
EXECUTIVE SUMMARY

This report presents the results of a study of the North Carolina Work First Diversion Assistance program. Under this program, families who are eligible for Work First cash assistance can instead receive diversion assistance in the form of cash payments equal to as much as three months of Work First benefits. The major goal of the program is to provide assistance to families when they need short-term help to become or remain self-sufficient, as an alternative to going on welfare. The study was conducted as part of the ongoing evaluation of the North Carolina Work First program.

The report presents the results of telephone interviews conducted with 242 families who received assistance under the program between May 1999 and August 1999. This timeframe was chosen because significant changes were made in the Diversion Assistance program early in 1999 in an effort to broaden participation in the program. The study was designed to examine how the program is operating under the new policies.

The sample of survey respondents was selected from seven counties located in different regions of North Carolina, including a mix of urban and rural counties. The respondents were surveyed between October 1999 and January 2000. A second round of follow-surveys is planned for the summer of 2000. Site visits were also conducted to each of these counties during 1999 to examine the operation of the overall Work First program, including the Diversion Assistance program.

The interviews with survey respondents covered a number of topics, including household characteristics, employment history, current employment status and earnings, prior welfare use, reasons for going to the local social services agency to seek assistance, use of child care, receipt of child support, health care and health coverage, receipt of public assistance, deprivation and food security, likelihood of reapplying for welfare, and overall satisfaction with the diversion decision. The major findings from the study are summarized below.

Household Characteristics

In most of the counties, the families who received Diversion Assistance were different in several ways from the overall TANF caseload. They included a higher percentage of two-parent households, and the heads of household were generally older and more educated than persons in the overall TANF population. To some extent, this is to be expected in view of the objectives of the Diversion Assistance program, which is designed to be targeted largely at persons with a high probability of returning to work or accessing other types of income in the near future.

However, variations did exist among the counties in terms of the demographics and other household characteristics of diversion families. For example, the percentage of respondents living with their spouse was 23.1 percent in County D but only 4.5 percent in County B. Likewise, 65.7 percent of the respondents in County C had attended college, compared to 31.6 percent of respondents in County A. These variations seem partly to be the result of differences among the counties in the targeting of diversion assistance. Our site visits to the counties during 1999 showed that the counties differed in terms of their approaches to the program. Some

counties were focusing their programs very narrowly to serve persons with a steady work history and definite prospects for returning to work, while other counties were taking a broader approach to the program.

Prior Welfare Use

Given the focus of the Diversion Assistance program, it might be expected that relatively few of the participants would have previously been on welfare. However, about 44.6 percent of all respondents reported that they had been on cash welfare at some time prior to receiving Diversion Assistance. In addition, 58 percent of those who reported being on welfare in the past had first been on welfare prior to 1996.

The percentage of respondents who had been on welfare before was especially high in County B (48.8 percent), County C (48.6 percent), and in the small counties. The percentage who had been on welfare before was highest among persons without high school diplomas, persons aged 22-30, and non-whites.

The variations among counties in rates of prior welfare use may partly reflect the different approaches that counties have taken to targeting persons for Diversion Assistance. During our site visits, some counties reported that persons who have a prior history of long-term welfare use are generally not considered appropriate candidates for diversion.

On the other hand, the large number of respondents with a prior history of welfare use may reflect positively on the Diversion Assistance program, suggesting that the program may be effective in encouraging persons with a history of welfare use to explore other options rather than going back on welfare.

Reasons for Going to the Social Services Agency

There was significant variation among counties in terms of the reasons why respondents initially went to the social services agency for assistance. For example, maternity leave accounted for about 41 percent of the cases in County B and almost one-third of the cases in County A, but for only 11.5 percent of the cases in County D and none of the cases in the small counties. Job layoffs accounted for only 10.5 percent of the cases in County A but 23.8 percent of the cases in County D. Divorce or separation was cited frequently in some counties but not in others.

“New to the area” was mentioned by 15.8 percent of respondents in County A and 19.2 percent in County D, but by very few respondents in the other counties. In County D, diversion assistance was being given to refugees while they were waiting for other benefits. Child care was mentioned as a significant factor in some counties but not in others.

Persons who had attended college were more likely to cite job layoffs as the reason for seeking assistance, while persons who had not completed high school were more likely to mention divorce/ separation or child care affordability. Non-whites were more than twice as likely as whites to cite maternity leave, while whites were far more likely to mention divorce, separation, or “new to the area.”

When examining long-term employment patterns and other outcomes among persons who have received Diversion Assistance in North Carolina, it is important to keep in mind the differences among counties in who is being served by the program and the reasons why they were seeking assistance.

Employment History

With some exceptions, Diversion Assistance is designed to be targeted primarily at persons with a recent attachment to the workforce. However, 22 percent of the respondents reported that they were **not** working during the six months before applying for assistance. About 76.4 percent of all respondents were working for pay during the six months before they began receiving diversion assistance, and another 1.7 percent were self-employed.

The percentage of persons who had **not** been working varied considerably by county. In County B, fewer than 7 percent had not been working, compared to 27.7 percent in County D and 35.7 percent in the smaller counties. Non-white respondents were far more likely to have been working than white respondents. Again, it is important to keep these variations in mind when analyzing data on the post-diversion employment and earnings patterns of program participants.

Employment Status and Earnings at the Time of the Surveys

At the time of the surveys, 74.8 percent of respondents were working for pay or were self-employed, and another 1.6 percent were due to start a new job or were on medical leave. The remaining 23.6 percent were not working. The fact that almost a quarter of the respondents were not working is somewhat surprising, given that diversion assistance is designed largely for persons who have good prospects for employment in the short-term. The percentage of persons who were not working was highest in County A (36.8 percent), and ranged from 20 to 25 percent in the other counties.

The surveys showed that non-whites were much more likely to be working than whites. About 81 percent of non-whites were working, compared to 65.7 percent of whites. Among respondents who had been working during the six months before diverting, only 18.4 percent were not working at follow-up. Among persons who had **not** been working before diverting, 41.5 percent were not working at follow-up.

Of the persons who were not employed at the time of the surveys, 62.5 percent said they were looking for work. In general, the survey data suggest that many of the persons who did not have jobs at the time of the surveys were experiencing problems in finding employment and may require more extensive follow-up employment services.

Among persons who were employed before diverting **and** at the time of the surveys, only 54.2 percent had returned to their old job. In County D, the percentage was only 41.6 percent. Overall, only a quarter of all cases in County D involved situations in which respondents had returned to jobs that they had held before seeking assistance.

Employment Characteristics and Earnings

For persons who were employed at follow-up, the surveys show that a large percentage (88.6 percent) were working 30 hours or more per week and that 75.9 percent had earnings of more than \$1,000 per month. Monthly wages were much higher among persons who had attended college than persons who had not completed high school. Earnings did not vary by ethnicity. The data also show relatively high rates of job satisfaction among the employed respondents. On the other hand, 22 percent of employed respondents were making less than \$1,000 per month and 21 percent did not have a high level of job satisfaction.

Overall, about three-quarters of employed respondents thought that they would stay in their jobs and about half saw opportunities for advancement. About 39 percent of employed respondents typically worked on weekends, but only 16 percent reported that they had to work evenings or nights during the week.

Overall, 77.2 percent of employed respondents were working for employers who had health plans, but only 43.2 percent of these respondents were actually participating in the plan. This means that only about one-third of employed respondents were participating in employer health plans. The percentage was 41.7 percent in County C, 36.0 percent in County D, 29.4 percent in County B, and 18.2 percent in County A. The main reasons for not participating were that (1) the respondent had not been working for the employer long enough, (2) the respondent was still on Medicaid, or (3) the cost of the premiums was too high.

Receipt of Public Assistance and Services

About 56 percent of the respondents were receiving Food Stamps at the time of the surveys, with the highest percentage being in County A (68.4 percent). Overall, 80.6 percent were receiving Medicaid for themselves or their children, but only 59.1 percent of the respondents in County B were receiving Medicaid benefits. About 37 percent of all respondents were in the WIC program, but the percentage varied significantly by county, partly reflecting the differences among counties in the reasons why respondents had sought assistance.

Almost 14 percent of respondents had received some type of job training or education since diverting and 9.5 percent had received placement assistance. About five percent had received assistance with transportation.

Use of Child Care

Overall, 61 percent of respondents reported that they used child care, with the highest percentage being in County C (74.3 percent). Among persons who were *not* using child care, 35 percent said that they did not need child care because they were not working, and another 34 percent indicated that their children were old enough to look after themselves. Another 18 percent said that their spouse looked after the children. Only 5.3 percent cited problems in being able to afford child care and only 3.2 percent said that they could not find a child care provider who met their needs. Of those who were using child care, 60 percent were using “formal” care through a child care center, family day care home, or school-based program.

Of the respondents who were *paying* for child care, 59 percent were receiving help from the county. Among those who were *not* receiving help, 31 percent said they did not know they could get help paying for child care, and 13.5 percent were on a waiting list. Since child care subsidies can potentially be an important component of diversion programs, there may be a need to address issues relating to awareness of child care benefits among some recipients of diversion assistance.

Receipt of Child Support

Among respondents who were *not* living with their spouse, 22.3 percent were receiving child support and 78.7 percent were not. Persons who had completed high school or attended college were more than twice as likely to be receiving child support as those who had not completed high school. No major differences were found in regard to ethnicity. Since effective child support enforcement may potentially be a key factor in diverting welfare applicants from cash assistance, enforcement efforts may need to be strengthened to make diversion a feasible option for a greater percentage of welfare applicants.

Health Care and Health Coverage

About 91 percent of the respondents reported that they had a regular place to take their children for medical care and check-ups. In addition, 91.6 percent reported that their children were covered by a medical plan. In County B, however, only 79 percent of respondents reported that their children were covered by a medical plan.

Among respondents who were covered by a medical plan, 92 percent reported that their children were covered under Medicaid or Health Choices. Overall, 84 percent of all respondents in the sample had their children enrolled in Medicaid or Health Choices, but the percentage in County B was only 65 percent.

Deprivation, Overall Financial Situation, and Future Needs

Respondents were asked a series of questions designed to assess their material and financial well-being following their decision to accept diversion assistance. Among all respondents, 34.7 percent reported getting behind in paying rent since diverting, but 37.9 percent had been behind in their rent at some time *before* diverting. About 17.5 percent reported that, since diverting, there had been at least one occasion when they needed medical care for a family member but could not pay for it. This was an increase from 12.5 percent in the period before diverting. Non-whites were about twice as likely as whites to report having needed medical care for a family member but not being able to pay for it.

Overall, 21.7 percent of respondents reported that, since diverting, there had been times when they had no way to buy food. This compares to 26.3 percent for the period before diverting. Respondents in County B and County D were much more likely to report problems being able to buy food than respondents in other counties. For those respondents who reported occasions when they had no way to buy food, the most common action taken both before and after diverting was to ask family members or friends for food or money (69 percent). Only one respondent reported having gone hungry since diverting.

Relatively few respondents reported any other types of deprivation before or after diverting, such as having to move in with a relative, stay in a homeless shelter, or go without utilities. There was also no evidence of housing overcrowding or any significant evidence of substandard housing.

In terms of overall financial situation, 53.4 percent of respondents felt that their family's income and benefits were meeting their needs, 27.1 percent felt that their needs were nearly being met, and 19.6 percent felt that their needs were definitely not being met. Slightly more than one third of the households included another adult who was working for pay.

In regard to future needs, 50 percent stated that they would need help with child support enforcement, and 40 percent thought that they might need emergency food or clothing some time in the future. Few respondents anticipated a need for substance abuse treatment, domestic violence counseling, or mental health counseling.

Overall, there was some evidence of deprivation and lack of food security among the respondents, but there was no evidence of major problems in such areas as families going hungry, becoming homeless, living in poor housing conditions, or having to place children elsewhere. However, the fact that a significant percentage of persons reported problems buying food may be cause for concern, especially since diverters are supposed to be persons who need minimal income support or other services.

Likelihood of Reapplying for Welfare

About 41 percent of all respondents thought it ***very unlikely*** that they would reapply for welfare, and another 12.9 percent thought it ***somewhat unlikely*** that they would reapply. About 28 percent were not sure. A total of 17.1 percent thought that it was ***very likely or somewhat likely*** that they would reapply for welfare, and 1.3 percent said they had already reapplied. The percentage who thought it "very likely" was highest in County B, County C, and County D. About 14 percent of non-whites thought it ***very likely*** that they would reapply, compared to only 5.8 percent of whites. Among persons who had been on welfare before, 14 percent were "very likely" to reapply, compared to 9.8 percent of persons who had not been on welfare before. The most common reason given for possibly reapplying was job loss or lack of a job.

Overall, the findings are relatively encouraging in terms of the low percentage of respondents who felt that they were likely to reapply for welfare. However, the data suggest that in the larger counties, there may be a segment of the diverter population that needs to be screened more effectively before being referred to the Diversion Assistance program. This population may include persons who have been on welfare before for extensive periods of time, especially if they do not have high school diplomas.

Satisfaction with the Diversion Decision

Despite evidence of deprivation among some segments of the population, the large majority of participants were satisfied with their decision to divert from welfare. Two-thirds were very satisfied and another 20 percent were somewhat satisfied. The majority were also

satisfied with the amount of the diversion payment. The fact that 13 percent were not satisfied with the diversion decision may again indicate a need for more careful screening by counties in referring certain applicants to the program.

Among all respondents, one quarter thought that they were much better off than before they diverted from welfare, and another 37 percent thought that they were a little better off. Only 6.2 percent thought that they were worse off.

Summary

In general, the Diversion Assistance program seems to be working well, based on the fact that most participants were employed at follow-up and were satisfied with the decision to divert from welfare. The program even seems to be generally effective in cases where the participants have a history of prior welfare use. However, a small percentage (perhaps 10 to 15 percent) of participants appear to be having difficulty in regard to their employment and overall financial situation, and were not particularly satisfied with their diversion decision. In general, the results of the study suggest that some counties may need to be more cautious in determining whether applicants are appropriate for diversion, especially in situations where the applicants do not have a recent work history. This observation is supported by the finding that there appear to be significant variations among the counties in how diversion assistance is being targeted.