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## **The ABC Evaluation**

### **Turning the Corner: Delaware's A Better Chance**

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*Prepared for*  
Delaware Health and Social Services  
Division of Social Services  
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## EXECUTIVE SUMMARY

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In September 1999, Delaware's A Better Chance Welfare Reform Program (ABC)—one of the nation's first comprehensive, statewide welfare reforms—reached the end of its first four years. The milestone is significant as the point after which recipients began reaching ABC's 48-month, full-family time limit. This report summarizes evaluation findings for ABC's early years, a period extending through early 1999. Upcoming reports will cover ABC's last two years, when the State made some important changes in the program.

This report is one of a series that Abt Associates has provided as part of a continuing evaluation of ABC for the State of Delaware.<sup>1</sup> The study began in 1995 as a random assignment evaluation, then required as a condition for federal approval to waive Aid to Families with Dependent Children (AFDC) rules. Delaware discontinued the experiment in early 1997, when the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) lifted the federal evaluation requirement. As documented in this report, important treatment-control differences nevertheless have persisted well beyond the official end of the experiment and afford useful insights into the impacts of welfare reform.

Findings provided here summarize the early challenges Delaware faced in implementing ABC, and welfare recipients' experiences over roughly a two-and-a-half-year follow-up period.<sup>2</sup> The study finds that Delaware implemented a strict, work-oriented program that fundamentally altered the State's welfare system. In refashioning its cash welfare program, the State's Department of Health and Social Services' Division of Social Services (DSS) made many basic changes in policies and procedures, administrative arrangements, and services. Delaware strongly enforced Contracts of Mutual Responsibilities requiring clients to participate in work activities and meet specified parenting responsibilities. The program had a number of significant impacts on clients, of which the most striking was a reduction in welfare use. Thanks to Delaware's strong economy and no-nonsense work program, the vast majority of clients went to work during at least part of the follow-up period. However, few participants achieved economic independence within the study period, and the majority still was struggling to make ends meet.

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<sup>1</sup> To date, the evaluation has issued reports on a variety of topics, including: initial implementation (Fein and Thompson 1996), early economic impacts (Fein and Karweit 1997), program enrollment trends (Fein and Lee 1999a), financial sanctions (Fein and Lee 1999b), public opinion (Fein 1999a), school attendance provisions (Fein *et al.* 1999), and impacts on marriage and fertility (Fein 1999b).

<sup>2</sup> The follow-up horizon covered by this report allows us to examine experiences after early ABC enrollees began reaching the program's 24-month time limit, but does not cover recent months when families first could reach the 48-month limit.

## **ABC POLICIES**

In developing ABC, Delaware sought to transform welfare from an open-ended entitlement to a transitional program promoting economic self-sufficiency and responsible parenting. To make welfare transitional, the State placed a four-year cumulative limit on how long families could receive assistance. During the first two years, the policies required participation in activities emphasizing rapid job entry (such as job readiness and job search). Clients using up their first 24 months of assistance and still needing support could continue on welfare only by participating in a Workfare program that paid benefits in proportion to hours worked.

The State also created other policies and services to promote employment and engagement in ABC work activities. A “fill-the-gap” provision rewarded work and cooperation with child support enforcement, by reducing the effective “tax” on earned income and child support payments by about half. Delaware substantially increased child care funding and expanded Medicaid coverage for poor working families. Welfare recipients who did not comply with ABC’s work requirements faced stiff financial sanctions, with grant reductions progressing rapidly to case closure on continued non-compliance.

ABC also added a series of financial penalties and incentives to promote desired parenting behaviors. Penalties included sanctions for failure to attend a parenting education class, ensure children are up-to-date on their immunizations, ensure children are maintaining satisfactory school attendance, or seek information from a family planning provider. The program also shifted responsibility for childbearing decisions to recipients through a “family cap” eliminating the traditional grant increase when welfare recipients have babies. Finally, ABC strengthened child support enforcement and expanded eligibility for cash assistance to two-parent families to help bring fathers back into the picture as providers and parents.

## **DATA SOURCES**

Analyses in this report are based on fieldwork and analysis of statistical data covering roughly the first three years after ABC’s October 1995 start-up. Qualitative data sources include a series of site visits to local welfare offices and service providers, interviews with program managers, and two focus groups (in March 1999) with clients reaching time limits. Quantitative analyses mostly are based on observations for 3,959 single-parent families enrolled in the ABC demonstration in five pilot offices during the program’s first year. As part of the original experiment, all of these families were randomly assigned either to be subject to ABC (2,138 families) or to be in a comparison group (1,821 families) remaining under traditional AFDC rules. Statistics in this report are derived from a wide range of data sources, including a

background survey administered at intake; administrative data from automated (cash welfare, unemployment insurance, and child welfare) systems; a client follow-up survey administered by telephone approximately one year after random assignment; and program data obtained from MAXIMUS Inc., the Workfare service provider.

## **FINDINGS FOR THE FIRST 24 MONTHS OF ABC ASSISTANCE**

Delaware succeeded in effecting an ambitious overhaul of its traditional welfare program. In implementing policies and services applying to clients' first 24 months of time-limited assistance, the State developed a new set of services focused on immediate employment, substantially expanded access to child care and Medicaid, and enforced a wide-ranging series of new requirements intended to foster responsible parenting.

The changes were not accomplished without difficulty. Program managers had to solve many administrative and coordination challenges, not the least of which were to develop new inter-agency partnerships, and communicate the new policies and procedures clearly to line staff. Line staff generally supported the new policies, but often disagreed with the details and—in the case of Employment and Training case managers—were unhappy with what they felt was a substantial reduction in their ability to provide individualized case management and services.

Statistics show that staff strongly enforced ABC's work and parenting provisions. Three-quarters of clients assigned to the ABC group participated in ABC work activities or combined unsubsidized employment with welfare at some point in the two years after random assignment. Most of the remaining one quarter either left welfare within a year after random assignment or received a financial sanction for non-compliance with work requirements. Many clients also received financial sanctions for not complying with ABC's parenting requirements.

The net effect was a modest positive increase in employment in clients' first year in the program. In the last quarter of the first year, 49 percent of clients in the ABC group were employed, compared to 43 percent of those in the comparison group, with earnings displaying similar proportionate gains. It is not possible to measure ABC's full impact after the first year, because the State began enrolling former comparison group members in the program at about that time.

One treatment-control difference that did continue throughout ABC's second year was a large difference in sanction receipt and sanction-induced case closures. During ABC's second year, sanctions forced case closures for 19 percent of the ABC group, but only two percent of the comparison group. As a result, experimental impact estimates show net welfare receipt and payments for the ABC group fell much faster than for the comparison group after the first year

of follow-up. In the last quarter of the second year, 31 percent of the ABC group was receiving cash assistance, compared with 39 percent of the comparison group.

In contrast, employment and earnings impacts completely vanished after the first year of follow-up. Given that the experimental impact on employment and training receipt also nearly vanished in the second year, these findings do not rule out the possibility that the program overall continued to have a modest positive impact on these outcomes. At the same time, the absence of employment and earnings impacts in the presence of benefit reductions suggests that clients did not increase their work effort in response to income lost to sanctions.

Impacts on economic outcomes were more favorable for clients with fewer disadvantages initially than for those with more disadvantages. ABC-induced welfare reductions were small—and mostly offset by positive (though not always statistically significant) earnings gains—for clients with more education, no need for transportation help, and less prior dependency. In contrast, the program generated substantial benefit reductions without countervailing earnings increases in the second year for clients who had less than twelve years of completed education (payments \$506 lower for ABC than comparison group); said they needed help with transportation (payments \$546 lower); and had received welfare for at least three of the preceding five years (payments \$478 lower).

The ABC policies led to slightly higher rates of child neglect during portions of the follow-up period but had no overall effects on child abuse. More intensive analyses reported elsewhere (Fein and Lee 2000) shows that subgroups with increased neglect tended to represent more socioeconomically disadvantaged families. The separate report also shows small reductions in child abuse in some subgroups, with no clear relation to socioeconomic disadvantagedness.

## **FINDINGS FOR THE SECOND 24 MONTHS OF ABC ASSISTANCE**

The State also designed and implemented a Workfare program for clients who had used up their first 24 months of assistance. By the end of ABC's third year (September 1998), 17 percent of clients had reached the initial 24-month limit among first-year enrollees who were time-limited. The Workfare program allowed clients to receive up to 24 additional months if they worked in a community service position or an unsubsidized job. The welfare agency and original contractor ably executed the policy. However, in several respects the program did not unfold as anticipated.

The initial vision of Delaware's welfare reform initiative anticipated a substantial flow of clients into Workfare positions. Workfare contractor staff were to "devote significant

resources to ensuring that participants are performing their Work-for-Your-Welfare functions successfully and that placements are providing participants with the skills needed to obtain unsubsidized employment.” They were to help participants plan transportation options, develop cooperative agreements with community-based organizations for use of vans and buses to transport participants to Workfare assignments and child care facilities, and help participants in other ways surmount the transportation, child care, and other potential barriers to successful Workfare participation.

Many fewer clients actually held Workfare positions than expected, and these tended to be placed in low-skill community service jobs such as serving food in soup kitchens and sorting clothes for community organizations. Only 16 percent of all single-parent clients referred to the program by December 1998 after reaching the 24-month time limit ever participated in a Workfare activity. Many more appear to have opted for unsubsidized employment. Clients who did participate generally did not feel that the assignments provided useful work experience training, transportation, or pathways to good jobs.

The original vision for Workfare, which anticipated a larger volume of referrals to employers, was probably unrealistic. Performance incentives in the original Workfare contracts placed an overwhelming emphasis on job placements and retention rather than case management and employability development. By heavily tilting financial incentives and other pressures in favor of regular jobs, Delaware made it more likely that clients would opt for unsubsidized employment and unlikely that they would choose to participate in Workfare.

Compared with clients who left welfare voluntarily before reaching time limits, those who reached ABC's 24-month time limits had less education and work experience, more transportation problems, and greater child care needs. At the same time, many had made at least some effort to better themselves. A majority (80 percent) worked at a regular job for at least 20 hours per week and a similar fraction (76 percent) participated in ABC work activities before reaching time limits.

At the end of ABC's third year, most members of the evaluation's original treatment group were not earning enough to leave poverty, regardless of whether they were in the majority (83 percent) who had left welfare, or the minority (17 percent) who reached time limits by September 1998. Personal stories related in focus groups with recipients reaching time limits suggest that many of these families were having difficulty making ends meet. At the same time, the fortunes of some had improved substantially: 20 percent of treatment group members were off welfare and earning enough to bring their families to the poverty line.

Since the time period covered by this report, Delaware has made a number of important changes in its welfare policies and services. Future evaluation reports will assess these changes. Upcoming analyses also will examine changes in family income in greater depth and over a longer follow-up horizon.