

# SEVEN YEARS OF WELFARE REFORM –

### Weighing the Results

*A Summary of Research Findings on the Minnesota Family Investment Program (MFIP)*

**Major challenges face Minnesota's low-income families, policy-makers, and all Minnesotans as we aim to help welfare parents support their families through work.**

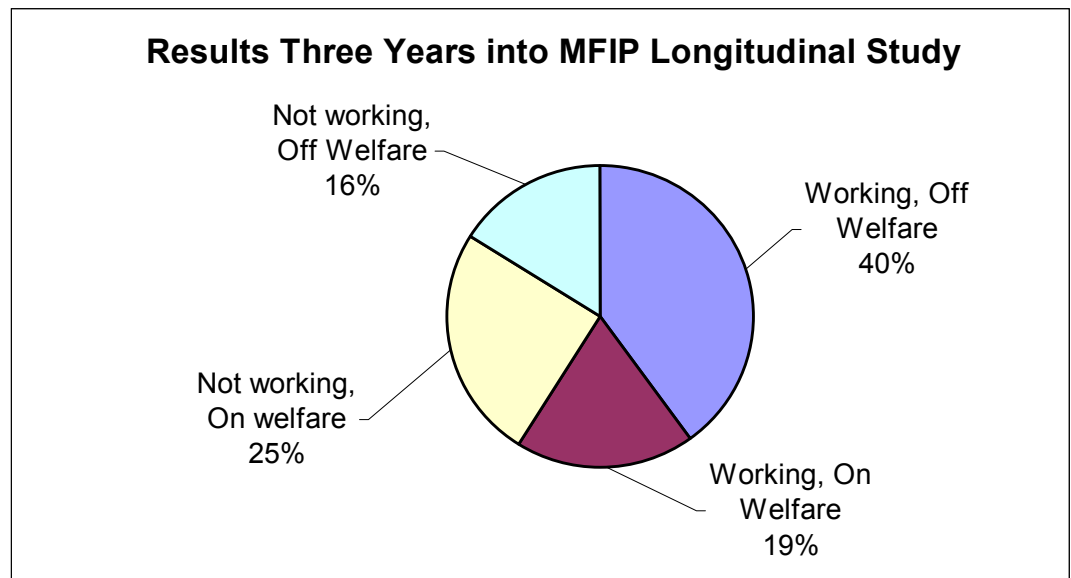
In the seven years since Minnesota's version of federal welfare reform took effect statewide, more than 50 research studies have looked at one central question from many different angles:

#### **How well has Minnesota's welfare-to-work system succeeded?**

By emphasizing employment and time limits on cash assistance, the Minnesota Family Investment Program (MFIP) has shown considerable success at moving many poor parents – primarily single mothers – into jobs and helping them raise their incomes modestly above the federal poverty guideline. Most families leave MFIP initially within 12 to 18 months. The state's welfare caseload fell nearly 19 percent between 1997 and 2003.

More than half of MFIP recipients are successful within one year, as measured by the state's "Self-support Index," and 70 percent are successful three years later. The "Self-support Index" counts welfare participants as successful if they are working 30 or more hours per week or are no longer receiving MFIP cash assistance.

Three years into the state's longitudinal study that tracks a large sample of welfare families for five years, 40 percent of recipients were working and off MFIP, while another 19 percent were working but earning little enough to still qualify for some cash assistance.



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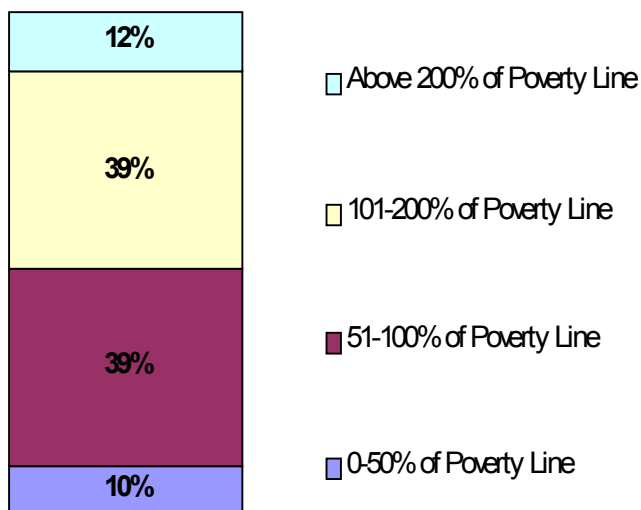
*In partnership with the Welfare Reform Research and Evaluation Roundtable*

*With generous support from The Minneapolis Foundation*

# SEVEN YEARS OF WELFARE REFORM

On average, this most successful 40 percent of families were living at 1.7 times the federal poverty guideline. And 12 percent had family income of at least twice the federal poverty level, an important milestone for financial stability. (In 2004, the federal poverty guideline for a family of three was \$15,670; 170 percent equaled \$26,639 for a three-person family. Eligibility for MFIP cash benefits phases out at 115 percent of the federal poverty guideline, or \$18,020 for a three-person family.)

**Average Income Relative to Federal Poverty Guideline -  
Three Years into MFIP Longitudinal Study**



On the other hand, most of the jobs offer low wages, few benefits, part-time hours and little opportunity for wage growth. Due to MFIP's work emphasis, education and training opportunities that might help workers raise their skills and income are extremely limited. As a result, despite extensive work, many families who leave MFIP continue to rely on government programs for food support, health care, child care and other essentials. About one-third of families return to MFIP after a crisis or for more help in finding or keeping a job.

Important questions remain to be answered. We know very little from Minnesota research about how parent-focused welfare-to-work efforts affect children, or about what policies might be effective to discourage teenage pregnancy and encourage or sustain marriage among low-income adults.

Major challenges face Minnesota's low-income families, policy-makers, and all Minnesotans as we aim to help welfare parents support their families through work.

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Across several settings and using diverse methodologies, the research studies reviewed for this report generally found that:

**1. MFIP has been *most successful* in helping suburban or rural parents who have more education, few personal challenges, older children, better access to reliable transportation, and other strengths.**

Not surprisingly, the fewer barriers— adverse circumstances or conditions — an MFIP participant faces, the easier it is to find work and earn enough to leave welfare. The most successful group of families, those able to leave the program due to employment, had the fewest serious personal or family challenges, on average. These challenges include transportation problems, health conditions that prevent or interfere with work, depression, involvement with child protective services, or caring for a child with special needs.

# Weighing the Results - A Summary of Research Findings on MFIP

Several studies corroborate that those leaving MFIP for work were more likely to have completed high school, more likely to be living with the other parent of the household, and less likely to have young children. A study conducted in Hennepin County found that residential stability was strongly related to employment. In other words, the fewer residences a participant lived in, the more months they were likely to have worked. This strong relationship between housing stability and employment success had also been found in the MFIP field trials.

**2. Although MFIP is helping many parents to find work, the jobs tend to offer low wages, few benefits, little opportunity for wage growth, and/or only part-time work.**

A recurrent finding in Minnesota studies is that the transition from “welfare poor” to “working poor” often makes little difference in a family’s financial stability. Working families, regardless of whether they still receive cash assistance from MFIP, often remain at or near poverty. Nearly one in five of the longitudinal study’s “working leavers” still lived at or below the poverty guideline.

One reason is that Minnesota adults who leave welfare for work are concentrated in low-wage industries and have little wage growth, even with significant years of work experience. Studies also consistently show other, related problems for families that have succeeded on MFIP’s work and exit measures - especially gaps in health care coverage, unstable housing, unreliable transportation, and difficulty finding and paying for child care.

For example, 30 percent of long-term MFIP recipients were uninsured when they left the state’s public assistance program. And transportation was found over and over again to be a major problem for current and former MFIP recipients alike. Low wages make it difficult to buy reliable cars, and lack of reliable transportation makes it hard to find and retain jobs - especially in rural areas.

**3. MFIP has been *least successful* in helping parents who have significant health impairments, learning disabilities or low IQ, or children with significant health impairments to find jobs and leave MFIP.**

As families with fewer barriers and brighter prospects leave welfare, the adults who continue to participate in MFIP tend to have a diverse and daunting array of barriers to finding or keeping a job. In the state’s longitudinal study, 19 percent of recipients were unemployed during the entire third year of the study—one indicator of a population with multiple, persistent barriers to self-sufficiency: serious mental and physical health problems, learning disability, or low IQ; and some have children with serious health problems.

State analysts have stressed that the work emphasis of welfare reform makes it imperative to identify and treat serious work barriers as soon as possible. But many counties and communities that serve the hard-to-employ lack the resources – developmental disability, rehabilitation, mental health and child welfare systems – to address the complex barriers of participants who need more intensive and specialized help.

A range of studies show that MFIP recipients with multiple, serious work barriers are less likely to find jobs, more likely to lose cash assistance because of sanctions for program noncompliance, and more likely to exhaust their 60 months of eligibility for federal cash assistance than families with few barriers. Most of these families are living in deep poverty: State researchers found that participants who were on MFIP and not working after three years were living on average at 68 percent of the federal poverty guideline. The studies make clear that this group, whose employment status hasn’t changed significantly despite MFIP’s incentives and penalties, has the greatest need and poses the greatest challenges for the state’s welfare-to-work system and policymakers.

=====**Reform**=====

=====**Welfare**=====

=====**Work**=====

## *A Summary of Research Findings on MFIP*

**The roundtable report highlights successful strategies for addressing these challenges, including:**

⇒ Temporary, subsidized jobs in closely supervised and supportive settings for people with serious employment barriers. Such transitional jobs have proven effective at helping participants find unsubsidized jobs in the private sector.

⇒ Help in short-term crises for people with relatively few employment barriers, including more intense casework and generous cash benefits to resolve the crisis.

⇒ Business loans to child-care providers and co-locating Head Start programs and child care centers to improve the supply and convenience of child-care slots for working parents.

⇒ Projects that help individuals buy and maintain cars. Access to a reliable car is a key predictor for successful exit from welfare.

#### **4. American Indian and African American welfare participants do not succeed as well in MFIP as immigrant or other racial groups.**

African American and American Indian participants fare worse than other racial/ethnic or immigrant groups on MFIP's main performance measure, the Self-support Index. Furthermore, African American and American Indian participants receive a disproportionate number of financial penalties and are more likely than other groups to lose MFIP benefits due to time limits.

Focus group studies conducted with participants and welfare providers from several communities of color found evidence that participants in these communities have higher levels of employment barriers and are more likely to experience discrimination in the labor market. Minority MFIP recipients also described rude and demeaning treatment and asserted that job counselors withheld information and resources that could help them.

Recommendations from these studies ranged from early and more intensive assessment of barriers to employment to decreased worker caseloads and improvements in the cultural competency and racial composition of welfare and employment services personnel.

## *Conclusion*

In summary, this review of more than 50 studies demonstrates that over the past seven years, Minnesota has made substantial progress toward the goals set by state policymakers—moving low-income families from welfare to work, reducing poverty through increased earnings and work supports, and preventing long-term dependence on welfare as a primary source of family support.

But the studies also show that much difficult work remains. Moving adults with limited skills and multiple barriers into immediate and sustained employment is perhaps the biggest challenge facing Minnesota's welfare-to-work efforts. Research suggests a need for additional time and targeted resources, as was provided through LIGSS grants. However, findings from projects targeted at the hard-to-employ suggest that some MFIP recipients' disabilities are so severe that these adults are unlikely to succeed at unsubsidized employment and might be better served through SSI, rehabilitation services or sheltered workshops, or through reasonable accommodations called for by the Americans with Disabilities Act.

In addition, these studies demonstrate that the prevalence of low-wage, part-time jobs for MFIP recipients means that many working families face ongoing challenges finding stable and affordable housing, transportation, health care and child care. Unfortunately, for a variety of reasons, many workers are not accessing critical work supports such as health care and child care.

MFIP does not operate in isolation from other market forces that impact the day-to-day lives of parents seeking to support their families through work. The most plentiful job openings are in industries with low-wages, meaning that families must struggle to provide for their basic needs and often require help from an array of work support programs.

Many important questions about the long-term effects of welfare reform remain to be answered. At the time of this synthesis, very little Minnesota research has examined how parent-focused welfare-to-work efforts affect children in areas such as health, education attainment, and interaction with child protection services.