

# MASSACHUSETTS WELFARE REFORM: THE FUTURE

## *From Poverty to Self-Sufficiency*

Massachusetts Society for the Prevention of Cruelty to Children (MSPCC)  
in collaboration with:

Child Care Resource Center

Children's League of Massachusetts

Jane Doe, Inc., Massachusetts Coalition Against Sexual Assault and Domestic Violence

Massachusetts Association for Mental Health

Massachusetts Citizens for Children

Massachusetts Coalition for the Homeless

Massachusetts Council of Human Service Providers, Inc.

Massachusetts Taxpayers Foundation

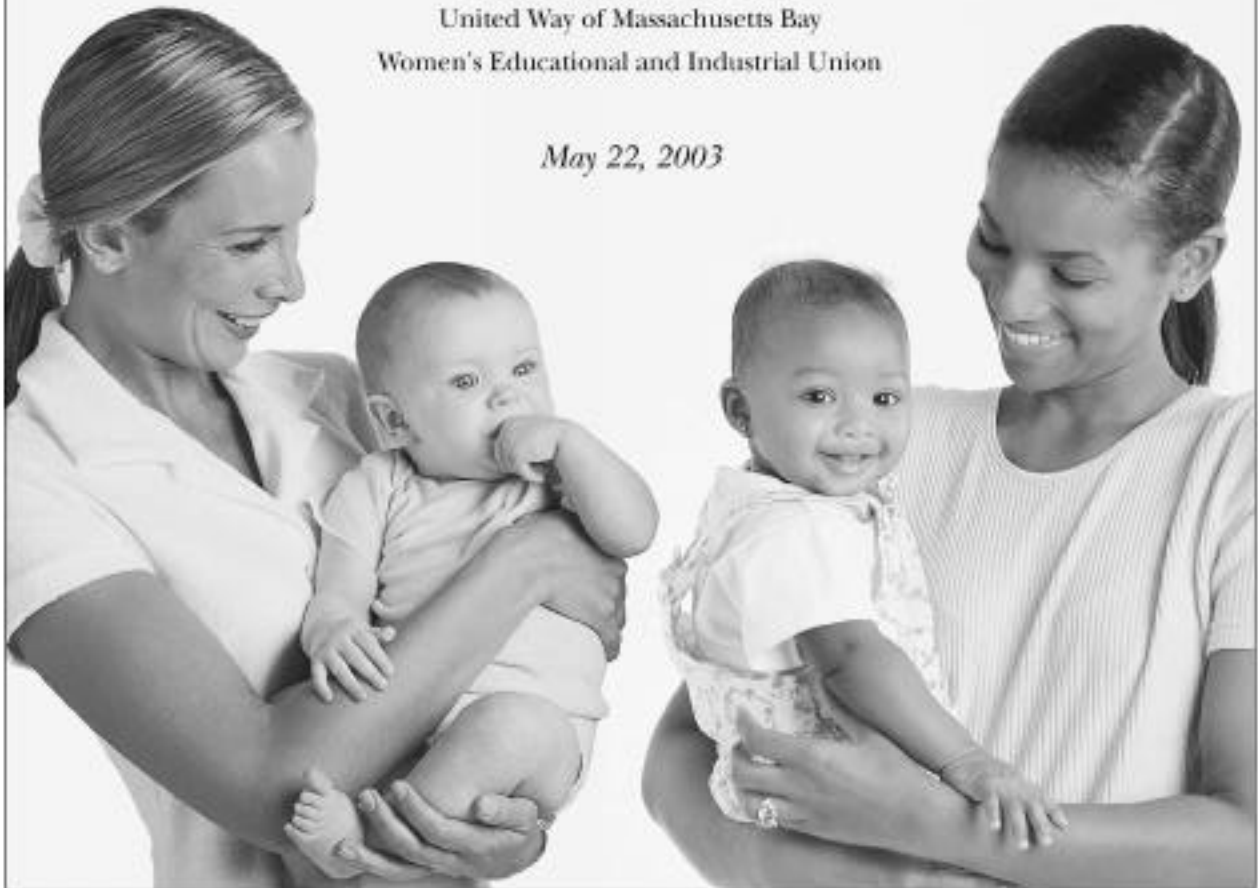
Mental Health and Substance Abuse Corporations of Massachusetts, Inc.

Parents United for Child Care

United Way of Massachusetts Bay

Women's Educational and Industrial Union

*May 22, 2003*



### **Child Care Resource Center**

[www.ccrinc.org](http://www.ccrinc.org)

The Child Care Resource Center (CCRC) promotes the care, development and learning of all children by building partnerships and advancing policies that support families and address the needs of the early care and education workforce and system in Massachusetts. CCRC serves parents, early care and education professionals and employers with a broad spectrum of dependant care resource and referral programs, training, information and support services.

### **Children's League of Massachusetts**

[childrensleague@hotmail.com](mailto:childrensleague@hotmail.com)

The Children's League of Massachusetts is a statewide association representing more than 50 private and public organizations providing services to children and their families. The League works to promote the welfare of children and their families in Massachusetts by influencing public policy.

### **Jane Doe, Inc., Massachusetts Coalition Against Sexual Assault and Domestic Violence**

[www.janedoe.org](http://www.janedoe.org)

Jane Doe, Inc. is the statewide coalition for the nearly 60 community-based non-profit organizations across Massachusetts working on the front lines to provide comprehensive prevention and intervention domestic violence and sexual assault services. Jane Doe, Inc. is guided by the voices of survivors, advocating for responsive public policy, promoting collaboration, raising public awareness, and supporting its member programs to provide comprehensive prevention and intervention services.

### **Massachusetts Association for Mental Health**

[www.mamh.org](http://www.mamh.org)

Through its network of volunteers, the Massachusetts Association for Mental Health (MAMH) provides education, advocacy, leadership and information to agencies, individuals, and families on national, state and local mental health issues. MAMH is celebrating its 90<sup>th</sup> anniversary this year.

### **Massachusetts Citizens for Children**

[www.masskids.org](http://www.masskids.org)

Founded in 1959, Massachusetts Citizens for Children (MCC) is a non-profit statewide child advocacy organization whose mission is to improve the lives of the state's most vulnerable children through advocacy by concerned citizens.

### **Massachusetts Coalition for the Homeless**

[www.mahomeless.org](http://www.mahomeless.org)

The Massachusetts Coalition for the Homeless (MCH) is the country's oldest statewide homeless advocacy organization. MCH works to address the broad economic and social issues that lead to homelessness.

### **Massachusetts Council of Human Service Providers, Inc.**

[www.providers.org](http://www.providers.org)

The Massachusetts Council of Human Service Providers is a statewide association representing 300 private, community-based care-giving organizations which provide educational, health and social services. The Council's mission is to promote a healthy, productive and diverse human services industry.

### **Massachusetts Society for the Prevention of Cruelty to Children**

[www.msppcc.org](http://www.msppcc.org)

Established in 1878, MSPCC is a private, non-profit society dedicated to leadership in protecting and promoting the rights and well being of children and families. MSPCC conducts public policy advocacy and provides a wide array of direct services, ranging from child abuse prevention and intervention programs, to adoption services and clinical treatment.

### **Massachusetts Taxpayers Foundation**

[www.masstaxpayers.org](http://www.masstaxpayers.org)

The Massachusetts Taxpayers Foundation (MTF) is a nationally recognized, independent, non-partisan organization focusing on state spending and tax policies and the Massachusetts economy. MTF's mission is to provide accurate, unbiased research with balanced, thoughtful recommendations that strengthen the state's finances and economy in order to foster the long-term well being of the Commonwealth.

### **Mental Health and Substance Abuse Corporations of Massachusetts, Inc.**

[www.mhsacm.org](http://www.mhsacm.org)

Mental Health and Substance Abuse Corporations of Massachusetts, Inc. (MHSACM) represents 100 community-based mental health and substance providers across Massachusetts. MHSACM provides technical assistance and conducts advocacy, public education and research to promote community-based mental health and substance abuse services.

### **Parents United for Child Care**

[www.pucc.com](http://www.pucc.com)

Parents United for Child Care (PUCC) mobilizes families, practitioners and policymakers to ensure that all families have access to quality care and education during the non-school hours. An active partner at the neighborhood, program, and system levels, PUCC strengthens communities' child care resources and achieves systemic change that addresses issues facing working families.

### **United Way of Massachusetts Bay**

[www.uwmb.org](http://www.uwmb.org)

The United Way of Massachusetts Bay serves nearly two million people through funds distributed to 200 human service organizations, faith-based institutions, grassroots organizing efforts and community collaborations.

### **Women's Educational and Industrial Union**

[www.weiu.org](http://www.weiu.org)

The mission of the Women's Educational and Industrial Union (WEIU) is to expand educational and economic opportunities and achieve social justice for all women. The WEIU advocates for and supports women's efforts to enhance their lives and the wellbeing of their families and communities.

## **Acknowledgements**

All of the groups issuing this paper contributed to its content and helped formulate its recommendations. The Massachusetts Society for the Prevention of Cruelty to Children (MSPCC) would especially like to thank Christie Getto Young, Director of Public Policy, United Way of Massachusetts Bay, who provided helpful information and valuable insight as the paper was being developed. Mary Lassen of the Women's Education and Industrial Union, Elizabeth Toulan of the Family Economic Initiative, Kelly Turley of the Massachusetts Coalition for the Homeless, Deborah Harris and Ruth Bourquin of the Massachusetts Law Reform Institute, Connie Peters of the Mental Health and Substance Abuse Corporations of Massachusetts, Laurie Holmes of HarborCOV and Tom O'Donnell of the Massachusetts Taxpayers Foundation provided key information and viewpoints.

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Marylou Sudders  
President and CEO  
Massachusetts Society for the Prevention of Cruelty to Children

## EXECUTIVE SUMMARY

The goal of welfare reform should be to help families raise themselves out of poverty and into self-sufficiency. This paper builds upon the principles outlined in a 2001 report by the *Massachusetts Taxpayers Foundation* and the *United Way of Massachusetts Bay*, which stated that the goal of self-sufficiency “serves the interests of welfare families, employers and taxpayers.” By helping families to achieve self-sufficiency, children and families fare better in life, employers have access to skilled employees and the utilization of government assistance is reduced.

At the present time, a welfare reform proposal focused on the Transitional Aid to Families with Dependent Children (TAFDC) program is moving forward in the Commonwealth’s Fiscal Year 2004 budget. This proposal does not fully address the complexities of welfare reform, and the budget process and short timeline is such that it does not allow for full and comprehensive review of complex policy issues. **The authors of this paper urge that welfare reform proposals be excluded from the remainder of the budget process so that the issues can be more comprehensively addressed in the full legislative process.**

It is well documented that children who grow up in poverty are more likely to experience poor health, social, and economic outcomes, all of which generate significant costs borne by taxpayers and society as a whole. Unfortunately, there is no magic or quick solution to helping families achieve self-sufficiency. Policymakers must take a longer-term view and approach.

Achieving the goal of self-sufficiency requires a plan to address the barriers to work that many welfare recipients face (e.g., domestic violence, substance abuse, mental illness); a commitment to providing the education and training opportunities that research shows are necessary to obtain jobs that lead to long-term economic independence; and the transitional supports (such as housing assistance, health insurance and child care) that are critical to families remaining off the welfare rolls.

The following is a summary of the key principles and recommendations made in this paper:

1. The welfare reform proposal moving forward in the FY 2004 budget does not fully address the complexities of the issue. Welfare reform proposals should be excluded from the remainder of the budget process so that the issue can be more comprehensively addressed in the full legislative process.
2. Education and training should play a significant role in any welfare reform strategies adopted by the Commonwealth.
3. Time spent in education and training activities should “count” toward work requirements.
4. Education and training should be geared toward assisting welfare recipients to move into higher paying jobs that lead to self-sufficiency.
5. Services for treatment of substance abuse and mental health disorders need to be available in order to ensure the success of recipients transitioning off welfare and into self-sufficient employment.
6. There must be adequate screening and support for welfare recipients who may be survivors of domestic violence.
7. The need for transitional supports such as housing, health insurance and child care must be considered in a comprehensive welfare reform strategy.
8. Massachusetts should consider adopting the Self Sufficiency Standard (a cost of living measure that is more realistic than the federal poverty level standard), as an official reference point.

## INTRODUCTION

The goal of welfare reform should be to help families raise themselves out of poverty and into self-sufficiency. This paper builds upon the principles outlined in a 2001 report by the *Massachusetts Taxpayers Foundation* and the *United Way of Massachusetts Bay*. That paper stated—and it remains true today—that the goal of self-sufficiency “serves the interest of welfare families, employers and taxpayers.”<sup>1</sup> Children and families fare better in life, employers have access to skilled employees and utilization of government assistance is reduced.

The purpose of this paper is to provide information and guidance for Massachusetts' policymakers as they consider modifications to the state's welfare system.

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The budget process and short timeline is such that it does not allow for full and comprehensive review of complex policy issues. Welfare reform is more appropriately considered in the full legislative process, rather than in the appropriations process. The full legislative process allows for detailed study, highly focused public hearings, expert testimony and thoughtful consideration of complex policy issues.

This level of attention is warranted by the issue of welfare reform. Unfortunately, there is no magic or quick solution to helping families achieve self-sufficiency. Policymakers must take a longer-term view and approach. Achieving the goal of self-sufficiency requires a commitment to providing the education and training opportunities that research shows are necessary to obtain jobs that lead to long-term economic independence and the transitional supports (such as housing, health insurance and child care) that are critical to families remaining off the welfare rolls.

### ***Current Policy and Proposed Reforms***

In 1995, Massachusetts became one of the first states in the country to enact a welfare reform plan. Under the TAFDC program, able-bodied parents whose youngest child is age 2 or older are subject to a 2-year time limit on their benefits. During those 2 years, parents whose youngest child is full-time school age (age 6 and over) are required to work 20 hours a week to receive cash assistance. *Time spent in education and training activities does not “count” toward meeting this work requirement.* Parents whose youngest child is between 2 and 5 are not currently subject to a work requirement but may be required or may volunteer to participate in education or training activities to help them prepare for the time limit.

Governor Mitt Romney's proposed Fiscal 2004 budget (H1) included a welfare reform proposal that would have required recipients with children ages 2-5 to work 20 hours per week within 60 days of becoming eligible for cash assistance. Time spent in education and training would not have counted towards this 20-hour work requirement. The Massachusetts House of Representatives included in its budget (H4001) a proposal in which those same recipients would be allowed to meet

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10 hours of the work requirement through education and job training programs that meet the standards of the Federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996.

Massachusetts' current policy and any welfare reform proposals that severely limit opportunities to participate in education and training are stricter than federal guidelines and run counter to the latest research which finds the following:

- “Skills are strongly linked to success in the labor market.
- The most successful welfare-to-work programs include education and training as well as other services. Research *unequivocally* shows that the most successful welfare-to-work programs focus on employment but make substantial use of the education and training as well as job search and other employment services.
- Job training and postsecondary education can lead to higher earnings in the long run.”<sup>2</sup>

Massachusetts currently has a waiver which assists the Commonwealth in meeting federal welfare regulations and work participation rates. This waiver is set to expire in 2005, although bipartisan proposals are pending in Congress to allow states such as Massachusetts to continue their waivers until 2008 (S.605 and H.R. 1435). The Federal welfare reauthorization debate that was scheduled to occur in federal FY 2002 was delayed and is now being considered in FY 2003.

At this time, we cannot predict what changes will be made to federal law. It does appear likely that there will be an increase in the required participation levels (the portion of recipients required to participate in work activities in order for states to receive federal funds). What remains to be determined is the amount of time for which education and training will be an allowable activity. Massachusetts' Senators and Representatives in the U.S. Congress should sponsor and vote for federal legislative changes that recognize that the most effective welfare-to-work programs include education and training.

In the meantime, Massachusetts should focus on implementing policies that have been shown to work most effectively in helping families move from public assistance to self-sufficiency. If women with children ages 2-5—or any welfare recipients, for that matter—are required to work, education and training should be available and “countable” toward work requirements. In addition, the other factors that influence self-sufficiency such as housing, health care access and child care should also be addressed in welfare reform strategies. As noted above, this work should be done in the context of the full legislative process, rather than the appropriations process.

The remainder of this paper provides a brief discussion of the following:

- the impact of poverty on children and families and the costs to society;
- the essential role of education and training in moving families to self-sufficiency;
- the barriers to work and economic self-sufficiency (e.g., domestic violence, substance abuse, mental illness) that exist and must be addressed in many families receiving welfare assistance; and
- the transitional supports such as housing assistance, child care and health insurance that are critical to families remaining off the welfare rolls.

### **THE IMPORTANCE OF RAISING FAMILIES OUT OF POVERTY**

The goal of welfare reform should be to help families raise themselves out of poverty and into economic self-sufficiency. The impact of poverty on children is well-documented. Children who grow up in poverty are more likely to experience poor health, social and economic outcomes, all of which generate significant costs borne by taxpayers and society as a whole.

Twelve percent of children in Massachusetts live below the poverty level.<sup>3</sup> It should also be noted that families receiving welfare cash assistance live well below the poverty level. As of February 2003, there were 48,550 families receiving welfare cash assistance in Massachusetts.<sup>4</sup> In fact, the federal poverty level does not represent the true cost of living in Massachusetts. A more realistic estimate of cost of living is the Self-Sufficiency Standard (which is discussed in more detail on the next page of this paper).

As children in poverty grow up, they are more likely to have children out of wedlock, drop out of school, have lower literacy and job skills, and be unemployed.<sup>5</sup> Children living in poverty are more likely than non-poor children to experience poor health outcomes that have significant immediate and long-term health care cost implications. They are more likely to:

- be of low birth weight.<sup>6</sup>
- have chronic health problems as they grow up, such as asthma and anemia.<sup>7</sup>
- experience inadequate nutrition in the early years of life and have poor motor skills.<sup>8</sup>
- have accidents and injuries.<sup>9</sup>
- engage in behaviors during adolescence such as smoking<sup>10</sup> and early sexual activity<sup>11</sup> that lead to poor health outcomes.

Poverty is also related to poor cognitive and educational outcomes. Low-income children are more likely to have learning disabilities, be in special education, fall behind in school and drop out of school.<sup>12</sup>

In addition, poverty is highly correlated with child abuse and neglect. In fact, the risk of abuse/neglect is 22 times greater for children living in families with annual incomes below \$15,000 than for children living in families with incomes greater than \$30,000.<sup>13</sup> Research has shown that child abuse at an early age can have enduring negative effects on a child's brain development and function. New brain research has found that child abuse can cause permanent damage to the neural structure and function of the developing brain.<sup>14</sup> Furthermore, multiple research studies have shown that abused children are more likely than non-abused children to have chronic low self-esteem; have problems forming relationships; have behavioral problems; become pregnant as teenagers; and suffer from substance abuse and mental illnesses such as anxiety, depression and post-traumatic stress disorder.

Experts estimate that costs related to child abuse and neglect nationally total approximately \$94 billion per year. This includes direct costs such as the child welfare system and indirect costs such as lost productivity to society and adult criminality.<sup>15</sup> A recent study has made an explicit link between child abuse and several serious diseases including heart disease, cancer, lung disease and liver disease.<sup>16</sup> Thus, the costs of adult medical care for people who were abused as children can be added to the above estimate.

Children growing up in poverty are more likely to experience poor life outcomes. In addition to the impact on individual children and families, these poor outcomes generate significant financial obligations for taxpayers who bear the costs of adult health care, the criminal justice system and lost labor market productivity. It is short-sighted not to implement strategies that help families raise themselves out of poverty and into self-sufficiency.

**“All segments of society share in paying the costs of children’s poverty—and would share the gains if child poverty were eliminated.”**

Children’s Defense Fund.  
(1997). *Poverty Matters: The Costs of Child Poverty in America*, Author: Arloc Sherman.

## **THE ESSENTIAL ROLE OF EDUCATION AND TRAINING**

Massachusetts' most recent welfare reform efforts began in 1995. While these efforts predate the federal policy, they were developed from the same national trends to "end welfare as we know it." Massachusetts narrowly defined work to *exclude* participation in adult basic education, vocational education and post-secondary education and instead, focused on rapid employment, or "work first."<sup>17</sup>

Excluding education and training programs from satisfying work requirements runs counter to research which has *unequivocally* shown that the most successful programs integrate the use of education and training with work requirements and job placement programs.<sup>18</sup>

Research has shown that the mentality of "any job is a good job" fails to address the fact that 60% of welfare leavers are concentrated in service and clerical jobs that pay low wages and provide little room for advancement,<sup>19</sup> and do not ultimately raise families out of poverty. Indeed, the most recent data indicate that former recipients, who had their cases closed as a result of time limits, earned only approximately \$253 per week. Former recipients, whose cases were closed for non-time limit related reasons, earned only slightly more at \$298 per week.<sup>20</sup> In addition to these low wages, the Department of Revenue's analysis of wage records for former recipients during the four quarters after they left welfare, found that they generally averaged only \$8,452 in earnings for the year, and the median earnings for the four quarters were only \$7,142, just barely 50% of the poverty level for a family of three at the time of the study.<sup>21</sup>

More importantly, as noted above, the federal poverty line is not a realistic estimate of the true cost of living. The Massachusetts-based Women's Educational and Industrial Union (WEIU) has developed a Self Sufficiency Standard (SSS) that calculates how much families really need in order to live without government support.<sup>22</sup> In 2003, the SSS for a family of three (1 adult with a school-age child and pre-school-age child) in Boston is \$51,284, or an hourly wage (in a full-time job) of \$24.28. In Worcester, where the cost of living is lower, the SSS is \$40,598, representing an hourly wage of \$19.22.

Ninety-nine percent of welfare-to-work participants still have incomes below the Self-Sufficiency Standard in their new jobs and are often eligible for other forms of government assistance, including MassHealth, Food Stamps, housing subsidies, and subsidized child care.<sup>23</sup> Despite the record welfare roll reductions since 1995, Massachusetts still confronts significant expenses in providing these and other support services to former welfare recipients who are not earning a self-sufficient wage and to those families who cycle in and out of employment.

Data on employment patterns show that many welfare recipients have been getting a job, losing or quitting the job, and then experiencing long periods in between jobs. National research has also shown that:

- Only 30% of adults leaving welfare were employed for more than three-fourths of the time over a five-year period; and
- Participants who were able to retain their employment saw an average wage growth of only 10% over five years.<sup>24</sup>

**“The Federal poverty line has never made much sense as a measure of how families are getting along in Massachusetts... The Women’s Educational and Industrial Union and its partners...developed a ‘self-sufficiency index’ to see how much families truly need to live without welfare or other government support...It is a tool that invites governments, businesses, and community and nonprofit groups to work together on helping families make ends meet....The self-sufficiency index could be even more valuable if the state were to adopt it as an official reference...”**

Boston Globe, Editorial, April 30, 2003

Failure to retain work is often a result of participants' barriers to employment which can include low reading/writing skills and insufficient job skills or training. Indeed, excluding education and training from allowable activities is shortsighted given the literacy and basic skill levels of many welfare recipients. Nearly half of Massachusetts' welfare recipients do not have a high school diploma or GED.<sup>25</sup> Furthermore, many recipients have never received any information or training to develop the economic literacy and financial planning skills needed to make decisions about managing money.

Data indicate that higher levels of education and training for employment lift families out of poverty and increase a family's ability to move toward self-sufficient wages. Indeed, economic returns of higher education are greater than ever today as:

- People with a Bachelors degree earn 85% more income than high school graduates;
- Those with Associate degrees earn 35% more income than high school graduates; and
- High school graduates earn 51% more money than high school dropouts.<sup>26</sup>

Numerous studies have shown the link between educational level and life-time earnings. A recent editorial in The Boston Globe (*The Benefits of College*, April 18, 2003) highlighted Census Bureau figures indicating that "the estimated lifetime earnings of a woman with no high school diploma are \$700,000. Add a college degree and earnings jump to \$1.6 million. Add a professional degree and it is \$2.9 million." Investments in education and training that allow participants to move into jobs that result in self-sufficiency are critical.

Other states are having success with enhanced job training and education as a key program strategy. Both The Boston Globe and The Boston Herald endorsed the education and training approach proposed by the Massachusetts Taxpayers Foundation and the United Way of Massachusetts Bay in their 2001 report.

Despite the research on the importance of education and training and the proposals in Massachusetts to require more welfare recipients to work, there have been significant cuts in the Department of Transitional Assistance's (DTA) Employment Services Program (ESP), both in FY 2003 and as proposed in the FY 2004 budget. This program provides substantive skills training and employment support that welfare recipients need in order to succeed in the job market.

Those who leave welfare for employment typically enter into low-wage jobs that require them to utilize other forms of public assistance that cost taxpayer dollars and do not ultimately lead to self-sufficiency. Research indicates that programs that help low-income mothers get higher paying jobs enhance their ability to work steadily and advance in the workplace,<sup>27</sup> reducing costs in the long-term for the public welfare system. Enhanced job skills and education are increasingly important in light of the fact that, of the new jobs created in 1998-2008, 62% are expected to require an Associates degree or higher.<sup>28</sup> In order to ensure the economic growth and stability of the Commonwealth, an educated and trained workforce is essential. If the goal of welfare reform is to help families become self-sufficient and not to simply reduce the size of the welfare rolls, Massachusetts must reverse cuts in training programs and invest in approaches that emphasize education and training.

**"We have earlier supported the exclusion of education from the work requirement, but it's now time to change the policy and learn from other states....The economic payoff for education and acquisition of skills is clear, and the experience of former recipients shows they would have been helped by more of that while on the rolls."**

Boston Herald, Editorial, April 20, 2001, in response to Massachusetts Taxpayers Foundation/United Way of Massachusetts Bay report recommending emphasis on education and training for welfare recipients.

## **BARRIERS TO WORK AND ECONOMIC SELF-SUFFICIENCY**

Research indicates that domestic violence, substance abuse and mental health issues are frequent barriers to work and economic self-sufficiency for welfare recipients. These issues will not go away simply by imposing new work requirements on welfare recipients.

### ***Domestic Violence***

Domestic violence is prevalent among welfare recipients and a significant barrier to women working and achieving self-sufficiency. A 1997 study commissioned by the Governor's Commission on Domestic Violence found that 65% of TAFDC welfare recipients had experienced domestic violence during their lifetime, with 20% having been victimized in the prior 12 months.<sup>29</sup> A Massachusetts Department of Transitional Assistance (DTA) study of former welfare recipients found that 50% were survivors of domestic violence, with 15% reporting domestic violence within the past year.<sup>30</sup>

Statistics from the National Crime Victimization Survey indicate that domestic violence has an inverse relationship with household income. Households with less than \$7500 in annual income suffer five times the amount of domestic violence as households with incomes above \$50,000. One explanation is that poor women are unable to escape from violent relationships due to lack of financial resources.<sup>31</sup>

**“In one study, 42% of welfare recipients reported being harassed at work by their partner, and 36% had to stay home from work because of domestic violence.”**

Tolman, R. and Raphael, J., *A Review of the Research on Welfare and Domestic Violence*, (2000) available online at [www.ssw.umich.edu/trapped](http://www.ssw.umich.edu/trapped).

Indeed, survivors of domestic violence cite the ability to obtain the skill and education levels necessary to support themselves and their children as a determining factor in decisions to flee an abusive situation.<sup>32</sup> However, the presence of domestic violence may unfortunately hamper recipients' ability to take full advantage of any educational or work opportunities. The Department of Transitional Assistance has a unit of Domestic Violence Specialists who provide consultation on cases involving domestic violence and can collaborate with community-based domestic violence service providers. Having adopted the federal *Family Violence Option* (which allows the relaxation of certain welfare rules and requirements when domestic violence is an issue), Massachusetts has the ability to respond more flexibly in these kinds of cases. Indeed, special and concerted attention must be paid to cases involving domestic violence if these families are to achieve self-sufficiency.

### ***Substance Abuse***

Studies suggest that 16-37% percent of recipients suffer from substance abuse problems.<sup>33</sup> With these substantially high rates of drug and alcohol use, it is not surprising that substance abuse significantly impacts welfare recipients' ability to obtain and maintain a job.

Studies have shown that treatment for alcohol and drug addiction produces many positive outcomes, including increased participation in employment and educational activities, improved health status, reduced use of public services, and the reunification of families.<sup>34</sup> In fact, the National Treatment Improvement Evaluation Study (NTIES) found that women treated in federally funded treatment programs increased their employment by 25%, their income by 6%, and decreased their use of welfare by 8%.<sup>35</sup> Research also shows that treatment reduces hospitalizations for physical health problems, drug overdoses, and mental health problems.<sup>36</sup> Furthermore, a study of NTIES participants found that the net savings from reduced hospital and emergency room encounters (minus the cost of ambulatory medical visits) was \$1.4 million after treatment.<sup>37</sup>

The Commonwealth cannot afford to make cuts in substance abuse treatment programs for welfare recipients. In fact, treatment programs are not just cost effective for the health care system, but are

also an investment in increasing employment and earnings and reducing the use of public assistance. An Oregon study found that individuals completing treatment received 65% higher wages than those who did not complete treatment, with the difference due to improved earnings and an increase in the number of weeks worked. This Oregon study also found that treatment completers dramatically decreased their use of food stamps in the three years after treatment. For example, individuals who completed methadone treatment reduced their food stamp use by \$877, compared to non-completers who increased their food stamp use by \$153.<sup>38</sup> Additionally, a study of treatment programs for welfare recipients in California found that the benefits of treating women with children on welfare exceeded the costs of such treatment by more than two and one-half times. The authors of this study considered this ratio an underestimation because post-treatment employment and earning data were deflated by a recession in the State at the time of the study.<sup>39</sup>

Work requirements and other welfare reform successes will continue to be challenged by the impact of substance abuse in the lives of many recipients. In order for these recipients to achieve self-sufficiency, substance abuse screening and referral systems must be in place and treatment must be available.<sup>40</sup>

### ***Mental Health***

Although estimates of mental disorders in the welfare population vary widely from 25% to 75%, it is clearly a significant barrier by any standard. In a Massachusetts study of *welfare leavers*, 25% reported having serious physical, mental or emotional problems, with depression, asthma, back problems and anxiety the most common. About 15 percent reported having a serious mental health problem in the past.<sup>41</sup> One might expect the prevalence of mental health issues and other barriers to be even higher among families remaining on welfare. In a 1998 Oregon survey, 75% of welfare recipients reported slight to severe mental health conditions (e.g., post-traumatic stress disorder, severe anxiety, or depression). A study in Utah found that 42% of welfare recipients were clinically depressed and their depression prevented them from working.<sup>42</sup> A General Accounting Office (GAO) study reported that welfare recipients are three times more likely than non-recipients to have at least one physical or mental health impairment.

Low-wage work, unemployment, underemployment, hunger, homelessness, etc. all increase pressures on families and may exacerbate mental health issues. Research also indicates that parental depression is strongly correlated with child neglect and abuse, placing children further at risk.<sup>43</sup> Fortunately, mental illnesses are treatable; however this requires adequate screening of and available treatment for welfare recipients.

The significance of domestic violence, substance abuse and mental health issues, and other such barriers to work and self-sufficiency cannot be overlooked and they will not be resolved simply by establishing and/or expanding work requirements for recipients.

### **TRANSITIONAL SUPPORTS**

Finally, in addition to addressing the above barriers, Massachusetts must be prepared to provide the kinds of transitional assistance that are necessary in order for families to achieve and maintain self-sufficiency. Families living on the margin do not earn enough money in the labor market to sustain themselves independent of public assistance, and the high costs of housing, health care and child care can often be impediments to self-sufficiency.

### ***Housing Assistance***

Housing represents the single largest cost for families, but receives little attention in the welfare reform debate.<sup>44</sup> According to the U.S. Department of Health and Human Services, 25% of families leaving welfare have trouble paying their rent because of a low median income, thereby increasing their susceptibility to becoming homeless.

Families are the fastest growing segment of homeless people, comprising almost 40% of the homeless population. In Massachusetts, more than 10,000 families have been homeless this year.<sup>45</sup> Alarming, to afford a basic two-bedroom apartment in Massachusetts at the fair market rent of \$1,099 per month, a family needs to earn \$21.14/hour or at minimum wage needs to work 125 hours a week.<sup>46</sup>

Research shows that being shelter poor not only increases parental stress and pressure, but increases the likeliness of children being exposed to risk factors and maltreatment.<sup>47</sup> Family self-sufficiency is undermined when families are unable to obtain safe, affordable housing. Currently in Massachusetts, there is an almost complete freeze on the issuance of new Section 8 Housing Choice vouchers. This federal subsidy program has been vital in allowing families to avoid and exit homelessness. Without new vouchers on the horizon, and with President Bush's proposal to de-fund more than 137,000 vouchers across the country, families receiving welfare cash payments and other low-income families in desperate need of housing assistance will languish on waiting lists.

Massachusetts has the greatest wage-rent disparity in the country. At the same time, Massachusetts is threatening to reduce funding for or eliminate affordable housing programs. The House FY2004 budget recommends increases to rent shares for tenants in state-funded public housing. This budget also eliminates funding for the Affordable Housing Trust Fund, which has worked successfully to increase the number of affordable private market units across the state and to improve the quality of public housing. The House budget also reduces funding for the Massachusetts Rental Voucher Program, which could result in an increase of up to \$100 in tenants' rent shares.

The primary reason so many families are homeless in the Commonwealth today is poverty.<sup>48</sup> The ability to secure and maintain housing is a critical factor in families reaching self-sufficiency.

### ***Health Insurance***

Massachusetts has between 418,000<sup>49</sup>- 1,249,000<sup>50</sup> uninsured residents and a recent study found that approximately 66% had been uninsured for 6+ months.<sup>51</sup> The House FY 2004 budget proposes higher premiums and co-payments for Medicaid, which will impose substantial burdens on low-income families. Additionally, this budget is proposing to eliminate MassHealth for legal immigrants and adults who are not eligible for federal benefits, denying legal immigrant parents necessary health services.

According to the Division of Health Care Finance and Policy, the average cost to purchase health insurance for an unemployed family of four is more than \$8,000 per year.<sup>52</sup> This is obviously unaffordable for welfare recipients leaving the rolls for low-wage jobs. Clearly, the issues of access to health insurance and skyrocketing health care costs transcend welfare reform and represents a significant challenge for Massachusetts and the nation.

### ***Child Care***

Families need child care in order to work, and high quality early care and education has been found to enhance child and family development. Nationwide, low-income people spend more than 20% of their income on child care expenses.<sup>53</sup> It is estimated that the cost of child care expenses places an additional 1.9 million people (1.1 million of them children) below the poverty line.<sup>54</sup>

In Massachusetts, the average annual cost of child care for a four year old in a licensed center is \$8,121.<sup>55</sup> With the cost of child care so high and the income of most mothers transitioning off welfare so low, the lack of adequate subsidized child care slots available to working families is alarming. As of 2002, there were more than 19,600 children on the subsidized child care waiting list.

The proposed FY 2004 budget for child care does not appear to accommodate current or future child care needs. If proposals requiring welfare recipients with children age 2-6 to work are passed, the child care system will be further stretched. Working poor families will be bumped down the child care waiting list, resulting in families on the margin losing their jobs and having to turn toward the welfare rolls. If the Commonwealth is interested in reducing welfare rolls in the long-term, funding for child care needs to be focused on reducing the waiting list, providing more slots to working poor families, and providing welfare recipients with the skills and education they need to become self-sufficient.

### **CONCLUSION AND RECOMMENDATIONS**

The goal of welfare reform should be to help families raise themselves out of poverty and into self-sufficiency. This paper provides information and guidance for Massachusetts' policymakers considering modifications to the state's welfare system. With its federal waiver not expiring at least until 2005, Massachusetts is in a unique position to assess the needs and make critical changes to its welfare policy.

Self-sufficiency means that children and families fare better in life, employers have access to skilled employees and utilization of government assistance is reduced. Unfortunately, there is no magic or quick solution to helping families achieve self-sufficiency. Policymakers must take a longer-term view and approach. Achieving this goal requires a plan to address the barriers to work and self-sufficiency that many welfare recipients face; a commitment to providing the education and training opportunities that research shows are necessary to obtain jobs that lead to long-term economic independence; and the transitional supports (such as housing assistance, health insurance and child care) that are critical to families remaining off the welfare rolls.

Following is a summary of the key principles and recommendations outlined in this paper:

1. The welfare reform proposal moving forward in the FY 2004 budget does not fully address the complexities of the issue. Welfare reform proposals should be excluded from the remainder of the budget process—the Senate budget and the conference report—so that the issue can be more comprehensively addressed in the full legislative process.
2. Education and training should play a significant role in any welfare reform strategies adopted by the Commonwealth.
3. Time spent in education and training activities should “count” toward work requirements.
4. Education and training should be geared toward assisting welfare recipients to move into higher paying jobs that lead to self-sufficiency.
5. Services for treatment of substance abuse and mental health disorders need to be available in order to ensure the success of recipients transitioning off welfare and into self-sufficient employment.
6. There must be adequate screening and support for welfare recipients who may be survivors of domestic violence.
7. The need for transitional supports such as housing, health insurance and child care must be considered in a comprehensive welfare reform strategy.
8. Massachusetts should consider adopting the Self Sufficiency Standard as an official reference point.

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