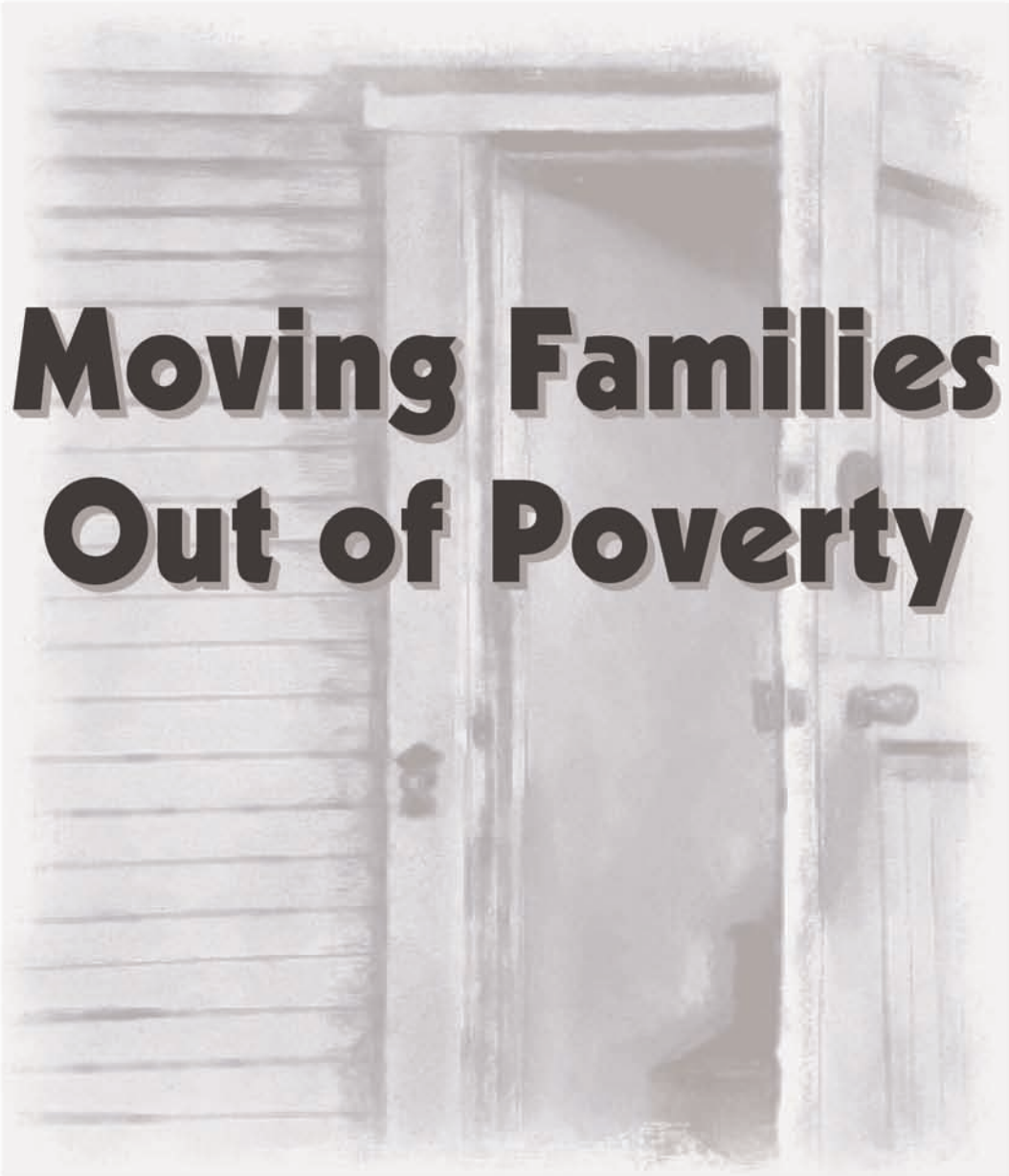




Michigan Family Impact Seminars



**Moving Families
Out of Poverty**

Briefing Report No. 2001-2

**WAYNE STATE
UNIVERSITY**

School of Social Work

**MICHIGAN STATE
UNIVERSITY**

Institute for Children, Youth, and Families

Moving Families Out of Poverty

Michigan Family Impact Seminars
Briefing Report No. 2001-2

Edited by

Eileen Trzcinski, Associate Professor
Deborah Satyanathan, M.S.W.
School of Social Work
Wayne State University

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Michigan State University

Copies of this report are available from

Eileen Trzcinski, Ph.D.
School of Social Work
Wayne State University
340 Thompson Home
Detroit, Michigan 48202
Phone: (313) 577-4422

Audiotape available on request

An electronic version is also available at

www.icyf.msu.edu
www.socialwork.wayne.edu

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Doug Hart	Representative, District 73
George Z. Hart	Senator, District 6
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Mark C. Jansen	Representative, District 72
Charles LaSata	Representative, District 79
Dale L. Shugars	Senator, District 21

About Family Impact Seminars

- Family Impact Seminars are nonpartisan educational forums on family issues for state policymakers.
- The seminars analyze the consequences to families of an issue, policy, or program.
- The seminars provide objective non-partisan information on current issues. They do not advocate or lobby for particular policies.
- Briefing reports make scholarly findings available in an accessible format.
- A Legislative Advisory Committee selects issues for seminars based on emerging legislative need.
- National scholarly experts bring state-of-the-art research on current family issues to policymakers.
- Audiotapes make information available to those not able to attend the seminar.

For more information on Family Impact Seminars in Michigan, please contact:

Eileen Trzcinski, Associate Professor
School of Social Work
340 Thompson Home
Wayne State University
Detroit, MI 48202
(313) 577-4422
e.trzcinski@wayne.edu

Nancy Walker, Associate Director
Institute for Children, Youth, and
Families
Suite 27, Kellogg Center
Michigan State University
East Lansing, Michigan 48824-1022
(517) 353-6617
walkern@msu.edu

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Executive Summary

Eileen Trzcinski and Deborah Satyanathan

In Michigan, more than 440,000 children under the age of 18 live in poverty. In addition, 8% of all children in Michigan live in extreme poverty, with a family income of less than 50% of the poverty level. While Michigan has made some improvements in reducing the child poverty rate, these facts suggest that many children and their families still face economic hardship and insecurity. This Michigan Family Impact Seminar Briefing Report focuses on this topic by describing the scope of the problem, explaining current program and policy responses to the problem and discussing new policies and strategies.

The first article, *Children and Poverty in Michigan*, provides statistics on children and families in poverty in Michigan. It then gives data on how children in poverty fare less well with regards to health, behavior and other indicators compared with children from families with higher incomes.

The second article, *Urban Areas, Poverty, and Welfare Reform: Focus on Wayne County*, provides data that focus on Wayne County. It provides poverty statistics and caseload information for the county and examines how Wayne County compares with other large urban areas. The article then provides potential alternatives that state and local policymakers can consider to address the complex issues involved in urban areas, poverty, and welfare reform.

Next, *Strategies to Support Work and Reduce Poverty* provides statistics on low-income working families in Michigan. It then describes a number of strategies to help low-income families, many of which are already being used in a few states. The article elaborates on possible tax strategies and suggests using a state earned income tax credit. It also provides recommendations on how the unemployment insurance system can more effectively assist the working poor.

Barriers to Employment provides data on barriers to employment for single mothers receiving welfare in Michigan. It charts how these barriers negatively affect the number of hours a single mother is able to work and compares the results to women nationally. It then provides information on other barriers to employment suggested by other research in the same field. The article then charts four policy proposals, already being used a number of states, to assist welfare recipients with reducing and/or eliminating their barriers to employment.

The article, *Domestic Violence and Poverty*, elaborates on the specific barriers to work for victims of domestic violence. The article describes program and policy responses to the problem of poverty and domestic violence. It also makes suggestions for assisting this population with its multiple barriers.

Rebecca Blank attempts to answer the question: “Was the 1990’s war on poverty successful?” in *Fighting Poverty: Lessons from Recent U.S. History*. She provides data on the increase in work activity for low-income families and the decrease in welfare caseloads and the poverty rate in the 1990s. The article then discusses three lessons that we can draw for anti-poverty policy. She describes how a strong macroeconomy matters more than anything else. She explains how the recent changes in welfare may have affected the behavior of low-income families and

presents positive outcome data for a program being run in Minnesota. She also explains how other policies can reinforce states' welfare-to-work efforts. She warns us not to declare success too quickly.

In *How Well Does TANF Fit the Needs of the Most Disadvantaged Families?*, Sheila Zedlewski and Pamela Loprest begin by describing state flexibility with regard to welfare time-limits. Next, they discuss the Urban Institute's National Surveys of America's Families (NSAF). The results of the surveys showed that TANF recipients in 1997 and those in 1999 were not much different with regards to their barriers to employment. The article provides data on the differences between TANF leavers, stayers and cyclers and defines the most "at-risk" of individuals leaving TANF. Finally, the article lists and describes the major challenges for states and makes recommendations for TANF policy.

Additional Resources provides links to websites and other information sources that provide data, make suggestions or describe policies regarding the issue of children and families in poverty.

Presenters

Rebecca M. Blank is Dean of the Gerald R. Ford School of Public Policy, the Henry Carter Adams Collegiate Professor of Public Policy, and Professor of Economics. Her research focuses on the interaction among the macroeconomy, government anti-poverty programs, and the behavior and well-being of low-income families. Her publications include *Social Protection vs. Economic Flexibility: Is There a Trade Off?*, which compares the social protection programs of United States and other industrialized countries, and *It Takes a Nation: A New Agenda for Fighting Poverty*, which analyzes recent discussions about poverty and public policy in the United States. Becky joined the Ford School faculty after serving as a Member of the President's Council of Economic Advisors in Washington, DC.

Sheila Zedlewski is Director of the Income and Benefits Policy Center at the Urban Institute. Her areas of expertise include income security and health benefits, with a focus on the effects of government programs on the distribution of income and poverty. She and her staff have conducted extensive research using the Urban Institute's National Survey of America's Families, which provides a comprehensive look at the well-being of adults and children. Recent publications include "Current and Former Welfare Recipients: How Do They Differ?" and "Work-Related Activities and Limitations of Current Welfare Recipients".

Children and Poverty in Michigan

Eileen Trzcinski and David J. Pauley

Scope of the Problem

Children in Michigan are more likely to live in poverty than are individuals in any other age group in Michigan. During the past two decades there has been a substantial increase in the number and percentage of poor children under age 18 in Michigan. These figures and trends parallel poverty statistics and trends for the United States as a whole.

In Michigan, the key facts about child poverty include the following [4,5]:

- Over 440,000 children under age 18 live in poverty in Michigan, and *the number living in poverty has increased by over 126,000 since 1979*. The child poverty rate in Michigan grew by 36.6 percent from 1979 to 1998.
- Michigan has reduced its child poverty rate by over 30 percent since 1993, but recent improvements in the middle and late 1990s have not yet offset the longer-term increases in child poverty since 1979.
- *15.4 percent of Michigan's children under age 18 live in poverty*, that is, in families below the federal poverty line (\$13,737 for a family of three in 2000).
- *23.3 percent of young children under age 5 live in poverty in Michigan*. In the United States as a whole, 23.1 percent of young children live in poverty.
- The child poverty rate in Michigan substantially exceeds—often by 200 to 300 percent—the poverty rate for children in other major Western industrialized countries.

Why Is Preventing Child Poverty Important in Michigan?

The detrimental effects of poverty on the well being of children have been examined in hundreds of studies. These studies consistently show that children who live in poverty are more likely than children in middle and high income families to experience material deprivation and poor health, die during childhood, score lower on standardized tests, be retained a grade, and drop out of school [1,2,3,5]. Children who live in poverty are also more likely to:

- have out-of-wedlock births
- experience violent crime
- end up as poor adults and suffer other undesirable outcomes.

Table 1 presents child outcomes for Michigan based on data from the 1999 National Survey of American Families. The results parallel national findings regarding outcomes for children living in poverty. Children living in poverty in Michigan fare less well on a wide range of indicators than Michigan children who are not living in poverty.

8 percent of children in Michigan live in extreme poverty (income below 50% of the poverty level).

41.8 % of young children in Michigan live in or near poverty, in families with incomes below 200 percent of the poverty line.

Fewer children in poverty will mean more children entering school ready to learn, better child health, and less stress on the juvenile justice system.

**Table 1. Outcomes for Children in Michigan
By Age of Child and Poverty Status of Family**

Child Indicator	Michigan Children Ages 0-5		Michigan Children Ages 6-17	
	Below 100% of poverty level	At or above 100 % of poverty level	Below 100% of poverty level	At or above 100% of poverty level
Health status of child				
Confident can get medical care if needed: Extremely or very confident	68.2%	76.9%	45.0%	73.6%
Current health status: Excellent/very good	76.8%	86.8%	60.7%	85.3%
Has health condition that limits activity	13.8%	2.1%	24.7%	9.3%
Number of emergency room visits last year: One or more visits	39.6%	33.4%	30.7%	20.1%
Number of mental health visits last year: One or more visits	8.4%	1.8%	11.9%	7.9%
Food difficulties faced by family				
Cut/skip meals for lack of money	16.8%	7.2%	28.8%	9.1%
Food bought didn't last: Often/sometimes	38.3%	12.5%	49.3%	14.8%
Worried whether food would run out: Often/sometimes	48.4%	15.9%	56.2%	19.4%
Home ownership/School Moves				
Residence owned by someone in household	31.7%	81.2%	38.1%	83.4%
Changed school at least once in past 12 months	n.a.	n.a.	28.7%	13.6%
Child's behavior				
Does poorly at school work: Never True	n.a.	n.a.	52.0%	66.7%
Often acts too young for his/her age	n.a.	n.a.	10.4%	2.4%
Has been sad or depressed: Never True	n.a.	n.a.	47.6%	61.3%
Child much harder to care for than most: None of the time	60.8%	75.9%	67.1%	76.7%
Child enrichment activities				
Participated in clubs last year (Ages 11-17)	n.a.	n.a.	43.1%	66.8%
Child took lessons after school last year				
Times in past month took child out: About once per day	15.7%	26.1%	n.a.	n.a.
A family member reads to child every day	45.6%	50.5%	n.a.	n.a.

Source: 1999 National Survey of American Families, CrosstabMaker, Authors' calculations

Can Child Poverty Be Addressed in Michigan?

Michigan's success in lowering the child poverty rate in the mid to late 1990s indicates that state, local, and private practices and policies can have an impact on the material well being of children. This *briefing report* describes a number of potential policies that Michigan can consider to address the needs of parents who face barriers to employment and to provide support to parents who are employed, but still face economic hardships. Private sector employers and government at the federal, state, and local levels can all play important roles in increasing family income and economic security for Michigan's children.

Urban Areas, Poverty, and Welfare Reform

Focus on Wayne County

Eileen Trzcinski

Scope of the Problem

Central cities within the United States typically experience higher poverty rates and higher welfare caseloads than national and state poverty rates and caseload levels. For central cities within the Detroit-Ann Arbor CMSA, U.S. Census Bureau data for 1999 indicate [3]:

- 23.7 percent of all persons lived below poverty level.
- 34.6 percent of children under 18 lived below poverty level.
- 54.4 percent of people in female-headed families with children lived below poverty level.

These poverty statistics have major implications for welfare caseloads. In July 2000, Katherine Allen and Maria Kirby of the Brookings Institution published the results from a three year study on the special impact of welfare reform in urban areas. They cautioned that "...national and state caseload declines are by no means the whole story. These caseload declines obscure the fact that welfare reform will succeed or fail at the local level" [1:1]. Table 1 compares their findings for urban areas within the United States as a whole with the findings for Wayne County.

National and state caseload declines are by no means the whole story. These caseload declines obscure the fact that welfare reform will succeed or fail at the local level [1].

**Table 1. Findings from the "State of Welfare Caseloads" Reports
Brookings Institution, Center on Urban & Metropolitan Policy**

National	Wayne County
While urban welfare caseloads are declining rapidly, they are shrinking more slowly than national caseloads.	Between 1994 and 1999, Michigan's welfare roles declined by 59.4 percent. Wayne county's caseload declined by 54.4 percent.
Urban areas' share of families on welfare has grown.	Wayne County's share of Michigan's families on welfare grew between 1994 and 1999. Wayne County contained 47.6 percent of Michigan's welfare caseloads in 1999, up from 42.4 percent in 1994.
Many urban counties are shouldering vastly more of their state's welfare cases than their share of the state's total population.	While Wayne County contained only 21.4 percent of the state's total population in 1999, it contained 47.6 percent of the state's welfare caseload, more than double (2.2) its "fair share."
Since 1996, the overall racial composition of the welfare caseload in 20 of the largest urban counties has changed only slightly.	Racial minorities are overrepresented on the Wayne County welfare rolls compared to their numbers in the total population. Whites comprised 15.4 percent of the overall population. African-Americans, on the other hand, comprised 42.4 percent of the total county population, but fully 80 percent of the county's welfare caseload.

Source: Allen and Kirby (2000)[1] and Center on Urban & Metropolitan Policy, The Brookings Institution, Fact Sheet Michigan, July 2000 [2]
(<http://www.brook.edu/es/urban/welfarecaseloads>)

The focus on state policies and caseloads, and on individuals' barriers to work, does not take into account that places affect and sometimes limit people's opportunities.

Implications for State and Local Policymakers

In their report, *Unfinished Business: Why Cities Matter to Welfare Reform*, Allen and Kirby [1] presented evidence to show that:

- Cities cannot deal with welfare and working families alone.
- The focus on state policies and caseloads, and on individuals' barriers to work, does not take into account that places affect and sometimes limit people's opportunities.
- As urban caseload declines continue, cities and urban counties must also contend with families who leave welfare for precarious positions in the workforce [1:7]

In order for states and local policymakers to address welfare within large urban areas, Allen and Kirby suggest a number of alternatives in Table 2.

Table 2. Strategies to Address Welfare within Urban Areas

Strategy	Specific Examples
Help Neighborhoods Support Work	Cities need to be equipped with the infrastructure—locally-based services, information, responsive community institutions and innovative programs—to tackle this challenge.
Think and Act Regionally	States need to connect urban welfare recipients to opportunities in the mainstream economy throughout the metropolitan area. Cities and urban counties should strive to make transportation for low-income workers an integral part of the mainstream regional transportation system.
Assist the Hard-to-Serve	Particularly in cities where unemployment rates are relatively high and competition for entry-level jobs may be fierce, public job creation efforts are crucial to helping the hard-to-serve population effectively transition into employment.
Invest in Working Families	States can make huge strides in creating seamless systems that equitably serve working poor families—helping all struggling families, not just those who have recently received a welfare check.
Remove Bureaucratic Barriers to Work	Workforce and welfare programs should work together to enhance welfare recipients' and other low-skilled workers' access to education, training and employment across jurisdictional boundaries.

Source: Allen and Kirby (2000) [1:7-10].

The next three articles of this *briefing report*, “Strategies to Promote Work and Reduce Poverty”, “Barriers to Employment” and “Domestic Violence and Poverty” provide many other examples of strategies that states and localities can use to address the issues behind urban areas, poverty, and welfare reform.

Strategies to Support Work and Reduce Poverty

Eileen Trzcinski

Overview of Low Income Working Families in Michigan

1998, the Michigan Budget and Tax Policy Project, an initiative of the Michigan League for Human Services, issued a report by Sharon Parks entitled “Michigan’s Families: Poor, Despite Work” [11]. The report chronicled the extent to which children and families face poverty and economic hardship, even though at least one family member works. More recent evidence provided by a report issued in 2000 by the Economic Policy Institute indicates that the economic status of the lowest-wage workers and Michigan’s share of poverty wage jobs still lags behind that of prior decades [9].

Key facts regarding the working poor in Michigan and the United States include:

- Data compiled by the Michigan League for Human Services’ Michigan Budget and Tax Policy Project from the state’s Family Independence Agency and Michigan Works! show that current and former cash assistance recipients earn, on average, between \$5.96 and \$6.65 per hour. In 1998, the wage required to lift a family of four above the poverty line with full-time, full-year employment was \$8.19 an hour [7].
- In 1999, the hourly wage for low-wage workers (20th percentile) was \$7.87 in Michigan and \$7.35 in the U.S. as a whole. In 1979, the inflation-adjusted hourly wage for low-wage workers was \$8.45 in Michigan and \$7.61 for the U.S. [9].
- 51.7% of low income young children in Michigan and 51.5 percent nationwide have parents who are employed full- or part-time [10].
- Even when parents work full-time, year-round, some children remain poor. In Michigan, 5.1% of young children with at least one parent working full-time remain in poverty. The corresponding percentage for the nation is 7.7% [10].

What Strategies Are Available to Support Work and Reduce Poverty?

In her 1998 report, Sharon Parks of the Michigan Budget and Tax Policy Project identified the following alternatives that could support work and reduce poverty [11]:

- Regularly Adjust the Minimum Wage
- Improve the Fairness of State Tax Systems and Target Relief to the Working Poor
- Make the Unemployment Insurance System More Responsive to the Needs of the Working Poor
- Improve Access to Education and Training Opportunities
- Improve Access to Health Care for Families
- Ensure Affordable, Accessible and Quality Child Care.

In *Windows of Opportunity*, analysts at the Center on Budget and Policy Priorities described an array of innovative strategies and practical ideas for helping low-income families with children [12]. Many of these proposals are based on current state and local programs and policies that support the efforts of low-income working families. Charts 1 and 2 provide a listing of some of these proposals with selected examples of programs and policies that are now in place in various states.

Low wages and poverty level wage jobs keep many Michigan workers and their families poor.

51.7% of low income young children in Michigan have parents who are employed full- or part-time.

States have developed an array of innovative strategies and practical ideas for programs and policies that help low-income families with children.

Chart 1. Potential Strategies to Support Work and Reduce Poverty

Strategy	Rationale and Description
Worker stipend	In most states, parents lose eligibility for cash aid before their earnings are sufficient to meet their families' basic needs. States can provide wage supplements to parents who work but earn too little to meet their families' basic needs.
Transportation assistance	<p>Many low-income families do not live near the areas of greatest job growth. Often public transportation is not available or is not structured to accommodate reverse commutes, non-standard hours or the multiple stops facing many low-income families. States can provide transportation to low-income families and need not limit this aid to families receiving welfare. States and localities can provide transportation assistance through:</p> <ul style="list-style-type: none"> • Income-based transportation subsidies • Providing funds to support car purchase • Support car donation programs • Coordinating paratransit alternatives
Child care	<p>States can use various state and federal funding sources to create a seamless system of care for all low-income families. Effective state programs should provide:</p> <ul style="list-style-type: none"> • Affordable co-payments • Access to care during non-standard hours
Job retention and advancement services	<p>Although many former welfare recipients are working, they are typically in short-lived, low-wage jobs that lack health insurance or other benefits and have little room for advancement or wage growth. State policies can be designed to:</p> <ul style="list-style-type: none"> • Help recipients get better jobs initially • Provide extended case management services to employed families • Ensure that low-income working families have access to all benefits to which they qualify
Short-term aid	<p>Many low-income families experience temporary crises, such as a car breakdown or the illness of a child, that can jeopardize family stability or a parent's employment. State alternatives for short term aid include:</p> <ul style="list-style-type: none"> • Emergency assistance programs that provide aid to prevent homelessness or utility cut-offs • Cash diversion programs that cover low-income families not eligible for welfare
Expand health coverage for low-income working parents	<p>While many states, including Michigan, provide health insurance coverage to many of the children in low-income working families, the parents in these same families frequently must go without health insurance. Studies conducted by the states consistently show that more than a third, and often more than half, of parents in families that recently left welfare do not have health coverage, either through the workplace or through public programs. States can now expand coverage for low-income working parents to whatever income level they determine is appropriate, with the help of Medicaid funds. States can use these funds to provide:</p> <ul style="list-style-type: none"> • Broad-based expansion for all low-income families • Time limited expansion or extended transitional coverage

Source: Sweeney et al. (2000) and Lazere et al. (2000), Center on Budget and Policy Priorities [4,12].

Chart 2. State and Local Examples of Strategies to Help Low-Income Families

Strategy	Selected State/Local Examples
Worker stipend	Texas recently established a pilot program that will provide “post-employment stipends” as part of a comprehensive Employment Retention and Advancement Project. Some families are eligible for stipends of at least \$1,200 a year.
Transportation assistance	In New Mexico, families with incomes below the poverty level can qualify for transportation aid, even if they do not qualify for cash assistance. Kansas provides funds for purchase of vehicles and will also cover licensing and insurance costs when needed so long as total expenditures do not exceed \$5,000. Michigan provides \$1,200 for a down payment on the purchase of a car.
Child care	Many states have reduced or eliminated their required co-payments so that low-income families can better afford child care. For example, Kentucky eliminated co-payments for any family with an income less than \$700 per month. The District of Columbia increased reimbursement rates to 10 percent above the regular day rates for evenings, and 15 percent higher for weekend rates. Illinois recently lowered co-payments for working families by instituting a 10 percent earned income disregard and also improved reimbursement rates for centers providing care during non-standard hours.
Job retention and advancement services	A welfare-to-work program called “Steps to Success” in Portland, Oregon helps parents map out career plans, encourages those with low skill levels to participate in training or education, and works with them to find jobs that offer above-minimum wages, decent benefit packages, and opportunities for advancement. The Welfare to Work Partnership was created to work with American businesses in providing employment to former cash assistance recipients and to connect them to family supporting jobs. The mission of the partnership was to motivate employers to hire welfare recipients and to give them the tools they need to succeed. The partnership was successful at recruiting more than 20,000 U.S. employers to be partners. Among the partnership’s business leaders, 80% reported that former welfare recipients made productive workers[8].
Short-term aid	Short-term aid is provided in 31 states. Indiana’s planned Short-Term Empowerment Program (STEP) offers a broad range of one-time assistance to support employment among families with incomes up to 250 percent of poverty.
Expand health coverage for low-income working parents	Wisconsin, Rhode Island, Connecticut, California, Missouri and the District of Columbia provide expanded health coverage. Wisconsin’s “BadgerCare” program offers Medicaid coverage to parents and children with incomes up to 185 percent of poverty and allows them to retain coverage until their incomes exceed 200 percent of poverty.

Source: Sweeney et al. (2000) and Lazere et al. (2000), Center on Budget and Policy Priorities [4,12].

Michigan has consistently taxed families with incomes below the poverty line.

Another way to better target low-income tax relief is to reduce and phase out the value of the exemption or credit at higher income levels.

For the tax year 1999, eleven states had an Earned Income Tax Credit (EITC) based on the federal EITC.

How Can Tax Strategies Be Designed to Help Low-Income Families?

Many low-income working families face a heavy state and local tax burden. Michigan's tax threshold for families of four increased during the 1990s, but a substantial gap still remains between the threshold and the poverty line. In 1991, a family of four owed tax when its income exceeded 60 percent of the poverty line. In 2000, Michigan's tax threshold was 73 percent of the poverty line. j 15

According to analyses by the Center on Budget and Policy Priorities, a majority of states have eliminated the tax burden of income taxes on poor families [3,13]. States can make use of three basic features of a standard income tax structure to reduce or eliminate the income tax burden on low-income families.

Increasing Personal and Dependent Exemptions

Many of the states that do not tax poor families of three or four members allow relatively large deductions from income for all taxpayers through personal and dependent exemptions and dependent exemptions. The cost of increasing a personal exemption or credit can be mitigated in a number of ways. States can use a personal credit rather than an exemption to target relief to low-income households and reduce costs [3,13].

Increasing the Standard Deduction

By increasing the standard deduction, a state can increase the tax threshold at which families begin to pay taxes. It also reduces the amount of taxes owed by families with incomes about the threshold level [3,13].

Providing Low-Income Credits

A tax credit is a subtracted directly from an individual's tax liability. Credits available only to low-income taxpayers can function as a targeted and efficient way of increasing the tax threshold and reducing the tax liability for low-income families. Credits that are refundable-that is, credits for which the taxpayer receives the entire value even if the credit amount exceeds the amount of taxes owed-can serve to offset the burden of other state and local taxes and supplement wages for families at low income levels [3,13].

Less effective strategies include income tax rate reductions. Income tax rate reductions are often of small benefit to low-income taxpayers. Although rate cuts would appear to benefit all taxpayers regardless of income, the benefit for low-income taxpayers is generally very small. Even if a rate reduction is made across the board, it provides a larger dollar benefit for high-income taxpayers than for low-income taxpayers [1,11,13].

Michigan's 2000 income tax on working poor and near-poor families:

	Ranking
For families of four with incomes at the poverty live (\$17,601): \$202	11th highest
For families of three with incomes at the poverty line (\$13,737): \$161	7th highest
For families of three with minimum-wage earnings (\$10,712): \$34	9th highest
For families of four with incomes at 125% of the poverty line (\$22,001): \$386	13th highest
For families of three with incomes at 125% of the poverty line (\$17,171): \$305	9th highest

Source: Zadradnik et al. (2001), Center of Budget and Policy Priorities, State Fact Sheets [13]

State Earned Income Tax Credits in 1999

State EITCs are tax credits for low-income working families that are based on the federal EITC. The EITC can provide significant tax relief and an income supplementation to workers. The federal EITC is now credited with lifting more children out of poverty than any other federal program. Based on analyses by the Michigan Budget and Tax Policy Project, Table 1 identifies the amount of a state EITC benefit if Michigan were to enact a state EITC based on 25 percent of the federal credit.

**Table 1. Potential EITC Benefit Levels in Michigan
(Based on a credit set at 25 percent of the federal credit)**

Household Income	EITC for Workers Raising One Child	EITC for Workers Raising Two or More Children
\$10,000	\$578	\$954
\$15,000	\$476	\$819
\$20,000	\$276	\$556
\$25,000	\$ 76	\$293

Source: Michigan Budget and Tax Policy Project (2000), "The Impact of A State Earned Income Tax Credit in Michigan"[6].

Table 2 displays the four major features of the EITC which are (1) whether the credit is refundable, (2) the percentage of the federal EITC at which the credit is set; (3) whether the credit is adjusted for family size beyond the adjustment in the federal EITC; and (4) whether workers without qualifying children who qualify for the federal EITC are eligible to receive the state credit.

Table 2. State Earned Income Tax Credits in Tax Year 1999

State	Percentage of Federal Credit	Workers without Qualifying Children Eligible?
Refundable Credits		
Colorado	8.5%	Yes
Kansas	10%	Yes
Maryland	10% (rising to 15% in 2001)	No
Massachusetts	10 (rising to 15% in 2001)	Yes
Minnesota	15% -- no qualifying children	Yes
	15% to 46% -- families with children	
New York	20% (rising to 25% in 2001)	Yes
Vermont	25%	Yes
Wisconsin	4% to 43% -- families with children	No
Non-refundable credits		
Iowa	6.5%	Yes
Oregon	5%	Yes
Rhode Island	26.5%	Yes

Source: Johnson et al. (2000), Center on Budget and Policy Priorities, Appendix I, page 55 [3].

A number of changes in the unemployment insurance system could provide greater protection to low-income unemployed workers.

Michigan makes it very difficult for part-time workers to qualify for benefits.

The earnings a worker accrues in seasonal labor in Michigan do not always count toward eligibility or benefit levels for unemployment in the off-season.

How Can the Unemployment Insurance System Be Made More Responsive to the Needs of the Working Poor?

Unemployment insurance has become less effective in maintaining income than in the past because a smaller share of unemployed workers now receive unemployment insurance. In 1998, a little more than one in three unemployed workers received unemployment insurance nationwide. In Michigan in the mid-1990s, twenty percent of “job losers” did not receive unemployment insurance benefits[11]. Strategies identified by analysts at the Center on Budget and Policy Priorities the Michigan Budget and Tax Policy Project, the Economic Policy Institute and the Urban Institute to make the U.I system more responsive include [1,2,5,11,13]:

Good cause for voluntarily leaving work

Workers who leave a job voluntarily generally are not eligible for unemployment benefits. As welfare reform efforts lead to an increase in the number of working single parents, Michigan could consider broadening the list of reasons that qualify as “good cause” for leaving a job voluntarily to include reasons such as lack of child care or transportation problems [1,11,13].

Workers available only for part-time work

In recognition of the need to balance work and child rearing, Michigan could consider modifying its eligibility provisions so that a person who looks only for part-time work or work on certain shifts is considered “available” for work. In Michigan, a minimum wage worker must work a minimum of 30 hours per week for 20 weeks within the past 52 weeks in order to have sufficient earnings to qualify for benefits. Other states do not have such a formidable barrier for part-time workers [11].

Seasonal workers

Michigan is one of a minority of states that treats seasonal workers differently-and more harshly-than other workers in determining eligibility for unemployment insurance benefits. Michigan could consider joining the majority of states and eliminate these exclusions [11].

Dependent Allowances

Some 12 states and the District of Columbia have acknowledged the special needs of working parents by providing additional unemployment insurance payments to workers with children. These payments are called dependent or dependency allowances [1,13].

How Can Individual Development Accounts Help Families Build Assets?

Many states are using TANF funds to establish Individual Development Accounts (IDA). IDAs are sheltered savings for low-income families that often include a match from the state or a non-profit organization. In most of these programs, IDA holders can withdraw funds only for post-secondary education, first time home ownership, or capitalization of a business. Some states also allow TANF IDAs to be used to save for the purchase of a vehicle, to repair a home, or for training program expenses. Thirty states now allow TANF recipients to establish IDAs, and 14 states offer some form of matching contribution [4].

Barriers to Employment

Deborah Satyanathan

Many individuals who receive welfare would like to work but discover that finding and retaining employment is difficult for a number of reasons. Those who are able to leave welfare for work often earn too little to support their families. Current data shows that many of these individuals face significant barriers to employment, and individuals with multiple barriers are less likely to successfully enter the workforce than those with one or no barriers.

Single mothers in Michigan who had one of nine barriers were significantly less likely to be working than mothers who did not have the barrier.

What are the employment barriers for single mothers in Michigan?

The University of Michigan conducted a study on single mother welfare recipients in an urban county in Michigan. The researchers found that mothers who had one of nine barriers were significantly less likely to be working than mothers who did not have the barrier. Table 1 lists these barriers and shows the percentage of women in the sample reporting the barrier and the national percentage of women with the barrier. It also shows the percentage of women in the sample, with and without barriers, that were working 20 or more hours per week.

Table 1. Prevalence of Employment Barriers in Michigan

Employment Barrier	Percent of Women with Barrier		Percent of Michigan Sample Working 20 or more hours	
	Michigan Sample	National Samples	With Barriers	Without Barriers
Less than a high school education or GED	31.4	12.7	38.7	66.3
Low work experience	15.4		33.3	62.3
Previously used fewer than 4 job skills	21.1		34.2	64.0
Had 4 or more prior perceived experiences of job discrimination	9.1		56.7	57.8
Lack of access to a car and/or license	47.1	7.6	44.8	69.2
Recent major depressive disorder	25.4	12.9	47.9	61.0
Drug Dependence	3.3	1.9	40.0	58.3
Mother's Poor Health	19.4		39.0	62.2
Had a child with health, learning or emotional problems	22.1	15.7	48.5	60.6

Source: Danziger et al. (2000) [1].

In addition, 85% of recipients had at least one barrier and 74% had two or more barriers. The study found that the probability that a mother worked twenty hours or more decreases as her number of barriers to employment increases.

A Michigan study found that 20% of single mothers on welfare reported having a child with a health, learning or emotional problem.

Another Michigan study suggests that TANF caseworkers do not understand special needs children, have little knowledge of community resources for special needs children and are not aware of how special needs children can impede a parent's ability to find employment.

What does the current research say about barriers to employment?

Researchers have conducted many studies on potential barriers to employment for welfare recipients. Four of the major barriers identified by analysts at the Center on Budget and Policy Priorities include [2]:

1. *Little or no employment skills or education*
 - Many studies have found that most welfare recipients do not have the education or skills required by most employers.
 - Further education and/or training can assist former welfare recipients in becoming financially independent.
 - One study's results suggest that women with an associate's degree can earn hourly wages that are 19 to 23 percent higher than similar women who did not have the degree.
2. *Little or no prior work experience*
 - Inner cities and rural areas often do not have enough jobs that do not require previous work experience for all of the individuals competing for those jobs.
 - As welfare caseloads decrease, states will be forced to assist individuals with little or no work experience in finding employment.
3. *Substandard housing conditions or lack of affordable housing*
 - Nationally, 75% of all families receiving welfare do not receive housing assistance.
 - Substandard housing has been linked to poor physical health among children.
 - A study of 13 states found that parents were not able to focus on work activities until they addressed their housing needs.
 - Higher housing costs in the suburbs often prevent families from moving to areas with a larger number of available jobs.
4. *Having a child with special needs*
 - A Michigan study found that 20% of single mothers on welfare reported having a child with a health, learning or emotional problem.
 - Parents are unable to find adequate child care for disabled children because of untrained staff or inaccessible locations.
 - Another Michigan study's results suggest that TANF caseworkers do not understand special needs children, have little knowledge of community resources for special needs children and are not aware of how special needs children can impede a parent's ability to find employment.

Policy Implications

As time limits begin to run out for many families receiving TANF funds, the number of individuals without work or welfare will increase unless significant attention is paid to the barriers to employment that these individuals face. Based on analyses from the Center on Budget and Policy Priorities, Charts 1 and 2 describe four policy proposals to decrease and/or eliminate possible barriers to work.

Chart 1. Potential Strategies to Remove Barriers to Employment

Strategy	Rationale and Description
<p>Access to Education and Training</p>	<p>Under the federal law, states are able to use TANF or MOE funds for education and training activities. Expenditures can include tuition and other educational costs, supportive services such as child care and transportation, and cash assistance for living expenses. To provide welfare recipients with the opportunity for education or training, states could:</p> <ul style="list-style-type: none"> • Allow participation in education or training to meet state’s full work requirements. • Allow parents to combine classroom, study, and work hours.
<p>Transitional Jobs</p>	<p>By creating publicly-funded transitional jobs, states can enable welfare recipients to earn wages and gain valuable work experience while also alleviating job shortages. These jobs can provide a “stepping-stone” for individuals with little or no prior work experience. Approaches to transitional jobs could include:</p> <ul style="list-style-type: none"> • Providing cash assistance large enough to pay participants the entire cost of wages associated with half-time work at the minimum wage. • Integrating education and training. • Allowing participants to work more than 20 hours per week. • Paying wages higher than the minimum wage.
<p>Housing Assistance</p>	<p>A housing program targeted towards current and former welfare recipients whose housing problems are a barrier to work can be an effective component of welfare reform efforts. Housing assistance also offers a measure of security that enables parents to focus on employment goals and challenges. Some key issues to look at when designing a housing program include:</p> <ul style="list-style-type: none"> • Eligible families. • Time limits. • Subsidy amount. • Funding sources.
<p>Child Care for Children with Special Needs</p>	<p>States have the ability to tap a variety of funding sources, including TANF, the Social Services Block Grant (SSBG) or the Child Care Development Fund (CCDF) to expand the supply of appropriate child care for children with special needs. Promising strategies include:</p> <ul style="list-style-type: none"> • Financial incentives to develop specialized child care services in inclusive settings. • Training and counseling for existing child care providers • Exemption of parents from TANF work requirements when appropriate child care is not available.

Source: Sweeney et al. (2000). Center on Budget and Policy Priorities [2].

Chart 2. State and Local Examples of Strategies to Remove Barriers to Employment

Strategy	Selected State/Local Examples
<p>Access to Education and Training</p>	<p>Illinois allows students to attend post-secondary education, vocational education, or training programs without also requiring work. The state also suspends the time limit for up to four years for full-time students with at least a 2.5 grade point average.</p> <p>Michigan allows students to meet the state’s 30-hour per week TANF work requirement through classroom, study and work hours. Parents can count up to 20 hours of school and study time toward the work requirement. Participants must be engaged in work activities for the remaining 10 hours.</p>
<p>Transitional Jobs</p>	<p>Washington and Vermont are operating statewide programs that create transitional jobs, and New York is testing a similar program.</p> <p>Baltimore, Detroit, Philadelphia and San Francisco are also operating transitional job programs.</p>
<p>Housing Assistance</p>	<p>Connecticut provides vouchers for one year that pay rental costs exceeding about 40% of family income.</p> <p>New Jersey offers vouchers for three years, with the portion of rental costs paid by families increasing from 45% of income in the first year to 65% of income in the third year.</p> <p>Minnesota’s program allows eligibility for five years and pays at least 30% of a family’s income in rent, with a maximum subsidy of \$250 per month.</p>
<p>Child Care for Children with Special Needs</p>	<p>Alaska, Delaware, Kentucky, Missouri, Oklahoma and Oregon offer or plan to offer higher reimbursement rates for children with special needs.</p> <p>Utah and Michigan provide supplemental grants to providers in recognition of the higher costs of caring for children with special needs. Georgia and Illinois treat caregiving as a work activity when parents remain home with children who are disabled.</p>

Source: Sweeney et al. (2000). Center on Budget and Policy Priorities [2].

Domestic Violence and Poverty

Deborah Satyanathan and Anna Pollack

Background Data and Research

Families who experience domestic violence are often also victims of poverty. Studies examining the association between domestic violence and poverty have found:

- Of current welfare recipients in Michigan, 63% have experienced physical abuse and 51% have experienced severe physical abuse during their lifetimes [12].
- Physical abuse/being afraid of someone was cited as the primary cause of homelessness (in a survey of homeless adults in Michigan) [7].
- Half of homeless women and children report being victims of domestic violence [5,7].

Research shows that a variety of factors may contribute to the poverty of women and children who have experienced domestic violence, including lack of affordable housing and lack of accessibility to legal assistance. Some of the most significant factors are barriers to employment. Because of these barriers, many victims of domestic violence may not be able to leave welfare for work within the imposed time constraints of the recent welfare reform. These barriers consist of:

- Psychological effects of domestic violence (Post-traumatic Stress Disorder, depression, or anxiety)
- Sabotage by the abuser (destroying homework assignments, disabling cars and alarm clocks, interference with child care efforts, or harassment at work)
- Manipulation by the abuser (leaving marks and/or bruises that prevent the woman from attending work or an interview, or undermining self-confidence)

These employment barriers can lead to tardiness, absenteeism and lack of productivity. Research shows that between 23% and 42% affected by domestic violence report that the abuse had an impact on their work performance [4,5,12].

A study conducted by the University of Michigan suggests that domestic violence by itself is not a barrier to employment, but that the more barriers one has, the more difficult it is to leave welfare for work [2]. Further research is needed on multiple barriers to employment resulting from domestic violence.

A recent study found that approximately 70% of domestic violence victims did not disclose the abuse to their TANF caseworkers [10]. The same study found that 75% of those that did reveal information about the violence did not receive the appropriate support or services. These results imply that without the proper services, many victims of domestic violence and their children are forced to return home to their abuser.

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A recent study found that approximately 70% of domestic violence victims did not disclose the abuse to their TANF caseworkers[10].

In October 2000, the federal government reauthorized the Violence Against Women Act (VAWA). This act provides \$3.3 million over the next five years to address issues pertaining to violence against women, such as transitional housing and civil legal assistance [6].

Policy options to protect victims of domestic violence from poverty include training Family Independence Agency caseworkers to recognize the symptoms of domestic violence and to provide families with the proper resources to decrease their multiple barriers to employment.

How have program developers responded to the link between domestic violence and poverty?

Domestic violence shelters traditionally provide services to women and children who seek assistance. These shelters may provide emergency housing, counseling and/or support groups. However, many shelters do not provide women with the financial resources that they need to become economically independent.

SAFE House, located in Ann Arbor, Michigan, provides many needed services to victims of domestic violence, including a 24-hour crisis line, emergency shelter for one month, support groups, children's services, public education and policy development. Services that assist women in becoming financially independent consist of:

- Legal services, including advocacy, referrals and court accompaniment
- Counseling on emotional issues, housing, employment and transportation
- A Families First program to assist women in becoming financially independent

SAFE House services have not been formally evaluated but the outcomes so far have been positive [11].

How have policymakers responded to the link between domestic violence and poverty?

The federal government has responded to the problem of domestic violence and poverty by allowing states to adopt the Family Violence Option (FVO). Under the FVO, victims of domestic violence would be allowed an extended time-period to obtain employment. Michigan has chosen not to adopt the FVO but has other provisions for domestic violence in its welfare legislation such as allowing agencies to provide a renewable work exemption waiver for victims of domestic violence.

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Policy Options

In light of the conflicting current research and lack of specific program outcomes, recommendations to protect victims of domestic violence from poverty include:

1. Funding the evaluation of current policies and programs.
2. Funding the development of new programs to help victims of domestic violence find and maintain employment.
3. Training Family Independence Agency caseworkers to recognize the symptoms of domestic violence and to provide families with the proper resources to decrease their multiple barriers to employment.

Fighting Poverty

Lessons from Recent U.S. History

Rebecca M. Blank

The 1990's saw the expansion of the economy, major welfare reform and substantial changes in other policies designed to assist low-income families. During this time, the behavior of low-income families also changed, with plummeting use of public assistance and substantial increases in labor market involvement. This article starts by documenting the magnitude and speed of these behavioral changes during the 1990's and then investigates the role of both the macroeconomy and policy in producing these outcomes. It ends by discussing how these changes may or may not translate into improvements in long-term family well-being.

This article will address the following questions:

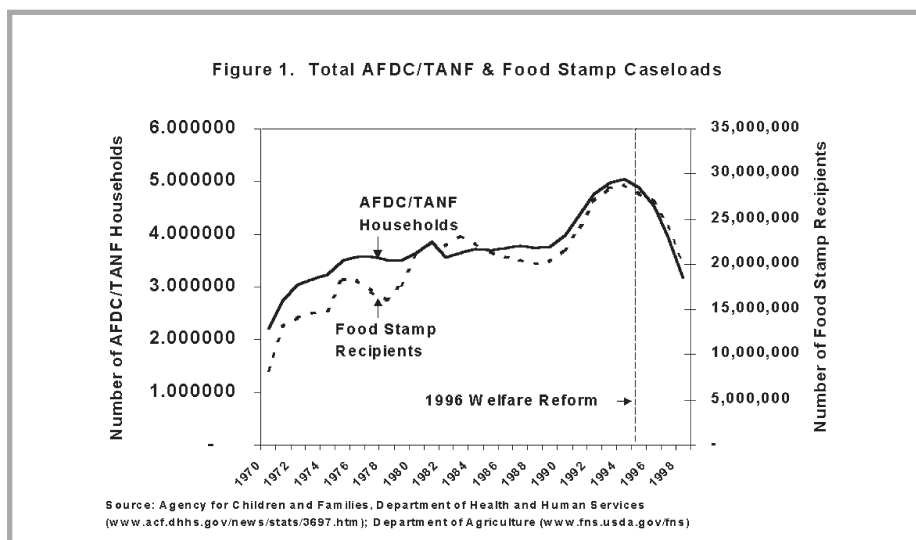
1. Was the 1990's war on poverty successful?
2. What lessons from the 1990's can we draw for anti-poverty policy?
3. Did we declare success too quickly?

Was the 1990's War on Poverty Successful?

The success of the war on poverty can be measured in many different ways, including the change in the number of households receiving public assistance, the change in the number of people participating in the labor market or school and the change in the overall poverty rate.

Figure 1 shows the number of households receiving cash support and the number of food stamp recipients from 1970 to 1999. The number of households receiving cash public assistance decreased steadily from 5 million in January 1994 to 2.5 million in June 1999. The number of food stamp recipients followed the same trend. These declines occurred even though the population that is most likely to

The success of the war on poverty can be measured in many different ways, including the change in the number of households receiving public assistance, the change in the number of people participating in the labor market or school and the change in the overall poverty rate.



The number of households receiving cash public assistance decreased steadily from 5 million in January 1994 to 2.5 million in June 1999.

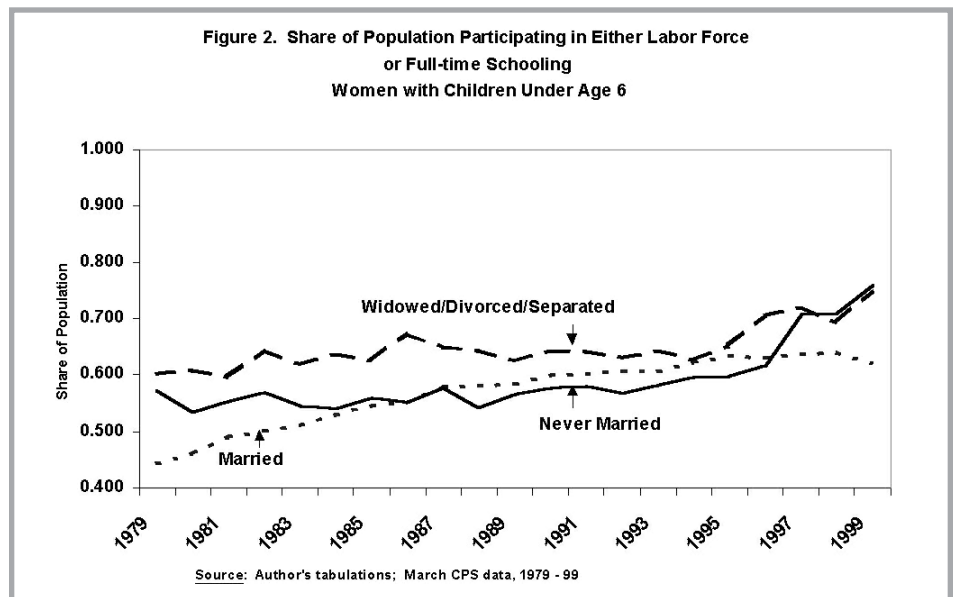
From 1979 to 1999, there were drastic increases in the rate of labor market participation / preparation (work or school) for never-married mothers (34%) and widowed/divorced/separated mothers (20%). Married mothers had only a steady increase in labor participation/preparation, and women without children showed no increase. The declines in caseload and increases in labor market participation do not necessarily say anything about single working mothers and poverty. Figure 3 shows the official U.S. poverty rates from 1970 to 1998 for all people and for single female-headed households. The official poverty rates rose in the early 1990's and decreased after that [22].

The number of people leaving public assistance was higher than the number of people leaving poverty in the mid-1990s.

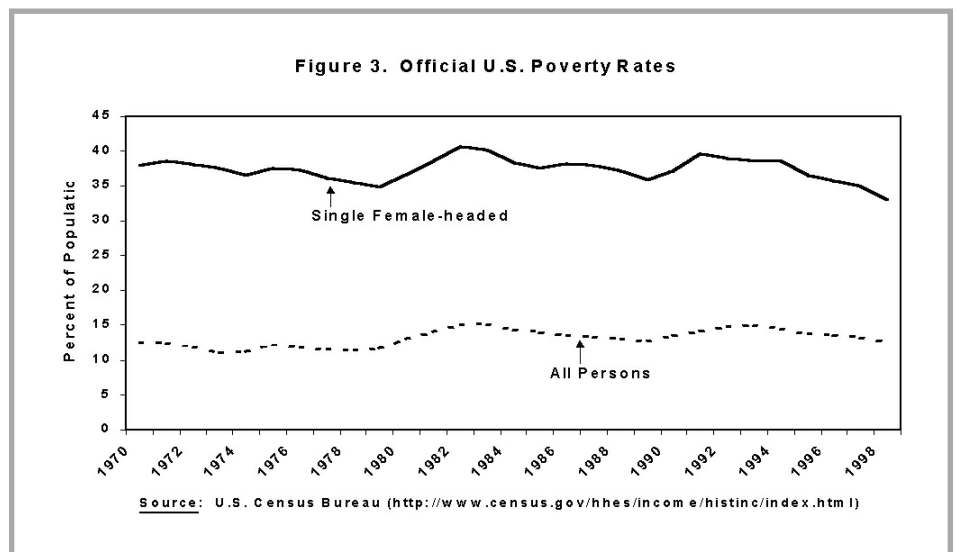
The declines in caseload and increases in labor market participation do not necessarily say anything about single working mothers and poverty.

be eligible for welfare benefits, female-headed households with children, rose during the 1990's.

Figure 2 shows the number of women, divided into three categories, who worked or attended school full-time from 1979 to 1999. There were drastic increases in the rate of labor market participation/preparation (work or school) for never-married mothers (34%) and widowed/divorced/separated mothers (20%). Married mothers had only a steady increase in labor participation/preparation, and women without children showed no increase. The declines in caseload and increases in labor market participation do not necessarily say anything about single working mothers and poverty. Figure 3 shows the official U.S. poverty rates from 1970 to 1998 for all people and for single female-headed households. The official poverty rates rose in the early 1990's and decreased after that [22].



Poverty, however, is only one way to measure overall family well-being. In fact, the number of people leaving public assistance was higher than the number of



people leaving poverty in the mid-1990's [20]. This fact leaves us asking the question, "Were some groups among the poor actually worse off by the changes made in the 1990's?"

What lessons from the 1990's can we draw for anti-poverty policy?

Many factors were involved in contributing to the large behavioral changes we saw in low-income families during the 1990's. From these changes, we have learned three important lessons for anti-poverty policy:

1. A strong macroeconomy matters more than anything else.
2. Public assistance program design can increase work incentives.
3. Other policies, especially wage subsidies, can reinforce welfare-to-work efforts.

Lesson 1: A strong macroeconomy matters more than anything else.

As of February 2000, the current economic expansion set a record as the longest in U.S. history, lasting more than 106 months. During this time period, investment growth has been strong, the federal government eliminated its annual deficits, productivity growth has been above trend, and inflation has remained low. All of these economic outcomes have benefited workers. In addition:

- Employment growth has been high, with more than 20 million new jobs created by the end of 1999.
- The unemployment rate has been extremely low for several years, especially among African Americans, Latino Americans, females and high school dropouts.
- Wage increases among less skilled workers have been strong since 1996, although not large enough to make up for the previous two decades of wage decline among this group.

Can the strong economy account for the changes in low-income behavior?

This strong economy has been important in affecting declining caseloads, expanding labor force participation, and falling poverty rates. Studies have shown that between one-third and two-thirds of the caseload change in the early 1990's appears to be due to economic factors [23] [13]. Furthermore, the unemployment rate had a strong effect on the poverty rate for female-headed households and African American families.

While the strong macroeconomy seems to have been helpful to low-income families in the 1990's, it is difficult to measure these impacts precisely. First, most of our economic measures reflect average economic effects rather than specific economic changes. Second, the strong economy has affected economic policy as well as poverty, and it is difficult to measure the magnitude of the effect on policy or poverty only. Third, economists have a very poor understanding of how economic growth affects the more informal ways in which low-income families receive income.

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Studies have shown that between one-third and two-thirds of the caseload change in the early 1990's appears to be due to economic factors.

Lesson 2: Public assistance program design can increase work incentives.

A few studies that looked at post-1996 data agree that welfare policy changes have had a significant negative effect on welfare caseloads.

While strong economic growth seems to have benefited low-income families, it is unlikely that it explains the changes in welfare caseloads and labor market participation by itself. It seems more likely that economic forces have reinforced the direction of policy, and both policy and economics have worked together to change behavior more strongly than either could have accomplished alone.

Policy changes in the early 1990's included waivers allowing states to experiment with alternative rules for Aid to Families with Dependent Children (AFDC) and food stamps. A variety of studies suggest that these waivers overall decreased caseloads [23, 10], increased work and reduced poverty rates [21].

In 1996, the federal government replaced the long existing AFDC with the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which provides states with the Temporary Assistance for Need Families (TANF) block grant. The new welfare system:

- Allows states almost total discretion in setting the rules for eligibility and benefits.
- Enacted time limits, which allow families to receive public assistance for no more than 60 months over a lifetime.
- Strengthened the incentives for states to increase their welfare-to-work efforts.
- Abolished eligibility for most types of public assistance among different populations.

Can TANF account for the changes in low-income behavior?

It seems that the extreme welfare policy changes would have significant effects on low-income behavior. However, for a variety of reasons, these results are difficult to measure. First, most data comes from the transition period in which the programs were being implemented. However, a few studies that looked at post-1996 data agree that welfare policy changes have had a significant negative effect on welfare caseloads [10, 21]. Second, the states are experimenting with a variety of approaches to reduce caseloads and increase work. Third, it is difficult to distinguish between the legislation that states have passed and the way they are implementing the changes. Finally, as noted above, economic and policy changes seem to have a mutual effect on each other.

The evidence from the Minnesota Family Investment Program (MFIP) suggests that employment, earnings, and family income increased substantially for program participants, while poverty fell.

Are there any effective state programs?

Some states have experimented with innovative financial incentive programs designed to increase work behavior while not reducing income. The Minnesota Family Investment Program (MFIP) substantially decreased the benefit reduction rate for public assistance recipients, thus allowing them to keep more public assistance income as they went to work, but mandated participation in work/welfare programs. Table 1 summarizes some of the key results from this program. The evidence suggests that employment, earnings, and family income increased substantially for program participants, while poverty fell. Many states are reluctant to follow Minnesota's example because the program did not save money for the government. However, the program clearly provides evidence that it is possible to both reduce poverty and increase work behavior.

Table 1.
Impacts of Combined Financial Incentive/Employment Mandate Programs
on Single-Parent Welfare Recipients

	SSP		MFIP	
	Applicants ^a	Long-term Recipients ^b	Applicants ^c	Long-term Recipients ^c
Employment				
Treatment Group	53.7	40.8	56.3	51.7
Control Group	41.8	29.0	52.1	36.1
Impact	11.9**	11.8**	4.2*	15.6**
Annual Earnings				
Treatment Group	\$7,671	\$3,435	\$6,405	\$4,207
Control Group	\$5,638	\$2,198	\$6,631	\$3,191
Impact	\$2,033**	\$1,237**	-\$226	\$1,016**
Annual Family Income				
Treatment Group		\$14,710	\$15,167	\$16,607
Control Group	\$18,438	\$12,730	\$14,223	\$14,676
Impact	\$15,764 \$ 2,674	\$ 1,980**	\$ 994	\$ 1,931**
Poverty Rates				
Treatment Group		77.5	67.5	71.4
Control Group	57.2	89.8	72.1	85.2
Impact	68.5 -11.3**	-12.2**	-4.6*	-13.8**

**Significant at 1 percent level; *Significant at 5 percent level.

All data are reported in 1998 US dollars, based on the Consumer Price Index. Canadian dollars are converted to US dollars at the rate of 0.75 \$US/\$Can.

^aFrom Michalopolous, et. al. (1999). Data are averages measured in quarters 8-9 after random assignment and are from a 30-month client survey (employment and earnings), as well as Income Assistance and SSP program records (income). Family income in both SSP columns equals earnings from all family members plus cash assistance less federal and provincial taxes. Poverty rate is calculated from the low-income cut-off defined by Statistics Canada.

^bFrom Lin, et. al. (1998). Data are averages measured over quarters 5-6 after random assignment and are from an 18-month client survey (employment and earnings), as well as Income Assistance and SSP program records (income).

^cFrom Miller, et. al. (1997). Data are averages measured over quarters 5-7 after random assignment (employment and earnings) and are from Unemployment Insurance records (employment and earnings) as well as welfare program records (income). Family income in both MFIP columns equals earnings of head plus cash assistance, including cash value of Food Stamps. Poverty rate is calculated from the official U.S. poverty rate.

Among people benefiting from the 1996 and 1997 minimum wage increases, 58% were women, almost half worked full-time, and most live in low-income families.

Increases in the minimum wage and the expansion of the EITC reinforced each other to increase families' earnings. A single mother with one child experienced a 26% increase in her income, and a single mother with two children experienced a 40% increase.

Lesson 3: Other policies, especially wage subsidies, can reinforce welfare-to-work efforts.

TANF was not the only policy change designed to assist low-income families in the 1990's. The minimum wage increased four times during the 1990's, from \$3.35 in 1990 to \$5.15 in 1997 (See Table 2). The EITC was also expanded several times. Furthermore, there has been a substantial increase in public child care subsidies, and health insurance coverage of low-income families by the Medicaid program has expanded steadily.

All four of these policy changes benefited low-income families in the following ways:

- Among people earning between \$4.25 and \$5.15 per hour prior to the 1996 and 1997 minimum wage increases, 58% were women, almost half worked full time, and most lived in low-income families [9], suggesting that this population benefited the most from the increase in the minimum wage.
- Table 2 shows the maximum subsidy from the EITC for single mothers with one child and single mothers with two or more children in 1989 and 1998. The maximum subsidy from the EITC rose by 90% for families with one child and by 214% for families with two or more children.
- Table 2 shows how the increases in the minimum wage and the expansion of the EITC reinforced each other to increase families' earnings. A single mother with one child experienced a 26% increase in her income, and a single mother with two children experienced a 40% increase.
- Throughout the 1990's, a growing number of children in low-income families were automatically eligible for Medicaid.

Table 2.
Effects of Changing Policy on Earnings of Single Mothers
(All numbers in 1998 dollars)

Policy Change	1989	1998	Percent change
Minimum Wage	\$4.41	\$5.15	16.8
Maximum EITC Subsidy			
Single Mother (one child)	\$1,197	\$2,271	89.7
Single Mother (two children)	\$1,197	\$3,756	213.8
Earnings (Single mother working full-time at minimum wage)			
Single Mother (one child)	\$9,856	\$12,571	25.6
Single Mother (two children)	\$9,856	\$14,056	40.4
Ratio of Earnings to U.S. Poverty Line			
Single Mother (one child)	0.89	1.16	
Single Mother (two children)	0.76	1.03	

- Many welfare recipients can now retain their Medicaid eligibility for at least one year after they go to work and leave public assistance.

Did we declare success too quickly?

The 1990's saw a large decline in welfare caseloads and a substantial increase in work behavior among low-income families. These changes seem to be a result of a variety of events that all came together at the same time: a strongly expanding economy, substantial revisions in public assistance that emphasized work and reduced benefit eligibility, and major policy changes that increased the returns to work and the subsidies to support work, particularly among single mothers. However, before concluding that the war on poverty has been won, a number of stipulations to these results must be noted:

- It is not clear how sustainable these changes are in the long run or how reliant they are on the remarkably strong economy.
- The long-term effects of less public support and more hours of employment on the economic well-being of low-income families are still uncertain. Evidence suggests some of the poorest families may have lost ground during the past decade.
- To the extent that employment involves child care and other work expenses, aggregate income and earnings changes may seriously overstate the changes in disposable income.
- Research is just beginning to address the effects of welfare-to work programs on the well-being of children. The results of these studies will be important in evaluating the advantages and disadvantages of strong work-incentive programs aimed at single mothers.

Summary

Recent history demonstrates the extent to which both the macroeconomy and public policy can influence the behavior of low-income families and reinforces the lesson that both work incentives and job availability do matter. As in most cases when a number of forces come together to create major economic and behavioral changes, chance is an important ingredient. The economic evidence suggests that America's good fortune in the 1990's was at least partly due to the luck of certain economic events and forces occurring in the right order and at the right time. Certainly the length and strength of this economic boom was not foreseen when welfare reform was passed in the mid-1990's. Nor were the large EITC expansions enacted in 1993 with the explicit idea of legislating time-limited public assistance a few years later.

In the absence of the robust economy, the legislated changes in 1996 would likely have had much weaker effects. However, in the absence of the 1996 reforms, the magnitude of caseload decline and labor force increases is likely to have been much smaller. Having accomplished dramatic short-run changes in behavior during the 1990's, the on-going challenge in today's war on poverty will be to build on these results. This means helping less-skilled workers maintain the labor market connections they have developed in recent years, even if the economy slows down. It also means working to assure that those employed at low wages are able to earn enough to build a stable economic life for their family and perhaps even experience improvements in their economic well-being over time if they persist in their employment and work efforts.

A large decline in welfare caseloads and a substantial increase in work behavior among low-income families seem to be a result of a variety of events that all came together at the same.

The long-term effects of less public support and more hours of employment on the economic well-being of low-income families are still uncertain.

Having accomplished dramatic short-run changes in behavior during the 1990's, the on-going challenge in today's war on poverty will be to build on these results. This means helping less-skilled workers maintain the labor market connections they have developed in recent years, even if the economy slows down.

How Well Does TANF Fit the Needs of the Most Disadvantaged Families?

Sheila Zedlewski and Pamela Loprest

A key welfare issue concerns how states can design policy to avoid hardship among the most disadvantaged families. This chapter focuses on the most disadvantaged families who are either currently receiving Temporary Assistance for Needy Families (TANF) or have left TANF but have no family earnings or other significant means of support. The key welfare policy questions for these families are:

A key welfare issue concerns how states can design policy to avoid hardship among the most disadvantaged families.

1. Will the current federal exemption from time limits along with state flexibility in using their own money to continue benefits be sufficient enough to avoid hardship among the most disadvantaged families?
2. To what extent have states developed programs that help families with significant barriers to work?
3. To what extent can these programs increase work among recipients with employment barriers?

Time Limits and State Flexibility

The question about what portion of families would need some assistance beyond five years was central to the welfare reform debate. Many individuals who opposed a hard time limit were worried that all families could not manage to leave welfare for employment that was sufficient enough to sustain their families in a specified time limit. At the same time that these debates were occurring, many researchers were examining this same topic, but there was little consensus among studies.

The question about what portion of families would need some assistance beyond five years was central to the welfare reform debate.

Congress debated different levels of exemption from the federal benefit time limits. Various House and Senate versions of the welfare bill increased the exemption from 10 to 15 to 20 percent. The current TANF legislation allows states:

- To exempt 20% of their current, average monthly caseload from the time limit.
- To continue assistance for families by setting up a separate state program funded with maintenance of effort (MOE) dollars. Six states, including Michigan, have announced that they will continue some type of assistance indefinitely. (The other states include California, Indiana, Massachusetts, Minnesota, and Vermont.)

Key Policy Questions

This chapter looks at disadvantage among families currently and recently on TANF based on the National Survey of America's Families. It uses data from the 1997 and 1999 NSAFs and other research conducted by various states to examine three questions:

Many individuals who opposed a hard time limit were worried that all families could not manage to leave welfare for employment that was sufficient enough to sustain their families in a specified time limit.

1. What percentage of adults receiving TANF have barriers to employment, and has the percentage been increasing over time?
2. To what extent do adults with barriers work?
3. What are the barriers to employment among those who recently left TANF but are not working?

What is the National Survey of America's Families (NSAF)?

In 1997 and 1999, the Urban Institute conducted the National Surveys of America's Families (NSAF). The surveys were conducted on a nationally representative sample of 44,000 non-elderly families with oversamples of the low-income population. The families were contacted either by telephone or in person. Each survey contained questions about family well-being and about the family's experience with welfare.

The National Survey of America's Families provides a comprehensive look at the well-being of adults and children and reveals sometimes striking differences among the 13 states studied in depth. The survey provides quantitative measures of the quality of life in America. It pays particular attention to low-income families.

The survey is representative of the noninstitutionalized, civilian population of persons under age 65 in the nation as a whole and in 13 states: Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Together, these states are home to more than half the nation's population and represent a broad range of fiscal capacity, child well-being, and approaches to government programs.

Publications and database are available free of charge on the Urban Institute's Web site: <http://www.urban.org>.

The project has received funding from The Annie E. Casey Foundation, the W.K. Kellogg Foundation, The Robert Wood Johnson Foundation, The Henry J. Kaiser Family Foundation, The Ford Foundation, The David and Lucile Packard Foundation, The John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, The McKnight Foundation, The Commonwealth Fund, the Stuart Foundation, the Weingart Foundation, The Fund for New Jersey, The Lynde and Harry Bradley Foundation, the Joyce Foundation, and The Rockefeller Foundation.

We expected to find adults on TANF more disadvantaged in 1999 than they were in 1997. We also expected to find that (1) the individuals who were most able left TANF for work before the less able and (2) those with low levels of disadvantage would be less likely to apply for benefits in the post-TANF era because of state diversion programs and other factors.

The results show that levels of disadvantage, based on the measurable characteristics in the surveys, were not significantly greater in 1999 than in 1997. It is possible that by 1997 most of welfare reform's effects on caseload characteristics had already occurred.

Only one barrier to employment was significantly different in 1999 than in 1997. A much larger percentage of TANF recipients (42%) had some recent work experience in 1999 compared with the percentage in 1997 (27%).

What did the results show about barriers to employment?

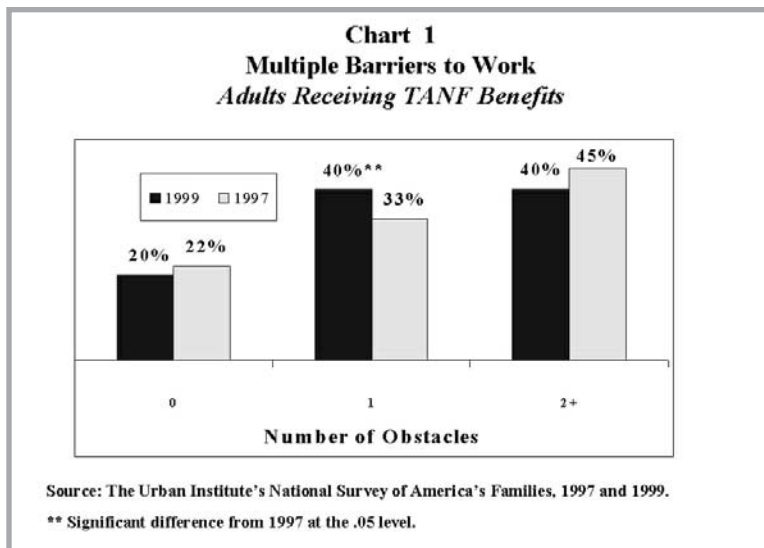
The surveys measured potential barriers to work for adults. These barriers included poor physical health, poor mental health, language barriers, caring for an infant or disabled child, lack of work in the past three years and dropping out of high school. Of adults receiving TANF benefits, the surveys found that:

- The same percentage of adults (17 %) in both 1997 and 1999 reported that their physical health limited their ability to work.
- A larger percentage scored in the very poor mental health category but this was not a statistically significant difference.
- The composite measure of health limiting work and/or a low score on a mental health scale was somewhat higher, 36% in 1999 compared to 32% in 1997. Again, this difference was not statistically significant.

- Although there were small differences in the percentage of adults reporting language, child or education barriers, these differences were not statistically significant.
- Only one barrier to employment was significantly different in 1999 than in 1997. A much larger percentage of TANF recipients (42%) had some recent work experience in 1999 compared with the percentage in 1997 (27%).

Including the health composite and the five other barriers to employment, Chart 1 shows that adults on TANF in 1999 were no more likely to have multiple barriers than in 1997. Between 1997 and 1999, work was the biggest change between the two cohorts of TANF recipients. One-third of adults on TANF were working for pay in 1999 compared to one out of five in 1997, and work increased significantly among individuals with significant barriers to employment.

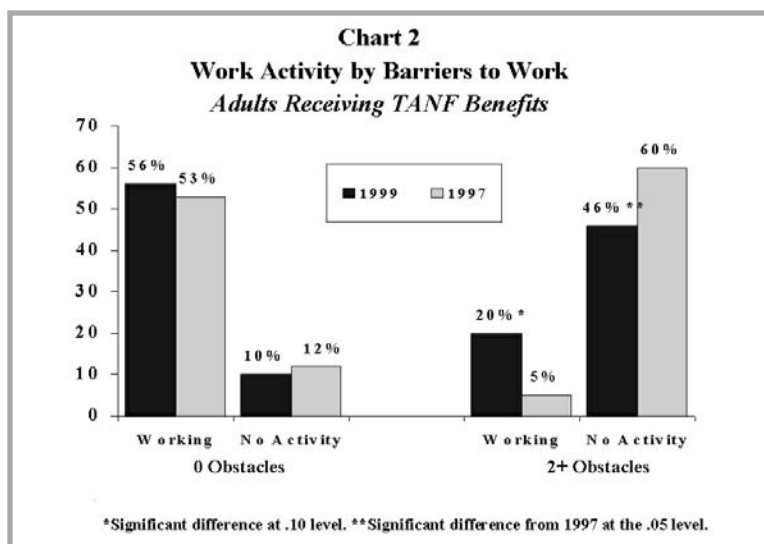
The percent of adults with multiple barriers to employment who were in paid jobs increased from 5% in 1997 to 20% in 1999.



About half of the adults in the multiple barrier group were engaged in no work activity, not even job search.

Chart 2 shows the percent of adults on TANF who said they were working for pay and the percent with no work activity. (The categories of employment training and job search are omitted.) These two groups are separated into those without barriers to employment and those with two or more barriers.

States have made a lot of progress in moving individuals with significant disadvantages (multiple barriers to employment) into paid work. However, many adults receiving TANF are not yet engaged in work.



Those who were receiving TANF for the first time were more likely to be caring for an infant than those who had remained on the program.

The individuals who continued to receive TANF for more than two years were more disadvantaged in some ways than those who had just entered TANF.

A look at multiple barriers to employment dramatizes the differences among new entrants, stayers, and cyclers. One-half of the stayers had multiple barriers to employment, while only 3 of 10 new entrants had those same barriers.

This chart shows:

- More than half of the adults without barriers to work were working for pay in both 1997 and 1999.
- The percent of adults with multiple barriers to employment who were in paid jobs increased from 5% in 1997 to 20% in 1999.
- About half of the adults in the multiple barrier group were engaged in no work activity, not even job search.

These results clearly indicate that states have made a lot of progress in moving individuals with significant disadvantages (multiple barriers to employment) into paid work. However, many adults receiving TANF are not yet engaged in work.

What did the results show about the length of time that individuals remain on welfare?

Because the results show that families receiving TANF were not significantly more disadvantaged in 1999 than in 1997, we began to look at time on welfare to see whether this would help explain this result. The amount of time on welfare was divided into three categories: adults receiving TANF for the first time (new entrants), those who left TANF but began receiving benefits again within the past two years (cyclers), and those that have been receiving TANF for more than two years (stayers).

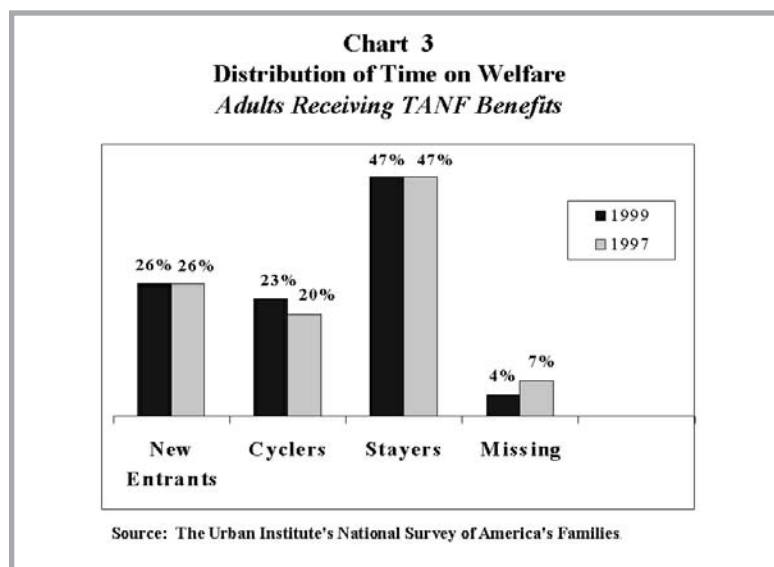
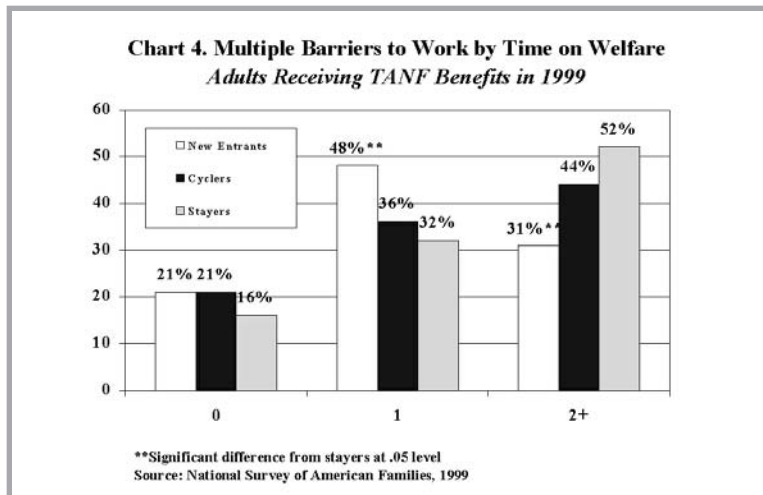


Chart 3 shows that welfare entry, cycling, and staying had not changed between 1997 and 1999. In both years, about one quarter reported receiving TANF for the first time, about one fifth had left TANF but came back within the past two years, and about half were on TANF for more than two years. The individuals who continued to receive TANF for more than two years were more disadvantaged in some ways than those who had just entered TANF. They had significantly less work experience and significantly lower levels of education (50% had not finished high school compared to 35% of new entrants).



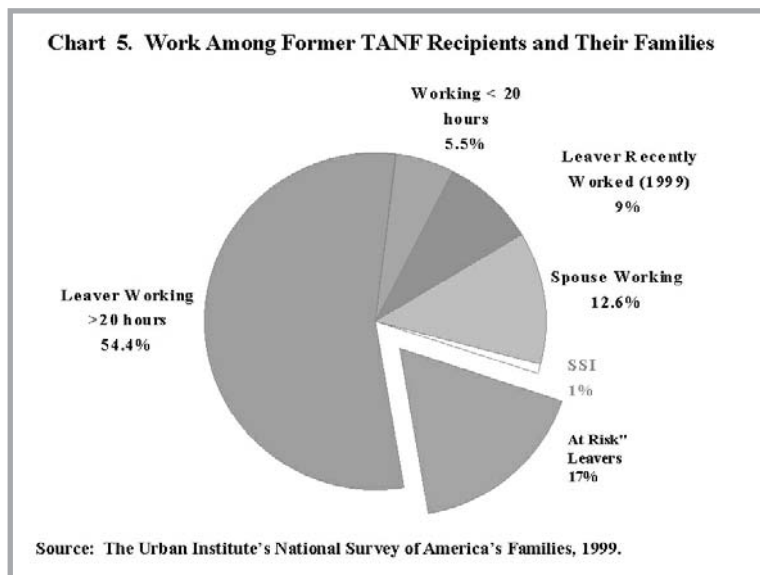
Adults who were currently working or worked sometime during the year of their interview (1999) totaled 69% of former TANF recipients.

One in six of those who left TANF in the past two years are defined as “at risk” leavers.

Chart 4 shows the three groups (new entrants, cyclers and stayers) differentiated by multiple barriers to employment. Half of the stayers had multiple barriers to employment, while only 3 of 10 new entrants had those same barriers.

Of individuals leaving TANF, who is the most “at risk”?

To understand whether there is a group just outside of TANF who are at-risk, the Urban Institute looked at those who had left TANF but were not working.



Among adults receiving TANF benefits in 1999, those who had stayed on TANF for more than two years were more disadvantaged in some ways than those who had just entered TANF.

Chart 5 shows work status among former TANF recipients and their families:

- Adults who were currently working or worked sometime during the year of their interview (1999) totaled 69% of former TANF recipients.
- Individuals living with a spouse or partner who was working made up about 13%.
- Only 1% of adults were receiving federal disability benefits.
- The final 17% of former TANF recipients (one in six of those who left TANF in the past two years with no known source of income) are defined as “at risk” leavers.

TANF leavers who are employed reported fewer barriers to employment than at risk TANF leavers who report no employment activity.

Compared with TANF stayers in 1999, significantly more at risk leavers were also in very poor health, 50% of at risk TANF leavers compared to 39% of stayers.

The data showed that four of ten adults receiving TANF have multiple barriers to employment.

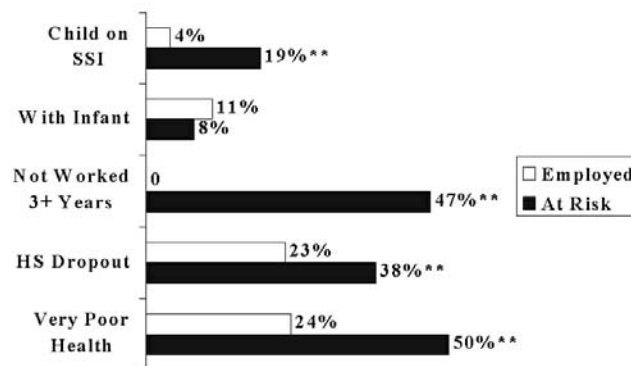
Chart 6
Barriers to Work by Time on Welfare
Adults Receiving TANF Benefits in 1999

Characteristics	New Entrants (%)	Cyclers (%)	Stayers (%)
With Child on SSI	3	7	6
With Infant	33**	20**	6
Last Worked 3+ Years Ago	17*	24	34
LT High School	35*	41	50
Very Poor Health	28	41	39

Source: The Urban Institute's National Survey of America's Families, 1999.
 *Significant difference from continuous stayers at the .10 level.
 **Significant difference from continuous stayers at the .05 level.

Chart 6 indicates that those who had stayed on TANF for more than two years were more disadvantaged in some ways than those who had just entered TANF. They had significantly lower levels of education (50 % had not finished high school compared to 35 percent of new entrants) and significantly less work experience. On the other hand, those who just entered TANF were much more likely to be caring for an infant than those who had remained on the program.

Chart 7
Barriers to Work Among TANF Leavers in 1999

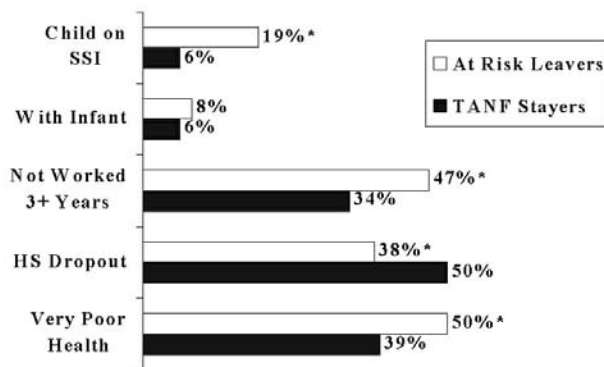


Source: The Urban Institute's National Survey of America's Families.
 **Significant difference at .05 level.

Chart 7 compares the barriers to work among employed and at risk individuals who left TANF in 1999, while Chart 8 compares at risk leavers with stayers.

According to the data, adults who left TANF and are labeled “at risk” appear at least as disadvantaged if not more than those who have remained on TANF long-term. A larger share of the at risk leavers lacked recent work experience and significantly more were caring for a disabled child. Furthermore, at risk TANF leavers were not different from long-term TANF recipients with regards to multiple barriers to employment. About half of both groups reported more than one employment barrier.

Chart 8
At Risk TANF Leavers Compared to TANF Stayers, 1999



Source: The Urban Institute's National Survey of America's Families.

**Significant difference at .05 level.

The data showed that four of ten adults receiving TANF have multiple barriers to employment.

State Studies

The results regarding time on welfare and levels of disadvantage among non-working TANF leavers are consistent with state studies that have shown that about one quarter of those who leave welfare return within a year. State studies have also shown that some families who leave TANF because of sanctions may be significantly disadvantaged and finding it difficult to navigate the new TANF system.

What are the most important results of the NSAF?

- The data showed that four of ten adults receiving TANF have multiple barriers to employment.
- Those working make up 20% of this group, and 4% reported being in a training program.
- Approximately 30% of current TANF recipients will need significant interventions to leave welfare successfully.
- Approximately 20% of those who left TANF had no family earnings and were not in a federal disability program.
- Because hidden barriers, such as domestic violence and substance abuse, are difficult to identify, these percentages are probably lower than the actual values.

What are the states' current challenges?

It is difficult to estimate how many adults with significant barriers to work and the proper support services can move successfully into employment. Most states do not yet have large-scale programs in place designed to provide the types of intensive services that these disadvantaged families need. Some states have simply been exempting individuals with significant barriers to employment from work requirements, but this strategy could backfire in the long run if this disadvantaged group grows over time.

Some states have simply been exempting individuals with significant barriers to employment from work requirements, but this strategy could backfire in the long run if this disadvantaged group grows over time.

States are likely to face their greatest TANF challenge in the future.

States are currently challenged with:

Identifying those with special needs. Many states are struggling with assessment tools that help them identify the barriers to employment that require treatment or referral to another agency. Others use failure in a “work first” program to identify those with significant barriers.

Developing strategies to reduce or eliminate barriers to work. Some states have started to develop strategies to reduce or eliminate barriers. Some strategies focus on particular barriers, such as mental health or substance abuse, and others attempt a more generalized approach designed to deal with multiple barriers. For example, the Transitional Work Corporation in Philadelphia focuses on moving those with multiple barriers into transitional community service jobs and eventually into private sector employment. However, most states have a long way to go in developing these services.

Evaluating strategies to learn what works and for whom. Many of the programs that do exist have only been piloted for small groups, and few have been evaluated.

What are the three major policy recommendations?

The results from the NSAF suggest three TANF policy recommendations:

1. Increase the 20% federal exemption from time limits, at least in the short run and during periods of higher unemployment.
2. Maintain federal TANF resources so that states can develop strategies to address barriers to employment.
3. Reward states that develop and evaluate programs that are focused on the most disadvantaged.

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NATIONAL RESOURCES

Annie E. Casey Foundation

www.aecf.org

The mission of the Annie E. Casey Foundation is to foster public policies, human service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. The website provides data analyses on critical issues affecting struggling families and at-risk children.

Center on Budget and Policy Priorities

www.cbpp.org

The Center on Budget and Policy Priorities is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs, with an emphasis on those affecting low- and moderate-income people.

Child Welfare League of America

www.cwla.org

The CWLA is a national nonprofit organization whose mission is to develop and promote policies and programs to protect America's children and strengthen America's families.

The David and Lucille Packard Foundation

www.futureofchildren.org

The David and Lucille Packard Foundation publishes the on-line journal The Future of Children. The primary purpose of The Future of Children is to disseminate timely information on major issues related to children's well-being.

Institute for Research on Poverty

www.ssc.wisc.edu/irp/

University of Wisconsin-Madison

The Institute for Research on Poverty is a national, university-based center for research into the causes and consequences of poverty and social inequality in the United States.

Joint Center for Poverty Research

www.jcpr.org

The Northwestern University / University of Chicago Joint Center for Poverty Research supports academic research that examines what it means to be poor and live in America. JCPR concentrates on the causes and consequences of poverty in America and the effectiveness of policies aimed at reducing poverty.

National Center for Children in Poverty

cpmcnet.columbia.edu/dept/nccp

The mission of the Columbia University National Center for Children in Poverty is to identify and promote strategies to reduce the young child poverty rate and to improve the life chances of young children still living in poverty.

The Urban Institute, Assessing the New Federalism

newfederalism.urban.org

Assessing the New Federalism is a multi-year Urban Institute research project to analyze the devolution of responsibility for social programs from the federal government to the states, focusing primarily on health care, income security, job training, and social services.

MICHIGAN RESOURCES

Kids Count in Michigan

www.milhs.org

Kids Count in Michigan is part of a broad national effort to measure the well-being of children at the state and local levels, and use that information to shape efforts to improve the lives of children.

Address: 1115 S. Pennsylvania Avenue, Suite 202
Lansing, MI 48912
Tel: 517-487-5436 • 800-837-546

Michigan's Children

www.michiganschildren.org

Michigan's Children is a statewide, multi-issue, independent, broad-based advocacy group that acts as a voice for children. The organization works with policy-makers, communities, other organizations and the public to improve the quality of life for children and their families and to ensure that every child in Michigan has an opportunity to become a healthy, productive, and responsible adult.

Michigan Electronic Library Social Issues and Social Services

mel.lib.mi.us/social/SOC-index.html

The Social Issues and Social Services collection aims to provide educational, informational and networking resources that are useful to Michigan citizens and organizations in their daily life and work.

Michigan Family Independence Agency

FIA Current Program Data

www.mfia.state.mi.us/CURRDATA.HTM

FIA Studies, Reports, State Plans and Manuals

www.mfia.state.mi.us/EVALSTUD.HTM

FIA Project Zero

www.mfia.state.mi.us/projzero/PROJZERO.HTM

Michigan League for Human Services

www.milhs.org

MLHS is a statewide citizen's organization that seeks to improve human services through research, information dissemination, advocacy and support services to the state's charitable associations.

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Lansing, MI 48912
Tel: 517-487-5436 • 800-837.546

Michigan Program on Poverty and Social Welfare Policy

www.ssw.umich.edu/poverty/

The Michigan Program on Poverty and Social Welfare Policy of the University of Michigan promotes interdisciplinary applied research on poverty and social welfare policy and works to translate research findings to public policy decision-makers.