

## **The Family Income Study and Washington's Welfare Population: A Comprehensive Review**

### **EXECUTIVE SUMMARY**

#### **A. Introduction**

The Family Income Study was created by Washington's legislature "... to determine the causes of public dependency and the impact of changes in the economy or of public programs on dependency, work, or other relevant behaviors..." The Study sought to understand the reasons why women went on assistance, and why some women stayed on assistance for longer—or shorter—periods of time. This monograph summarizes the Study's major findings, and comments on potential implications for welfare reform strategies.

The Study is based upon five annual surveys administered between 1988 and 1992. The great majority of assistance families were, and continue to be, headed by women—for the most part as single parents, but sometimes as partners in two-parent families. Thus, the Study and this report are focused on this group of female-headed households. The families in the survey were selected from all families on public assistance in Washington State in March 1988. The sample of women in households receiving public assistance, the primary sample, numbered 1,184.\* The comparison sample of 796 households included other families who, for the most part, were poor or near poor—the "at risk" population. Both samples are representative of the state.

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\* In addition to the sample of women, a small sample of men in public assistance families was drawn, numbering 134. Data on these 134 male respondents are not part of this report.

Prior to this Study, Washington policymakers had limited information on the state's welfare population—primarily, demographic descriptions of those enrolled at a particular point in time. Policy debates regarding welfare can be better informed by this Study's longitudinal data, which offer information on circumstances surrounding recipients' exits and entrances, and can compare them with "at-risk" individuals who do not use assistance. The Family Income Study permits an understanding of patterns of assistance use *over time*, as well as examining how use of assistance may be influenced by policy changes.

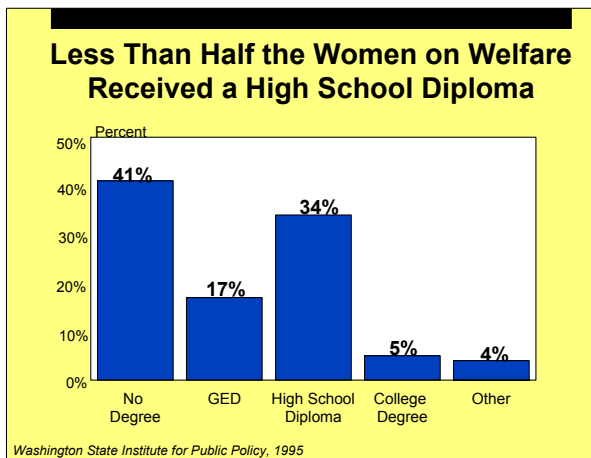
#### **A Portrait of Women on Assistance and Their Families**

The Study's description of typical women on assistance in Washington State was a surprise to many people because of the contrast with national patterns. Based on information from the 1988 survey:

- The median age of the women was 29 years.
- The median number of children in the household was two.
- About three-fourths of the assistance population was white.
- Just over half of the women, 52 percent, became mothers as teenagers.
- 14 percent were married and 42 percent lived in a household with another adult present.
- The youngest child was 3 or older in about 57% of the households.

- An infant (under 12 months) was present in 17 percent of households.

Recipients had a low level of educational attainment—58 percent of the sample did not complete high school, and nearly one-third of those, 17 percent, attained a GED.\* The median educational level was completion of the eleventh grade.



Just over 70 percent of the sample lived in western Washington—58 percent in metropolitan counties and 13 percent in non-metro counties. Twenty-nine (29) percent of the assistance sample lived in eastern Washington—17 percent in metropolitan and 12 percent in non-metro counties.

## **B. Employment Strongly Influences Welfare Use**

The Study found that most women on assistance were engaged in the labor force. Of women surveyed in the first two years, nearly three-fourths worked or looked for work within that period—41 percent reported they worked during the year covered in the first annual survey. Employment issues were significant in every phase of the recipient's decisions regarding going on and off assistance.

- Women cited joblessness as one of the direct causes of why they went onto assistance.
- Most who left assistance attributed it to employment.
- Women with recent work experience spent a shorter period of time on assistance.
- Women who were employed in the month prior to leaving assistance remained off assistance longer.

Most women on assistance reported that they were healthy, and did not have a disabling condition preventing employment. In addition, their children's health status was not a significant barrier to labor force participation.

### **1. Washington Recipients Are on Welfare About Half as Long as the National Average:**

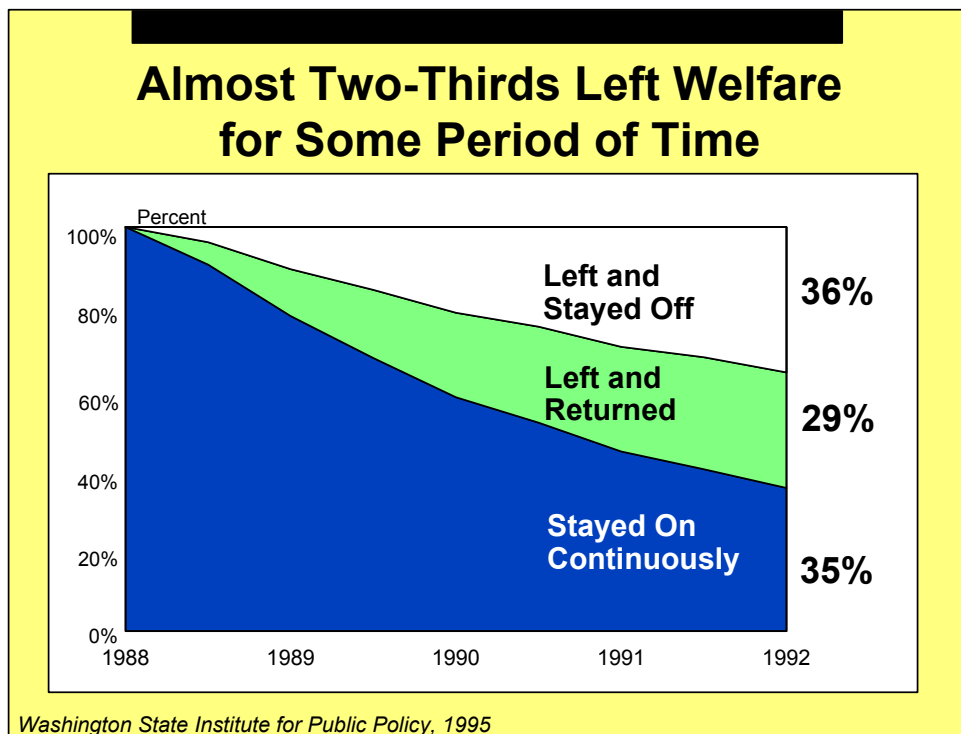
When national studies examined the length of the first observed enrollment on assistance, the median was about eight years. The Study found a duration of three years, less than half as long. This shorter spell in Washington was consistent with the Study's finding that state assistance recipients had a stronger link to the labor market than was found in national comparisons.

Another important comparison addresses the median time recipients spend on welfare,

\* General Educational Development test; a Certificate of Educational Competence is awarded.

including *all periods* on welfare. Because the Study collected only five years of data, this figure must be estimated. By relying on comparisons between the initially observed time on assistance, the median length of all periods on assistance in Washington is estimated to be six years—**half the national average of 11-12 years.**

For many recipients, exiting assistance is *more of a process* than a single event. About one-third of the recipients remained on assistance over the period of the Family Income Study. Just under one-third exited assistance, but did not stay off, and returned at some point. Just over one-third exited and did remain off assistance, at least during the period covered by the Study.



**2. Educational Level Has an Important Influence on Employment and Wages:**

The length of time on assistance and relative success in the labor market were related to the recipient’s educational level. In the public assistance sample, a white single female without a high school diploma had a 19 percent probability of being employed at a point in time. With a high school diploma, this probability rose to 31 percent.

The level of education also influenced the recipient’s wage rate. For those in the assistance sample who received assistance over a three-year period, women with a high school diploma earned 14 percent more per hour than women without the diploma.

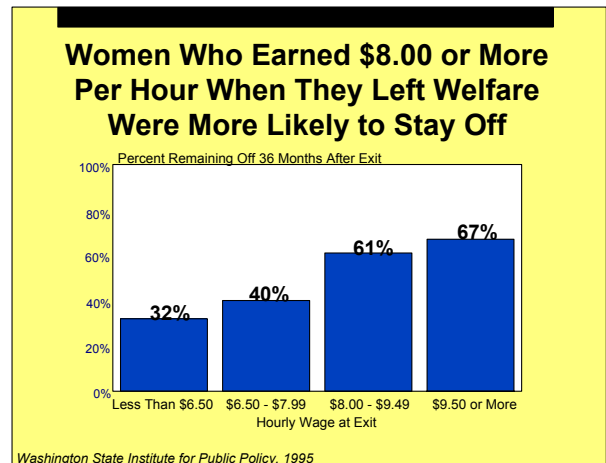
*No apparent difference emerged in the study between the employment profiles of those women on assistance without a high school credential and those with a GED, raising questions about the value of a General Educational Development certificate to the assistance population.*

Education can also contribute to wage gains, particularly for education acquired while the recipient is working. The Study found that women who completed a year of training or school, while working, experienced a wage gain of \$1.14 per hour. Women who were registered in an education program, but did not complete it, realized a smaller gain, of \$0.74 per hour.

**3. Wage Rates and Long-Term Exits From Welfare:**

Wage rates are particularly important in explaining sustained exits from assistance. Of those who exited assistance through employment at an (1994) hourly wage of \$9.50 or more, 67 percent remained off assistance 36 months later. For those earning in the range beginning at \$8.00, almost as high a percentage, 61 percent, were still off welfare 36 months later. Below this \$8.00 threshold, a substantial drop-off was observed in the recipient’s ability to maintain financial independence. For the range from \$6.50 to \$7.99, the percentage fell to 40 percent and under \$6.50, only 32 percent of recipients remained off welfare for as long as three years.

*Wage rates for recipients are not stagnant, and rise as recipients achieve more work experience and higher levels of education and training.*



The median wage increase (in 1994 dollars) for those working during at least parts of all five years of the study was \$2.73 per hour. The rate of wage growth was slightly higher over the first two years than subsequently; nonetheless, the wages continued to grow with years of

experience. Only 12 percent of the women in the assistance sample worked in five consecutive years (at least 3 months of work per year); thus, the degree of sustained employment which could produce wage gains at this level was not common.

### ***C. Characteristics That Did NOT Impact Work or Welfare Use***

Several recipient characteristics were found to have little or no impact on welfare use or work, including the following:

- **Health:** Most women on public assistance were in good health and did not have a disabling condition. Children in assistance households had about the same rate of common illnesses, 86 percent annually, as children in the comparison samples. When examining the effects of health on employment for women on assistance, only the "overnight hospitalization of the youngest child" contributed slightly to reducing the mother's work hours.
- **Child Care:** For most women on assistance, child care was not a major obstacle to working nor to self-sufficiency. Informal care,\* for children ages birth to 5, was used by 73 percent of public assistance households in 1988 and by 65 percent of the original public assistance sample who were still on assistance in 1991. Recipients were satisfied with their child care arrangements. An inability to arrange adequate child care, according to the 1988 survey, was cited by only 18 percent of recipients as their reason for *not* looking for work.
- **Children:** The number of children in the household did not affect women's employment—the same percentage of women with two, and even three, children worked as did women with one child. The percentage of recipients working did not decline until four or more children were in the family; only one-tenth of the sample had families with four or more children.
- **Race:** The labor market was equally accessible to both white and non-white recipients. In the public assistance sample, black women were more likely to be employed than white women and other non-white women were less likely to be employed. Minority women received higher wages than white women with similar levels of education and other relevant characteristics. No evidence was found that race or ethnicity served as a barrier to training opportunities. Further, race was not statistically significant as a characteristic which differentiated between those who were on assistance for short and long terms.
- **Location:** Wage rates received by recipients were equal in three areas of the state, while rates in the fourth area, non-metro eastern Washington, were significantly below the others. Access to training for the assistance population was similar between the metro and non-metro regions of western Washington. Residence in a non-metro county located on the east side of the state was the only area found to have limited access to training opportunities.

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\* Informal care is provided by a relative, a non-relative (for example, a neighbor), or a parent who works at home or cares for her child(ren) at work.

### ***D. Targeting for More Effective Public Programs***

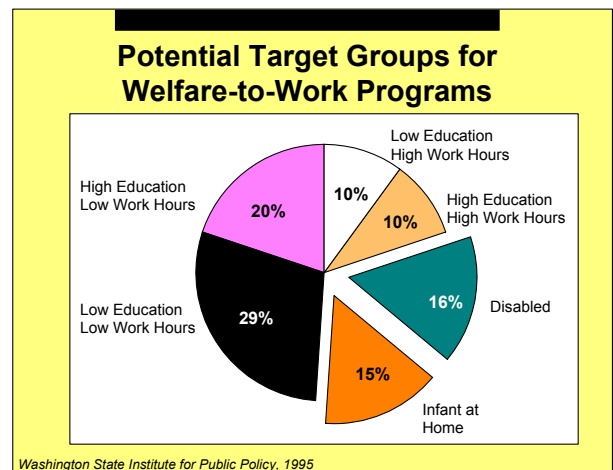
As discussed earlier, the Study revealed that the large majority of assistance recipients in Washington are attached to the labor force. Still, many have low levels of education and training and, thus, can obtain only low wage employment. Some policymakers conclude, therefore, that government intervention should offer training and educational opportunities so women can exit assistance and achieve self-sufficiency. Public resources, however, are not available to provide all recipients with high levels of education and training and to place them in appropriate work environments. One approach is to extract the greatest efficiency from government resources by strategically dividing education and training opportunities among the population.

The Study used survey information on education and training and combined this with findings on which characteristics increased the likelihood of successful exits. Potential target groups were then identified among the nearly 70 percent who neither regarded themselves as unable to work owing to a disability nor having an infant in the household. These four target groups were:

- The target group with the least need for services includes those with a *high educational level* (a high school diploma or more) and a *high level of work experience* (501 hours or more of work in a year). This 10 percent of the assistance population has a high potential to earn a sustaining wage. A modest program of job search assistance may be appropriate.
- A second target group, representing 20 percent of the assistance population, has a *high educational level*, but a *low*

*level of work experience*. Women in this group need a more intensive job search assistance program, together with vocational education, rather than a further investment in general education.

- A third target group has a *low educational level* (no diploma or only a GED), but a *high level of work experience*. This 10 percent appears to need a relatively intensive training or education program, and relatively modest job search assistance.
- The last group has a *low educational level* and a *low level of work experience*. This is the largest of the four groups, representing 29 percent of the assistance population. To move women from this group into employment, comprehensive programs that integrate education, training and employment may be necessary.



### **Two key qualifications apply to a targeting strategy:**

1. The approach applies to groups, and not to individuals. Some recipients in the intensive service category might, in fact, not require those services. Correspondingly, further education might be the best investment for some women whom targeting suggests should receive no



additional education. To be most efficient, targeting should be complemented by discretion introduced via case review or some other process.

2. Not all women are connected to the labor force, and a reform strategy will need to consider options to assist them and their families. Women at a distance from employment are about one-third of the assistance population. Included among this group are those who report a disability which prevents employment.

The Family Income Study points to the importance of collecting detailed information on educational background, skills and work history as part of the client intake, rather than concentrating exclusively on eligibility-related factors. This additional information should be a regular part of the agency's information system, and should be consulted in designing education, training and work experience programs, in assigning recipients to programs, and in linking recipients to employment possibilities in Washington State.

### **E. Study Findings and Welfare Reform Discussions**

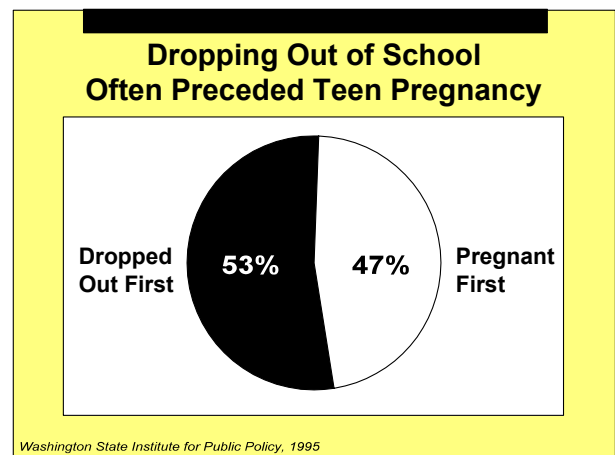
Discussions of various welfare reform proposals can benefit from what has been learned in the Family Income Study. These include the following:

- **Threshold Wage**—The threshold, as described in the Family Income Study, was the \$8.00 per hour wage which permitted half or more of the recipients to make a permanent or long-term exit from public assistance. Data from the Family Income Study can be used to help define a threshold in another way—for example, hours worked, earnings or gross income.

- **Reducing Teenage Pregnancy**—The Study clearly reveals the negative consequences of early childbirth on the mother's ability to succeed in the labor market. Of those recipients with low education and high work hours, nearly three-fourths became mothers as teenagers. Of those in the least employment-ready group, those with low education and low work hours, almost two-thirds became mothers as teenagers.

*Those who were teen mothers represented over half of the assistance sample (52 percent), and their low level of education and work experience required a disproportionately high level of services to equip them for the labor market.*

The Study found that many women had dropped out of school before becoming pregnant. Of those who dropped out of school and were teenage mothers, 53 percent dropped out before becoming pregnant for the first time. The median length of time between dropping out and later becoming pregnant was one year. Childbirth, thus, was not the first event of significance.



Public policy that encourages girls to remain in school through high school graduation and to postpone childbirth is a key component of welfare reform.

For teenage mothers, a carefully targeted program of education and work experience can increase the likelihood of successful exits.

Welfare reform strategies, thus, need to move outside the welfare agency and include the roles of schools and health agencies.

- **Labor Market Strategies**—A labor market strategy can succeed by making work more rewarding to recipients, and by reducing the risks of independence through programs such as transitional health care and food stamps. A labor market strategy will mesh well with the orientation demonstrated by most state recipients. The strategy must build upon the appropriate mix of education, training, work experience and support programs to increase the prospects of sustained economic independence.

▶ **A successful welfare-and-work program will include several key elements:**

✓ *Orient Recipients and Staff to the Same Goal.* Riverside, California's widely-cited GAIN program is one model for creating a commitment to a common purpose between staff and recipients. The program's principles are: "the program is mandatory, the focus is on work, and clients are placed in jobs."

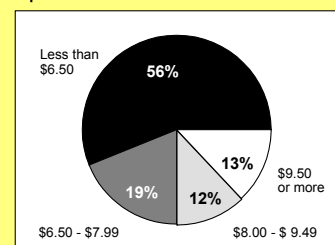
✓ *Link With Federal Programs.* The federal Family Support Act, implemented in this state in 1990, provides one year of transitional health care and child care benefits to women who leave welfare through employment. The federal Earned Income Tax Credit currently provides up to a 40 percent boost in

earnings for the working poor with children. Both of these programs can contribute to raising earnings that are below poverty-level to a higher disposable income, and perhaps an above poverty-level income.

✓ *Connect Education With Work.* Recipients may start work at a low wage level. An effective strategy will support recipients' efforts to boost their earnings. Education or training, together with work, produces a more rapid increase in wages.

✓ *Low Wages Are a Starting Point.* Most assistance recipients who exit assistance through employment report low wages—\$6.50 per hour or under. Most who exit at this low wage will return to assistance. Wages rise with more work experience and with education and training. A strategy which assists recipients in acquiring appropriate education, and in sustaining their commitment to employment, will increase the likelihood of successful exits from assistance, thereby reducing the duration of assistance use.

**Most Women Who Left Welfare for Employment Earned Less than \$8.00 Per Hour at Exit**



Washington State Institute for Public Policy, 1995



✓ *Recognize the "33 Percent" Challenge.* The strategy must consider the one-third of the caseload which was not linked, or only distantly linked, to the labor market. Perhaps some of these women can respond to a labor market strategy while others will not. An understanding of the characteristics of these women and their families will be important in developing an effective, and appropriate, strategy.

✓ *Set Mandatory Conditions.* According to a recent report from the U.S. General Accounting Office, successful demonstration projects and other state welfare reforms have mandatory components. The nature of the reform should guide the nature of the mandatory activities. The focus for some will be work and, for others, training. For still others, parenting may be the priority until the youngest child reaches a certain defined age.

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issues affecting the dependent or at-risk populations. These issues include: employment, teenage pregnancy and health, and importantly, training and education. The low educational level of many recipients, and the risk of long-term dependency for those who are poorly educated and lacking in work experience, underlines the importance of basic education and of education in the context of employment for those with an insufficient work history.

The Family Income Study indicates that progress on the widely accepted goals of improving the welfare population's success in the labor market and reducing dependency requires the cooperation and commitment of state agencies, schools, employers, the broader community, and the recipients themselves. This report, in highlighting the work orientation of Washington's dependent population and their limited time on welfare, shows that in this state a foundation exists for progress toward these important goals.

## ***F. Concluding Observations***

A decade ago, very little research was available on Washington's assistance population and program. With the Family Income Study and the Family Independence Program, however, Washington has gained a considerable understanding of its recipient population, as well as concrete knowledge about implementing reform in this complex area. The state's decision-makers can benefit greatly from this body of information.

Results from the Family Income Study suggest that reforming welfare is not just a welfare issue, but instead is a series of