Impacts of the Virginia Initiative for Employment Not Welfare

Executive Summary

January 2002

Anne Gordon
Susanne James-Burdumy

Submitted to:
Virginia Department of Social Services
730 E. Broad Street
Richmond, VA  23219-1849

Submitted by:
Mathematica Policy Research, Inc.
P.O. Box 2393
Princeton, NJ  08543-2393
(609) 799-3535

Under Subcontract to:
Center for Public Administration and Policy
Virginia Polytechnic Institute and State University
7054 Haycock Road
Falls Church, VA  22043-2311

Project Director:
Anne Gordon
EXECUTIVE SUMMARY

Virginia’s welfare reform program—the Virginia Independence Program (VIP)—focuses on promoting work and family responsibility. VIP has two distinct components. The first involves eligibility requirements that differ from those under Aid to Families with Dependent Children (AFDC). These requirements were intended to encourage family responsibility. The second is the Virginia Initiative for Employment not Welfare (VIEW). VIEW is one of the nation’s strongest examples of a “work first” program, emphasizing rapid movement of public assistance clients into jobs. Overall, VIP has involved a substantial commitment to changing the “culture of welfare” both for program staff and for clients.

VIP eligibility requirements were implemented on July 1, 1995, after the program received waivers of federal AFDC program rules. VIEW was phased in by locality between July 1995 and October 1997.¹ In 1996, the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) replaced AFDC with a block grant for Temporary Assistance for Needy Families (TANF). Having already shifted its AFDC program to a temporary assistance program with employment as its central focus, Virginia implemented TANF in February 1997 with minimal modifications to VIP.²

The VIP eligibility requirements include:

- Stronger requirements for cooperation with child support enforcement
- Cap on benefits for children born more than 10 months after assistance is authorized
- Age-appropriate immunizations for children
- Compliance with school attendance laws
- Determination of benefits for two-parent families using the same standards as those for single-parent families

¹During most of this period, one or two Economic Development Districts (EDDs)—contiguous groups of 2 to 13 localities—implemented VIEW each quarter. Based on early success, implementation was speeded up, with roughly half the state’s localities implementing VIEW in either July or October 1997.

²For simplicity, this report uses the term TANF to refer to Virginia’s cash assistance program, unless pre-VIP policies are explicitly being discussed.
Key provisions of VIEW, which applies to able-bodied parents with no child under the age of 18 months, include:

- Signing of an Agreement of Personal Responsibility as a condition for receiving benefits
- Required job search for 90 days or until employed, followed by mandatory work either through regular employment or participation in the Community Work Experience Program (CWEP), which involves work in a nonprofit or public setting in exchange for benefits
- Full family sanctions (complete loss of benefits) for noncompliance
- A 24-month time limit on TANF benefits
- A generous earned income disregard, which allows families to continue to receive their full TANF grant as long as their net earned income plus TANF benefits remains below the federal poverty line
- Supportive services, including subsidized child care, transportation assistance, and Medicaid, while on TANF and for one year after the TANF case closes

GOALS OF THE REPORT

This report describes the early and midterm impacts of VIP and VIEW. To study the impacts of VIP, the Virginia Department of Social Services (VDSS) ran VIP as an experiment in five localities: the cities of Lynchburg, Petersburg, and Portsmouth, and the counties of Prince William and Wise. As soon as VIP was implemented in July 1995, VDSS began randomly assigning both new and existing cases in those localities to either an experimental group or a control group. All experimental cases were covered by VIP eligibility policies. They were enrolled in the VIEW work component (unless exempt) when VIEW started in their area. Control group cases remained subject to the old AFDC policies and received employment-related services only under the old Job Opportunities and Basic Skills (JOBS) program.

The purpose of random assignment was to create a situation in which people in the experimental group were similar to those in the control group, on average, in all respects except for whether they were covered by VIP policies. The random-assignment evaluation design allows us to attribute differences in outcomes between the experimental and control groups to the VIP reforms with the maximum level of statistical confidence.

Failure to sign the Agreement of Personal Responsibility results in case closure. Failure to comply with the job search or work requirements after signing the agreement results in a 100 percent sanction for a minimum period. During the sanction period, the sanction months count toward the 24-month time limit unless the client chooses to close the case.
This report addresses four questions:

1. **How does the VIEW component of VIP affect program activities and services used?**
   How do client experiences in VIEW differ from client experiences in JOBS, in terms of their overall participation in activities, the types of activities they engaged in, the frequency with which they were sanctioned, and their use of child care assistance?

2. **What economic outcomes are observed for VIEW cases?**
   What are the trends over time in key outcomes—employment, earnings, TANF participation, TANF benefits, Food Stamp Program participation, food stamp benefits, and total income—for VIEW cases?

3. **What is the impact of VIEW on economic outcomes?**
   How do the outcomes for those in VIEW differ from what they would have been had these clients remained subject to the old AFDC/JOBS program?

4. **How does the impact of VIEW vary among the demonstration sites?**
   Why do impacts vary?

These questions focus on the impacts of VIEW, because the previous impact report (Gordon and Agodini 1999) showed that the VIP eligibility reforms by themselves had no impacts on these outcomes. Thus, we refer to the impacts of VIEW rather than the impacts of VIP as a whole.

In October 1997, VDSS started bringing the control group under VIP/VIEW policies, as the state no longer needed to operate VIP under a federal waiver. This transition took about six months. Thus, comparisons of the experimental and control groups for the period starting in October 1997 no longer indicate the full effects of VIEW. Instead, they reveal the effects of longer exposure to VIEW versus recent enrollment. Almost certainly, such estimates understate the true impacts of VIEW relative to earlier policies. Nonetheless, the results from these quarters provide useful information. In particular, it is only during this period that we can examine the effects of the 24-month time limit on TANF benefits for VIEW enrollees.

**EVALUATION DESIGN**

Because the previous report showed that VIP eligibility policies without VIEW had no impacts on the outcomes of interest, the sample for this report includes only cases in the three sites that implemented VIEW during the experimental period—Lynchburg, Petersburg, and Prince William. In addition, the sample for this report includes only cases in the VIEW sites likely to be mandatory VIEW participants, based on their characteristics (such as the age of the youngest child) at the time of random assignment. The expectation was that VIEW impacts were likely to be concentrated in this group. This imputed “VIEW-mandatory” status was computed the same way for experimental and control cases.
Thus, this report focuses on the experiences of 2,444 mandatory cases that were receiving AFDC on July 1, 1995, in Lynchburg, Petersburg, or Prince William. At that time, half were randomly assigned to the experimental group, and half were assigned to the control group. Outcome data were available on these cases for 14 quarters, from July 1, 1995, to December 31, 1998. These data are from the administrative records of VDSS or the Virginia Employment Commission (VEC).

KEY FINDINGS

The following are the key findings during the period before any cases had reached the two-year time limit:

C VIEW quickly increased employment, largely by increasing the proportion of clients who both worked and received TANF.

C VIEW had no impact on TANF participation and benefits when averaged across the three sites.

When the time limit began to affect experimental cases who remained on TANF, the following was observed:

C TANF participation and benefits were generally lower for experimental cases than for control cases after the time limit took effect or even just before.

C Although control cases were phased into VIEW during this period, employment effects persisted, and the time limit may be one of the reasons for this.

IMPACTS ON PARTICIPATION IN EMPLOYMENT-PREPARATION ACTIVITIES

Among cases likely to be mandatory for VIEW, the program’s impact on participation rates in employment-preparation activities and on sanction rates indicates that VIEW was implemented as intended and that it represented real change from JOBS.

C VIEW led to a much higher participation rate in employment-preparation activities. All VIEW-mandatory experimental clients had to participate in an employment-preparation activity right away if they were not already employed. JOBS-mandatory control clients could remain on a waiting list for employment services indefinitely.
C Job search accounted for most of the higher activity participation rate under VIEW. When they entered VIEW, all VIEW-mandatory clients not yet employed had to participate in job search or face sanction. JOBS-mandatory clients either had other options or were on a waiting list.

C CWEP participation rates were low for both the experimental and the control groups. VIEW clients who do not find work within 90 days must participate in CWEP, and this requirement has been enforced. Nonetheless, because most VIEW clients found unsubsidized employment, nine percent, at most, of mandatory clients were enrolled in CWEP annually. During the experimental period, VIEW significantly increased CWEP placements in only one site.

C Although VIEW was expected to lead to lower levels of participation in education and training, the difference was less than expected. Among the three VIEW sites, control cases in Lynchburg had a higher rate of participation in education activities than experimental cases. However, in Petersburg, the experimental group had a higher rate of participation in education and training, and in Prince William, the two groups had similarly low levels of participation.

C VIEW led to more sanctions for not participating in employment services. In all three VIEW sites, there was a significant difference between experimental and control cases in sanction rates for failure to participate in employment services. VIEW’s strong job search and work requirements were major reasons. Sanctions were more common under VIEW despite their more severe consequences.

IMPACTS ON EMPLOYMENT AND EARNINGS

As expected, VIEW led to higher employment rates and earnings for mandatory VIEW cases. Several aspects of VIEW were expected to increase employment. These include the expanded earnings disregard, the 90-day work requirement, the two-year time limit on receipt of TANF benefits, and enhanced transitional child care eligibility.

The key findings on employment and earnings are:

C VIEW led to higher average employment rates. In all three VIEW sites, more experimental cases than control cases worked in most quarters. In the quarters after VIEW was implemented and before the discontinuation of control group policies in each VIEW site, employment rates were from 5 to 13 percentage points higher among experimental cases than among control cases. After control policies ended, impacts for the full VIEW sample declined slightly in magnitude but remained significantly higher than those of the control group in three of the five quarters.
**VIEW also increased average earnings.** In many VIEW experimental quarters, average quarterly earnings were higher for experimental cases than for control cases. However, the impact on earnings in each site was less consistent than the employment impact and was not always statistically significant. Nonetheless, even after control policies ended, the experimental group as a whole earned significantly more than the control group in two of the five quarters.

**Impacts persist after the discontinuation of control group policies.** This persistence is noteworthy, since after control policies ended, members of the control group who remained on TANF were subject to VIEW policies. There are a number of potential explanations for the persistence of the impacts. Adults in experimental cases may have already found employment, while controls who were newly subject to the VIEW policies may have just begun moving into employment. Because they started working sooner, the experimental cases who were working could be earning more than the control cases who were working. In addition, reaching the time limit may have led more experimental cases to work or to work more hours.

**Impacts may be understated because of data limitations.** Data used for this analysis are from VEC earnings records. These data do not capture self-employment, federal employment, or employment outside Virginia. As a result, impacts may be understated, particularly in Prince William, since Prince William is near the District of Columbia, Maryland, and several military bases.

**IMPACTS ON TANF AND FOOD STAMPS**

In the short term, VIEW reduced TANF participation, TANF benefits, and Food Stamp Program benefits among mandatory cases in some quarters, in some sites.

**During the VIEW experimental period, VIEW’s mixed incentives for leaving TANF had no effect in two sites but reduced participation and benefits in one site.** For the full VIEW sample—the sample comprising mandatory cases from Lynchburg, Petersburg, and Prince William—no significant differences in TANF benefits or participation existed during the VIEW experimental period. Although TANF participation and benefits were significantly lower in Petersburg in several quarters, they were about the same or insignificantly higher in Lynchburg and Prince William, leading to no effects on average. The cross-site difference in impacts may be due to Petersburg VIEW staff placing more emphasis on the time limit in discussions with clients than staff in other sites did.

**The 24-month time limit reduced TANF participation overall and especially in Lynchburg, the first site to implement VIEW.** Experimental cases in Lynchburg, who began to reach the 24-month time limit in the last five quarters of the follow-up period, had significantly lower TANF participation rates and benefits during those quarters than control cases, who would not be subject to the time limit for another two years.
C VIEW led to lower Food Stamp Program benefits in the full VIEW sample, since VIEW led to higher earnings but did not, on average, reduce TANF benefits. These effects did not persist after the end of control group policies. In addition, VIEW did not significantly affect Food Stamp Program participation in the full VIEW sample or in any of the sites.

IMPACTS ON WORK/TANF COMBINATIONS AND TOTAL INCOME

During the VIEW experimental period—the period after the implementation of VIEW and before the end of control group policies—mandatory experimental and control cases combined work and TANF participation in significantly different ways. Nonetheless, VIEW appears to have had little effect on total incomes, as declines in food stamp benefits partly offset increased earnings.

The major findings concerning VIEW’s impacts on work/TANF combinations and total income are:

C In the period before the time limit applied, in the full VIEW sample and in Lynchburg, VIEW increased the proportion of clients who worked and received TANF. The larger earnings disregard offered through VIEW allowed most experimental clients who worked to continue to receive a TANF benefit. Thus, in the period before the two-year time limit took effect, more experimental cases than controls combined work and welfare. After the time limit took effect, this pattern reversed in Lynchburg and in the three sites combined.

C VIEW reduced the percentage of clients on TANF and not working. Fewer experimental cases than control cases received TANF and did not work in each of the three sites and in the full VIEW sample.

C Before the time limit applied, VIEW increased the percentage of clients both working and off TANF in Petersburg. This is because Petersburg was the only site in which VIEW led to lower TANF participation before the time limit. No significant effects were found in the full VIEW sample. However, after the time limit began to apply, the percentage of experimental clients working and off TANF was higher in both Lynchburg and Petersburg.

C VIEW had little impact on total income from work, TANF, child support, and food stamps. For the full VIEW sample, incomes of experimental and control cases were significantly different during two early quarters. Experimental cases generally had slightly higher incomes than control cases, but effects were not statistically significant after VIEW

4Thus, experimental cases had larger cash incomes than control cases, which automatically reduced their Food Stamp Program benefits.
implementation in any site. Higher earnings for experimental cases were partially offset by lower food stamp benefits. As cases began to reach the time limit, this result did not change.

**IMPACTS ON CHILD CARE SUBSIDIES**

VIEW child care policies were designed to make child care subsidies available to all clients who need them. Most TANF clients are single parents with young children, so they need to find adequate and affordable child care so that they can work. Under the JOBS program, participation in work or work-preparation activities was limited in part by lack of child care funding. To make VIEW’s work requirement viable for all mandatory cases, Virginia substantially increased funding for child care (Pavetti et al. 1999). In addition, VIEW made it easier for those who left TANF to qualify for transitional child care. At the same time, child care funding for working parents not on welfare was also increasing, and these funds were available to both experimental and control group families who took jobs.

Key findings on the use of child care subsidies include:

C **Under VIEW, more families received some type of child care subsidy.** Experimental cases also received higher average subsidy amounts than control cases. Subsidies counted include child care subsidies for families on TANF, transitional child care for those whose TANF cases had closed within the past 12 months, and other state-administered subsidies.

C **Under VIEW, child care subsidies for cases still on TANF increased substantially.** More experimental cases than control cases combined work and TANF. A larger proportion of experimental cases thus received TANF child care subsidies to support their movement into work. TANF subsidy amounts were also higher for experimental cases than for control cases.

C **Impacts on post-TANF child care subsidies were scattered and inconsistent over time and across sites.** In general, experimental and control cases were equally likely to receive a subsidy. The amounts received by experimental cases were sometimes higher and sometimes lower than amounts received by control cases.

---

5Before VIEW, transitional child care was restricted to cases closed because of earnings. VIEW expanded eligibility to those who closed their cases voluntarily. In addition, VIEW ended the requirement that a client had to have received benefits in three of the six months before the case closed in order to receive transitional child care.
CONCLUSION

As discussed further in the full report, the findings from the VIEW impact study accord reasonably well with those from other studies of programs that combine time limits with generous earnings disregards. All these programs have been successful in increasing employment and earnings of participants, a primary goal. The policies implemented unambiguously encouraged work.

All these studies suggest that, in the short term, before the time limit is reached, programs that combine time limits and generous disregards do not usually decrease TANF participation and benefits. The extra benefits available to participants when they go to work seem to be at least as attractive as the months of eligibility they could be saving. The results for Petersburg, however, indicate that caseworkers who put a strong emphasis on the time limit may be able to persuade clients to leave TANF more quickly. After the time limit applies, the effect of these programs is generally to reduce TANF participation and benefits, as some who would otherwise have remained on TANF have their cases closed. Further studies of the role of caseworkers in affecting how clients balance time limits and earnings disregards could be of interest.