

PART 1—INTRODUCTION

SCOPE OF THIS REPORT

This brief analysis draws on available empirical research, government reports, experiences of service providers and others, to provide a summary assessment of New Jersey's Work First welfare reform program at its three year mark, and to make a set of focused recommendations for change. It is styled as a discussion draft and presented in very abbreviated format, in order to encourage public debate and action. June 30, 2000 marks three full years of implementation for the entire welfare caseload. Special attention will be paid to three groups who have had the least success under Work First, and are now at the greatest risk of being trapped and pushed aside by the five year lifetime time limit.

1. *Long-term welfare recipients*—those who have been on continuously for at least 24 months. Recipients who have been on for three years or longer as of July 2000 have only two years of their lifetime limit remaining. Typically, these are people who face one or more severe barriers to work. These barriers are discussed in Part II, below.
2. *People who go off and back on welfare*—termed by some pejoratively as “cyclers”, these typically are people who face barriers to work similar to the long-term recipients, but have somewhat greater ability to manage them. They frequently leave welfare to work for a while, only to lose employment and have no recourse but to return to welfare. According the Division of Family Development (DFD) Statistics, over two-thirds of those coming onto welfare have been on it before.¹ Often their skills qualify them only for low-wage, seasonal, or other temporary jobs.
3. *The “disappeared”*—currently roughly one-third leave welfare for work, one-third leave for a variety of reasons, including sanctions, and one-third leave without any clear evidence as to the reason. Two-thirds of those departing thus cannot be counted with any certainty as Work First “successes”, if one means by that leaving welfare for a stable job.

Of the current TANF caseload of approximately 48,700 households, at least 18,000 are long-term recipients, meaning that they have been on welfare more than 30 months continuously. An estimated additional 15,000 are “child-only” cases, meaning that the eligible unit consists of a child alone. Of the remaining 33,700, DFD's figures suggest that at least two-thirds, over 22,000, will have been on welfare before. It is apparent that three years into Work First, the majority of those currently on welfare are not able to find stable work at an income that allows them to escape welfare, let alone the much higher federal poverty level (\$16,954 for a single adult with three children), as compared to a total annual welfare grant of just \$5,088.

¹ In some cases their continued employment will be long enough to qualify them for a brief period of unemployment insurance; in others it will not.

SPONSORING GROUPS

The Study Sponsor - Legal Services of New Jersey

Legal Services of New Jersey (LSNJ), an independent, non-profit corporation, coordinates the statewide Legal Services system. LSNJ strives to ensure equal access to justice under law to all people of New Jersey, providing free legal assistance to low-income people in civil matters. Legal Services in New Jersey embraces the vision of full access to essential civil legal aid for all economically disadvantaged people who cannot secure a lawyer on their own and, through that legal aid, equal justice, both substantive and procedural.

From this vision, New Jersey Legal Services' core mission statement is:

“Just Justice”-Legal Services seeks to secure equal substantive and procedural justice for all economically disadvantaged people.

Legal Services seeks to provide its services in the most effective and efficient manner. Consequently, LSNJ is constantly on guard for approaches with potential to alleviate poverty for the poor generally, beyond just the parties to a lawsuit. Over the years LSNJ has engaged in extensive social science research in an attempt to better understand - and address - the problems and legal needs of the poor. This approach has led to prioritizing, for example, legal representation that tends to help rebuild impoverished, deteriorated communities, or that addresses in a single forum or legal action recurrent problems which otherwise would repeat themselves hundreds and thousands of times in individual cases.

The Study Group on Work, Poverty and Welfare

In 1995, a group of more than fifty organizations and individuals concerned about the impending changes in the welfare law formed the Study Group on Work, Poverty and Welfare. Through regular meetings with representatives of the Governor, the Department of Human Services and the Legislature, the Study Group has played an influential role in shaping aspects of the WFNJ statute, regulations and implementation. The Study Group remains a very active observer of the Work First program.

The Poverty Research Institute

To remedy the dearth of information and statistics on poverty in the state, Legal Services of New Jersey founded the Poverty Research Institute (PRI) in 1996. The PRI is the first and only entity in New Jersey exclusively focused on developing and updating information on the extent and effects of poverty in the state. Through original research and compilation of data from publicly available sources, the PRI seeks to generate and distribute information. Such information aims to increase public awareness and knowledge and assist policymakers in making informed decisions. Recent research projects have included a study on the cost of living in the state entitled The Real Cost of Living: The Self-Sufficiency Standard for New Jersey, and a Budget Analysis Project

which examines the TANF budget and expenditures. The Assessing Work First series, of which this report is a key part, is an ongoing PRI effort to assess how the changes resulting from Work First New Jersey have affected people in poverty. The overall title of this ongoing welfare research is the Work, Poverty and Welfare Evaluation Project (WPWEP).

LSNJ and all of the participants in the Study Group seek a welfare policy which succeeds for all of its clients. Those who can work immediately certainly should be encouraged and helped to do so. Those who face very serious barriers and cannot presently find work, however, must receive the necessary assistance to overcome those barriers. And those who are unable to work at all must be protected, and maintained at a level of assistance which ensures adequate standards of nutrition, health, shelter, and the other essentials of life.

PART 2

OVERVIEW OF WORK FIRST'S INITIAL THREE YEARS

The 1996 national change in welfare, and the Work First program in New Jersey, changed almost overnight a decades-long “culture of welfare.” By ending a lifetime entitlement to welfare, and substituting a time limit on benefits and work requirements for recipients, government sent a message that one had to work. While the centuries-old history of organized public assistance programs is cyclical, with periods of expansion and contraction, it is arguable, perhaps even likely, that this latest emphasis on work is a more enduring change.

To achieve this overnight change, “recipient friendly” approaches such as individual assessment, case management and welfare agency assistance in meeting problems were subjugated. Recipients perceived that welfare workers had a much harder tone, and the program many more requirements. The word on the street was that welfare workers’ main goal was simply to push clients off the program.

Work First was intended as a program to move people from welfare to work, not to move them out of poverty. This narrower focus has been a constant target for criticism since the program began.

As the second year of Work First passed its mid-point, in early 1999 state officials began to sound a different theme. New training was to stress county workers’ duty to advise clients of available services and the tone of the program was to be more one of support for work. It is apparent from reactions and comments of recipients that this new approach has yet to permeate the welfare culture fully, perhaps even significantly.

KEY CHARACTERISTICS

The New Jersey welfare reform program, “Work First” (WFNJ), as passed and implemented in 1997 (the full program for the entire caseload commenced on July 1, 1997), has a number of key characteristics:

1. It imposed a five year lifetime limit on the receipt of welfare by people 18 or older.
2. It imposed work requirements on all recipients, required immediate registration for work, and pressured new applicants to begin promptly a search for work. Some “deferrals” (excuses) from these requirements were permitted. Comprehensive individualized assessment was pushed back for many months after initial receipt of welfare, and frequently not provided at all.
3. It made child care for working recipients an entitlement, and the absence of available child care an excuse from the work requirement.
4. It provided two years of “transitional” Medicaid, and first one and then two years of child care, for those exiting welfare to work.
5. It imposed a strict sanction process for violation of nearly any required activity, including missing scheduled appointments with no opportunity for conciliation before the reduction or removal of assistance. A statutory “good cause” exception was rarely invoked or honored by welfare workers.
6. Some exceptions to the five year time limit, most notably for those who were “chronically unemployable”, were created by statute, but have yet to be implemented.
7. Reasons for deferral from work requirements included health problems and being a victim of domestic violence, although this federally permitted “family violence option” was rarely utilized, and has averaged only a couple of hundred cases at any one time.
8. It made no increase in welfare grants. Both TANF and GA grants remain at 1987 levels (just \$322 monthly for a family of three, and \$140 a month for an “employable” single adult recipient; \$210 per month for someone deemed “unemployable”). Grant levels now constitute at most just one-fifth of the state’s own “standard of need”, set back in 1992.

MAJOR EFFECTS OF WORK FIRST

Indisputably, Work First in rapid fashion created a “culture of work” within welfare, instead of what some alleged was a negative “culture of welfare”, with its implication of indefinite entitlement. At the same time, New Jersey established important transitional services (two years eligibility for Medicaid and child care) for those who exit welfare for work.

WFNJ also appears to have accelerated the welfare caseload decline which had begun well before welfare reform was implemented. Under the state’s AFDC program caseloads experienced a 15% decline between January 1994, the year with the highest number of recipients, and January 1997, just prior to New Jersey’s implementation of TANF. The number of recipients plunged by 54% between 1996 and 2000. The likely causes for this drop are many: a strong economy; record low unemployment; a harsh, even punitive welfare administrative culture; and low grant levels all receive frequent mention, in addition to the very notable reported one-third of recipients who exit welfare for work. Welfare now involves a significantly diminished percentage of those in poverty; current estimates are that less than one-fifth of those in poverty in New Jersey are on welfare.

Left behind from the ideal of securing work are at least five broad high-risk groups: those with significant mental or physical health problems; those with a problematic work history (typically a record of termination or discipline or a criminal record); those with low skill or education levels; those with limited capacity; and those impaired by substance abuse problems. To the extent individuals fall within these and similar clusters, they are at greater risk of not being able to find steady work, and need substantially greater help.

**THE NEED FOR A NEW LONG-TERM
VISION FOR WORK FIRST NEW JERSEY**

As the remaining WFNJ population includes an ever-greater percentage of those facing one or more of the problems just noted, it is necessary to develop a new vision of what Work First should be. Without diminishing the emphasis on prompt employment for those who can find work, this vision must include at least the following:

1. Protection for those who cannot work, even after they have passed five years, including:
 - a) Early and comprehensive assessment, repeated at regular intervals, to find out whether people are facing situations which effectively preclude them from work, rather than compelling them to needlessly jump through hoops for five years, vastly increasing the chance of sanction for failure.
 - b) Adequate grant levels, pitched at or very near an accurate standard of need.
 - c) Close working ties with Vocational Rehabilitation services, to ensure that every opportunity to engage in at least limited or assisted work is pursued.
2. Addressing the special needs of the most disadvantaged groups who still have at least some prospect for work, including:
 - a) Regular and comprehensive assessment of work readiness.
 - b) In-depth case management by trained workers who have a caseload of not more than 35 to 40.
 - c) A full array of necessary support services, including basic education, training in relevant job skills (especially computers), substance abuse treatment, mental health treatment, record expungement, housing, adequate transportation, and secondary and post-secondary education, support and referrals.
3. Providing adequate support to all those WFNJ recipients who can work, so that they have the best chance of finding and maintaining employment, including:
 - a) Adequate grant levels, and other necessary support, most notably housing, so that their lives are not constantly disrupted by economic concerns while they are trying to secure work.
 - b) Providing necessary case management, although presumably at a much less intensive level than that required for members of the high-risk groups.

- c) Changing program rules to facilitate WFNJ recipients' participation in post-secondary education activities, so that their earnings prospects are markedly increased, offering a ladder up out of poverty.
 - d) Developing Individual Responsibility Plans which, in accordance with the governing statutes, are truly comprehensive and mutually developed with the client, making it more likely that fundamental needs will be addressed.
 - e) Ending the "sanction quickly" mentality in county agencies, instead first determining in all cases (as legally required) whether there was good cause for the client's failure to perform, and using the event as a warning system to assess whether there are fundamental client needs or problems that are not being addressed.
4. Seeing WFNJ as an integral part of an overall anti-poverty strategy, with other components including:
- a) Expanding the new state Earned Income Tax Credit
 - b) Opening up more basic and post-secondary education slots, as well as more advanced skill training (especially in computers).
 - c) Initiating affirmative programs to help more people meet the extraordinary cost of housing in New Jersey.
 - d) Experimenting with more extensive earned income disregards.
5. Moving beyond the harsh "punish first" posture and reputation for which WFNJ has become known on the street, and effectively instilling a helping culture among welfare workers.
6. Finding new and effective ways to reach out to those who have disappeared from the rolls, to make sure that all of those in poverty who need public assistance can receive it. As a corollary, excessively bureaucratic burdensome requirements must be eliminated, and a helping attitude thoroughly instilled among all welfare agency workers.

The accompanying budget report demonstrates there is ample funding to accomplish these goals.

OTHER CHALLENGES

Three other key points require emphasis.

First, the WFNJ statute required the state to promulgate a new and accurate “standard of need,” stipulating what it actually costs welfare recipients, and to update it annually. The state has not done so.

Second, the WFNJ statute placed significant quarterly performance reporting requirements on the state, many of which are not being met. These reports must be issued in timely fashion so that WFNJ can be properly evaluated.

Finally, it is essential that the federal welfare reform be reauthorized in 2001 at current funding levels, so that the various state programs now in place can be continued.