

**AFDC TURNOVER AND PROGRAM
PARTICIPATION IN TEXAS**

**Statement before the Special Interim Committee
to Study Workfare, The Texas Senate**

by

**Dr. Christopher T. King
Center for the Study of Human Resources
The University of Texas at Austin**

**Deanna T. Schexnayder
Bureau of Business Research
The University of Texas at Austin**

November 19, 1987

The relationship between work and welfare is a very "hot" issue right now. It is hot nationally with both the House and the Senate considering legislation to reform the existing welfare system and the various employment and training components. Virtually all of the public interest groups and a host of researchers have become involved in this welfare reform debate. There is also considerable debate and enormous creativity in the nation's statehouses, with initiatives ranging from Massachusetts' ET Choices and California's GAIN programs to Washington State's Family Independence Program which constitutes nearly a complete secession from the regular Aid to Families with Dependent Children (AFDC) program. Texas has been a very late entry into this arena, but it is very encouraging to see this effort on the part of the Texas Senate. We applaud your work.

In our presentation, we will be covering two main topics. First, we will discuss preliminary findings from our research on turnover among caretakers in the Texas AFDC system. We will present results on AFDC spells, spell length and overall duration based upon a relatively complete, longitudinal data file. Second, we will provide limited findings on the degree to which Texas AFDC caretakers have participated in programs available to assist them in becoming self sufficient. More extensive programmatic results will be available this Spring, and we would be happy to come back before the Committee at a later time to discuss them in detail.

Our research has enjoyed the support of the the a number of state agencies -- especially the Texas Department of Human Services, and also the Texas Employment Commission, and the Texas Department of Community Affairs -- as well as the LBJ School of Public Affairs and the Bureau of Business Research of The University of Texas at Austin. The views expressed in this presentation are our own. They do not represent those of the agencies or the University.

BACKGROUND

As in many other Southern states, the AFDC program in Texas operates as a single-parent system. It had a 1986 Need Standard of \$574 per month (for a family of three), but a Payment Standard of only \$184 per month for that family, levels established every other year by the Texas Legislature. While the Need Standard represents about 75 percent of poverty, the actual Payment Standard meets less than one-quarter of that family's needs as measured by official U.S. poverty statistics. Even with Food Stamps, for which all AFDC caretakers qualify and most receive, the combined AFDC/Food Stamp total for this family leaves it below one-half of the poverty line, compared to more than three-quarters of poverty for the nation as a whole. Average AFDC benefit expenditures for this family of three in Texas for 1986 were \$174 per month (ranking 47th out of all states), compared to about \$334 per month for the U.S. Nationally, 4.1 percent of the population receives AFDC, while the figure for Texas is under 2.5 percent.

To study the effect of various factors -- including personal characteristics, external economic conditions, program participation and prior AFDC receipt -- on welfare duration in Texas, we obtained administrative records from the state agencies for: adults receiving AFDC, participants in the Job Training Partnership Act (JTPA), adult AFDC recipients receiving labor exchange services from the Texas Employment Commission (TEC), and wages earned by AFDC recipients as reported in Unemployment Insurance Wage Records files (UI Wages).

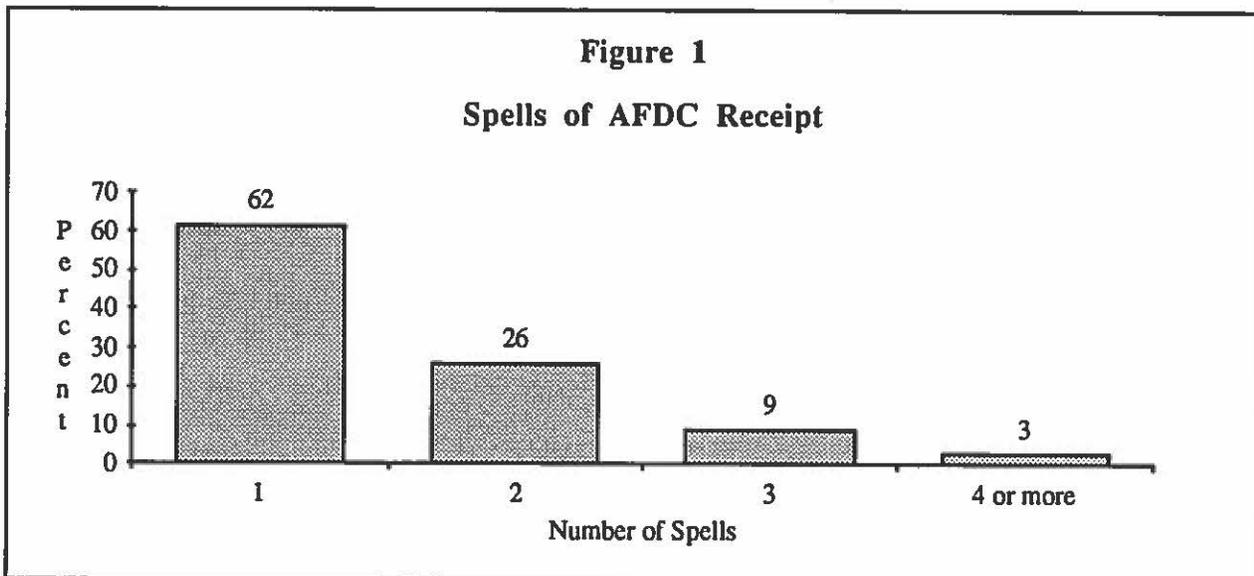
Generally, a woman will be more likely to begin to receive welfare if she is unmarried and the potential earnings of any possible mates are relatively low, her own employment prospects and potential compensation (including key fringe benefits, such as dependent health insurance) is low, and the value of her possible welfare benefit package (AFDC, Medicaid, Food Stamps, Housing Allowances, etc.) is high. Because of the low level of AFDC benefits in Texas, the prime attraction of welfare is more likely to be the array of other benefits which accompany it, such as Medicaid, and Food Stamps, rather than the benefit payments *per se*. On the one hand, the very low AFDC needs and payment standards will make a woman accepting even low-paying, part-time jobs ineligible; on the other hand, the nature of the employment opportunities facing women on welfare -- typically low-wage, no-benefit jobs in high-turnover service and sales occupations -- will tend to result in repeat spells of receipt.

SPELLS ON WELFARE IN TEXAS

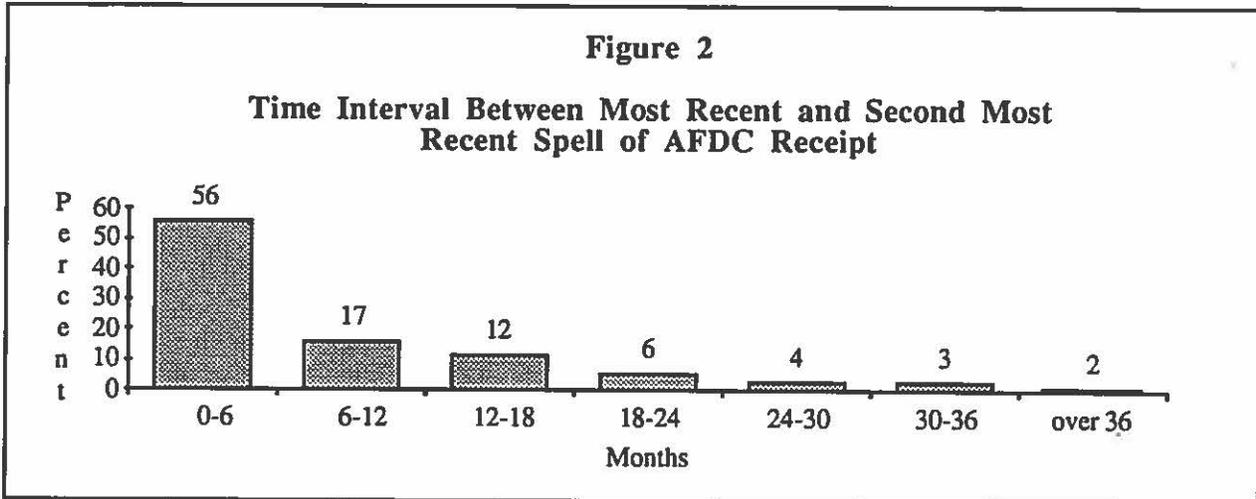
The national research on welfare turnover offers expectations concerning spells of welfare receipt. First, roughly two in five previous recipients will have a repeat spell of welfare. Second, the probability of having a repeat spell is associated with a number of demographic and other factors. Factors associated with a higher probability of repeat spells are: race (black); disability; urban residence; low levels of education; age of mother; age and number of children; marital status (never married); and short first spells of receipt. The literature typically identifies residence in a Southern state as a factor associated with being temporary recipients of welfare (i.e., 1-2 years of receipt) and with having higher probabilities of leaving welfare.

Numbers of Spells.

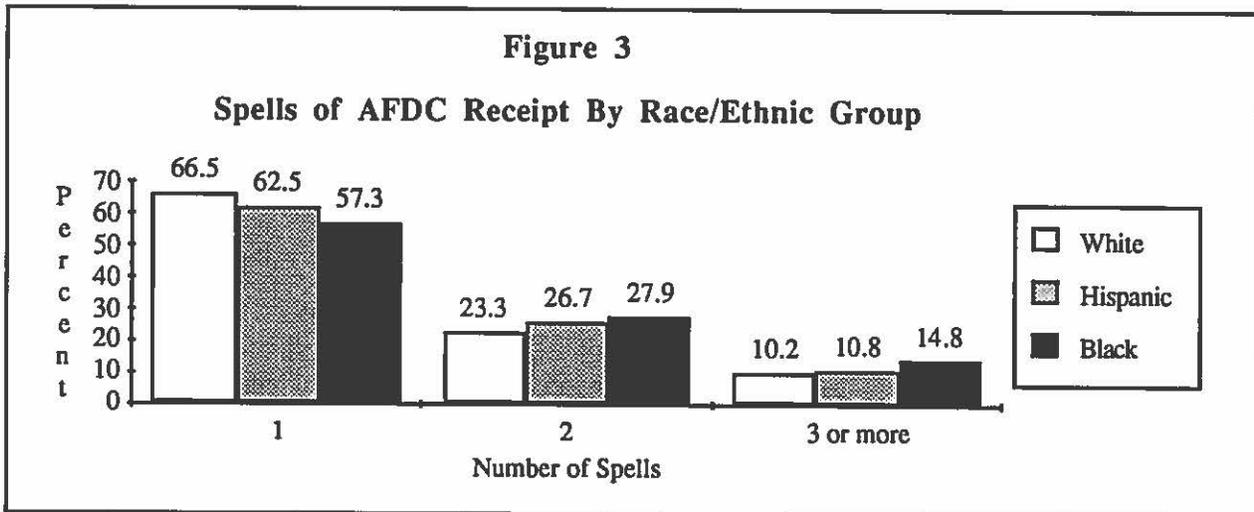
Nearly 62 percent of the Texas sample had only one spell of AFDC receipt, meaning either a completed or continuing spell (Figure 1). Of the 38 percent who had repeat spells, roughly two-thirds had only 2 spells and another one-quarter had 3 spells.



It is also interesting to examine briefly the periods between spells -- the periods of non-receipt -- for those with repeat spells. As Figure 2 shows, for those individuals with at least 2 recorded spells of welfare receipt, the majority (57 percent) were back on welfare within six months, three-quarters within a year and more than 91 percent returned within 2 years.



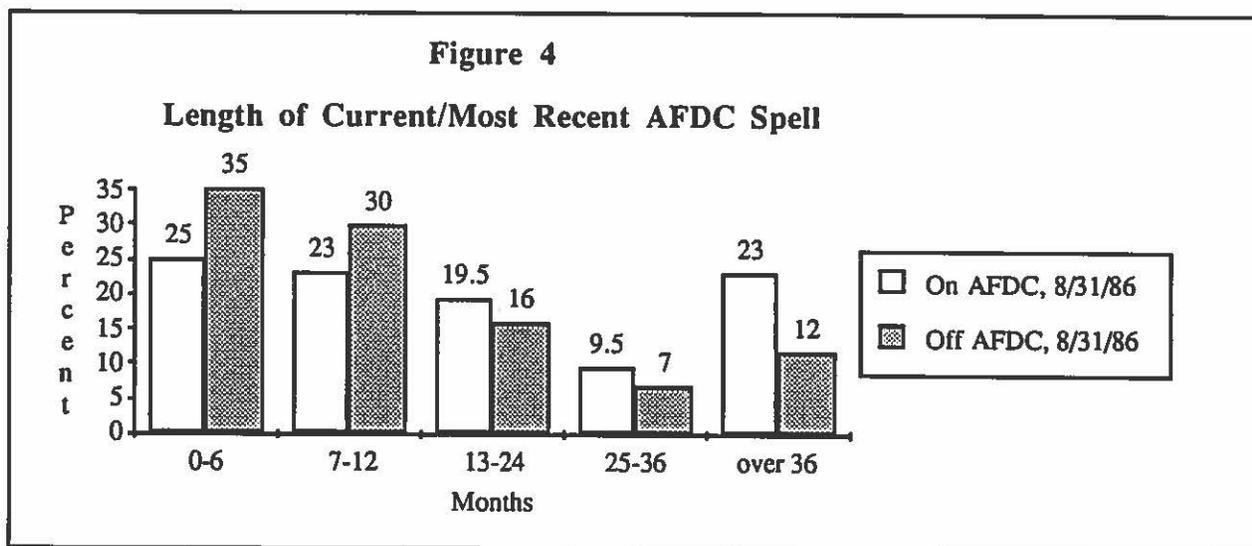
As can be seen from Figure 3 below which presents spells by race/ethnicity, whites are more likely to have only one spell (66 percent), while blacks are more likely to have multiple spells of AFDC receipt than the entire sample. In fact, about 15 percent of blacks will have 3 or more spells, compared to only 10 percent of whites and 11 percent of Hispanics.



Current Spell Length.

It is instructive to examine the length of the most current spell of AFDC receipt as well as the number of spells, distinguishing between those who are still on welfare and those who are off (i.e., those who have completed their most recent spell). Just looking at those still on welfare would suggest that nearly 48 percent have spells less than 1 year in length, and about 23 percent have current spells of 3 or more years (Figure 4). The average (mean) stay for those still on AFDC was just under 1.4 years. However, the distribution of completed spells is quite different: 64 percent had spells of less than a year, and only about 12 percent had spells of 3 or more years. This difference can be characterized in two ways. On the one hand, the actual pattern of welfare spells for those who have left the welfare rolls is in the direction of much shorter stays than would be apparent from the reported data. On the other hand, it can also be said that those who are currently on welfare are clearly in the midst of much longer stays.

The patterns of welfare spells and spell length by race/ethnicity and placement status are noteworthy. Taken together, the pattern of spells and single-spell length by race/ethnicity suggests that white AFDC recipients tend to have fewer and shorter spells of receipt than non-whites. Further, it appears that blacks have both more spells and a tendency to longer stays. Hispanics present a pattern somewhat in between that of whites and blacks. Blacks and Hispanics are nearly three times as likely as whites to have completed spells of 3 or more years.



The other interesting pattern is that by placement status. For those who have completed their most recent spell on AFDC, there appears to be no real difference in length of stay between those who were and those who were not recorded as placed according to DHS records.¹ Similar spell stays were also found for those recorded as placed or not placed from any program. That is, the length of a given stay on welfare does not appear to differ whether a recipient is placed or not (from whatever program), but more of those who are placed seem to have repeat spells. It should

¹DHS placement records do not necessarily include 'self-placements', those placements achieved by individuals through their own efforts.

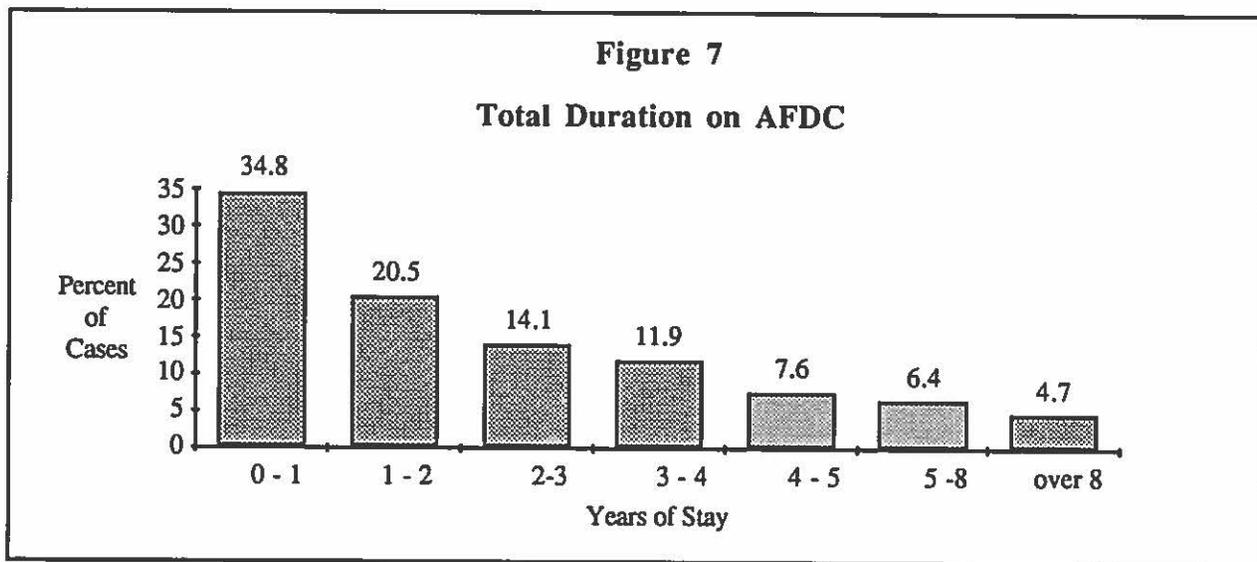
be noted that the programs now being offered by DHS are quite different from those in operation during the period covered in this analysis. Important differences reflected in the new Employment Services Program (ESP) strategy include improved targeting and enhanced services.

TOTAL AFDC DURATION IN TEXAS

The national research on welfare dynamics also provides expectations on overall duration on welfare. Longer stays on welfare -- whether in single or multiple spells -- are associated with the following: limited work experience, marital status (never married), low expected earnings, race (black), low education, age of mother, number of children, age of youngest child, and living in a non-Southern state. Unfortunately, the current data base precludes analysis of the effects of some key variables, such as marital status and education.

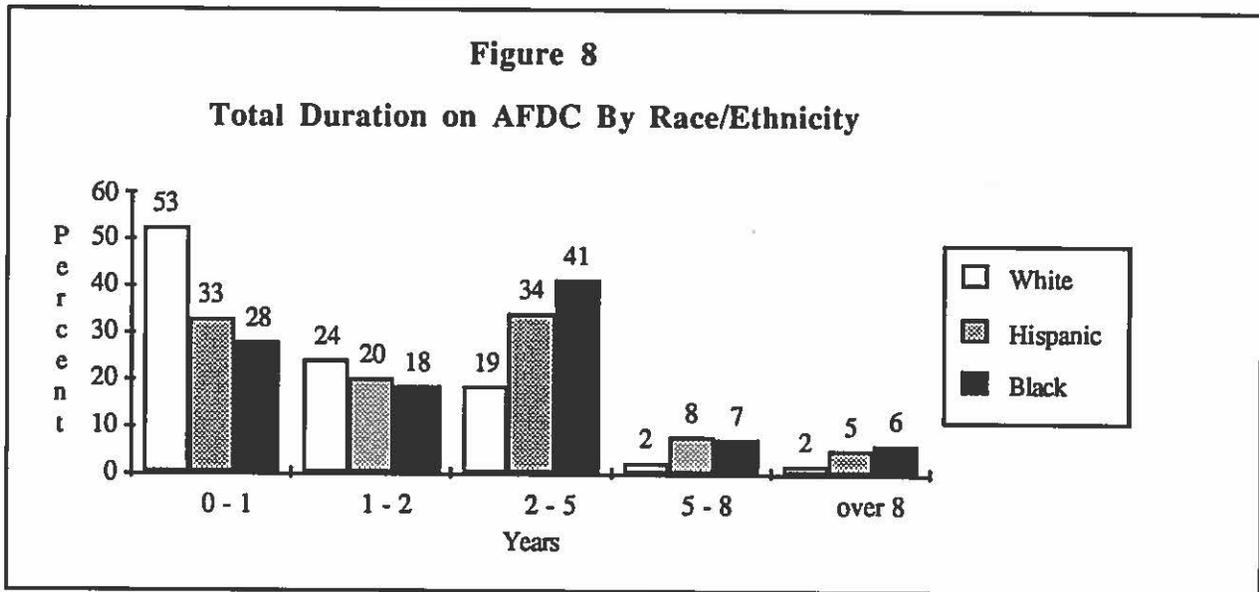
The Pattern of Total AFDC Duration.

Keeping in mind that a significant number of caretakers are in the midst of longer AFDC spells, it appears that more than 55 percent of all AFDC caretakers, including those still on welfare, had overall welfare stays -- taking into account all spells -- of less than 2 years, a higher percentage than for the nation as a whole (Figure 5). Nearly 90 percent of the AFDC sample had stays of less than 5 years. The extent to which welfare dependence is a long-term problem is much less than might have been expected by most casual observers: less than 5 percent of the sample received AFDC for 8 or more years. The mean length of stay on AFDC was just over 2.5 years. The median length of stay overall was well below 2 years.



Based upon this exploratory analysis, the overall duration of AFDC receipt in Texas appears to be skewed more in the direction of short stays than the nation as a whole with fewer long-term stayers. However, it is also important to note that the total duration on AFDC in Texas for all spells is considerably greater than the length of any one spell. The mean duration for all spells is just over 2.5 years, compared to just under 1.4 years for the most current spell.

Large differences in the pattern of total AFDC duration by various characteristics are evident. First, as expected, there are significant and large differences in overall length of stay by race/ethnicity. More than three-quarters of white caretakers and 53 percent of Hispanic caretakers had overall welfare stays under 2 years in length, compared to only 45 percent of blacks (Figure 6). Blacks and, to a lesser extent, Hispanics constitute a disproportionate share of the very long-term recipients, those with total stays of 8 or more years.



The Probability of Leaving AFDC.

The major advantage of our data base is that it allows the impact of various factors to be analyzed while holding other factors constant. In any given month, for those who have been on AFDC at some time in FY 1986, the chances of leaving in any month were about 6 out of 100. Based upon preliminary statistical analysis, a number of variables were found to have a significant effect on the probability of leaving AFDC in Texas. A woman's chances of leaving AFDC are significantly better if she has the good fortune of being in a healthy local labor market, her youngest child is older, and she has found a job which pays decent wages. At the same time, her chances of leaving are significantly worse if she is older, minority (especially black), an ESP registrant -- whether a voluntary or a mandatory registrant -- and has been on AFDC for some period of time. Her chances of leaving in a given month appear to be unaffected by participation in JTPA or TEC programs.

Overall Duration on AFDC.

Overall length of stay on AFDC is a function of an individual's probability of both entering and leaving welfare at some point in time. Based upon our preliminary estimates, holding other factors constant, a woman's overall time on the AFDC rolls will tend to be significantly longer if she is older, minority (especially black), has more dependent children the youngest of whom is older, and lives in an urban area. Her total stay will tend to be significantly shorter if she lives in an area which has both a higher rate of unemployment and a higher employment/population ratio

and which generally has higher wage levels. Her stay will also be reduced if she has participated in a TEC program and found employment at higher wages.

Although it is discouraging that most aspects of program participation seem to have no effect on welfare duration, at least TEC participation and higher wages earned appear to reduce the overall time spent on AFDC in Texas. In part, the explanation for the absence of a relationship with the other program variables may lie in the types of treatments provided and the characteristics of the recipients served. Typically, short-term job search assistance has been given to relatively well-educated AFDC caretakers, most of whom apparently would have left welfare at some point in any event, with the length of their stay on AFDC largely unaffected by the program treatment.

PROGRAM PARTICIPATION IN TEXAS

Several programs in Texas have as one of their stated goals assisting AFDC recipients (or other economically disadvantaged household heads) to achieve economic self-sufficiency through training and employment. These programs receive funding from state general revenue and a variety of federal sources. The major ones in operation during FY1986 included: the DHS Employment Services Program, consisting of the Work Incentive Demonstration program (WIN Demo) and AFDC Job Search;² training programs funded by the Job Training Partnership Act (JTPA); and labor exchange services provided by TEC. There are also programs provided with federal and state Vocational Education funds, however, reliable data for these programs are difficult to obtain.

Program Participation by AFDC Caretakers

Only 5 percent of all AFDC caretakers and 6 percent of ESP registrants participated in JTPA Title IIA programs during this period. A far greater number of caretakers participated in programs administered by the TEC, in large measure due to the contractual agreements that exist between DHS and TEC for the operation of the WIN Demo programs and a history of coordination between those two agencies dating back to the regular WIN program which started in the late 1960s. In all, 34 percent of all AFDC caretakers and more than half of the ESP registrants participated in TEC programs.

Program Outcomes and Post-Program Results

Our analysis of the impact of various programmatic treatments on job placements, wages and earnings, fringe benefit receipt, and other longer-term measures is still in progress. However, based upon our continuing work and earlier research on JTPA efforts to serve AFDC recipients in several sub-areas of the state, we can state the following:

- AFDC recipients in JTPA programs tend to be much better educated (61 percent with a high school diploma or equivalent), to have fewer children, most of whom are pre-school age, and to be disproportionately black when compared to all caretakers;

²In FY 1986, only 104 out of 254 counties in Texas were operating a WIN Demo program, and 69 of them used TEC to provide these services.

- Placement rates for AFDC recipients in JTPA tend to be high, often in the 50-60 percent range;
- More than half of the placements had starting wages of less than \$4.25 per hour;
- More than 40 percent of the placements were in jobs providing no employee benefits; and
- From 80-94 percent of the placements were in clerical, sales and service jobs which have traditionally been low-paying, female occupations.

SUMMARY OF KEY FINDINGS

- There is considerable "churning" in the Texas AFDC system. Nearly two in every five AFDC caretakers in Texas will have a repeat spell of AFDC receipt, typically returning within the first two years of leaving the rolls. Well over half will return within 6 months. Given limitations in the data, this should be considered as the lower-bound estimate of the number of repeat spells. Blacks are 1.5 times more likely to have three or more spells on AFDC than either whites or Hispanics.
- Different pictures of the Texas AFDC population emerge from looking at the characteristics of persons who have completed their most recent spell of AFDC receipt than from studying the profile of persons currently on the rolls. Many of those currently on welfare are clearly in the midst of longer stays. White AFDC recipients tend to have fewer spells and shorter stays. Placement status appears to have no effect on spell stay, but those placed actually have more spells.
- Simply looking at the length of a single spell leads to serious underestimation of the time an individual will probably spend on AFDC. The mean total duration on AFDC during the period studied was approximately 2.5 years, compared to only 1.4 years for the current/most recent spell. But, over 55 percent of the caretakers had a total duration of less than 2 years. Blacks, and to a lesser degree, Hispanics, were less likely to have stays under 2 years and more likely to have stays of more than 8 years.
- Factors increasing the length of a caretaker's overall duration on AFDC are being minority, being older, having more children, and living in an area with a greater population density. Total stay will be significantly shorter if the caretaker lives in an area with a higher employment/population ratio and higher wage levels, and if she participated in a TEC program or found employment at higher wages. (It is very important to note that the impact of race/ethnicity on duration probably appears stronger in our results than it should; the AFDC data lack education and marital status variables which we expect would lessen the independent impact of race/ethnicity.)

- Only 5 percent of all AFDC caretakers and 6 percent of ESP registrants participated in JTPA Title IIA programs during FY 1986. Participation in JTPA programs did not have a significant impact on a woman's total duration on AFDC.
- Over one third of all AFDC caretakers and over half of ESP registrants participated in TEC programs in FY 1986. Participation in TEC programs did not have a significant effect on a person's chances on exiting AFDC during a given month but appears to have led to significant decreases in a participant's total duration on AFDC.

IMPLICATIONS

Given the recent economic slowdown in Texas and the demographic shifts the state will be experiencing in the foreseeable future, several of these findings should be noted

- *There are substantial hidden costs associated with the operation of a high-turnover AFDC system.* These hidden costs affect everyone involved in the system. The agency faces higher administrative and processing costs over time, the recipient has continued job search, intermittent child care and health coverage, and the employer encounters turnover costs from low-skilled workers.
- *Real investment is required to deal effectively with the problem of welfare dependence.* To date, most of what has passed for programmatic intervention has been short-term, low-intensity activities for those AFDC caretakers who are relatively well educated and highly motivated, those with the fewest barriers to employment. To get the typical AFDC mother to the point of economic self-sufficiency will take a serious investment in her basic skills. Only about one-quarter of the caretakers had a high school education or the equivalent and most read at or below the fifth grade level (1981). States which have been successful in the welfare-to-work arena are those which have invested.
- *Supportive services -- including child care, health insurance and transportation -- appear to be crucial to the successful transition from welfare to work.* With the low benefit structure in the Texas AFDC program, child and health care issues take on added importance. National and Texas surveys indicate that child care benefits are rare and that employee and dependent health insurance are generally unavailable in the jobs AFDC mothers tend to obtain. It is probably no accident that many of those with repeat spells of welfare recycle within six months, when Medicaid and other benefit eligibility expires.
- *Maintaining a healthy rate of employment growth also appears to be critical to the welfare-to-work transition.* Increased earnings for disadvantaged women tend to result from more stable employment and increased hours. Without jobs at decent wages it is difficult to see how AFDC caretakers can be expected to make a successful transition to the workforce and reduce their future dependence on welfare.

Thank you for giving us this opportunity to present our preliminary research findings. Again, we would like to express our appreciation to the many state agency and University of Texas staff who assisted us in this research. We would be happy to answer any questions you might have.