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The Cross-State Study of Time-Limited Welfare

Welfare Time Limits: An Interim Report Card

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Of all the fundamental changes that have swept through the nation's welfare system over the past several years, the introduction of time limits on welfare receipt is one of the most dramatic. This report summarizes the results to date from studies of several of the earliest state welfare reform initiatives to include time limits. The reforms were initiated under waivers of federal welfare rules between mid-1994 and early 1996, prior to the passage of the 1996 federal welfare law; thus, these states' experiences provide some of the first reliable evidence on the operation and impacts of welfare time limits.

This is the third document produced by the Manpower Demonstration Research Corporation (MDRC) as part of the Cross-State Study of Time-Limited Welfare. Funded by private foundations — the Annie E. Casey Foundation, the Ford Foundation, the Joyce Foundation, and the Charles Stewart Mott Foundation — the Cross-State Study was designed to synthesize and disseminate lessons from the first experiments with welfare time limits. MDRC — a nonprofit, nonpartisan organization with more than two decades' experience designing and studying social policy initiatives — is conducting large-scale evaluations of several of the earliest state time-limit programs; the results described here are drawn from these evaluations as well as from studies being conducted by other organizations.

The story of time-limited welfare is still unfolding. Only a few states imposed time limits before late 1996, and most of the time limits are at least two years. Thus, as of this writing, only a few thousand families nationwide have reached a time limit. This means it is far too early to know how families will fare *after* they have reached time limits. Nevertheless, enough has been learned in the past few years to issue an interim report card on this important policy approach.

The Programs Discussed in This Report

The report focuses on seven of the earliest state welfare reform initiatives that include some form of welfare time limit. The programs are described briefly in Table 1. The Arizona, Connecticut, and Indiana programs operated statewide from their inception; these states have moderate-sized welfare caseloads. The Delaware and Vermont programs are also statewide, but in two of the smallest states. The Florida and Wisconsin programs began as relatively small pilots (each state later implemented a statewide reform modeled in part on the pilot).

Four of the programs (Connecticut, Delaware, Florida, and Wisconsin) included benefit-termination time limits — that is, time limits that trigger the cancellation of a family's entire welfare grant. Of these four, Connecticut's program affects the largest number of recipients. Arizona and Indiana imposed benefit-reduction time limits, in which only the adult's portion of the welfare grant is canceled at the time limit. Vermont imposed a work-trigger model: Recipients who reach the limit must work (and are given community service jobs if necessary), but their benefits are not reduced or canceled.

All seven programs are or were the subject of independent evaluations. Much of the information in the report comes from the Connecticut, Florida, and Vermont studies, which are being conducted by MDRC. Data are also drawn from Abt Associates' evaluations of the Arizona, Delaware, and Indiana programs, and from MAXIMUS's study of the Wisconsin program (MDRC also studied that program's implementation).

Table 1
Brief Descriptions of the Welfare Reform Waiver Programs Discussed in This Report

Arizona's EMPOWER Program was implemented statewide in November 1995. EMPOWER limits adults to 24 months of benefit receipt in any five-year period (children may continue to receive benefits, however). The program also extends transitional child care and medical assistance to recipients who leave welfare for work (offering such benefits for 24 to 36 months, rather than the previous 12 months), imposes stronger penalties for recipients who do not participate in employment services, and makes other changes in welfare rules.
Connecticut's Jobs First Program was implemented statewide in January 1996. Jobs First combines one of the nation's shortest time limits – 21 months – with an unusually generous financial work incentive: All earned income is disregarded (that is, not counted) in calculating families' monthly welfare grants as long as their earnings are below the federal poverty level. In addition, most recipients are required to participate in employment services targeted to rapid job placement. Jobs First was the first statewide program in which a substantial number of welfare recipients reached a time limit. More than 10,000 recipients had had their benefits discontinued by late 1998.
Delaware's A Better Chance (ABC) Program was implemented statewide in October 1995. Recipients are required to work after two years of benefit receipt (and are given community service jobs if necessary) and have their grants canceled after 48 months. ABC requires recipients to participate in employment-related activities and to meet a set of personal and parental responsibility mandates; it imposes strong penalties for failure to comply with these requirements. ABC also includes financial work incentives that allow recipients to keep more of their welfare benefits after they go to work.
Florida's Family Transition Program (FTP) was implemented in May 1994 in Escambia (Pensacola), a mid-sized county. FTP limits most recipients to 24 months of benefits in any 60-month period. Certain groups facing greater barriers to employment are limited to 36 months of benefits in any 72-month period. A generously funded pilot project, FTP provides intensive case management, an array of social and health services, and financial work incentives; at least in its early operational period, the program stressed training and education to build participants' skills. Recipients are also required to ensure that their children are immunized and attend school regularly. FTP was the first program in which single-parent welfare recipients reached a time limit and had their benefits canceled. About 250 families had reached the time limit as of mid-1998. FTP served as a model for Florida's statewide welfare reform, which was implemented in late 1996.
Indiana's welfare reform was implemented statewide in May 1995. The program imposed a two-year time limit on benefits for adults considered to be job ready (the time limit was later redesigned and expanded to a broader share of the welfare caseload). The state also shifted the focus of its welfare-to-work program from education and training to activities geared to rapid job placement, and created financial incentives designed to promote work and encourage working recipients to increase their hours of employment. Recipients are also required to ensure that their children are immunized and attend school regularly.
Vermont's Welfare Restructuring Project (WRP) was one of the earliest statewide welfare reforms initiated under federal waivers. Implemented in July 1994, WRP includes a "work-trigger" time limit: Most recipients are required to work in wage-paying jobs once they have received welfare for 30 months. The state provides subsidized minimum wage community service jobs to recipients who reach the time limit without employment. WRP also includes a set of financial work incentives consisting of supports for families who leave welfare for work and changes in welfare rules intended to encourage and reward work.
Wisconsin's Work Not Welfare (WNW) Program was implemented in two small counties (Fond du Lac and Pierce) in January 1995 (and discontinued in early 1997, when the pilot counties implemented Wisconsin's new statewide welfare reform program). WNW limited recipients to 24 months of benefits in any 48-month period and made a variety of other changes in welfare rules. For example, recipients were required to "earn" their benefits through participation in employment-related activities (education and training were generally limited to the first year); Food Stamps were provided, along with welfare, in a single cash grant. Recipients received intensive support from staff, who had small caseloads.

To date, the studies have produced results that cover, at most, two or three years. Because most of the time limits are at least two years, this means that most of the information available so far comes from the "pre-time limit period" — the period before recipients could have reached the limit. Obviously, the longer-term story will be critical because it will reflect information about how families fare after reaching time limits.

Key Findings

- **There is great diversity in the way states have approached time limits.**

The 1996 federal welfare law restricts states from using federal Temporary Assistance for Needy Families (TANF) block grant funds to assist most families for more than 60 months. States are permitted to set time limits of less than five years, but also may exempt up to 20 percent of the caseload from the federal five-year limit. This is sometimes described as a national time limit but, in fact, states are not required to impose any time limit on cash assistance receipt. However, if they choose not to do so, they must use state funds to support families who pass the 60-month limit and exceed the cap on exemptions.

Perhaps the most striking aspect of the early experience with time-limited welfare is the diversity in the states' approaches. As the waiver programs show, the states' time limits vary in length and in the consequence of reaching the limit. The states' policies for exemptions and extensions from time limits also differ, as do the policies implemented along with time limits. To get the full picture of a state's time-limit policy, it is necessary to consider all of these elements. For example, a state might impose a short time limit, but allow many exemptions or extensions. A state that imposed a longer time limit but allowed fewer exceptions might actually have a "tougher" policy.

Data from a national survey show that, as of late 1997, more than 40 states had imposed a benefit-termination time limit. In 19 of these states, the time limit is less than 60 months. On the other hand, a number of states had not established-benefit termination time limits; they intend to use state funds to support children or entire families after the 60-month point, if necessary. Because several of the states without benefit-termination time limits are very large, and because other states exempt some categories of recipients from their time limits, it seems likely that fewer than half of the welfare cases nationwide are subject to a benefit-termination time limit at this point.

- **Most states have implemented other work-focused policies along with time limits. There can be complex interactions between time limits and these policies.**

No one wins if many recipients reach a time limit without jobs or other sources of support. If this occurs, administrators will face an unpleasant choice between granting many exceptions — thereby creating the impression that the time limit is not firm — or canceling the main income source for many vulnerable families. In part because of this concern, most states have embedded time limits in an array of other requirements, incentives, and services designed to promote employment and self-sufficiency.

Although the complementary policies are designed to further the same goal as the time limit itself, complex interactions may result. For example, to encourage and reward work, many states disregard (that is, do not count) a portion of recipients' earned income when monthly welfare grants are calculated. These so-called earned income disregards allow more working families to receive at least a partial welfare grant. Although disregards raise the income of some working families, and may spur some people to take or keep jobs, they also keep families on welfare longer, and each month in which a family receives even a partial benefit counts toward the time limit.

- **All the states allow exceptions to their time limits. A key challenge is to design and implement safeguards that are flexible enough to account for individual circumstances but uniform enough to ensure equity and consistency.**

To reduce the likelihood that children will be harmed by time limits, all states have built in safeguards for certain recipients who may be unable to support their families without welfare.

Many states exempt certain categories of recipients from the time limit; the clock does not run while an exemption applies. Some of the exemption criteria are clear-cut. For example, in the waiver programs, time limits do not apply to "child only" cases in which no adult is counted in the grant (these account for about one-fourth of welfare cases nationwide) or to recipients over a certain age (often 60). Exemptions are also granted to recipients who are incapacitated or caring for an incapacitated child, but this status can be ambiguous. Staff report that some recipients are experiencing physical or emotional problems that may make it difficult for them to work steadily, but are not considered truly incapacitated. Others might qualify but either cannot or do not obtain documentation from a doctor.

As a safety valve, states may offer extensions or other protections for recipients who "play by the rules" but reach the time limit with very low income (usually defined as income below the welfare payment standard, the maximum grant for their family size). A key issue in crafting such policies is how to define "playing by the rules." Some states have a clear-cut definition. Such criteria are relatively straightforward to apply, but may not account for individual circumstances. Loosely worded criteria, on the other hand, may allow for more tailoring. In addition, if the extension criteria are somewhat ambiguous, recipients may remain highly motivated, because they will not know for sure whether they will qualify. But vague criteria may be difficult to apply consistently and equitably because they can leave line workers with broad discretion in handling individual cases.

- **There are many difficult challenges involved in transmitting information about time limits to welfare recipients.**

Time limits aim to accomplish more than simply terminating recipients' grants when they reach the "cliff" — they are usually intended to spur recipients to move toward self-sufficiency well before that point. A time limit's ability to motivate recipients in the "pre-time limit" period may depend on how the policy is communicated to recipients in their day-to-day interactions with welfare staff.

All programs inform clients about the time limit, but programs place varying degrees of emphasis on this message. The Florida pilot is heavily staffed; workers have small caseloads, meet with clients frequently, and have many opportunities to discuss the time limit. Wisconsin's pilot shared these attributes. In statewide programs, where it may not be feasible to reduce workers' caseloads much, staff may have little contact with most of their clients and few chances to reinforce the time-limit message. In addition, welfare eligibility workers — the key points of contact between recipients and the system — may have little experience discussing such issues; historically, these staff have typically been directed to focus on issuing accurate and timely benefit checks.

The intensity of the time-limit message may also depend in part on whether staff believe that the policy will be implemented. During the early operational months — before clients had reached time limits — staff in several states expressed skepticism about whether recipients' benefits would actually be canceled (or reduced) at the time limit.

Beyond informing recipients about the time limit, staff also send either direct or indirect messages about how clients should respond in the short term. For example, one key question is whether staff should urge recipients to use their time on welfare to obtain training or education, or to leave welfare as quickly as possible in order to "save" or "bank" their limited months for a time when they may be needed.

Finally, programs face difficult choices in describing extension policies. They want to give accurate and complete information, but do not want to weaken participants' motivation by creating the perception that the time-limit policy is not firm. This quandary is especially apparent in the early operational period, before any clients have actually reached the time limit (after that point, the "grapevine" will help to determine how clients perceive the time limit). In some programs, staff rarely mention extensions or are intentionally vague in describing the criteria. Workers said they wanted recipients to focus on preparing for self-sufficiency, rather than on trying to fit the extension criteria. Staff also believed the time limit would lose its motivational power if recipients believed there were loopholes.

- **Few welfare recipients receive benefits continuously until they reach a time limit; most leave welfare, at least temporarily, thereby stopping their clock.**

Previous studies showed that most people who enter the welfare rolls leave relatively quickly — about two-thirds leave within two years. However, many of those who leave return later. These data suggest that relatively few recipients will receive benefits continuously until they reach a time limit, but that many could reach a time limit eventually. Early results from the waiver studies confirm the first of these points (but it is too early too tell how many clients will reach time limits after leaving welfare and returning):

- In Escambia County, Florida, only 8 percent of the recipients subject to a 24-month time limit received benefits continuously for 24 months after enrollment. Among the less employable recipients subject to a 36-month time limit, only about 17 percent received benefits continuously for 36 months after enrollment. (Recipients who met the criteria for an exemption from the Family Transition Program — FTP — at the point they were slated to enroll were screened out; they are not included in these figures.)

- In Vermont, where the work-trigger time limit was initially applied to a broad cross section of the welfare caseload, about 29 percent of single-parent recipients reached the 30-month time limit after continuous or nearly continuous benefit receipt.

- In New Haven and Manchester, Connecticut, about 27 percent of recipients reached a 21-month time limit after continuous or nearly continuous receipt. (Connecticut has a very generous earned income disregard which makes it less likely that recipients will leave welfare when they find jobs.)

Data from Connecticut and Florida show that recipients who had long histories of prior welfare receipt were more likely to reach the time limits quickly.

- **The earliest experiences suggest that states may respond quite differently when recipients reach time limits.**

The Connecticut and Florida programs are two of the first in which recipients have reached benefit-termination time limits. Although the two programs' extension policies look similar on paper, the early results have been dramatically different. In Escambia County, Florida, nearly everyone who has reached the time limit has had her (or his) grant entirely canceled. In Connecticut, roughly half of those reaching the time limit have received at least one six-month extension.

In both programs, a substantial fraction of the people who reached the time limit were employed and had income above the welfare payment standard; the states' earned income disregards had allowed them to remain on welfare while working. These clients were assumed not to need extensions, and their benefits were canceled.

The key difference relates to recipients who reached the time limit with income below the payment standard. In Connecticut, almost all of these clients were deemed to have made a good- faith effort to find employment (and thus were granted extensions), while in Florida most were considered noncompliant (making them practically ineligible for an extension). This disparity appears to stem from differences in the programs' design and implementation.

Florida's FTP, a heavily staffed pilot, typically schedules participants for an intensive schedule of activities and closely monitors them. This means participants can receive intensive services, but also that people are likely to miss many required activities. In contrast, Connecticut's much larger statewide program focuses more heavily on financial incentives and messages. Recipients are required to participate in employment activities, but the schedule is usually not very intensive. Staffing has not been expanded and workers have large caseloads, which makes it difficult for them to closely monitor participants. This, in turn, means that relatively few recipients were sanctioned (that is, had their grants reduced or canceled) for failing to meet program requirements prior to reaching the time limit.

In Connecticut, the absence of tight monitoring, when combined with a clear-cut definition of "good-faith effort" based on a client's history of sanctioning, means that most recipients get the "benefit of the doubt": They are assumed to have made a good-faith effort because there is no evidence to the contrary. In Florida, tight monitoring and a more ambiguous definition of compliance results in a much higher proportion being deemed "noncompliant."

- **Most of the waiver programs have generated increases in employment rates and/or decreases in welfare receipt in the period before recipients began to reach the time limit. However, it is not clear what role the time limits played in generating these impacts.**

Six of the seven evaluations (all but Wisconsin's) use random assignment research designs in which eligible welfare applicants and recipients were assigned, at random, to a *program group,* which was made subject to the reform, or a *control group,* which remained subject to the prior rules (which usually include requirements to participate in employment-related activities). Both groups are being followed for several years, and any differences that emerge between them — for example, in employment rates — can be attributed to the reform. Such differences are known, in the language of evaluations, as *impacts*. Although it has limitations — for example, this research design cannot determine whether a program is affecting the number of people who apply for welfare — random assignment is generally seen as the most reliable way to determine what difference a program makes.

Tables 2 and 3 show early results from five programs (results for Connecticut will be available in 1999). To facilitate comparisons, the top panel of each table shows the results at the end of the first year of the follow-up period, and the bottom panels show results for the end of the second year (where available).[1] The tables show results for the "pre-time limit period" — before recipients could have reached the limits. Two patterns stand out:

- All four programs for which employment data are available have generated increases in employment rates in the pre-time limit period. (Vermont's program generated statistically significant employment gains, but not in the periods shown in the table.)

- Four of the five programs (Indiana is the exception) did *not* reduce the number of people receiving welfare during this early period.[2]

These results suggest that time limits may cause some recipients to go to work, but that they do not induce many people to leave welfare more quickly in the pre-time limit period. But the story is more complex. First, it is likely that the Delaware and Florida programs would have reduced the rate of welfare receipt had they not included earned income disregards that allowed program group members (but not control group members) to earn more without losing eligibility for welfare.

Second, while at least four programs generated some pre-time limit impacts, it is not clear to what extent these effects were driven by the time limits, as opposed to other program features. The Vermont study, which provides the most direct evidence on this issue, suggests that time limits *per se* may modestly increase employment and reduce welfare receipt during the pre-time limit period.[3] The other studies are not designed to address this issue directly, but it appears that the time limits *per se* did not generate large impacts. In all three states, program group members faced tougher work-related mandates than did control group members and, in the past, programs with such mandates — but not time limits — generated impacts similar to those found in these studies.

In short, the results suggest that, while the presence of a time limit probably spurs some recipients to work or leave welfare more quickly in the pre-time limit period, such impacts are probably fairly modest. This may be partly attributable to limitations of the research designs, or to the way the time limits were

Table 2

Early Impacts on Employment and Earnings for Four Time-Limited Welfare Programs

Selected Welfare Programs	Percent Employed: Program Group	Control Group	Difference (Impact)	Percentage Change	Average Earnings per Person ($): Program Group	Control Group	Difference (Impact)	Percentage Change
Last quarter of year 1								
Delaware	55.7	44.9	10.8 ***	24.1	1,214	1,047	167 *	16.0
Florida	45.2	40.8	4.3 **	10.6	819	715	104 **	14.5
Indiana[1]	57.6	50.0	7.6 ***	15.2	1,250	1,000	250 ***	25.0
Vermont	42.5	40.0	2.5	6.3	887	854	33	3.9
Last quarter of year 2 (if available)								
Florida	51.7	43.5	8.2 ***	18.9	1,058	851	207 ***	24.4
Indiana[1]	57.2	54.4	2.8	5.1	1,433	1,374	59	4.3
Vermont (quarter 7)	46.1	43.5	2.6	5.9	1,075	1,071	4	0.3

SOURCE: Evaluation reports on each state program.

NOTES: Differences marked with three asterisks are statistically significant at the 1 percent level — that is, there is at least a 99 percent probability that the program actually had an impact on that outcome. Differences marked with two asterisks are statistically significant at the 5 percent level, and those marked with one asterisk are statistically significant at the 10 percent level.

Dollar averages include zero values for sample members who were not employed.

[1]The results for Indiana are for the subgroup of sample members predicted to be in the "placement track." The time limit only applied to placement track clients during the study period.

Table 3

Early Impacts on Cash Assistance Receipt and Payment Amounts for Five Time-Limited Welfare Programs

Selected Welfare Programs	Percent Receiving Cash Assistance: Program Group	Control Group	Difference (Impact)	Percentage Change	Average Amount of Cash Assistance per Person ($): Program Group	Control Group	Difference (Impact)	Percentage Change
Last quarter of year 1								
Arizona[1]	53.3	51.4	1.9	3.6	147	148	-1	-0.6
Delaware	65.7	65.6	0.1	0.2	512	588	-76 ***	-12.9
Florida	56.2	54.4	1.9	3.4	400	420	-20	-4.8
Indiana[2]	43.3	52.6	-9.3 ***	-17.7	296	389	-93 ***	-23.9
Vermont	67.3	66.5	0.9	1.4	960	976	-16	-1.6
Last quarter of year 2 (if available)								
Florida	35.9	38.1	-2.2	-5.8	217	271	-54 ***	-19.9
Indiana[2]	25.4	29.3	-3.9	-13.3	152	200	-48 ***	-24.0
Vermont	52.2	52.6	-0.4	-0.8	713	743	-29	-3.9

SOURCE: Evaluation reports on each state program.

NOTES: Differences marked with three asterisks are statistically significant at the 1 percent level — that is, there is at least a 99 percent probability that the program actually had an impact on that outcome. Differences marked with two asterisks are statistically significant at the 5 percent level, and those marked with one asterisk are statistically significant at the 10 percent level.

Dollar averages include zero values for sample members who were not receiving cash assistance.

[1]The data from Arizona refer to month 12 of the follow-up period rather than to a full quarter.

[2]The results for Indiana are for the subgroup of sample members predicted to be in the "placement track." The time limit only applied to placement track clients during the study period.

communicated by staff, but it also appears that simple human nature explains why many recipients do not respond early to time limits. Surveys and focus groups suggest that many recipients see time limits as a distant concern while many months remain on the clock. In the short term, they are more likely to focus on day-to-day concerns (such as paying bills and keeping children out of trouble). When asked about welfare reform measures, recipients discussed policies such as work requirements that affect them immediately. Some expressed general concern about time limits, but had not translated this into a specific strategy for moving to self-sufficiency. Almost no one discussed the need to "bank" months of assistance, perhaps because most people seemed fairly optimistic about their future prospects.

- **Findings are starting to emerge from studies of families whose welfare grants were canceled at time limits, but it is too early to say how these families will fare.**

The Connecticut and Florida evaluations include surveys of families that reached time limits and had their welfare grants canceled. To date, results have been published from surveys conducted three to six months after benefit termination. So far, the available research data show little evidence that families were more likely to experience severe material hardship after the time limit than they had experienced before. This does not mean families were not experiencing hardship — cash assistance grants leave most families below the poverty line while on welfare — but it does not appear that the most serious problems such as homelessness or hunger were more prevalent after the time limit. However, it is important to note that the data available at this point are not detailed enough to measure less dramatic changes in well-being; moreover, longer follow-up is needed to understand whether respondents' short-term coping strategies can be maintained over time.

The early results also indicate that there is not much change in people's employment status in the immediate post-time limit period; that is, most people who were employed when they reached the time limit were employed several months later, and most who were not employed during their last month on assistance were still not employed when contacted later. That being said, the results also suggest that, when discussing the well-being of former recipients, it is not enough to know whether they are employed. Those who are not employed may be relying on support from relatives, partners, or friends (and may be living rent-free in subsidized housing), while some employed individuals may be earning very little and have few other sources of income.

Open Questions

So far, the waiver studies suggest that time limits have produced neither the dramatic positive changes that proponents promised nor the dire consequences that critics predicted. But the results available now provide only an interim report card.

Over the next two to three years, the waiver studies will examine how many welfare recipients reach time limits after cycling off and back onto welfare, and will describe how families fare after time limits. They will also provide detailed information on how the early time-limit programs affect the well-being of children.

Other research will be needed to address questions that the waiver studies cannot answer. For example, it is not clear whether time limits will have different impacts once the time-limit message has permeated communities; some have argued that participants in the earliest programs may not have fully believed that time limits would be implemented. In addition, it will be important to learn more about the operation and impacts of time limits in weak labor markets and in very large cities.