

WRP

**Final Report on Vermont's
Welfare Restructuring Project**

**Susan Scrivener
Richard Hendra
Cindy Redcross
Dan Bloom
Charles Michalopoulos
Johanna Walter**

MDRC

Manpower Demonstration
Research Corporation

September 2002

The Manpower Demonstration Research Corporation's evaluation of Vermont's Welfare Restructuring Project was funded under a contract with the Vermont Department of Prevention, Assistance, Transition, and Health Access, with support from the U.S. Department of Health and Human Services and the Ford Foundation.

Dissemination of MDRC publications is also supported by the following foundations that help finance MDRC's public policy outreach and expanding efforts to communicate the results and implications of our work to policymakers, practitioners, and others: The Atlantic Philanthropies; the Alcoa, Ambrose Monell, Fannie Mae, Ford, George Gund, Grable, New York Times Company, Starr, and Surdna Foundations; and the Open Society Institute.

The findings and conclusions presented in this report do not necessarily represent the official positions or policies of the funders.

For information about MDRC and copies of our publications, see our Web site: www.mdrc.org. MDRC[®] is a registered trademark of the Manpower Demonstration Research Corporation.

Copyright © 2002 by the Manpower Demonstration Research Corporation. All rights reserved.

Preface

By converting federal welfare funding into a fixed block grant, the landmark federal welfare reform law of 1996 gave states new flexibility to develop their own rules governing how their welfare programs would be run. Among the wide variety of approaches to encourage welfare recipients to become economically self-sufficient, the new policies ranged from those that imposed strict work requirements, short time limits on benefit receipt, and harsh sanctions for noncompliance to others that, like the one developed by Vermont, set standards that were less onerous.

The experience of Vermont's Welfare Restructuring Program (WRP) — the subject of this final report in a rigorous multiyear evaluation — shows that a welfare reform program can achieve the broadly accepted goals of increasing employment and reducing welfare receipt without resorting to the tough policies that have been central to many states' programs. Implemented in 1994 under waivers of federal welfare rules, WRP was one of the first comprehensive statewide welfare reform programs of the 1990s. It provided modest financial incentives to encourage and reward work, and it also required single-parent welfare recipients to work in a wage-paying job after 30 months of benefit receipt. (The work requirement was imposed after 15 months for two-parent families.) The state helped recipients find work, and it provided subsidized, minimum-wage community service positions to those who could not find regular jobs. Vermont's current welfare program shares many features with WRP.

Unlike most recent welfare reform programs, WRP did not set a time limit on welfare receipt, and it did not require single-parent recipients to participate in any work-related activities during their first 30 months on the rolls. Moreover, when recipients did not comply with the work requirement, the state did not reduce or close their welfare grant; instead, it took control of the grant, used the money to pay the recipients' bills, and required them to attend frequent meetings at the welfare office. Although WRP's program participation requirements and sanctions were not as stringent as those in most other states, the new program did increase expectations of recipients relative to earlier Vermont programs.

Despite differences in approach compared to other states, WRP produced similarly positive results on key outcomes: Employment and earnings increased; cash assistance receipt and payments declined. The effects were generated by the work requirement; the modest financial incentives had little effect, likely because they were not very different from those available to welfare recipients under the prior rules. Like many other programs, WRP did not substantially affect families' income.

When WRP was being designed, many of its planners believed that its success would hinge on the state's ability to create a large-scale program to place recipients who were unable

to find regular jobs in community service employment. In fact, very few of the WRP participants in the study ended up working in a community service job. More than half of them left welfare quickly and never accumulated 30 months of benefit receipt. Among those who became subject to the work requirement, most were able to find an unsubsidized job in Vermont's strong labor market. It is not clear whether this would have been true in a weaker economy.

WRP's results are being released at a time when Congress is debating the reauthorization of the 1996 welfare law. One of the key issues is whether the law should continue to provide broad flexibility to states to design their own approaches to welfare or whether states should be subject to tighter federal requirements. The WRP results show that there is more than one way to achieve the goals of welfare reform.

Policymakers, administrators, and others across the county who are interested in welfare reform owe a debt of gratitude to the Vermont Department of Prevention, Assistance, Transition, and Health Access (formerly the Department of Social Welfare), which unwaveringly supported the study, and to the U.S. Department of Health and Human Services, which provided a large proportion of the funding to support this important research.

Gordon Berlin
Senior Vice President

Acknowledgments

This final report on Vermont's Welfare Restructuring Project (WRP), the culmination of an eight-year evaluation, would not have been possible without the contributions of numerous people in the State of Vermont, at the organizations that, with Vermont, funded the project, and at MDRC.

The Vermont Department of Prevention, Assistance, Transition, and Health Access (PATH) — formerly the Department of Social Welfare (DSW) — conceived the study and contracted with MDRC to conduct it. Jane Kitchel, the former DSW Commissioner who is now Secretary of the Vermont Agency of Human Services, provided strong support for the evaluation from its inception. Under the leadership of Eileen Elliott, the Department's current Commissioner, PATH continued to assist the study's ongoing work. Sandra Dooley, a former DSW and PATH Deputy Commissioner, oversaw most of the evaluation and offered unstinting support, wise advice, and thoughtful comments on research plans and reports. Steve Gold, formerly with DSW and now Commissioner of the Vermont Department of Employment and Training (DET), also provided critical support.

Many staff members in the DSW and PATH central office made valuable contributions through the years. We owe special thanks to Betsy Forrest, Donna Jenckes, Roy Haupt, Ed Cafferty, Jackie Levine, Pat McDonald, Roberta O'Brien, Debra Brucker, and Debra Tighe.

In the six DSW and PATH district offices targeted for intensive research, indispensable assistance was provided by staff at all levels who diligently followed the complex procedures necessary to create and maintain the three research groups throughout the six-year follow-up period. During site visits by MDRC researchers, staff from DSW, PATH, and DET were always willing to discuss their experiences candidly. Though our obligations of gratitude are too numerous to single out everyone by name, we owe special thanks to these DSW and PATH district directors and key staff: Craig Comstock (in Barre); Judy Higgins, Pam Dalley, Mark Schroeter, and Ralph Bernardini (in Burlington); Leonard Wellman (in Newport); Peter Burt and Judy Dugan (in Rutland); Bill Bateman (in Springfield); and Bonnie Crowe-Oddy, Brenda Hutchins, and Claire LaRose (in St. Albans).

We are grateful to the U.S. Department of Health and Human Services and the Ford Foundation, which provided funding for the evaluation.

At MDRC, Barbara Goldman oversaw the study since its inception. David Butler played a central role during the study's early years, and he continued to provide helpful advice to the end. Judith Gueron, Gordon Berlin, and Pamela Morris offered valuable comments on drafts of the final report.

Leslie Sperber assisted with the field research and the programming for the impact analysis, led the analysis of the community service employment program, and, with Lauren Cates, coordinated the production of the report. Frank Tsai prepared the administrative records files for analysis, and Mark van Dok assisted with the analysis of the records data. Jared Smith did programming for the 42-Month Client Survey, and Colleen Parker played a key role in the analysis of the program's benefits and costs. Tara Cullen and Chris Rodrigues helped create exhibits for the report. Bob Weber edited the report, Louis Richman coordinated the report's release, and Stephanie Cowell assisted with word processing.

Other MDRC staff played key roles at earlier stages of the project. Lynn Miyazaki managed the acquisition of administrative records data from DSW and PATH, Debra Romm supervised the design and development of the administrative records database, and Galina Farberova created the files. Amy Brown served as site liaison and conducted field research. Greg Hoerz, Jordan Kolovson, and Melisa Diaz worked closely with ORC/Macro, the survey subcontractor.

Finally, we extend our deep appreciation to the thousands of Vermont parents who participated in the study and gave generously of their time to respond to surveys.

The Authors

Executive Summary

Vermont's Welfare Restructuring Project (WRP) was one of the earliest statewide welfare reform programs initiated under waivers of federal welfare rules granted before the passage of the 1996 federal welfare reform law. The program, which operated from 1994 to 2001, was designed to increase work and reduce reliance on welfare. WRP required that welfare recipients work in a wage-paying job after they had received cash assistance for a specified number of months (30 months for single-parent families and 15 months for two-parent families). Recipients received help finding jobs and were offered minimum-wage community service jobs if they could not find unsubsidized employment. If a recipient did not comply with the work requirement, the state took control of her grant, used the money to pay her bills, and required her to attend frequent meetings at the welfare office. The program also included a set of financial incentives that were intended to encourage and reward work. WRP served as a model for Vermont's current welfare program, which took effect in mid-2001.

This is the final report in a long-term evaluation of WRP conducted by the Manpower Demonstration Research Corporation (MDRC) under contract to the State of Vermont. The evaluation was also funded by the U.S. Department of Health and Human Services and the Ford Foundation. The evaluation used data from the entire state but focused in depth on 6 of Vermont's 12 welfare districts. The results from the WRP evaluation provide important evidence about one of the many diverse strategies that states adopted to reform welfare in the 1990s.

In order to assess what difference WRP made, parents who were applying for or receiving cash assistance in Vermont between July 1994 and December 1996 were assigned, at random, to one of three groups: (1) the *WRP group*, whose members received the financial work incentives and were subject to the work requirement; (2) the *WRP Incentives Only group*, whose members received the incentives but were not subject to the work requirement; or (3) the *Aid to Needy Families with Children (ANFC) group*, whose members remained subject to the pre-WRP welfare rules, which included neither the incentives nor the work requirement. MDRC followed all three groups for six years, using computerized records and a survey. Any differences that emerged over time in the groups' outcomes (for example, in their employment or welfare receipt) can reliably be attributed to WRP's policies; such differences are known as *impacts*, or *effects*.

The evaluation also included a study of the implementation of WRP and an assessment of its financial costs and benefits for the government and for participating families. The study mainly focused on single-parent families, who make up most of Vermont's welfare caseload.

mented WRP, principal wage-earners in two-parent families were required to work or participate in employment activities throughout their time on welfare — although WRP required full-time work after 15 months of assistance. WRP eliminated most of the nonfinancial criteria that restricted eligibility for two-parent families under ANFC.

WRP did not affect employment or earnings for two-parent families with an unemployed parent. The financial incentives increased cash assistance receipt somewhat during the first four years of the follow-up period, but the effect did not last. WRP did not substantially affect income, material hardship, or outcomes for children among these families.

Conclusions and Implications for Policy

The results of the WRP evaluation illustrate that there are diverse paths to the broadly accepted goals of increased employment and reduced reliance on public assistance. Unlike other states, Vermont did not require single parents on welfare to work until they had received benefits for 30 months, did not use grant reductions or closures to enforce these requirements, did not require full-time work for most single parents, and did not set time limits on cash assistance receipt. Nevertheless, WRP increased employment and, eventually, reduced welfare payments. Because the program's net cost was low, WRP actually saved money for taxpayers — an unusual achievement for any social program. And, at least within a strong economy, Vermont was able to impose a work requirement for welfare recipients without creating a large subsidized employment program.

Although WRP increased work, it did not make families better off financially and did not substantially improve their material well-being. Like previously studied programs that have increased parents' employment levels but not their income, WRP also did not substantially affect participants' children. However, it is worth noting that low-income families in Vermont may be better off than those in some other states: Vermont's welfare grant levels are among the highest in the nation, and the state offers an unusually generous set of supports for low-income working families.

Vermont's new welfare program — implemented in mid-2001 — builds on WRP and remains distinctive from programs in many other states. In response to WRP's small effects before any recipients reached the work requirement, the new program requires recipients to participate in work or work-related activities as soon as they are deemed to be “work-ready” or after 12 months of welfare receipt, whichever happens first. The program also uses financial penalties to enforce its requirements, although the penalties are less severe than in most other states. Vermont remains one of only two states that have not established a time limit on welfare receipt.

Introduction

Vermont's Welfare Restructuring Project (WRP) was one of the first statewide welfare reform programs initiated under waivers of federal welfare rules granted before the passage of the 1996 federal welfare law. WRP, which operated from July 1994 to June 2001, aimed to increase employment and reduce reliance on welfare. It included two main components: (1) financial incentives to encourage work and (2) a requirement that welfare recipients work in a wage-paying job after they had received cash assistance for a specified number of months — 30 months for single parents and 15 months for two-parent families. The program helped recipients search for jobs and provided subsidized minimum-wage community service jobs to recipients who had not found work by the time they reached the 15- or 30-month point. WRP served as a model for Vermont's current welfare program, which took effect in July 2001.

This is the final report in a large-scale evaluation of WRP.¹ The Vermont Department of Social Welfare (DSW) — the agency that administered WRP — contracted with the Manpower Demonstration Research Corporation (MDRC) to conduct a comprehensive evaluation of the program. (DSW was renamed the Department of Prevention, Assistance, Transition, and Health Access [PATH] in mid-2000.) The study was based on a rigorous random assignment research design, which permits comparisons between WRP and Vermont's previous welfare program. It uses data from all 12 welfare districts in the state but focused in detail on 6 of them (referred to as the *research districts*). The evaluation — which was initially required as a condition of the federal waivers that allowed Vermont to implement the program — was funded by the State of Vermont, the U.S. Department of Health and Human Services, and the Ford Foundation. MDRC is a nonprofit, nonpartisan organization with more than a quarter-century's experience designing and evaluating programs and policies for low-income individuals, families, and communities. The results from the WRP evaluation provide important evidence about one of the many diverse strategies that states adopted to reform welfare in the 1990s.

After describing WRP and the evaluation in greater detail, the report summarizes the program's implementation in the six research districts. Then it presents information on how WRP affected patterns of employment and public assistance receipt over six years. Data from a large-scale survey — administered three-and-a-half years after people entered the study — are used to assess WRP's effects on such key outcomes as job characteristics, health insurance coverage, and child outcomes. The report first presents effects for single-parent families, who make

¹A report completed in 1998 describes WRP's early implementation and its effects on employment and public assistance receipt measured over 21 months (Bloom, Michalopoulos, Walter, and Auspos, 1998). Reports completed in 1999 and 2000 present WRP's effects measured over 42 months (Hendra and Michalopoulos, 1999; Bloom, Hendra, and Michalopoulos, 2000).

up most of Vermont's welfare caseload, and then it describes the results of a benefit-cost analysis that compares WRP's financial benefits and costs both for participants and for government budgets. The report then briefly presents results for two-parent families, and it concludes with a discussion of the findings' implications for welfare policy. A series of appendices (described in Box 1) presents extensive supplementary materials, including additional analyses and further details about the findings presented in the report.

The Welfare Restructuring Project

This section briefly discusses the development of WRP and describes Vermont's primary goals in designing the program. It provides some details about WRP's key components and places the program in the context of current welfare policy.

Creation of the Project

Many states substantially reformed their welfare programs even before the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) became law in August 1996. Between 1993 and 1996, about 40 states were granted waivers of federal welfare rules, allowing them to implement a wide variety of policy changes designed to promote work and self-sufficiency among welfare recipients.

Vermont was one of the first states to seek waivers for comprehensive, statewide reform of its welfare system. In 1991, Vermont began a broad-based review of its system, focusing primarily on its Aid to Needy Families with Children (ANFC) cash assistance program.² The review produced a set of recommendations that laid out the key features of what later became WRP. After a lengthy debate that resulted in some important changes in the program model, WRP was approved by the Vermont legislature in January 1994, and it was implemented in July.

Goals and Policies

WRP's primary goal was to increase work and self-support among welfare recipients. The program's designers believed that achieving this goal would lead to other positive outcomes

²ANFC was Vermont's version of Aid to Families with Dependent Children (AFDC), the federal-state cash assistance program that was created by the Social Security Act of 1935 and that was replaced with a block grant by PRWORA. In July 2001, Vermont replaced the ANFC program with the Reach Up program. This report uses the term *cash assistance* to refer to ANFC benefits.

Box 1

Appendices to This Report

Supplementary materials in a series of appendices provide further detail on analyses presented in the main report as well as additional analyses and discussion of various technical issues. The main report focuses on comparisons between two of the study's three research groups (the WRP group and the ANFC group); some supplemental tables also show comparisons that include the third research group (the WRP Incentives Only group). Specifically, the appendices are as follows.

Appendix A: Supplemental Tables for the Section Entitled “The Evaluation.” This appendix presents additional information on the State of Vermont, the research districts that the evaluation focused on, and the study samples.

Appendix B: Supplemental Tables for the Section Entitled “Implementation for Single-Parent Families.” This appendix presents detailed findings on single-parent sample members' participation in employment-related activities during the follow-up period. Appendix Box B.1 describes how to interpret the three-group tables in Appendix B and subsequent appendices that present results for all three research groups.

Appendix C: Survey Response Analysis and Other Technical Issues. This appendix presents an analysis of the generalizability of the results from the 42-Month Client Survey and discusses other technical issues relating to data sources.

Appendix D: Supplemental Tables for the Section Entitled “Effects on Employment, Public Assistance, and Income for Single-Parent Families.” This appendix presents additional detail on WRP's effects on single parents' employment, earnings, cash assistance receipt and payments, Food Stamp receipt and payments, and income from those sources. It also shows results for various groups of sample members.

Appendix E: Supplemental Tables for the Section Entitled “Effects on Family and Child Outcomes for Single-Parent Families.” This appendix presents WRP's effects on additional measures of single parents' family and child outcomes from the 42-Month Client Survey.

Appendix F: Supplemental Materials for the Section Entitled “Costs and Benefits for Single-Parent Families.” This appendix discusses the methods and data sources used in the benefit-cost analysis. It also presents additional detail on the benefit-cost findings for single-parent families and summarizes results for two-parent families.

Appendix G: Supplemental Tables for the Section Entitled “Effects on Employment, Public Assistance, and Income for Two-Parent Families.” This appendix presents more detail on WRP's effects on two-parent families' employment, earnings, cash assistance receipt and payments, Food Stamp receipt and payments, and income from those sources. It also shows results for various groups of two-parent sample members.

Appendix H: Supplemental Tables for the Section Entitled “Effects on Family and Child Outcomes for Two-Parent Families.” This appendix presents WRP's effects on additional measures of family and child outcomes for two-parent families from the 42-Month Client Survey.

out losing eligibility for assistance. In addition, the process for disbursing child support payments collected on behalf of children receiving cash assistance was changed to make the payments more visible to the parents.

Second, WRP expanded supports for families who left welfare for work. It provided three years of transitional Medicaid coverage and also offered transitional child care assistance (on a sliding scale) for as long as a family's income did not exceed 80 percent of the state median. The prior rules provided only one year of both types of transitional benefits.

Although these policies were probably important to many families, WRP's financial incentives were not substantially different from the benefits available to families under the prior rules. For example, at most levels of earnings, the "enhanced" earnings disregard during the first four months of work was actually somewhat less generous than the disregard available under the prior welfare rules. Beginning in the fifth month of employment, however, WRP's disregard was more generous (unless the parent earned \$120 per month or less, in which case there was no difference between the two sets of rules).⁴

For example, under WRP, a single parent who had two children and worked 20 hours a week at \$6 per hour received \$322 in cash assistance benefits per month. Under ANFC, that parent would have received about the same amount (\$332) in cash assistance during the first four months of work. During the fifth through twelfth months of work, however, she would have received \$199 per month — \$123 less than under WRP. Because Food Stamp payments increased when cash grants decreased, the parent would have received less in Food Stamps under WRP than under ANFC (\$152, compared with \$207). Therefore, during the fifth through twelfth months of work, she would have received \$68 more per month under WRP than under ANFC (\$474 in cash assistance and Food Stamps, compared with \$406).⁵

Similarly, because Vermont provides unusually generous health insurance and child care subsidies for all low-income working families, WRP's benefits were not markedly different from those available to families subject to the state's prior welfare program. For example, WRP provided three years of transitional Medicaid coverage to people leaving welfare for work. At the beginning of the evaluation, Vermont offered at least some health insurance coverage to *all* families with incomes up to 150 percent of the federal poverty line and to all children in fami-

⁴Under WRP rules, the first \$150 plus 25 percent of any remaining earned income was disregarded — not counted — in calculating the monthly welfare grant. Under traditional ANFC rules, the first \$120 (a flat \$30 disregard plus \$90 for work expenses) plus 33 percent of any remaining earned income was disregarded during the first four months of employment, but the disregard became less generous after that point (\$120 of earned income was disregarded in the fifth through twelfth months of employment, and only \$90 was disregarded thereafter).

⁵This example is based on benefit levels in 1997.

lies with incomes up to 225 percent of the poverty line. In 1998, it expanded coverage for children (up to 300 percent of the poverty line), and, in 1999, it expanded coverage for adults (to 185 percent of the poverty line). The situation is similar with regard to subsidized child care.

Welfare-to-work services. Virtually all adult recipients could participate in the state’s welfare-to-work program, called Reach Up, which provided employment and training, case management, and support services. Reach Up was not developed as part of WRP (it had been operating since 1986), but the program was expanded and modified to make it more consistent with WRP’s overall goals and design.⁶ Under WRP, participation in Reach Up was voluntary for single-parent cash assistance recipients until two months before they reached the work requirement, when job search classes became mandatory. The classes, which were operated by the Department of Employment and Training (DET) under contract with DSW, met once or twice a week for eight weeks.

The Current Policy Context

In 1996, PRWORA replaced the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) block grant. The law gives states substantial flexibility to design welfare programs, but it also places several restrictions on the use of federal TANF funds. Notably, states cannot use block grant funds to assist most families for more than five years (although they may do so with state funds). In addition, states will lose part of their TANF funding if they do not ensure that large proportions of recipients are participating in work activities. States must engage recipients in work (as defined by the state) after 24 months of benefit receipt — or earlier, at state discretion.

As noted earlier, Vermont developed WRP long before PRWORA was enacted. The law encouraged states to continue the initiatives that they had begun under waivers, and it stipulated that waiver provisions would take precedence over provisions of the new law where there were inconsistencies between the two. Vermont chose to operate WRP until the waivers expired, in June 2001; this allowed the state to delay implementation of key TANF provisions, such as the 60-month limit on federally funded TANF benefits.⁷

⁶*Reach Up* here and throughout the rest of this report refers to the name of the welfare-to-work program operated in Vermont before July 2001; it should be distinguished from the current Reach Up program, which includes both cash benefits and welfare-to-work services.

⁷The program that Vermont implemented in July 2001 — after the follow-up period for this study — differs from WRP in some important ways. The program requires most parents to participate in work or work activities as soon as they are deemed to be “work-ready” or after 12 months of welfare receipt, whichever happens first. Recipients who do not comply with program rules may face financial sanctions.

Under PRWORA, most states have implemented welfare rules that are quite different from WRP's rules. For example, most states have imposed time limits on welfare receipt, broad work requirements, and sanctioning policies that may result in the full cancellation of families' welfare grants in response to noncompliance with employment-related mandates. WRP, in contrast, did not impose a time limit on welfare receipt, did not require single parents to engage in work activities until Month 29 of welfare receipt, and did not use financial sanctions.

Although WRP used a "softer" approach to moving welfare recipients into work than most current programs, Vermont's experience can yield some important lessons for policymakers and program operators. First, WRP illustrates that there are diverse approaches to achieve the goal of increasing employment among welfare recipients, and the evaluation's results show what a less stringent program can achieve. Second, WRP provides evidence on the effects of imposing work requirements on a broad group of welfare recipients. Currently, all states require at least a portion of their welfare caseload to engage in work or work-related activities. Some states, including California and Pennsylvania, have a time-triggered work requirement.⁸ Third, since a large proportion of Vermont's population lives in rural areas, WRP provides lessons on the implementation and effectiveness of work programs in this kind of environment.

The Evaluation

This section provides some key information about the WRP evaluation, including its research design, environment, samples, and data sources.

The Evaluation's Design

Components of the study. This report presents results from the three major components of the WRP evaluation:

- **Impact analysis.** This part of the study provided estimates of the effects of WRP on employment rates and earnings, public assistance receipt, family income, and other outcomes relative to the welfare system that preceded it.
- **Implementation analysis.** This component of the study examined how WRP's policies were operated by staff in the six research districts.
- **Benefit-cost analysis.** This analysis used data from the impact study, along with fiscal data, to compare the financial benefits and costs generated by WRP for both eligible families and the government budget.

⁸For a study of the welfare programs in Los Angeles and Philadelphia, including the time-triggered work requirements, see Brock, Nelson, and Reiter, 2002.

Table 1 (continued)

	WRP Group	WRP Incentives Only Group	ANFC Group
Medical assistance for families leaving welfare for work	Three years of transitional Medicaid; coverage beyond that point depended on eligibility for other programs ^e	Same as WRP group	One year of transitional Medicaid; coverage beyond that point depended on eligibility for other programs ^e
Child care assistance for families leaving welfare for work ^f	Subsidies for all types of care continued as long as family remained financially eligible	Same as WRP group	Subsidies for licensed or registered care continued as long as family remained financially eligible; subsidies for “unregulated” arrangements continued for only one year ^g
Cash assistance eligibility for two-parent families	Nonfinancial eligibility criteria similar for single-parent and two-parent families	Same as WRP group	Two-parent families subject to special nonfinancial eligibility requirements (e.g., principal earner had to work less than 100 hours per month)
Family composition rules	Unmarried couples who lived together and had a child in common treated as one family unit, along with any other children in the household	Same as WRP group	Unmarried couples who lived together and had a child in common treated as two family units as long as the principal earning parent remained employed 100 hours or more per month

SOURCE: Welfare Restructuring Project (WRP) policies from Vermont’s Department of Social Welfare.

NOTES:^a These rules were for two-parent families with an able-bodied primary wage-earner (ANFC-UP cases). Different rules applied to two-parent families with an incapacitated parent; the able-bodied parent in these families was subject to rules that are similar to those for single parents.

^bThe enhanced vehicle exclusion also applied in determining eligibility for Food Stamps for families who had received cash assistance subsequent to random assignment, and it continued to apply to Food Stamps after the family was no longer receiving cash assistance.

^cThe disregard applied to assets accumulated after receiving cash assistance subsequent to random assignment. It also applied in determining Food Stamp eligibility for families who had received cash assistance subsequent to random assignment, and it continued to apply to Food Stamps after the family was no longer receiving cash assistance.

^dThe \$50 pass-through also applied to Food Stamps for families who received cash assistance subsequent to random assignment, and it continued to apply after the family was no longer receiving cash assistance.

^eFamilies in all three groups could receive subsidized health coverage through other programs (e.g., Vermont Health Access Plan and Dr. Dynasaur); there were no differences across groups in eligibility rules for these programs.

^fThis table describes the child care rules in place through June 1998.

^gFamilies in the ANFC group using unregulated arrangements could continue to receive subsidies beyond the one-year transitional child care period if they met income guidelines and the provider became registered or licensed by the Department of Social and Rehabilitation Services (SRS), a requirement for receiving payments for SRS’s child care program, or the family switched from an unregulated provider to a licensed or registered provider of child care.

ple members from the intense publicity generated by national welfare reform throughout the study period. Thus, it seems likely that some members of the ANFC group may have been affected by this general message even if they understood that they were not subject to WRP's specific rules and requirements. Similarly, members of the two WRP groups may have been confused about the policies that applied to them, because they may have heard that the federal law includes different policies. The broad new "message" about welfare may have affected the number of people who applied for benefits, but the research design cannot measure such a change.¹¹ Finally, as discussed below, many of the broad changes in Vermont's welfare system in the 1990s applied to all three research groups. In sum, the evaluation's results represent a conservative estimate of the model's potential.

The Evaluation's Environment and the Target Population

When assessing WRP's effects, it is helpful to consider the environment in which the program was studied as well as the composition of the research sample.

The State of Vermont. Table 2 provides some basic information about the State of Vermont (and, for comparison, about the United States). As the table shows, Vermont is a small, mostly rural state with a racially homogenous population: 98 percent of its residents are white. In 1998, it ranked 49th among the 50 states in population, and its poverty rate was lower than the nation's average. Vermont's economy was exceptionally healthy: As the table shows, the state's unemployment rate remained below the national average throughout the study period.

Vermont's welfare grant levels are among the highest in the nation. In January 1997, the maximum welfare grant for a family of three with no other income was \$640.¹² Like most other states, Vermont experienced a significant decline in its welfare caseload in the late 1990s. The statewide caseload declined from about 9,900 in 1994 (the year that WRP began operating) to less than 6,000 in 2000 — a decrease of 39 percent. (Appendix Table A.1 presents Vermont's caseload size for selected years.)

The research districts. As noted earlier, MDRC's evaluation included data from all 12 welfare districts in Vermont but focused in detail on 6 of them, which are referred to as the *research districts*.¹³ The Burlington district includes Vermont's largest city and serves about one-fifth of the state's welfare caseload. The Barre, Rutland, and St. Albans districts include smaller cities or towns, while the Newport and Springfield districts are more rural. Together, the

¹¹The analysis could measure changes that occurred only after individuals were assigned to the research groups. Because the assignment occurred at the point people applied for welfare, the study could not determine whether WRP affected the number of people who took this step.

¹²The maximum welfare grant had increased to \$708 by January 2000.

¹³The research districts were selected by DSW; they were not chosen randomly.

Vermont's Welfare Restructuring Project

Table 2

Selected Demographic and Economic Characteristics of the State of Vermont and the United States

Characteristic	Vermont	United States
Total population (1998)	590,883	270,298,524
Rank among the 50 states (1998)	49	N/A
White population (1998) (%)	98.4	82.5
Rural population (1990) (%)	67.9	24.8
Median household income (1998) (\$)	36,196	37,779
Poverty rate (1998) (%)	9.9	12.7
Annual average unemployment rate (%)		
1994	4.7	6.1
1995	4.3	5.6
1996	4.6	5.4
1997	4.0	4.9
1998	3.4	4.5
1999	3.0	4.2
2000	2.9	4.0
2001	3.6	4.8
Nonfarm employment by industry (1995) (%)		
Manufacturing	16.7	15.8
Services	29.3	28.2
Transportation and public utilities	4.4	5.3
Government	16.7	16.5
Wholesale and retail sale	23.7	23.5
Construction	4.4	4.4
Finance, insurance, real estate	4.4	5.8

SOURCES: Gaquin and DeBrandt, 2000; *Statistical Abstract of the United States*, 1996, 1999, 2000 (state rank, rural population, poverty rate, and nonfarm employment by industry); U.S. Department of Labor, Bureau of Labor Statistics (unemployment rates).

NOTE: N/A indicates that data are not applicable.

Vermont's Welfare Restructuring Project

Table 3

**Selected Characteristics and Attitudes and Opinions of Single-Parent
Sample Members at the Time of Random Assignment**

Characteristic	Report Sample
<u>Selected characteristics</u>	
Gender/sex (%)	
Female	93.3
Male	6.7
Average age (years)	30.8
Average number of children	1.8
Age of youngest child (%)	
Under 3 ^a	36.9
3-5	22.8
6-12	29.7
13-18	10.6
Ever worked (%)	91.7
Ever worked full time for 6 months or more for one employer ^b (%)	61.6
Has a diploma or GED ^c (%)	73.1
<u>Client-reported barriers to employment</u>	
Among those not currently employed, the percentage who agreed or agreed a lot that they could not work part time right now for the following reasons: ^d	
No way to get there every day	40.6
Cannot arrange for child care	39.6
A health or emotional problem, or a family member with a health or emotional problem	32.8
Too many family problems	27.5
Already have too much to do during the day	25.5
Any of the above five reasons	75.7
<u>Client-reported expectations regarding employment</u>	
Percentage who agreed or agreed a lot that:	
It will probably take them more than a year to get a full-time job and get off welfare	58.6
They would take a full-time job today, even if the job paid less than welfare	25.7
If they got a job, they could find someone they trusted to take care of their children	79.3
A year from now they expect to be working	82.4
A year from now they expect to be receiving welfare	26.6

(continued)

Table 3 (continued)

Characteristic	Report Sample
<u>Client-reported attitudes toward welfare</u>	
Percentage who agreed or agreed a lot with the following statements:	
I feel that people look down on me for being on welfare	67.8
I am ashamed to admit to people that I am on welfare	60.6
Right now, being on welfare provides for my family better than I could by working	60.7
I think it is better for my family that I stay on welfare than work at a job	17.9
Sample size ^e	5,469

SOURCES: MDRC calculations using data from Background Information Forms and the Private Opinion Survey (POS).

NOTES: In most of the attitude and opinion item groupings, individuals could agree or agree a lot with more than one statement. Therefore, distributions may add up to more than 100 percent.

Invalid or missing values are not included in individual variable distributions.

Rounding may cause slight discrepancies in calculating sums and differences.

^aIncludes sample members pregnant with their first child.

^bFull-time employment is defined as 30 hours or more per week.

^cThe General Educational Development (GED) certificate is given to those who pass the GED test and is intended to signify knowledge of basic high school subjects.

^dPart-time employment is defined as a minimum of 10 hours per week.

^eThe sample size includes the 159 sample members who chose not to fill out a POS.

Data Sources, Samples, and Time Frame for the Analysis

Data sources. The WRP evaluation drew on a wide variety of data sources, including administrative records of public assistance payments, records of earnings reported to the unemployment insurance (UI) system, and an in-depth survey of sample members. Box 2 describes these and the evaluation's other data sources.

Evaluation sample. As discussed earlier, cash assistance applicants and recipients were randomly assigned to the three research groups throughout Vermont between July 1994 and December 1996. Shown in Figure 1, the 10,637 people randomly assigned during this period in

Box 2

Data Sources Used in This Report

Baseline data. Two brief baseline information forms — the Background Information Form (BIF) and the Private Opinion Survey (POS) — were completed just before each member of the research sample was randomly assigned.

Field research. MDRC staff visited each of the research districts approximately yearly between 1994 and 2001. During these visits, MDRC staff interviewed WRP line workers and supervisors, and they observed program activities.

Staff surveys. Written surveys were administered to virtually all welfare eligibility specialists and Reach Up workers in the research districts in mid-1996. A total of 82 eligibility workers and 72 Reach Up workers completed surveys (more than 90 percent of each staff).

Computerized administrative records. DSW provided computerized administrative records, including:

- **Cash assistance and Food Stamp records.** These data (drawn from the state's welfare computer system, ACCESS) record monthly cash assistance and Food Stamp payments issued to all sample members. The data cover the period from July 1992 — two years before the first random assignment — through June 2001.
- **Quarterly earnings data.** These data include sample members' quarterly earnings, as reported by employers in both Vermont and New Hampshire to those states' unemployment insurance systems. The data cover the period from the third quarter of 1992 through the second quarter of 2001.
- **Reach Up participation data.** These data record monthly participation in specific employment and training activities provided through Reach Up, the state's welfare-to-work program during the study. The data cover the period from July 1994 through June 2001.
- **Work requirement status data.** These data provide information on whether sample members were meeting the time-triggered work requirement.
- **Child care payment data.** These data record monthly child care assistance payments issued to all sample members. The data cover the period from July 1994 through June 2001.
- **Transportation and miscellaneous support services data.** These data record payments issued to sample members for transportation and services such as car repairs, relocation assistance, and work-related supplies. The data cover the period from July 1994 through June 2001.

42-Month Client Survey. A total of 1,872 sample members (1,256 single parents and 616 respondents from two-parent families) were interviewed by a subcontractor in 1998 and 1999, approximately 42 months after each person's random assignment date. The survey achieved an 80 percent response rate. Respondents answered a set of questions about employment, child outcomes, and other issues.

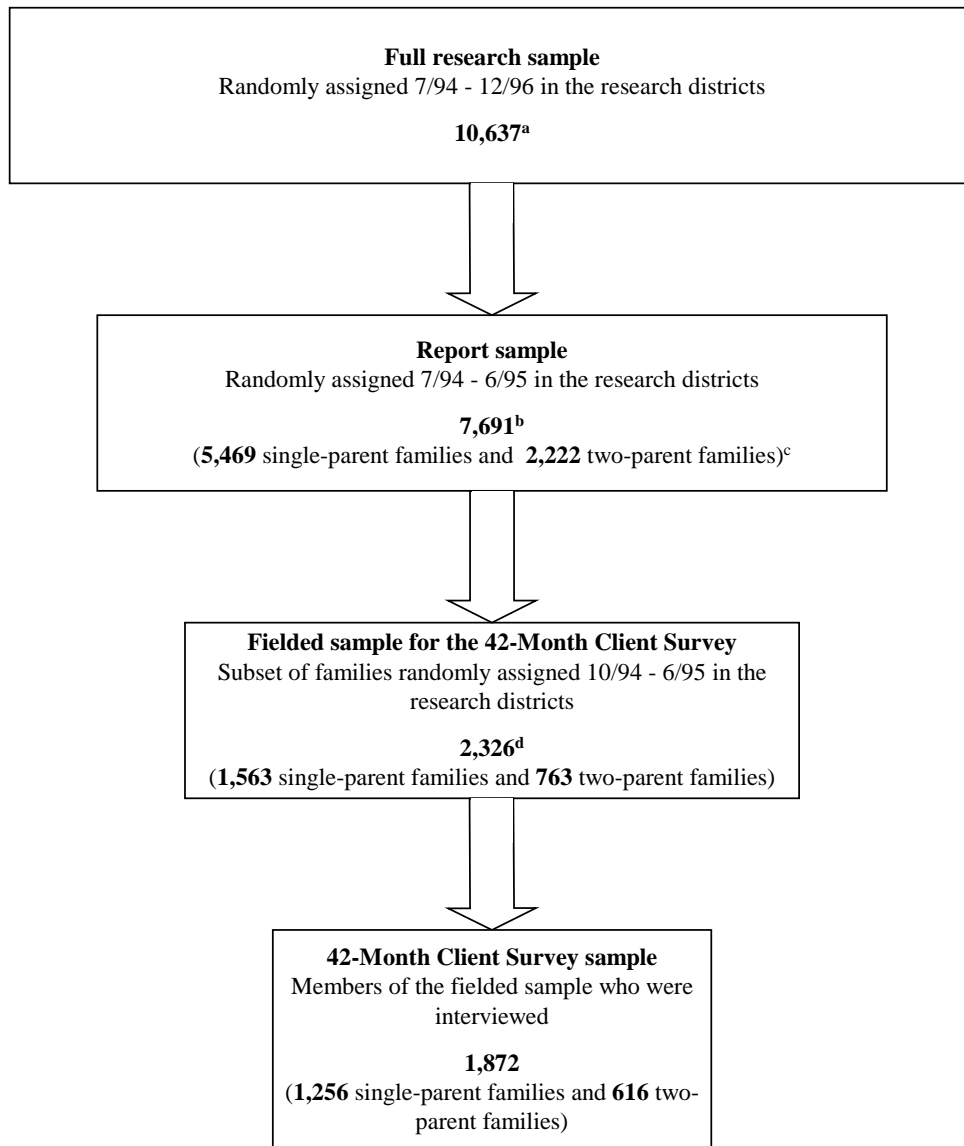
Community service employment (CSE) surveys. In 2000, surveys were administered to 81 CSE participants and to 79 CSE supervisors across the state of Vermont.

Program expenditure data from DSW. These data were used to estimate the costs of WRP and the ANFC program.

Vermont's Welfare Restructuring Project

Figure 1

Samples and Subsamples Used in This Report



NOTES: ^aThis figure excludes minor parents and cases with invalid Social Security numbers. Nonrelative caretakers are also excluded. The corresponding figure for the statewide sample is 17,175.

^bThe corresponding figure for the statewide sample is 12,183.

^cThe figure for two-parent families includes 1,652 ANFC-UP families and 570 families with an incapacitated parent.

^dThis figure does not include the 176 two-parent families who had an incapacitated parent.

the research districts are referred to as the *full research sample* for the WRP evaluation (The total sample, including cases randomly assigned outside the research districts, is 17,175.)¹⁶ However, the impact analysis presented in this report focuses primarily on a subset of these cases — the 7,691 people randomly assigned in the research districts between July 1994 and June 1995. This group is referred to as the *report sample*. It includes the entire “on-board” caseload in the research districts (people who were already receiving cash assistance when WRP began) as well as people who applied for assistance during the first year of WRP’s operations. (The report also includes some results for all cases randomly assigned between July 1994 and June 1995 throughout the state — a total of 12,183 cases — and for the cases in the research districts randomly assigned between July 1995 and December 1996.)

A subset of the sample members who were randomly assigned between October 1994 and June 1995 was selected to be surveyed about three-and-a-half years after entering the study (the *fielded sample* illustrated in Figure 1). Eighty percent of these sample members responded to the survey; these 1,872 individuals make up the *42-Month Client Survey sample*.

Most members of the report sample (71 percent) were single parents when they entered the study. The rest were members of one of two categories of two-parent families. The first category, in which both parents are able-bodied, received benefits through the ANFC-Unemployed Parent (UP) program. The second includes families in which a parent is incapacitated (“incap”). The report separately examines WRP’s effects for single parents and for each category of two-parent families. In general, WRP’s rules for the so-called incap two-parent families were similar to those for single parents, but the rules were quite different for ANFC-UP families. (WRP’s policies for two-parent UP families are described later.)

The impact analysis presented in this report is based on data from Vermont’s administrative records and the 42-Month Client Survey (see Box 2). Because the quarterly earnings data from the UI system cover through the second quarter of 2001, there are at least 24 quarters of post-random assignment earnings data available for each member of the report sample. In other words, 24 quarters (six years) elapsed between the date when the last member of the report sample was randomly assigned (June 30, 1995) and the last date for which earnings data are available (June 30, 2001). There are also six years of cash assistance and Food Stamp data available.¹⁷ As noted in Box 2, the client survey data cover the 42 months after each respondent’s date of random assignment. These follow-up periods are illustrated in Figure 2.

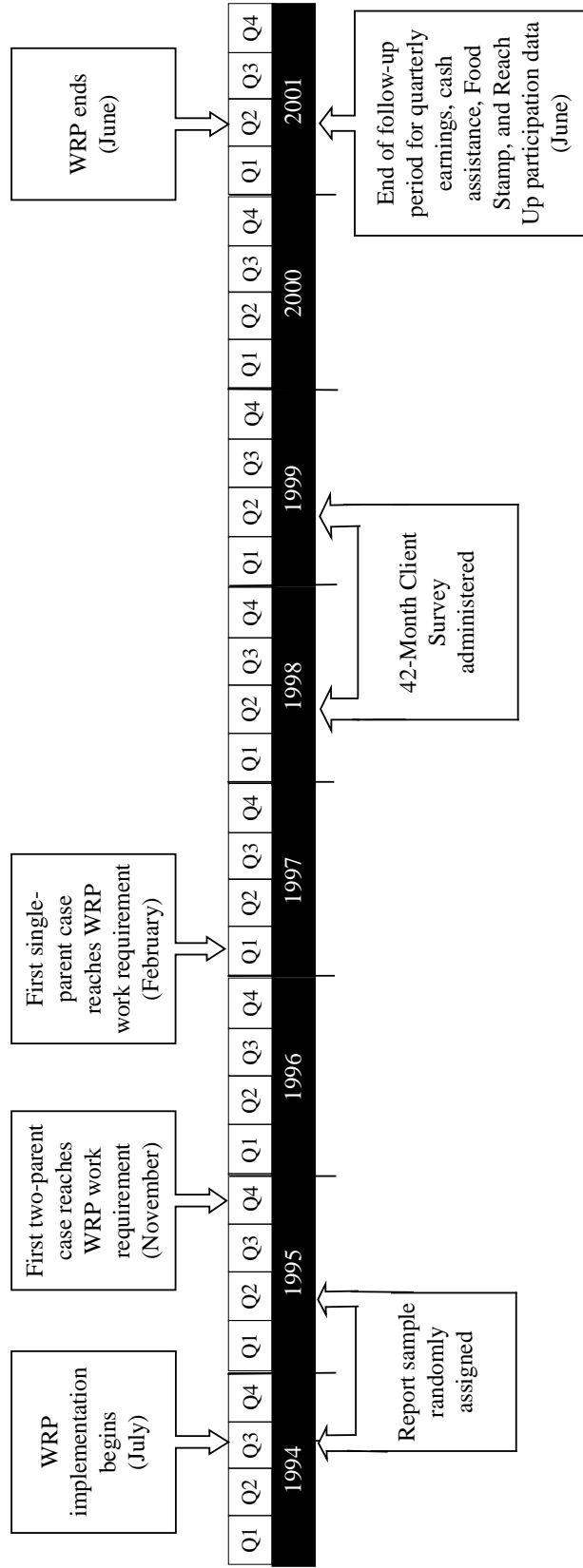
¹⁶Nonrelative caretakers, minor parents, and cases randomly assigned with invalid Social Security numbers were excluded from the research sample.

¹⁷Fewer months of follow-up are available for sample members who were randomly assigned after June 1995.

Vermont's Welfare Restructuring Project

Figure 2

Milestones in WRP's Implementation and Periods Covered by the Administrative Records and Survey Data Used in This Report



Third, the WRP group could have been motivated by the impending work requirement. Once again, staff did a good job of informing recipients about the requirement, but its potential effects on behavior are not clear. Some people might have responded by going to work sooner, knowing that they would have to find work eventually, while others might have taken the opportunity to enroll in education or training activities, which were still strongly encouraged through Reach Up. Staff reported that many recipients — perhaps confused by press reports describing the 1996 federal law or welfare changes in other states — believed that the time-triggered work requirement was actually a time limit on welfare benefits. (In fact, the policy was officially referred to as a “time limit” in the early years of the study, before the meaning of the term evolved to include only limits that canceled or reduced families’ benefits.)

Despite the modest treatment difference, Table 4 shows that the WRP group was somewhat more likely to participate in Reach Up even before anyone was required to do so. During Years 1 and 2, for example, 38 percent of the WRP group participated in a Reach Up activity, compared with 34 percent of the ANFC group. Although not very large, this difference is statistically significant (as indicated by the asterisks in Table 4), meaning that it is very likely that WRP really increased participation in Reach Up.

As expected, the difference between the WRP and the ANFC groups increased dramatically during Years 3 and 4, as some parents in the WRP group became subject to the work requirement. Thirty-four percent of the WRP group participated in Reach Up during that period, compared with 20 percent of the ANFC group. Almost all the increase was in job search and job-readiness activities, which were mandated for recipients approaching the work requirement.¹⁹ In addition, further analysis (Appendix Table B.1) showed that virtually all the effect was driven by the work requirement; the WRP Incentives Only group was no more likely than the ANFC group to participate in Reach Up.

In considering the participation rates in Table 4, it is important to note that Reach Up was available only to people who were receiving cash assistance. Figure 3 shows that the proportion of the WRP group receiving cash assistance dropped dramatically during the follow-up period. For example, in Month 24 — before anyone was required to participate or work — about 12 percent of the full WRP group were participating in a Reach Up activity (not shown on the table or figure). But since more than half the group were off welfare at that point, the participation rate among those receiving assistance was 25 percent. Given this pattern, it is not surprising that the participation rates for both groups were quite low in Years 5 and 6: Relatively few people were still receiving cash assistance by that time.

¹⁹As Appendix Table B.2 shows, rates of participation in Reach Up activities were relatively similar across the six research districts.

Vermont's Welfare Restructuring Project

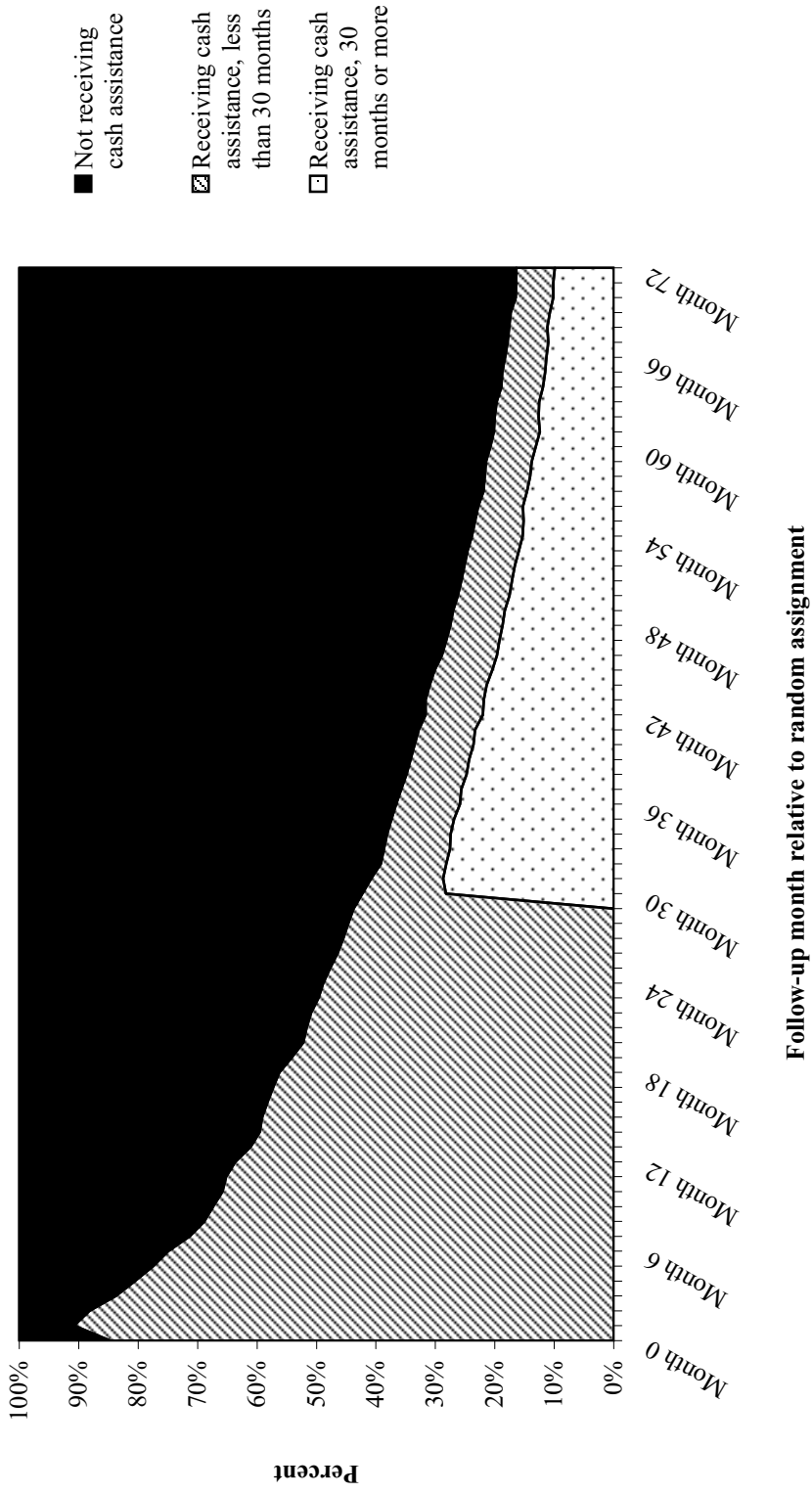
Table 4

Participation in Employment-Related Activities Within a Six-Year Follow-Up Period
for Single-Parent Sample Members

Activity	WRP Group (%)	ANFC Group (%)	Difference (Impact)	Percentage Change (%)
<u>Years 1-2</u>				
Ever participated in any activity	38.4	34.4	4.1 **	11.8
Ever participated in:				
Job search	17.0	14.2	2.8 **	19.6
Education and training	30.2	26.2	4.0 ***	15.2
Basic education	9.3	7.8	1.5 *	19.9
College	17.3	15.4	1.9	12.4
Vocational training	9.1	7.6	1.5	20.0
Work experience	6.7	5.5	1.2	21.8
Job readiness	11.1	8.7	2.4 **	27.7
Career counseling	1.5	1.1	0.4	35.9
<u>Years 3-4</u>				
Ever participated in any activity	33.5	20.0	13.6 ***	68.0
Ever participated in:				
Job search	24.6	7.9	16.7 ***	212.6
Education and training	17.6	14.9	2.7 **	18.1
Basic education	5.7	4.6	1.1	24.1
College	8.6	8.5	0.1	0.8
Vocational training	5.5	4.3	1.2	28.4
Work experience	2.7	3.2	-0.5	-16.0
Job readiness	9.4	5.3	4.1 ***	77.1
Career counseling	0.1	0.1	0.0	-28.0
<u>Years 5-6</u>				
Ever participated in any activity	19.8	13.9	5.9 ***	42.5
Ever participated in:				
Job search	13.1	7.1	6.0 ***	84.6
Education and training	7.7	8.1	-0.4	-4.8
Basic education	2.9	3.1	-0.3	-8.5
College	3.6	4.2	-0.6	-14.5
Vocational training	2.0	1.4	0.6	43.6
Work experience	1.4	1.1	0.2	20.1
Job readiness	4.5	4.0	0.5	13.6
Career counseling	0.0	0.1	-0.1 *	-100.8

(continued)

Vermont's Welfare Restructuring Project
 Figure 3
 Status of Single-Parent Families in the WRP Group



SOURCE: MDRC calculations using data from Vermont ANFC records.

position. The unemployment rate in the Newport area was higher than in the other districts throughout the study period.

The low demand for CSE slots could have been caused by lax enforcement of the work requirement, but MDRC's analysis indicates that this was not the case. In fact, few CSE slots were needed because relatively few recipients received welfare long enough to become subject to the work requirement, and most of those who were required to work were able to find unsubsidized jobs. In other words, the small number of CSE slots was a desirable outcome. Evaluations of welfare reform waiver projects in Delaware and Virginia — both of which required participation in work experience programs for welfare recipients who could not find jobs — also found that few slots were needed.²⁰

The bottom section of Figure 3 shows the proportion of the full WRP group that was potentially subject to the work requirement — that is, currently receiving cash assistance and past the 30-month point — in each month of the study period. As expected, virtually no one could have been subject to the work requirement before Month 30. The proportion peaked at about 29 percent shortly after Month 30 and then quickly declined. As the figure shows, the main reason why such a small fraction of the WRP group was potentially subject to the work requirement at any point is that most of the group had left welfare (the top section). In fact, less than half the WRP group accumulated 30 or more months of cash assistance receipt during the entire six-year study period. As will be discussed later, much of the decline in welfare receipt was not attributable to WRP, because the pattern looked quite similar for the ANFC group.

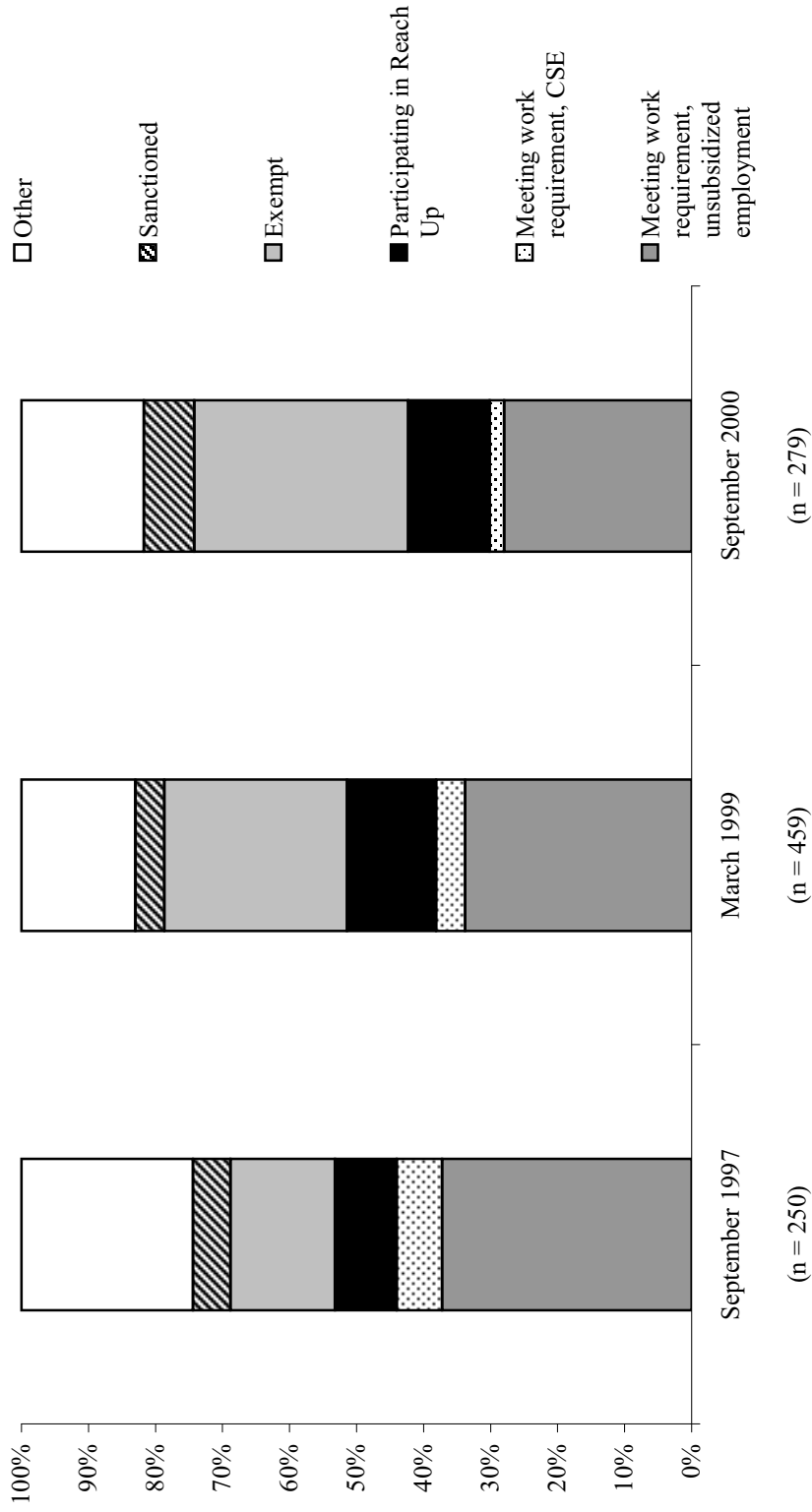
Figure 4 shows the status of the WRP group members who were past the 30-month point and receiving cash assistance in three specific months — September 1997, March 1999, and September 2000. In each month, between 16 percent and 32 percent of the recipients who were past the 30-month point were exempt from the work requirement. Most of the exemptions were granted to recipients with medical problems. Because no one was required to work initially, Vermont did not seek to identify exemptions until recipients approached the work requirement. Most medical exemptions had to be approved by a medical assessment contractor; they could not be granted by individual caseworkers. In addition, many of the exempt recipients were required to participate in rehabilitation, education, or training during the exemption. The proportion exempt increased over time, perhaps because the exempt recipients tended to accumulate on the rolls, while nonexempt recipients were more likely to exit over time. In inter-

²⁰In Virginia, where a work requirement took effect after just 90 days, only 5 percent to 7 percent of program group members participated in a community work experience position (see Gordon and James-Burdumy, 2002). In Delaware, the number of referrals for workfare assignments was half of what had been projected, and only 16 percent of those referred ever participated in workfare (Fein, Long, Behrens, and Lee, 2001).

Vermont's Welfare Restructuring Project

Figure 4

Status in Selected Months of Single Parents in the WRP Group Who Had Received at Least 30 Months of Cash Assistance



SOURCE: MDRRC calculations using data from Vermont ANFC records.

views, Reach Up staff noted that stigma or fear prevented some obviously incapacitated recipients from requesting an exemption.

A small fraction of recipients who were past the 30-month point (4 percent to 8 percent) were being sanctioned for noncompliance in each month. As noted earlier, there were no financial sanctions for single parents under WRP; rather, recipients who were sanctioned lost control of their grant and had to attend three meetings at the welfare office each month in order to continue receiving benefits. Eligibility staff consistently complained that this form of sanction was more onerous for staff (because of the increased work involved) than for recipients. However, many Reach Up staff reported that recipients did not want to incur such a sanction, which suggests that it may have motivated recipients to comply. Some staff also said that a sanction of this type could sometimes provide a needed “break” for a recipient who was going through a traumatic personal or family crisis.

About 30 percent to 45 percent of the recipients who were past the 30-month point (about 45 percent to 52 percent of those who were nonexempt) were meeting the work requirement, and the vast majority were in unsubsidized jobs. DSW and DET staff strongly sold the financial advantages of unsubsidized employment and tried to avoid using CSE unless necessary.²¹ In a booming labor market, with the large majority of recipients subject to a part-time work requirement, most parents were able to find an unsubsidized job.

Roughly 10 percent of recipients who were past the work requirement were participating in Reach Up, and the vast majority were in a job search activity. Under program rules, recipients who were past the 30-month point and lost a job (or left welfare and returned) were re-assigned to a two-month job search before being required to work. In a small number of cases, DET staff appeared to be favoring unsubsidized employment so strongly that they had allowed a recipient to continue searching for work past the 30-month point, when she or he should have been in a CSE position.

Finally, in a typical month, slightly less than 20 percent of the recipients who were past the 30-month point were in none of the appropriate statuses. MDRC conducted detailed reviews of case files to understand the status of those cases and found that few had fallen through the cracks. Many of the cases were quite dynamic, and, as a result, a substantial proportion of cases were between statuses at any point. For example, some parents were moving toward an exemption but had not yet obtained the needed documentation of their medical condition; staff seemed

²¹CSE positions always paid minimum wage. Also, the earned income disregard was more generous for those working in unsubsidized employment. Finally, recipients could satisfy the work requirement by working in unsubsidized employment for 75 percent of their total required hours.

in CSE, and large majorities reported that they did meaningful work and increased their skills. For example, 80 percent believed that the work they did was necessary for the company, and 90 percent were somewhat or very satisfied with their CSE position. Nearly 60 percent of respondents reported that they had worked in an unsubsidized job at some point since starting CSE.

Most CSE supervisors also reported positive experiences with the CSE program and felt that CSE workers were generally comparable to non-CSE employees doing similar work. Supervisors reported that they went beyond basic supervision to help participants address barriers to stable attendance on the job.

The results of the CSE participant and supervisor surveys are described in more detail in a separate report prepared by MDRC.²²

Effects for Single-Parent Families

This section presents the effects of WRP for individuals who were single parents when they entered the study. Administrative records of cash assistance receipt, Food Stamp receipt, and quarterly earnings in UI-covered jobs are available for all 5,469 single-parent sample members in the report sample. Six years of administrative records data are available for all sample members, which allows for an assessment of WRP's long-term impacts. Outcomes such as job characteristics, health coverage, and child outcomes were examined using survey data, which are available for 1,256 single-parent sample members who responded to the 42-Month Client Survey. (The survey achieved an 80 percent response rate.)²³

This section focuses on comparisons between outcomes for the WRP group and the ANFC group, which, as discussed earlier, show the effect of the full package of WRP services and requirements. The appendices present comparisons between the WRP Incentives Only group and the ANFC group (showing the impact of the financial incentives alone) and comparisons between the WRP group and the WRP Incentives Only group (showing the impact of adding the work requirement to the financial incentives).

²²Sperber and Bloom, 2002.

²³See Appendix C for the survey response analysis. Appendix C also presents other technical issues, including a comparison of the employment results based on UI data with results based on the 42-Month Client Survey; an analysis of the income sources for sample members with no income in the administrative records; an explanation of how MDRC estimated the tax-adjusted income; and a discussion of the rates at which the three groups of sample members reported their earnings to DSW.

Vermont's Welfare Restructuring Project

Table 5

Six-Year Impacts of WRP for Single-Parent Families

Outcome	WRP Group	ANFC Group	Difference (Impact)	Percentage Change (%)
Years 1-6				
Average quarterly employment (%)	52.0	46.5	5.5 ***	11.8
Average quarterly percentage receiving cash assistance (%)	43.1	44.9	-1.9 *	-4.1
Average quarterly percentage receiving Food Stamps (%)	54.8	55.7	-0.9	-1.7
Number of months of cash assistance received	29.4	30.9	-1.5 **	-4.9
Average annual earnings (\$)	6,005	5,497	508 ***	9.2
Average annual cash assistance payments (\$)	2,310	2,609	-299 ***	-11.5
Average annual Food Stamp payments (\$)	1,188	1,213	-25	-2.1
Average annual income from earnings, cash assistance, and Food Stamps (\$)	9,503	9,319	184	2.0
Average annual tax-adjusted income ^a (\$)	10,029	9,773	255	2.6
Sample size	3,271	1,110		

SOURCES: MDRC calculations using data from Vermont and New Hampshire unemployment insurance earnings records, Vermont ANFC records, and Vermont Food Stamp records.

NOTES: Dollar averages include zero values for sample members who were not employed or were not receiving cash assistance or Food Stamps. Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating sums and differences.

^aThis measure includes income from earnings, cash assistance, and Food Stamps; federal, state, and payroll taxes; and the federal and state Earned Income Credits.

ment rate for the WRP group was 10 percentage points higher than for the ANFC group (58 percent, compared with 48 percent).²⁷

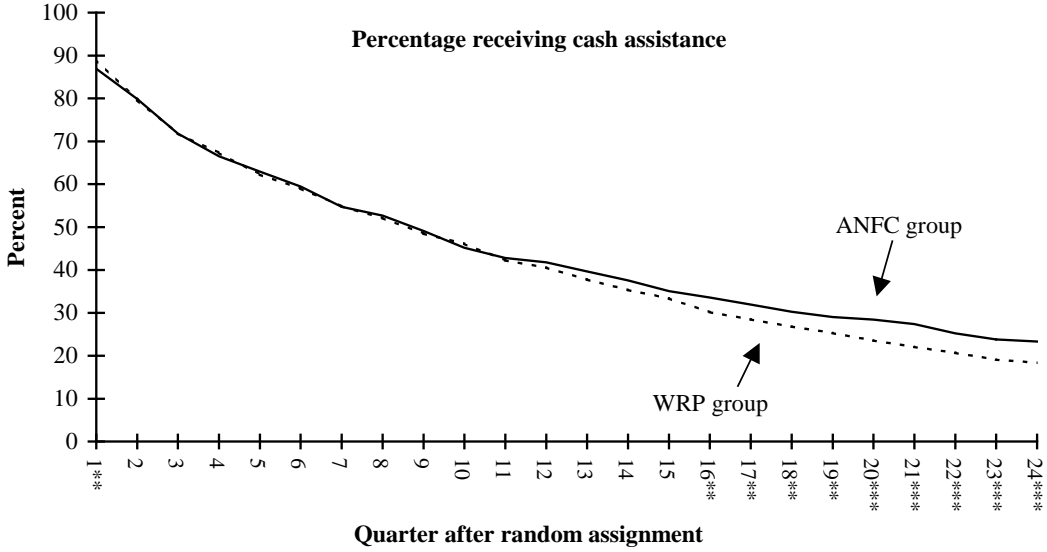
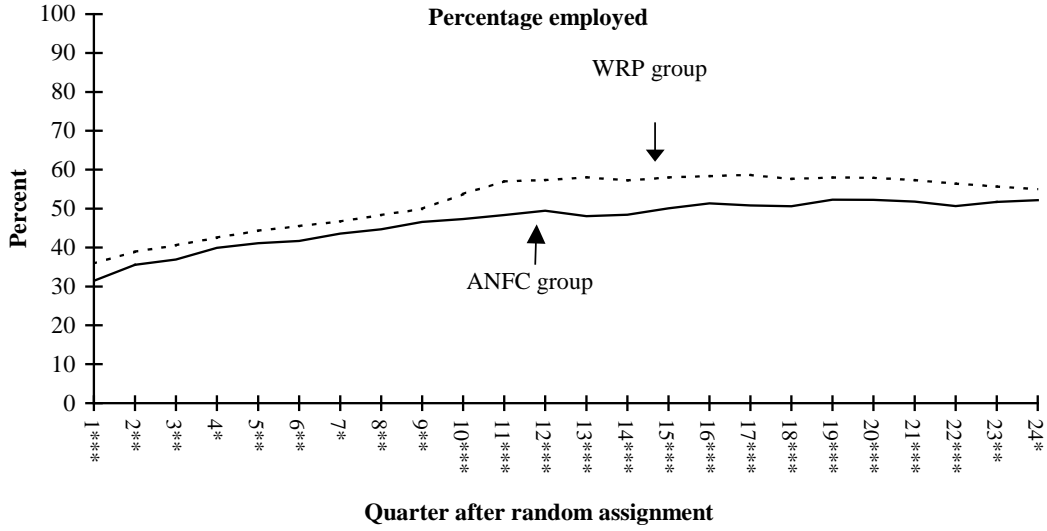
Table 6 makes a similar point by showing WRP's impacts for three follow-up periods: Years 1 and 2, before anyone was subject to the work requirement; Years 3 and 4, when many WRP group members reached the work requirement; and Years 5 and 6, the long-term follow-

²⁷Appendix Table D.2 presents WRP's effects on the three research groups' employment rates, earnings, cash assistance receipt and payments, and Food Stamp receipt and payments for each quarter of the follow-up period.

Vermont's Welfare Restructuring Project

Figure 5

Rates of Employment and Cash Assistance Receipt for Single-Parent Families



SOURCES: MDRC calculations using data from Vermont and New Hampshire unemployment insurance earnings records and Vermont ANFC records.

NOTE: A two-tailed t-test was applied to differences between the research groups. Statistical significance levels are indicated as: ***=1 percent, **=5 percent, *=10 percent.

Vermont's Welfare Restructuring Project

Table 6

Impacts of WRP for Single-Parent Families Over Time

Outcome	WRP Group	ANFC Group	Difference (Impact)	Percentage Change (%)
<u>Years 1-2</u>				
Average quarterly employment (%)	42.8	39.4	3.5 ***	8.8
Average quarterly percentage receiving cash assistance (%)	67.0	66.9	0.2	0.2
Average quarterly percentage receiving Food Stamps (%)	75.5	75.9	-0.4	-0.5
Average annual earnings (\$)	3,660	3,482	177	5.1
Average annual cash assistance payments (\$)	3,801	3,902	-101	-2.6
Average annual Food Stamp payments (\$)	1,650	1,659	-9	-0.6
Average annual tax-adjusted income ^a (\$)	9,681	9,563	117	1.2
<u>Years 3-4</u>				
Average quarterly employment (%)	56.2	48.7	7.5 ***	15.4
Average quarterly percentage receiving cash assistance (%)	39.2	40.6	-1.3	-3.3
Average quarterly percentage receiving Food Stamps (%)	52.0	53.3	-1.3	-2.4
Average annual earnings (\$)	6,306	5,593	713 ***	12.8
Average annual cash assistance payments (\$)	1,987	2,333	-347 ***	-14.9
Average annual Food Stamp payments (\$)	1,128	1,154	-26	-2.2
Average annual tax-adjusted income ^a (\$)	10,050	9,609	442 **	4.6
<u>Years 5-6</u>				
Average quarterly employment (%)	57.1	51.6	5.5 ***	10.7
Average quarterly percentage receiving cash assistance (%)	23.0	27.4	-4.4 ***	-16.0
Average quarterly percentage receiving Food Stamps (%)	36.8	38.0	-1.2	-3.2
Average annual earnings (\$)	8,050	7,415	634 **	8.6
Average annual cash assistance payments (\$)	1,142	1,591	-449 ***	-28.2
Average annual Food Stamp payments (\$)	787	827	-40	-4.8
Average annual tax-adjusted income ^a (\$)	10,355	10,148	206	2.0
Sample size	3,271	1,110		

SOURCES: MDRC calculations using data from Vermont and New Hampshire unemployment insurance earnings records, Vermont ANFC records, and Vermont Food Stamp records.

NOTES: Dollar averages include zero values for sample members who were not employed or were not receiving cash assistance or Food Stamps. Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating sums and differences.

^aThis measure includes income from earnings, cash assistance, and Food Stamps; federal, state, and payroll taxes; and the federal and state Earned Income Credits.

up period. The table shows that while WRP increased employment during all three parts of the follow-up period, the impacts were largest in Years 3 and 4, when the first WRP group members became subject to the work requirement. During this period, WRP increased average annual earnings by over \$700 (or 13 percent). WRP generated this gain because it increased the likelihood that sample members worked (it did not increase the amount that WRP group members earned when they were employed).²⁸

Over time, earnings grew substantially for employed sample members in both the WRP and the ANFC groups. For example, in Years 1 and 2, working WRP group members earned an average of \$8,551 per year; in Years 3 and 4, they earned an average of \$11,221 per year; and in Years 5 and 6, they earned an average of \$14,098 per year (not shown). This increase over time may reflect that sample members were working more hours, earning higher wages, or both.

Cash assistance receipt and payments. The lower panel of Figure 5 shows that WRP did not significantly decrease cash assistance receipt until the end of Year 4 of the follow-up period (Quarter 16). This may reflect that WRP group members who obtained jobs earlier in the follow-up period earned more over time and later became ineligible for welfare benefits.²⁹

Although WRP had no effect on cash assistance *receipt* (that is, on whether someone was on welfare or not) in Years 3 and 4, it began to significantly decrease cash assistance *payments*. In fact, as shown in Table 6, the program decreased average annual welfare payments during that period by 15 percent. This likely reflects that as the program increased earnings, average welfare grants among WRP group members were reduced but not closed. In Years 5 and 6, WRP reduced both cash assistance receipt and payments.³⁰ In the last quarter of the follow-up period, only 18 percent of the WRP group received cash assistance, compared with 24 percent of the ANFC group (not shown).

Income from earnings, cash assistance, and Food Stamps. Table 6 shows WRP's effects on total income from earnings, cash assistance, and Food Stamps, adjusted using estimated federal and state income taxes, payroll taxes, and the federal and state EICs.³¹ Although, as dis-

²⁸Appendix Table D.3 shows WRP's impacts on the distribution of sample members' earnings.

²⁹This is consistent with further analysis of employment and welfare statuses, which is presented in Appendix Table D.4. Early in the follow-up period, WRP's main effect was to increase work among sample members who were receiving welfare. After the large earnings increases in Years 3 and 4, WRP began to slightly increase the percentage of sample members who worked and did not receive cash assistance. The table also shows that, by the end of the follow-up period, WRP increased the proportion of sample members who were neither working nor receiving cash assistance.

³⁰When people receive cash assistance benefits, they must report to the welfare department how much they earn, so that the appropriate benefit amount can be calculated. Analysis presented in Appendix Table C.12 suggests that members of the WRP group were more likely to report their earnings to DSW than members of the ANFC group. It is not known how this affected the magnitude of the impacts.

³¹For more details on the effect of the EIC and on the method used to estimate it, see Appendix C.

