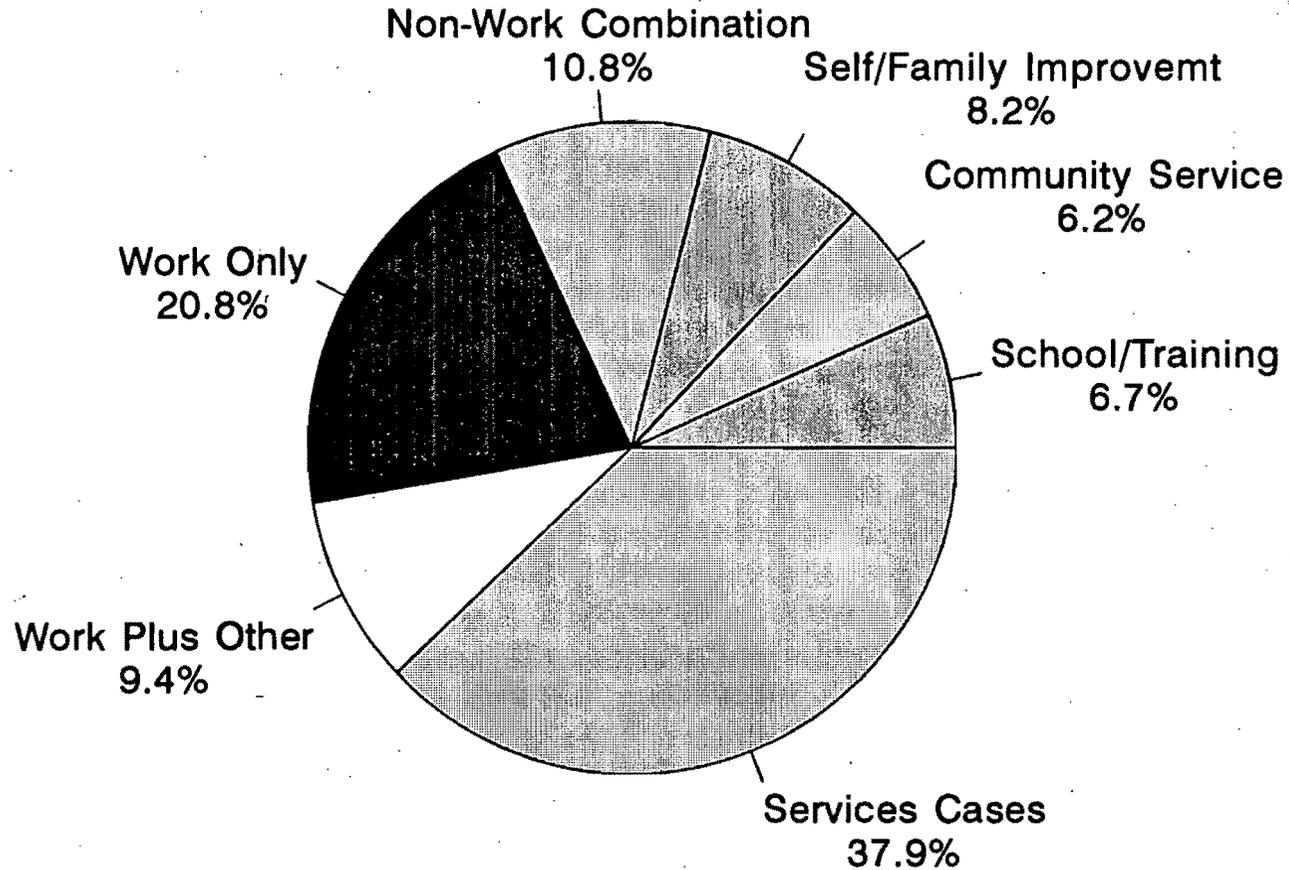
\*\* Includes Independent Living, boarding school, runaway service facility, AWOL.

[dt]ms/place

# SOCIAL CONTRACT PARTICIPATION BY TYPE OF ACTIVITY

For Those Participating 1 Or More Hours

## FEBRUARY, 1993 DATA



- 31.9% of participants were involved in self/family improvement, community service or training while 30.2% were involved in work/employment and 37.9% were services cases.

## To Strengthen Michigan Families

### Preliminary Status Report

April 1993

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The following highlights the preliminary data on "To Strengthen Michigan Families," Michigan's welfare reform program. It is not an evaluation, but a beginning indication of progress. The department will contract with a private firm to conduct a formal evaluation.

The following data has been assembled from many source documents and may differ from data displayed in various departmental publications. The final data measurements for all waiver items will be gathered, analyzed and displayed by the private evaluator.

*No conclusions have been, or should be, drawn from the data and its use is subject to careful interpretation.*

#### ***Direction 1: Expanding EDGE (Education Designed for Gainful Employment)***

**Expectation:** An increase in the number of participants successfully completing EDGE and gaining employment will occur.

**Outcome:** From January through June 1992, 2,037 individuals were enrolled in EDGE with 66.1% successfully completing the program. 23.1% of the graduates from the first EDGE classes were employed. There are currently 2,993 students enrolled in EDGE.

**Status:** The number of EDGE sites increased from 22 school districts in 1992 to 53 districts this fiscal year. The number of participants increased. Completion and outcome data for July through December 1992 will be available in August 1993.

#### ***Direction 2: Expanding Entrepreneurial Training***

**Expectation:** A greater number of Aid to Families with Dependent Children (AFDC) clients will participate in the employment training program. The program will be expanded beyond the City of Detroit to another site.

**Outcome:** The latest entrepreneurial session graduated 16 recipients. Including the 164 who had already graduated, the program has now trained 180 recipients. Currently 92 businesses are operating in the greater Detroit area.

**Status:** The program has been expanded to the City of Pontiac. This second site should be operational by early fall, 1993. Additional data will not be available for some time.

#### ***Direction 3: Eliminating the Work History Requirement***

**Expectation:** By eliminating the requirement that, in a two-parent family, one of the parents must have a recent work history for the family to be eligible for public assistance, families will be encouraged to remain together. It is anticipated that the AFDC-U (Unemployed Parent) caseload will increase.

**Outcome:** The AFDC-U caseload increased by over 8,000. The AFDC-U caseload went from 24,250 cases in September 1992 to 33,220 cases in March 1993. Over 4,600 of these cases were transferred from SFA (State Family Assistance).

**Status:** No long-term conclusions can be drawn from the increases at this time. However, because many families previously enrolled in the SFA program are now eligible for AFDC and Medicaid, the related costs of the 100% state funded SFA and SMP (State Medical Program) programs is saved.

#### ***Direction 4: Eliminating the 100 Hour Work Limitation***

**Expectation:** In a two-parent family, AFDC policy restricted the number of hours worked by one of the parents. If the parent worked more than 100 hours per month, the family could not receive AFDC. This change will encourage two-parent families to seek and increase hours of employment. The earnings of these families will increase over time.

**Outcome:** In October 1992, 8,300 AFDC-U cases reported earned income. In March 1993, 10,120 families reported earned income. The average earnings were \$461 per family in March.

**Status:** It is too early to tell whether the change in this eligibility factor will have a long- range impact on the caseload.

***Direction 5: Rewarding Earned Income***

**Expectation:** New income incentives will encourage recipients to seek and increase their hours of employment. The number of cases closed to excess income will increase over time.

**Outcome:** In September 1992, 33,589 (15.7%) families reported earned income. By March, the number had risen to 42,657 (18.9%). The average earnings in March were \$384 per family.

**Status:** The increase in earned income cases exceeds expectations. It is too early to tell whether it is a result of policy changes or the state's improved unemployment rate.

***Direction 6: Excluding the Earnings and Savings of Youth***

**Expectation:** More youth will become employed part time and save for their future.

**Outcome:** We have not compiled measurements for this direction at this time.

***Direction 7: Fostering Family Preservation***

**Expectation:** More families will stay together or be reunited through the efforts of our family preservation initiatives. The number of children in out-of-home placements will decrease. Families will be strengthened, the risk to health and/or safety will be removed, and children will be able to remain in their own homes. Where it is not possible for children to remain with, or return to, their families, parental rights will be terminated quickly and the children will be placed for adoption as soon as possible.

**Outcome:** For eleven consecutive months, the number of children in out-of-home placements as a result of child abuse or neglect has declined and the same general downward trend has been evident in the delinquency caseload. This is at a time when the majority of other states are seeing an escalation in out-of-home placements.

During 1992, the number of adoptions rose 27%. This was an increase of 66% in adoptions of black children, and a 29% increase in teen adoptions.

**Status:** It is too early to draw any conclusions from this data.

***Direction 8: Expanding Child Support Initiatives***

**Expectation:** Both the number of court orders and the amount of child support collected will increase.

**Outcome:** Of all the methods of collection available, only the percentage of support collections made through income withholding, has increased. One piece of legislation to pass and become law, to date, is the reporting of arrearages to credit bureaus. Additionally, over 80 pieces of legislation currently pending before the legislature which will provide the department with the additional tools necessary to increase collections. The remainder are needed to make this direction successful.

**Status:** In addition to the lack of statutory authority needed to accomplish this objective, recent changes in federal income withholding have resulted in decreased tax refunds which will have a negative effect on collections from the tax intercept system.

***Direction 9: Targeting the Children's Disability Initiative***

**Expectations:** Increase the income of AFDC families with disabled children by pursuing SSI (Supplemental Security Income) payment for the disabled child as a result of the Zebley vs. Sullivan U.S. Supreme Court decision.

**Outcome:** In March 1990, 890 children in AFDC families received SSI. And by the end of 1992, that number had increased to 4,485 children. (Numbers are estimated based on a sample).

**Status:** The trend is clearly in the right direction.

***Direction 10: Improving Children's Health through EPSDT***

**Expectations:** The number of eligible children screened by EPSDT will increase to 80% by 1995.

**Outcome:** To date the increase we anticipated has not occurred. However, the number of recipients now covered by managed care programs has increased by 38.73%. In April 1992 managed care was operational in 10 counties and expanded to 34 counties by April 1993. A recent contract change with HMO's holds them responsible for screening children covered by these programs. This frees public health departments to increase their screening priorities to children who are not HMO covered. The total number of children with access to EPSDT services should increase dramatically.

**Status:** In 1992, only 19% of eligible Medicaid children under 21 were screened.

***Direction 11: Maternal and Infant Support Services (MIS)***

**Expectations:** Provision of MIS services will help to reduce Michigan's infant mortality rate.

**Outcome:** This program expansion began in January 1993. No data is yet available.

***Direction 12: Developing a Child Care Strategy***

**Expectation:** The different child care programs will be combined and a unified payment system will be instituted. The number of families receiving assistance with child care will increase with the help of federal funds. Child-care rates will be increased and support for child development programs will also be expanded.

**Outcome:** A unified Child Care Services program combining four different day care programs was instituted in July, 1992. Child care for employed AFDC recipients remains outside this system and continues to be deducted from earned income. In FY '92, a monthly average of 14,184 families received day care assistance. In the first half of FY '93 alone, an average of 17,839 families received assistance each month.

Rates will be increased before the end of 1993. Five Head Start programs are being supplemented to full day programs.

**Status:** More families are receiving day care assistance.

***Direction 13: Helping Minor Parents on Assistance***

**Expectations:** Over time, the number of minor parents living outside their parents homes will decrease.

**Outcome:** To date there is no discernible pattern in the data available.

***Direction 14: Improving the Child Adoption Process***

**Expectation:** The number of adoptions in the state will increase and the length of time children wait for adoption will decrease.

**Outcome:** The majority of the adoption legislation is still pending before the legislature.

***Direction 15: Creating the Social Contract***

**Expectation:** Clients will be involved in productive activities for at least 20 hours each week.

**Outcome:** During February 1993, forty four percent of those expected to participate did so for at least 20 hours per week. An additional 15% participated between one and nineteen hours for a total of 59% participation.

**Status:** Preliminary data shows that clients are productively involved. It is too early to identify any trends or barriers to social contract performance.

***Direction 16: Implementing Higher Aims***

**Expectation:** School attendance of Kindergarten through fifth grade students will improve.

**Outcome:** Two bills are currently before the legislature.

**Status:** Without passage of legislation, we are unable to implement this direction.

***Direction 17: Focusing on Family Planning***

**Expectation:** Unplanned pregnancies will be reduced by educating the citizens of this state through two messages. The first is that abstinence is the best way to avoid unplanned pregnancy and venereal disease. Second, we must assure access to information about contraception.

**Outcome:** The Department of Public Health has the lead on this effort. A large media campaign on pregnancy avoidance is underway. DSS is seeking contracts in 18 high risk areas of the state to provide supportive services and counseling to pregnant teens and young parents.

**Status:** There is no measurement instrument for this direction at this time. The outcomes will be more long-range than short range.

***Direction 18: Enhancing Fraud Control***

**Expectation:** Fewer clients will commit fraud and the amount of money recouped as a result of fraud cases will increase.

**Outcome:** Through the addition of new staff in county offices and the Office of the Inspector General, much activity has occurred in this area. The amount recouped grew steadily from \$858,603 in December 1992 to \$1,443,247 in March 1993.

**Status:** Recoupments are up. Data is not yet available on the fraud component.

***Direction 19: Expanding Communities First***

**Expectation:** Services designed to meet the needs of the community as defined by the community will help families access services more productively and independently. The pilots being developed in Muskegon's Nelson Neighborhood, Benton Harbor, Highland Park and the Village of Capac in St. Clair County will be expanded by one more site.

**Outcome:** The original four pilot sites are proceeding in the planning stages with defined focal points of their community needs. A fifth site, Flint, has been added as a pilot and is being coordinated through the Flint Mayor's office and the Department of Public Health.

**Status:** A separate evaluation of Communities First pilots will be conducted. Results will be available annually.

***Direction 20: Developing Youth Education Alternatives***

**Expectation:** The state must provide for the education of all youth through age 18, especially youth who are expelled from school. The state will assure the availability of alternative educational opportunities; funding will follow the youth to the entity providing those services. Training school programs will become accredited and the Department of Education will participate in the funding of those educational programs.

**Outcome:** As determined by a statewide survey, the network of non-traditional education models in Michigan is strong. The Departments of Education and Social Services have developed a model that would target expelled students with a job training component.

**Status:** This objective is consistent with the work being done by the newly created Jobs Commission. The model will be pursued with the Jobs Commission.

***Direction 21: Increasing Housing Options***

**Expectation:** Housing resources will be targeted toward communities and neighborhoods that integrate housing with education, job training, and community-based efforts to increase their families' ability to be self-sufficient.

Success will be measured in the number of DSS clients who become productive through training, being hired or fulfilling their social contract expectation through housing rehabilitation.

**Outcome:** MSHDA and DSS jointly awarded \$1.5 million to six non-profit agencies for projects that involve acquisition and rehabilitation of existing housing and the construction of five single-family houses. All projects will use trainees for construction. Several projects will use DSS clients in non-construction areas also.

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# *To Strengthen Michigan Families*

A Special Message  
to the People of Michigan  
By Governor John Engler  
June 2, 1992

