
CHAPTER II: INTRODUCTION

This report is the third in a series of reports being prepared by MAXIMUS as part of the Evaluation of the Work First Program. In this report, we present continued analyses of data from the administrative data systems maintained by the Division of Social Services, the Employment Security Commission, and other components of the North Carolina State Government. The report compares the experiences of families under the former Aid to Families with Dependent Children (AFDC) under Title IV-A of the Social Security Act, with the experiences of families under Work First.

To focus our analysis on the differences in outcomes among families in the AFDC and Work First programs, we concentrated the analysis on "cohorts," of families --two groups from the AFDC program and six groups from the Work First program. The families from the AFDC caseload consisted of two groups:

- o those who entered AFDC in February 1995, the earliest month for which we can identify program entry ("AFDC entry cohort"); and
- o those who left AFDC in February 1995 ("AFDC exit cohort).

The families from the Work First caseload include the following six groups:

- o those who entered Work First in September 1996, the first month after all counties had implemented the Work First Waiver Program ("September 1996 entry cohort");
- o those who left Work First in September 1996 ("September 1996 exit cohort");
- o those who entered the Work First program in June 1997 ("June 1997 entry cohort");
- o those who exited the Work First program in June 1997 ("June 1997 exit cohort");
- o those who entered the Work First program in June 1998 ("June 1998 entry cohort"); and
- o those who exited the Work First program in June 1998 ("June 1998 exit cohort").

This report compares the experiences of the members of these groups of families with regard to the length of time they received public assistance, their success in remaining off public assistance, their employment experiences, and their earnings. Within each group, we examine the experiences of families with different characteristics, such as those with greater or lesser amounts of education, larger or smaller families, and those who had or did not have work experience prior to receiving cash assistance.

The data analyzed for this report are from the longitudinal database of public assistance recipients assembled and maintained by the Jordan Institute for Families of the University of North Carolina, Chapel Hill, under contract to the Division of Social Services. The database is composed of extracts from the administrative information systems that support the Work First

Program and the Food Stamps program, and from the Employment Security Commission's Wage Data from the Unemployment Insurance program.

The database is evolving in two ways. First, as time goes by, data for additional months are being added. Second, negotiations are under way with state agencies to make data available from the administrative information systems of other programs. In subsequent reports, MAXIMUS, as the evaluator of the Work First Program, will incorporate these new data into our analyses of the impact of the Work First Program.

A. BACKGROUND

North Carolina launched its comprehensive statewide approach to moving families from welfare to work on July 1, 1995, through the Work First program, which was Governor James B. Hunt, Jr.'s welfare reform initiative. From the beginning, Work First represented a fundamental shift in the state's welfare policies and focused on breaking the cycle of welfare dependency in North Carolina.

In September 1995, Governor Hunt submitted a Section 1115 waiver application to the United States Department of Health and Human Services (DHHS). His application requested that a number of federal regulations be waived to allow North Carolina to further expand the Work First Program. North Carolina's waiver package was approved on February 5, 1996, and the changes to the Work First program were implemented on July 1, 1996.

In response to the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, North Carolina established the Work First program as its Temporary Assistance for Needy Families (TANF) program with only minor programmatic changes needed to comply with the new law. Written certification of the TANF State Plan was received from DHHS on January 10, 1997, reflecting an implementation date of January 1, 1997.

1. HOW THE WORK FIRST PROGRAM DIFFERS FROM AFDC

The philosophy behind Work First is that parents have a responsibility to support themselves and their children. Through Work First, parents can get short-term training, support services such as child care, and other services to help them become self-sufficient, but ultimately the responsibility is theirs, and they have two years to move off welfare.

The Work First Program described in the 1996 Work First Waiver Program differed from AFDC in several important ways, as shown in *Exhibit II-1: Comparison of the Work First and AFDC Programs*.

**Exhibit II-1
COMPARISON OF THE WORK FIRST AND AFDC PROGRAMS**

KEY WORK FIRST PROVISIONS	AFDC PROVISION
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Adults must participate 30 hours per week in employment and training activities (unless exempted)	Participation in employment and training was voluntary in some counties and exemptions were much broader
Parents must sign a mutual responsibility contract (MRC) agreeing to participate in work activities, have their children immunized, have regular medical exams, and assure regular school attendance. Cash assistance is denied to a family if the parent refuses to sign the contract.	No comparable requirements
Fiscal sanctions are applied to families when they do not comply with the provisions of the PRC. There is no conciliation period required before a sanction takes force.	Fiscal sanctions were applied under the JOBS program, with a conciliation process
Families are limited to 24 cumulative months of benefits when the parents are participating in employment and training activities	No time limits
There is a family benefit cap – benefits are not increased if additional children are born more than 10 months after a recipient enrolls in the program	No family benefit cap
Work First raised the level of assets and the value of a family motor vehicle that are disregarded when calculating benefit levels	Lower asset levels and motor vehicle disregard allowed
Diversion payments equivalent to up as much as three months of benefits are allowed in lieu of receiving regular Work First cash assistance	No diversion payments allowed

B. DATA SOURCES AND THE SELECTION OF COHORTS

This report is based on the analysis of a longitudinal database being assembled and updated by the Jordan Institute for Families at the University of North Carolina, Chapel Hill. The database is maintained as part of a project to support the Work First evaluation being conducted by MAXIMUS, and to support the development of performance measures for county Departments of Social Services for self-assessment and program improvement.

1. THE ADMINISTRATIVE DATABASE

The longitudinal database constructed by the Jordan Institute tracks all families and individuals who have participated in AFDC and Work First program between January 1, 1995 and the present. It contains information on approximately 280,000 families and 680,000 individuals, indicating whether each family participated in a particular month, the amount of the benefits, the size of the family each month, the number of months the family participated, and whether the family left assistance. The database also contains information on all members of the family. The database indicates whether members of each family participated in employment or training activities, the types of activities, and the time spent completing each activity. It

contains information about family members who received income either while on Work First or after leaving the program, the amount of earnings, the type of business (based on industry code), and the zip code of the employer.

To construct the longitudinal database, information from a check history file is merged with monthly extracts from the Eligibility Information System (EIS), and updated on a regular basis. Families are followed once they receive Work First benefits to determine whether they leave the program and, once they leave, whether they return.

A separate longitudinal file containing information on individual Work First participants is also maintained. This file contains information on approximately 680,000 individuals who are or have been members of AFDC or Work First households. This file contains information on an array of items, including the person's date of birth, race, sex, Social Security number, and a ten-digit identification number assigned by EIS. This ten-digit number can be used to link information on individuals across programs.

The information from EIS and the check history file is supplemented with extracts from the Employment Programs Information System (EPIS), which contains information on family members who have received employment program services. EPIS contains information on an individual's level of education and literacy, and the types of activities in which the individual has participated, such as training, job search, or community work experience. The database also contains information on:

- the number of months of eligibility remaining for households relative to the 24-month Work First time limit and the 60-month TANF time limit; and
- the number of times a household has been sanctioned.

Information on individuals who participate in Work First is linked with earnings data provided through the state's Employment Security Commission. The earnings data are collected through the individual's Social Security number. These data can be used to evaluate the effectiveness of various employment program activities, identified through the EPIS extracts, or to assess a family's transition to self-sufficiency, by linking the individual's earnings to his or her case number.

Extracts from the Food Stamp Information System (FSIS) are used to create a set of longitudinal files at the household and individual level, merging them into the current longitudinal database. FSIS contains information on household income and expenses and includes earned as well as unearned income.

2. CONSTRUCTING COHORTS OF FAMILIES

This report compares the experience of families receiving cash assistance under the AFDC program with that of families receiving cash assistance under Work First. To focus the analyses, MAXIMUS selected four pairs of cohorts. Each cohort pair was selected to emphasize particular outcomes among public assistance participants.

February 1995 was selected because this was the earliest month when data were available in the database to allow us to determine whether a family was entering AFDC after not participating in the prior month, or was exiting AFDC after participating the prior month. September 1996 was selected to represent the first cohorts to be subject to the provisions of the Work First program. The June 1997 and June 1998 cohorts were selected to provide a more current picture of the Work First program after the initial implementation issues were resolved and after a broader range of welfare recipients were brought into the program.

The entry cohorts provide the best information on the overall experiences of families entering welfare. The February 1995 cohort consisted of families who were not receiving benefits under the AFDC program in January 1995, but were receiving benefits in February 1995. This allowed us to establish a starting date for their entry to welfare, and measure how many months they received benefits before going off welfare.

Although the Work First Program was initiated in July 1996, we selected the September 1996 cohort for our analyses to allow for start-up activities related to implementation of the Work First program by individual counties. These start-up activities included staff training and the routine implementation of policies and procedures. The cohort was made up of families who did not receive benefits under AFDC or Work First between January 1995 and August 1996.

The second group of cohorts -- the exit cohorts -- are designed to allow for a detailed follow-up and analysis of the status and experiences of families after they leave welfare. An exit cohort constitutes a sizable group leaving welfare at one time, rather than being limited to the few people from our entry cohorts who left welfare in any given month. The exit cohorts are useful for examining recidivism to public assistance, employment and earnings, and continued participation in other assistance programs such as Food Stamps. The February 1995 exit cohort was defined as the families who received a cash assistance payment in the prior month,¹ January 1995, but did not receive a check in February 1995. Similarly, the September 1996 Work First exit cohort is made up of the families who received a cash assistance payment in August 1996 but did not receive one in September 1996. The same general principle applied to the June 1997 and June 1998 exit cohorts.

Overlap

We constructed the two entry cohorts to be mutually exclusive. The families in the September 1996 Work First Entry cohort had not received cash assistance under AFDC.²

When we constructed the exit cohorts, all families leaving AFDC in February 1995 or leaving Work First in September 1996 were included, whether or not they had received and then

¹ Included are families who were eligible for a very small payment, one that was below the threshold for which checks were actually issued – less than \$10. These are sometimes referred to as “zero-pay” cases.

² Our data allow us to check for participation in AFDC starting on January 1, 1995. It is likely that some of the families received benefits under AFDC prior to that date.

exited AFDC or Work First before the respective dates. A review of the case identification numbers in the two exit cohorts indicates that out of 14,635 families in the two exit cohorts, 113 (less than one percent) appear in both cohorts. We included these families in the analysis. It is our view that many families in each cohort move on and off of public assistance over an extended period of time. To exclude them from the September 1996 cohort would lessen the degree to which this cohort is representative of all families leaving Work First in any specific month.