The Indiana Welfare Reform Evaluation:

Program Implementation and Economic Impacts After Two Years

Executive Summary

November 1998

Prepared for
Division of Family and Children Family and Social Services Administration
402 W. Washington, Street
Indianapolis, IN 46207

Prepared by
David J. Fein
Erik Beecroft
William Hamilton
Wang S. Lee
Abt Associates Inc.

Pamela A. Holcomb
Terri S. Thompson
Caroline E. Ratcliffe
The Urban Institute
EXECUTIVE SUMMARY

In May 1995, Indiana became one of the first states to implement a statewide welfare reform including many of the provisions now in wide national currency—a “Work First” approach, time limits on adults’ eligibility for cash assistance, a social contract, sanctions for failure to meet parenting responsibilities, and a cap on assistance to children conceived on welfare. The goals of the program—developed under the administration of Governor Evan Bayh and continued under the current Governor, Frank O’Bannon—are to increase clients’ employment, decrease reliance on welfare and increase self-sufficiency, make work more financially rewarding than public assistance, encourage responsible parenting, and develop working partnerships with local government and businesses.

As a condition for receiving federal waivers then needed to change the State’s Aid to Families with Dependent Children (AFDC) program, the Indiana Family and Social Services Administration (FSSA) agreed to conduct a rigorous evaluation of the implementation, impacts, and cost-effectiveness of its reform. Abt Associates Inc., in partnership with the Urban Institute and Indiana University, began work on the evaluation in December 1995. After passage of federal welfare reform legislation—the Personal Responsibility and Work Opportunities Reconciliation Act of 1996—the evaluation was no longer federally mandated; however, the State of Indiana chose to continue the evaluation. This report summarizes findings on the program’s implementation and impacts on economic outcomes based on two years of follow-up for families that entered the demonstration in the first year of the new program. Later reports will assess impacts over a longer follow-up interval and wider array of outcomes.

National interest in Indiana’s reform was provoked when the State registered the largest AFDC caseload decline in the country—38 percent—from January 1994 to December 1996. High fractions of welfare recipients also went to work: during the first two years after they became subject to welfare reform, 79 percent obtained employment. At the same time, Indiana’s economy was booming, and rapidly declining unemployment rates fueled speculation that the welfare outcomes might have more to do with the State’s economy than with its welfare reform.

Findings in this report confirm that welfare reform did contribute to increases in work and decreases in welfare receipt in Indiana, generating moderate gains in participants’ earnings and reductions in welfare payments. These impacts were limited to those clients to whom the State initially targeted its most intensive policies—those who were job-ready and did not have very young (under age three) children. The program’s full impacts may have been somewhat larger than those
reported here, as the experiment was designed to capture only those reform provisions requiring waivers. Results showing increased earnings and decreased welfare payments suggest that welfare reform encouraged some clients to take steps toward financial independence. Nevertheless, in spite of the program’s accomplishments, the majority of adults in the program were not earning enough at the end of the two-year follow-up period to move their families above the federal poverty line. Future analyses will assess whether impacts intensified once clients began reaching Indiana’s two-year time limits, and whether impacts broadened with expansion of policies to less job-ready clients and those with younger children after mid-1997.

**WELFARE REFORM IN INDIANA**

An understanding of how Indiana’s welfare reform was implemented is essential to interpreting its impacts. The following sections summarize findings on implementation from the evaluation’s process study.

**The State’s Employment and Training Program Shifted to a Work First Model.**

Evidence from the evaluation’s process study suggests a key success was the shift to a vigorous “Work First” service approach from an education and job training-based model. The Work First approach seeks to place clients in jobs as quickly as possible, regardless of the nature or compensation of the work. The motivation behind Work First is that work, in any job, provides experience and that, once recipients are employed, they will be in a better position to advance to better jobs.

Indiana accomplished this shift through several channels. First, the State made several basic changes in services available through the Indiana Manpower Placement and Comprehensive Training (IMPACT) program: increasing funding for—and participation in—job search/job readiness activities while reducing the emphasis on education and training; linking payments to desired performance outcomes (for example, job placements) in service contracts; and expanding local discretion in contracting decisions. Second, Indiana expanded exposure to the IMPACT program and Work First message among welfare recipients by requiring all mandatory clients to be formally assessed for “job-readiness,” and then assigning those found job-ready to a separate track subject to

---

1 IMPACT was Indiana’s Job Opportunities and Basic Skills Training (JOBS) program until federal welfare reform legislation abolished JOBS in 1996.
Executive Summary

During the first phase of its reform (through June 1997), Indiana continued to grant IMPACT exemptions to single parents with children under age three and most other clients who met federal JOBS program exemptions. This analysis was done by the Urban Institute for the U.S. Department of Health and Human Services as part of a study of Work First strategies. See Pamela Holcomb et al., *Building an Employment Focused Welfare System: Work First and Other Work-Oriented Strategies in Five States* (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1998).

Local office administrators and front-line staff consistently told evaluation interviewers that office culture had been substantially altered by these changes and were largely supportive of policies designed to decrease dependency and increase employment and self-reliance. Local staff credited, among other things, the establishment of job placement goals and increased local contracting authority as key factors in cultural change. In a statewide survey of local office directors in Summer 1997, the vast majority of respondents indicated that local office staff had shifted their focus towards welfare reform goals. Ninety four (94) percent of local office directors indicated that there had been a “significant” (49 percent) or “moderate” (45 percent) shift in focus of eligibility caseworkers toward personal responsibility features. The shift in focus of IMPACT caseworkers, called family case coordinators, toward Work First was even more pronounced—85 percent noted a “significant” shift in focus, and 12 percent noted a “moderate” shift.

Visits to eight counties and a mail survey of local office administrators statewide suggest implementation of several other components of work services was less successful, namely: case management, school attendance, and “enhanced intake.” Local IMPACT workers reported new workload demands meant they had less, not more, time to work with individual clients under the new reform. The quality of implementation and enforcement of school attendance provisions varied substantially across counties visited. Finally, site visits suggested an enhanced intake process intended to promote alternatives to welfare during the application period generally was not implemented.

Analysis of a sample of clients referred to IMPACT in May 1996 in Marion and Scott Counties points to strong enforcement of mandatory participation. One year after referral, only 7 percent of the group had received welfare for most of the year and had not been assigned to an activity, sanctioned, or employed at some point. Thus, although only 32 percent received an IMPACT assignment, substantial employment, sanctioning, and case closures account for the vast majority of those who did not.

---

2 During the first phase of its reform (through June 1997), Indiana continued to grant IMPACT exemptions to single parents with children under age three and most other clients who met federal JOBS program exemptions.

3 This analysis was done by the Urban Institute for the U.S. Department of Health and Human Services as part of a study of Work First strategies. See Pamela Holcomb et al., *Building an Employment Focused Welfare System: Work First and Other Work-Oriented Strategies in Five States* (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1998).
Statistics on patterns of IMPACT participation for those clients who received an IMPACT assignment confirm staff reports of a shift to Work First. In 1994, the majority of IMPACT participants were assigned to education activities, with a much smaller fraction assigned to work activities (mainly job search/readiness). By May 1996, one year after the demonstration began, the situation had reversed, with a much smaller proportion of clients assigned to education than to job search.

Indiana Implemented a Two-Track Service Model for More and Less Job-Ready Clients.

One of the most distinctive features of Indiana’s initial welfare reform model was its establishment of very different policies for clients who were and were not determined to be “job-ready.” IMPACT family case coordinators (FCCs) used a new uniform assessment tool to score each mandatory client’s job readiness. Factors determining the scores included work experience, education and training, family problems, and social supports—with work experience weighted most heavily. FCCs assigned clients with scores above a specified threshold to a “Placement Track,” where they were subject to a special set of policies and expectations aimed at rapid job entry.4

Policies unique to the Placement Track included: requiring up-front job search and at least 20 hours of work activity participation weekly; stricter sanctions for non-participation and the addition of sanctions for voluntarily quitting a job without good cause; a 24-month lifetime time limit on adults’ eligibility for cash assistance; and incentives designed to support work.5

Clients who scored below the job-readiness threshold were assigned to a “Basic Track.” This group was allowed to meet its 20-hour weekly IMPACT participation requirement through education and training activities with minimal up-front job search, and was not subject to other special policies.6

Statistics reveal that the assessment generated groups whose characteristics were markedly different. For example, clients in the Placement Track were substantially more likely to have

---

4 Of 19,311 assessed clients in the first year of the demonstration (May 1995 to April 1996), 62 percent were assigned to the Placement Track and 38 percent were assigned to the Basic Track. During the first year, only 59 percent of mandatory clients were assessed: due to lengthy backlogs early in the program, many clients left welfare or became exempt before they could be assessed. Since mandatory clients were 54 percent of the overall caseload, the 62 percent of assessed clients assigned to the Placement Track represented only 20 percent of the 60,908 adults subject to welfare reform rules in the program’s first year.

5 Financial incentives included: (1) a “zero-grant” provision that extended eligibility for supportive services after increased earnings resulted in a zero AFDC grant payment, and (2) a “fixed grant” provision that disregarded earnings increases beyond initial earnings against the grant. Indiana did not adopt “earnings disregards” such as those used in many other states.

6 Clients in the Basic Track were to be re-assessed every twelve months, or upon job entry.
completed 12 or more years of school (76 percent) and to have worked in the six months before random assignment (49 percent) than those in the Basic Track (39 percent and 35 percent, respectively). Members of the Placement Track also were less likely to be nonwhite (38 percent) and living in highly urbanized areas (31 percent) than members of the Basic Track (46 percent and 47 percent, respectively).

In the IMPACT program, Placement Track members were substantially more likely to have received assignments to work activities (51 percent) by May 1997 than Basic Track members (29 percent), although the two groups experienced similar rates of assignment to education and training activities (28 and 25 percent, respectively). The two groups were equally likely to receive sanctions for noncompliance.

Some Signs Suggest Time Limits’ Influence on Behavior Will Grow.

One year into the reform (in May 1996), interviewers found local staff widely skeptical that Indiana’s 24-month time limit for adults would increase efforts to become self-sufficient. Staff reported that time limits seemed remote to recipients who typically faced far more pressing day-to-day problems; that removal of only the adult’s (rather than the entire family’s) eligibility on reaching the limit was not a strong motivator; and that some clients reported skepticism about the State carrying through with enforcement when the time came. Both eligibility and IMPACT workers reported that they informed their clients about the policy, but generally did not give it as much emphasis as some other reform provisions.

Results of an early 1997 telephone survey suggest that word about time limits did reach most clients. A large majority (83 percent) of recipients (and former recipients) in the Placement Track said that someone from the welfare office had told them that they only would be eligible for two years of cash benefits. On the other hand, a sizeable majority (68 percent) from the Basic Track—who were not subject to the 24-month limit—also said they had been told they were subject to the 24-

---

7 Some clients received assignments to both work activities and education and training activities, and a substantial proportion of Placement and Basic Track clients were not assigned to any activity by May 1997.

8 Statewide administrative data on sanctions were not available at the time this report was prepared. Among respondents to an early 1997 survey of 1,593 current and former recipients, 19 percent of those in the Placement Track and 22 percent of those in the Basic Track reported they had received IMPACT sanctions. IMPACT sanctions for the Placement Track were imposed for minimum durations of 2, 12, and 36 months upon a first, second, and third offense, respectively. In contrast, sanctions for clients in the Basic Track (and those who were randomly assigned to the Traditional Welfare group for evaluation purposes) are lifted immediately upon compliance (that is, no minimum duration) and otherwise last only up to three and six months upon a second or third offense, respectively. Both kinds of sanction resulted in the adult’s loss of eligibility for both cash assistance and Medicaid for the duration of the sanction.
Executive Summary

month limits. This finding reinforces reports from other states of widespread confusion about the details of time limits.\(^9\)

Local office directors had a different view: 74 percent of those responding to a statewide mail survey in summer 1997 cited time limits as a major contributor to increased work effort. This difference in perceptions of the time limit may be because the first clients were beginning to reach the 24-month limit at that time or because, effective October 1996, Indiana had adopted the federal full-family, five-year time limit in addition to its own 24-month limit for adults. Or, it may be that local office directors believe time limits are more influential than front-line staff believe the limits are.

By December 1997, the State had imposed grant reductions for 978 families who had reached the 24-month point.\(^10\) Preliminary descriptive analyses show that total cash payments to these families fell by 43 percent in the ensuing three months, partly due to removal of the adult’s portion of the grant and partly because some left assistance entirely. Case closure rates also appear to have accelerated among families reaching time limits, suggesting that reaching the limit may have led some families to leave TANF sooner than they would have without the adult time limit.

Indiana Implemented Personal Responsibility Agreements (PRAs), but the Program’s Emphasis on Parenting Responsibilities Was Not as Forceful as its Emphasis on Work.

A year after the reform began, the agency had successfully integrated the PRA into the eligibility intake process. Staff reported few problems meeting the added paperwork requirements associated with signing the form or using new supports in the automated system to record compliance and/or noncompliance with PRA provisions. However, May 1996 site visits found many workers were not spending substantial time emphasizing the PRA. Initial discussion of the form often was perfunctory, and the quality of subsequent follow-up varied substantially with the specific provisions.

Of the PRA provisions, implementation seems to have been strongest for the immunization requirement, likely because it enjoyed strong support from staff and was fairly easy to document, and because services were widely available. On the other hand, local staff reported substantial difficulties in establishing systems for monitoring and enforcing the school attendance provision in the face of varying attendance policies across school districts, and noted that they had received relatively little guidance on reconciliation procedures from the Central Office.

---


\(^10\) By December 1997, only two extensions to time limits had been requested.
Although staff generally reported they were informing clients about the family cap, they expressed substantial reservations about both the need for and efficacy of this provision. Further, most staff noted that they did not regularly discuss family planning services and a number were uncertain whether doing so was an appropriate, or even allowable, part of their job. Staff ambivalence towards the family cap had little bearing on the provision’s enforcement, since it was applied automatically by the computer system. By December 1997, 3,418 children in 3,285 active assistance groups (eight percent of the caseload) were ineligible due to the family cap policy.

The variability in implementation of PRA-related provisions is reflected in the impressions they made on clients. By early 1997, only 68 percent of clients first subject to the PRA during the first year of Indiana’s reform could recall having signed the PRA, although administrative records consistently show very high rates (over 90 percent) of compliance. Although 80 percent of clients with young children said they had been told about the immunization requirement, only 28 percent of those with school-aged children recalled being told about the school attendance requirement. An intermediate percentage—55 percent—acknowledged having been told about the family cap.

Given the passage of time between the events in question and the survey interview (which occurred after many had left welfare), these statistics do not necessarily indicate that workers were not communicating the requirements to these clients. The statistics do strongly suggest that penetration of the message was quite variable across PRA provisions, however.

**Impacts and Related Findings**

The evaluation is using a classical experimental design to assess the degree to which Indiana’s reform has improved outcomes for welfare recipients. This design randomly assigns every family to either a “Welfare Reform group” or a “Traditional Welfare group” at the point they first would be subject to welfare reform (“demonstration enrollment”). Families in the Welfare Reform group are fully subject to the new provisions of welfare reform, whereas those in the Traditional Welfare group remain under the pre-reform policies. Program impacts are estimated by calculating the difference between average outcomes for the two groups over time. This difference can be confidently attributed to the program, since the two groups contain the same kinds of people and experience the same social and environmental conditions.

---

11 Indiana’s original federal waivers required, in conjunction with the family cap provision, that the State offer clients help in finding family planning services at the time of intake or redetermination.

12 The survey occurred on average 17 months after recipients had enrolled in the demonstration.

13 Usually, the first office visit for eligibility (re)determination after May 1995.
The analysis measures impacts for statewide random samples of families assigned during the first eight months (May 1995 through December 1995) of the program to the Welfare Reform (14,836 families) and Traditional Welfare (2,841 families) groups. Key economic outcomes were measured for 24 months following demonstration enrollment, including monthly TANF and food stamps eligibility and payments (using data from the Indiana Client Eligibility System, ICES) and quarterly employment and earnings (using data from Unemployment Insurance system wage records). A survey of 1,593 clients conducted at the end of the first year of follow-up also collected more detailed information on work and welfare experiences.

Because the experiment was not designed to assess the effects of several potential reform influences, the impact estimates capture only part of the impacts of Indiana’s welfare program. The State began emphasizing a Work First message to AFDC recipients in January 1995, five months before random assignment began. Although this was a change in emphasis more than policy, it may have had some effect on clients’ behavior that was not captured by the random assignment design. Second, although ICES strictly enforced the embargo on application of key waiver provisions (for example, PRA sanctions, exposure to the two-track system, time limits), many Traditional Welfare group members may nonetheless have believed they were subject to these provisions. Finally, the impacts exclude any influence the reform may have had on eligible families’ initial decisions to apply for welfare (through what they may have heard from friends, family, or the media). Although results do not necessarily capture the entire influence of Indiana’s reform, they do nonetheless represent important differences in welfare reform exposure and as such have substantial relevance to policy.

A substantial fraction of survey respondents in the Traditional Welfare group indicated that “someone in the welfare office” had told them they were subject to one or more of the new requirements. For example, 53 percent said they had signed the PRA, 36 percent said they had been told about the family cap, and 43 percent (of IMPACT-mandatory clients) said they had been told they were subject to a two-year time limit. Substantially larger proportions of Welfare Reform group members reported exposure to these provisions: 68 percent, 55 percent, and 69 percent, respectively. Given that respondents actually received information about the reform from many places and may not have remembered the details of their office visits very clearly, responses from either group cannot be taken as accurate reflections of what clients actually did or were told. The general impression these statistics convey is that the demonstration achieved a substantial—though far from perfect—distinction in perceived exposure to key waiver provisions. It should be re-emphasized that, perceptions notwithstanding, the actual prohibitions against imposing PRA sanctions, the family cap, and time limits on the Traditional Welfare group all were strictly enforced by ICES throughout the follow-up period.

An important measure of what is captured by the random assignment design is differences in employment and training participation between the Welfare Reform and Traditional Welfare groups. Thirty-five (35) percent of IMPACT-mandatory clients randomly assigned to the Welfare Reform group and 26 percent of those assigned to the Traditional Welfare group in the first year of the reform had received at least one IMPACT assignment by May 1997. The difference between the two groups is larger for the percent receiving assignments to work activities (27 and 19 percent, respectively) than the percent with assignments to education or training activities (18 and 15 percent). Automatic IMPACT referral, the new assessment policies, and a greater emphasis on work activities for Placement Track members likely contributed to these differences. For those Welfare Reform group members who actually received a Placement-Basic Track classification (59 percent of all mandatory clients), the percentages ever assigned were substantially higher. Sixty (60) percent of those in the Placement, and 41 percent of clients in the Basic Track received
Many Recipients Subject to the Indiana Reform Worked and Many Left Welfare Over the Two-Year Follow-Up Period.

Over the two-year follow-up horizon, very high fractions of adults subject to Indiana’s welfare reform took jobs and left welfare. Nearly four in five adult recipients (79 percent) worked at some point during the two-year follow-up period, and 85 percent left welfare for at least two months during the follow-up period. Comparisons with welfare recipients in strong economies elsewhere suggest that Indiana’s employment and welfare exit rates have been unusually high.\(^{16}\)

Although clients assessed as job-ready were somewhat more likely to have worked (82 percent) than the caseload on the whole, high fractions of IMPACT-mandatory clients assessed as not job-ready (76 percent) and exempt clients (77 percent) also worked. The statistic for IMPACT-exempt clients may in part be an indication of the strength of Indiana’s economy during the follow-up period, since practically none of these recipients received work services through the welfare agency.\(^{17}\)

Welfare Reform Contributed to Increases in Employment and Decreases in Welfare in Indiana. Impacts Were Concentrated Among Job-Ready Recipients Without Young Children.

Comparing outcomes for randomly-assigned Welfare Reform and Traditional Welfare groups clearly establishes that Indiana’s reform was responsible for a portion of the observed movement towards self-sufficiency. Across the caseload, average total earnings were five percent greater and TANF payments were seven percent lower than they would have been absent the reform over the two-year follow-up period (see last column of Exhibit ES.1).


\(^{17}\) Although suggestive of a strong economy, these statistics alone cannot rule out an influence for welfare reform, since clients who were exempt from IMPACT or mandatory and found not job-ready still could have been spurred to work by their caseworkers or by what they heard about welfare reform through friends, the media, and other channels.
Impacts were substantially larger than this among job-ready clients without young children—that is, families assigned to the Placement Track. For such clients, total earnings were 17 percent greater and TANF payments were 20 percent lower than among members of the comparison group (see bottom panel of Exhibit ES.1). On average, the Welfare Reform group received $1,374 more in earnings, $582 less in TANF payments, and $497 less in food stamps than the comparison group over the two-year follow-up period. Proportionate impacts on the number of quarters with employment are nearly as large as those for average total earnings, suggesting that the latter derived more from an increase in the number of people working than increases in hours worked or wages received by those who worked.

Anecdotal evidence suggests that both positive responses to work services and negative reactions to new requirements and penalties underlie the observed impacts. In a small mail survey conducted in December 1996, 26 percent of respondents whose cases had closed (69 of 266 respondents) said their exits were influenced by welfare reform. When asked to check items from a list of possible reasons, a high fraction of the 69 clients said welfare reform “helped me to find a job” (44 percent) or “helped me to feel I could succeed on my own” (45 percent). However, high proportions also indicated they left because their “welfare check was reduced because of a new rule” (59 percent) or because they “wanted to avoid new welfare requirements” (31 percent).

There is little evidence of statistically significant impacts for IMPACT-mandatory clients who were not job-ready or for clients who were exempt from IMPACT (mostly for care of a child under age three). As noted previously, clients who were not job-ready (and assigned to the Basic Track) were less likely than those in the Placement Track to receive job placement services and were not subject to the 24-month time limit, strengthened sanctions, or the zero-grant and fixed-grant provisions of Indiana’s reform. Clients who were exempt from employment and training rarely received IMPACT services, although they were subject to parenting responsibility provisions specified in the Personal Responsibility Agreement.
### Exhibit ES.1
Summary of Two-Year Impact Findings for All Clients and Clients Assessed as Job-Ready Without Young Children

<table>
<thead>
<tr>
<th>Sample and Outcome</th>
<th>(1) Welfare Reform Group</th>
<th>(2) Traditional Welfare Group</th>
<th>(3) Impact (1)-(2)</th>
<th>(4) Percent Impact [(3)/(2)]*100</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Clients</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Total Earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td>$3,010</td>
<td>$2,820</td>
<td>$190***</td>
<td>6.7</td>
</tr>
<tr>
<td>Year 2</td>
<td>4,334</td>
<td>4,147</td>
<td>187**</td>
<td>4.5</td>
</tr>
<tr>
<td>Years 1-2</td>
<td>7,344</td>
<td>6,967</td>
<td>377**</td>
<td>5.4</td>
</tr>
<tr>
<td>Average Number of Quarters with</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment Years 1-2</td>
<td>3.9</td>
<td>3.7</td>
<td>0.2***</td>
<td>5.4</td>
</tr>
<tr>
<td>Average Total AFDC/TANF Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td>$1,752</td>
<td>$1,840</td>
<td>$-88***</td>
<td>-4.8</td>
</tr>
<tr>
<td>Year 2</td>
<td>980</td>
<td>1,082</td>
<td>-102***</td>
<td>-9.4</td>
</tr>
<tr>
<td>Years 1-2</td>
<td>2,732</td>
<td>2,923</td>
<td>-191***</td>
<td>-6.5</td>
</tr>
<tr>
<td>Average Number of Months with AFDC/TANF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments Years 1-2</td>
<td>10.1</td>
<td>10.5</td>
<td>-0.4**</td>
<td>-3.8</td>
</tr>
<tr>
<td>Average Total Food Stamp Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td>$1,927</td>
<td>$1,985</td>
<td>$-58*</td>
<td>-2.9</td>
</tr>
<tr>
<td>Year 2</td>
<td>1,449</td>
<td>1,488</td>
<td>-39</td>
<td>-2.6</td>
</tr>
<tr>
<td>Years 1-2</td>
<td>3,376</td>
<td>3,473</td>
<td>-97**</td>
<td>-2.8</td>
</tr>
<tr>
<td>Average Number of Months with Food Stamps</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments Years 1-2</td>
<td>12.3</td>
<td>12.7</td>
<td>-0.4***</td>
<td>-3.1</td>
</tr>
<tr>
<td>Sample Size</td>
<td>14,836</td>
<td>2,841</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Continued)
## Exhibit ES.1 (Continued)
Summary of Two-Year Impact Findings for All Clients and Clients Assessed as Job-Ready Without Young Children

<table>
<thead>
<tr>
<th>Sample and Outcome</th>
<th>(1) Welfare Reform Group</th>
<th>(2) Traditional Welfare Group</th>
<th>(3) Impact (1)-(2)</th>
<th>(4) Percent Impact [(3)/(2)]*100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job-Ready Clients Without Young Children</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Total Earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td>$3,954</td>
<td>$3,139</td>
<td>$815***</td>
<td>26.0</td>
</tr>
<tr>
<td>Year 2</td>
<td>5,503</td>
<td>4,944</td>
<td>559**</td>
<td>11.3</td>
</tr>
<tr>
<td>Years 1-2</td>
<td>9,457</td>
<td>8,083</td>
<td>1,374***</td>
<td>17.0</td>
</tr>
<tr>
<td>Average Number of Quarters with Employment Years 1-2</td>
<td>4.4</td>
<td>3.9</td>
<td>0.5***</td>
<td>12.8</td>
</tr>
<tr>
<td>Average Total AFDC/TANF Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td>$1,560</td>
<td>$1,879</td>
<td>$-319***</td>
<td>-17.0</td>
</tr>
<tr>
<td>Year 2</td>
<td>779</td>
<td>1,043</td>
<td>-264***</td>
<td>-25.3</td>
</tr>
<tr>
<td>Years 1-2</td>
<td>2,339</td>
<td>2,921</td>
<td>-582***</td>
<td>-19.9</td>
</tr>
<tr>
<td>Average Number of Months with AFDC/TANF Payments Years 1-2</td>
<td>9.0</td>
<td>10.6</td>
<td>-1.6***</td>
<td>-15.1</td>
</tr>
<tr>
<td>Average Total Food Stamp Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td>$1,843</td>
<td>$2,121</td>
<td>$-278***</td>
<td>-13.1</td>
</tr>
<tr>
<td>Year 2</td>
<td>1,297</td>
<td>1,516</td>
<td>-219***</td>
<td>-14.4</td>
</tr>
<tr>
<td>Years 1-2</td>
<td>3,140</td>
<td>3,637</td>
<td>-497***</td>
<td>-13.7</td>
</tr>
<tr>
<td>Average Number of Months with Food Stamps Payments Years 1-2</td>
<td>11.8</td>
<td>13.4</td>
<td>-1.6***</td>
<td>-11.9</td>
</tr>
<tr>
<td>Sample Size</td>
<td>4,537</td>
<td>1,059</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DATA SOURCES:** Indiana Unemployment Insurance earnings records and administrative records from the Indiana Client Eligibility System.

**NOTES:**
1. “Young Children” is defined as children under age three.
2. Due to the approach used to estimate impacts for this subgroup (see Appendix), sample sizes in this exhibit should not be used to estimate the proportion of the total population in the Placement Track (see footnote 4).
3. A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.
That impacts were limited to job-ready clients without young children could mean either that the Placement Track policies were more effective or that the characteristics of such clients predisposed them to respond well to services. The expansion of Placement Track policies to former Basic Track clients and a significant number of formerly exempt clients after June 1997 will provide the basis for future assessment of the two explanations.

Impact Patterns Suggests Employment Impacts Derive from More Rapid Job Entry.

The size of impacts on work and, to a lesser degree, welfare receipt diminished over the eight observed follow-up quarters for the Placement Track. By the eighth follow-up quarter, employment rates for the Traditional Welfare group had “caught up” with rates for the Welfare Reform group. Such a pattern has been observed in a number of other random assignment studies of welfare-to-work programs emphasizing immediate job placement. One interpretation is that such programs mostly accelerate job entry for clients who eventually would have gone to work on their own, and that the comparison group reflects this inevitability. It also is possible that Work First programs are more successful in providing an initial boost to employment than in helping clients to maintain employment once they are working.

The Zero-Grant Policy Dampened Impacts on TANF Eligibility and Slightly Increased the Accumulation of Time on Lifetime Assistance Clocks.

The zero-grant policy allowed working Placement Track members to remain eligible for TANF-related services (for example, case management and supportive services) after earnings reduced their TANF payments to zero, until they reached the poverty line. For this reason, impacts might be expected to be smaller for the percent remaining eligible than for the percent actually receiving payments. The results bear this out, indicating eligibility impacts about half the size of payment receipt impacts. Put in other terms, without the zero-grant policy, Welfare Reform group members would have averaged about one fewer month of eligibility.\(^\text{18}\) The findings therefore suggest the policy provided continuing support to some families who would not have qualified for it under the traditional program rules.\(^\text{19}\) On the other hand, time limits continued to apply to zero-grant

\(^\text{18}\) The calculation on which this statistic is based assumes, for illustrative purposes, that removing the zero-grant policy would not change the amount of earnings the Welfare Reform group received. The additional .9 month of eligibility due to the zero-grant policy represents a 9.1 percent increase in the average number of months of eligibility for Placement Track members (for whom the observed average was 10.0 months).

\(^\text{19}\) The additional benefits must be regarded as “potential” at this point, because data on service receipt for zero-grant cases are not available.
recipients, implying that the policy was causing some working clients to run up time against their lifetime limits faster than they would have otherwise.

**Maintaining Employment Remains a Substantial Challenge for Most Recipients Who Go to Work.**

Although nearly four in five members of the Welfare Reform group held a job sometime during the two-year follow-up period, only half were working in the eighth follow-up quarter. This comparison actually understates total job loss, since many of those with jobs in the eighth quarter already had left earlier jobs. Of first jobs begun during the follow-up period, data from an early-1997 follow-up survey reveal that one third had ended within three months, half within six months and three quarters within fifteen months. Patterns of welfare recidivism mirror those of job loss: of families returning to welfare within 24 months of their first observed exit (38 percent of exiters), 68 percent did so within the first six months after exiting.

Leaving a job can signal positive change when it is voluntary and leads to a better position. Close to three-fourths of survey respondents said they had left their first job voluntarily, and only about one fourth said they had been either laid off or fired. However, of those who quit, only 17 percent said the main reason was to take another job. The remainder cited less positive reasons for leaving jobs, including difficulties with child care arrangements and a miscellany of unsatisfactory aspects of jobs (for example, low salary/benefits, work schedule, problems with boss or co-workers).

When asked more generally to indicate conditions limiting their ability to perform work or training, survey respondents cited lack of adequate child care (41 percent) and transportation (39 percent) most frequently. A substantial fraction (22 percent) also cited a health problem or disability as a limiting condition. The need for individualized case management to help clients address employment barriers is underscored by the finding that 74 percent of clients reported facing at least one barrier and 43 percent indicated they faced multiple barriers.

---

20 Voluntary job leavers include those who quit (52 percent of job leavers) and those who reported leaving for some other reason (21 percent). Seventeen (17) percent of clients reported being laid off, and ten percent said they were fired.

21 Specifically, interviewers read all survey respondents a list of potential barriers, and asked whether any of the barriers limited respondents’ ability to work at a job as of their month of random assignment.
Welfare Reform Increased the Share of Income from Earnings, but Not Average Total Income.

Decreasing reliance on public assistance and increasing self-sufficiency are central goals of Indiana’s welfare reform. The impacts suggest the reform stimulated some movement in this direction among job-ready clients without young children. For such clients, the proportion of income from earnings over the two-year follow-up period was higher for the Welfare Reform group (48 percent) than for the Traditional Welfare group (41 percent). 22

The program did not generate higher average total income, however, because higher average earnings for the Welfare Reform group were offset by lower average TANF and food stamp payments (see Exhibit ES.1). The net effect was that average annual income over the two-year follow-up period for job-ready clients in the Welfare Reform group ($7,469) was not significantly higher than that for the Traditional Welfare ($7,320) group. The findings show no program impacts on poverty—close to four in five families in both groups remained below the poverty line for a family of three in the second follow-up year.

Clearly, substantially greater earnings would be needed to boost a significant fraction of families above poverty. One impediment already has been identified—continuing weak labor force attachment following the first job placement. Another key fact is that the jobs held by members of the Welfare Reform group frequently provide low pay and no benefits. Survey data indicate a median hourly wage of only $6.00 for respondents’ current or most recent jobs, with only 15 percent earning $8.00 or more. Furthermore, many of these jobs are part-time, and even full-time jobs often do not offer affordable health insurance benefits.

CONCLUSIONS

During its first two years, Indiana’s welfare reform generated moderate increases in earnings and decreases in welfare reliance among those clients who were subject to the full array of reform provisions. An assessment of the reform’s implementation strongly implicates more intensive work participation requirements as the main source of these impacts. The reform’s full impacts likely exceeded the magnitudes of the estimates reported here, since some influences were not captured by the experimental design. However large the full impacts, it is clear that the economic circumstances of families subject to the reform remain very tenuous.

22 Income is measured here as the sum of earnings, TANF payments, and food stamp benefits.
The magnitude of welfare savings seems destined to grow as more recipients reach the 24-month time limit in the coming year. Whether reductions in cash assistance will be counterbalanced by increased earnings is a critical issue to be addressed by this evaluation in the future. The next impact report, scheduled for mid-2000, also will assess whether impacts occurred more broadly throughout the caseload in the wake of the State’s June 1997 expansion of key policies to all adult participants except those with a child less than one year old (tougher sanctions, greater emphasis on job search, time limits), and whether the program affected other dimensions of child and family well-being.

A key message in the present findings is consistent with findings of other recent demonstrations testing the Work First approach to welfare reform. It is that such strategies may represent an important step, but are not in themselves enough, to move a substantial number of welfare recipients to true self-sufficiency. This recognition has impelled many states to invest substantial time and funds in building on the basic Work First framework.

Welfare officials in Indiana currently are planning a series of substantial enhancements in work services, and also are contemplating several other strategies for increasing family income. For example, the State plans to implement an up-front diversion component directed at helping applicants negotiate short-term hurdles without burdening them—or agency and service provider staff—with deeper involvement in the welfare system. To strengthen case management, FSSA recently has shifted staff from eligibility units to become IMPACT family case coordinators and will be providing training in assessing and addressing individualized needs. The State is substantially increasing child care and health insurance funding and access for low-income families. FSSA staff are assessing alternative approaches to providing job retention services through existing and, potentially, new service contracts. Agency managers also are exploring ways of fostering more placements in higher-quality jobs.

Indiana officials are considering additional strategies to increase the income of working families. These approaches include further strengthening child support enforcement and further promoting the federal Earned Income Tax Credit and the State’s earned income tax deduction. Recognizing that education and special skills training may be the surest guarantee of financial self-sufficiency, the State is considering increasing emphasis on education and training services that are tied to employers’ needs. Further, the State is broadening the target of its strategies from active welfare recipients to all low-income working families.

FSSA officials view Work First as only the beginning of their efforts and are actively engaged in developing the next phase of the reform. Indiana’s welfare reform is still rapidly evolving. Future evaluation reports will continue to assess its emerging effects.