

The Relationship Between Health Benefits and Welfare Dependency
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The Southern Institute on Children and Families works to improve opportunities for children in the South with a focus on disadvantaged children and their families. During 1993-94, the Southern Institute conducted a study in North Carolina and Tennessee to examine the relationship between health benefits and welfare dependency. A major objective was to give voice to the real experts on welfare reform - the recipients of welfare. Sixty-nine (69) recipients were personally interviewed and focus groups were held with private sector employers and frontline staff from public and private service agencies who work with welfare families on a daily basis.

I'd like to preface my comments on the findings of the study by noting that the problems encountered by welfare parents attempting to climb out of welfare are the same problems faced by low-income working families who are struggling to stay in the workplace. These problems are the high cost of child care and health coverage and the lack of adequate transportation.

The dilemma for welfare families is that even though the combined benefits of AFDC (Aid for Families with Dependent Children) cash assistance and Food Stamps fail to lift them out of poverty, they cannot make enough money to pay for the extra costs incurred when they leave welfare for work, especially the cost of child care and health coverage. [The U.S. average for combined AFDC and Food Stamp benefits is approximately \$8,000 annual income for a family of three. AFDC families also receive Medicaid coverage, but most (77 percent) do not receive any form of housing assistance.]

Recipients interviewed for the study were asked to state the benefit they most needed to hold down a full-time job. Half of the recipients stated that child care was the benefit they needed most, and one-third stated health coverage for their children as their number one need. Many also spoke of transportation as the vital link to work, and they indicated that it was often a missing link. They told of bus lines that don't reach out far enough and central urban bus system designs that substantially increase the time it takes to get to and from work, which then adds to the child care problems.

As part of the study interview, we asked the recipients for suggestions on how to improve the welfare system so that it better supports a parent's decision to go to work. Most of the recipients interviewed for our study had been on welfare two or more times so they were very familiar with the system. The suggestion cited most often, which was stated by more than two-thirds (68 percent) of recipients, was that benefits should be gradually reduced to give families a better chance to get off and stay off welfare. Job training and placement were mentioned by slightly less than half (43 percent).

Over and over again, we heard from the recipients that they feel they "lose everything" when they leave the welfare system. They spoke of negative experiences with the workplace, saying that even if you are fortunate enough to find a job, there is no guarantee that you will make it beyond the job probationary period or that the job will not be terminated after a few months. In the meantime, they said, the family has lost its benefits.

I'd like to share some quotes with you that reveal the frustration expressed by the recipients:

When you work, they take everything away. The more you try to do on your own, the more they hold you back. You're constantly being pulled back when you try to take a step ahead.

I could keep a job if I had child care for my children.

Help me out - I am trying. Medicaid is the biggest thing, especially if you have small children.

The perspective provided by staff and advocates who participated in the focus groups underscored the importance of not withdrawing all assistance when the recipient starts working full time:

Once they get a job, it is hard to meet basic needs. Day care takes a big chunk of their salaries. They want good day care, like the rest of us, for peace of mind.

It is not uncommon to have women quit working when they know they are going to lose Medicaid for them and their children. If insurance is available, they can't afford it for the whole family. They see it as an insurmountable obstacle.

People are dependent on the welfare system because a minimum wage job will not take care of child care and health needs.

This last quote sums it up. The fact is that a minimum wage job is not sufficient to meet a family's basic needs. As the saying goes, it doesn't take a rocket scientist to figure out that a full-time minimum wage job, which pays approximately \$8,800 a year, isn't sufficient to pay for child care, health care and other living expenses. The average welfare family is composed of a mother and two young children. After mom pays for child care for two children, which can conservatively be estimated to run around \$4,500 a year, and health coverage for her and the children, which will cost approximately \$2,500 to \$3,000, she is left with less than \$2,000 a year to pay for rent, groceries, clothing, housing, transportation and other basic needs.

There are a few programs that can increase the income of low-income working families by allowing them to keep more of what they earn. The Earned Income Tax Credit (EITC) can help to pay for some of the extra costs incurred by welfare families who go to work.

Also, Medicaid can be a resource in that it provides health coverage for certain children in low-income working families, depending on the age of the children and the state in which they live. Medicaid is a more reliable resource for families with children under age six since they are eligible at higher income levels than older children. Also, low-income working families can still receive some Food Stamp assistance. Of course, families have to know about these benefits before they can take advantage of them, and our research shows that far too many welfare recipients are not aware of benefits for low-income working families.

Building a strong economic future in the South must include realistic plans to support and reward the efforts of families as they attempt to get in and stay in the workforce, especially single-parent families on welfare.

The parents in our study expressed a strong desire to work, but they were discouraged by shortsighted public policies that withdrew vital support after arbitrary time periods had expired. It makes little sense to invest in education and training and ignore the need for financial assistance with child care and health coverage. The lack of this assistance is likely a major reason for the failure of our current welfare employment and training programs to produce longer-term job retention.

The parents we talked with weren't asking for benefits at no cost to themselves. Their position was the same as the public's position in poll after poll - that government should help those who are helping themselves.

I hope their voices can be heard.