

Executive Summary

Jobs First:

Final Report on Connecticut's Welfare Reform Initiative

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I. Introduction

Connecticut's Jobs First program, which began operating in January 1996, was one of the first welfare reform initiatives to impose a statewide time limit on welfare receipt. Today, almost all states have established time limits on cash assistance benefits, either for adults or for entire families, and the 1996 federal welfare law has imposed a nationwide 60-month time limit on federally funded benefits (with limited exceptions). Jobs First has attracted national attention because it includes all the features that are central to most states' current welfare programs, it has one of the shortest time limits in the nation, and it is one of the few programs of its kind that has been subject to a rigorous evaluation, including an assessment of effects on participants' children.

This is the final report in an independent evaluation of Jobs First conducted by the Manpower Demonstration Research Corporation (MDRC), under contract with the Connecticut Department of Social Services (DSS). The evaluation was also funded by the U.S. Department of Health and Human Services, the Ford Foundation, the Smith Richardson Foundation, and other organizations listed at the front of the report.

Jobs First limits families to 21 cumulative months of cash assistance unless they receive an exemption or extension. The program also includes unusually generous financial work incentives and requires recipients to participate in employment-related services targeted toward quick job placement. Jobs First operates statewide, but this study focused on two welfare offices, Manchester and New Haven, which together include about one-fourth of the state's welfare caseload.

To assess what difference Jobs First made, the study compared the experiences of two groups of people: the *Jobs First group*, whose members were subject to the welfare reform policies, and the *Aid to Families with Dependent Children (AFDC) group*, whose members were subject to the prior welfare rules. To ensure that the groups would be comparable, about 4,800 welfare applicants and recipients were assigned at random to one or the other group between January 1996 and February 1997. Because the two groups had similar kinds of people, any differences that emerged between the groups during the study's four-year follow-up period can reliably be attributed to Jobs First rather than to differences in personal characteristics or changes in the external environment. These differences are referred to as *impacts* or *effects*.

The Jobs First evaluation differs from many earlier random assignment studies in which individuals subject to a mandatory welfare-to-work program were compared with people in a control group who were not required to participate in employment services (but could do so voluntarily). In this case, members of the AFDC group were subject to the program that existed before Jobs First began, which included some emphasis on employment and self-sufficiency and provided some employment-related services to recipients but was less mandatory than Jobs First. Thus, the study is assessing what difference Jobs First made above and beyond the effects of the state's previous welfare-to-work program. (In October 2001, after the follow-up period for this

study, Connecticut implemented substantial changes in Jobs First.¹ This report does not evaluate the new policies.)

II. Findings in Brief

The Jobs First evaluation was conducted during a period characterized by unusually low unemployment rates, a decline of almost 60 percent in Connecticut's welfare caseload, and publicized changes in state and national welfare policies. These factors shaped the outcomes for the AFDC group, many of whom found jobs and left welfare without the program, creating a high benchmark for Jobs First to surpass. In addition, while the key components of Jobs First were put in place in Manchester and New Haven, start-up problems and specific features of the program design prevented it from being implemented very intensively. Thus, the evaluation results represent a conservative estimate of the program's potential. Nevertheless, Jobs First produced several important effects:

- **Just over half the Jobs First group reached the time limit during the study period. About two-thirds of those recipients received an extension of their benefits, generally because they had very low income and were deemed to have made a good-faith effort to find work.**

Over the four-year period, roughly one-third of Jobs First group members' cases were closed because of the time limit. Most parents whose grant was closed because of the time limit were working. Although some people received multiple extensions of benefits, the vast majority of cases that received an extension on reaching the time limit were no longer receiving benefits three years later.

- **On average, over the four-year study period, Jobs First increased employment, earnings, and income and did not affect cash assistance receipt.**

Over four years, Jobs First group members earned an average of about \$1,800 (7 percent) more than their AFDC group counterparts. The two groups received about the same amount in average cash assistance benefits, but the Jobs First group received a little more in Food Stamp payments. Over the study period, the Jobs First group had about \$2,400 (6 percent) more total income from earnings, cash assistance, and Food Stamps, compared with the AFDC group.

- **Jobs First made progress toward its key goal of replacing welfare with work. By the end of the four-year period, Jobs First group members were more likely to be working and less likely to be receiving welfare than their AFDC group counterparts.**

The pattern of Jobs First's effects changed over time. In Jobs First, all earned income is disregarded (not counted) in calculating recipients' cash grants (and Food Stamp benefits) as long as that income is below the federal poverty level. This allows working parents to retain

¹Changes include limiting the circumstances under which recipients can be granted more than three 6-month benefit extensions and imposing a new 60-month limit.

their full cash grant in months in which their income would have made them ineligible for assistance under the prior (AFDC) rules. As a result, before anyone reached the time limit, Jobs First increased the fraction of people receiving cash assistance. It increased average annual cash assistance payments during the first two years of the follow-up period by 16 percent (\$558). The program also increased employment and earnings in the pre-time-limit period. Because Jobs First participants had both higher earnings *and* higher public assistance payments, their average total income from these sources was 12 percent higher than the AFDC group average during the two years following study entry.

When members of the Jobs First group began to reach the time limit, the program began to decrease cash assistance receipt and payments. By the end of the four years, only 19 percent of the Jobs First group were receiving welfare, compared with 28 percent of the AFDC group. Employment and earnings gains continued throughout the period, but because of the cash assistance reductions, the income gains diminished: In the last three months of the study period, the two groups' average income from earnings, cash assistance, and Food Stamps was almost identical, although a larger fraction of the Jobs First group than of the AFDC group were working and not on welfare (51 percent, compared with 42 percent).

- **The program's impacts on employment and earnings were concentrated among individuals facing greater barriers to employment.**

Among individuals who were long-term welfare recipients, had no recent work history, and did not have a high school diploma — making up 12 percent of study participants — the Jobs First group had about \$3,600 (37 percent) more earnings than the AFDC group over four years. After people began reaching the time limit, the program substantially decreased welfare payments for this subgroup.

In contrast, Jobs First had little effect on employment and no effect on earnings among individuals with the fewest barriers to employment (high school graduates with recent work history who were not long-term welfare recipients). The program's primary impact for this subgroup was to allow those who would have worked anyway to continue receiving public assistance in the pre-time-limit period, thereby raising their income. After they began reaching the time limit, Jobs First began to reduce welfare receipt.

- **Like most programs studied, Jobs First had no consistent effect on a wide range of indicators of material well-being. Levels of hardship remained high for families in both groups.**

According to responses to a survey administered three years after sample members' entry into the study, Jobs First produced no impacts on a wide range of measures of material hardship, although it had a mixed effect on living conditions. Relative to the AFDC group, the Jobs First group reported fewer problems in their neighborhood during the year before they were interviewed, suggesting that some may have moved to better neighborhoods. At the same time, they were also more likely to have been homeless during the year before their interview. Although the level of homelessness in each of the research groups was low (2 percent of the AFDC group and 3 percent of the Jobs First group), the increase is of concern. Analysis found that some of the Jobs First group members who became homeless had rather steep drops in income during the

year before the interview, possibly as a result of Jobs First policies such as sanctioning (benefit reductions because of noncompliance with program rules) and the time limit.

- **Jobs First had a few positive effects on the behavior of elementary school children, concentrated among 5- to 8-year-olds, and had mixed effects for adolescents.**

Among children who were 5 to 12 years old at the end of the third year of follow-up, Jobs First children were more likely than their AFDC peers to be in child care. Parents (but not teachers) reported that Jobs First children exhibited fewer behavioral problems and more positive behaviors; these effects were concentrated among children who were 5 to 8 years old. According to parents' and teachers' ratings, Jobs First did not affect performance or engagement in school for 5- to 12-year-olds.

Among children 13 to 17 years old, Jobs First had both positive and negative effects. Unlike most similar programs studied, Jobs First increased the use of child care for adolescents, primarily after school, from grandparents. Parents reported that adolescents in the Jobs First group were less likely than those in the AFDC group to have been convicted of a crime. They also reported, however, that adolescents in Jobs First had lower school achievement than those in the AFDC group.

- **Over five years, the government's investment in Jobs First was not offset by decreased welfare payments. The investment generated substantial gains in income and services for Jobs First participants.**

The program's net cost for employment services and related support services — the cost of these services over and above what was spent on the AFDC group — was only about \$2,250 per person over five years. This is relatively low compared with the cost of other welfare-to-work programs, because most Jobs First participants took part in short-term job search activities. The government also spent more on Jobs First group members, compared with the AFDC group, for Food Stamps and Medicaid benefits. These investments were not offset by welfare savings, because the Jobs First and AFDC groups received about the same amount in welfare payments. In sum, relative to the AFDC program, Jobs First cost the government about \$4,150 per person over five years. Program participants gained income from increased earnings and Food Stamp payments and lower tax payments (because of the Earned Income Credit). They also received more child care assistance, Medicaid benefits, and employment-related fringe benefits.

III. Implications of the Evaluation's Findings

The Jobs First evaluation provides some of the first information on the implementation and impacts of a welfare reform strategy that included a time limit on benefit receipt. On average, Jobs First's combination of employment and support services, generous work incentives, and time limits increased employment and earnings and, after people began reaching the time limit, decreased cash assistance receipt. As a result, the program increased the proportion of people who worked and did not receive welfare. Jobs First also modestly increased participants' income, although this was not an explicit program goal. Importantly, the Jobs First experience shows that,

at least under certain circumstances, time limits can be implemented without causing the widespread severe consequences predicted by some critics of the policy. Then again, the program did not substantially improve families' well-being, as some proponents of time limits had hoped.

When drawing conclusions based on the Jobs First evaluation, however, it is important to remember that the program is an unusual hybrid and was implemented in a specific manner. First, Jobs First has one of the shortest time limits in the nation, but, during the period studied, those who had very low income when they reached the limit typically received benefit extensions. Second, the program includes an unusually generous earned income disregard, which allowed many working parents in the study to retain their entire welfare grant at least temporarily. Third, Jobs First provides employment-services to help people find jobs, but the program was not implemented very intensively. The effects of Jobs First reflect the complex interactions of these components. Finally, the evaluation period was characterized by an unusually strong economy, which likely fostered job-finding and helped reduce the chances that Jobs First would harm vulnerable families.