

SEVEN YEARS OF WELFARE REFORM –

Weighing the Results

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

By
Lynda McDonnell

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SEVEN YEARS OF WELFARE REFORM IN MINNESOTA

Executive Summary

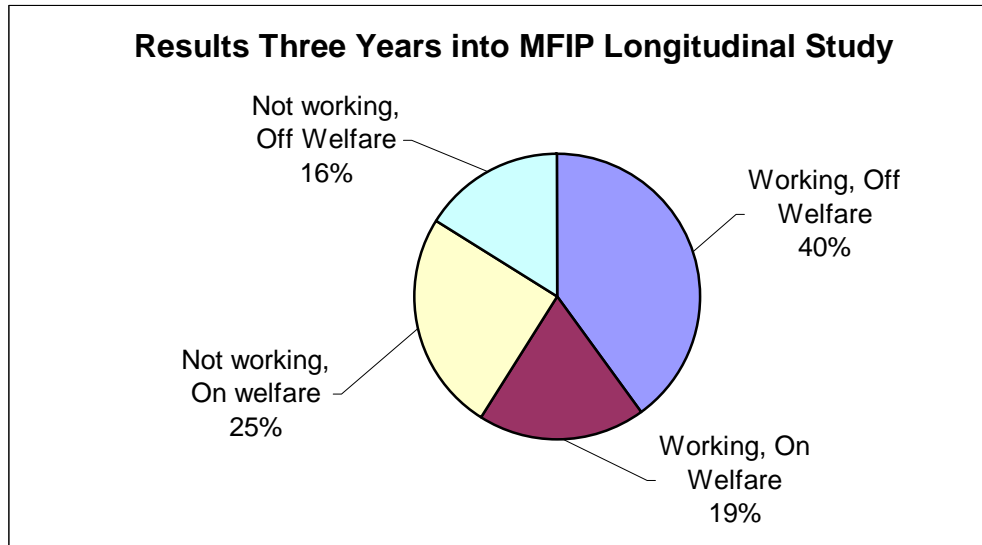
In the seven years since Minnesota's version of federal welfare reform took effect statewide, more than 50 research studies have looked at one central question from many different angles:

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

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

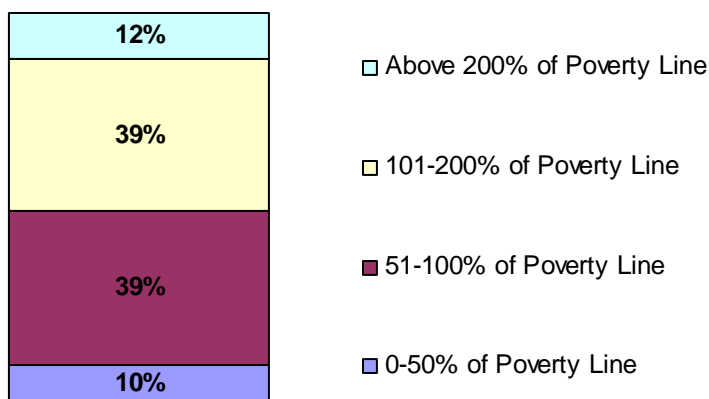
More than half of MFIP recipients are successful within one year, as measured by the state's "Self-support Index," and 70 percent are successful three years later. The "Self-support Index" counts welfare participants as successful if they are working 30 or more hours per week or are no longer receiving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

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



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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Temporary, subsidized jobs in closely supervised and supportive settings for people with serious employment barriers. Such transitional jobs have proven effective at helping participants find unsubsidized jobs in the private sector.
- Help in short-term crises for people with relatively few employment barriers, including more intense casework and generous cash benefits to resolve the crisis.
- Business loans to child-care providers and co-locating Head Start programs and child care centers to improve the supply and convenience of child-care slots for working parents.
- Projects that help individuals buy and maintain cars. Access to a reliable car is a key predictor for successful exit from welfare.

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

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

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

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

SEVEN YEARS OF WELFARE REFORM – Weighing the Results

I. Introduction

In 1996, Congress approved sweeping federal policy changes to the safety net and job training system for poor families, particularly women and children. President Bill Clinton’s campaign promise to “end welfare as we know it” was fulfilled when a new policy, Temporary Aid to Needy Families (TANF), replaced the Aid to Families with Dependent Children (AFDC) program. With the passage of TANF, states now have more discretion in designing a welfare-to-work program, something that AFDC did not allow for.

In 1997, after several years of an experimental pilot project, state lawmakers approved the Minnesota Family Investment Program (MFIP) as Minnesota’s welfare reform program. Since then, more than 50 reports and studies by an array of researchers have examined how successful Minnesota’s welfare-to-work program has been in helping parents find jobs and leave MFIP. The studies have explored questions such as who is working and how much they earn, who has trouble finding or keeping a job and why, and what strategies have shown promise in helping job seekers of varying skills and educational backgrounds.

In 2003, more than a dozen researchers began meeting informally as the Welfare Reform Research and Evaluation Roundtable to share research findings and ideas for future projects related to Minnesota’s welfare-to-work efforts. A main priority of the group was to review the existing studies and summarize the key findings so that policymakers, business leaders and the public can better understand the successes and challenges experienced in helping welfare parents support their families through work. With sponsorship from the University of Minnesota and funding from The Minneapolis Foundation, the group hired a writer to summarize the key research findings that have emerged in Minnesota.

Eight years after Congress changed the federal welfare law and seven years after the Minnesota Legislature changed the state’s welfare law, the central question is: How well has MFIP worked?

As one might expect for a large program involving tens of thousands of poor families throughout the state, the answer is complex. The studies make clear that welfare reform has taken hold in Minnesota: Job counselors, not financial eligibility workers, are the main contact for MFIP parents. Most families seeking help from MFIP leave welfare within 12-18 months, although many return for additional help in supporting their families through work.

In general, across several settings and using diverse methodologies, the studies have found that:

- MFIP has been *most successful* in helping parents who have more education, fewer and older children, access to reliable transportation and other strengths.
- Although MFIP is helping many parents find work, the jobs tend to offer low wages, few benefits, little opportunity for wage growth and part-time hours. As a result, many working

families struggle to make ends meet and continue to rely on public programs for food support, health care, child care and other essentials.

- MFIP has been *least successful* in helping parents who have significant mental and physical health impairments, learning disabilities or low IQ, or children with significant health impairments.
- Native American and African American welfare families receive a disproportionate number of penalties and lose MFIP benefits due to time limits at higher rates than other racial groups. At the same time, MFIP is less successful in helping them find jobs and exiting MFIP than whites.

This paper provides a brief overview of the changes in the federal welfare program as well as Minnesota's efforts at welfare reform, presents ways that state policymakers measure "success" under MFIP, and discusses the research findings that stand out most strongly from a review of the studies.

II. The 1996 Federal Welfare Reform Legislation

Under the federal welfare reform legislation of 1996, TANF replaced the old welfare program known as Aid to Families with Dependent Children (AFDC). On every major point, the policies differ dramatically. Where AFDC guaranteed cash assistance to the poorest families with children under 18, TANF sets a 60-month lifetime limit on receiving federal cash assistance. Where AFDC often discouraged work, TANF insists on it. Where AFDC focused on financial eligibility, TANF requires active, ongoing efforts to find and retain jobs. While federal welfare payments to states increased as their AFDC cases rose, TANF provides block grants that do not change with the caseload. In short, the goal of TANF is to help parents attach quickly to the labor market by providing time-limited cash assistance and employment services to poor parents with children.

Any discussion of welfare reform would be incomplete without acknowledging the robust economic conditions that co-existed with the passage of the new federal welfare program. TANF became law as the country enjoyed the longest and most sustained economic boom in American history, creating a need for workers. At the same time, other measures that reinforced the work incentives of welfare reform, including an expansion of the earned income tax credit, were put in place.

Highlights of TANF:

1. Most parents must work as soon as they are job ready or no later than two years after coming on assistance; states can require work much sooner, and many do – including Minnesota.
2. Single parents are required to participate in work activities for at least 30 hours per week.
3. Failure to participate in work requirements can result in a reduction or termination of benefits.
4. Federal cash assistance is limited to 60 months over a lifetime.

In Minnesota, state business leaders and economists were documenting the severe labor shortage facing Minnesota over the coming decades, a trend that was occurring nationally as well.¹ The

¹ Gary Cunningham and Steve Keefe, *Help Wanted -- More Opportunities Than People* (Minneapolis: Citizens League Research Report, November 1998). Available at http://www.citizensleague.net/html/issues_reports.html.

labor need was in low-wage jobs that offered little opportunity for advancement and wage growth.² In the late 1990s, unemployment rates fell and TANF caseloads declined as low-skill workers found jobs in a robust economy, suggesting a strong relationship between welfare reform and the economy.

III. Minnesota's Early Efforts at Welfare Reform

Even before TANF replaced AFDC, Minnesota had begun the work of welfare reform by crafting demonstration projects and receiving program waivers from the federal government to experiment with a different way of helping parents support their families through work.

In 1994, Minnesota launched MFIP as a pilot project in seven counties. The MFIP pilot was a major welfare reform initiative aimed at encouraging work, alleviating poverty and reducing welfare dependency. Key elements of the pilot were to increase cash assistance for families and to allow for smaller caseloads so that county employment staff could work more closely with families seeking to find or keep a job.

The pilot used control groups, with families randomly assigned to MFIP or to AFDC, and employed a national research firm to study how the two groups fared over time. For long-term, single parent welfare families, the MFIP pilot significantly increased employment, income and child well-being. Key outcomes from the pilot include:³

- substantial and enduring increases in employment and earnings for MFIP families compared to the AFDC group. In an average quarter, half of MFIP parents worked compared to 37 percent of AFDC parents
- higher earnings. MFIP parents' earnings were 23 percent higher on average and were more likely to rise above the poverty line
- more uninterrupted health coverage
- increased marriage among MFIP parents
- reductions in mothers' risk of depression and reported incidence of domestic abuse
- higher well-being of young school-aged children, who showed less problem behavior and better performance in school
- longer stays on welfare. Because the MFIP pilot was designed to provide some cash assistance until families' earnings lifted them to 140 percent of the federal poverty level, average welfare stays were longer than for families on AFDC.

With the passage of TANF, states received a great deal of discretion in designing a welfare-to-work program without having to request waivers. In 1997, Minnesota lawmakers expanded the MFIP pilot project into a statewide program. Lawmakers made some changes to MFIP when it was enacted statewide (staff caseloads were generally higher and cash assistance now ends when family income reaches 115 percent of the federal poverty guideline). Yet the program retained the core goals of the pilot project: expecting and rewarding work.

² Annette Bernhardt, Martina Morris, Mark Handcock and Marc Scott, *Divergent paths: Economic Mobility in the New American Labor Market* (New York: Russell Sage Foundation, 2001).

³ Virginia Knox, Cynthia Miller and Lisa A. Gennetian, *Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program* (New York: MDRC, September 2000), pp. 10-21.

In both the pilot and statewide versions, MFIP attempts to achieve these goals by transforming the welfare system into one focused on moving recipients to work. From the beginning, the key features of MFIP have been (i) financial incentives to encourage work, (ii) mandatory participation in employment-focused services and (iii) financial penalties (in the form of reduced cash assistance) for non-compliance. A 60-month time limit on TANF cash assistance also makes clear that MFIP is a temporary program aimed at helping families replace welfare with wages.

IV. Measuring MFIP success

Underlying all the findings from the studies reviewed for this report is a debate about what constitutes success in welfare reform. Is the main goal a reduction in caseload, moving welfare recipients into the workforce, or moving them out of poverty? The explicit goals of MFIP touch on all three of these issues. As stated in the MFIP Employment Services training manual issued by the state, MFIP has three goals:

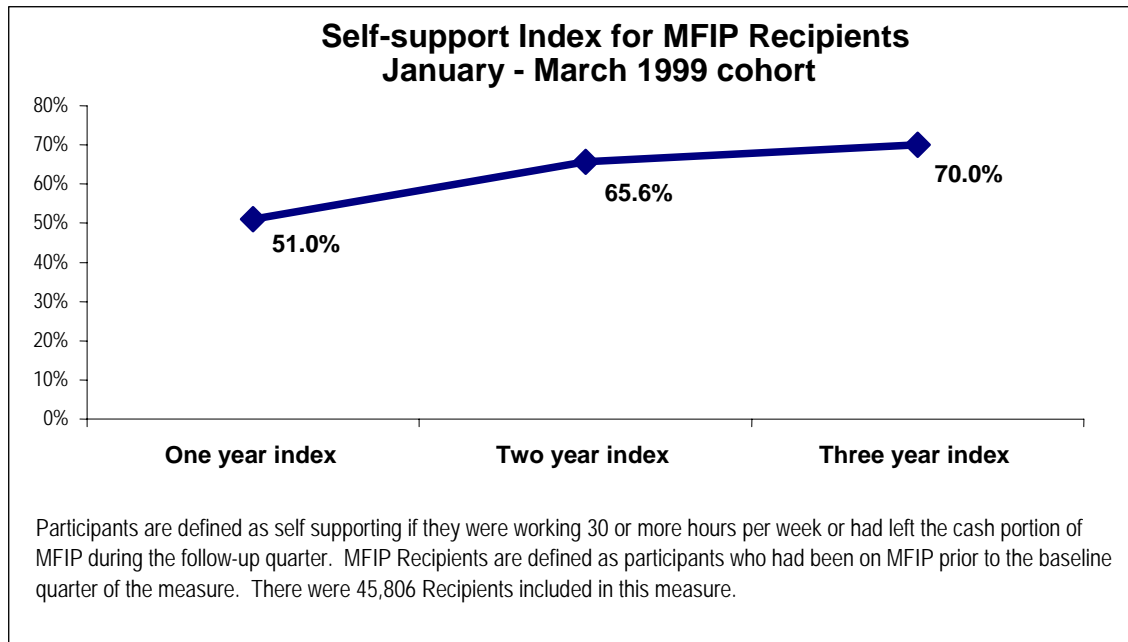
1. To encourage and enable all families to find employment;
2. To help families increase their income and move out of poverty; and
3. To prevent long-term dependence on welfare as a primary source of family income.

Program evaluators use a variety of tools to examine if a program is successful. The most rigorous evaluations are modeled after scientific experiments. Participants are randomly assigned to either a treatment or a control group and the results from each group of participants are compared. This was the style of evaluation conducted when MFIP was piloted during the mid-1990s, as described above.

However, when MFIP became Minnesota's statewide program, the experiment was over. It was no longer possible to separate out a treatment group or to draw conclusions about the program's effectiveness as compared with its predecessor, AFDC. Given this constraint, the studies reviewed for this report tend to focus on the program's "outcomes" and "processes" to answer pragmatic questions such as:

- Is the program meeting its goals of helping parents find work?
- Are some participants faring better than others, and if so, why?
- Which parts of the program work well and which need improvement?

The Minnesota Department of Human Services (DHS) publishes several performance measures for the program that are important for answering the first of these questions. An outcome measure known as the Self-support Index tracks participants over time and counts them as successful if they are working 30 or more hours per week or are no longer receiving cash assistance. As shown in this line chart, over half of MFIP recipients are successful on this measure by one year, and 70 percent are successful three years later.



Source: Minnesota Department of Human Services administrative data

But this type of performance measure only tells part of the story. Every family that leaves MFIP – even if the adult isn’t working and the family is living in poverty – counts as a success in this index. To measure MFIP’s effect more precisely, a longitudinal follow-up study, tracking the same families over several years, was conducted to gather information about how specific participants progressed, even after they left the program. Sources of administrative data, such as welfare system records, were reviewed for information about recipient characteristics and program use. The longitudinal study also used systematic interviewing methods to gather in-depth information from participants and employment service providers about their experiences with the program.

In the sections that follow, “success” in MFIP is defined by the program’s goals -- obtaining employment, increasing income, and leaving welfare. The studies make clear, however, that MFIP operates within a larger context that includes labor market realities, other government programs, and private interests.

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

To analyze the key traits that help one leave MFIP for work, researchers have conducted follow-up studies to identify the most successful families in the program and measure the demographic characteristics, barriers and service experiences faced by these different groups of MFIP users. For whom has MFIP worked best? Not surprisingly, the fewer barriers (i.e., adverse circumstances or conditions that limit one’s ability to find and maintain employment) one faces, the easier it is to find work and earn enough money to leave welfare.

Those who left MFIP for work were more likely to have completed high school, more likely to be living with the other parent of the household, and less likely to have young children. Suburban and rural participants were more likely than people in the state's most urban counties to exit MFIP through work.⁴ In terms of characteristics, the most successful families were least likely to have serious personal or family challenges. These challenges include health conditions that prevent or interfere with work, depression, involvement with child protective services, or a special needs child. They were less likely to cite transportation or job skills as barriers to employment than those who remained on the program.⁵

Other studies in Minnesota have added to these findings about the most successful participants in the program. For example, a survey of participants in the McKnight Foundation's welfare-to-work partnerships found that 27% of participants left MFIP quickly and remained off assistance 15 months after an initial interview, while another 32% left MFIP somewhat later but had made progress by the time of the follow-up interview. These participants were more likely than those remaining on MFIP to have a high school diploma and less likely to cite transportation problems, special needs children, or health problems. They also had fewer risk factors that would make them hard to employ. The list of risk factors included language or cultural barriers, homelessness, physical or mental disabilities, history as a teen parent, domestic violence, chemical dependency, needing to care for an ill or incapacitated relative, and low basic abilities or learning disabilities.⁶

In addition, a study conducted in Hennepin County by a team of university researchers found that 30% of study participants worked extensively, defined as working 36 months or more during the 42-month study period. These workers had more education than other study participants. This study also found that residential stability was positively correlated with employment. In other words, the fewer residences a participant lived in, the more months they were likely to have worked.⁷

- *Economic Outcomes from the State's Longitudinal Study*

Three years into the state's longitudinal study of the program, 40% of recipients were working and off MFIP, while another 25% were working yet earning little enough to still be eligible for partial MFIP grants.⁸ On average, these "working leaver" families were off MFIP and living at 170% of the federal poverty guideline. (In 2004, the federal poverty guideline for a family of three was \$15,760; 170% was \$26,639.) They also received, on average, \$143 per month in child support and two-thirds of them were receiving the federal Earned Income Tax Credit. Some 12% of "working leavers" had family incomes of at least 200% of the federal poverty level – an important indicator of financial stability. Compare these numbers to those not working and on MFIP at three years, the study's least successful group. These families, a quarter of those in

⁴ Leslie Crichton and Vania Meyer, *MFIP Longitudinal Study: Three Years After Baseline* (St. Paul: Minnesota Department of Human Services, December 2003), p. 38.

⁵ *Ibid.*, p. 18.

⁶ Greg Owen et al., *Filling the Gaps in Welfare Reform – the Minnesota Welfare-to-Work Partnerships Initiative* (St. Paul: Wilder Research Center, August 2001), p. 84.

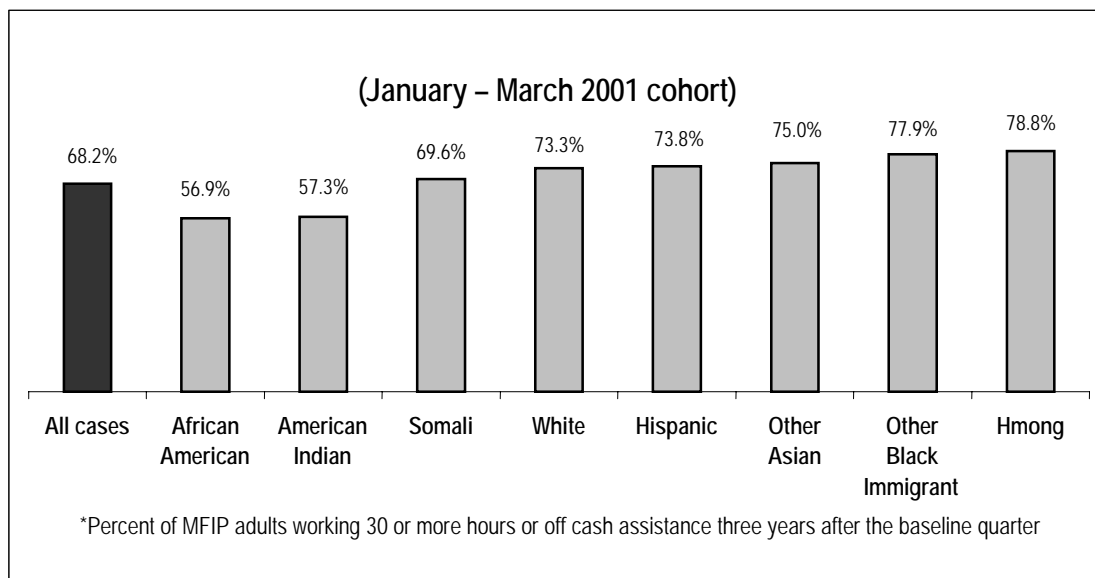
⁷ David Hollister et al., *The Well-Being of Parents and Children in the Minnesota Family Investment Program in Hennepin County, Minnesota, 1998-2002* (St. Paul: University of Minnesota Center for Advanced Studies in Child Welfare, November 2003), p. 21.

⁸ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., p. 21.

the study, were living on average at 68% of the federal poverty guideline, with a poverty rate of 92%. However, 18% of the “working leavers” still lived at or below the poverty line three years after leaving MFIP.

- *MFIP Work Outcomes Vary By Race/Ethnicity*

In terms of race, the most successful group of MFIP participants working 30 or more hours per week or no longer receiving MFIP cash assistance has been disproportionately white, Asian and Hispanic. As shown in the chart below, African American and American Indian participants have lower outcomes on the Self-support Index than participants in other racial/ethnic groups.



Source: Minnesota Department of Human Services administrative data

Of the families on MFIP in December 2002, about 37% reported earning income at some point in the 2002. However, the percentage of cases with income earned from employment was lowest for American Indian (29 percent) and African American (31 percent) cases and was highest for Asian, white, and Hispanic MFIP families, as well as the Hmong and Somali subgroups (each 40 percent or more).⁹

In another study, state researchers estimated what the Self-support Index (defined as the percent of adults who have left MFIP cash assistance or are working at least 30 hours per week; see discussion above) would be for different racial and ethnic groups, after adjusting for differences in individual characteristics and county economic conditions. African-Americans and American Indians were the only groups to fare worse than predicted.¹⁰ The study notes that the gap could stem from differences in motivation or quality of service, which were not measured, but may

⁹ Minnesota Department of Human Services, *December 2002 Characteristics of Racial/Ethnic and Immigrant Groups in the Minnesota Family Investment Program*, p. iii-iv. Available at http://www.dhs.state.mn.us/main/groups/economic_support/documents/pub/dhs_id_004113.hcsp

¹⁰ Vania Meyer, *Measuring MFIP Performance for Racial/Ethnic and Immigrant Groups* (St. Paul: Minnesota Department of Human Services, November 2003), pp. 5-6.

also reflect discriminatory treatment. “There may be differential treatment of MFIP participants and these results are consistent with that possibility,” the researcher wrote.

A focus group study of four minority groups included a national literature review of recent studies documenting, through controlled experimental designs, significant employment discrimination against African Americans nationally, and housing discrimination against American Indians, African Americans and Asians both nationally and in Minnesota.¹¹

Many MFIP participants from various minority communities – African American, Native American, Somali and Hmong – perceive bias and lack of understanding of their challenges and cultural values and challenges among job counselors.¹² In focus groups, minority MFIP recipients described rude and demeaning treatment and asserted that job counselors withheld information and resources that could help them.¹³ They also gave numerous examples of discrimination in hiring decisions that contribute to less successful employment outcomes.

Focus group studies conducted with participants and employment services providers from several communities of color found evidence that participants in these communities have higher levels of employment barriers and are more likely to experience discrimination in the labor market as well as in MFIP service delivery. Recommendations from these studies ranged from early and more intensive assessment of barriers to employment to decreased worker caseloads and improvements in the cultural competency and racial composition of welfare and employment services personnel.¹⁴

- *Testing a Diversion Strategy for Targeted Job Seekers: The Temporary Assistance to Families Program*

In 2000, Dakota County – the third most populous county in Minnesota – won legislative approval to test Temporary Assistance for Families (TAF), a new approach to welfare reform designed to resolve temporary crises and get parents quickly back to work. The central question behind the TAF pilot was this: What if low-income families who are experiencing a temporary crisis and have the fewest barriers to employment never went onto MFIP at all? If for the first four months, applicants had their housing and utility costs paid directly, immediately developed employment plans and worked intensely with county workers authorized to spend additional money to resolve a crisis, would they find jobs faster and stay off the welfare system? And could this approach save the state and county money?

Dakota County’s pilot program ran for 15 months from October 2001 through December 2002. The pilot project served 385 families, which it tracked for 15 months after they first applied for assistance. Of these, 58 percent left the system within four months and were not enrolled on MFIP at any of three follow-up points – five, nine and 15 months. By contrast, of the

¹¹ Ellen Shelton et al., *The Issues Behind the Outcomes for Somali, Hmong, American Indian and African American Welfare Participants in Minnesota* (St. Paul: Wilder Research Center, April 2003), pp. 18-24.

¹² Ibid., pp. 134-141.

¹³ Ibid., pp. 36-37.

¹⁴ Ibid.; and Vania Meyer. *Provider Perspectives on the Issues Behind the Outcomes* (St. Paul: Minnesota Department of Human Services, June 2003).

comparison group of families newly enrolled in MFIP from October 2000 to September 2001, 21 percent left the system within four months and were not enrolled at any of the follow-up points.¹⁵ Several features distinguished the TAF pilot project from MFIP:

- *higher cash grants than MFIP families receive*
- *smaller caseloads.* This enabled TAF counselors to meet with clients at least once a week and helped parents avoid most sanctions for non-compliance
- *fewer barriers to employment.* The pilot screened participants and selected only those with few or no barriers to work for the program
- *immediate contact with a job counselor.* TAF clients developed employment plans with their employment counselors before receiving their first grant
- *more money than MFIP families receive to help eliminate barriers to finding work*
- *stricter penalties for noncompliance.* TAF families faced 100 percent sanctions – complete loss of benefits – for non-cooperation vs. progressive sanctions of 10 to 30 percent for MFIP families. As noted above, smaller caseloads helped to avoid most sanctions for noncompliance

Smaller caseloads and increased financial resources for families were also hallmarks of the successful MFIP pilot project, as mentioned earlier in this research summary.

TAF cost more than MFIP in the short run because employment counselors had far smaller caseloads and spent more money on support services, particularly car repairs and housing assistance. But county researchers concluded that had the TAF families mirrored the experience of MFIP families, they would have relied on public assistance longer and cost taxpayers approximately \$458,000 more. Researchers also note two caveats: Dakota County's TAF participants fit a very different demographic profile than MFIP participants in Minnesota's urban and rural counties: (i) TAF participants were overwhelmingly white and (ii) many TAF adults

Contrasting TAF with the new Diversionary Work Program

Findings from the Dakota County pilot project suggest that *more intense casework and generous cash benefits to overcome a short-term crisis* helped many families with few work barriers to leave MFIP even faster, thereby saving taxpayers money. The findings led some policymakers to conclude that most families applying for MFIP may be best served by diverting them from welfare altogether. In 2003, the Legislature created the Diversionary Work Program, modeled loosely on the TAF Program: Cash assistance is limited to 4 months, and participants must meet with an employment counselor before they can receive financial help with rent or other basic needs. The new program took effect July 1, 2004.

Unlike TAF, however, cash assistance is not based upon actual need but is set at the MFIP standard, which may provide fewer financial resources to families needing help with a crisis. In addition, there is no requirement that caseloads be kept small to ensure that participants have frequent contact with their employment counselors while job searching. Finally, all new applicants for MFIP, except for those with a medical condition that prohibits them from working, are required to participate in this program without regard to the number of barriers they may be experiencing.

¹⁵ Anderson, Dennis. *Report on the Temporary Assistance for Families Pilot, Dakota County, Minnesota* (West. St. Paul: Dakota County Employment and Economic Assistance Department, August 2004), pp. 5-7.

had been employed and came to the program after losing jobs in the travel industry during the economic downturn in 2001 and 2002.¹⁶

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

The previous section of this research summary described “MFIP success” in terms of the proportions of welfare recipients who found work and earned enough to exit welfare. This section summarizes findings on families’ success at becoming financially stable.

It also describes “welfare cyclers,” people who leave welfare but return because of job loss, family crisis or inability to be consistently self-supporting. This is a sizeable group. During the third year of the state’s longitudinal study, 46 percent of recipients worked inconsistently – between one and 11 months.¹⁷ And 30 percent of recipients who leave MFIP return to the program within a year.¹⁸

The economy in which MFIP parents are working or looking for work is substantially different than it was for AFDC parents 20 or 30 years ago. Researchers studying labor economics have noted the emergence of a two-tier labor market over the last three decades. The upper tier includes such industries as finance, public administration, and professional and technical services. People starting at entry levels in these sectors typically receive increased wages and opportunities for advancement as they gain experience. By contrast, in the lower tier of industries, such as accommodations and food service, retail trade, and administrative support, people who start out in low-wage jobs are much less likely to see their wages grow, even with significant years of experience in their jobs.

These findings are relevant to the Minnesota studies because welfare recipients – current recipients as well as former and potential ones – tend to be concentrated in jobs in the labor market’s bottom tier. As noted in a recent book about the American labor market, “The problem for policy makers is that the number of chronic low-wage workers has grown in recent years ... and that the low-wage trajectory has fallen even lower than in the past.”¹⁹ National studies of welfare-to-work programs have consistently found that welfare recipients typically start in low-wage jobs and stay at low wages over time, except in programs that were specifically focused on helping recipients find higher-quality jobs to begin with.²⁰

At the federal and state levels, designers of welfare reform programs generally acknowledged that welfare-to-work clients would be entering a low-wage labor market. Various program

¹⁶ Ibid., p. 13.

¹⁷ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline.*, op. cit., p. 9.

¹⁸ Minnesota Department of Human Services, *MFIP Management Indicators Report*, April through June 2004, available at http://www.dhs.state.mn.us/main/groups/economic_support/documents/pub/dhs_id_004113.hcsp.

¹⁹ Bernhardt et al., *Divergent Paths*, op. cit., p. 155.

²⁰ Ellen Shelton, *Maximizing Workforce Participation for People with Barriers* (St. Paul: Wilder Research Center, April 2004), p.12. Available at <http://www.wilder.org/research/reports/pdf/Workforcepaper04-04.pdf>

components such as health care and child care subsidies and Earned Income Tax Credits were expanded to help make it possible for people to support themselves and their families in such jobs.

In Minnesota, the MFIP program is based on the explicit promise that “IN MFIP, WORK ALWAYS PAYS!”²¹ This point is repeatedly emphasized in orientations for participants. The main means for ensuring that work pays better than welfare is the “earned income disregard,” which allows working welfare recipients to keep some of their earnings out of the equation that calculates how much they should receive in cash welfare benefits. As a family earns more, its cash grant goes down, but because some earnings are disregarded, the decrease in the cash grant is smaller than the increase in earnings. As a result, their total income – from earnings and the welfare grant combined – rises as their earnings rise. As noted earlier, under the pilot MFIP, families’ eligibility for cash benefits phased out when their incomes reached 140 percent of the federal poverty guideline, or \$21,938 for a family of three in 2004. Under the current statewide program, eligibility for MFIP cash benefits phases out at 115 percent of the federal poverty guideline, or \$18,020 for the same family.

Nonetheless, a recurrent finding in Minnesota studies is that the transition from welfare poor to working poor often makes little difference in a family’s financial stability. Working families, regardless of whether they still receive limited cash assistance from MFIP, often continue to struggle with incomes that remain at or near poverty. The studies also consistently show other, related problems for families that have “succeeded” on MFIP’s work and exit measures, especially gaps in health care coverage, unstable housing, unreliable transportation and difficulty finding and paying for child care.

- *Even Though Working, Many Families Struggle to Make Ends Meet*

Findings from a range of studies in Minnesota show that welfare exit is not always synonymous with achieving economic well-being, even when the parent exits because she is earning enough to stop receiving the cash grant. Many welfare recipients report that their main problem in leaving welfare is not in finding work, but in finding work that offers enough hours and pays to meet their living costs and provide additional *disposable* income.²² A statewide study of outcomes for welfare recipients who had been off welfare for at least 15 months found that 16 percent of participants had been homeless in the past year, 24 percent did not have health care coverage for themselves, 17 percent did not have health care coverage for their children, and 23 percent did not have enough money to pay all or most of their bills.²³

²¹ Minnesota Department of Human Services, *Combined Manual*, 2002, section 6.1.60. [Emphasis in original.]

²² Greg Owen et al., *How Welfare-to-work is Working (Summary)* (St. Paul: Wilder Research Center, March 2000), p.8; Leslie Crichton and Vania Meyer, *Minnesota Family Investment Program Longitudinal Study: Two Years After Baseline* (St. Paul: Minnesota Department of Human Services, December 2003), p.18.

²³ Owen et al., *Filling the Gaps in Welfare Reform.*, op. cit., pp. 72-74.

In the Wilder Research study of welfare-to-work partnerships, participants in the group that left welfare earliest and stayed off it realized a 54-cent increase in hourly wages during the 15 months between interviews, and were earning only \$9.69 (in year 2000 dollars) after at least 15 months off welfare. While 42 percent of this group expressed more confidence in their ability to hold a job at the time of the later interview, 55 percent felt no more secure in their jobs.²⁴ Fewer than half were earning enough to meet a Basic Needs Budget, a standard of roughly twice the federal poverty guideline that many researchers believe is a more realistic reflection of the cost of food, transportation, unsubsidized housing and other basic needs (see sidebar).

Meanwhile, a report by Minnesota's Legislative Auditor concluded that families that leave MFIP for work may not be better off financially because families that remain on MFIP generally receive more generous health care and child-care benefits.²⁵ In the Wilder study, recipients who left welfare for jobs were eventually earning higher hourly wages than the early leavers after 15 months. This suggests that using time to gain skills or eliminate barriers before going to work can pay off.²⁶

A large proportion of welfare participants find work in the bottom tier of the labor market. As a result, their wages tend to start and remain low, even after years of accumulated work experience. A study of those who remained on welfare for an extended period of time found that half of those who were working were employed in service jobs, while another 41 percent held clerical or sales jobs²⁷ in bottom-tier industries with limited opportunities to gain new skills and move up. Part-time workers usually preferred to work more hours. Many reported that their employers only offered part-time work, while others said their hours had been cut due to lack of business.²⁸

Similarly, families that rely on state child-care subsidies, especially those who are on MFIP, are heavily concentrated in industries like retail and food service that pay lower average wages than other industries in the state. As a result, researchers concluded that these families' "long-term economic self-sufficiency may be in doubt." Again, most of the jobs held by these parents are

The Basic Needs Budget

Because the federal poverty guideline is widely thought to understate the true cost of basic needs, several groups have tried to gauge how much money families of various sizes need to pay for basic necessities. In Minnesota, research by the nonpartisan House Research Department and by the JOBS NOW Coalition, has come to a common conclusion: In general, families need a monthly income of about twice what is defined as "poverty" in order to make ends meet at a very basic level (no meals out, no savings).

This translates (in 2004 dollars) to about \$31,340 annually for a family of three in the Twin Cities metro area, compared to a "poverty line" at \$15,670. In 2004, an MFIP family of three lost their cash grant when their earnings reached \$18,020.

See: *Basic Needs Budgets for Custodial and Noncustodial Parents. Updated October, 1999*, Minnesota House Research Department and *The Cost of Living in Minnesota*. Jobs Now Coalition, 2003

²⁴ Ibid., p.65.

²⁵ John Patterson et al., *Economic Status of Welfare Recipients* (St. Paul: Office of the Legislative Auditor, January 2002), p. xi.

²⁶ Owen et al., *Filling the Gaps in Welfare Reform*, op. cit., p. 65.

²⁷ Leslie Crichton and Vania Meyer, *Minnesota Family Investment Program Longitudinal Study: Approaching the 60-Month Time Limit* (St. Paul: Minnesota Department of Human Services, September 2002), pp 26-27.

²⁸ Ibid., p.7.

less than full-time. Many of these parents work more than one job, and still have incomes low enough that they qualify for child-care aid.²⁹

Those families who leave welfare for work continue to depend on a variety of financial and non-financial supports in order to support their families. In the third year of the state's longitudinal study, those who had left MFIP still relied on other government programs for 13 percent of their total resources, including publicly-funded health programs (7.7 percent of family resources), housing subsidies (3.4 percent of family resources, averaged across all leaver families), and food support (1.7 percent of total family resources).³⁰

- *Families See the Benefit of Working, Despite Low Wages*

As mentioned above, many families that leave MFIP for work may not be better off financially than families who remain on MFIP. Nonetheless, studies have found that many families perceive that their quality of life does improve as their wages rise, even if their costs rise just as much.³¹

A large focus group study suggests that this perception is based on several factors: nearly all welfare recipients report that they prefer to work if they are able to, and that they value it not only for additional income but also for the improved self-esteem they feel, the better role model they afford for their children, the contributions they feel they make to their community, and their independence from the demands of the welfare program.³² The Legislative Auditor points out that cash income from employment is more flexible than other kinds of benefits and thus allows a family with the same overall disposable income to have a greater sense of autonomy.³³

This improvement in quality of life, despite continued financial stresses, is based on receipt of a variety of work supports that enable families to make ends meet when their income from wages are not enough.³⁴ Key to helping low-wage working parents support their children and work their way out of poverty are programs that help them meet their needs for wage growth and affordable health care, child care, transportation, and housing. The Legislative Auditor's report found, however, that there were significant disparities in the receipt of these supports, with American Indian families least likely to receive the help for which they were eligible.³⁵

- *Many Workers Lack Health Care*

In theory, health care coverage should not be a concern for most low-income parents who leave MFIP for employment. When federal officials overhauled the nation's welfare system in 1996, they enabled those leaving welfare to retain Medicaid coverage for various lengths of time, depending on their circumstance.

²⁹ Marcie Jefferys and Elizabeth E. Davis, *Working in Minnesota: Parents' Employment and Earnings in the Child Care Assistance Program* (St. Paul: Minnesota Child Care Policy Research Partnership, July 2004), p.2.

³⁰ Patterson et al., *Economic Status of Welfare Recipients.*, op. cit., p.38.

³¹ Hollister et al., *The Well-Being of Parents and Children*, op. cit., pp. 63-64; Patterson et al., *Economic Status of Welfare Recipients*, op. cit., pp. 45-47; Crichton and Meyer, *Minnesota Family Investment Program Longitudinal Study: Two Years After Baseline*, op. cit.; Shelton, et al., *The Issues Behind the Outcomes*, op. cit..

³² Shelton et al., *The Issues Behind the Outcomes*, op. cit.

³³ Patterson et al., *The Economic Status of Welfare Recipients*, op. cit., pp. 32, 45-47.

³⁴ Ibid.; Shelton et al., *The Issues Behind the Outcomes*, op. cit.; Jefferys and Davis, *Working in Minnesota*, op. cit.

³⁵ Patterson et al, *Economic Status of Welfare Recipients.*, op. cit., p.55.

In addition, Minnesota offers MinnesotaCare, a state-subsidized health insurance program in which monthly premiums are based on family income. According to the Minnesota Department of Human Services, 83 percent of uninsured welfare leavers would qualify for coverage through Medicaid or MinnesotaCare.³⁶

Yet 30 percent of long-term MFIP recipients were uninsured when they left the state's public assistance program.³⁷ Their children were uninsured at about half the rate of their parents. A year and a half later, the situation had not improved. Some 30 percent of families that had left MFIP for work still reported that some or all family members were uninsured. Recipients who were working but still on MFIP had five to 10 percent of family members without coverage.³⁸

Another Minnesota study shows that gaps in health insurance are greatest among MFIP recipients who work the most. According to a study of Hennepin County MFIP clients, the more the adults worked, the more likely they were to go without health insurance.³⁹ The study found that many of these working and uninsured families were White. MFIP clients who worked 36 or more of 42 months studied averaged 7.6 months without health insurance. Extensive workers were more likely to have more changes in insurance type, and the more they changed insurance, the more likely they were to have periods without insurance. Moderate workers – who worked between 6 and 35 months – averaged 2.8 months without insurance. Minimal workers had no months without insurance.⁴⁰ Parents who left MFIP and were working were nearly twice as likely as low-income adults statewide to be uninsured.⁴¹ “These numbers suggest that working is not necessarily a passport to health care,” researchers said.⁴²

Lack of health insurance concerns policymakers because it can threaten the health of low-income families, deter them from using preventive services and be a barrier to self-sufficiency. In the state's longitudinal study, uninsured welfare leavers reported fewer medical visits – primarily because of lack of coverage -- than leavers with insurance.⁴³

The state's longitudinal study suggests reasons for the gaps in health insurance. Some parents of uninsured children who appeared eligible for Medicaid said they did not understand the eligibility criteria, had trouble with the application process or did not follow through with the application. Although the state has increased efforts to keep families enrolled in public health insurance when their cash welfare benefits end, the gap is still significant.⁴⁴

³⁶ Meg Brown, Scott Chazdon and Leslie Crichton, *Minnesota Family Investment Program Longitudinal Study: Special Report on Health Care Access Among Welfare Leavers 18 Months After Baseline* (St. Paul: Minnesota Department of Human Services, January 2002), p. iii.

³⁷ *Ibid.*, p. ii.

³⁸ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., p. 33.

³⁹ Jessica Toft et al., *Factors that Influence Health Care Coverage for Low-Income Populations under Welfare Reform (draft)* (St. Paul: University of Minnesota School of Social Work, 2004).

⁴⁰ *Ibid.*, p. 12.

⁴¹ *Ibid.*, p. 6.

⁴² *Ibid.*, p. 12.

⁴³ Brown et al, *Report on Health Care Access*, op. cit., p. iv.

⁴⁴ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., p. iii.

In addition, more than a third of uninsured welfare leavers said they did not remember being told that they might be eligible for Medicaid when they left MFIP. An even higher percentage did not recall being told they might qualify for MinnesotaCare.⁴⁵

Some 58 percent of adults who left MFIP for work were offered employer insurance, but only 39 percent of this group enrolled. They cited the high cost of premiums as the main reason for declining the employer's insurance.⁴⁶

- *Access to Child Care Remains an Issue*

MFIP participants frequently cite lack of affordable child care as a barrier to working, leaving MFIP, or both.⁴⁷ As with medical insurance, those who remain on welfare are more assured of meeting their needs than those who have left. One source of difficulty is the shortage of reliable care during non-standard work hours, which are often the only hours available to people with limited skills and work experience. A shortage in morning and evening hours is also a widespread concern.⁴⁸

Among MFIP families that exhausted their MFIP benefits and no longer received cash aid, 60 percent of those who were working had non-traditional evening or weekend work hours and relied on relatives to provide care at no cost.⁴⁹

Another problem is a shortage of care for sick children. This shortage is especially problematic because many welfare recipients have children with chronic health problems. One in four welfare recipients report having children with special needs; asthma and attention deficit disorder are the most common conditions reported.⁵⁰ Meanwhile, community-based organizations that were part of the McKnight partnerships reported that employers were less willing to hire MFIP participants because they believed their children were sick more often.⁵¹

Organizations in the McKnight partnerships also found that loans to child-care providers and co-locating Head Start programs and child care centers were successful ways to improve the supply and convenience of child-care slots. But the shortage of night and weekend care continued.⁵²

Another shortage is of culturally-appropriate care for immigrant families and American-born families from minority racial and ethnic groups. For parents from these groups, it is important that their children receive care from people who understand and support their families' heritage

⁴⁵ Brown et al., *Report on Health Care Access*, op. cit., pp. 15-18.

⁴⁶ Ibid., pp. 20-21.

⁴⁷ Owen et al., *Filling the Gaps in Welfare Reform*, op. cit., pp. 53, 62-63; Owen et al., *How Welfare-to-work is Working*, op. cit.; Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., p. 18; Ellen Shelton et al., *Children's Home Society of Minnesota Client Focus Group Project – Parents' Views on Child Care and Child Care Assistance in the First Year of Statewide Welfare Reform*, (St. Paul: Wilder Research Center, March 1999), pp. iii-iv.

⁴⁸ Hollister et al., *The Well-Being of Parents and Children*, op. cit., pp. 52-53.

⁴⁹ Leslie Crichton, *The Welfare Time Limit in Minnesota: A survey of families who lost MFIP eligibility as a result of the five-year time limit* (St. Paul: Minnesota Department of Human Services, July 2003, p. 23.

⁵⁰ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., p. 28

⁵¹ Ellen Shelton et al., *Whose Job Is It? Employers' Views on Welfare Reform* (St. Paul, Wilder Research Center, 2000).

⁵² Owen et al., *Filling the Gaps in Welfare Reform*, op. cit., p. 33.

and values. American Indian and African American parents, who are disproportionately likely to have their children removed by child protection, also express significant concern about the necessity of ensuring that child care arrangements are safe and trustworthy.⁵³

- *Reliable Transportation Needed to Connect Workers with Jobs*

Transportation appears to be a significant problem for all categories of MFIP families, including current and former recipients.⁵⁴ Research shows that lack of access to cars, particularly reliable ones, makes it hard for MFIP recipients to find and retain jobs, especially in rural areas. Even in urban areas where public transit is more available, reliance on bus travel severely limits where MFIP clients can look for work. Higher-paying jobs in suburban locations are out of reach.⁵⁵ Statistically, individuals who relied on a bus as their primary or only mode of transportation were more likely to exhaust 60 months of MFIP benefits. Those who used a car as their primary or only mode of transportation were most likely to exit MFIP quickly and use the fewest number of MFIP months.⁵⁶

A Hennepin County study found significant racial disparities in transportation resources among MFIP recipients. More than half of white recipients drove their own cars to work, compared to 38 percent of African Americans, 32 percent of Native Americans and 21 percent of recent immigrants.⁵⁷

Although access to a reliable car has been found to be a strong predictor for successful exit from welfare, the Minnesota studies found few examples of successful ways to help recipients gain such access. Evaluators concluded that projects that helped individuals buy and maintain cars were among the most successful ventures. In contrast, efforts to arrange group transportation were largely unsuccessful because they were too expensive or insufficiently flexible to meet the range of transportation needs.

Although car purchase and repair programs were found promising, operators found it difficult to arrange stable funding and to ensure that cars were in good shape but inexpensive enough for low-income workers to afford. As state evaluators reported on one vehicle program, “Running a successful program is no guarantee of ongoing funding. This is a source of great frustration to all the partners.”⁵⁸

- *High Rents and Low Wages Create Housing Instability*

⁵³ Ellen Shelton et al., *The Issues Behind the Outcomes*, op. cit. p. 83.

⁵⁴ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline.*, op. cit., pp. 17-18; Shelton et al., *The Issues Behind the Outcomes*, op. cit., p. 86; Stacey Hueftle Stockdill et al., *2004 Comparison Study – An Evaluation that Compares Outcomes for Multi-Site Transitional Jobs Program with Random Samples of Participants in the Minnesota Family Investment Program* (Golden Valley: EnSearch, Inc. for Lifetrack Resources, September 2004), pp. 42-43.

⁵⁵ Hollister et al., *The Well-being of Parents and Children*, op. cit., p. 13.

⁵⁶ Stockdill et al., *2004 Comparison Study*, op. cit., pp. 42-43.

⁵⁷ Hollister et al., *The Well-being of Parents and Children*, op. cit.

⁵⁸ Vivian, Nancy, *Lessons Learned from Five Car Programs Operated in Minnesota* (St. Paul: Minnesota Department of Human Services, Evaluation Notes Issue 11, March 2004), p. 5. Available at http://www.dhs.state.mn.us/main/groups/economic_support/documents/pub/dhs_id_004113.hcsp

A range of studies have found high levels of insecure housing among MFIP participants, including those who have found work and left welfare, and those who exhausted their time limits and lost eligibility for cash assistance.⁵⁹ In a study of transitional jobs for hard-to-employ MFIP recipients, researchers found that stable housing was one of the best predictors of clients' ability to get to work 90 percent of the time.⁶⁰

Housing is considered affordable when it costs no more than 30 percent of a family's income. Forty percent of MFIP recipients and 43 percent of those who had left welfare were found to be paying more than this amount.⁶¹ Housing was an even bigger problem for families with significant barriers to employment. Of families enrolled in Advancement Plus, a transitional jobs program in Ramsey County, nearly a third moved every six months.⁶² Dakota County Transitional Assistance for Families program found that housing along with transportation, were the needs that took the largest amounts of emergency money.

A study conducted in 2002 found that the Family Wage Level (the income that a family would have from earnings plus welfare, not counting the earnings that were disregarded) increased by eight percent between 1998 and 2002, while average rents in the Twin Cities metropolitan area increased by 34 percent during that time. For a working parent with one child in 1998, the Family Wage Level was \$26 more than the average rent for a two-bedroom apartment; by 2002, it was \$146 less than the average rent.⁶³

The MDRC study of Minnesota's MFIP pilot program (mentioned earlier) found that housing assistance was a significant contributor to better employment and income outcomes for welfare participants.⁶⁴ These findings have since been replicated by studies elsewhere in the U.S. showing that welfare outcomes are better (increased employment and earnings) for families living in public or subsidized housing, even for families with greater number or severity of employment barriers compared to families not receiving housing assistance. There is some evidence that Housing Choice (formerly Section 8) vouchers are the most promising *kind* of housing assistance.⁶⁵

As mentioned earlier, studies show significant racial discrimination in private housing markets in Minnesota, affecting American Indians, African Americans, and Asians.⁶⁶ By reducing housing options, this discrimination increases housing costs directly and indirectly. It also decreases

⁵⁹ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., pp. 28-31; Stacey Hueftle Stockdill et al., *Frogtown Family Connections – A preliminary evaluation report* (Golden Valley, EnSearch, Inc., August 2001); Crichton, *The Welfare Time Limit in Minnesota*, op. cit.; Hollister et al., *The Well-being of Parents and Children*, op. cit.

⁶⁰ Stacey Hueftle Stockdill et al., *Lifetrack Resources Advancement Plus Program Evaluation Report Final* (Golden Valley, EnSearch, Inc. for Lifetrack Resources), p. 14.

⁶¹ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., p. 29.

⁶² Stockdill et al., *2004 Comparison Study*, op. cit., p. 46.

⁶³ Shelton et al., *The Issues Behind the Outcomes*, op. cit., p. 118.

⁶⁴ Knox et al., *Reforming Welfare and Rewarding Work*, op. cit.

⁶⁵ Nandita Verma, James Riccio, & Gilda Azurdia. *Housing Assistance and the Effects of Welfare Reform: Evidence from Connecticut and Minnesota* (New York: MDRC, 2003); National Center for Children in Poverty, "Housing Assistance Promotes Employment," *News & Issues*, Summer 2003. Available at http://www.nccp.org/pub_sum03c.html

⁶⁶ Shelton et al., *The Issues Behind the Outcomes*, op. cit., p. 22.

safety, decreases job, educational, and low-cost shopping opportunities, and increases transportation and insurance costs and the likelihood of frequent moves.

- Labor Market Realities Affect MFIP Employment Outcomes

Studies have shown that MFIP policies cannot increase employment rates if there aren't jobs available for welfare recipients and employers willing to hire them. Thus, as economic activity rises and falls, job placement and retention rates change too, even as welfare work requirements remain stringent. As the number of unemployed people in Minnesota fell by nearly a third between 1996 and 1998, welfare caseloads also declined and continued to fall until 2001. Minnesota's unemployment rate began to rise in 1999, though, and between 2001 and 2003, the weaker economy and rising unemployment rate contributed to a 10 percent rise in MFIP cases.

Economic conditions also affect employers' willingness to hire workers with limited experience and additional barriers. When 131 employers involved in welfare-to-work partnerships in 1999 and 2000 were surveyed, one-quarter of them – a self-selected group that had been most prepared to work with counties and non-profits to increase work opportunities for welfare recipients – said they would not have been involved if the economy had been less strong.⁶⁷

In addition to influences from economic conditions, Minnesota researchers' review of national studies shows that racial bias also affects employers' hiring decisions. Experimental studies using matched resumes found that job applicants with African American-sounding names were far less likely than those with White-sounding names and equal credentials to be invited to interview for entry-level jobs, and that those with African American-sounding names received less benefit (in terms of increased chances of interviews) from additional experience and credentials than did applicants with White-sounding names.⁶⁸

When MFIP recipients were invited to describe their experiences, some described frustration at being required to spend 30 hours a week on job search activities in a small rural town with few job openings and many other welfare recipients also looking for work.⁶⁹ Job counselors reported in focus groups that such unrealistic requirements undermine the credibility of the program.⁷⁰

Many studies identify low skills as a serious barrier for many welfare recipients.⁷¹ When entry-level jobs do not provide the kind of experience or skill development to qualify workers for advancement, classes or training programs become important means to acquire skills for better jobs. However, MFIP provides limited opportunities for training,⁷² with fewer than 10 percent of MFIP adults enrolled in basic education, English as a Second Language classes or training

⁶⁷ Owen et al., *Filling the Gaps in Welfare Reform*, op. cit., p.2.

⁶⁸ Shelton et al., *The Issues Behind the Outcomes*, op. cit. p. 22.

⁶⁹ Shelton et al., *The Issues Behind the Outcomes*, op. cit.

⁷⁰ Meyer, Vania, *Provider Perspectives on the Issues Behind the Outcomes*, op. cit.

⁷¹ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., p.18; Owen et al., *Filling the Gaps in Welfare Reform*, op. cit.; Shelton, et al., *The Issues Behind the Outcomes*, op. cit.; Stockdill et al., *Lifetrack Resources Advancement Plus Program Evaluation Report Final*, op. cit.; Hollister et al., *The Well-Being of Parents and Children*, op. cit.

⁷² Minnesota Department of Human Services, Program Assessment & Integrity Division, MFIP Monthly Reports for May 2004, June 2004, September 2004, pp. 1-3. Available at http://www.dhs.state.mn.us/main/groups/economic_support/documents/pub/dhs_id_004113.hcsp

programs of up to 24 months' duration. Studies have found that there are limited opportunities for low-wage workers to access or afford such training on their own.⁷³

Some hopeful signs are found in data from the third year of the state's longitudinal study. Among adults who had worked for all of the previous 12 months, 28 percent reported that their employer had sent them to special classes or training not at the workplace, and sizable majorities reported receiving increases in job responsibilities and wages. Nonetheless, only half thought their chances of moving up were good. In addition, few employers provided training on reading, writing, or math skills. And while wages increased, benefits were less likely to improve with time and experience.⁷⁴

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

As families with fewer barriers and brighter prospects leave welfare, the adults who continue to rely on MFIP cash assistance tend to have a diverse and daunting array of barriers to finding or keeping a job. In the state's longitudinal study, 19 percent of recipients were unemployed during the entire third year, one indicator of the size of the population with multiple, persistent barriers to self-sufficiency.⁷⁵

State analysts have stressed that the work emphasis of welfare reform makes it imperative to identify and treat serious work barriers as soon as possible. But many systems that serve the hard-to-employ – developmental disability, rehabilitation, mental health and child welfare systems– lack the capacity to address barriers discovered in intensive assessments of clients. “Acknowledgment of this reality seems necessary in budgeting discussions at both the national and state level,” state analysts have noted.⁷⁶

A range of studies show that MFIP recipients with multiple, serious work barriers are less likely to find jobs, more likely to lose cash assistance because of program noncompliance, and more likely to exhaust their 60 months of eligibility for federal cash assistance than families with few barriers.⁷⁷ These families are likely to be living in deep poverty: As mentioned above, state researchers found that participants who are on MFIP and not working after three years were living on average at 68 percent of the federal

- Common barriers to finding and keeping work:*
- *physical and mental health problems*
 - *domestic violence*
 - *low skill levels*
 - *lack of adequate or affordable housing*
 - *limited proficiency in English*
 - *criminal record*
 - *chemical dependency*

⁷³ Owen et al., *Filling the Gaps in Welfare Reform*, op. cit., pp. 5, 38-39; Owen, et al., *How welfare-to-work is working*, op. cit.

⁷⁴ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., pp. 11-14.

⁷⁵ *Ibid.*, p. 9.

⁷⁶ Scott Chazdon and Nancy Vivian, *LIGSS (Local Intervention Grants for Self-Sufficiency): Lessons Learned* (St. Paul: Minnesota Department of Human Services, January 2003), p. x.

⁷⁷ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit.; Hollister et al., *The Well-being of Parents and Children*, op. cit.; Crichton, *The Welfare Time Limit in Minnesota*, op. cit.; Stacey Hueftle Stockdill et al., *A Report on Sanctions* (Golden Valley: EnSearch, Inc. for Lifetrack Resources, February 2003).

poverty guideline. The studies make clear that it is this group, whose employment status has not changed significantly despite MFIP's incentives and penalties, that has the greatest need and poses the greatest challenges for the state's welfare-to-work system and the policymakers who design and monitor it.

Serious work barriers are often not readily apparent. Many parents are not aware that they or their children have mental or physical health impairments. Employment services providers report that undiagnosed mental illness is one of the most significant problems experienced by MFIP participants who struggle to find and keep jobs.⁷⁸

A number of reports suggest that the families being sanctioned and losing benefits are among the most vulnerable. Reports identify a need for more in-depth assessments that might identify significant barriers, arrange for necessary services, or help qualify families for federal SSI benefits or MFIP extensions.⁷⁹

In addition, an independent evaluation of one MFIP employment program⁸⁰ that provided transitional jobs and more diagnostic resources than usual found that many parents who lacked job skills and work experience also had significant physical and mental health conditions that affected their ability to work. Nearly 68 percent of the program's participants had a documented physical or mental impairment that interfered with their efforts to find or retain jobs; however, none had been exempted from MFIP work requirements. Of the 189 parents referred to the program,

- 34 percent were assessed as having a mental illness,
- 22 percent had a learning disability,
- 23 percent had a physical disability,
- 11 percent had physical limitations, and
- 18 percent were caring for a disabled family member and another six percent were caring for an ill or incapacitated family member (in both cases, primarily a child in the home).⁸¹

Poor outcomes are especially likely for families that experience multiple barriers to employment. One study found that those who were most likely to exhaust their 60 months of eligibility for federal cash assistance tended to "have unstable housing, have more personal barriers, have preschool-age child care issues, have an IQ less than 90, have been sanctioned, be caring for a family member who was ill/incapacitated, be caring for a disabled family member, have a learning disability, have larger families, and be from Minnesota, having spent, on average, only a few months outside the state."⁸²

⁷⁸ Meyer, *Provider Perspectives on the Issues Behind the Outcomes*, op. cit.; Stockdill et al. *Lifetrack Resources Advancement Plus Program Evaluation Report Final*, op. cit.

⁷⁹ Stockdill et al., *A Report on Sanctions*, op. cit.; Meyer, *Provider Perspectives on the Issues Behind the Outcomes*, op. cit.; Chazdon and Vivian, *LIGSS: Lessons Learned*, op. cit.; Regina Wagner and Khanh Nguyen, *MFIP Families and Sanctions: A Call for Services* (St. Paul: Legal Services Advocacy Project, 2002).

⁸⁰ Stockdill et al., *Lifetrack Resources Advancement Plus Program Evaluation Final Report*, op. cit.

⁸¹ *Ibid.*, pp. 8-16.

⁸² Stockdill et al., *2004 Comparison Study*, op. cit., pp. 42-43.

- *Families with the Most Barriers Also Tend to Be Sanctioned For “Noncompliance”*

A sanction is a cash penalty for not following MFIP rules, and specifically for not cooperating with employment services or child support enforcement. Some policymakers see sanctions as an important tool for ensuring that MFIP participants cooperate with welfare-to-work plans and take seriously the expectation that cash assistance will be temporary and adults will find work and leave MFIP.

Results from pilot projects in Anoka and Dakota counties indicate that increased sanctions, coupled with sanction prevention and sanction resolution strategies, can be effective in securing program compliance. However, many studies indicate that vulnerable families, such as those in crisis, those experiencing domestic abuse, or those with serious health conditions, are more likely to be sanctioned for not complying with MFIP work requirements. For example,

- One survey of 21 Hennepin County MFIP families that were sanctioned for at least four months found that more than half the parents were on medication for chronic diseases like diabetes and heart disease. Social isolation, domestic abuse, depression and children with behavioral problems were also common within these families.⁸³
- MFIP clients who were enrolled in a transitional jobs program and who had been sanctioned were more likely to be victims of domestic violence, have learning disabilities and literacy skills below the 8th grade. They were also more likely to be ex-offenders and to have more than seven personal, family and housing barriers. “Those sanctioned were the very vulnerable. They had the largest number of barriers to employment ... Our findings suggest that families who are unable to advocate for themselves are being punished for their limited abilities,” researchers wrote.⁸⁴
- Analysts from the Legal Services Advocacy Project concluded that many clients were sanctioned before a trusting relationship could be developed with job counselors and major barriers to employment detected. They also found that a significant number of sanctions are reversed or resolved on appeal. During a two-year period which ended in November 2000, one in five MFIP sanctions cases were appealed and then reversed through the appeals and regulations division of the state Department of Human Services.⁸⁵
- In a Hennepin County project with the Legal Aid Society of Minneapolis, 69 percent of sanctions were lifted when Legal Aid staff intervened, usually when clients were found exempt from work requirements or had good cause for non-compliance.⁸⁶
- *Racial Disparities in Sanctions*

⁸³ Barry Cohen and Melissa Martinson, *Hennepin County MFIP Sanctions Study* (Minneapolis: Rainbow Research, November, 2002).

⁸⁴ Stockdill et al., *A Report on Sanctions*, op. cit., p. 1.

⁸⁵ Barbara Collins and Renee Obrecht-Como, *Mixed Messages and Missed Opportunities: Welfare Sanction Policy in Minnesota* (St. Paul: Legal Services Advocacy Project, February 2001), p. 23-24.

⁸⁶ Ibid.

Studies have begun to document that sanctioned adults are disproportionately minorities. African Americans had a 38.1 percent sanction rate and Native American 48.7 percent compared to a statewide average of 34.2 percent.⁸⁷ Some researchers have begun to question whether cultural and ethnic bias and miscommunication contribute to uneven sanction rates.⁸⁸

One study based on focus groups of MFIP recipients from different ethnic groups found strong support among welfare recipients for MFIP's work goal, but widespread criticism of the service delivery as demeaning and hostile rather than supportive. For many, their perception of whether the job counselor was on their side was key. Experiences with MFIP that were commonly reported included: Excessive paperwork demands, inaccessibility of workers to answer questions, and inconsistency about rules and supports. The report includes detailed insights into the particular barriers, experiences and attitudes of people from different ethnic groups. A large proportion reported that they lacked basic reading and math skills, familiarity with demands of the workplace and other skills usually needed for even entry-level work, but they had received little or no help to address these barriers before being required to seek employment.⁸⁹

Many call for earlier identification of people with greatest likelihood of exhausting benefits and better assessment of barriers. Sanctions are one important indicator. "The common feature of sanction prevention and sanction resolution strategies is individualized focus on the participant's circumstances by someone whose stated mission is to help remove the sanction," one advocacy group found. "The sanction intervention projects summarized in this report strongly emphasize early intervention and use of specialized staff with the ability to assess and address participant needs."⁹⁰

- *Families Who Left MFIP Due to Time Limits Have Numerous Barriers to Employment, Including Significant Health Issues that Interfered with Their Ability to Work*

Congress ended welfare as an entitlement when TANF replaced AFDC. MFIP cases are now permanently closed after 60 months of federal cash assistance unless there are serious extenuating circumstances that meet strict eligibility, verification, and cooperation requirements. Circumstances that qualify as extension reasons include illness or disability, certain conditions that make employment unlikely, sufficient hours of employment, and family violence.

By June 2003, more than 1,500 poor families had left MFIP because they reached the 60-month time limit and did not receive an extension of MFIP benefits. A survey of timed-off families

⁸⁷ Danyell Punelli and Don Hirasuna, *MFIP Sanctions Information Brief* (St. Paul: Minnesota House of Representatives Research Department, February 2003); Wagner et al, *MFIP Families and Sanctions: A Call for Services*, op. cit.

⁸⁸ David Hollister et al., *Findings from the Second Phase of a Study of the Transition from Welfare to Work in Hennepin County, Minnesota* (Minneapolis: University of Minnesota Center for Urban and Regional Affairs, 1999); Mary Martin et al. *Work, Race and Welfare Reform: A Study of the Minnesota Family Investment Program in Hennepin County 1998-2002* (Minneapolis: University of Minnesota Center for Advanced Studies in Child Welfare, 2002); Vania Meyer, *Measuring Minnesota Family Investment Program Performance for Racial/Ethnic and Immigrant Groups*, (St. Paul: Minnesota Department of Human Services, November 2003); Michael Q. Patton et al., *The McKnight Foundation Aid to Families in Poverty Initiative – A Synthesis of Themes, Patterns and Lessons Learned* (Minneapolis: The McKnight Foundation, April 1993); Shelton et al. *The Issues Behind the Outcomes*, op. cit.; Cohen and Martinson, *Hennepin County MFIP Sanctions Study*, op. cit.

⁸⁹ Shelton et al. *The issues behind the outcomes*, op. cit.

⁹⁰ Wagner et al. *MFIP Families and Sanctions: A Call for Services*, op. cit., p vi.

showed that half of them had applied for an extension, primarily based on illness, but were denied because county staff did not believe they qualified.

Yet when state researchers reviewed administrative case files for the families that timed off MFIP, they found that 61 percent of all parents had been in mental health treatment or had been prescribed medication for mental-health issues within the previous three years.⁹¹

When researchers contacted these families after they lost MFIP benefits, they found that nearly half were leading unstable, even chaotic lives. Income in these families was on average 37 percent of the federal poverty level – with most of their income coming from food stamps. More than half of the families were living in public or subsidized housing. Families' food supplies were insecure, they lacked reliable transportation and they had unmet medical needs. A quarter had not paid their utility bills. Two parents gave up custody of children so that the children could continue to qualify for assistance.⁹²

The survey also found signs of serious barriers. Using a questionnaire (or “screen”) for detecting depression, researchers found that 44 percent of parents surveyed scored high enough to need more in-depth, medical assessment. In addition, 36 percent had been diagnosed previously with depression and nine percent were currently being treated for depression. Finally, approximately 25 percent of those surveyed also reported having a physical disability and 30 percent had been in jail or prison as an adult.⁹³ A high share of parents had grown up on welfare as children. One in five had been in special education classes in school.⁹⁴

One apparent problem is that serious barriers often were not recognized until just before MFIP families exhausted their benefits. “According to county staff, many serious problems were first identified during meetings about post-time limit options held with participants just before their welfare time ran out. Often participants had been reluctant to disclose this information sooner,” the state analyst reported.⁹⁵

- *Most Families Who Extended Beyond the MFIP Time Limit Have Serious Health Conditions*

As of October 2004 there were 4,118 cases that had reached the 60-month time limit and received an extension of MFIP cash assistance. Of these “extended” cases, 70% qualified due to a serious health condition of the adult or another household member. The top three reasons for health-related extensions were for an illness or incapacity lasting 30 days or longer (20% of all extensions), a participant with an IQ of less than 80 (17%), and caring for a child or other family member with serious medical needs (14%).⁹⁶

⁹¹ Crichton, *The Welfare Time Limit in Minnesota*, op. cit., pp. v, 27-28.

⁹² Ibid. This report was based upon administrative review of all cases that “timed off” – not simply those in the longitudinal study – as well as survey interviews with some timed-off parents.

⁹³ Ibid., p. 30

⁹⁴ Ibid., pp. ii-iv.

⁹⁵ Ibid., p. v.

⁹⁶ Minnesota Department of Human Services, *Characteristics of MFIP Cases Reaching the 60-Month Time Limit*, September 2004. Available at

http://www.dhs.state.mn.us/main/groups/economic_support/documents/pub/dhs_id_004113.hcsp

- *Racial Disparities in the MFIP Time Limits*

As mentioned above, MFIP cases are now permanently closed after 60 months of cash assistance unless serious extenuating circumstances that meet strict eligibility, verification, and cooperation requirements exist. Circumstances that qualify as extension reasons include illness or disability, certain conditions that make employment unlikely, sufficient hours of employment, and family violence. The state's 2003 report on families that had timed-off indicates that people of color, especially African Americans and American Indians, are more likely to exhaust MFIP benefits due to time limits than are whites.⁹⁷ Of MFIP families that timed-off of cash assistance in July 2002, 43 percent were African American, although this group made up only 24 percent of the overall MFIP caseload.

- *Research Provides Insights on Strategies For Working with Families Who Have Multiple Barriers*

Policymakers have recognized that identifying potential barriers sooner could help MFIP participants get the appropriate help they need and increase their chances of getting jobs and stabilizing their lives. In 2000, the Minnesota Legislature authorized use of \$52 million from the state's unspent federal TANF money to fund Local Intervention Grants for Self-Sufficiency (LIGSS) over a three-year period. LIGSS's goal was to reduce the number of hard-to-employ families who exhausted their 60 months of MFIP benefits.⁹⁸

Rather than start new programs, most counties used LIGSS dollars to enhance or intensify ongoing services they believed were most effective. Counties and employment services providers were also able to reduce caseload sizes so that staff had more time to work with each family. State analysts found that the greatest innovations came from grants to agencies that had good working relationships with affected populations and tailored programs to meet their needs.

Overall, counties, tribes and employment service providers were surprised at how many personal and family problems their participants faced, as well as the range of specialized services needed to assist these families in finding or keeping jobs. Mental health services, chemical dependency treatment and in-depth assessments often had to precede employment related services. Several counties worried that the relevant services – developmental disability, rehabilitation, mental health and child welfare – lacked the capacity to handle barriers discovered in intensive assessments of clients. Another challenge was clients' resistance to in-depth assessment, particularly if they believed the assessment might reveal mental health or chemical dependency issues that could result in children being removed from their care, prosecution, or other negative consequences.⁹⁹

Meanwhile, the results from the LIGSS grantees that served minority communities challenged MFIP's expectation that adults who have struggled to find employment could be required to rapidly move into jobs. These service providers found that "it often takes at least a year of

⁹⁷ Crichton, *The Welfare Time Limit*, op. cit., p. 35.

⁹⁸ Chazdon Vivian, *LIGSS (Local Intervention Grants for Self-Sufficiency): Lessons Learned*, op. cit. Each county and tribe was allocated \$25,000 annually for three years; 80 percent of the rest was allocated based on caseload size. The remainder awarded to 16 counties and community-based organizations after a competitive grant process.

⁹⁹ *Ibid.*, p. ix.

intensive work to move some participants out of crisis and even longer to build their capacity to get beyond a lifestyle of repeated crisis.”¹⁰⁰

With Minnesota’s TANF reserve now spent and LIGSS grants ended, there are concerns whether counties will provide the intense, ongoing services many hard-to-employ MFIP families need. “Dedicated funding for hard-to-employ MFIP families has been eliminated, undercutting the ability of counties to continue to build capacity to address serious health impairments,” one advocacy group noted. “The use of screening tools for mental and chemical health issues and learning disabilities is now mandated, but no additional money has been set aside to assist counties with the increased costs of professional staff [e.g. social workers, mental health counselors, and occupational therapists to administer the assessments and address whatever issues might arise from the intensive work with families].”¹⁰¹

Despite considerable effort by counties and community agencies, there is little hard data about what was most successful among LIGSS practices. Only one program randomly assigned participants to a LIGSS or control group. For the rest, state analysts found it impossible to identify for certain the impact LIGSS projects had on hard-to-employ MFIP clients. In addition, because grants were flexible enough to tailor service to particular populations, it would be difficult to duplicate successes and hold providers accountable for results, they said. Moreover, the Legislature did not provide the Minnesota Department of Human Services with additional staff, as requested, to work with grantees on setting goals, measuring results and implementing a rigorous evaluation.¹⁰²

In addition to the LIGSS funds, some counties and employment services providers secured funding from other sources, often foundations, to provide services for families with multiple barriers to employment. Some projects also received funding to evaluate the strategies used and the characteristics of participants. All these projects provide valuable lessons about the challenges facing MFIP participants with multiple barriers to employment.

1. IN-DEPTH ASSESSMENTS AND HOME VISITS

Many LIGSS projects hired specialists for home visits and in-depth assessments, and reduced caseloads for employment counselors who worked with the most challenged clients. They found that home visits often uncovered participant issues that did not surface during office meetings. Some families saw these visits as interfering, and many resisted getting involved with social service and public health services. Families were more cooperative if they believed this might help them win an extension on benefits.¹⁰³

2. SANCTIONS AND INTENSIVE OUTREACH

Serious barriers are often not readily apparent. Several reports suggest that the families being sanctioned and losing benefits are among the most vulnerable. Reports identify a need for more in-depth assessments that would be able to identify significant barriers that

¹⁰⁰ Ibid., p. x.

¹⁰¹ Nguyen, Khanh and Regina Wagner, *MFIP ‘Reform’ and Low-Wage Workers: Are Parents with Health Impairments Being Left Behind?* (St. Paul: Legal Services Advocacy Project, December 2003), p. 7.

¹⁰² Chazdon and Vivian, *LIGSS (Local Intervention Grants for Self-Sufficiency): Lessons Learned*, op. cit, p. vi.

¹⁰³ Ibid., p. ix.

would reduce the number of families who are actually sanctioned for program noncompliance.¹⁰⁴

A few examples illustrate the intensity and effectiveness of such outreach. In 2001, Frogtown Family Connections used home visits to work with 80 low-income MFIP families with young children who lived in St. Paul's Frogtown neighborhood and were being sanctioned or at risk of being sanctioned.¹⁰⁵ Home visitors found families with considerable need: 78 percent needed food, one-third were suffering from domestic violence. It required great persistence to reach these families and time to build trust. Home visitors started by listening to parents and helping with immediate needs. Of 79 families referred to the program, 27 became active cases. "We have found it works best by modeling the behavior and working on a one-to-one basis with families. And that you start by meeting the parents' needs," the staff reported.¹⁰⁶ The effort paid off. All families' sanctions were resolved; 11 of the 27 individuals got jobs.

Meanwhile, for a different mix of participants, Anoka County developed a pilot program of aggressive sanctions and outreach because county staff were concerned that some applicants failed to attend the required Employment Services Overview and other families accepted prolonged sanctions. The county won legislative approval for a pilot program in 2001 to encourage rapid entry into the labor force and reduce the county's sanction rate. The county concluded that most parts of the pilot had been effective at engaging families with employment related activities. Important to the pilot's success was a Compliance Advocate, who worked with sanctioned families, and on-site social service staff, which arranged home visits, trained staff and accompanied the county employment counselor and financial worker on cases that seemed to need social service intervention. Social service staff was involved in most cases that faced being cut off from benefits for non-compliance. As the county's report notes: "This is time intensive work and takes considerable resources to be successful."¹⁰⁷

3. MENTORS AND UNDERSTANDING EMPLOYERS

The McKnight Foundation's Families Forward initiative, an effort to help low-income working parents gain training and education so as to raise their incomes, has found that one-on-one relationships with a staff person or mentor are important to maintaining workers' motivation and enthusiasm. Many participants need significant help to reach goals and need short-term goals that can be reached in initial burst of enthusiasm. Employers also needed to be involved, researchers found. They tended to be more sympathetic after being briefed on needs and characteristics of employees, receiving business-to-business advice and ongoing supports from outside agencies. They also needed to see the importance of supervisors acquiring skills for dealing with people of different racial and cultural backgrounds.¹⁰⁸

¹⁰⁴ Stockdill, et al., *Lifetrack Resources Advancement Plus Program Evaluation Report Final*, op. cit.

¹⁰⁵ Stockdill, et al., *Frogtown Family Connections*, op. cit.

¹⁰⁶ *Ibid*, p. ii.

¹⁰⁷ Anoka County Income Maintenance Division, *Anoka County MFIP Pilot Program Report to the Legislature*. 2002 (Blaine: Anoka County Human Services Department, 2002), pp. 4-5.

¹⁰⁸ Shelton et al, *Training Low-income Workers for Self-sufficiency*, op. cit., pp. 18, 28.

4. TRANSITIONAL JOBS

With a grant from the Joyce Foundation, Lifetrack Resources, a St. Paul non-profit, tested paid, transitional jobs as a strategy for helping hard-to-employ MFIP adults eventually find unsubsidized employment. In Advancement Plus, the pilot program, MFIP adults were employed for up to six months in closely supervised, subsidized jobs.

As initially implemented in 1999, the program served MFIP adults who had failed to find work during an 8-week job search. Later, the service was limited to people who had exhausted 52 of 60 available months of MFIP benefits. To test the effectiveness of this approach, researchers studied how both sets of Advancement Plus workers fared against comparable groups of MFIP clients. The Advancement Plus workers, particularly the group with few months of MFIP benefits left, faced more barriers to work than the general MFIP group. Overall, the Advancement Plus workers averaged 12 personal, family and housing barriers. Those who had used up 52 months of the available 60 months averaged 14.5 barriers.¹⁰⁹ A comparison group of general MFIP clients averaged fewer than 10 barriers.

The Advancement Plus workers who had used up 52 months were particularly challenged. Nearly three in four had a learning disability, while more than half suffered some type of mental illness. More than three-quarters scored below 80 on an IQ test and a third suffered from chemical dependency. Nearly half were ex-offenders and an equal proportion had been homeless during their time on welfare. Fully 42 percent had suffered domestic violence.

Nonetheless, a 2004 follow-up report showed 45 percent of Advancement Plus trainees working in unsubsidized jobs, the same rate as in the MFIP comparison sample. By spending up to six months in supportive work environments, many trainees were able to develop habits, confidence and skills that enabled them to find unsubsidized jobs.¹¹⁰ Researchers concluded, "Placement in unsubsidized employment, when examined along with the prevailing unemployment rate, indicates that transitional jobs such as Advancement Plus are effective even in difficult economic times."¹¹¹

Key to the success, researchers found, were (i) the closely supervised setting for the subsidized jobs, which offered exceptional support to workers and (ii) an assortment of specialists who identified barriers and helped trainees overcome them. Specialists included trainers, occupational therapists, speech-language pathologists, advancement specialists and work site supervisors.¹¹² Use of occupational therapists and speech pathologists enabled program staff to uncover serious but hidden barriers, including traumatic brain injuries. Despite the program's overall success, researchers suggested that some trainees' disabilities were so large that they were unlikely to succeed at unsubsidized employment.

¹⁰⁹ Stockdill et al., *2004 Comparison Study*, op. cit., p. 15.

¹¹⁰ Ibid., p. 21.

¹¹¹ Ibid., p. 22.

¹¹² Ibid., p. 1.

VIII. Conclusion

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

But the studies also show that much difficult work remains. Moving adults with limited skills and multiple barriers into immediate and sustained employment is perhaps the biggest challenge facing Minnesota's welfare-to-work efforts. Research suggests a need for additional time and targeted resources, as was provided through LIGSS grants.¹¹³ However, findings from projects targeted at the hard-to-employ suggest that some MFIP recipients' disabilities are so severe that these adults are unlikely to succeed at unsubsidized employment and might be better served through SSI, rehabilitation services or sheltered workshops, or through reasonable accommodations called for by the Americans with Disabilities Act.¹¹⁴

But findings from county and community projects for hard-to-employ MFIP recipients suggest that these alternate systems are not currently up to the challenge. Many LIGSS projects spent considerable time helping the most hard-to-employ MFIP recipients apply for SSI or Rehabilitation Services and were often frustrated with the results. "There were enough comments about the difficulty of navigating SSI to raise questions about the need for systemic change in the program," state researchers wrote.¹¹⁵ According to the state's longitudinal survey, six percent of MFIP recipients had been approved for SSI, about half of those who had applied.¹¹⁶

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

MFIP does not operate in isolation from other market forces that impact the day-to-day lives of parents seeking to support their families through work. The most plentiful job openings are in industries with low-wages, meaning that families must struggle to provide for their basic needs and often require help from an array of work support programs. Employers are more willing to hire low-skilled MFIP job seekers during times of labor shortages. Worker access to training after finding employment is often limited, although some employers do make efforts to provide skill enhancement training.

¹¹³ Friese et al., *CHOICES Program Evaluation Final Report*, op. cit.; Stockdill et al., *Lifetrack Resources Advancement Plus Program Evaluation Report Final*, op. cit.; Stacey Hueftle Stockdill et al., *Occupational Therapy in Transitional Jobs: Innovations to Improve Life Skills* (Golden Valley: EnSearch, Inc. for Lifetrack Resources, September 2004).

¹¹⁴ Stockdill et al., *Lifetrack Resources Advancement Plus Evaluation Report Final*, op. cit., p. 187.

¹¹⁵ Chazdon and Vivian, *LIGSS: Lessons Learned*, op. cit., p. ix.

¹¹⁶ Crichton and Meyer, *MFIP Longitudinal Study: Three Years After Baseline*, op. cit., p. 26.

Many important questions about the long-term effects of welfare reform remain to be answered. At the time of this synthesis, very little Minnesota research has examined how parent-focused welfare-to-work efforts affect children in areas such as health, education attainment, and interaction with child protection services. Other important questions not yet adequately answered include the pay-off for increased investment in education and training for low-income workers, and evidence about what policies might be effective to discourage teenage pregnancy and encourage or sustain marriage among low-income adults.