

Welfare and Employment Outcomes of the WorkFirst Program

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WASHINGTON STATE INSTITUTE FOR PUBLIC POLICY

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WELFARE AND EMPLOYMENT OUTCOMES OF THE WORKFIRST PROGRAM

EXECUTIVE SUMMARY

This report analyzes the welfare and employment outcomes of clients in the WorkFirst program, Washington State's implementation of the federal Temporary Assistance for Needy Families (TANF) program.

WorkFirst clients are more likely to gain employment, have higher earnings, work more hours, and leave the caseload when compared to similar clients under Aid to Families with Dependent Children-Jobs, Opportunities, and Basic Skills (AFDC-JOBS).

WorkFirst is Washington State's implementation of the federal Temporary Assistance for Needy Families (TANF) program. Since its enactment in April 1997, WorkFirst has changed the nature of income assistance in Washington State, replacing the Aid to Families with Dependent Children (AFDC-JOBS) entitlement program. WorkFirst clients are required to participate in employment, job search, or other approved activities and face lifetime limits on welfare receipt.

This report explores the following question regarding the WorkFirst program: *How do the employment and welfare experiences of AFDC-JOBS and WorkFirst clients differ?*

The analysis concludes that clients in WorkFirst are more likely to gain employment, have higher earnings, work more hours, and leave the caseload than did similar clients under the previous AFDC-JOBS program.

When possible, the analysis accounts for different client characteristics such as age, education, work experience, and changes in local economic conditions.

This report is part of an evaluation of the WorkFirst program mandated by the Washington State Legislature. The Joint Legislative Audit and Review Committee (JLARC) and the Washington State Institute for Public Policy (Institute) are collaboratively assessing “the success of the program in assisting clients to become employed and to reduce their use of temporary assistance for needy families” (RCW 44.28.155).

Areas of Further Study

Continued analysis by Institute staff will examine employment and welfare outcomes associated with specific program elements. The Institute is currently conducting analysis of WorkFirst Job Search services. Also, there will be a cost-benefit comparison showing the *additional* cost of a Job Search client and the net cost to the state.

Technical Review

A technical advisory group will convene on December 10, 1999, to review analyses conducted by the Institute.

I. WORKFIRST COMPARED TO AFDC-JOBS

When compared to AFDC-JOBS, more WorkFirst clients are working. Clients have higher earnings, they work more hours, and they are more likely to leave welfare. This analysis accounts for changes in client characteristics and economic conditions over time. Thus, the differences in outcomes that emerge may be attributed to overall differences between the two programs.¹

Key Differences in the AFDC-JOBS and WorkFirst Programs

WorkFirst is Washington State's implementation of the federal Temporary Assistance for Needy Families (TANF) welfare program. WorkFirst differs from the previous AFDC-JOBS program in several fundamental ways. Exhibit 1 illustrates key differences.

Exhibit 1

Program Elements of AFDC-JOBS and WorkFirst: Key Differences

AFDC-JOBS	WorkFirst
<ul style="list-style-type: none">❑ No effective time limit❑ Entitlement❑ 33% income disregard❑ Emphasis on education and training❑ Supported completion of four-year college degrees	<ul style="list-style-type: none">❑ A five-year time limit❑ No entitlement❑ 50% income disregard❑ Emphasis on employment and job search❑ Support only for activities directly related to finding or keeping a job❑ Employment-related participation requirements❑ Mandatory job search for able-bodied adults

¹ Although the analysis controls for changing employment rates and client demographics, it assumes there have been no major structural shifts in the economy between first quarter 1996 and fourth quarter 1998. This appears reasonable since the two groups were selected from periods marked by high employment growth.

AFDC-JOBS, an entitlement program, did not have the strict client participation requirements or time limits on welfare receipt that exist under WorkFirst.² All adult WorkFirst clients must participate in approved activities—largely related to work—unless they have a child under three months of age³ or can provide good cause for not participating, such as a lack of child care.

During the periods compared, both AFDC-JOBS and WorkFirst clients were eligible for assistance with work or finding a job, including assistance with transportation, child care, and vocational training. Under AFDC-JOBS, however, more emphasis was placed on the assessment and education of clients than on work experience or attachment to the labor force, both important aspects of WorkFirst. Under WorkFirst, an adult client can only receive welfare for a lifetime total of 60 months.

When clients first enter WorkFirst, the initial focus is to assist them in finding employment. WorkFirst clients who are unable to find employment may be referred to services to help them overcome employment barriers, such as substance abuse treatment, high school completion, work experience, and job skills training. Employed clients are eligible for services to help them stay employed and obtain higher-paying jobs. Employed WorkFirst clients are also allowed to keep a larger share of their welfare check.⁴

WorkFirst Outcomes Compared to AFDC-JOBS

This analysis statistically controls for client characteristics such as education level and work experience as well as local economic conditions such as employment growth. After doing so, the following significant differences in outcomes may be attributed directly to overall differences in AFDC-JOBS and WorkFirst (measured in the fourth quarters of 1996 and 1998, respectively).

- ❑ **WorkFirst increases employment rates.** WorkFirst increases the likelihood of employment by 56 percent when compared with AFDC-JOBS.
- ❑ **WorkFirst increases total earnings.** A \$263 (48 percent) increase in average quarterly earnings can be attributed to the change from AFDC-JOBS to WorkFirst.
- ❑ **WorkFirst increases total hours worked.** A 23-hour (34 percent) increase in average hours worked each quarter can be attributed to the change from AFDC-JOBS to WorkFirst.
- ❑ **WorkFirst reduces the use of welfare.** WorkFirst clients were 21 percent more likely to be off welfare during the fourth quarter than were clients on AFDC.

² The Job Opportunities and Basic Skills Training Program (JOBS), initiated in the federal Family Support Act of 1988, provided educational and training opportunities to AFDC recipients who were able to work. The program became mandatory in Washington State in 1995, but participation rates were much lower than under WorkFirst.

³ Twelve months of age before July 1, 1999.

⁴ WorkFirst client grants are reduced by 50 cents for each \$1 of earnings, as opposed to the 67-cent reduction per dollar of earnings under AFDC.

These findings reflect *overall* differences between the two programs. This analysis, however, does not identify which elements of WorkFirst most influence the results.

Analysis Approach

Female heads of households from the first quarter of 1996 (AFDC-JOBS) were compared to female heads of households from the first quarter of 1998 (WorkFirst). These demographic groups were selected because approximately 90 percent of the state's welfare households are headed by women.

Outcomes of each group are compared three quarters later (fourth quarter 1996 for AFDC clients and fourth quarter 1998 for WorkFirst clients). The AFDC group comprises 69,759 adult clients who were on the caseload during the first quarter of 1996, and the WorkFirst group comprises 60,485 adult clients who were on the caseload during the first quarter of 1998.⁵

Outcomes are measured in calendar quarters to coincide with quarterly earnings recorded by the Washington State Employment Security Department (ESD). The following outcomes, prescribed for the evaluation in the WorkFirst legislation, are examined:

- ❑ **Likelihood of being employed:** a client is considered employed during a quarter if Unemployment Insurance (UI) records indicate any earnings during part or all of the quarter.⁶
- ❑ **Earned income:** a client's quarterly earnings in Washington State as indicated by UI records.
- ❑ **Hours worked:** a client's quarterly hours worked in Washington State as indicated by UI records.
- ❑ **Likelihood of using welfare:** a client is considered on the caseload during a quarter if administrative records indicate welfare benefits were received one or more months during a quarter.⁷

⁵ This number differs from other total caseload figures because it does not include men, two-parent families, or children.

⁶ Unemployment Insurance (UI) records include 99 percent of non-agricultural employment in Washington State. Clients without UI records may be in uncovered employment or working out of state.

⁷ Based on the Automated Client Eligibility System (ACES) and the Warrant Roll.