Job Opportunities and Basic Skills: Perspectives From Eight States

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October 1996

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*Thomas Karier is Professor of Economics at Eastern Washington University. This review and analysis was supported with resources from the Washington State Institute for Public Policy. Ben Liebman provided valuable assistance in this research. A formidable number of employees from each of the states studied voluntarily cooperated in providing the necessary information, and our most sincere appreciation goes to all of them. The author accepts responsibility for any errors or omissions.

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FOREWORD

Prior to the recently enacted federal welfare reform, the *Personal Responsibility and Work Opportunity Act of 1996*, Congress last changed the national public assistance program in the *Family Support Act of 1988*. States were required to develop Job Opportunities and Basic Skills (*JOBS*) programs to increase efforts to move welfare recipients into the labor market. In its 1996 supplemental budget, the Washington Legislature directed its Joint Legislative Audit and Review Committee to evaluate our state's implementation of JOBS. This report accompanies that review, and describes the operation of JOBS programs in eight other states.

What Are the Impacts? The implementation of JOBS programs in these eight states has coincided with substantial **reductions in their welfare caseloads**, ranging from a low of a 6 percent reduction in Illinois to a high of a 24 percent reduction in Wisconsin from 1995 to 1996. Several factors have, however, contributed to these reductions in welfare caseloads:

- general **economic improvements** in these states, including **lower unemployment**.
- changes in welfare programs, including **reduction of cash grants**.
- effects of **moving more welfare recipients into employment,** through JOBS and other welfare-to-work initiatives.

Welfare caseloads have shrunk, employment is up, and more former welfare recipients are working. This is the general positive perspective from these eight states, for their welfare program efforts implemented **before** the passage of the recent federal welfare reform.

What Are the Features of JOBS in these states? The new features of welfare programs include **both** carrots and sticks:

- an emphasis on **immediate employment**, rather than stressing access to post-secondary or vocational education and training.

- the development of **personal responsibility contracts**, which obligate the welfare recipient *and* the state or county agency to certain actions that accompany eligibility for assistance.

- an emphasis on **time limits** and **sanctions**, with many states already setting limits—often two years—on how long families can receive a cash grant. States also apply sanctions, usually reductions in cash grants, for failure to follow through on work activities.

- an alternative to welfare, in terms of **welfare diversion**, for those families with an emergency situation that can be met with a one-time cash grant, together with other resources such as medical assistance and food stamps. States with this option claim they successfully "deter" between 20 and 35 percent of families applying for welfare.

- increases in allowable **assets** and in disregards of **earned income**.

- more **aggressive efforts** of ensuring **child support** from absent parents.

- setting conditions for providing **welfare to teen parents**, including limits on living arrangements and requirements for school attendance.

- implementing a **family cap**, where the level of cash assistance is no longer increased when a family on welfare has additional children.

- expanding employment options for welfare recipients to include **subsidized private sector jobs** and **community service jobs**.

- providing **transitional benefits**—typically, health care and child care—for a period after families move off the welfare cash grant.

- **changing the role and responsibilities of staff** in the welfare system, from one of determining eligibility for cash assistance to one of helping welfare recipients find immediate employment.

We think this overview of the experiences of these eight states—Utah, Wisconsin, Michigan, Texas, North Carolina, Illinois, Massachusetts, and Virginia—will place the performance evaluation of Washington's JOBS program, conducted by the Joint Legislative Audit and Review Committee, in the kind of comparative perspective that will ensure positive change in our state.

Thomas M. Sykes, Director
Washington State Institute for Public Policy

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Table of Contents

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Part One: Overview

Background

The Family Support Act of 1988 created the JOBS program (Job Opportunities and Basic Skills Training program) in order to encourage the transition from welfare to work. Over the next seven years, states and the federal government spent approximately $8 billion on this program with the intent of increasing the number of self-sufficient families.[1]

The federal JOBS program requires states to provide certain services:

- high school or equivalent education,
- basic and remedial education,
- education for those with limited English proficiency,
- job skills training,
- job readiness activities, and
- job development and placement.

States must also provide **two** of the following:

- on-the-job training,
- individual job search, and
- work supplementation (subsidized jobs).

All AFDC recipients between the ages of 16 and 59 are required to participate in JOBS with exemptions for those who:

- care for children under three years old (or one year old at state option),
- work 30 hours or more per week,
- attend elementary, secondary or vocational school full-time,
- are ill or incapacitated,
- care for household member who is ill or incapacitated,
- are in at least the second trimester of pregnancy, or
- live in an area that is remote from a JOBS program.[2]

JOBS programs also provided assistance with child care and transportation to improve the prospects for employment.

Initial reviews of JOBS programs were not especially encouraging. Studies showed that relatively few AFDC recipients actually participated in the programs in most states. In those AFDC families with a single female as head of the household, only 13 percent participated in

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*Note: This report examines welfare-to-work experiences already in operation in eight states. It does not analyze the yet unknown impacts of the federal welfare reform embodied in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (HR3734).

[1] U.S. General Accounting Office. (May 2, 1995). *Welfare To Work: Participants' Characteristics and Services Provided in JOBS* (GAO/HEHS- 95-93) Washington, D.C.

[2] Ibid.

the JOBS program in 1992. The primary reason for low participation was the presence of young children, accounting for 75 percent of all family exemptions.[3]

Even where AFDC recipients did participate in the JOBS programs, the results were not always compelling. A study by the General Accounting Office in July 1995, prior to the recently enacted national welfare reform, reviewed welfare to work reforms and concluded that, "Even the most successful programs had modest effects..."[4] While it was not unusual to see an increase in earnings and work among JOBS participants, the improvement was often only a few percentage points better than results for comparable non-participants.

The reviews of these experiments did suggest some promising directions. The same GAO report found that some of the most successful programs combined work incentives (no penalty for earnings) with employment support such as child care. A study by the Health and Human Services Department in June 1995 suggested that the best results were found by focusing the programs on employment and self-sufficiency, closely monitoring participation, and forging strong linkages with the private sector.[5] This study also found that one of the most frequently utilized JOBS services was post-secondary education. This was encouraging since other studies demonstrated that post-secondary education has the highest rate of return among all education and training options, averaging 8 to 12 percent higher income for each year of post-secondary education.[6] Short-term training, like many JOBS efforts, had positive results, but was not found to be nearly as rewarding. These preliminary results provided encouragement to states to continue to experiment with their JOBS programs.

Waivers and Key Features of JOBS

Prior to the recently enacted national welfare reform, states could alter the basic JOBS and AFDC guidelines by requesting waivers from the U.S. Department of Health and Human Services (HHS). In order to pursue different tracks, states have actively requested waivers and HHS has readily approved many of them. Requests for waivers in many states have been ongoing, resulting in a rapid evolution of welfare-to-work programs. In some states, the receipt of one set of waivers has been followed by requests for more. The purpose of this study is to review the innovations that have occurred in the JOBS programs of eight states: Utah, Michigan, Wisconsin, Massachusetts, Illinois, North Carolina, Virginia, and Texas (See Figure 1).

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3 Ibid.

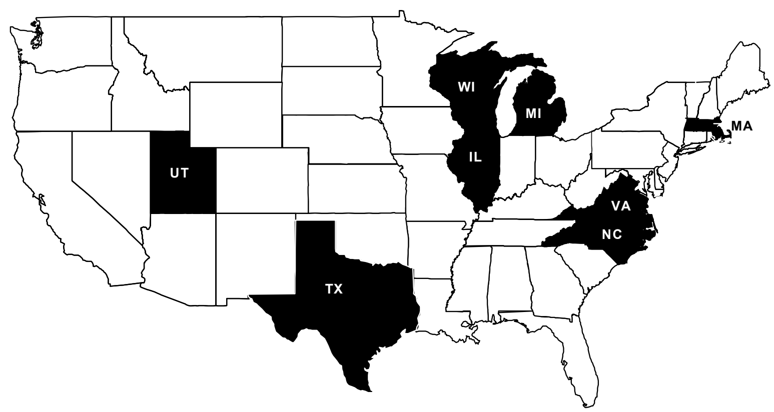
4 U.S. General Accounting Office. (July 14, 1995). *Welfare To Work: State Programs Have Tested Some of the Proposed Reforms* (GAO/PEMD- 95-26) Washington D.C.

5 U.S. Department of Health and Human Services. (June 1995). *Review of the Research Evidence on Employment, Education and Training, and Work Programs for Welfare Recipients* (Technical Analysis Paper No. 45) Karin Martinson. Washington D.C.

6 U.S. Department of Labor. (Jan. 20, 1995). *What's Working (and What's Not): A Summary of Research on the Economic Impacts of Employment and Training Programs* Washington, D.C.

Figure 1

Job Opportunities and Basic Skills: Perspectives From Eight States



Washington State Institute for Public Policy
October 1996

Since states began to focus more on securing immediate employment for all welfare recipients, the AFDC programs have become less distinguishable from JOBS programs. For example, many states have required participation in JOBS programs in order to qualify for AFDC. Furthermore, AFDC is limited to two years in many states as an inducement for clients to take participation in JOBS programs seriously. Carrying this process further, Wisconsin's AFDC program is to be replaced by Wisconsin Works (W-2), something of a hybrid between a JOBS program and an employment service.

For many states, significant changes in the structure of AFDC and JOBS have been accompanied by name changes. In these cases, the names AFDC and JOBS are no longer used. Some of the programs described in this review reflect a fusion of the two programs made possible through numerous waivers.

The recent trend among states has been to **emphasize immediate employment over education and training** which was the focus of the previous system. In addition, many states have established more specific work requirements and narrowed or eliminated exemptions. The goal of these efforts is to increase the numbers of families with working adults. States are inclined to measure program success by the numbers and percentages of adults leaving the program because of employment as well as any overall reduction in the welfare caseload.

Many states now begin their welfare application with the development of a **personalized contract**. In most cases the purpose of the contract is to specify employment goals and steps required to achieve them. It also gives states the opportunity to inform applicants of the new rules that govern their cash assistance efforts. States with work requirements will typically include these in the contract. Assistance is often conditioned on signing the contract and fulfilling its requirements.

Where the old JOBS programs were likely to emphasize support services, the **new programs feature time limits and sanctions**. As of August 27, 1996, 31 states had approved waivers for some form of time limit.[7] All of the states in this study had time limits except Utah, whose proposal was pending, and Michigan. Many states also have penalties associated with the failure to follow through on work or work activity. These penalties typically entail some reduction in financial or employment assistance. The theory is that families won't take the work requirement seriously unless assistance can be cut off for noncompliance.

One of the more effective techniques developed to reduce the welfare caseload is referred to as **welfare diversion**. Many states have established a procedure designed to deter a potential applicant from even applying for regular assistance. At a minimum, diversion entails a review of other options available to the applicant, such as Supplemental Security Income, child support, assistance from friends or family, or current job possibilities. Some states provide an additional incentive for diversion through a one-time cash grant intended to overcome any immediate impediments to work or financial emergencies. States with a diversion option claim to successfully deter a high percentage of potential applicants, perhaps in the range of 20 to 35 percent of those families initially applying for assistance.

The new waivers have not been all stick and no carrot. Many states have recognized that there is little incentive to work if assistance is reduced because of earned income. The standard AFDC guideline is to disregard $90 of earned income per month for work-related expenses plus a flat $30 a month for the first year and one-third of additional earned income for the first three months. All other income entails a dollar reduction in benefits for each dollar earned. Besides being overly complex, this formula does not produce a strong incentive to work. Many states have therefore expanded **income disregards**. In these formulas, assistance levels are less affected by earned income, although there is always an upper limit of earned income where cash assistance will end. How this is done varies by state. Illinois attributes significant increases in employment by AFDC recipients to its income disregard initiative: Work Pays. In this area, states have responded by building options that respond to very conventional economic ideas about creating incentives to work.

Other welfare rules were also seen as inimical to work. In particular, eligibility rules for AFDC specified a **maximum asset value** for a family of $1,000 and vehicle value of $1,500. The problem with this "ceiling" is that it is below that of a reliable car, often a necessity for successful employment. States have, to varying degrees, expanded the asset limit, especially with regard to permitted maximum vehicle value. The impact of this change, alone, would be difficult to discern.

Waivers regarding **child support** have included both sticks and carrots. In some cases, states have specified significant sanctions against families that do not cooperate in determining paternity or securing child support from non-custodial parents. On the other hand, states have provided more help in collecting child support in order to supplement family income.

Most states have recognized that adults on AFDC will need help with child care, transportation, and health care in order to start and keep a job. Support in these areas, as well as food stamps, are often available to working families in JOBS programs while they are on assistance and immediately thereafter. The waivers typically extend the duration of these **transitional benefits**, most of them for 12 months, sometimes for 24 months.

Some waivers are more directly intended to reduce the welfare caseloads by altering

[7] Elizabeth Lowen-Basch, Office of Planning and Evaluation, DHHS.

reproductive activity through a **family cap**. Several states will no longer increase the level of assistance for a family on welfare that has a new baby. In theory, welfare families should be less inclined to have children, thus making them less dependent and more employable. But the results of at least one study raised doubts on this issue. The birth rate of AFDC mothers subject to the cap was not any different from those without a cap.[8]

Furthermore, several states have rejected the idea of providing welfare for **teen parents** who are not living with their own parents or other appropriate adult or in a family setting. The option of setting up a separate household funded by welfare is no longer possible in these states. It is hoped that by encouraging teen mothers to live in their parents' homes and finish high school they will be more employable by the time they are independent. The policy intent is also to discourage teen pregnancy by limiting the choice of living arrangements for likely teen parents.

Many states have recognized that not all welfare recipients will be prepared for, nor immediately able to find, unsubsidized employment in the private sector. These states have increased their effort to develop **subsidized private employment** as a close alternative and **community service jobs** as a more distant alternative. An expansion of these opportunities requires building closer relationships with private businesses and community organizations.

For almost all states, the **role of staff in the welfare system** has changed. Once the priority was to determine financial eligibility; it has gradually shifted to finding immediate employment for public assistance recipients. The role of the JOBS workers has either expanded, or in some cases, become indistinguishable from that of an AFDC case manager. In Utah, case managers are given increased flexibility to mobilize resources and services with the goal of placing clients in employment or appropriate programs. Other states may be interested in Utah's policy of evaluating the performance of welfare office staff based on successful job placements of welfare clients. This model was also developed, with some success, in California's GAIN program in Riverside County.

JOBS financing varies among the states. Many of the state agencies running JOBS programs contract out some of the services to other state agencies and non-profit organizations, or in a few cases, to for-profit businesses. A few states include performance-based measures in these contracts. Not all the states are receiving their full share of their potential federal matching funds, including Texas (60 percent), Illinois (67 percent) and Massachusetts (71 percent). Two states, Wisconsin and Illinois, have used third party not-for-profits to increase federal matching funds. (See page 37 for a description of the Illinois effort.)

Table 1 summarizes the distribution of these key features of JOBS among the eight states.

[8] U.S. General Accounting Office. (July 2, 1996). *Welfare Waivers Implementation: States Work to Change Welfare Culture, Community Involvement, and Service Delivery* (GAO/HEHS- 96-105) Washington, D.C.

Table 1

JOBS Program and Welfare Features in Eight States

	UTAH	MICHIGAN	WISCONSIN (W-2)*	TEXAS	NORTH CAROLINA	ILLINOIS	MASSACHUSETTS	VIRGINIA
Requires Signed Contract	X	X	X	X	X	X		X
Subsidized Work Option			X				X	X
Community Service Option		X	X				X	X
Time Limited Benefits For Welfare	*	NONE	Five-year lifetime limit. 24-month limit for each component	12,24,36-month limit, depending primarily on work history, followed by 5 years ineligibility**	24-month limit. May reapply after 3 years	24-month limit, if youngest child is at least 13 years of age. May reapply after 2 years	24-month limit within 5 year period	24-month limit. May reapply 24 months after transitional benefits end
Age Of Youngest Child For Exemption	No exemption from participation	3 months	3 months	4 years*	5 years	24 months	6 years	18 months
Length Of Child Care Subsidy After AFDC	No time limit (based on income)	12 months	No time limit (based on income)	12 months	12 months*	12 months	12 months	12 months
Length Of Health Care After AFDC	24 months	12 months*	No time limit (based on income)	12 months	12 months*	12 months	12 months	12 months
Earned Income Disregards	First $100 plus 50% of additional income, plus $40/month reward for full-time participation	First $200 plus 20% of additional income with upper limit	N/A	"Fill-the-gap budgeting"***		Client keeps $2 out of $3 earned, with upper limit	$30, plus 50% of additional income, with upper limit	Up to 100% of poverty level (1996=$12,980 for family of 3)

Table 1 Continued

JOBS Program and Welfare Features in Eight States

	UTAH	MICHIGAN	WISCONSIN (W-2)*	TEXAS	NORTH CAROLINA	ILLINOIS	MASSACHUSETTS	VIRGINIA
AFDC Cash Benefit (Family Of Three)	$401	$459	$500-$517 (current program)	$188	$272	$349-$377	$524-$539	$291
Family Cap			X		X	X	X	X
Teen Parents Must Live At Home		*	X		X	X	X	X
Teen Parents Must Attend School		*	X	X	X	X	X	X
% of AFDC Exempt from Mandatory Participation	0%	Not specified	34%	48%	43.4%	40.8%	80%	45%
Diversionary Program	"Diversion alternative:" three-months AFDC payment, child support, transportation, and Medicaid		Staff helps participant network to find other means of self-sufficiency	Pilot program grants $1000 payment, with client foregoing AFDC eligibility and automatic Medicaid for 1 year	Cash payment up to 3 months worth of benefits			"Diversionary Assistance" one-time payment for crisis or temporary loss of income

*Reform legislation pending.
**Applies to selected sites within state.
***"Fill-the-gap budgeting" accomplishes the same goal as a higher income disregard; it reduces the implicit penalty for work. The actual calculation in Texas is more complex than a simple income disregard. It includes the same standard AFDC deduction from earned income: $90 for work related expenses, an additional $30, and one-third of the remainder, and child expenses. The remaining earned income is then subtracted from an estimate of the family's budgetary need ($751 for a family of three). The grant is equal to 10 percent of that difference.

Evaluations: Which JOBS Programs "Work"?

<u>Context</u>: Many of the programs in these eight states—and others—have been implemented over the past year, and some will be implemented in the near future. Because most of the programs are so new, few have undergone serious or rigorous external evaluation. In this void, more informal evidence has been used to characterize the success of these programs. Many states credit their programs with increasing the earnings and employment rates of welfare families, and for decreasing caseloads.

While some of this may be true, some of it may not be. States that have experienced economic growth over the past few years—and many have—should expect increases in employment and earnings and reductions in welfare caseloads even without welfare reform. Moreover, as observed in the individual state case studies, a number of states have also reduced their welfare payment levels. Only a careful evaluation of the programs can hope to discern between these general economic effects, various features of economic disincentives of payment reductions, and welfare reform.

Most of the evaluations scheduled to be completed in the next few years are based on random assignment experiments. This is a reliable way to single out the effects of welfare reform. But even this method is not foolproof. One problem is that many states have been steadily altering their AFDC and JOBS programs. The typical comparison in the experiments is between the most recent program and the second most recent program. Program differences, and hence impact, may be only slight. This not only makes it difficult to assess the success of a program within a state, but it also makes it difficult to make comparisons between states. The control groups are simply not the same from state to state.

<u>Findings</u>: One of the few serious evaluations done of a modern JOBS program was conducted by Abt Associates for the state of Michigan. One conclusion was that the JOBS program had a significant but rather small impact on raising employment and earnings and reducing welfare participation and payments. The results were not unlike many that characterized the earlier JOBS programs.

One group of families in the study was on welfare and converted to the new JOBS program, To Strengthen Michigan Families. It was found that after three years of participation in the program, this group experienced an increase in employment of 2.8 percentage points and an increase in adult annual earnings of $442. Although these results indicate a positive impact, they are not especially large. Results for the families that entered the welfare system and new JOBS program during this three-year period were less conclusive. It may be that families need to participate more than one or two years before positive results become evident.

Texas was the other state in this study to undergo extensive evaluation of its welfare reform. Participants in this program also experienced an increase in employment and earnings. Employment was up at least 11 to 18 percent for at least one cohort and net earnings were up $70 to $114 per quarter. The study concluded that support for child care and transportation seemed particularly important in producing these positive results. Even these results, however, are not especially large.

In the first report for Texas, education was found to be particularly effective while job search was not. A follow-up study completed a year later suggested that job search was more effective than was indicated in the original study. One significant finding in this evaluation was that despite leaving AFDC at faster rates, JOBS participants returned at the same or faster rates. This suggests that future evaluations of new welfare to work programs should look at recidivism rates.

The recent welfare reforms implemented in most states **emphasize short-term employment and welfare independence as intermediate "outcomes" in their public assistance programs**. These should not necessarily be the only criteria for evaluating them. The new reforms have promised to alter the long-term prospects of low income families on welfare by creating more employment incentives. Most of these efforts have moved welfare recipients more rapidly into work, with accompanying increases in earnings and decreases in reliance on public assistance. Whether these improvements in family economic status will persist is not yet known. A longer-term assessment, however, will investigate what happens to these families when the current economic expansion subsides.

Probably critical to the success of these new programs is the efficient and timely **provision of child care, transportation, and health care support**. To the extent that welfare reforms are successful at moving large numbers of welfare recipients into employment, there will be much greater demand for these services. Many states have already found it difficult to meet the demand for these services by low-income families. A study by the General Accounting Office found long waiting lists for child care services in many states, including Nevada (7,000), Maine (7,000), Florida (19,000), and Texas (36,000).[9] Massachusetts has responded to this situation by offering training to AFDC recipients in how to operate an in-home child care business.

Employment alone may be insufficient to lift AFDC families out of poverty. For this to occur, it is often necessary **to supplement family earnings with the federal Earned Income Tax Credit (EITC)**. Some states have vigorously pursued this means of increasing the attractiveness of employment and earnings for low-income adults. Several are pursuing methods of ensuring more timely payment of the tax credit—perhaps semi-annually, quarterly, or even monthly. Thus, individuals won't have to wait until they file their annual federal income tax returns to receive credit. As welfare reforms progress, more low income workers should be relying on this credit. The additional income from the EITC helps to ensure that unsubsidized employment will be rewarded with higher total income than subsidized employment, which itself is more lucrative than community service employment.

Many of the states under review have instituted **time limits** for welfare recipients. Most time limits in effect have yet to result in families being terminated from assistance in any state. However, substantial segments of the public assistance populations will have extensions to these limits, or be exempted from them. Many of the states also have provisions to exempt a participant from the deadline if the adult has demonstrated a good faith effort to participate in the program. In this situation, a family's case would remain open even if they fail to find a job. The future impacts of time limits for public assistance recipients who are unable to move into full-time employment and, thus, economic independence is not clear.

[9] U.S. General Accounting Office. (1995). *Welfare to Work: Child Care Assistance Limited; Welfare Reform May Expand Needs* (GAO/HEHS-95-220) Washington, D.C.: 1995.

As states move to a more rapid employment model there is a risk that they will lose some of the successful aspects of previous JOBS programs. In particular, for those qualified adults wanting to pursue post-secondary education, JOBS often provided them with that opportunity. Usually, the economic returns associated with post-secondary education are substantial and continuing, especially when linked to potential occupations and professions that are in demand or are likely to expand. Yet, more recent evaluation information on welfare-to-work efforts in a number of states show better outcomes for those efforts that combine post-secondary education with ongoing employment. A flexible JOBS program might include this option for some adults—perhaps combining education and training with work experience—while pursuing immediate full- or part-time employment for others.

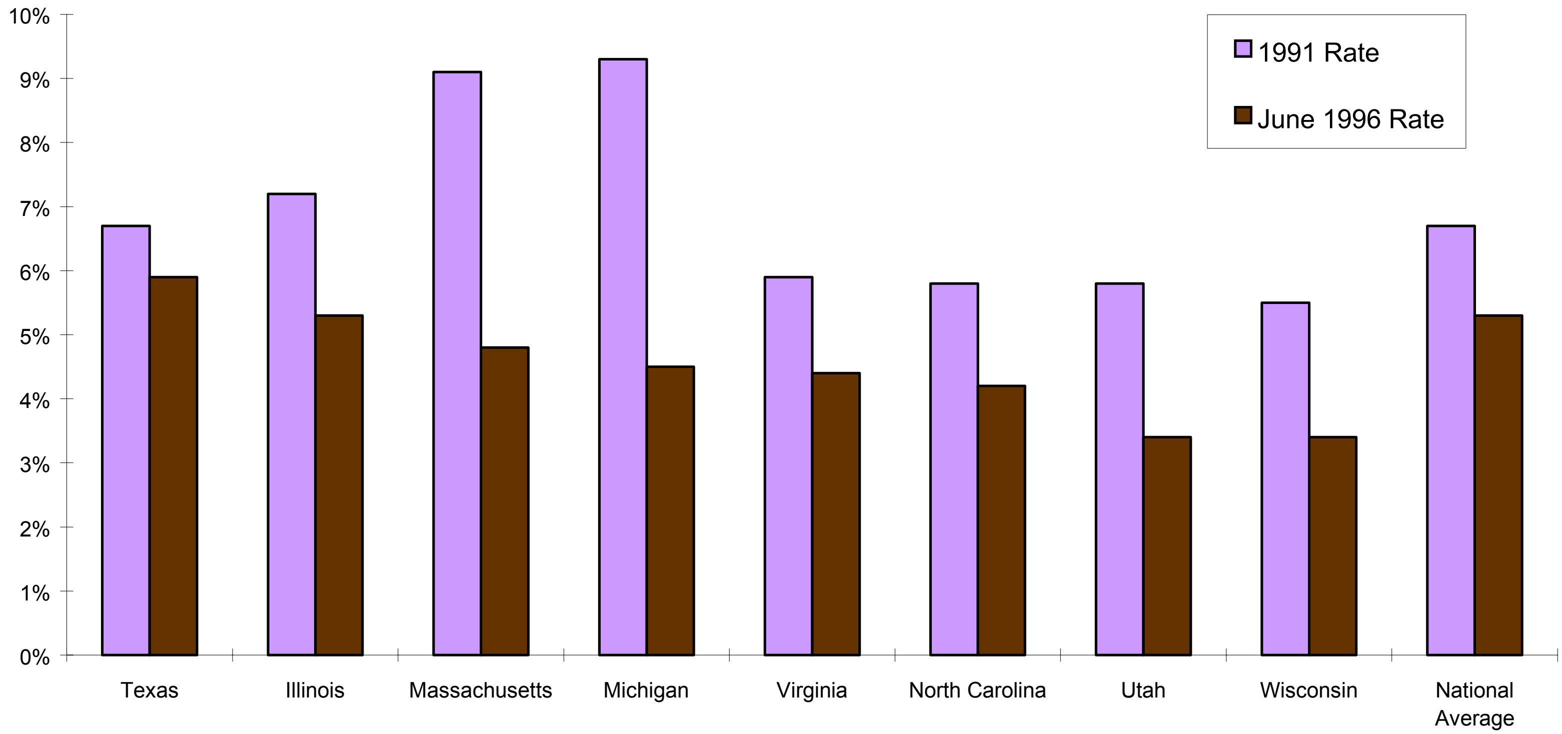
The recent federal welfare reform will affect all states including the ones in this study. The effect may be minor for those states that already have time limits, family caps, and teen parent restrictions. A provision in the new legislation may protect experiments in states covered under past waivers, particularly if those waivers are for state programs that are similar to the provisions envisioned in TANF (Temporary Assistance for Needy Families).

Conditions of the Labor Markets in the Eight States

Most of the states in this survey have enjoyed strong labor markets, with unemployment rates well below the national average. Of the eight states in this study, only Texas had unemployment rates higher than the national average and even their rate was only about half a percentage point higher. Unemployment rates in Wisconsin and Utah were both extremely low in June 1996, only 3.4 percent. Michigan’s labor market showed the most improvement since the end of the last recession in 1991. Its unemployment rate fell by more than half from 9.3 percent in 1991 to 4.5 percent in June 1996. The impressive economic performance of these states during this upswing in the national business cycle has been an important factor in their ability to reduce AFDC caseloads and increase employment. Unemployment rates were obtained from the U.S. Bureau of Labor Statistics and are summarized in Figure 2.

Figure 2

UNEMPLOYMENT RATES

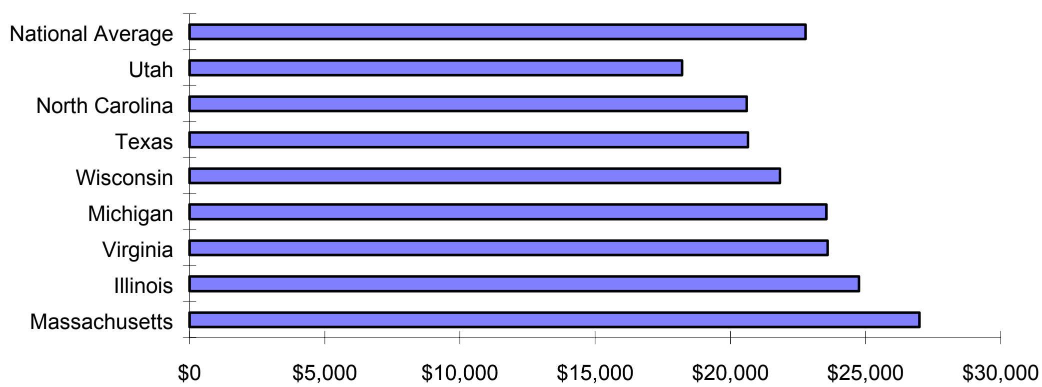


Source: U.S Department of Labor, Bureau of Labor Statistics

Preliminary data on per capita personal income for 1995 was obtained from the Bureau of Economic Analysis of the Department of Labor. On this measure, the states in this study are more representative of the national distribution. Four of the states have higher personal income than the national average and the other four have lower income. Per capita income ranged from a high of $26,994 in Massachusetts to a low of $18,223 in Utah in 1995 (See Figure 3).

Figure 3

Personal Income Per Capita: 1995

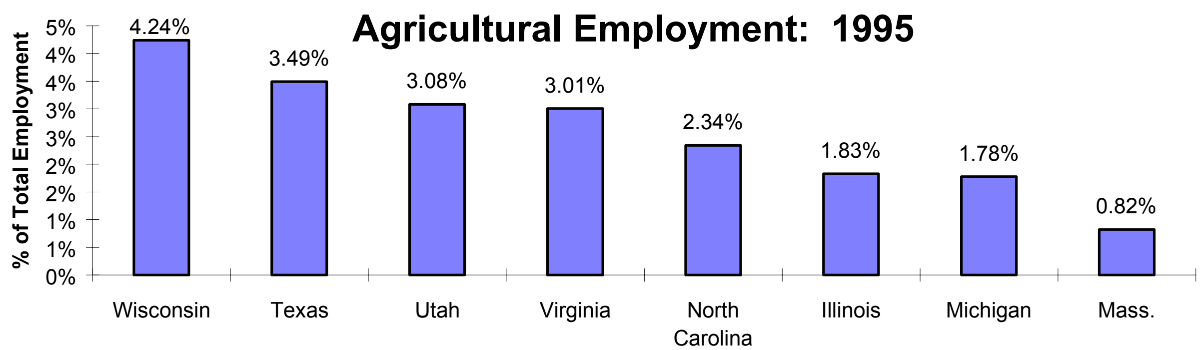


Source: U.S. Department of Labor, Bureau of Economic Analysis

These eight states also represent some variation in agricultural employment as a percentage of total employment, ranging from a low of .8 percent for Massachusetts to 4.2 percent for Wisconsin. These data, compiled by the U.S. Department of Agriculture, are summarized in Figure 4.

Figure 4

Agricultural Employment: 1995



Source: U.S. Department of Agriculture

Part Two: Profiles of Eight States

UTAH: Single Parent Employment Demonstration

Description of JOBS

The Utah Single Parent Employment Demonstration (SPED) program began in January of 1993 at one site, and expanded two months later to two additional sites. Three new sites were included 10 months later and the entire program went statewide in July 1996. Only two areas are not included, one on an Indian reservation and the other serving as a control group located in Kearns.

SPED was made possible through 57 waivers from 6 federal programs. The purpose of the program is "to transform AFDC into an employment-focused program and increase family income through employment and child support."

The process begins as soon as an applicant walks through the door. Each potential client develops a self-sufficiency plan to ensure participation in appropriate employment-related activities. It is during this initial stage that they are given the option to engage in a "diversion" alternative which provides them with cash (up to three months of the appropriate AFDC payment) and support for child care, transportation, and Medicaid. During this "diversion period," Food Stamps are also provided. Over the past three years, 16 percent of the potential applicants have exercised this option, rising to 21 percent in the most recent year, 1995.

Any applicant not diverted is required to develop a self-sufficiency plan. Although illness, medical problems, pregnancy, transportation needs, or child care problems are not reasons for exemptions, these factors are taken into account in developing the individualized plan. The content of the plans may include full-time work, full-time education, job search, other assistance or some combination of these activities. Work experience is provided through *Work Experience And Training (WEAT)*. Older children within recipient families (16 years and older) are required to participate in activities which support work and the completion of school.

The program includes incentives to encourage work and earned income. The first $100 of earned income is disregarded for purposes of calculating the grant, as well as 50 percent of additional income. Furthermore, families participating full-time in self-sufficiency activities can expect an increase in their welfare grant of $40 per month. Ultimately, earnings will reach a level where the welfare grant will be zero.

Child support collection is expedited for families opting for diversion, and for those families with earned income.

Those families who earn income can expect a continuation of their medical benefits (transitional medical aid) for 24 months. Some child care support can be available indefinitely, with child care subsidies dependent upon a family's level of earned income.

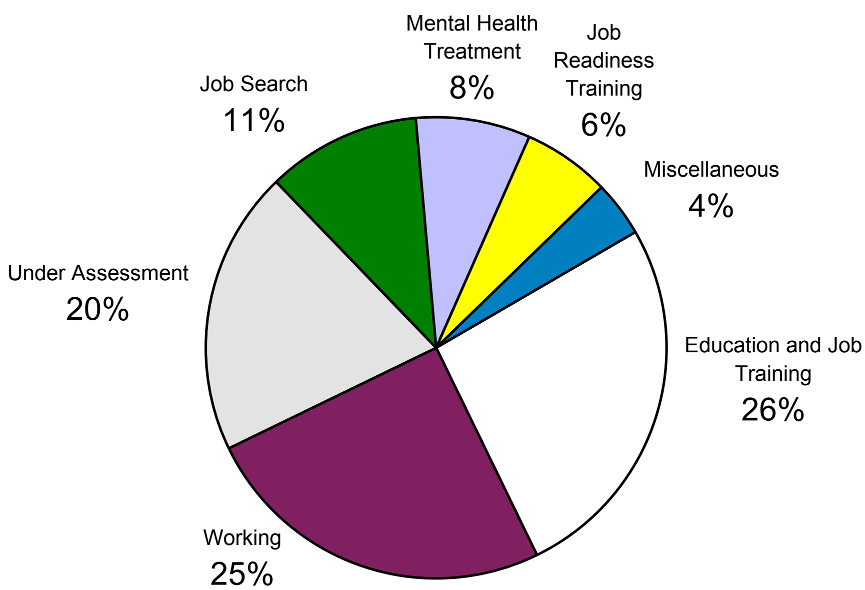
Other rules have also been modified. The allowable asset value of a car is raised to $8,000. Transitional benefits are available to anyone receiving AFDC. Two-parent families are also encouraged to participate, requiring a minimum of 40 hours per week of participation in some aspect of SPED as a condition for payment of a grant. Non-custodial parents are allowed to visit and financially help children without jeopardizing the children's assistance payments. Most rules for AFDC, Medicaid, Food Stamps, and child care are simplified to reduce the time required by staff and participants. A time-limit proposal is also pending with HHS.

Mandatory Vs. Voluntary

Participation is mandatory with the understanding that 4 to 5 percent of applicants are temporarily excused because of a recent birth, illness, or unforeseen circumstance. Of the participants, 26 percent are engaged in education and training, 25 percent are working, 20 percent are under assessment, 11 percent are in job search, 8 percent are in mental health treatment, 6 percent are undergoing job readiness training and 4 percent are in miscellaneous activities (See Figure 5).

Figure 5

PARTICIPANTS IN SPED: UTAH



Sanctions

What happens to clients who fail to participate? The case managers are directed to attempt to reconcile the participation problem. If this fails, benefits are reduced by $100 a month. If, despite continued efforts, including a home visit and a conference, participation does not begin, the case can be closed after two months. Anytime during the benefit reduction or after the case has been closed, the client may agree to participate in and resume the program. Fewer than one percent of the cases are closed per month because of sanctions.

How the JOBS Program is Structured

SPED is administered by the Utah Office of Human Services, the state's Title IV agency. Some services are contracted to other state agencies through inter-agency agreements. None of the primary JOBS services are contracted out to the private sector.

While the same agency is responsible for the screening, assessment and placement process, through the Office of Family Support it also contracts out some of the assessment and placement.

System Characteristics and Federal Resources

Approximately 95 percent of adult recipients are female. Over 43 percent have a high school diploma and over 77 percent are white/not Hispanic. Many are young; 42 percent are between the ages of 22 and 35. The caseload in the state was 14,000 as of July 1996.

Utah's payments are not based on a percentage of the poverty standard or a state need standard. The cash grant payment for a household of three is $401.

Utah receives 100 percent of the federal JOBS matching funds for which it is eligible. It has **not** used third-party, private non-profits to increase availability of federal funds.

Culture

Utah's system is no longer an entitlement program. Its focus has been changed from determining eligibility to encouraging employment and self-sufficiency. The eligibility process has been further de-emphasized by simplifying the rules and shortening the application process.

The staff are called employment coordinators. Their job performance is evaluated in terms of the following performance goals although they are not held to a specific number:

- Number of clients entering employment.
- Number of clients working whose income increases.
- Number of clients working whose cases close due to earned income.

Evaluations and Costs

The evaluator for the SPED program is the Social Research Institute, Graduate School of Social Work, at the University of Utah.

Since the beginning of the project, families on public assistance in Utah with earned income have increased from 18 percent to 25 percent. The percentage of families going off assistance because of sufficient earnings has doubled. It is now in the range of three to four percent of the caseload per year. Of the 1,012 cases converted from AFDC to SPED during the first few years of this demonstration, 68 percent were working within 18 months.

Evidence shows that family net income increased as gains in earnings and the $40 enhancement more than offset the reduction in AFDC and Food Stamps payments.

The caseload fell 44 percent and grants fell 46 percent in Kearns (also the control group site) between January 1993 and May 1996. Overall, some of this decline can be attributed to remarkably low metropolitan area unemployment rates, which fell to 3.3 percent in 1995. In another test area, Roosevelt, there was no change in caseload size or grant levels, a result attributed to relatively higher unemployment rates.

Although the Kearns location included a control group, there have not yet been any systematic comparisons between the SPED sample and the control sample with respect to any of these measures.

Costs are compiled in annual reports and include overhead, program services and personnel costs, but no cost-benefit analysis has yet been conducted.

Labor Market Characteristics

Unemployment rates in Utah dropped from 5.8 percent in 1991 to 3.4 percent in June 1996, far below the national average of 5.3 percent. Personal income in Utah, at $18,223 per capita, was 20 percent **below** the national average.

WISCONSIN I: Current JOBS Program

Description of JOBS

Wisconsin is undergoing such dramatic reorientation in its welfare system that its case study is covered in two parts: first, the current JOBS program and second, *Wisconsin Works (W-2).*

JOBS is operated state-wide and emphasizes a “pay for performance” philosophy. Applicants are required to participate in up to 40 hours per week of work-related activities including job search, work experience, job clubs, work supplementation and more. Wisconsin’s JOBS program has attempted to encourage applicants to pursue other strategies for self-sufficiency. The state waivers are included in a variety of programs: *Work Not Welfare, Parental and Family Responsibility, Self-Sufficiency First/Pay for Performance, and Special Resource Account/Vehicle Asset Limit*.

Mandatory Vs. Voluntary

Participation in JOBS is mandatory. Benefits are adjusted according to the number of hours of participation in assigned activities.

As of March 1996 approximately 34 percent of the adult AFDC caseload was exempted from JOBS due to one of the following reasons:

- incapacitation (SSI),
- care for children under the age of 12 months,
- ages 16 to 17 years old and a full-time student,
- older than age 60,
- care for a family member with home-health problem,
- full-time VISTA,
- licensed foster parents,
- working 120 hours a month,
- women in at least their 4th month of pregnancy, or
- residing more than 1 hour from a JOBS agency.

Far fewer exemptions will be allowed under W-2.

Of those participating in JOBS as of August 13, 1996, the most common activities were job search (12,182), full-time work (8,198), work experience (6,591) and part-time work (4,334). Participants can be involved in more than one JOBS activity.

Sanctions

Penalties are assessed for each hour missed in a work activity assigned in the Employability Plan. The penalties are valued at $4.25 per hour. Benefits are automatically reduced and reflected in the next month’s benefits.

Of the 6,074 sanctions invoked in August 1996, one-fourth were full and the rest were partial sanctions. Some of these were due to participants failing to enroll in their assigned activities. In other cases they failed to submit their verified monthly participation hours.

Those families subject to *Learnfare* are required to have their children in regular attendance at school or risk payment sanctions.[10] If a child whose attendance is being checked has three partial or full days of unexcused absences in a month without good cause, the recipient household will be sanctioned. There were 1,813 of these in June 1996.

Staff believe that the enforcement of these sanctions has helped renew "seriousness about the program."

How the JOBS Program is Structured

The state Department of Workforce Development is in charge of overseeing the JOBS program, which is operated by local county welfare agencies. Half of these counties contract out all or part of their JOBS program components to other agencies and non-profits. In some cases the counties may run the program, but contract out specialized services such as motivational workshops or Job Search.

Each client is assessed by a case manager who looks at background information and work impediments. Assessment is conducted by the county agency or contracted out. Together the case manager and the client develop an Employability Plan which specifies goals and components necessary to achieve those goals.

The state has incorporated performance criteria for funding the JOBS agencies. It supplements a base allocation with additional performance-based funds available to all counties.

System Characteristics and Federal Resources

Almost half of the caseload in Wisconsin is located in the Milwaukee area. AFDC cash grant benefit levels for a family of three in an urban area are $517 and in a rural area are $500. The comparable benefits for a family of two are $440 and $426 respectively. Wisconsin has a Benefit Cap which prevents an increase in benefits for children born into a current AFDC family. The state caseload as of July 1996 was 52,765 households, or approximately three percent of the total households in Wisconsin.

Wisconsin was the first state in the nation to totally expend its original IV-F allocation for JOBS. In order to carry out its ambitious reform efforts, Wisconsin decided to maximize its financial resources through creative federal matching constructs. These creative efforts include standard matching capabilities for AFDC, JOBS, Food Stamps, and Food Stamp Employment, and Training Programs.

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[10] State of Wisconsin Legislative Audit Bureau. (1994). *An Evaluation of Learnfare Case Management Services Wisconsin Department of Health and Social Sciences* Madison, WI.

Wisconsin got an early start in welfare reform efforts, which included the federal granting of many waivers to accomplish its goals. Wisconsin successfully negotiated a large federal matching amount which could be carried over across several federal fiscal years.

Not only has Wisconsin advantaged itself with sufficient state revenue to match federal resources, it has also taken advantage of local (county and post-secondary education) tax revenue and counted these resources as being spent on AFDC or Food Stamp recipients.

These match efforts have resulted in more than doubling the total annual amount of federal financial participation for IV-F over the past five years in Wisconsin.

Culture

Roles and responsibilities of the staff have undergone extensive changes. The primary responsibility of the Financial and Employment Planner is "to divert the client from applying for aid by helping the participant network to find other means of self-sufficiency (i.e. move in with family or friends, job leads, Food Stamps, etc.)." If this effort does not succeed, the client is provided with assistance from an economic support specialist, a job developer, a case manager, and sometimes a social worker and child care coordinator. This team provides coordinated support for the client to find unsubsidized work. They assist clients in evaluating past work history, compiling a resume, preparing for job interviews, as well as documenting a client's progress in finding employment.

The increased reliance on Job Centers, where many job search and community agencies are collocated under one roof, has changed the nature of the work. The Job Centers not only improve the accessibility of services to clients, but aspire to reduce the duplication that can occur with different agencies providing overlapping services. Coordination is provided by establishing one overriding goal: matching job seekers with prospective employers.

Evaluations and Costs

Wisconsin reports that its public assistance caseload has fallen 46 percent from January 1987 to July 1996. The three reasons often cited for this reduction are the rapid decline in unemployment in Wisconsin during this same period, the benefit cuts initiated by the Governor and approved by the Wisconsin Legislature, and the JOBS program and its emphasis on employment.[11] The proven success of welfare diversion, diverting potential applicants from applying for AFDC by promoting alternatives, would also have to be included in this list of possible causes.

The most reliable way to evaluate the effectiveness of Wisconsin's specific programs is through random assignment experiments which are currently in progress. Work Not Welfare, Parental and Family Responsibility, Self-Sufficiency First/Pay for Performance, and Special Resource Account/Vehicle Asset Limit are being evaluated by Maximus while Learnfare and Two-Tier demonstrations are being evaluated by Wisconsin's Legislative Audit Bureau. Maximus has not yet completed any evaluation reports. The Legislative Audit Bureau did issue a report on Learnfare in 1995. They concluded that the services offered through Learnfare were seriously underutilized, since only 14 percent of the target population of truant teenagers participated.

[11] For a lengthy discussion of these impacts, see Michael Wiseman, "State Strategies for Welfare Reform: The Wisconsin Story," *Journal of Policy Analysis and Management* 15 (Fall 1996), pp. 515-545.

Wisconsin also reports that child poverty has dropped 13 percent under Wisconsin's welfare reform, making its rate one of the ten lowest in the country. The strong economy of Wisconsin is an important factor in this improvement. A random assignment, experimental model of program evaluation should be able to distinguish between the contributions of the program and the contributions of the economy to these outcomes.

Wisconsin has not yet done a cost-benefit analysis, but it does record all costs included in JOBS contracts by major categories. Performance outcomes and costs are taken into account in their JOBS planning guidelines and assessment of county JOBS contracts.

Labor Market Characteristics

Wisconsin has recently enjoyed employment conditions far better than the national average. Even during the national recession of 1991, the unemployment rate was only 5.5 percent, 1.2 percentage points better than the national average. As of June 1996 that margin has increased to 1.9 percentage points as Wisconsin's unemployment rate fell to 3.4 percent. Per capita personal income in Wisconsin, $21,839, is 4 percent **below** the national average.

WISCONSIN II: Wisconsin Works (W-2)

Description of JOBS

After many years of experimenting with welfare-to-work projects, Wisconsin has designed a new state-wide program entitled *Wisconsin Works (W-2)*. This new model was signed into law by the governor on April 25, 1996 and is scheduled to be operating in the entire state by October 1997.

W-2 replaces the AFDC system with an employment service available to all qualified families with income less than 115 percent of the poverty level (1996=$12,980 for a family of 3) and assets below $2,500 with a $10,000 vehicle exemption. Meeting these criteria, an adult is eligible to meet with a Financial and Employment Planner (FEP) and be placed in one of four employment activities. The first priority is unsubsidized employment followed by subsidized or trial jobs, community service jobs, or if those fail, a transitional category, W-2-T. It is expected that individuals not initially placed in unsubsidized employment will eventually move up to that level.

Careful calculations show that the net income of the family will increase with each movement up the four categories, or the “self-sufficiency ladder.” Unsubsidized employment is expected to achieve the highest net income at an expected wage of at least $6.00/hour for 40 hours of work per week plus Food Stamps and the Earned Income Tax Credit from both state and federal income taxes. Just below that are the trial jobs in which the state subsidizes employers up to $300 a month for a few months. If a welfare client fails to receive either unsubsidized or subsidized employment, a FEP should be able to steer the applicant to a community service job created to provide employment and provide needed services to the community.

The fourth category is reserved for those individuals who are “unable to perform independent, self-sustaining work even in a community service job.” Many of these individuals may have an SSI application pending, have a mental or physical disability, or need to care for an ill or disabled family member. Many of those admitted to W-2-T will have limitations certified by the Division of Vocational Rehabilitation. People in this category will be expected to allocate 40 hours a week to work-related efforts: 28 hours in work activities and 12 hours in education and training.

Participation in any one of the subsidized categories is limited to 24 months with a 60-month overall limit on W-2 work components and associated cash benefits.

The only other unique service available to low-income families is that they can qualify for short-term job access loans in order to buy tools or uniforms. These loans can be repaid in part through volunteer activities.

Any child care or health care that was once uniquely associated with JOBS or AFDC is replaced by programs available to all low-income families in Wisconsin. State-subsidized child care and health benefits will be available to all families below 165 percent of the poverty level. Child care will be based on a sliding fee that accounts for income levels and child care costs. Health care co-payments will also depend on income. There are no time limits on these sources of support, only income limits.

Other aspects of the plan would require teenage mothers to live with their parents or in some other adult-supervised setting. Children living with relatives, not legally responsible for them (i.e., other than a parent), could qualify for Kinship Care. Children living with parents on SSI would qualify for an SSI supplement.

Mandatory Vs. Voluntary

Participation in the program is voluntary in the sense that participation in any employment service is voluntary. But, assistance payments are tied to participation in work-related activities.

Although everyone is expected to work, it is possible that individuals with severe disabilities may be assigned full-time treatment in their W-2-T assignment. It will be up to the FEP to determine if a full 40-hour week of a combination of work, education or treatment is required. It is also possible that individuals may be released from W-2-T work activity if it would mean that a disabled child under their care would have to be institutionalized. Parents caring for a child less than 12-weeks-old may also be temporarily exempt from the work requirements.

Sanctions

A participant who refuses to participate three times in any W-2 employment component will be ineligible to participate in that component. Participants are eligible to participate in other W-2 employment options if they haven't refused three times to participate in that option.

Participants may appeal an eligibility decision by the FEP with the W-2 administering agency and, if not satisfied with the result, to the Department of Workforce Development.

How the JOBS Program is Structured

The new Department of Workforce Development plans to issue contracts to operate the W-2 program in each county and multiple programs in the more difficult Milwaukee area. County departments will have the initial opportunity to become the W-2 agency as long as they can meet the performance expectations. Otherwise, choosing W-2 agencies will be done by a request for proposals directed to local government, for-profit businesses and non-profit organizations.

The W-2 agencies may in turn contract out some of the important functions of the program. W-2 will be located in Job Service Centers that provide the opportunity for one-stop shopping for all public assistance and employment services.

Culture

The role of the eligibility worker is replaced by the Financial and Employment Planner. Rather than determine benefits, the planner's assignment is to move each applicant through the employment categories to attain the goal of unsubsidized employment.

Evaluations and Costs

W-2 will not be fully implemented until the fall of 1997, yet concerns have been raised. Robert Haveman, from the University of Wisconsin, suspects that the anticipated costs were underestimated by overestimating how many people will move into unsubsidized employment. He also noted that the start-up for such a large program was quite fast and wondered where the safety net was for those who failed to find employment, especially if the state economy were to deteriorate.[12] State officials, however, emphasize that the W-2 program is fully-funded, and that all those who want to work will be able to work. In addition, the state has a contingency fund for W-2 in case the economy takes a downturn. Unexpended resources from this contingency fund will carry over each year, into subsequent state fiscal years.

[12] Haveman, Robert (1996), "From Welfare to Work: Problems and Pitfalls," Focus, Vol. 18, no. 1, Special Issue, pp. 21-24.

MICHIGAN: To Strengthen Michigan Families

Description of JOBS

Michigan's program, *To Strengthen Michigan Families (TSMF)*, has evolved from a series of waivers approved by the U.S. Department of Health and Human Services in 1992 and 1994. Its JOBS activities operate state-wide. Michigan has proposed even more significant changes in 1996; implementation plans and approvals are still pending.

The 1992 waivers featured the Social Contract, a requirement for adult welfare recipients to engage in "personally and/or socially useful activities for at least 20 hours per week." Clients with jobs were allowed to keep the first $200 of earned income and 20 percent of additional income without adjusting the assistance level. These early waivers also expanded AFDC eligibility for two-parent families by eliminating the 100-hour rule (which made a family ineligible if either adult worked more than 100 hours per month). Also, neither parent needed a "recent work history" in order for the family to be eligible for AFDC. Another waiver ensured that earnings and savings by children would not affect benefits. Michigan expanded the education and job training program entitled *Education Designed for Gainful Employment (EDGE),* in 19 counties. This effort focused on basic education and job readiness training for those scoring below a fifth-grade level on a standardized test.

One of the 1994 waivers was intended to increase participation in the *Michigan Opportunity and Skills Training (MOST)* program by eliminating many of the exemptions. MOST is essentially Michigan's JOBS program. Those clients not cooperating with the Social Contract for 12 months are enrolled in MOST. A component of MOST is *Work First* which emphasizes job search and immediate placement. Another avenue for employment is encouraged by allowing deductions for business expenses leading to self-employment. During 1993 and 1994, 166 people took advantage of the training that accompanied this program. This project, The Detroit Self-Employment Project, was transferred to the Michigan Jobs Commission in 1994. Additional waivers allowed applicants to exclude the asset value of one vehicle (no limit) in determining eligibility and made the rules governing AFDC similar to those for Food Stamps, thus eliminating some of the complexity and contradiction.

The proposed waivers for 1996 are even more comprehensive. Michigan proposes to develop a system for advancing the federal Earned Income Tax Credit through monthly payments. They would also not count this tax credit as income for determining eligibility for welfare. This waiver has already been rejected once by HHS. Michigan also wanted to allow working families the opportunity to "buy into the Medicaid program" after their transitional Medical Assistance expired, but this also was rejected by HHS in 1994.

In Michigan's proposal, Food Stamps would be cashed out for recipients who work when their earned income is at least $350 per month for three consecutive months, thus creating another incentive to work.

There are several waivers that would increase the support services for families making progress towards self-sufficiency. These waivers would make child care, medical care and transportation support a priority for clients who are either participating in education and training programs or working towards financial independence. One would extend Transitional Child Care Assistance from 12 to 24 months. Another would extend other transitional services, including transportation, for the first full 90 days of employment. *Transitional Medical Assistance (TMA)* would increase from 4 to 13 months for cases closed due to an increase in child support from a non-custodial parent.

Additional waivers would:

- condense the application form for eligibility from 30 pages to 6,
- require participation in an orientation regarding work responsibilities,
- limit the exemptions for participation in Work First (pregnant, severely disabled or caring for severely disabled, minor mothers),
- require minor mothers to continue in school and live with parents or other responsible adult,
- consider the income of step-parents in the AFDC unit,
- require cooperation on child support collection to maintain eligibility,
- exempt SSI and the first $50 of other unearned income in calculating eligibility,
- ensure that child care assistance is not limited by the amount of earned income.

Finally, Michigan is introducing an even more ambitious experiment with the goal of reducing the number of AFDC cases without earnings to zero. This experiment, *Project Zero*, will be conducted in five counties and two districts. The focus of this experiment is to test the effectiveness of more broad-based community involvement in overcoming the normal impediments to employment. The first phase is to survey family characteristics, demographics, strengths and weaknesses and barriers to employment. In the second phase, a community plan is developed to address these identified barriers and facilitate employment. The plans are developed cooperatively by government agencies, service providers, and employers.

Mandatory Vs. Voluntary

Participation in at least some activities in the JOBS program is mandatory. Exemptions from Work First include:

- clients who are employed 20 hours or more per week,
- severely disabled persons or caretakers of severely disabled,
- pregnant women and up to three months post-partum, and minor mothers.

Participation in Work First can be deferred as long as the client is participating in Social Contract activities.

Sanctions

Under the current system, failure to participate in Work First results in a 25 percent reduction in benefits for up to 12 months, after which the case is closed. Attempts at compliance are made, which take about a month. During April 1996, the first month of possible sanctions, 167 cases were closed. The agency estimated that approximately 20 percent of those who could be sanctioned were actually penalized. Adult clients can also become ineligible if they fail to cooperate with child support enforcement efforts.

The sanctioning process is the subject of several new proposals. Recipients must develop a Family Independence Contract and begin implementation within 60 days or their case is closed. Noncompliance after that time would include a determination by the Family Independence Specialist about future eligibility. Penalties include a financial reduction for a minimum of one month and a case closure after four months.

How the JOBS Program is Structured

The state has developed new names for its welfare services to reflect its new emphasis on employment. The Department of Social Services has become the *Family Independence Agency (FIA)*. AFDC has become *the Family Independence Program (FIP)* and Assistance Payments Workers have become *Family Independence Specialists (FIS)*.

The Family Independence Agency, the Title IV agency, runs the JOBS programs and the Michigan Works Agency provides about 50 percent of the services. The agencies contract out services for teen parenting and for refugees. In some cases these contracts are performance-based.

The Family Independence Specialists determine where to assign recipients, providing the necessary screening, assessment and placement. The Michigan Jobs Commission is also involved in assessing recipients and placing them in appropriate jobs.

System Characteristics and Federal Resources

In May 1996, the AFDC caseload was 176,634. Payment levels were $371 per month for a family of two and $459 per month for a family of three.

Michigan has received 100 percent of its federal JOBS matching funds for the past three years. They have effectively used state educational funds for vocational and post-secondary education and training in order to fulfill their match requirements.

Culture

The welfare and entitlements program is in the process of being replaced by an employment program which includes a mandatory work requirement and tougher penalties for noncompliance. The Family Independence Specialist is responsible for authorizing financial assistance, managing the case, brokering services and monitoring progress towards self-sufficiency. Other than these new responsibilities, no specific changes in the culture of the workplace were reported.

Evaluations and Costs

The state claims that its programs have effectively moved people into jobs and off the AFDC caseload. The AFDC caseload dropped from 221,884 in September 1992 to 176,634 in May 1996. The percentage of AFDC cases with employment earnings rose from 15.7 percent in September 1992 to 29.1 percent in May 1996.

Abt Associates is evaluating the To Strengthen Michigan Families program as required by federal waivers. In their most recent report, June 1996, they assessed the program's impact on employment, earnings and payments for AFDC and Food Stamps. The analysis was applied separately to three distinct groups: the ongoing sample which was on welfare on October 1, 1992, the new sample entering welfare in year one of the program, and the new sample entering in year two. Comparison groups were based on a random assignment, experimental model. The results were somewhat mixed, but generally supported the direction of the welfare reform.

Employment was 2.8 percent higher for the ongoing sample after three years of participation in the program; adult annual earnings were $442 per year higher. Although these results were statistically significant, they were not especially large. The same can be said about the effect of the program on welfare reliance. Among the ongoing recipients, AFDC participation was down 1.4 percentage points after three years, a small but statistically significant result. Similarly, AFDC payments and State Family Assistance payments were $12 per month lower for program participants after three years.

The combination of higher earnings and lower welfare receipts left the average participating family with $279 more in total income per year than the non-participating family in the comparison group. The results for the new clients entering in the first year were less conclusive than for the ongoing sample. These results could be explained if the program simply required more time to work, except that the results were more conclusive for new clients entering in the second year. For new clients in the first year there was some question as to why the program did not significantly increase earnings or employment, and had the unintended effect of significantly raising AFDC payments and Food Stamp payments.

Why did clients entering in the second year reduce their AFDC and Food Stamps participation and payments without any compensating increase in earnings? The authors of the study speculated that it could be due to either a “smoking out” effect or the “deterrent “effect. In other words, either the work requirement discouraged people who were hiding other employment (smoking out) or discouraged people who could not tolerate the additional burdens of the requirements (deterrent).

Labor Market Characteristics

Michigan has enjoyed a dramatic improvement in its economy and labor market in recent years. Unemployment rates in Michigan fell from 9.3 percent in 1991 to only 4.5 percent in June 1996. Personal income in Michigan was $23,551 per capita, 3 percent **above** the national average.

TEXAS: Work First and Achieving Change for Texans

Description of JOBS

The JOBS program in Texas originally differed little from the federal model under the Family Support Act. It provided all of the basic education and training services along with job search and job readiness programs. The program is a state-wide system available in 87 counties, it included 90 percent of the state's AFDC recipients.

A new approach to the JOBS program, *Work First*, was introduced in January 1996. Work First is available to those eligible for AFDC and Food Stamp Employment and Training. Its purpose is to give clients a quick exposure to the labor market and to keep teen parents in school.

Another change is gradually taking place as responsibility for administering the JOBS program is transferred from the Texas Workforce Commission to newly organized Local Workforce Development Boards.

Legislation passed in June 1995 authorized a series of demonstration projects under the title *Achieving Change for Texans (ACT)*. Overall, the goal was to encourage work instead of welfare by creating opportunities and incentives for work. The specific projects are to be evaluated separately at separate sites in the state and will use a random assignment model to place welfare recipients in experimental and control groups. Many of the changes to be tested in this experiment resemble reforms in other states. Time limits on AFDC were introduced — ranging from one to three years—depending on the recipient's education and work experience. Once the time limit is reached, the client is ineligible to receive AFDC for five years, but may obtain transitional child care and Medicaid.

ACT requires a Personal Responsibility Agreement addressing child support cooperation, early medical screening, work requirements, drug and alcohol abuse, school attendance, parental skills training, child immunizations and JOBS participation. Earned income from children is not counted against AFDC grants. The 100-hour rule for two-parent families is eliminated.

The demonstration will also pilot Individual Development Accounts in which neither savings nor interest income count against AFDC assistance. Employers are encouraged to match the savings in these accounts which must be earmarked for education, health care, housing or work expenses. As an alternative to increasing earnings disregards, the demonstration includes a fill-the-gap budgeting calculation that essentially accomplishes the same thing—that is, earnings up to some limit are not counted against eligibility for grant payments.

ACT creates a pilot project which provides one-time crisis payment to families as an alternative to AFDC. If the family accepts this fixed payment of $1,000, they forego AFDC eligibility and automatic Medicaid eligibility for one year. The family can still receive regular Medicaid if they meet the eligibility criteria.

Mandatory Vs. Voluntary

Participation in JOBS is mandatory with exemptions for the following:

- age 15 or younger,
- age 60 or older,
- full-time students age 16, 17, 18,
- caretaker of child under age three,
- temporarily or permanently disabled,
- caring for ill or disabled household member,
- employed 30 hours or more or comparable earnings,
- more than two hours round trip from JOBS resources,
- Volunteers in Service to America (VISTA), or
- three to nine months pregnant.

Those exempted from mandatory participation equal 48 percent of the AFDC caseload.

In state fiscal year 1995, approximately 17.3 percent of the AFDC population participated in JOBS components. The largest number were involved in Assessment followed by Employment Entry, GED, and Unpaid Work Experience. Part-time and full-time employment accounted for minor shares.

Sanctions

Failure to comply with a JOBS participation requirement generally results in some elimination of the payment benefit for the specific individual. The penalty for the first failure remains until the client contacts the eligibility worker and agrees to comply with the participation requirement. A second failure results in a sanction which continues for three months, or until the client agrees to comply, whichever is longer. Any subsequent failure continues for six months, or until the client complies, whichever is longer.

Sanction requests are promptly filed by the JOBS case manager within five days with the Department of Human Services staff. They in turn must take action within ten days. These processes are facilitated by the JOBS automated tracking system, which operates statewide and interfaces with AFDC, Food Stamps, and Medicaid systems. The system also records whether these are first, second or subsequent violations.

Efforts are made to review the reasons for the client's failure and to secure compliance. A good cause for the failure may warrant a revision of the Service Plan.

In the year beginning July 1995 and ending June 1996, 22,275 cases were sanctioned; 97 percent of these resulted in benefit reductions. The percentage of cases eligible for sanction that were actually sanctioned is not known.

How the JOBS Program is Structured

JOBS is administered by the Texas Workforce Commission, which is the Title IVF agency in Texas. It receives referrals from the Department of Human Services, which is the Title IVA agency in Texas and the one that administers AFDC. The two agencies are required to work closely together in order to coordinate their services.

Administration will be decentralized as the Local Workforce Development Boards take over in future months. There are 28 workforce areas and it is expected that Boards will be certified in 20 of these by January 1997. After certification, the Boards will be required to submit local plans in order to receive funds in the form of block grants.

JOBS services are provided by agency staff, as well as through contracts and non-financial agreements with private non-profit, state and local governments, and a few private for-profit organizations. This pattern is expected to continue under the local Boards.

The state has recently developed detailed outcome measures for each component of the JOBS program required from state and local partners. Payments for contracted services are not currently tied to program outcomes.

Assessment begins at the Department of Human Services in determining AFDC eligibility. The department assigns clients to one of four service levels. Clients in the first two service levels, which require a minimum of 8th grade education and some work history, are assigned to Work First if they are 20-years-old or older. Further assessments are conducted at *Work First* by the Texas Workforce Commission. Case managers at the Commission continue the process by reviewing sample work applications and employment plans.

System Characteristics and Federal Resources

The AFDC caseload in Texas is concentrated in the Houston, Dallas-Fort Worth, Rio Grande Valley and the San Antonio areas. African-Americans and Hispanics make up 77.2 percent of the cases. The average caretaker is 30-years-old and the average family size is 2.7 persons. Almost half (46 percent) of AFDC children are under the age of six.

Texas is self-described as a “low-grant” state. The maximum AFDC cash grant amount for a three-person household is $188 per month. The AFDC grant is approximately 17 percent of the federal poverty level (1996=$12,980 for a family of three).

Despite the low grant level, Texas has the third highest caseload in the United States after California and New York. As of February 1996, Texas had 700,892 AFDC recipients; 70.6 percent were children.

Texas receives 60 percent of the federal JOBS matching funds for which it is eligible. This percentage has not changed much since Texas first applied for these funds. Increases in the federal resources will be pursued from potential matching resources from local governments, colleges, universities, and independent school districts which already provide enhanced component activity for JOBS clients. Texas has used third-party private non-profits to increase the availability of federal funds.

Culture

The major JOBS evaluation conducted by the University of Texas did not explicitly evaluate the effect of JOBS on the service delivery system. It was observed, however, that the system placed too much emphasis on participation rates (inputs) to maximize federal dollars and not enough on actual performance measures (outcomes).

Recent reforms promise to place more emphasis on temporary assistance and to increase the number of referrals to JOBS services. Accomplishing this will require more intensive cooperation between eligibility workers and JOBS staff.

Evaluations and Costs

The Texas JOBS program underwent an extensive review in March 1994, conducted by the Center for the Study of Human Resources at the University of Texas, at Austin. The study was not based on a random assignment experiment, but was based on a carefully constructed quasi-experimental model. The study concluded that the program was "working for participants," especially in terms of increasing employment, yet they observed rather "modest" impacts on earnings.

According to this study, most effective among the JOBS components were training and education. Training, including job skills training, self-initiated training, and on-the-job training, had the strongest significant positive effects on all outcome measures: employment and earnings, AFDC exits, and transitions from AFDC to employment. Education was almost as effective as training interventions, while job search activities were not. The latter included job readiness, as well as group and individual job search.

For at least one cohort, participation in JOBS programs for only six quarters appeared to increase the probability of employment by 11 to 18 percent and net earnings by $70 to $114 per quarter. The conclusions highlighted the importance of child care and transportation assistance in the success that JOBS had achieved.

In other respects, the evaluation was less positive. The report suggested that the current program was not capable of meeting the goals of increasing participation rates in JOBS and increasing economic self-sufficiency. The university evaluators suggested that Texas simply did not spend enough to accomplish these goals.

The evaluation did include a cost-benefit analysis. It was found that most of the benefits accrued to individual participants and most of the costs were born by the federal and state governments. Overall, the social costs nearly equaled social benefits for the JOBS program. This conclusion, understandably, was dependent on the choice of the discount rate and other assumptions.

An update of the original study was released in February 1995. JOBS participation continued to produce positive results in regard to labor market performance. Net impacts were generally stronger for long-term AFDC recipients and job search activities appeared to yield more job placements than before. While JOBS participants left AFDC at significantly higher rates, they returned to AFDC at the same or higher rates than non-participants. AFDC recidivism was identified as a problem unresolved by the JOBS program.

Labor Market Characteristics

Texas has probably experienced the least economic improvement since the last recession of any of the states in this study. Unemployment fell from 6.7 percent in 1991 to 5.9 percent in June 1996, remaining slightly higher than the national average. Personal income in Texas, at $20,654, is 9 percent **below** the national average.

NORTH CAROLINA: Work First

Description of JOBS

North Carolina describes its welfare reform as "one of the toughest in the nation," because of its time limits and family caps. July 1, 1995 marked the beginning of the *Work First* program, when the JOBS and AFDC program were merged and re-directed to focus on employment. Work First is a state-wide program built on a number of waivers with the primary purpose of expanding work activity among recipients of public assistance. All adults applying for Work First Family Assistance (AFDC) must sign a Personal Responsibility Contract. The contract covers **parenting responsibilities** (immunization, medical checkups, and regular school attendance for children). It requires teen parents to live at home and attend school and custodial parents to cooperate with enforcement of child support obligations from absent parents or be prepared to work. Demonstrable good cause is an allowable exception to these rules.

The contract also requires some families to participate in 30 hours of work, or a combination of work experience, and education and training within twelve weeks of beginning welfare. The families under this obligation include parents with school-age children, two-parent families, and parents already working 30 hours or more per week. About one-third of welfare cases, or 35,000, were required to participate in Work First. These families are also limited to two years in Work First unless they are able to convince the Review Board to extend their cash payments. Phase II of this program, which began on July 1, 1996, expanded the categories of families required to participate in Work First.

Like other states, North Carolina has made its program available to two-parent families and eliminated the 100-hour rule. It has increased asset limits to $3,000 and the vehicle limit to $5,000. There is also a family cap proscribing an increase in cash benefits for additional children born after the family has been in Work First for more than ten months, with the exception of the first-born of a dependent minor.

In order to provide an alternative to Work First Family Assistance, potential applicants are offered a one-time Benefit Diversion, a cash payment of up to three months of benefits. This assistance, in combination with child care, Food Stamps, and Medicaid, is intended to give individuals a one-time boost necessary to overcome any immediate problems and get back into the labor market. If the family later needs Work First assistance, they are required to pay back the Benefit Diversion cash amount.

Families who successfully move off welfare and into work qualify for 12 months of transitional help through child care subsidies and Medicaid.

Mandatory Vs. Voluntary

All families who receive welfare cash payments must participate in Work First by developing a personal responsibility contract and meeting its requirements. Failure to do so will result in penalties. There are exemptions from the work requirements for those who are disabled or incapacitated, caring for a disabled or incapacitated person at home, caring for a child under five-years-old (unless already working 30 hours per week), individuals under 18 years old or, 65 and older, or unable to obtain necessary child care or transportation. Approximately 43.4 percent of AFDC recipients are exempt from mandatory participation.

Approximately 22.3 percent of the AFDC population of North Carolina participates in the JOBS program. A high percentage of this group is either being assessed or working. Others are involved in Job Readiness, Job Search, and other employment activities.

Sanctions

A failure to meet the requirements of Work First results in progressive penalties. Payment levels are reduced by $50 a month for three months for the first violation; $75 a month for three months for the second violation; $75 a month for six months for the third violation; and $75 a month for twelve months for the fourth and subsequent violations. Medicaid and Food Stamps are not affected unless the family also fails to cooperate with enforcement of child support, in which case the family also runs the risk of losing Medicaid.

After a determination of noncompliance is made and the appropriate sanction is entered, a timely notice is sent to the family. If they fail to comply by the end of the sanction period, the second sanction goes into effect and so on. The sanctions are too new for the state to be able to evaluate or summarize the effects and impacts.

In the event that a family finds its benefits expire after the two-year time limit, a family is eligible to reapply for Work First Assistance after three years. Also, if the adults have failed to find work after the two-year limit has expired despite meeting the terms of their Contract, they may apply for an extension, which is reviewed by the Review Board. Medicaid and Food Stamps can continue for qualified families even if Work First assistance has expired.

How the JOBS Program is Structured

JOBS is operated by North Carolina’s Title IV-A agency. Although supervised by the state, the program is administered by local departments of social services. Services, including Job Development and Placement, Job Readiness, and specialized assessments are contracted out when appropriate to organizations, including Employment Security Commission offices, JTPA, the community colleges, and private providers.

Screening and assessment as well as other employment services are handled by the local departments of social services. Placements may also be handled by them or another agency such as the Employment Security Commission. Assessment entails identifying strengths and obstacles to attaining self-sufficiency. The outcome of the process is the Personal Responsibility Contract which outlines activities to be engaged in and services to be provided.

System Characteristics and Federal Resources

The AFDC caseload in North Carolina was 98,919 on July 1, 1996, and included approximately 277,705 individuals in Work First. Participation in AFDC constituted 3.8 percent of the state’s population. The assistance level for a family of two is $236 and $272 for a family of three. Payment levels are 50 percent of the need standard established by the State Plan, federal regulations, and the General Assembly.

North Carolina is receiving 100 percent of its federal matching funds. In recent years it has reduced the share of funding for JOBS by 23 percent, falling from approximately $29 million to $22 million. It does not use third-party, private non-profit funds more aggressively to secure federal matching funds.

Culture

North Carolina observed a closer working relationship between the Income Maintenance staff and the Employment Services social work staff as their goals began to merge. Both are more focused on moving recipients into paid employment. In some counties the distinction between these two agencies has been blurred as both pursue identical goals.

Evaluations and Costs

The state attributes a 12.8 percent drop in the caseload between June 1, 1995 and July 1, 1996 to the introduction of Phase II of Work First on July 1, 1995. The state also reports that employment has increased 115 percent among AFDC recipients.

While no formal evaluations have been conducted yet, it is anticipated that one will be undertaken for Phase II. This evaluation will be assisted by the creation of two control groups in two counties where Work First was not implemented. A cost-benefit analysis will be done as part of the waiver agreement.

Labor Market Characteristics

Unemployment fell from 5.8 percent in 1991 to 4.2 percent in June 1996, placing North Carolina well below the national average throughout this period. Per capita personal income, $20,604, was 10 percent **below** the national average.

ILLINOIS: Work Pays and the JOBS Program

Description of JOBS

Before 1995, Illinois' JOBS program did not differ significantly from the standard federal model with the exception of *Work Pays*, an income disregard formula. During 1995, Work and Responsibility legislation was passed that greatly changed the nature of Illinois' assistance program, including the commitment to end the AFDC program on January 1, 1999.

Work Pays simplifies and amplifies the standard income disregard. AFDC clients are permitted to keep $2 out of every $3 of earned income indefinitely. Families no longer qualify for AFDC assistance when their income reaches the current Federal Poverty Level, which is $12,980 for a family of three in 1996.

Illinois has three JOBS components operating statewide. The largest, accounting for 81 percent of all participants, is *Project Chance*. This program provides many of the typical JOBS services with 41 percent of participants engaged in education and training and 24 percent engaged in job search.

Another JOBS component, *Opportunities*, has 12 percent of the participants. It emphasizes education, especially at the community college level. 60 percent of the participants are working towards an associate degree and an additional 34 percent are engaged in some other form of education or training. Community Colleges administer this program.

The smallest component of JOBS is the *Teen Parent Initiative/Young Parent Services*. The focus of this program is to encourage high school graduation. Three out of four teen parents in this program attend high school, GED, or a similar program.

The state also operates a program similar to JOBS for Food Stamp recipients not on AFDC. Many of these clients are unemployed males. This effort, *Food Stamp Employment and Training*, provides many of the same educational, training, and job placement services offered by JOBS. A central component of this program is *Earnfare* which requires work, in a position arranged if necessary, in return for Food Stamps and a small monthly income.

Legislation in 1995 introduced a number of changes in Illinois' AFDC/JOBS program. New applicants for AFDC are now required to complete a self-sufficiency plan as a condition of eligibility. In February 1996 the state introduced the *Targeted Work Initiative*, a two-year time limit on assistance for AFDC parents whose children are 13 years old or older. A unique feature of this plan is that months with earned income from paid jobs do not count toward the 24 months. New applicants with children five to twelve-years-old and a recent work history or high school degree, or equivalent, will automatically be enrolled in Job Search for six months as part of a new initiative called *Get a Job*.

New legislation requires clients in most post-secondary education programs also to be employed part-time. A similar requirement applies to those participating in secondary education programs that will last longer than two years. Illinois has expanded the permissible work experience for JOBS participants to include private employers, along with state agencies and non-profit employers.

A family cap was instituted in January 1996, prohibiting an increase in assistance for children born to a mother who has been on AFDC for ten months or more. Additional measures were taken to determine paternity, collect child support and permit courts to order non-custodial parents of AFDC children into job search and Earnfare. Teen parents are required to live at home and attend school in order to remain eligible for assistance. AFDC families whose children are in grades one to six and frequently absent from school must work with the school and a social service agency to improve the child's attendance or face potential reduction in their assistance.

Mandatory Vs. Voluntary

Illinois has a mandatory JOBS requirement and, as of June 1996, 15.1 percent of the AFDC population was participating in JOBS. The greatest number were involved in Education and Training (4.3 percent) followed by Job Search (2.9 percent) and AFDC-U Employment (2.3 percent).

Exempt from participation are those who:

- are under age 18 and full-time students,
- are temporarily or chronically ill,
- are under age 16 or over age 60,
- provide full-time care for an ill household member,
- care for children under age three,
- reside more than two hours round trip from the JOBS office,
- lack transportation,
- work 30 hours or more per week,
- are in the fourth month or more of pregnancy,
- are full-time VISTA volunteers.

In total, exemptions accounted for 40.8 percent of the adults on AFDC.

Sanctions

The first sanction involves reducing the family's grant by the client's share until compliance. The grant is reduced the same amount in the second sanction but this time for three months or until compliance, whichever is longer. The third sanction increases the minimum duration from three to six months. For the fourth and future violations the entire family grant is denied for six months or until compliance, whichever is longer.

An additional penalty applies to clients who refuse a genuine job offer. In this case, the entire family grant is denied for three months or until employment, whichever comes first. This penalty and the fourth sanction described above apply only to participants in the Targeted Work Initiative and Get a Job Initiative.

Sanctions are imposed immediately if efforts at reconciliation fail. Every sanction is entered on the automated system which generates a notice for the client. Approximately .7 percent of the individuals required to participate have been sanctioned.

How the JOBS Program is Structured

The Title IV agency, Illinois Department of Public Aid, operates the JOBS program. Services are contracted out to other agencies such as Illinois' Employment and Training Centers, Department of Employment Security, and Department of Commerce and Community Affairs.

JOBS services in the Opportunities and Teen Parent Initiative are also contracted out. Although details vary by contract, all contracts and grants are outcome/performance oriented and tied to placements.

Screening and assessment begin with the JOBS worker, or contractor agency, to develop an Employability Plan based on the client's education, training, employment history, and interests.

System Characteristics and Federal Resources

The public assistance program in Illinois has been evolving into a system that focuses on providing short term solutions to help families achieve self-sufficiency. Benefit levels in Illinois are 39.1 percent of the state need standard which amounts to $349 to $377 cash assistance grant for a family of three, depending on the county.

The caseload in Illinois was 227,943 cases as of July 1996 and included approximately 5.6 percent of the state population of households.

Illinois is currently receiving 69 percent of the JOBS matching funds for which it is eligible. It has been able to increase this funding in recent years through its focus on welfare reform. Illinois has also used third-party funds to increase federal funding. For example, the Department of Public Aid and United Way of Chicago formed a funding collaboration to expand JOBS services to AFDC clients in Chicago. The resultant JOBS match will be directed towards an expansion of the programs.

Culture

There is an effort to integrate JOBS services into the functions of the local welfare offices. The goal is to ensure that there are JOBS services and workers available in every county of the state.

Evaluations and Costs

The state credits the Work Pays program, the $2 disregard for every $3 of earnings, for raising the percentage of working AFDC recipients from 6.9 percent in October 1993 to 19.3 percent in July 1996.

A longitudinal study of the JOBS program is being conducted, but its first report to the Illinois Legislature is not due until January 1, 1997. Other studies have been done for waiver projects as well as a number of client surveys. No cost/benefit study has been done, but cost data broken down by administrative, distributive, and contractual purposes is available from the Bureau of Management and Budget.

Labor Market Characteristics

Unemployment rates in Illinois went from being worse than the national average during the last recession of 1991 (7.2 percent) to exactly equal to the national average (5.3 percent) during the recovery. Personal income is 9 percent **higher** than the national average, or $24,763 per capita.

MASSACHUSETTS: Employment Services Program

Description of JOBS

The Massachusetts Legislature passed comprehensive welfare reform legislation in February 1995; implementation began in the next fiscal year. The MassJOBS program was renamed *Employment Services Program (ESP)*, and it operates state-wide. ESP continues to promote employment as a route out of poverty, but it places less emphasis on long-term education and training programs and more emphasis on job search, immediate job placement, short-term education and training programs. The goal is to move recipients into the workforce quickly.

The Employment Services Program also operates four separate initiatives. The *Transitional Employment for Massachusetts Parents for the Unemployed Parent (TEMP-UP)* program is directed at two-parent families with at least one unemployed parent. In addition to offering many of the standard services of a JOBS program, TEMP-UP requires a minimum of 30 hours per week of community service work, unless the parent is involved in an approved education and training program or working at least 20 hours per week. A similar program has been developed for AFDC families with older children (15 years and older) called *TEMP*.

In January 1995, the Department of Transitional Assistance also began an effort to train AFDC recipients to become licensed day care providers. This is the third initiative of ESP.

The fourth component of ESP is the *Full Employment Program*. Participants work 40 hours per week in subsidized employment at a minimum of $4.50 per hour. The earnings take the place of AFDC and Food Stamps but do not alter eligibility for Medical Assistance. The Department reimburses employers at the rate of $3.50 per hour for the first nine months and $2.50 per hour for the next three months. In addition, employers are required to deposit $1 hour in an Individual Asset Account to assist the participant in accumulating financial assets.

Other aspects of the Massachusetts welfare system have been altered by this legislation in order to emphasize temporary assistance leading to employment. The entire AFDC program has been renamed *Transitional Aid to Families with Dependent Children (TAFDC)*.

For those clients deemed employable (nonexempt), there is a 24-month time limit on TAFDC benefits over a continuous 60-month period. Many of these recipients must participate in the work program.

They can fulfill the requirements of the work program in these ways:

- working 20 hours or more per week,
- participating in a community service program for 20 hours per week,
- working full-time in a subsidized job through the Full Employment Program, or
- combining work and community service for a total of 20 hours per week.

Massachusetts' new welfare reform also reduced cash assistance grants 2.75 percent for all non-exempt families. A new work incentive was introduced for non-exempt families in the form of a monthly income disregard of $30 and one-half of all additional earned income for an unlimited time. The old rule of $30 and one-third additional earned income remains for exempt families choosing to work, but there is no time limit on the disregard. Asset limits were also raised to $2,500, and to $5,000 for one licensed vehicle.

There is a family cap denying additional benefits to children born to families after a specified date. In addition, teen mothers are expected to attend high school, or an equivalent program, full-time and live with a parent or in an approved setting.

Mandatory Vs. Voluntary

Families are exempt if they meet one of the following six criteria:

- disabled parent,
- parent caring for a disabled child or disabled spouse,
- parent whose youngest child is under the age of two years old (three months if subject to the family cap),
- women in their third trimester of pregnancy,
- parents under the age of 20 attending school full time, or
- caretaker relatives.

Approximately **80 percent** of the caseload is exempt from mandatory participation in JOBS in Massachusetts. Exempt adults may be referred to educational programs, young parents programs, skills training, or some form of employment assistance. They may also choose to participate in employment programs.

Participation in the work program is required for non-exempt families whose youngest child is of mandatory, full-time school age. It is expected that 15 to 20 percent of the full welfare caseload will be required to participate in the Work Program.

Sanctions

Non-exempt families, bound by the work requirement, have 60 days to obtain some form of employment. Failure to meet this requirement within ten days of the deadline results in closing the adult portion of the case, and cutting grant payments to the adult(s). Continued failure for 20 more days results in closure of the entire case. To date, no cases have been closed for this reason.

How the JOBS Program is Structured

JOBS is administered by the Title IV agency, the Department of Transitional Assistance. Services are contracted out to a broad variety of organizations including the Department of Employment and Training, Service Delivery Areas, and private for-profit and non-profit organizations. Although the form of the contracting varies, payments to the organizations are made based on the performance measure of at least 30-days placement in jobs.

The screening, assessment, and placement of public assistance recipients is operated by the Department of Transitional Assistance. Placement in particular programs is based on eligibility as well as skills, education, and interests.

System Characteristics and Federal Resources

The caseload in Massachusetts as of July 1996 was 82,962 households (or 227,531 individuals). Two-thirds of the recipients are children and more than 60 percent of the families include a child under the age of six. African-American and Hispanic families comprise 44 percent of the welfare caseload. Only 8 percent of the families on AFDC have earned income. Approximately 94 percent of families are headed by a female.

The cash grant payment standard for a family of two is $446 per month and $539 per month for a family of three. For non-exempt families the payments are 2.75 percent lower.

In 1995 (fiscal year), Massachusetts received approximately 71 percent of the federal funds for which it was eligible. This has not increased or decreased. Massachusetts also has **not** used third party, private non-profits more aggressively to increase federal funding.

Culture

Few observations have been made about changes in the organizational culture of the state welfare agency, other than that eligibility workers now handle both the financial eligibility and JOBS roles.

Evaluations and Costs

An evaluator will be selected through a request for proposals. It is expected that the evaluation will use experimental and control groups to evaluate the effectiveness of the TAFDC program. The outcome measures will include: employment rates among recipients; changes in family composition, i.e. an increase in two parent families; educational attainment; and a decrease in the number of teen parents. The evaluation will include an impact analysis, a cost/benefit analysis, and a process study to examine how the TAFDC program is implemented.

Officials in Massachusetts attribute the **decrease** in the welfare caseload in FY94 (4.4 percent) and FY95 (11.3 percent) both to welfare reform and to a healthy state economy.

The Massachusetts Legislature appears to rely on evaluations conducted by executive branch agencies to assess the impacts of welfare reform.

Labor Market Characteristics

Along with Michigan, Massachusetts has enjoyed a substantial drop in its unemployment rate since the 1991 national recession. Unemployment rates dropped from 9.1 percent in 1991 to 4.8 percent in June 1996. Per capita personal income is high in Massachusetts ($26,994 per capita), 18 percent **higher** than the national average.

VIRGINIA: Virginia Independence Program and Virginia Initiative for Employment not Welfare

Description of JOBS

The *Virginia Independence Program (VIP)* was enacted by the Virginia Legislature in March 1995. *VIP* constitutes a major change in both JOBS and AFDC in the state. Some of these changes were introduced statewide on July 1, 1995 and are associated with the new work initiative, *Virginia Initiative for Employment not Welfare (VIEW)*. In this initiative, all able-bodied parents whose youngest child is older than 18 months are required to work within 90 days of receipt of AFDC. There is a time limit on cash assistance of two years, with an additional year of transitional benefits within a five-year period. As in other states, participants must sign a Personal Responsibility Agreement in order to be eligible for AFDC. VIEW participants must either find unsubsidized employment, be placed in a subsidized job (Full Employment Program), or be placed in community work experience. Employers providing subsidized employment receive a subsidy equivalent to the value of the participant's Food Stamps and AFDC benefits combined.

All transitional benefits for child care, health care (Medicaid), and transportation are available for 12 months after AFDC ends. VIP participants who lose AFDC for reasons other than increased earnings from employment may still qualify for these transitional benefits. Beginning in July 1995, VIEW components have been systematically phased in through 18 Economic Development Districts in the state.

To further encourage work, families receive an earned income disregard, up to 100 percent of the poverty line, within the two-year time limit. This means that earned income can increase until the family's income, including cash assistance, equals the poverty level (1996=$12,980/year for a family of three). Asset limits were also increased to $5,000, and to $7,500 for a vehicle.

Other waivers became effective on July 1, 1995. One of these is **Diversionary Assistance**, offering a one-time payment to potential AFDC families facing a crisis or temporary loss of income. The family cap denies benefits to children born 10 months after the family has begun receiving AFDC. School-age children receiving AFDC are required to attend school regularly. Minor parents are required to live with a parent or other appropriate adult. Parents or caretakers have six months to cooperate in establishing paternity before risking the loss of public assistance.

Mandatory Vs. Voluntary

Participation is required in VIEW with the following exceptions:

- under 16 years old or 60 years old and older,
- full-time students 16 to 19-years-old,
- incapacitated or temporary medical condition,
- sole caregiver of incapacitated member of household,
- caretaker of child under 18 months (six weeks for child not part of recipient unit),
- pregnant female in fourth to ninth month of pregnancy,
- children receiving foster care,
- non-parent guardians.

Sanctions

Sanctions are imposed when an individual who is required to participate in the VIEW program fails to comply. Noncompliance can be excused for good cause. The Virginia Department of Social Services has worked out a detailed policy for defining noncompliance, documenting the occurrence, and determining good cause. Once a sanction is imposed, AFDC benefits are reduced by 100 percent of the household grant. The first failure to comply continues for at least one payment month or until compliance, whichever is longer. The second failure results in the same sanction except that the one-month minimum is extended to three months. The third and subsequent failure extends the minimum penalty to six months of lost benefits.

In June 1996, there were 454 negative actions taken related to VIP/VIEW.

How the JOBS Program is Structured

The Title IV agency, the Virginia Department of Social Services, administers the JOBS program in the state. Each locality can contract out services to both public and private agencies. The services normally contracted out include job readiness training, job development, education, some assessments, and skills training. All contracts have specific outcomes and performance expectations, usually covering employment, wages, and retention.

System Characteristics and Federal Resources

Virginia had 65,407 AFDC families as of January 5, 1996 which included 163,190 individuals. Of the individuals, 70 percent were children and 26 percent were four-years-old or younger. Of the families, 91 percent were headed by females. By July 1996 the caseload had declined to 61,388.

Payment levels depend on the location. For a family of three, payments are $265 in rural areas (Group1), $291 in the “norm” areas (Group 2), and $354 in urban, high cost-of-living areas (Group 3).

Virginia currently receives 75 percent of the federal JOBS matching funds for which it is eligible. The option exists for localities to match federal funding.

Culture

Virginia’s program is changing from one offering welfare to one offering employment-based temporary assistance. Because of this change in purpose the state has encouraged local and social service agencies to evaluate their internal operations and restructure them as appropriate. The Virginia General Assembly has budgeted planning money specifically for localities to use for this purpose.

One change that they have seen is increased teamwork among eligibility staff, employment services staff, child support staff and local agency staff. Increasingly, members of this team are being collocated in a single location. A new position has also been created, the self-sufficiency worker, which combines the functions of the eligibility worker and the employment services worker. Localities may choose to use this new job position, but it is not mandatory.

Evaluations and Costs

Virginia reports that the caseload for AFDC decreased by 11 percent between June 1995 and June 1996. In localities where VIEW was operating, the decline was 14 percent. Annual spending on AFDC has decreased nearly $2 million as a result of this reduction in caseload.

According to state law, the Virginia Department of Social Services is required to include an evaluation of the effectiveness of this new program in its annual report. The June 1996 report included: the number of cases diverted, percentage of mandatory VIEW participants in the caseload, percentage of VIEW participants ever enrolled in a work activity, and number of sanctions. No comprehensive evaluation of the program is currently available.

Labor Market Characteristics

Virginia's labor market has been stronger than most states, even during the 1991 national recession. From a high of 5.9 percent during the 1991 recession, Virginia's unemployment rate has fallen to 4.4 percent. Per capita personal income at $23,597 is 4 percent **higher** than the national average.

Appendix I

JOBS Programs: State Contacts

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