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CalWORKs Welfare-to-Work: Recent Program Changes and Trends

LEGISLATIVE ANALYST'S OFFICE

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Recent Major Welfare-to-Work Changes in the CalWORKs Program



Chapter 47, Statutes of 2012 (SB 1041, Committee on Budget and Fiscal Review)

- ***Reduced Weekly Hours of Required Participation.*** The number of required hours of weekly participation in allowable welfare-to-work activities was reduced for certain families, effective January 2013.
- ***Increased Flexibility in Welfare-to-Work Rules for 24 Months.*** The flexibility of rules governing welfare-to-work was increased by removing restrictions on the duration and intensity of certain allowable activities, such as job search assistance, mental health and substance abuse treatment, and vocational education. At the same time, a new 24-month time limit on adult assistance while using the “flexible” welfare-to-work rules was instituted. In order for adults to continue to receive assistance, they must comply with relatively less flexible welfare-to-work rules that retain restrictions on duration and intensity of certain activities. The new time limit came into effect in January 2013 and the first California Work Opportunity and Responsibility to Kids (CalWORKs) recipients to exhaust the 24-month time limit are expected to do so during 2015.
- ***Eliminated Short-Term Young Child Exemptions.*** Temporary welfare-to-work exemptions for certain CalWORKs families with young children, put in place beginning in 2009 to allow counties to manage reductions in funding for employment services during the recession, were phased out by January 2015. This process of phasing out the exemptions is known as “reengagement.”
- ***Required Evaluation of Effects of Program Changes.*** The Department of Social Services (DSS) is required to contract with an independent, research-based institution to evaluate the effects of these program changes. A final report is due to the Legislature in January 2018.



Recent Major Welfare-to-Work Changes in the CalWORKs Program

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Chapter 21, Statutes of 2013 (AB 74, Committee on Budget)

- **Created Family Stabilization Program.** The Family Stabilization program within CalWORKs was created to provide intensive case management and specialized services to families experiencing immediate destabilizing needs. Up to six months in the Family Stabilization program may be excluded from the new 24-month time limit. Family Stabilization came into effect in January 2014, but county rollout of the program is ongoing. The Governor's budget proposes \$30.2 million (all funds) for the Family Stabilization program in 2015-16.
- **Provided Additional Funds for Subsidized Employment.** Funding was provided to significantly increase subsidized employment opportunities available for CalWORKs recipients by roughly 8,250 positions. Funding for these positions was made available beginning in 2013-14, but county rollout of new subsidized positions is ongoing. The Governor's budget proposes \$95.8 million (all funds) for subsidized employment in 2015-16.
- **Required Development of Standardized Appraisal Tool.** The DSS was required to develop a standardized, online appraisal tool that will replace existing appraisals used by county human services agencies to screen new welfare-to-work participants for barriers to employment. The new appraisal tool is planned to be released to all counties in the summer of 2015. The Governor's budget proposes \$15.3 million (all funds) to pay for increased social worker time to administer the new appraisal in 2015-16.



Recent Major Welfare-to-Work Changes in the CalWORKs Program

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- ***Clarified Welfare-to-Work Flow.*** Historically, the CalWORKs program has generally required new welfare-to-work participants to attempt to find employment prior to participating in other activities intended to lead to employment. State law was clarified to emphasize that, when deemed by the county to be more beneficial, new welfare-to-work participants may engage in other activities and services, including Family Stabilization, instead of immediately searching for employment.



Possible Outcomes of Recent Changes

- ☑ ***Increased Participation in Welfare-to-Work.*** A significant portion of the CalWORKs caseload qualified for and took the short-term young child exemptions. Phasing out this exemption would be expected to result in additional individuals being required to participate in welfare-to-work.

- ☑ ***Some Program Changes Could Increase Incidence of Sanctions, Others Could Reduce Incidence of Sanctions.*** As formerly exempt individuals become required to participate, some would be expected to comply with the requirement, while others would be expected to not comply and become sanctioned, thus increasing total sanctions. At the same time, other recent changes, such as increased welfare-to-work flexibility available for 24 months, the Family Stabilization program, and the new standardized appraisal tool, could also be expected to reduce sanctions that result from recipients not having their barriers to employment effectively identified and addressed. Over the near term, it is unclear which of these effects would be expected to be larger.

- ☑ ***Changes in Mix of Welfare-to-Work Activities.*** Recent changes in the CalWORKs program could be expected to result in recipients changing the mix of welfare-to-work activities they participate in. Specifically, CalWORKs recipients might be expected to participate more in activities that were previously restricted but are now unrestricted for 24 months.

- ☑ ***Increased Child Care Utilization.*** As the short-term young child exemptions are phased out and additional recipients participate in welfare-to-work, the utilization of child care subsidies would be expected to increase.



Possible Outcomes of Recent Changes

(Continued)

- Increased Identification of Barriers to Employment and Utilization of Barrier-Removal Services.*** The implementation of the new standardized appraisal is intended to lead to increased identification of barriers to employment, and ultimately increased utilization of services that address these barriers to employment (such as mental health and substance abuse treatment, or domestic violence services).



Evaluating Outcomes of Recent Changes Is Challenging

- Some Administrative Data Are Available . . .*** Available administrative data include monthly counts of individuals who are (1) participating in welfare-to-work activities (and which activities they are participating in), (2) exempt from participation, and (3) sanctioned for noncompliance. Other data include the number of families that receive barrier removal services like mental health and substance abuse treatment, or supportive services like child care subsidies.
- . . . But Not on All Outcomes.*** No direct information is available on how frequently barriers to employment are identified or addressed. Similarly, comprehensive information is not available on hours of participation in various activities.
- Determining Whether Recent Changes Caused Observed Trends in Administrative Data Is Difficult.*** Many factors, including the overall state of the labor market and economy, affect CalWORKs trends and outcomes. Determining the role played by each of these multiple factors in causing observed trends and outcomes is generally very difficult, making it especially challenging to separate out the effect of individual policy changes.



Preliminary Look: Welfare-to-Work Participation

CalWORKs Welfare-to-Work Participation Status

	December 2012		December 2014		Change	
	Number of Adults	Share of Adults	Number of Adults	Share of Adults	Number of Adults	Share of Adults
Enrolled in welfare-to-work	154,675	46%	182,079	56%	27,404	10%
Exempt	131,469	39	83,523	26	-47,946	-13
Sanctioned	50,746	15	60,112	18	9,366	3



Since December 2012, as Total Caseload Has Declined . . .

- **Participation in Welfare-to-Work Is Up.** The number of individuals enrolled in welfare-to-work increased from about 155,000 in December 2012 (about 46 percent of adults in the CalWORKs caseload) to about 182,000 in December 2014 (about 56 percent of adults).
- **Exemptions Are Down.** The number of exemptions declined from 131,000 in December 2012 (about 39 percent of adults) to a little less than 84,000 in December 2014 (about 26 percent of adults).
- **Sanctions Are Up.** The number of sanctions increased from just under 51,000 in December 2012 (about 15 percent of adults) to just over 60,000 in December 2014 (about 18 percent of adults).



Preliminary Look: Changes in Mix of Welfare-to-Work Activities

Participation in Various CalWORKs Welfare-to-Work Activities

	December 2012		December 2014		Change	
	Number of Participants	Share of Participants	Number of Participants	Share of Participants	Number of Participants	Share of Participants
Unsubsidized employment	59,013	52%	65,781	54%	6,768	2%
Vocational education	19,795	17	19,009	16	-786	-1
Subsidized employment	1,745	2	3,376	3	1,631	1
Mental health services	6,959	6	6,017	5	-942	-1
Substance abuse services	1,470	1	1,416	1	-54	—
Domestic violence services	3,179	3	3,544	3	365	—



Since December 2012 . . .

- **Participation in Unsubsidized Employment Is Up . . .**
 The share of welfare-to-work participants engaging in unsubsidized employment grew by 3 percentage points from December 2012 to December 2014.
- **. . . While Participation in Vocational Education Is Down.**
 The share of welfare-to-work participants engaging in vocational education declined by 2 percentage points from December 2012 to December 2014.
- **Participation in Subsidized Employment Is Up.** The share of welfare-to-work participants engaging in subsidized employment grew by 1 percentage point from December 2012 to December 2014. This makes sense given increased spending on subsidized employment positions beginning in the 2013-14 budget.
- **Changes in Participation in Barrier Removal Services Are Mixed.** The number of participants engaged in mental health services and substance abuse services declined, while the number of participants engaged in domestic violence services increased.



Preliminary Look: Child Care Subsidy Utilization

Utilization of Child Care Subsidies			
	October 2012	October 2014	Change
Number of families receiving subsidies	29,869	31,985	2,116
Take-up rate among eligible families	29%	29%	—



Since October 2012 . . .

- **Child Care Utilization Is Up.** The total number of CalWORKs families receiving child care subsidies increased from 29,860 in October 2012 to 31,985 in October 2014. This is consistent with expectations that child care utilization would rise as increased numbers of individuals became eligible for subsidies due to participation in welfare-to-work as the short-term young child exemptions were phased out.
- **Take-Up Rate Among Eligible Families Has Been Consistent, but Low.** Among eligible families (those participating in welfare-to-work), the child care subsidy take-up rate remained stable at about 29 percent from October 2012 through October 2014. This take-up rate appears low, considering that CalWORKs families that participate in welfare-to-work may receive child care subsidies as an entitlement. (We note, however, that not all eligible families will receive child care subsidies for a variety of reasons, including that subsidies are only available for children up to age 12 and the availability of alternative school-based child care options for school-aged children.)



Summary

- ☑ ***Currently Available Administrative Data Do Not Allow for Conclusive Findings on the Outcomes of Recent Changes . . .*** Because of the many factors that influence available administrative data, it is not possible at this time to come to firm conclusions about the effects of recent major welfare-to-work changes in the CalWORKs program.

- ☑ ***. . . But Data Do Highlight Interesting Trends for Further Study and Discussion.*** Some interesting trends include (1) the long-term increase in the number of sanctions that predates recent changes, (2) decreased utilization of mental health and substance abuse services, and (3) the ongoing low rate of child care take-up among eligible families.

- ☑ ***Legislatively Mandated Evaluation Will Provide Additional Data and Insights Into Effects of Recent Changes.*** The DSS has contracted with an independent research agency to complete a multiyear evaluation of these recent changes to the welfare-to-work program. This evaluation will engage in data collection that will provide useful information that is not currently available and which will allow for additional insights into the effects of these changes. The DSS has indicated that it intends to provide interim updates on the evaluation's progress prior to the final report's submission by January 2018.