

**RESEARCH FORUM ON CHILDREN,
FAMILIES, AND THE NEW FEDERALISM**

EXECUTIVE SUMMARY

Policies Affecting New York City's Low-Income Families

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October 2001



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Introduction

Since the mid-1990s, policy and program changes at federal, state, and local levels have had a profound impact on the well-being of low-income families in New York City. In 2000, at the request of the New York Community Trust, the National Center for Children in Poverty—a research center affiliated with the Mailman School of Public Health at Columbia University—undertook a review of these changes and their implementation in New York City.

This report describes some of the most important policy and program changes affecting New York's low-income families, discusses a number of issues that have arisen in connection with those changes, and suggests several ways in which city, state, and federal governments might enhance the well-being of low-income families. In the aftermath of the tragic events of September 11, 2001, the challenges facing New York City's low-income families are even more urgent.

Changes in Federal and State Welfare Policy

- ▶ The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced the federal government's primary source of support for poor families with children, Aid to Families with Dependent Children (AFDC), with a new program called Temporary Assistance for Needy Families, or TANF. This new program differed from AFDC in several important respects: it shifted control of the program from the federal government to the states; it limited the length of time during which families could receive federally funded cash assistance to five years in one's lifetime; and it imposed new requirements concerning the movement of TANF recipients from welfare to jobs.
- ▶ PRWORA also included a number of other provisions, including restrictions on legal immigrants' eligibility for cash assistance and other services, cutbacks in food stamp benefits, consolidation of federal funding for child care into a new block grant, and a strengthening of child support enforcement efforts.
- ▶ In 1997, New York State enacted the Welfare Reform Act, which incorporated the mandates imposed by PRWORA, including time limits and work requirements. The 1997 Act also abolished the state's Home Relief program, which provided assistance to poor single adults and childless couples. In its place the law created a new program, called Safety Net Assistance, which limits to two years the period during which most childless adults are eligible for cash assistance.
- ▶ Since the enactment of the Welfare Reform Act, the state has used surplus TANF funds to increase funding for child care, to finance the refundable portion of the state's earned income tax credit program, and to support a variety of other programs aimed at helping public assistance recipients make the transition to work.

The Economic Context

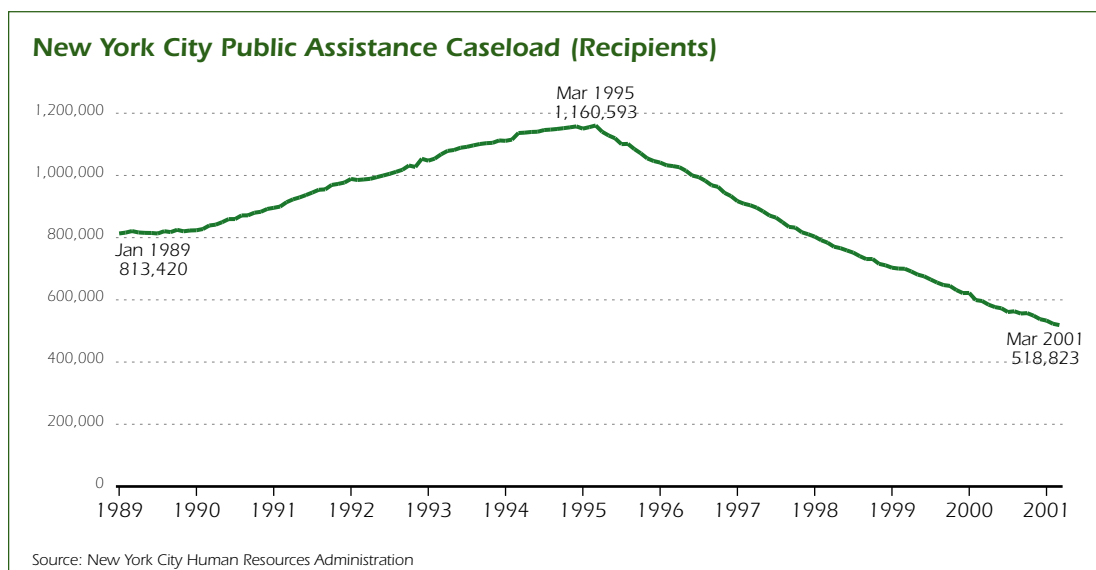
- ▶ Three in 10 families with children in New York City live in poverty—about double the national rate—and many more families are struggling to make ends meet in a city with an extremely high cost of living. The official U.S. poverty rate is not adjusted to reflect local differences in the cost of living. This suggests that poverty in New York City is even more severe than in other places with a lower cost of living.
- ▶ The growth of New York City's economy since the mid-1990s has increased the demand for labor, including the demand for entry-level workers with limited skills and experience.

This increased demand has eased the transition of public assistance recipients and others with limited skills into the work force.

- ▶ However, while the number of jobs available to less-skilled workers has increased, wages generally have not. Average wages per worker in eight major low-wage industries in New York City declined in real terms by 0.5 percent between 1994 and 1999.

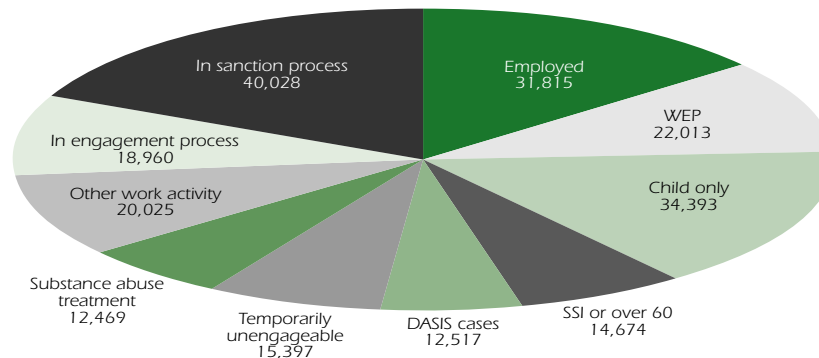
Implementation of Welfare Reform in New York City

- ▶ Between 1995 and 1998, efforts to reform New York City's welfare system focused on more rigorous enforcement of eligibility standards and increased use of the Work Experience Program to enforce work requirements.
- ▶ The city succeeded in reducing its public assistance caseload by 30 percent between March 1995 and December 1997, but it still lacked a coherent strategy for moving recipients from welfare to work (see figure).
- ▶ Early in 1998, New York City's Human Resources Administration (HRA) began to implement a more comprehensive approach that included several major elements:
 - Conversion of income support centers into “job centers,” where, beginning with their first encounter with the welfare system, potential applicants would be encouraged to pursue alternatives to welfare, and current recipients would be assisted in moving into the work force.
 - Creation of a consistent, structured process for moving participants through several stages of engagement: a period of initial job search; a “simulated work week,” combining part-time work experience with basic skills training and other services; and, finally, employment.
 - Increased use of both for-profit and nonprofit contractors to provide the services required for (and to manage the process of) moving participants through the various stages of engagement.
 - Development of an array of specialized programs serving participants with substance abuse problems, those with work-related disabilities, and others.



Public Assistance Cases, April 2001

Total number of cases = 221,291



Source: New York City Human Resources Administration

- Provision of transitional benefits—including Medicaid, child care, and food stamps—to those leaving welfare for work.
- Strengthening the management of the welfare system, most notably through creation of JobStat, which tracks the performance of income support centers, job centers, and contractors on a week-by-week basis.
- ▶ These initiatives, combined with a local economy that remained strong well into 2001, have led to further declines in the city's caseload. By April 2001, the number of persons receiving assistance in the city had declined to approximately 519,000—a reduction of 55 percent since March 1995.
- ▶ The Human Resources Administration reports that 121,000 public assistance recipients obtained jobs in the year 2000.
- ▶ Despite HRA's success in moving participants into employment and in reducing the city's caseload, a number of critical issues have arisen during the implementation of welfare reform that have yet to be addressed. Several of these issues are highlighted below.

Other Support for Low-Income Working Families

- ▶ Since the mid-1990s, the federal Earned Income Tax Credit (EITC) has become a vitally important source of support for New York City's low-income working families. In 1998, more than 667,000 New York City taxpayers—22 percent of all federal taxpayers in the city—claimed this credit. The total value of credits claimed was \$1.09 billion.
- ▶ New York State also allows low-income taxpayers to take an earned income credit against their state taxes. The state's tax credit program is pegged at 22.5 percent of the federal credit (scheduled to rise to 30 percent by 2003), and, like the federal EITC, it is refundable.
- ▶ New York State's Child Health Plus insurance program provides health care coverage at no or low cost for more than 300,000 New York City children in low- and moderate-income families who are not eligible for Medicaid. In May 2001, the federal government approved a state plan to extend coverage to most adults in these families.

- ▶ In addition to the subsidized child care that HRA finances for public assistance recipients who are working or engaged in other approved activities, the city's Agency for Child Development provides subsidized child care for 54,000 children of low-income parents.
- ▶ During fiscal year 2000, the city's Office of Child Support Enforcement collected \$422.4 million in child support payments—double the amount collected in 1994. Of this total, 77.5 percent was collected on behalf of families that are not receiving public assistance.
- ▶ Unemployment insurance (UI) can be a vitally important source of support for low-income workers who lose their jobs. In 2000, New York State paid UI claims totaling \$703 million to residents of New York City. In addition, new rules adopted by the state in 2000 have made it easier for new entrants to the work force to qualify for benefits when they lose their jobs, a change that over time may prove helpful to many former welfare recipients.
- ▶ Employment and training services can be useful in helping low-wage workers improve their earnings. Publicly funded employment and training programs, however, have historically tended to give priority to the needs of the long-term unemployed and dislocated workers rather than low-wage workers.
- ▶ The federal government's Section 8 program provides rent subsidies to more than 160,000 low- and moderate-income households in New York City. The New York City Housing Authority manages 181,000 apartments in public housing projects throughout the city. Since 2000, it has reserved 50 percent of all new vacancies for working families.

Issues to Be Addressed

- ▶ As the city's welfare population has declined, its composition has changed in ways that present several issues.
 - Employment service providers suggest that current public assistance recipients in their programs typically have lower skill levels, less work experience, and more problems than recipients they were serving a few years ago.
 - Some providers report that a large number of current participants have very limited proficiency in English, which limits their opportunities for employment.
 - These problems suggest that HRA may need to adopt a more flexible approach in defining the mix of work experience and training through which participants can comply with its requirement for full engagement.
 - As of April 2001, more than 40,000 TANF cases in New York City were potentially subject to the five-year individual federal lifetime limit, starting in December. HRA has begun a focused effort to close as many of these cases as possible through employment and increased earnings. Service providers express concern, however, that a significant number of long-term recipients remain “in denial” about the approach of their five-year limit. HRA's plan to require TANF recipients who reach the limit to reapply for Safety Net assistance has also been a source of controversy.
 - As the overall welfare caseload has continued to decline, the number of “child only” cases has grown; there are now more than 34,000 such cases in the city. Because they are subject to neither work requirements nor the five-year limit, HRA has paid little attention to these cases. However, they may represent a particularly vulnerable segment of the city's welfare population.

- ▶ While the city has made considerable progress in restructuring its welfare system to support the transition to work, these efforts remain incomplete in several important respects.
 - The number of recipients who are working but who, because they have very low earnings, still receive welfare benefits, had grown as of April 2001 to more than 31,000. HRA needs to adapt its practices to the reality that an increasing number of recipients are employed by adopting, for example, a more flexible approach to scheduling required appointments.
 - New York State and New York City currently require that new mothers work full-time or participate full-time in work activities once their children are three months old. For many participants with very young children, however, part-time employment or work activities may represent a more effective way both to achieve progress toward self-sufficiency and to foster their children’s healthy development.
 - Recipients who get special rent supplements authorized under *Jiggetts v. Dowling* lose those benefits when they leave welfare for work. For some recipients, this means that earning enough money to leave welfare actually reduces their total income. The prospect of losing Jiggetts benefits may discourage some recipients from increasing their earnings.
 - Both service providers and TANF recipients report that those who leave welfare for work often encounter significant difficulties and delays in obtaining the transitional benefits to which they are entitled.
 - Service providers also express concern about recipients’ widespread reliance on informal child care arrangements, which are sometimes inadequate for the needs of both parents and children.
- ▶ Despite the increased support for low-income working families provided by the city and the state in recent years, federal, state, and city policies in a number of areas remain inconsistent with New York City’s commitment to support such families.
 - Because families headed by immigrants represent a growing proportion of the city’s low-income working families, policies that make such families ineligible for a wide range of benefits and services effectively leave many of New York’s working poor families unprotected.
 - While earned income tax credits ensure that low-income working families do not owe federal and state income taxes, New York City still taxes the incomes of working poor families.
 - Because it has a waiting list of more than 200,000 applicants—and because priority is given to a variety of groups such as homeless families, victims of domestic violence, and families with children in foster care—the city’s Section 8 housing program has limited utility as a source of support for working families.
 - Because of its historic focus on the needs of the long-term unemployed and displaced workers—and more recently, its focus on moving public assistance recipients into the work force—New York City’s publicly funded employment and training network has provided relatively little support to low-wage workers seeking better-paying jobs.

Policy Implications

- ▶ To meet the goals of welfare reform more effectively—and more broadly, to help low-income families meet their needs through work—New York City, New York State, and the federal government can each take important steps. New York City should:

- Adopt a more flexible approach to full engagement, allowing employment service providers to tailor the mix of work experience, training, and services according to each participant’s needs, and, for a limited time, allow mothers of very young children to choose part-time engagement.
- Improve the delivery of transitional benefits by linking their authorization directly to case closing actions and by ensuring timely payment.
- Develop a comprehensive program for assessing and addressing the needs of child-only TANF cases through the collaboration of HRA, the Administration for Children’s Services, and nonprofit family service providers.
- Reduce the tax burden on low-income working families by enacting an earned income tax credit large enough to completely offset city income taxes on New York’s working poor families and by intensifying efforts to ensure that all eligible workers take full advantage of federal and state earned income credits.
- Establish on a pilot basis several service centers—separate from HRA’s income support and job centers—that are designed to provide services and benefits to working poor families.
- ▶ To enhance the well-being of low-income families, New York State should:
 - Authorize additional increases in the value of the state earned income credit, reaching at least 40 percent of the federal tax credit by 2007.
 - Provide transitional help with housing costs by, for example, using surplus TANF funds to provide time-limited supplemental rent assistance to families who are leaving welfare for work.
 - Develop and implement a comprehensive strategy for upgrading the quality of informal child care.
 - Require each local social services district to develop a plan for addressing the needs of child-only cases, and provide funding to support implementation of those plans.
 - Extend eligibility under the state-funded portion of the federal food stamp program, Family Health Plus, and other programs to all legal immigrants who otherwise meet eligibility requirements.
 - Increase substantially the state’s investment in English language instruction for immigrant New Yorkers.
- ▶ To build on the success of PRWORA and other policies adopted during the 1990s—and to cure their shortcomings—the federal government should:
 - Maintain the level of funding provided to the states under the TANF block grant for at least the next five years.
 - Modify the five-year individual federal lifetime limit under TANF by “stopping the clock” for recipients who work full-time and “slowing the clock” for those who work part-time.
 - Give states the flexibility to define less than 30 hours of weekly participation in work activities as full engagement for mothers with very young children.
 - Eliminate the provisions of PRWORA, the Child Health Insurance Program, and other programs that discriminate against legal immigrants.
 - Increase the federal minimum wage by at least a dollar.

RESEARCH FORUM ON CHILDREN, FAMILIES, AND THE NEW FEDERALISM

The Research Forum, an initiative of the National Center for Children in Poverty, hosted at the Mailman School of Public Health, Columbia University, encourages collaborative research and informed policy on welfare reform and vulnerable populations. The Research Forum's ultimate goal is to identify and promote strategies that protect and enhance the well-being of poor children and their families.

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Acknowledgments

This report could not have been completed without the cooperation and support of many people in New York City and elsewhere. The National Center for Children in Poverty is grateful for the support provided by the New York Community Trust—and in particular for the support and assistance of James Dumpson, Patricia Jenny, and Patricia White. We are also grateful for the cooperation of management and staff of the New York City Human Resources Administration, most notably Commissioner Jason Turner, Deputy Commissioner Andrew Bush, and Swati Desai, director of policy planning.

Sara Faramani and Doreen Straka of the Citizens Advice Bureau and Julie Levine of the Northern Manhattan Improvement Corporation provided invaluable assistance in organizing and hosting focus groups. Others who provided information and insight on issues addressed in the report include Diane Baillargeon, Lilliam Barrios Paoli, Eric Brettschneider, Marc Cohan, Art Corrales, David Campbell, David Fazio, Susan Foster, Henry Freedman, Linda Gibbs, Ed Goldberg, Mark Greenberg, David Jones, Jack Krauskopf, Mark Levitan, Ronnie Lowenstein, Deirdre Lyles, Lawrence Mead, Richard Nathan, Gail Nayowith, Moises Perez, Dale Peterson, Richard Roper, Rebecca Scharf, Karen Schimke, Barbara Silvan, Russell Sykes, Lela Wengard, and Brian Wing.

The authors would also like to thank the communications unit of NCCP, lead by Julian Palmer, including Telly Valdellon, Carole Oshinsky, Martha Garvey, and Kate Szumanski, and Austin Merrill, who copyedited the manuscript.

For more information about this study and the full report, as well as research citations, please refer to: Policies Affecting New York City's Low-Income Families. Copies of the full publication are available on the Research Forum Web site: www.researchforum.org or by writing to NCCP, 154 Haven Avenue, New York, NY 10032; Tel: (212) 304-7150; Fax: (212) 544-4200 or 544-4201; E-mail: info@researchforum.org.

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