

## Raising Work Quotas for Welfare Recipients: A Costly Challenge for the City

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Much of the current debate in Washington over renewing the 1996 federal welfare law has centered on work and job preparation quotas for adult recipients. Last week the House approved legislation first proposed by President Bush that would raise the requirement for work participation from the current 50 percent to 70 percent. A bipartisan Senate bill also endorses the 70 percent work rate. But evidence from New York City, which many in Washington and around the country view as a model for successfully putting public assistance recipients to work, shows that meeting the 70 percent rate could be difficult and costly.

A new analysis by IBO finds that the city would come up well short under the proposed requirement—as of December 2001, 46 percent of New York's entire welfare caseload participated in work-related activities. Among Family Assistance (FA) recipients, for whom the city receives federal funds and so federal rules apply, 39 percent had a working adult. If Congress enacts the new requirement, the city could face additional costs to develop work programs to serve the large share of remaining FA recipients who are currently not involved in work-related activities.

*Working by the numbers.* The share of public assistance cases including an adult involved in a work-related activity has remained at just under half in the two years since then-Mayor Giuliani declared “full engagement” in the city's workfare program. Using the classifications employed by the city's Human Resources Administration (HRA), IBO reviewed the December 2001 caseload and found that in 46 percent of the cases there was an adult engaged in some work or job preparation activity. This marks a slight increase from the 44 percent found in the December 2000 caseload data, although the level remains below the 49 percent of the caseload found to be fully engaged in work activities in December 1999.

The city categorizes the types of work or related activities performed by public assistance recipients. These categories range from holding private employment or a workfare slot to placement in substance abuse treatment to being scheduled for an assessment by HRA.

Between December 1999 and December 2001 the long-term decrease in the public assistance caseload continued, with the total number of cases falling by 68,810, or 26 percent. This reduction did not occur evenly across work and related categories, however. The number of cases with adults engaged in work fell by 41,129, or 31 percent. The decline was fueled by a 50 percent decrease in the number of participants in the Work Experience Program (WEP), from 35,559 to 17,718. In the four years from 1995 to 1999 the WEP program grew rapidly,

creating a pool of low-cost labor available to city agencies, in some cases enabling the restoration of services lost to previous budget cuts. The continuing decline in this labor supply poses a challenge for agencies such as parks and sanitation, which have come to depend upon these workers.

The other large reduction among the categories included in the “working” portion of the caseload occurred in the number of recipients who were awaiting scheduled call-in appointments to complete initial skills assessments, medical evaluations, recertifications or reviews. The number of cases in this category decreased by 48 percent, from 30,159 to 15,665. According to HRA, this decline is attributable to administrative changes that enable the agency to assign cases to work programs more rapidly, although more rigorous screening procedures may have reduced the number of cases to be assessed.

While the number of adults engaged in work decreased by 31 percent, the number of cases *not* engaged in work decreased by 27,681 or 21 percent. A key reason for the

relatively slower decrease in non-working cases was the increase in the number of child-only cases from 30,435 to 34,116, or 12 percent. As a result, the proportion of all public assistance cases that include only the children living in a household rose from 11 percent to 17 percent over the 1999-2001 period.

It is easier to affect the number of welfare recipients in some categories than others. For example, the city has limited ability to alter the number of public assistance recipients with AIDS or over age 60, two categories of recipients who are hard to engage in work. But the city can exert substantial control over certain administrative processes, and the most significant declines among the non-working categories were in these sorts of areas. The number of cases in the conciliation or fair hearing process fell by 12,840, or 38 percent, while the number of cases with a sanctioned adult with one or more children still receiving benefits declined by 9,178, or 40 percent. (The decrease in the indefinitely disabled category, which occurred largely by December 2000, may be primarily due to a shift of cases to the AIDS services category,

<b>Public Assistance Cases by Work Status, December 2001</b>								
	Family Assistance		Safety Net Assistance		Safety Net 5 Year		Total Cases	
	#	%	#	%	#	%	#	%
<b>Engaged</b>								
Work Experience	7,263	6.7	7,186	10.9	3,269	14.3	17,718	9.0
Private Employment	15,968	14.7	2,318	3.5	10,662	46.6	28,948	14.6
Community Service	4,255	3.9	1,025	1.6	404	1.8	5,684	2.9
Other Work Activities	16	0.0	397	0.6	5	0.0	418	0.2
Substance Abuse Treatment	962	0.9	10,311	15.6	330	1.4	11,603	5.9
Education/Training/Job Search	2,466	2.3	1,318	2.0	484	2.1	4,268	2.2
Teens in High School	1,536	1.4	101	0.2	10	0.0	1,647	0.8
Call-in Appointment Scheduled	8,431	7.7	6,034	9.1	1,200	5.2	15,665	7.9
Wellness/Rehab	1,846	1.7	2,478	3.8	200	0.9	4,524	2.3
<b>Total Engaged</b>	<b>42,743</b>	<b>39.2</b>	<b>31,168</b>	<b>47.3</b>	<b>16,564</b>	<b>72.3</b>	<b>90,475</b>	<b>45.7</b>
<b>Not Engaged</b>								
Child-Only Cases	33,798	31.0	267	0.4	51	0.2	34,116	17.2
Sanctioned								
Adult/Children Recipients	11,752	10.8	184	0.3	1,890	8.3	13,826	7.0
AIDS Services	2,340	2.1	10,795	16.4	189	0.8	13,324	6.7
Have Child Under 3 Months Old	1,176	1.1	93	0.1	180	0.8	1,449	0.7
Age 60 or Older	368	0.3	7,577	11.5	346	1.5	8,291	4.2
Indefinitely Disabled	2,497	2.3	7,231	11.0	546	2.4	10,274	5.2
Temporarily Disabled	1,830	1.7	1,488	2.3	343	1.5	3,661	1.9
Temporarily Exempt	750	0.7	500	0.8	135	0.6	1,385	0.7
In Conciliation/Decision Pending	11,700	10.7	6,657	10.1	2,660	11.6	21,017	10.6
<b>Total Not Engaged</b>	<b>66,211</b>	<b>60.8</b>	<b>34,792</b>	<b>52.7</b>	<b>6,340</b>	<b>27.7</b>	<b>107,343</b>	<b>54.3</b>
<b>TOTAL</b>	<b>108,954</b>	<b>100.0%</b>	<b>65,960</b>	<b>100.0%</b>	<b>22,904</b>	<b>100.0%</b>	<b>197,818</b>	<b>100.0%</b>

SOURCE: IBO, based on Human Resources Administration data.

which showed a large increase during the same period.)

**Impact of the five-year limit.** The city’s decision to focus its efforts on work participation among recipients nearing the end of their five-year eligibility for federal assistance has led to a fall in the participation rates among those remaining on FA. This could make it more difficult for the city to comply with proposed revisions to the federal welfare law.

In December 2001, the first group of families reached their five-year limit on FA and moved over to a new type of Safety Net Assistance called SNA-5-Year. The FA program is funded by the federal, state, and city governments, while the SNA program is funded solely with state and city dollars. As of the end of last December there were 108,954 FA cases and 22,904 SNA-5-Year cases. The data indicate that work participation rates varied significantly between these two groups.

Families receiving SNA-5-Year were far more likely to be involved in work programs than FA recipients, with 72 percent of SNA-5-Year cases engaged compared to 39 percent of FA cases. Even when we exclude child-only cases the SNA-5-Year recipients had a higher work rate, with 72 percent engaged compared to 57 percent for FA. SNA-5-Year recipients were more likely than those still on FA to participate in WEP (14 percent to 7 percent), and far more likely to participate in private employment (47 percent to 15 percent).

These results are consistent with the special efforts made by the city to move long-term recipients into work programs as a first step toward financial independence. While the city has successfully moved the majority of these long-term recipients into work programs, it now faces the challenge of helping them to

achieve incomes that are high enough to allow them to leave the public assistance rolls.

**Challenge ahead.** The lower work rates among the remaining FA cases could create a new challenge for the city. Between October and December 2001, when large numbers of families shifted from FA to SNA-5-Year, the share of FA cases meeting federal work standards fell from 49.3 percent to 39.6 percent.

While this fall-off in participation would be unlikely to create a problem under current law, the 70 percent target would be tougher to meet. Just how difficult will depend in part on the amount of credit for caseload reductions Congress continues to provide—under current law the 50 percent rate is partially offset by the local decline in welfare cases. Whatever the benefits of the higher work rates, the city could face a difficult challenge fulfilling its work quotas, a challenge made more difficult by the impact of the five-year time limit.

*Written by Paul Lopatto*

<b>Public Assistance Cases by Work Status, December 1999 vs December 2001</b>						
	<b>Total Cases</b>		<b>Total Cases</b>		<b>Change</b>	
	<b>December 1999</b>		<b>December 2001</b>		<b>#</b>	<b>%</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Engaged</b>						
Work Experience	35,559	13.3	17,718	9.0	-17,841	-50.2
Private Employment	32,264	12.1	28,948	14.6	-3,316	-10.3
Community Service	9,904	3.7	5,684	2.9	-4,220	-42.6
Other Work Activities	449	0.2	418	0.2	-31	-6.9
Substance Abuse Treatment	12,697	4.8	11,603	5.9	-1,094	-8.6
Education/Training/Job Search	5,081	1.9	4,268	2.2	-813	-16.0
Teens in High School	5,491	2.1	1,647	0.8	-3,844	-70.0
Call-in Appointment Scheduled	30,159	11.3	15,665	7.9	-14,494	-48.1
Wellness/Rehab	0	0.0	4,524	2.3	4,524	--
<b>Total Engaged</b>	<b>131,604</b>	<b>49.4</b>	<b>90,475</b>	<b>45.7</b>	<b>-41,129</b>	<b>-31.3</b>
<b>Not Engaged</b>						
Child-Only Cases	30,435	11.4	34,116	17.2	3,681	12.1
Sanctioned						
Adult/Children Recipients	23,004	8.6	13,826	7.0	-9,178	-39.9
AIDS Services	7,632	2.9	13,324	6.7	5,692	74.6
Have Child Under 3 Months Old	1,217	0.5	1,449	0.7	232	19.1
Age 60 or Older	10,464	3.9	8,291	4.2	-2,173	-20.8
Indefinitely Disabled	20,099	7.5	10,274	5.2	-9,825	-48.9
Temporarily Disabled	7,584	2.8	3,661	1.9	-3,923	-51.7
Temporarily Exempt	732	0.3	1,385	0.7	653	89.2
In Conciliation/Decision Pending	33,857	12.7	21,017	10.6	-12,840	-37.9
<b>Total Not Engaged</b>	<b>135,024</b>	<b>50.6</b>	<b>107,343</b>	<b>54.3</b>	<b>-27,681</b>	<b>-20.5</b>
<b>TOTAL</b>	<b>266,628</b>	<b>100.0%</b>	<b>197,818</b>	<b>100.0%</b>	<b>-68,810</b>	<b>-25.8%</b>

SOURCE: IBO, based on Human Resources Administration data.