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ABSTRACT

In 1997, the Transitional Employment Assistance (TEA) program was established in Arkansas as the state's version of welfare reform. Although there has been a 44 percent decrease in TEA cash assistance since the program's inception, questions continue regarding the impact of welfare reform on families with children. This report highlights some of the major findings from recent evaluations of the program. Seventy-five percent of families leaving TEA faced at least one major barrier to employment, with transportation and child care reported as the biggest barriers. The more barriers families faced after leaving TEA, the less likely they were to be employed. Although nearly 70 percent of families worked during at least one of the four quarters after leaving TEA, most did not have continual employment. Of those working, 71 percent reported full-time employment. Although most families earned low wages after leaving the TEA program, the 18 percent of families reporting continuous employment during 2 years had increases in their wages over that period. Nearly 75 percent of families leaving TEA still earned below the federal poverty line. About 56 percent of former adult TEA recipients and 19 percent of the children lack health insurance. Economic hardships were reported as not substantially different from those reported while receiving TEA assistance, with lack of utilities and health care reported as the most common hardships. Enrollment in support services such as food stamps declined after leaving TEA. The Arkansas TEA program compared favorably to those of other states. (KB)

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# SPECIAL REPORT

# THE ECONOMIC IMPACT OF WELFARE REFORM ON ARKANSAS FAMILIES

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Arkansas Advocates
for Children & Families

August 2001

*Funding provided by the Annie E. Casey Foundation under its national Kids Count project.*

Arkansas kids count

## Key Findings:

- Many TEA families face multiple barriers, such as lack of child care or transportation, that makes finding and maintaining employment problematic.
- Families leaving welfare who are able to stay employed continuously see major increases in their earnings over times.
- Many families leaving welfare continue to face severe economic hardships.

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# Welfare Reform in Arkansas: The Economic Impact on Families

Welfare reform is now 4 years old in Arkansas. In April 1997, the Arkansas General Assembly passed legislation establishing the Transitional Employment Assistance (TEA) program, the state's version of welfare reform. The TEA program was passed in response to 1996 federal legislation that created the Temporary Assistance to Needy Families (TANF) block grant program and gave the states much more flexibility in designing their own welfare reform program. The Arkansas TEA program officially began in July 1997.

At first glance, the TEA program appears to be a success. Since the program's implementation in 1997, the TEA cash assistance caseload has fallen by 44 percent. But ...

- Does the level of caseload decline really tell the whole story of what is happening to families who leave the TEA program?

- What has been the real impact of welfare reform on Arkansas' families with children, many of whom are among the poorest families in the state?
- How are they faring economically?
- How many families left TEA because of employment and are still working?
- How much are they earning?
- Are families earning enough to meet the basic needs of their children -- health care, child care, food, housing and utilities -- without assistance from government or private charities?
- Are they still facing economic hardships?
- In cases where they don't, are they receiving the supportive services they need -- such as food or health care assistance -- to help meet those needs?

These are just some of the important questions that have not received the attention they deserve from the Arkansas media or policy-makers. For the sake of the state's low-income families, especially the children in such families, these issues deserve our ongoing attention.

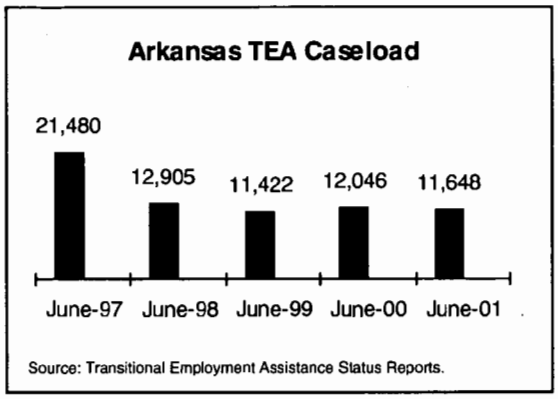
The good news is that Arkansas has the data to shed light on these critical questions. As part of legislation adopted in 1997 and 1999, the Arkansas Legislature mandated an ongoing independent evaluation of the TEA program. The law requires a survey of families leaving the TEA program. A major focus of the survey is to track the well-being of children and families who have left the program.

Berkeley Policy Associates (BPA) has been the independent evaluator since the requirement was established in 1997. BPA has issued numerous reports that have not been widely distributed to policy-makers and have received little public attention. This is surprising, especially given the amount of data the reports contain on how families and children are faring once they leave the TEA program. (Note: The State TEA Board recently selected the Hudson Insitute as the new evaluator for the TEA program.)

The purpose of this report is not to evaluate the Arkansas TEA program or critique the program's effectiveness. Rather it is to highlight some of the major findings from recent BPA reports and other sources and shed light on how families and their children are faring economically once they leave the TEA program. The goal is to increase awareness among the media, state policymakers and the public about the economic well-being of former TEA families and their efforts to achieve long-term economic self-sufficiency.

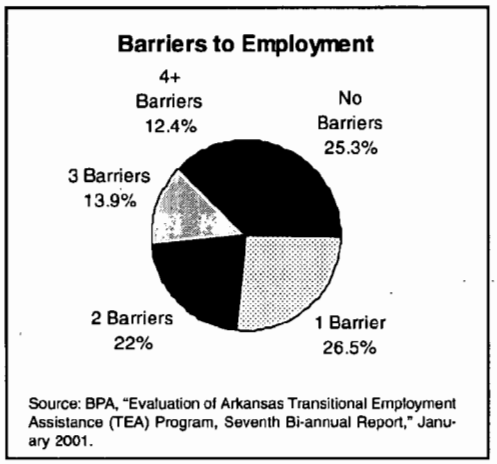
# The Arkansas TEA Caseload is Declining, But ...

The Arkansas TEA program officially began in July 1997. The cash assistance caseload has decreased from 21,480 in June 1997 (the month before the program began) to 11,648 in June 2001, a decline of more than 46 percent. Much of this decline took place between June 1997 and June 1998 -- a decline of 39 percent. The caseload has remained relatively stable since that time.




# Families Face Barriers to Employment When They Leave TEA

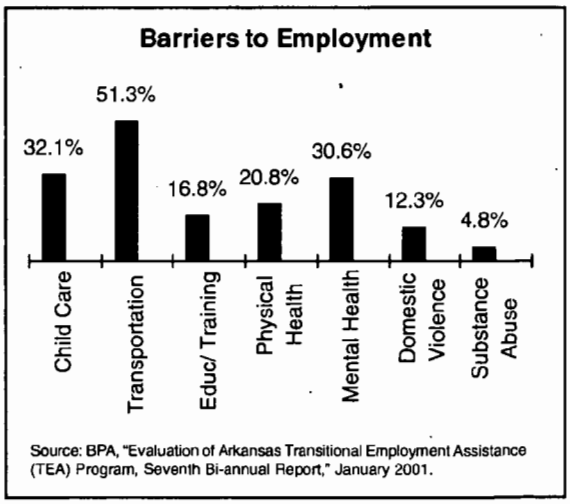
TEA families often face major barriers -- such as lack of access to child care or transportation -- in their efforts to find work and stay employed. Three out of four families leaving TEA face at least one major barrier to employment. In fact, many families face more than barrier. According to data from the TEA program's independent evaluator, only one-fourth of families report having no barriers; 26 percent report only one barrier; 22 percent face two barriers; and over 26 percent face three or more barriers.




# Transportation and Child Care are Biggest Barriers

Lack of transportation is the most common barrier to employment for former families. According to a recent survey of former TEA families, more than half of those responding report this as the major barrier to employment. Lack of child care is the second most common barrier, reported by nearly a third of families. Mental health/emotional stress is the third most common barrier, at 30 percent.

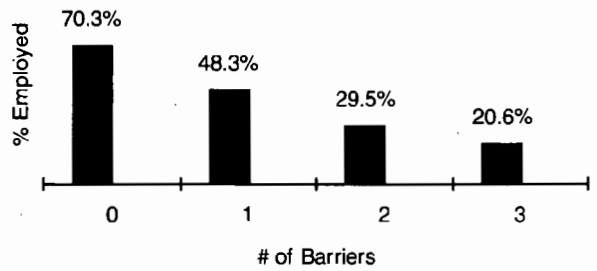
Substance abuse and domestic violence are reported as less significant barriers. **It should be noted, however, that problems such as substance abuse and domestic violence tend to be under-reported in surveys.**



# The Number of Barriers Impacts Employment Success

The more barriers families face after leaving TEA, the less likely they are to be employed. According to a survey of former TEA families, those families facing no barriers are very likely to be employed (70% of those with no barriers are employed), while families facing three or more barriers are not likely to be employed (20%). Even the presence of one barrier significantly reduces the likelihood a family will be employed (less than half of these families are employed).

**Employment Rate by Number of Barriers Faced by Former TEA Families**




Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program, Seventh Bi-annual Report," January 2001.

# Finding and Maintaining Employment is Problematic

Finding and maintaining employment after leaving TEA is essential to a family's ability to achieve short- and long-term economic self-sufficiency. According to a survey of former TEA clients, about 52 percent reported they were working at the time the survey was conducted. About 82 percent said they had worked in some job at some point since their exit from the program. Seventy-three percent were working in a "regular" job (part- or full-time) at some point since leaving TEA.

Data from the Unemployment Insurance (UI) database confirm the survey's findings. According to UI, **nearly 31 percent of adults do not work during the first year after leaving TEA.** While nearly 70 percent of families work in at least one of the four quarters after leaving TEA, most do not have continual employment. *Only 40 percent* work in every quarter during their first year after leaving welfare.

**Employment Status After Leaving TEA**

| Employment Status | At Any Time Since TEA Exit | At Time of Survey |
|---|---|---|
| Worked in any job | 82% | 51.7% |
| Worked in a regular job | 73.3% | 45.9% |
| Worked in an occasional job | 18.6% | 6.3% |
| No employment | 18% | 48.3% |

Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program, Survey of Former TEA Recipients," October 2000.

**Employment During First Year after TEA**
**UI Records of 1st Quarter 1999 Leavers**

| # of Quarters Employed | # of Observations | Percentage |
|---|---|---|
| 0 | 548 | 30.9 |
| 1 | 131 | 7.4 |
| 2 | 186 | 10.5 |
| 3 | 197 | 11.1 |
| 4 | 711 | 40 |

Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program, Seventh Bi-annual Report," January 2001.

# Of Those Working, Most Have Full-time Jobs

Many former TEA recipients have difficulty finding and maintaining employment. However, of those working, most (71%) have full-time employment, at least. Another bright spot: Of those working, most report working an average of 37 hours a week.

*If the misery of the poor be caused not by the laws of nature but by our institutions, great is our sin.*

-- Charles Darwin

## Wages Are Low for Former TEA Families

While the value of work should not be underestimated, it is important to note that most families earn low wages after leaving the TEA program. Twenty-five percent of former TEA clients earn less than $5.26 and hour.

**Hourly Pay of Primary Job Among Former Recipients**
**Survey of Former TEA Clients**

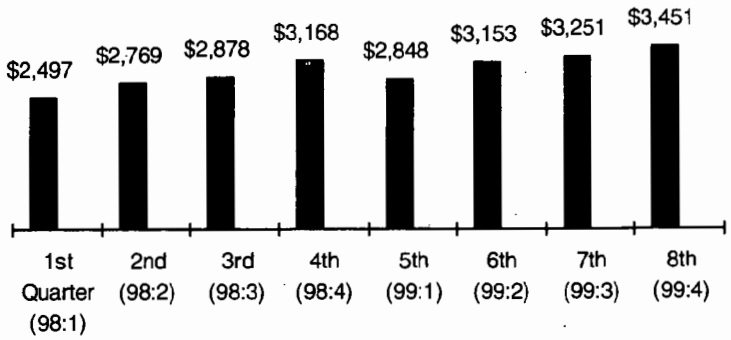
| Cumulative Distribution of Respondents | Hourly Wage |
|---|---|
| 25% of residents earn | $5.26 or less per hour |
| 50% earn | $6.47 or less per hour |
| 75% earn | $8 or less per hour |
| 90% earn | $10.18 or less per hour |
| Average Hourly Rate | $7.05 |

Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program, Seventh Bi-annual Report," January 2001.

## The Good News: Earnings Increase with Continuous Employment

The earnings of former TEA recipients increase over time if they are able to maintain continous employment. The quarterly earnings of one group of former TEA recipients leaving the program at the end of 1997 gradually increased from $2,497 in the first quarter after leaving the TEA program to $3,451 in the eighth quarter (end of two years). Eighteen percent of those who left the program had continuous employment for two years.

**Average Quarterly Earnings for Families Who Left TEA October-December 1997**
**With 2-year Continuous Employment**




Source: BPA, "Evaluation of Arkansas' Transitional Employment Assistance Program, Sixth Bi-annual Report," August 2000.

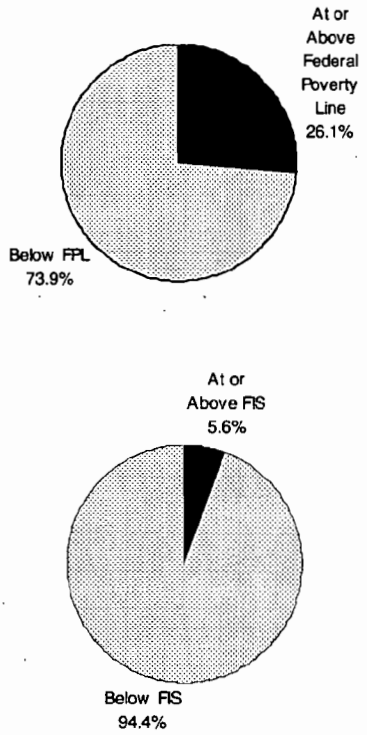
# Most Families Still Earn Less than Required to Provide Basic Needs

After one year of leaving the TEA program, nearly three-quarters of families still earn below the federal poverty line (now $14,630 for a family of three).

Many experts and advocates, however, believe that families cannot meet their basic needs on an income equal to the federal poverty line without government assistance. If the incomes of TEA recipients are compared to what it really takes for a family to make it, the income picture for TEA families is even bleaker.

For this reason, Arkansas Advocates for Children & Families developed the Family Income Standard (FIS). The FIS is the amount of income it takes for a family to meet all of their basic daily living expenses (i.e., child care, health care, food, housing and utilities, etc.) without assistance from government or private charities. In 1999, the FIS for a family of three (one adult, two children) was $24,833. Nearly 95 percent of former TEA recipients have a household income below the Arkansas FIS.

**Income Status of TEA Recipients Who Left Program January-March 1999**

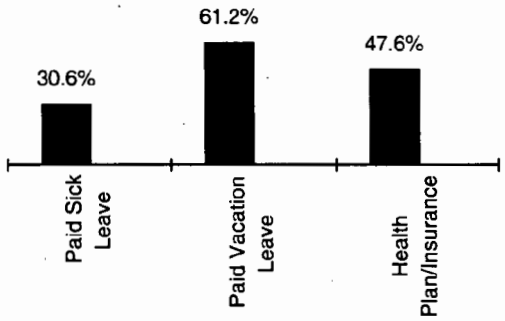



Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program, Seventh Bi-annual Report," January 2001.

# Many Employers Don't Offer Health Insurance

Consistent with national trends for all workers, many former TEA recipients work in jobs that do not offer a health plan or insurance (almost 52%) or paid sick leave (69%).

**Benefits Provided by Employers**




Note: Table is based on respondents who were working at a regular job and not self-employed at the time of survey. Information is for primary job.

Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program: Survey of Former TEA Recipients," October 2000.

# TEA Adults and Children may be Without Health Insurance

More than 56 percent of former adult TEA recipients do not have health insurance of any kind. For those that do have coverage, Medicaid is the most common type of health care coverage received.

Despite the significant progress the state has made in expanding health care coverage for children through initiatives such as ARKids First, far too many of the children in former TEA families have no health care coverage. According to the BPA survey of former TEA families, nearly one-fifth of the families reported no coverage for their children. It should be noted, however, that the health care coverage reported for children in former TEA families is very similar to uninsured estimates reported for the state's child population as a whole.

**Health Insurance Coverage of Former TEA Adults**

| Health Insurance Coverage | Percentage |
|---|---|
| No health insurance | 56.3 |
| Covered by health insurance | 43.7 |
| Type of health plan, if covered | |
| Medicaid | 29.5 |
| Health insurance through own employer | 11.1 |
| Covered by family member's plan | 2.7 |
| Health insurance purchased by self | 2.1 |
| Other health insurance | 0.9 |

Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program: Survey of Former TEA Recipients," October 2000.

**Health Insurance Coverage of TEA Children**

| Health Insurance Coverage | Percentage |
|---|---|
| No health insurance | 19.3 |
| Covered by health insurance | 80.7 |
| Type of health plan, if covered | |
| Medicaid | 66.2 |
| ARKids First | 5.7 |
| Insurance through parent's employer | 8 |
| Other health insurance | 4 |

Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program: Survey of Former TEA Recipients," October 2000.

# Families Face Economic Hardships After Leaving TEA

Income is only one measure of how families are faring economically once they leave the TEA program. Another is the extent to which families are able to meet their basic needs or experience economic hardships because of low incomes or the lack of supportive services. As part of their welfare leavers survey, BPA asked families whether they experienced any of the following economic hardships while on TEA or after leaving TEA:

- Electricity, gas or water turned off for not paying the bill
- Evicted for not being able to pay rent
- Stayed in a homeless shelter
- Had a child stay with someone else because of financial reasons
- Family did not get needed medical care because of rent
- Received meals or food from a charity.

According to BPA's analysis, hardships among TEA-leavers "are somewhat lower, but not substantially different than the on-TEA rate." Fifty-eight percent of post-TEA families experienced no economic hardships after leaving TEA, compared to 52 percent of the families who did so while on TEA.

The percentage of former TEA clients facing more than one hardship was roughly similar to that faced by TEA clients. Twenty-two percent experienced two or more hardships (compared to 20% of those who did so while on TEA).

**Hardships Experienced by TEA Clients Who Left Program January - March 1999**

| Number of Hardships | While on TEA | After Leaving TEA |
|---|---|---|
| 0 | 51.7% | 58.2% |
| 1 | 28.5% | 20.3% |
| 2 | 13.2% | 13% |
| 3 | 4.8% | 5.2% |
| 4 or more | 1.8% | 3.3% |
| # of Observations | 333 | 330 |

Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program, Seventh Bi-annaul Report," January 2001.

These findings raise the question: Are we doing enough to support families while they transition from welfare to work?

# No Utilities and Health Care are Most Common Hardships

Families who leavs TEA are less likely to experience hardships in some ways, but more likely to experience hardships in other ways. Post-TEA families are less likely to have:

1. had a utility turned off for not paying a bill than families currently on TEA;
2. received meals or food from a shelter, food kitchen, pantry, or church; and
3. had their child stay with someone else for financial reasons.

In contrast, post-TEA families are more likely to have been evicted for not paying rent. In what is perhaps the most significant finding, post-TEA families were much more likely to *not* have received needed medical care because of cost.

**Survey Respondents Who Experienced Hardships**

| Hardship | On TEA | Post-TEA | Never |
|---|---|---|---|
| Utility disconnected for not paying bill | 24% | 22.8% | 64% |
| Received meals or food from shelter, pantry, church, kitchen | 24.1% | 18.4% | 71.4% |
| Family did not get needed medical care because of cost | 12% | 21.4% | 75.9% |
| Child stayed with someone else for financial reasons | 7.5% | 6.6% | 89.5% |
| Evicted for not paying rent | 4.5% | 6.9% | 90.4% |
| Stayed in homeless shelter | 4.5% | 1.8% | 94.3% |

Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program, Seventh Bi-annual Report," January 2001.

# Enrollment in Support Services Declines After Leaving TEA

Enrollment in critical supportive services such as Food Stamps and Medicaid declines the longer a family stays off TEA. For adults who were enrolled in both Food Stamps and Medicaid prior to leaving, 6.8 percent were not participating in either program one month after leaving TEA. This increases to 38 percent 18 months after leaving TEA.

For children, nearly 6 percent were not enrolled in either program one month after leaving TEA, increasing to nearly one-fourth of children 18 months after leaving TEA. The non-participation rates in Medicaid/ARKids First for children were especially surprising. Enrollment in Medicaid/ARKids First was 70.5 percent in the first month following exit from TEA, decreasing to 58 percent after 18 months.

Despite these troubling numbers, Arkansas appears to compare favorably to other states. According to BPA, Arkansas' "enrollment rates in the Food Stamp Program and Medicaid among TEA leavers are comparable to those observed in other states and nationwide. ... In fact, Arkansas's enrollment rates in both of these programs are at the high end of the ranges observed in other states."

It should also be noted that increases in earnings may be partially responsible for the decline in enrollment. TEA-leavers that did not participate in either Medicaid or Food Stamps had monthly earnings almost twice as high as participants ($1,440 vs. $747) and were much less likely to be below the poverty line (46% vs. 90%).

**Post-TEA Enrollment in Support Services Among Recipients Who Left January -March 1999**

| | ADULTS | | | CHILDREN | | |
|---|---|---|---|---|---|---|
| Month After Exit | Food Stamps | Medicaid | Neither | Food Stamps | Medicaid | Neither |
| 1 | 78.9 | 66.5 | 6.8 | 80.7 | 70.5 | 5.9 |
| 4 | 68 | 54.6 | 19.1 | 70.3 | 61.9 | 15.6 |
| 6 | 60.1 | 46.9 | 26.8 | 60.9 | 56.1 | 23.6 |
| 8 | 56.5 | 46.5 | 29.6 | 58.3 | 57.5 | 24.9 |
| 12 | 54.6 | 40.6 | 32.6 | 56.6 | 54.2 | 27 |
| 18 | 49.5 | 37 | 38.4 | 50.1 | 54.3 | 32.4 |

Note: Number of observations is 1,092 for adults and 1,743 for children. Enrollments are calculated for adult leavers for whom the receipt of both Food Stamps and Medicaid is absorved in the last month prior to TEA exit. Table only includes those who remained off the program for 18 months or longer.

Source: BPA, "Evaluation of Arkansas Transitional Employment Assistance (TEA) Program, Seventh Bi-annual Report," January 2001.

# Former TEA Clients Are Not Utilizing Income-Supports

In addition to Food Stamps and Medicaid, another income support for families making the transition from welfare to work is the federal income tax credit (EITC). The EITC can be claimed on a low-income family's federal tax return. It can increase a family's income by up to 40 percent (for those receiving the maximum credit). Only 63 percent of former TEA families claimed the EITC. Many families eligible for the EITC did not claim it. This finding is consistent with a 1999 study by Arkansas Advocates for Children & Families that found only 73 percent of all eligible Arkansas families (TANF and non-TANF) took advantage of the EITC. DHS has reported it has taken steps to increase awareness of the EITC among their clients, including a mailing of EITC information to more than 100,000 TEA, former TEA, Food Stamp and Medicaid households.

# Arkansas' Program Compares Favorably to Other States

How does Arkansas' TEA program compare to other states? Pretty well. In December of 2000, Arkansas received over $2.8 million in High Performance Bonus money from the federal government for its 1999 performance and improvement (compared to 1998) in helping families make the transition from welfare to work.

Arkansas was among the best states in 1999 in getting clients off the TEA caseload into jobs (job entry). It also compared very well in helping families stay employed once they left the TEA caseload for employment (retention). The state still has a long way to go in improving the low earnings of families leaving TEA for work (earning gain). While Arkansas ranked 13th in the country in its improvement, from 1998 to 1999, in increasing the earnings of those who stay employed, the state still ranks only 38th in the earnings gains made by TEA families who leave welfare for work and stay employed.

**State's Rankings on Indicators for High Performance Bonus, FY 2000**

| | 1999 Performance | Improvement over 1998 |
|---|---|---|
| Job entry | 2nd | 1st |
| Workforce success* | 22nd | 8th |
| Retention | 16th | 14th |
| Earnings gain | 38th | 13th |

* "Workforce success" is a composite measure combining performance on retention and earnings gain. Bonuses were awarded to the Top 10 states that performed the best on job entry and workforce success in 1999 and to the Top 10 states that improved the most on these indicators from 1998 to 1999.

Source: Web site, U.S. Department of Health and Human Services Office of Family Assistance.

*For more information, contact Rich Huddleston, research director, Arkansas Advocates for Children & Families, richhudd@swbell.net or 501/ 371-9678.*

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## What Should be Our Standard of Success?

The Arkansas TEA program is only 4 years old. It will be years before we know whether the program is successful and the extent to which it is having lasting impacts on the lives of families leaving welfare. Data from the early evaluation reports, however, provide important, if only preliminary insights, into how families are faring economically soon after leaving the TEA program.

The good news is that, relative to other states, Arkansas appears to be doing a better job of placing TEA families into jobs. Moreover, TEA families who are able to find work and remain employed are likely to see their earnings rise over time. Far too many families who would seem likely to be income eligible for Food Stamps and Medicaid are no longer receiving those benefits less than a year after leaving the program. Arkansas, however, is performing no worse, and is probably performing better, than most states in those areas.

While some of the news about former TEA families is good, we can do better -- much better. Too many of the families leaving the TEA program cannot find work or stay employed. Of those who are employed, most earn wages below the poverty line or the FIS. Too many families and their children continue to face the same economic hardships they faced when they were on TEA. Granted, success will not occur overnight. It will take time for families to make the transition from welfare to work and move up the ladder to economic self-sufficiency. These families must have access to, and benefit from, supportive services that economically support them and their children. Moreover, while a work-first strategy makes sense in terms of reducing the TEA caseload and improving the short-term earnings of families who have left the TEA program, it may not be enough to improve their long-term earnings. We must do more to ensure that TEA families have access to, and participate in, education and training opportunities that help build their skills and increase their long-term prospects of moving up the employment ladder into jobs that allow them to achieve economic self-sufficiency and give their children hope for their future.

Many of the families still on the TEA program (or who will be on the TEA program) are likely to have significant and multiple barriers, such as a lack of child care and transportation, or suffer from a mental or learning disability, substance abuse or domestic violence. These families will likely require specialized assessments and attention if they are to make the successful transition from welfare to work. Some may have barriers so severe that they may never make that transition. These families must have access to critical support services -- such as food and health care -- so they can meet the basic living needs of their children.

Arkansas kids count

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