

## **Welfare Reform Speech for United Way Forum**

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**November 7, 2001**

First, I want to thank you for the opportunity to speak today and to commend Secretary Houstoun for coming here in person to discuss the State's role and plans for addressing the most pressing issues related to welfare reform.

I am the Executive Director of People's Emergency Center (PEC), a United Way member agency that provides a continuum of services to help families in Philadelphia break the cycle of homelessness. Our services include a specialized welfare-to-work program for the homeless. My comments today will reflect the perspective of an agency that is working to help women with multiple barriers make the transition from welfare to work; and, of a homeless service provider that needs to prepare for an overwhelming increase in demand for services if thousands of families reach their welfare time limits without a safety net.

Policy makers, advocates, researchers and providers have paid close attention to effects of welfare reform over the past few years. What we know is that:

- The success of welfare reform is largely measured by the dramatic reduction in the cash assistance caseloads;<sup>1</sup>
- The reforms have been effective at rapidly identifying those who are able to work and attaching them to the labor force;
- Increased employment has led to higher earnings and declining welfare payments to families; and
- As a result, states and localities spend less of their welfare money on cash benefits and more resources are available for work-related activities and supports.

However, daunting challenges remain in welfare reform:

- Most parents leaving welfare for work earn too little to support their families adequately.<sup>2</sup>
- A significant number of families have left or been dropped from the welfare rolls without employment.<sup>3</sup>
- Many other families remaining on welfare have multiple barriers to employment and serious unmet needs.<sup>4</sup>

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<sup>1</sup> A decline of 50% nationally, 57% in Pennsylvania and nearly 42% in Philadelphia.

<sup>2</sup> Those who have left welfare for work earn an average of \$6.24 in Pennsylvania, which is below the poverty level; less than 25% have employer-provided health benefits; and, many families eligible for Food Stamps and Medical Assistance coverage do not continue to receive these benefits when they leave welfare.

<sup>3</sup> The DPW report *Welfare Reform after Three Years* indicates that 16% of those who left welfare without employment were voluntary withdrawals and 15% were due to failure to comply with welfare requirements.

<sup>4</sup> Although specific data on the characteristics of those remaining on the caseload in Pennsylvania and Philadelphia is limited, they are likely to be consistent with national statistics which indicate that 20-30% of the TANF population has some disability (either mother or child in the family), 65% have low basic skills, 20-50% have learning disabilities, 5-20% have substance abuse issues, 50% have domestic violence issues and 25-35% have mental health issues. (Source: Kramer 1998 and Sweeney 2000).

- Many others cannot currently work due to temporary disability.
- The success or failure of welfare reform has major implications for large cities since a disproportionate share of those remaining on TANF are concentrated in urban areas.<sup>5</sup>
- Moreover, there is widespread concern that the strong economy was a major contributing factor in the success of welfare reform to date and that the recent economic downturn will have major implications for the future—particularly because it exacerbates the remaining challenges I’ve described.

### **The question is what do we do now?**

I think we have a collective responsibility to use this information in two tangible ways that include a need for immediate action and a longer-term approach.

Immediately, we all need to focus on simultaneously preventing and preparing for the impending crisis in March 2002. In 1999, advocates were criticized for being alarmist and so I use the words “impending crisis” advisedly. But I am convinced that a crisis is impending – particularly for Philadelphia – for the following five reasons:

- 1) Recent projections are that between March and June 2002, 9,000<sup>6</sup> families in Pennsylvania (6,500 of whom are in Philadelphia) will exhaust their welfare eligibility. While some argue that these projections are inflated, we know that in less than 120 days, thousands of Pennsylvania and Philadelphia families will reach their 60-month lifetime limit on welfare. And, that this is just the tip of the iceberg as thousands more reach their limits in the months and years that follow. The most alarming statistics about the families approaching their time limits are that 26% are large families with four or more children; 40% are temporarily exempt from work because they are disabled and yet they are in danger of losing their benefits; and 33% are working, but their earnings are too low to leave welfare.
- 2) Although the State has recently implemented some promising programs to address some of the remaining challenges of welfare reform with “Time Outs” and the Maximizing Participation Program (MPP), DPW’s proposed regulations implementing TANF and Act 35, published in the Pennsylvania Bulletin on October 20, 2001, do not recognize and “permit” these programs. Moreover, the State has yet to articulate a comprehensive strategy using the tools at its disposal -- non-assistance, Maintenance of Effort (MOE) funds, general assistance and the 20% hardship extensions -- and the corresponding preliminary regulations to enable the rest of us in the field to begin to plan and prepare to protect the vulnerable families at risk of losing their safety net in the very near future.
- 3) Not insignificantly, the events of September 11<sup>th</sup> have left the economy and especially the hospitality industry in a tailspin. Pennsylvania’s unemployment rate and the TANF caseload are already rising. It is widely recognized that a large subset of those remaining on the TANF

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<sup>5</sup> In 1999, ten urban counties, including Philadelphia, contained 32.7% of the entire nation’s welfare cases, up from less than 24% in 1994. (*Source: Brooking Institution Report, June 200*).

<sup>6</sup> This represents 5.4% of the original TANF caseload in 1997.

caseload have multiple barriers to employment. The recent economic downturn makes it more difficult to place these already hard-to-serve TANF recipients in jobs. Moreover, research shows that many of those who have previously left welfare for work have only tenuous attachments to the labor force. Experience has shown that before the recent economic shift, 1/3 of those who left welfare for work cycled back onto the cash caseload within two years. This number will increase as employers have more applicants to choose from in this market and will not tolerate the “marginal” employee. In this environment, retention becomes both more difficult and more critical. The economy also has an impact at the systems level as states will likely have significant and competing pressures on their own declining budgets, which could limit state resources available for a much-needed safety net.

- (4) Philadelphia is in a particularly challenging situation. Philadelphia has a disproportionate share of the State’s welfare caseload—over 50%. At the same time, the substantial U. S. Department of Labor resources that funded a large portion (\$52 million over three years) of Philadelphia’s welfare to work infrastructure and programs expired in August 2001. As a result, the City has lost a major portion of its resources to offer specialized employment services targeted to the hardest to serve. The implications are severe as people cut off from welfare will overwhelmingly burden the City’s emergency shelter, homeless service, workforce development, public housing and other major service systems. To illustrate how difficult this situation will be—even if the City assumes 1,200 families will become homeless in the next year as a result of being cut off welfare, the City only has the capacity to house a total of 350-400 families at any given time in its shelter system and it is operating at close to full capacity now. The City has not yet articulated to the public a comprehensive plan for how it will deal with this impending crisis. It would be much more effective if the City Administration could plan within the context of the State’s strategy and regulations. But time is running out and in the absence of a state strategy the City needs to plan for the worst-case scenario and aggressively pursue the best-case scenario.
- 5) Nonprofits, religious organizations and other providers are also operating in a vacuum of information about what options they have to provide to their clients on welfare, and, thus, have limited capacity to prepare their boards, staff and clients for life after March 3<sup>rd</sup>.

I am not a person who likes to focus solely on the problem. I believe it is important to understand the magnitude and nature of the problem in order to develop an effective solution. I know the problem sounds overwhelming. However, the dialogue today is an important first step. The immediate part of the solution is to each do our part and work together to ensure that we protect families who will exhaust their welfare benefits and are unable to support themselves without assistance. Again, I believe that we need simultaneously to plan for the worst and hope for the best.

Specifically:

1. The state needs to engage in a broad public planning process immediately and develop and articulate a strategy and related proposed regulations for how it plans to use the tools available under the current federal regulations to protect vulnerable families approaching the March 2002 deadline. These tools include TANF “non-assistance,” State/MOE funding and the federally-authorized 20% extension to the five-year limit.

- **TANF Non-assistance:** Because the 60-month limit only applies to TANF “assistance,” Pennsylvania is free to provide benefits with federal TANF funds that are characterized as “non-assistance” to those who have reached their limit. Many forms of income-support fall within the rubric of “non-assistance.” However, I want to focus particularly on the fact that a public service jobs program that pays wages to participants qualifies as non-assistance. **DPW should create a public service jobs program as part of its non-assistance policy.** DPW has something called Community Service Plus in the works but it would be “workfare” and would not be wages paid to workers. As a result, it could not be supported using federal TANF funds for those who reached their limit. Moreover, wage-paying jobs programs are preferable because they have added benefits to the participant—EITC and building a work history for social security and unemployment compensation. A wage-paying public service jobs program would benefit people who have hit their limit but cannot find a job. We believe it would lead inevitably to those participants getting and keeping jobs in the private market. Given the downturn in the economy, this option becomes even more critical.
  - **State/MOE funds:** PA is able to extend the lifetime limit using MOE dollars, which it is required to spend as a condition for receiving the federal funds. The federal time limit does not apply to families who receive benefits that are solely state funded. One simple way of protecting families is to account separately for state and federal funds within the TANF program, instead of commingling funds as is currently done. (Any month a family’s cash grant was funded only with state dollars would not count toward the time limit). Alternatively, the state could set up separate state programs funded solely with state money.
  - **20% extension:** The welfare law allows the state to extend the time limit for up to 20% of the TANF caseload, plus certain domestic violence victims, using federal TANF funds. Given the 50% decline in the caseload since 1996, however, the number who can be protected using the extension will likely be smaller than the number needing protection. (PA’s TANF caseload is around 77,000. So, 20% of that is 15,400). **DPW should commit that non-assistance and state funds would be used fully before DPW turns to the 20% extensions, to maximize the number of people protected.**
2. The City needs to make this impending crisis a very high priority. The Mayor should appoint a top-level staff dedicated to this issue who is responsible for understanding the implications on the many City systems, who is empowered to work with Harrisburg and hammer out mutually beneficial solutions, and who can plan effectively for how to accommodate thousands of potentially destitute families. With more than half the Commonwealth’s TANF caseload, Philadelphia needs a spokesperson who can ensure that the State’s policies and regulations address the needs of Philadelphia’s current welfare population and that we as a City develop our own “Disaster Recovery Plan” for 2002.
  3. Nonprofits and other providers need to educate and prepare their boards and staff for the implications of March 3<sup>rd</sup> on their organization and work to develop a best- and worst-case plan for their organizations. They should provide comment on the draft state regulations and City plans. And, they also need to educate their elected officials at the state and local levels and engage them in this process of trying to plan for March 2002 and thereafter.

4. Welfare recipients need to do everything in their power to comply with welfare reform. Former welfare recipients need to avail themselves of all possible retention services.
5. And, the philanthropic community needs to prepare for the fact that many families could be left destitute and would need access to direct and indirect assistance to meet basic needs.

In addition to this immediate action, we need to use the information about the successes and remaining challenges of welfare reform in the discussions about the reauthorization of federal welfare reform legislation due to occur by October 1, 2002. Specifically, we need a strong advocacy effort aimed at:

- (1) Ensuring that the TANF block grant is at least maintained at its existing level with an increase for inflation and that it includes counter-cyclical mechanisms built into the block grant formula to provide adequate resources to effectively implement welfare reform in a recession. In addition, the State's 75-80% MOE requirement should be maintained. Consideration should also be given to an inflation and counter-cyclical adjustment in the MOE.
- (2) Ensuring that the reauthorizing legislation recognizes that the current welfare population is different than the population in 1996. It needs to include maximum flexibility and incentives for states to better assist the "hardest-to-serve" with multiple barriers to employment who need a more intensive, comprehensive and longer-term intervention to move to work.
- (3) Preventing those who have complied with welfare reform and are working but need a supplemental cash grant to provide for their families from being cut off of assistance.
- (4) Requiring better data collection from states related to the very vulnerable population who has left welfare without employment. The research suggests that these families are among the most vulnerable and at-risk and yet they get lost to the system.

It should be obvious how each of our respective roles is inter-related in both the immediate and longer-term approach. Through it all, we cannot forget that we are talking about specific families—specific children—who are facing a very scary, overwhelming and potentially devastating situation. Allow me to tell you about a few of the homeless families we are working with right now:

Lisa has three children who are all school age. She is living in shelter and all three children have serious bed-wetting issues as well as behavioral issues at school. One of the children has recently been diagnosed with ADD. Lisa herself has a history of depression and domestic abuse. She has no GED or High School Diploma but has worked in the nursing field. She has been unable to obtain work at this time due to family issues. We have just succeeded in getting her a temporary exemption, but as we all know, her welfare clock is ticking.

Melinda, who also lives in a city shelter, has extreme narcolepsy and asthma requiring many specialist appointments and is in need of surgery. She is a high school graduate but has no work experience, since she is only 19 years old. Though she desperately wants to work, and has refused to apply for an exemption, Melinda is having serious difficulty with attendance at and/or participation in her work preparation classes.

Tanya has been working in a housekeeping position at the Clarion Suites for 6 months – a full-time position. Since September 11<sup>th</sup> she was put on on-call status and there were weeks when she only had 6 hours of work. We worked with her to try to keep her active for the rest of the time since she didn't want to leave her job. Luckily, just last week, she was brought back to 20 hours per week. She was on the verge of being sanctioned for not meeting her 20-hour minimum and – if Clarion Suites has another blip on their screen – Tanya will surely be in serious jeopardy.

Kelly is another “marginal worker” who works part-time at Daffy's. She is the mother of three children and is currently living in shelter. It is not surprising that, since Kelly is a domestic violence victim, two of her three children (under 6 years of age) have anger issues and she has to constantly take off work for her children's therapy appointments. She also has various housing appointments connected with her Section 8 application which cause her to take even more time off work. If and when she gets a Section 8, she will undoubtedly need at least a few days to move. Who among us would tell Kelly to ignore her children's therapy appointments or put her permanent housing situation on hold?

Like so many other welfare Moms, Kelly has multiple problems that need to be addressed by mainstream government and private agencies – all of which demand numerous face-to-face meetings and endless paperwork and none of which are readily available or open during non-work hours. To contact her various workers, Kelly has to take precious work breaks, find a pay phone, and call in – typically to a voicemail box. And then the PHA/CBH counselor has to call Kelly back during work hours at a job where Kelly is likely not to be allowed to take incoming calls. You can imagine that many employers may lose their patience with Kelly, especially as the marketplace changes and they have their pick of potential candidates who do not need to meet with PHA, are not homeless, have no outstanding medical problems and/or whose children are relatively problem-free.

What's going to happen to Kelly, Tanya, Melinda and Lisa? Absent an income or with grossly inadequate income, these families will be struggling to survive. They -- and we -- need to figure out how they will afford housing, food, clothes, transportation, and other basic necessities. It may not be 9,000 families, but even one family is too many.

Thank You.

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