

# New Federalism

Issues and Options for States



An Urban Institute  
Program to Assess  
Changing Social Policies

 THE URBAN INSTITUTE

Series A, No. A-53, August 2002

## Implementing Welfare Reform across the Nation

Pamela A. Holcomb and Karin Martinson

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) laid the groundwork for a work-oriented welfare system by establishing the Temporary Assistance for Needy Families (TANF) block grant program. The new mission of welfare under PRWORA—to move people to work and reduce dependency rather than provide income maintenance—was the catalyst for changes in both welfare policy and the welfare service delivery system.

TANF gave states unprecedented fiscal and policy authority to carry out the goals of welfare reform. States used this flexibility to establish a mix of policies designed to promote and reinforce employment among welfare recipients, including stricter work requirements, fewer exemptions from participation in work activities, more severe sanctions for noncompliance with welfare rules and regulations, more generous treatment of recipients' earned income, and time limits on cash assistance (Weil 2002).<sup>1</sup>

While the general policy framework set by federal legislation and state policy choices is important, at the heart of welfare reform is a complex and still-evolving story of state and local efforts to translate welfare reform goals and policies into operational realities. Initially, it was not clear whether substantial programmatic and institutional changes to the welfare system would really occur under PRWORA—the law itself did not mandate organizational reform and welfare agencies have been resistant to such change in the past.

Despite these factors, one of the most noteworthy and sometimes unappreciated aspects of welfare reform is that states

and localities have made significant changes in the institutional culture and structure of the welfare system. These changes affect how people get welfare, the services and assistance they receive while on welfare, and the circumstances under which they leave welfare. The challenges of implementing these changes are enormous, varied, and ongoing. Overall, however, it appears that state and local flexibility, combined with ample financial resources and the shared goal of creating a work-oriented system, led to the new programmatic and organizational environment.

This brief discusses the key features of this new welfare system, including primary strategies for moving people to work, institutional changes in the service delivery system, and program implementation issues. The timing, pace, and intensity of these dimensions of welfare reform have varied tremendously within and across states, making sweeping generalizations about “what is really happening” under welfare reform risky. The findings and observations reported here are based on site visits to 17 cities in 13 states in 1999 and 2000 conducted as part of the *Assessing the New Federalism* (ANF) project,<sup>2</sup> representing a broad cross section of the national experience.<sup>3</sup> The brief provides a local perspective; state-level changes are not explicitly addressed, although they may be a driving force behind many local-level changes described here.

### Work First and Beyond

Even in the short span of five years, the focus of many welfare reform efforts has changed and broadened within the wide

---

*Five years into welfare reform, a more comprehensive system is evolving, one with new institutional partners and a greater focus on services rather than cash assistance.*

parameters established by federal law. The initial implementation challenge was to restructure welfare-to-work programs and policies to better support the goal of moving recipients off welfare and into employment. Although the exact mix of policies and practices varied, most states accomplished this by engaging more clients in a “work-first” approach that emphasized job search. In some sites, this approach was broadened over time to include a focus on hard-to-employ families and services for low-income working families.

### **Initial Focus on Work First**

The immediate period after PRWORA’s enactment was marked by a programmatic shift in most states and localities from engaging a relatively small share of clients in education and training activities to aiming at moving many recipients quickly into employment. This approach—commonly known as “work first”—typically requires participation in job search, often combined with some job readiness skill-building. It is premised on the assumptions that any job is a good job and that simply joining the labor force is the first step toward getting a better job.

All 17 sites included in the ANF case studies moved toward adopting a work-first approach during the initial period of TANF implementation. As shown in figure 1, in the period immediately after welfare reform was enacted (1996 to 1997), most ANF sites implemented what we call a “strictly” work-first model—that is, a program with a strong emphasis on immediate employment and participation in job search for all clients and very little else by way of assessment, education and training, case management, or services for the hard-to-employ. However, a few sites implemented a “mixed service” approach where work-first services were blended with education and training,<sup>4</sup> or an “enhanced mixed

service” approach where work-focused activities were supplemented with services to reduce employment barriers (Holcomb and Martinson 2002).<sup>5</sup>

The widespread implementation of work-first programs could not have occurred at a more propitious time. The economy was remarkably strong, with an unemployment rate below four percent. Employers in need of low-wage workers did not have the luxury of picking and choosing from a broad cross section of applicants and were willing to hire job candidates who lacked employment history, skills, or education—characteristics typically possessed by welfare recipients. Moreover, as the number of cash assistance recipients had grown considerably over time, the welfare caseload constituted a relatively untapped source of unskilled labor at a time when there was a surplus of low-wage entry-level jobs. Given these external conditions, the work-first approach, along with incentives that encouraged work (e.g., increased earnings disregards) and stricter sanctions for noncompliance (e.g., termination of benefits), proved particularly effective in moving significant numbers of recipients into low-wage jobs and led to a substantial reduction in the TANF caseload (a decline of over 50 percent between 1996 and 2000).

### **Increasing Focus on the Hard-to-Employ and Low-Income Workers**

By the time most states and localities had fully implemented work-first programs, some were finding that this approach was not effective for some clients—particularly those with multiple barriers who had not found jobs (known as “hard-to-employ”) and working individuals who had difficulty keeping their jobs or moving up to better ones. As a result, while employment remained the overarching goal of welfare reform, states and localities became increasingly concerned about a seemingly

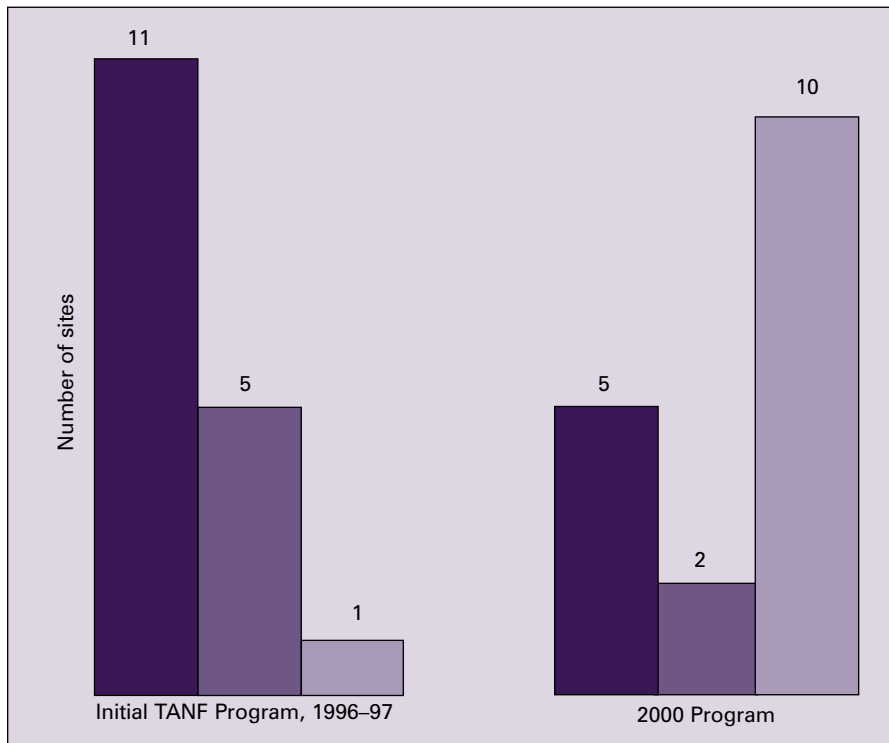
growing disconnect between the needs of some clients and their welfare-to-work program capabilities. This led many to change and broaden the focus of their work-first programs.

**Services for hard-to-employ families.** Hard-to-employ individuals still remaining on the caseload even after participation in a work-first program generally have an array of diverse and complex barriers to employment, including physical disabilities, mental health or substance abuse issues, limited English proficiency, learning disabilities, and domestic violence issues. For example, one national study found that long-term recipients were more likely than other recipients to have less than a high school education (50 percent compared with 38 percent), and were more likely to have last worked more than three years ago (34 percent compared with 20 percent). In addition, 39 percent of long-term recipients had poor mental or physical health (Loprest 2002).

To address the needs of this group, many states and localities modified their work-first approach to include a stronger program focus on serving hard-to-employ welfare recipients and their families. As shown in figure 1, several ANF sites shifted from a strictly work-first or mixed services program to an enhanced mixed services program with a focus on barrier reduction, albeit to varying degrees.

The ANF sites that focused on barrier reduction usually added or redirected staff to specialize in addressing the needs of the hard-to-employ or contracted with organizations that had expertise in addressing specific barriers, such as substance abuse or domestic violence. These programs also incorporated a more in-depth assessment of clients’ needs, because identification of barriers is often viewed as the critical first step in determining an appropriate service response, and provided more intensive case management to

FIGURE 1. Shifts in Service Strategies



- Strictly work first:** This approach aims to move welfare recipients into unsubsidized employment as quickly as possible. Recipients are required to use short-term job search assistance, typically as their first job-related activity. The job search component often provides some instruction in job readiness skills.
- Mixed services (work first supplemented with education and training):** This approach emphasizes immediate employment, but it blends work-first elements with an investment in human capital. Job search is generally required as an initial activity, but recipients who do not find jobs may participate in education and training activities.
- Enhanced mixed services (work first with a focus on reducing barriers):** This approach typically maintains an immediate work requirement for most recipients, but it allows recipients to meet the requirement through a broad range of activities, particularly if a job search proves unsuccessful. In addition, it offers a more diverse mix of services, including specialized services for people identified as hard to employ.

address client needs. Overall, the shift to programs that better address the needs of the hard-to-employ has, to varying degrees, introduced some social work practices into an employment-oriented program framework.

**Services for low-income working families.** Another way that localities broadened their work-first approach was to include post-employment services, beyond traditional transitional supports such as child care subsidies and medical assistance, for recipients who had found jobs. Researchers and program administrators have found that

job loss and return to cash assistance is common among welfare recipients (Loprest 2002). In addition, the types of jobs welfare recipients find are low-paying (about \$7 per hour on average) and offer limited earnings growth and opportunity for upward mobility (Nightingale 2002).

To address these issues, several ANF sites made an explicit and systematic effort to design and implement services for welfare recipients who find jobs. These services often target those who are combining work and cash assistance, but can also include low-income families who have left TANF assistance.

Post-employment services consist primarily of making regular contact with recipients to identify and resolve work or support service problems. A few sites used more innovative approaches such as offering financial incentives for finding and keeping a job.

### Organization and Delivery of Services

Although PRWORA guided states and localities toward establishing a work-oriented welfare system, it did not specify how they should go about putting the necessary services and supports in place. Nevertheless, policy reform and organizational reform have been closely connected under PRWORA. States and localities initiated institutional changes that resulted, to varying degrees, in a new organizational environment that often restructured staff responsibilities and services within the welfare agency and included greater involvement by other organizations outside the welfare agency (Martinson and Holcomb 2002).

The magnitude of institutional change occurring since PRWORA's enactment is larger than might have been expected, particularly because welfare agencies have been resistant to such change in the past (Meyers, Glaser, and Mac Donald 1994). Three key factors account for the greater level of institutional change experienced during this most recent round of welfare reform: ample financial resources, more flexibility to spend financial resources, and greater demands to deliver a broader range of work and supportive services to a larger pool of recipients.

### Welfare Service Delivery System Includes a Greater Number of Partners and Services

The most striking institutional change is the development and expansion of organizational connections to fulfill new policy objectives and work program requirements, although there is tremendous varia-

tion across sites in what these systems look like. Some states—such as Wisconsin—used welfare reform to completely revamp their service delivery systems and develop new administrative structures for managing and operating the program. Changes in most other study sites, although still substantial, were more incremental. The box at right highlights the range of service delivery systems put in place by describing systems in three sites.

Rather than significantly expanding in-house capability to meet the new demands of welfare reform, welfare agencies typically responded to the mandate to make welfare more employment-focused by transferring some or all of their TANF work program responsibilities to different agencies and forging new organizational linkages with outside service providers. In particular, workforce development agencies<sup>6</sup> and nonprofit community-based organizations dramatically expanded their role in the TANF service delivery system. TANF agencies also established new relationships with for-profit organizations, but on a far more limited basis.

Many sites in this study contracted with a large number of organizations to provide employment services and various social services. The most common reason for contracting with outside providers was to obtain direct employment services, such as job search or education and training classes. Some sites also contracted for case management services—such as monitoring and tracking client participation and determining compliance with program requirements—and specialized services for the hard-to-employ. Some also developed or enhanced their capacity to establish and monitor contracts with service providers, while others delegated this responsibility to the workforce development agency. The use of contracting and other interorgani-

### Profiles of Three TANF Service Delivery Systems

**Milwaukee (WI).** Shortly before federal welfare reform, the state welfare and workforce development agencies in Wisconsin were reorganized. Administrative responsibilities for cash assistance and related supports (child care and Food Stamps) were brought together with employment, training, and workforce development programs under a newly created department. The state required county welfare agencies to meet specified performance standards in order to be able to operate the TANF program (known as W-2). Milwaukee County, as well as several others, did not meet these standards. As a result, the state contracted with four nonprofit organizations and one for-profit firm to operate the W-2 program in Milwaukee. Staff at these agencies are responsible for all aspects of W-2, including eligibility determination, assessment, program assignment and monitoring, referrals for services at other agencies, and job placement. Federal regulations do not allow nongovernment employees to handle Food Stamp and Medicaid eligibility, so Milwaukee County staff are responsible for these functions and are physically located in the offices of private W-2 agencies.

**Minneapolis/Hennepin (MN).** The local welfare agency is responsible for TANF (known as the Minnesota Family Investment Program [MFIP]) eligibility determination and the provision of benefits. Two workforce development agencies (one for Hennepin County and one for the city of Minneapolis) are jointly responsible for MFIP employment services and contract with a variety of providers for these services. As of 2000, there were 32 employment services providers, the majority of which were nonprofit organizations. These organizations provide direct employment services such as job search assistance as well as case management services such as assessment, program assignment, and monitoring. Policy, program, and fiscal decisions about the TANF program are made by an interagency workgroup consisting of top administrators from the local welfare and workforce development agencies.

**San Diego (CA).** The local welfare agency administers the TANF program in six areas in San Diego, with some variation across the region. Eligibility is administered by the welfare department throughout San Diego. However, in four of the six areas, case management (providing monitoring and oversight while individuals participate in employment services) and employment services are provided by three contractors, which include both for-profit and nonprofit agencies. Some of these agencies, in turn, contract out to other organizations to provide job search assistance, while others provide this service in-house. In two areas, the county handles TANF eligibility and welfare-to-work case management, with the two functions carried out by separate types of staff. The county welfare department also contracts with a range of organizations for assessment, mental health, substance abuse, and domestic violence services.

zational partnerships has served an important capacity building function. If other organizations had not been engaged in welfare reform, most sites would have not been able to “ramp up” as quickly for initial TANF implementation or develop a more comprehensive service mix over time.

### ***Welfare Agencies Have a Stronger Focus on Employment, but Eligibility Is Still Important***

Welfare agencies expanded their message to include a stronger emphasis on employment by letting individuals know that the terms and conditions of welfare receipt had changed. This message was primarily conveyed during individual or group orientation sessions and by posting information on work requirements, time limits, and sanctions in office waiting rooms.

Some welfare agencies also developed new staffing patterns and responsibilities within local welfare offices. Although welfare agencies generally do not attempt to deliver all relevant supportive and employment services for TANF recipients in-house, some welfare agency staff have been given new or expanded responsibilities for assessing employability, identifying barriers to work, monitoring participation, and coordinating work-related services. Some places have merged these responsibilities with eligibility-related work but, at least in the ANF sites, most have separate staff who handle initial and ongoing eligibility matters.

While the importance of promoting work and reducing dependency among welfare recipients has become part of the institutional culture, the welfare agency still maintains its traditional responsibility for all eligibility-related matters—determining initial and ongoing eligibility, issuing benefits, and enforcing sanctions for noncompliance. The increased

emphasis on work notwithstanding, eligibility continues to be the primary focus of welfare offices in many places.

### **Implementation Challenges in the New Welfare System**

While most localities were successful in developing new services for welfare recipients as well as a new system for providing these services, implementing these institutional and programmatic changes has been a major undertaking. TANF programs confronted a number of challenges when putting the new welfare system in place.

First, the development of the new welfare system was time-consuming and labor-intensive, requiring significant financial and human resources. Creating the new set of services and administrative and organizational mechanisms to provide them required substantial staff resources at several levels. In particular, defining the roles and responsibilities of organizations involved in the system took time, and sometimes several variations were tried before interorganizational arrangements came together and worked smoothly. In addition, establishing working relationships with organizations that often had little or no prior experience with the welfare agency required educating partners on the mission and rules of TANF. Development of the new system was facilitated by the fact that significantly more resources than before were available to create different institutional arrangements for service delivery.

Second, sites experienced communication problems among the different organizations involved in providing services on such issues as tracking participation, determining exemptions, and imposing sanctions. Often one organization is responsible for tracking an individual’s participation in program activities, while

another may be responsible for enacting sanctions or exempting individuals from program activities. This requires linkages between different staff from different organizations so that information on the status of individual clients can be accessed. However, the lack of good management information systems generally hindered adequate communication. Sites that colocated services offered by different providers found it improved communication and coordination.

Finally, the increased complexity of the TANF service delivery system, greater involvement of workforce development agencies, and general proliferation of providers involved in the system led to the development of new arrangements for paying providers, monitoring performance, and ensuring quality and accountability. Facing this difficult and ongoing implementation issue, sites have tried a variety of management tools, contracting approaches, and performance measures. Many sites increased their use of performance-based contracting under TANF and found this a useful approach for building capacity and providing services. However, several experienced significant implementation challenges associated with developing and collecting the information needed to maintain these contracts.

Overall, while these implementation problems were experienced in many localities, they were not surprising given the magnitude of programmatic and institutional change that occurred in such a short period.

### **Conclusion**

Five years into the implementation of welfare reform, a more comprehensive welfare system is evolving, one with new institutional partners and a greater focus on services rather than cash assistance. However, no single service or organizational or

program model predominates. Each local area has its own welfare reform implementation story, shaped by its particular mix of history, constraints, and opportunities.

Even at this point, states and localities are continuing to develop new programs and services. At this juncture, while it appears that the strictly work-first approach has been modified to accommodate a greater range of client needs, there is considerable variation in this area. Overall career advancement services for TANF recipients are less developed than job retention services; both retention and advancement services lag behind efforts to reduce job barriers for hard-to-employ recipients; and assessment and service strategies for those with multiple barriers are not as developed as work-first employment services for the job-ready.

Less attention has been paid to developing a strong education and training component within the framework of an employment-oriented program. This is an area that should receive further consideration, as studies have found that work-focused programs that include education and training services are the most effective in increasing welfare recipients' employment and earnings, particularly in the long run (Hamilton 2001; Martinson and Strawn 2002). Particularly in a weaker economy, education and training may be even more important for both finding and sustaining work, and should be considered an important element of both pre- and post-employment programs.

Welfare reform has occurred within the context of a strong economy and a high level of resources that can be spent on services rather than monthly cash assistance payments. Even under these favorable conditions, implementation has proved extremely challenging and has taken tremendous effort on the part of

agency staff at all levels, service providers, and community stakeholders.

As states and localities seek to address a broader and more complex set of client needs through their TANF programs, continued attention and effort will be required to build the administrative infrastructure that can carry out this ambitious agenda, including strong, diverse, and coordinated interorganizational linkages; the ability to track and share information across agency and program staff; sufficient staff capacity and capability; accountability through monitoring and performance-based measures; and a comprehensive mix of services. Maintaining flexibility for states and localities to design systems that accomplish these goals is critical.

Given the number of organizations and the range of services involved in many TANF systems, more attention needs to be paid to ensuring that services are consistently high quality. The performance-based systems that are increasing under TANF provide some accountability, but they can also encourage "creaming," or a focus on the job-ready. Program administrators need to develop a range of performance measures and accountability mechanisms that will allow them to accurately assess and improve the quality of services, particularly in areas where the welfare system has less experience, such as services for hard-to-employ and low-income working families.

## Notes

1. For example, thirty-one states expanded the earned income disregards, which allow welfare recipients to keep more of their cash benefits when they work. Thirty-six states adopted full family sanctions for families that failed to follow program rules, while the remainder reduced benefits for these families. States also implemented the federally imposed five-year time limit on benefits, with 10 states adopting shorter

lifetime limits, and limited the work exemption to one year, with some choosing shorter periods.

2. The sites in the study included Birmingham (Jefferson County), Alabama; Los Angeles, Oakland (Alameda County), and San Diego, California; Denver, Colorado; Miami (Dade County) and Tampa (Hillsborough County), Florida; Boston (Suffolk County), Massachusetts; Detroit (Wayne County), Michigan; Minneapolis (Hennepin County), Minnesota; Jackson (Hinds County), Mississippi; Jersey City (Hudson County), New Jersey; Buffalo (Erie County), New York; El Paso and Houston (Harris County), Texas; Seattle (King County), Washington; and Milwaukee, Wisconsin. When the county is not listed, the city and county share the same name.

3. The site visits are part of case studies, which included interviews with management and line staff from key agencies and service providers from both the TANF program and the workforce development system. State summaries based on the ANF case studies are available at <http://newfederalism.urban.org/html/statefocus.html>.

4. This approach typically involves efforts to identify and assess barriers, although usually for those who cannot find employment after job search, and allows participation in a broader range of activities than count toward federally mandated participation rates.

5. The focus on reducing barriers to employment includes in-depth assessment of recipients' barriers at some point in the program.

6. The workforce development system encompasses a broad range of employment, vocational education, and training services and programs for employers, job seekers, and students. Both the Workforce Investment Act (WIA) and the Employment Service, authorized under the Wagner-Peyser Act, are part of the workforce development system. WIA requires localities to provide many workforce development services—such as information about the labor market, job openings, and education and training programs—at one-stop career centers.

## References

Hamilton, Gayle, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams-Ciardullo, Anna Gassman-Pines, Sharon

- McGroder, Martha Zaslow, Jennifer Brooks, and Surjeet Ahluwalia with Electra Small and Bryan Ricchetti. 2001. *How Effective Are Different Welfare-to-Work Approaches? Five Year Adult and Child Impacts for Eleven Programs*. Washington, D.C.: U.S. Department of Health and Human Services, Administration for Children and Families and Office of the Assistant Secretary for Planning and Evaluation; and U.S. Department of Education, Office of the Under Secretary and Office of Vocational and Adult Education.
- Holcomb, Pamela, and Karin Martinson. 2002. "Putting Policy into Practice: Five Years of Welfare Reform." In *Welfare Reform: The Next Act*, edited by Alan Weil and Kenneth Finegold (1–16). Washington, D.C.: Urban Institute Press.
- Loprest, Pamela. 2002. "Making the Transition from Welfare to Work: Successes but Continuing Concerns." In *Welfare Reform: The Next Act*, edited by Alan Weil and Kenneth Finegold (17–32). Washington, D.C.: Urban Institute Press.
- Martinson, Karin, and Pamela Holcomb. 2002. *Welfare Reform: Institutional Change and Challenges*. Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper No. 60.
- Martinson, Karin, and Julie Strawn. 2002. *Built to Last: Why Skills Matter for Long-Run Success in Welfare Reform*. Washington, D.C.: Center for Law and Social Policy.
- Meyers, Marcia K., Bonnie Glaser, and Karin Mac Donald. 1998. "On the Front Lines of Welfare Delivery: Are Workers Implementing Policy Reforms?" *Journal of Policy Analysis and Management* 17(1): 1–22.
- Nightingale, Demetra Smith. 2002. "Work Opportunities for People Leaving Welfare." In *Welfare Reform: The Next Act*, edited by Alan Weil and Kenneth Finegold (103–20). Washington, D.C.: Urban Institute Press.
- Weil, Alan. 2002. *Ten Things Everyone Should Know about Welfare Reform*. Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Policy Brief A-52.

## About the Authors



**Pamela A. Holcomb** is a senior research associate at the Urban Institute. Her work focuses on program implementation, operations and service delivery, particularly as they relate to welfare reform, employment and training, and social services.



**Karin Martinson** is a consultant to the Urban Institute. She has a wide range of experience as both a researcher and a policy analyst on a number of issues related to low-income families, including welfare reform, employment and training programs, and service delivery systems.



## THE URBAN INSTITUTE

2100 M Street, N.W.  
Washington, D.C. 20037

Nonprofit Org.  
U.S. Postage  
**PAID**  
Permit No. 8098  
Mt. Airy, MD

*Address Service Requested*

---

For more information,  
call Public Affairs:  
202-261-5709  
or visit our web site,  
<http://www.urban.org>.  
To order additional copies  
of this publication, call  
202-261-5687  
or visit our online bookstore,  
<http://www.uiPress.org>.

This series is a product of *Assessing the New Federalism*, a multiyear project to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, the project studies child and family well-being.

The project has received funding from The Annie E. Casey Foundation, the W.K. Kellogg Foundation, The Robert Wood Johnson Foundation, The Henry J. Kaiser Family Foundation, The Ford Foundation, The John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, The McKnight Foundation, The Commonwealth Fund, the Stuart Foundation, the Weingart Foundation, The Fund for New Jersey, The Lynde and Harry Bradley Foundation, the Joyce Foundation, and The Rockefeller Foundation.

This series is dedicated to the memory of Steven D. Gold, who was codirector of *Assessing the New Federalism* until his death in August 1996.

### THE URBAN INSTITUTE

2100 M Street, N.W.  
Washington, DC 20037

Copyright © 2002

Phone: 202-833-7200

Fax: 202-293-1918

E-mail: [pubs@ui.urban.org](mailto:pubs@ui.urban.org)

The authors are greatly indebted to the large team of researchers, too numerous to list here, who conducted the *Assessing the New Federalism* site visits on which this brief is based. We also want to extend deep appreciation to all the individuals—state and local agency staff, service providers, community advocates, and others—who so generously gave their time to be interviewed for these case studies.

The views expressed are those of the authors and do not necessarily reflect those of the Urban Institute, its board, its sponsors, or other authors in the series.

Permission is granted for reproduction of this document, with attribution to the Urban Institute.