



Abt Associates Inc.

55 Wheeler Street
Cambridge, Massachusetts
02138-1168

617 492-7100 *telephone*
617 492-5219 *facsimile*

Hampden Square, Suite 600
4800 Montgomery Lane
Bethesda, Maryland
20814-5341

301 913-0500 *telephone*
301 652-3618 *facsimile*

640 North LaSalle Street
Suite 400
Chicago, Illinois
60610-3781

312 867-4000 *telephone*
312 867-4200 *facsimile*

The ABC Evaluation

Carrying and Using the Stick: Financial Sanctions in Delaware's A Better Chance Program

Executive Summary

May 1999

Prepared for
Delaware Health and Social Services
Division of Social Services
Lewis Building
1901 North Dupont Highway
New Castle, Delaware 19720



Prepared by
David J. Fein
Wang S. Lee

EXECUTIVE SUMMARY

As states have intensified their efforts to move welfare recipients to work, many have strengthened financial penalties for recipients who do not comply with welfare program rules. The universe of sanctionable behaviors has expanded greatly, and many states have shifted from partial benefit reductions to full-family aid cut-offs. Whether this push to stronger sanctions is furthering desired program outcomes is unclear, as there has been little careful evaluation of the new penalties.

This report analyzes what has happened in one state which considerably strengthened its welfare program sanctions. Delaware's A Better Chance (ABC) welfare reform program provides substantial services and incentives—and backs up its requirements with strict financial penalties. Thanks to the State's strong commitment to ongoing evaluation, unusually detailed data are available to examine clients' experiences.

Analyses show that Delaware has vigorously enforced ABC sanctions, generating some of the highest sanction rates yet reported. Personal and family characteristics associated with sanction receipt suggest that family circumstances made it difficult for some clients to meet ABC's rules, whereas others may not have completely understood the requirements. Reluctance to make the necessary adjustments is another likely factor, although the limited indicators of motivation available did not reveal a strong effect. After receiving sanctions, many more clients left welfare than cured their sanctions. As the necessary data were not available in time for these analyses, analysis of how sanctions have affected family well-being is postponed for a future report.

DELAWARE'S SANCTION POLICIES

By establishing swift and certain financial penalties for noncompliance, ABC seeks to promote engagement in activities aimed at positive family functioning and economic self-sufficiency. Requirements associated with these activities are detailed in the Contract of Mutual Responsibilities (CMR), a written contract between each client and the State. Sanctions fall into three broad categories, each embodying a different penalty structure:

- **Adult Responsibility (AR) sanctions** are levied when clients do not meet “enhanced family functioning requirements,” which include: signing the CMR, attending parenting education classes, visiting a family planning provider to obtain family planning information, ensuring that children are immunized, and participating in substance abuse assessment and treatment when needed. The penalty is set as \$50 in the first month, increases by \$50 for every subsequent month of non-compliance, and can progress to reversible case closure.
- **Work and Training (WT) sanctions** are applied when adult clients do not meet employment and training participation requirements, quit a job without good cause, or fail to verify that a child under age 16 has satisfactory school attendance. These sanctions cause an initial one-third grant reduction for two months, a two-thirds reduction for two more months if non-compliance continues or re-occurs, and permanent case closure upon further non-compliance.
- Finally, **Teen Responsibility (TR) sanctions** are applied when a dependent teen aged 16-18 does not maintain satisfactory school attendance or, if out of school, does not participate in an employment or training activity. TR sanctions result in removal of the teen’s needs from the grant (a \$68 penalty) and removal of the caretaker’s needs if s/he is not working to remedy the situation. The TR penalties do not increase over time.

FINDINGS

Many clients received sanctions, and these have led to a substantial loss of benefits.

Over two-fifths (43 percent) of all 16,602 families enrolling in ABC statewide received at least one sanction by June 1998. Sanction rates were higher among earlier enrollees who had been exposed to the program longer: 60 percent of families enrolling by December 1996 with at least one parent received a sanction by June 1998. Sanctions also were fairly common among early-enrolling “child-only” cases, 25 percent of whom received a sanction by June 1998.¹ The average payment loss due to sanctions was \$203 (a 66-percent reduction) in June 1998 among sanctioned families and \$53 (a 19-percent reduction) when calculated as a proportion of payments to all cases (sanctioned and non-sanctioned). The three most common reasons for sanctions were: failure to appear for a required work activity (5,829 sanctions), failure to attend

¹ Caretakers in child-only cases were subject to AR, WT, and TR sanctions pertaining to parenting responsibilities, but not to WT sanctions for adult self-sufficiency requirements.

mandatory parenting education classes (3,083 sanctions), and failure to prove all children were satisfactorily immunized (1,307 sanctions).²

Sanction receipt is related to a variety of personal and program characteristics.

An analysis of correlations between sanction receipt and family characteristics, holding other factors constant, points to some of the possible reasons for non-compliance. One category of reasons includes *family circumstances impeding compliance*. Sanctions were more common among mothers who had more children and those citing transportation needs at the time they first enrolled in ABC, suggesting requirements may place a greater burden on larger families (especially for rules that require verification for each child) and those who have more difficulties getting around. Other clients may not *completely understand the program requirements*, as suggested by the finding of higher sanction rates among recipients with less education. Although *reluctance to cooperate with program rules* seems likely to explain some sanctions, the one attitudinal measure available—preferring to stay home full-time over being at work or in school—was not significantly associated with the risk of sanctions. *Local office practices* appear to have a strong influence on sanctioning: sanction rates differed substantially across local offices, even after controlling for differing caseload compositions. Finally, sanctioned clients may be *less well-equipped to offset lost welfare income through earnings* than non-sanctioned clients, given the former's spottier work experience, longer welfare dependence, and lower levels of education. This last finding does not indicate that sanctioned clients are indifferent to financial penalties because they have relatively greater access to replacement income, as some observers have conjectured.

Most clients who received a sanction did not subsequently come into compliance.

Less than a third (32 percent) of sanctioned clients eventually cured their sanctions. A larger group (45 percent) remained non-compliant until sanctions progressed to case closure, and 23 percent left the rolls before their sanctions progressed to case closure. Curers and non-responders generally were more economically disadvantaged than voluntary leavers. An exception was that curers were more likely than non-responders to have finished high school, potentially signaling that some case closures were connected to difficulties in understanding how to cure sanctions. Program intervention also likely explains why some clients cured while others did not: statistics reported by non-profit agencies hired as “compliance contractors” suggest these services did bring many clients into compliance.

² The total across these sanctions is greater than the number of ever-sanctioned clients, because many clients had multiple sanction episodes.

Further analysis confirms that sanctions were an important cause of welfare exits.

Controlling for other factors that might lead to welfare exits, clients under sanction in a given month were twice as likely as non-sanctioned clients to leave the rolls in the following month. The effect of sanctions on welfare exit increased exponentially with each additional month the sanctions continued.

RECOMMENDATIONS

Limit the number of sanctionable offenses to a few key behaviors.

Given the limited time workers can spend with each client, and the personal challenges facing many clients, having fewer sanctionable offenses might facilitate communicating the requirements and enhancing compliance. Program goals might be furthered better by limiting sanctions to a few high-priority goals (e.g., adults participating in self-sufficiency activities, children receiving immunizations) while continuing to offer case management and services to help clients meet their other responsibilities.

Give workers clear policy guidance and training in distinguishing willful non-compliance from non-cooperation rooted in misunderstanding and difficult personal circumstances.

Sanction statistics suggest it could be fruitful to strengthen early identification of, and response to, problematic circumstances impeding compliance. For instance, women with more children and greater transportation barriers may need more help with logistics and time management. Expanding ABC's innovative compliance service contracts to encompass earlier intervention and a wider range of sanctions also could be beneficial.

Replace the current progressive penalty structure with a one-tier, partial-benefit approach.

Although the threat of full-family sanctions has not led most sanctioned clients to come into compliance, the current policies have shortened the time available for workers to work with families to remove barriers to self-sufficiency and have reduced income available for meeting basic family needs. Time limits already impose strict limits on the State's responsibility for recipients who do not take advantage of ABC's resources and seem destined to have a profound impact on perceptions that welfare offers a viable long-term lifestyle. The State should consider carefully whether full-family sanctions contribute more to furthering a positive welfare paradigm change than they cost in missed opportunities and resources for poor families.