What Works in Welfare Reform
Evidence and Lessons to Guide TANF Reauthorization

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Contents

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Introduction

The federal welfare reform law — the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) — is slated for reauthorization later this year. When the act passed in 1996, policymakers, journalists, and academics characterized it as "revolutionary," "sweeping," and "pathbreaking." Indeed, the law entailed a significant leap of faith. Little was known then about the likely effects of some of its most important provisions: a five-year lifetime limit on the number of months federal funds could be used to pay a family's welfare benefits; a daunting requirement that states involve at least 50 percent of single-parent welfare recipients (90 percent of two-parent household heads) in 30 hours per week of work or related activities; tough restrictions on the type and amount of education and job search activities that could count as meeting the work participation requirement; and incentives to reduce out-of-wedlock parenting and promote marriage.

In addition to these work- and family-focused provisions, the new act abolished the open-ended entitlement to benefits and replaced it with a fixed-dollar or capped block-grant amount to each state. These block-grant provisions afforded states remarkable flexibility in the design and structure of programs for the poor. States capitalized on the new flexibility in both predictable and surprising ways. As expected, some states immediately set shorter time limits on welfare receipt and tightened sanctions for noncompliance, including use of full-family sanctions that end the entire welfare grant if the parent failed to meet participation requirements. More surprising, nearly all states set out to make work pay by allowing more welfare recipients to mix work and welfare benefits, at least temporarily, by increasing the amount of earnings that would not be counted against their benefits when welfare recipients took jobs. In another surprising change for its magnitude and pervasiveness, many states opted to transfer nearly a third of their block-grant resources to child care, child welfare, and other related program areas.

Following these changes, uncertainty reigned. Would states be able to meet the new participation standards? Would the strict work requirements, harsher sanctions for noncompliance, and time limits on benefits deepen material hardship or spur increases in employment? Would children and families be helped or harmed when parents went to work? Would work incentives increase or decrease work effort? Would the new reforms be the catalyst for changes in marriage and childbearing among the poor?

The only certain outcome is that federal funding will end on October 1, 2002. In practical terms, to keep the 1996 law in effect, Congress must pass reauthorizing legislation by the fall of this year. Despite broad, bipartisan support when the act originally passed and extraordinary gains in employment among welfare recipients and among single parents in general, as well as declines in welfare caseloads following enactment, disagreement on three key issues — participation standards, the emphasis to be placed on caseload reduction versus poverty reduction, and strategies for strengthening the marriage provisions — threaten to prolong the debate.

Fortunately, five years after PRWORA's passage, an extraordinary body of evidence now exists on which to ground and frame the reauthorization debate. While there are still some important unknowns — particularly how programs and outcomes will be affected by the recent economic slowdown and tight state budgets — much is now known about the effects of alternative welfare reform strategies on work, welfare use, income, and child outcomes. With an eye to informing policymakers as they deliberate over the Temporary Assistance for Needy Families (TANF) reauthorization, this guide reviews what states have done with the flexibility afforded them by PRWORA, synthesizes findings from dozens of rigorous studies of welfare reform's effects on poor families and government budgets, and spells out the implications of this research for future welfare and employment policy.

Reauthorization in a Changing Context

Three forces, working synergistically, were responsible for the post-reform employment and welfare caseload results: the strongest sustained period of economic growth in modern times; the expansion of policies that support the working poor (such as the Earned Income Credit, which uses income-tax refunds to supplement the earnings of low-wage workers, including those without tax liability); and the PRWORA reforms that established the TANF provisions, which replaced the old welfare program, Aid to Families with Dependent Children (AFDC).

As unemployment rates below 4 percent caused employers to dig deep into the ranks of the formerly unemployed to find workers, welfare reform's focus on employment and its new message that welfare is temporary undoubtedly prodded many recipients to seek work who would not have otherwise done so, making a significant contribution to the extraordinary recent drop in welfare dependency and the rise in employment among the nation's low-income families. No one anticipated these developments.

In light of this progress, one might ask, "If it isn't broken, why fix it?" But the forces that buttressed welfare reform in the late 1990s are shifting. Economic growth has slowed during the past year, and many of the long-term recipients who remain on welfare today, as well as some of those who have left but remain unemployed, face a number of daunting barriers to finding and keeping jobs. In addition, states have accumulated only limited experience with respect to several key features of the 1996 law. In more than half the states, federal time limits on welfare receipt do not become effective until this year; few states have yet had to meet the strict work participation standards that the act established in 1996 (largely because the credit that states get for welfare caseload reductions has lowered those standards nearly to zero); and few states have pursued programmatically the act's marriage promotion goals. Finally, the states' success in promoting employment has brought into sharper focus two new challenges: helping the working poor retain their jobs and advance in the labor market and aiding hard-to-employ recipients left behind by welfare reform.

President Bush's summary Plan to Strengthen Welfare Reform, as codified in the recently passed House of Representatives bill HR 4090, proposes six important changes that his administration and others hope will sustain reform's momentum in this new and changing environment:

- Recognizing the formidable costs of meeting the challenges ahead, the plan would sustain funding for TANF, the Child Care Development Block Grant, and related programs, while increasing state flexibility to use those funds.
- Building on new information about the effects of alternative welfare reform approaches on children, the plan would establish children's well-being as one of TANF's overarching purposes.
- Stimulating states' interest in and know-how about sustaining and promoting marriage, the plan proposes substantial investments in innovation and experimentation in this area.
- Helping to simplify administration, the plan would clarify the definition of "nonassistance" — the list of TANF services and benefits that do not count as welfare benefits and thus are not subject to the welfare time-limit clock.
- Giving further support to recipients who take jobs, the plan would make the Food Stamp program more worker-friendly and the child support program more family-friendly by getting more money into the hands of families. Child support orders would be made more responsive to the changing ability of fathers to pay.
- The plan proposes to reduce the caseload reduction credit while ratcheting up participation standards — giving added emphasis to the strong message TANF already sends to the states, namely, that work and the reduction of welfare caseloads are the central goals. The plan aims to achieve this goal while permitting limited use of education and training as well as services for the hard-to-employ (but only during the first three months on the rolls and thereafter only if the participant works at least 24 hours a week).

As policymakers consider TANF reauthorization, how should the final federal law emerging from that process respond to reform's changing context, accumulated experience, and new needs? And what changes should states make in their own laws as they look to pass conforming legislation after the federal government acts? It is useful to begin by examining how states have shaped their welfare reform strategies since 1996.

What Did States Do?

Flexibility and devolution were hallmarks of the reforms laid out in PRWORA. After enumerating four broad goals — to support needy families, reduce welfare dependency and increase work, reduce out-of-wedlock childbearing, and promote the formation of two-parent families — and establishing a set of rewards and penalties tied to those goals, the new act devolved primary responsibility for the actual design and implementation of welfare programs to the states. In state law and in practice, states overwhelmingly emphasized the first two goals, while all but a few ignored the latter two. Equally important, nearly every state added a new goal — to reward work and reduce poverty for welfare recipients who took jobs, at least until they reached the state's time limit on benefits.

Programmatically, most states used their new responsibilities and flexibility to implement the following three policies:

Requiring work. To increase work and reduce welfare receipt, virtually every state required adults who receive cash welfare benefits to work or participate in employment and training activities, primarily job search but also some short-term education and training. These mandatory employment service programs differed from past efforts by their focus on job search first (commonly known as "work first"), their comprehensiveness (nearly everyone was expected to participate), and the frequency and intensity of the sanctions states imposed for failure to comply. As a result of the 1996 reforms, therefore, in most states, even mothers with infants were expected to prepare for, look for, and take jobs; when they did not, the whole family could lose its welfare grant.

Making work pay. The federal welfare reform law essentially ignored welfare's historic goal to reduce poverty, but that aim was front and center in most states. Recognizing that welfare recipients were leaving welfare for low-wage jobs that made them little or no better off financially than when they were on welfare, more than 46 states used the impetus of the 1996 federal welfare reforms to help make work pay. Most did so by increasing the amount of the "earned income disregard," that is, the amount of earnings not counted when calculating welfare benefits. In effect, states supplemented earnings by only gradually reducing welfare benefits as earnings increased.

Time-limiting welfare benefits. PRWORA's 60-month lifetime limit on how long states could use federal funds to pay a family's welfare benefits was the most striking change in the new law. Disillusioned by the results of earlier reform efforts, lawmakers sought to send the strongest possible message about welfare's temporary character. While most states enacted some form of time limit, several of the largest states either do not have a time limit or only reduce benefits rather than cut people off, opting to use state funds, if necessary, to pay benefits for those who exceed the federal lifetime limit. Twenty-three states have incorporated the federal law's 60-month time limit, at the end of which a family's entire welfare grant can be terminated. Shorter limits were established by 17 states. Eight states have time limits that reduce rather than terminate benefits, and three effectively have no time limit at all. Because the last two categories include some of the nation's largest states, nearly half of the national caseload reside in states that do not impose a time limit that cancels a family's entire grant.

Not surprisingly, the block-grant framework — and, thus, the reality that TANF is a flexible funding source, not a program — spawned tremendous diversity among the states in the mix of mandates, incentives, and time limits employed, as well as in the emphasis placed on one or the other of these component parts. Some states — Iowa, Michigan, and Pennsylvania, for example — have dramatically increased participation in work activities by emphasizing mandates. Taking advantage of the caseload reduction credit, other states, such as Rhode Island, have placed less emphasis on mandates. Massachusetts, Ohio, and Utah adopted time limits that are significantly shorter than the federal 60-month maximum and have enforced them strictly. California and Minnesota, among other states, use incentives in the form of generous earned income disregards to encourage work. These policy options are not mutually exclusive; on the contrary, most states are doing some or all of these things. Connecticut's Jobs First program is a good example: At 21 months, its time limit is one of the nation's shortest, though its disregard of all earnings up to the poverty line is the nation's most generous.

The direction a given state took also depended on local circumstance. States with big cities were preoccupied with making the transition from an education-first to a work-first orientation and tended to focus on mandates and the new message that welfare is a temporary source of support. Predominantly rural states had to focus on building the service network required to engage everyone, on solving the transportation problems that make engagement difficult, and on addressing the lack of employment opportunities that often characterize rural economies and tribal areas.

Research Results: What Is Known

What difference did these policies make? To answer this question, this guide synthesizes findings from several major reports published by MDRC, which in turn draw on findings from 29 separate evaluations of welfare reforms undertaken in the 1980s and 1990s and from several evaluations currently under way (the 17 most recent of which are discussed in this report and listed in **Table 1**). These studies involved about 150,000 people living in 11 states and two Canadian provinces. Nearly all of them used rigorous random assignment research designs, wherein a lottery-like process was used to assign each welfare recipient either to a program group that was eligible for the new program being tested or to a control group that was neither eligible for the new program's services nor subject to its requirements but remained eligible for the state's old welfare program. Because recipients were assigned at random, there were no systematic differences between the program and control groups at the outset of each study, and any differences that later emerged can be confidently attributed to the program. Thus, the control group can be seen as a benchmark indicating what would have happened to recipients (and their families) under the old system had they not enrolled in the new program. Comparing the program and control groups' experiences with respect to a given outcome, such as earnings, yields estimates of the program's effect — or *impact* — on that outcome. For example, if control group members earned an annual average of $3,139 while program group members earned an annual average of $3,972, the program's impact on annual earnings would be $833. In this document, reported "increases" or "decreases" in outcomes are based on such program-control comparisons, and all the tables and figures show program impacts rather than outcome levels.

Although many of the programs examined here were launched prior to l996, the three key reform approaches — mandatory employment services, earnings supplements, and welfare time limits — are central to most states' current welfare programs. And the range of program strategies examined here faithfully reflects the diverse paths states have taken following TANF's legislation. Because the three approaches contribute distinct effects to the overall result — working sometimes in complementary ways and at other times at cross-purposes — states have to decide what emphasis to place on each.

These trade-offs and choices are illustrated in **Table 2**, which categorizes programs by reform approach and then presents average results from some of the most recently completed evaluations. Requiring welfare recipients to participate in mandatory employment services designed to help them prepare for and find jobs increases earnings and saves welfare dollars, but income does not change appreciably, and the approach neither helps nor harms children. Within the mandatory employment services category, "mixed" approaches that offer both job search and education or training, depending on individual needs, produce the largest earnings gains — about $1,150, on average, for mixed-program participants, or better than twice as much as the $550 that job-search-first program participants received, and nearly four times as much as the $300 gain of the average education-first program participant. By contrast, programs that combine mandates with earnings supplements also increase earnings but also raise public benefit receipt, and thus costs. These added costs have a payoff, however; the combination of higher earnings (up about $650) and higher benefit receipt (about $650 more) leads to dramatically higher household income (up some $1,300) and benefits for young children. Finally, adding

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Table 1

Program Descriptions

Program	Location	Activities	Target Population	Year in Which Random Assignment Began/ Length of Study Period
Programs with Mandates				
NEWWS				
Atlanta (education first)	Georgia	Adult basic education; vocational training; post-secondary education	All welfare recipients with no children under age 3	1992 5 years
Atlanta (job search first)	Georgia	Job search (typically job club); short-term adult basic education; vocational training	All welfare recipients with no children under age 3	1992 5 years
Columbus Integrated	Ohio	Education and training; integrated case management	All welfare recipients with no children under age 3	1992 5 years
Columbus Traditional	Ohio	Education and training; traditional case management	All welfare recipients with no children under age 3	1992 5 years
Detroit	Michigan	Long-term education and training; job search	All welfare recipients with no children under age 1 De facto voluntary	1992 5 years
Grand Rapids (education first)	Michigan	Adult basic education; vocational training; post-secondary education	All welfare recipients with no children under age 1	1991 5 years
Grand Rapids (job search first)	Michigan	Job search (typically job club); work experience	All welfare recipients with no children under age 1	1991 5 years
Oklahoma City	Oklahoma	Long-term education and training	All welfare recipients with no children under age 1	1991 5 years
Portland	Oregon	Adult basic education and training; job search: encouraged people to look for work until they found full-time jobs that paid more than the minimum wage and provided fringe benefits	All welfare recipients with no children under age 1	1993 5 years
Riverside (education first)	California	Adult basic education	All welfare recipients in need of basic education with no children under age 3	1991 5 years
Riverside (job search first)	California	Job search (typically job club); work experience	All welfare recipients with no children under age 3	1991 5 years
Los Angeles Jobs-First GAIN	Los Angeles	Job club; frequent use of financial sanctions (welfare grant reductions)	All welfare recipients with no children under age 3	1996 2 years

(continued)

Table 1 (continued)

Program	Location	Activities	Target Population	Year in Which Random Assignment Began/ Length of Study Period
Programs with Time Limits				
Jobs First	Manchester and New Haven, Connecticut	Job search; earnings supplement: earnings below federal poverty level disregarded, but entire welfare benefit eliminated if earnings exceeded federal poverty level; time limit on welfare receipt of 21 months, many exemptions and extensions	Most welfare recipients with exemptions for those least likely to be able to work	1996 4 years
Family Transition Program	Escambia County (Pensacola), Florida	Job search; education and training; earnings supplement: first $250 of earnings disregarded, welfare benefits reduced by 50 cents for each additional dollar of earnings; time limit on welfare receipt of 24 or 36 months, depending on job readiness	All welfare recipients with no children under 6 months old	1994 4.5 years

(continued)

Table 1 (continued)

Program	Location	Activities	Target Population	Year in Which Random Assignment Began/ Length of Study Period
Minnesota Family Investment Program	Seven Minnesota counties	Job search; earnings supplement: enhanced earnings disregard; earnings up to 38% of the dollar value of welfare plus Food Stamp benefits disregarded, but benefits reduced by 62 cents for each additional dollar of earnings	All welfare recipients with no children under age 1	1994 3 years
New Hope	Milwaukee	Work supports: earnings supplement, child care subsidies, and subsidized health insurance; community service jobs available for parents who wanted to work full time but could not find work	Families in two low-income neighborhoods in which at least one parent indicated willingness to work at least 30 hours per week	1994 2 years
Self-Sufficiency Project	British Columbia and New Brunswick (Canada)	Generous earnings supplement equal to one-half the difference between earnings and a target level of earnings for people who left welfare for full-time work; supplement was available for up to three years	Randomly selected group of people who had been on welfare for one year or more	1992 4.5 years

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Table 2

Average Effects of Key Welfare Reform Policies, by Program Type

All programs increased earnings, but only those that offered earnings supplements consistently increased income and also benefited children. The gains also increased benefit payment amounts and thus costs.

	Impact on Annual Earnings ($)	Impact on Annual Benefit Payments ($)	Impact on Annual Income ($)	Impact on Children's Well-Being
Programs with:				
Mandates and services				
Job search first[a]	550	-500	-100	No effect
Education first[b]	300	-350	-150	No effect
Mixed services[c]	1,150	-700	150	--
Mandates, services, and earnings supplements[d]	650	650	1,300	Positive
Mandates, services, earnings supplements, and time limits[e]				
Before time limit	550	250	800	--
After time limit	450	-400	0	No effect

NOTES: Income includes earnings, welfare payments, earnings supplements (where applicable), and Food Stamps.
All dollar results are rounded to the nearest multiple of $50.
Different measures of children's well-being were used across studies.

[a]Los Angeles Jobs-First GAIN, job-search-first programs in Atlanta, Grand Rapids, and Riverside.

[b]Education-first programs in Atlanta, Grand Rapids, Riverside, Columbus Integrated, Columbus Traditional, Oklahoma City, and Detroit.

[c]Portland.

[d]The Minnesota Family Investment Program and the Self-Sufficiency Project. (The Self-Sufficiency Project had a full-time work condition but no sanctions. New Hope is not included in this group because its sample was not limited to welfare recipients.)

[e]Jobs First and the Family Transition Program.

time limits to the mix, as most states have done, creates a contradiction. Before the time limit, the results mirror those from earnings supplement programs (employment and income both rise); but after the time limit goes into effect, the results resemble those obtained from mandatory employment services (earnings gains are offset by welfare losses, and income remains unchanged).

To help policymakers understand the individual and combined effects of different policy approaches and come to better-informed decisions about how to address these trade-offs, this document looks closely at the effects of the different approaches in seven key areas — program participation and mandates, employment and earnings, welfare use, income and hardship, children's well-being, and family and marriage — and then draws the policy implications of the research findings for TANF reauthorization.

PARTICIPATION AND MANDATES: States have made large strides in increasing the percentage of welfare recipients who are working or participating in welfare-to-work activities, but it would be difficult for most states to meet even the original participation rates required under TANF.

Like its predecessors dating back to 1971, TANF established a quid pro quo whereby receipt of welfare was predicated on participation in employment preparation activities or work itself. In each state, 50 percent of the single-parent caseload and 90 percent of the two-parent caseload had to be working or participating in approved activities such as job search or short-term vocational training for at least 30 hours per week. Failure on the part of a state to meet this requirement would result in reduction of its TANF block grant. Most knowledgeable observers thought that no state would be able to meet the new participation standard, yet all the states did so. How did they manage this? Under the 1996 law, a state's participation requirement is reduced by a percentage point for every percentage point reduction in its welfare caseload relative to the 1995 level. With caseload declines of 50 percent or more, most states' effective participation standard has been at or near zero for some time.

Under TANF, recipients who fail to comply with participation and other requirements may be "sanctioned," that is, lose some or all of their welfare grant. But the new law went further than earlier laws. By eliminating exemptions for parents with young children, it effectively extended the mandate to the entire welfare caseload, and it freed states to impose more severe penalties for noncompliance. Thirty-six states currently cut off the entire family's grant (a "full-family sanction") when the parent does not meet the obligation to participate. According to a General Accounting Office study, more than 100,000 families nationally were in sanction status in any given month, and possibly as many as 750,000 people have been sanctioned since TANF was implemented.

- Following TANF's enactment, most states devoted additional resources to services, monitoring, and case management activities and engaged a wider

> range of recipients in work-related activities than ever before. Nonetheless, if caseload reductions had not occurred, few states would have been able to meet simultaneously the hours requirement and the participation rate established in TANF.

Arguably, welfare reform's toughest test is occurring in big cities. But here, too, both participation rates and expenditures on welfare-to-work programs have increased steadily since 1996. Findings from the Project on Devolution and Urban Change — MDRC's ongoing evaluation of welfare reform in Cleveland, Los Angeles, Miami, and Philadelphia — shows all four cities and their surrounding counties increasing use of case management services to encourage and enforce TANF's work requirements. As a result, these large urban areas made substantial progress in increasing the percentage of welfare recipients who were working or participating in welfare-to-work activities. For example, in Cleveland-Cuyohoga County, 10 percent of the adult caseload were participating at all in a welfare-to-work activity during 1996/1997, while nearly 50 percent were participating by 1999/2000. In Miami-Dade, the corresponding figures were 18 percent and 53 percent. Furthermore, all of the cities invested increasing amounts of their TANF funds into their welfare-to-work programs, despite the fact that the number of people on welfare was in a nearly continuous decline throughout this period. For example, expenditures in Cleveland rose from $14 million in 1996/1997 to $18 million in 1999/2000 (an increase of about 30 percent), while spending in Miami-Dade increased sevenfold, from nearly $9 million in 1996/1997 to nearly $64 million in 1999/2000. And these figures do not even include program expenditures for child care.

Nevertheless, without the point-for-point credit for caseload reductions, none of the Urban Change sites would have met TANF's participation requirements. Although a substantial proportion of the caseload was engaged, a much lower fraction participated continuously for an average of 30 hours per week. During the state fiscal year 1999/2000, the percentage of adult welfare recipients in the Urban Change counties who met this inclusive definition of participation ranged from nearly 30 percent to slightly more than 50 percent. Reinforcing this point, detailed data from several successful programs in the National Evaluation of Welfare-to-Work Strategies (NEWWS) were used to calculate what these programs' participation rates would have been had they been required to meet only a 20-hour-per-week participation standard. Though all of them vigorously enforced the participation mandate, increased employment, and reduced welfare, their monthly participation rates did not exceed 10 percent by this definition. The rates rise to only about 15 percent if one takes account of changes in the law that allow people with earnings to continue collecting welfare, removes those who are sanctioned from the calculation, and factors in an employment credit (for three subsequent months) for people who left welfare for work. Only if participation criteria are relaxed such that any activity in which recipients participated in a month is counted, regardless of the number of hours, do these same sites reach participation rates around 50 percent.

- However much effort states invest, achieving high rates of participation in program services will be a challenge because a significant percentage of recipients will be unable to participate in any given period. Programs must seek to engage almost everyone targeted by a mandate to reach the required participation level.

Even in a tightly managed program, a substantial number of recipients will be unable to participate at any given time — for instance, because they are waiting for an activity to begin (having recently completed program orientation or another activity), temporarily ill or disabled, caring for an ill or disabled family member, awaiting the outcome of an application to the Supplemental Security Income program, or in the midst of a noncompliance review process that may lead to sanctions for failure to comply with program requirements. Thus, to engage 50 percent or more of the adult caseload in 20 or more hours of activity or work a week, programs must involve nearly everyone on the caseload, not just the most employable or the most interested.

- Programs that actively enforced mandates by reducing the welfare grants of those who did not participate produced higher participation rates than did low-enforcement programs. Beyond a threshold level, however, increases in sanctioning rates were not associated with higher participation rates.

The best evidence on the relationship between participation rates and enforcement of participation rules comes from NEWWS. Each of the 11 welfare-to-work programs under study was categorized as "high enforcement" (imposing sanctions on more than a quarter of its caseload, on average) or "low enforcement" (imposing sanctions on less than 5 percent, on average). The high-enforcement programs produced higher participation rates than did low-enforcement programs, and they also had larger impacts on employment, earnings, and welfare savings. Still, one cannot readily separate out the effects of mandates above and beyond the effects of the services that accompanied the mandates, and there was no difference among the high-enforcement programs in participation rates. In other words, sanctioning was effective up to a point, but increases in sanctioning beyond that point did not raise participation further.

There is other evidence that aggressive enforcement of sanctions may be counterproductive. Sanctioning rates are much higher among the most disadvantaged welfare recipients — those with long welfare stays, low levels of education, or a high incidence of severe, persistent, and multiple barriers to employment. There is also scattered evidence that some recipients do not comply with requirements because they are unclear about what they are required to do.

EMPLOYMENT AND EARNINGS: A wide range of welfare reform strategies has increased employment and earnings among single mothers. Education and training played an important supporting role in the most effective programs.

- Nearly all of the welfare reform approaches that states have used — mandatory employment services, earnings supplements, time limits, and various combinations thereof — increased welfare recipients' employment and earnings.

A wide range of programs that required welfare recipients to participate in job search, education, or training programs as a quid pro quo for receipt of welfare benefits increased work, as evidenced by increases in the number of quarters people worked and the amounts they earned. The first section of **Figure 1** shows the average annual impacts (effects) on earnings of 12 programs that mandated participation in employment services but did not offer earnings supplements or impose time limits. All but one of these programs raised earnings significantly.

Despite site and program differences, all three of the earnings supplement programs listed in **Figure 1** also increased welfare recipients' employment and earnings (by \$696 in MFIP, \$653 in SSP, and \$491 in New Hope). Because these programs were designed to encourage full-time work — Canada's Self-Sufficiency Project and Milwaukee's New Hope program supplemented only full-time work (defined as working 30 hours or more per week), while Minnesota's Family Investment Program had a mandatory 30-hour-per-week work requirement — the bulk of the programs' employment gains stemmed from increases in full-time work. Interestingly, both the Minnesota and Canadian programs also had large impacts on stable employment (defined as an employment spell of at least one year), possibly as an outgrowth of their focus on full-time work. By the middle of the fifth follow-up year, however, the Self-Sufficiency Project's effect on employment had largely dissipated. This erosion of the employment effect is attributable in part to continued job loss among program participants who took up the supplement and in part to a continued rise in employment rates among members of the control group. Also noteworthy, the New Hope program enabled people who were already working more than full time (more than 40 hours a week) when that program began to cut back their work hours to those of a regular workweek, while increasing employment rates among everyone else.

When time limits were packaged with employment mandates and earnings supplements — the course most states have followed since 1996 — employment and earnings gains were observed both before and after the time limit was reached. As described further below, while the pattern of effects resulting from this package of mandates, earnings supplements, and time limits changed over time, those changes did not apply to employment and earnings effects, which were sustained throughout the three-year follow-period (see the final section of **Figure 1**).

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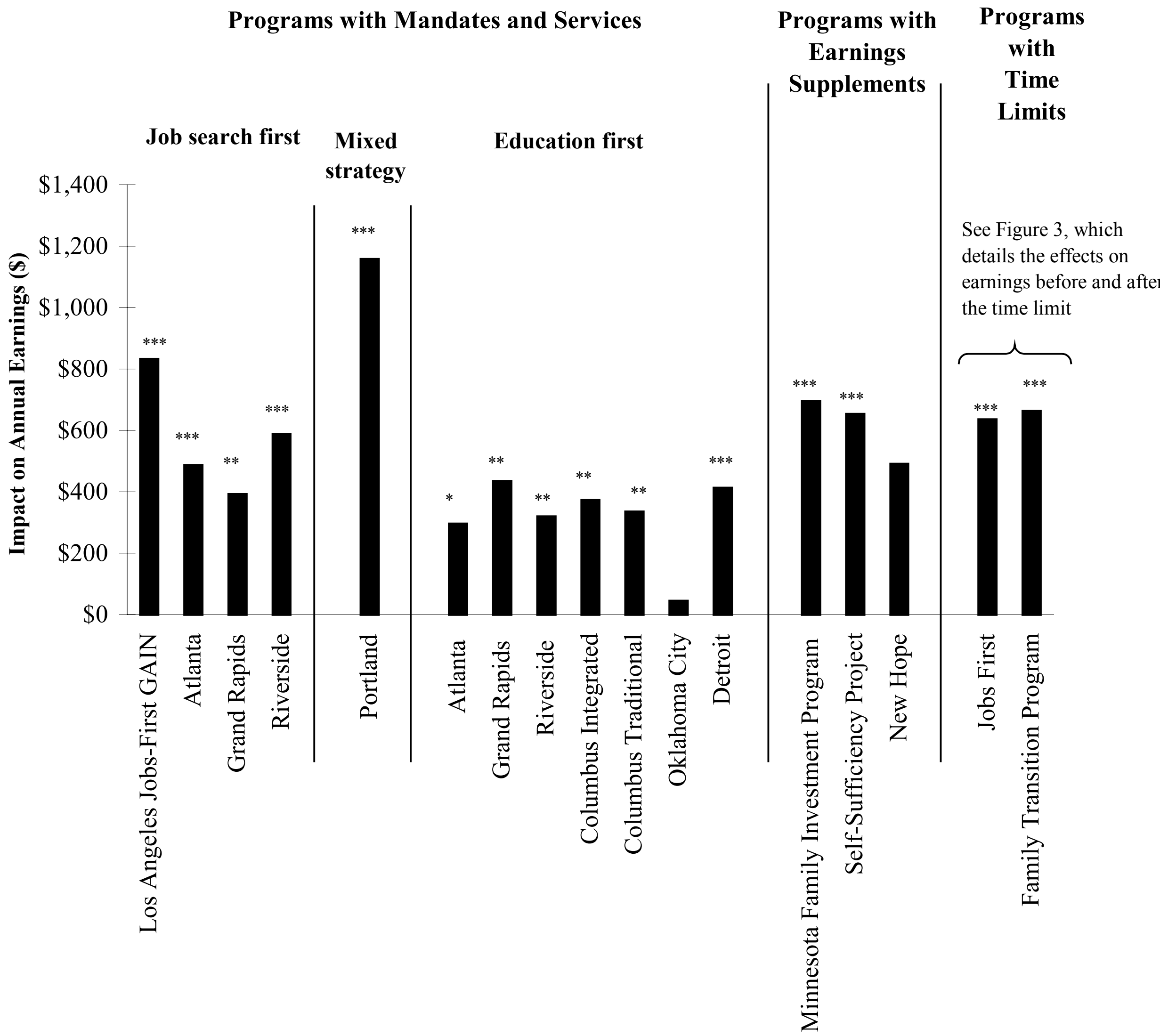
Figure 1

Effects on Earnings

All programs increased earnings, but gains were largest for mixed-strategy programs, smallest for education-first programs.



NOTES: The bars show results for all recipients who had ever received welfare before random assignment. For the Minnesota Family Investment Program, results are limited to long-term welfare recipients. For all programs other than Los Angeles Jobs-First GAIN and New Hope, results are for the three years following random assignment. For Los Angeles Jobs-First GAIN and New Hope, results are only available for the two years following random assignment. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed test).

- Earnings supplement programs produced their largest employment gains and lowest costs when targeted at long-term welfare recipients.

Program impacts were generally larger the more disadvantaged the population served: The largest increases in employment and earnings were seen among long-term welfare recipients; the gains to new welfare applicants were smaller, and those to the working poor were smaller still. In contrast to the traditional welfare system, which discouraged work, supplement programs that were aimed at welfare recipients encouraged work, increasing both employment and earnings.

These findings suggest a trade-off between equity and efficiency. Highly targeted earnings supplement programs produce the largest gains in employment and earnings at relatively lower net costs (program costs minus welfare savings and increased taxes paid) than a similar program aimed a less disadvantaged population. But targeted programs create inequities as former welfare recipients receive more help than similarly situated working-poor families.

- Mandatory employment-services programs that tailored services to the needs of individual recipients — that is, mixed-strategy programs, which required some participants to start by looking for work and others to start with education or training — led to larger increases in employment and earnings than either a job-search-first approach or an education-first approach.

For more than 30 years, a debate has raged about what kind of welfare-to-work approach works best — a job-search-first approach, which emphasizes getting recipients into jobs as quickly as possible, based on the idea that the best training for a job is having a job; an education-first approach, which emphasizes education and training — typically, remedial reading and math, General Educational Development (GED) exam preparation, or classes in English as a Second Language — based on the idea that investing in recipients' knowledge and skills now will allow them to obtain better jobs later; or a mixed-strategy approach, which entails assigning some recipients to job search first and others to education first.

Although the debate is far from settled, compelling evidence from the NEWWS studies suggests that a mixed strategy works best overall. Of the seven NEWWS programs categorized in **Table 2** and shown in **Figure 1**, the Portland mixed-strategy program produced the largest average earnings gains over three years (exceeding $1,150 a year), followed by the job-search-first programs (a $550 earnings increase) and the education-first programs (a $300 gain). By the fifth year (shown in **Table 3**), the impacts had dissipated for many of the programs, although the one in Portland continued to have substantial impacts on earnings throughout the five-year follow-up period, averaging more than $1,000 per year.

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Table 3

Programs with Mandatory Employment Services: Impacts on Employment, Earnings, Welfare Receipt, Welfare Benefits, and Total Income

	Average over Years 1-3		Average over Years 4 and 5	
Program and Subgroup	Control Group	Impact	Control Group	Impact
NEWWS programs				
Atlanta job search first (sample size = 3,783)				
Average quarterly employment (%)	36.3	4.3 ***	48.1	2.6 *
Earnings ($)	3,122	487 ***	5,299	318
Received welfare (%)	73.5	-4.4 ***	58.8	-5.0 ***
Welfare benefits ($)	2,414	-205 ***	1,288	-165 ***
Income ($)	8,069	208	8,257	40
Atlanta education first (sample size = 3,818)				
Average quarterly employment (%)	36.3	2.8 **	48.1	1.7
Earnings ($)	3,122	295 *	5,299	240
Received welfare (%)	73.5	-2.5 **	58.8	-3.0 **
Welfare benefits ($)	2,414	-168 ***	1,288	-116 **
Income ($)	8,069	105	8,257	74
Grand Rapids job search first (sample size = 3,010)				
Average quarterly employment (%)	38.9	5.9 ***	54.9	-0.2
Earnings ($)	3,137	392 **	6,050	-114
Received welfare (%)	68.9	-7.7 ***	51.1	-6.9 ***
Welfare benefits ($)	3,521	-699 ***	1,627	-303 ***
Income ($)	8,484	-460 ***	8,637	-517 **
Grand Rapids education first (sample size = 2,990)				
Average quarterly employment (%)	38.9	3.8 ***	54.9	0.0
Earnings ($)	3,136	434 **	6,050	170
Received welfare (%)	68.9	-5.6 ***	51.1	-7.4 ***
Welfare benefits ($)	3,521	-493 ***	1,627	-315 ***
Income ($)	8,484	-163	8,637	-249
Riverside job search first (sample size = 6,611)				
Average quarterly employment (%)	26.1	7.4 ***	33.3	2.9 ***
Earnings ($)	2,726	588 ***	4,186	359 *
Received welfare (%)	63.5	-5.8 ***	49.7	-6.0 ***
Welfare benefits ($)	4,619	-672 ***	2,584	-410 ***
Income ($)	8,709	-282 **	7,753	-220

(continued)

Table 3 (continued)

Program and Subgroup	Average over Years 1-3 Control Group	Average over Years 1-3 Impact	Average over Years 4 and 5 Control Group	Average over Years 4 and 5 Impact
Riverside education first (sample size = 3,079)				
Average quarterly employment (%)	20.1	4.8 ***	27.0	5.0 ***
Earnings ($)	1,817	319 **	2,803	361 *
Received welfare (%)	67.2	-4.2 ***	54.5	-5.7 ***
Welfare benefits ($)	5,086	-621 ***	3,036	-623 ***
Income ($)	8,411	-493 ***	7,000	-500 **
Columbus Integrated (sample size = 4,198)				
Average quarterly employment (%)	45.0	2.7 **	54.5	1.5
Earnings ($)	4,057	373 **	6,804	263
Received welfare (%)	64.6	-6.2 ***	45.5	-7.9 ***
Welfare benefits ($)	2,595	-384 ***	991	-241 ***
Income ($)	8,940	-250	8,791	-160
Columbus Traditional (sample size = 4,208)				
Average quarterly employment (%)	45.0	2.3 **	54.5	1.2
Earnings ($)	4,055	335 **	6,803	173
Received welfare (%)	64.7	-3.5 ***	45.5	-4.6 ***
Welfare benefits ($)	2,597	-277 ***	992	-149 ***
Income ($)	8,941	-101	8,792	-58
Detroit (sample size = 4,328)				
Average quarterly employment (%)	32.0	2.3 **	52.4	0.0
Earnings ($)	2,770	413 ***	6,187	486 *
Received welfare (%)	79.2	-3.5 ***	65.5	-6.0 ***
Welfare benefits ($)	4,213	-208 ***	2,198	-167 **
Income ($)	9,411	80	9,719	233
Oklahoma City (sample size = 4,759)				
Average quarterly employment (%)	32.9	-1.1	37.6	1.3
Earnings ($)	2,173	45	3,328	131
Received welfare (%)	52.0	-3.7 ***	27.1	-2.6 **
Welfare benefits ($)	1,964	-158 ***	--	--
Income ($)	6,106	-189	--	--
Portland (sample size = 5,422)				
Average quarterly employment (%)	34.2	10.3 ***	47.5	3.5 ***
Earnings ($)	3,184	1,157 ***	5,846	752 ***
Received welfare (%)	61.7	-10.5 ***	42.8	-12.1 ***
Welfare benefits ($)	3,296	-722 ***	1,234	-377 ***
Income ($)	8,596	151	8,094	250

(continued)

Table 3 (continued)

Program and Subgroup	Average over Years 1-3 Control Group	Impact	Average over Years 4 and 5 Control Group	Impact
Los Angeles Jobs-First GAIN (sample size = 15,122)				
Average quarterly employment (%)	57.2	9.8	--	--
Earnings ($)	3,139	833 ***	--	--
Received welfare (%)	98.2	-0.4	--	--
Welfare benefits ($)	5,076	-495 ***	--	--
Income ($)	10,180	150 ***	--	--
SSP (sample size = 4,852)				
Average quarterly employment (%)	29.4	7.3 ***	38.1	3.4 ***
Earnings ($)	2,250	653 ***	3,845	384 **
Received transfers (%)	80.1	6.8 ***	61.2	2.2 *
Transfer payments ($)	6,225	710 ***	4,392	169 *
Income ($)	8,472	1,364 ***	8,191	569 ***
MFIP (sample size = 1,780)				
Average quarterly employment (%)	43.7	12.9 ***	--	--
Earnings ($)	3,663	696 ***	--	--
Received welfare (%)	76.7	4.9 ***	--	--
Welfare benefits ($)	6,027	601 ***	--	--
Income ($)	9,690	1,297 ***	--	--
New Hope (sample size = 622)				
Average quarterly employment (%)	61.0	11.2 ***	--	--
Earnings ($)	5,978	491	--	--
Received welfare (%)	71.0	15.6 ***	--	--
Welfare benefits ($)	3,653	295 *	--	--
Income ($)	13,051	878 **	--	--
FTP (sample size = 2,400)				
Average quarterly employment (%)	42.1	6.3 ***	48.9	1.6
Earnings ($)	3,035	663 ***	3,217	236
Received welfare (%)	50.6	-2.0	20.7	-8.6 ***
Welfare benefits ($)	1,499	-155 ***	325	-159 ***
Income ($)	6,520	330 **	6,405	153
Jobs First (sample size = 3,703)				
Average quarterly employment (%)	46.2	8.6 ***	52.3	8.3 ***
Earnings ($)	5,013	636 ***	7,875	554 *
Received welfare (%)	60.8	0.6	34.1	-11.0 ***
Welfare benefits ($)	3,297	243 ***	1,826	-538 ***
Income ($)	10,037	988 ***	10,953	-21

SOURCES: MDRC calculations from unemployment insurance (UI) earnings records, AFDC records, and Baseline Information Forms.

NOTES: All dollar outcome levels are expressed as averages. For each outcome, the program group level can be calculated by adding the impact to the control group level.
Results are for all those who had ever received welfare prior to random assignment.
Outcomes indicated as "--" were not measured.
Years 1-3 refers to the 12 quarters after the calendar quarter of random assignment.
Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.
Results for Los Angeles Jobs-First GAIN and New Hope are for Years 1-2 only.
Five-year results for SSP and FTP are for 54 months (4.5 years) only.
Five-year results for Jobs First are for 4 years only.

Not surprisingly, the job-search-first approach led to employment and earnings gains more quickly than the education-first programs when the two approaches were compared side by side in three NEWWS sites — Atlanta, Grand Rapids, and Riverside. It was assumed by backers of the education-first approach that those assigned to attend school would leave the classroom and — equipped with their enhanced “human capital” — get better jobs than they could have otherwise. Indeed, by the fifth year, those assigned to the education-first programs had converged with those in the job-search-first programs, obtaining comparable employment, earnings, and welfare outcomes in the fifth year. But there was no evidence that their classroom experience helped recipients in the education-first programs get a leg up in the labor market relative to those in the job-search-first programs — and thus no indication that they would be able to make up the earnings foregone earlier (**Table 3**).

What is surprising, however, is that employment-first programs were also as effective as education-first programs for school dropouts, that is, for participants who had no high school diploma or GED. Moreover, when there was a difference, it always favored the employment-first program. For example, over the five years, dropouts in the job-search-first programs had average earnings of about $900 to more than $1,900 more than did dropouts in the education-first programs. In other words, even the people who seemed to have the most to gain from education benefited as much or more from the job-search-first approach.

Why should education as a first activity boost employment and earnings more in the context of a mixed-strategy program that also assigns some people to job search first than it does in “pure” education-first programs? The answer lies partly in how the mixed-strategy programs tailor first-activity assignments. Recipients who — based on the judgment of the caseworker, the recipient’s characteristics (sometimes including education credentials and literacy test scores), and the recipient’s preferences — are considered not ready to enter the labor market are first assigned to education, vocational training, or other activities unrelated to job search. Recipients who are deemed to be job-ready or who express interest in getting a job right away, in contrast, are generally required to look for work first, either on their own or participating in a group setting focused on job search. By targeting education and training only at those who need or want it, mixed-strategy programs may be able to have the best of both worlds.

Running a mixed-strategy program does not guarantee success, however. Effective mixed-strategy programs typically have a strong employment focus, make education assignments that are short term, and use “job developers” to help people find good jobs. The Portland program, for instance, urged recipients to hold out for jobs that paid more than the minimum wage and offered fringe benefits and encouraged those who obtained a GED also to pursue vocational training, which led to an increase in the percentage who received both a GED and a trade license or certificate — a combination that may be especially effective in boosting earnings. In contrast to Portland’s program, a mixed-strategy program operated statewide in Florida (Project Independence) in the late 1980s yielded only modest employment and earnings gains at best (not shown), possibly because it emphasized a relatively ineffective form of self-directed job search and because it was unable to support the job search efforts of many parents after it ran out of child care funding. Finally, the Greater Avenues for Independence program in Riverside, California — another mixed-strategy program run in the 1980s — produced even more impressive employment and earnings results (not shown) than the Portland program.

WELFARE USE: Requiring participation in mandatory employment services and time-limiting benefits decreased welfare receipt.

- Two of the approaches states used — mandatory employment services and time limits — reduced the amount of cash benefits paid out (usually because welfare receipt declined). Earnings supplement programs, in contrast, typically increased benefit payments more than traditional welfare programs.

While the three principal reform approaches that states used produced consistent effects on earnings, their effects on benefit receipt were anything but consistent. Mandates reduced benefit payment amounts, earnings supplements had the opposite result, and time limits first increased benefit payments and then reduced them. Regardless of strategy — job search first, mixed, or education first — mandatory employment services programs that established a participation quid pro quo for receipt of welfare benefits consistently reduced welfare dependency, as evidenced by reductions in the number of months and amounts received of welfare benefits. The first section of **Figure 2** shows the average annual impacts (effects) on welfare payments of 12 programs with participation mandates but no earnings supplements or time limits: All 12 produced welfare savings. Driven in large part by these welfare savings, from a government budget perspective, the most effective mandatory programs (for example, the Portland Jobs First program and the Grand Rapids job-search-first program) returned to the government more than $2 in lower welfare costs and higher taxes paid for every $1 in government investment — a stunning achievement for any social program. In other words, it would have cost these states more *not* to operate these programs. By contrast, mandatory programs that were able to generate only small welfare savings, possibly because they did not enforce the participation mandate, were less likely to break even, returning in government budget savings only about 40 cents to 80 cents per dollar invested.

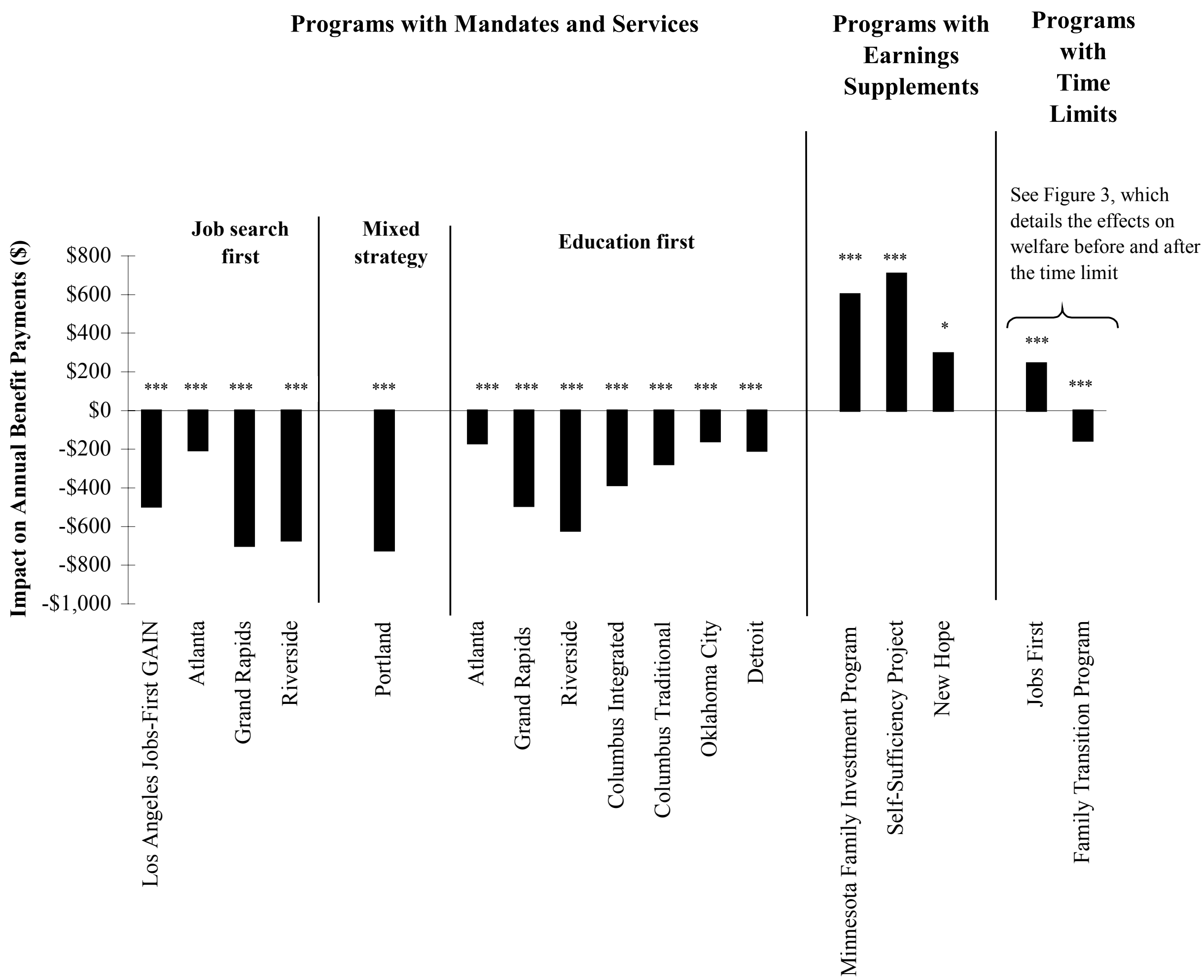
In stark contrast to the impacts of the traditional mandatory welfare-to-work programs, programs that added earnings supplements to mandates increased public transfer payments (welfare in Minnesota's program, earnings supplement payments minus welfare savings in the Canadian and Milwaukee programs), as shown in **Figure 2**. The explanation is simple: Earnings supplement programs allow recipients who take jobs to continue receiving some form of cash payment. But does this mean that dependency increases? The answer depends on how one de-

What Works in Welfare Reform

Figure 2

Effects on Benefit Payment Amounts

Mandatory programs consistently reduced benefit payments while earnings supplement programs generally increased them.



NOTES: The bars show results for all recipients who had ever received welfare before random assignment. For the Minnesota Family Investment Program, results are limited to long-term welfare recipients. For all programs other than Los Angeles Jobs-First GAIN and New Hope, results are for the three years following random assignment. For Los Angeles Jobs-First GAIN and New Hope, results are only available for the two years following random assignment. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed test).

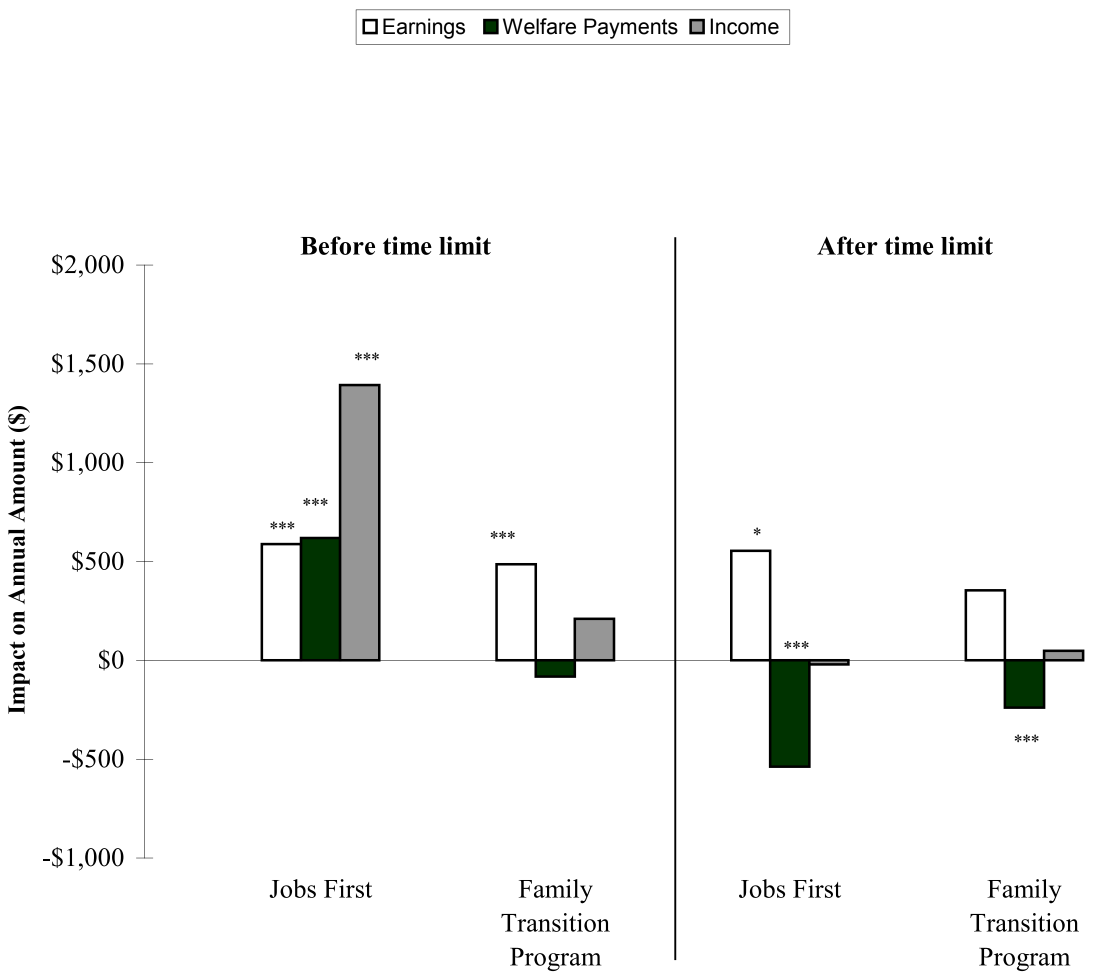
fines "dependency." In the SSP program, supplements were paid outside of the welfare system — to receive a supplement, recipients had to leave welfare. Thus, welfare dependency declined dramatically, but because the amount of the earnings supplements paid to these job-takers exceeded the welfare savings, total public transfer payment amounts (welfare plus earnings supplements for all program members versus all control group members) rose. Nor is the answer cut-and-dried in the Minnesota program, even though it used the welfare system to pay earnings supplements. In that program, the percentage of people who were still receiving welfare at the three-year follow-up point rose by a small 4 percentage points, while the percentage who were not working at all fell by 8 percentage points, and the percentage who were combining work and welfare rose by 12 percentage points. In short, while the amount of public transfers rose so did the amount of work. Thus, if welfare dependency is defined as someone who is solely dependent on welfare, the higher fraction of welfare recipients deriving more of their income from earnings means that dependency has fallen, even in the Minnesota program. Finally, earnings supplements can be an efficient means of transferring income to low-income families. Because cash benefits paid as a supplement to earnings stimulate more work effort, not less, and thus are not the sole source of income, earnings supplement programs can generate more than a dollar of increased income for every extra dollar of income transferred. For example, at its peak point, the Canadian program increased recipients' income by more than $3 for every $1 in supplement payments, primarily because earnings also rose by $2.

Adding time limits to mandates and earnings supplements, as the two final programs shown in **Figure 2** did, produced two quite different effects. Before the time limit, the supplement effect dominates and welfare receipt rises or remains unchanged; after the time limit, when recipients can no longer receive benefits, welfare payment amounts decline. While **Figure 2** provides three-year average effects on welfare to facilitate overall comparisons with the other program models, the underlying story is best told by **Figure 3**, which separates out effects for the Connecticut and Florida time-limit programs into the before- and after-time-limit periods (see the four black "welfare payments" bars). The graph clearly shows welfare benefit amounts rising before the time limit in Connecticut and falling thereafter. (In Florida, effects on welfare receipt in the before-time-limit period is insignificant, in part because benefit levels in Florida were so low that, even with a generous earnings disregard, only modest amounts of work led people to leave welfare.) Although the two programs with time limits typically increased employment during the period before anyone reached the time limit, there was only limited evidence that the time limit compelled people to exit welfare more quickly on their own than they would have otherwise in order to save or bank their remaining months of eligibility for benefits. The programs' pre-time-limit incentive provisions may have mitigated any inclination on the part of recipients to leave welfare early.

Figure 3

Effects of Programs with Time Limits

Programs that combined mandates, earnings supplements, and time limits typically increased earnings, welfare receipt, and income before the time limit, but the income gains dissipated once the time limit was reached and benefits were terminated.



NOTES: The bars show results for all recipients who had ever received welfare before random assignment. The period before the time limit is Year 1 and 2 for both programs. The period after the time limit is Year 4 for Jobs First and Quarters 16 through 19 for the Family Transition Program. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed test).

INCOME AND HARDSHIP: Programs that supplemented earnings increased income; programs that relied solely on employment gains usually left income unchanged and did not change families' financial or material well-being substantially.

- Programs that included provisions to supplement low earnings, usually by allowing recipients to keep some of their welfare benefits when they took jobs, increased income and reduced poverty. The programs' rules typically required parents to work full time in order to receive supplement payments.

Income is a function of both earnings and benefits. Under the rules governing the pre-1996 welfare system, when earnings rose, benefits declined. Because recipients typically obtain low-wage jobs, earnings alone are often inadequate to lift a family out of poverty. By contrast, income rises when recipients who take jobs are allowed to continue receiving some welfare benefits, or when their meager earnings are supplemented outside of the welfare system with cash payments tied to their work effort. The results shown in **Figure 4** bear this out. Because both average earnings (**Figure 1**) and benefits received (**Figure 2**) increased over the three-year follow-up period, the three earnings supplement programs increased income (**Figure 4**). The mandatory employment programs had the opposite effects — with one exception, earnings gains (**Figure 1**) offset by benefit declines (**Figure 2**) led to no change in income or decreased it only slightly (**Figure 4**). (The exception was the Los Angeles Jobs-First GAIN program, which had one of the most generous earnings disregards in the nation. However, because this program was not designed to test this disregard and, thus, the supplement was available to both program group members and control group members, Los Angeles Jobs-First GAIN is not included as an earnings supplement program.)

The income gains achieved by the earnings supplement programs were large enough to also reduce poverty. During the three-year period when supplements were being paid, both the Minnesota and the Canadian program increased income by more than $1,000 per year. As a result, both also reduced poverty — an unprecedented effect. Still, a majority of families remained poor, in part because only about half of those eligible to participate in these programs found jobs and took advantage of the supplement. By the middle of the fifth follow-up year, the Self-Sufficiency Project's effect on income had largely dissipated. The end of the supplement (program rules placed a three-year limit on supplement eligibility) largely explains why the income gains were not sustained.

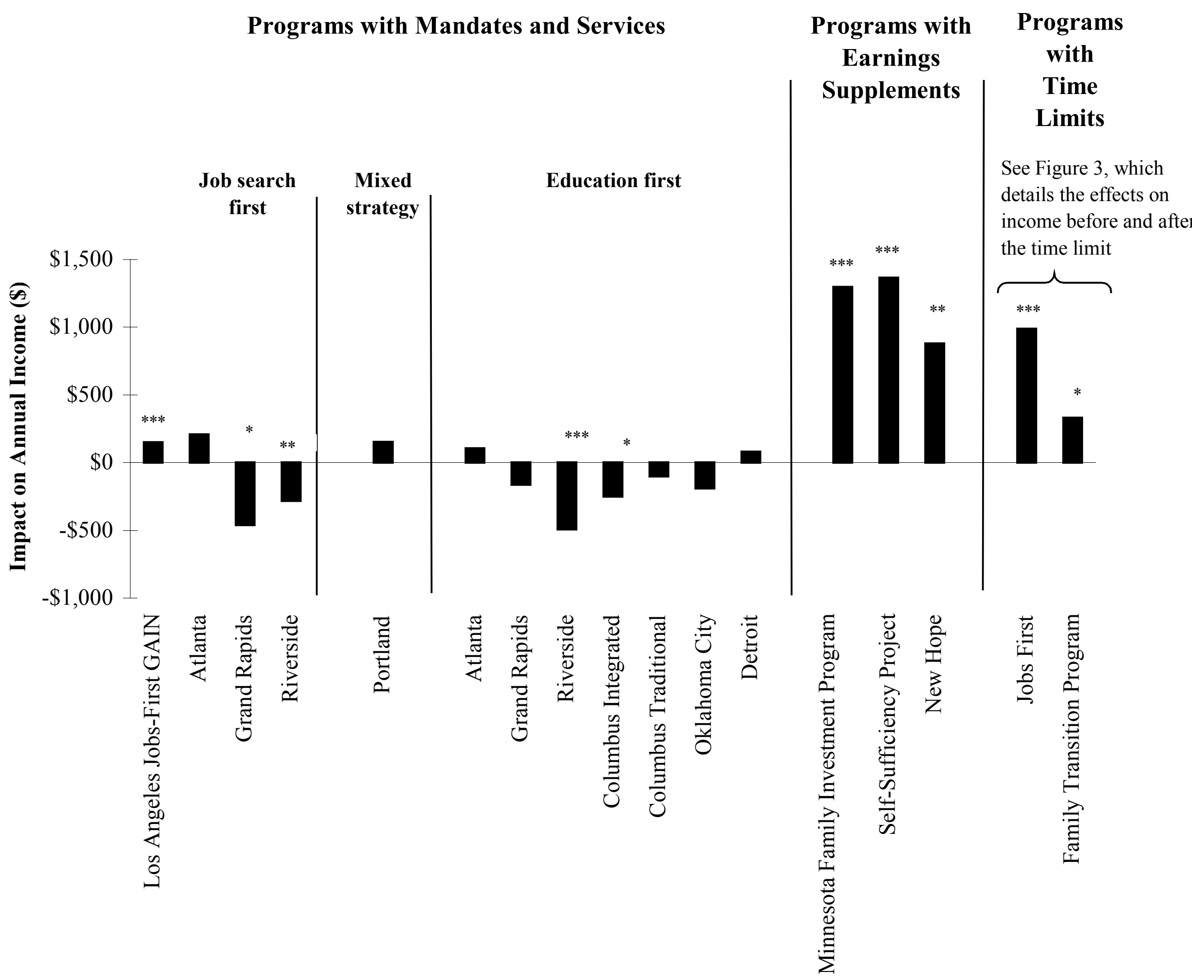
- Programs that combined mandates, earnings supplements, and time limits — as most states currently do — increased income in the period before the time limit went into effect, but the income gains disappeared once the time limit was reached and welfare support was withdrawn.

What Works in Welfare Reform

Figure 4

Effects on Income

Earnings supplement programs consistently increased income. Mandatory programs did not increase income because they took away $1 in benefits for ever $1 increase in earnings.



NOTES: The bars show results for all recipients who had ever received welfare before random assignment. For the Minnesota Family Investment Program, results are limited to long-term welfare recipients. Income includes earnings, welfare payments, earnings supplements (where applicable), and Food Stamps. For all programs other than Los Angeles Jobs-First GAIN and New Hope, results are for the three years following random assignment. For Los Angeles Jobs-First GAIN and New Hope, results are only available for the two years following random assignment. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed test).

Most states incorporated time limits of some kind into state law. But because most state laws impose a 60-month time limit on benefit receipt, and in most states people did not begin hitting that limit until 2001 and 2002, there are very little long-term follow-up data indicating what happened to people who lost their benefits. Impact data are available for only a handful of time-limited welfare programs, including the two programs examined here, both of which offered substantial protections to vulnerable families and both of which were tested in an unusually strong economy.

Returning to **Figure 3** but focusing now on the gray income bars, employment and benefit receipt generally rose in the pre-time-limit period when mandates and incentives were the dominant program features, driving income up in turn (by $1,393 in Connecticut). In the post-time-limit period, the income gains dissipated in the absence of continuing welfare benefits to boost earnings, leaving income unchanged relative to a control group.

- Few effects were found on a wide range of material hardship measures in the studies of programs with time limits, suggesting that the states put in place effective protections for vulnerable families.

Little systematic evidence was found to suggest that time limits significantly increased hardship relative to control group levels. In both studies, those who were assigned to the program group, and thus subject to the time limit, were no more likely to have been evicted or to find themselves without enough money to buy food than were control group members who were not subject to time limits. (A slight increase in homelessness in the final year was found in the Connecticut study — 3 percent of program group members were homeless compared with 2 percent of control group members.) Florida exempted many vulnerable families and offered those subject to time limits a rich array of services and supports. Connecticut terminated the benefits only of those people who were earning more than the welfare grant.

Nonetheless, in the Connecticut and Florida studies, absolute levels of poverty and hardship remained high, many people in both the program and the control groups reported sometimes not having enough money to buy food, and about a third of all sample members in the two studies reported having no income from welfare or earnings in the final follow-up period, raising questions about how these families supported themselves. Time limits did not exacerbate these numbers — similar numbers of both program and control group members reported these problems — but the fact that so many people appear to have had no clear source of income is a cause for concern. Finally, these studies were conducted during a period of exceptional economic growth, which fueled rising employment, increasing wages, and bulging state treasuries. Results could look very different in an economic downturn. With budgets now under pressure, states may be less willing to grant extensions of and exemptions from time limits; and with employment rates falling, recipients may be less able to find work.

CHILDREN: Whether or not children benefit depends on the program strategy and the age of the child.

The AFDC welfare system was originally created in the 1930s to protect the children of indigent widows. While normative changes in divorce and out-of-wedlock childbearing dramatically altered the composition of the welfare rolls, one of welfare's goals has remained the same: to protect children in poor, usually single-parent families headed by women. Following dramatic increases in the welfare rolls in the 1970s, however, a new goal was added: to increase parents' employment and reduce family welfare dependency. The effects on children of welfare dependency, poverty, and requirements that their mothers work have been much debated, but there has been little reliable evidence to provide solid answers. A new generation of program studies that sheds light on how welfare reform programs affected children's behavior, development, and progress in school has begun to fill in the blanks.

Logically, one might expect changes in parental employment and income to affect children differently depending on their age. For example, time spent with one's child is thought to be especially important for infants' and toddlers' development. Parental employment might be of less concern for elementary school-aged children, as long as adequate after-school care is available. Teenagers are presumably self-sufficient when it comes to after-school care, although this also means they will receive less supervision at an age when youngsters are more likely to experiment with risky behaviors. For these reasons, child outcomes are examined separately by age of child.

- Welfare reform programs that led to increases in mother's employment and income — specifically, those that included earnings supplements — consistently improved the school performance of elementary school-age children. By contrast, work mandates or time limits alone had few effects on young children; there was no consistent pattern of benefit or harm.

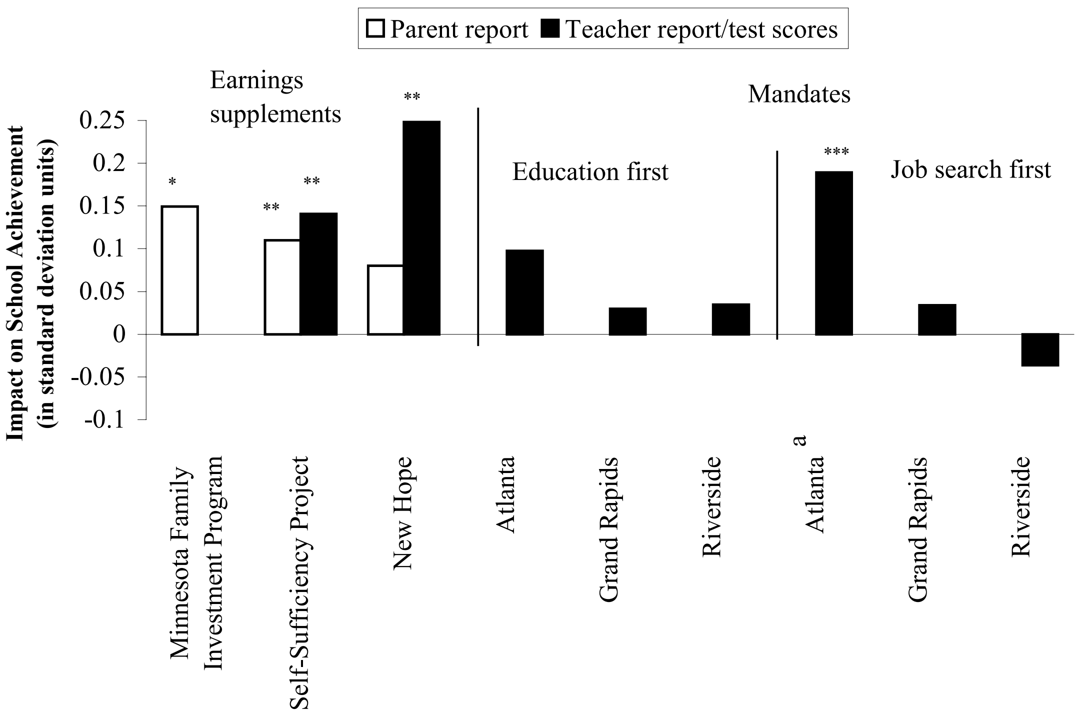
Three-year follow-up studies of children's well-being in the three programs that offered working mothers an earnings supplement that boosted their family's income when they took jobs — Minnesota's program, Canada's Self-Sufficiency Project, and Milwaukee's New Hope program — found consistent, statistically significant positive impacts on the academic achievement of elementary school-aged children (**Figure 5**). Though small, the positive impacts were potentially important — equivalent to lifting average achievement levels from the 25th to the 30th percentile on a standardized test.

In all three evaluations of programs that offered earnings supplement, the child well-being findings were based on reports by the children's parents and, in two of the three, were confirmed by more objective measures: In the New Hope Project, teachers were asked to rank children's school performance, and in the Self-Sufficiency Project, a standardized test was ad-

Figure 5

Effects on Elementary School-Age Children

Programs with earnings supplements increased school achievement for elementary school-age children consistently and significantly. Mandatory programs typically had no significant positive or negative effect.



NOTES: All measures are coded such that bars above the line indicate the program improved children's well-being.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed test).

[a]The significant two-year effect in the Atlanta job-search-first program was not found at the five-year follow-up point.

ministered to assess school readiness. In both cases, program group children either ranked or scored higher than their control group peers whose parents were not eligible for the earnings supplement program. The Canadian program's positive effects, moreover, were sustained into the fifth year of follow-up (not shown), when fewer program group than control group children were reported by their parents to be performing below average in school or to be enrolled in special education classes. These differences were generally smaller in magnitude at the 54-month follow-up than at the 36-month point, but their persistence was encouraging because parents' earnings were supplemented only for the first three years and the program's impacts on adult employment and income had fallen to zero by the four-and-one-half year follow-up period. Several of the earnings supplement programs also produced small positive impacts on elementary school-aged children's social behavior.

Programs that increased employment without increasing income (such as the mandate programs in **Figure 5**) did not have strong effects, either positive or negative, on elementary school-aged children. Mandatory employment-services programs produced no statistically significant differences in cognitive performance (matching shapes and letters, for example) on a test of school readiness at either the two- or five-year follow-up point, with one exception from the NEWWS study: In the Atlanta job-search-first program, results were positive at the two-year point but not at the five-year point (not shown in Figure 5). Program impacts on the children's social behavior were more common, but they were neither consistently positive nor negative at the five-year follow-up point. Some programs seemed to benefit children, increasing positive behavior (such as being sensitive to others) and decreasing negative behavior (such as fighting with others), while other programs had the opposite effects. The story may differ in states that use full-family sanctions rather than the partial sanctions in place when these studies were conducted, particularly if full-family sanctions are more likely to result in loss of income for families.

A similar lack of consistent positive or negative findings was found in the two programs that combined mandates and welfare-based work incentives with time limits (not shown in Figure 5) — Florida's Family Transition Program and Connecticut Jobs First — but neither was there evidence of pervasive harm. Recall that these programs typically increased parents' employment and income until recipients hit the benefit time limit, after which the income gain disappeared while the employment gain was sustained. In both studies, effects on children were assessed only after parents reached the time limit. No effects on academic achievement were found in either study, and effects on children's social behavior were mixed. Some small positive effects occurred among elementary school children in the Connecticut study; their mothers reported fewer problem behaviors and more positive behaviors (such as how much they helped, shared, or cooperated with other children). Overall, few effects were found in the Florida study, including somewhat more negative effects for a more advantaged group of children whose parents were both better educated and had more work experience and fewer years on welfare than other members of the study sample.

- Regardless of program approach, policies that led to increases in mothers' employment plausibly led, in turn, to small negative effects on adolescents' progress in school. On average, however, these policies did not lead to increases in more serious problems like school suspensions, dropout rates, or teenage childbearing.

When the state evaluations discussed in this guide began, the focus was on young children, not adolescents. As a result, most of the studies asked parents only a few questions about their adolescent children (although in the Canadian evaluation, both parents and teenagers were asked about both school performance and behavior). Somewhat surprisingly, when effects for adolescents were found, they were almost always negative rather than positive. In particular, when impacts were averaged across seven welfare-to-work programs, an increase in mother's employment had deleterious effects on adolescents' school-related achievement in three areas: their academic performance as reported by their mothers, the percentage repeating a grade, and the percentage who received special educational services and assistance (**Figure 6**). In addition, at the time of the three-year follow-up survey in the Canadian study, both mothers and teenagers in the program were more likely than their counterparts in the control group to report that the teenager engaged in smoking, drinking, drug use, and staying out late. But while these effects raised cause for concern, they were not large and, more important, the four-and-a-half-year follow-up found no evidence that these problems led to more deleterious outcomes like increased school dropout.

Interestingly, negative effects were found in mandatory employment services programs, time-limit programs, and earnings supplement programs, suggesting that adolescents can be adversely affected when their mothers take jobs, whether or not income also rises. Small negative effects were also found in the voluntary New Hope program, which served a wide range of low-income single- and two-parent families, not just welfare recipients. These findings imply that any development that increases job-taking (such as a strong economy or an expanded Earned Income Credit and not just welfare reform) could have some negative impacts on the school performance of low-income adolescents.

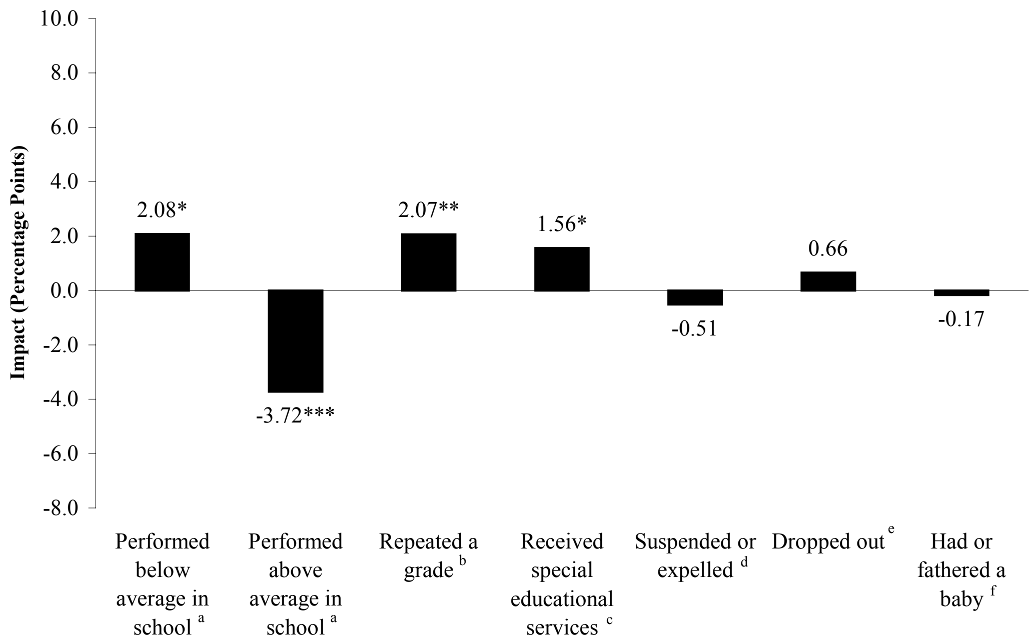
These persistent negative impacts on teens were concentrated notably among adolescents with younger siblings. As well as showing larger unfavorable effects on school performance and receipt of special educational services than did the full sample, program group adolescents with younger siblings were more likely than their control group peers to be suspended or expelled from and to drop out of school. One explanation for this impact is that as mothers' labor force participation rates have increased, their adolescent children may have received less

What Works in Welfare Reform

Figure 6

Effects of Selected Adolescent Outcomes Averaged Across Multiple Programs

Welfare and work policies for parents have small, negative effects on some aspects of adolescent schooling.



SOURCES: MDRC calculations based on follow-up survey data from the following studies: FTP, Jobs First, Los Angeles Jobs-First GAIN, MFIP, New Hope, NEWWS, SSP, and WRP.

NOTES: In each study, adolescents were selected for inclusion in the sample on the basis of their age at random assignment (10-16 years) and their age at follow-up (12-18 years).

To see which studies are included for each measure, see "How Welfare and Work Policies for Parents Affect Adolescents: A Synthesis of Research," 2002. For example, the impact shown for "Performed below average in school" is an average across these 10 programs: Jobs First, the Family Transition Program, the Self-Sufficiency Project, New Hope, Los Angeles Jobs-First GAIN, the Full Minnesota Family Investment Program (MFIP) for long-term recipients, Full MFIP for recent applicants, MFIP Incentives Only for long-term recipients, the Full Welfare Restructuring Project (WRP), and WRP Incentives Only.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed test). Standard errors of the impact estimates for each program were adjusted to account for shared variance between siblings.

The percentage point impact estimates shown here are calculated from the meta-analytic effect size estimates.

[a]Averaged across 10 programs.

[b]Averaged across 15 programs.

[c]Averaged across 12 programs.

[d]Averaged across 13 programs.

[e]Averaged across 16 programs.

[f]Averaged across 11 programs.

supervision, even as they had to provide care for their siblings — an activity that takes away from schoolwork. Although the average impacts on school outcomes are not large, they appear often enough to warrant the attention of policymakers.

- The data on infants and toddlers are too limited to permit definitive conclusions, though available evidence reveals little systematic harm or benefit to very young children's later achievement or schooling when their mothers go to work.

From the few studies that have examined effects for very young children, there is little evidence that their development is either harmed or helped when their parents take jobs as a result of programs designed to encourage their employment.

Probably the most extensive evaluation of program effects on very young children was undertaken in Canada's Self-Sufficiency Project, the voluntary earnings supplement program that had large initial effects on full-time employment and income. Despite concerns that increases in full-time work would reduce parents' time with their young children, no effects on children were found either at the 36-month follow-up point, when a test of language comprehension was administered to the children who would then have been age 3 or 5, or at the 54-month follow-up point, when parents were asked about their children's school performance. Nor were behavioral differences between the program and control groups found, based on maternal reports. However, maternal reports on children's development are not the ideal source of information for assessing very young children's development.

A more limited set of questions about the cognitive and behavioral performance of 1- and 2-year-old children was asked of parents who were enrolled in four mandatory employment services programs in Detroit, Grand Rapids, Oklahoma City, and Portland. Here, too, no systematic effects, either negative or positive, were found. These results are encouraging but not definitive, because the few studies that examined program impacts on very young children, again, relied on their mothers to answer only a handful of questions and the programs themselves did not reflect the full range of welfare reform policies being implemented today.

FAMILY AND MARRIAGE: Little is known about how to promote marriage or strengthen families through welfare policies.

Promoting marriage and supporting two-parent families are two of the four expressly stated goals of TANF. Yet states have all but ignored these, preferring instead to focus on TANF's goals to increase work and reduce welfare dependency, in part because little was known about what works to promote and sustain marriage among single individuals. But what about the indirect effects of state reform practices on marriage and families? The few findings in this area are tantalizing but not definitive.

- Few programs increased the likelihood that a single parent would marry. Intriguingly, however, one earnings supplement program did have a large and lasting effect on the likelihood that two-parent families would stay together.

Evidence from studies of welfare reform programs with mandates and time limits generally showed no effects on marriage among long-term welfare recipients who were single parents; and in programs with earnings supplements, marriage effects were few and inconsistent. As shown in **Figure 7**, Minnesota's program, for example, produced a small increase in marriage among single parents: Three years after random assignment, 11 percent of MFIP enrollees were married, compared with 7 percent of control group members. Canada's earnings supplement program, in contrast, generated a small increase in marriage in one province and a small decrease in marriage in the other, producing no overall effect. For the mandatory employment services programs, no consistent pattern of effects was discerned — one of the Riverside programs appeared to increase cohabitation slightly; one of the Grand Rapids programs reduced divorce and separation a bit; and the Portland program may have reduced the fraction of program group members who were married and living with a spouse.

More encouraging results were found for two-parent families in the Minnesota program: 67 percent of two-parent families in the program group were married three years later, compared with 48 percent of the control group families. Publicly available divorce records used to conduct a longer-term follow-up showed that MFIP persisted in holding two-parent families together, although the effect was substantially smaller. Among two-parent families, MFIP's earnings supplements increased income even though the second earner cut back on his or her work effort, the combination of which may have helped to reduce stress on the family. Although MFIP's effects on marriage and divorce are encouraging, no other program involving two-parent caseloads has been tested.

- Several programs reduced the incidence of domestic violence experienced by female single-parent household heads, who make up about 90 percent of all adult welfare recipients — possibly because work meant less reliance on others or less time spent at home or because welfare systems are now offering more services for victims of domestic violence.

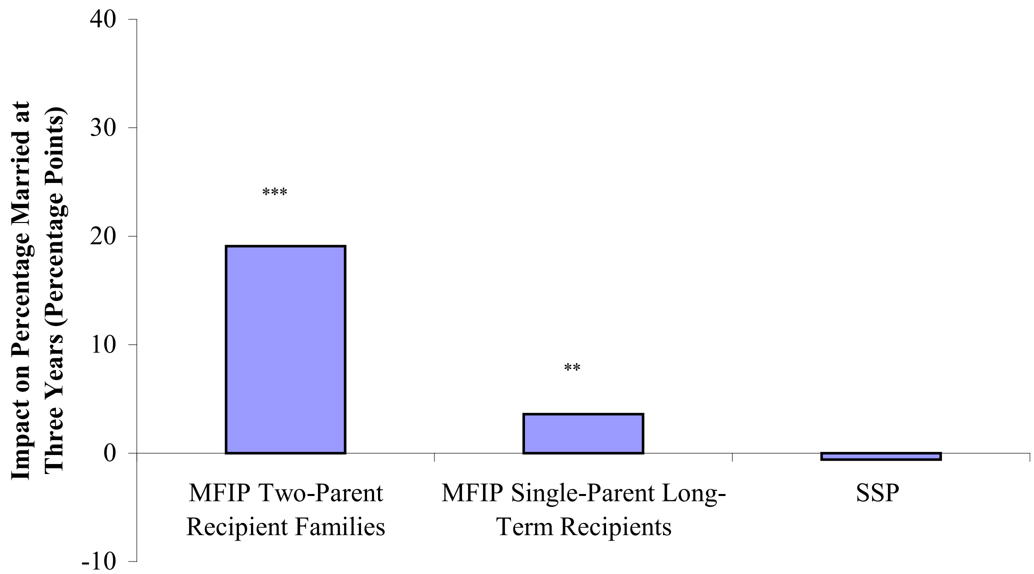
Significant reductions in domestic violence were found across a wide range of welfare reform programs that successfully increased employment. Between 15 percent and 30 percent of welfare recipients in the control groups of the evaluations examined here reported that they experienced at least one episode of domestic violence in the past year, including harassment and physical or other abuse by intimate partners. The Minnesota program decreased these rates of domestic violence by 12 percentage points, and six of the NEWWS programs produced reduc-

What Works in Welfare Reform

Figure 7

Effects of Earnings Supplement Programs on Marriage Rates

In the one study that examined the marriage effects on two-parent families, the program impact as measured by the percentage point difference from the control group was large and significant. Impacts on single-parent families were not consistent.



NOTE: Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed test).

tions of 3 to 6 percentage points. Three explanations have been offered for these results: More work afforded more independence; more employment meant more time spent outside the home, thus restricting opportunities for abuse to occur; and caseworkers made more referrals to support services.

- Noncustodial parents, most of them fathers, have an important role to play in efforts to increase the self-sufficiency and well-being of families with welfare-dependent children. A program that combined employment services and peer support for noncustodial fathers with more responsive child support rules increased child support payments and, for less employable and less involved fathers, raised employment and parental involvement, respectively.

Under TANF, states have an interest in reaching welfare-dependent children's noncustodial parents. Through their child support payments, noncustodial fathers can help states recoup the costs of providing welfare benefits to their children and, provided some of the support is passed through directly to custodial families, potentially help improve their children's well-being. When custodial parents leave welfare, the entire child support payment goes to the family — a payment that can make an important difference in family income. In MDRC's demonstration program Parents' Fair Share, operated in the late 1990s, noncustodial fathers with child support orders who were not working and not paying owed child support were required to receive employment services and to participate in peer support groups focused on parenting and personal responsibility. Partly by increasing enforcement and uncovering previously unreported employment and earnings, partly by making the child support system more responsive to the actual ability of fathers to pay, and partly by increasing the employment of some fathers, the program increased the overall percentage of fathers who paid child support. Among the fathers who initially had the most barriers to employment and had been least involved with their children, Parents' Fair Share also increased employment and parental involvement. Nevertheless, the gains were small, suggesting that more intensive programs are needed.

Implications for Reauthorization

Expand the Role of Education and Training

The 1996 welfare reform's "work first" emphasis was, in part, a reaction to the perceived shortcomings of the 1988 Family Support Act (FSA) reforms, which had strongly encouraged education and training in the hope that it would help people get better jobs. To some extent, this swinging pendulum of action and reaction in federal policy mimics the movement between a work-first and an education-first approach that has characterized policymaking in state after state. At its extreme, "work first" becomes "work only." When administrators realize that not everyone can get a job, the pendulum swings back toward the point where everyone is assigned to education and training, few people are getting jobs, costs are high — and the pendulum again begins its return swing.

The challenge for policymakers is to find ways to maintain the employment orientation that underlies reform's success, while opening the door to additional education and training. Results from carefully designed tests of job-search-first programs, education-first programs, and mixed-strategy programs provide strong support for the idea that education and training have an important, although probably subsidiary, role to play in the future of welfare reform. The evidence indicates that both job-search-first and education-first strategies are effective but that neither is as effective as a strategy that combines the two, particularly a strategy that maintains a strong employment orientation while emphasizing job search first for some and education first for others, as individual needs dictate. There is little evidence to support the idea that states should be pushed to one or the other extreme.

Welfare reform's success in reducing caseloads and increasing employment adds new urgency to this debate. These accomplishments have led states to begin experimenting with job retention and advancement strategies to help former recipients further secure their foothold in the labor market and reduce their long-term reliance on other government benefits such as Food Stamps and child care assistance. Investments in customized training or community college coursework to increase skills — sometimes in concert with release time from work — are among the many strategies states are beginning to use TANF resources to support.

Add Services for the Hard-to-Employ

Contrary to popular impression, the hard-to-employ (defined as long-term welfare recipient dropouts without recent work experience) are not increasingly dominating state caseloads. This is due, in part, to more generous welfare earnings disregards that have enabled more employable recipients to remain on the rolls longer and, in part, owing to tougher sanctioning policies that have pushed some of the hardest-to-employ off the welfare rolls. To make further progress in reducing welfare caseloads, states will have to develop effective programs to overcome the barriers to employment of the hard-to-employ. Thus, as caseloads have fallen and as the five-year time limit approaches, states increasingly find themselves working with people who have a range of persistent, multiple, and, sometimes, severe employment barriers, such as substance abuse and depression, that make it difficult for them to get and keep a job. For example, three surveys of current and former welfare recipients conducted in 1999 found that 40 percent to 50 percent had less than a high school education, 20 percent to 40 percent had physical health limitations, and 30 percent to 40 percent had a serious mental health problem (primarily depression). The incidence of substance abuse problems was also significant, but prevalence rates were lower in these samples — between 6 percent and 8 percent. (These rates may be understated, since it is very difficult to obtain reliable information on drug use through self-report surveys.)

Each of these barriers poses distinct challenges for program design — challenges that are greatly exacerbated when barriers co-occur. A 1999 national survey found that 78 percent of welfare recipients experienced one barrier to employment, 44 percent experienced two or more barriers, and 17 percent experienced three or more barriers. Traditionally, programs for the hard-to-employ have been highly specialized and not well suited to address the needs of people with dual diagnoses or multiple problems. The severity and persistence of a condition are also critical factors in determining how a barrier will affect employment.

The knowledge base about effective programs for the hard-to-employ is only now being built. Traditional welfare-to-work programs do help some of the hard-to-employ raise their earnings, but average earnings were still woefully inadequate (about $1,000 per year on average). In addition, there is encouraging evidence in the disability field that supported-employment models can help individuals with severe and persistent disabilities move into jobs. And in the medical field, controlled studies have demonstrated the efficacy of mental health and substance abuse treatments for the general population. Still, very little is known about the effectiveness of these interventions for a low-income welfare population of single mothers or about their effectiveness when they operate on a large scale.

While investments in research, demonstration, and evaluation are essential to build additional knowledge about what works, it is clear that treatment programs for the hard-to-employ will play an important and growing part in states' efforts to reduce welfare caseloads further. If engagement in these activities does not count toward meeting their participation requirements, state officials have less incentive to work with these populations. Recognizing this need, the Bush administration's plan would allow engagement in treatment programs to count toward the participation standard, but only for 3 consecutive months out of every two-year period. Experience to date suggests that this is an inadequate amount of time to overcome the barriers faced by some welfare recipients.

Several studies from the substance abuse field provide support for this conclusion. A national study of substance abuse treatment called DATOS followed 3,000 patients in different treatment modalities. The study concluded that a three-month treatment episode was the minimum needed for patients to derive meaningful and sustained benefits. Patients who stayed in treatment for up to six months had significantly better outcomes than those receiving treatment for three months or less. In addition, studies indicate that the risk of relapse decreases significantly after about six months. Moreover, one study found that the odds of working increased greatly for each month of treatment duration: Recipients remaining in treatment for more than one year were nearly twice as likely to work than those who remained only for three months. In addition to these research results, anecdotal evidence suggests that in drug treatment programs serving substance-abusing women with children, the first three months are often spent dealing with addiction issues and detoxification. This suggests that between 6 and 12 months in treatment are necessary to give these women the resiliency skills they need to prepare them for remaining in recovery, holding a job, and being a parent. While the length of treatment will vary depending on the needs of individuals, and most will not require (nor will states allow) longer treatment than is necessary, the decision about when treatment should end and employment should begin is best based on the progress of the individual client rather than on an arbitrary time limit.

Enhance States' Flexibility to Reward Work and Benefit Children

Although poverty reduction was not a TANF goal in 1996, most states' conforming legislation included earnings supplement provisions designed to reward work and raise family income. Now the new bill is proposing to make improving the well-being of children an additional overarching purpose of TANF. New research evidence shows that earnings supplement programs increase employment and income and that, when the supplements are generous, elementary school-aged children benefit (although adolescents do not). These are the only reliable findings pointing the way to improvements in young children's well-being, and thus to accomplishing the Bush administration-backed reform bill's new goal. Moreover, by tying cash payments to earnings, these programs have cut through the dilemma that has baffled welfare policy since the English Poor Laws: No longer do payments to poor families inevitably mean less work effort. This development has enabled states to refocus on welfare's original purpose — to help children — without reducing the self-sufficiency efforts of their parents. Thus, states can now choose between program strategies that emphasize caseload reductions and strategies that emphasize benefits for children, without jeopardizing the program's focus on increasing parental employment.

Several aspects of the current law, however, make it difficult for states to craft strategies that benefit children. At the heart of the problem is the inherent conflict between earnings supplement and time-limit policies. Time limits tell recipients to "get a job, leave welfare, and bank your remaining months of eligibility." Earnings supplements tell recipients to "get a job, stay on welfare, and let welfare supplement your earnings." Implementing the two policies together virtually guarantees that a substantial number of people who take jobs while on welfare will unwittingly exhaust their months of welfare eligibility.

To avoid this outcome, states have two choices. One is to use the federally required state maintenance-of-effort dollars to create a separate, or "segregated," state program for the working poor. By relying on state funds instead of federal funds, the federal time-limit clock is not ticking. The second option is to classify earnings supplement benefits as "nonassistance," a categorization that allows certain payments such as employer subsidies, job retention bonuses, and work expense payments not to be considered assistance under TANF and, thus, not to be counted against the time-limit clock. Unfortunately, both strategies have shortcomings. The first places the fiscal burden of paying for supplements entirely on the state. The second exposes states to federal audits and the risk that the federal government will not accept the states' definition of nonassistance. Without assurance of federal TANF reimbursement for long-term earnings supplement payments, states have been reluctant to choose these options.

TANF reauthorization could end these risks either by allowing states the option of stopping the federal time-limit clock when recipients take full-time jobs or by expanding and clarifying the definition of nonassistance to include ongoing cash payments or earnings supplements made to full-time workers. The administration's proposal to clarify what counts as nonassistance presents such an opportunity. Either strategy would enable states to create separate programs with federal financial participation to pay earnings supplements to the working poor outside the welfare system, effectively resolving the inherent message conflict that now exists between time limits and incentives, without fear of losing federal reimbursement. In a fixed-block-grant environment, this change would have no federal fiscal implications.

While the means appear arcane, the end is eminently clear. Message confusion between time limits and earnings disregards undermines both program strategies. By giving states greater latitude and the promise of federal financial participation when they choose to run separate programs for the working poor, time limits would continue to apply to welfare recipients who were not working, while earnings supplement policies could reward those who do the right thing and take jobs. And if the resulting state programs are sufficiently generous, available evidence suggests that better school performance among elementary school children would result.

The income of low earners would also be bolstered by ensuring that qualified workers receive the Food Stamp, health insurance, and child care benefits for which they remain eligible. Congress has built a safety net around work, but studies that have followed welfare leavers have found that fewer than half of the low-wage workers who qualify for these benefits receive them. Some job-takers, unaware that they remain eligible for a range of benefits, do not stay in contact with the welfare office after they get jobs; other recipients are inadvertently cut off by the stringent quality-control system's penchant for unnecessarily penalizing cases with earnings. The administration's proposed changes to the Food Stamp Program would make it substantially more worker-friendly; similar changes could be beneficial in the health insurance and child care areas. To the extent that low-income families who are not former welfare recipients obtain these work-support benefits, inequities between this group and former welfare recipients would diminish.

Set Reasonable Participation Standards

The states' dramatic success in reducing caseloads has made the question of how to set participation standards in welfare reform's next phase potentially one of the most contentious issues related to TANF reauthorization. Some observers would like to end the point-for-point caseload reduction credit because it sends the message that caseload reductions are the main goal of TANF. The administration wants to end the credit to keep the states under pressure to perform. Not surprisingly, states would like to remain free of the participation standard and therefore would prefer to keep the caseload reduction credit in force.

As has already been noted, how Congress defines "participation" — the rate, how it is calculated, what activities count, and the number of hours of activity required — is one of several signaling mechanisms it can use to communicate to states what it wants. In an attempt to strike a balance between reinforcing the act's original focus on work and the need to broaden the range of allowable activities to include more education and training as well as other services, the House-passed bill would make several important changes to the framework established in 1996. Notably, it would:

- increase the required participation rate to 70 percent and gradually eliminate the caseload reduction credit;
- increase the number of hours of required participation to 40 per week; after three months, 24 hours per week must be work; and
- allow education and training activities to count but only toward the remaining 16 hours of required activity each week — a more restrictive role for education and training than exists in current law.

In assessing these proposed changes, it is important to address the following questions:

Are the new standards achievable? Whether meeting a particular participation standard is feasible depends on what counts as participation (the numerator) and who gets counted (the denominator) in rate calculations. None of the welfare-to-work programs evaluated by MDRC to date — even the most effective ones — would have met the standards currently in place (that is, had states received no credit for caseload reductions), primarily because too few people participated in them for at least the minimum number of hours per week. This finding does not mean that the new, higher participation rates codified in the House-passed bill cannot be met. But it does suggest that the weekly hours requirement would have to be relaxed and that the rules would need to take account of several practical realities involving people's changing status (for example, some will be sick, others will be between activities, and so forth), the slots and services required, and the administrative difficulty of monitoring participation.

States will have to confront a number of administrative challenges as well. The unsubsidized jobs open to recipients often do not provide 40 hours of work each week, and it is often impractical to try to add 5 or 10 hours of activities to a nearly full-time workweek. In addition, because most program services are not designed to last for 40 hours per week, participants would have to be enrolled in multiple activities. To satisfy a "work only" participation standard for 24 hours per week would probably require states to develop large numbers of work experience or community service slots, a potentially expensive undertaking. And satisfying 40-hour participation standards would require major increases in child care funding. All of these challenges are magnified in rural areas. Few states will be able to meet the reporting requirements. It is extraordinarily difficult and expensive to monitor hours of attendance for large numbers of welfare recipients being served by multiple providers.

In short, these considerations suggest that to achieve very high participation rates, there will have to be a very broad range of countable activities, flexibility in the number of hours required per week, and a measurement system that accounts for inevitable periods of downtime and incomplete attendance.

Are the standards likely to generate more effective state TANF programs? While the ends the House-passed bill attempts to accomplish are laudable — that is, seeking a balance between allowing some education and training while retaining a focus on work — the means entail what appear to be unnecessary risks. Essentially, the bill's provisions would force states to increase the use of work experience programs, possibly at the expense of the successful job-search programs that have been most state programs' first line of action. Instead of focusing on getting people off of welfare, states may become preoccupied with keeping everyone busy while they are on welfare. Careful evaluations of work experience programs revealed that recipients thought the requirement was fair and supervisors thought the work accomplished was valuable, but there was no evidence that workfare led to increases in unsubsidized private sector employment, and little support for the notion that recipients learned new skills. Thus, requiring states to meet the proposed participation standards courts a substantial risk that programs will end up being less effective as states radically shift program direction to increase their use of work experience.

Can the balance that the Bush administration-backed reform bill is seeking be struck without risking unintended effects on state programs? If the focus on work and the emphasis on welfare as a temporary source of support are the primary messages policymaker's want to send, then retaining TANF's time limit on benefits ensures those messages will continue to dominate. Allowing participants to fulfill their participation requirements through activities like education and training or by participating in services designed to address the employment barriers faced by the hard-to-employ will not appreciably alter the overall message.

Various strategies to reinforce — and even strengthen — the work message without incurring the same risk of unintended consequences include the following:

- Establish a 100 percent engagement goal, wherein states aim to reach every adult recipient, establish a self-sufficiency plan, and show that the recipient is making progress relative to that plan. Engaging all recipients in this way — which is a precondition for, but not equivalent to, getting them to participate for a fixed number of hours per month — will be key to reducing caseloads and raising employment in the future. Moreover, ensuring that states make repeated good-faith efforts to reach every family facing a time limit avoids imposing an unattainable requirement that fails to recognize changing family circumstances. In other words, whereas 100 percent participation is not realistic, 100 percent engagement is.

- Retain the current 50 percent and 30-hour requirements in the current law or, alternatively, increase the participation rate to 70 percent and retain the 30-hour requirement but count a wide range of activities including education and training, substance abuse, and mental health treatment as fulfilling the 30-hour requirement. States should also be allowed to count at least four months' participation in job search per year, a change that would facilitate state efforts to continue their work-first emphasis. Broadening what counts and holding the line on the hours requirements decreases the likelihood that states will have to revamp substantially their existing programs, further reducing the likelihood of unintended consequences.

- Gradually reduce the caseload reduction credit. Effective participation rates of less than 10 percent — the case in most states now — do not send the right message to states. But ending the credit while ratcheting up participation standards would force states to go from about 20 percent participation today to 70 percent tomorrow. Changes like this cannot be made overnight; programs need time to adjust and expand. Rhetoric to the contrary, there is no evidence suggesting that states can meet either the current participation standards or the new ones without some offsetting caseload reduction credit to bring the effective rate down. One option would be to replace the caseload reduction credit with an employment credit that lowers the participation rate by the percentage of recipients who leave welfare for jobs. Another is to retain a partial caseload reduction credit.

Require Midterm Review of Time-Limit Policies and the Adequacy of the 20 Percent Exemption

The House-passed bill recommends few changes in the law's time-limit provisions, an approach consistent with research findings to date of no evidence that the imposition of time limits have resulted in significant harm. But the final time-limit story has not yet been told, since relatively few welfare recipients have reached either the federal or a state time limit. In 16 states, time limits only begin to kick in this year; and in eight of those states, time limits will not expire until July 2002 or later. Indeed, to date the number of people nationally to have reached either the federal time limit or a shorter state time limit and had their case closed amounts to slightly more than 93,000. And in the limited instances where time limits have been implemented, it has been the more vulnerable people — large families, residents in public or subsidized housing, those without a high school diploma, and African-Americans — who have been most heavily affected. Moreover, we do not yet know how former recipients will fare over long periods without welfare. A recipient with preschool-aged children who reaches a lifetime limit at age 25 would have to survive without welfare for many years. More definitive data on the longer-term consequences of a loss of welfare eligibility will become available only over the next two or three years. Given the current uncertainty, it would seem prudent to build in a review mechanism that would provide Congress with an opportunity to revisit the 20 percent exemption provision before the end of the next reauthorization period.

Invest in Learning and Sustaining Innovation

Congressional support for research has built a remarkable body of knowledge about what works — for families and children as well as for government budgets and taxpayers — with respect to welfare-to-work strategies, earnings supplements, and, to a lesser extent, time limits. Indeed, to an important degree, TANF's very success builds on a body of research that demonstrates the value of employment-focused work-first programs. New research findings are poised to play a similar role as states search for ways to fulfill TANF's new overarching purpose: to improve child well-being. But the AFDC waiver structure that nourished these research efforts no longer exists. Welfare reformers now confront a large new agenda to develop and refine their understanding about a host of new challenges, including how to promote job advancement and retention; assessing the role of public employment in rural areas and tribal lands, where unemployment is perennially high; how to help the hard-to-employ overcome their severe, persistent, and multiple employment barriers; how best to engage low-income adolescents as their mothers go to work; what strategies work to promote and sustain healthy marriages; assisting noncustodial fathers who owe child support and are unemployed; and defining the role of faith-based institutions in service delivery. Initially, the block-grant structure and the surpluses states enjoyed as a welcome by-product of the remarkable economic expansion of the late 1990s fueled a new round of state-led innovation. But the economic slowdown coupled with states' reluctance to commit their own funds to new endeavors that may turn out to be ineffective and be difficult to roll back have limited the amount of experimentation in a number of critical areas. Creating the wherewithal for states and localities to engage in bold experimentation and rigorous evaluation is crucial. An annual set-aside of program dollars that states could apply for to pay for pilot tests of new ideas — tests that include requirements for rigorous independent evaluations — is needed.

The Bush administration proposes two such resource pools to spur the development and testing of new approaches in the marriage field, but only one appears to include research requirements. An additional source of program funding is needed to cover the other areas mentioned above. In addition, the administration proposes to grant broad waiver authority to permit states to consolidate and integrate programs. Past efforts to couple waiver authority with rigorous learning have been essential to building knowledge about what works. Here again, a learning agenda should be prescribed.

Conclusion

Welfare reauthorization will likely set the agenda for at least the next five years and possibly for as long as ten. Thus, the revisions legislated today must be sturdy enough, flexible enough, and prescient enough to meet the safety-net needs of the nation's poor, not just through the current period of economic uncertainty but into the next economic recovery and beyond. It will be a daunting challenge, indeed, to ensure that the new law will be able to accommodate the states' efforts to respond to the changing nature of the low-income caseload and to redefine the mission and structure of welfare and related social services agencies accordingly. As welfare caseloads have fallen and employment has risen, the needs of the working poor and the hard-to-employ have come into sharper focus. And now new evidence showing that reform can also benefit younger school-aged children without sacrificing the employment gains of their parents has opened up a range of new options for states. As state agencies sort out these developments — and what priority to place on each — their choices will hinge largely on how much latitude a reauthorized act allows them in respondng to the new landscape they will face.

The Bush administration's proposed plan provides a constructive framework for addressing many of these issues, one that builds on the work focus that research shows has driven much of TANF's success. Notably, it adds the improvement of child well-being as a purpose of TANF, and it acknowledges the need for education and training and other services, including services for the hard-to-employ. From a child-outcome perspective, the research evidence confirms that the strategies states employ can play a vital role in improving child well-being. Nearly every state now has in place policies that would increase both employment and income and, thus, have the potential to benefit young children's school performance. Without additional efforts to resolve the inherent conflict between state incentive policies and time limits, that potential may not be realized. The reauthorization process could give states the potential may not be realized. The reauthorization process could give states the tools to resolve this issue.

With respect to education and training, the trade-off the Bush administration proposes would toughen participation standards and eliminate the caseload reduction credit, while giving states increased flexibility to count education and training activities as satisfying program requirements. But available evidence urges caution. To meet the standards being proposed, the most successful state welfare programs that have been evaluated would have to be restructured radically. This restructuring could have the unintended effect of distorting priorities, diverting resources, and driving up costs for child care and work experience slots, with the potential consequence of undermining the very success that is now being celebrated. Focusing on universal engagement, broadening what counts, building better information systems, and establishing benchmarks on actual participation might be the best next steps.

Perhaps the greatest challenge facing TANF reauthorization is the dawning reality that the rare confluence of exceptional economic growth, supports for the working poor, and welfare reform that drove employment to new highs and caseloads to modern-day lows is unlikely to resume. Slower economic growth, higher rates of unemployment, and a persistent state fiscal crisis have created an entirely new context in which reform will have to drive further welfare caseload reductions and increases in employment on its own. To respond effectively in this new environment, states will need the flexibility, the resources, and the know-how that the TANF reauthorization process can provide.

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