Long-Term Effects of Welfare Reform

Evidence from Connecticut's Jobs First

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The 1996 welfare reform legislation, officially titled the Personal Responsibility and Work Opportunity Reconciliation Act, marked a pivotal shift in the United States welfare system. It transitioned from the Aid to Families with Dependent Children program to the Temporary Assistance for Needy Families (TANF) block grant. The act introduced and codified important changes that included lifetime limits on federally funded welfare benefits, strict work requirements, financial penalties for noncompliance, and a focus on employment and self-reliance for welfare recipients.

Connecticut's Jobs First initiative, launched before the federal law passed, embodied many of the same features—including more stringent work requirements and time-limited benefits—but also included financial incentives to encourage employment. Jobs First was rigorously assessed using a random assignment research methodology, providing robust evidence of the reform's impact. The findings showed that Jobs First successfully promoted employment and decreased welfare dependency within its first four years, particularly for recipients facing the most significant employment obstacles.[1]

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However, questions remain about whether the "work-first" welfare system increased family earnings and employment over the long run, reduced persistent poverty, and improved the lives of the adults and their children. As the 30-year anniversary of the 1996 welfare reform approaches, it is crucial to evaluate the enduring effects of these policies on the individuals who are involved. This brief, as part of the Learning from Administrative Data initiative, assesses the impacts of Connecticut's Jobs First through 18 years. A study was conducted using a random assignment design in which prospective study participants were assigned at random to a Jobs First group, which received the services offered through Connecticut's Jobs First program, or an AFDC group, which adhered to previous welfare regulations. This brief also builds on other work examining the implications of using in-state data versus national data to assess the impacts of welfare-to-work and workforce development programs.

The findings show that the effects of Jobs First on parental employment faded somewhat after Year 4 but remained statistically significant through Year 8. The program had no effect in Years 9 through 18, during which employment rates were very similar for the Jobs First and AFDC groups. Effects on average earnings did not persist beyond Year 4. The findings were generally similar whether using in-state or national data, given that out-of-state employment rates were similar for both the Jobs First and AFDC groups. The findings suggest that in-state data, which are typically more accessible to researchers, appear adequate for assessing program impacts. However, in-state data underestimate overall employment rates for this population, capturing only about 80 percent of employment in the later years of follow-up as more individuals worked out of state. This underestimation of employment is greater for groups that have higher rates of mobility, such as younger individuals. When possible, studies of employment programs should pursue national data or data from neighboring states to more fully capture the work trajectories of the target population.[2]

The Evaluation of Connecticut's Jobs First

The initial evaluation of Connecticut's Jobs First program, conducted by MDRC (under contract with the Connecticut Department of Social Services), focused on the program's effectiveness in fostering self-sufficiency and reducing welfare reliance during the four-year period following participant enrollment, which occurred from January 1996 to February 1997.[3]

Since its inception in 1996, Connecticut's Jobs First garnered nationwide interest for embodying the core principles of the welfare reforms of the 1990s, including time limits, financial incentives for work, and employment mandates. Specifically, the program imposed a 21-month cumulative limit on cash assistance, with extensions granted in some circumstances.[4] It featured a notably generous financial incentive that permitted employed participants to retain their entire welfare grant as long as their earnings remained below the federal poverty threshold. (Usually, benefits are reduced as earnings rise.) Additionally, it mandated that recipients either work or participate in job-related services aimed at expediting employment.

The study of Connecticut's Jobs First was conducted as a randomized controlled trial involving 4,803 single-parent welfare applicants and recipients in the district offices of Manchester and New Haven. Participants were randomly assigned to either the Jobs First group (and subject to the rules of the new program) or to the Aid to Families with Dependent Children (AFDC) group, which adhered to previous welfare regulations that also emphasized employment and self-reliance and provided some employment-related services. Consequently, the impact analysis measures the incremental effects of Jobs First over the preexisting policies. After the four-year evaluation, Connecticut modified the Jobs First program, and in 2001 rolled the AFDC program into the Jobs First program. Thus — although most individuals had left welfare by the end of Year 4 — the AFDC group was (or would have been) subject to the same welfare program rules as the Jobs First group after Year 4.

The program led to statistically significant increases in employment and earnings, with Jobs First participants earning about 7 percent more than their AFDC counterparts over the four-year period (approximately $1,800). The effect was larger for the people who were considered "most disadvantaged," or facing considerable employment barriers: Individuals who (1) were long-term welfare recipients, (2) had not worked in the year before random assignment, and (3) had not graduated from high school. This subgroup experienced a 37 percent increase in earnings (around $3,600). Individuals who faced none of those barriers to employment were classified as "least disadvantaged" and people who faced one or two employment barriers were classified as "moderately disadvantaged."[5]

Jobs First also advanced its primary objective of transitioning welfare recipients to employment. After four years, 51 percent of the Jobs First group members were employed and not receiving welfare, compared with 42 percent of the AFDC group. Furthermore, only 19 percent of Jobs First families remained on welfare at the end of four years, compared with 28 percent of AFDC families.[6]

However, the program's impact on welfare receipt and income fluctuated over time. Initially, Jobs First families received more welfare benefits due to the financial work incentive, which led to higher overall income. But as families reached and passed the time limit, their welfare benefits were reduced, and the initial income gains diminished. Over the entire four-year period, both Jobs First and AFDC families received roughly the same amount in welfare payments, but Jobs First families had an average of 6 percent (about $2,400) more in combined public assistance and earnings. The program did not consistently reduce material hardship, which remained high for both groups.[7]

Over one-half of the Jobs First recipients reached the time limit within the four-year study period. Approximately two-thirds of people who hit the limit were granted at least one six-month extension due to low earnings or unemployment, despite their efforts to find work. Additionally, most recipients who received an extension eventually left welfare within the following year or two, and the majority of individuals whose grants were closed due to the time limit were employed.[8]

Data

The analyses for this brief used data from the original evaluation of Connecticut's Jobs First and the Longitudinal Employer-Household Dynamics (LEHD) program. The original evaluation included background information on individuals — such as demographic, education, and welfare history data — from Connecticut Department of Social Services administrative data that was collected by staff members during routine interviews with individuals at the time they entered the study. The research team used those data to describe the study sample, define subgroups of interest (for whom program impacts might vary), and increase the statistical power of the analysis in the impact estimation models.

The LEHD program, which is part of the Center for Economic Studies at the United States Census Bureau, creates public-use data and restricted-access data that combine federal, state, and Census Bureau data on employers and employees under the Local Employment Dynamics partnership.[9] Under this partnership, nearly every state agrees to share unemployment insurance (UI) quarterly wage data with the Census Bureau; varying degrees of access are granted to affiliated researchers. For this study, 19 states — including Connecticut, but not including its neighboring states — and the District of Columbia allowed MDRC to access their wage records via Federal Statistical Research Data Centers.[10] Earnings data were available for these states and the district, which are referred to hereafter as the "LEHD states." In addition, the LEHD program provides researchers with a national indicator file that shows whether workers had earnings records in any state. These data are used to provide information on employment at the national level.

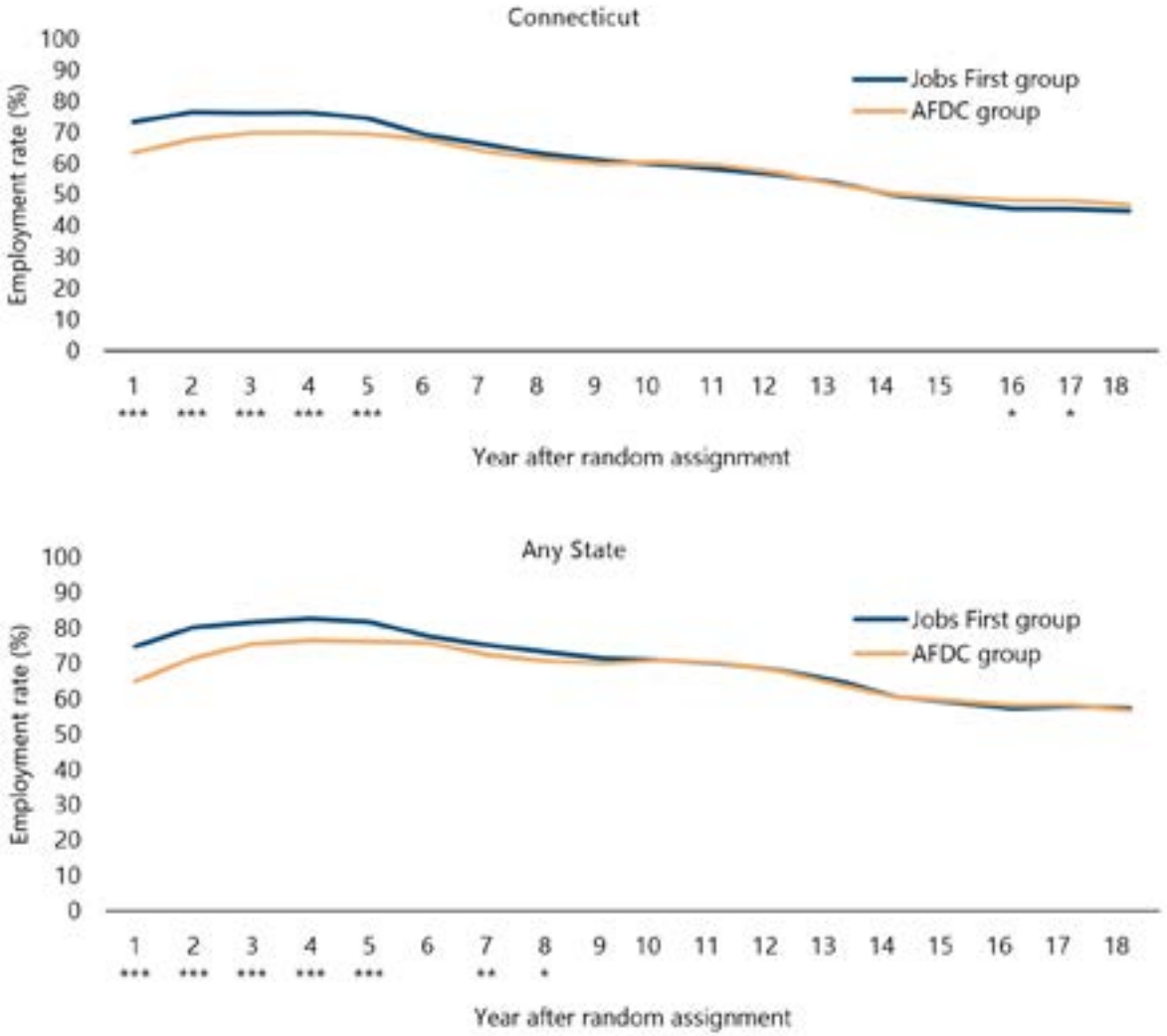
LEHD data were used to examine the Jobs First program's effects on employment and earnings for 18 years after study entry. UI wage records cover more than 90 percent of state employment, but miss earnings from certain types of jobs (such as self-employment, informal employment, and jobs with the federal government).[11] The study sample was restricted to individuals who were less than 45 years old when they entered the program in order to focus on employment in the years before many individuals begin retiring (which often occurs in one's early to mid-60s). Two measures of annual employment were created, capturing individuals' employment in Connecticut and their employment in all states. One measure of annual earnings was created, capturing the study sample's earnings in Connecticut.

Program Impacts

Estimated Impacts on Employment

Figure 1 presents estimated impacts on employment rates, using data from Connecticut only and national data. The top panel presents impacts using in-state data only, comparing the Jobs First and AFDC groups' rates of employment in Connecticut. The differences in employment rates between the two groups were tested for statistical significance, and asterisks indicate whether the difference for a given year is statistically significant at the 1 percent, 5 percent, or 10 percent level. The

Figure 1 Average Annual Employment Rates for Connecticut's Jobs First



SOURCE: MDRC calculations from the Longitudinal Employer-Household Dynamics data. Estimated employment rates for individuals with jobs in Connecticut are based on the employment history file for Connecticut. Estimated employment rates for individuals with jobs in all states are based on the national employment indicator.

NOTE: A two-tailed t-test was applied to the differences between outcomes for the Jobs First and AFDC groups. Statistical significance levels are indicated as follows: *** = 1 percent, ** = 5 percent, and * = 10 percent.

data show that the Jobs First program led to an increase in annual employment in Connecticut in Years 1 through 5 (significant at the 1 percent level) and, oddly, a slight decrease in Years 16 and 17 (significant at the 10 percent level).

The bottom panel presents impacts using national employment data. Those data indicate that Connecticut's Jobs First led to a statistically significant boost in employment nationally in Years 1 to 8 (with the exception of Year 6). In the first five years, Jobs First increased employment rates

between 11.5 (Year 1) and 8.2 percentage points (Year 5), and by 3.5 to 3.1 percentage points in Years 7 and 8, respectively. These results are notable as the impacts persisted even though (as mentioned earlier) all TANF applicants and recipients were placed in the new Jobs First program in 2001, which roughly corresponds to five years after random assignment.[12] The national data also show no reduction in employment in Year 16 and Year 17.

The data shown in Figure 1 suggest that the two data sources present generally similar findings, with minor exceptions. Using national data, impacts on employment persisted through Year 8, rather than Year 5, and there were no negative impacts in the later years.

Figure 2 presents this information more directly. The top panel compares the estimated impacts on employment that were calculated using in-state data with the impacts that were calculated using national data. Overall, the national data show slightly larger and more persistent effects, but the general story is similar for the two sources.

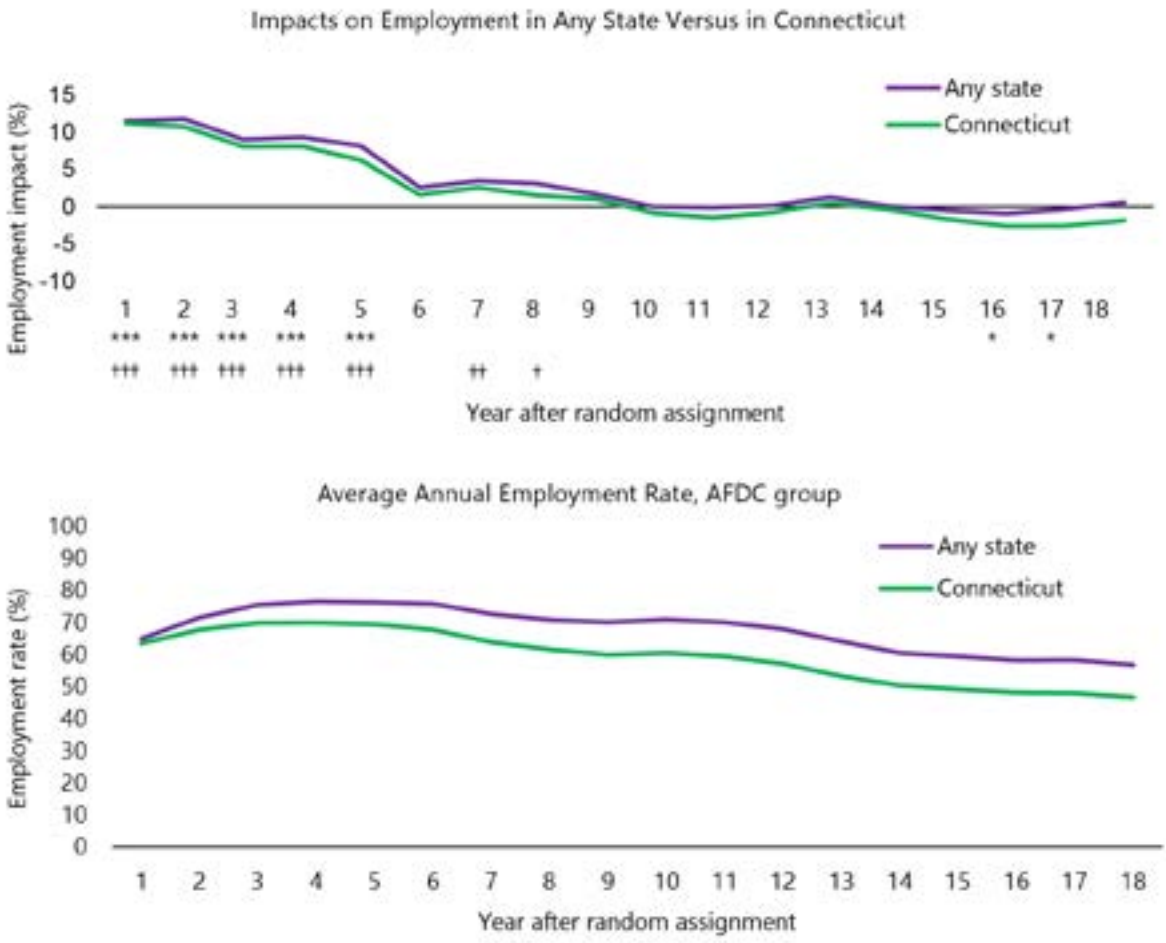
The bottom panel of the figure presents overall employment rates for the AFDC group using both sources. In the first four years after random assignment, the percentage of people in the AFDC group who were employed increased slightly, both in Connecticut and nationally. Employment rates then gradually declined over the rest of the 18-year period. A more pronounced decline in AFDC group employment coincided with the recession of 2008, which loosely corresponded with Year 12.

Out-of-state employment, or the difference between the national employment rates and the Connecticut employment rates (which can be seen by the vertical distance between the two lines), began to increase in Years 4 through 6 and stabilized by Years 9 and 10. By Year 14, for example, about 60 percent of AFDC group members were employed in any state and 50 percent were employed in Connecticut, indicating that using in-state data captures about 83 percent of employment.

Figure 3 presents the impacts of Jobs First on employment rates using national data for three subgroups, defined by their level of disadvantage. For all three subgroups, AFDC group employment rates followed the same pattern as the overall sample, with an increase in employment over the short term and then a decrease in employment in the longer term. In the AFDC group, about 30.2 percent of people in the most disadvantaged subgroup had a job in Year 1, compared with 63.0 and 82.9 percent of people in the moderately disadvantaged and least disadvantaged subgroups, respectively. Thus, there was more room for improvement in terms of potential program impact for the most disadvantaged subgroup, although this subgroup also faced the most barriers to working.

The data indicate that Jobs First increased employment the most for people who were the most disadvantaged, a little less for people who were moderately disadvantaged, and the least for people who were the least disadvantaged. For the most disadvantaged subgroup, Jobs First significantly increased employment rates by 22.7 percentage points in Year 1, 10.8 percentage points in Year 5, and 9.3 percentage points in Year 13. The effect on employment in Year 13 coincides roughly with the 2008 recession, when there was a notable drop in employment rates among the

Figure 2 Average Annual Employment Impacts and Annual AFDC Group Employment Rates



SOURCE: MDRC calculations from the Longitudinal Employer-Household Dynamics data. Estimated employment rates for individuals with jobs in Connecticut are based on the employment history file for Connecticut. Estimated employment rates for individuals with jobs in all states are based on the national employment indicator.

NOTES: A two-tailed t-test was applied to the differences between outcomes for the Jobs First and AFDC groups.

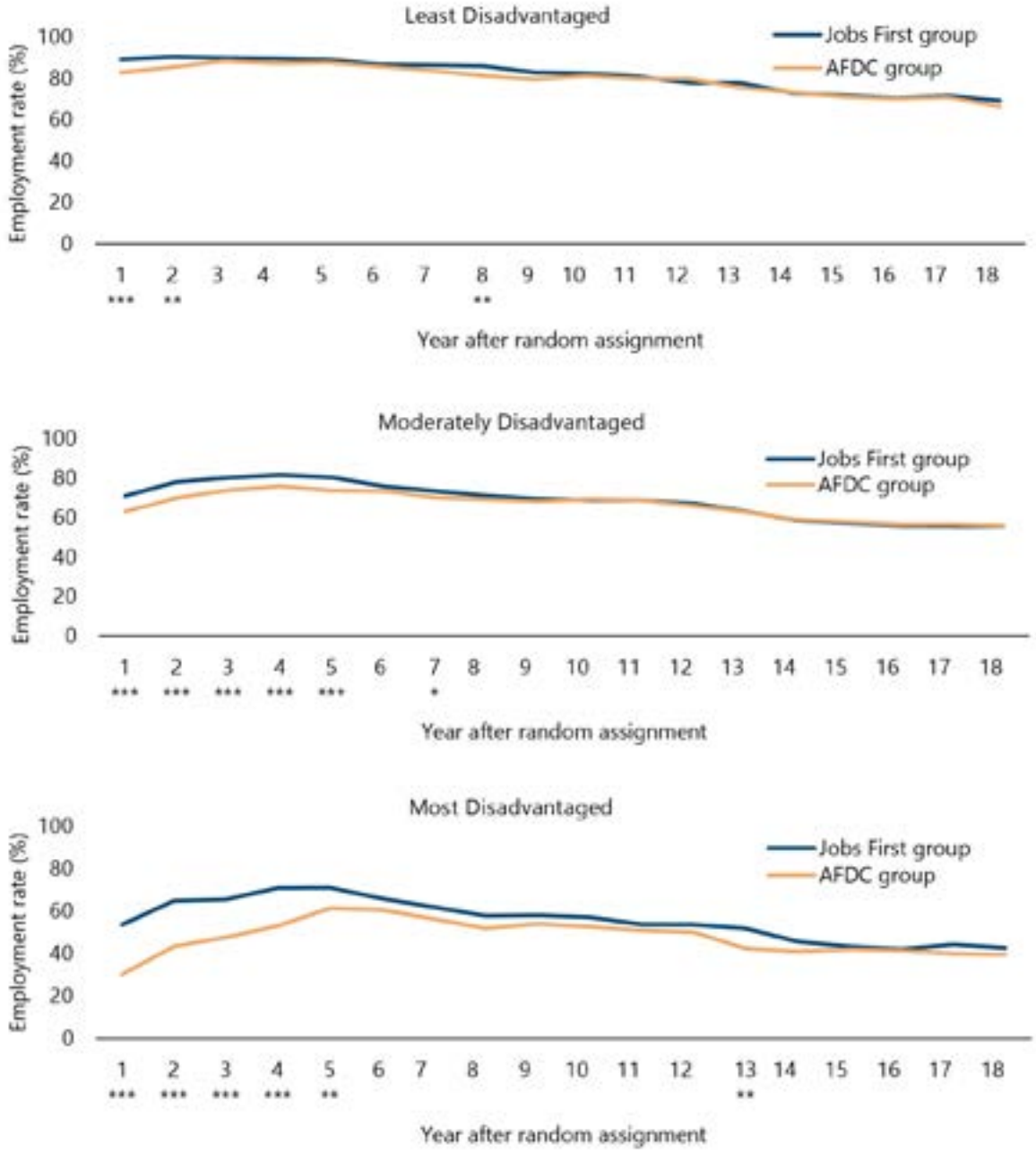
In the top chart, statistical significance levels for employment impacts for sample members with jobs in Connecticut are indicated as follows: *** = 1 percent, ** = 5 percent, and * = 10 percent. Statistical significance levels for employment impacts for sample members with jobs in any state are indicated as follows: ††† = 1 percent, †† = 5 percent, and † = 10 percent.

most disadvantaged study participants in the AFDC group. Overall, however, the data show that impacts faded over time for all three subgroups.

Estimated Impacts on Earnings

Figure 4 presents impacts on annual earnings using Connecticut data for the full sample and for the three subgroups that are defined by level of disadvantage. All earnings amounts are inflation-adjusted to 2014 dollars. Recall that, though the project was granted access to earnings data

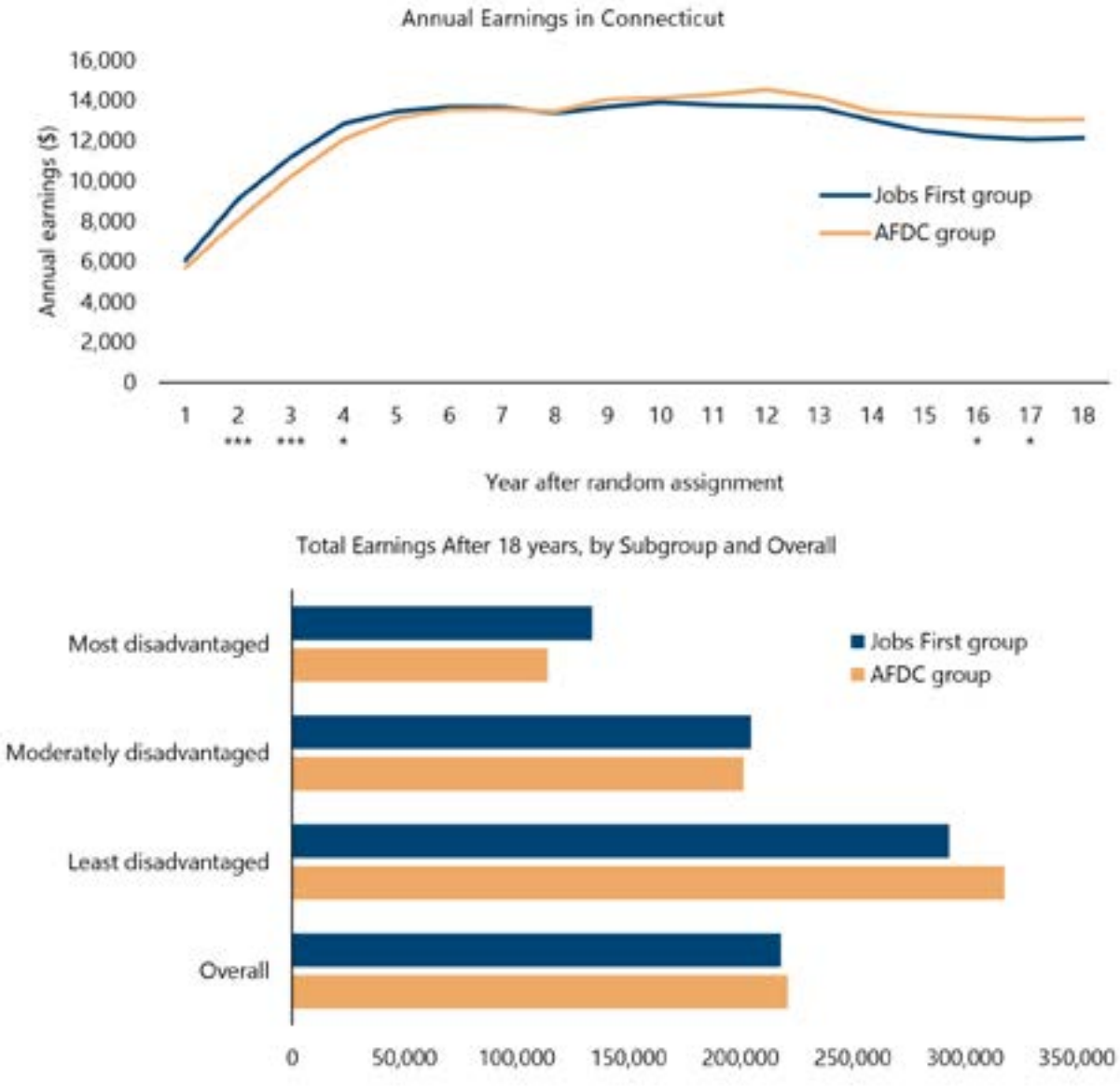
Figure 3 Annual Employment Rates in All States, by Subgroup



SOURCE: MDRC calculations from the Longitudinal Employer-Household Dynamics data. Estimated employment rates for individuals with jobs in all states are based on the national employment indicator.

NOTE: A two-tailed t-test was applied to the differences between outcomes for the Jobs First and AFDC groups. Statistical significance levels are indicated as follows: *** = 1 percent, ** = 5 percent, and * = 10 percent.

Figure 4 Average Earnings in Connecticut and Earnings by Subgroup



SOURCE: MDRC calculations from the Longitudinal Employer-Household Dynamics data. Estimated earnings for individuals with jobs in Connecticut are based on the employment history file for Connecticut.

NOTE: A two-tailed t-test was applied to the differences between outcomes for the Jobs First and AFDC groups. Statistical significance levels are indicated as follows: *** = 1 percent, ** = 5 percent, and * = 10 percent.

from 19 states, it did not receive access to data from any of the states that neighbor Connecticut, suggesting that using the broader earnings data would be less useful. Analyses using these data showed very similar effects as those shown here.

The top panel in Figure 4 shows that average annual earnings for people in the AFDC group started at $5,700 in Year 1 and gradually increased until reaching a peak of $14,530 in Year 12. Note that these averages include zeros for people who were not employed in a given year. Calculating earnings among those who did work in Year 12, for example, gives a result of about $29,000. Jobs First increased the average annual in-state earnings, above AFDC group levels, in Years 2 through 4, and decreased earnings in Years 16 and 17. The average annual increases ranged from $1,050 in Year 2 to about $770 in Year 4 and the average annual decreases were about $960 in Years 16 and 17 (significant at the 10 percent level). Note, however, that while the impacts on in-state employment tracked the impacts on national employment over the first five years, they did not do so in the years that followed. As shown in Figure 2, there was an increase in out-of-state employment for the Jobs First group in Years 7, 8, 16, and 17. Thus, the reduction in earnings in Years 16 and 17 may not be an accurate picture of program impact, given that these estimates are missing earnings from out-of-state jobs.

The bottom panel presents impacts on total earnings over the 18-year period. Over the full period, the average total in-state earnings were about $220,000 for individuals in the AFDC group. Total earnings were the lowest for the most disadvantaged people in the AFDC group ($114,000), and highest for the least disadvantaged people in the AFDC group ($317,600). Jobs First did not impact total earnings for the full sample or for any of the subgroups. A $19,800 dollar increase in earnings for the most disadvantaged members of the Jobs First group just missed the threshold for statistical significance at the 10 percent level.

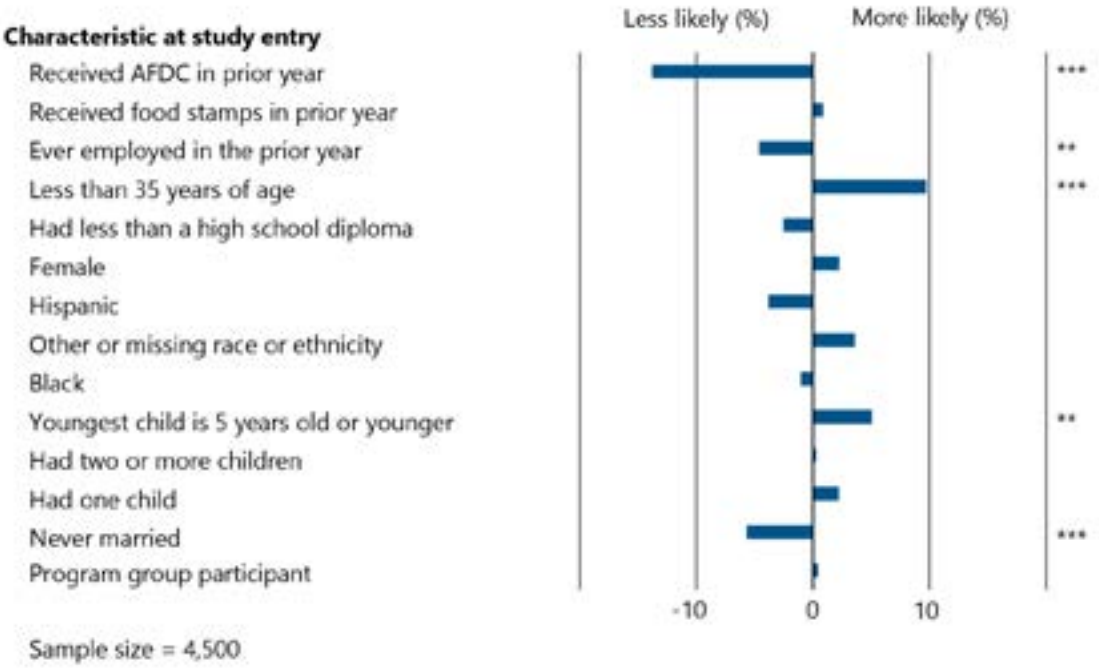
Who Moves or Works Out of State?

In-state data miss employment and earnings for individuals who take jobs outside of Connecticut. To get a sense of whose employment may not be captured using in-state LEHD data, it is useful to understand who is likely to work outside of Connecticut, either because they moved to another state or because they still live in Connecticut but work outside of the state. For those individuals, the assessment of program impacts that is based on in-state earnings estimates may be less accurate.

Figure 5 shows the association between selected baseline characteristics and the probability of working outside of Connecticut at some point in the 18 years after the study began. The figure presents estimated coefficients from a multivariate logistic regression model. As an example, when controlling for all of the other characteristics shown in the figure, people who had never married when they joined the Jobs First study were about 6 percentage points less likely to work out of state than those who had been or were married at study entry. The difference between the two groups is statistically significant, as indicated by the asterisks.

The figure shows that several characteristics were associated with a higher probability of working out of state. Younger people, for example, were more likely to work out of state than their older counterparts, as were people with young children (5 years old or younger) at random assignment. This finding suggests that in-state data may provide a relatively less accurate picture of their earnings. It is also possible that in-state data may present a less accurate picture of program

Figure 5 Probability of Working Out of State at Some Point During the 18-Year Follow-Up Period, by Characteristic at Study Entry



SOURCE: MDRC calculations from the Longitudinal Employer-Household Dynamics data. The estimated employment for jobs located outside of Connecticut is calculated based on the national employment indicator minus the employment history file for Connecticut.

NOTES: A two-tailed t-test was applied to the differences between outcomes for the null hypothesis and alternative hypothesis. Statistical significance levels are indicated as follows: *** = 1 percent, ** = 5 percent, and * = 10 percent.

AFDC = Aid to Families with Dependent Children.

"Other" race and ethnicity includes Native American, Alaskan Native, and races and ethnicities that study participants identified as "other."

impacts for these groups, although that was not assessed here. In contrast, study participants who never had been married, who received AFDC in the year prior to random assignment, or who had ever been employed in the year prior to random assignment were less likely to work out of state than their counterparts.[13]

This analysis also shows that the statistically significant predictors of out-of-state employment do not line up closely with the subgroup definitions of disadvantage discussed earlier. The most disadvantaged subgroup, for example, received AFDC in the prior year (associated with a lower likelihood of working out of state) and did not work in the prior year (associated with increased likelihood of working out of state). It is difficult to assess whether impact estimates using in-state data are more or less accurate for each subgroup.

Conclusion

This brief assesses the impacts of Connecticut's Jobs First program on employment and earnings over 18 years, using wage data from the LEHD program. Impacts were estimated on measures of employment both in Connecticut and nationally and a measure of earnings in Connecticut.

The findings show that Connecticut's Jobs First increased employment in any state over the first eight years of follow-up. Thus, the longer-term assessment indicates that the impacts on employment persisted for an additional four years beyond the original evaluation follow-up period, but not over the longer term. Data on earnings, restricted to jobs in Connecticut, show no continued impact beyond Year 4, which is consistent with the pattern of in-state employment impacts. The findings for subgroups show that impacts on employment in any state were largest for the most disadvantaged — similar to the finding from the original evaluation — but faded after Year 5.

There are only modest differences between the program impacts that were estimated using national data and the impacts that were estimated using Connecticut-only employment data. Estimates using the Connecticut-only data showed significant increases in employment through Year 5, while estimates using the national data indicated that the program impacts lasted for a few years beyond Year 5. However, although in-state data only captured about 80 percent of employment in the later years, using the national data did not change the conclusions about the program's overall impact.

Finally, an analysis of out-of-state employment indicated that certain characteristics — such as prior AFDC receipt, prior employment, marital status, age, and parental status (having young children) — are associated with an individual's likelihood of working out of state. The findings from this analysis highlight the importance, particularly for the groups that are more likely to move or travel out of state for work, of using employment data with broader geographical coverage (either national-level data or data from neighboring states) to fully capture the work trajectories of the target population.

Notes and References

1 Dan Bloom, Susan Scrivener, Charles Michalopoulos, Pamela Morris, Richard Hendra, Diana Adams-Ciardullo, and Johanna Walter, *Jobs First* (MDRC, 2002).

2 These findings are consistent with those of the long-term impacts of the National Evaluation of Welfare-to-Work Strategies program in Portland, Oregon. See Mark van Dok, Cynthia Miller, and Hilary Hoynes, "Using In-State Employment Data to Evaluate Workforce Programs: A Case Study of the Portland NEWWS site" (MDRC, 2024).

3 Dan Bloom et al. (2002).

4 Some recipients were exempt from the time limits and some received six-month extensions if they made good-faith efforts to find work but still had an income below the benefit payment standard.

5 Dan Bloom et al. (2002).

6 Dan Bloom et al. (2002).

7 Dan Bloom et al. (2002).

8 Dan Bloom et al. (2002).

9 See United States Census Bureau, "Longitudinal Employer-Household Dynamics" (website: https://lehd.ces.census.gov/, 2023).

10 These states include Arizona, California, Colorado, Connecticut, Delaware, Illinois, Kansas, Maine, Maryland, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Tennessee, Wisconsin, and Wyoming. MDRC was also given access to wage records from the District of Columbia.

11 Robert Kornfeld and Howard S. Bloom, "Measuring Program Impacts on Earnings and Employment: Do Unemployment Insurance Wage Reports from Employers Agree with Surveys of Individuals?" *Journal of Labor Economics* 17, 1 (1999): 168–197.

12 The change in Connecticut's Jobs First programs would first and foremost affect study participants receiving TANF. Most study participants would have left TANF by this point in time.

13 These findings are consistent with a similar analysis that was conducted as part of the long-term study of the Portland NEWWS program. In that study, younger people were also more likely to work out of state than their older counterparts. And people who received public assistance (food stamps) in the year before random assignment were also less likely to work outside of Oregon than their counterparts who did not receive public assistance. See van Dok, Miller, and Hoynes (2024).

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