A Rising Tide Does Not Raise All Boats: Welfare Reform in the City of Philadelphia

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This Article considers the nature and effect of recent welfare reform. The authors examine reform undertaken in the state of Pennsylvania and implemented in the city of Philadelphia. In particular, this Article examines the potential impact of these reforms on the economic well being of the average welfare recipient. The authors show that, by combining welfare and work under the new reforms, the average TANF recipient in Philadelphia may be able to increase her income by thirty-one percent over the level she would receive if she only relied on welfare and food stamps. Nevertheless, the authors argue that this level of income would still leave this recipient below the 1998 poverty line for a family of three. In addition, the authors argue that if past wage growth among welfare recipients serves as a guide, the wages of the average recipient will not rise enough to bring her income above the poverty level by the time she reaches the five-year limit on TANF benefits. The authors conclude this Article with a discussion of policy reforms, which could mitigate the possibility of increased poverty and hardship among single-mother families.

I. INTRODUCTION

Many analysts have suggested that current welfare laws are likely to lead to increased economic deprivation and a concomitant increase in the number of children that enter the child welfare system due to parental neglect.1 It is thought that this is especially likely to occur in the nation's large cities, where job opportunities are limited by declining urban labor markets and where poor, inner-city residents face significant barriers to employment, including insufficient access to jobs in the surrounding suburbs.2


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1 See IRA M. SCHWARTZ & GIDEON FISHMAN, KIDS RAISED BY THE GOVERNMENT 118–19 (Simon Hakim ed., 1999).

The purpose of this Article is to examine this proposition using current information about the nature of welfare reform in one large U.S. city, namely Philadelphia. Part II of this Article explores the potential repercussions of a new federal law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), by considering the nature of the reforms made at the state level. Authority for Pennsylvania welfare programs has not been devolved to the county level. Therefore, these state level reforms can be thought of as providing the broader context within which changes have occurred at the local level.

Next, Part III considers how the law is currently being implemented in the city of Philadelphia. Rather than focusing on the numerous implementation problems being faced by city officials, Part IV discusses how the average welfare recipient will fare under the new law, after many of the current implementation problems affected have been ironed out. This allows for an analysis of the potential effects of the law several years down the road, when the first wave of families face the permanent loss of federal income assistance under the new five-year limit on the receipt of benefits. Part V explores the potential implications of welfare reform for the “less than average” recipient. Finally, Part VI concludes with a discussion of the policy reforms necessary to prevent the current law from leading to increased economic deprivation among poor families.


6 We employ the term “average” in order to denote a welfare recipient possessing characteristics (particularly those associated with attractiveness to employers, such as age and level of education) that are equivalent to the mean value of these characteristics across all recipients.

7 We employ the term “less than average” in order to denote a welfare recipient possessing characteristics that make her less attractive (relative to the average recipient) to employers. For example, such a recipient may possess fewer years of education than the average recipient.
II. BACKGROUND: PRWORA AND WELFARE REFORM IN THE STATE OF PENNSYLVANIA

PRWORA instituted a number of important changes relative to the prior law governing federal assistance to poor families. Among other changes, the new law revoked the prior law's guarantee of aid at state-established benefit levels. In addition, it mandated that families receiving federally-funded assistance would be ineligible for such aid after five cumulative years (or less at state option). Finally, the law stipulated that states must require welfare recipients to work or participate in work-related activities after receiving assistance for two cumulative years.

More specifically, single parents were required to engage in such activities for at least twenty hours per week, while individuals in two-parent families were required to participate for at least thirty hours per week. Approved work-related activities include on-the-job training, community service, up to twelve months of vocational training, and the provision of child care services to recipients participating in community service. In addition, the law allowed states to count up to six weeks of job search toward the work requirement (or up to twelve weeks for states with unemployment rates fifty percent or more above the national average).

Pennsylvania's current welfare law, Act 35, was enacted in May of 1996, three months prior to PRWORA. However, because Act 35 was strongly influenced by the national debates leading up to the signing of the federal law, it was not modified after the passage of PRWORA.

Accordingly, Act 35 reflects the essential features of PRWORA outlined above but goes beyond it in a number of important respects. Like the federal law, Act 35 limits individuals to five years of assistance from the federal Temporary Assistance for Needy Families Program. However, states are permitted to exempt up to 20% of their caseloads from this time limit. See 42 U.S.C. § 608(a)(7)(C) (Supp. II 1996); see also infra Part V (discussing at greater length the state exemption).

However, because the law also required states to achieve work participation rates among families receiving welfare (e.g., 25% of families in fiscal year 1997), states are under pressure to move recipients into the labor force before they have accumulated two years of assistance.


An overview of the benefits available under Act 35 is available at the Pennsylvania Commonwealth web site. See generally Pennsylvania Dep't of Public Welfare, Office of Income Maintenance (last modified Sept. 29, 1999) <http://www.dpw.state.pa.us/frames1.htm>.

Assistance to Needy Families (TANF) program. In addition, however, Act 35 requires all TANF recipients to complete and sign an “agreement of mutual responsibility” (AMR), which details the steps the recipient will take toward achieving self-sufficiency and outlines the support that she can expect from the Pennsylvania Department of Public Welfare (DPW). After signing the AMR, all new applicants are required to conduct an eight-week job search, unless they have received a temporary exemption from this requirement.

If a recipient is not successful in finding work during the eight-week job search, she is to report back to her caseworker in order to determine the next steps to take or to revise her AMR. Thus, the primary goal during this period is to

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13 See 42 U.S.C. § 608(a)(7)(A) (Supp. II 1996). The federal law mandates a five-year lifetime limitation of cash assistance for each recipient from the federally provided TANF block grant. See also RAFFEL, supra note 12, at 16 (stating that Pennsylvania passed Act 35 in anticipation of the Temporary Assistance for Needy Families (TANF) federal “block grants” to the states). The TANF block grants were established pursuant to the PRWORA. See 21ST CENTURY LEAGUE, THE ROADMAP FROM WELFARE TO WORK RESOURCE GUIDE FOR PHILADELPHIA 1 (1999) [hereinafter ROADMAP]; see also RAFFEL, supra note 12, at 17 (stating that even though the state Act 35 was passed prior to the federal TANF legislation, “the two laws were meant to work together”).

This five-year limitation is a condition of the TANF grant to the state. See 42 U.S.C. § 608(a)(7)(A); see also RAFFEL, supra note 12, at 14 (listing four basic state requirements for TANF block monies, one of which is to “enforce the five-year limit on TANF-funded assistance”).

The PRWORA only permits a state the flexibility to retain or reduce the five-year maximum time limitation. See RAFFEL, supra note 12, at 13, 21 (stating that the federal government has designed the federal TANF block grant with great flexibility which provides states with power to design their own state welfare system). “Pennsylvania has elected to allow recipients the full five years of TANF benefits.” RAFFEL, supra note 12, at 21.

14 PA. STAT. ANN. tit. 62, § 405.3 (West 1996); see RAFFEL, supra note 12, at 39–40. Some TANF recipients are male. However, since the vast majority are women, we will use the pronoun “she” in referring to TANF recipients.

15 Since the passage of Act 35, recipients already in the caseload have been required to sign an AMR and conduct a job search during one of the periodic reviews of their case. See RAFFEL, supra note 12, at 37.

16 See PA. STAT. ANN. tit. 62, § 405.3(9)(e) (West 1996) (requiring that an agreement of mutual responsibility be completed in order to obtain cash assistance); id. § 405.1(3) (stating that an applicant must conduct an eight-week job search in order to obtain cash assistance); see also RAFFEL, supra note 12, at 8. Temporary exemptions are granted for single parents with a child under the age of one, single parents with a child under the age of six who cannot find child care, recipients with mental or physical disabilities that prevent them from working, and recipients under the age of eighteen. In addition, exemptions for “good cause” may be granted at the discretion of caseworkers; recipients thought to warrant such consideration include those taking care of ill or elderly relatives full-time, victims of domestic violence, and those under the supervision of the Pennsylvania Department of Human Services (DHS). See RAFFEL, supra note 12, at 21.

17 See PA. STAT. ANN. tit. 62, § 405.1(4) (West 1996); see also RAFFEL, supra note 12, at 64.
move recipients toward compliance with state work requirements. In particular, during the first twenty-four months of TANF receipt, recipients are required to participate in an approved “work activity,” which includes unsubsidized employment, continued job search, and volunteer or community service. However, the law does not specify how much time must be spent in these activities. For example, the law does not specify how long or how intensively recipients must search for a job. If the recipient is under the age of twenty-two, she can engage in high school or GED education or training for the entire twenty-four months. If a recipient is over the age of twenty-two, she can only devote a maximum of twelve of the first twenty-four months to education or training. Finally, clients under the age of eighteen are exempt from the work activity requirements, but they must be enrolled in school or pursuing a GED.

During the last thirty-six months of TANF receipt, recipients over the age of twenty-two are required to comply with a stricter interpretation of the twenty-hour work activity rule, where allowable activities include all of the activities permitted during the first twenty-four months, but exclude education and training. Recipients under the age of twenty-two, who have not used up the twenty-four months allotted to them for education and training, are allowed to pursue a high school diploma or GED in place of other work-related activity. However, once they have used their twenty-four months, they must comply with the stricter interpretation of the work requirement.

Finally, recipients who do not comply with the work activity requirements detailed above can be sanctioned (i.e., lose all or part of their TANF benefits). On the first offense, recipients lose cash assistance for a minimum of thirty days and until they comply. On the second offense they lose cash assistance for sixty days. If there is a third offense, the individual is determined to be permanently ineligible for assistance. Further, if the first or second offenses occur during the first twenty-four months of receipt only the adult portion of the TANF grant is

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18 See RAFFEL, supra note 12, at 15 (defining “work activities”); ROADMAP, supra note 13, at 14–15 (stating that a recipient must engage in “work activities” during the period between the eighth week and twenty-four months and noting the lack of specificity in the law regarding any required time commitments).
19 See PA. STAT. ANN. tit. 62, § 405.1(5) (West 1996); see also RAFFEL, supra note 12, at 20 (describing the state act for recipients under the age of 22 years).
21 See RAFFEL, supra note 12, at 19.
22 See ROADMAP, supra note 13, at 28–29.
24 See PA. STAT. ANN. tit. 62, § 432.3(1) (West 1996); see also ROADMAP, supra note 13, at 2.
25 See ROADMAP, supra note 13, at 2.
26 See id.
27 See id.
affected. After twenty-four months, however, first or second offenses result in the loss of the child, as well as the adult, portions of the TANF grant.

The State of Pennsylvania supplements the basic TANF grant in two important ways. First, Act 35 sets the “earned income disregard” at fifty percent; in other words, half of a recipient’s income is ignored when the TANF benefit is calculated. In addition, to date, the state has provided child care, clothing, and transportation subsidies during the job search to recipients who are in compliance with the work requirements.

III. THE LOCAL CONTEXT: WELFARE REFORM IN PHILADELPHIA

In Philadelphia, new applicants and recipients whose cases have come up for review have been given the option of either conducting an independent job search or receiving “training” in job search with a contracted provider. A contracted provider is usually a private or public agency that has entered into an agreement with the Department of Public Welfare to provide job readiness training (e.g., resume-building and interviewing skills) and job search assistance to welfare recipients. According to a recent report on the progress of welfare reform in the city, the Department of Public Welfare maintains that most recipients choose to look independently. However, there is no data on the proportion of independent seekers who find jobs.

The disposition of clients who fail to secure (or perhaps accept) a job during the required period of job search is also not clear. According to current regulations, recipients who elect to undertake a job search with a contractor, “may continue to receive the contractor agency’s help in their job search for as long as

28 See PA. STAT. ANN. tit. 62, § 432.3(2) (West 1996); see also ROADMAP, supra note 13, at 6.
30 See id. § 432.12(a); see also ROADMAP, supra note 13, at 11 (providing an example).
31 These additional supports, however, are not guaranteed and are distributed based on determined need and availability.
32 See RAFFEL, supra note 12, at 55. Precise figures on the number of women directed into job search are not available. However, it has been estimated that virtually all of the non-exempt caseload in Philadelphia (or 60% of the total caseload) was directed into job search during 1997–98. This would amount to approximately 40,000 individuals. Id.
33 See RAFFEL, supra note 12, at 34.
34 See id. at 46. According to some job search contractors, approximately 60% of their clients find jobs. Presumably, this is 60% of the recipients who remain enrolled in the job search program. However, job search contractors also report that up to half of the potential trainees sent to them do not show up. A portion of these no-shows may already be employed. A separate source of data on employment rates is the Department of Public Welfare, which estimates that approximately 19,000 of the individuals directed into job search found employment.
35 See RAFFEL, supra note 12, at 34.
five months.” However, clients are not “obligated to remain [in the job search] program beyond the initial eight-week period.” Current regulations also call for recipients who have not secured employment to schedule a follow-up appointment with their caseworker at the county assistance office. Recipients who do not schedule such appointments are to be contacted by caseworkers. However, it is likely that, in many cases, recipients do not follow up in a timely fashion with caseworkers. Furthermore, some time may pass before recipients are contacted by their caseworkers.

There are currently a plethora of training opportunities available to clients who do not find employment during the initial eight-week job search. These opportunities include short-term (i.e., ten to twenty-five weeks) training in office and computer skills, hospitality and customer service, nursing assistance, maintenance, and skilled trades. Many of the training programs also offer internships and other on-the-job experience, life skills and job readiness training, adult basic education and GED preparation. Most programs also assist clients with job search and some programs provide job retention services once clients have obtained employment.

In addition, city officials applied for and won a competitive federal grant to develop a “welfare-to-work” program called Greater Philadelphia Works. Under this program, a variety of methods are being planned to help recipients find and retain employment, including intensive job search and placement assistance, retention services (including job coaching and intensive case management), transitional employment, training readiness programs, employer incentives and

36 ROADMAP, supra note 13, at 12.
37 Id.
38 See id. at 12, 19.
39 See id.
40 Training providers in the city widely report not being able to fill slots in their programs. See Interviews with Symie Trachtenberg, Director, Children's Seashore House Welfare-to-Work Program in Philadelphia, Pennsylvania (Summer & Fall 1998); Gloria Guard, Executive Director, People's Emergency Center in Philadelphia, Pennsylvania (Summer & Fall 1998); and Cheryl Feldman, Director, District 1199C Welfare-to-Work Program in Philadelphia, Pennsylvania (Summer & Fall 1998). It is not clear whether this is due to an oversupply of training slots, delays in referrals from the county assistance office, lack of follow-up with and by clients once they have completed their job search, or a combination of these factors. It may also be that a significant proportion of clients either self-select out of programs or are turned away due to substance abuse and other barriers to employment. See Roberta Iversen, TANF Policy Implementation: The Invisible Barrier, 27 J. SOC. & SOC. WELFARE (forthcoming 2000) (manuscript on file with author).
41 See ROADMAP, supra note 13, at 33–39 (providing a list of training programs available to recipients after the initial eight-week job search).
42 See RAFFEL, supra note 12, at 87. The Greater Philadelphia Works (GPW) has received a two-year grant from the U.S. Department of Labor. The GPW program will supply funds to the City of Philadelphia “to design its own welfare-to-work plan.” Id.
support services, and specialized employment services targeted at the homeless and substance abusers. However, while innovative, this program accounts for only five percent of the total funds available for welfare-to-work programs in the city.

If recipients reach the twenty-fourth month of TANF assistance and are not employed for at least twenty hours per week they are "assigned" to one of two groups. The first group consists of clients who possess a "high school diploma, GED or have a work history in the past thirty months." These recipients are given "10 days to arrange child care and up to 30 days" to search for employment or a community service position on their own. If they fail to secure employment within this period they are then directed into an intensive thirty-day job search program directed by contracted providers.

The second group consists of "clients without a high school diploma, GED or work history," as well as clients from the first group who fail to secure employment during the thirty-day intensive job search. This group is referred to one of a number of programs, which combine skills training with twenty hours of work in an unsubsidized or subsidized job, or in "paid work experience" at a government or non-profit work site.

It is important to underline the fact that, to date, all of the welfare-to-work training resources in the city have been directed towards recipients who fail to find work during the initial eight-week job search. Thus, the current strategy is to move as many individuals into employment as possible, at their current level of education or training, and then to provide assistance to those remaining. As argued in Part VI, this strategy may not be the best to follow if the ultimate objective is self-sufficiency at the end of the fifth year of TANF receipt.

IV. POTENTIAL EFFECTS OF WELFARE REFORM UNDER "PERFECT" IMPLEMENTATION

As one could have predicted, there have been significant problems with the implementation of the new welfare law in the State of Pennsylvania and, more

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44 See ROADMAP, supra note 13, at 19.
45 See id. at 21 (identifying the twenty hours per week requirement).
46 See id.
47 Id.
48 Id.
49 See id.
50 Id.
51 Id.
52 See generally id. at 40.
specifically, in the City of Philadelphia. These problems include: (1) starting of the welfare “time clock” before the caseload was sufficiently oriented to the new law; (2) insufficient retraining of caseworkers, who are responsible for explaining and enforcing the rules making up the new system; (3) lack of data on client progress and outcomes; (4) constantly changing rules and policies; and (5) excessive caseworker discretion in the distribution of supports such as child care and transportation subsidies. These problems have been explored in detail elsewhere and will not be the focus of this paper. Instead, this Article focuses on the following question: “If welfare reforms were implemented according to plan, what would be the impact on the average welfare recipient and her children in Philadelphia?”

Asking this question places the focus on the potential effects of the law several years down the road. At this juncture, many of the implementation problems should have been ironed out. For example, sufficient time should have passed to allow for adequate training of caseworkers (assuming resources are made available for this purpose). Also, the rules and policies associated with the new system should become more entrenched, and knowledge of them should have time to filter out to the larger community. On the other hand, unless federal law is modified, this will also be the point at which many thousands of families face permanent loss of access to an important source of income support.

If the law were to be implemented according to plan, one would expect the average recipient to traverse the following route. First, upon applying for benefits, she would be provided with the supports necessary for her to undertake education and training (if she were eligible). She would then be directed to conduct an eight-week job search and would be provided with the necessary resources (e.g., transportation and child care) to do so. She would also be advised to apply for food stamps and would be given full information about and instructions for participating in the Earned Income Tax Credit (EITC) program. Upon finding

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53 See Raffel, supra note 12, at 87 (stating that Philadelphia residents comprise greater than 40% of Pennsylvania’s welfare population—larger than the percentage of the general population on welfare in Pennsylvania).

54 See id. at 5 (stating that problems have included “basic administrative problems, including gaps in data, inefficiencies and inconsistencies in services and resources, limitations in capacity and investments, breakdowns in communication and case management”). For a detailed look at these problems see generally id; see also generally Iversen, supra note 40.

55 We also assume that the economy stays out of recession and that the current level of benefits and supports remains the same.

56 See Roadmap, supra note 13, at 6 (identifying the requirement of the eight-week job search and listing some of the “special allowance” provided by the Department of Public Welfare to recipients during their job search).

57 See Raffel, supra note 12, at 46 (stating that once recipients begin working they will learn about the Earned Income Tax Credit (EITC)); Roadmap, supra note 13, at 96 (defining EITC); cf Raffel, supra note 12, at 38 (explaining that recipients may not necessarily understand the EITC).
employment, unless her monthly earnings made her ineligible, she would retain a portion of her TANF grant and would also receive food stamps. In addition, she would receive a child care subsidy and help with transportation expenses. If she lost her job, she would receive immediate help in locating a new one. However, during the period in which she was unemployed, she would be eligible to receive the maximum TANF and food stamp benefits allowed according to her family size. In the following analysis, this scenario is used as a basis for investigating the potential effects of welfare reform on the economic well-being of Philadelphia welfare recipients.

Because data on the demographic characteristics of recipients in the City of Philadelphia are currently unavailable, the following analysis is based on the characteristics of the average recipient in the State of Pennsylvania. Between October 1997 and September 1998 the average household receiving welfare in the state contained 1 adult and 2.1 children. The maximum TANF grant for a family of this size in Pennsylvania is $403 per month. In addition, a family of this size with no earnings could receive a maximum of $321 in food stamps per month.

It is also important to take into account the educational level of the average recipient. According to U.S. Department of Health and Human Services (DHHS), 58.7% of welfare recipients in the State of Pennsylvania possess at least a high school diploma. In addition, according to the 21st Century League of Philadelphia, a recent survey conducted by the Department of Public Welfare indicated that forty-seven percent of the caseload in Philadelphia had a high school diploma or GED. Based on these observations, this Article assumes that the average recipient has a high school diploma.

This Article also assumes that the average recipient is able to find employment within the required eight-week period of job search. However, an important question involves the length of time in which the average recipient will be able to retain her job. Because job retention has only recently been recognized

58 See ROADMAP, supra note 13, at 11 (stating the welfare benefits available to recipients who find employment).
60 See RAFFEL, supra note 12, at 21.
62 See U.S. Dep't of Health & Human Servs., Characteristics, at tbl.17.
63 See RAFFEL, supra note 12, at 65.
64 This assumption is based on communications with representatives from Philadelphia job search contractors indicating that approximately 60% of the individuals in their programs obtain jobs within the eight week period.
as an important issue in the transition from welfare to work, there are relatively few studies of job retention patterns among welfare recipients to draw upon in answering this question.

Two of the most comprehensive of such studies were conducted by researchers at Mathematica Policy Research, Inc. The Rangarajan study followed a sample of welfare recipients in Chicago, Portland, Riverside, and San Antonio who found employment between March 1994 and December 1995, and who were part of the Post-Employment Services Demonstration (PESD). The sample members were age thirty on average, and had 1.9 children (the youngest of whom was age five, on average). In addition, 63.5% of the sample was African-American or Hispanic and almost 73% had a high school degree, GED, or higher. Thus, compared with the average recipient in Philadelphia, the average level of education of the recipients in this study was significantly higher.

An analysis of a sub-sample of 1200 individuals in the study revealed that members in a study control group spent an average of 25.2 to 31.9 weeks in their initial job, while members of the group receiving retention services spent an average of 27.2 to 32.7 weeks in their initial job. Although individuals lost their jobs relatively quickly, many were able to find second (or third) jobs. Thus, overall, control group members were employed for approximately 70% of the first year after entry into the program, and experimental group members were employed for approximately 71.4% of the first year.


66 "Between one-half and one-third of the [recipients] in each [city] were selected at random" to receive job retention services through the Post-Employment Services Demonstration project. Id. at 3. The PESD is a program "funded by the Administration for Children and Families (ACF) of the U.S. Department of Health and Human Services (DHHS),...to promote job retention and reemployment among newly employed welfare recipients." Id. at xi. The PESD funding was "awarded to four states in 1993, and programs...were established in four sites: (1) Chicago, Illinois; (2) Portland, Oregon; (3) Riverside, California; and (4) San Antonio, Texas." Id. Welfare recipients for the program were selected from those gaining employment during the period between March 1994 and December 1995. See id. at 3.

67 See id. at 52, 55 tbl.A.4 (calculating the "average sample member" using the "completed survey" figures).

68 Note that these results imply that the additional retention services received by the experimental group did not increase their job tenure. See RANGARAJAN ET AL., supra note 65, at 52, 55 tbl.A.4 (reflecting 1,236 total number of individuals in the study); id. at 18 fig.1 (reflecting the "upper bound estimate" and "conservative estimate" for the number of weeks in their initial job); id. at 16-17 (explaining the two approaches—the upper bound and the conservative estimate—used to calculate the number of weeks the recipients held their initial jobs).

69 See generally id.

70 See id. at 20 fig.2 (reflecting the percent of recipients employed during the first year after entry into the program).
It should be noted that the PESD was conducted prior to the adoption of the five-year limit on TANF benefits under PRWORA. Thus, because welfare recipients may now be more motivated to keep their jobs, and to re-enter the workforce more quickly after job loss, the retention rates reported in the Rangarajan et al. study may underestimate current retention rates.

This latter conclusion is supported by the results of the study conducted by Wood and Paulsell in 1999. This study examined the employment experiences of approximately three hundred current and former TANF recipients who resided in Allegheny County, Pennsylvania, who had recently obtained employment, and who had volunteered to receive employment retention services from one of four community-based organizations participating in a program called the “GAPS” initiative. Similar to the PESD participants, the GAPS participants, on average, were age thirty and had two children (the youngest of whom was age five). Also, approximately the same proportion were non-white (e.g., seventy-two percent were African-American). However, this sample was more highly educated than the PESD sample; only eight percent of the GAPS participants did not have a high school diploma or GED.

Wood and Paulsell conducted a follow-up survey with the GAPS participants six to ten months after they first entered the program. They found that, “[d]uring their first six months in the [program], participants spent almost 90% of their time employed, on average.” And, even more impressively, they found approximately “80 percent of the participants were employed continuously during this period.”

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71 TANF grants and the five-year limits became effective in Pennsylvania in March 1997 with passage of the PRWORA in 1996. See Robert G. Wood & Diane Paulsell, Helping TANF Recipients Stay Employed: Early Evidence from the GAPS Initiative 1 (1999). This study was conducted between March 1994 and December 1995. See Rangarajan et al., supra note 65, at 3.

72 See Rangarajan et al., supra note 65, at 2 (“The provisions of TANF as implemented by states should increase the attachment of these individuals to their jobs.”).

73 See generally Wood & Paulsell, supra note 71.

74 Allegheny County is located near Pittsburgh, Pennsylvania. See Bureau of the Census, U.S. Dep’t of Commerce, County and City Data Book C60 to C61 (12th ed. 1994).

75 See Wood & Paulsell, supra note 71, at 1 (“The initiative is called ‘GAPS’ because its goal is to help welfare recipients bridge the gap between dependence on welfare and self-sufficiency.”); id. at 1–2 (describing the GAPS program).

76 See id. at 13 tbl.II.3.

77 See id.

78 See id. at 2.

79 Id. at 3.

80 Id. at 3–4.
The higher retention rates in the GAPS program, as opposed to the PESD program, may be due to several factors. First, as previously noted, the Wood and Paulsell study was conducted after the passage of PRWORA; thus, participants in the GAPS program may have felt greater pressure to retain their jobs. In addition, the GAPS participants were volunteers and may have been more highly motivated than the PESD participants. Finally, the average GAPS participant had a higher level of education than the average PESD participant. Consequently, the employers of GAPS participants may have put forth greater efforts to retain them.

What lessons can be drawn from these studies regarding employment retention in Philadelphia? As previously noted, the individuals in both the PESD and GAPS programs were more educated than the average recipient in Philadelphia. For these reasons, the retention rates in these studies may exceed those that would currently be found in Philadelphia. However, because there is no basis for estimating the extent and direction of bias, in the analysis that follows the lower retention estimate is used (i.e., the retention estimate from the PESD study), and it is assumed that the average recipient is able to remain employed for approximately seventy-one percent of any given year.

Table 1 shows our calculation of the annual income of the average recipient in Philadelphia, under the assumptions previously outlined. We also assume a monthly copay of $40 for child care and shelter costs of $400 per month. Table I shows that during the time the average recipient works twenty hours per week, her TANF benefits are reduced by $52 per week. However, her food stamp allotment remains the same and, if she applies for the EITC, she receives $29 per week from this source. In addition, she would have an extra $103 per week in earnings.

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81 See id. at 3.
82 See id.
83 See id. at 28.
84 See WOOD & PAULSELL, supra note 71, at 28 (stating that both the GAPS and PESD participants had “higher education levels and higher wages than most newly employed welfare recipients”); supra note 63 and accompanying text.
85 However, it is possible that the ability of recipients to keep their jobs would increase over time. See RANGARAJAN ET AL., supra note 65, at 20 fig.2 (reflecting the percent of recipients employed during the first year after entry into the program).
86 See RAFFEL, supra note 12, at 65 (providing information on this figure).
87 The shelter costs figure is used to calculate food stamp benefits and is compared to the standard of $247 per month for 1997 in order to compute the excess shelter deduction. For additional details on computing food stamp benefits, see generally Food & Nutrition Service, U.S. Dep’t of Agric., Nutrition Assistance Programs (last modified Nov. 22, 1999) <http://www.fns.usda.gov/fns/> (providing additional details on computing food stamp benefits).
88 See supra Table 1 (reflecting a $101 “TANF benefit per week with no earnings” and $49 “TANF benefits with earnings” amounting to a $52 reduction in TANF benefits per week).
Table 1. Estimated Annual Income of the Average TANF Recipient in Philadelphia

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<th>Source of Income:</th>
<th>Amount of Income (Weekly) by Employment Status</th>
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<td>Not Employed</td>
</tr>
<tr>
<td>Earnings</td>
<td>$0</td>
</tr>
<tr>
<td>TANF Benefits:</td>
<td></td>
</tr>
<tr>
<td>With No Earnings</td>
<td>$101</td>
</tr>
<tr>
<td>With Earnings</td>
<td>N/A</td>
</tr>
<tr>
<td>Food Stamps</td>
<td></td>
</tr>
<tr>
<td>With No Earnings</td>
<td>$82</td>
</tr>
<tr>
<td>With Earnings</td>
<td>N/A</td>
</tr>
<tr>
<td>Earned Income Tax Credit</td>
<td>$0</td>
</tr>
<tr>
<td>Total</td>
<td>$183</td>
</tr>
<tr>
<td>Total Annual Income</td>
<td>$9,516</td>
</tr>
</tbody>
</table>

Overall, excluding the cost of child care, the average recipient’s annual income would increase by approximately thirty-six percent over the income she would obtain if she received TANF and food stamps alone. After subtracting the costs of child care, the average recipient’s income would increase by approximately thirty-one percent. Thus, because of the work incentives embedded in the new law in Pennsylvania, the average recipient who obtains a job is better off economically combining welfare and work. It is important to note, however, that the income we have calculated is below the 1998 poverty line of $13,133 for a single head of household with two dependent children (as were pre-TANF incomes based on benefits alone). In addition, as documented by Edin and Lein, few women under the old welfare system survived on AFDC and food

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89 See id. (reflecting a total annual income of $12,939 is a 36% increase from $9,516). This is somewhat less than the average 51% increase in income found by researchers for the Urban Institute for Women in 12 representative states (excluding Pennsylvania) transitioning from welfare only to welfare plus a part-time, minimum wage job. See GREGORY ACS ET AL., DOES WORK PAY? AN ANALYSIS OF THE WORK INCENTIVES UNDER TANF 16 (1998).

90 This figure is calculated by subtracting child care costs from the average annual salary of employed TANF recipients. The monthly child care copay is $40. See RAFFEL, supra note 12, at 65. The average annual income of employed TANF recipients is $12,939. See supra Table 1. Therefore, $12,939 − (12×40) = $12,459. This is a 31% increase over $9,516 (the average annual salary of unemployed TANF recipients). See id.

Instead, most also relied on help from family, boyfriends and charitable organizations, as well as by working under the table. By combining these sources of income with public assistance, the recipients in Edin and Lein’s study were able to achieve an average annual income of $12,415 (1998 dollars). From this perspective, then, the average recipient in our analysis is no better off than her counterpart under the old system.

A final important question is the potential well-being of the average recipient once she reaches the five-year limit on benefits imposed by PRWORA. Recipients’ level of economic well-being at this stage will depend on two major factors, namely, the level of child care and other supports made available to the working poor, and the extent to which the average recipient’s wages increase over time.

With respect to the first factor, this Article assumes that the current policy of extending child care subsidies to the working poor in Pennsylvania continues, and that the average recipient is able to receive a subsidy. With respect to the second factor, several recent studies have considered the issue of wage growth among current and former welfare recipients. Each of these studies examines a slightly different population of current and former recipients. Meyer and Cancian utilize data from the National Longitudinal Survey of Youth (NLSY) to examine the experiences of women who were between the ages of fourteen and twenty-one in 1979, and who entered and exited a period of welfare receipt by 1987. Burtless also uses data from the NLSY, but focuses on a sample of young women who were between the ages of eighteen and twenty-two in 1979, and who

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92 See Kathryn Edin & Laura Lein, Making Ends Meet 147-51 (1997).
93 See id. at 143-45.
94 See id. at 47.
95 Whether working TANF recipients will be able to supplement their incomes in the ways former AFDC recipients did is an open question.
96 Under current regulations, individuals who are income eligible and working 35 hours per week must pay a child care copay of $60 per month. See ROADMAP, supra note 7, at 97.
98 See Meyer & Cancian, supra note 97, at 480 (describing the NLSY survey as “including over 5,000 civilian young women for whom consistent annual data are available from 1979 through 1992. . . . In addition, the NLSY includes monthly data on AFDC receipt”).
99 See id. at 481 (describing the NLSY survey).
100 A woman was defined as having exited from AFDC if she did not receive AFDC for at least three consecutive months following a month in which she received AFDC. Id. The authors were constrained to looking at women who exited by 1987 because they were interested in following women for at least five years after their exit from welfare. Id.
101 See Burtless, supra note 97, at 43-44.
received AFDC benefits sometime between 1979 and 1981. He then examines wage growth for these women between the years 1979 and 1990. Finally, Harris utilizes data from the Panel Study of Income Dynamics (PSID), for the period 1983 to 1988, to examine the experiences of women currently living with minor children "and who have ever received welfare as single mothers."

Despite differing data sources and sample definitions, all three studies contained similar findings with respect to wage growth among current or former welfare recipients. The Meyer and Cancian study found that, over the five years after the women in their sample exited from welfare, median real wages increased from $6.36 to only $6.73 (1996 dollars), or by less than 1.2% per year. Similarly, the Burtless study found that, between 1979 and 1990, the median real wage of the women in his sample increased by only about 1% per year. Finally, the Harris study found that, three years after the women in her sample exited from welfare, their wages were essentially the same as they were at the time of the exit.

It should be noted that the time period covered by these studies was one characterized by falling real wages at the lower end of the wage scale, for both men and women. For example, between 1979 and 1989, real annual earnings of twenty to twenty-four year old women with less than a high school education fell by nineteen percent, while earnings of those with a high school degree fell by almost ten percent. In addition, the earnings of twenty-five to thirty-four year old women without a high school degree fell by eight percent.

However, wages at the lower end of the scale have recently begun to increase. This suggests that wage growth experienced by current welfare recipients may be greater than that found in previous studies. Still, current recipients will be entering a market into which thousands of other welfare

102 See id. at 44.
103 See id. at 44 fig.1.
104 See Harris, supra note 97, at 410.
105 Id. at 411.
106 See Maria Cancian et al., Work, Earnings, and Well-Being After Welfare: What Do We Know?, FOCUS, Spring 1999, at 22, 22.
107 See Burtless, supra note 97, at 44.
108 See Harris, supra note 97, at 424.
110 This figure is calculated for full-time year-round workers only; therefore, changes in earnings cannot be attributed to changes in hours worked. See id. at 90–91 fig.4.7.
111 See id.
recipients are seeking employment. This could act to depress wages or reduce wage growth. In addition, previous estimates of wage growth are necessarily based on women who worked and, therefore, reported a wage. These women are a select fraction of all welfare recipients. For example, in the study conducted by Burtless, only about fifty percent of the women who received AFDC between 1979 and 1981 reported working. For this reason, these women are likely to be more qualified than those who did not work. However, because current regulations are attempting to move everyone into the labor force, welfare recipients entering the labor force now may possess qualifications more similar to the women in Burtless' sample who did not work.

Keeping in mind the caveats above, the one percent figure is employed to calculate potential earnings of the average recipient once she has reached the five-year limit. At this average annual rate of increase, a TANF recipient who took a minimum wage job in 1999 would make approximately $5.40 when she reached her five-year time limit on benefits. Furthermore, if she worked for thirty-five hours per week for seventy percent of the year, continued to receive food stamps, and applied for the EITC, her total annual income would be $12,604. Note that this level of income is below the 1998 poverty line for a family of three.

V. POTENTIAL EFFECTS OF WELFARE REFORM ON THE "LESS THAN AVERAGE" RECIPIENT

Under TANF, states have the option of exempting twenty percent of their caseloads from the five-year limit on benefit receipt. Public welfare officials in

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113 See Burtless, supra note 109, at 87–88.
114 See Burtless, supra note 97, at 44–45.
115 This figure is calculated by multiplying the current minimum wage ($5.15 per hour) by the increase in median real wage per year (1%) over five years. See Burtless, supra note 97, at 44. The resulting formula is $5.15*1.015=$5.40.
116 Thirty-five hours per week at a wage of $5.40 per hour results in weekly earnings of $189. If an individual is employed for 36.9 weeks (70% of the year), she would have an annual income of $6,974.10. She would also receive $3,560 in food stamps per year ($63 in food stamps per week employed, and $82 per week unemployed). Her earned income tax credit would equal $2,790. Therefore, $6,974.10 + $3,560 + $2,790 = $13,324.10 in yearly income. Subtract twelve months of child care expenses (12*60) form this figure for a total income of $12,604.10. (Note that the child care copay increases from $40 to $60 with increased hours of work. This figure takes into account a monthly child care copay of $60 and allows for receipt of food stamps during periods of unemployment. It does not include any income from unemployment compensation for which the individual may qualify.) See RAFFEL, supra note 12, at 65.
117 See supra note 91 and accompanying text.
118 See 42 U.S.C. § 608(a)(7)(C) (Supp. II 1996); RAFFEL, supra note 12, at 16, 20 (discussing the “hardship exemption” provided for in the federal TANF law, which permits states to exempt 20% of their caseload from the 5 year limit).
the State of Pennsylvania have not yet announced whether the state will take advantage of this option (although it is widely believed by human service professionals in the city that the state will exempt twenty percent of their caseloads). More to the point, there is no indication of the specific criteria that might be used to determine eligibility for the exemption in the event that it is adopted.\textsuperscript{119} Instead, state officials have pursued the strategy of imposing strict requirements for determining who must conduct a job search in order to continue to receive benefits.

If the state does eventually adopt the exemption, two important questions must be raised: (1) Is the twenty percent figure large enough to account for recipients who might face serious barriers to employment, including substance abuse, domestic violence, criminal backgrounds, mental illness, and severely ill or disabled children?\textsuperscript{120} and (2) What can be inferred regarding outcomes for the remaining thirty percent (or more) of recipients who will not be exempt but who have more barriers to employment than the average recipient?\textsuperscript{121}

Regarding the first question, there is at present no data on the proportion of the Philadelphia caseload that suffers from the most serious barriers to employment. Therefore, this Article falls back on national level data to answer the first question. A 1996 study by the Urban Institute\textsuperscript{122} indicated that approximately twenty-five percent of the caseload nationwide experienced serious barriers to employment and had little or no prior work experience.\textsuperscript{123} Because a large proportion of welfare recipients were found to have recent work experience, even though they also possessed barriers to employment, a reasonable interpretation of this statistic is that twenty-five percent of the caseload experienced barriers so severe that they would find it very difficult to obtain and keep a job.\textsuperscript{124} Thus, looking from this perspective, the twenty percent exemption may not be too far off the mark. However, the proportion of the caseload in inner cities facing serious barriers may be substantially higher than the average.

\textsuperscript{119} See RAUFEL, \textit{supra} note 12, at 20 (stating the absence of criteria established by Pennsylvania to determine which recipients can qualify for the “hardship exemptions” available to 20% of the caseloads); \textit{see also} ACS ET AL., \textit{supra} note 89, at 31.

\textsuperscript{120} See KRISTA OLSON & LADONNA PAVETTI, \textit{URBAN INST., PERSONAL AND FAMILY CHALLENGES TO THE SUCCESSFUL TRANSITION FROM WELFARE TO WORK}, at IIA–IIF (1996).

\textsuperscript{121} See id. at V (estimating that 51% of the recipients require additional assistance to maintain long-term employment “especially within a time-limited welfare system”).

\textsuperscript{122} The Urban Institute “is a nonprofit policy research organization” funded primarily by “governmental agencies, corporations, and multi-lateral institutions.” Urban Inst., \textit{About UI} (visited Nov. 23, 1999) <http://www.urban.org/news/newsinfo.htm> (providing additional information regarding the organization). The Olson and Pavetti study was prepared for The Urban Institute. \textit{See generally} OLSON & PAVETTI, \textit{supra} note 120.

\textsuperscript{123} See OLSON & PAVETTI, \textit{supra} note 120, at V.

\textsuperscript{124} See id.
Regarding the second question, it is clear that, without better screening, better follow-up, and more services directed at this portion of the caseload, many poor families could “slip through the cracks.” To elaborate, because there are limited slots for training, and because training providers receive funding only when they place individuals in jobs (and keep them there), training providers face real incentives to take only the most motivated and job-ready applicants. While this “screening” of applicants has probably always occurred, the implications are more serious now; those who do not eventually find their way into training programs or jobs will no longer be able to fall back on the “safety net” of welfare benefits.

VI. SUMMARY AND POLICY IMPLICATIONS

This Article considers the nature of recent welfare reforms in the state of Pennsylvania and implemented in the city of Philadelphia. In particular, it examines the potential impact of these reforms on the economic well being of the average welfare recipient in the city. We show that, by combining welfare and work under the new reforms, the average TANF recipient in Philadelphia may be able to increase her income by 31% over the level she would receive if she only relied on welfare and food stamps. However, this level of income would still leave her below the 1998 poverty line for a family of three. In addition, if past wage growth among welfare recipients serves as a guide, the wages of the average recipient will not rise enough to bring her income above the poverty level by the time she reaches her five-year limit on TANF benefits.

This conclusion suggests that, in order to avoid an increase in poverty and hardship among single-mother families, it is essential for policymakers and service providers to devote increased attention to helping current recipients retain their jobs for longer periods of time, identify and move up career ladders, and seek and obtain employment immediately upon losing their jobs. In the absence of such efforts, many recipients may cycle in and out of low-wage jobs without improving their incomes, or squander valuable time on their “clocks” through the inability to find employment in the event of lay-off or dismissal. Increased attention should also be given to the provision of supports and incentives to employers of welfare recipients; such incentives may encourage the

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125 For example, three out of four providers interviewed by the first author went to great lengths to assess the suitability for their programs of recipients referred by the local county assistance office. In addition, one provider spoke of the desire to institute a 10 day trial period during which trainees would have to demonstrate perfect attendance in order to remain enrolled. The one training provider that did not attempt to screen referrals was a shelter for homeless women.

employment and retention of recipients. All recipients should be encouraged to
take full advantage of the time allowed for participation in education and training
in order to increase their potential wages. Furthermore, ideally, the option to
undertake training and education should be made available to all recipients prior
to a required job search. Finally, time allowed for education and training might be
extended, particularly for those individuals who are making steady progress
in the welfare-to-work process.

These strategies may help to promote increased wage growth among current
and former recipients. However, it is likely that these strategies will not be
sufficient to raise significant numbers of women and their families above the
poverty line. Hence, federal and state policymakers must also consider reforming
either current welfare or earned income tax credit laws or both, so that working
poor women may continue to receive income supplements as long as they are
"playing by the rules."

There is also cause for serious concern regarding the thirty percent or more of
recipients who face important barriers to sustained employment and who are not
likely to be included in a state exemption from the five-year limit of TANF
benefits. Potential barriers faced by this group include lack of a high school
diploma, lack of work experience, moderate substance abuse, language barriers,
and the need to care for elderly relatives. At present, recipients in this group may
not come to the attention of caseworkers until they have reached their twenty-
fourth month of TANF receipt. While provisions have been made to employ these
individuals in temporary, subsidized employment, additional services—such as
counseling, substance abuse treatment, and extensive adult basic education—may
be necessary to get these recipients into stable employment by the end of their
fifth year of assistance. Ideally, then, recipients who fall into this category should
be identified and referred to services early in the welfare-to-work process.