

THE IMPACT OF FEDERAL CUTBACKS ON WORKING
AFDC RECIPIENTS IN MINNESOTA

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EXECUTIVE SUMMARY

Working AFDC recipients were significantly affected by the Omnibus Budget Reconciliation Act of 1981. Many were terminated from the program losing cash and Medicaid benefits. This report documents how working AFDC recipients have been affected and how they have responded to the federal cutbacks. Longitudinal surveys of a random sample of 542 affected families in Hennepin County, Minnesota provided information on changes in work/grant status, labor force participation, economic status, health care, day care, household composition, housing and financial emergencies for the period immediately preceding the cutbacks up through one year following the programmatic changes (1/82 to 1/83).

The findings of the study include:

- o Labor Force Participation - The increase in labor force participation far overshadows the minority of respondents who either quit work or reduced their work hours to remain eligible for welfare. The depressed economy appears to have affected the labor force participation of AFDC recipients who worked in January 1982 more than federal policy changes. One-fifth of the respondents were unemployed one year later primarily due to being laid off or fired rather than an effort to continue AFDC eligibility. Approximately three-fourths of the respondents are no longer on AFDC and have increased their labor force participation. Those who remain on AFDC are split between those who have moderately increased their workforce role and those who are unemployed.
- o Economic Status - The economic status of respondents has been reduced over time, particularly for those off AFDC and working and those on AFDC and not working. Those off AFDC and working had increased net earnings from work but replaced only one-half of their previous unearned income; those on AFDC and working remained fairly constant on all income measures; those on AFDC and not working almost balanced their loss of earnings by significantly increasing their unearned income. Those off AFDC and working are virtually independent of public subsidies for support while those on AFDC and not working are totally dependent on public subsidies for their survival. The percentage of net income used for basic needs increased for all groups, with respondents increasing the proportion of their income used for housing, utilities, food, day care, and medical expenses from 75 percent to 93 percent during the one year study period.

- o Health Care - One-fourth of those off AFDC and working and more than one-third of their children did not have health insurance coverage in January 1983. Only 1 percent of this group bought private health insurance directly, presumably due to cost. Those that had private health insurance through work had considerably weaker coverage than those still on Medicaid. Those off AFDC and working paid over half of their health care bills out-of-pocket, and delayed seeing physicians and dentists significantly more often than those who remained on AFDC. Many have already been severely impacted by no longer being eligible for Medicaid. The ability to obtain health care has become a major problem for those no longer on AFDC.
- o Day Care - Those out of work no longer used day care. Those working had very slight decreases in their use of day care, but found many other ways to lower their monthly dollar outlay. These ways included: a 47 percent increase in their use of Hennepin County/Title XX funds from 1/82 to 1/83, switching types of day care, leaving the child alone for part of the time, or switching to less expensive day care centers. These changes had not been made without a price being paid. More than twice as many people were dissatisfied with the day care their children were getting one year later. There was also a one-third increase in the number of children needing, but not getting, day care.
- o Household Composition - While simple indicators such as size of household and number of children remained stable over the year, household composition displayed transition for many families. While most households remain single parent with child(ren), the percentage in this category fell by 10 percent over the year and now represents just over two-thirds of all households. Tracking individuals in and out of the household found that 11 percent of the people encountered in January 1983 had not been in the household on one or both of the previous two interviews. They were evenly matched by the number of people who had been in these households during one or both earlier surveys, but were not present in January 1983. Thus, the superficial stability of household size masks a good deal of transition and mobility within these households.
- o Housing - The typical family continues to rent a house or apartment with an average of five rooms. Very few families have moved in with relatives and are not paying rent. The rate of movement is very stable with about 17 percent of the households making at least one move during a six month period. The major reason for moving has increasingly become cheaper rent, replacing the convenience factors of more space and closer to work. One household in seven attributed a housing change during the year to the change in their AFDC status as they tried to make up for lost income.
- o Financial Emergencies - There have been small increases in the incidence of financial emergencies for those affected by the OBRA cutbacks. Twenty-five to 30 percent of respondents had a threatened or actual utility shutoff during any six month period since the cutbacks and slightly less than half of the respondents had problems with buying enough food. Most families didn't get help from fuel assistance programs, emergency assistance programs, or emergency food

shelves/food shelters. For example, only 18 percent of respondents got help from fuel assistance programs during 1982 with the majority of these families on AFDC. An increasing number of respondents who have stopped day care due to cost are now leaving their children alone without any supervised day care.

This study reveals that substantial numbers of working recipients who were dropped from AFDC have maintained their independence from welfare by increasing their labor force participation. They are tenaciously striving not to become chronically dependent on welfare. However, more than half of those remaining on AFDC in January 1983 were not working.

OBRA appears to be dividing the working poor into two subgroups -- those striving to remain independent from welfare and those totally dependent on welfare. The AFDC program is no longer being used to help the working poor make the transition from welfare dependence to economic independence.

Basic needs are consuming an alarmingly high proportion of net income for the working poor. The current economy has not proved to be an adequate substitute for direct governmental intervention in helping the "corridor poor" - low wage earners no longer eligible for welfare, Medicaid, food stamps, and subsidized housing - to relieve their financial plight. Federal policymakers need to reconsider some of the recent changes initiated in the AFDC program. Of particular concern are the extremely strict limits on work expenses (\$75 including taxes) which are exceeded by virtually all recipients, as well as the four month limit for the work incentive disregard.

The findings indicate that the inability to obtain adequate health care looms as a large problem for those terminated from AFDC. Many have already suffered by no longer being eligible for Medicaid. The uninsured were less likely to have a usual source of care than those with health insurance. When they had a usual source of care, they were more likely to use a hospital emergency room, hospital outpatient department or community clinic than the

insured. Their families have been less willing and able to see doctors and dentists when necessary, which could eventually lead to debilitating problems. Of particular concern is the lack of health insurance coverage for the children in this group.

The working poor cannot afford to buy private health insurance directly. A typical policy would consume almost 20 percent of the annual net income of those off AFDC and working. Federal and state policymakers need to consider alternative strategies for providing health care coverage for the low income employed. Alternatives include continuing Medicaid coverage for working AFDC recipients who were recently terminated and have no health insurance, developing an income related catastrophic insurance program, encouraging (or mandating) employers to offer at least minimal health insurance benefits to low wage employees, or establishing risk pools to provide for the uninsured and their dependents.

Day care is another important area of consideration for federal and county governments. Those working tended to have older children, but are showing growing signs of unrest with their day care arrangements. Those still on AFDC may be stuck there by their larger number of small children and lack of day care. Federal and local investment in day care could save many tax dollars as these families retain or gain their independence.

In sum, very few working AFDC recipients quit work to remain on welfare during the first year after the implementation of OBRA. Some may view this as encouraging evidence for a conservative welfare cutting agenda. Present welfare policy changes, however, can only be viewed as helpful if former recipients are not left in a precarious situation with respect to meeting their basic needs, especially health care and day care.

BACKGROUND

Families on welfare but also earning money through a job have been impacted by federal cutbacks. New regulations affecting working AFDC (Aid to Families with Dependent Children) recipients were implemented in Minnesota starting on February 1, 1982. The regulations were aimed at saving public monies and at forcing people with employment capability to support themselves. Critics argued that the regulations would bring excessive hardship to those working recipients. They would be either terminated from the program or have their benefits reduced. Some would suffer through these cutbacks, but many would be forced to use other public services or quit work and return to the AFDC rolls; large savings would not result argued the critics. This report is an attempt to document, in fact, how these people have been affected and how they have responded. It is based on a longitudinal study of a random sample of people who were working recipients in January 1982 in Hennepin County, Minnesota. A telephone survey collected baseline data for January 1982 before the regulations were implemented. The following surveys asked similar questions of the sample at six month intervals: July 1982 and January 1983. This report documents the changes in various aspects of the respondents lives following the program change, both for the sample as a whole and for subgroups defined by whether or not they are on AFDC and/or working one year later.

In addition to medical coverage (Medicaid/Medical Assistance) and access to food stamps, the AFDC recipient receives a cash allowance to support the family. This amount is determined by a state-specified standard of need based on family size and composition. For working recipients the cash allowance is reduced by the amount earned after deducting for various work expenses. Only when net

income is less than this standard of need do recipients remain eligible for AFDC. Prior to the changes most expenses were deducted in the amounts incurred. Starting in February, strict limits were placed on the use and extent of these expenses. First, anyone with gross earnings over 150 percent of the standard of need is terminated from the program regardless of the amount of work expenses. A mother with one child would be thus terminated if she worked full time at only the minimum wage (\$3.45 per hour). Second, limits are placed on expense categories: \$160 per child per month for day care and \$75 per month for all other work expenses including taxes. Finally, a work incentive disregarding \$30 and one-third of gross income is now limited to the first four months of work and is computed on net income instead of gross. Without this incentive, working recipients will have no greater income than non-working recipients possibly also resulting in an increased rate of under-reported income. This four month delay was also allowed those first coming under the new formula even though they continued at an old job. For many in Minnesota, program termination or a further cash reduction came June 1, 1982.

Critics predicted many negative consequences of the new regulations. People would respond in a number of ways which would be counterproductive to government or individual goals. A number of these predicted responses are listed below:

- o Labor Force Participation - Many will cut back on hours or quit work altogether and collect their sole support from AFDC. Others will work more hours or take a second job trying to make up for lost income.
- o Economic Status - Net income will decline and basic needs will consume a larger portion of income.

- o Health Care - Those who leave AFDC will not be able to afford replacement health insurance and will delay seeing physicians and dentists except for acute conditions.
- o Day Care - Fewer day care services will be used, and the arrangements will be more informal and less satisfactory.
- o Household Composition - Many changes may occur including sharing housing, moving back with parents or remarriage.
- o Housing - People will move more frequently, looking for less expensive quarters and willing to accept lower quality and less space.
- o Financial Emergencies - There will be a greater incidence of repossessions, evictions, utility shut-offs and food shortages.

Using case records, officials in Hennepin County have been able to examine a few of these issues. Hennepin is Minnesota's largest county both in total numbers and in number of AFDC recipients; Minneapolis is the county seat. In January 1982, some 3,326 recipients were employed, representing 22 percent of all recipients (Update on Hennepin County AFDC Trends, Bulletin #1, October 1, 1982). By summer 1982, most of those people (68.6 percent) had been terminated. For those still on AFDC and working, their disposable cash from both work and AFDC was only \$44 more than those on AFDC and not working. Following those 3,326 recipients through to February 1983 the county found 76.9 percent no longer on the AFDC caseload (Greg Lindberg, Hennepin County, personal communication, June 1983). The remainder were on the caseload, but fairly evenly split between working (9.7 percent) and not working (13.4 percent).

These findings are important, but not complete. Nothing is known about the movement of people off and back onto the program. Little is known about how health

had the desired effect and where they have not. It is hoped that with this information, policymakers in all sectors and at all levels of government can begin to consider actions to ameliorate negative impacts while reinforcing the positive impacts.

METHODOLOGY

A random sample of working AFDC recipients was drawn and interviewed by telephone at three points in time. The sample was drawn from Hennepin County case records for all those with household incomes above their AFDC grant. A letter describing the study was sent by the county to every AFDC recipient in Hennepin County with an outside income in January 1982. Each was asked to participate in the study and invited to complete and return an enclosed consent form allowing the county to give their name to the University study team. Twenty-eight percent agreed to participate in the study. The county compared respondents to non-respondents on those characteristics on file in the case records (e.g., family size, age, income) and found the 955 respondents representative of their population except for 10 percent higher earned income. It was felt that this single factor did not warrant the use of stratified or other sampling strategies since the final analysis could control for respondent income.

A number of characteristics were used to define who would be eligible to be part of the study. The goal was to create a study panel of families containing at least one working adult with one or more children. This required removing those cases with monthly household incomes of less than \$30, where the grant covered the child only, and other special cases. There was no guarantee that the respondent was actually working in January (due to a two month time lag in the Hennepin County Information System), but they were all labor force participants, having worked in 1981. In fact, 9 percent were not working in January which was comparable to the U.S. unemployment rate, though higher than the 5.8 percent rate for the Twin Cities at that time (Twin Cities Labor Market Information; Minnesota Department of Economic Security).

A sample was then drawn and recipients interviewed by telephone. A professional survey organization, Mid-Continent Surveys, Inc., did the interviewing. For each completed interview, the respondent was paid \$10. This incentive plus a keen interest in the topic led to remarkably high response rates for all three surveys. The first survey had a 90 percent completion rate (587 respondents), the second survey had a 95 percent completion rate (558 respondents) and the third survey had a 97 percent completion rate (542 respondents). Thus, data for three time periods on 542 families have resulted. It is from their experiences that this study has been prepared.

DEMOGRAPHICS OF RESPONDENTS

The survey respondent was fairly typical of all AFDC working recipients in January 1982. She was a 31 year old white woman with a high school degree and two children. To be more specific: 98 percent were women, 87 percent were white, 78 percent had a high school diploma and the average family had 3.2 members including 1.9 children. Respondents were evenly distributed between Minneapolis and other parts of the county with most of those living in Minneapolis residing in the inner city. The majority of respondents worked in clerical or service worker positions (e.g., secretary, file clerk, cashier, waitress) generally paying from \$4 to \$6 per hour for a 30 to 40 hour work week.

RACE OF RESPONDENT		EDUCATION OF RESPONDENT	
White	87%	Less than high school	13%
Black	7%	High school graduate	78%
Indian	3%	College graduate	9%
Asian/Pacific Islander	2%		
Chicano/Latino	1%		

LOCATION OF RESPONDENT

Minneapolis - inner city	41%
Minneapolis - not inner city	10%
Hennepin County, but not Mpls.	49%

HOURLY WAGE RATE		WEEKLY HOURS WORKED	
\$4 or less	20%	20 or less	25%
\$4.01 to \$5	26%	21 to 30	12%
\$5.01 to \$6	30%	31 to 40	55%
Greater than \$6	24%	Greater than 40	8%

PATHS BETWEEN INITIAL DISPOSITION AND WORK/AFDC STATUS ONE YEAR LATER

New federal regulations, implemented in Minnesota starting in February 1982, immediately terminated two-thirds of the working recipients from the AFDC program. Four months later, the work incentive income disregard expired for those still on AFDC, terminating others from the program. Additional personal actions (such as working more, getting married, being laid-off) also affected individual participation in the AFDC program. The net result is that one year after the cutbacks 72.3 percent were no longer on AFDC, with 67.2 percent working and 5.2 percent not working. Those still on AFDC (27.7 percent) were divided between those working (11.8 percent) and those not working (15.9 percent).

These figures match fairly well with the case records of Hennepin County. Using computer matching to determine the work/AFDC status in February 1983 of the 3,326 working AFDC recipients of January 1982, the county found 76.9 percent no longer on AFDC compared to 72.3 percent in the survey population. The county also found those on AFDC split between those working (9.7 percent) and those not working (13.4 percent).

From Original Disposition to Final Status

Figure 1 below graphically illustrates paths from original disposition to work/AFDC status one year later. The major concern that those terminated would quit their jobs and go back on welfare is not substantiated. Less than 10 percent of those who were terminated were getting any AFDC benefits one year later. A great majority (85.3 percent) have continued to support themselves and their families through work. On average, those cut off in February spent only two months on AFDC in 1982.

FIGURE 1

Paths from Original Disposition to AFDC/Work Status One Year Later

<u>February 1982</u>		<u>January 1983</u>	
AFDC grant <u>terminated</u>	346 (63.8%)	Off AFDC and working	295 (85.3%)
		Off AFDC and not working	17 (4.9%)
		On AFDC and working	11 (3.2%)
		On AFDC and not working	23 (6.6%)
AFDC grant <u>reduced</u>	176 (32.5%)	Off AFDC and working	64 (36.4%)
		Off AFDC and not working	9 (5.1%)
		On AFDC and working	50 (28.4%)
		On AFDC and not working	53 (30.1%)
AFDC grant <u>increased</u>	20 (3.7%)	Off AFDC and working	5 (25.0%)
		Off AFDC and not working	2 (10.0%)
		On AFDC and working	3 (15.0%)
		On AFDC and not working	10 (50.0%)

Those who had their AFDC benefits reduced, split into three comparably sized groups with only one-quarter (28.4 percent) holding to an "on AFDC and working" status. About three-quarters (74.0 percent) of this group continued to be on AFDC and working in both follow-up surveys. The largest group in January 1983 (36.4 percent) was those who were off AFDC and working. About two-thirds (65.6 percent) of this group had achieved this status by July 1982 while most of the remainder had been on AFDC and working (20.3 percent) and were subsequently terminated from the AFDC program. Many of these people were undoubtedly affected by the expiration of the income disregard when their net income was raised making them ineligible for AFDC. The third major group to which those reduced went in January 1983 was "on AFDC and not working" (30.1 percent). Two-thirds (69.8 percent) of this group were at this status in July 1982, while one-quarter (24.5 percent) were on AFDC and working in July. These people may also be reacting to the expiration of the income disregard incentive and now see little incentive to work. This group averaged 9.2 months on AFDC in 1982.

Very little needs to be said about the 20 people who had their AFDC benefits increased under the new formula. They were low earners who benefited from the \$75 work expense disregard which Hennepin County used as a flat rate instead of actual expenses. The disregard has now expired. Half the people are now on AFDC and not working. One-quarter are now earning enough through work that they are off AFDC. This group averaged 9.9 months on AFDC in 1982.

Paths to Final Status

Figure 2 indicates how people arrived at their January 1983 status. Those who are off AFDC and working make up the largest group (67.2 percent). Most of its membership (81.0 percent) was terminated from AFDC one year earlier and

FIGURE 2

Paths to January 1983 AFDC/Work Status

<u>February 1982</u>		<u>January 1983</u>
AFDC grant <u>terminated</u>	295 (81.0%)	Off AFDC and working 364 (67.2%)
AFDC grant <u>reduced</u>	64 (17.6%)	
AFDC grant <u>increased</u>	5 (1.4%)	
AFDC grant <u>terminated</u>	17 (60.7%)	Off AFDC and not working 28 (5.2%)
AFDC grant <u>reduced</u>	9 (32.1%)	
AFDC grant <u>increased</u>	2 (7.1%)	
AFDC grant <u>terminated</u>	11 (17.2%)	On AFDC and working 64 (11.8%)
AFDC grant <u>reduced</u>	50 (78.1%)	
AFDC grant <u>increased</u>	3 (4.7%)	
AFDC grant <u>terminated</u>	23 (26.7%)	On AFDC and not working 86 (15.9%)
AFDC grant <u>reduced</u>	53 (61.6%)	
AFDC grant <u>increased</u>	10 (11.6%)	

remained off the program. One-sixth (17.6 percent) of its membership, however, was only reduced in benefits received earlier and then subsequently terminated. The reason for termination was increased earnings which may have been real or a result of the income disregard expiration. Even where earnings have actually increased, the disregard expiration may be the indirect cause of termination; people may be working more to make up for lost income. Respondents in this group in January 1982 spent only 2.1 months on AFDC in 1982, on the average.

Those off AFDC and not working are a very small group and will be largely ignored in the remainder of this paper. Many are between jobs. Others are now married. On the average, this group spent 4.2 months on AFDC in 1982.

Those on AFDC and working are the residual of the initial population. They now represent only 11.8 percent of the original respondents. Four-fifths (78.1 percent) had their AFDC benefits reduced one year earlier. By July, three-fourths (71.9 percent) of these people were already at the status in which they would finish the year. Another 17.2 percent were on AFDC and not working in July, but got a job by January. On the average, this group spent 11.1 months on AFDC in 1982.

Finally, 15.9 percent of the study population was on AFDC and not working in January 1983. Most (61.6 percent) had their grant reduced initially in February 1982 and another one-quarter (26.7 percent) were terminated. By July, two-thirds of this group were already on AFDC and not working. Almost one-third (29.0 percent) were still working, however, and almost half of them (11.6 percent) were earning enough to be off AFDC. This group may include people who do not think it is worthwhile to work, who cannot find a job, and those whose current personal circumstances may not allow them to work. This change in personal

circumstances during the year may be due to health problems within the household, birth of a child, or innumerable other circumstances. On the average, this group spent 10.4 months on AFDC in 1982.

LABOR FORCE PARTICIPATION

Recent changes in federal policy were expected to have a significant impact on the incentive of AFDC recipients to work. Those who were terminated were expected to either reduce (or eliminate) work in order to regain AFDC benefits or to increase their work in order to make up for lost income. Those who remained on AFDC were expected to reduce or eliminate work since the financial incentive to earn income would be reduced initially and further after the four month income disregard had expired.

Two-thirds of all respondents worked the whole year in 1982. Those off AFDC and working and those on AFDC and working averaged approximately 11 months of work in 1982 and have increased their weekly hours worked, hourly pay rate, and frequency of holding a second job. Those on AFDC and not working obviously had ended their labor force participation, but less than 10 percent of this group attributed their unemployment to their desire to avoid losing their AFDC grant.

One-fifth of the respondents were unemployed one year later. The majority of this unemployment appears to be due to the depressed economy rather than an effort to continue AFDC eligibility. One-third of the respondents did not have the same job one year later but the explicit most important reason given was that they were laid off or fired.

In summary, the increase in labor force participation far overshadows the minority of respondents who either quit work or reduced their work hours to remain eligible for welfare. The depressed economy appears to have affected the labor force participation of AFDC recipients who worked in January 1982 more than federal policy changes. Approximately three-fourths of the respondents are no

longer on AFDC and have increased their labor force participation. Those who remain on AFDC are split between those who have moderately increased their workforce role and those who are unemployed.

LABOR FORCE PARTICIPATION*

	<u>January 1982</u>	<u>July 1982</u>	<u>January 1983</u>
HOURS WORKED PER WEEK	29.0	28.2	27.4
o Those off AFDC and working increased their weekly hours worked from 35.1 to 36.8			
o Those on AFDC and working increased their weekly hours worked from 18.9 to 20.3			
o Those on AFDC and not working decreased their weekly hours worked from 13.0 to 0			
HOURLY PAY	\$5.34	\$5.49	\$5.91
o Those off AFDC and working increased their hourly pay from \$5.63 to \$6.20			
o Those on AFDC and working increased from \$4.14 to \$4.38			
o Those on AFDC and not working decreased from \$4.49 to 0			
DIDN'T HAVE A JOB**	8.9%	19.2%	20.5%
o 11.6% of those cut off AFDC in February 1982 didn't work in January 1983, while 33.5% of those with grants reduced in February 1982 didn't work in January 1983			
HAD A SECOND JOB	5.0%	5.9%	6.1%
o Those off AFDC and working increased from 5.5% to 7.9%			
o Those on AFDC and working increased from 3.1% to 6.3%			

*Unless otherwise noted, the data in the columns below as well as on the remaining tables indicate population means for the entire sample. The detailed notes under each variable present annual changes (1/82 to 1/83) for sub-groups of the sample.

**The unemployment rate in Hennepin County was 5% in January 1982 and 7.5% in January 1983 (Minnesota Department of Economic Security).

ECONOMIC STATUS*

The passage of OBRA was expected to have a major effect on the economic status of AFDC recipients. Critics of the federal cutbacks predicted that recipient net income would decline and that they would be forced to spend a larger portion of their disposable income on basic needs. The administration countered that a healthy private sector could substitute for direct government intervention to improve the economic status of low income Americans.

The monthly net income of respondents dropped from \$847 to \$781 during the 12 month study period. The decrease in net income was primarily due to the reductions in AFDC grants for respondents and is reflected in a lower proportion of net income generated from public sources. Average monthly net earnings from work remained constant for households in the study.

These findings vary significantly by AFDC/work status in January 1983. Those off AFDC and working had increased net earnings from work but replaced only one-half of their previous unearned income; those on AFDC and working remained fairly constant on all income measures; those on AFDC and not working almost balanced their loss of earnings by significantly increasing their unearned income. These groups also differed dramatically on their proportion of net income generated from public sources ranging from 9 percent for those off

*The following definitions are used in text and tables.

Net Income: Net earnings from work plus all public subsidies (including AFDC) plus income from other sources (including financial assistance from friends/relatives, child support, interest, rental income, etc.). Net earnings from work are equal to gross earnings minus federal and state taxes, Social Security, and all other deductions for health insurance, life insurance, union dues, loans, and other items.

Unearned Income: Net income minus net earnings from work.

AFDC and working to 95 percent for those on AFDC and not working. Thus, those off AFDC and working are virtually independent of public subsidies for support while those on AFDC and not working are totally dependent on public subsidies for their survival.

Monthly net expenses for basic needs increased for housing costs, groceries and out-of-pocket medical expenses (due to limited health insurance coverage). Day care expenses decreased because of the increased number of unemployed who no longer used day care services as well as changes in the amount and type of day care providers used by those who were working. The percentage of net income used for basic needs increased for all groups -- those off AFDC and working from 72 to 85 percent, those on AFDC and working from 76 to 84 percent, and those on AFDC and not working from 89 to 108 percent. This latter figure indicates that the on AFDC and not working group spent more on basic needs (i.e., housing, utilities, food, day care, medical expenses) than their monthly income in January 1983 reflecting higher housing, energy and food expenses, as well as reduced incomes. One can understand how financial crises become commonplace for families that spend three-fourths of their income on housing and utilities. This apparent instability also reflects the impact of a small number of outliers on the average characteristics of this group.

Thus, the economic status of respondents has been reduced over time, particularly for those off AFDC and working and those on AFDC and not working. Furthermore, basic needs consumed an increased proportion of net income for all groups.

ECONOMIC STATUS

MONTHLY INCOME	January 1982		July 1982		January 1983	
	<u>Mean</u>	<u>S.D.</u>	<u>Mean</u>	<u>S.D.</u>	<u>Mean</u>	<u>S.D.</u>
<u>Gross Income</u>	\$1002	\$331	\$945	\$388	\$947	\$367
<u>Net Income</u>	847	253	783	300	781	268

- o Those off AFDC and working decreased net income from \$889 to \$834
- o Those on AFDC and working increased net income from \$765 to \$780
- o Those on AFDC and not working decreased net income from \$753 to \$647

<u>Gross Earnings from Work*</u>	\$643	\$369	\$650	\$463	\$650	\$469
<u>Net Earnings from Work</u>	491	265	491	335	488	337

- o Those off AFDC and working increased net earnings from \$589 to \$679
- o Those on AFDC and working had constant net earnings of \$274
- o Those on AFDC and not working decreased net earnings from \$256 to 0

<u>Net Earnings from Work of Other Household Members on AFDC</u>	\$12	\$27	\$18
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<u>Unearned Income</u>	\$344	\$265	\$275
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- o Those off AFDC and working decreased unearned income from \$285 to \$139
- o Those on AFDC and working increased unearned income from \$478 to \$491
- o Those on AFDC and not working increased unearned income from \$490 to \$639

*Annual gross earnings in 1982 averaged \$8168 with a standard deviation of \$5022. Those off AFDC and working had average annual gross earnings of \$10,666, those on AFDC and working \$3726, and those on AFDC and not working (1/83) had 1982 gross earnings of \$2030.

	<u>January 1982</u>	<u>July 1982</u>	<u>January 1983</u>
<u>AFDC Grant</u>	\$255	\$101	\$100
o Those off AFDC and working had their grants decreased from \$223 to 0			
o Those on AFDC and working had their grants decreased from \$351 to \$293			
o Those on AFDC and not working had their grants increased from \$328 to \$380			
<u>Other Public Subsidies (e.g., food stamps, rent subsidy, fuel assistance, etc.)</u>	\$75	\$108	\$116
o Those off AFDC and working increased from \$52 to \$73			
o Those on AFDC and working increased from \$97 to \$157			
o Those on AFDC and not working increased from \$147 to \$229			
<u>Percent Net Income from Public Sources</u>	41%	30.5%	31.2%
o Those off AFDC and working decreased from 31% to 9%			
o Those on AFDC and working stayed constant at 59%			
o Those on AFDC and not working increased from 68% to 95%			

MONTHLY EXPENSES	January <u>1982</u>	July <u>1982</u>	January <u>1983</u>
<u>Housing</u>			
Homeowners - mortgage	\$254	\$263	\$288
Homeowners - utilities	130	83	153
Homeowners - total	<u>\$384</u>	<u>\$346</u>	<u>\$441</u>
or			
Renters - rent*	\$290	\$312	\$325
Renters - utilities	58	35	61
Renters - total	<u>\$348</u>	<u>\$347</u>	<u>\$386</u>
<ul style="list-style-type: none"> o For those off AFDC and working, total homeowner expenses increased from \$379 to \$436 and total renter expenses increased from \$346 to \$383 o For those on AFDC and working, total homeowner expenses increased from \$385 to \$422 and total renter expenses increased from \$313 to \$386 o For those on AFDC and not working, total homeowner expenses increased from \$435 to \$456 and total renter expenses increased from \$383 to \$398 			
<u>Groceries</u>	\$158	\$168	\$175
<ul style="list-style-type: none"> o Grocery costs did not significantly vary by AFDC/work status 			
<u>Day Care</u>	\$91	\$73	\$52
<ul style="list-style-type: none"> o Those off AFDC and working decreased day care costs from \$106 to \$59 o Those on AFDC and working decreased from \$58 to \$43 o Those not working decreased expenditures from \$64 to \$0 			
<u>Medical Expenses</u>	\$10	\$29	\$39
<ul style="list-style-type: none"> o Those off AFDC and working increased out-of-pocket medical expenses from \$11 to \$47 o Those on AFDC had a limited amount of medical expenses out-of-pocket 			

*The rent figures reflect the market value of a rental unit and include public subsidies and other financial assistance for rent received by approximately one-fourth of the survey respondents.

USE OF NET INCOME TO MEET BASIC NEEDS

	<u>January 1982</u>	<u>July*</u> <u>1982</u>	<u>January*</u> <u>1983</u>
<u>Percent Net Income for Housing</u> (including utilities)	45.1%	55.4%	57.2%
o All groups increased their percent net income for housing -- off AFDC and working from 42% to 50%, on AFDC and working from 46% to 52%, and on AFDC and not working from 58% to 75%			
<u>Percent Net Income for Food</u>	20.0%	25.0%	24.8%
o Increase of 3% to 4% across those working and 8% increase for those on AFDC and not working			
<u>Percent Net Income for Day Care</u>	9.2%	8.4%	5.4%
o Those off AFDC and working decreased from 10.2% to 6.9%			
o Those on AFDC and working decreased from 8.0% to 5.7%			
o Those on AFDC and not working decreased from 6.6% to 0%			
<u>Percent Net Income for Out-of-Pocket Medical Expenses</u>	1.2%	5.2%	5.5%
o Those off AFDC and working increased from 1.3% to 6%			
o Those on AFDC and working increased from .9% to 1.3%			
o Those on AFDC and not working increased from 1.2% to 2.7%			

*These figures include the higher proportion of net income used to meet basic needs by those off AFDC and not working. A small number of outliers can have substantial effects on the stability of these percentages.

HEALTH CARE

When on AFDC, recipients and their children had health insurance coverage provided by Medicaid, though those employed often had insurance through their workplace as well. Eligibility for Medicaid ends with termination from AFDC making health care potentially more costly and less accessible to the individual.* Those lacking adequate health insurance coverage are expected to delay seeing physicians and dentists except for acute conditions.

The vast majority of families continued to have a usual source of health care, with almost two-thirds using a private physician. Approximately one-third of the respondents and one-fourth of the children had private health insurance coverage (in addition to Medicaid) prior to the cutbacks. Families have increased their use of HMOs and community clinics and decreased their use of private physicians as a usual source of care, have more frequently delayed seeing physicians and dentists because of problems with payment, and reported paying 44 percent of their health care bills out-of-pocket.

Eighteen percent of the respondents and 28 percent of their children had no health insurance one year after the cutbacks; rates considerably higher than the 10 percent of the population that are uninsured in the larger SMSAs in the country (National Health Care Expenditure Study, Data Preview 1, National Center for Health Services Research, 1982). Those off AFDC and without health insurance coverage worked less, had lower wage rates and lower net income than their counterparts with health insurance coverage. Those lacking health insurance were less likely to have a usual source of care, used community clinics and hospital emergency rooms more often and delayed seeing physicians because of cost significantly more than those with insurance.

*A Minnesota Federal Court decision partially ameliorated this problem by ruling that increased income could not lead to immediate termination of Medicaid coverage. For those terminated from AFDC because of increased earnings, Medicaid eligibility was extended four months.

Those off AFDC and working made the largest changes. One-fourth of that group and more than one-third of their children did not have health insurance coverage in January 1983. Only 1 percent of this group bought private health insurance directly, presumably due to cost. The current cost of a typical private health insurance policy for a 30 year old woman with two children is approximately \$1700 per year in the Twin Cities area.* Those that had private health insurance through work had considerably weaker coverage than those still on Medicaid. They paid over half of their health care bills out-of-pocket, and delayed seeing physicians and dentists significantly more often than those who remained on AFDC. Many have already been severely impacted by no longer being eligible for Medicaid. The ability to obtain health care has become a major problem for those no longer on AFDC.

*This figure was comparable for policies offered by a commercial insurance company (i.e., Travelers) and an HMO (i.e., Group Health).

HEALTH CARE

HAD A USUAL SOURCE OF HEALTH CARE

	<u>January 1982</u>	<u>July 1982</u>	<u>January 1983</u>
Respondents	91.5%	90.5%	91.0%
Children	97.8%	94.6%	94.6%

- o Those who continued to receive AFDC grants were more likely to have a usual source of care in January 1983 (95% vs. 89%). Their children were also more likely to have a usual source of care (98% vs. 93%).

TYPE OF USUAL SOURCE OF HEALTH CARE

	<u>January 1982</u>		<u>July 1982</u>		<u>January 1983</u>	
	<u>Respondent</u>	<u>Children</u>	<u>Respondent</u>	<u>Children</u>	<u>Respondent</u>	<u>Children</u>
Doctor's Office	71.9%	71.5%	64.9%	62.0%	62.0%	60.7%
Community Clinic	12.1%	10.8%	11.9%	13.5%	15.7%	15.7%
HMO	8.3%	6.2%	12.9%	12.1%	13.2%	12.0%
Hosp. Outpatient Dept.	6.1%	10.2%	7.6%	9.6%	5.3%	7.5%
Hosp. Emergency Room	1.2%	1.3%	2.2%	2.5%	3.7%	3.3%
Other	.4%	--	.2%	.2%	.2%	.6%

- o Those off AFDC and working used HMO's more often as the usual source of care for themselves (18%) and their children (16%) in January 1983. They also used private physicians less often than those on AFDC (59.1% vs. 67.5%), as did their children (58.8% vs. 64.3%).
- o Those still on AFDC used community clinics more often for themselves (17%) and their children (16.4%).

REASON FOR DELAY IN SEEING HEALTH PROVIDERS

	<u>8/81-1/82</u>	<u>2/82-7/82</u>	<u>8/82-1/83</u>
Didn't have enough money to pay doctor	9.8%	30.6%	31.6%
Didn't have enough money to pay dentist	12.5%	37.5%	41.1%

- o Those off AFDC and working had greater delays in seeing a physician (40% vs. 11%) and a dentist (54% vs. 14%) due to cost than all other groups

HEALTH INSURANCE COVERAGE

TYPE OF COVERAGE	January 1982		July 1982		January 1983	
	Respondent	Children	Respondent	Children	Respondent	Children
Medicaid	63.5%	76.9%	35.8%	36.4%	31.7%	31.8%
Medicaid & Private	36.5%	23.1%	4.5%	3.9%	1.1%	4.0%
Private	--	--	45.1%	34.4%	49.6%	36.8%
None	--	--	14.8%	25.3%	17.6%	27.5%

- o 23% off those off AFDC and working had no health insurance coverage. The remainder had private health insurance coverage or had Medicaid. Only 1% of this group bought private health insurance directly.
- o 37% of the children in this group had no health insurance coverage.

SERVICES COVERED

	Children			January 1983		
	All(100%)	Some	None(0%)	All(100%)	Some	None(0%)
Hospital Stays	67.1%	31.8%	1.1%	60.1%	39.4%	.5%
Physician Visits	66.6%	28.0%	5.4%	58.1%	33.3%	8.7%
Dental Care	44.9%	31.9%	23.1%	37.9%	33.8%	28.3%
Drugs	40.9%	43.6%	15.5%	34.3%	46.1%	19.6%

- o Those off AFDC and working had considerably weaker coverage. For example, only 43% had complete coverage for hospital stays, 40% for physician visits, 13% for dental care, and 10% for drugs.

PAYMENT SOURCE FOR HEALTH CARE BILLS

	<u>11/81 - 1/82</u>	<u>5/82 - 7/82</u>	<u>11/82 - 1/83</u>
Medicaid	85.7%	32.5%	29.3%
Private	11.4%	25.6%	26.6%
Self/Other	1.9%	41.9%	43.5%

- o Those off AFDC and working paid 54% of their health care bills out-of-pocket.

SIGNIFICANT DIFFERENCES OF RESPONDENTS WITH AND WITHOUT HEALTH INSURANCE, 1/83*

	Off AFDC, Had Health Insurance (n=297)	Off AFDC, No Health Insurance (n=93)	Significance Level
Average Gross Earnings, 1982	\$10,759	\$8,551	.001
Number Months Worked, 1982	11.0	10.3	.02
Average Net Income, 1/83	\$1,016	\$888	.03
Average Number Hours Worked Per Week, 1/83	35.7	30.5	.001
Average Hourly Pay Rate, 1/83	\$6.38	\$5.62	.001
Unemployment Rate, 1/83	5.1%	12.9%	.05
Had Usual Source of Care, 1/83	92.6%	80.6%	.001
Type of Usual Source of Care, 1/83			
- Community Clinic	12.8%	24%	.001
- Hospital Emergency Room	1.8%	8%	.001
- HMO	20.8%	0%	.001
Delayed Seeing Physician Because Didn't Have Enough Money to Pay Bill, 8/82-1/83	35.7%	54.8%	.01
Self Perception of Whether Family Health Needs Are Being Met, 1/83 (scale of 1 to 10 with 1 being low)	6.6	4.7	.001
		<u>2/82 - 7/82</u>	<u>2/82 - 1/83</u>
MADE CHANGES IN HEALTH CARE DUE TO CHANGE IN AFDC STATUS		36.9%	39.5%

- o For those off AFDC and working: 48% made no changes, 27% reduced or stopped their use of physicians/dentists, 13% got health insurance coverage through work, 6% switched to less expensive health providers, 6% made other changes.

*87% of respondents without health insurance also had no health insurance coverage for their children. Similar findings resulted from comparisons of children with and without health insurance. In addition, those children without health insurance also used hospital outpatient facilities more frequently as a usual source of care (10.1% vs. 5.2%) and delayed seeing dentists more often because of cost (61% vs. 47.2%) than those children with health insurance coverage.

DAY CARE

Seven of every eight families have children aged 12 or younger. Most of these children will need day care when their parents are working. For those on AFDC, day care expenses are reimbursed, but now with an upper limit of \$160 per month per child. For those off AFDC, there is no obvious choice of how to provide this care. People can try to pay out of their own pockets, look for less expensive providers, provide care through themselves or other members of their household, or seek other forms of assistance. Hennepin County, for example, using its own resources and federal Title XX funds, will provide day care vouchers to families whose incomes are below 60 percent of the state median.

The tables below describe what changes people had made over the year.* People were asked how day care was provided while they were working. People out of work no longer use such day care lowering all averages. Those working had very slight decreases in their use of day care, but found many other ways to lower their monthly dollar outlay. These ways included: a 47 percent increase in their use of Hennepin County/Title XX funds from 1/82 to 1/83, switching types of day care, leaving the child alone for part of the time, or switching to less expensive day care centers. These changes had not been made without a price being paid. More than twice as many people were dissatisfied with the day care their children were getting one year later. There was also a one-third increase in the number of children needing, but not getting, day care.

*The July figures may not be comparable with January, since children were on summer vacation from school.

DAY CARE OF FAMILIES WITH CHILDREN UNDER 13 YEARS

	<u>January 1982</u>	<u>July 1982</u>	<u>January 1983</u>
<u>FAMILY MONTHLY OUT-OF-POCKET EXPENDITURE FOR DAY CARE</u>	\$91	\$73	\$52
<ul style="list-style-type: none"> o For those off AFDC and working, expenditures dropped from \$106 in January 1982 to \$69 in January 1983 o Those on AFDC and working cut expenditures from \$58 to \$43 o For those not working, expenditures fell from \$64 to nothing 			
<u>HOURS OF DAY CARE PER WEEK</u>	29.9	40.0	23.8
<ul style="list-style-type: none"> o July peak is due to school summer vacation o Comparing January 1982 with January 1983, those off AFDC and working remained fairly constant (32.9 and 31.0 hours) o Those on AFDC and working decreased from 25.1 to 18.2 hours o Those on AFDC and not working decreased from 23.8 hours to none 			
<u>PERCENT RECEIVING FINANCIAL SUPPORT FOR DAY CARE</u>	10.4%	12.1%	12.1%
<ul style="list-style-type: none"> o Highest in January 1983 (15.3%) for those off AFDC and working o Virtually all support came from Hennepin County or Title XX 			
<u>ANY CHILD GETTING UNSATISFACTORY DAY CARE</u>	4.8%	8.3%	10.6%
<ul style="list-style-type: none"> o For those off AFDC and working, the rate has more than doubled in a year, from 5.7% to 13.1% o For those on AFDC and working, the rate increased from 0 to 4.9% 			

	<u>January 1982</u>	<u>July 1982</u>	<u>January 1983</u>
<u>ANY CHILD NEEDING DAY CARE, BUT NOT GETTING IT</u>	6.5%	8.3%	8.6%

- o For those off AFDC and working, the rate has increased from 6.6% to 10.4% in a year
- o For those on AFDC and working, the rate has increased from 1.6% to 6.6%

SOURCES OF OUTSIDE DAY CARE FOR CHILDREN

Day care center	27.0	26.9	26.8
Relative	12.1	15.3	10.6
Friend/Neighbor	17.4	12.9	13.8
Babysitter	11.8	11.2	12.1
No one	14.6	12.5	20.9
Another child in the house	8.5	8.6	5.7
Other or mix of the above sources	8.5	12.7	10.0

- o Figures are computed for all children of day care age (under age 13) receiving day care from someone other than the respondent or spouse
- o The children of those off AFDC and working have shifted from relatives (down from 13.3% to 10.7%) and friends and neighbors (down from 14.3% to 11.7%) to no one (up from 15.6% to 23.4%) during the year
- o The children of those on AFDC and working used day care centers only 20.0% in January 1983 about the same as one year earlier. They stayed with friends and neighbors about twice as much as one year earlier (up from 15.5% to 28.6%)

	<u>2/82 - 7/82</u>	<u>2/82 - 1/83</u>
<u>MADE CHANGES IN DAY CARE DUE TO CHANGES IN AFDC STATUS</u>	16.4%	20.1%

- o For those changing during the year, the biggest changes were cutting back on outside day care (25.7%), using a friend or relative (19.3%), leaving the child alone (17.4%), shifting to a less expensive day care center (16.5%), or getting financial assistance (10.1%).
- o Those off AFDC and working made the most changes (23.1%)

HOUSEHOLD COMPOSITION

While simple indicators such as size of household and number of children remained stable over the year, household composition displayed transition for many families. While most households remain single parent with child(ren), the percentage in this category fell by 10 percent over the year and now represents just over two-thirds of all households. Most of the change can be attributed to the parent getting married and the remainder to adding roommates. A different indicator of transition, tracking individuals in and out of the household, increases the sense of mobility in this population. Eleven percent of the people encountered in January 1983 had not been in the household on one or both of the previous two interviews. They were evenly matched by the number of people who had been in these households during one or both earlier surveys, but were not present in January 1983. Thus, the superficial stability of household size masks a good deal of transition and mobility within these households.

	<u>January 1982</u>	<u>July 1982</u>	<u>January 1983</u>
<u>NUMBER OF HOUSEHOLD MEMBERS</u>	3.2	3.2	3.2
<u>NUMBER OF CHILDREN - TOTAL</u>	1.9	1.9	1.9
Age 0-5 years	.6	.6	.5
Age 6-12 years	.8	.8	.8
Age 13-18 years	.5	.5	.5

- o Those on AFDC had more children (2.3) than those not on AFDC (1.4). They also had more young children age 0-5 years (0.9) than those off AFDC (0.6).

<u>HOUSEHOLD TYPE</u>	<u>January 1982</u>	<u>July 1982</u>	<u>January 1983</u>
Living alone with children	79.5%	76.0%	69.7%
Living with spouse	3.1%	5.9%	9.6%
Living with parents or relatives (and not spouse)	9.0%	9.4%	9.4%
Living with others (unrelated only)	8.3%	8.7%	11.3%

- o Those off AFDC and working decreased in the proportion living alone with their children from 79.7% to 69.2% over the course of the year. This was matched with a significant increase in those living with a spouse (from 2.5% to 9.3%) or unrelated individual (from 9.3% to 12.4%)
- o Those on AFDC and working had the lowest proportion living alone with their children (70.3% in January 1983) and the highest proportion living with parents or relatives (15.6%). This group was quite stable over the one year period.
- o Those on AFDC and not working had a small decline (5.9%) in the proportion living alone with their children to 76.7%. This was matched with a small increase in those living with spouse (from 3.5% to 5.8%) or unrelated individual (from 5.8% to 9.3%)
- o Those off AFDC and not working have, to a considerable degree, gained self-sufficiency through marriage. The proportion living alone with their children dropped from 82.1% in January 1982 to 53.6% one year later. During the same period, those living with a spouse grew from 10.7% to 35.7%

PERSON MOVEMENT

	<u>January 1983</u>
January 1983 persons not in household all year	11.0%
Persons in household January 1982 or July 1982 and not in household January 1983	9.9%

HOUSING

The typical family continues to rent a house or apartment with an average of five rooms. Very few families have moved in with relatives and are not paying rent. The rate of movement is very stable with about 17 percent of the households making at least one move during a six month period. The major reason for moving has increasingly become cheaper rent, replacing the convenience factors of more space and closer to work. A reason of growing importance has become changing household composition which is equally divided between union (marriage) and separation (from husband or roommate). One household in seven attributed a housing change during the year to the change in their AFDC status as they tried to make up for lost income.

<u>TYPE OF HOUSING</u>	<u>January 1982</u>	<u>July 1982</u>	<u>January 1983</u>
House	36.5%	37.6%	39.7%
Apartment	36.7%	37.3%	35.6%
Duplex	17.3%	16.4%	15.1%
Townhouse or Condominium	8.3%	7.2%	8.5%
Mobile Home	1.1%	1.5%	1.1%

RENTAL/OWNERSHIP STATUS

Rent	79.7%	78.2%	76.0%
Own	19.7%	20.1%	22.1%
Live with relatives - no cost	.6%	1.7%	1.8%

o Biggest increase in ownership was for those off AFDC and not working from 25.0% in January 1982 to 35.7% in January 1983

o About 4.5% increase in ownership for both those off AFDC and working (to 22.3%) and those on AFDC and not working (to 15.1%)

<u>AVERAGE NUMBER OF ROOMS</u> (excluding bathrooms)	4.9	5.0	5.0
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<u>NUMBER OF MOVES</u>	<u>8/81-1/82</u>	<u>2/82-7/82</u>	<u>8/82-1/83</u>
None	83.2%	86.2%	83.2%
One	15.3%	12.4%	15.3%
More than one	1.5%	1.5%	1.5%

- o Those on AFDC and not working have moved the most. Over the year they averaged 0.48 moves per family compared to 0.30 for those on AFDC and working and 0.37 for those off AFDC and working.
- o Twenty-three families (4.2%) moved out of the county including 14 families (2.6%) who have left the state

<u>MAJOR REASON FOR LAST MOVE</u>	<u>8/81-1/82</u>	<u>2/82-7/82</u>	<u>8/82-1/83</u>
Cheaper to live there	29.4%	41.3%	42.7%
More space	22.8%	6.7%	11.7%
Overall quality better	10.6%	10.7%	14.6%
Closer to work	10.0%	4.0%	6.8%
Closer to friends/relatives	4.4%	0	2.9%
Change in household composition	3.9%	13.3%	11.7%
Evicted	0	4.0%	2.9%
Other reason	18.9%	20.0%	6.8%

- o Large increase in "cheaper to live there" was shared equally among groups
- o Large increase in "change in household composition" was largely due to those off AFDC getting married

<u>MADE HOUSING CHANGE DUE TO CHANGE IN AFDC STATUS</u>	<u>2/82-7/82</u>	<u>2/82-1/83</u>
Moved to cheaper rent	3.3%	6.1%
Moved to a relative's home	1.7%	3.3%
Got a roommate	2.2%	3.0%
Other	1.7%	1.8%

- o Those off AFDC and workind had a higher percentage of each of these types of change. One-sixth (16.5%) of that group reported some change

FINANCIAL EMERGENCIES

There have been small increases in the incidence of financial emergencies for those affected by the OBRA cutbacks. Twenty-five to 30 percent of respondents had a threatened or actual utility shutoff during any six month period since the cutbacks and slightly less than half of the respondents had problems with buying enough food.

Most families didn't get help from fuel assistance programs, emergency assistance programs, or emergency food shelves/food shelters. For example, only 18 percent of respondents got help from fuel assistance programs during 1982 with the majority of these families on AFDC. Those off AFDC and working had proportionately more problems with day care costs and fewer problems with being able to buy enough food than families still on AFDC. An increasing number of respondents who have stopped day care due to cost are now leaving their children alone without any supervised day care. In summary, financial emergencies remain a problem for many respondents with utility shutoffs, day care costs, and food costs the biggest problems.

FINANCIAL EMERGENCIES

<u>UTILITY SHUTOFFS</u>	<u>8/81-1/82</u>	<u>2/82-7/82</u>	<u>8/82-1/83</u>
Threatened	15.7%	21.6%	20.7%
Shutoff	5.0%	7.9%	5.7%

- o Those on AFDC and not working had most problems with utilities (24.4% threatened, 10.5% shutoffs)
- o Majority responded by working out payment plan
- o 18% got help from fuel assistance programs at some point during 1982. This varied widely by work/grant status: 35.9% for those on AFDC and working, 27.9% for those on AFDC and not working, and 11.5% for those off AFDC and working.

REPOSSESSIONS

Threatened	1.5%	2.0%	2.8%
Repossessed	.4%	--	.2%

EVICITION/FORECLOSURE

Threatened	4.6%	5.4%	7.0%
Eviction/foreclosure	1.1%	1.7%	0.6%

- o Those off AFDC and working had threatened eviction/foreclosure less often than those still on AFDC (6% vs. 9%)

<u>STOPPED DAY CARE DUE TO COST</u>	7.7%	9.2%	7.4%
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- o Of those who stopped day care, 36% responded by using relatives/friends for day care and 44% left their children alone
- o Those off AFDC and working stopped day care due to cost more often than those still on AFDC (8.8% vs. 4.7%)

	<u>8/81-1/82</u>	<u>2/82-7/82</u>	<u>8/82-1/83</u>
<u>COULD NOT BUY SUFFICIENT FOOD</u>	47.8%	45.9%	43.7%

- o Almost one-half responded in January 1983 by eating less or cheaper food, 22% borrowed money/food from friends/relatives, 15% used emergency food shelves/food shelters, and 9% ate meals at friends/relatives
- o Those still on AFDC had greater problems with being able to buy enough food for their families than those off AFDC and working (52% vs. 40%)

PERCEPTIONS OF LIFE

Observable facts do not provide a complete picture of the lives of the respondents. Attitudes and perceptions are often equally important. At the end of the interview, respondents were asked to rate their feelings about 14 different components of their lives. Finally they were asked to identify the most important problem facing their families and what they planned to do about it. The ratings were based on a 10-point scale with 10 meaning best, 1 meaning worst, and 5 meaning about average. Below are the ratings for July 1982 and January 1983; both periods after the original cutbacks. Data on January 1982 perceptions could not be accurately collected since the first survey was completed in late April 1982. Mean ratings are reported which masks variation; standard deviations ranged from 2.2 to 3.0.

Most of the indicators showed stability or a slight increase, perhaps indicating an adjustment to their new situation. Respondents felt their overall standard of living was about average. The same is true of their feelings about their children's future job opportunities. They rated different aspects of their jobs and chances of making it on their own slightly above average. Quite high ratings were given to various aspects of their housing, health care and day care needs being met, and their children's school. However, quite low ratings were given to financial issues: income, financial security, and changes of getting ahead.

Only on the questions concerning home and school was there no difference among groups. Those on AFDC felt better about their health care needs being met. Those working, whether on AFDC or not, felt better about their financial security and chances of getting ahead, though ratings were well below average. Those off AFDC and not working felt best about nearly everything else:

different aspects of their jobs, household income, and chances for making it on their own. The notable exception was day care where those working respondents still on AFDC and receiving subsidies rated their day care services much higher.

Over half (53.4 percent) of the respondents identified some type of financial problem as the most important problem facing their family. Over one-quarter (26.2 percent) were having financial difficulty with basic needs with well over one-third of this group indicating the cost of health care services as their major problem. Over half (56.9 percent) of those with a problem could identify some specific plan of action to deal with it, but despite strong efforts to pin them down, more than 43 percent had no idea what to do or were hoping the problem would solve itself in time.

PERCEPTIONS OF LIFE

	<u>Mean Rating</u>	
	<u>July 1982</u>	<u>January 1983</u>
OVERALL STANDARD OF LIVING	4.8	5.2
o Those off AFDC and working increased from 4.9 to 5.3		
o Lowest January rating for those on AFDC and not working (4.5)		
JOB-PAY, BENEFITS, SECURITY	5.3	5.5
o Those off AFDC and working remained unchanged at 5.7, highest of the groups		
JOB-HOURS AND AMOUNT OF WORK	5.9	5.9
o Stable at 6.2 for those off AFDC and working; highest for all groups		
HOME-AMOUNT OF SPACE	6.5	6.5
o No difference among groups		
HOME-CONVENIENCE OF LOCATION	7.7	7.8
o No difference among groups		
HOME-CONDITION OF BUILDING	6.7	6.8
o No difference among groups		
NEEDS MET-FAMILY HEALTH CARE	6.9	6.8
o Those off AFDC were significantly lower (6.1) than those on AFDC (8.6)		
NEEDS MET-CHILDREN'S DAY CARE	7.6	7.6
o Those off AFDC and working remained at about 7.5		
o Those on AFDC and working remained at 8.4		
CHILDREN'S SCHOOL	7.4	7.7
o No difference among groups		

	<u>Mean Rating</u>	
	<u>July 1982</u>	<u>January 1983</u>
CHILDREN'S FUTURE JOB OPPORTUNITIES	4.9	5.0
o Those not working were lower in January at 4.6		
HOUSEHOLD INCOME	3.9	4.2
o Highest for those off AFDC and working; increased from 4.1 to 4.4		
o Lowest in January for those on AFDC and not working (3.3)		
FINANCIAL SECURITY	3.3	3.7
o Higher for those working; increased from 3.5 to 3.9		
o Lower for those not working; constant at about 2.7		
CHANCES FOR GETTING AHEAD	4.4	4.6
o Higher in January for those working (4.8)		
o Lower in January for those not working (4.2)		
CHANCES FOR MAKING IT ON YOUR OWN	5.3	5.7
o Increased for all groups		
o Significantly lower in both periods for those on AFDC and not working: 4.2 and 4.7 respectively		

MOST IMPORTANT PROBLEM FACING FAMILY

January 1983

Money for necessities including medical, food, shelter, clothing	26.2%
Other financial problems	27.2%
Job issues	13.5%
Personal problems (e.g., not enough time with children, health)	10.5
Other	15.7%
None	6.9%

- o For those off AFDC and working the major problem was more financial (61.2% combined) and less job oriented (8.1%) than for the group as a whole.
- o For those on AFDC and working the major problems were about the same as for the group as a whole.
- o For those on AFDC and not working the major problems were less directly financial (only 32.9% combined) and more wanting a job (29.4%). Personal problems were also mentioned more often (15.3%).
- o Health needs were most important for 13.5% of the respondents. The problems of needing health insurance (4.9%), unpaid medical bills (2.1%), and skipping needed medical visits (3.4%) were almost exclusively noted by those off AFDC and working. Personal health problems were mentioned by 3.2% of respondents.

HOW DO YOU PLAN TO HANDLE THIS PROBLEM?

Improve job situation	23.7%
Improve self (school, etc.)	11.3%
Other action	21.9%
Make due/hope	30.8%
Don't know	12.3%

- o Those off AFDC and working are most likely to hope things will work out (37.3%)
- o Those on AFDC and working are more likely to look to improving their job situation (31.3%)
- o Those on AFDC and not working are more likely to take any action: get a job (30.3%), improve self (25.5%), or other action (22.4%)

CONCLUSIONS

Analysis of the three surveys presents a good picture of how working AFDC recipients in Hennepin County have responded to the federal cutbacks. One of three actions could have been taken in regard to working AFDC recipients in Hennepin County in February 1982: termination, grant reduction, or grant increase. Those with the largest earnings were terminated and largely continued to support themselves through work. Those with lower earnings had their AFDC grants reduced. Less than 30 percent of this group was still on AFDC and working. Slightly more than one-third had subsequently gone on to support themselves, but the last one-third were out of work and supported solely by AFDC and other public subsidies. Those with the lowest earnings actually received some increase in their AFDC grant.

By one year after the cutbacks, respondents had sorted themselves into three main groups: working and off AFDC, working and on AFDC, and not working and on AFDC. Each group could be expected to behave somewhat differently in reaction to their new circumstances. Those who were off AFDC and working had the highest income of the three major groups; their average annual gross earnings from work in 1982 were \$10,666, an amount only slightly higher than the federal government's official poverty line. They had lost the most, but replaced about half that income through working more hours, increasing their hourly pay rate, and taking second jobs. This group's biggest potential problems were with health care. One-fourth of those off AFDC and working and almost 40 percent of their children were without health coverage. As a consequence, this group was paying more than half its medical expenses out-of-pocket and delaying trips to the doctor and dentist. Day care was also a problem for this group as documented by their increased dissatisfaction with existing services and an

increased proportion of their children needing, but not receiving, day care. Of particular concern were the 25 percent of families off AFDC and working who had to leave their children alone without any supervised day care.

Those still on AFDC and working in January 1983 appear to have been affected the least by the federal cutbacks. Their earned and unearned income remained relatively constant and their health care needs were still being met by Medicaid.

Those on AFDC and not working had the lowest net income but their health care needs were covered by Medicaid. Most had lost their jobs rather than quitting them. They have become totally dependent on public subsidies for their survival.

This study reveals that substantial numbers of working recipients who were dropped from AFDC have maintained their independence from welfare by increasing their labor force participation. They are tenaciously striving not to become chronically dependent on welfare. However, more than half of those remaining on AFDC in January 1983 were not working.

OBRA appears to be dividing the working poor into two subgroups -- those striving to remain independent from welfare and those totally dependent on welfare. The AFDC program is no longer being used to help the working poor make the transition from welfare dependence to economic independence. Those currently able to avoid chronic welfare dependence may be the last group of any size to actually work their way off AFDC.

Basic needs are consuming an alarmingly high proportion of net income for the working poor. Many of the working poor live delicately balanced lives constantly hoping to postpone the next financial crisis that could wreak havoc

for their families. The current economy has not proved to be an adequate substitute for direct governmental intervention in helping the "corridor poor" - low wage earners no longer eligible for welfare, Medicaid, food stamps, and subsidized housing - to relieve their financial plight. Federal policymakers need to reconsider some of the recent changes initiated in the AFDC program. Of particular concern are the extremely strict limits on work expenses (\$75 including taxes) which are exceeded by virtually all recipients, as well as the four month limit for the work incentive disregard.

The findings indicate that the inability to obtain adequate health care looms as a large problem for those terminated from AFDC. Many have already suffered by no longer being eligible for Medicaid. The uninsured were less likely to have a usual source of care than those with health insurance. When they had a usual source of care, they were more likely to use a hospital emergency room, hospital outpatient department or community clinic than the insured. Their families have been less willing and able to see doctors and dentists when necessary, which could eventually lead to debilitating problems. Of particular concern is the lack of health insurance coverage for the children in this group.

The working poor cannot afford to buy private health insurance directly. A typical policy would consume almost 20 percent of the annual net income of those off AFDC and working. Federal and state policymakers need to consider alternative strategies for providing health care coverage for the low income employed. Alternatives include continuing Medicaid coverage for working AFDC recipients who were recently terminated and have no health insurance, developing an income related catastrophic insurance program, encouraging (or mandating)

employers to offer at least minimal health insurance benefits to low wage employees, or establishing risk pools to provide for the uninsured and their dependents.

Day care is another important area of consideration for federal and county governments. Those working tended to have older children, but are showing growing signs of unrest with their day care arrangements. Those still on AFDC may be stuck there by their larger number of small children and lack of day care. Federal and local investment in day care could save many tax dollars as these families retain or gain their independence.

In sum, very few working AFDC recipients quit work to remain on welfare during the first year after the implementation of OBRA. Some may view this as encouraging evidence for a conservative welfare cutting agenda. Present welfare policy changes, however, can only be viewed as helpful if former recipients are not left in a precarious situation with respect to meeting their basic needs, especially health care and day care.