How Welfare and Work Policies Affect Employment and Income: A Synthesis of Research

Dan Bloom
Charles Michalopoulos

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The Next Generation Project

This report is part of the Next Generation, a project that examines the effects of welfare, antipoverty, and employment policies on children and families. Drawing on rich data from recent welfare reform evaluations, the project aims to inform the work of policymakers, practitioners, and researchers by identifying policy-relevant lessons that cut across evaluations.

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Project director
Virginia Knox, Senior Research Associate, MDRC, 16 East 34 St., New York, NY 10016
E-mail: virginia_knox@mdrc.org; phone: (212) 340-8678

www.mdrc.org/NextGeneration

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To Daniel Friedlander (1947-1999)

Daniel's pioneering work on measuring the impact of social programs laid the foundation for this analysis.

Preface

This monograph synthesizes the results from rigorous evaluations of 29 welfare reform initiatives. Although these initiatives were implemented before passage of the landmark federal welfare reform law of 1996, all of them used at least one of three strategies that form the core of most states' current welfare programs: requiring single parents to participate in work activities, providing financial supports to working families, and limiting the length of time that families can receive welfare.

The monograph was produced as part of the Next Generation project, a collaboration among MDRC, several other leading research institutions, and the project's foundation funding partners — the David and Lucile Packard Foundation, William T. Grant Foundation, and the John D. and Catherine T. MacArthur Foundation. The project is aimed at understanding the effects of welfare and employment policies on low-income children and families.

Because most welfare reforms are targeted at adults rather than children, this research synthesis lays the groundwork for the Next Generation project by summarizing how various program strategies affect parents' employment, welfare receipt, and income. Effects on children — summarized briefly here and discussed in detail in a companion monograph — result from a "chain reaction" that begins with effects on parents.

Two key findings emerge from this synthesis. The first concerns the type of employment services that are used in programs designed to get welfare recipients into employment. Over the years, the conventional wisdom has swung between an emphasis on rapid job placement and an emphasis on building skills through education and training. The monograph suggests that the best approach may lie somewhere in the middle: The two most effective programs that were studied used a mix of job search activities and short-term education and training while maintaining a strong focus on the goal of employment. Although this approach was not successful in all the programs in which it was used, it appears to hold the most promise.

Second, the present analysis reveals that, although the large majority of programs examined in this document led to increases in employment and reductions in welfare receipt, the only programs that substantially increased income were those that provided financial supports to people who obtained jobs. Such programs cost more to operate but had a range of positive effects on children and families.

Many states now provide financial supports to working families in the form of "earnings disregards," rules that allow welfare recipients to keep all or part of their welfare grants when they go to work. However, most states have also established time limits on welfare receipt, which means that the disregards can raise income only for a limited period. It is unclear how a temporary income boost would affect children and families.

By shedding light on the trade-offs between competing goals — such as increasing employment, decreasing welfare receipt, controlling government costs, and improving the well-being of families and children — this cross-cutting research synthesis is intended to inform policymakers as they attempt to design and improve policies for low-income families.

Judith M. Gueron
President

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The analyses presented in the monograph are built on a firm foundation of rigorous research, namely, dozens of evaluations of welfare reform initiatives conducted by MDRC and other organizations. Critical roles were played by the state and local administrators who participated in those studies and the U.S. Department of Health and Human Services (HHS), the key funder of most of them.

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The Authors

Executive Summary

During the past two decades — particularly since the mid 1990s — Congress and the states have dramatically reshaped the nation's system of cash welfare assistance for low-income families. Many studies and journalistic accounts have examined these changes, but only a handful have been expressly designed to assess what difference the new policies make.

This monograph addresses this critical question by synthesizing the results from studies of 29 welfare reform initiatives conducted by the Manpower Demonstration Research Corporation (MDRC). Each study focused on one or more of three key program features: mandatory employment services, earnings supplements, and time limits on welfare receipt. Although the programs under study were launched prior to passage of the landmark federal welfare reform law of 1996, these three features are central to most states' current welfare reform programs. This document focuses on the effects of these features on adults' employment and income; a companion document examines their effects on children's well-being.[1]

All the studies used a rigorous random assignment research design in which people (most of them single mothers receiving welfare) were assigned at random to a *program group*, which was subject to the welfare reforms, or to a *control group*, which was not. The groups were tracked over several years and compared with respect to a number of outcomes, including employment, welfare receipt, and income. Because people were assigned to the groups at random, it can be assumed that, within each study, the groups did not differ systematically at the outset and went on to experience the same general economic and social conditions. Thus, any differences that emerged between the groups during the studies can be attributed to the programs being tested (the "increases" and "decreases" reported here refer to these differences).

Together these studies provide a wealth of information on the effects of different welfare reform strategies and a strong foundation for future programmatic decisions and legislative deliberations. This synthesis is particularly timely because Congress will soon begin to debate reauthorization of the Temporary Assistance for Needy Families (TANF) block grant, the federal welfare program created in the landmark federal welfare law of 1996.

Key Lessons

- **A number of programs that provided only mandatory employment services were effective, but the most successful of these programs used a mix of services — including some education and training — and strongly emphasized the need to find work.**

Almost all states now require adult welfare recipients to work or prepare for work, but there is much debate about the best way to do this. Over the past two decades, the

[1] *How Welfare and Work Policies Affect Children: A Synthesis of Research* (MDRC). 2001. Pamela Morris, Aletha Huston, Greg Duncan, Danielle Crosby, Johannes Bos.

pendulum has swung between an emphasis on rapid job placement and a focus on education or training.

Side-by-side tests of programs at opposite ends of the spectrum — those requiring most recipients to look for work ("job search first") and those requiring most to enter education or training ("education first") — in three counties revealed that they ultimately produced similar overall gains in employment and earnings. However, the job-search-first programs produced larger immediate gains and, in the medium term, led to larger gains for more disadvantaged groups, such as people without a high school credential. The job-search-first programs were also less expensive to operate.

The most effective programs fell in the middle of the spectrum. In these programs, some recipients started by looking for work, while others started with education or training. This finding suggests that a more individualized approach may be most promising, but — given that not all the programs that used the mixed approach were highly successful — the types of services provided and the basis on which people are assigned to services appear to be also critical.

Although programs across the spectrum increased employment for a variety of groups, most people who went to work obtained low-wage or part-time jobs; some left welfare without finding work; and most of the programs had rules that reduced people's welfare benefits by a dollar for each dollar they earned. As a result, programs that included only mandatory employment services usually left families no better off financially than they would have been without the programs, even after accounting for the federal Earned Income Credit (EIC, the federal tax credit that supplements the earnings of low-income families). There is also little evidence that the programs benefited or harmed children.

The only programs that both increased work and made families financially better off were those that provided earnings supplements to low-wage workers.

In contrast to the programs that used only mandatory employment services, two programs that supplemented the earnings of working recipients boosted both employment and income relative to control group levels. One of these programs allowed welfare recipients who went to work to keep more of their benefits than under the old welfare system (an approach now used in many states), while the other supplemented earnings outside the welfare system. Both approaches cost more than traditional welfare, but they also produced a range of positive effects for children — for example, higher levels of school achievement.

- **Relatively little is known about the effects of welfare time limits, but the available data suggest that time limits need not cause widespread hardship, at least not in the short term.**

Two of the programs under study provided earnings supplements by allowing working recipients to keep more of their benefits but also imposed time limits on welfare receipt. Although these programs initially increased employment and income, the income gains disappeared after families began to reach the time limit. In fact, the programs reduced income for a small group of families, although the only such program whose

evaluation has been completed did not appear to increase material hardship. However, there are not yet enough data to warrant firm conclusions about the effects of time limits. Moreover, how families fare may depend on how time limits are implemented (for example, whether and under what conditions exemptions or extensions are granted).

These results suggest that policymakers face a critical choice. Recall that the programs that provided only mandatory employment services increased work and reduced welfare use but usually did not lead to notable improvements in families' economic circumstances or make children better off than they would have been without the programs — even after accounting for the EIC. Achieving these goals may require further supplementation of families' earnings. Most states already do this by allowing working recipients to keep part of their benefits, but the income-enhancing effects of such policies are undermined by welfare time limits. Federal and state policymakers who aim to improve outcomes for families and children may need to develop new ways of providing ongoing financial support to low-wage workers — an approach that may raise costs — while continuing to test strategies for raising wages through education and training.

Chapter 1

Introduction

During the past two decades — particularly since the mid 1990s — Congress and the states have dramatically reshaped the nation's system of cash welfare assistance for poor, mostly single-parent families. Many studies and journalistic accounts have examined how these far-reaching changes have played out for families, their communities, and the agencies and organizations that administer programs for low-income people. These sources have provided a wealth of useful and important descriptive data, but only a handful of studies have been designed to assess systematically the impact of specific welfare reform policies, that is, to ask what difference these policies make.

This monograph directly addresses this question by describing and synthesizing the results of evaluations of 29 welfare reform initiatives, most of them conducted over the past 10 years by the Manpower Demonstration Research Corporation (MDRC), a nonprofit, nonpartisan research organization. All the studies used random assignment, a research method that allows the effects of a program to be disentangled from the effects of other factors (such as the economy). Because the studies were conducted by MDRC, the authors were able to conduct additional analyses to align the results across the studies, thereby facilitating the cross-program comparisons drawn in this document.

Together, these studies provide a wealth of information about the effects of specific welfare reform policies and an unusually strong foundation for future programmatic decisions and legislative deliberations. This information is particularly timely because Congress will soon begin to debate reauthorization of the Temporary Assistance for Needy Families (TANF) block grant, the welfare program created in the landmark federal welfare law of 1996.

The Roots and Goals of Welfare Reform

The roots of the welfare reforms of the 1990s stretch back at least three decades. Originally designed in the 1930s as a small program to help needy widows stay home to care for their children, Aid to Families with Dependent Children (AFDC) had by the late 1960s grown into a much larger program serving mostly divorced, separated, or never-married mothers and their children, many of them members of racial and ethnic minorities.[1] The changes in the size and demographics of the AFDC caseload, coupled with society's changing views about labor force participation by mothers, made the program increasingly unpopular in the eyes of the general public. In 1967, Congress required parents receiving AFDC who had no preschool-aged children to register for work activities.

Most states moved slowly in reforming their AFDC programs because of fiscal constraints and concerns about the ramifications for children's well-being.[2] AFDC administration varied greatly from

[1]At least some of the authors of the Social Security Act of 1935 believed that AFDC (then called ADC, or Aid to Dependent Children) would not need to be a permanent program on the assumption that its target population would be covered by Social Security once that program was in full operation.

[2]In addition, after rising sharply in the 1960s and early 1970s the national AFDC caseload remained relatively constant — at 3.5 million to 4 million families — from the mid 1970s through the late 1980s, which may have reduced the pressure for reform.

state to state, but most states did not begin enforcing work-related requirements until the 1980s, and even then the requirements typically applied to a relatively small proportion of welfare recipients.

The Family Support Act of 1988 (FSA) sought to accelerate these efforts by providing additional federal funding to states for employment-related services such as job search assistance, education, and training under the Job Opportunities and Basic Skills Training (JOBS) program and, in a departure from earlier policy, requiring states to ensure that a specified percentage of AFDC parents — including mothers of preschool-aged children — participated in such services. In addition to encouraging welfare recipients to prepare for or find jobs, FSA sought to facilitate single parents' transition off welfare by requiring states to provide one year of child care benefits and Medicaid coverage to many recipients who left welfare for work and to strengthen their systems for establishing and enforcing child support orders.

Between 1989 — when FSA's provisions began to take effect — and 1994, the national AFDC caseload increased by more than one-third, to more than 5 million families. In the tight budgetary environment that resulted, many states did not have the resources to enforce work-related requirements for AFDC parents aggressively. Welfare reform again moved into the national spotlight, particularly during the 1992 presidential campaign, when candidate Bill Clinton promised to "end welfare as we know it."

The most recent wave of welfare reforms originated at the state level. Between 1993 and 1996, the federal government granted waivers of federal AFDC rules to more than 40 states, allowing them to institute a variety of far-reaching changes. Many states imposed tougher work requirements on a larger proportion of adult recipients (including mothers with very young children), increased the penalties for not complying with these mandates, and for the first time set time limits on the receipt of cash welfare benefits. In 1996, the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) formally abolished AFDC, ended needy families' legal entitlement to cash welfare assistance, and created the TANF block grant (a funding stream that gives states broad flexibility to design programs for needy families). Congress also barred states from using federal TANF funds to assist most families for more than 60 cumulative months and required states to ensure that a larger fraction of welfare recipients were working or looking for work than was previously required. The law also included, for the first time, an explicit focus on promoting marriage and discouraging out-of-wedlock childbearing.

These renewed efforts to push welfare recipients into the labor market occurred in the context of broad economic changes that sharply reduced the availability of well-paying jobs for workers without a college education. In light of these trends and the persistently high rates of poverty among children, a set of policies designed to increase the economic rewards of low-wage work were implemented in parallel with the welfare reforms of the 1990s. Many states expanded or extended their *earned income disregards*, rules that allow welfare recipients to keep some of their benefits if they work (see Chapter 3). At the federal level, the Earned Income Credit (EIC) — a refundable tax credit for low-wage workers (worth as much as $3,816 in 1999 to a family with two or more children) — was dramatically expanded. In addition, the federal government adopted new measures to strengthen the child support enforcement system and increased funding for subsidized child care and health coverage for children with working parents. According to one study, policy changes in federal entitlement programs such as Medi-

caid and the EIC led to a $46 billion increase in annual federal spending on low-income families who were not receiving cash assistance (most of them working) between 1984 and 1999.[3]

From 1994 to mid 2000 — a period of sustained economic growth and low unemployment nationally — the number of families receiving cash welfare assistance nationwide declined by an astonishing 56 percent, from somewhat more than 5 million families to fewer than 2.5 million families. The extent to which the decline is attributable to welfare reform policies as opposed to the strong economy, the expanded EIC, or other factors has been the subject of much debate.

Because they were triggered by public dissatisfaction with AFDC, almost all the welfare reforms implemented in the past three decades have shared a common goal: to reduce families' reliance on welfare benefits, primarily by helping and requiring parents to work. However, these reform efforts have faced the same tensions between goals that have long shaped policies for the poor — improving families' material conditions without discouraging them from working, enforcing work-related requirements for parents without harming their children, and minimizing costs when it is often cheaper to give low-skilled parents small cash grants than to help them prepare for steady employment.

Over this period, most states have increasingly focused on the goal of reducing welfare receipt, but there is still considerable variation from state to state in approaches to welfare reform. Some states' reforms are explicitly designed to improve families' financial and material conditions, while in other states the reforms focus more on reducing welfare use per se. Proponents of the latter approach argue that reducing welfare use will ultimately improve the lives of poor families by reducing out-of-wedlock childbearing, providing children with adult role models who work, and alleviating a range of social problems that they see as being linked to welfare use. Similarly, whereas some states focus on reducing government spending in the short term, others are willing to spend more, at least initially, to achieve favorable outcomes for children and families.

The Programs and Studies Covered in This Monograph

This monograph examines the effects of the following three key program features, which have formed the core of most states' welfare reforms in the 1980s and 1990s (particularly since PRWORA's passage in 1996):

- **Mandatory employment services**. Virtually all states require adults who receive cash welfare assistance[4] to work or to engage in employment-related activities such as job search assistance classes and education and training programs. Recipients who fail to meet these requirements can receive sanctions, that is, can have their welfare benefits reduced or canceled. Both the services themselves and the mandates to participate in them are designed to move more welfare recipients into jobs.

[3]Congressional Budget Office, 1998. This study examined only mandatory spending (for instance, on Medicaid and the EIC) and attempted to isolate the effects of federal policy changes from increases in spending due to inflation, population growth, unemployment, and other factors.

[4]In this monograph, cash welfare assistance always refers to AFDC or TANF, which in turn are often referred to simply as welfare.

- **Earnings supplements**. Most states have taken steps to make low-wage work more financially attractive to welfare recipients. A common tool for achieving this goal — known as an "enhanced" earned income disregard — is to allow working recipients to supplement their earnings by keeping more of their cash welfare benefits than they could have under AFDC rules. This approach is designed both to encourage more welfare recipients to go to work and to improve the economic circumstances of low-income working families.

- **Time limits.** Since 1994, more than 40 states have established limits (ranging from 21 months to 60 months) on the length of time families can receive cash welfare benefits. The 1996 federal welfare reform law set a 60-month time limit on federally funded assistance for most families. These time limits are designed to greatly reduce long-term welfare receipt and to force recipients to find other means of financial support.

In order to assess the effects of these program features, the monograph synthesizes the results from rigorous evaluations of 29 recent welfare reform initiatives in 11 states and two Canadian provinces. Appendix A lists key reports from the evaluations on which this document draws; detailed descriptions of the 29 programs and a full presentation of their impacts can be found in the reports. Brief descriptions of all the programs are provided in Appendix B.

Each of the three program features examined in this document was studied in several different evaluations, affording more confidence that the overall conclusions can be generalized to different environments (that is, to different populations, different labor markets, and so on). The monograph is intended to distill cross-cutting lessons and policy implications from the studies rather than to provide a comprehensive review of their findings.

Table 1.1 shows that most (20 out of 29) of the programs included only mandatory employment services. The studies of these programs began in the 1980s and early 1990s, before time limits and earnings supplements emerged as key elements of state welfare reforms. Nevertheless, their findings are highly relevant today because they provide detailed data about the effects and operating costs of different employment strategies, which can help inform policymakers as they decide how to structure their states' welfare-to-work programs. Because these 20 programs included mandates without earnings supplements and time limits (see the large check marks in the Mandatory Employment Services column in Table 1.1), they provide the most direct evidence of the effects of such services.

Table 1.1

Program Features Discussed in This Monograph, by Study

Project or Study	Number of programs studied[a]	Mandatory employment services	Earnings supplements	Time limits	Evidence on child impacts?
GAIN (California)	6[b]	✓			
NEWWS (Multistate)	11[c]	✓			Yes
SWIM (San Diego)	1	✓			
Jobs-First GAIN (Los Angeles)	1	✓			Yes
Project Independence (Florida)	1	✓			
MFIP (Minnesota)	2[d]	✓	✓		Yes
FTP (Florida)	1	✓	✓	✓	Yes
Jobs First (Connecticut)	1	✓	✓	✓	Yes[e]
WRP (Vermont)	2[d]	✓	✓	✓	
SSP (Canada)	2[d]		✓		Yes
New Hope (Milwaukee)	1		✓		Yes

NOTES: A large check mark (✓) indicates that the study provides direct evidence on the impact of the approach. A small check mark (✓) indicates that the study provides only indirect evidence on the impact of the approach.

[a]Indicates the number of separate programs studied, not the number of sites in the study.

[b]GAIN programs were studied in Alameda, Butte, Los Angeles, Riverside, San Diego, and Tulare counties. Because in California welfare is administered by counties, each county ran a different version of the program.

[c]The NEWWS Evaluation sites included Atlanta, GA (where two programs were studied); Columbus, OH (two programs); Detroit, MI; Grand Rapids, MI (two programs); Oklahoma City, OK; Portland, OR; and Riverside, CA (two programs).

[d]In Canada, Minnesota, and Vermont, two different programs were tested side by side.

[e]Results will become available in 2001.

Most of the other nine programs were initiated by states in the 1990s under federal waivers of AFDC rules. Although all these programs offered earnings supplements, the only direct tests of the effects of supplements come from the few studies in which a program with a supplement was compared with a program that was identical except that it lacked a supplement (see the large check marks in the Earnings Supplements column in Table 1.1).

Least is known about the effects of time limits. Three of the programs imposed some form of time limit on welfare receipt but also included many other components, and with one exception the studies were not designed to isolate the effects of time limits.[5]

Finally, some of the studies provide evidence about how the reforms affected welfare recipients' children. This is a critical issue because, as already discussed, work-related requirements have been expanded to apply to a growing number of single mothers with preschool-aged children, a development that has given rise to concern about how these children will fare when their mothers go to work. The results for children are summarized here only briefly but are discussed in greater detail in a companion monograph.[6]

Analysis Issues

In each of the evaluations discussed in the monograph, people — the large majority of them welfare recipients — were assigned through a lottery-like process to a *program group*, which was subject to the welfare reforms, or to a *control group*, which was not.[7] The groups were then tracked, usually over several years, and compared with one another with respect to key outcomes such as employment, welfare receipt, and income. The "increases" and "decreases" in these outcomes reported in this document always refer to differences between the program and control groups.

Random assignment ensured that, within each study, people in the program and control groups were comparable at the outset and experienced the same general economic and social conditions during the study period. Thus, the differences that emerged over time between the groups — which are called *impacts* (or effects) — can be attributed to the programs rather than to other factors.

Although random assignment is generally considered to be the most reliable way to measure the impact of a policy or program, it has limitations. For example, a random assignment study may underestimate the impact of a reform that generates effects by changing community-wide views about welfare because it is impossible to insulate the control group from such changes. In other words, if a program influences both the program and control groups, comparing the groups will not provide an accurate estimate of the program's effects.

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[5]One study, the Vermont Welfare Restructuring Project (WRP) Evaluation, was designed to estimate the effects of a time limit. But Vermont's time limit triggered a requirement to work (or, if the recipient could not find work, a subsidized job) rather than termination of a family's welfare grant, the latter being what is generally considered to be a welfare time limit.

[6]Morris et al., 2001.

[7]For the sake of brevity, program group members are sometimes referred to in this document as participants, although in fact some of them did not participate in program activities.

This monograph draws inferences about the relative effects of different approaches primarily by comparing the results of programs that were implemented in different places. This is a useful approach, but it is imperfect because factors other than the program model might account for differences between the programs' effects. Fortunately, a few of the studies examined here were designed with the explicit goal of comparing the impacts of alternative welfare reform approaches. For example, in three sites, two programs that used only mandatory employment services — one focused on quick job placement and the other focused on education or training before job search — operated side by side, and people were randomly assigned to one program or the other.

Finally, the studies were not designed to examine the full range of policies considered by many to be critical to welfare reform. For example, the studies shed little or no light on the effects of "family caps" (which typically leave a family's welfare grant unchanged when the parent has additional children), parental responsibility mandates (such as requirements that parents ensure that their children attend school regularly), or "diversion" programs (efforts to reduce the number of families who go on welfare). Similarly, only one of the programs (Connecticut Jobs First) enforced participation mandates by imposing "full-family" sanctions — that is, by eliminating the family's entire welfare grant (as opposed to eliminating only the adult share of the grant).[8] More broadly, the studies provide only limited evidence about the influence of policy changes that do not directly involve cash welfare but may be critical to the impacts of welfare reform — for example, changes involving the EIC, the minimum wage, the Food Stamp Program, child care subsidies and health coverage for children of low-wage workers, and child support enforcement.

In light of these limitations, the monograph does not aim to address all the important issues related to welfare reform. Instead, it is intended to provide unusually reliable evidence about the effects of specific welfare reform approaches by synthesizing results from multiple evaluations. As such, it should be considered in conjunction with studies that address related topics, such as the experiences of "welfare leavers," the implementation of welfare reform in particular areas, and how much of the welfare caseload decline is due to various factors.[9]

[8]Until 1994, parents who failed to comply with work-related mandates had their welfare benefits reduced but not canceled. In 1994, the federal government began granting waivers that allowed states to experiment with full-family sanctions under certain circumstances. Today, 37 states use full-family sanctions to enforce work requirements. Nineteen states also eliminate the family's entire Food Stamp grant for noncompliance with work-related requirements.

[9]See, for example, U.S. Council of Economic Advisors, 1999; Moffitt and Stevens, 2000; Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, 1999; Quint et al., 1999; Gais et al., forthcoming.

Chapter 2

Effects of Mandatory Employment Services

Employment is only one of several routes to leaving welfare, but it is probably the one most easily influenced by policy. As noted in Chapter 1, federal legislation to encourage welfare recipients to work was first passed in the 1960s. Until passage of the 1996 welfare reform law, most such programs relied primarily on mandatory employment services to increase employment and reduce welfare use.

The design and implementation of mandatory employment services raise many issues. One is how participation mandates should be enforced. Some programs impose financial sanctions swiftly when recipients fail to participate, while others try to cajole clients into complying with participation mandates before resorting to penalties. Another issue involves programs' staffing structures. For example, in some programs examined in this monograph one worker handled income maintenance and another handled employment and training case management, while in other programs one staff member served both functions.

One of the most contentious issues is the type of employment services that are provided or emphasized. The common wisdom concerning what approaches are most effective has shifted several times over the years. Beginning in the late 1970s, many states operated simple, inexpensive programs that required welfare recipients to look for work. Evaluations of these programs showed that they increased employment and reduced welfare spending (in fact, in some cases, the welfare savings generated by the programs exceeded the additional costs of running them). Nevertheless, the employment gains were smaller for recipients who faced the most serious barriers to employment — for instance, those who had not completed high school — and who were therefore more likely than other recipients to receive welfare for long periods.[1] Partly in response to these findings, the Family Support Act of 1988 (FSA) pushed states to target particularly disadvantaged recipients and to provide them with education or training that would build skills to make it easier for them to find jobs. In the 1990s, however, the pendulum swung back toward a focus on rapid job placement, although many continue to argue that education and training should play a critical role in welfare and work programs.

This chapter examines and compares the results of 20 programs that used only mandatory employment services — that is, programs that required some welfare recipients to participate in job search activities, education or training activities, or both as a condition for receiving full welfare benefits.[2] As shown in Table 2.1, each of the 20 programs used one of three general employment strategies:

- In the five *job-search-first* programs, virtually all recipients were required to begin by looking for work for several weeks on their own or through group activities (such as job clubs) that taught job-seeking skills — for instance, how to write a résumé and prepare for a job interview — and then helped participants search for

[1]Gueron and Pauly, 1991; Friedlander and Burtless, 1995.

[2]A few other random assignment studies conducted in the 1980s examined relatively small-scale "workfare" programs, which required recipients to "earn" their grants by working in unpaid positions at government agencies or nonprofit organizations. However, workfare has not been widely used by states.

jobs. People who failed to find jobs after a specified period of job search were often referred to some type of education or training activity (described below). Job-search-first programs are founded on the view that recipients can best build their employability by working, even at low-wage jobs.

- In the seven *education-first* programs, most participants were assigned initially to classroom-based education or training activities. *Nongraduates* — that is, recipients who had no high school diploma or General Educational Development certificate (GED) — were usually referred to local *adult basic education* programs, which included remedial instruction in reading and math, GED exam preparation, and English as a Second Language (ESL) classes. *Graduates* — that is, recipients who already had a high school diploma or GED — were often assigned to vocational training programs designed to prepare them for a particular occupation. Recipients who completed the course of education or training to which they were assigned initially could be assigned to job search activities later. Education-first programs are founded on the view that, before looking for work, welfare recipients should raise their skill levels in order to obtain jobs with higher wages and more fringe benefits.

- In the eight programs with *mixed initial activities*, some participants (usually those with lower levels of education) were assigned to basic education or training initially, while others were assigned to job search initially. Some people who completed job search without finding work then enrolled in education and training, while some who completed their initial assignment in an education or training program then looked for work. These programs with mixed initial activities can be further categorized according to their overall emphasis: Whereas three of them were strongly *employment-focused* (staff urged participants to find work, and the education or training activities were designed to be short term), the other five were *education-focused* (they allowed people to enroll in long-term education programs with less urgency attached to going to work). The latter distinction, though based on detailed studies of the programs' implementation, is less clear-cut than the distinctions based on the initial activity.

Of particular interest in this chapter are the studies in Atlanta, Grand Rapids, and Riverside, which were conducted as part of the National Evaluation of Welfare-to-Work Strategies (NEWWS). In each of these sites, a job-search-first program and an education-first program were operated side by side, and welfare recipients were randomly assigned to one of the two programs (or to a control group). The job-search-first programs were called Labor Force Attachment (LFA) programs, and the education-first programs were called Human Capital Development (HCD) programs. These three NEWWS sites provide the most direct evidence to date on the relative impacts of the two approaches.

Table 2.1

Mandatory Employment Service Programs, by Approach

Job search first	Atlanta LFA, Grand Rapids LFA, Los Angeles Jobs-First GAIN, Riverside LFA, and SWIM
Education first	Atlanta HCD, Columbus Integrated, Columbus Traditional, Detroit, Grand Rapids HCD, Oklahoma City, and Riverside HCD
Mixed initial activities	
Employment focus	Portland, Project Independence, and Riverside GAIN
Education focus	Alameda GAIN, Butte GAIN, Los Angeles GAIN, San Diego GAIN, and Tulare GAIN

Earnings

The main objective of a welfare-to-work program is to increase the extent to which recipients support themselves through work. Earnings are a useful measure of a program's success in attaining this goal because they simultaneously reflect whether people go to work, the amount that they work, and their wages. Another revealing measure is welfare benefit amounts, which are examined in the next section.

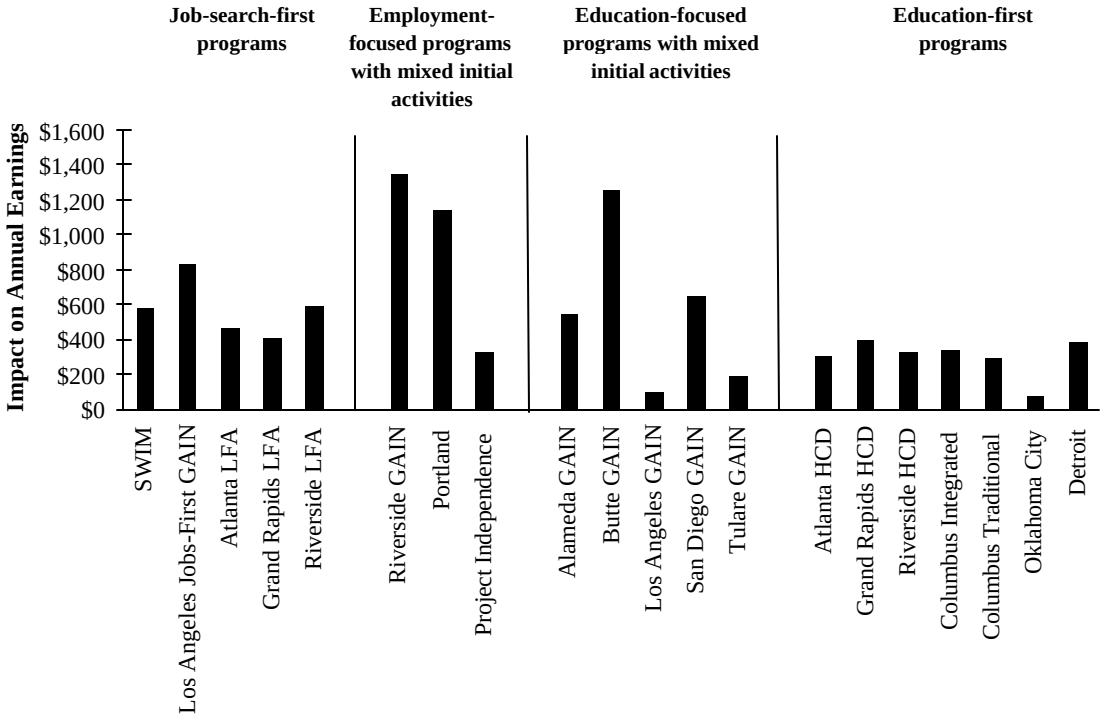
Figure 2.1 shows the impacts on earnings of the 20 welfare reform initiatives examined in this monograph that used mandatory employment services only (that is, in the absence of earnings supplements and time limits on welfare receipt). The programs are categorized according to the employment strategy they used — job search first, education first, or a mix of initial activities. Box 2.1 provides guidelines on how to read this and the other figures presented in the monograph.

Each bar in the figure represents, for each program, the difference between the average annual earnings of people in the program group and the average annual earnings of people in the control group, who were not required to participate in any employment services but could (and often did) seek out such services in the community. Both averages cover a three-year period and include the $0 earnings of people who did not work at all during that period.

Which types of programs were effective at increasing earnings? The short answer is that programs of all types were effective to some extent. Each of the job-search-first programs increased earnings by at least $400 per year. Most of the education-first programs also increased earnings but by a smaller amount. Although Figure 2.1 does not show it, most of the increases in earnings were the result of increases in employment (in the most effective programs, employment in the program group was more than 10 percentage points higher than in the corresponding control group); on average, the jobs obtained by program group members provided about the same number of hours of work and paid about the same wage as the jobs obtained by control group members.

Figure 2.1

A variety of programs increased earnings, but the most effective programs used a mix of initial activities



SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The bars show results for all those who had ever received welfare prior to random assignment.

For all programs other than Los Angeles Jobs-First GAIN, results are expressed in 1997 dollars. Because Los Angeles Jobs-First GAIN operated in the second half of the 1990s, taking account of inflation would not alter comparisons of the results a great deal.

For all programs but Los Angeles Jobs-First GAIN and Project Independence, results are for the three years after random assignment. For Los Angeles Jobs-First GAIN and Project Independence, results are for the two years after random assignment because only two years of data are available for these programs

The impacts for the following programs are significantly different from zero at the 1 percent level: Atlanta LFA, Butte GAIN, Los Angeles Jobs-First GAIN, Portland, Project Independence, Riverside LFA, Riverside GAIN, San Diego GAIN, SWIM, and Detroit.

The impacts for the following programs are significantly different from zero at the 5 percent level: Atlanta HCD, Columbus Integrated, Grand Rapids LFA, Grand Rapids HCD, and Riverside HCD.

The impact for the following program is significantly different from zero at the 10 percent level: Columbus Traditional.

The impacts for the following programs are not significantly different from zero: Alameda GAIN, Los Angeles GAIN, Oklahoma City, and Tulare GAIN.

Box 2.1

How to Read the Figures in This Monograph

To illustrate how to interpret the figures, the table below focuses on one of the 20 programs shown in Figure 2.1 — Portland's JOBS program. The top panel, which shows employment rates, indicates that program group members were more likely than control group members to have been employed at some point in each of the first three years after random assignment (Years 1, 2, and 3). It also shows that, in each of the three years, many people in both groups did not work at all. The bottom panel shows the average earnings of the two groups in each year, including both people who worked and people who did not. For example, people in the program group earned an average of $4,953 in Year 3. By dividing the average earnings of the whole program group by the employment rate, one can calculate the average earnings of those program enrollees who worked in any given year. For example, in Year 3 the 62.2 percent of program group members who worked earned an average of $4,953 divided by .622, or $7,963.

The "Difference" column shows the differences between the two groups' employment rates (top panel) and average earnings (bottom panel) — that is, the program's *impacts* on employment and earnings — in each year. For example, the impact on Year 3 earnings can be calculated by subtracting $3,334 from $4,953, yielding $1,619. The bar for Portland in Figure 2.1 represents the average of the three annual earnings impacts shown below.

Most of the figures in this monograph display the programs' impacts rather than the *outcome levels* for the program and control groups (such as those shown in the first two columns below) or how the outcome levels varied over time. Appendix C provides the outcome levels and impacts for all 29 programs in a format similar to the one below.

Impacts of Portland's JOBS program on employment and earnings

	Program Group	Control Group	Difference (Impact)	Percentage Change (%)
Employment rate (%)				
Year 1	52.9	43.3	9.6	22.2
Year 2	59.3	45.7	13.6	29.8
Year 3	62.2	50.3	11.9	23.7
Average earnings ($)				
Year 1	2,311	1,618	693	42.8
Year 2	3,901	2,547	1,354	53.2
Year 3	4,953	3,334	1,619	48.6

Most of the impacts discussed in the text are *statistically significant*, that is, very unlikely to have arisen by chance. The notes to the chapter figures and the tables in Appendix C indicate whether each impact is statistically significant at the 1 percent, 5 percent, or 10 percent level (the lower the level, the less likely the impact is to be due to chance).

The programs that were most effective at increasing earnings used a mix of initial activities (see the middle panels of Figure 2.1) rather than relying solely on upfront job search or upfront education and training. Two of the programs with mixed initial activities that had very large earnings impacts (Riverside's Greater Avenues for Independence, or GAIN, program; and Portland's Job Opportunities and Basic Skills Training, or JOBS, program) maintained a strong emphasis on employment: Education and training activities were brief, and staff strongly emphasized the importance of finding jobs quickly. A third program with mixed initial activities that generated large effects (Butte's Greater Avenues for Independence, or GAIN, program) emphasized education more strongly. These results suggest that a "one-size-fits-all" approach stands a lesser chance of substantially boosting earnings than an approach that tailors services to individuals.

Despite the Portland and Riverside GAIN programs' success in increasing earnings, providing a mix of initial activities was not a guarantee of success: The third employment-focused program with mixed initial activities (Project Independence) had only small effects on earnings.

Implementation studies of programs with mixed initial activities have highlighted the importance of a strong, clear program message, careful monitoring of participants' activities, and sufficient funding for support services such as child care. These implementation findings also suggest that such programs must develop an effective mechanism for matching participants with the activities that would help them most (the programs discussed here took various approaches to matching) and ensure that the activities themselves are of high quality.

Project Independence suffered from a lack of funding, particularly for child care subsidies, during much of the period during which it was evaluated. In addition, the initial job search activity to which it assigned most people was independent job search (in which people look for jobs on their own and periodically report their progress to staff), while the other two programs with mixed initial activities assigned most people to supervised job search or group job clubs (which provide job search training and access to job listings and telephones to help people apply for jobs). Finally, Project Independence determined who would be referred to upfront education or training services according to a rigid rule based on education and prior work experience.[3] The other two programs, in contrast, used more flexible strategies to determine whether individual participants might benefit from such activities (see Box 2.2). One or more of these factors may help to explain why Project Independence had smaller impacts than the other employment-focused programs with mixed initial activities.

As discussed earlier, the programs in Atlanta, Grand Rapids, and Riverside studied in the NEWWS Evaluation provide the most direct evidence to date on the relative impacts of the two approaches that lie at opposite ends of the spectrum shown in Figure 2.1 — job search first and education first. In recent years, many states have adopted versions of the job-search-first approach. Figure 2.2 shows the effects of these programs on earnings in the first and third years after

[3]During the early part of the evaluation of Project Independence, sample members were determined to be job-ready if they had completed grade 10 or had worked in at least 12 of the previous 36 months and not job-ready if they met neither of these criteria. Starting in October 1991, the job-readiness criteria were having a high school diploma or GED or having worked in at least 12 of the previous 24 months.

Box 2.2

What Was Different About Riverside GAIN and Portland's JOBS Program?

Of the large-scale welfare and employment programs that have been studied by MDRC, Riverside GAIN and the Portland JOBS program generated the largest, most sustained increases in earnings across a broad range of welfare recipients. Both programs (1) stressed job search activities but assigned many participants to education or training, (2) maintained a strong focus on employment, and (3) vigorously enforced the rules requiring recipients to participate.

The programs used different strategies, however, to determine what was the most appropriate activity assignment for participants. The Riverside program operated under statewide rules requiring that recipients who lacked a high school diploma and GED or failed a basic skills test be assigned to education unless they opted to look for work first. In implementing the rules, however, the Riverside staff urged such recipients to enter job search activities unless they were strongly interested in school, and staff sometimes reassigned to job search people who did not attend basic education regularly or did not make progress in education activities. The Portland staff did not use any fixed rules to determine initial activity assignments; in general, recipients with lower levels of education or less of a work history were more likely to be assigned to education.

Another important difference was that the Portland program urged job seekers to be selective — that is, to wait for a job that was full time, paid more than the minimum wage, and offered fringe benefits and opportunities for advancement. The Riverside program, in contrast, told participants to accept any job they were offered. Interestingly, in Portland employed program group members earned more per hour than employed control group members; this was not true in Riverside, where the program raised average earnings solely by increasing the number of people who worked.

random assignment (Years 1 and 3).[4]

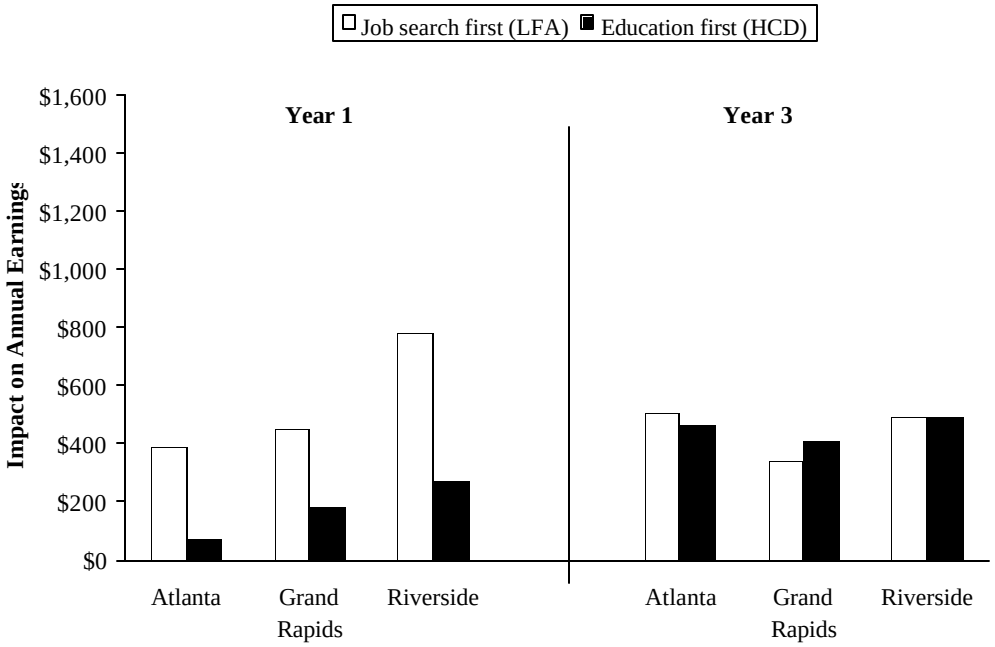
Which approach is better at increasing earnings? The left-hand panel of Figure 2.2 shows that the job-search-first programs generated larger earnings gains in Year 1. Whereas the activities provided in the job-search-first programs helped some people find employment, many people in the education-first programs spent all or part of that year in education or training rather than working. However, the difference between the two approaches shrank over time. In Year 3, both approaches generated earnings gains of about $400 or $500 per person in each site. The fact that the two approaches ultimately generated comparable earnings impacts is important because, as discussed below, the education-first approach cost considerably more to operate.

The convergence in impacts stems primarily from the fact that the effects of the education-first programs increased over time, as people completed or left their educational activities and moved to work. To a lesser degree, the effects of the job-search-first programs diminished over time, partly because many people had difficulty retaining employment. It will be important

[4]The Riverside LFA and HCD programs shown in the figure are not the same as the Riverside GAIN program discussed earlier in this chapter.

Figure 2.2

The job-search-first programs had larger effects on earnings than the education-first programs initially, but the difference diminished over time



SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The bars shows results for all those who had ever received welfare prior to random assignment.

Results are expressed in 1997 dollars.

Year 1 begins in the quarter following the calendar quarter of random assignment.

The impacts for the following programs are significantly different from zero at the 1 percent level: Atlanta LFA in Year 1, Grand Rapids LFA in Year 1, Riverside LFA in Year 1, Riverside HCD in Year 3.

The impacts for the following programs are significantly different from zero at the 5 percent level: Atlanta LFA in Year 3, Atlanta HCD in Year 3, and Riverside LFA in Year 3.

The impacts for the following programs are significantly different from zero at the 10 percent level: Riverside HCD in Year 1 and Grand Rapids HCD in Year 3.

The impacts for the following programs are not significantly different from zero: Atlanta HCD in Year 1, Grand Rapids HCD in Year 1, and Grand Rapids LFA in Year 3.

to see whether the pattern changes after a longer period (longer-term results on these programs will become available in 2001).[5]

In comparing the effects of the job-search-first and education-first approaches, it is especially important to consider the results for nongraduates — a group expected to have particular difficulty finding and holding jobs. Many have argued that skill-building activities are especially important for this group because high school dropouts today earn much less than their counterparts 20 to 30 years ago and much less than today's high school graduates. Surprisingly, however, the results for nongraduates (not shown in the figure) follow much the same pattern as the results shown in Figure 2.2.[6]

Even though these results suggest that education-first programs are no more effective than job search-first programs at increasing earnings, there may be skill-building activities that are more effective. As noted earlier, the main education activity in which nongraduates in these programs participated was adult basic education rather than vocational training or postsecondary education. There is evidence from a few studies that vocational training may help welfare recipients obtain better jobs, but many training programs accept only high school graduates and people with basic reading and math skills, making them inaccessible to nongraduates.[7] As for college education, there is little direct evidence as to whether it affects welfare recipients' earnings.

The modest impacts of the education-first programs for nongraduates may reflect the relatively low quality of the adult education activities that participants attended; sites were chosen for the NEWWS Evaluation on the basis of considerations other than the quality of the adult basic education that they offered, and more effective education may exist in other places. In addition, even in the best-managed education-first programs, some nongraduates never actually participated in an education activity because they left welfare quickly, did not cooperate with program requirements, or were temporarily excused because they had health or other problems.[8] Many of those who participated left the activities quickly (which may also have been a consequence of the quality of the programs). One analysis suggests that people who attended adult education for a substantial period benefited from it, in part because the additional education enabled them to earn a GED and allowed them to qualify for training programs.[9] However, this analysis should be interpreted with caution because it is based on a comparison between groups that may have differed in many ways other than their enrollment in education and training activities.

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[5]Although Figure 2.1 does not show the results by year, it is worth noting that the earnings gains generated by the Portland and Riverside GAIN programs, which offered a mix of initial activities, were as large as the impacts of the job-search-first programs in Year 1 but grew even larger in the subsequent two years.

[6]See Michalopoulos and Schwartz, 2001.

[7]Studies of the GAIN program in Alameda County and of the Center for Employment and Training (CET) found that these two training-oriented programs had positive effects. However, other training-oriented programs were found not to have positive effects. See Riccio, Friedlander, and Freedman, 1994; Zambrowski and Gordon, 1993; Cave et al., 1993; Orr et al., 1996.

[8]For example, in the NEWWS Evaluation's HCD programs, the rates of participation in adult basic education activities among nongraduates in the program group were 43 percent in Atlanta, 58 percent in Grand Rapids, and 50 percent in Riverside, with smaller percentages participating in vocational training, job search, and other activities.

[9]Bos et al., forthcoming.

There are a number of other possible reasons for the relatively small impacts of education-first programs on the earnings of nongraduates. First, the modest impacts may reflect nongraduates' lack of interest in attending education activities. In surveys administered at the beginning of the studies discussed above, very few of the welfare applicants and recipients chose "going to school to study basic reading and math" as their preferred activity; most preferred work or training.[10] Second, the programs may have assigned to education too many people who would not benefit from such activities. In contrast, Riverside GAIN and Portland JOBS — both of which used mixed initial activities that produced large earnings gains for nongraduates — used what may have been more successful methods of determining which people in this group would benefit most from school (see Box 2.2).

Nongraduate recipients are just one of the groups that policymakers hoped would benefit from welfare reform policies. FSA directed states to offer whatever services would be most likely to benefit long-term welfare recipients (who are disproportionately likely to be nongraduates) and to concentrate their efforts on getting this group into employment. In this regard, these programs were more successful than their predecessors. The programs shown in Figure 2.1 generally increased earnings by about as much for long-term recipients as for short-term recipients and had positive effects on a very disadvantaged group of long-term welfare recipients, namely, nongraduates who had not worked in the year prior to entering the program. This finding stands in contrast to those for the programs that preceded passage of FSA, perhaps indicating that passage of that act led to the realization of one of its primary goals.[11] Nevertheless, employment and earnings levels remained extremely low for the most disadvantaged welfare recipients in the program groups.[12]

Welfare Benefits

Welfare reforms have been aimed not only at increasing work but at reducing use of public assistance, especially cash welfare benefits. Average welfare benefits simultaneously reflect the number of people who receive welfare and the size of welfare grants. Figure 2.3 shows the impacts of the 20 programs on the average amount of welfare benefits received each year during the first three years after random assignment — the same period shown in Figure 2.1.[13] As in Figure 2.1, each bar in Figure 2.3 represents the difference between the program group average

[10]The survey question asked recipients to rank the following five activities: full-time work, part-time work, training, basic education, and staying at home to care for one's children.

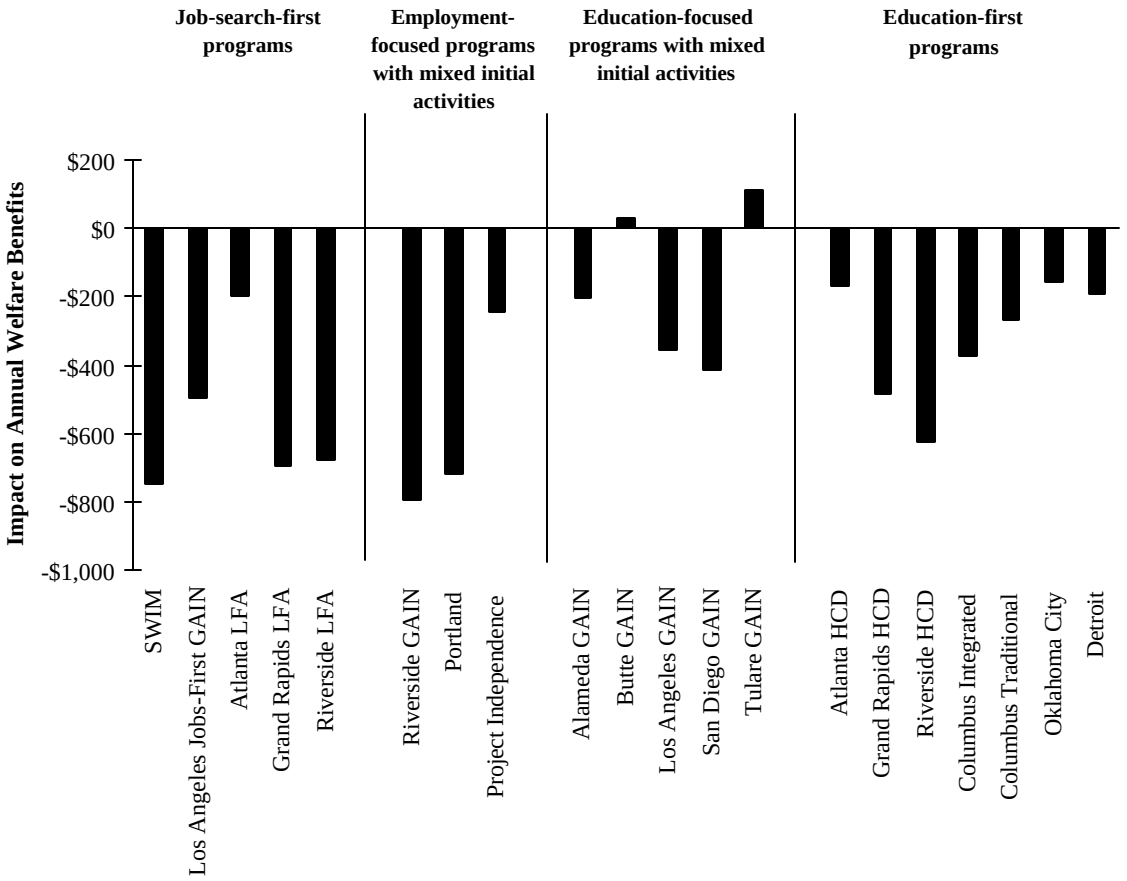
[11]For the results on most of the programs discussed in this section, see Michalopoulos and Schwartz, 2001; for results on the earlier programs, see Friedlander, 1988.

[12]For example, in the 20 welfare and employment programs studied in Michalopoulos and Schwartz, 2001 — which overlap considerably with the 20 programs covered in this chapter — the most disadvantaged program group members earned an average of $1,387 per year during the three years after random assignment, compared with $6,085 for the least disadvantaged program group members. In Michalopoulos and Schwartz, 2001, the most disadvantaged group consisted of people who had received welfare for two or more years prior to random assignment, had not graduated from high school or received a GED prior to random assignment, and had not worked in the year prior to random assignment. The least disadvantaged group had none of these characteristics.

[13]The implications of Figure 2.3 would be similar if the figure showed the proportions of people receiving welfare rather than average welfare benefit amounts. Appendix C presents the impacts of the programs on both outcomes.

Figure 2.3

The programs generally reduced spending on welfare, but the amount of savings was affected by a variety of factors



SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The bars show results for all those who had ever received welfare prior to random assignment.

Welfare includes AFDC and TANF payments.

For all programs other than Los Angeles Jobs-First GAIN, results are expressed in 1997 dollars. Because Los Angeles Jobs-First GAIN operated in the second half of the 1990s, taking account of inflation would not alter comparisons of the results a great deal.

For all programs but Los Angeles Jobs-First GAIN and Project Independence, results are for the three years after random assignment. For Los Angeles Jobs-First GAIN and Project Independence, results are for the two years after random assignment because only two years of data are available for these programs.

The impacts for the following programs are significantly different from zero at the 1 percent level: SWIM, Los Angeles Jobs-First GAIN, Atlanta LFA, Grand Rapids LFA, Riverside LFA, Riverside GAIN, Portland, Project Independence, Los Angeles GAIN, San Diego GAIN, Atlanta HCD, Grand Rapids HCD, Riverside HCD Columbus Integrated, Columbus Traditional, Oklahoma City, and Detroit.

The impacts for the following programs are not significantly different from zero: Alameda GAIN, Butte GAIN, and Tulare GAIN.

and the control group average, both of them including the $0 benefits of people who did not receive any welfare at all.

In general, the programs' effects on cash assistance represent the flipside of their effects on earnings: The programs with the largest effects on earnings generally had the largest effects on welfare benefits. This result is easy to understand given that the more recipients earned, the more their welfare benefits were automatically reduced. For many people who worked, each dollar of additional earnings reduced their welfare grant by a dollar; even for those who did not lose a welfare dollar for each dollar earned, welfare benefits nevertheless shrank as earnings increased.

Reductions also tended to be larger in states with more generous welfare benefits. For example, whereas the Atlanta job-search-first programs had similar effects on earnings as the programs in San Diego (the Saturation Work Initiative Model, or SWIM), Grand Rapids, and Riverside (see Figure 2.1), the Atlanta program had much smaller effects on welfare benefits than the other three programs. This is not surprising; it is more difficult for a program to save welfare dollars in a state where benefit levels are relatively low to begin with (such as Georgia) than in a state with relatively high benefit levels (such as California). This positive relationship between benefit levels and welfare savings is not, however, perfect. Although the education-focused programs with mixed initial activities operated in California, they generated only modest to small welfare savings.[14]

A number of the programs reduced welfare benefits more than they increased earnings. These programs may have imposed many sanctions (grant reductions) on recipients who failed to attend assigned activities, encouraged some people to leave welfare even though they had not found employment, or discovered previously unreported jobs as a result of the participation mandates.

Benefits and Costs for the Government

When it comes to understanding the effects of welfare and work programs, earnings gains and reductions in welfare payments tell only part of the story. Suppose two programs generate similar effects, but one costs substantially more to operate. (Previous studies have found that some welfare and work programs save the government money because the welfare savings that they generate exceed the additional costs of operating them.) Other things being equal, a government policymaker or administrator would probably prefer the less expensive approach.

Table 2.2 shows the operational costs of seven of the programs discussed in this chapter.[15] The first column shows, for each program, the *additional cost* of services per person — that is, what the government spent on operating the program over and above what it would have spent

[14]A few programs (for example, Butte GAIN and Tulare GAIN) increased earnings but had no impact on welfare benefit amounts. A program might leave welfare payments unchanged if, for example, it increased earnings primarily among people who would have left welfare even without the program.

[15]The programs in Table 2.2 were chosen because they are among the most recently operated programs for which net costs are available. Although net costs are available for SWIM and the GAIN programs, the costs measured for those older programs cover a different period of time than the costs of the programs shown in Table 2.2 and are therefore not comparable.

Table 2.2

The employment-focused programs were more cost-effective than the education-first programs

Program	Additional cost of services	Savings in welfare and Food Stamps	Additional cost of services minus savings in welfare and Food Stamps
Job search first			
Atlanta LFA	$2,277	$773	$1,678
Grand Rapids LFA	$1,108	$2,514	-$1,237
Riverside LFA	$1,263	$2,633	-$1,118
Mixed initial activities with employment focus			
Portland	$2,017	$2,994	-$755
Education first			
Atlanta HCD	$3,428	$576	$2,968
Grand Rapids HCD	$2,872	$1,740	$1,430
Riverside HCD	$2,930	$2,440	$388

SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The results on the additional cost of services are for welfare recipients and applicants.

The results on the savings from welfare and Food Stamps are for only those who had ever received welfare prior to random assignment.

The additional cost of services is the difference between the average cost of services obtained by program and control group members during the two years after random assignment.

The savings in welfare and Food Stamps are the difference between the average dollar amounts of such benefits received by program and control group members during the three years after random assignment.

The last column shows the difference between the additional cost of services and the savings in welfare and Food Stamps.

Welfare includes AFDC and TANF payments.

had the program not existed. The additional cost was computed by subtracting the cost per person of the services that control group members obtained during the first two years after random assignment (for example, education and training activities obtained outside the welfare system and child care subsidies available through the welfare system) from the cost per person of the services obtained by program group members during that time, whether in the program or the community. The second column shows how much each program saved in public assistance spending (spending on cash welfare benefits and Food Stamps combined) over the three years following random assignment.[16] Finally, the third column shows the difference between each program's additional cost and the welfare savings it generated.[17] These results provide only a rough estimate of the programs' benefits and costs for the government because they extend only two or three years beyond random assignment.

The education-first programs cost more to operate than the programs with job search first or mixed initial activities because participation in education and training activities tends to extend over a longer period than participation in job search activities. The operational cost of the Portland program, which used a mix of initial activities, was higher than the operational costs of two of the three job-search-first programs but substantially lower than those of the education-first programs.

There are two general ways to view these results. A policymaker looking for the most efficient way to generate earnings gains would most likely prefer the job-search-first approach to the education-first approach: By the end of the study period, the two approaches had comparable earnings impacts (see Figure 2.2), yet the job-search-first programs cost much less to operate. However, given that Portland's program had particularly large positive impacts on earnings, its mix of initial activities appears to have been the most cost-effective approach of all. A policymaker who aims simply to save money, in contrast, would most likely prefer the job-search-first programs to both the education-first programs and programs with mixed initial activities because they generated substantial savings at low net cost.

Benefits and Costs for Participants

The programs with mandatory employment services examined in this monograph were designed to increase participants' earnings and reduce the amount of public assistance they received — in other words, to replace welfare with work. Although the programs' designers may have hoped that this movement would leave participants better off financially, the programs did not necessarily emphasize that objective.

Figure 2.4 shows the effects of the 20 programs on combined income from earnings, cash assistance, and Food Stamps during the three years after random assignment.[18] Income measured in this way

[16]Table 2.2 compares two-year costs of services to three-year welfare savings because only two years of cost data were available. The cost of services is likely to be small after the second year because the provision of program services is concentrated in the period soon after program enrollment.

[17]The welfare savings in Table 2.2 differ from the welfare benefit reductions in Figure 2.3 for two reasons. First, Table 2.2 shows reductions in cash and Food Stamps benefits combined, while Figure 2.3 shows only reductions in cash benefits. Second, Table 2.2 shows the total savings over three years, while Figure 2.3 shows annual reductions for the same period.

[18]The results in Figure 2.4 do not take full account of recipients' financial gains and losses. Not only do they not include the federal Earned Income Credit (EIC), which increased the income of many of those who worked, but they (continued)

serves as a rough estimate of the financial "bottom line" for people in these studies because earnings and public assistance represent their key sources of income. A negative impact indicates that the program resulted in lower income for program group members than they would have had otherwise. Of course, the results in the figure do not take account of the nonfinancial costs and benefits of working versus receiving welfare, which may be considerable.

Most of the programs had fairly modest effects on income.[19] In other words, the programs changed the composition of participants' income by reducing their reliance on public assistance, but they did not make participants financially much better off than they would have been in the absence of the programs.

Several factors explain the generally modest — and, in some cases, negative — effects on income of the programs with mandatory employment services.[20] First, many program group members obtained low-wage or part-time jobs, so their earnings were not very high (see Box 2.3). Second, for the most part, cash welfare benefits were reduced by one dollar for each additional dollar earned.[21] Third, some program group members may have lost public assistance without gaining earnings — for example, if they were sanctioned for not complying with the participation mandate or if they left welfare without having found a job.

One might assume that the results shown in Figure 2.4 would look substantially different if income from the EIC were included in the calculation. The EIC substantially boosts the income of many low-income working families, which suggests that people in the program groups — who had higher levels of employment and earnings, on average, than people in the corresponding control groups — would benefit more from the credit. Surprisingly, however, accounting for the EIC does not appreciably change the income results (see Appendix D).

Children's Outcomes

Although the programs discussed in this chapter were not designed expressly to affect welfare recipients' children, it is easy to understand how they might have done so.[22] By increasing

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do not account for working families' possibly higher expenses (such as work-related child care and transportation). In addition, Figure 2.4 does not consider the income of other members of recipients' households. Nevertheless, more detailed and complete examinations of the financial benefits and costs of these programs from the standpoint of recipients have yielded largely the same conclusions.

[19] In the Butte GAIN program, the income gain was large rather than modest (as shown in Figures 2.1 and 2.3, this program increased earnings without reducing welfare payments at all). It is possible that the program primarily raised earnings among people who would have left welfare anyway.

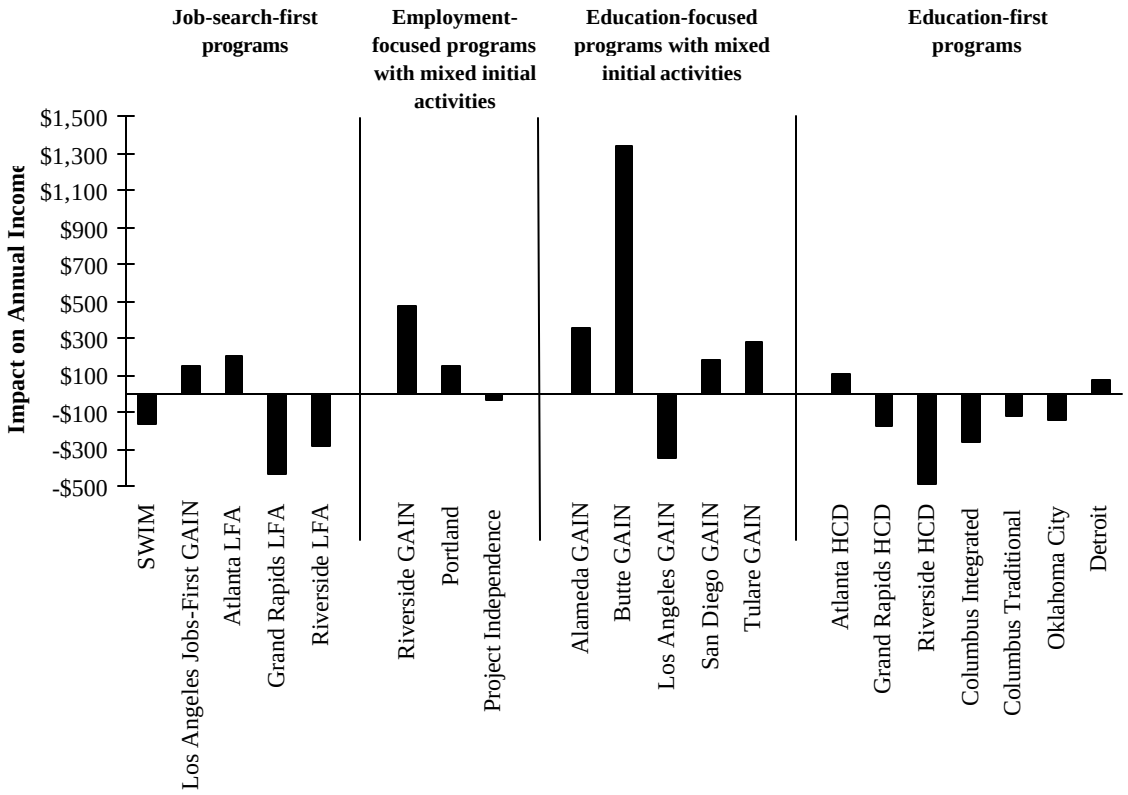
[20] It is important to keep in mind that the income sources used in Figure 2.4 all come from administrative records, which probably capture public assistance more completely than they cover earnings. If someone left welfare and took a job that was not covered by the unemployment insurance system in her state (for example, a job in the informal sector or with the federal government), her earnings and income would be underestimated in the figure.

[21] Food Stamp benefits were also reduced as earnings increased, but by less than one dollar for each dollar of earnings.

[22] Zaslow et al., 1995, 1998.

Figure 2.4

Mandatory employment services generally left recipients with no more income than they would have had without the services



SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The bars show results for all those who had ever received welfare prior to random assignment.

With one exception, income includes earnings reported to state unemployment insurance systems, AFDC and TANF payments, and the cash value of Food Stamp payments. For SWIM, Food Stamps were not included.

For all programs other than Los Angeles Jobs-First GAIN, results are expressed in 1997 dollars. Because Los Angeles Jobs-First GAIN operated in the second half of the 1990s, taking account of inflation would not alter comparisons of the results a great deal.

For all programs but Los Angeles Jobs-First GAIN and Project Independence, results are for the three years after random assignment. For Los Angeles Jobs-First GAIN and Project Independence, results are for the two years after random assignment because only two years of data are available for these programs.

The impacts for the following programs are significantly different from zero at the 1 percent level: Los Angeles Jobs-First GAIN, Grand Rapids LFA, Butte GAIN, Riverside HCD.

The impacts for the following programs are significantly different from zero at the 5 percent level: Riverside LFA and Riverside GAIN.

The impacts for the following programs are significantly different from zero at the 10 percent level: Los Angeles GAIN and Columbus Integrated.

The impacts for the following programs are not significantly different from zero: SWIM, Atlanta LFA, Portland, Project Independence, Alameda GAIN, San Diego GAIN, Tulare GAIN, Atlanta HCD, Grand Rapids HCD, Columbus Traditional, Oklahoma City, and Detroit.

Box 2.3

Many Welfare Recipients Get Low-Wage Jobs Without Fringe Benefits

The table below shows some characteristics of the jobs that people in four of the programs examined in this chapter had held most recently, according to their responses to a follow-up survey conducted two years after they entered the studies.

Employment Outcome	Atlanta LFA	Grand Rapids LFA	Riverside LFA	Portland
Worked full time (%)	73.5	74.7	69.3	80.4
Average hourly wage ($)	6.38	6.36	6.72	7.34
Average weekly pay ($)	225	225	230	260
Covered by employer-provided health insurance (%)	31.0	43.5	34.5	49.2

Sources: Table 5.6 and 5.7 in Freedman et al., 2000.
Note: Results are for program group members who were working at the time of the two-year survey.

The types of jobs that people obtained appear to have been fairly similar across the programs. About three-fourths of people who found jobs worked full time (30 or more hours per week), even though none of the programs provided special incentives to work full time. Because full-time jobs often come with fringe benefits, between 40 percent and 50 percent of people who found jobs were offered health insurance in their most recent job (not shown). Still, that means that a majority of workers were not offered health insurance. In addition, many who were offered health insurance did not enroll in their company's plan, perhaps because they were able to receive government-provided health insurance, their employers required that they pay to receive health insurance, or they had not worked for their employer long enough to qualify.

Hourly wages were quite similar in the three LFA programs, despite the fact that the programs operated in very different economic environments. Interestingly, the average wage was somewhat higher in the Portland program, the only program that encouraged job seekers to hold out for somewhat higher-wage positions.

parents' employment, the programs could have changed where and with whom children spent their time, family routines, and how children and parents interacted. The programs might also have affected children's well-being by raising or lowering family income, but as discussed earlier most of them did not affect income. Finally, some have argued that children could benefit in the long term from having working parents as role models.

As shown in Table 1.1, the NEWWS and Jobs-First GAIN Evaluations included measures of the well-being of children two years after random assignment. These studies found few impacts on children's academic achievement or behavior, and the impacts were both favorable and unfavorable. In other words, there is little evidence that children were harmed when their parents went to work (just as there is little evidence that they were helped). This picture may look different later in children's lives, but

the studies examined here can never fully answer the question of whether working role models affect children in the long term because none of them measured outcomes more than five years after random assignment (the NEWWS Evaluation's five-year findings on children's outcomes will become available in 2001). The effects on children of 11 of the programs examined in this document can be found in a companion monograph.[23]

Mandatory Employment Services: Key Lessons

The findings summarized in this chapter support the following conclusions regarding programs with mandatory employment services:

- A variety of approaches can increase employment and earnings, but the programs that produced the largest effects used a mix of job search and education as initial activities while maintaining a strong focus on employment.
- Side-by-side comparisons of job-search-first and education-first programs indicate that the two approaches led to similar increases in employment and earnings after three years, but the job-search-first programs were less expensive to operate.
- People in programs that provided mandatory employment services alone were usually left no better off financially than they would have been without the programs.
- Programs that provided mandatory employment services alone did not have consistently positive or negative effects on children.

[23]Morris et al., 2001.

Chapter 3

Effects of Earnings Supplements

The findings examined in Chapter 2 indicate that the programs that used mandatory employment services without earnings supplements or time limits increased welfare recipients' employment and earnings but seldom left them with more income than they would have had without the programs. Partly for this reason, state and federal governments began in the early 1990s to experiment with various kinds of earnings supplements (sometimes referred to as financial work incentives). It was hoped that supplementing earnings would not only encourage people to work but would also make them better off financially.

In designing earnings supplements in the 1990s, policymakers drew on lessons learned from two earlier approaches to increasing income and encouraging work. One was the negative income tax (NIT), which the U.S. and Canadian governments tested in random assignment studies in the 1970s. The NIT policies studied in the 1970s guaranteed families a relatively high level of income — often more than enough to lift them out of poverty — and encouraged parents to work by reducing benefits by a smaller amount than under the existing welfare system if they went to work. Though the policies lowered poverty, the high level of benefits that they guaranteed had the unintended effect of discouraging work.

Another approach to encouraging work was adopted in the U.S. in 1967, when AFDC rules were changed to allow recipients to keep a larger percentage of their welfare benefits on top of their earnings if they worked. While this enhanced earned income disregard is thought to have encouraged some people to work, its effects were generally quite modest.[1] Two factors are often held responsible for the small effects on employment of the new AFDC rules: Welfare recipients were not sufficiently encouraged to work through complementary policies such as mandatory job search, and recipients did not understand well enough how taking advantage of the supplements would translate into higher income for their families.

To avoid the pitfalls of the NIT, the earnings supplement policies now in effect in many states — like those examined in this chapter — provide no extra benefits to people who do not work. In an effort to increase the number of welfare recipients who take advantage of the new earnings supplements, most states now also require people to participate in employment-related services. Although time limits have received the most attention of the welfare policy changes made in the 1990s, the fact that most states are using more generous earned income disregards than during the 1980s makes it important to understand their effects on employment and income.

This chapter describes results from several random assignment evaluations of programs that included earnings supplements, sometimes by themselves and sometimes in combination with employment services. These results are important because they indicate what benefits (and costs) states can expect from earnings supplements. In addition, these results may afford a rough sense of the types of impacts that the federal Earned Income Credit (EIC) is having on employment, income, and family outcomes, because the EIC has many of the same features as many states' current earned income disregards (such

[1]See Moffitt, 1992, for a discussion of AFDC's employment incentives.

as rewarding part-time work and phasing out the supplement when a family's earnings exceed a certain level).

Earnings Supplements Alone

This section focuses on the effects of two earnings supplement programs — a variant of the Minnesota Family Investment Program (MFIP) called MFIP Incentives Only and the Self-Sufficiency Project (SSP), a program tested in Canada.[2] Both programs offered earnings supplements but did not require people to participate in employment-related activities. Whereas MFIP Incentives Only provided supplements in the form of earned income disregards, SSP provided supplements outside the welfare system. Figure 3.1 shows the effects of the two programs on part-time employment (fewer than 30 hours per week) and full-time employment (30 or more hours per week) separately. Both programs increased employment — demonstrating that earnings supplements can achieve this result — but their specific patterns of impacts were quite different.

The MFIP Incentives Only program encouraged part-time work but discouraged full-time work. This finding makes sense given how the program's incentive worked. A typical person in the MFIP Incentives Only program who worked 20 hours per week (that is, part time) at $6 an hour received about $250 more in monthly income than under the old welfare rules, which applied to the control group. If she worked 40 hours per week, however, her income was only about $150 higher than under the old welfare rules. This incentive was enough to encourage a sizable number of parents to go to work. However, the incentive was largest for part-time work.

The study of SSP, in contrast, indicates that targeting supplements at full-time work can result in substantial increases in full-time work, even among a group of long-term welfare recipients who many people feared would not be able to work full time. SSP provided an earnings supplement to long-term welfare recipients who left welfare and worked 30 hours or more per week. For a typical parent with a job paying $6 per hour, the supplement did not increase income at all if she worked 20 hours per week; if she worked 40 hours per week, however, she received about $450 more per month in SSP than under the welfare rules that applied to the control group. Because the program's incentive was quite generous, it increased employment substantially even though it required people to work full time. The fact that the program reduced part-time employment suggests that some people who would have worked part time under the old rules decided to work full time in order to take advantage of the earnings supplement.

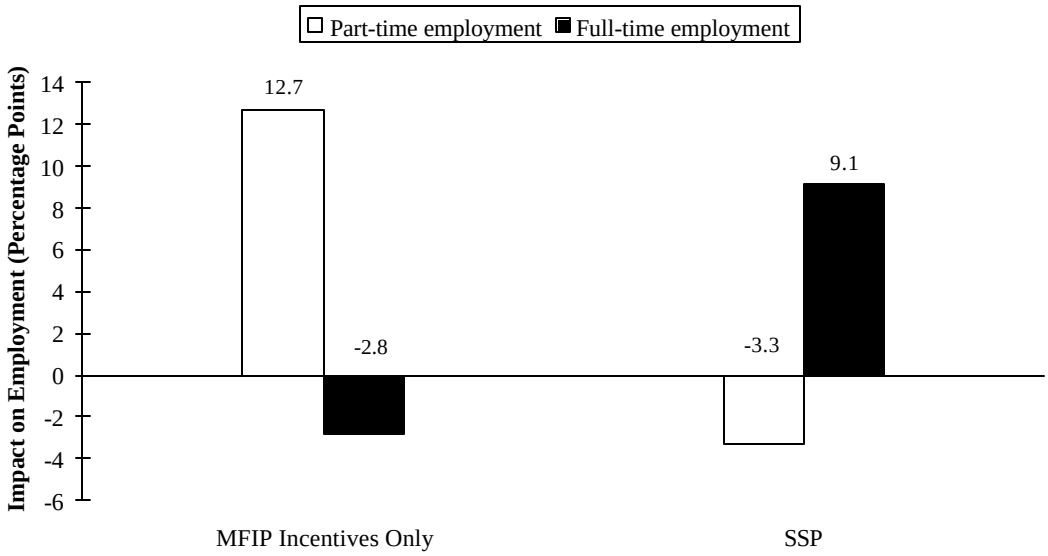
Other studies have also found that programs with earnings supplements can increase employment. New York's Child Assistance Program (CAP), tested starting in the late 1980s, increased employment and earnings by providing supplements to welfare recipients who had a court order requiring their children's noncustodial parent to pay child support.[3] The New Hope program, which was tested in the mid 1990s in Milwaukee, Wisconsin, provided a rich package

[2]The SSP program that offered incentives only was the main focus of the SSP study (Michalopoulos et al., 2000). The Minnesota Incentives Only program, which was set up to permit estimation of the effects of the MFIP program's earnings supplement without its mandatory employment services, was not the main focus of the MFIP study.

[3]Hamilton et al., 1996.

Figure 3.1

Earnings supplements can be structured to encourage part-time or full-time work



SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The MFIP sample includes only those who had received welfare in 24 of the 36 months prior to random assignment.

The SSP sample includes those who had received welfare in the month of random assignment and in 11 of the 12 months prior to random assignment.

The measures indicate the programs' impacts on whether the person's most recent job was full time (30 or more hours per week) or part time (fewer than 30 hours per week).

For MFIP, results are for the 11 quarters after the calendar quarter of random assignment.

For SSP, results are for 36 months, starting with the month of random assignment.

The impact on part-time time employment is significantly different from zero at the 1 percent level for both MFIP Incentives Only and SSP.

The impact on full-time time employment is significantly different from zero at the 1 percent level for SSP and is not significantly different from zero for MFIP Incentives Only.

of supports — including child care subsidies, health insurance, access to community service jobs, and earnings supplements — to low-income parents who worked full time. Among parents who were not already working full time at the time of random assignment, New Hope increased employment and earnings, although this may be in part because it offered community service positions to those who could not find jobs on their own.[4] As in SSP, in CAP and New Hope supplements were delivered outside the welfare system. Likewise, a program in Iowa that included both earnings supplements and mandatory employment services had modest effects on employment and earnings.[5]

However, not all programs with earnings supplements have encouraged people to work. The modest earnings supplement provided in Vermont's Welfare Restructuring Project (WRP), for example, had very little effect on employment.[6] This counterexample implies that the size of earnings supplements and the role the supplements play in the overall policy package are important determinants of their effects.

Under certain circumstances, earnings supplements can reduce the amount that people work. The people who were already working full time when they entered New Hope, for example, cut back their work hours (that is, worked less overtime on average than their control group counterparts), presumably because the incentives allowed them to work less without losing much income. A similar pattern explains why the MFIP Incentives Only program had a slightly negative effect on full-time work; some people who otherwise would have worked full time cut back to part-time work as a result of being in the program.

Combining Employment Services with Earnings Supplements

Although earnings supplements alone can increase employment, no state welfare program is currently relying on earnings supplements alone to encourage work. At a minimum, states have combined enhanced earnings disregards with mandatory employment services. Fortunately, the MFIP and SSP studies provide rigorous information on the effects of combining these two program features. In the full version of the MFIP program,[7] Full MFIP, people who had been on welfare for 24 months in a three-year period were required to work at least 30 hours per week or participate in employment services. In a variant of the SSP program called SSP Plus, job search assistance and post-employment services were offered to a randomly chosen group of people on a voluntary basis. Figure 3.2 compares the effects on annual earnings of the supplement-only versions of the two programs (MFIP Incentives Only and SSP) with those of the full versions of the two programs (Full MFIP and SSP Plus).

When employment services were combined with earnings supplements, the effects on earnings were larger than when supplements were offered alone. In Minnesota, adding mandatory employment services increased the effect on average annual earnings over the three-year period by about $700 per person. The reason is two-fold. First, Full MFIP had a larger effect on employment than did MFIP Incentives Only. Second, by allowing people to avoid having to partici-

[4]Bos et al., 1999.

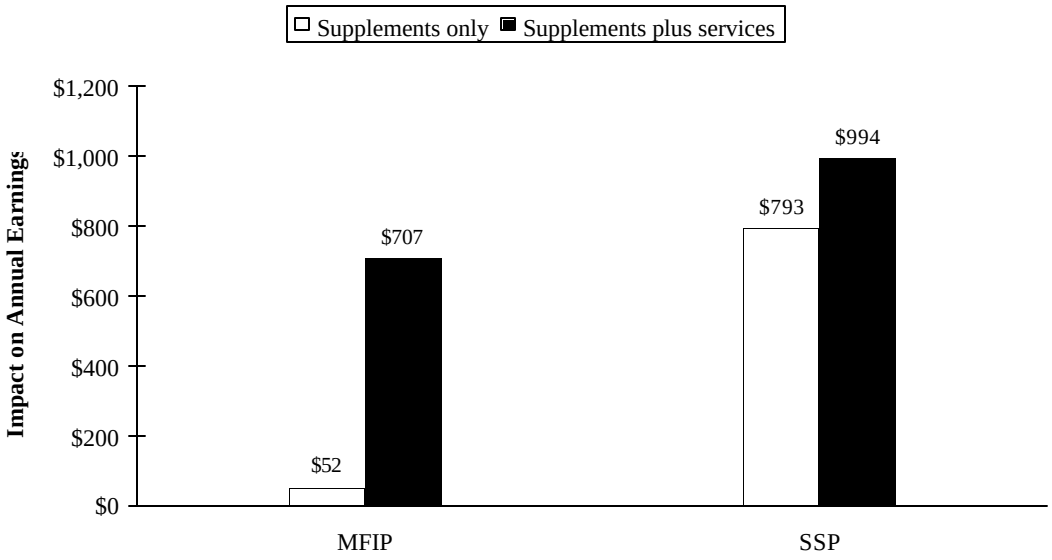
[5]Fraker and Jacobson, 2000.

[6]Bloom et al., 1998.

[7]This was the program of which MFIP Incentives Only was a variant. Both were studied in the MFIP evaluation.

Figure 3.2

Adding employment-related services to programs with earnings supplements increased the programs' effects



SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The SSP program with supplements plus services was called SSP Plus. The impact of supplements only was calculated for the subgroup of people in SSP who were randomly assigned during the period when random assignment for SSP Plus took place. During that period, a "three-way" random assignment design was used; that is, each person who entered the study was assigned by chance to SSP, SSP Plus, or the control group.

The MFIP sample includes only those who had received welfare for 24 of the 36 months prior to random assignment.

The SSP sample includes those who had received welfare in the month of random assignment and in 11 of the 12 months prior to random assignment.

For MFIP, results are for the 11 quarters after the calendar quarter of random assignment (Quarter 1).

For SSP, results are for 36 months, starting with the month of random assignment.

The impact for Full MFIP (supplements plus services) is significantly different from zero at the 1 percent level. The impact of MFIP Incentives Only (supplements only) is not significantly different from zero. The statistical significance levels for MFIP are based on data from Quarters 1 through 9 only.

The impacts for SSP (supplements only) and SSP Plus (supplements plus services) are significantly different from zero at the 1 percent level.

pate in the program's services if they worked full time, Full MFIP primarily increased full-time work. MFIP Incentives Only, in contrast, increased the earnings of the people who went to work because of the program by almost exactly the same amount as it reduced the earnings of people who used the supplements to maintain their income at the same level while working fewer hours.

By increasing the number of people who worked, SSP Plus also generated earnings gains over and above what was obtained through the SSP program that offered earnings supplements alone. During the first year after random assignment, for example, the combination of employment services and supplements increased the proportion of people who found full-time work by about half (about 35 percent in SSP compared with about 50 percent in SSP Plus). However, the additional effects of SSP's services were smaller than those of MFIP's services for two reasons. First, as already mentioned, MFIP's employment services were mandatory, whereas SSP's were voluntary. Second, SSP's supplements alone generated substantial increases in earnings (leaving less room for SSP Plus to increase earnings still more) because the program encouraged full-time work.

Income

As discussed in Chapter 1, the welfare system was originally designed to allow single mothers to stay at home and care for their children without suffering material deprivation. In the spirit of this original purpose, many people argue that the ultimate goal of welfare reform should be to increase poor families' income and to reduce their poverty and material hardship. This goal may be reached later in welfare recipients' lives, once those who go to work have had time to gain work experience and job skills that enable them to command higher wages. Or it may be attained a generation or two later: Welfare recipients who find employment may act as role models that encourage work in the eyes of their children and grandchildren, and their children and grandchildren may obtain more or better education in anticipation of having to work. Or the goal of increasing income and reducing poverty among poor families may be reached immediately.

One of the goals of including earnings supplements in welfare and work policies was to increase income and reduce poverty immediately. Figure 3.3 shows the effects of SSP (which included earnings supplements without employment services) and Full MFIP (which combined mandatory employment services and earnings supplements) on program group members' average combined income from public assistance (cash welfare benefits and Food Stamps) and earnings.

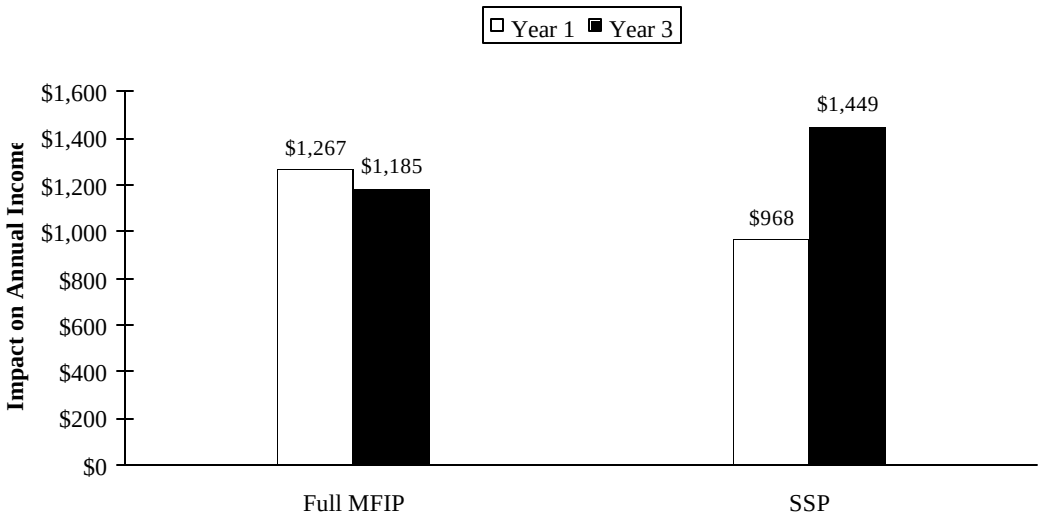
Both programs increased income by an average of more than $1,000 per year. These findings stand in stark contrast to the modest (and, in some cases, negative) effects on income of the programs with mandatory employment services examined in Chapter 2 (see Figure 2.4). The results for Full MFIP might indicate the expected effects of similar welfare programs in relatively generous states that market their enhanced earnings disregards.[8]

In addition to increasing income, both programs reduced the number of people with income below the federal poverty threshold — Full MFIP by 12 percentage points and SSP by

[8]As will be discussed in the next section, the results for MFIP are very similar to the results for Connecticut's Jobs First program before families began to reach Job First's time limit.

Figure 3.3

Programs with earnings supplements can dramatically increase income



SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The MFIP sample includes only those who had received welfare for 24 of the 36 months prior to random assignment.

The SSP sample includes those who had received welfare in the month of random assignment and in 11 of the 12 months prior to random assignment.

For MFIP, income includes earnings, AFDC payments, and the cash value of Food Stamps.

For SSP, income includes earnings, Income Assistance payments, and supplement payments.

For MFIP, Year 1 begins in Quarter 1 (the quarter after the calendar quarter of random assignment) and ends in Quarter 4, and Year 3 includes Quarters 9 through 11. To express MFIP's results in Year 3 in annual terms, income in the three quarters was multiplied by 4/3.

For SSP, results are for 36 months, starting with the month of random assignment.

All four impacts on annual income are significantly different from zero at the 1 percent level.

more than 9 percentage points.[9] Although the increases in income and reductions in poverty produced by SSP and Full MFIP were impressive, most program group members in both studies were still in poverty at the end of the study period, and their level of material hardship was still relatively high.

It is important to note that, in addition to raising income, the SSP and Full MFIP programs increased the amount of public assistance that families received (not shown in the figures). The Full MFIP program spent about $1,700 per year per family on services, cash welfare benefits, and Medicaid over and above what was spent on the control group.[10] The SSP program spent an annual average of about $450 per family on cash welfare benefits — after accounting for taxes — over and above what was spent per control group family (the program did not offer any special services). Although the programs with earnings supplements increased the amount of public assistance that people received, these programs reduced the number of people who relied solely on cash assistance by encouraging people to work.

These cost findings point to an important tradeoff between different policy goals. Mandatory employment services by themselves increase earnings but not income, and they can save the government money (see Chapter 2); earnings supplements, in contrast, can increase earnings and income but can also cost the government money. Put another way, while most of the financial benefits of the programs with mandatory employment services discussed in Chapter 2 went to government budgets, most of the financial benefits of programs with earnings supplements went to low-income working parents.

Employment Stability

Earnings supplements provide an incentive for people both to go to work and to keep working (in order to continue receiving the supplements). Table 3.1 indicates whether welfare recipients in SSP and Full MFIP who went to work stayed employed for a year or more. The first three rows of the table show the effects of SSP on full-time employment and on sustained full-time employment.[11] The first row repeats a finding shown earlier: SSP increased full-time employment by 15 percentage points (from about 27 percent in the control group to about 42 percent in the program group).

People who ever worked full time during the study period can be divided into two categories: those who worked full time for a year or more and those who stopped working full time in less than a year. The second and third rows of the table report the proportions of program and control group members in the SSP study who fell in each of these two categories.

The results show that most, but not all, of the initial full-time employment generated by SSP was sustained, that is, lasted at least a year. In particular, more than twice as many people in the program group as in the control group found full-time jobs and stayed employed full time for a year or longer (nearly 21 percent compared with about 10 percent).

[9]In SSP, a family was considered poor if the family's income was below Statistics Canada's low-income cutoff.

[10]These cost figures are based on data for long-term recipients in urban counties.

[11]The SSP study examined the program's effects on stable full-time employment only.

How Welfare and Work Policies Affect Employment and Income

Table 3.1

The programs with earnings supplements helped people obtain sustained employment

Employment outcome	Program Group (%)	Control Group (%)	Difference (Impact)	Percentage Change
SSP				
Ever worked full time	42.5	27.3	15.2	55.6
Left full-time work quickly	21.6	17.0	4.6	27.4
Stayed employed full time for a year or more	20.9	10.4	10.6	101.8
Full MFIP				
Ever worked	50.5	39.2	11.4	29.1
Left work quickly	16.3	13.5	2.8	20.7
Stayed employed for a year or more	34.2	25.6	8.6	33.6

SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The MFIP sample includes only those who had received welfare for 24 of the 36 months prior to random assignment.

The SSP sample includes those who had received welfare in the month of random assignment and in 11 of the 12 months prior to random assignment.

In the SSP study, people were considered to be working full time if they worked 30 or more hours per week and to have stayed employed full time for a year or more if they worked full time in 12 or more consecutive months, starting in the month after random assignment in which full-time work began.

In the MFIP study, people were considered to have stayed employed for a year or more if earnings were reported to the UI system for four or more consecutive quarters, starting in the quarter after random assignment for which earnings were first reported.

In both studies, people were considered to have left work quickly if they did not stay employed for at least one year.

The following impacts are significantly different from zero at the 1 percent level: SSP, ever worked full time, left full-time work quickly, and stayed employed full time for a year or more; MFIP, ever worked.

The following impact is significantly different from zero at the 5 percent level: MFIP, stayed employed for a year or more.

The following impact is not significantly different from zero: MFIP, left work quickly.

Rounding may cause slight discrepancies in the calculation of sums and differences.

The bottom three rows of Table 3.1 show the corresponding results for people in the Full MFIP program (which included both mandatory services and earnings supplements). Most of the increase in employment produced by Full MFIP, like that produced by SSP, was in sustained employment. Nearly 26 percent of the control group worked for at least a year, whereas more than 34 percent of the program group did.

Other analyses (not shown in the table) revealed that some of the programs with mandatory employment services discussed in Chapter 2 also increased stable employment, perhaps by influencing the types of jobs that people obtained. The Portland JOBS program was especially successful in this regard; this result may be due to the program's use of both job search and education and training as initial activities, the strength of Portland's economy, or the fact that program enrollees were encouraged to take only full-time jobs that paid more than the minimum wage and offered fringe benefits. To better understand the types of services and incentives that encourage sustained employment, the U.S. Department of Health and Human Services recently began the Employment Retention and Advancement (ERA) project, a federally funded, multisite initiative designed to evaluate state programs that promote employment retention and wage progression among welfare recipients and other low-wage workers.

Children's Outcomes

Although the programs discussed in this chapter were not designed expressly to affect recipients' children, they were aimed at increasing income and reducing poverty, and it is usually assumed that children are harmed by poverty and benefit from increases in family income. However, prior research on this topic has been mainly nonexperimental — that is, not based on random assignment studies — and therefore somewhat controversial. Now there is evidence from the evaluations of New Hope, MFIP, and SSP to support this assumption.[12]

The effects of New Hope, MFIP, and SSP on children varied with children's age. The elementary school-aged children of parents in these programs had higher school achievement and behaved better than their control group counterparts. Very young children, in contrast, were unaffected by SSP.[13] Considering how young these children were, it is reassuring that (on average and according to the measures included in these studies) they were not harmed even though many of their parents began working full time. As for adolescent children, the SSP program increased the frequency of acts of minor delinquency but had little effect, positive or negative, on school achievement. A decrease in adult supervision may have been responsible for the troubling findings for adolescent children of parents in SSP.[14]

Was parental employment per se or the greater family income that employment brings responsible for improving outcomes for elementary school-aged children? A comparison with programs without earnings supplements is instructive. As discussed earlier, the programs in the NEWWS Evaluation —

[12]In addition, data on children's outcomes are being collected as part of the evaluation of Iowa's Family Investment Program (FIP), which also combined financial work incentives and mandatory employment-related services. These data are not yet available. See Morris et al., 2001, for detailed information on the effects of programs with earnings supplements on children's cognitive, health, and behavioral outcomes.

[13]Young children were examined only in the SSP study. See Morris and Michalopoulos, 2000.

[14]Though the MFIP study did not gather detailed data on adolescents, it too found some negative impacts on school-related outcomes for children of welfare applicants (as did the study in Florida discussed in Chapter 4).

which included mandatory employment services only — increased employment but left income unchanged, and they generally had little effect on the well-being of children.[15] The fact that increases in employment unaccompanied by income gains had small effects on elementary school-aged children whereas increases in employment accompanied by income gains benefited children in this age group implies that income — rather than employment per se — drove the positive effects on these children. This inference is also supported by a comparison of the results for MFIP Incentives Only and Full MFIP. As discussed above, the program with incentives alone — which caused only a small change in earnings but had a substantial effect on income — improved elementary school-aged children's behavior and school achievement. Although adding services to the supplements led to higher employment, it did not augment the increases in income or the improvements in behavior and school achievement produced by the program with supplements only.

Earnings Supplements: Key Lessons

The findings summarized in this chapter point to the following key lessons regarding programs with earnings supplements:

- Earnings supplements encourage work. To encourage full-time work, an earnings supplement should be designed to reward only full-time work.
- Programs that provided earnings supplements substantially increased income and reduced poverty but also increased government spending.
- Programs that combined earnings supplements with employment services raised employment and earnings more than programs that offered earnings supplements alone.
- The elementary school-aged children of parents in programs with earnings supplements fared better than they would have without the programs.

[15] Hamilton, 2000.

Chapter 4

Effects of Time Limits

The idea of placing a time limit on cash welfare assistance was rarely discussed outside academic circles until the 1992 presidential campaign. It was during that electoral race that candidate Bill Clinton promised to limit families to two years of welfare benefits, after which they would be provided with a subsidized job if necessary. Although the plan was never passed by Congress, it triggered a flurry of welfare reform activity in the states. By mid 1996, more than 30 states had been granted federal waivers of AFDC rules that allowed them to implement some form of time limit in at least part of the state. The 1996 federal welfare law then placed a 60-month lifetime limit[1] on federally funded assistance for most families (though it also allowed states to grant hardship exemptions to up to 20 percent of families in the caseload).

Over time, the dominant definition of a time limit shifted from a "work trigger" (the time limit triggers a work requirement, and jobs are provided to those who need them) to termination of welfare benefits without the assurance of subsidized jobs. Today, a total of 43 states (including the District of Columbia) have imposed *termination time limits,* that is, time limits that can result in the elimination of a family's entire welfare grant. Twenty-six of these states have imposed a 60-month termination limit, while 17 states have imposed limits of fewer than 60 months.

The remaining eight states have not imposed termination time limits, although six of them have set *reduction time limits,* which entail canceling the adult share of the family's welfare grant while continuing to provide the child share. These states may have to use state funds to support children or entire families who reach the 60-month federal time limit after the state's 20 percent cap on exemptions is reached.

Time limits are among the most dramatic welfare reforms of the 1990s. Proponents argue that time limits send a clear message that welfare is transitional and force both recipients and the welfare system to focus on self-sufficiency. These proponents contend that most recipients will be able to replace the welfare benefits that they lose because of time limits with income from earnings or other sources. Critics counter that many long-term recipients have skill deficits and personal and family problems that make it impossible for them to work steadily. Thus, these critics argue, time limits will cause serious harm to many vulnerable families.

It is far too early to draw any final conclusions about time limits. As noted earlier, 34 states (which together account for three-fourths of the national welfare caseload) have no termination time limit or a 60-month time limit; in those states no families have yet reached time limits. As of mid 2000, it appeared that roughly 60,000 families nationwide had lost their benefits because of time limits, the vast majority of them in three states with time limits of fewer than 60 months (Connecticut, Massachusetts, and Louisiana). It seems clear that the long-term effects of time limits will depend in large part on how

[1]Lifetime limits such as these restrict the total number of months in the recipient's lifetime that she or he can receive welfare benefits. Fixed-period limits, in contrast, restrict the number of months of benefits over a shorter period — for example, to 24 months in any 60-month period. Some of the time-limited programs examined in this chapter included fixed-period limits, while others included lifetime limits.

states implement them — specifically, whether they exempt some or all families from time limits and whether they actually cancel the welfare grants of families who reach the limits.

This chapter briefly reviews some key studies of programs with time limits. As discussed earlier, little is known about the effects of time limits for two main reasons. First, there have been few random assignment studies of programs with time limits. Second, the studies that have been conducted looked at programs in which time limits were combined with other features, such as earnings disregards and mandatory employment services, making it impossible to assess the impacts of time limits alone.

Employment and Welfare Use

Placing a time limit on welfare receipt could affect people's behavior in several ways. First, people who are working and off welfare might be more likely to stay employed and off welfare to avoid using up their months of eligibility. Second, people who start receiving welfare might be persuaded to find jobs and leave the rolls faster for the same reason. Third, people might not respond to time limits at all until their benefits are canceled, at which point they might be more likely to go to work to replace their lost income.

Some evidence is available on the second and third scenarios, although with one exception the studies discussed here were not designed to isolate the impacts of time limits from the impacts of policies implemented in combination with them. Moreover, no random assignment studies have been designed to determine whether time limits affect people who are not receiving welfare, although those effects could be considerable.[2]

It appears that time limits can induce some people to go to work or leave welfare even before they reach the limits, though effects of this kind are probably not very large. In Connecticut, Delaware, Florida, and Virginia, welfare reform initiatives that included termination time limits have been examined in random assignment studies; in each case, the control group was subject to the prior AFDC rules, which often included requirements to participate in employment-related activities but did not include time limits.[3]

The studies found that all four programs increased employment during the period before anyone had reached the time limits, but it is impossible to say to what extent these impacts were driven by the time limits as opposed to other program features (such as enhanced earned income disregards and employment services). Moreover, in each case the impact on employment was no larger than the impacts of many of the programs discussed in Chapters 2 and 3, which did not include time limits.[4] In addition,

[2]None of the random assignment studies conducted to date were designed to assess whether time limits deter people from applying for welfare benefits. The studies can measure impacts only after people are randomly assigned to a program or a control group, and random assignment generally takes place when people have already applied for or begun to receive benefits.

[3]The Connecticut and Florida programs, which were studied by MDRC, are described in Appendix B. For information on the Delaware study, see Fein and Karweit, 1997. For information on the Virginia study, see Gordon and Agodini, 1999.

[4]It is important to note that the time-limited programs had a higher hurdle to clear than the earlier programs because in most cases control group members were required to participate in employment-related activities.

in almost all the study sites, program group members were no more likely than control group members to leave welfare in the period before anyone reached the time limits, suggesting that few people left welfare more quickly in order to save or bank their remaining months of eligibility.

On the other hand, it is important to note that all four programs included not only time limits but also enhanced earned income disregards (that is, disregards higher than those available under AFDC rules). It is quite possible that different program features worked in opposite directions — specifically, the disregards may have kept some people on welfare longer, while other program features (perhaps including the time limits) spurred other people to leave welfare faster — and therefore resulted in a "wash" overall.[5] There is nonexperimental evidence suggesting that some families in Florida left welfare to conserve their months of benefits before reaching the time limit.[6] Similarly, experimental results from the study of the Vermont program — the Welfare Restructuring Project (WRP) — indicate that some people went to work or left welfare in anticipation of a work-trigger time limit.[7] Implementation studies have found that different programs send very different messages about whether recipients should try to leave welfare quickly in order to save some of their months of assistance, and these messages may affect the programs' impacts on employment and welfare use during the period before program group members begin reaching the time limit.

What happens when families' benefits are terminated at the time limit? Not surprisingly, the Connecticut and Florida programs — Jobs First and the Family Transition Program (FTP),[8] respectively — started to reduce welfare receipt after families began to reach the time limit. But did the elimination of benefits cause people to go to work? Follow-up studies of people who have reached time limits (discussed in detail below) have found that some people who were not employed when their benefits were canceled subsequently began working, but in such studies there is no way to determine whether these people would have become employed without the time limit.[9] The best way to examine this issue is to look at the impacts of time-limited welfare programs over time, including a period before anyone had reached the time limit and a period after at least some families had done so. Figure 4.1 does this, showing results from Jobs First and FTP, the only programs to be examined in random

[5]It is also important to note that in all the studies some control group members mistakenly believed that they were subject to some form of time limit, thus reducing the chance of detecting impacts in the period before any families reached the limits.

[6]Grogger and Michalopoulos, 2000.

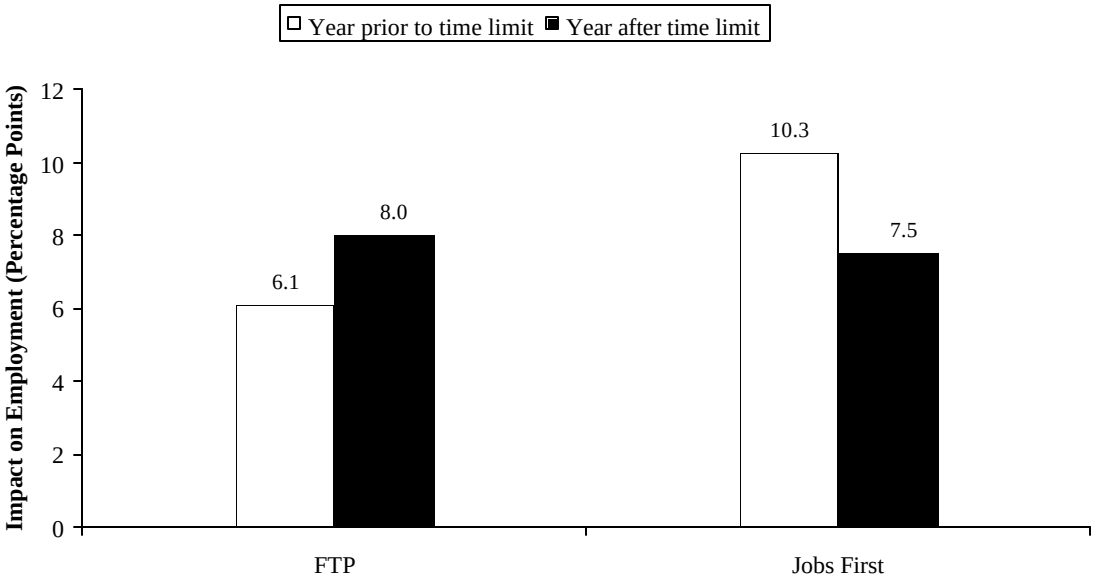
[7]The study included three research groups: a program group that was subject to a 30-month work-trigger time limit and was eligible for an earnings supplement in the form of an enhanced earnings disregard (along with other changes in welfare rules), a second program group that was eligible for the supplement only, and a control group that was ineligible for the supplement and was not subject to a time limit. The group with both the time limit and supplements had a modestly higher employment rate and a lower rate of welfare receipt than the group with the supplements only, even before people began reaching the 30-month point (the impacts grew larger after people were required to work).

[8]FTP was a pilot program that operated in Escambia County. Florida's statewide welfare reform, implemented in 1996, is based on FTP but differs from it in key ways. Thus, the FTP results are not necessarily indicative of the impacts of the statewide program.

[9]Even in a study of time limits that includes a control group, it is unclear which members of the control group (which is not subject to time limits) should be included in the group against which the program group members who have reached the time limit are compared.

Figure 4.1

The imposition of time limits did not markedly affect impacts on employment



SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The bars show results for all those who were receiving welfare at the point of random assignment or had ever received welfare prior to random assignment.

In the FTP and Jobs First studies, Quarter 1 is the first quarter after random assignment. The year prior to the time limit includes Quarters 4 through 7 for FTP and Quarters 3 through 6 for Jobs First. The year after the time limit includes Quarters 9 through 12 for FTP and Quarters 8 through 11 for Jobs First.

All four impacts on employment are significantly different from zero at the 1 percent level.

assignment studies that tracked families beyond the point where program group members began reaching a termination time limit.

At the point when families began reaching their respective programs' time limits (two years after random assignment in FTP and 21 months after random assignment in Jobs First), the programs had impacts on employment of between 6 percentage points and 10 percentage points. Jobs First's impact on employment was no larger after families began to reach the time limit than it was before. But this is largely because almost all the parents in the families whose benefits were canceled were already working before they reached the limits (most who were not working were granted extensions). In fact, many of the working recipients whose benefits were cut off at the time limit would have lost eligibility for welfare earlier had it not been for Jobs First's generous earnings disregard. That is, the disregard caused people to use up their months of benefit receipt faster than they otherwise would have, an unfortunate side effect of combining generous earnings disregards with time limits.[10]

In Florida's pilot program, where fewer extensions were granted, the employment impacts appeared to grow somewhat when families began reaching the limit but later declined (not shown in the figure). In other words, there is little evidence that reaching the time limit caused a large number of people to go to work. It is worth noting, however, that only a relatively small percentage of families in FTP actually reached the time limit during the study period. In addition, as in Jobs First, a substantial fraction of those in FTP who reached the time limit were already working by the time their benefits were cut off.

Income

When Congress and the states imposed time limits on welfare receipt, there arose considerable concern that time limits would cut off the benefits of people who could not replace cash assistance with other income. If this concern were founded, time limits would make families worse off financially and might increase their material hardship.

Several studies have examined the circumstances of families who have reached time limits and no longer receive welfare. Although these studies provide important descriptive information (see Box 4.1), they offer little evidence on the impact of time limits because there is no way to know how these families would have fared had they not been subject to a time limit.

Once again, it is useful to examine the results of the random assignment studies of Connecticut's statewide Jobs First and Florida's pilot FTP. The left panel of Figure 4.2 shows the effects of the two programs on average combined income from earnings, cash assistance, and Food Stamps for two periods: the year before anyone reached the programs' time limits and the last year for which data are available. In Jobs First, about 30 percent of program group members had reached the time limit by this point (most of the others had left welfare, at least temporarily, and had not yet accumulated 21 months of assistance); in FTP, only about 17 percent of program group members had reached the limit. Nevertheless, the impacts in the figure refer to all recipients, whether or not they reached the time limit. The

[10]In addition, with both a disregard and a time limit in place, staff may face the following dilemma: Should they urge recipients to leave welfare quickly in order to "bank" their available months, or should they market the disregard, of which working families can take advantage only by staying on welfare longer?

Box 4.1

What Happens After Families Reach Time Limits?

As noted earlier, only in a few states have substantial numbers of families reached time limits on their welfare benefits. Several of those states, including Connecticut, Florida, Massachusetts, North Carolina, South Carolina, Utah, and Virginia, have conducted follow-up surveys of recipients whose benefits were cut off at time limits. In these studies, former recipients were typically interviewed at least six months after their benefits were cut off.

What happened to families after they reached time limits depended on the design and implementation of the limits in each state. For example, the Connecticut study found that more than 80 percent of those surveyed were employed six months after benefit termination — a much higher percentage than in the other states. This discrepancy is largely due to the fact that Connecticut granted benefit extensions to most recipients who were not employed when they reached the limit, while the other states granted fewer extensions.

In general, the studies indicate that many former welfare recipients (some of whom had been working before they reached the limit) worked in the period after their benefits were cut off, but many also relied heavily on Food Stamps, housing assistance, and financial and other support from family and friends. Most of these families were struggling financially, but not necessarily more so than families who left welfare for other reasons. Instances of extreme deprivation, such as homelessness, have been rare, but it is far too early to draw definitive conclusions about how families fare after time limits — particularly in a weaker economy.

results for Minnesota's Family Investment Program (Full MFIP; see Chapter 3) are included for comparison only; that program did not include a time limit.

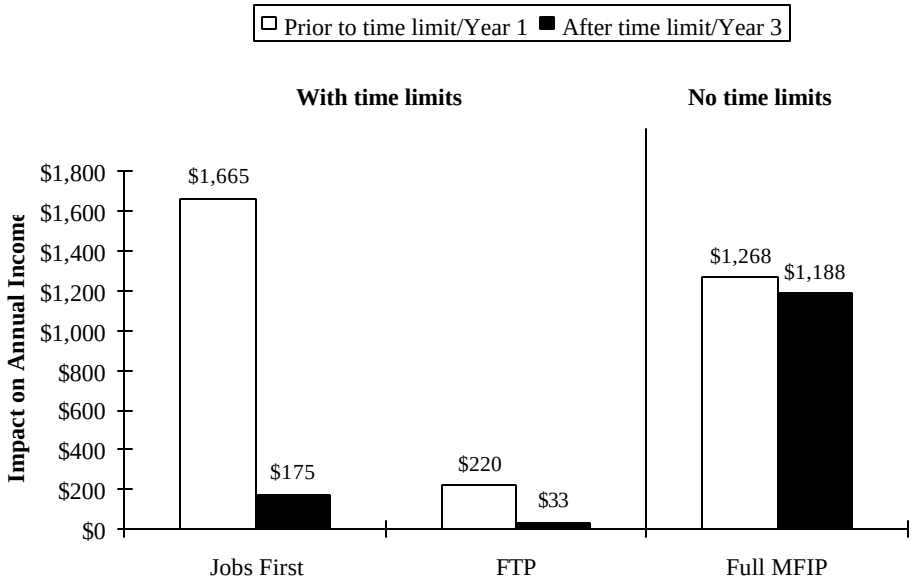
As shown in Figure 4.2, Jobs First substantially increased average income during the period before anyone reached the time limit. This result has nothing to do with the time limit itself; the income gain was driven by the program's generous earned income disregard. In fact, the gain was even larger than that of MFIP, probably because Jobs First's disregard was more generous.

Imposing the time limit substantially reduced Jobs First's impact on average income for welfare recipients. Nevertheless, the average income in the program group was no lower than that in the control group, even after the time limit began to be imposed. This result may reflect the way Jobs First's time limit was implemented. Virtually everyone who reached the time limit but earned less per month than a standard welfare grant for their family size was given a six-month extension of welfare benefits. In other words, most people who lost benefits because of the time limit were earning so much that they would not have been eligible for welfare under AFDC rules in any case. Thus, people who lost benefits because of the time limit lost a great deal of money, but their income was only reduced to what it would have been under the old rules. And most people who earned little enough to remain on welfare under AFDC were allowed to continue receiving assistance under the welfare reform program.

Not shown in the figure, however, are indications that some families (perhaps the few whose grants were canceled despite their not having jobs) lost income as a result of being in Jobs

Figure 4.2

The effects of time-limited welfare programs on income were greatly reduced by the imposition of time limits



SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: In the FTP and Jobs First studies, Quarter 1 is the first quarter after random assignment. The period prior to the time limit includes Quarters 4 through 7 for FTP and Quarters 3 through 6 for Jobs First. The period after the time limit includes Quarters 15 through 18 for FTP and Quarters 9 through 12 for Jobs First.

For MFIP, Year 1 begins in Quarter 1 (the quarter after the calendar quarter of random assignment) and ends in Quarter 4, and Year 3 includes Quarters 9 through 11. To express MFIP's results in Year 3 in annual terms, income in the three quarters was multiplied by 4/3.

The impact for Jobs First is significantly different from zero at the 1 percent level for the period prior to the time limit and is not significantly different from zero for the period after the time limit.

The impact for FTP is significantly different from zero at the 10 percent level for the period prior to the time limit and is not significantly different from zero for the period after the time limit.

The impact for MFIP is significantly different from zero at the 1 percent level in Years 1 and 3.

First, while others gained income. The different impacts on income for different groups of people are not reflected in Figure 4.2 because, when the groups' outcomes are averaged together, they cancel each other out.

The story is only slightly different in Florida. FTP increased average income only modestly before families began to reach the time limit. The relatively small impact probably reflects the fact that FTP's earnings supplement was less generous than Jobs First's or MFIP's.[11] It also may reflect the fact that FTP staff did not strongly emphasize the financial incentive; staff sometimes urged working recipients to leave welfare altogether in order to bank their remaining months rather than mix work and welfare.

Even after the time limit, however, FTP — which granted many fewer time limit extensions than Jobs First — did not result in significantly lower average income for people in the program than for people in the control group. There were also few impacts on outcomes reflecting material hardship, such as being evicted or not having enough money to buy food. This is partly because the families who reached the time limit accounted for a fairly small proportion of the full program group and, as in Jobs First, many of them were working when they reached the time limit. In addition, some parents who encountered the time limit may have replaced lost income with additional earnings. Again as in Jobs First, however, there is evidence that a small group of families in FTP lost income as a result of being in the program.

Although the results for Jobs First and FTP are similar in many respects, other programs with time limits could generate different results. For example, a program that combined a generous disregard with a more strictly implemented time limit — that is, one in which few extensions were granted — might reduce average income after the time limit.

It is possible that the smaller effects of Jobs First and FTP on income after the time limit than prior to it reflect not the effect of time limits but rather a general pattern in which programs' effects on income disappear within three years. However, the effects of the Full MFIP program, which included earnings supplements without a time limit, contradict this explanation. For long-term welfare recipients, Full MFIP increased family income by about $1,200 per year at the end of both the first and third years of the follow-up period.

Children's Outcomes

The study of Florida's FTP program is the only completed study to date that measured the impacts of a time-limited welfare program on children. In general, FTP had few effects, positive or negative, on elementary school-aged children. However, as in the study of Canada's Self-Sufficiency Project (SSP; see Chapter 3), there was some evidence of negative effects for adolescents: Adolescents in the program group performed worse in school than their control group counterparts; again, the reason may

[11]Florida's disregard was actually fairly generous, but its impact was weakened by the state's relatively low welfare grant levels. For example, someone earning $800 per month would be able to disregard more of their earnings in Florida than in Minnesota, but in Florida the remaining earnings would be sufficient to make them ineligible for welfare, while in Minnesota they would not.

be lower parental supervision in the program group. In addition, FTP had a surprising pattern of negative impacts on children whose families were least at risk of long-term welfare receipt when they entered the program, despite the fact that parents in these families experienced the largest gains in employment and earnings as well as a gain in income.

Time Limits: Key Lessons

Little is known about the effects of time limits. The following are emerging lessons:

- Random assignment studies of programs with time limits suggest that the limits did not substantially increase employment among welfare recipients, although these studies may not capture the limits' full effects.
- There is some evidence that time limits caused people to leave welfare more quickly than they would have otherwise in order to save their remaining months of welfare eligibility, but this effect was probably not large.
- Two studies found that programs with time limits ultimately had small impacts on the average income of people who were subject to the limits, but most of these people never actually reached the limits. In addition, both programs appear to have reduced income for some families — possibly those who reached the time limits.
- Follow-up surveys of families who left welfare owing to time limits have found that many of them struggled financially and relied heavily on public assistance and family and community supports. However, the same was true of many families who left welfare for other reasons. At least in the short term, instances of extreme hardship (such as homelessness) appear to have been rare among families who left welfare after reaching time limits.

Chapter 5

Conclusions and Policy Implications

This chapter reviews the general patterns of findings described in the earlier chapters and discusses their implications for policy. To highlight the key points, Figure 5.1 focuses on three of the most successful welfare reform initiatives examined in the monograph: Portland's JOBS program, which included mandatory employment services but had no earnings supplements or time limits; Minnesota's Full MFIP program, which included mandatory employment services and earnings supplements but no time limit; and Connecticut's Jobs First program, which included mandatory employment services, earnings supplements, and a time limit. The figure shows the impacts of each program on three outcomes: earnings, welfare benefits, and income from earnings and public assistance (cash welfare benefits and Food Stamps) combined.

All three programs were successful in some respects, but none had beneficial effects on all outcomes. For instance, the Portland program increased earnings and reduced cash welfare benefits. Moreover, it appears that the welfare savings produced by the program will likely outweigh its operational costs, resulting in net savings for the government. But the program did not make participants much better off financially.

Although the Full MFIP program increased earnings, it also raised welfare spending. Specifically, the program increased the number of people on welfare — although it decreased the number who used welfare as their sole source of support — and cost taxpayers about $8,000 more per family over a five-year period than AFDC. However, unlike the Portland program, MFIP made participants better off financially, which led to a host of positive changes for families and children, including a lower incidence of domestic violence (not discussed in this document) and higher school achievement among children.

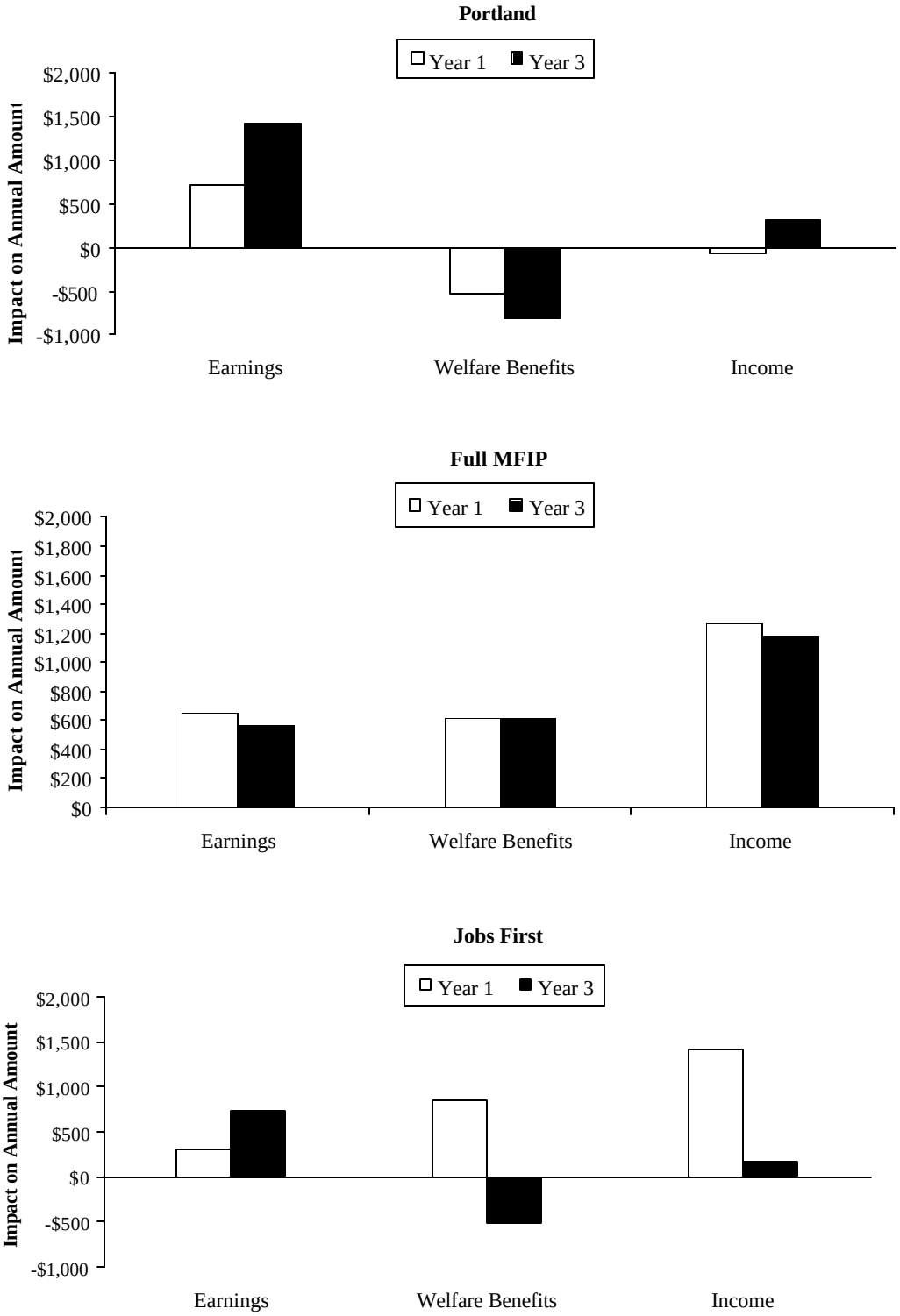
Jobs First offered a generous earnings supplement and, to control costs and limit increases in welfare use, imposed a time limit. Early in the follow-up period, Jobs First increased earnings, welfare benefits, and income, as did MFIP. After people began reaching the time limit (and could no longer benefit from the disregard), however, Jobs First lowered welfare benefits, as in Portland, and it no longer had a positive effect on income. In addition, despite the fact that most people in Jobs First who were not employed when they reached the limit received extensions, there are indications that some families in the program were worse off in the third follow-up year (Year 3) than they would have been without the program (not shown in the figure). A key question (to be addressed in forthcoming reports on Jobs First) is whether the temporary income boost generated favorable outcomes for children. FTP, which shared some of the same general features, had few overall impacts on children's well-being.

Are the trade-offs between higher income for families and higher costs for the government unavoidable? Perhaps. Most welfare recipients are single mothers with low job skills, and few large-scale education or training programs have been shown to help recipients obtain substantially better jobs. Also yet to be discovered are highly effective strategies for ensuring that such families receive the steady child support payments to which they are entitled. Thus, for now at least, policymakers must assume that most welfare recipients who find jobs will earn low wages and receive limited financial support from the fathers of their children.

How Welfare and Work Policies Affect Employment and Income

Figure 5.1

Summary of Impacts for Three Programs



(continued)

Figure 5.1 (continued)

SOURCE: Published reports from the program evaluations and new MDRC analyses. See Appendix A for full citations.

NOTES: The Portland and Jobs First samples include all those who were receiving welfare at the point of random assignment or had ever received welfare prior to random assignment.

The MFIP sample includes only those who had received welfare for 24 of the 36 months prior to random assignment.

Income includes earnings reported to state unemployment insurance systems, AFDC and TANF payments, and the cash value of Food Stamp payments.

In all three studies, Quarter 1 is the calendar quarter after random assignment, and Year 1 includes Quarters 1 through 4. Year 3 includes Quarters 9 through 12 in Portland and Jobs First and Quarters 9 through 11 in MFIP. To express MFIP's results in Year 3 in annual terms, earnings, welfare benefits, and income in the three quarters were multiplied by 4/3.

The impacts for the following are significantly different from zero at the 1 percent level: Portland, earnings and welfare benefits in Years 1 and 3; Full MFIP, earnings in Year 1 and welfare benefits and income in Years 1 and 3; Jobs First, earnings in Year 3, welfare benefits in Years 1 and 3, and income in Year 1.

The impact for the following is significantly different from zero at the 5 percent level: Jobs First, earnings in Year 1.

The impact for the following is significantly different from zero at the 10 percent level: Full MFIP, earnings in Year 3.

The impacts for the following are not significantly different from zero: Portland, income in Years 1 and 3; Jobs First, income in Year 3.

This reality, coupled with the findings of research to date, leads to a straightforward conclusion: Policymakers who wish to implement welfare reforms that both increase work and make families and children better off will most likely have to provide some form of earnings supplements in addition to the EIC — which in turn will probably require additional spending. Whether supplements are delivered as earnings disregards or as supplements provided outside the formal welfare system (the latter, which seem less like welfare, might be more viable politically), the bottom line is the same.

Furthermore, the reduction in income gains over time shown in Figure 5.1 for Jobs First suggest that policymakers who wish to produce lasting gains in family income may have to implement programs that provide earnings supplements over an extended period. Current federal rules provide states with strong incentives to establish time limits on cash welfare assistance. If these rules remain in place, states that aim to boost family income may have to use state funds to supplement earnings. For example, several states currently put time limits on cash assistance receipt but "stop the clock" during months in which the recipient is working. Another strategy is to provide earnings supplements outside the welfare system, as in SSP and New Hope.

As key provisions of the 1996 federal welfare law come up for reauthorization in the next year, the attendant debate is likely to trigger a broad discussion about the future of policies for low-income families. This debate — and the implementation of whatever new policies emerge as a result — can be informed by reliable evidence from the studies synthesized in this monograph and other studies conducted in the past several years. Although this research cannot define the goals that shape the debate, it can shed light on the consequences of alternative policy choices.

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Appendixes

Appendix A

Key Reports from the Studies Examined in This Monograph

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Appendix B

Program Descriptions

Program	Activities[1]	Coverage and Mandatoriness[2]	Sample and Site Characteristics[3]
SWIM (San Diego)	Two-week job search workshop followed by Employment Work Experience Program (EWEP) and job club; if no job after 13 weeks, education and training assessment	Mandatory for welfare recipients with no children under age 6	Began in 1985 Mostly applicants 27% non-Hispanic white, 42% non-Hispanic African-American, 26% Hispanic Welfare grant: $617 (1986) Unemployment rate: 5.0%
GAIN (California)			Began in 1988 Statewide program; evaluated in six counties Welfare grant: $694 (1989)
Alameda	ABE if no high school diploma, lacked basic reading and math skills, or non-English-speaking; job search (initially job club and supervised job search) otherwise	Mandatory for welfare recipients with no children under age 6 Enrolled only long-term welfare recipients	Mostly African-American Unemployment rate: 4.4%
Butte	See Alameda	Mandatory for welfare recipients with no children under age 6 Delayed enrolling many participants for several months to keep cases per worker low	Mostly applicants Mostly white Rural county Unemployment rate: 8.0%
Los Angeles	See Alameda	Mandatory for welfare recipients with no children under age 6 Enrolled only long-term recipients	50% Hispanic, 35% African-American Unemployment rate: 4.6%
Riverside	See Alameda Strongest employment focus of the six GAIN programs studied; encouraged people in need of basic education to look for work instead	Mandatory for welfare recipients with no children under age 6	Broad welfare history mix 50% white, 25% African-American Unemployment rate: 5.7%
San Diego	See Alameda	Mandatory for welfare recipients with no children under age 6	Broad welfare history mix and racial/ethnic mix Unemployment rate: 4.1%
Tulare	See Alameda	Mandatory for welfare recipients with no children under age 6	Mostly long-term recipients 50% white, 40% African-American Agricultural county Unemployment rate: 10.3%
Project Independence (Florida)	Job search (often independent job search) if completed 10th grade or had recent work experience; education and training otherwise	Mandatory for welfare recipients with no children under age 3	Began in 1990 Statewide program; studied in nine counties Mostly applicants 34% non-Hispanic white; 38% non-Hispanic African-American; 22% Hispanic Welfare grant: $303 (1995) Unemployment rate: 6.0%-8.0% (depends on county)

(continued)

Appendix B (continued)

Program	Activities	Coverage and Mandatoriness	Sample and Site Characteristics
NEWWS			
Atlanta LFA	Job search (typically job club) was first activity for almost all participants; if no job after job search, shot-term ABE and vocational training were most common activities	Mandatory for welfare recipients with no children under age 3	Began in 1992 Mostly long-term recipients 90% African-American Welfare grant: $280 (1993) Unemployment rate: 6.2%
Atlanta HCD	ABE was first activity for most people without a high school diploma or GED; vocational training or post-secondary education was most common first activity for others	Mandatory for welfare recipients with no children under age 3	See Atlanta LFA
Grand Rapids LFA	Job search (typically job club) was first activity for almost all participants; if no job after job search, most common activity was work experience	Mandatory for welfare recipients with no children under age 1	Began in 1991 Mostly long-term recipients 50% white, 40% African-American Welfare grant: $474 (1993) Unemployment rate: 5.5%
Grand Rapids HCD	ABE was first activity for most people without a high school diploma or GED; vocational training or post-secondary education was most common first activity for others	Mandatory for welfare recipients with no children under age 1	See Grand Rapids LFA
Riverside LFA	Job search (typically job club) was first activity for almost all participants; if no job after job search, most common activities were job search and vocational training	Mandatory for welfare recipients with no children under age 3	Began in 1991 Few new applicants 50% white, 35% Hispanic Welfare grant: $624 (1993) Unemployment rate: 11.7%
Riverside HCD	ABE was first activity for most people	Mandatory for welfare recipients with no children under age 3 Enrolled only those in need of basic education	See Riverside LFA
Columbus Integrated	Education and training was first activity for almost all participants Integrated case management: One staff member managed both income maintenance and employment and training	Mandatory for welfare recipients with no children under age 3	Began in 1992 Mostly long-term recipients 50% white, 50% African-American Welfare grant: $341 (1993) Unemployment rate: 4.6%
Columbus Traditional	Education and training was first activity for almost all participants Traditional case management: Different workers managed income maintenance and employment and training	Mandatory for welfare recipients with no children under age 3	See Columbus Integrated

(continued)

Appendix B (continued)

Program	Activities	Coverage and Mandatoriness	Sample and Site Characteristics
Detroit	Long-term education and training encouraged for first half of study period; job search emphasized for second half of study period	Mandatory for welfare recipients with no children under age 1 De facto voluntary	Began in 1992 Mostly long-term recipients Mostly African-American Welfare grant: $459 (1993) Unemployment rate: 8.0%
Oklahoma City	Long-term education and training encouraged instead of job search in most cases	Mandatory for welfare recipients with no children under age 1 De facto voluntary	Began in 1991 Almost all applicants 70% white, 30% African-American Welfare grant: $324 (1993) Unemployment rate: 5.6%
Portland	ABE and training at discretion of case managers for less job-ready; job search for others; encouraged people to look for work until they found full-time jobs that paid more than the minimum wage and provided fringe benefits	Mandatory for welfare recipients with no children under age 1	Began in 1993 Mostly long-term recipients 80% white, 20% African-American Welfare grant: $460 Unemployment rate: 6.6%
FTP (Florida)	Job search for those with higher levels of education, basic skills, and work experience; education and training for most others Earnings supplement offered through enhanced earnings disregard; first $200 of earnings disregarded, but welfare benefits reduced by 50 cents for each additional dollar of earnings Time limit on welfare receipt of 24 or 36 months, depending on job readiness	Mandatory for welfare recipients with no children under 6 months old	Began in 1994 Operated in Escambia County (Pensacola) 50% applicants; 50% recipients 50% white, 50% African-American Welfare grant: $303 (1995) Unemployment rate: 5.2%
MFIP (Minnesota)			
Full MFIP	Job search was initial activity for almost all participants Earnings supplement offered through enhanced earnings disregard; earnings up to 38% of the dollar value of welfare plus Food Stamp benefits disregarded, but benefits reduced by 62 cents for each additional dollar of earnings	Employment services mandatory only if received welfare for 36 of previous Included welfare recipients with no children under age 1	Began in 1994 Operated in seven counties 40% long-term recipients, 40% applicants 65% white, 35% African-American Welfare grant: $532 (1994) Unemployment rate: 4.2%
MFIP Incentives Only	Earnings supplement described under Full MFIP	Included welfare recipients with no children under age 1	See Full MFIP

(continued)

Appendix B (continued)

Program	Activities	Coverage and Mandatoriness	Sample and Site Characteristics
Jobs First (Connecticut)	Job search was first activity for most participants Earnings supplement offered through enhanced earnings disregard; earnings below federal poverty level disregarded, but entire welfare benefit eliminated if earnings exceeded federal poverty level Time limit on welfare receipt of 21 months, although many exemptions and extensions granted	Mandatory for most welfare recipients Exemptions for those least likely to be able to work	Began in 1996 Statewide program evaluated in New Haven and Manchester 40% applicants 40% white, 40% African-American Welfare grant: $543 (1998) Unemployment rate: 5.4%
WRP (Vermont)			
WRP	Recipients required to work after 30 months of welfare receipt Modest work supports offered in the form of enhanced earnings disregard and larger child care and health insurance subsidies for those who left welfare for work	All welfare recipients randomly assigned Recipients with children under 18 months old exempt from the work requirement	Began in 1994 Statewide program; studied in six welfare districts Nearly 100% white Welfare grant: $640 (1993) Unemployment rate: 4.7%
WRP Incentives Only	Work supports described under Full WRP	All welfare recipients randomly assigned	See Full WRP
SSP (Canada)			
SSP	Generous earnings supplement equal to one-half the difference between earnings and a target level of earnings for people who left welfare for full-time work; supplement was available for up to three years	Offered to a randomly selected group of people who had been on welfare for one year or more; fewer than 1 percent of those asked refused to join the study	Began in 1992 Operated in New Brunswick and lower mainland of British Columbia 10% First Nations ancestry 13% foreign-born Welfare grant: $Can 1,131 in British Columbia and $Can 747 in New Brunswick (1992) Unemployment rate: 10.5% (British Columbia), 12.8% (New Brunswick)
SSP Plus	SSP's earnings supplement Voluntary employment-related services including job club, job coaching, post-employment services, and miscellaneous workshops	Offered to a small, randomly selected group of long-term welfare recipients in New Brunswick; few refused to join the study	Began in 1995 Operated in New Brunswick 5% First Nations ancestry 25% French-speaking Welfare grant: $Can 747 (1992) Unemployment rate: 11.5%

(continued)

Appendix B (continued)

Program	Activities	Coverage and Mandatoriness	Sample and Site Characteristics
New Hope (Milwaukee)	Work supports including earnings supplement, child care subsidies, and subsidized health insurance; offered to low-income families in which one parent worked 30 hours or more per week Community service jobs available for parents who wanted to work full time but could not find work	Voluntary program offered to families in two low-income neighborhoods in which at least one parent indicated willingness to work at least 30 hours per week	Began in 1994 Nearly 30% male 50% African-American, 25% Hispanic 40% employed at random assignment Unemployment rate: 6.5%
Jobs-First GAIN (Los Angeles)	Job club was initial activity for almost everyone Frequent use of financial sanctions (welfare grant reductions)	Mandatory for welfare recipients with no children under age 3	Began in 1996 75% long-term recipients, 25% short-term recipients 45% Hispanic, 30% African-American, 15% white Welfare grant: $594 (1996) Unemployment rate: 8.2%

[1]ABE, which stands for adult basic education, includes remedial instruction in reading and math, General Educational Development (GED) exam preparation, and English as a Second Language (ESL) classes.

[2]In most of the studies of mandatory programs, people who were not required to participate in the programs were not included in the studies. The information presented in this column is not a complete listing of all client categories that were exempt from the mandates.

[3]The information in this column generally refers to the study, not the program. For example, the start date refers to the year in which random assignment for the evaluation began. The data on the proportion of welfare applicants/recipients and the ethnic breakdown refers to the research sample for the evaluation, not the general welfare caseload. The unemployment rate presented is for the year in which random assignment began. The welfare grant amounts shown are for a family of three.

Appendix C

Program Impacts

How Welfare and Work Policies Affect Employment and Income

Appendix Table C.1

Programs with Mandatory Employment Services: Impacts on Employment, Earnings, Welfare Receipt, Welfare Benefits, and Total Income

	Year 1		Year 2		Year 3	
Program and Subgroup	Control Group	Impact	Control Group	Impact	Control Group	Impact
SWIM (sample size = 2,850)						
Ever employed (%)	39.4	11.0 ***	39.2	9.2 ***	39.3	6.8 ***
Earnings ($)	2,267	400 **	2,937	780 ***	3,494	564 **
Received welfare (%)	93.4	-1.3	74.0	-8.0 ***	61.6	-6.5 ***
Welfare benefits ($)	6,898	-671 ***	5,562	-862 ***	4,708	-707 ***
Income ($)	9,165	-271	8,499	-81	8,202	-142
Project Independence (sample size = 9,785)						
Ever employed (%)	50.4	3.8 ***	50.1	2.4 **	n/a	n/a
Earnings ($)	2,242	407 ***	2,910	258 **	n/a	n/a
Received welfare (%)	91.8	-2.1 ***	78.8	-4.7 ***	n/a	n/a
Welfare benefits ($)	3,088	-266 ***	2,562	-217 ***	n/a	n/a
Income ($)	8,176	19	7,948	-89	n/a	n/a
GAIN Evaluation Programs						
Alameda (sample size = 1,205)						
Ever employed (%)	27.9	1.7	26.9	5.4 **	27.5	5.9 **
Earnings ($)	1,456	231	1,872	567 *	2,374	839 **
Received welfare (%)	98.0	-0.5	87.7	-2.0	77.3	-0.4
Welfare benefits ($)	8,409	-85	6,942	-205	5,797	-316
Income ($)	11,244	151	10,243	373	9,608	553
Butte (sample size = 843)						
Ever employed (%)	39.9	0.5	36.6	8.9 **	38.0	10.1 **
Earnings ($)	1,410	893 **	1,947	1,391 ***	2,518	1,483 ***
Received welfare (%)	94.0	-0.4	72.4	1.3	56.0	3.4
Welfare benefits ($)	7,131	-30	5,065	13	3,680	105
Income ($)	9,566	879 **	7,872	1,466 ***	6,981	1,669 ***
Los Angeles (sample size = 4,396)						
Ever employed (%)	25.1	1.7	23.2	3.6 **	22.6	3.3 **
Earnings ($)	1,585	-15	1,832	139	2,011	165
Received welfare (%)	97.7	-0.8	86.6	-3.6 ***	75.2	-2.2
Welfare benefits ($)	8,680	-361 ***	7,051	-424 ***	5,602	-277 **
Income ($)	11,725	-438 **	10,324	-386 *	9,061	-211
Riverside (sample size = 4,640)						
Ever employed (%)	31.4	20.2 ***	33.2	15.8 ***	34.2	10.1 ***
Earnings ($)	1,596	1,323 ***	2,386	1,522 ***	2,746	1,187 ***
Received welfare (%)	92.2	-0.7	69.6	-6.7 ***	57.4	-4.5 **
Welfare benefits ($)	7,273	-877 ***	5,210	-851 ***	4,143	-657 ***
Income ($)	9,836	375 *	8,444	601 **	7,760	463 *

(continued)

Appendix Table C.1 (continued)

Program and Subgroup	Year 1 Control Group	Year 1 Impact	Year 2 Control Group	Year 2 Impact	Year 3 Control Group	Year 3 Impact
San Diego (sample size = 7,027)						
Ever employed (%)	38.2	6.0 ***	39.3	5.4 ***	36.2	5.6 ***
Earnings ($)	2,436	398 **	3,115	796 ***	3,398	750 ***
Received welfare (%)	96.4	-0.9	73.4	-1.9	63.7	-3.2 *
Welfare benefits ($)	7,488	-369 ***	5,817	-526 ***	4,668	-348 **
Income ($)	11,004	7	9,971	198	9,084	359
Tulare (sample size = 2,088)						
Ever employed (%)	40.9	-1.7	41.0	0.4	37.5	5.8 **
Earnings ($)	2,343	-221	2,797	110	2,722	693 **
Received welfare (%)	95.0	0.9	76.4	0.7	64.7	2.6
Welfare benefits ($)	7,643	229	5,961	148	4,886	-47
Income ($)	11,211	-24	10,006	241	8,849	635 *
NEWWS Evaluation programs						
Atlanta LFA (sample size = 3,783)						
Ever employed (%)	48	5 ***	53	5 ***	56	4 **
Earnings ($)	2,157	386 ***	3,240	504 ***	3,961	508 **
Received welfare (%)	97	-1	80	-5 ***	68	-5 ***
Welfare benefits ($)	2,991	-168 ***	2,348	-244 ***	1,918	-172 ***
Income ($)	7,998	179	8,078	204	8,152	242
Atlanta HCD (sample size = 3,818)						
Ever employed (%)	47.9	1	53	4 ***	56	4 **
Earnings ($)	2,145	74	3,223	374 **	3,943	466 **
Received welfare (%)	96.9	-1	80	-2	68	-2 *
Welfare benefits ($)	2,995	-162 ***	2,355	-191 ***	1,924	-155 ***
Income ($)	7,995	-113	8,073	182	8,146	269
Grand Rapids LFA (sample size = 3,010)						
Ever employed (%)	53	10 ***	61	6 ***	65	5 ***
Earnings ($)	1,937	448 ***	3,063	421 **	4,387	343
Received welfare (%)	97	-2 ***	78	-7 ***	62	-7 ***
Welfare benefits ($)	4,563	-803 ***	3,450	-718 ***	2,578	-550 ***
Income ($)	8,737	-520 ***	8,303	-443 **	8,433	-339
Grand Rapids HCD (sample size = 2,990)						
Ever employed (%)	53	6 ***	61	5 ***	65	2
Earnings ($)	1,939	184	3,066	608 ***	4,390	412 *
Received welfare (%)	97	-1	78	-5 ***	62	-6 ***
Welfare benefits ($)	4,563	-401 ***	3,449	-567 ***	2,577	-477 ***
Income ($)	8,738	-261	8,304	-52	8,435	-223
Riverside LFA (sample size = 6,611)						
Ever employed (%)	35	17 ***	38	8 ***	41	5 ***
Earnings ($)	2,055	769 ***	2,816	602 ***	3,306	413 **
Received welfare (%)	93	0	69	-7 ***	58	-6 ***
Welfare benefits ($)	5,962	-655 ***	4,388	-758 ***	3,579	-623 ***
Income ($)	9,616	-53	8,537	-376 **	8,065	-420 **

(continued)

Appendix Table C.1 (continued)

Program and Subgroup	Year 1 Control Group	Year 1 Impact	Year 2 Control Group	Year 2 Impact	Year 3 Control Group	Year 3 Impact
Riverside HCD (sample size = 3,079)						
Ever employed (%)	28	8 ***	31	7 ***	34	6 ***
Earnings ($)	1,303	257 *	1,951	217	2,182	498 ***
Received welfare (%)	94	0	73	-3 *	62	-5 ***
Welfare benefits ($)	6,403	-526 ***	4,859	-624 ***	4,067	-715 ***
Income ($)	9,416	-410 **	8,289	-579 ***	7,601	-478 **
Columbus Integrated (sample size = 4,198)						
Ever employed (%)	60	0	63	2 *	65	3 **
Earnings ($)	3,008	56	4,095	520 ***	5,147	435 **
Received welfare (%)	97	-1	70	-3 **	56	-7 ***
Welfare benefits ($)	3,517	-333 ***	2,465	-377 ***	1,812	-401 ***
Income ($)	9,417	-437 ***	8,821	-104	8,675	-243
Columbus Traditional (sample size = 4,208)						
Ever employed (%)	59	0	63	2	65	3 *
Earnings ($)	3,003	124	4,088	421 **	5,141	345
Received welfare (%)	97	0	71	-2	56	-4 ***
Welfare benefits ($)	3,521	-256 ***	2,470	-262 ***	1,816	-285 ***
Income ($)	9,419	-257 *	8,823	-2	8,677	-110
Detroit (sample size = 4,328)						
Ever employed (%)	40	1	52	2	59	3 **
Earnings ($)	1,404	123	2,749	419 **	4,181	605 ***
Received welfare (%)	98	0	86	-3 **	75	-6 ***
Welfare benefits ($)	5,076	-61	4,160	-212 ***	3,426	-296 ***
Income ($)	9,205	17	9,348	100	9,740	120
Oklahoma City (sample size = 3,277)						
Ever employed (%)	53.2	-0.5	53.3	-1.3	53.6	-1.9
Earnings ($)	1,569	82	2,135	133	2,748	24
Received welfare (%)	83.4	-1.6	61.0	-3.2 *	49.5	-3.2 *
Welfare benefits ($)	2,639	-151 **	1,884	-162 **	1,433	-153 **
Income ($)	6,527	-77	5,925	-121	5,877	-215
Portland (sample size = 5,422)						
Ever employed (%)	47.1	10.6 ***	49.0	13.0 ***	52.5	11.4 ***
Earnings ($)	2,204	719 ***	3,271	1,289 ***	4,124	1,426 ***
Received welfare (%)	93.8	-0.4	69.2	-8.7 ***	53.9	-11.5 ***
Welfare benefits ($)	4,357	-534 ***	3,150	-803 ***	2,401	-814 ***
Income ($)	9,183	-69	8,508	189	8,178	319
LA Jobs-First GAIN (sample size = 15,122)						
Ever employed (%)	43.2	10.9	49.9	8.0	n/a	n/a
Earnings ($)	2,401	785 ***	3,877	880 ***	n/a	n/a
Received welfare (%)	98.1	-0.5	80.3	-4.1	n/a	n/a
Welfare benefits ($)	5,838	-444 ***	4,315	-547 ***	n/a	n/a
Income ($)	10,436	161 ***	9,923	139 ***	n/a	n/a

(continued)

Appendix Table C.1 (continued)

SOURCES: MDRC calculations from unemployment insurance (UI) earnings records, AFDC records, and Baseline Information Forms.

NOTES: All the dollar outcome levels are expressed as averages. For each outcome, the program group level can be calculated by adding the impact to the control group level.

Results are for all those who had ever received welfare prior to random assignment.

Outcomes indicated as n/a were not measured.

Year 1 refers to the four quarters after the calendar quarter of random assignment.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

Appendix Table C.2

Programs with Earnings Supplements: Impacts on Employment, Earnings, Welfare Receipt, Welfare Benefits, and Total Income

Program and Subgroup	Year 1 Control Group	Year 1 Impact	Year 2 Control Group	Year 2 Impact	Year 3 Control Group	Year 3 Impact
SSP (sample size = 4,961)						
Ever employed (%)	25.3	4.4 ***	30.4	9.8 ***	32.5	7.2 ***
Earnings ($)	1,656	438 ***	2,398	940 ***	2,889	649 ***
Received transfers (%)	91.7	2.4 ***	78.9	7.6 ***	70.7	9.8 ***
Transfer payments ($)	7,127	530 ***	6,203	805 ***	5,335	800 ***
Income ($)	8,784	968 ***	8,601	1,745 ***	8,224	1,449 ***
SSP Plus Comparison[a] (sample size = 546)						
Ever employed (%)	27.1	7.4 ***	33.9	12.3 ***	36.4	9.6 ***
Earnings ($)	1,309	574 ***	2,214	1,031 ***	2,777	773 **
Received transfers (%)	91.7	2.2	77.9	6.8 ***	72.0	9.7 ***
Transfer payments ($)	5,882	483 ***	5,077	692 ***	4,702	839 ***
Income ($)	7,190	1,057 ***	7,291	1,723 ***	7,479	1,611 ***
SSP Plus (sample size = 550)						
Ever employed (%)	27.1	10.7 ***	33.9	12.7 ***	36.4	11.3 ***
Earnings ($)	1,309	882 ***	2,214	1,045 ***	2,777	1,055 ***
Received transfers (%)	91.7	1.2	77.9	6.2 **	72.0	7.9 ***
Transfer payments ($)	5,882	512 ***	5,077	755 ***	4,702	711 ***
Income ($)	7,190	1,394 ***	7,291	1,800 ***	7,479	1,766 ***
MFIP[b] (sample size = 1,780)						
Ever employed (%)	32.8	13.3 ***	39.3	13.9 ***	44.7	11.5 ***
Earnings ($)	2,146	650 ***	3,650	865 ***	5,194	571 *
Received welfare (%)	90.7	1.7 *	75.7	5.3 ***	63.6	7.6 ***
Welfare benefits ($)	7,238	616 ***	5,935	574 ***	4,908	614 ***
Income ($)	9,384	1,267 ***	9,585	1,439 ***	10,101	1,185 ***
MFIP Incentives Only[b] (sample size = 1,769)						
Ever employed (%)	32.8	7.0 ***	39.3	3.6 *	44.7	3.6 *
Earnings ($)	2,146	198	3,650	-200	5,194	-191
Received welfare (%)	90.7	2.8 ***	75.7	8.0 ***	63.6	10.5 ***
Welfare benefits ($)	7,238	902 ***	5,935	1,160 ***	4,908	1,165 ***
Income ($)	9,384	1,100 ***	9,585	960 ***	10,101	973 ***
New Hope (sample size = 624)						
Ever employed (%)	77.3	11.2 ***	81.3	7.2 **	81.4	2.3
Earnings ($)	4,910	925 **	7,037	95	8,008	696
Received welfare (%)	98.5	0.5	73.1	-3.0	n/a	n/a
Welfare benefits ($)	4,569	-75	2,754	-289	n/a	n/a
Income ($)	13,083	1,315 ***	13,003	456	n/a	n/a

(continued)

Appendix Table C.2 (continued)

SOURCES: For SSP: Calculations from welfare administrative records, payment records from SSP's Program Management Information System, and surveys conducted at random assignment and at the 18- and 36-month follow-up points. For MFIP: MDRC calculations from unemployment insurance earnings records, AFDC records, and Baseline Information Forms.

NOTES: All the dollar outcome levels are expressed as averages. For each outcome, the program group level can be calculated by adding the impacts to the control group level.

For SSP: The sample includes only those who had received welfare in the month of random assignment and in 11 of the previous 12 months. Year 1 refers to the year starting with the month of random assignment.

For MFIP: The sample includes only those who had received welfare in at least 24 of the 36 months prior to random assignment. Year 1 refers to the four quarters after the calendar quarter of random assignment.

For New Hope: The sample includes all those who were receiving welfare at the time of random assignment. Year 1 refers to the four quarters after the calendar quarter of random assignment.

Outcomes indicated as n/a were not measured.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

[a]The SSP Plus Comparison group is the subgroup of people in SSP who were randomly assigned during the period when random assignment for SSP Plus took place. During that period, a "three-way" random assignment design was used; that is, each person who entered the study was assigned by chance to SSP, SSP Plus, or the control group.

[b]Year 3 data are for Quarters 1 through 3 only. To express dollar amounts in annual terms, earnings, welfare payments, and income in the three quarters were multiplied by 4/3.

How Welfare and Work Policies Affect Employment and Income

Appendix Table C.3

Programs with Time Limits: Impacts on Employment, Earnings, Welfare Receipt, Welfare Benefits, and Total Income

Program and Subgroup	Year 1 Control Group	Year 1 Impact	Year 2 Control Group	Year 2 Impact	Year 3 Control Group	Year 3 Impact
FTP (sample size = 2,400)						
Ever employed (%)	57.6	3.9 *	60.0	7.6 ***	60.8	8.6 ***
Earnings ($)	2,461	200	3,182	648 ***	3,777	915 ***
Received welfare (%)	84.8	1.0	60.3	2.1	45.8	-4.8
Welfare benefits ($)	2,228	15	1,422	-108	935	-293
Income ($)	7,246	46	6,581	374 *	6,125	521 **
Jobs First (sample size = 3,703)						
Ever employed (%)	55.9	11.5 ***	61.6	9.3 ***	64.4	6.4 ***
Earnings ($)	3,520	313 **	4,952	864 ***	6,564	730 ***
Received welfare (%)	90.4	3.6 ***	68.9	6.7 ***	55.0	-7.1 ***
Welfare benefits ($)	4,156	850 ***	3,278	383 ***	2,463	-515 ***
Income ($)	9,659	1,416 ***	9,948	1,362 ***	10,508	175
WRP (sample size = 2,474)						
Ever employed (%)	43.4	6.8 ***	52.9	4.3 **	58.2	11.2 ***
Earnings ($)	1,766	384 **	3,274	151	4,595	575 *
Received welfare (%)	97.7	-0.5	78.4	-0.5	64.0	-0.5
Welfare benefits ($)	5,449	-147	4,030	-101	3,184	-358 ***
Income ($)	9,259	218	9,065	91	9,259	199
WRP Incentives Only (sample size = 1,243)						
Ever employed (%)	43.4	4.5 *	52.9	0.8	58.2	0.2
Earnings ($)	1,766	187	3,274	5	4,595	-69
Received welfare (%)	97.7	-1.9 **	78.4	-3.9 *	64.0	-0.4
Welfare benefits ($)	5,449	-145	4,030	-102	3,184	-58
Income ($)	9,259	5	9,065	-87	9,259	-106

SOURCES: MDRC calculations from unemployment insurance earnings records, AFDC records, and Baseline Information Forms.

NOTES: All the dollar outcome levels are expressed as averages. For each outcome, the program group level can be calculated by adding the impact to the control group level.

Each sample includes all those who had ever received welfare prior to random assignment.

Year 1 refers to the four quarters after the calendar quarter of random assignment.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

Appendix D

Why Including the EIC Does Not Substantially Change Program Impacts on Income

The federal Earned Income Credit (EIC) — a refundable tax credit for low-wage workers — is now the nation's largest antipoverty program, with expenditures of more than $30 billion in 1999. Because it is excluded from the calculations in this monograph, readers might wonder whether the estimates of the programs' impacts on income are understated. The following table, which summarizes the impacts of the Los Angeles Jobs-First GAIN program in the second year after random assignment (Year 2), implies that they are not.[1] Similar calculations for other programs covered in this document also indicate that including the EIC has little effect on the impacts on income.

How Welfare and Work Polices Affect Employment and Income

Appendix Table D.1

Impacts of Los Angeles Jobs-First GAIN on Employment, Earnings, Income, and the EIC in Year 2

Outcome	Program Group	Control Group	Difference (Impact)
Ever employed (%)	58	50.2	7.8 ***
Average annual earnings ($)	4,807	3,938	869 ***
Average income from earnings, cash assistance and Food Stamps ($)	10,056	9,920	136
Estimated EIC minus payroll taxes ($)	412	342	70
Average income including estimated EIC minus payroll taxes ($)	10,468	10,262	206 *
Sample size	11,521	4,162	

SOURCE: *The Los Angeles Jobs-First GAIN Evaluation: Final Report on a Work First Program in a Major Urban Center. 2000.* Stephen Freedman, Jean Knab, Lisa Gennetian, David Navarro. New York: MDRC.

NOTES: Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

According to the table, people in Los Angeles Jobs-First GAIN were more likely to work in Year 2 of the follow-up period and earned $869 more, on average, than their counterparts in the control group. When reductions in the program group's welfare and Food Stamp benefits are accounted for, however, the average income in the program group was not significantly higher than that in the control group.

[1]This table contains data for recipients and applicants, unlike the data in Appendix Table C.1, which include recipients only.

Moreover, accounting for the EIC did not substantially change this finding because the EIC gave almost as much income to control group members as it did to program group members.

Two aspects of the EIC results may seem surprising. First, the EIC added only $412 to average income in the program group and $342 to average income in the control group (equal to 9 percent of average earnings in each group). This may seem like a small amount given that the EIC can equal as much as 40 percent of annual earnings for a taxpayer with two or more children. Second, adding the estimated EIC increased the program's impact on income by only $70, raising it from $136 to $206.

Why does the EIC make so little difference to income? To answer this question, it is important to understand the structure of the EIC, which is illustrated in the table below (the data shown are from the 1998 tax year because these data were used in the Los Angeles Jobs-First GAIN analysis above).[2]

How Welfare and Work Polices Affect Employment and Income

Appendix Table D.2

EIC Benefit Calculation Structure

Annual Earnings	EIC Benefit	EIC as a Percentage of Earnings
For families with two or more children:		
$1-$9,390 (phase-in range)	40% of earnings	40
$9,391-$12,259 (flat range)	$3,756	31-40
$12,260-$30,095 (phase-out range)	Decreases by 21 cents for each dollar of earnings above $12,260	0-31
For a family with one child:		
$1-6,680 (phase-in range)	34% of earnings	34
$6,681-12,259 (flat range)	$2,271	19-34
$12,260-26,473 (phase-out range)	Decreases by 16 cents for each dollar of earnings above $12,260	0-19

There are several reasons why the estimated EIC is equal to only a relatively small percentage of each group's average earnings in the Los Angeles Jobs-First GAIN study:

- More than 40 percent of the families had only one child and, as shown in the table above, the EIC is equal to less than 40 percent of earnings for such families (34 percent if their earnings are under $6,680 and even less than that if their earnings are higher).
- The $4,807 earnings level in the program group is an average that includes the 42 percent of program group members who did not work during the year and therefore received nothing from the EIC (nearly 50 percent of the control group had no earnings).
- Among those who worked, a substantial fraction had earnings above the phase-in range. For example, among families with one child, nearly half had earnings above the phase-in range — 23 percent in the flat range, 21 percent in the phase-out range, and 3 percent above the EIC

[2]For the 1999 tax year, the maximum EIC for a family with two or more children was $3,816; the maximum EIC for a family with one child was $2,312.

maximum. For all these families, the EIC was equal to less than 34 percent of earnings. Among families with two or more children, 36 percent of workers had earnings above the phase-in range and received an EIC of less than 40 percent of earnings.

- The study's income analysis assumed that some families who were eligible for the EIC did not receive it, a phenomenon observed in some national studies. The analysis also subtracted payroll taxes, which partly offset the EIC. Accounting for federal and state income taxes, which was not done in the Los Angeles Jobs-First GAIN study, would have reduced the effect on income even further.

Finally, why did the EIC make so little difference to the impacts on income? Perhaps the most important reason is that Los Angeles Jobs-First GAIN's impacts on earnings, though large for programs with mandatory employment services, were modest. Specifically, the average program group member had $869 more in earnings than the average control group member. Even if all the workers in the study had two children and had earnings in the phase-in range, the EIC would have added at most $348 (40 percent of $869) to the program's impact on income (not considering payroll or income taxes).

None of this implies that the EIC is not an important source of income for families moving from welfare to work. For example, in 1998 a single mother with two children in Los Angeles would have received about $9,984 from cash assistance and Food Stamps if she did not work. If she worked 35 hours a week at a job paying $6.50 per hour, her annual earned income would had been about $11,800. The EIC (minus payroll taxes) would have added nearly $3,000 to the latter amount, leaving her with far more income than if she did not work.