

GAIN.

**EXECUTIVE
SUMMARY**

Basic Education in a Welfare-to-Work Program

California's Greater Avenues for Independence Program

*Karin Martinson
Daniel Friedlander*

*Manpower Demonstration
Research Corporation*

January 1994

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GAIN:

**BASIC EDUCATION
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Karin Martinson
Daniel Friedlander

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The Authors

PREFACE

Established in 1985, California's Greater Avenues for Independence (GAIN) Program broke new ground by emphasizing large-scale, mandatory participation in basic education, in addition to job search, training, and unpaid work experience, for welfare recipients who were considered to need it. This new emphasis on basic education was subsequently embodied in the federal Family Support Act of 1988 and its centerpiece, the Job Opportunities and Basic Skills Training (JOBS) Program. The premise was that many welfare recipients — notably, long-term recipients, who account for the bulk of welfare spending — have inadequate educational backgrounds and basic skills for obtaining and keeping jobs, especially jobs sufficiently well-paying to enable them to leave welfare.

This report, the seventh in the GAIN evaluation, examines how the basic education component of GAIN has been operating and assesses the participation patterns and educational effects for the almost two-thirds of the GAIN caseload who, during the period of the study, were determined to need basic education. It does this by tracking the experiences of more than 2,500 of these individuals over a two- to three-year follow-up period.

The report concludes that the GAIN programs in the six study counties all successfully met the large — and unprecedented — challenge of providing basic education to great numbers of welfare recipients. It also shows that GAIN led to increases in the number of hours in basic education and to increases in receipt of a GED. However, in only one of the study counties did welfare recipients experience increases in scores on a test of literacy and mathematical problem-solving. Moreover, at the two-year point, there was as yet no link between sites with educational gains and sites with earnings gains (although the report argues that two years may have been too short a time for detecting earnings impacts, and points to evidence that earnings may have improved at the three-year follow-up point). Further, the report notes that educational gains were concentrated among individuals with relatively high levels of literacy and that test score gains were concentrated in the site that created a virtually new, county-wide adult education program tailored to the special needs of people on welfare. These results show that, while feasible, providing effective basic education services for this mandatory population can be difficult, and that longer-term follow-up will be important for detecting the full payoff of investments in education.

Finally, it must be stressed that the present results should not be overinterpreted or used to make judgments as to the value of basic education for welfare recipients or for adults more generally, who usually seek out such services and participate in them voluntarily.

Judith M. Gueron
President

EXECUTIVE SUMMARY

A central goal of recent federal and state welfare reform initiatives has been to assist welfare recipients to become employed and move toward self-sufficiency. However, as documented in several studies, poor basic literacy skills are a chronic problem for many of those in poverty and receiving welfare, diminishing their chances of competing effectively in the labor market. An important policy response has been to provide them with basic education — classes in Adult Basic Education (ABE), which focus on reading and mathematics; preparation for the General Educational Development (GED) test; and instruction in English as a Second Language (ESL).

This report presents findings about the operation and educational effects of a welfare-to-work program that puts a considerable emphasis on mandatory basic education services: California's statewide Greater Avenues for Independence (GAIN) Program, which began operations in 1986 and is targeted to recipients of Aid to Families with Dependent Children (AFDC). For welfare recipients whom GAIN determines to need basic education — 65 percent of those GAIN served during the period of this study — the program emphasizes participation in basic education as a condition for receiving welfare. It must be stressed that this is not an evaluation of adult education services as they are normally delivered: to people who seek them out and participate in them voluntarily.

GAIN broke new ground by mandating basic education for large numbers of people. In giving basic education a prominent role, and in other respects as well, GAIN was an important precursor of federal welfare reform legislation — the Family Support Act of 1988 and its centerpiece, the Job Opportunities and Basic Skills Training (JOBS) Program, which is the major source of federal funding for state welfare-to-work programs. Lessons on the operation and effects of GAIN are relevant to welfare reform broadly because California has the country's biggest AFDC caseload and GAIN is the largest and one of the most ambitious of all the states' JOBS programs. It is also one of few such programs to mandate basic education for large numbers of welfare recipients.

This is the seventh in a series of reports from an ongoing random assignment evaluation of GAIN's effectiveness, which is being conducted by the Manpower Demonstration Research Corporation (MDRC) under a contract from the California Department of Social Services (CDSS).¹ Six California

¹The previous reports are: John Wallace and David Long, *GAIN: Planning and Early Implementation* (New York: MDRC, 1987); James Riccio, Barbara Goldman, Gayle Hamilton, Karin Martinson, and Alan Orenstein, *GAIN: Early Implementation Experiences and Lessons* (New York: MDRC, 1989); Karin Martinson and James Riccio, *GAIN: Child Care in a Welfare Employment Initiative* (New York: MDRC, 1989); Stephen Freedman and James Riccio, *GAIN: Participation Patterns in Four Counties* (New York: MDRC, 1991); James Riccio and Daniel
(continued...)

counties are included in the evaluation: Alameda, Butte, Los Angeles, Riverside, San Diego, and Tulare. Together, they account for more than one-third of the state's GAIN caseload and more than one-half of its AFDC caseload. The present report is based mainly on a sample of more than 2,500 welfare recipients, in five of those six counties (all but Butte), who met GAIN's criteria for needing basic education. They include both single heads of families with children age six or older (AFDC-FGs, who are usually mothers) and heads of two-parent families (AFDC-Us, who are typically fathers).² These individuals became part of the evaluation's research sample between March 1988 and June 1990, and the descriptions of county programs apply to the way they were operated prior to mid-1991. The report draws on previously completed analyses and also presents new data based on a survey of these recipients and the results of a literacy test, both of which were administered to them two to three years after they became part of the research sample.³ This summary focuses primarily on the results for the AFDC-FG (single-parent) registrants, who constitute a large majority of AFDC recipients.

Highlights of the Findings

The feasibility of providing basic education through GAIN. All six of the California counties in the GAIN evaluation were able to operate the program's basic education component on a relatively large scale. The county GAIN programs established the necessary linkages with schools, and the schools were able to enroll the new population of mandatory GAIN participants, provide them with classes that offered an "opportunity to learn" (as measured by conventional standards), and, for the most part, monitor students' attendance and performance. In San Diego, a major effort was made to tailor the services to the specific needs of GAIN participants by creating a new county-wide education program to serve them exclusively.

Rates and duration of participation in basic education. Fifty-eight percent of GAIN registrants determined to need basic education were referred by GAIN to a basic education program. Of those referred, 71 percent (41 percent of all those judged to need basic education) actually attended such a

¹(...continued)

Friedlander, *GAIN: Program Strategies, Participation Patterns, and First-Year Impacts in Six Counties* (New York: MDRC, 1992); and Daniel Friedlander, James Riccio, and Stephen Freedman, *GAIN: Two-Year Impacts in Six Counties* (New York: MDRC, 1993).

²The research sample does not include AFDC-FGs (single parents) with preschool-age children, many of whom become mandatory for GAIN under JOBS regulations in 1989.

³It is beyond the scope of this report to discuss GAIN's impacts on employment and welfare receipt over a longer follow-up period than has been presented in previous reports (most recently in Friedlander, Riccio, and Freedman, 1993) or to link the education outcomes to labor market results. Analysis of these issues will be addressed in the evaluation's final report, scheduled for 1994.

program. Those who were not referred – or, if they were referred, did not attend – fell into several categories. Many were temporarily excused from GAIN or had left GAIN because they became employed, experienced health problems, or had other reasons that were acceptable according to the GAIN legislation. Others were referred to activities other than basic education, primarily job search. Still others were continuing, with GAIN's approval, in post-secondary or vocational education and training activities they had begun prior to entering GAIN. The GAIN program provided a considerable amount of basic education: Those who participated attended classes for roughly eight months, on average, during a two- to three-year follow-up period. However, participants were in class for only about 60 percent of their scheduled hours, on average, indicating that, even with intensive monitoring procedures, attendance was not consistent.

GAIN's education impacts. This report considers two kinds of education outcomes, based on a study in five of the six evaluation counties. (Butte was not included in this part of the research because resources for survey and test administration were limited.) One outcome is educational *attainment*, which, in the context of this study, refers to passing the GED test⁴ (or, in some cases, receiving a high school diploma). The other is educational *achievement*, which (again in the present context) denotes an increase in literacy and mathematical skills as gauged by scores on a literacy test. In the five counties, the educational effects (or "impacts") of GAIN were measured by comparing the educational attainment and achievement of two groups of welfare recipients: one group (the experimental group), who were given access to GAIN's services and were subject to its participation mandate, and another, similar group of welfare recipients (the control group), who were not eligible for the program and were not subject to its participation mandate, but who could participate in other services in the community on their own. It is very important to note that, as discussed above, many experimental group members did not participate in the basic education services provided through GAIN. However, the impacts in this report pertain to the entire group determined to need basic education – both those who participated and those who did not.

Impacts on attainment of a GED. GAIN was successful in increasing GED receipt for program registrants in all five counties that were in the study of GAIN's education impacts. The impacts in four of these counties were statistically significant. Tulare produced a very large (19 percentage point) impact and Alameda produced a relatively large (8 percentage point) impact; the impacts in Los Angeles and Riverside were small; and San Diego's impact (4 percentage points) was in the middle. The GED impacts were concentrated among the individuals who were the most literate when they entered GAIN. For them, GAIN appears to have provided an accessible route for acquiring relatively quickly the specific

⁴Individuals who pass the GED test receive a state high school equivalency certificate.

knowledge needed to pass the GED test. Those at lower literacy levels tended to participate in ABE (i.e., remedial reading and mathematics) classes; relatively few of them entered GED preparation programs.

Impacts on literacy test scores. This study also analyzed whether GAIN increased the basic skills levels of welfare recipients as measured using a literacy test – the Test of Applied Literacy Skills (TALS). (The test was administered only in English, so those individuals in the sample who were not proficient in English were not tested.) San Diego’s GAIN program produced large and statistically significant impacts on TALS scores. No other county produced measurable impacts, and there was no impact for all counties combined, although small test score gains may have gone undetected. As was true of the GED impacts, basic skills increases were concentrated among individuals who had the highest levels of literacy when they entered GAIN; these were also individuals who spent relatively shorter periods of time in basic education classes. It is possible that those at lower literacy levels may have made gains that were not captured by the TALS, or perhaps this group may need more than the considerable amount of education they received to substantially improve their skills. Nonetheless, the results raise questions about whether the basic education services provided through GAIN were appropriate for less literate students.

The results from San Diego and Tulare offer evidence that it is feasible for large-scale, mandatory JOBS programs to produce a substantial impact on GED receipt and basic skills levels. Both counties made special efforts to gear their programs specifically toward the educational needs and circumstances of welfare recipients. The contrasting results for the other counties suggest that achieving education impacts, although possible, may require strenuous efforts to identify, implement, and maintain effective program practices.

In the three counties that produced modest to large impacts on GED receipt or basic skills levels – Alameda, San Diego, and Tulare – the GAIN program, in the short run (i.e., within the available two-year follow-up period), did not result in employment and earnings impacts for those determined to need basic education. However, in Alameda and Tulare, results for a small group of these individuals who became part of the research sample early on, and for whom there are three years of follow-up data, suggest a possible growth in earnings impacts beginning just after the second year of follow-up and increasing into the third. Results from longer follow-up, which will be presented in the evaluation’s final report, will clarify whether GAIN’s investment in basic education shows promise of paying off in the labor market.

The GAIN Model

GAIN is overseen by CDSS and administered by California's 58 counties. A key feature of the program is its use of the education and basic skills levels of welfare recipients to sort them into one of two treatment streams. Those who do not have a GED certificate or a high school diploma, *or* who fail to achieve a minimum score of at least 215 on both a reading test and a mathematics test (the CASAS tests, developed by the Comprehensive Adult Student Assessment System), *or* who are not proficient in English are defined as "in need of basic education" and are required to attend a basic education program. They may choose to participate in job search first, but if they do not find a job, they must then participate in basic education.

The other registrants — those determined to be "*not* in need of basic education" — usually must participate in job search first. Registrants who are already enrolled in education or training programs when they enter GAIN may continue if the programs meet certain criteria. Participants who do not find employment after completing their initial activities undergo an employability assessment designed to help them choose their next activity: skills training, vocationally oriented post-secondary education, on-the-job training, or unpaid work experience. Registrants who do not participate in their assigned activities are subject to a "sanction," i.e., a reduction in their welfare grant.

For those determined to need basic education, three types of basic education are available through GAIN: (1) ABE programs, which provide remedial reading and mathematics for those with lower skills levels (typically at or below the eighth-grade level), (2) GED preparation programs for students whose academic skills are strong enough to allow them to study productively for the GED test, and (3) ESL instruction, which teaches people who are not proficient in English to read and speak the language.

The Policy Context

GAIN represented a new approach to welfare reform — one that emphasized large-scale mandatory participation in basic education services in addition to the job search and unpaid work experience components that were the focus of most welfare employment programs in the 1980s. While the earlier programs produced modest increases in earnings and reductions in welfare receipt, and did so cost-effectively, they did not move substantial numbers of people off welfare. Moreover, those who did leave welfare often remained poor. Studies also suggest that programs that provided primarily job search assistance often were unable to increase the earnings of the most disadvantaged.

GAIN, in contrast, was structured so that, rather than seeking work immediately, participants who were considered to need basic education would "invest" in those activities in anticipation of future

economic gains. Since education has been shown to be strongly correlated with income, policymakers reasoned that this approach, although more expensive in the short run, would lower the costs of welfare in the long run by increasing departures from AFDC, especially if the more disadvantaged recipients thereby left welfare, and by reducing the rate at which former recipients returned to the welfare rolls.

Previous studies, however, offer little guidance about whether a large-scale welfare-to-work program that emphasizes mandatory participation in basic education would be feasible to operate or effective. Historically, adult education programs have been geared toward individuals who voluntarily enrolled and were motivated to return to school. In contrast, many GAIN registrants have had negative experiences in school, including school failure and dropping out, and may be reluctant to return. Schools and the GAIN program faced many challenges in working with this new population of mandatory students – what types of services to offer, how much education to provide, and how to monitor and encourage attendance. This report is intended to inform some of these issues regarding the operation and effects of basic education in the GAIN program.

The GAIN Evaluation

The GAIN evaluation, which began in 1986, is conducted in six counties, which represent a wide variety of local conditions and, as noted above, account for more than one-third of the state's GAIN caseload and more than one-half of its AFDC caseload. Three counties are in southern California: Los Angeles, with about one-third of the state's AFDC caseload and a welfare population larger than that of all but a few states'; San Diego, with the state's second-largest AFDC caseload; and Riverside, a large county encompassing both urban and rural areas. Two counties are in northern California: Alameda, an urban county that includes the City of Oakland, and, further north, the mid-sized county of Butte. The final county, Tulare, is located in the largely agricultural, rural Central Valley.

It is worth reiterating that this report's descriptions of the counties' strategies for implementing GAIN are based on data collected no later than mid-1991, and prior to that in most cases. This is the relevant information for describing the "treatment" those in the research sample experienced. However, some of the information does not portray the counties' *current* modes of operating GAIN. All of the counties have continued to revise their strategies as they have become more experienced in operating this very complex welfare-to-work initiative, and in response to changes in funding and other circumstances.

The evaluation uses a random assignment research design to assess the GAIN program. In this design, all mandatory registrants who were referred to the GAIN program in the research counties from March 1988 to June 1990 were assigned, at random, to the experimental group or the control group.

Because registrants were assigned to these two groups at random, there were no systematic differences between them except for the fact that one group was subject to the GAIN mandate and the other was not. Thus, as the evaluation tracks members of the two groups over time, any measured differences between them in the amount of education received, educational attainment and achievement, employment, or AFDC receipt can be attributed with confidence to GAIN.

During the period in which members of the research sample registered for GAIN, four of the six counties had sufficient resources to extend the program's requirements and services to all registrants in their caseload who were mandatory for GAIN under the pre-JOBS rules. The other counties – Alameda and Los Angeles – focused exclusively on long-term recipients.

As already noted, this report focuses exclusively on one group of welfare recipients from the overall GAIN evaluation: those determined to need basic education. The GAIN evaluation's analysis of welfare and employment impacts is based on a research sample of approximately 33,000 GAIN-mandatory AFDC-FGs and AFDC-Us, from the six research counties, who were randomly assigned to the experimental or control group. Of this number, roughly 21,000 were determined to need basic education. To collect information on participation in basic education and receipt of a GED or a high school diploma, MDRC surveyed a subset of approximately 2,500 of these 21,000 welfare recipients (both experimentals and controls) in five of the six counties (all but Butte) two to three years after random assignment. To measure educational achievement, a literacy test was administered at the time of the survey to about 1,100 of these 2,500 individuals. The test used in this analysis consists of two sections of the Test of Applied Literacy Skills (TALS), developed by the Educational Testing Service (ETS). The TALS uses written materials of the sort encountered in everyday life – such as schedules, maps, and want ads – to gauge the test-taker's ability to understand such materials and to solve problems based on them (the problems in the quantitative part of the test require arithmetic solutions). After consultation with experts, the TALS was selected for the evaluation because of its appropriateness for disadvantaged adults and its high statistical reliability. Also, because a version of this test has been used in a recent national literacy assessment, use of the TALS makes it possible to compare the scores of GAIN registrants to those of other groups. The study also relies on data from GAIN casefiles, school attendance records, and field research.

Interpreting the Results of This Study

In weighing the evidence about GAIN's education effects provided in this report, it is important to understand the kinds of questions this study was and was not designed to answer, the inherent difficulty

of measuring educational achievement, and, therefore, the importance of using caution in attempting to generalize these findings to other JOBS or basic education programs.

First, as discussed above, the GAIN program *mandates* basic education for large numbers of welfare recipients. This distinguishes it from most other JOBS programs, which provide basic education only to those who choose this activity. The effects of basic education for those who volunteer may be quite different from the effects for those who are required to participate if they are to avoid the possible loss of part of their AFDC grant. In particular, these results do not represent JOBS programs that offer basic education on a more selective basis or adult education programs that provide services to a non-welfare population.

Second, this report does not evaluate basic education activities alone. Rather, it examines the effects of the entire package of GAIN's services and mandates for those who were determined to need basic education. Basic education is the most important activity in this package, but not all who were judged to need it participated. In this report, basic education impacts are averaged over the full "in need of basic education" sample – those who participated in basic education (for both long and short periods) as well as those who did not.

Third, this report examines only two of the effects of basic education in a JOBS program: increased basic skills and attainment of a GED or a high school diploma. It does not measure other possible effects of basic education, such as the improved well-being of participants' children, a better-informed citizenry, or increased self-esteem. This study also contains no information on the costs of providing basic education in GAIN, which will be examined in the final evaluation report.

Fourth, the question of increased educational achievement is addressed but not answered definitively by this study owing to measurement issues. Unlike attainment of a credential (such as a GED), educational achievement is difficult to define and measure. Although the TALS is considered a good indicator of the skills needed to accomplish tasks in everyday life or in the workplace, it may have some limitations. While the TALS was designed to measure performance across a broad range of literacy levels, it is possible that the TALS was not sensitive enough to pick up achievement gains among those at very low literacy levels. It may also be that the TALS measures skills that are different from those that were taught and learned in GAIN basic education classes. The effects of unmeasured increases in skills may show up later in earnings gains.

The size of the TALS sample also limits the ability of the study to measure educational achievement. The testing was intended to measure achievement impacts for the sample as a whole, not for individual counties or subgroups. Because the sample sizes for the test score analysis for counties or subgroups are small, these estimates can only describe the direction and approximate order of

magnitude of county and subgroup impacts, not their precise amounts. In addition, the sample is not large enough to capture small educational gains. It is possible that achievement gains of a policy-relevant magnitude were made by some of those who participated in basic education, but by too few to appear clearly in the overall experimental-control comparison.

Finally, the motivation of sample members to score high on the tests needs to be considered. TALS test-takers did not face the same incentives as GED test-takers. Passing the GED test is seen by most GED test-takers as a step toward obtaining higher earnings. However, TALS test-takers may have been less motivated to do their best. This may have been particularly true for those at lower literacy levels, for whom any academic skills test would present a difficult challenge.

Findings on the Basic Education Services and Systems

- **The adult education systems were able to accommodate the GAIN students and to provide them with an "opportunity to learn." The students usually received the same services available to other adults in the community.**

The six counties were able to accommodate the influx of GAIN students primarily by relying on the existing education services in the community and in some cases by expanding them. This was possible, in part, because California has the nation's largest adult education system. Typically, GAIN students were offered the standard basic education programs available to other adult education students in the community, and few changes were made in the services previously provided. ABE and ESL classes generally used individualized instruction. GED programs focused exclusively on the GED test.

"Opportunity to learn" is a concept education analysts often use when they attempt to gauge the quality of education programs. MDRC's field research indicates that, by conventional standards, the education programs in all six counties provided such an opportunity: There were very few capacity problems, so students could receive services; the services were geared toward individuals' educational needs and used established methods and curricula; and the classes were held for a sizable number of hours per week (usually 15 to 20) on a continuing basis.

- **In San Diego, the basic education services were redesigned on a county-wide basis specifically to meet the needs of GAIN students.**

In San Diego, and in a few schools elsewhere, efforts were made to improve the basic education services provided to GAIN students through the use of both additional funding and different curricula and instructional methods. San Diego's program was built on the premise that the existing adult education services were not appropriate for the GAIN population because of their previous negative experiences in

school. The new program was designed and funded by a consortium of agencies – school districts, the welfare department, and the Private Industry Council (PIC). It consisted of an entirely new network of Learning Centers (i.e., classrooms) designed specifically and exclusively for GAIN students. Key features included up-to-date computer-assisted learning combined with classroom instruction, integrated academic and life skills instruction, off-campus classroom locations to reinforce the idea of a fresh opportunity, a new teaching staff, and a class for learning disabled students. In an effort to enhance accountability, another county, Riverside, developed and funded performance-based payments with several schools for the provision of basic education services.

- **Schools and the county GAIN programs found it difficult to establish reliable attendance reporting systems, which were needed to monitor and enforce registrants' participation. However, these systems developed and improved over time.**

GAIN's participation mandate required registrants to attend their assigned activities on a continuous basis until they left or were officially excused from the GAIN program. This meant that schools had to establish new procedures for monitoring attendance and performance, and for communicating this information to the GAIN program. A number of schools and counties found the new reporting systems to be very burdensome and experienced difficulty producing timely information on registrants who were experiencing participation problems.

Some counties eventually overcame these difficulties by dedicating resources specifically for intensive monitoring systems. Two counties stand out in their efforts to improve attendance. In San Diego, designated case managers were given caseloads consisting only of individuals assigned to basic education activities. These case managers spent two or three days a week at schools, assisting participants and trying to resolve attendance problems. In addition, school staff in San Diego contacted absent students, usually on the very day of the absence. In Tulare, the GAIN program employed "transition counselors," whose primary responsibility was to achieve good attendance among GAIN students. Tulare also established a uniform attendance monitoring system for all schools; several schools called participants each day they did not attend to see if the schools could remove barriers or resolve problems.

During the study period, Riverside adopted a somewhat different approach. As discussed in previous MDRC reports, Riverside's GAIN program had a strong emphasis on quick entry into the labor market. Consistent with this emphasis, registrants who were not attending regularly were sometimes transferred from a basic education activity to a job search activity – i.e., those with poor attendance were

urged to find jobs if they did not want to attend school. While not a uniform policy, such transfers occurred more often in Riverside than in the other counties.

Findings on Participation Patterns in Basic Education

This discussion of participation patterns is based on (1) GAIN casefiles and attendance records from education providers, covering an 11-month follow-up period, and (2) a survey of sample members, covering a two- to three-year follow-up period. (The survey, as noted above, did not include Butte.)

- **A sizable proportion – 41 percent – of the AFDC-FG GAIN registrants who were determined to need basic education actually attended a basic education program within an 11-month follow-up period. Participation rates varied substantially among the counties.**

Figure 1 shows the participation patterns (averaged across the six counties) for a typical group of 100 AFDC-FG GAIN registrants who were determined to need basic education. Fifty-eight of 100 registrants were referred to an education activity, and 41 (71 percent of the 58) participated in the activity within an 11-month follow-up period. The participation rates were highest in Alameda, Los Angeles, and Tulare (ranging from 45 to 55 percent). Similar rates were found for AFDC-U registrants.

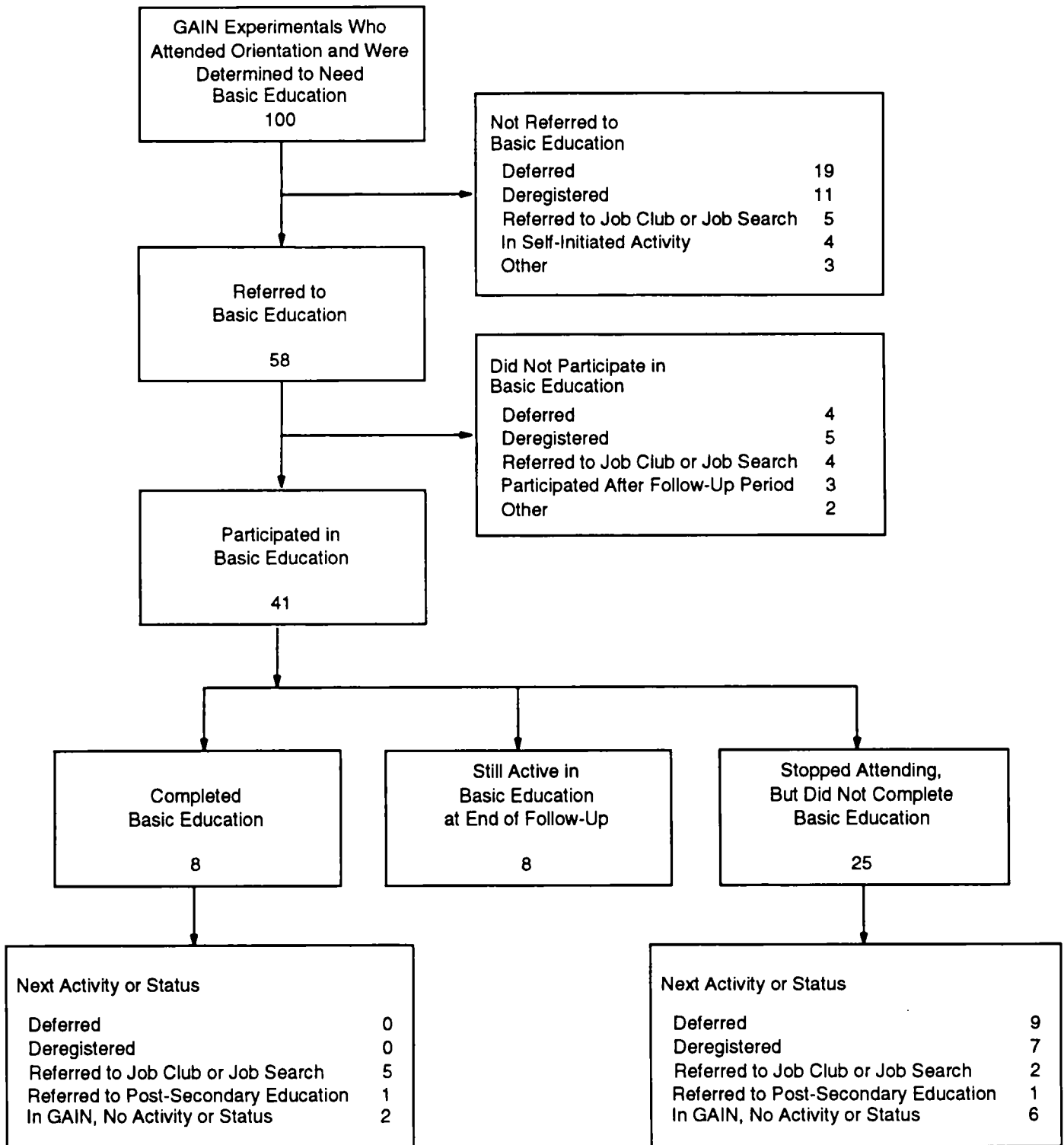
Reflecting its more disadvantaged and non-English-speaking GAIN population, Los Angeles had a low proportion of participants in GED and a large proportion in ESL. In contrast, Tulare had a relatively large proportion of registrants attending GED programs.

- **The principal reasons for nonparticipation in basic education were consistent with the GAIN legislation. Therefore, in some counties, much higher rates of participation would not have been feasible.**

As shown in Figure 1 (i.e., in the "not referred to basic education" and "did not participate in basic education" boxes), there were two primary reasons for not participating in basic education programs. First, many registrants did not enter an education activity within the 11-month follow-up period because they were temporarily deferred from the GAIN program; they had a part-time job, a temporary illness, or another situation that precluded their attending an activity. Second, some registrants left the GAIN program (i.e., they were deregistered) before they participated in a basic education activity because they obtained a full-time job, became chronically ill, or left AFDC. Also, some registrants chose or were referred to another service, particularly job search. This occurred most commonly in Riverside and San Diego. Still other registrants fulfilled the participation mandate by continuing, with GAIN's approval, in "self-initiated" post-secondary or vocational education or training activities.

FIGURE 1

**CLIENT FLOW WITHIN AN 11-MONTH FOLLOW-UP PERIOD
FOR 100 TYPICAL AFDC-FG REGISTRANTS
DETERMINED TO NEED BASIC EDUCATION**



- **Twenty percent of those who participated in basic education completed their activities within an 11-month follow-up period. Approximately 60 percent stopped attending without completing the activity. The remaining 20 percent were still participating in the activity at the end of the follow-up period.**

At the time this study was conducted, the state provided only broad guidelines for determining when participants had completed basic education in GAIN, and individual schools and counties developed their own completion standards. (Statewide completion standards were developed and implemented later.) Only in GED programs, where the program is completed when the registrants pass the GED test, were the completion standards clear. No similar guidelines existed for ABE and ESL courses. Los Angeles and San Diego were the only programs with uniform county-wide exit procedures for ABE and ESL (using a specified score on a standardized test as the exit criterion).

Figure 1 shows what happened to AFDC-FG registrants once they started a basic education activity. Within an 11-month period, 8 of 41 (20 percent) completed their education activity (according to school records), with most of these individuals going on to a job search activity; 25 of 41 (61 percent) stopped attending the basic education activity without finishing it, usually because they were deferred or deregistered from GAIN for reasons such as employment or health problems; and 8 of 41 (20 percent) were still participating in the activity at the end of the 11-month follow-up period. These completion and exit rates will have changed somewhat as participants continued to complete or leave basic education activities after the 11-month follow-up period covered in this analysis.

San Diego had the highest completion rate, with close to 40 percent of its participants completing their ABE or GED activities.⁵ The county's concrete and uniform exit standards may have been a factor in achieving these rates, since teachers and participants were working toward a well-defined goal.

- **Basic education participants reported that they attended their basic education programs for roughly one school year (8 months) over a two- to three-year follow-up period.**

Measures of length of stay are important from a policy perspective because they represent one way of gauging the "investment" made by GAIN in human capital development. Table 1 presents the average number of months basic education participants attended their programs, according to their responses on the survey. AFDC-FG participants attended their activities for longer periods in Alameda, Los Angeles, and Tulare (ranging from 9 to 11 months) than in Riverside and San Diego (6 months). (Again, Butte was not included in the survey.) AFDC-U participants attended for slightly longer than did AFDC-FGs.

⁵Completion data were not available in Alameda or Los Angeles.

TABLE 1
FOR BASIC EDUCATION PARTICIPANTS:
NUMBER OF MONTHS ATTENDING AND AVERAGE WEEKLY SCHEDULED HOURS IN
BASIC EDUCATION ACTIVITIES, WITHIN A TWO- TO THREE-YEAR FOLLOW-UP PERIOD

Measure	AFDC-FGs ¹					AFDC-U ²
	Alameda	Los Angeles	Riverside	San Diego	Tulare	All Counties
Average number of months in basic education activities	8.7	11.3	5.5	5.6	9.1	8.0
Percentage distribution of number of months in basic education activities						
Less than 2 months	8.3	9.4	24.0	23.5	13.8	15.8
2-6 months	43.5	25.0	52.0	52.9	31.3	40.9
7-12 months	26.9	34.4	17.3	14.7	31.3	24.9
13-18 months	13.0	10.9	1.3	5.9	10.0	8.2
19-24 months	3.7	15.6	4.0	2.9	12.5	7.8
25 months or more	4.7	4.7	1.3	0.0	1.3	2.4
Average weekly scheduled hours in basic education activities	15.9	24.2	17.7	24.1	17.4	19.8
Sample size	108	64	75	68	80	395

SOURCE: MDRC calculations using data from the GAIN registrant survey.

NOTES: Basic education activities include GED preparation, ABE, and ESL.
The AFDC-U sample does not include any registrants from Alameda.
The "all county" estimate is the average of the county estimates, with each county weighted equally.
Distributions may not add to 100.0 percent because of rounding.

Almost 60 percent of the AFDC-FG participants stayed less than 6 months, and 18 percent attended for a year or more. ABE/GED participants attended for an average of 8 months,⁶ while ESL participants attended longer, averaging 10 months over the two- to three-year follow-up period (not shown in the table).

The county differences in length of stay reflect both program practices and the nature of the caseload each county served. Alameda and Los Angeles served long-term AFDC recipients exclusively. These recipients tended to stay on welfare for longer periods during the follow-up period and thus were available to participate in basic education longer. In addition, the programs in these counties, as well as in Tulare, placed more emphasis on maintaining participation in education activities. In contrast, Riverside's program urged registrants to enter the labor market quickly, which contributed to the shorter stays in education programs in this county.

- **More disadvantaged groups – those at lower literacy levels when they entered GAIN and long-term AFDC recipients – reported that they attended their basic education activities for a longer period of time than did less disadvantaged groups.**

Those who scored below 215 on both the reading and mathematics CASAS tests when they entered GAIN participated in ABE/GED for a significantly longer period than did those who scored higher (9 versus 6 months).⁷ Those who had been on AFDC for two years or more also had longer stays in basic education than did short-term recipients or AFDC applicants. This indicates that stays will be particularly long for those at lower economic and education levels, because they require more education and also tend to stay on welfare, and thus in GAIN, longer.

- **Basic education participants reported that their classes were scheduled for 16 to 24 hours per week. Los Angeles and San Diego represented the top of that range.**

Basic education participants in Alameda, Riverside, and Tulare reported on the survey that their education classes were scheduled for 16 to 18 hours per week, whereas participants in San Diego and Los Angeles reported scheduled hours of 24 per week. It is important to note the intensity of the program in San Diego. As stated above, San Diego participants stayed in basic education activities for a shorter time than did those in three of the other counties. However, because the San Diego participants had more

⁶The survey did not distinguish between ABE and GED activities.

⁷According to CASAS, those who function below 215 are at low literacy levels and have difficulty pursuing programs or jobs other than those that require only minimal literacy skills. Those at or above the 215 level are able to handle tasks requiring basic literacy and computational skills.

scheduled hours per week, they were enrolled for about as many total hours of education as were participants in most counties that averaged longer stays in basic education (not shown in the table). Los Angeles, with a relatively long length of stay and a relatively high number of scheduled hours per week, stands out as having provided the largest amount of basic education.

- **Basic education participants were in the classroom for 10 hours per week, on average – roughly 60 percent of their scheduled hours. Weekly attendance was higher (16 hours per week) in San Diego, where classes were scheduled for more hours per week and more intensive monitoring was provided.**

The investment in basic education can also be gauged by the regularity of school attendance. Actual weekly hours in the classroom ranged from 55 to 65 percent of scheduled hours across three of the study counties – Riverside, San Diego, and Tulare.⁸ San Diego, which had intensive monitoring procedures, achieved the highest attendance rate of the three. In a mandatory basic education program for welfare recipients, such monitoring procedures may be required to achieve even these moderate rates of attendance. It also appears to be important to organize instruction so that it is beneficial even when attendance is inconsistent – i.e., so that students who miss some classes are still able to profit from the instruction.

Findings on GAIN's Impacts on Participation in Basic Education and on Education Outcomes

As discussed earlier, to determine GAIN's educational effects, the experience of registrants who were randomly assigned to the experimental group was compared to that of registrants who were randomly assigned to the control group. The *differences* between the two groups – in terms of participation in basic education, educational attainment, and educational achievement – represent the education impacts of the program.

- **Among those determined to need basic education, GAIN substantially increased the proportion of experimental group members who participated in such activities. Few control group members participated in basic education.**

Previous research on welfare-to-work programs has shown that some welfare recipients participate in education programs on their own initiative. Understanding how much GAIN increased participation beyond what registrants do on their own is important for interpreting the education impacts presented in this report. Across all five counties in the survey, GAIN was successful in producing large increases in the number of individuals who received basic education, above and beyond the number who received the

⁸These calculations could not be made for Alameda, Butte, or Los Angeles because of data limitations.

service in the absence of the program. As shown in Table 2, 44 percent of the AFDC-FG experimentals reported that they participated in ABE/GED compared to 8 percent of the controls, for a difference of 35 percentage points.⁹ Some members of the experimental group also participated in the job search and unpaid work experience activities offered through GAIN, which were not available to control group members. GAIN did not influence the degree to which post-secondary education or vocational training was used above and beyond what individuals did on their own (not shown in the table).

As noted above, those who attended a basic education program received a substantial amount of education. GAIN's impact on the amount received is measured by comparing the average length of stay in basic education for the experimental and control groups, including sample members who did not participate in those activities (they are counted as zero in the averages). This comparison shows that, over the course of the two- to three-year follow-up period, experimentals participated for an average of 2.4 months, while controls averaged only 0.4 months. These impacts were largest in Alameda, Los Angeles, and Tulare and smallest in Riverside and San Diego. GAIN's effects on the amount of basic education received were greater for the more disadvantaged segments of the caseload: those with lower initial literacy levels and longer AFDC histories.

- **GAIN produced statistically significant impacts on the receipt of a GED or a high school diploma in four of the five counties. Tulare produced particularly large impacts, and the results in Alameda were also substantial. Impacts in the other counties were modest or small.**

Table 2 shows the proportion of AFDC-FG experimentals and controls who received a GED or a high school diploma after random assignment.¹⁰ Across the five counties in the survey, 9 percent of experimentals obtained one these credentials during the follow-up period compared to 2 percent of controls, for a difference (i.e., impact) produced by GAIN of 7 percentage points. Tulare achieved a striking impact: a 19 percentage point difference between experimentals and controls. This was followed by an 8 percentage point impact for Alameda and a 4 percentage point impact in San Diego. The impacts in the other counties were smaller. In all five counties, individuals generally acquired a GED rather than a high school diploma.

The varying impacts reflect differences in the counties' programs.¹¹ The programs in Alameda

⁹The survey estimates of participation rates for experimentals and controls were adjusted slightly upward, based on data from GAIN casefiles, to reflect underreporting of education activities on the survey.

¹⁰About one-quarter of the AFDC-FG survey respondent sample already had a GED or a high school diploma before random assignment.

¹¹The variation in impacts on receipt of a GED or a high school diploma across counties was statistically significant at the .01 level.

TABLE 2

**FOR AFDC-FGs DETERMINED TO NEED BASIC EDUCATION:
GAIN's IMPACTS ON PARTICIPATION IN ABE/GED AND ON CREDENTIAL RECEIPT,
WITHIN A TWO- TO THREE-YEAR FOLLOW-UP PERIOD**

Outcome and Subgroup	Sample Size	Experimentals (%)	Controls (%)	Difference
<u>Ever participated in ABE/GED</u>				
All counties	2,258	43.6	8.4	35.3 (a)
County				
Alameda	466	64.7	12.4	52.3 (a)
Los Angeles	389	33.8	6.5	27.3 (a)
Riverside	582	30.5	5.9	24.6 (a)
San Diego	380	33.6	6.5	27.2 (a)
Tulare	441	55.6	10.7	44.9 (a)
<u>Received a GED or high school diploma after GAIN orientation</u>				
All counties	2,258	9.1	2.0	7.1 ***
County				
Alameda	466	8.9	1.2	7.7 ***
Los Angeles	389	2.7	0.5	2.2 *
Riverside	582	6.2	3.6	2.6
San Diego	380	6.8	2.6	4.2 *
Tulare	441	20.8	1.8	19.0 ***
Baseline score on CASAS reading and math tests				
215 or above on both	505	25.2	5.4	19.7 ***
214 or below on one	966	6.3	1.2	5.1 ***
214 or below on both	326	1.5	0.0	1.5
No scores	461	1.0	0.5	0.5
Sample size (total = 2,258)		1,207	1,051	

SOURCE: MDRC calculations using data from the GAIN registrant survey.

NOTES: Calculations for this table used data for all survey responders, including those who did not participate in basic education.

The "all county" estimate is the average of the county estimates, with each county weighted equally.

Sample members are missing CASAS test scores primarily because they are not proficient in English.

A two-tailed t-test was applied to differences between the experimental and control groups. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

(a) Statistical tests were not performed for this measure.

and Tulare are notable for their emphasis on assigning registrants to basic education programs. Both counties also placed a high priority on the acquisition of a GED (even for students in ABE programs), and almost half of Tulare's GAIN participants attended a GED program. Tulare's exceptionally large impact, which could not be explained by differences in the demographic characteristics of its sample compared to the samples for the other counties, may also be attributable in part to its counseling services, its close monitoring of participants, and the particular education services offered by its providers.

- **Impacts on receipt of a GED or a high school diploma were concentrated among those at higher initial literacy levels.**

Table 2 shows the rate of credential receipt for sample members who were at different literacy levels at the time of random assignment. Those with a score of 215 or higher on both the reading and mathematics CASAS tests when they entered the research sample had a 20 percentage point impact on receipt of a GED or a high school diploma, whereas those who scored below this level on either test had a 5 percentage point impact. Sample members scoring below 215 on both CASAS tests and those having no CASAS test results (primarily because they could not read English) had no impacts on credential receipt. However, Tulare, in contrast to the other counties, produced substantial GED impacts for the large group that scored below 215 on one of the CASAS tests as well as very large impacts on the group that scored 215 or above on both tests. Interestingly, those at higher literacy levels spent less time in basic education than did those at lower literacy levels. Thus, impacts on educational attainment were achieved, for the most part, by the group with the smaller investment in education.

Those with higher initial literacy skills may have had (or were close to having) the academic skills needed to master the material for the GED test, despite having dropped out of school. For them, the GAIN program may have provided an accessible route for acquiring the specific knowledge they needed to pass the test. The program may have also provided the necessary support services (such as child care), moral support, or "push" these individuals needed to pass the GED test. Those at lower initial literacy levels were more likely to participate in ABE programs and generally did not make the transition to GED programs (except, to some extent, in Tulare and Alameda). There were several possible reasons for this: Obtaining a GED may not have been the GAIN program's educational goal for them (consistent with the GAIN regulations, some counties encouraged participation in job search after completion of ABE); or they may not have reached satisfactory basic skills levels in the program; or they may have left the program before they made sufficient gains to enter a GED program.

These findings suggest that the nature of the caseload served may affect the ability of a program to obtain GED impacts. For example, Los Angeles served a population with a relatively high proportion

of non-English speakers and individuals at low literacy levels. While its program had positive effects for those at higher literacy levels, this county served comparatively few such individuals. For many registrants in Los Angeles, GED preparation may not have been encouraged by the program, or obtaining a GED may take longer than the follow-up period.

- **For the five counties as a group, GAIN did not produce impacts on basic skills levels, as measured by the TALS literacy test. Estimates show positive impacts on basic skills levels in San Diego, however.**

To measure GAIN's impacts on educational achievement, two parts of the TALS, measuring somewhat different literacy skills, were administered to experimentals and controls who were determined to need basic education (including those who did not actually participate in basic education) two to three years after random assignment. (As noted above, those who were not proficient in English were not included in the testing.) The "document literacy" part of the test is designed to measure the ability to process information found in documents such as schedules, tables, and charts. For example, one item requires the test-taker to locate a building using a map and its legend. The "quantitative literacy" part of the test is designed to measure the ability to understand written materials and to apply the appropriate arithmetic operations to solve problems presented in those materials. For example, one item asks the test-taker to calculate a daily wage using a want ad that lists an hourly wage.

As discussed above, the size of the TALS sample was planned to be large enough to measure the achievement impact for all five counties as a group. The top row of Table 3 shows average TALS scores (document plus quantitative) for AFDC-FG experimentals and controls in all counties. Any difference between these averages is attributable to the GAIN program. However, the results show a difference of 1.8 points, implying that there was virtually no program impact on basic skills levels for all counties as a group.

The TALS sample was not expected to be large enough to give precise estimates of impacts for each county separately or for each subgroup. Estimates for counties and subgroups may, however, indicate the direction and approximate order of magnitude of their impacts. For San Diego, Table 3 shows a TALS score difference of 34 points, or 36 percent of a standard deviation. This indicates that the San Diego GAIN program had a large TALS score impact. However, the exact size of the impact remains uncertain because the San Diego sample was small (60 experimentals and 54 controls). In Riverside, the experimental-control difference was negative and statistically significant. This negative estimate may not fully reflect a real program effect but may, instead, have been magnified by an experimental-control difference in the percentage of each research group that took the TALS test and could therefore be included in the TALS analysis sample. A difference in test-taking between research

TABLE 3

**FOR AFDC-FGs DETERMINED TO NEED BASIC EDUCATION:
GAIN's IMPACTS ON TALS SCORES, WITHIN A TWO- TO THREE-YEAR FOLLOW-UP PERIOD**

Subgroup	Sample Size	TALS Score (Document Plus Quantitative)			Difference/ Standard Deviation
		Experimentals	Controls	Difference	
All counties	1,115	475	473	1.8	1.9%
County				x	
Alameda	334	482	480	2.3	2.5%
Los Angeles	186	449	445	3.7	3.9%
Riverside	233	488	507	-19.0 * (a)	-20.0%
San Diego	114	488	454	33.8 **	35.6%
Tulare	248	468	478	-10.2	-10.8%
Baseline score on CASAS reading and math tests				xxx	
215 or above on both	308	544	526	17.8 *	18.7%
214 or below on one	549	478	476	2.2	2.3%
214 or below on both	224	388	406	-17.1	-18.0%
Sample size (total = 1,115)		595	520		

SOURCE: MDRC calculations using GAIN TALS data.

NOTES: Calculations for this table used data for all TALS test responders, including those who did not participate in basic education.

Estimates are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences.

The "all county" estimate is from a regression in which each county is weighted equally.

Sample sizes for the CASAS subgroups do not sum to the total sample size because a small proportion of individuals are missing CASAS scores, primarily because they were not proficient in English and could not take the CASAS tests. Thus, impacts for these individuals are not shown.

A two-tailed t-test was applied to differences between the experimental and control groups. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

An F test was applied to subgroup differences in "difference" estimates. Statistical significance levels are indicated as xxx = 1 percent; xx = 5 percent; x = 10 percent.

(a) The negative estimate in Riverside may have been affected by differences in the percentage of experimentals and controls who took the TALS and who therefore could be included in the TALS impact sample. Such differences in test-taking were statistically significant only in Riverside.

groups was large and statistically significant only in Riverside. The difference may have created unmeasured differences in the characteristics of experimentals and controls in the TALS sample in that county.¹² The all-county estimate of the TALS score impacts excluding Riverside (not shown in the table) is 6.9 points, not statistically significant.

Table 3 also shows that TALS score impacts accrued mainly to sample members who had scored highest on the CASAS tests (which were administered at the time of random assignment), and this group took less than the average time in basic education to achieve these basic skills gains (not shown in the table). In contrast, the group that started out at relatively low literacy levels did not achieve TALS score impacts, even though this group spent more time in basic education. This same concentration of TALS impacts among subgroups with higher initial literacy levels, found in the pooled sample across all counties, was also found in San Diego alone.

Although the data available for this study do not explain why those starting at lower literacy levels did not experience achievement gains, several possible explanations are worth considering: The educational gains for this group may not have been large enough to be measured by this analysis; this group may not have received a sufficient amount of education to improve substantially their skills levels; or the education services provided may not have been effective in producing gains for this group. It could also be that the sample members achieved gains that were not measured by the TALS test.

Some caution should be used when interpreting these impact estimates. Overall, the sample for the all-county average was large enough to rule out the possibility of generally large TALS score impacts *per experimental*; however, it was not large enough to rule out the possibility of modest impacts on education *participants*. In other words, while achievement gains could have been made by those who participated in basic education, they may have been too small or made by too few to appear in the experimental-control comparison. In addition, the fact that some counties increased GED receipt without producing measurable increases in basic skills levels (or vice versa) indicates the importance of distinguishing between educational attainment and achievement goals, since each can be realized independently of the other.

- **Over a two-year follow-up period, the education impacts did not translate into welfare and employment impacts. However, the results for an early-**

¹²An experimental-control difference in the percentage of TALS test-takers does not necessarily imply that impact estimates will be biased. Moreover, using the characteristics of sample members in the regression adjustment procedure can correct for observed research group differences. Baseline CASAS scores, in particular, provided a powerful set of regression control variables in the TALS impact analysis.

enrolling sample suggest the importance of further follow-up to determine the payoff of GAIN's investment in basic education.

In the counties that produced impacts on educational achievement or attainment (Alameda, San Diego, and Tulare), the GAIN program did not result in earnings and employment impacts, for those determined to need basic education, within the two-year follow-up period that is available for the full sample at this time. For AFDC-FG sample members determined to need basic education, only two of the six counties studied in the evaluation of GAIN's earnings, employment, and welfare impacts — Butte and Riverside — produced statistically significant earnings impacts within a two-year period, although most of the six counties were successful in achieving welfare savings for this group.¹³ Riverside's GAIN program, which uses both job search and basic education services and has a strong focus on quick employment, had a more immediate effect on employment and earnings, but little effect on education outcomes. Data on education outcomes were not collected in Butte, which was not part of the survey effort.

Results for a small group of individuals who became part of the research sample early on, and for whom three years of follow-up data are available, suggest, however, that the two-year impacts may not be indicative of the longer-term effects of basic education in GAIN. In Alameda, Los Angeles, and Tulare, the early sample shows a possible growth in earnings impacts beginning just after the second year of follow-up and increasing into the third. Thus, longer follow-up is needed to determine whether the investment in basic education will pay off in the labor market.¹⁴

Policy Implications

This report presents results regarding the feasibility and effects of *mandatory* basic education provided through a JOBS program. (These findings do not apply to basic education provided in a voluntary context.) The results provide concrete evidence that such a program can increase the number of AFDC recipients who obtain a GED (or, in some cases, a high school diploma). It is possible for such increases to be large. However, the considerable county variation — ranging from very large impacts

¹³GAIN's two-year earnings, employment, and welfare impacts are presented in detail in Friedlander, Riccio, and Freedman, 1993.

¹⁴Preliminary estimates of third-year impacts for AFDC-FG sample members judged in need of basic education indicate statistically significant earnings gains appearing for the first time in Tulare, increasing earnings gains in Alameda (not statistically significant), and continuing earnings gains in San Diego (not statistically significant). These estimates were produced from data that became available after the completion of the research presented in this report. Further data collection and additional analysis of longer-term impacts on earnings and AFDC payments are planned for 1994.

in Tulare to no impacts in some other counties – suggests that aggressive efforts need to be made if this goal is to be attained. The GAIN program in Tulare placed a high priority on maintaining participation in basic education and on obtaining a GED, carried out intensive monitoring, and provided support while students were in school.

It is more difficult to answer definitively the question of whether, and to what extent, the GAIN program can increase educational achievement – i.e., literacy and mathematics skills. The size of the TALS sample was sufficient for measuring relatively large achievement gains, but small gains may have escaped detection. Despite this limitation, the results from San Diego suggest that it may be possible to tailor basic education services to the special needs and circumstances of AFDC recipients and to produce sizable impacts on educational achievement. However, producing these results may require comprehensive adaptations to the program structure and curricula. San Diego's approach merits further study, although widespread replication on the basis of empirical results from one sample of this size would not be warranted.

Overall, the findings point to at least three areas that merit the attention of policymakers and program operators.

Adapting education services for welfare recipients. The experience in San Diego, and to some extent in Tulare, suggests that adult education programs may require special adaptations when they are part of a mandatory, large-scale welfare-to-work program such as GAIN. First, if educational improvements are sought, then it is important to make the improvement of specific education outcomes – GED receipt and/or achievement gains – a high priority of the program. Both San Diego and Tulare focused on specific outcomes and adopted numerous strategies to attain them. Second, to foster regular attendance, it may be necessary to provide substantial counseling, monitoring, and support services for students, as both San Diego and Tulare systematically did. Third, at least for those individuals at relatively high levels of literacy when they entered the program, the San Diego experience suggests the value of providing basic education courses that are intensive (i.e., classes meet many hours a week) if students' attendance is also carefully monitored and supported. Fourth, the results suggest the importance of adapting the curriculum to the needs of GAIN students, many of whom have had negative experiences in school. In San Diego, this was done by hiring a specially selected teaching staff, integrating academic and life skills, and using up-to-date computerized instruction combined with classroom instruction. Finally, obtaining a high completion rate for basic education activities may be crucial, requiring well-defined completion standards.

Encouraging GED acquisition for those at higher literacy levels. This study provides evidence that GED certificates may be obtained relatively quickly for many program registrants who are already

at or near the literacy levels needed to master the specific knowledge required to pass the test. While the utility of the GED in the labor market needs further study, assigning people with higher literacy levels to GED instruction may yield substantial short-term education impacts.

Providing effective services for those at lower literacy levels. This study raises questions about how existing adult education programs, which normally serve a voluntary population, can be structured or adapted to produce educational gains for the less-skilled segments of the welfare population. Individuals with lower levels of basic skills stayed in basic education programs for relatively long periods of time, and those programs provided them with an "opportunity to learn," as judged by conventional standards. Although the analysis was limited in its ability to measure modest achievement gains for this group, the results do indicate that any education impacts GAIN had for them were not large. This may mean that the amount and type of education services received were not effective for those at low literacy levels, particularly given the inconsistent attendance patterns observed in this study. Different and perhaps more comprehensive services may be needed to produce results for this group.

The final report on the GAIN evaluation will measure the program's impacts over a longer follow-up period, providing further information on the relationship between basic education services and labor market outcomes. It will also explore new data on a number of outcomes (e.g., the characteristics of jobs obtained) and provide estimates of the program's benefits and costs.

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WELFARE-TO-WORK PROGRAMS

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GAIN: Basic Education in a Welfare-to-Work Program, on which this Executive Summary is based, as well as other MDRC reports, may be obtained for \$12.00 each. To place an order, please write: Manpower Demonstration Research Corporation, Office of Publications, Three Park Avenue, New York, New York 10016. Phone: (212) 532-3200. Please include payment with your request.

About MDRC

The Manpower Demonstration Research Corporation (MDRC) is a nonprofit social policy research organization founded in 1974 and located in New York City and San Francisco. Its mission is to design and rigorously field-test promising education and employment-related programs aimed at improving the well-being of disadvantaged adults and youth, and to provide policymakers and practitioners with reliable evidence on the effectiveness of social programs. Through this work, and its technical assistance to program administrators, MDRC seeks to enhance the quality of public policies and programs. MDRC actively disseminates the results of its research through its publications and through interchange with policymakers, administrators, practitioners, and the public.

Over the past two decades — working in partnership with more than forty states, the federal government, scores of communities, and numerous private philanthropies — MDRC has developed and studied more than three dozen promising social policy initiatives.

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FACT SHEET: THE GAIN PROGRAM AND EVALUATION

What is GAIN?

The Greater Avenues for Independence (GAIN) Program is a large-scale welfare-to-work initiative that operates throughout the state of California. The legislation that established GAIN was passed in September 1985; in 1989, GAIN became California's version of the federal Job Opportunities and Basic Skills Training (JOBS) Program, established by the Family Support Act of 1988.

Who is eligible for GAIN?

GAIN serves recipients of Aid to Families with Dependent Children (AFDC), the nation's largest cash welfare program. Until 1989, all single parents on AFDC (mostly mothers) with no preschool-age children and heads of two-parent AFDC families (mostly fathers) could be required to participate in GAIN for as long as they received welfare. In 1989, the participation requirement was extended to single parents with children ages 3 to 5. Other welfare recipients may volunteer to take part in the program. Recipients' welfare grants can be reduced if they are required to participate and refuse to do so.

Who operates GAIN?

GAIN is operated by California's 58 counties under the supervision of the State Department of Social Services. Other local institutions and agencies responsible for education, skills training, job placement, and child care typically deliver services to GAIN participants.

What services does GAIN provide?

The full range of GAIN activities includes job-seeking assistance, basic education (GED preparation, Adult Basic Education, or English as a Second Language), assessment, occupational skills training, post-secondary education, on-the-job training, and pre-employment preparation (PREP), which is unpaid work in a public or nonprofit organization. GAIN also provides child care assistance and transportation to participants during program activities, and child care assistance for a year after they find jobs and leave welfare.

What determines the match between clients and services?

The sequence of services depends on the clients' educational background and skills. Those who have a high school diploma and pass a basic reading and math test usually start with job search activities. Most clients who do not have a diploma or fail the test enroll in one of the three basic education programs. However, they are also expected to participate in job search activities either before starting basic education or after they finish. Participants who are already in approved education or training programs when they enter GAIN are permitted to continue in these activities as an alternative to job search or basic education. Clients who are not employed after their initial activities undergo an employability assessment and are then referred to additional training or work experience.

How is GAIN different from previous programs?

GAIN's size (it involves more than 150,000 welfare recipients at any one time), its attempt to require participation for as long as recipients remain on AFDC, and its strong focus on education in addition to job search activities set the program apart from previous state welfare-to-work programs.

What is the nature of the GAIN evaluation?

MDRC is conducting the GAIN evaluation under a contract with the California State Department of Social Services. The current phase of the study, which includes about 33,000 welfare recipients, focuses on 6 diverse California counties that include about half of the state AFDC caseload (Alameda, Butte, Los Angeles, Riverside, San Diego, and Tulare).

To find out whether GAIN helps AFDC recipients find jobs and leave welfare, eligible individuals in the study counties were assigned, at random, to one of two groups. About three-fourths went to a "program group" that was required to participate in GAIN according to the normal rules. The other one-fourth went to a "control group" that did not participate in GAIN. By comparing how members of the two groups fare in the labor market and how much welfare they receive over several months or years, the study is able to isolate any changes produced by GAIN. This type of study has been used to evaluate similar social programs in the past, and is considered to be highly reliable.

The current report is the sixth produced by MDRC as part of the GAIN evaluation. It assesses how GAIN affects clients' earnings, employment, and welfare receipt over a two-year follow-up period, updating the findings from a previous (1992) report. Later reports will include longer-term earnings, welfare, and other economic and noneconomic results and an analysis of GAIN's cost-effectiveness.

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**CALIFORNIA'S AMBITIOUS WELFARE-TO-WORK PROGRAM
SHOWS CONTINUED EFFECTIVENESS**

California's statewide program to move welfare recipients into work through job search assistance, education, and training is having effects that are growing stronger over time, according to a new study. The state's Greater Avenues for Independence (GAIN) Program saw its encouraging first-year effects on the earnings of single parents on welfare nearly double in the second year of the study, and its effects on yearly welfare savings increase by one-fifth. In one county, GAIN's impacts were the largest ever found in a program of this type.

The results are broadly relevant because California has about one-sixth of the nation's welfare recipients and GAIN, which started in 1986, is one of the largest and most ambitious programs operating under the approach adopted by Congress in its 1988 national welfare reform legislation. It is one of the first programs in the country to place a heavy upfront emphasis on improving welfare recipients' basic literacy skills, as encouraged under that national initiative. The federal law, known as the Family Support Act, created the Job Opportunities and Basic Skills Training (JOBS) Program, which provides up to \$1 billion per year in funding for GAIN and other states' welfare-to-work initiatives. GAIN accounts for 12 percent (in fiscal year 1992) of the federal government's total spending on JOBS.

The findings from GAIN, which are based on the experiences of 33,000 welfare recipients in the six research counties (where half the state's welfare population live), come at a time when the national debate over welfare reform is intensifying and there is little other information available on the effectiveness of large-scale JOBS programs. They are contained in a report released today by the Manpower Demonstration Research Corporation (MDRC), a nonprofit,

nonpartisan organization that is conducting an evaluation of GAIN under a contract with the California State Department of Social Services.

Commenting on the findings, Dr. Judith M. Gueron, President of MDRC, said: "The impressive results from California suggest that programs like GAIN can make an important contribution to the overall effectiveness of welfare reform efforts. With resources and commitment, states that want to combine opportunities and real participation obligations can change the basic character of welfare and both increase employment and reduce the welfare rolls." "At the same time," Dr. Gueron cautioned, "the results do not lead us to expect that GAIN or other JOBS programs will by themselves move large numbers of people out of poverty. Meeting that goal may require a mix of strategies, such as combining JOBS with other policy changes that increase the incentive for welfare recipients to go to work."

Two-Year Findings

The program's strongest effects were for welfare recipients who were single parents (mostly mothers) with school-age children. After a two-year follow-up period, the study compared the earnings of people who were on welfare and who were required to participate in GAIN with the earnings of a control group of similar people who were not in GAIN. In the second year, the program group earned 24 percent more than the control group. This amounts to an increase of \$519 per person when averaged over the entire program group (including those who did not work). "This does not mean that everyone saw their earnings rise by \$519," explained Dr. Gueron. "Some people benefited a lot more, while others had no earnings gain at all." Overall, this second-year effect is almost twice the size of the \$266 average effect observed in the first year. (The attached Tables 1 and 2 summarize the overall six-county results for single parents and heads of two-parent families, respectively.)

GAIN also succeeded in reducing the amount of welfare received by the program group. During the second year, these payments were \$347 (or 7 percent) lower per person than the average amount received by the control group. This reduction represents a more than 20 percent improvement over the amount of welfare savings that GAIN achieved in the first year.

GAIN also produced positive effects for welfare recipients who headed two-parent families (primarily men). In the second year, the average earnings of this group increased by \$370, or 12 percent over the control group's average, and welfare payments were reduced by \$469, or 7

percent. However, in contrast to the upward trend in the results for the single parents, these program effects were roughly equivalent to those detected in the first year.

County Variation

GAIN's two-year effects varied across the six study counties. (The county-specific results are presented in Table 3 for single parents and Table 4 for heads of two-parent families.)

Riverside, a large county in southern California, continued to have the most impressive results for single parents. In the second year, it raised the program group's earnings by \$1,179, or 53 percent over the control group average. When added to its first-year results, the total improvement in earnings reached \$2,099 per person. Riverside also saved \$701 in welfare payments in the second year, a 17 percent reduction compared to the amount of payments made to the control group. Total welfare savings climbed to \$1,397 per person after two years. These earnings and welfare impacts were the largest in any of the six counties, and are larger than those found after just two years in previous large-scale welfare-to-work programs.

Alameda, Butte, Los Angeles, and San Diego also produced modest-to-large earnings increases or welfare savings for single parents, although not always both and not as consistently across different types of people in this group. However, for some recipients, these effects were almost as large as in Riverside. One county, Tulare, produced almost no significant earnings gains or welfare savings over the two-year period.

Although the results varied, the authors were encouraged that five of the six counties showed substantial and growing effects, including, in some counties, effects on long-term recipients, who account for the bulk of welfare spending over time. The counties operated their programs with different approaches, types of welfare recipients, and labor market conditions. "If the JOBS program is to have a broad payoff, it will have to work in many different contexts and with a variety of strategies," said Dr. James Riccio, who is directing the GAIN study. "At the same time, some approaches may work better than others. The challenge is to identify the best ones and adapt them to new settings."

Assessing the Results

The report offers a tentative explanation for the very strong results in Riverside County. Like other counties, Riverside provided substantial education and training services in addition to job search activities. However, it combined these activities with a strong message encouraging

participants to progress quickly toward looking for a job and not be particularly selective about the kinds of jobs and wage levels they would accept. In addition, the program had a strong job development component through which the staff tried to help participants locate employers with job openings. The staff also emphasized and enforced the obligation of enrollees to participate regularly in GAIN or face a reduction in their welfare grants. Further, the county served all recipients who were required to participate, not just those who were more employable from the start. While Riverside was not unique on all of these dimensions, this particular combination of factors was not found to the same degree in any of the other counties. Finally, even with a relatively high unemployment rate, Riverside enjoyed comparatively high economic growth, as indicated by some measures, which might also have contributed to GAIN's performance there.

Tulare, a rural county in California's large Central Valley, showed few impacts on earnings or welfare for single parents or heads of two-parent families. The county's agriculture-based labor market, its high unemployment rate (over 14 percent during the study period), plus the severe economic after-effects of a crop-destroying winter freeze that struck during the follow-up period may partly account for these results. The Tulare findings show that, despite GAIN's overall positive effects, it might not work everywhere, at least in the relatively short term.

The report points out that a complete assessment of the program's effectiveness must await further follow-up, especially in light of GAIN's heavy emphasis on education and training. If investing in these activities has a payoff, the full amount might not be realized for a number of years. Therefore, the report cautions against drawing final conclusions on which ways of operating GAIN will be the most effective in the long run.

Future MDRC reports on GAIN will present longer-term results, and will address a variety of other questions that could not be answered in this report. The results of a cost-benefit analysis will be particularly important, for they will determine whether the welfare savings and other benefits produced by GAIN outweighed the program's costs and whether the total income of the program group increased.

Welfare as a Two-Way "Bargain"

The Family Support Act of 1988 redefined Aid to Families with Dependent Children (AFDC), the nation's largest cash welfare program, as a two-way "bargain" rather than a traditional one-way entitlement program. Thus, in exchange for their benefits, welfare recipients can be expected to participate in programs that help them look for jobs or get education and

training that prepares them for work. To bring about this shift, the Act created the JOBS program to expand funding for state welfare-to-work programs.

While such programs have expanded substantially since 1988, only about 66 percent of the federal money available for JOBS was spent in fiscal year 1992; states must first put up their own money in order to access funding from Washington. Faced with rapidly rising welfare caseloads and severe budgetary pressures, state policymakers have confronted difficult choices. In this context, the evidence of welfare savings in GAIN is encouraging. However, as noted above, an analysis that compares these savings with GAIN's costs is not yet available.

How Does GAIN Work?

GAIN is administered by California's 58 counties under the direction of the State Department of Social Services. During the period covered by the MDRC study, depending on funding availability, GAIN rules required most single parents on welfare (typically mothers) with no preschool-age children to participate in the program for as long as they stayed on welfare. Virtually all heads of two-parent welfare families were also required to participate. Recipients who have a high school diploma and pass a basic reading and math test start with activities that help them look for jobs. Those who do not have a high school diploma, do not pass the test, or are not proficient in English are considered, according to GAIN's criteria, to need further education. These people can choose to look for work first, but they must attend adult education classes if they do not find a job within a few weeks. GAIN pays for child care and transportation while people are in the program. Transitional child care is also available for a year after they find jobs and get off welfare.

Although the program operates under the same general rules all over the state, each county has considerable flexibility to shape its own version of GAIN. Thus, MDRC found that in some counties the program focused more heavily on education as a route to better jobs, while in others it stressed efforts to find a job quickly. However, even in counties with a stronger emphasis on quick employment, the number of recipients participating in education and training was still larger than in previous programs. Other important differences among counties include the extent to which GAIN staff used the threat of welfare grant reductions to enforce the program's participation rules and the level of personalized attention GAIN staff provided to clients.

Testing GAIN

The new report, entitled *GAIN: Two-Year Impacts in Six Counties*, is the sixth produced by MDRC since the GAIN evaluation began in 1986. The authors are Daniel Friedlander, James Riccio, and Stephen Freedman. The six diverse counties covered in the report are: Los Angeles, which has more welfare recipients than many entire states; San Diego, which has the state's second-largest AFDC caseload; Alameda, which includes the City of Oakland; Riverside, a large county east of Los Angeles, with both urban and rural areas; Butte, a small county in northern California; and Tulare, a rural county in California's Central Valley.

To find out whether GAIN helps recipients find jobs and leave welfare, eligible recipients in the study counties were assigned, at random, to one of two groups. About three-fourths went to the program group and were required to participate in GAIN according to the normal rules. The remaining one-fourth went to the control group and did not participate in GAIN. By comparing how members of the two groups fare in the labor market and how much welfare they receive over several months or years, the study is able to isolate any changes produced by GAIN. This type of study has been used to evaluate similar social programs in the past, and is considered to be highly reliable.

Reasons for Caution in Drawing Lessons for JOBS

Although the GAIN results offer a helpful preview of the possible outcomes of JOBS programs, it is important to note that GAIN and California are atypical in several important respects. First, the GAIN model differs from the approaches being used in many other state JOBS programs. Second, California's welfare grant levels are among the highest in the country. Third, because California did not require recipients with preschool-age children to participate in GAIN when the evaluation started, the new study does not say anything about how programs may affect this important group, which is now required to participate under JOBS rules (and will be included in later GAIN reports). Finally, although comparisons among the GAIN study counties will provide useful information about the relative strengths of different strategies for running JOBS, it will not be possible to draw firm conclusions because the counties themselves differ in so many other ways. The JOBS evaluation, which MDRC is now conducting for the U.S. Department of Health and Human Services, will make this kind of comparison directly by testing two different JOBS models in one location at the same time.

The Manpower Demonstration Research Corporation

Founded in 1974 by the Ford Foundation and a consortium of federal agencies, MDRC designs and studies programs intended to improve the prospects of disadvantaged people. During the past 19 years, the organization has field-tested a wide variety of programs for welfare recipients, teenage parents, high school dropouts, and other groups. The organization has offices in New York and San Francisco.

TABLE 1

GAIN's FIRST- AND SECOND-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS
FOR AFDC-FGs (SINGLE PARENTS)

(ALL COUNTIES COMBINED) (a)

Outcome	Program Group Average (\$)	Control Group Average (\$)	Difference (\$)	Percentage Change
Earnings				
Year 1	1908	1642	266 ***	16%
Year 2	2712	2193	519 ***	24%
Total	4620	3835	785 ***	21%
AFDC Payments				
Year 1	5964	6247	-283 ***	-5%
Year 2	4670	5017	-347 ***	-7%
Total	10634	11264	-630 ***	-6%

NOTES: The average second-year earnings per experimental who worked at any time during the second-year period were \$6696 for single parents.

*** Denotes statistical significance at the 1 percent level.

(a) Each impact estimate is the average of the impacts for each county, which were weighted equally.

TABLE 2

GAIN's FIRST- AND SECOND-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS
FOR AFDC-US (HEADS OF TWO-PARENT FAMILIES)

(ALL COUNTIES COMBINED) (a)

Outcome	Program Group Average (\$)	Control Group Average (\$)	Difference (\$)	Percentage Change
Earnings				
Year 1	2903	2519	384 ***	15%
Year 2	3539	3168	370 **	12%
Total	6442	5687	755 ***	13%
AFDC Payments				
Year 1	7029	7451	-422 ***	-6%
Year 2	5871	6340	-469 ***	-7%
Total	12900	13791	-891 ***	-7%

NOTES: The average second-year earnings per experimental who worked at any time during the second-year period were \$7358 for the heads of two-parent families.

*** Denotes statistical significance at the 1 percent level; ** denotes statistical significance at the 5 percent level.

(a) Each impact estimate is the average of the impacts for each county, which were weighted equally, but excluding Alameda County because of its small sample sizes for AFDC-US.

TABLE 3

**SUMMARY OF GAIN'S FIRST- AND SECOND-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS
FOR AFDC-FG's (SINGLE PARENTS)**

County	Average Total Earnings				Average Total AFDC Payments			
	Program Group (\$)	Control Group (\$)	Difference (\$)	Percentage Change	Program Group (\$)	Control Group (\$)	Difference (\$)	Percentage Change
Alameda								
Year 1	1421	1212	209	17%	6916	7066	-150	-2%
Year 2	2132	1609	524 *	33%	5816	6076	-260	-4%
Total	3553	2821	733 *	26%	12732	13142	-411	-3%
Butte								
Year 1	2001	1729	272	16%	5132	5486	-353 *	-6%
Year 2	2996	2442	554	23%	3715	4048	-333	-8%
Total	4997	4171	826	20%	8848	9534	-686 *	-7%
Los Angeles								
Year 1	1304	1308	-4	-0%	6875	7203	-328 ***	-5%
Year 2	1694	1582	112	7%	5711	6112	-401 ***	-7%
Total	2998	2890	108	4%	12586	13315	-729 ***	-5%
Riverside								
Year 1	2470	1550	920 ***	59%	4968	5663	-695 ***	-12%
Year 2	3414	2234	1179 ***	53%	3461	4162	-701 ***	-17%
Total	5883	3784	2099 ***	55%	8429	9825	-1397 ***	-14%
San Diego								
Year 1	2462	2113	349 **	17%	5529	5832	-302 ***	-5%
Year 2	3503	2794	709 ***	25%	4199	4679	-480 ***	-10%
Total	5965	4906	1058 ***	22%	9728	10511	-783 ***	-7%
Tulare								
Year 1	1792	1941	-149	-8%	6363	6231	132	2%
Year 2	2532	2498	34	1%	5120	5027	94	2%
Total	4324	4439	-115	-3%	11484	11258	226	2%
All counties (a)								
Year 1	1908	1642	266 ***	16%	5964	6247	-283 ***	-5%
Year 2	2712	2193	519 ***	24%	4670	5017	-347 ***	-7%
Total	4620	3835	785 ***	21%	10634	11264	-630 ***	-6%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year.

A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

(a) This estimate is the average of the impacts for each county, which were equally weighted.

TABLE 4

**SUMMARY OF GAIN'S FIRST- AND SECOND-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS
FOR AFDC-US (HEADS OF TWO-PARENT FAMILIES)**

County	Average Total Earnings				Average Total AFDC Payments			
	Program Group (\$)	Control Group (\$)	Difference (\$)	Percentage Change	Program Group (\$)	Control Group (\$)	Difference (\$)	Percentage Change
Alameda (a)								
Year 1	--	--	--	--	--	--	--	--
Year 2	--	--	--	--	--	--	--	--
Total	--	--	--	--	--	--	--	--
Butte								
Year 1	3026	2393	633 *	26%	6523	6749	-226	-3%
Year 2	4018	2773	1244 ***	45%	5246	5775	-529	-9%
Total	7044	5166	1877 **	36%	11769	12524	-755	-6%
Los Angeles								
Year 1	1480	1221	259 **	21%	9442	9871	-429 ***	-4%
Year 2	1785	1465	320 *	22%	8333	8826	-493 ***	-6%
Total	3266	2687	579 **	22%	17775	18697	-922 ***	-5%
Riverside								
Year 1	3691	2930	761 ***	26%	4845	5810	-965 ***	-17%
Year 2	4039	3626	413	11%	3895	4643	-749 ***	-16%
Total	7730	6556	1174 **	18%	8739	10453	-1714 ***	-16%
San Diego								
Year 1	3331	3089	242	8%	6790	7301	-510 ***	-7%
Year 2	4128	3978	150	4%	5565	6197	-632 ***	-10%
Total	7459	7067	392	6%	12356	13498	-1142 ***	-8%
Tulare								
Year 1	2987	2961	26	1%	7545	7523	23	0%
Year 2	3723	3998	-275	-7%	6316	6261	54	1%
Total	6709	6959	-249	-4%	13861	13784	77	1%
All counties (b)								
Year 1	2903	2519	384 ***	15%	7029	7451	-422 ***	-6%
Year 2	3539	3168	370 **	12%	5871	6340	-469 ***	-7%
Total	6442	5687	755 ***	13%	12900	13791	-891 ***	-7%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year.

A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

(a) Because of Alameda's small sample size for AFDC-US, the estimates of its earnings impact (\$200, or an 18 percent increase over the control group average) and AFDC payments impact (\$180, or a 2 percent increase) are considered much less reliable than those for the other counties; therefore, the Alameda impacts are not included in this table.

(b) This estimate is the average of the impacts for each county (except Alameda), which were equally weighted.

GAIN:
TWO-YEAR IMPACTS IN SIX COUNTIES

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EXECUTIVE SUMMARY

This report presents new findings on the effectiveness of California's Greater Avenues for Independence (GAIN) Program, a statewide initiative aimed at increasing the employment and self-sufficiency of recipients of Aid to Families with Dependent Children (AFDC), the nation's major cash welfare program. Based on two years of follow-up data for 33,000 people who entered GAIN between early 1988 and mid-1990, the study examines the program's effects on employment, earnings, and welfare receipt, and is intended as an update of the one-year results presented in the previous report.¹ The results are of broad relevance to welfare reform because California has the country's biggest AFDC caseload and GAIN is one of the largest and most ambitious programs operating under the federal Job Opportunities and Basic Skills Training (JOBS) Program.

The findings reveal a number of positive trends. For single parents, who represent about two-thirds of the welfare applicants and recipients in the study, the earnings gains and welfare savings that GAIN produced in the first year of follow-up grew stronger in the second year. For the heads of two-parent families, the second-year impacts on these two measures approximately equaled those for the first year. While the results varied considerably across the six counties studied, five of the six produced modest-to-large earnings gains or welfare savings (or both) over the entire two-year period. In addition, some showed substantial effects across a number of subgroups of welfare recipients, including long-term recipients.

In interpreting the results, it is important to bear in mind that two years of follow-up are not sufficient to capture all the potential effects of GAIN, notably those attributable to the program's extensive use of education and training activities. It is reasonable to expect (as some evidence in this report indicates) that GAIN will continue to have positive impacts beyond this period, although to a lesser extent among the heads of two-parent families.

The GAIN Program and Study

GAIN, which was established in 1985, is overseen by California's State Department of Social Services (SDSS) and administered by the 58 counties. Owing especially to its emphasis on basic

¹See James Riccio and Daniel Friedlander, *GAIN: Program Strategies, Participation Patterns, and First-Year Impacts in Six Counties* (New York: MDRC, 1992).

education for those determined to need it, it was an important precursor of the JOBS program created by the Family Support Act of 1988. Operating as California's JOBS program since July 1989, GAIN currently accounts for approximately 12 percent of federal spending on JOBS. This report is part of an ongoing evaluation being conducted for SDSS by the Manpower Demonstration Research Corporation (MDRC).

The Study Counties

The six counties selected to participate in the study of GAIN's impacts capture a wide variety of local conditions and account for more than one-third of the state's GAIN caseload and more than one-half of its AFDC caseload. Three counties are in southern California: *Los Angeles*, with about one-third of the state's caseload and a welfare population larger than all but a few states'; *San Diego*, with the state's second-largest caseload; and *Riverside*, a large county encompassing both urban and rural areas. Two counties are in northern California: *Alameda*, an urban county, which includes the City of Oakland, and, further north, the mid-sized county of *Butte*. *Tulare* is located in the largely agricultural, rural Central Valley.

It is important to stress that the descriptions contained in this report of the counties' strategies for implementing GAIN are based on information collected no later than mid-1991, and prior to that in most cases. This is the relevant information for describing the "treatment" those in the research sample got. However, some of the information does not portray the counties *current* modes of operating GAIN. All of the counties have continued to revise their implementation strategies as they have acquired more experience in operating this very complex welfare-to-work initiative, and in response to changes in funding and other circumstances.

The Research Sample

The impact results come from a study of 33,000 applicants for and recipients of AFDC whose participation in GAIN was mandatory, i.e., a condition for receiving their full welfare grant. This group included single heads of families (AFDC-FGs, who are usually mothers) with children age 6 or older, and all heads of two-parent families (AFDC-U, typically fathers). The sample does *not* include mandatory GAIN registrants who were single parents with preschool-age children. (This group became mandatory for GAIN under JOBS regulations.)

During the period in which members of the research sample registered for GAIN, four of the six counties had sufficient resources to extend the program's requirements and services to all

registrants in their caseloads who were mandatory for GAIN under the pre-JOBS rules. The other counties – Alameda and Los Angeles – focused exclusively on long-term recipients, in conformity with GAIN's rules in cases where resources did not permit services to all those required to participate. In all six counties, individuals who volunteered for the program before being called in for an orientation to GAIN were included in the study only if they were subject to the participation mandate and actually attended an orientation.

Program Features

A key feature of GAIN, which distinguishes it from most other welfare-to-work programs studied in the 1980s, is the use of educational and basic skills levels to sort registrants into one of two treatment streams. Those who do not have a high school diploma (or its equivalent) or fail to achieve predetermined scores on both parts of a math and literacy test or are not proficient in English are deemed by GAIN to be "in need of basic education." These individuals can choose to attend a basic education class or a job search activity first, but if they choose job search and fail to obtain employment, they must then enter basic education. Registrants judged "*not* in need of basic education" – those who both pass the literacy test and possess a high school diploma (or its equivalent) – usually must participate in job search first. Registrants already enrolled in education and training programs when they enter GAIN can continue in those activities if the activities meet certain criteria (e.g., they must prepare registrants for occupations in need of workers in the local labor market, and registrants must be able to complete the training within two years after enrolling in GAIN). Participants in any of these three sequences who do not find employment after completing their initial activities undergo an employability assessment designed to help them choose their next activity, e.g., skills training, vocationally oriented post-secondary education, on-the-job training, or unpaid work experience. Any GAIN registrant, who, without "good cause," fails to participate in GAIN's orientation and services may incur a "sanction," i.e., a reduction of the welfare grant. (The grant level in California is one of the nation's highest.)

Did GAIN's Effects Increase Between the First and Second Years of Follow-Up?

To determine the effects of GAIN, mandatory registrants who attended an orientation were randomly assigned to either an experimental group (who remained subject to GAIN's participation mandate) or a control group (who were precluded from GAIN but could seek access to other services in the community). The two groups' employment rates, average earnings, and average AFDC

payments, and the percentage of each group that left the AFDC rolls, were compared over the course of the follow-up period. The *differences* between the two groups on these measures are the estimated "impacts" of GAIN.²

The average earnings for experimentals and controls were calculated for the full sample, including people who did not work (and whose earnings were counted as zero) as well as those who did work. Averaged across the six counties, with each county given equal weight, earnings for AFDC-FGs in the second year were \$2,712 per experimental group member³ and \$2,193 per control group member. This yields an earnings gain, or impact, of \$519 per experimental (or 24 percent of the average control group member's earnings), as shown in the "all counties" section of Table 1. This earnings impact is almost twice as large as the year 1 results (\$266). Welfare savings were \$347 per experimental in the second year (i.e., AFDC payments were 7 percent lower than the average payments of \$5,017 for controls). This effect is about 20 percent larger than the impact in the first year (\$283).⁴ As indicated by the asterisks for the "all counties" rows for years 1 and 2, these results are statistically significant, meaning that one can have greater confidence that they are due to the program rather than to statistical chance.

Among the AFDC-Us, as shown in Table 2, the earnings gains in year 2 averaged \$370 per experimental (a 12 percent increase compared to the control group), while welfare savings were \$469 (a 7 percent reduction in welfare payments). (Alameda is excluded from Table 2 because of small sample sizes.) These effects were roughly the same as the impacts in year 1, although they tended to decline over the course of the second year. Nonetheless, they remain noteworthy, in part because the very limited number of prior studies of the AFDC-U population did not show consistent earnings impacts.

Caution is warranted when reviewing the second-year findings because many experimentals participated in GAIN's education and training activities. In some counties, one-fifth or more of all

²The study does not capture the potential effects of GAIN, if any, on registrants who did *not* show up for an orientation.

³Dividing the average earnings of the experimental group by the proportion of experimentals who were employed shows that those who actually worked (including part-time workers and those working only part of the year) earned an average of \$6,696 in the second year.

⁴As was the case for average earnings, average welfare payments were estimated for the full sample, including people who received benefits as well as those who were not on the rolls at some time during the follow-up period. It should also be noted that some of the year 1 numbers in Table 1 and other tables in this report differ slightly from the numbers in the 1992 report on GAIN's first-year impacts. The changes resulted from a reestimation of the first-year numbers based on updated earnings and AFDC data.

TABLE 1
SUMMARY OF GAIN'S FIRST- AND SECOND-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS
FOR AFDC-FG* (SINGLE PARENTS)

County	Average Total Earnings				Average Total AFDC Payments			
	Experimentals (\$)	Controls (\$)	Difference (\$)	Percentage Change	Experimentals (\$)	Controls (\$)	Difference (\$)	Percentage Change
Alameda								
Year 1	1421	1212	209	17%	6916	7066	-150	-2%
Year 2	2132	1609	524 *	33%	5816	6076	-260	-4%
Total	3553	2821	733 *	26%	12732	13142	-411	-3%
Butte								
Year 1	2001	1729	272	16%	5132	5486	-353 *	-6%
Year 2	2996	2442	554	23%	3715	4048	-333	-8%
Total	4997	4171	826	20%	8848	9534	-686 *	-7%
Los Angeles								
Year 1	1304	1308	-4	-0%	6875	7203	-328 ***	-5%
Year 2	1694	1582	112	7%	5711	6112	-401 ***	-7%
Total	2998	2890	108	4%	12586	13315	-729 ***	-5%
Riverside								
Year 1	2470	1550	920 ***	59%	4968	5663	-695 ***	-12%
Year 2	3414	2234	1179 ***	53%	3461	4162	-701 ***	-17%
Total	5883	3784	2099 ***	55%	8429	9825	-1397 ***	-14%
San Diego								
Year 1	2462	2113	349 **	17%	5529	5832	-302 ***	-5%
Year 2	3503	2794	709 ***	25%	4199	4679	-480 ***	-10%
Total	5965	4906	1058 ***	22%	9728	10511	-783 ***	-7%
Tulare								
Year 1	1792	1941	-149	-8%	6363	6231	132	2%
Year 2	2532	2498	34	1%	5120	5027	94	2%
Total	4324	4439	-115	-3%	11484	11258	226	2%
All counties (a)								
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Total	4620	3835	785 ***	21%	10634	11264	-630 ***	-6%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year.

A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as

*** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.

(a) This estimate is the average of the impacts for each county, which were equally weighted.

TABLE 2

**SUMMARY OF GAIN'S FIRST- AND SECOND-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS
FOR AFDC-US (HEADS OF TWO-PARENT FAMILIES)**

County	Average Total Earnings				Average Total AFDC Payments			
	Experimentals (\$)	Controls (\$)	Difference (\$)	Percentage Change	Experimentals (\$)	Controls (\$)	Difference (\$)	Percentage Change
Alameda (a)								
Year 1	--	--	--	--	--	--	--	--
Year 2	--	--	--	--	--	--	--	--
Total	--	--	--	--	--	--	--	--
Butte								
Year 1	3026	2393	633 *	26%	6523	6749	-226	-3%
Year 2	4018	2773	1244 ***	45%	5246	5775	-529	-9%
Total	7044	5166	1877 **	36%	11769	12524	-755	-6%
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Year 2	4128	3978	150	4%	5565	6197	-632 ***	-10%
Total	7459	7067	392	6%	12356	13498	-1142 ***	-8%
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Total	6709	6959	-249	-4%	13861	13784	77	1%
All counties (b)								
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Total	6442	5687	755 ***	13%	12900	13791	-891 ***	-7%

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A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.

(a) Because of Alameda's small sample size for AFDC-US, the estimates of its earnings impact (\$200, or an 18 percent increase over the control group average) and AFDC payments impact (\$180, or a 2 percent increase) are considered much less reliable than those for the other counties; therefore, the Alameda impacts are not included in this table.

(b) This estimate is the average of the impacts for each county (except Alameda), which were equally weighted.

AFDC-FG experimentals were continuing or just starting education or training in the second year. If these activities – which aim to increase the "human capital" of welfare recipients – have a payoff, GAIN's effects might grow in future years. Thus, the two-year period is still a relatively short time frame for assessing the full effectiveness of GAIN.

What Were GAIN's Effects on Employment and Welfare Case Closures?

Table 3 shows GAIN's effects on the proportion of people employed and the proportion off welfare entirely at the end of the second year (i.e., in the last quarter of the two-year follow-up period). Overall, about 29 percent of AFDC-FG experimentals (top panel) were working at that time, almost 6 percentage points more than the control group (a statistically significant difference). Employment rates for both experimentals and controls during the last quarter are lower than for the entire two-year period because some people who had worked previously did not work in that quarter (although they may have worked again later). About 51 percent of AFDC-FG experimentals were employed at some time during the two years, compared to 45 percent of the controls (not shown in Table 3).

The proportion of AFDC-FG experimentals receiving any AFDC payments had dropped to 61 percent (for all six counties combined) by the end of the two-year period. However, only a portion of this change can be attributed to GAIN, since the control group experienced a similar decline. Nonetheless, three counties produced a statistically significant reduction in the proportion of experimentals receiving welfare by the end of year 2, ranging from 2.4 to 5.3 percentage points. For the AFDC-Us, GAIN's combined effects on employment rates and welfare case closures (for the five counties other than Alameda) were nearly the same as for the AFDC-FGs.

What Were the Results for the Individual Counties?

GAIN's effects varied by county. One county, Riverside, which had unusually large first-year earnings gains and welfare savings, again produced large second-year effects on AFDC-FGs. (See Table 1.) Over the entire two-year period, Riverside increased the experimental group's earnings by an average of \$2,099, a 55 percent gain over the control group average. It reduced welfare payments by \$1,397, a 14 percent reduction compared to the control group. These impacts were the largest in any of the six counties, and are larger than those found in previous large-scale experimental studies of state welfare-to-work programs. They are notable as much for their consistency as their magnitude: Riverside had statistically significant earnings gains for all key subgroups of the single-

TABLE 3

**SUMMARY OF GAIN'S IMPACTS ON RATES OF EMPLOYMENT AND WELFARE CASE CLOSURES AT THE END OF YEAR 2
FOR AFDC-FGs (SINGLE PARENTS) AND AFDC-Us (HEADS OF TWO-PARENT FAMILIES)**

County	Employed at the End of Year 2 (%)			Received Any AFDC Payments at the End of Year 2 (%)		
	Experimentals	Controls	Difference	Experimentals	Controls	Difference
<u>AFDC-FGs</u>						
Alameda	24.5	18.1	6.4 ***	76.6	77.1	-0.5
Butte	31.9	27.5	4.3	49.4	47.7	1.7
Los Angeles	19.0	15.7	3.3 ***	74.0	76.3	-2.4 *
Riverside	35.2	24.0	11.2 ***	46.7	52.0	-5.3 ***
San Diego	32.5	26.4	6.0 ***	56.0	61.1	-5.1 ***
Tulare	28.4	25.3	3.1	65.4	62.2	3.1
All counties (a)	28.6	22.9	5.7 ***	61.3	62.7	-1.4
<u>AFDC-Us</u>						
Alameda (b)	--	--	--	--	--	--
Butte	34.9	29.3	5.6 *	52.8	57.6	-4.7
Los Angeles	30.0	22.2	7.9 ***	85.5	85.3	0.1
Riverside	33.2	29.4	3.7 *	46.9	49.5	-2.6
San Diego	35.7	33.0	2.7	61.8	64.0	-2.2
Tulare	32.2	30.7	1.5	66.4	65.3	1.1
All counties (c)	33.2	28.9	4.3 ***	62.7	64.3	-1.7

NOTES: The data in this table refer to the status of registrants during the last quarter of year 2. A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.

(a) This estimate is the average of the impacts for each county, which were equally weighted.

(b) The sample size for AFDC-Us in Alameda was too small to produce reliable results.

(c) This estimate is the average of the impacts for each county (except Alameda), which were equally weighted.

parent research sample, and in all cases these gains were accompanied by welfare savings. Such a consistent pattern was not found in any other county.

Among AFDC-Us, as Table 2 shows, the earnings of Riverside's control group rose in year 2 to a level closer to the experimental group's earnings, and the second-year impact was smaller and not statistically significant. Nonetheless, the overall two-year earnings impact of \$1,174 (an 18 percent increase over the control group average) was comparatively large and was statistically significant. Riverside's welfare savings for AFDC-Us, while somewhat lower than in the first year, remained large and statistically significant in the second year, contributing to a two-year total savings of \$1,714 (a reduction of 16 percent compared to the control group), which is larger than in the other counties.

Tulare County fell at the other extreme. Continuing the pattern observed in the first year, it had no statistically significant earnings gains or welfare savings overall or for subgroups, with the exception of welfare savings for the AFDC-U applicants (not shown in the tables).

The four remaining counties — Alameda, Butte, Los Angeles, and San Diego — comprise a "middle group," with generally positive impacts on either earnings or welfare, but not always on both. Among AFDC-FGs, three of the four (Alameda, Butte, and San Diego) produced modest impacts on earnings for the entire two-year follow-up period, averaging \$733 to \$1,058 per experimental, or an increase of 20 percent to 26 percent over the control group average. Welfare payments were reduced in all four counties by \$411 to \$783 over the two years, or a 3 percent to 7 percent savings compared to the control group. (See Table 1.) Many of the earnings gains and welfare savings were statistically significant, and in some cases the improvement between the first and second years was substantial.

Among AFDC-Us, two of the counties in this group — Los Angeles and Butte — produced statistically significant earnings gains of \$579 and \$1,877, respectively, over the two-year period, representing increases of 22 percent and 36 percent compared to the control group. Butte's earnings impact is particularly notable: It was the only AFDC-U earnings impact to grow substantially between the first and second years and, over the two years, was the largest in any county. San Diego produced small earnings gains but relatively large welfare savings. (See Table 2. Again, owing to small sample sizes, results for AFDC-Us in Alameda are not presented.) Los Angeles was the only county other than Riverside to produce statistically significant earnings gains *and* welfare savings for AFDC-Us.

Not surprisingly, given California's state-supervised but county-operated welfare system, the counties varied in their implementation approaches. For example, they made different choices

concerning the kinds of staff they hired to serve as case managers, their registrant-to-case manager ratios, how much they promoted quick entry into jobs, how much they relied on GAIN's formal mechanisms (ending in financial sanctions) to enforce the legislation's participation mandate, and how much personalized attention they gave to registrants. In part, these and other choices reflected alternative views of how best to operate this complex program, and meant that welfare recipients' experiences in GAIN varied in ways that transcended observed county differences in participation patterns.

The counties also varied strikingly in the demographic characteristics of their GAIN registrants, reflecting different local populations and, in Alameda and Los Angeles, the effects of GAIN's targeting provisions, which gave higher priority to longer-term welfare recipients. In addition, different local economic conditions prevailed during the period covered by this report.

The evidence of impacts across five of the six counties thus shows that GAIN can produce positive effects within a two-year period, even when it is operated in very different ways and under different circumstances. This is an encouraging finding because local conditions will always vary across counties and because some variation in key implementation practices is impossible to avoid. At the same time, the lack of positive impacts in Tulare, which are further discussed below, suggests that GAIN may not necessarily be effective under all circumstances, at least in the short term.

Did GAIN's Two-Year Impacts Vary for Different Subgroups?

A central question for GAIN is whether particular subgroups of welfare recipients are or are not affected by the services the program offers and its participation mandate. Three important subgroups are those determined "not in need of basic education," those deemed "in need of basic education," and long-term welfare recipients, i.e., those who have received welfare for more than two years.

As summarized in Table 4, GAIN produced second-year earnings gains and welfare savings for each of these three subgroups among AFDC-FGs, but not in every county and not always at statistically significant levels. (Impact estimates are generally less accurate and less likely to be statistically significant for subgroups, compared to the full research sample, because of smaller sample sizes.) Earnings impacts for the "not in need of basic education" subgroup continued in the second year to be generally larger in four of the six counties than were the effects on the "in need of basic education" subgroup or the long-term welfare recipients. This finding is not surprising because results

TABLE 4

**SUMMARY OF GAIN'S FIRST- AND SECOND-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS
FOR KEY AFDC-FG (SINGLE PARENTS) SUBGROUPS**

Subgroup and County	Average Total Earnings				Average Total AFDC Payments			
	Year 1	Year 2	Total (years 1 and 2)	Percentage Change	Year 1	Year 2	Total (years 1 and 2)	Percentage Change
	Impact (\$)	Impact (\$)	Impact (\$)		Impact (\$)	Impact (\$)	Impact (\$)	
<u>AFDC-FGs determined not to need basic education</u>								
Alameda	672 *	1033 *	1705 *	45%	-1	-38	-38	-0%
Butte	154	371	525	9%	400	357	757	9%
Los Angeles	201	539	740	15%	-692 ***	-795 ***	-1487 ***	-12%
Riverside	1200 ***	1462 ***	2662 ***	50%	-682 ***	-690 ***	-1372 ***	-15%
San Diego	632 **	1185 ***	1817 ***	27%	-317 **	-556 ***	-873 ***	-9%
Tulare	-614 *	-158	-773	-11%	331	213	544	6%
<u>AFDC-FGs determined to need basic education</u>								
Alameda	-21	239	218	9%	-202	-350 *	-552 *	-4%
Butte	507 *	972 **	1479 **	61%	-1204 ***	-1128 ***	-2332 ***	-21%
Los Angeles	-35	30	-5	-0%	-253 ***	-314 ***	-567 ***	-4%
Riverside	738 ***	1022 ***	1760 ***	65%	-677 ***	-697 ***	-1374 ***	-13%
San Diego	74	269	343	9%	-281 **	-426 ***	-707 ***	-6%
Tulare	123	176	300	10%	39	52	91	1%
<u>AFDC-FGs who are long-term welfare recipients</u>								
Alameda	209	524 *	733 *	26%	-150	-260	-411	-3%
Butte	518 *	945 *	1464 **	86%	-388	-424	-812	-7%
Los Angeles	-4	112	108	4%	-328 ***	-401 ***	-729 ***	-5%
Riverside	1072 ***	1399 ***	2471 ***	94%	-732 ***	-818 ***	-1550 ***	-14%
San Diego	207	332	539	14%	-358 ***	-692 ***	-1050 ***	-8%
Tulare	-117	224	106	3%	85	-46	39	0%

NOTES: A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent. The "percentage change" columns reflect the two-year impacts divided by the two-year control group means, which are not shown on this table.

from education programs (which these latter two groups used more heavily) can take longer to appear. Interestingly, however, welfare savings differed less among these three subgroups.

Results for Single Parents *Not* in Need of Basic Education

As previously noted, GAIN registrants who were determined *not* in need of basic education were usually expected to participate in job search as their first activity unless they were already in an approved education or training activity or excused from participation for "good cause." Across the six counties, 25 percent to 50 percent of the AFDC-FG experimentals in this subgroup participated in job search activities. A somewhat smaller but still sizable proportion (21 percent to 38 percent) took part in some form of education and training. (All participation information in this study pertains to the first 11 months following random assignment.)

GAIN's positive effects on earnings were widespread for this subgroup: Five of the six counties (Tulare was the exception) produced positive and growing impacts between the first and second follow-up years, as shown in the first panel of Table 4. Over the entire two-year period, these effects ranged from \$525 to \$2,662 (not all of them were statistically significant). Three counties produced modest-to-large welfare savings for this subgroup, ranging from \$873 to \$1,487 for the two-year period. In contrast, in the other three counties, welfare payments for experimentals were nearly the same as or higher than payments for the controls (although by amounts that were not statistically significant).

Even though job search was the predominant activity among AFDC-FG experimentals determined *not* to need basic education, the fact that many of these experimentals took part in "human capital development" activities, such as post-secondary education or vocational training, suggests that GAIN's two-year impacts for this group may not simply reflect a "job search" effect; other activities and other aspects of the GAIN mandate and treatment may have contributed to these impacts. However, the use of these activities, in combination with the time trends in impacts, also implies that, even for this subgroup, the full effects of GAIN may not have been captured within the two-year period on which this report is based.

Results for Single Parents *in* Need of Basic Education

People determined *in* need of basic education usually took part in either job search or basic education as their initial GAIN activity. Overall, participation in job search (although not always as a first activity) ranged from 6 percent to 29 percent of the AFDC-FG experimentals, depending on the county; participation in basic education was somewhat higher or much higher, varying from 27

percent to 56 percent. In addition, some members of this subgroup took part in vocational education and training (including activities begun before they registered for GAIN).

Most of the counties were successful in achieving welfare savings for this subgroup. As shown in the second panel of Table 4, statistically significant welfare savings over the two-year period were found in five of the six counties. However, only two counties – Butte and Riverside – produced statistically significant earnings increases (\$1,479 and \$1,760, respectively) along with those savings.

The evidence available to date provides no clear explanation as to why these two counties, which adopted very different approaches to implementing GAIN, had the largest earnings effects on this subgroup. Yet some hypotheses can be ruled out or considered unlikely. For example, these effects cannot simply be attributed to unusually high rates of participation in basic education, since this activity was more widely used in all of the *other* counties. Differences in the "quality" of the basic education classes could be another factor, although on one (albeit limited) measure, the GAIN case managers in Butte and Riverside rated the quality of this component lower than did the staff in the other four counties. (Perceived quality was especially high in San Diego and Tulare.) The use of job search, an activity that could lead to rapid employment even for this subgroup, is also not likely to explain the similarity of impacts in Butte and Riverside, since job search participation rates were dramatically different in the two counties (6 percent compared to 29 percent, respectively). Perhaps the fact, discussed below, that these two counties experienced more economic growth than the others (according to one measure) contributed to their stronger impacts. MDRC's future reports will continue to explore a number of alternative hypotheses for the Butte and Riverside findings.

Of course, because basic education is a longer-term investment, the full extent of its contribution to impacts, if any, might not be seen until future years. Hence, the counties' impacts for the "in-need" subgroup may grow over time. Indeed, some preliminary evidence, based on a small group of people who became part of the research sample at an early stage of the study, suggests that earnings impacts may remain strong in Riverside for this subgroup in the third year of follow-up, and may actually increase not only in Butte, but also in Alameda, San Diego, and Tulare as well.

Results for Single-Parent Long-Term Welfare Recipients

Individuals who have received welfare for a long period of time, generally more than two years, account for the bulk of all AFDC costs over time. Studies of welfare-to-work programs have not consistently found earnings impacts for this group, although welfare savings have been found. The impact of GAIN on long-term recipients (a group that includes people determined *not* to need basic education as well as those determined *to* need it) has added importance because two of the counties

in this study (Alameda and Los Angeles) served long-term recipients exclusively, for reasons noted earlier.

As shown in the third panel of Table 4, positive trends in earnings impacts between the first and second years were found in all six counties for long-term AFDC-FG recipients. The total two-year impact was moderate to large (and statistically significant) in three counties, ranging from \$733 to \$2,471. Two-year welfare savings of \$411 to \$1,550 were found across five counties (and were statistically significant in three of them). However, Riverside was the only county to produce large and statistically significant earnings gains *and* welfare savings for longer-term AFDC-FG recipients.

Results for AFDC-U Subgroups

GAIN's two-year impacts on the heads of two-parent families (AFDC-U's), like its effects on single parents, varied by subgroup. Overall, the counties tended to have more positive impacts for AFDC-U's who were determined *not* to need basic education than for the "in-need" subgroup. However, in contrast to the AFDC-FG results, the magnitude of the impacts within each of these subgroups did not increase as consistently across the counties between the first and second years. As shown in the first panel of Table 5, three of the five counties (excluding Alameda because of small sample sizes) had statistically significant two-year earnings gains for those judged *not* to need basic education, and four of the five produced statistically significant welfare savings. However, only one county – Butte – had earnings impacts that were large *and* growing between the first and second years.

The results for the AFDC-U's determined *to* need basic education can be seen in the second panel of Table 5. Two-year earnings gains or welfare reductions were found in four of the five counties, but only one county – Los Angeles – produced statistically significant (though not large) effects on both of these variables.

Finally, the results for the AFDC-U long-term recipients provide additional evidence (along with the AFDC-FG findings for this subgroup) of GAIN's ability to have some effect on people with a comparatively long welfare history. As shown in the third panel of Table 5, modest or large earnings gains and welfare savings were found for this subgroup in four of the five counties, although not all of these effects were statistically significant.

TABLE 5

**SUMMARY OF GAIN'S FIRST- AND SECOND-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS
FOR KEY AFDC-U (HEADS OF TWO-PARENT FAMILIES) SUBGROUPS**

Subgroup and County	Average Total Earnings				Average Total AFDC Payments			
	Year 1	Year 2	Total (years 1 and 2)	Percentage Change	Year 1	Year 2	Total (years 1 and 2)	Percentage Change
	Impact (\$)	Impact (\$)	Impact (\$)		Impact (\$)	Impact (\$)	Impact (\$)	
<u>AFDC-Us determined not to need basic education</u>								
Alameda (a)	--	--	--	--	--	--	--	--
Butte	1248 *	2317 **	3565 **	60%	-528	-1207 **	-1735 **	-14%
Los Angeles	183	-184	-1	0%	-1217 ***	-962	-2179 **	-12%
Riverside	1575 ***	1044 *	2619 **	35%	-1161 ***	-856 **	-2017 ***	-20%
San Diego	1032 **	562	1593 *	19%	-758 ***	-331	-1089 **	-9%
Tulare	253	-913	-660	-6%	-115	456	341	3%
<u>AFDC-Us determined to need basic education</u>								
Alameda (a)	--	--	--	--	--	--	--	--
Butte	323	642	965	22%	-26	-16	-43	-0%
Los Angeles	227 *	316 *	543 **	21%	-362 ***	-456 ***	-817 ***	-4%
Riverside	329	121	450	7%	-897 ***	-720 ***	-1617 ***	-15%
San Diego	-184	-40	-225	-4%	-353 **	-799 ***	-1152 ***	-8%
Tulare	-66	-80	-146	-3%	56	-105	-49	-0%
<u>AFDC-Us who are long-term welfare recipients</u>								
Alameda (a)	--	--	--	--	--	--	--	--
Butte	1047	484	1531	61%	-648	-1014	-1662	-9%
Los Angeles	259 **	320 *	579 **	22%	-429 ***	-493 ***	-922 ***	-5%
Riverside	956 **	903 *	1859 **	63%	-634 *	-651	-1285 *	-10%
San Diego	165	360	525	12%	-338	-671 **	-1010 **	-6%
Tulare	-202	-279	-481	-12%	-167	34	-133	-1%

NOTES: A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as

*** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.

(a) The sample sizes for AFDC-Us in Alameda were too small to produce reliable results.

What Accounts for the Riverside Results?

While evidence of GAIN's effectiveness was found in five of the six study counties, Riverside continues to stand out by virtue of the overall magnitude and, especially, the consistency of its impacts, as it did in the previous (1992) report, which analyzed GAIN's first-year impacts. Unlike any other county, Riverside produced *both* earnings gains and welfare savings for *all* of the AFDC-FG subgroups studied. And while its earnings impact on AFDC-Us declined in the second year, its two-year earnings and welfare effects for that group were still large and exceeded those in all of the other counties with the exception of Butte's impact on earnings.⁵ Although this study cannot definitively explain the reasons for Riverside's more impressive results, a number of factors are worth considering.

It appears unlikely that Riverside's more impressive results can be explained simply by any distinctiveness in the background characteristics of its GAIN registrants. Indeed, when cross-county differences in a number of these characteristics are "held constant" statistically, the ranking of the counties – with Riverside at the top, Tulare at the bottom, and the others forming a middle tier – is unchanged. This suggests that the explanation is to be found in other factors.

One of these factors might be Riverside's unusually strong emphasis on getting people into jobs quickly. (Table 6 summarizes selected county differences in registrants' characteristics and in program implementation.) This approach does not mean that Riverside was "just a job search program." Quite the contrary: Although it had a relatively high job search participation rate, it also had, like other counties, a substantial amount of participation in education and training activities. About 36 percent of all AFDC-FG experimentals in Riverside participated in some type of education or training (i.e., basic education, post-secondary education, or occupational training), which represents a majority – 60 percent – of those Riverside experimentals who entered *any* GAIN activity.

More distinctive was Riverside's attempt to communicate a strong "message" to all registrants, at all stages of the program, that employment was central, that it should be sought expeditiously, and that opportunities to obtain relatively low-paying jobs should not routinely be turned down. The county's management underscored this message by establishing job placement standards as one of several criteria for assessing staff performance. In addition, the county instituted a strong job development component to assist recipients in gaining access to job opportunities. Perhaps

⁵During the study period, Riverside obtained a federal waiver to eliminate the rule under which AFDC-U welfare cases were closed when recipients worked more than 100 hours per month. Riverside also obtained permission to register both parents on the AFDC-U case for GAIN. The implications of these changes for the trends in Riverside's impacts on AFDC-Us is uncertain at this time.

TABLE 6

**AN OVERVIEW OF EARLY IMPLEMENTATION PRACTICES
AND CONDITIONS IN SIX COUNTIES IN THE GAIN IMPACT STUDY**

Alameda, which includes the city of Oakland, has the largest welfare caseload of single parents (AFDC-FGs), and the second-largest caseload of heads of two-parent families (AFDC-Us), among counties in the San Francisco Bay area. It was one of two evaluation counties that had a large inner-city welfare population and that enrolled only long-term recipients, a practice that was consistent with the statutory requirement for counties that did not have enough resources to serve all GAIN-eligibles. More than 80 percent of both its AFDC-FG and AFDC-U GAIN registrants were minorities; a large majority (69 percent) of its single-parent registrants were black, and a substantial proportion (40 percent) of its heads of two-parent families were Indochinese. Alameda had the second-highest proportion of registrants who were determined "in need of basic education" (65 percent for AFDC-FGs and 81 percent for AFDC-Us). Although Alameda largely avoided resorting to GAIN's formal enforcement and sanctioning procedures to achieve compliance with the program's participation mandate, it achieved the highest overall rate of participation for AFDC-FGs (63 percent). To some degree, this could have been due to the relatively high degree of personalized attention staff offered to registrants. Alameda also had the highest rate of participation in basic education classes among AFDC-FGs (39 percent) and the second-highest for AFDC-Us (42 percent). (These rates are based on all experimentals, not just the in-need of basic education subgroup.) This reflected in part its emphasis on education and training services and the low priority it gave to immediate job placement; its job search activities, in which 26 percent of its AFDC-FGs participated, were not necessarily intended to result in immediate employment, but rather to provide information to assist registrants in choosing an education or training program at assessment. The caseload size per case manager in Alameda was relatively low, about 75:1.

Butte, a mid-sized county in northern California, had by far the smallest welfare caseload of the counties studied and the largest proportion of non-minorities (more than 85 percent of AFDC-FGs and about three-quarters of AFDC-Us). Although it enrolled a broad cross section of its mandatory GAIN caseload, Butte appeared to have the least disadvantaged AFDC-FG sample in the study, with the lowest rate of those determined "in need of basic education" (49 percent), the lowest proportion of long-term recipients (28 percent), and the second-highest proportion of registrants with a recent work history (57 percent). Butte used an unusual GAIN intake procedure in order to keep caseload size per case manager relatively low (63:1); registrants were brought into GAIN but were placed on waiting lists for up to several months until a case manager had an opening. This contributed to Butte's having the lowest participation rate for single parents (43 percent), but permitted staff to provide a high degree of personalized attention once registrants were assigned to case managers. Consistent with the characteristics of its AFDC-FG population and its overall participation rate, Butte had the lowest rate of participation in basic education classes among AFDC-FGs (15 percent), compared to 18 percent in job search activities. It placed a relatively low emphasis on formal enforcement.

(continued)

TABLE 6 (continued)

Los Angeles, with about one-third of the state's caseload and a welfare population larger than all but a few states', was the other county that had a large inner-city welfare population and that enrolled only long-term recipients. As a result, Los Angeles had the highest relative proportion of recipients in the research sample who were determined 'in need of basic education' (81 percent for AFDC-FGs and 92 percent for AFDC-Us). Los Angeles' registrants also had the smallest proportion of AFDC-FGs with a recent work history (just 17 percent) and the second-smallest proportion of AFDC-Us who had recently worked (32 percent), the highest average age (almost 39 years for AFDC-FGs and 42 for AFDC-Us), and the highest proportion of minorities (nearly 90 percent for both AFDC-FGs and AFDC-Us). Nearly 60 percent of its AFDC-U population was Indochinese. Los Angeles' program started later and was somewhat less fully developed than other counties' programs during the study period. The overall rate of participation in GAIN was 51 percent for AFDC-FGs, with 37 percent of these registrants participating in basic education classes, compared to 12 percent in job search activities. It made substantial use of GAIN's formal enforcement procedures, with about one-third of the AFDC-FGs (but a much lower proportion of the AFDC-Us) having been placed in conciliation, sanctioned, or slated for sanctioning. Actual sanctions were imposed for 5.4 percent of the AFDC-FGs and 2.1 percent of the AFDC-Us within the first 11 months after orientation. The county established tight restrictions on case management duties in order to minimize discretionary decision-making by case managers. Alone among the counties in California, Los Angeles also contracted with a private-sector firm to conduct case management. Compared to other counties, Los Angeles placed lower emphasis on providing personalized attention to registrants; this may have been due in part to its GAIN caseload per case manager, which, at 128:1, was the highest among the six counties.

Riverside, a large county in southern California, with both urban and rural areas had the fastest-growing economy in the six study counties (as measured by the increase in the number of employed residents). It enrolled a broad cross section of its mandatory welfare population and operated the most employment-focused program, even for participants in basic education classes. This approach was continuously reinforced by top- and mid-level management and communicated to supervisory and line staff partly through the assignment of job placement standards to district offices, units within offices, and individual case managers. A prominent role was also given to job development. Riverside balanced its emphasis on job placement with a parallel focus on participation. A substantial proportion of its registrants (60 percent for AFDC-FGs, two-thirds for AFDC-Us) were determined 'in need of basic education,' and just over one-fifth of Riverside's AFDC-FG GAIN registrants participated in basic education classes, compared to more than one-third who were enrolled in job search activities. Nearly half of Riverside's AFDC-FG registrants, and 57 percent of its AFDC-U registrants, were minorities, largely Hispanic. Riverside's overall AFDC-FG participation rate was 60 percent. It relied heavily on formal enforcement procedures, with about one-third of the AFDC-FGs and 42 percent of the AFDC-Us having been placed in conciliation, sanctioned, or slated for sanctions. However, only 6.0 percent of the AFDC-FGs and 6.8 percent of AFDC-Us were actually sanctioned within the first 11 months after orientation. Riverside had the second-lowest ranking of the counties in the degree of personalized attention staff provided registrants. Owing to a special study of the impact of different caseload sizes, the average caseloads were about 53:1 (for one group of case managers) and 97:1 (for the other group).

(continued)

TABLE 6 (continued)

San Diego, with the state's second-largest AFDC-FG caseload and the fourth-largest AFDC-U caseload, enrolled a broad cross section of its caseload in GAIN. About 60 percent of its registrants were minorities, and well over half were determined "in need of basic education." The county's GAIN sample had the highest proportion of registrants who had recently worked – 59 percent among AFDC-FGs – and the second-highest among AFDC-U's (nearly 80 percent). For AFDC-FGs, San Diego recorded a 55 percent participation rate and the highest enrollment rate for self-initiated participants (15 percent). A key and highly regarded feature of San Diego's program was its network of computerized GAIN Learning Centers for basic education classes, although early on there were too few slots given the demand. This led to a lower rate of participation in basic education classes (19 percent for the full sample of AFDC-FGs) and a higher rate in job search (30 percent) than the county intended. San Diego ranked in the middle of the counties in terms of the personalized attention staff gave to registrants and in its reliance on formal enforcement, and it had the second-highest average caseload per case manager (103:1).

Tulare was the only county of the six that had to operate GAIN in the context of a rural and highly agricultural, seasonal labor market and had an unemployment rate that averaged more than 14 percent over the course of the study period. As a result of a winter freeze, the county was declared a state disaster area during part of the follow-up period. The high proportion of Tulare's GAIN registrants who were determined "in need of basic education" (65 percent of AFDC-FGs and nearly three-fourths of AFDC-U's) may have contributed – together with the poor state of its local economy – to a relatively high use of basic education, in which 36 percent of its AFDC-FG registrants and more than two-fifths of its AFDC-U registrants participated. One-fifth of AFDC-FGs and 16 percent of AFDC-U's participated in job search. About 40 percent of its registrants were Hispanic, the highest proportion of any county. Tulare achieved the second-highest participation rate for both AFDC-FGs (61 percent) and AFDC-U's (60 percent), but placed a low emphasis on formal enforcement to achieve compliance. Tulare's emphasis on giving personalized attention to registrants was the second highest of the six counties, despite a relatively high average caseload per case manager – a ratio of 100:1.

Riverside's pervasive employment message, backed up by strong job development, affected how much effort registrants — across a number of subgroups — made to look for a job, and how selective they were with regard to the kinds of jobs they would accept.

Along many other dimensions of a program that (theoretically) might be related to its effectiveness, Riverside was not unique. For example, while its overall participation rates were high, they were no higher than those in Alameda and Tulare. And while Riverside ranked high in its reliance on the formal penalty mechanisms to enforce GAIN's participation mandate, so did Los Angeles. Furthermore, Riverside had neither the most (nor the least) favorable rankings in terms of the availability or quality of its job search, education, and training services.⁶ The Riverside results also suggest that the very high levels of case managers' personalized attention to program registrants that were found in several counties may not be a prerequisite for producing large impacts, at least in the relatively short run. Riverside ranked lower on this dimension than most of the other counties, according to the case manager survey. Nor did its case managers have the highest or most favorable rankings (compared to the other counties) in terms of their education levels, degree of job satisfaction and morale, views of welfare recipients, or registrant-to-case manager ratios.

What most distinguished Riverside from the other counties — and, therefore, what might have contributed to Riverside's more favorable results — was its particular *combination* of practices and conditions. Its pervasive employment message and job development efforts, its more equal use of job search and education and training activities, its strong commitment to (and adequate resources for) securing the participation of all mandatory registrants, and its greater reliance on GAIN's formal enforcement mechanisms to reinforce the seriousness with which it viewed the participation obligation (and which, in general, may be associated with greater welfare savings across the six counties) made up a constellation of practices not found in any other county.

Riverside's approach may have enjoyed an "added boost" from its growing economy; at the very least, this hypothesis cannot be ruled out. During the period of this study, Riverside's economy grew at a faster rate than any of the other counties', with a 3 percent average annual increase in the number of employed persons in the county. The number of jobs reported by employers also grew substantially. (However, Riverside's unemployment rate was not the lowest, averaging 8.6 percent over the data collection period for this report.) Yet the fact that Riverside's earnings impacts for the heads of two-parent families largely diminished over the course of the second year of follow-up (to

⁶These rankings are based on a survey of GAIN case managers in the six counties, which elicited their perceptions of various aspects of the program in the first two years after the counties started operating GAIN.

some extent because controls began to "catch up" to the experimentals) shows that a growing economy is no guarantee of growing earnings impacts. Also, Riverside was not alone in experiencing economic growth during the study period; Butte also showed substantial growth (based, again, on the number of employed persons living there). Yet Butte's impacts were not consistently as large as Riverside's. Furthermore, for AFDC-FG registrants determined *not* to need basic education, the substantial earnings impacts not only in Riverside but also in Alameda and San Diego, where economic conditions appear to have been less favorable, lends additional weight to the conclusion that the local economy is by no means the sole determinant of a program's effectiveness.

What Accounts for the Tulare Results?

If Riverside is impressive because of its relatively large and consistent earnings gains and welfare savings, especially among AFDC-FGs, Tulare is noteworthy for its consistent absence of statistically significant effects (although some of its impact trends between the two years were in a positive direction). The reasons for this are not clear. Like Alameda and Butte, it placed a relatively high emphasis on personalized attention and a relatively low emphasis on formal enforcement, and like San Diego it placed a moderate emphasis on rapid employment. Moreover, its rates of participation in job search and in education and training activities were comparable to the rates in several other counties, and it had one of the highest rates of participation in GAIN activities overall.

It is possible that Tulare's results are the product of the distinctive local conditions under which it had to operate its GAIN program. Tulare clearly stands apart from the other five counties in that a much larger share of its population lives in rural areas and its economy is much more agricultural. (Earlier MDRC studies found little impact for welfare-to-work programs in rural environments, although very few studies inform this issue.) Moreover, Tulare's unemployment rate was unusually high — averaging 14.2 percent over the data collection period for this report — and the county experienced an average annual decline of 1.4 percent in the number of its employed residents. During part of this time, the county suffered a severe winter freeze, boosting its unemployment rate to an even higher level. These conditions suggest that the experimental group in Tulare may have faced unusually difficult obstacles to finding employment opportunities.

At the same time, employment rates and average earnings among controls in Tulare were as high as or higher than the figures for controls in the other five counties. Perhaps many of Tulare's controls were able to find employment in nearby counties, where opportunities appear to have been greater. If so, these same opportunities would have been available to the experimentals. This makes

it more difficult to conclude that unusually poor job prospects fully account for Tulare's lack of positive two-year impacts. Perhaps some aspects of the county's particular implementation strategies *in conjunction with* certain features of its local environment would offer a better explanation. This and other hypotheses will be explored further in MDRC's future reports.

Next Steps in the GAIN Evaluation

In summary, GAIN, in five of the six study counties, produced modest-to-large earnings gains or welfare savings (or both) over the first two years of follow-up, and it is evident that additional impacts will accrue in the future. Of course, if these future effects are substantially larger in some counties than in others, that could change the relative rankings of the six counties in terms of their overall effectiveness. Thus, policymakers and administrators should be cautious in drawing final conclusions from this report about what kinds of approaches to operating GAIN work best, or about the full payoff of the GAIN program.

MDRC's continuing evaluation will measure GAIN's impacts in the six counties over a longer follow-up period and will reexamine the relationship of county implementation conditions and strategies to county impacts. In addition, future reports will draw upon a survey of GAIN registrants and other data to examine the program's effects on a wide array of outcomes (such as educational attainment and other economic and noneconomic outcomes), estimate its benefits and costs, and explore the role played by other factors in shaping GAIN's effectiveness in moving welfare recipients off welfare and into jobs.

THE WHITE HOUSE
OFFICE OF DOMESTIC POLICY

CAROL H. RASCO
Assistant to the President for Domestic Policy

JUN 13 1980

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June 8, 1994

Ms. Carol Rasco
Assistant to the President for Domestic Policy
Second Floor, West Wing
The White House
Washington, D.C. 20500

Dear Carol:

In June, MDRC will be releasing new findings from two studies that are of critical relevance to current discussions of welfare reform:

1. **On June 15:** The final report from MDRC's evaluation of **California's Greater Avenues for Independence (GAIN) Program, the largest state JOBS program.** The new findings show a continuation of the promising earnings and welfare results reported earlier and provide, for the first time, cost-effectiveness data for JOBS. At its best, when the program combined a strong employment focus with a controlled use of education and training, GAIN substantially raised people's income and saved taxpayers money. The variation in results across counties points to the challenge of bringing the welfare system up to this high standard of performance. The results also contain a caution: even with strong programs, many people remained on welfare three years after entering JOBS.

2. **On June 22:** An interim report from MDRC's evaluation of **The New Chance Demonstration, a program of intensive services for young mothers on welfare who were high school dropouts and their children.** New Chance's impacts after 18 months are mixed. Positive impacts on GED receipt and modest effects on parenting skills are balanced by high rates of repeat pregnancy and lower than anticipated program participation. Future reports will focus on longer-term impacts on employment and welfare receipt and the program's effects on children. However, the contrast with GAIN's continuing success with older mothers provides a cautionary note about the potential of welfare reform to increase the self-sufficiency of this group of young welfare mothers.

I thought you might want to see advance copies of the Executive Summaries of both reports. The Summary for GAIN is enclosed; I will send that for New Chance as soon as it is available. **Please note that the GAIN report is embargoed until June 15th and the New Chance report until June 22nd.**

Let me know if you have any questions or would like further information.

Best wishes,



Judith M. Gueron

EXECUTIVE SUMMARY

GAIN:

BENEFITS, COSTS,
AND THREE-YEAR IMPACTS
OF A WELFARE-TO-WORK PROGRAM

2013-085

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EMBARGOED UNTIL JUNE 15, 1994

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The contents of this draft are not for citation, quotation, or publication until June 15, 1994. Stories can be published or aired on that day.

EXECUTIVE SUMMARY

GAIN:

**BENEFITS, COSTS,
AND THREE-YEAR IMPACTS
OF A WELFARE-TO-WORK PROGRAM**

2013-0854-S

**DETERMINED TO BE AN
ADMINISTRATIVE MARKING**

INITIALS: MA **DATE:** 8/22/13

James Riccio
Daniel Friedlander
Stephen Freedman
with
Mary E. Farrell
Veronica Fellerath
Stacey Fox
Daniel Lehman

**Manpower Demonstration
Research Corporation**

June 1994

The Manpower Demonstration Research Corporation's evaluation of the California Greater Avenues for Independence (GAIN) Program is funded by a contract from the California Department of Social Services (CDSS) with funding from CDSS and the U.S. Department of Health and Human Services (HHS). HHS provided additional funding for the collection and analysis of literacy test data. In addition, for special analyses of employment and welfare dynamics and parts of the benefit-cost analysis, HHS provided resources under MDRC's contract with HHS to conduct the evaluation of the Job Opportunities and Basic Skills Training (JOBS) Program (Contract No. HHS-100-89-0030).

Dissemination of MDRC publications is also supported by MDRC's Public Policy Outreach funders: the Ford Foundation, the Ambrose Monell Foundation, and the Alcoa Foundation.

The findings and conclusions presented in this report do not necessarily represent the official positions or policies of the funders.

EXECUTIVE SUMMARY

This report presents the latest findings on the effectiveness of California's Greater Avenues for Independence (GAIN) Program, a statewide initiative aimed at increasing the employment and self-sufficiency of recipients of Aid to Families with Dependent Children (AFDC), the nation's major cash welfare program. Based on three years or more of follow-up data for 33,000 people who entered GAIN between early 1988 and mid-1990, the study examines the program's effects in six counties on employment, earnings, welfare receipt, and other outcomes, as well as findings from a comprehensive benefit-cost analysis. The results are of broad relevance to welfare reform because California has the country's biggest AFDC caseload and GAIN is the largest and one of the most ambitious programs operating under the federal Job Opportunities and Basic Skills Training (JOBS) Program, created by the Family Support Act of 1988. Operating as California's JOBS program since July 1989, GAIN currently accounts for almost 13 percent of federal spending on JOBS. GAIN is overseen by California's Department of Social Services (CDSS) and administered by the 58 counties. This report is part of a multi-year evaluation conducted for CDSS by the Manpower Demonstration Research Corporation (MDRC).

The Findings in Brief

Each of the 33,000 sample members was assigned at random to either an experimental group (who were subject to GAIN's participation requirements) or a control group (who were precluded from the program but could seek other services in the community on their own). The two groups were tracked over time, and the differences between them (e.g., in earnings and welfare receipt) constitute the effects or "impacts" of GAIN — the difference the program made.

Single Parents (AFDC-FGs)

Overall. Over the entire three-year follow-up period, and across the six counties, GAIN produced increasing earnings impacts for single parents (AFDC-FGs), a group mostly with children age 6 or older when they enrolled in the study. In year 3, average earnings for the experimental group were \$636 higher than the control group's average (a 25 percent gain); for the full three years, they

were \$1,414 higher (a 22 percent gain). (Earnings for each group were averaged over *all* members of each group, including those who did not work as well as those who did.) Moreover, some data point to sustained or still larger earnings impacts in the future. GAIN also continued to produce welfare savings in year 3 at the same level as in year 2. In year 3 and across the six counties, experimentals received an average of \$331 less in AFDC payments (an 8 percent reduction) compared to the control group average; the reduction was \$961 (6 percent) for the entire three-year period. Longer-term trends suggest a gradual tapering off of these welfare effects in the future.

GAIN also had an effect on the rate of AFDC case closures, but it was not large. Across all six counties, over half of the experimental group was on AFDC in the last quarter of the three-year follow-up period (53 percent, or only 3 percentage points lower than the rate for controls).

County-Specific. GAIN's impacts on single parents varied across the six counties in the study. Riverside County, which had unusually large first- and second-year earnings gains and welfare savings, again produced large effects in year 3. Over the three-year period, Riverside increased the experimental group's earnings by an average of \$3,113, a 49 percent gain over the control group average. It reduced welfare payments by \$1,983, a 15 percent reduction compared to the control group. These impacts were the biggest for any of the six counties, and are greater than those found in previous large-scale experimental studies of state welfare-to-work programs. Riverside also produced large earnings gains and welfare savings for a special sample — single parents with children under the age of 6.

GAIN's three-year impacts on earnings were moderate to large in three of the other five counties: \$1,492 in Alameda (a 30 percent increase above the county's control group average), \$1,474 in Butte (a 21 percent increase), and \$1,772 in San Diego (a 22 percent increase). Tulare produced a moderate impact (\$518) in year 3, but its average effect for the full follow-up period was under \$400, as was true in Los Angeles. Four of the remaining five counties (all but Tulare) achieved welfare savings for AFDC-FGs for the three-year period, ranging from an average of \$782 per experimental in Alameda (a 4 percent reduction compared to the control group average) to \$1,136 in San Diego (an 8 percent reduction).

Benefits and Costs. GAIN was a relatively expensive program compared to the simpler and primarily job search welfare-to-work programs of the 1980s. For the single-parent sample in all six

counties combined, over a five-year period, county welfare departments were estimated to have spent an average of \$2,899 per experimental, about 60 percent of which was for case management functions. In addition, schools and other non-welfare agencies spent \$1,515 per experimental to provide education and training instruction as part of the GAIN program, bringing the total cost of GAIN to \$4,415 per experimental. Another important cost number is the *net cost* per experimental, which measures the government's net expenditures after adding the cost of education and training activities experimentals entered on their own after leaving GAIN, and then subtracting the cost of services that members of the control group received on their own. The net cost over five years was \$3,422 per experimental for the six counties combined, but varied widely by county, from under \$2,000 per experimental in Riverside and San Diego to over \$5,500 in Alameda and Los Angeles. The higher costs in the latter two counties, which enrolled only long-term welfare recipients into their GAIN programs, reflects, to an important extent, a greater net increase in the use of education and training activities in Alameda and Los Angeles compared to the patterns in other counties.

Net cost estimates are key because they are used in the benefit-cost study to determine whether the program costs or saves taxpayers money. That analysis also assesses whether people in the experimental group are made financially better off by the program. (The benefit-cost analysis does not take into account non-monetary gains or losses.)

When measured earnings gains are compared to welfare reductions and other losses over five years, welfare recipients in five of the six counties (Alameda, Butte, Riverside, San Diego, and Tulare) were, on average, better off financially as a consequence of the GAIN program. Net benefits ranged from \$948 per experimental in San Diego to \$1,900 per experimental in Riverside, for an overall average of \$923 per experimental.

From the perspective of the government budget, the benefit-cost findings were positive in three of the six counties — Butte, Riverside, and San Diego — and negative in the remaining three counties. From this perspective, a positive result means that, on average, for every extra dollar the government invested per experimental (above and beyond the public cost of education and training controls received on their own initiative), it got more than a dollar back in the form of reduced costs for AFDC and other transfer programs and increased tax payments arising from experimentals' increased employment. This return was exceptionally large in Riverside — \$2.84 per every net \$1 invested. The return was

\$1.40 per \$1 in San Diego, and \$1.02 per \$1 in Butte, but less than a dollar (\$.76) per \$1 for all six counties together. It is worth mentioning that return per net dollar invested is a standard of success by which few social programs are assessed.

Heads of Two-Parent Families (AFDC-Us)

GAIN also produced earnings gains and welfare savings for the heads of two-parent families (AFDC-Us), who make up about 18 percent of all AFDC cases in California. Although the longer-term trends were not as impressive as they were for single parents, GAIN's earnings effects over the full three-year follow-up period were moderate to large in three counties (Butte, Los Angeles, and Riverside, although they were declining over time in Riverside). They were especially large in Butte, reaching \$3,295 per experimental. The same three counties also produced moderate to large welfare savings, as did San Diego. GAIN's benefit-cost results for AFDC-Us show a large positive effect from the perspective of welfare recipients solely in Butte, and a modest positive return on the government's investment in Butte (\$1.22 per net \$1 invested) and Riverside (\$1.61 per net \$1 invested).

In sum, the results of this evaluation show that the GAIN program can work, especially for single parents on welfare, who account for about 82 percent of California's welfare caseload. For that group, both welfare recipients and the government budget came out ahead in two counties as a result of GAIN, with one county (Riverside) producing the most impressive results yet observed for a large-scale welfare-to-work program. Of the remaining four counties, three made welfare recipients better off, but without producing net budgetary savings (although the government essentially "broke even" in one). An important open question is whether some of the implementation approaches of the better-performing counties, especially those of Riverside, can be adapted by other localities and produce similarly impressive results.

The GAIN Program Model

A key feature of GAIN, which distinguishes it from most other welfare-to-work and JOBS programs, is the way it uses educational and basic skills levels to sort registrants into one of two service streams. Those who do not have a high school diploma (or a General Educational

Development certificate – a GED) or fail to achieve predetermined scores on both parts of a math and reading test or are not proficient in English are deemed by GAIN to be "in need of basic education." These individuals can choose to attend a basic education class – Adult Basic Education (ABE), GED preparation, or English as a Second Language (ESL) instruction – or a job search activity first, but if they choose job search and fail to obtain employment, they must then enter basic education. Registrants judged "*not* in need of basic education" – those who pass both parts of the math and reading test and possess a high school diploma (or a GED) – usually must participate in job search first. Registrants already enrolled in education and training programs when they enter GAIN may continue in those activities if the activities meet certain criteria (e.g., they must prepare registrants for occupations in need of workers in the local labor market, and registrants must be able to complete the training within two years after enrolling in GAIN). Participants in any of these three sequences who do not find employment after completing their initial activities undergo an employability assessment designed to help them choose their next activity, e.g., skills training, vocationally oriented post-secondary education, on-the-job training, or unpaid work experience. Any GAIN registrant, who, without "good cause," fails to participate in GAIN's orientation and services may incur a "sanction," i.e., a reduction of the welfare grant. (The grant level in California is one of the nation's highest.)

The GAIN Evaluation

The six counties selected to participate in the study of GAIN's impacts capture a wide variety of local conditions and population characteristics account for more than one-third of the state's GAIN caseload and more than one-half of its AFDC caseload. Three counties are in southern California: *Los Angeles*, with about one-third of the state's caseload and a welfare population larger than all but a few states'; *San Diego*, with the state's second-largest caseload; and *Riverside*, a large county encompassing both urban and rural areas. Two counties are in northern California: *Alameda*, an urban county that includes the City of Oakland, and, further north, the mid-sized county of *Butte*. *Tulare* is located in the largely agricultural, rural Central Valley. (Table 11, at the end of this summary, presents a brief profile of each county.)

It is important to stress that this report's descriptions of the counties' strategies for implementing GAIN are based on information collected no later than mid-1991, and prior to that in most cases. This

is the relevant information for describing the research sample's actual experiences in GAIN. However, some of the information does not portray the counties *current* modes of operating GAIN. All of the counties have continued to revise their implementation strategies as they have acquired more experience in operating this very complex welfare-to-work initiative, and in response to changes in funding and other circumstances.

The findings on GAIN's implementation, effectiveness, and benefits and costs come from a study of 33,000 applicants for and recipients of AFDC whose participation in GAIN was mandatory, i.e., a condition for receiving their full welfare grant. This group included single heads of families (AFDC-FGs, who are usually mothers) mostly with children age 6 or older, and all heads of two-parent families (AFDC-U's, typically fathers). (It is important to note that almost one-third of Alameda's sample consisted of single parents with children younger than age 6.)

During the period in which members of the research sample enrolled in GAIN and thus became part of the study (March 1988 to June 1990), four of the six counties had sufficient resources to enroll all registrants in their caseloads who were mandatory for GAIN under the pre-JOBS rules. The other counties — Alameda and Los Angeles — focused exclusively on long-term recipients, in conformity with GAIN's rules in cases where resources did not permit serving all those required to participate.

To determine the effects of GAIN, mandatory registrants who attended an orientation to the program were randomly assigned to either an experimental group (who were subject to GAIN's participation mandate) or a control group (who were precluded from GAIN but could seek other services in the community). Random assignment assured that the two groups did not differ systematically on measured and unmeasured background characteristics when they entered the study, and that any differences in their subsequent labor market and welfare experiences could be attributed with confidence to the GAIN program. The two groups' employment rates, average earnings, average AFDC payments, and other outcomes were compared over the course of the follow-up period, and the differences between them are referred to as the estimated "impacts" of GAIN. The data used in this study came from a variety of sources, including automated employment, earnings, and welfare records for the full 33,000-person sample, a registrant survey administered two to three years after orientation to a subsample of experimentals and controls in five counties (excluding Butte because of the evaluation's limited survey budget), and program participation and fiscal information obtained from

the counties and various state agencies.

Findings on Program Implementation

- **The six counties made different decisions about how much to emphasize quick entry into the labor market versus the longer and more expensive process of building registrants' human capital through education and training.**

Not surprisingly, given California's state-supervised but county-operated welfare system, and the absence of evidence when GAIN started as to what strategies would work best, the six counties varied in how they sought to prepare registrants for employment. Viewing almost any job as a positive first step, with advancement to come by acquiring a work history and learning skills on the job, Riverside's staff placed much more emphasis on moving registrants into the labor market quickly than did the staff in any other county. Most distinctive was Riverside's attempt to communicate a strong "message" to all registrants (even those in education and training activities), at all stages of the program, that employment was central, that it should be sought expeditiously, and that opportunities to obtain low-paying jobs should not be turned down. The county's management underscored this message by establishing job placement standards as one of several criteria for assessing staff performance, while at the same time attempting to secure the participation of all mandatory registrants. In addition, the county instituted a strong job development component to assist recipients in gaining access to job opportunities.

Alameda illustrates a very different approach. Its GAIN managers and staff believed strongly in "human capital" development – the use of education and training as a path to getting jobs that offer a better chance to get off or stay off welfare. Within the overall constraints imposed by the GAIN model's service sequences, Alameda's staff encouraged registrants to be selective about the jobs they accepted and to take advantage of GAIN's education and training to prepare for higher-paying jobs. Butte, Los Angeles, San Diego, and Tulare took approaches falling between those of Riverside and Alameda, but closer to Alameda's than to Riverside's.

- **All six counties successfully communicated to registrants that the participation requirement was real and would be enforced, although the counties varied in the extent to which they relied on GAIN's formal penalty process.**

Over 90 percent of experimentals said on the registrant survey that they believed it was "likely" or "very likely" that their AFDC grants would be reduced if they were assigned to a GAIN activity but did not go. Casefile records showed that up to about 6 percent of experimentals (in Los Angeles and Riverside) were sanctioned within the first 11 months after GAIN orientation, although self-reported information from the survey and interviews with GAIN staff suggest that the rates rose over time in all the counties. Evidence also suggests that case managers in Los Angeles and Riverside were quickest to invoke the "threat" of sanctioning in response to noncompliance. About half to three-quarters of survey respondents believed the participation mandate to be "fair" and "a good idea," and only about one-quarter of respondents in both the experimental and control groups agreed with the statement, "Making welfare mothers work is bad for their children."

Impacts on Participation in Employment-Related Activities for AFDC-FGs

GAIN could have an impact on labor market and welfare outcomes if experimentals received more or different kinds of services than controls and were subject to different requirements. Since controls could participate in non-GAIN employment-related services on their own initiative, an important measure of the GAIN intervention (and a major determinant of the net costs) is the extent to which experimentals had different participation patterns than controls.

To determine GAIN's effect on experimentals' use of employment-related activities, the evaluation compared experimentals' rates and duration of participation in all such activities (including GAIN and post-GAIN participation) with the amount of participation in non-GAIN activities by the control group. The difference in the amount of participation represents the "impact" of GAIN, which tells how much experimentals' participation *changed* compared to what it would have been in the absence of GAIN.

- **A sizable number of controls used non-GAIN employment-related activities, usually vocational training and post-secondary education.**

Few controls (4 percent) participated in job search activities, which, in comparison to opportunities for education and training, are not widely available in the community. Moreover, few (8 percent) participated in basic education classes (for ABE, GED, and ESL instruction). Although more widely available, basic education may have been of less interest to controls than occupational

skills training (nor was it generally needed by those who already had a high school diploma or GED). Only a handful of controls took part in unpaid work experience and on-the-job training (OJT) assignments. In contrast, a full 23 percent participated in vocational training or post-secondary education.

- **The GAIN program substantially increased experimentals' participation in job search and basic education.**

Given that the GAIN model requires most participants to enter upfront job search or basic education as their initial GAIN activity, it is not surprising that GAIN's largest impacts were on the use of these two activities. Across all six counties, 29 percent of experimentals participated in job search compared to only 4 percent of controls, for a difference of 25 percentage points. Similarly, GAIN increased experimentals' participation in ABE, GED, and ESL activities (taken together) by 28 percentage points. The program had little overall impact (3.3 percentage points) on the percentage who participated in vocational training or post-secondary education, although, as discussed later in this summary, it did in some counties (especially Alameda) for registrants determined not to need basic education. Few experimentals took part in unpaid work experience (PREP) or OJT. (More recently, the use of PREP has increased in several counties.)

Impacts on Employment, Earnings, and Welfare Outcomes for AFDC-FGs

Impacts on Earnings and Welfare Payments

- **GAIN increased the average earnings of experimentals by 25 percent in the third year after orientation, continuing its trend of progressively stronger earnings effects over time. It reduced experimentals' average AFDC payments by 8 percent, a result that reflected a leveling off of GAIN's impacts on this measure.**

The average earnings for *all* experimentals and *all* controls were calculated for the full sample, including people who did not work (and whose earnings were counted as zero). Averaged across the six counties, with each county given equal weight, earnings for AFDC-FGs in the third year (as shown in official automated earnings records) were \$3,159 per experimental group member and \$2,523 per control group member. This yields an earnings gain, or impact, of \$636 per experimental (or 25

percent of the average control group member's earnings), as shown in the "all counties" section of Table 1. (This, again, is an average that includes sample members who did not work at all; those who worked benefited more than this \$636 suggests.) Welfare savings were \$331 per experimental in year 3 (i.e., AFDC payments were 8 percent lower than the average payments of \$4,163 for controls). As indicated by the asterisks for the "all counties" rows in Table 1, these results were statistically significant, meaning that one can have greater confidence that they were due to the program rather than to statistical chance.¹ The earnings impacts compare favorably with the three-year results for simpler (mostly job search) programs studied previously, and the AFDC impacts compare very favorably.

Over the entire three-year follow-up period, GAIN's earnings impacts grew progressively larger. Averaged across the six counties, with each county given equal weight, the program's impact on earnings nearly doubled between the first and second years of follow-up and rose by another 24 percent between the second and third follow-up years, reaching \$1,414 per experimental for the entire period. (See Table 1 and Figure 1A.) An analysis of GAIN's effects for an early cohort of sample members (i.e., those who entered the study early on and for whom more quarters of follow-up are available) points toward sustained or still larger earning impacts after the third year.

GAIN's effects on AFDC payments leveled off in year 3, but totaled \$961 for the full three-year period. (See Table 1 and Figure 1B.) After having grown by about 23 percent between years 1 and 2, they were about the same in year 3 as in year 2. Longer-term trends for the early cohort suggest a gradual tapering off of these welfare effects in the future.

- **GAIN's impacts varied by county. One county (Riverside) had large earnings gains and welfare savings in all three follow-up years. Three counties (Alameda, Butte, and San Diego) had more moderate earnings gains and welfare savings. Of the two remaining counties, one (Los Angeles) achieved welfare savings but with little effect on earnings gains, while the other (Tulare) produced earnings gains but with little effect on welfare payments.**

Riverside, which had unusually large first- and second-year earnings gains and welfare savings,

¹Some of the year 1 and year 2 numbers in this and other tables differ slightly from those reported earlier because they were recalculated using updated earnings and AFDC data.

TABLE 1

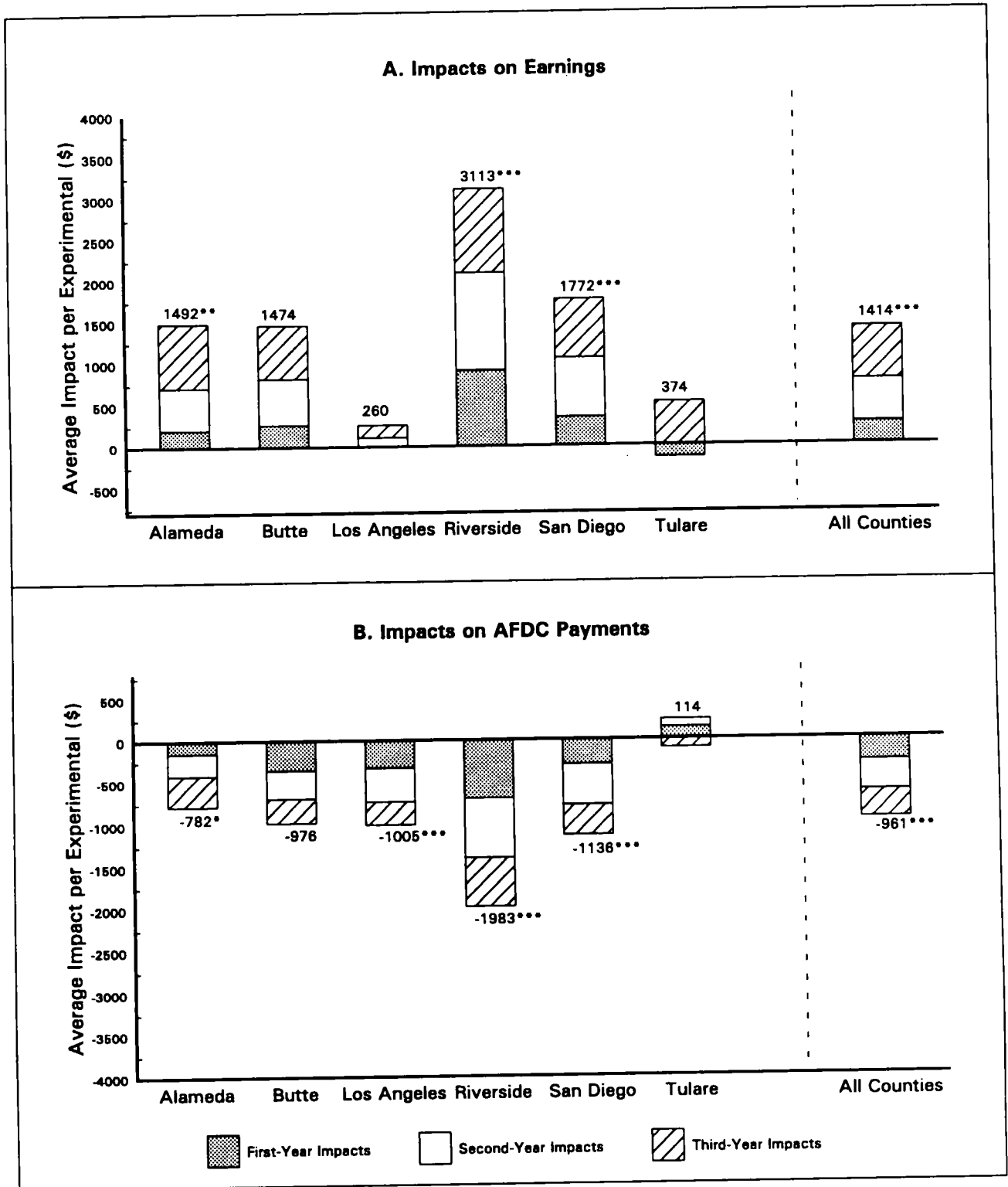
GAIN's THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR AFDC-FGs (SINGLE PARENTS)

County	Average Total Earnings				Average Total AFDC Payments			
	Experimentals (\$)	Controls (\$)	Difference (\$)	Percentage Change	Experimentals (\$)	Controls (\$)	Difference (\$)	Percentage Change
Alameda								
Year 1	1421	1212	209	17%	6916	7066	-150	-2%
Year 2	2132	1624	508 *	31%	5816	6077	-261	-4%
Year 3	2880	2105	774 **	37%	4861	5232	-371 **	-7%
Total	6432	4941	1492 **	30%	17593	18375	-782 *	-4%
Butte								
Year 1	2001	1729	272	16%	5132	5486	-353 *	-6%
Year 2	2998	2442	556	23%	3715	4048	-333	-8%
Year 3	3638	2992	647	22%	2812	3101	-290	-9%
Total	8637	7163	1474	21%	11659	12635	-976	-8%
Los Angeles								
Year 1	1304	1308	-4	-0%	6874	7202	-328 ***	-5%
Year 2	1699	1589	110	7%	5711	6111	-401 ***	-7%
Year 3	1939	1786	153	9%	4729	5006	-277 **	-6%
Total	4943	4683	260	6%	17314	18319	-1005 ***	-5%
Riverside								
Year 1	2470	1550	920 ***	59%	4962	5658	-695 ***	-12%
Year 2	3416	2233	1183 ***	53%	3458	4161	-703 ***	-17%
Year 3	3562	2552	1010 ***	40%	2864	3448	-584 ***	-17%
Total	9448	6335	3113 ***	49%	11284	13267	-1983 ***	-15%
San Diego								
Year 1	2462	2113	349 **	17%	5529	5832	-302 ***	-5%
Year 2	3503	2794	709 ***	25%	4199	4679	-480 ***	-10%
Year 3	3821	3108	713 ***	23%	3555	3908	-353 ***	-9%
Total	9786	8014	1772 ***	22%	13283	14419	-1136 ***	-8%
Tulare								
Year 1	1792	1941	-149	-8%	6363	6231	132	2%
Year 2	2536	2531	5	0%	5118	5023	95	2%
Year 3	3111	2594	518 **	20%	4171	4284	-113	-3%
Total	7439	7066	374	5%	15653	15538	114	1%
All counties (a)								
Year 1	1908	1642	266 ***	16%	5963	6246	-283 ***	-5%
Year 2	2714	2202	512 ***	23%	4669	5017	-347 ***	-7%
Year 3	3159	2523	636 ***	25%	3832	4163	-331 ***	-8%
Total	7781	6367	1414 ***	22%	14464	15426	-961 ***	-6%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year. Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.
 (a) In the all-county averages, the results for each county are weighted equally.

FIGURE 1

**GAIN's THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS
FOR AFDC-FG REGISTRANTS**



NOTE: Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.

also produced large third-year effects on AFDC-FGs. (See Table 1 and Figure 1.) Over the entire three-year period, the experimental group's earnings in Riverside were \$3,113 higher, on average, than the control group's earnings, an increase of 49 percent. Their welfare payments were \$1,983 lower, a 15 percent reduction compared to the control group. These impacts were the largest in any of the six counties, and are larger than those found in previous large-scale experimental studies of state welfare-to-work programs. They are notable as much for their consistency as for their magnitude: Riverside had statistically significant earnings gains for many key subgroups of the single-parent research sample, and these gains were almost always accompanied by welfare savings. Such a consistent pattern was not found in any other county.

Among the other five counties, three (Alameda, Butte, and San Diego) had middle-level three-year earnings impacts (\$1,474 to \$1,772 per experimental, or 21 to 30 percent above the control group average). Also of note was the \$518 earnings impact in year 3 for Tulare, where positive and statistically significant effects were observed for the first time. Four of these five counties (Tulare was the exception) achieved moderate welfare savings (ranging from \$782 per experimental over the three years to \$1,136, or a 4 to 8 percent reduction). (The three-year earnings and welfare impacts in Butte were not statistically significant, possibly owing to the small control group sample size there.)

In Los Angeles, the finding that GAIN produced welfare savings but had little effect on earnings (\$260, and not statistically significant) may have resulted from GAIN's producing an increase in the rate of employment, but in jobs that were low-paying, of short duration, or both. The welfare savings may also partly reflect the influence of financial sanctions (grant reductions) for noncompliance with GAIN's participation mandate and any effect the mandate may have had in increasing or hastening case closures among experimentals who were working "off the books." It is also worth noting that although the earnings impact in Los Angeles was small overall, this was not true in all five of the county's GAIN offices. The two offices located outside of central-city areas produced three-year earnings impacts exceeding \$2,100 per experimental (an effect that was statistically significant in one office). None of the other offices, all of which were in central-city locations, produced an earnings gain.

In Riverside, each of the four local offices operating GAIN in the four economically diverse regions of that county produced large and statistically significant earnings gains and welfare savings. San Diego also had consistently positive results (though not always statistically significant) across most of its local offices, but Tulare did not. (Alameda and Butte each had only one GAIN office.)

All in all, the evidence of impacts across the six counties shows that GAIN can produce earnings gains, welfare savings, or both within a three-year period, even when it is operated in very different ways and under different circumstances. This is an encouraging finding because local conditions will always vary across counties and because some variation in key implementation practices is inevitable.

Impacts on Employment Rates, Earnings Levels, and Job Quality

- **GAIN increased the proportion of experimentals who were ever employed in year 3 by 6 percentage points above the control group rate. At the same time, a majority of experimentals as well as controls did not work at all during that year.**

For the six counties combined, automated official records show that 40 percent of experimentals had worked at some time during year 3 compared to 34 percent of controls, resulting in a statistically significant difference of 6 percentage points (see Table 2). A similar impact is found when the proportions of experimentals and controls ever employed over the entire three-year period are compared (57 percent versus 51 percent, respectively). GAIN's impact on the rate of employment was largest in Riverside, where it exceeded 9 percentage points in year 3 and almost 14 percentage points over the full follow-up period. Despite this accomplishment, the data in Table 2 imply that, across the six counties, about two-thirds of experimentals and controls did *not* work during year 3, and almost half never worked during the entire three-year period. In response to a question on the registrant survey in four counties (Alameda, Riverside, San Diego, and Tulare), about 60 percent of experimentals who were not working at the time of the interview said that they were not looking for work. Of that group, 28 percent cited their own ill health or disability as the most important reason, 4 percent cited the ill health or disability of their children, and 22 percent said that they were in a school or training program. Only 4 percent said that the main reason they were not looking for work was that they could not afford or arrange for child care (perhaps in part because the study sample was composed largely of women with no preschool-age children), although 10 percent said that their major reason was that they wanted to stay home with their children.

Of those who had never worked during the survey follow-up period, only 34 percent said that they had heard of the Earned Income Tax Credit (EITC), a federal tax credit for low-income workers

TABLE 2

**GAIN's THREE-YEAR IMPACTS ON RATES OF EMPLOYMENT AND WELFARE CASE CLOSURES
FOR AFDC-FGs (SINGLE PARENTS)**

County and Year	Ever Employed in the Specified Year			On AFDC in the Last Quarter of the Specified Year		
	Experimentals (%)	Controls (%)	Difference	Experimentals (%)	Controls (%)	Difference
Alameda						
Year 1	30.1	27.3	2.8	86.0	89.2	-3.2 *
Year 2	32.8	26.3	6.5 ***	76.6	77.1	-0.5
Year 3	33.9	26.7	7.2 ***	67.5	70.6	-3.1
Total	48.8	40.8	8.0 ***	n/a	n/a	n/a
Butte						
Year 1	42.3	45.6	-3.3	65.0	68.4	-3.4
Year 2	46.3	42.2	4.0	49.4	47.7	1.7
Year 3	46.7	42.5	4.3	39.7	41.0	-1.3
Total	63.4	63.7	-0.2	n/a	n/a	n/a
Los Angeles						
Year 1	27.0	24.9	2.1	84.8	87.9	-3.1 ***
Year 2	26.9	22.9	4.0 ***	74.0	76.3	-2.3
Year 3	26.0	22.4	3.6 ***	63.8	67.5	-3.7 **
Total	39.4	34.9	4.5 ***	n/a	n/a	n/a
Riverside						
Year 1	52.1	34.0	18.0 ***	58.7	65.9	-7.2 ***
Year 2	49.4	35.4	14.0 ***	46.6	52.0	-5.4 ***
Year 3	44.5	35.2	9.3 ***	40.6	45.8	-5.2 ***
Total	67.1	53.4	13.6 ***	n/a	n/a	n/a
San Diego						
Year 1	46.0	40.0	6.0 ***	69.1	72.1	-3.1 **
Year 2	45.8	40.8	5.1 ***	56.0	61.1	-5.1 ***
Year 3	42.5	37.3	5.2 ***	49.0	51.9	-3.0 *
Total	62.2	56.5	5.7 ***	n/a	n/a	n/a
Tulare						
Year 1	39.9	40.9	-1.0	76.7	75.0	1.7
Year 2	41.8	42.3	-0.5	65.4	62.2	3.1
Year 3	43.9	38.0	5.8 ***	54.5	56.2	-1.7
Total	59.5	55.3	4.2 **	n/a	n/a	n/a
All counties (a)						
Year 1	39.6	35.5	4.1 ***	73.4	76.4	-3.1 ***
Year 2	40.5	35.0	5.5 ***	61.3	62.7	-1.4
Year 3	39.6	33.7	5.9 ***	52.5	55.5	-3.0 ***
Total	56.7	50.8	6.0 ***	n/a	n/a	n/a

NOTES: The totals indicate the proportion of sample members who were ever employed at any time during the three years of follow-up. Totals are not applicable (n/a) in the AFDC panel of the table.

Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.
(b) In the all-county averages, the results for each county are weighted equally.

intended to enhance the financial payoff from working. Of those who had worked, 54 percent said that they had heard of it.

- **Riverside and San Diego produced earnings gains mostly by increasing the rate and duration of employment, while Alameda and Butte produced about half their earnings gains by increasing the amount of money earned per quarter of employment.**

In Riverside and, to a lesser extent in San Diego, GAIN appears to have produced earnings impacts because experimentals had higher employment rates and more quarters of employment, but the jobs they held paid about as much, on average, as the jobs held by controls. In Alameda and Butte, in contrast, approximately half the earnings gains were associated with increased earnings per quarter of employment for experimentals, implying that, on average, experimentals who worked held better jobs than controls who worked.

These differences across the counties are also reflected in the characteristics of the most recent jobs reported on the registrant survey by experimentals and controls who had worked at some time during the two- to three-year follow-up period. In Riverside, similar proportions of *employed experimentals* and *employed controls* (64 percent) had worked full-time (i.e., 30 hours a week or more) in their most recent job, and average weekly wages were somewhat lower for all workers in the experimental group (\$191 per week) than for all workers in the control group (\$206). In contrast, employed experimentals in Alameda got jobs providing more hours of work per week than the jobs obtained by employed controls (e.g., 59 percent versus 55 percent, respectively, were full-time), and higher weekly wages for those working (\$209 versus \$167).

It is also of interest that approximately 28 percent of employed experimentals in the four counties had jobs providing health care coverage. Among controls, the rate was 25 percent.

- **GAIN increased the proportion of experimentals who had more substantial earnings.**

Table 3 shows that, for all six counties combined, about 20 percent of experimentals earned *at least* \$5,000 in year 3 compared to 16 percent of controls, for an impact of almost 4 percentage points; 12 percent of experimentals, compared to 9 percent of controls, earned at least \$10,000 — an amount of money that exceeds the poverty line for a single parent with one child.

TABLE 3

**GAIN's IMPACTS ON YEAR 3 EARNINGS LEVELS AND THE PERCENTAGE OF AFDC-FGs (SINGLE PARENTS)
BOTH EMPLOYED AND OFF AFDC AT THE END OF YEAR 3**

Outcome Measure and County	Experimentals (%)	Controls (%)	Difference
Earned \$5,000 or more in year 3			
Alameda	16.4	12.7	3.7 *
Butte	21.9	18.8	3.1
Los Angeles	12.6	12.0	0.6
Riverside	23.7	17.1	6.6 ***
San Diego	23.3	19.7	3.6 ***
Tulare	20.6	17.6	3.0 *
All counties (a)	19.7	16.3	3.5 ***
Earned \$10,000 or more in year 3			
Alameda	10.6	8.4	2.2
Butte	14.6	10.2	4.3 *
Los Angeles	7.7	6.7	1.0
Riverside	13.7	9.5	4.2 ***
San Diego	15.0	12.0	3.1 ***
Tulare	11.2	8.2	3.0 **
All counties (a)	12.1	9.2	3.0 ***
Employed and received no AFDC in the last quarter of year 3			
Alameda	14.2	10.0	4.2 **
Butte	22.8	22.0	0.8
Los Angeles	11.2	9.1	2.1 **
Riverside	23.0	18.4	4.6 ***
San Diego	21.4	18.8	2.6 **
Tulare	19.9	17.6	2.3
All counties (a)	18.8	16.0	2.8 ***

NOTES: Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.
(a) In the all-county averages, the results for each county are weighted equally.

Another way to view earnings levels is to consider what proportion of *workers*, rather than all experimentals or all controls, earned above certain thresholds. Although experimental-control differences on such a measure are not true estimates of GAIN's impacts (since the background characteristics of those who found jobs in each group may not have been equivalent), they illustrate that many of those who did find work had more substantial earnings. For example, for all six counties combined, about 31 percent of all *employed experimentals* earned above \$10,000 in year 3. Among *employed controls*, the rate was 27 percent.

- **GAIN produced a small increase in the proportion of experimentals whose combined income from earnings, AFDC, and Food Stamps exceeded the poverty line in year 3.**

To approximate GAIN's effects on poverty, the analysis compared sample members' total year 3 earnings, AFDC payments, and Food Stamps with the official poverty line, taking into account the size of each sample member's family at the time of GAIN orientation. (In 1992, the poverty line for a single parent with one child was \$9,190.) The income measure used here is different from the Census Bureau's official poverty measure in that Food Stamps are not counted in the official measure, while other family income not measured in the GAIN evaluation is counted. The analysis suggests that GAIN helped move some families out of poverty: 20 percent of the experimentals across the six counties, compared to 17 percent of the controls, had a combined income above the poverty line. In other words, experimentals' poverty rate was reduced by 3 percentage points. This impact reached almost 5 percentage points in Butte and Tulare.

Impacts on Case Closures

- **GAIN reduced by a small amount (3 percentage points) the proportion of experimentals who were on AFDC during the last quarter of year 3. About half of all experimentals and controls received some AFDC payments during that period. Only about one-fifth were both off AFDC and working.**

Table 2 shows the proportion of sample members who had received any AFDC payments in the last quarter of each follow-up year. The proportion of experimentals on AFDC had dropped to 53 percent (for all six counties combined) by the end of the three-year period. However, only a portion of this change can be attributed to GAIN, since the control group experienced a similar decline.

Nonetheless, the counties collectively produced a reduction of 3 percentage points in the proportion of experimentals receiving welfare by the end of year 3, ranging from under 2 percentage points in Butte and Tulare to over 5 percentage points in Riverside.

Table 3 (bottom panel) shows the proportion of people who had both worked *and* received no AFDC payments during the last quarter of the follow-up period. This combined status comes closer than any other measure in this study to representing the achievement of "self-sufficiency through employment." By this criterion, about 19 percent of experimentals (for all six counties combined) achieved self-sufficiency by working compared to 16 percent of controls, for a small (statistically significant) impact of almost 3 percentage points. The impact on this measure was highest in Riverside and Alameda, where it exceeded 4 percentage points. (During this same quarter, another 10 percent of experimentals both worked and received welfare.)

- **Several counties increased the proportion of registrants who made a permanent exit from AFDC during the available follow-up period, although this effect was not large.**

Welfare recipients who leave AFDC often return to the rolls. Across the six study counties, 27 percent of experimentals who left AFDC for at least one full quarter during the first half of the follow-up period (i.e., from quarters 2 through 7) returned to AFDC before the three years were out. (This rate ranged from 22 percent in Los Angeles to 30 percent in Tulare.) Nonetheless, three counties increased the likelihood that experimentals would get off welfare and remain off the rolls. For example, 39 percent of all experimentals in Riverside, compared to 35 percent of all controls, had left AFDC during the first half of the three-year follow-up period and did not return during the rest of that period. This 4 percentage point difference was statistically significant and accounts for more than half of Riverside's impact of nearly 8 percentage points on the *total* percentage of experimentals who left AFDC within the first half of the follow-up period. For the full follow-up period, Los Angeles and San Diego each had an impact of 3 percentage points (statistically significant) on the likelihood of exiting AFDC, but little effect was detected in the other three counties (Alameda, Butte, and Tulare).

Impact Findings for Selected AFDC-FG Subgroups

- **For the two basic education subgroups, GAIN produced earnings gains and welfare savings, but not always for both groups in each county.**

A central question for GAIN is whether particular subgroups of welfare recipients are or are

not affected by the services the program offers and by its participation mandate. All GAIN registrants were classified into two groups, for whom the GAIN program model established different service sequences: those determined "not in need of basic education" and those deemed "in need of basic education." Overall, GAIN produced earnings gains and welfare savings for both of these subgroups among AFDC-FGs.

Three counties (Alameda, Riverside, and San Diego) produced large earnings gains — ranging from about \$3,000 to \$4,000 — for registrants determined *not* to need basic education, as shown in the top panel of Table 4. Two of these counties (Riverside and San Diego) also produced large welfare savings, while the third (Alameda) did not. (The pattern in Alameda could have occurred if its earnings impact was concentrated among individuals who, during the follow-up period, would have left welfare and worked even in the absence of GAIN, but in lower-paying jobs.) In contrast, Los Angeles achieved large welfare savings for this subgroup, but more modest (and not statistically significant) earnings gains.

Alameda's success (noted above) in raising the quality of jobs suggests that the use of job search to explore career options, combined with subsequent participation in vocational training and post-secondary education, may have played a role in producing Alameda's earnings impact. As the top panel of Table 5 shows, Alameda raised experimentals' participation in training and post-secondary education 16 percentage points, on average, above the control group rate — a participation impact that was higher than in the other counties; it also had the largest impact on the duration of participation in these activities. Moreover, Alameda increased the proportion of experimentals in the not-in-need-of-basic-education subgroup who received a trade certificate by almost 6 percentage points (not statistically significant) and receipt of a Bachelor's degree by 3 percentage points. In contrast, Riverside did not increase participation in training and post-secondary education, nor did it increase the receipt of education credentials, implying that its earnings impacts for this subgroup came about from other sources — possibly through a combination of factors, including the large impact on participation in job search activities (48 percentage points, as shown in Table 5) and other program features that made Riverside distinctive. (See the section above on implementation findings.) San Diego's experience appears to have been closer to Riverside's in that it did not have a large impact on the use of vocational education and training.

TABLE 4

GAIN's THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR KEY AFDC-FG (SINGLE-PARENT) SUBGROUPS

Subgroup and County	Impact on Average Total Earnings (\$)				Impact on Average AFDC Payments (\$)			
	Year 1	Year 2	Year 3	Total	Year 1	Year 2	Year 3	Total
AFDC-FGs determined not to need basic education								
Alameda	672 *	1008	1267	2947 *	-1	-38	-94	-133
Butte	154	374	418	946	400	357	229	986
Los Angeles	201	534	412	1147	-692 ***	-794 ***	-709 ***	-2194 ***
Riverside	1199 ***	1464 ***	1287 ***	3950 ***	-682 ***	-691 ***	-693 ***	-2067 ***
San Diego	632 **	1185 ***	1223 ***	3040 ***	-317 **	-556 ***	-405 ***	-1278 ***
Tulare	-614 *	-233	212	-635	331	208	4	543
AFDC-FGs determined to need basic education								
Alameda	-21	229	402	610	-202	-350 *	-483 **	-1036 **
Butte	507 *	972 **	1113 **	2592 ***	-1204 ***	-1128 ***	-906 **	-3239 ***
Los Angeles	-35	28	113	107	-252 ***	-314 ***	-173	-739 ***
Riverside	738 ***	1023 ***	834 ***	2595 ***	-677 ***	-700 ***	-509 ***	-1886 ***
San Diego	74	269	230	572	-281 **	-426 ***	-313 **	-1020 ***
Tulare	123	174	690 ***	987 **	39	57	-152	-56
AFDC-FGs who are long-term welfare recipients								
Alameda	209	508 *	774 **	1492 **	-150	-261	-371 **	-782 *
Butte	518 *	945 *	855	2318 *	-388	-424	-313	-1125
Los Angeles	-4	110	153	260	-328 ***	-401 ***	-277 **	-1005 ***
Riverside	1072 ***	1409 ***	1056 ***	3538 ***	-730 ***	-819 ***	-635 ***	-2184 ***
San Diego	207	332	158	697	-358 ***	-692 ***	-495 ***	-1545 ***
Tulare	-117	203	844 ***	929	85	-43	-264	-222

NOTES: Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.

TABLE 5

**GAIN's IMPACTS ON THE RATE OF PARTICIPATION IN KEY ACTIVITIES
WITHIN TWO TO THREE YEARS AFTER ORIENTATION FOR AFDC-FGs (SINGLE PARENTS)**

A. Registrants Determined Not to Need Basic Education

County	Ever Participated in Job Search Activities			Ever Participated in Vocational Training or Post-Secondary Education		
	Experimentals (%)	Controls (%)	Difference	Experimentals (%)	Controls (%)	Difference
Alameda	55.9	3.6	52.3	48.3	31.9	16.4
Los Angeles	25.8	2.9	22.9	27.6	23.0	4.6
Riverside	50.1	2.3	47.8	40.9	43.3	-2.4
San Diego	41.9	7.9	34.0	48.3	43.5	4.8
Tulare	46.4	3.0	43.4	48.8	36.7	12.1
All counties (a)	44.0	3.9	40.1	42.8	35.7	7.1

B. Registrants Determined to Need Basic Education

County	Ever Participated in Job Search Activities			Ever Participated in Basic Education (ABE, GED, or ESL)		
	Experimentals (%)	Controls (%)	Difference	Experimentals (%)	Controls (%)	Difference
Alameda	19.6	3.8	15.8	65.1	9.2	55.9
Los Angeles	11.2	3.8	7.4	49.2	10.8	38.4
Riverside	32.0	0.7	31.3	40.6	14.5	26.1
San Diego	27.4	7.5	19.9	42.1	11.8	30.3
Tulare	12.4	0.9	11.5	65.6	13.3	52.3
All counties (a)	20.5	3.3	17.2	52.5	11.9	40.6

NOTES: Estimates of participation rates for the two- to three-year follow-up period, which rely partly on data from the registrant survey, are not available for Butte.

Tests of statistical significance were not performed.

(a) In the all-county averages, the results for each county are weighted equally.

For registrants who *were* determined to need basic education, increasing experimentals' use of ABE, GED, and ESL classes (relative to the use of those classes by controls) may have contributed to positive earnings impacts, for Butte, Riverside, and Tulare all had a positive impact on the rate of participation in those activities (see the second panel of Table 5 for the Riverside and Tulare impacts). All three counties (Tulare to a lesser extent) also produced statistically significant earnings increases, as shown in the second panel of Table 4. In addition, two of them (Butte and Riverside) produced welfare savings. At the same time, the experience of the other three counties indicates that even a large impact on the use of basic education may not result in earnings gains. For example, Alameda had a 56 percentage point impact on the in-need-of-basic-education subgroup's rate of participation in basic education, yet its three-year impact on this group's earnings was relatively small.

If an impact on the use of basic education contributes to an impact on earnings, the mechanism by which this occurs may sometimes involve factors other than simply an increase in basic skills or credentials. For example, it is noteworthy that Riverside achieved its earnings gain for this subgroup without having had an impact on the proportion of experimentals who obtained a GED and without having an impact on literacy skills.² Furthermore, impacts on GED attainment were found in Alameda (an 8 percentage point impact), while impacts on the literacy test were concentrated in San Diego — two counties that did *not* produce a statistically significant increase in earnings for this subgroup.

It is possible that in Riverside (and perhaps elsewhere) basic education may have increased skills not measured by the literacy test used in this evaluation, or increased participants' interest in — or self-confidence about — working. Perhaps these kinds of influences, when combined with other aspects of Riverside's implementation of GAIN (including its strong employment message and its substantial impact of 31 percentage points on the rate of participation in job search for the in-need-of-basic-education subgroup, as shown in Table 5), help to explain why Riverside achieved an impressive earnings impact for this subgroup without improving measured educational gains.

- **GAIN produced earnings and welfare savings for a variety of other subgroups, including (in some counties) registrants who had received AFDC**

²See Karin Martinson and Daniel Friedlander, *GAIN: Basic Education in a Welfare-to-Work Program* (New York: MDRC, 1994).

for more than two years prior to entering the program, showing GAIN's potential to reach a difficult-to-serve population.

Among long-term recipients, the total three-year earnings impact was moderate to large (and statistically significant) in three counties (Alameda, Butte, and Riverside), ranging from \$1,492 to \$3,538, as shown in the bottom panel of Table 4. Three-year welfare savings of \$782 to \$2,184 were found across five counties (and were statistically significant in four of them). It is noteworthy that Riverside produced the largest earnings gains *and* the largest welfare savings for long-term AFDC-FG recipients. It also produced statistically significant impacts on these outcomes when "long-term" is defined more strictly to mean recipients who received AFDC continuously for at least the six years prior to orientation.

The evaluation examined GAIN's impacts on a variety of other subgroups and found evidence of earnings gains and welfare savings, although not consistently in all counties. Across racial and ethnic groups, the largest impacts were found among whites and blacks. For blacks in Alameda (who constituted almost 70 percent of that county's sample), there was a relatively large year 3 earnings impact of \$1,020. These results in Alameda are especially interesting because that county's sample was drawn entirely from relatively long-term recipients and an inner-city area (Oakland). For Hispanics in the three counties that had large samples of Hispanics (Los Angeles, Riverside, and San Diego), only Riverside produced a statistically significant earnings impact in year 3 (\$920), but none of the three produced statistically significant welfare savings for this group.

In some counties, GAIN also achieved impacts for individuals facing conditions commonly thought to reflect important barriers to employment. As previously discussed, the program produced earnings gains and welfare savings for subgroups with long welfare histories (as it did for those who were welfare applicants or shorter-term recipients when registering for GAIN). It also achieved impacts for those with little employment experience prior to entering GAIN and for those with two or more children. At the same time, however, it had weak earnings effects for a "most disadvantaged" subgroup, defined as sample members with multiple barriers: more than two years' previous receipt of AFDC *and* no employment in the year preceding GAIN orientation *and* no high school diploma. Larger earnings impacts for this group may be particularly difficult to achieve because of those multiple barriers, although Riverside's success in doing so shows GAIN's potential to reach even them.

Impact Findings for Single Parents with Children Younger than Age 6 in Three Counties

- **GAIN's impacts on single parents with children under the age of 6 largely paralleled its impacts on single parents whose children were age 6 or older in three counties.**

Under the JOBS legislation, starting in July 1989, GAIN's participation mandate was extended to single parents with children 3 to 5 years old at the time of orientation. Although this group was not part of the main research sample for the evaluation (except in Alameda), employment, earnings, and welfare data were collected for a supplementary sample of such individuals in Riverside and Tulare. This sample was somewhat younger, on average, than the main sample, but fewer than a quarter of them were under age 25.

Over the entire three-year follow-up period, Riverside produced large average increases in earnings (\$3,511) and reductions in AFDC payments (\$2,558) for this group, just as it had for its main sample. Similarly, Alameda showed a sizable earnings impact for this sample (\$2,220), as it had for its main sample, although the effect was not statistically significant (perhaps because of a small sample size). However, Alameda did not substantially reduce AFDC payments for this sample (it had a somewhat larger effect for the main sample). Tulare produced no earnings gains or welfare savings for this group (although it achieved earnings gains in year 3 for the main sample).

The Riverside Case Management Experiment

- **In Riverside, GAIN's already large impacts on earnings and AFDC payments were not improved for registrants who were assigned to case managers with smaller-than-normal caseloads.**

A special study was conducted in Riverside to test whether assigning registrants to staff with smaller caseloads, and allowing staff to monitor them more closely and work with them more intensively, would produce larger impacts on earnings and AFDC. Using random assignment procedures, experimentals and case managers were divided into two groups: an "enhanced" group and a "regular" group. The average registrant-to-staff ratio in the enhanced group (53 to 1) was about half as large as the ratio for the regular group (97 to 1).

Both the enhanced and regular experimental groups obtained large gains in earnings and large

reductions in AFDC, but, contrary to what had been expected, these impacts were not greater for the enhanced group. These findings suggest that there may be little advantage to operating a GAIN program — at least one like Riverside's — with caseloads substantially below 100 registrants per case manager, and that keeping them in the moderate range of about 100 to 1 may be one way of containing program costs without jeopardizing program effectiveness.

Findings on Program Costs for AFDC-FGs

This study calculated several different types of cost estimates, including: the *county welfare department's average expenditure* per experimental; the *total GAIN cost* per experimental, which adds to the welfare department cost the average expenditures by schools and training providers for services provided to GAIN participants as part of the GAIN program; and the *net cost* (or net investment) per experimental. Net cost per experimental is the total public expenditure on employment-related activities per experimental — for post-GAIN activities as well as the total GAIN cost — minus the public cost of (non-GAIN) services to controls. Net cost is the cost measure used in the benefit-cost analysis, discussed later in this summary. All cost estimates cover a time horizon of five years after orientation (in order to capture long-term participation in GAIN activities and to be consistent with the benefit-cost analysis), and are expressed in 1993 dollars.

- **For all six counties combined, county welfare departments spent an average of \$2,899 per experimental within the five years after orientation.**

Table 6A summarizes the average county welfare department expenditure for each of the six counties. Four of the six (Butte, Riverside, San Diego, and Tulare) spent between \$2,000 and \$2,700, while the remaining two counties (Alameda and Los Angeles) spent about \$4,000 or more. Across the six counties, about 60 percent of these expenditures were on activities that could be classified as case management (including conducting orientations, appraisals, and assessments; assigning registrants to activities; arranging for support service payments; responding to noncompliance; etc.). Among the other welfare department expenditures were the costs of conducting (or subcontracting the operation of) job club sessions and supervising individual job search activities, paying schools to provide extra monitoring and attendance data (to help the welfare department measure compliance with GAIN's participation mandate), and paying for child care and other support services (e.g., for transportation

TABLE 6
ESTIMATED GAIN AND NET COST PER AFDC-FG (SINGLE-PARENT) EXPERIMENTAL
WITHIN FIVE YEARS AFTER ORIENTATION (IN 1993 DOLLARS)

A. Total GAIN Cost: Expenditures by Welfare Department and Other Agencies

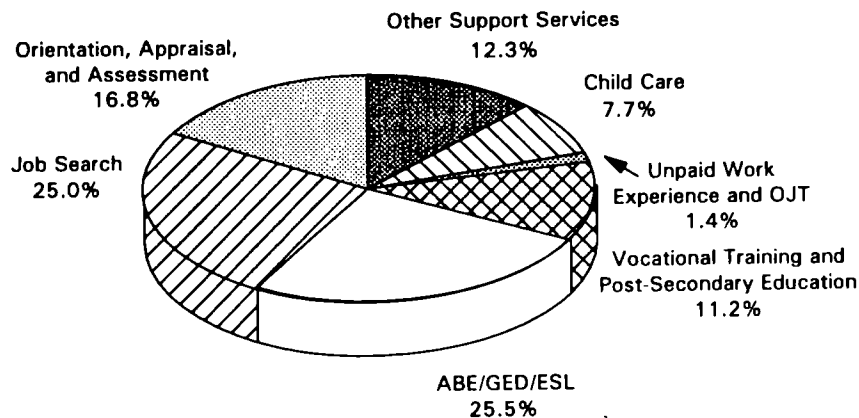
County	Five-Year Average Cost per Experimental (\$)		
	Welfare Department GAIN Cost	Other Agencies' Costs for Serving GAIN Participants	Total GAIN Cost
Alameda	4429	2193	6622
Butte	2650	1309	3959
Los Angeles	4023	1961	5984
Riverside	2073	890	2963
San Diego	2134	1096	3230
Tulare	2086	1644	3731
All counties	2899	1515	4415

B. Net Cost per Experimental

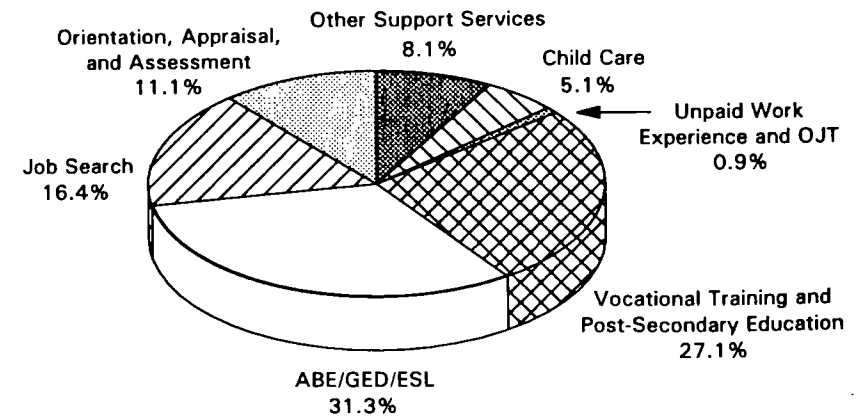
County	Five-Year Average Cost (\$)		
	Total per Experimental (a)	Total per Control	Difference (Net Cost per Experimental)
Alameda	6977	1379	5597
Butte	4413	1509	2904
Los Angeles	6402	613	5789
Riverside	3469	1871	1597
San Diego	3918	2007	1912
Tulare	4189	1455	2734
All counties	4895	1472	3422

(a) Total GAIN cost plus cost of post-GAIN activities.

C. Welfare Department GAIN Cost: Percentage Distribution by Component for All Counties Combined



D. Total GAIN Cost (Welfare Department and Other Agencies): Percentage Distribution by Component for All Counties Combined



NOTES: In the all-county averages and percentage distributions, the results for each county are weighted equally. Case management, which accounts for about 60 percent of the welfare department GAIN cost, is included in the costs for the individual components identified in panels C and D.

and such ancillary items as books, tools, and uniforms).

- **The total five-year cost of GAIN (counting welfare department and other agencies' costs for serving GAIN participants) was \$4,415 per experimental.**

The total cost of GAIN per experimental is the sum of the GAIN-related expenditures of the county welfare department and other agencies. Non-welfare agencies — adult schools, community colleges, and other organizations — provided the education and training for GAIN registrants who were assigned to basic education classes, vocational training, and post-secondary education to meet their participation obligation, or who were participating in approved self-initiated activities begun prior to entering GAIN. Thus, the expenditures made by the non-welfare agencies to serve GAIN registrants are considered to be GAIN-related costs, even though they were not controlled directly by the county welfare departments. For all six counties combined, these expenditures averaged \$1,515 (Table 6, panel A). Adding these GAIN expenditures to those incurred by county welfare departments (\$2,899) yields the total GAIN cost of \$4,415 per experimental.

- **GAIN expenditures were heaviest for job search, basic education, and vocational training and post-secondary education.**

The pie charts in Table 6 show how this six-county total cost per experimental was distributed across the key components of GAIN. The first chart (Table 6C) illustrates that the cost to the welfare department of processing registrants through the orientation and appraisal stages of the program (including following up on those who failed to attend their scheduled orientation sessions), plus the cost of assessments, accounted for about 17 percent of the \$2,899 average welfare department GAIN cost, while expenditures on registrants assigned to job search activities and basic education (ABE, GED, or ESL activities) each accounted for about one-quarter of those expenditures. (Again, this includes the cost of the case managers' effort to monitor attendance and progress, arrange support services, follow up on nonattenders, etc., for these two activities.) Another 8 percent was spent on child care, and 12 percent was spent on other support services (transportation and ancillary services). It is important to note that, across all six counties, the average cost of GAIN child care per experimental would have been higher if the research sample had been composed mostly of parents with younger children, a group that has a greater need for child care. For those with schoolage children, GAIN activities were often scheduled to take place while the children themselves were in school. Also, those

whose youngest child was a teenager (up to about one-quarter of the research sample in some counties) would not have been eligible for GAIN-funded child care.

The second pie chart (Table 6D) shows the distribution of *total* GAIN costs, i.e., after adding in the expenditures by other agencies providing the education and training received by GAIN participants while they were enrolled in GAIN. It shows that of the total average GAIN cost (\$4,415), three-quarters is accounted for by expenditures on registrants assigned to job search activities (16 percent), basic education activities (31 percent), and vocational training and post-secondary education (27 percent).

- **The total cost of GAIN varied widely by county, ranging from under \$4,000 per experimental in four counties (Butte, Riverside, San Diego, and Tulare) to almost \$6,000 or more in two counties (Alameda and Los Angeles).**

Four counties — Butte, Riverside, San Diego, and Tulare — had an average total GAIN cost (including welfare department and non-welfare agency expenditures) in the range of about \$3,000 to \$4,000, while Los Angeles spent almost \$6,000 per experimental and Alameda, more than \$6,600. GAIN costs were lowest in Riverside (\$2,963) owing, to an important extent, to Riverside experimentals' quicker departures from the GAIN program and their shorter length of participation, on average, in education and training activities in that county compared to experimentals in other counties. The unusually high costs in Alameda and Los Angeles (both of which served only long-term welfare recipients) are attributable to a combination of factors, including their experimentals' relatively long lengths of stay in GAIN and heavy use of education and training activities. In Los Angeles, this high usage was mostly in basic education activities, while in Alameda it extended to vocational training and post-secondary education as well. Longer participation in activities also produces greater expenditures for support services.

- **The average *net* cost of all GAIN and non-GAIN services per experimental was \$3,422 for all six counties combined, but varied widely across the counties.**

Net costs are key to determining whether GAIN has been a cost-effective investment from the perspective of government budgets. They represent the difference between the five-year average total cost per experimental (including public expenditures on experimentals who participated in non-GAIN

employment and training activities after leaving GAIN) and the average cost per control for non-GAIN services. The government's net cost per experimental for the six counties combined is thus obtained by subtracting the total cost per control (\$1,472) from the total cost per experimental for GAIN *and* non-GAIN activities (\$4,895), which yields \$3,422 (after rounding). This number is presented in the last column of Table 6B. These costs were largest where the cost of GAIN itself was highest – in Los Angeles (\$5,789) and Alameda (\$5,597) – and lowest in Riverside (\$1,597) and San Diego (\$1,912).

Benefit-Cost Findings for AFDC-FGs

The benefit-cost analysis addresses three questions: Are welfare recipients financially better or worse off as a result of the GAIN program? Is the government's net investment in services for the experimental group offset by subsequent budget savings? Does society as a whole come out ahead or behind as a result of the program? The analysis takes into consideration GAIN's effects on earnings, AFDC payments, Food Stamps, and Unemployment Insurance payments, fringe benefits, taxes, Medi-Cal (i.e., Medicaid) payments, administrative costs for AFDC and other transfer programs, and the net cost of employment-related services. It does not formally incorporate intangible positive or negative effects of the program, such as the increased sense of pride or feelings of stress or loss of time with their families that registrants might have felt in substituting work for welfare, or any enhancement of their self-esteem from obtaining a GED or other education credential through the GAIN program. The analysis also assumes that no displacement of other workers occurred as a result of employment gains for experimentals, because the displacement effects could not be measured.

The benefit-cost estimates presented in this summary cover the five years after GAIN orientation, a time frame similar to the one used in most previous MDRC evaluations of welfare-to-work programs. (Because a full five years of follow-up data were not available for earnings, welfare payments, and other outcomes, the overall benefit estimates include some projected values, up to two years for some sample members but less than that for most.) It should be noted, however, that this probably is a conservative estimate, since five years is not likely to be long enough to capture the total effects of GAIN.

- In five of the six counties, experimentals, on average, were better off

financially as a result of the GAIN program.

As shown by the impact analysis, GAIN increased the earnings of experimentals in most counties. The measured and projected earnings gains and their associated fringe benefits constitute the primary financial gain from the standpoint of experimentals (referred to in benefit-cost analyses as the "welfare sample perspective"). However, these gains were offset to some extent by reduced AFDC payments and other transfer payments.

Nonetheless, GAIN experimentals – with the exception of those in Los Angeles – experienced a net financial gain as a result of the program, averaging \$923 per experimental for the six counties combined over the five-year period, as shown in Figure 2A and Table 7. (The average net gain equals \$1,420 when Los Angeles is excluded.) In Los Angeles, experimentals' losses in transfer payments (especially AFDC payments) exceeded their *measured* earnings increases, leaving them with a net loss overall of \$1,561. (Any effect GAIN may have had on "off the books" earnings is not considered in this analysis.) In all other counties, experimentals realized an average net gain of between \$948 in San Diego and \$1,900 in Riverside. It is noteworthy, however, that in Tulare this positive result was achieved with a smaller earnings increase and a smaller reduction in AFDC payments compared to the other counties. In contrast, Riverside's results, compared to all of the other counties, reflect both a large increase in earnings and a large reduction in welfare payments – in other words, a greater substitution of work for welfare.

- **From the standpoint of the government budget, GAIN also produced economic gains that exceeded costs in two of the six counties (Riverside and San Diego). A third county (Butte) led to the government budget "breaking even."**

From the "government budget perspective," the potential gains of the program include reduced AFDC payments, reductions in other transfer payments, reductions in transfer program administrative costs, and the increased taxes paid by experimentals. The net expenditures for GAIN and non-GAIN services constitute the major potential costs of the program. Overall, the results for this perspective – which sets a tough standard for programs to meet – are mixed, as Figure 2B and Table 7 show. Average costs incurred by the government exceeded savings per experimental by \$3,054 in Alameda, \$3,442 in Los Angeles, and \$2,261 in Tulare. There was a moderate net *gain* (i.e., savings and

FIGURE 2

**GAIN's BENEFIT-COST RESULTS FROM THE WELFARE SAMPLE AND
GOVERNMENT BUDGET PERSPECTIVES FOR AFDC-FGs (SINGLE PARENTS)
WITHIN FIVE YEARS AFTER ORIENTATION (IN 1993 DOLLARS)**

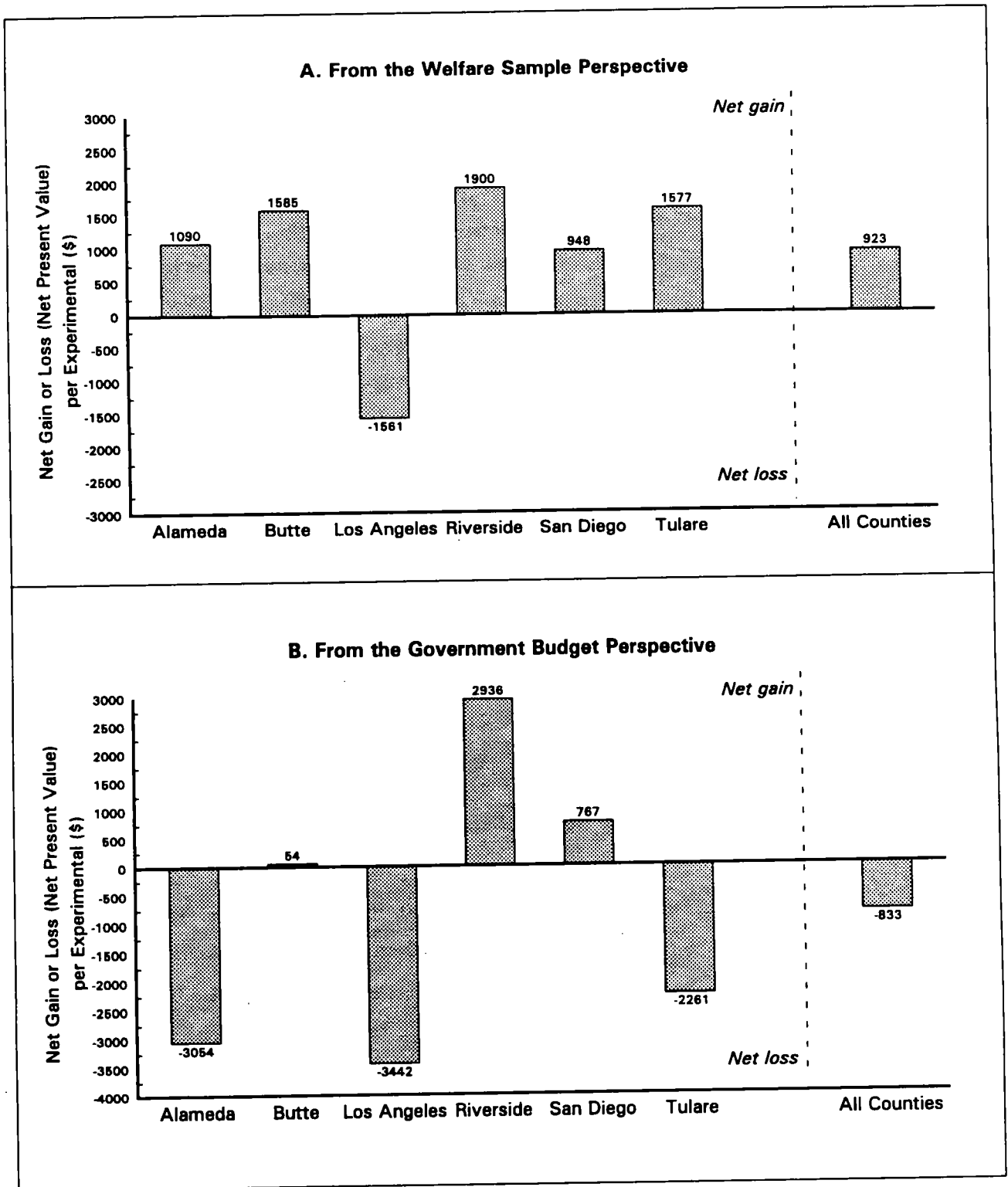


TABLE 7

GAIN's BENEFIT-COST RESULTS FOR AFDC-FGs (SINGLE PARENTS) (IN 1993 DOLLARS)

Sample and County	Estimated Net Gain or Loss (Net Present Value) per Experimental Within Five Years After Orientation, by Accounting Perspective (\$)			
	Welfare Sample	Government Budget	Society	Return to Government Budget per Net Dollar Invested
Full sample				
Alameda	1090	-3054	-2103	0.45 per \$1
Butte	1585	54	1452	1.02 per \$1
Los Angeles	-1561	-3442	-5046	0.41 per \$1
Riverside	1900	2936	4458	2.84 per \$1
San Diego	948	767	1649	1.40 per \$1
Tulare	1577	-2261	-819	0.17 per \$1
All counties (a)	923	-833	-67	0.76 per \$1
Registrants determined not to need basic education				
Alameda	5328	-6041	-904	0.16 per \$1
Butte	4702	-3955	621	-0.30 per \$1
Los Angeles	-2826	2892	-11	2.15 per \$1
Riverside	3235	3576	6328	4.36 per \$1
San Diego	2925	2610	5235	3.95 per \$1
Tulare	673	-2812	-2163	-0.24 per \$1
Registrants determined to need basic education				
Alameda	-1199	-2011	-3299	0.60 per \$1
Butte	-820	4816	3656	2.71 per \$1
Los Angeles	-1162	-4755	-5941	0.26 per \$1
Riverside	1111	2444	3246	2.24 per \$1
San Diego	-968	-759	-1590	0.72 per \$1
Tulare	2333	-2082	45	0.30 per \$1

NOTES: The net present value from the societal perspective is estimated by summing the net present value from the perspective of the government budget (minus employers' share of payroll taxes) plus the net value of output produced by registrants in unpaid work experience positions.

(a) In the all-county averages (included for the full sample only), the results for each county are weighted equally.

increased tax revenues exceeded net costs) in San Diego (\$767), and a quite large net gain in Riverside (\$2,936). In Butte, GAIN resulted in the government budget breaking even (with a slight net gain of \$54). The losses in Alameda and Los Angeles to an important extent reflect the comparatively high net expenditures on employment-related services per experimental, especially for education and training activities. On average, across the six counties, the GAIN program incurred a net loss to the government budget of \$833 within a five-year time horizon.

One can also consider the cost-effectiveness of the GAIN program from the standpoint of the government budget by estimating the value of budgetary savings and tax increases per dollar of investment (i.e., per dollar of net costs). This measure is called *net return to budget per net dollar invested*. An average gain of more than \$1 means that the program brings in more than a dollar's worth of additional revenues and savings for each additional dollar spent on employment-related services to experimentals; an average return that is less than \$1 implies a net loss for the government.

Riverside's program produced \$2.84 in increased revenues and savings for every net dollar spent on experimentals, a substantial return to the budget. (If Riverside had operated GAIN solely with the higher caseload sizes assigned to staff in the "regular" case management group, its return to the government budget would have been higher than \$2.84.) The program in San Diego and (to a slight extent) Butte also returned more than \$1 in revenues and savings (\$1.40 and \$1.02, respectively). Alameda, Los Angeles, and Tulare returned less than \$.50 per dollar of net costs; and the six counties combined returned \$.76, on average.

- **Overall, three counties (Butte, Riverside, and San Diego) achieved a net gain from the societal perspective.**

The net financial gain or loss to "society as a whole" is approximated by summing the results from the welfare sample and government budget perspectives.³ As Table 7 shows, Butte, San Diego, and especially Riverside achieved a net financial gain from the societal perspective, and were the only counties to do so. In Alameda and Tulare, the government incurred a net loss but welfare recipients

³The results from another perspective — that of the taxpayer — were also calculated but were excluded from this summary because they were close to those of the government budget. They included a small additional gain from increased output from experimentals employed in unpaid work experience (PREP) jobs and excluded the employer's share of payroll taxes.

gained — a kind of trade-off that policymakers may or may not find acceptable.

- **The findings across the six counties point to GAIN's potential to produce net financial gains for *both* education subgroups. However, different strategies may involve important trade-offs between the welfare sample and government budget.**

For experimentals determined *not* to need basic education, Alameda (which served longer-term welfare recipients) stands out as having produced the largest net gain for the welfare sample (\$5,328 per experimental). At the same time, Alameda's average net cost per experimental in this subgroup was unusually high (\$7,161, compared to less than \$1,100 in Riverside and San Diego), in part because of its high net increase in experimentals' use of vocational training and post-secondary education. These expenditures, in combination with the absence of substantial reductions in AFDC payments, resulted in a substantial net loss for the government budget (\$6,041 per experimental), as shown in Table 7. Riverside and San Diego illustrate an alternative pattern: Although they placed much less emphasis on vocational training and post-secondary education, they too achieved a net gain for the welfare sample (in the range of \$3,000 per experimental), although it was considerably smaller than in Alameda. Because their expenditures were lower, these two counties also produced a net gain for the government budget: by \$3,576 in Riverside and \$2,610 in San Diego (a return of \$4.36 and \$3.95, respectively, per net dollar invested).

For experimentals who *were* determined to need basic education, GAIN resulted in a net gain from the welfare sample perspective in only two counties (Riverside and Tulare) and for the government budget in two counties (Butte and Riverside). Riverside was the only county of the six to produce a net gain for both of the basic education subgroups from both the welfare sample and government budget perspectives.

Summary of Impact and Benefit-Cost Findings for AFDC-Us (Heads of Two-Parent Families)

- **GAIN produced earnings gains for the heads of two-parent families (AFDC-Us) that were about the same in year 3 as in year 2, and welfare savings that were somewhat lower. Butte had the most impressive earnings impacts, which were large and sustained over time.**

Averaging across five counties (omitting Alameda because of a small sample size) yields three-

year earnings gains of \$1,111 per AFDC-U experimental group member (a 12 percent increase over the control group average) and three-year AFDC impacts of \$1,168 (a saving of 6 percent relative to the average AFDC payments to controls). (See Table 8.)

The results varied considerably by county. GAIN increased earnings in the three-year follow-up period in three of the five counties — Butte, Los Angeles, and Riverside. However, only in Butte did earnings impacts increase from year 1 to year 2; they then held steady from year 2 to year 3, reaching a total of \$3,295 per experimental over the entire three-year period.

Reductions in AFDC payments were found in four counties — Butte, Los Angeles, Riverside, and San Diego — although they were not statistically significant in Butte (possibly because of a small sample size). Riverside's welfare impacts were the largest: a saving of \$2,064 per experimental over the three years, or 14 percent of the average payments to controls. Butte, Los Angeles, and San Diego were in a middle range, while Tulare produced no AFDC impacts. It appeared unlikely there would be much addition to total AFDC impacts after year 3 except in Butte.

- **GAIN had a positive impact on AFDC-U experimentals' rate of employment in year 3 in three counties (Butte, Los Angeles, and Riverside). However, it did not reduce the proportion on welfare.**

Table 9 indicates that across the five counties included in the AFDC-U analysis, nearly 45 percent of experimentals had ever been employed in year 3, compared to 40 percent of controls, a difference of almost 5 percentage points. This impact was concentrated in Butte, Los Angeles, and Riverside. Although Los Angeles had the largest impact (10 percentage points on this measure), this effect did not translate into a correspondingly large earnings gain, perhaps because the jobs were short-term, low-paying, or both.

Table 9 also shows that GAIN had little overall effect on the proportion of AFDC-Us receiving AFDC in the last quarter of follow-up, although Butte did show a reduction (not statistically significant) of almost 5 percentage points. In fact, the proportion of both groups receiving welfare at the end of year 3 was high in most counties, exceeding 50 percent (and reaching 78 percent in Los Angeles). These levels are comparable to those found for the AFDC-FGs, which was not expected because AFDC-Us are typically considered to be more "job-ready" and shorter-term users of welfare. These patterns may partly reflect the fact that the AFDC-U samples in several counties included a

TABLE 8

GAIN's THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR AFDC-US (HEADS OF TWO-PARENT FAMILIES)

County	Average Total Earnings				Average Total AFDC Payments			
	Experimentals (\$)	Controls (\$)	Difference (\$)	Percentage Change	Experimentals (\$)	Controls (\$)	Difference (\$)	Percentage Change
Alameda (a)								
Year 1	--	--	--	--	--	--	--	--
Year 2	--	--	--	--	--	--	--	--
Year 3	--	--	--	--	--	--	--	--
Total	--	--	--	--	--	--	--	--
Butte								
Year 1	3026	2393	633 *	26%	6523	6749	-226	-3%
Year 2	4033	2776	1257 ***	45%	5246	5775	-529	-9%
Year 3	4752	3346	1406 **	42%	4555	5071	-516	-10%
Total	11811	8515	3295 ***	39%	16324	17595	-1271	-7%
Los Angeles								
Year 1	1480	1221	259 **	21%	9440	9871	-431 ***	-4%
Year 2	1787	1468	319 *	22%	8333	8826	-493 ***	-6%
Year 3	1726	1417	309	22%	7417	7739	-323 *	-4%
Total	4993	4106	887 **	22%	25190	26436	-1246 ***	-5%
Riverside								
Year 1	3691	2930	761 ***	26%	4840	5807	-967 ***	-17%
Year 2	4038	3628	411	11%	3892	4640	-748 ***	-16%
Year 3	3812	3478	334	10%	3614	3964	-350 *	-9%
Total	11542	10036	1506 **	15%	12346	14411	-2064 ***	-14%
San Diego								
Year 1	3331	3089	242	8%	6790	7301	-510 ***	-7%
Year 2	4128	3978	150	4%	5565	6197	-632 ***	-10%
Year 3	4144	4402	-258	-6%	5155	5339	-184	-3%
Total	11603	11469	134	1%	17510	18837	-1327 ***	-7%
Tulare								
Year 1	2987	2961	26	1%	7545	7523	23	0%
Year 2	3721	3998	-277	-7%	6316	6261	54	1%
Year 3	4121	4138	-17	-0%	5588	5600	-12	-0%
Total	10829	11097	-268	-2%	19449	19384	66	0%
All counties (b)								
Year 1	2903	2519	384 ***	15%	7028	7450	-422 ***	-6%
Year 2	3542	3170	372 **	12%	5871	6340	-469 ***	-7%
Year 3	3711	3356	355 **	11%	5266	5543	-277 ***	-5%
Total	10156	9045	1111 ***	12%	18164	19332	-1168 ***	-6%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year. Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.

(a) Because of Alameda's small sample size for AFDC-US, the estimates of its earnings impacts (\$782 for the three-year period, or a 24 percent increase over the control group average) and AFDC payments impacts (-\$103, or less than a 1 percent decrease) are considered much less reliable than those for the other counties; therefore, the Alameda impacts are not included in this table.

(b) In the all-county averages, the results for each county are weighted equally.

TABLE 9

**GAIN's IMPACTS ON RATES OF EMPLOYMENT AND WELFARE CASE CLOSURES
AT THE END OF YEAR 3 FOR AFDC-US (HEADS OF TWO-PARENT FAMILIES)**

County	Ever Employed in Year 3			On AFDC in the Last Quarter of Year 3		
	Experimentals (%)	Controls (%)	Difference	Experimentals (%)	Controls (%)	Difference
Butte	48.1	41.9	6.2 *	47.9	52.7	-4.8
Los Angeles	35.8	26.0	9.8 ***	78.4	77.9	0.5
Riverside	44.8	40.2	4.6 **	42.6	40.9	1.7
San Diego	45.6	43.9	1.7	56.9	57.2	-0.2
Tulare	48.9	48.4	0.5	60.4	59.9	0.5
All counties (a)	44.6	40.1	4.5 ***	57.3	57.7	-0.5

NOTES: Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.

Because of Alameda's small sample size for AFDC-US, the estimates of its impacts are considered much less reliable than those for the other counties; therefore, the Alameda impacts are not included in this table.

(a) In the all-county averages, the results for each of the five counties displayed in the table are weighted equally.

TABLE 10

GAIN's BENEFIT-COST RESULTS FOR AFDC-US (HEADS OF TWO-PARENT FAMILIES) (IN 1993 DOLLARS)

County	Estimated Net Gain or Loss (Net Present Value) per Experimental Within Five Years After Orientation, by Accounting Perspective (\$)				Return to Government Budget per Net Dollar Invested
	Welfare Sample	Government Budget	Society		
Butte	2096	697	2568		1.22 per \$1
Los Angeles	-621	-2021	-2748		0.55 per \$1
Riverside	-714	1314	466		1.61 per \$1
San Diego	-1949	-86	-1796		0.96 per \$1
Tulare	260	-2939	-2685		- 0.08 per \$1
All counties (a)	-186	-607	-838		0.79 per \$1

NOTES: The net present value from the societal perspective is estimated by summing the net present value from the perspective of the government budget (minus employers' share of payroll taxes) and the net value of output produced by registrants in unpaid work experience positions.

Because of Alameda's small sample size for AFDC-US, the estimates of its impacts are considered much less reliable than those for the other counties; therefore, the Alameda impacts are not included in this table.

(a) In the all-county averages, the results for each of the five counties displayed in the table are weighted equally.

relatively high proportion of registrants who were not proficient in English. This was especially so in Los Angeles, where they accounted for 83 percent of the research sample, many of whom were Southeast Asian refugees.

- **GAIN's benefit-cost results for AFDC-Us show a large positive effect from the welfare sample perspective in Butte only, and a modest positive return on the government's investment in Butte and Riverside only.**

As suggested by the impact analysis, GAIN did not produce for AFDC-Us the same overall economic benefits from the welfare sample perspective that AFDC-FGs received, primarily because savings in AFDC and other transfers offset earnings gains to a greater extent. As seen in Table 10, the AFDC-U welfare sample incurred net losses in three counties (Los Angeles, Riverside, and San Diego) and net gains in two others (Butte and Tulare). However, only in Butte did AFDC-Us receive a large net gain from the program, \$2,096. From the government budget perspective, only Butte and Riverside produced a net gain (\$697 and \$1,314, respectively).

Policy Lessons

In passing the GAIN legislation in 1985, California legislators launched an ambitious effort to change the terms and conditions of receiving AFDC, with the twin goals of helping welfare recipients become self-sufficient and reducing the financial burden of welfare on the government. The model itself was the product of a compromise between two groups in California that embraced both of these goals but differed in their beliefs about the type of program best suited to achieving them. One group of reformers initially favored a relatively short-term program of mandatory job search followed, for participants who did not find jobs, by unpaid work experience (or "workfare"). The other group favored a broader range of services, with a strong emphasis on education and skills training, as well as less onerous penalties for noncompliance than the financial sanctions advocated by the first group. The resulting GAIN model incorporates elements of both of these approaches, representing a significant departure from the simpler (mainly job search) lower-cost initiatives of the early 1980s — and a prelude to the federal JOBS program, which, like GAIN, includes a reciprocal obligation and greater focus than earlier programs on education and training.

Representing a bold leap in welfare reform — in ambition, complexity, and expense — GAIN

started with its feasibility uncertain and its effectiveness unknown. Would it be operated as envisioned on a large scale? Would its performance beat the clear but modest successes of earlier welfare-to-work programs? What approaches for implementing it would work best? The GAIN evaluation findings that are now available offer some answers.

Operating GAIN as envisioned on a large scale

GAIN's ambitiousness derived as much from the scale of the project — in most counties, having been targeted (originally) toward *all* single parents on AFDC with schoolage children and heads of two-parent families — as from the complexity of the model itself. Nonetheless, all of the study counties — large and small — were able meet the challenge of implementing GAIN's mixed service approach involving job search, basic education, training, and other services, along with its ongoing participation mandate and multi-step enforcement process. Funding levels did not permit Alameda and Los Angeles to enroll the full mandatory caseload, or the other counties to continue doing so (especially after the transition to JOBS, which expanded the share of the welfare caseload targeted for GAIN), but the program model envisioned by the California legislature was given a "fair test" during the main period of program operations covered by the evaluation, and it proved administratively feasible.

Is GAIN more successful than past welfare-to-work programs, and for more disadvantaged welfare recipients?

In establishing GAIN, the California legislature hoped to create a program that would surpass in effectiveness the primarily job search programs of the early 1980s, particularly with the more disadvantaged portion of the welfare caseload that had benefited less from such services. Overall, the results suggest that GAIN could meet this standard — average GAIN impacts were larger than those produced by these earlier programs — but that it did not do so uniformly. The results also show that, in one county, GAIN produced the most impressive results ever found for a large-scale welfare-to-work program.

Moreover, GAIN's pattern of impacts shows that the program could substantially increase the earnings of long-term recipients, but that here, too, the effects were not consistent across counties. Some counties had better results for advantaged groups, some for less advantaged. The absence of

a more consistent, predictable pattern suggests that giving priority for enrollment into GAIN to particular segments of the welfare caseload may not yield effective results across all counties. Therefore, for the state as a whole, a more broadly focused strategy might be more effective. (Past welfare-to-work studies point to the same conclusion.) At the same time, the challenge remains to improve the consistency of GAIN's effectiveness across a wide variety of subgroups.

Do some approaches work better than others?

Although GAIN is based on a uniform program model that all of California's counties must operate, county administrators have considerable authority — under California's state-supervised, county-operated welfare system — to shape the program's actual content. The GAIN administrators in the six study counties chose to implement the program in different ways. The most important dimensions of program variation included the use of basic education, vocational training and post-secondary education, and other strategies; the message conveyed to welfare recipients about employment; and the use of direct job development. This variation provided the evaluation with an opportunity to explore whether some of these alternative approaches generated better results than others.

The Role of Basic Education. The study's findings suggest (but do not prove) that basic education — one of GAIN's most innovative and expensive features — may make an important contribution to the program's success, as its designers had hoped. (As previously discussed, such an effect in Riverside would have been indirect, since it did not come from an increase in measured skills gains or GED receipt.) At the same time, the findings caution that basic education offers *no guarantee* of success — even when it is extensively used (as in Alameda) or its quality is considered exceptional (as in San Diego). Although the study cannot point to particular changes in the character of the education treatment itself that would enhance its effectiveness, the absence of large earnings impacts in four of the six counties for welfare recipients lacking basic skills suggests that attempting to get as many of these recipients as possible to attend basic education as their initial GAIN activity appears not to be the most productive strategy. It may also be that permitting very long stays in this activity without closely monitoring participation and progress, and without requiring participants to test opportunities in the labor market along the way, would weaken the contribution that basic education could make to GAIN's overall success. In the absence of more convincing evidence of a payoff from

maximizing the use of basic education, a *more equal emphasis* on upfront job search as well as basic education activities, in combination with other factors, could be a better way of serving those lacking basic skills.

The Role of Vocational Training and Post-Secondary Education. For recipients who already possess a high school diploma or a GED and pass a literacy test, the GAIN model requires "testing the job market first" by participating in job search activities before moving on to more expensive vocational training or post-secondary education. Given this sequence, and the fact that many controls enrolled themselves in non-GAIN vocational training or post-secondary education (as did some experimentals after leaving welfare), GAIN's impact on the use of these activities was small in most counties. Thus, the evaluation can provide only limited evidence on the effects of increasing their use.

Some evidence suggests (but does not prove) that greater use of vocational training and post-secondary education *may* be an effective approach: Alameda produced the largest increase in the use of such activities by registrants not needing basic education and achieved a large earnings gain for them; it also got them better jobs (compared to employed controls). In addition, Alameda produced the largest overall financial gain for experimentals *in that subgroup* across the six counties, as measured by the benefit-cost analysis. At the same time, this strategy can also be costly from the standpoint of the government budget, with the financial return falling far short of the government's net investment per experimental in the not-in-need-of-basic-education subgroup, as was the case in Alameda.

It is therefore an equally important finding that, for this subgroup, two other study counties (Riverside and San Diego) produced large earnings gains and welfare savings, and an overall net gain for both the welfare sample and the government budget, all *without* increasing experimentals' use of vocational training and post-secondary education (compared to their use by controls). Thus, other approaches can provide an alternative route to achieving desirable earnings and welfare impacts and may be more cost-effective (although they may not lead to higher-paying jobs).

The "Message" and Emphasis on Quick Employment and Job Development. While GAIN's job search, basic education, and vocational education and training might help a county achieve positive earnings impacts, these services are unlikely to be all that matter. Among the program's other features, the "message" about employment that staff attempt to convey to registrants while they are

in *all* components, and the active use of job development to establish a close link to private-sector employers, may also be critically important.

A program's employment message is an aspect of operating GAIN that transcends specific program components. As described earlier in this summary (in the section on implementation findings), the content of that message can vary widely, from more strongly emphasizing the value of any job, even a low-paying job, to encouraging participants to wait for (and prepare for) a better job. Yet, the very content of that message may be part of what determines whether participation in *any* given component will actually have a payoff in the labor market. Indeed, the finding that the best-performing county (Riverside) far more strongly and pervasively than all other counties advocated the value of any job points to the potential importance of the employment message, even to registrants assigned to education and training activities. Perhaps it contributed to Riverside's success by affecting how much effort registrants — across a variety of subgroups — made to look for a job, and how selective they were with regard to the kinds of jobs they would accept.

Job development, whereby staff directly assist registrants in locating employment opportunities, also transcends program components and may be another aspect of operating GAIN that enhances the payoff derived from participating in a GAIN component. By offering those taking part in GAIN job search or education or training a direct link to employers (as Riverside did to a far greater extent than any other county), job development may increase participants' *opportunity and incentive* to apply in the labor market what they learn in GAIN activities.

The Case of Riverside: A Combination of Factors. No single implementation factor is likely to explain why one county performs better than another, and this appears to be the case in accounting for Riverside's unusually strong performance. For example, the available evidence suggests that Riverside's results appear not to be explained by differences in the background characteristics of its GAIN registrants or local economic conditions. Moreover, while it had some distinctive program features, along many dimensions the program was not unique. What most distinguished Riverside from the other counties — and, therefore, what might have contributed to Riverside's more favorable results — was its particular *combination* of practices and conditions: a pervasive employment message and job development efforts, more equal use of job search and education activities for registrants needing basic education, a strong commitment to (and adequate resources for) securing the

participation of all mandatory registrants, and reliance on GAIN's formal enforcement mechanisms to reinforce the seriousness with which it viewed the participation obligation. This constellation of practices was not found in any other county.

If Riverside's success sets a new standard of achievement for welfare-to-work programs, and if a combination of program strategies explains its success, it is important to ask whether Riverside's overall approach or some of its distinctive strategies can be replicated elsewhere with the same success. On the one hand, the finding that Riverside produced similarly impressive impacts across each of its GAIN offices suggests that its approach and success can be replicated even when operated by different staff and in localities characterized by diverse labor market and local conditions. On the other hand, the variation in local conditions within Riverside County does not capture the greater variation that exists across counties. Thus, it is not a foregone conclusion that Riverside's approach — including its focus on more rapid employment and job development — would work in other types of localities, particularly in inner-city areas such as those found in Los Angeles and Alameda, or whether they would succeed in more rural, agricultural areas with persistently high unemployment, such as those found in Tulare. Also, at least in the inner-city areas, where the welfare population as a whole undoubtedly faces greater barriers to employment, a stronger employment focus may or may not help to improve their employment prospects. Also important is whether other combinations of practices can produce results as good as or (by helping more recipients get higher-quality jobs) better than those found in Riverside — e.g., by instituting a strong job development component in a program emphasizing vocational education and training, or delivering a strong employment message in a program that (unlike Riverside) actually produces a greater net increase in (i.e., impact on) the use of vocationally oriented activities. These are important questions for future evaluation efforts.

Would Changing the Incentives to Work Produce Better Results?

It is also important to consider some of the limitations of GAIN. As previously mentioned, GAIN, even operating at its best, was only moderately successful in moving people off welfare and out of poverty by the end of three years. This is probably because of conditions that transcend the GAIN program, such as the economic incentive for welfare recipients to take and keep jobs. It is therefore important to ask whether GAIN's effectiveness can be enhanced by other reforms now under debate or already instituted that aim to improve the financial payoff from working. Such strategies

include increasing the EITC (as the federal government has recently done), and, at the same time, increasing welfare recipients' awareness of this benefit (which this study found to be low among recipients in GAIN). Other strategies would include allowing welfare recipients to keep more of their earnings and still collect AFDC (as recent legislation in California and in other states does), and improving access to medical care (which is under debate in Congress) and child care for the working poor. Whether these and other reforms can strengthen the payoff from GAIN (or JOBS programs in other states) remains an important open question.

TABLE 11

**THE SIX COUNTIES IN THE GAIN IMPACT STUDY
AND THEIR SAMPLES (AT THE TIME THE SAMPLES
WERE ENROLLED IN GAIN: MARCH 1988 THROUGH JUNE 1990)**

Alameda, which includes the city of Oakland, has the largest welfare caseload of single parents (AFDC-FGs), and the second-largest caseload of heads of two-parent families (AFDC-Us), among counties in the San Francisco Bay area. It was one of two evaluation counties that had a large inner-city welfare population and that enrolled only long-term recipients, a practice that was consistent with the statutory requirement for counties that did not have enough resources to serve all GAIN-eligibles. More than 80 percent of both its AFDC-FG and AFDC-U GAIN registrants were minorities; a large majority (69 percent) of its single-parent registrants were black, and a substantial proportion (40 percent) of its heads of two-parent families were Indochinese. Alameda had the second-highest proportion of registrants who were determined "in need of basic education" (65 percent for AFDC-FGs and 81 percent for AFDC-Us). The caseload size per case manager in Alameda was relatively low, about 75:1.

Butte, a mid-sized rural county in northern California, had by far the smallest welfare caseload of the counties studied and the largest proportion of non-minorities (more than 85 percent of AFDC-FGs and about three-quarters of AFDC-Us). Although it enrolled a broad cross section of its mandatory GAIN caseload, Butte appeared to have the least disadvantaged AFDC-FG sample in the study, with the lowest rate of those determined "in need of basic education" (49 percent), the lowest proportion of long-term recipients (28 percent), and the second-highest proportion of registrants with a recent work history (57 percent). Butte used an unusual GAIN intake procedure in order to keep caseload size per case manager relatively low (63:1); registrants were brought into GAIN but were placed on waiting lists for up to several months until a case manager had an opening.

Los Angeles, with about one-third of the state's caseload and a welfare population larger than all but a few states', was the other county that had a large inner-city welfare population and that enrolled only long-term recipients. As a result, Los Angeles had the highest relative proportion of recipients in the research sample who were determined "in need of basic education" (81 percent for AFDC-FGs and 92 percent for AFDC-Us). An unusually large proportion (32 percent of AFDC-FGs and 83 percent of AFDC-Us) were not proficient in English. Los Angeles also had the smallest proportion of AFDC-FGs with a recent work history (just 17 percent) and the second-smallest proportion of AFDC-Us who had recently worked (32 percent), the highest average age (almost 39 years for AFDC-FGs and 42 for AFDC-Us), and the highest proportion of minorities (nearly 90 percent for both AFDC-FGs and AFDC-Us). Nearly 60 percent of its AFDC-U population was Indochinese. Los Angeles' program started later and was somewhat less fully developed than other counties' programs during the study period. Alone among the counties in California, Los Angeles had also contracted with a private-sector firm to conduct case management. (This contract was terminated in 1993.) Its GAIN caseload per case manager (128:1) was the highest among the six counties.

(continued)

TABLE 11 (continued)

Riverside, a large county in southern California, which has both urban and rural areas, enrolled a broad cross section of its mandatory welfare population. A substantial proportion of its registrants (60 percent for AFDC-FGs, two-thirds for AFDC-Us) were determined "in need of basic education." Approximately half of its AFDC-FG registrants were minorities, as were 57 percent of its AFDC-U registrants. While half of its AFDC-FGs had recent work experience, the rate was 72 percent for AFDC-Us. Owing to a special study of the impact of different caseload sizes, the average caseloads were about 53:1 (for one group of case managers) and 97:1 (for the other group).

San Diego, with the state's second-largest AFDC-FG caseload and the fourth-largest AFDC-U caseload, enrolled a broad cross section of its caseload in GAIN. About 60 percent of its registrants were minorities, and well over half were determined "in need of basic education." The county's GAIN sample had the highest proportion of registrants who had recently worked – 59 percent among AFDC-FGs – and the second-highest among AFDC-Us (nearly 80 percent). It had the second-highest average caseload per case manager (103:1).

Tulare was the only county of the six that had to operate GAIN in the context of a rural and highly agricultural, seasonal labor market. A high proportion of Tulare's GAIN registrants were determined "in need of basic education" (65 percent of AFDC-FGs and nearly three-fourths of AFDC-Us). About 40 percent of its registrants were Hispanic, the highest proportion of any county. It had an average caseload per case manager, about 100:1.
