

AN ANALYSIS OF EMPLOYMENT DYNAMICS

FOR FORMER TANF RECIPIENTS
in Rural Pennsylvania

THE CENTER FOR



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An Analysis of Employment Dynamics for Former TANF Recipients in Rural Pennsylvania

A report by

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Introduction

The welfare system in Pennsylvania was transformed in 1996 with the passage of the federal Personal Responsibility and Work Opportunity Reconciliation Act, and in March 1997, with Pennsylvania's implementation of the act.

The previous Aid for Families with Dependent Children (AFDC) program was transformed into the Temporary Assistance for Needy Families (TANF) program. On the state level, the program was changed from an entitlement to a block grant, and states were given a great deal more discretion in implementing the program.

There is now a five-year lifetime cap on TANF reciprocity, and recipients are required to work at least 20 hours per week after two years. The purpose of the reform was to reduce welfare dependency and move recipients into the workforce. From a TANF caseload perspective, the program was a huge success. Between March 1997 and July 2003, the number of TANF recipients statewide dropped from 469,153 to 217,426, a 55 percent drop. In rural counties¹, recipients dropped from 62,159 in 1997 to 25,887 by July 2003, a 58 percent drop.

In 2000, the Center for Rural Pennsylvania awarded a grant to Shippensburg University's Center for Applied Research and Policy Analysis to conduct an examination of the impact of welfare reform on TANF recipients in Pennsylvania's rural areas. The study showed that while most of the study families were no longer receiving TANF benefits, they typically were still relying on some form of government assistance and were often surviving on below-poverty-threshold income. Of equal interest, many former recipients were not "moving up the employment ladder," and many had stagnant low wages.

¹ For comparison purposes, the 1990 definition of a rural county, as defined by the Center for Rural Pennsylvania, was used: a rural county was one in which more than half of the population was rural according to the 1990 Census. The definition has since changed slightly. However, the respondents to this survey all come from counties identified using the 1990 definition.

While it is not surprising that many former recipients started at near minimum wage jobs after leaving TANF, it is disappointing that one to three years later they were continuing to rely on these same wages.

The 2000 study had some bright spots. For example, families generally thought they were better off; almost all children had some form of health insurance; and many former recipients increased their education and skill levels.

This study is a re-examination of the status of the former TANF recipients surveyed in 2000. The same 282 former recipients were re-surveyed in 2003 to determine how they were doing three years later, six years after welfare reform was enacted. The purpose of this research is to provide a more long-term perspective with three additional years and to provide a more in-depth analysis of employment and education/training issues.

Survey Methodology

In the 2000 study, a list of all TANF recipients who had been on TANF in March 1997 and who were no longer receiving assistance was obtained from the Department of Public Welfare. From this list, a random selection of 840 names of persons who lived in rural counties were selected to be surveyed. Of the 840, 282 cases, or 34 percent, were reached. These same 282 cases were the sample population for the 2003 survey.

In 2003, 97 families of the original 282 (35 percent) were reached. Ninety-three of these families were still not receiving TANF. The 35 percent response rate is very respectable for this type of research. However, the 35 percent is really a subset of the 34 percent reached in 2000. Examined this way, less than 12 percent of the original sample were reached. This is a much smaller sample and may not reflect the general population. Families that were likely to be missed include the homeless and those who had moved out of the state.

A comparison of the 2000 sample of 282

Table 1: Responses from 2000 Sample and 2003 Subset

Responses	Entire sample N=282	Subset sample N=93
Demographics:		
Living with spouse	38%	42%
Median age	34	32
Have child under 6	43%	44%
Female	94%	92%
Another adult helping “a lot” with finances	75%	70%
Employment and Income:		
Employed	74%	83%
Mean wage	\$7.37	\$7.50
Mean household monthly income	\$1,378	\$1,505
In poverty	55%	48%
Receiving food stamps	43%	43%
Education:		
High school diploma	80%	83%
College degree	11%	14%

persons with the 2003 sub-sample of 93 shows the 2003 sample included families that were more likely to be employed, had higher incomes and were more likely to be married. However, for most factors, the difference was small.

Findings

Changes in Demographics

For the most part, the demographics of the 2003 sample are similar to what they were in 2000. The family structures are very similar with almost the same number of persons married, living with a partner and living alone. The only major differences are that in 2003 the family heads were obviously three years older and fewer had pre-school children aged five or under. In 2000, 44 percent had a young child, but by 2003, the percentage dropped to 27. In addition, the overall educational level increased slightly with more respondents having a high school diploma (83 percent to 85 percent) and with more having a college degree (14 percent to 20 percent).

Employment, Income and Quality of Life

The wage findings in the 2000 study were disappointing, since the average wages were around \$7.50 an hour and more than half of the recipients had increased their wages by less than a

dollar since leaving TANF. Wages appeared low and, more importantly, stagnant.

The 2003 findings are more encouraging, however. The number of respondents who were employed and the number of hours worked were similar, but the average wage increased more than \$2 from \$7.50 to \$9.59. The median increase was more modest, but still represents a 31 percent increase.

If one compares weekly wage income, the increase is even more impressive. These figures show an increase from an average of \$280 per week to an average of \$380 per week or a 36 percent increase. Similarly, the median or typical wage earner increased by almost 35 percent from \$260 to \$350. Both the weekly and hourly wage gains are higher than the overall 7 percent rate of inflation between 2000 and 2003.

Hourly wage gains from when respondents obtained their first job after leaving TANF (usually in March 1997) increased by a mean of \$3.18 and a median of \$2.50. One fourth of the data set saw their wages increase by more than \$5 an hour. These wage increases (14 percent from 1997 to 2003) were substantially higher than the rate of inflation and came at a time of stagnant wage growth in the state in general. These findings appear to support the notion that attachment to the labor force helps people move up the wage ladder. While progress was slow in the first three years, it accelerated in the second

three years. Still, \$9 an hour is usually not enough to afford a decent standard of living for a family, or to escape poverty.

Spouses/partners (usually male) tended to earn more money than the respondents. Spouses/partners average income was \$11 an hour and they all worked full-time (at least 35 hours per week.) Eighty percent of spouses/partners worked. With higher wages and more hours worked, their average weekly wage was \$511. The typical (median) spouse/partner earned \$478 per week. Data for spouses/partners were not collected in the 2000 survey.

The wage increase translated to an overall increase in monthly income. The mean monthly household income increased by 29 percent from \$1,505 to \$1,939. This is somewhat distorted by some high-income families. The median income increase is impressive, showing a change in monthly income from \$1,300 to \$1,680.

The wage gains also resulted in a drop of families in poverty from 48 percent to 35 percent and a drop from those under 150 percent of the poverty threshold from 79 percent to 62 percent. This is an encouraging improvement, but the reality is that, despite the wage gains, more than one third of families are below the poverty threshold and almost two thirds are below 150 percent of the threshold.

In general, respondents were satisfied with their employment situation. Seventy-nine percent

were satisfied or very satisfied with their employment situation (this compares to 68 percent in 2000). In addition, 58 percent reported their likelihood for advancement was good or very good. This is slightly higher than the 52 percent reporting good or very good prospects in 2000.

Public Assistance and Quality of Life

The increase in wages and income has resulted in a decline in reliance on public assistance. Food stamp reciprocity declined from 43 to 33 percent and the percent receiving Medicaid declined from around two thirds to around one half. The need for housing

Figure 1: Quality of Life Measures

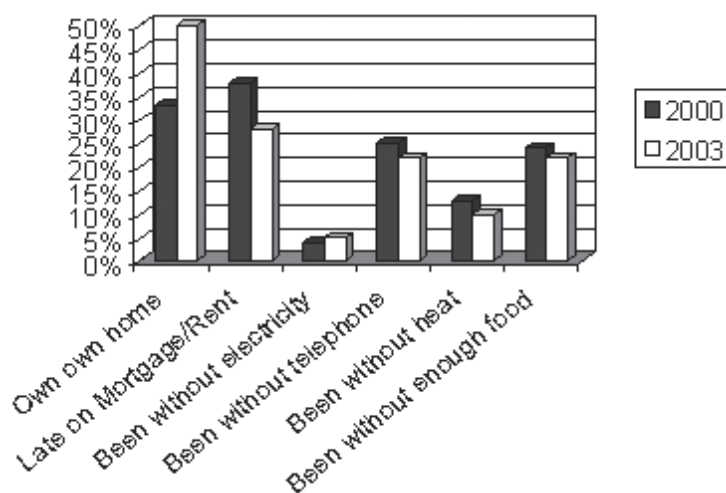


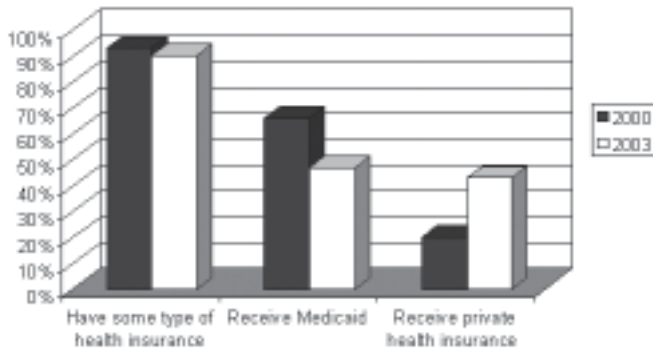
Table 2: Employment and Income Findings, 2000 and 2003

	2000	2003*
Employed	83%	81%
Mean number of hours worked	37	39
Mean wages	\$7.50	\$9.59
Median wage	\$7.00	\$9.15
Mean weekly wages	\$280	\$380
Median weekly wages	\$260	\$350
Mean household monthly income	\$1,505	\$1,939
Median household monthly income	\$1,300	\$1,680
Families below poverty threshold**	48%	35%
Families below 150 percent of poverty threshold	79%	62%

* The wage, income and poverty differences are all statistically significant to the .01 level. In the 2003 sample, the number of respondents answering each question varied.

** Poverty thresholds are calculated by the Census Bureau and this study used thresholds for 2002. Examples of these are \$9,359 for a single person under 65, \$12,400 for a parent with one child under 18, \$14,494 for a parent with two children under 18 and \$18,244 for a family with two parents and two children under 18. Only cash income is counted, so items like food stamps and medical assistance are not included as income. For the 2000 sample, the 1999 thresholds were used.

Figure 2: Health Insurance



assistance and childcare subsidies also declined.

In terms of making payments for basic necessities, families reported having their telephone, electricity and heat turned off in about the same proportion as in 2000. However, fewer fell behind on their rent/mortgage. (See Figure 1 on page 7.)

In 2000 and 2003, about 90 percent had some type of health insurance. However, in 2003, 43 percent had private health insurance as opposed to 20 percent in 2000. (See Figure 2.) This is an indication that several families were moving into the types of quality jobs that provide benefits. Still, more than half did not have private health insurance.

When asked if their lives had improved in the past three years, respondents generally reported they were better off now than three years ago. The proportions across the board were roughly equal to those reporting the same progress in 2000. This is encouraging since most in 2000 felt they were better off. Seventy-two percent reported they were either “better” or “much better off” in 2003, as opposed to 70 percent in 2000. (See Table 3.)

As expected, those who felt they were better off had substantially higher incomes. The families who said they were “better” or “much better off” in 2003 tended to be the same ones as in 2000. Eighty percent of those with “much better” lives in 2000 reported they had “much better” lives again in 2003. Only 25 percent of those whose lives were “much worse off” in 2000 now had better or much better lives. The group that made the most progress was the “same as before” respondents. Seventy-five percent of those who reported they were the same in 2000 reported they were either “better off” or “much better off” in 2003.

Barriers to Employment and Wage Growth

While progress was made on wages, the reality is that two thirds of respondents still did not make enough money to be at 150 percent of the poverty level and one third were still poor. This section examines the dynamics behind the lack of earnings.

Respondents were asked a series of questions to determine what they perceived to be the problems behind lack of wage growth (if they were employed) and obtaining employment (if they were not employed). They were asked to categorize each potential problem as a major problem, a minor problem or no problem. (See Table 4 on page 9.)

While the results indicated a variety of factors, the most common response was lack of jobs in the area. While this may be a reflection of the sluggish economy of the past three years, it also might be indicative of the lack of high paying jobs in rural Pennsylvania.

Education and illness/disability also stood out as

Table 3: Change in Quality of Life, 2000 to 2003

Response	2000	2003	Percent of 2000 respondents in each category who reported they were better or much better off in 2003	2003 Mean monthly household income
Much worse off	4%	1%	25	\$832
Worse off	9%	11%	38	\$894
Same as before	17%	16%	75	\$965
Better off	37%	39%	77	\$1,857
Much better off	33%	33%	80	\$2,532
Total	100%	100%	72	\$1,939

Table 4: Perceived Barriers to Higher Wages or Employment

How much of a problem would you classify the following in terms of earning higher wages or finding a job (if unemployed)	Respondent		Spouse or partner	
	Major	Minor	Major	Minor
Education	21%	28%	17%	13%
Lack of skills	11%	22%	6%	4%
Childcare obligations	14%	15%	9%	13%
Lack of jobs in area	44%	17%	35%	17%
Lack of work experience	10%	20%	2%	9%
Transportation problems	9%	10%	2%	2%
Illness or disability	18%	6%	13%	11%
Not knowing where to start to look for job	11%	5%	7%	2%
Substance abuse	1%	3%	0%	2%
Domestic violence	1%	0%	0%	0%

substantial barriers. About one quarter of respondents saw illness and disability as a problem. The illness and disability responses are significant because illness or disability can be such overwhelmingly important factors. A closer look at the data indicates that 10 out

of the 14 respondents who reported illness/disability as a major problem were poor. This represents about one third of all poor families in the data set.

Education was seen as a problem in about one half of the cases, although only a major problem in about one fifth of the cases, despite the fact so many respondents had attempted or were attempting to increase their education. About 65 percent expressed a wish to increase their education. For these respondents, costs were cited as a major factor. Other barriers were time and childcare. Location and difficulty studying were less of a concern for most respondents. (See Table 5.)

The respondents' perception of the need for more education is well founded. As education increased, wages and income also increased, while poverty status decreased. This is shown in Table 6. Wages and income were much higher for those who pursued education beyond high school, with those not finishing high school doing worse. The incidence of poverty for those who had less than a high school diploma (58 percent) or a high school diploma (44 percent) were

Table 5: Barriers to Furthering Education

How much of a problem is the following to increasing your education.	Major	Minor	Not a problem
Cost	83%	15%	2%
Time	41%	28%	31%
Difficulty studying	19%	26%	55%
Location	12%	21%	67%
Childcare obligations	28%	15%	57%

Table 6: Monthly Income and Poverty Status by Education

Educational Level*	Percent	Average Monthly Household Income	In Poverty
Did not finish high school	14%	\$1,166	58%
High school education	37%	\$1,874	44%
Some college or a certificate	29%	\$2,084	24%
College degree	21%	\$2,371	16%

*College degree includes two- and four-year degrees. High school includes only those who obtained a high school diploma and did not continue on to college or a certificate program.

Table 7: Poverty Status, Employment and Hourly Wages by Perception of Barriers

How much of a problem would you classify the following in terms of earning higher wages or finding a job (if unemployed)?	Percent in poverty by response to question.*			Percent employed by response to question.			Mean hourly wages for respondents by response to question.		
	Major	Minor	Not a Problem	Major	Minor	Not a Problem	Major	Minor	Not a Problem
Education	44	39	31	93	79	76	\$8.44	\$9.18	\$10.06
Lack of skills	67	35	31	67	82	80	\$9.00	\$8.66	\$9.83
Child-care obligations	45	67	27	55	55	90	\$8.30	\$7.63	\$9.89
Lack of jobs in area	43	29	31	74	85	83	\$10.64	\$7.81	\$9.22
Lack of work experience	63	38	32	60	77	82	\$9.33	\$9.77	\$9.23
Transportation problems	71	57	30	50	88	81	\$8.00	\$6.76	\$9.88
Illness	73	20	31	17	100	84	\$9.00	\$8.80	\$9.57
Disability	69	00	30	14	100	86	\$9.00	\$10.28	\$9.47
Not knowing where to start to look for job	75	25	32	80	100	79	\$10.02	\$10.29	\$9.42

*Numbers do not add up to 100 percent because each cell represents the percent in poverty by the response given to the employment question. For example, among those who stated education was a major problem, 44 percent have incomes below the poverty threshold.

much higher than for those with some college or a certificate program (24 percent) or a college degree (16 percent).

If a respondent listed any of the barriers from Table 6 as a major problem, they were much more likely to have lower incomes, not be employed and be poor. In Table 7, respondents' mean wages, poverty status and employment are examined by perception of various problem issues. Examining the incidence of poverty by response to barriers to economic success, respondents are approximately twice as likely to be poor if they noted a major problem with lack of skills, lack of work experience, transportation problems, illness, disability, or not knowing where to look for a job than if they had no problem with these issues. Childcare, transportation, illness and disability were highly correlated with employment. None of the factors seemed to correlate strongly with hourly wages. Therefore, these barriers seem to be much better predictors of employment as opposed to success when employed.

Education and Training Programs

Respondents indicated a high degree of activity in education and job training programs while on TANF and after receiving TANF. Thirty-four percent reported increasing their education while on TANF and 21 percent after TANF. Twenty-five percent reported enrolling in a job skills program while on TANF and 13 percent after TANF.

While on TANF the education programs tended to last much longer with over half of respondents enrolling for a year. Two thirds of the job search/training programs lasted less than two months. The data were similar for enrollment after TANF.

What is most striking is economic success by activity. The data show that respondents who enrolled in an education program fared far better economically than any other group. Those who enrolled in education while on TANF typically earned \$9.30 an hour and had a 19 percent poverty incidence. This is better than the average respondent and much better than those not participating. Those who enrolled in education or job skills after leaving TANF did even better, as income figures are even more pronounced. Median income for those participating in

Table 8: Economic Success of Those Participating in Education and Skill Training Programs While Receiving TANF and After Receiving TANF

		Percent	Median Time in Program	Median Wage	Median Monthly Income*	In Poverty	Receiving Food Stamps
In education program while receiving TANF	yes	34%	1 year	\$9.30	\$1,800	19%	23%
	no	63%		\$8.30	\$1,420	44%	41%
In education program since leaving TANF	yes	21%	1 year	\$9.85	\$2,100	11%	15%
	no	77%		\$9.00	\$1,417	41%	39%
In job skills activity while receiving TANF	yes	25%	6 weeks	\$8.30	\$1,460	45%	35%
	no	74%		\$9.85	\$1,650	31%	33%
In jobs skills activity since leaving TANF	yes	13%	2 weeks	\$10.50	\$2,132	17%	8%
	no	84%		\$8.50	\$1,450	38%	38%
Only in jobs skills program while receiving TANF		14%	6 weeks	\$5.90	\$1,100	54%	50%
Never enrolled in any program		34%		\$8.09	\$1,375	44%	43%
Total respondents				\$9.15	\$1,680	35%	34%

* Median incomes and wages are used to indicate the status of the typical respondent. This ensures that one very successful respondent does not skew the data, as can be the case with mean values. However, the mean values indicated similar results, although the differences between wages were even greater.

educational programs while receiving TANF was \$1,800 per month as opposed to \$1,420 for those not participating. The figures are \$2,100 and \$1,417 for those engaged in education after leaving TANF.

On the other hand, the respondents who were not doing well economically were those who only did job skill programs while on TANF or did not enroll in any program. About half of these families remained in poverty and their income and wages were substantially lower than other groups. Those who enrolled only in a job skills program while on TANF actually had less economic success than those who never enrolled in any program. The job skills programs were often limited in duration and their primary purpose was to help participants find a job. Critics complain that these programs are for dead-end jobs with few prospects for the future. The data appear to support such claims. The evidence supports the theory that those obtaining real skills and education

are better off in the long run. The fact that those who only did jobs skills programs or did not participate in any programs had a much higher incidence of food stamp reciprocity indicates that investing in education and real skill development might save money in the long run. However, given the limited number of cases, one must be careful not to over generalize. In addition, it is also possible that the more motivated people sought education and these same motivated people were more successful in the workplace.

Family Structure, Full-Time Employment and Economic Success

Together with education, family structure and employment appear to be important indicators for economic success. Families who had two wage earners (married or living with partner) were more economically successful than single parents. Furthermore, the more full-time wage earners in a house-

hold, the greater the economic success. In families where both partners worked, the poverty rate was only 6 percent (much less than the national average) and monthly incomes were near \$3,500. The typical family in this case made between \$40,000 and \$50,000 annually. On the other hand, not working full-time resulted in poverty status for 63 percent of single household heads and 50 percent of married families.

The finding that single parents do not fare as well economically is not surprising given the obvious fact that two wage earners can do better than one. However, the economic damage was mitigated somewhat when the single parent worked full-time. In two thirds of these cases, the family had above-poverty-level income. On the other hand, single-headed families not working full-time had a two thirds chance of being in poverty.

Conclusions

The first major finding is that people who leave TANF are not necessarily guaranteed a life of poverty. In this study, two thirds of families were above the poverty level and one third had incomes above 150 percent of the poverty level. The wage gains in three years are impressive. Families were making 35 percent more in wage income and 29 percent more in household income than in 2000. These gains represent more stable, quality jobs. Forty-three percent of respondents had private health insurance.

Respondents who were unemployed or not in the labor force typically had some combinations of illness/disability problems, lack of skills, childcare responsibilities and problems with transportation.

A strong correlation was found between level of education and improvement in education while receiving and after receiving TANF. On the contrary, respondents who participated in short term job search/job preparation programs had the lowest wages and income. The key factors to economic success appear to have been full-time employment, having a spouse or partner, and education.

Policy Considerations

State Policies

The state should consider finding ways to enhance TANF recipients' value to the economy while they are on TANF and when they are off TANF. This entails, to the extent of maneuvering within the federal rules, encouraging educational programs, including GED completion and postsecondary education. The postsecondary education need not be college, but may include vocational training alternatives, such as business school, certificates in cosmetology school, or computer training. Educational programs seem to enhance recipients' abilities to have a quality life once they no longer receive TANF.

Once recipients leave TANF, the task of upgrading their skills is more difficult. However, there seems to be a high motivation among many recipients to increase their value to employers. The task for the state is to reach these people and to inform them of their options. This needs to be done when persons are leaving TANF and after they are no longer on TANF. Certainly persons who are still receiving food stamps and Medicaid are good candidates. There exist numerous programs to help persons with the costs of furthering their education. For many families, these programs can offset the cost factors. Anecdotal evidence from people confronting these challenges indicates the key is to be motivated enough to figure out how to work through the system. There is something to be said for limiting resources to those who are the most motivated. However, with better information, many persons who are missing a chance to increase their quality of life may, in fact, enroll in an educational program.

Pennsylvania should also consider using its block grant money to provide more educational and training resources, childcare and transportation assistance for TANF recipients.

Furthermore, the block grant money could also be used for similar services once a recipient is no longer receiving TANF, and this non-cash assistance should not count against the five-year lifetime TANF benefit limit.

Many respondents are now making well over minimum wage, so unlike the situation in the last report, raising the minimum wage would not have an impact on most respondents directly. Of course, there are still some respondents who would be better off with a higher minimum wage (assuming their jobs are still in place.)

Other policy efforts may include trying to deal with transportation problems and developing better paying jobs.

National Legislation

Since 2002, Congress has been attempting to reauthorize TANF with modifications. In the fall of 2003, the House and Senate Finance Committees passed different versions of the bill. The president's proposals are quite close to the House version. The result, however, has been inaction. Congress decided to pass a continuing resolution to authorize the current program until the spring of 2004 to try to reconcile the differences. As of June 2004, the bills were still in committee. Below is an examination of some of the major differences and new ideas in the context of this study.

Work Requirements

Presently, persons on TANF are required to work at least 30 hours each week in work related activities.² A single parent with a child under six only needs to work 20 hours per week and two parent families need to work 35 hours per week (55 if they get federally subsidized childcare.) There is an effort afoot in Congress to increase these requirements. The House would prefer 40 hours for single parents and the Senate has a variety of proposals, most of which are in between the current requirements and the House version.

Given that in the previous report few families were actually working 20 hours per week due to a variety of reasons,³ the new restrictions are unlikely to have the desired impact in rural Pennsylvania. Although the initial work requirement and five-year time limit

² Initially there was only a 20-hour per week requirement.

³ Illness and disability were the prime reasons for failure to participate.

appeared to greatly help to reduce TANF cases, it is unclear if toughening the standards will make much difference. The down side of the tougher work standards is that they will leave less time for education and vocational training and, as will be discussed in the next section, a greater demand for childcare.

Childcare

One of the great disagreements in the legislation is over childcare. The legislation appears to require more participation, but does not provide more money for childcare, although some in the Senate are calling for increased funds for childcare. The 2000 study found, for the most part, families relied on a network of friends and relatives to take care of their children. Hence, childcare was not an enormous problem.⁴ With the new work requirements, however, previous childcare findings may no longer apply. A 40-hour workweek creates numerous new challenges. One can no longer fit work around a child's school schedule. Moreover, it is easier to ask a friend/relative to care for a child for 20 or so hours a week as compared to 40.

Education and Training

One of the significant disagreements in the current legislation is how to count secondary and postsecondary education, job search and vocational training. Currently, the legislation distinguishes between the first 20 hours and the next 10 hours. Job search is counted for the first 20 hours but education and training are not; they can only count toward the next 10 hours. The House and various Senate versions differ on whether to count education and training as work. The findings in this paper clearly show that the long-term benefits of having education and training justify counting them in the work requirement equation. This is particularly true for those trying to get a GED.

Transitional Health Care Benefits

One of the new proposals is to provide transitional health care benefits for up to five years. Currently, if one is no longer eligible for Medicaid, transitional Medicaid benefits are guaranteed for one year. Some

proposals would extend this to two to five years. This does not seem to be a large issue in rural Pennsylvania, as the majority of families have some type of health care coverage. However, it will clearly help some families.

Support of Marriage

Both Congressional versions call for spending around \$500 million over five years for "Marriage Promotion and Family Formation." States would be given the option of designing different programs. The guidelines are presently ambiguous. This report clearly shows that families with two wage earners are much more likely to be economically successful. However, the data for families with a married partner and unmarried partner are similar. Therefore, marriage in and of itself is not the key. Because numerous former TANF recipients in rural Pennsylvania are married or are in situations where another adult is helping with household expenses, this legislation may not be as important. Like childcare and health, it is beneficial if the money does not come out of areas that are more important to rural Pennsylvania, such as education and transportation.

⁴ For some people it was a major barrier to employment, but this was the exception.

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