



WELFARE REFORM FINDINGS IN BRIEF

Thomas L. Gais

State Capacity Study

**The Nelson A. Rockefeller
Institute of Government**

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Following is an updated summary of findings and source materials from The Rockefeller Institute's State Capacity Study on the implementation of welfare reforms.

Summary of Findings

- 1.** State welfare systems have added a new focus on the work and independence goals of the federal TANF block grant in their policies, institutions, spending patterns, and administrative practices (Nathan and Gais, 1999; Gais et al., 2001; Gais and Weaver, 2002; Weissert, 2000; Liebschutz, 2000).
- 2.** While states are paying more attention to goals relating to marriage, two-parent families, and pregnancy prevention than they were before TANF, this area still receives far less attention than work goals. Within the domain of family formation, states are focusing on reducing teen-pregnancy rates through programs that pre-date TANF. Only a few states are actively advancing goals relating to marriage and the reduction of out-of wedlock births, but those that are employ a variety of different approaches and typically devolve major program choices down to localities (Goggin and Orth, 2002).
- 3.** The goals of work and independence have been implemented largely by putting into effect a version of "workfirst" with several major components:
 - a.** *Process as signal:* The importance of work is communicated through new requirements at the "front door" of welfare systems, such as requirements to register with workforce development or labor bureaucracies; to attend orientations that highlight work and independence goals; to contact employers or otherwise search for work, sometimes before assistance is provided; to comply with other requirements, such as child support enforcement, etc. (Lurie, 2001; Gais et al., 2001; Nathan and Gais, 1999).

- b.** *Delayed or reactive assessments of employability:* Rather than conducting initial assessments of employability and service needs, most states require most applicants to seek work immediately. States offer intensive services to those who fail to find work. “The importance of work is thus signaled by pushing most adults into the labor market . . . and then using the market to sort out which cases are problematic and which are not” (Gais et al., 2001, p. 41; also see Nathan and Gais, 1999).
- c.** *Greater consistency in policies stressing work:* States have adopted policies that have strengthened the work message and made it more consistent (Gais and Weaver, 2002). Nearly all states have increased earnings and asset disregards, especially for vehicles, thereby removing disincentives to work. As a result, breakeven points for cash assistance programs have increased, on average, over 50 percent between 1996 and 2000. A large majority of states have also eliminated rules that limit the number of hours two-parent family heads may work and still receive assistance. Also, one of the “stick” policies that states were most likely to strengthen was the time limit before work is required, with many states requiring immediate work participation.
- d.** *Increased work support services:* State spending on social service budgets overall (not just including the TANF budgets) have shown major changes since 1996. There have been large declines in spending on cash assistance, while there have been large increases in expenditures on services that help absorb the costs of employment, especially child care but also including transportation and job placement services (Ellwood and Boyd, 2000; Gais et al., 2001; Billen and Boyd, forthcoming). These services have been extended — at least in terms of eligibility — to a larger share of low-income families, beyond the bounds of the cash assistance population.
- e.** *Second order devolution:* Many states have devolved new responsibilities and authority down to local entities, which depending on the state may include local governments, local offices of state agencies, workforce investment boards, or public or private contractors (Nathan and Gais, 1999; Gais et al., 2001; Weissert, 2000). Some states have completely restructured the relations between central state offices and local entities (Adams and Wilson, 2000; Kaplan, 2000), while other states have largely retained their older relationships between state and county agencies (Liebschutz, 2000). The former approach seems to have been more effective in producing institutional support for reform. One other consequence is that the simple distinction between state and county supervised welfare systems under AFDC has been blurred, as many state supervised systems create more decentralized structures (e.g., Crew, 2000).
- f.** *Emphasis on unsubsidized jobs:* With few exceptions, most states have relied heavily on unsubsidized jobs — and the search for unsubsidized jobs — in implementing their welfare-to-work programs. Few states have relied on work experience programs, though some have done so where labor markets are tight

(Plein, 2001). Even fewer states have developed subsidized job programs or implemented public service employment. Thus, at least through 2000, state welfare-to-work systems depend heavily on the supply of unsubsidized jobs.

- g.** *Persistence of eligibility/compliance “culture”*: New processes emphasizing work have *not* replaced the older welfare agency orientation that stresses extensive paperwork and documentation to minimize eligibility errors. This agency “culture” persists, partly due to the continued emphasis on minimizing eligibility errors in the Food Stamp Program. Thus, communications between front-line workers and clients remain dominated by eligibility processes, which are “hard wired” in the procedures guiding their interactions (Lurie, 2001). The persistence of this eligibility/compliance culture means that communications bottlenecks may occur at the front lines. Earnings disregards, state EITCs, transitional assistance, personal responsibility agreements, and many other services or expectations may not be clearly explained. Also, clients may not be getting clear information about their prospective eligibility for Food Stamps, Medicaid, and child care after they get jobs (or if they are diverted from cash assistance in the first place) (Lurie, 2001).

4. State variations

Although states have generally implemented workfirst systems that rely heavily on processes as signals, work support services, and unsubsidized employment, important variations exist and differences appear to be growing. One critical division among state welfare reforms is between those that give greater weight to policy “sticks” and caseload reduction as a performance goal, and those that put greater stress on policy “carrots” and work engagement (Gais and Weaver, 2002; Gais et al., 2001; Nathan and Gais, 1999):

- a.** States that stress policy sticks/caseload reduction are more likely to adopt stronger sanctions and shorter time limits than required under federal law; earnings disregards that vanish or become less generous over time (e.g., after four months on assistance); eligibility thresholds for earnings that are more restrictive for applicants than for persons on assistance; work requirements that kick in before assistance can be approved; and stronger anti-fraud measures. These states tend to have lower benefit levels. They have experienced bigger drops in caseloads and lower work participation rates than the average state.
- b.** States that stress policy carrots/work engagement are less likely to adopt the policy sticks listed above and more likely to adopt generous income and asset disregards, state earned income tax credits, earnings disregards that remain high even after a family is on assistance for several months or a year, eligibility thresholds that are consistent for both applicants and persons already on assistance. These states tend to have relatively high cash benefit levels. They have experienced smaller drops in caseloads than the average state, while their work participation rates tend to be higher.

- c. These differences in TANF systems are related to differences in politics and economic resource factors that were important in determining state AFDC policies. However, the funding formula in TANF seems to reinforce these differences and appears to exert an independent effect on state policies.

5. Challenges and areas where change has been minimal:

- a. Although the “front door” of welfare systems has changed substantially, the “back door” has not. Local welfare systems have little contact with welfare leavers and one result has been low take-up rates of support services for clients who get jobs and leave cash assistance (Lurie, 2001).
- b. Welfare information systems remain focused on providing central state agencies — as well as federal agencies — with basic information about cash assistance caseloads. They are much less useful in providing local administrators and front-line workers with information needed to monitor their performance, manage cases, or connect clients with extensive services clients often need to deal with multiple problems (Nathan and Gais, 1999; U.S. GAO, 2000, 2002 (reporting on projects conducted with the Institute); Nathan and Ragan, 2001; Gais et al., 2001).
- c. Accountability systems under TANF tend not to fit the new welfare. Federal accountability under TANF was based on performance data (work participation rates and caseload reductions), compliance with fiscal rules, reporting of characteristics of caseloads, and state plans and their review. But most of these mechanisms are not effective. Reporting requirements focus on the cash assistance caseload, a small and dwindling proportion of the population served under TANF and fail to capture the broader population of working low-income families who are served but not on cash assistance. Fiscal activities are also hard to oversee (Ellwood and Boyd, 2000), and state plans often tell little about what a state is actually implementing. In addition, state and local areas have little basic and timely information about low income families (Gais, et al., 2001); and the new state systems are difficult to evaluate (Gais, 2000).
- d. Performance Management of TANF implementation has focused on goals of work participation and case closures. In comparison to work goals, performance incentives involving family formation goals have not triggered much activity in this area. Outcome measures have not yet figured into the calculus for managing performance in TANF (Boyer, Lawrence, and Wilson, 2001)
- e. State welfare reforms, as implemented, rely primarily on one of three policy models of how children might benefit from the new programs. States are not implementing a family formation model (which suggests that children do better when they are in stable, supportive two-parent families). Nor is income supplementation substantial, especially when weak take-up rates for Food Stamps and Medicaid are considered. Children are thus expected to benefit

from being in a household where one or more parents or caregivers work, a theory of child well-being that is not well understood (Johnson and Gais, 2002).

Lessons/Implications

1. Combination of flexibility and performance requirements in TANF has generally worked as intended. State systems are diverse and evolving and generally support work goals.
2. There is a need for long-term reauthorization and stable funding stream. Systems are complex and do not deal well with changes in funding and policy environment; need for long-term federal commitment to maintain contracts, collaboration, develop skilled employees.
3. There is also a need to reduce complexity and mixed messages by cutting back on Food Stamp Quality Control pressures, especially for working families.
4. The enhanced role of work support services for a larger population — well beyond cash assistance — suggests a need for substantial funding to sustain both work support and safety-net services.
5. The division between states in policies, management systems, and performance goals indicates a need for greater equity in funding per needy family across states and is encouraged by tradeoff between work participation rates and caseload reduction.
6. There is, finally, a need for better information for state and local program management. The devolution of information systems to states and localities has not occurred as a corollary of the devolution of responsibilities and power.

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