Reforming Welfare
Institutional Change and Challenges

Karin Martinson
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The Urban Institute

Occasional Paper Number 60
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Assessing the New Federalism
An Urban Institute Program to Assess Changing Social Policies

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


The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or funders.

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Assessing the New Federalism is a multiyear Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states, focusing primarily on health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. In collaboration with Child Trends, the project studies changes in family well-being. The project aims to provide timely, nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at The Urban Institute’s web site (http://www.urban.org). This paper is one in a series of occasional papers analyzing information from these and other sources.
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Executive Summary

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 set the course for a work-oriented welfare system by establishing the Temporary Assistance for Needy Families (TANF) program, designed to provide families temporary financial support and help them move into employment. In addition to establishing important policy changes such as time limits on cash assistance and more stringent work requirements, the law spurred a variety of institutional changes within the welfare system. This paper discusses key dimensions of the new organizational environment that has emerged under welfare reform, including the type and range of institutional changes and implementation issues encountered as this new system was put in place. The findings are primarily based on site visits to 17 cities in 13 states, and thus provide a local perspective.

PRWORA led to the establishment of a new service delivery system for welfare recipients that often included restructured staff responsibilities and services within the welfare agency and greater involvement by other organizations outside the welfare agency. The magnitude of institutional change occurring since PRWORA’s enactment is larger than might have been expected. The law itself did not mandate organizational reform and welfare agencies have been resistant to such change in the past. Three key factors account for the greater level of institutional change experienced during this most recent round of welfare reform: ample financial resources, more flexibility to spend financial resources, and greater demands to deliver a broader range of work and supportive services to a larger pool of recipients.

The most striking institutional change is the development and expansion of organizational linkages to fulfill new policy objectives and work program requirements. Rather than significantly expanding in-house capability to meet the new demands of welfare reform, welfare agencies typically responded to the mandate to make welfare more employment-focused by transferring some or all of their TANF work program responsibilities to different agencies and forging new organizational connections with outside service providers. In particular, workforce development agencies and nonprofit community-based organizations dramatically expanded their role in the TANF service delivery system. New relationships between TANF agencies and for-profit organizations also occurred, but were far more limited.

Many sites in this study contracted with a large number of organizations to provide employment services and a variety of social services. The most common reason for contracting with outside providers was to obtain direct employment services, such as job search or education and training classes. Some sites also contracted for case management services, such as monitoring and tracking client participation and determining compliance with program requirements, and for specialized services for...
the hard-to-employ. If other organizations had not been engaged in welfare reform, most sites would not have been able to “ramp up” as quickly for the initial implementation of TANF or develop a more comprehensive service mix over time.

Welfare agencies expanded their “message” to include a stronger emphasis on employment by letting individuals know that the terms and conditions of welfare receipt had changed. This message was primarily conveyed during individual or group orientation sessions and by posting information on work requirements, time limits, and sanctions in office waiting rooms. While the importance of promoting work and reducing dependency among welfare recipients has become part of the institutional culture, the welfare agency still maintains its traditional responsibility for all eligibility-related matters—determining initial and ongoing eligibility, issuing benefits, and enforcing sanctions for noncompliance. The increased emphasis on work notwithstanding, eligibility continues to be the primary focus of welfare offices in many places.

Some welfare agencies also changed by developing new staffing patterns and responsibilities within local welfare offices. Although welfare agencies generally do not attempt to deliver all relevant supportive and employment services for TANF recipients in-house, some welfare agency staff have been given new or expanded responsibilities related to assessing employability, identifying barriers to work, monitoring participation, and coordinating work-related services.

Welfare agencies in a few sites went so far as to integrate employment and eligibility functions into a single staff position. However, it was more common among the study sites for separate staff to handle these responsibilities. In addition, some welfare agencies developed or enhanced their capacity to establish and monitor contracts with service providers, while others delegated both the contracts and the control of staff involved in employment activities to the workforce development agency.

While the revamped TANF service delivery network has produced a variety of new organizations and service delivery configurations, it has also brought challenges as the new system works out difficulties defining inter- and intra-organizational responsibilities, ensuring adequate communication and coordination, and establishing performance accountability. Some policies—such as sanctions—have been difficult to implement in a service delivery environment that involves multiple organizations. Tracking client activity in these more complex systems is also difficult and often hindered by slow progress in developing quality management information systems. Sites that made efforts to colocate services offered by different providers found it improved communication and coordination.

Finally, performance-based contracting greatly increased under TANF. Many sites found this useful for building capacity and providing services but also experienced significant implementation challenges associated with developing and collecting the information needed to maintain these contracts.

The rich variation of interorganizational relationships and arrangements that states and localities have developed to carry out welfare reform exemplifies the spirit of devolution embraced and encouraged by the 1996 federal legislation. No single
organizational model predominates and the degree of institutional change varies considerably across and within states. Overall, however, the extent to which welfare agencies have developed TANF service delivery systems that include new relationships with different types of providers in the community and new responsibilities for some of their own staff is significant, and was not experienced on this scale during past efforts to reform the welfare system.

As welfare reform continues to evolve and mature, TANF agencies need to continue to develop methods for ensuring consistent service quality, improve coordination through the development of strong automated management information systems, and, as more individuals reach time limits, develop methods to ensure that all partners in the system implement these limits fairly and equitably.
Reforming Welfare
Institutional Change and Challenges

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 set the course for a work-oriented welfare system by establishing the Temporary Assistance for Needy Families (TANF) program, designed to provide families temporary financial support and help them move into employment. In addition to establishing a new block grant funding structure and important policy changes, such as time limits on cash assistance and more stringent work requirements, the law spurred a variety of institutional changes within the welfare system. This paper discusses key dimensions of the new organizational environment that has emerged under welfare reform.

The changed mission of welfare under PRWORA—to move people to work and reduce dependency rather than provide income maintenance—was the catalyst for changes in welfare policy, funding, and program implementation. Between 1996 and 2000, states used the flexibility provided by the TANF block grant to redirect significant financial resources from funding cash assistance to supporting work programs, child care, and other resources for recipients and low-income workers (GAO 2002c; Zedlewski et al. 2002). Changes in institutional roles and service delivery both reflect and support this shift in emphasis from cash assistance to services.

This paper discusses how localities responded to the challenges presented by welfare reform from an institutional perspective, describing major changes that occurred within the TANF welfare service delivery system. The first section describes the type and range of institutional changes, paying particular attention to the role of the workforce development system and community-based organizations. The second section discusses implementation issues encountered as this new system was put in place. This is followed by a discussion of the underlying factors that contributed to the nature and magnitude of institutional change under PRWORA. The concluding section discusses the continuing challenges arising from the new institutional linkages.

Our findings are primarily based on site visits to 17 cities in 13 states and thus provide a local perspective. The site visits were conducted in 1999 and 2000 as part of the Urban Institute’s Assessing the New Federalism project, which included interviews with management and line staff from key agencies and service providers from both the TANF program and the workforce development system.
Establishing the New Service Delivery System

PRWORA led to the establishment of a new service delivery system for welfare recipients that often included restructured staff responsibilities and services within the welfare agency and greater involvement by other organizations outside the welfare agency. To provide contextual background, this section first provides a historical overview of the institutional framework within which welfare-to-work programs have evolved. It then describes major features of the TANF delivery system, highlighting the types of institutional changes welfare agencies implemented at the local level that help shape and define the new service delivery structure.

Institutional Roles before TANF

The local welfare agency has historically played the lead role in delivering various public benefits and services to eligible individuals. In carrying out their responsibilities for determining initial and ongoing eligibility for cash assistance (as well as Food Stamps and Medicaid) before TANF, welfare agencies’ highest priority was minimizing eligibility errors and issuing benefits on a timely basis (Kane and Bane 1994). Although the pre-TANF cash assistance program (known as Aid to Families with Dependent Children) had a welfare-to-work program component called the Jobs Opportunities and Basic Skills Training Program (JOBS), enacted by the Family Support Act (FSA) in 1988, it occupied a relatively small physical and ideological presence in the overall institutional structure of the local welfare agency.4

The workforce development system evolved along a separate track from the welfare system and has always been marked by a high degree of decentralization (Grubb 1999). It encompasses a broad range of employment, vocational education, and training services and programs for employers, job seekers, and students. These services are generally provided by various contracted organizations, with each locality having considerable discretion over services offered and providers involved in the system. Both the Workforce Investment Act (WIA) (formerly the Job Training Partnership Act [JTPA]) and the Employment Service, authorized by the Wagner-Peyser Act, are part of the workforce development system. WIA requires localities to provide many workforce development services, such as information about the labor market, job openings, and education and training programs at one-stop career centers.

Employment-related programs administered by the workforce development system have been involved, to varying degrees, in welfare-to-work programs over the past three decades (Pindus 2000). The Employment Service held joint responsibility with state welfare agencies for welfare-to-work efforts under the Work Incentive (WIN) program, the federally mandated work program for cash assistance recipients enacted in 1967. Welfare agencies typically referred clients to the local employment service agency for employability assessments and employment services, such as job search assistance.
Under JOBS, which replaced the WIN program, some welfare agencies contracted or partnered with the workforce development system to deliver employment-related services such as job search assistance, although this was no longer the norm (Burbridge and Nightingale 1989). Instead, because the JOBS program primarily emphasized basic skills and education, the limited interorganizational arrangements that did occur were between welfare agencies and community colleges or other education providers. Welfare recipients may still have accessed and received the services of other employment or social service organizations, but those who did generally sought and applied for services on their own, not through a formal referral from the welfare agency (Burbridge and Nightingale 1989). In general, although expectations were initially high, the institutional changes that occurred under the JOBS program were minimal (Reischauer 1989).

**New Institutional Linkages under TANF**

With the enactment of PRWORA, preestablished institutional roles began to shift. Based on the ANF case studies, it appears that while local welfare agencies maintained a role in the TANF employment program, many also involved nonprofit agencies, some designated an important role for workforce development agencies, and a few sites also included other public organizations, such as the public school system and community colleges or for-profit organizations. Table 1 shows the types of organizations involved in the welfare service delivery system in the study sites.

Two study states—Florida and Wisconsin—used welfare reform to completely revamp their service delivery systems and develop new administrative structures for managing and operating the program. Changes in most other study sites, although still substantial, were more incremental. Box 1 highlights the service delivery networks put in place under TANF in four sites.

**Major Role for Workforce Development System in Some but Not All Sites**

One major feature of the welfare service delivery system under TANF is the increased involvement of workforce development agencies. Workforce development agencies play an important role in the TANF program in more than half of the study sites. This increased involvement began before PRWORA in some states and after enactment of the federal law in others.

Of all the study states, Wisconsin took this path the furthest by developing a new administrative structure that integrated welfare programs (i.e., TANF, Food Stamps, and Medicaid) and workforce development programs in a single state agency. In Milwaukee, a single organization administers welfare and workforce development services, with county eligibility staff housed in the same offices as contracted private employment service providers.

Some sites, including Denver, Detroit/Wayne, El Paso, Houston/Harris, Minneapolis/Hennepin, and Seattle/King, transferred complete administrative responsibility for TANF employment services to the workforce development agency.
These relationships are generally not contractual, but are based on memoranda of understanding or other partnership agreements. In these local sites, the welfare agency retains responsibility for eligibility determination and all financial grant matters. The workforce development agency in turn often contracts with community-based or other organizations to provide the employment-related services to TANF recipients.

Other localities, including Boston/Suffolk, Jersey City/Hudson, and Oakland/Alameda, significantly increased TANF agency interaction with and reliance on the workforce development agency, although administrative control over the TANF work program ultimately resided with the welfare department. In these sites, the state or local welfare agency contracts with the workforce development system to provide employment services to TANF clients.

This increased reliance on workforce development agencies reflects welfare agencies’ efforts to make their cash assistance programs more employment-oriented by accessing the organizational expertise of employment agencies. While a larger role for workforce agencies is a logical development, given the increased emphasis on moving welfare recipients into the labor market, the broad common focus on employment masks some important differences between the two systems—such as overlapping, yet not identical, target populations, service needs, and employment strategies—that can make organizational coordination or integration difficult.5 These differences help account for a considerable amount of variation across the study.

<table>
<thead>
<tr>
<th>Site City/County (State)</th>
<th>Welfare Agency</th>
<th>Workforce Development Agency</th>
<th>Nonprofit Agency</th>
<th>For-Profit Agency</th>
<th>Other</th>
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Source: ANF case studies.
Box 1. Profiles of Four TANF Service Delivery Systems

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

**Miami/Dade (FL).** Reflecting an emphasis on decentralization and greater local control, responsibility for administering the TANF program (known as Work and Gain Economic Self-Sufficiency [WAGES]) was initially shared by local public-private boards (known as WAGES coalitions) that included representatives from state agencies and local government, community-based organizations, private businesses, and the welfare department. Local welfare departments were responsible for overseeing TANF eligibility and contracting for alcohol, drug, and mental health services, and local WAGES coalitions were responsible for administering TANF employment and support services. The WAGES coalition contracted with the Miami-Dade Community College and the Miami-Dade County Public School District to provide “front-end” services, including up-front assessment and job search assistance, and with more than 50 nonprofit and for-profit agencies to provide “intensive” services to those who did not find jobs. The state has continued to modify the design of its welfare system. In 2000, it shifted responsibility for the welfare-to-work program to the workforce development agency. A new group of contractors was selected and contracted provider staff were located in the workforce development one-stop centers. The welfare department continues to maintain responsibility for TANF eligibility.

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

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

sites in the degree of coordination between the welfare and workforce development systems.

As of 2000, there was still little formal collaboration between the workforce development and welfare systems in six sites. Even in these places, however, there was generally some form of coordination between the two systems. Local Welfare-
to-Work Grants (WtW) programs,6 administered through the workforce development system, often relied on TANF client referrals, and participation in WtW grant programs counted toward the TANF work requirement (Nightingale et al. 2002). In addition, welfare staff still referred some clients for other types of workforce development agency services on an informal, case-by-case basis.

In general, while increased coordination and involvement of workforce development agencies is by no means a uniform experience in the TANF service delivery system, the role of these agencies substantially increased overall in response to welfare agencies’ efforts to make welfare more work-oriented (see also GAO 2002d).

**Wide Use of Community-Based Organizations; Limited Use of For-Profits**

In addition to workforce agencies, welfare agencies also often contract with a range of organizations to provide employment-related services to TANF recipients. The majority of employment and support service contractors in the study sites are nonprofit, community-based organizations—generally either local entities or local affiliates of national organizations (i.e., the Urban League, Goodwill Industries). These nonprofits typically include organizations with expertise in addressing employment or support service needs, or organizations focused on a special population, such as a certain ethnic group or a specific type of disability. Some welfare agencies contract directly with these community-based service organizations, while others work mainly with the workforce development agency, which in turn often contracts with community-based providers.

While many welfare services were privatized under TANF, this shift primarily reflects increased contracting with the nonprofit rather than the for-profit sector. Only a few study sites contract with for-profit organizations for client services, and the few that do also contract with various other organizations. For example, the welfare agencies in both Los Angeles and San Diego use for-profit companies in addition to community-based organizations and public agencies to provide case management and employment services. Some of the for-profit agencies have previous experience in this area while others do not.

**Large Number of Providers and a Range of Services**

The number of organizations involved in the welfare service delivery system has proliferated under PRWORA. Many welfare agencies in this study contracted with a large number of organizations to provide employment services such as job search, as well as education and training and a variety of social services. In Buffalo, the welfare department contracts with more than 20 different providers, including community-based organizations and community colleges, to operate employment and training programs for TANF recipients. The programs in Detroit/Wayne and Minneapolis/Hennepin use more than 30 providers. In other sites, TANF agencies tend to use a smaller, but still significant, number of providers—in some cases the smaller number of outside contractors simply reflects the limited supply of providers in the community.
The reasons for expanding the pool of providers involved in the TANF service delivery system vary. Political considerations sometimes played a role, resulting in the involvement of many nonprofits, with different organizations representing different constituents in the community. Some welfare agencies turned to using numerous providers because no single organization could handle the increased number of clients subject to work participation requirements or provide the diversity of services and expertise needed. In some sites, such as Milwaukee, engaging the services of several providers was a deliberate effort to foster competition between the different agencies to produce higher quality services and better outcomes.

Table 2 shows the types of services provided by contracted agencies in each of the study sites. Overall, most TANF agencies contracted with outside providers to obtain direct employment services, such as job search or education and training classes. In addition, over half contracted for case management services, such as monitoring and tracking client participation, determining the type of services individuals receive, determining compliance with program requirements, and enforcing time limits. A similar proportion contracted for specialized services for hard-to-employ individuals, including domestic violence, mental health, and substance abuse treatment services. Several sites contracted for other services such as assessment, mentoring, and services for families that reached time limits.

<table>
<thead>
<tr>
<th>Site City/County (State)</th>
<th>Employment Services</th>
<th>Case Management Services</th>
<th>Services for Hard-to-Employ</th>
<th>Other</th>
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Source: ANF case studies.
The Changing Role of the Welfare Agency

The roles and responsibilities of the welfare agency changed not only by forging and expanding ties to outside organizations, but also through internal reorganization.

**Increased Focus on Employment, but Eligibility Determination Still Important**

In all study sites, the welfare agency maintained control over eligibility and other matters related to the provision of cash benefits, including imposing sanctions for noncompliance that reduce or eliminate TANF payments to families. However, similar to what other research has found (see Gais et al. 2001; Lurie 2001), most local welfare offices also changed their “message” to TANF clients, placing a stronger emphasis on employment and letting individuals know that the terms and conditions of welfare receipt have changed. This message is primarily conveyed during individual or group orientation sessions—often required before an individual can complete the application process—and by posting information on work requirements, time limits, and sanctions in office waiting rooms.

In the interest of providing alternatives to welfare to people who may only need short-term assistance, many study sites provided one-time lump-sum payments in lieu of ongoing cash assistance. However, the utilization rates for these programs was consistently low. Some sites also added job search requirements that had to be fulfilled before TANF benefits were approved or provided formal referrals to programs other than TANF, although these were not common (Holcomb and Martinson 2002).

While these changes in the application process altered the “front-door” experience of TANF applicants, traditional matters concerning eligibility such as processing applications and verifying information continue to receive high priority within local welfare offices and still dominate much of the application process. The post-welfare reform difference is that the eligibility focus is supplemented with a much stronger message about the importance of work and personal responsibility.

**Restructuring In-House TANF Staff Responsibilities**

To shift the focus of cash assistance from income maintenance to helping families become employed, some welfare agencies restructured in-house staff responsibilities. Some sites integrated frontline responsibilities for TANF eligibility determination and TANF work program participation into a single staff position instead of adhering to the more traditional approach of keeping the two functions separate. This integrated staffing approach is intended to instill a strong work message throughout clients’ tenure in the TANF program and permit a more holistic approach to client service—the assumption being that one worker (rather than two) can better assess and address the whole range of client needs, eliminate gaps in services due to coordination difficulties, and develop stronger case management relationships with clients.
Although the integrated case worker approach has generated much interest, it is by no means a universal trend. Table 3 shows the different welfare staffing approaches taken in the study sites. Of the 17 sites, only 3 (Boston/Suffolk, Detroit/Wayne, and Seattle/King) completely integrated the TANF eligibility and employment case management functions under one worker. Even these sites still rely on outside service providers to deliver actual employment services, such as short-term training or job club.

When the welfare agency maintains involvement in the TANF work program, the more common staffing arrangement (found in 8 of the 17 ANF sites) is the traditional one in which eligibility-related duties are assigned to one set of welfare agency staff (who typically also handle eligibility for other assistance programs) and employment-related service planning and monitoring participation are assigned to another set of welfare agency staff.7

For example, in Birmingham/Jefferson, an eligibility worker determines eligibility for benefits and exemptions from the work requirements, while a staff person in another unit within the welfare office is responsible for case management, including individual case planning, linking clients with services, and monitoring participation. The decision to favor specialization over integrating eligibility and work responsibilities is also evident in sites such as El Paso, Houston/Harris, Minneapolis/Hennepin, and Tampa/Hillsborough. In these sites, the welfare agency maintains responsibility for eligibility-related matters in-house but transfers all staff responsibilities related to the employment aspects of a case (including monitoring participation and provision of services) to other entities, such as the workforce development agency and contracted providers, that have greater expertise in employment-related matters.

<table>
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<th>Table 3. Staffing Strategies</th>
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<td>Strategy</td>
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<td>Welfare agency has integrated eligibility and employment staff</td>
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<td>Welfare agency has separate eligibility and employment staff</td>
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<td>Welfare agency responsible for eligibility, other providers responsible for employment services</td>
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Source: ANF case studies.

a. With reliance on outside contractors to provide employment services in most sites.
Agencies using this specialized staff approach preferred it to an integrated case worker model because it allows staff to develop expertise in one area. This is particularly relevant because eligibility-related work and welfare-to-work case management generally require very different knowledge bases and skill sets. Eligibility work is often described as “black and white”—governed by rules and regulations and requiring little worker discretion. In contrast, the job of helping clients achieve self-sufficiency is often characterized as “soft” or “gray,” and requiring more individualized service planning and assistance.

**Contracting for Services Versus Providing Them In-House**

There are trade-offs involved in contracting for some or all TANF work-related services versus building capacity to provide them in-house with welfare agency staff. While welfare agencies in most study sites contracted out for direct employment services, some also maintained a role for their staff in operating some aspects of the TANF work program, primarily case management services. In these sites, the welfare agency generally needed to increase staffing levels to compensate for the additional workload associated with moving more clients into employment. When this occurred at an adequate level, agency administrators and staff tended to prefer this approach because it gives staff more control over how services are delivered to clients.

However, welfare agencies in some sites were unable to add new staff because of budget-related hiring restrictions or lengthy hiring procedures. When hiring staff to fill case management positions, some sites also found that internal candidates (many of whom came from an eligibility background) did not have the education, experience, or skills to provide effective assistance in moving welfare recipients into the labor market (see also Klerman et al. 2000). In the face of these kinds of considerations, some sites that contracted out for TANF case management services found that they could staff the program relatively quickly with individuals who had more relevant expertise than their internal candidates.

Jackson/Hinds provides an example of the trade-offs involved in this decision. After initially contracting for both case management and employment services, the welfare department decided a year and a half later to bring all services back in-house. This decision was made for a number of reasons, including poor performance by contractors, lack of control over case management services, and the ability to provide pay raises and career advancement for their own eligibility workers (see also Breaux et al. 2000).

**Managing the New System**

Under PRWORA, the welfare service delivery system in many localities has broadened and now includes an array of local organizations. This section discusses three major challenges that confronted TANF programs when designing and operating the new service delivery network: developing program services, managing the client flow, and ensuring accountability.
Developing Program Services

The major TANF implementation challenge states and localities initially faced was to put into practice a combination of requirements and services that would quickly move many TANF clients into employment. The strategy commonly adopted at the outset of PRWORA came to be known as “Work First” and typically required participation in job search and, to a lesser extent, other employment-oriented activities (Holcomb et al. 1998). After the first few years of TANF implementation, some states and localities modified their Work First approach to include a stronger focus on serving hard-to-employ welfare recipients and/or providing retention and advancement services to welfare recipients who found jobs (Holcomb and Martinson 2002).

New Service Delivery Systems Generally Facilitated Program Development but Complicated Enforcing the Work Requirement

In general, developing a more broad-based service delivery system allowed sites to move relatively quickly to establish their Work First programs. This was in large part a result of the increased capacity brought by the workforce development system and community-based organizations. In spite of the time involved in establishing these partnerships, most sites would have not been able to “ramp up” as quickly if other organizations had not been involved in providing services. Later, as TANF agencies began to explore how they could better serve those with multiple barriers to work, involving a broader range of providers in the system allowed TANF agencies to adapt their welfare-to-work programs to the changing needs of their clientele by providing a combination of quick employment services and more intensive case management and support services for hard-to-employ clients.

While increasing capacity by including new providers helped facilitate the implementation of additional employment and supportive services, it also created a more complex system for managers, front-line staff, and clients to navigate, and complicated the implementation of various program features. The implementation of sanction policies provides an example. In several sites, contracted service providers are responsible for identifying whether a TANF recipient is noncompliant with program requirements (e.g., failing to attend the required work activities), while the welfare department is responsible for actually initiating and enforcing a sanction. In Minneapolis/Hennepin, it is generally recognized that the 32 contracted providers vary on how quickly they impose sanctions, with some more lenient than others. In Los Angeles, in-house TANF staff review all sanction requests because of concerns about contractors making discretionary decisions.

Development of the New System Was Time-Consuming and Labor-Intensive

In most cases, creating new administrative and organizational mechanisms to provide services often proved time-consuming, requiring substantial staff resources at
several administrative levels. First, decisions about with whom to contract or partner had to be made. Then, the terms of the partnership—particularly determining exact roles and responsibilities—had to be defined. In many sites, this was followed by a Request for Proposal (RFP) process and development of contracts and payment mechanisms.

All this system development took tremendous energy on the part of the organizations and staff, with the necessary arrangements established more quickly in some sites than others. Welfare agencies in some sites had more experience working with other organizations and establishing contracts, but those with less experience found this process more challenging. In Miami/Dade County, for example, developing local WAGES coalitions—a new organizational entity established by the state’s welfare reform legislation and requiring collaboration with other key agencies—and contracts with WAGES service providers delayed the implementation of many services. The full range of services and supports envisioned in the local plan did not become available to recipients until 15 months after the program officially began (Fink and Widom 2001).

Another common implementation challenge was establishing working relationships with organizations—particularly nonprofit community-based organizations—that often had little or no prior interaction with the welfare agency and were not familiar with or necessarily supportive of certain TANF rules regarding work requirements, sanctions, or time limits. Although community-based organizations were often chosen as partners in the TANF program because of their strong ties to their communities and history of serving disadvantaged populations, most sites had to educate these organizations on the mission and rules of TANF.

Community-based organizations were also not accustomed to keeping track of clients as the TANF program required—particularly providing information needed for determining participant compliance, enforcing sanctions, determining contractor performance, or producing the required paperwork. Many were small organizations without the capacity or experience to serve large numbers of TANF clients or the infrastructure necessary for fiscal or performance accountability.

**Managing Client Flow and Information**

Creating a more complex service delivery system heightens the importance of coordination and the need for a seamless system that clients can easily navigate, with a clear handoff between staff at different organizations. This has been a particularly challenging implementation issue under TANF because of the large volume of clients participating in work program activities (compared to the past) as well as the numerous organizations involved in delivering services.
Even in sites with relatively simple service delivery models, clients are often referred from an eligibility worker to a case manager—both located at the welfare department—and then to a contractor for services. In other places, clients must interact with a number of staff at different organizations. For example, in some sites TANF clients interact with an eligibility worker responsible for initial eligibility determination, another eligibility worker who handles the ongoing financial aspects of the case, a case manager at a workforce agency that coordinates employment services, and a staff person responsible for overseeing individual-level services at a contractor.

**Defining Roles and Responsibilities of Organizations Is Sometimes Difficult**

Deciding who ultimately assumes responsibility for clients at the line staff level—the contractor, the welfare department, or the workforce development agency—often took time to work out. When organizational responsibilities were not well defined, difficulties resulted, such as clients falling through the cracks, low participation levels, and the need for complex information-sharing systems. Sometimes several variations of the client flow were tried before interorganizational arrangements came together and worked smoothly.

The TANF service delivery system in Denver, for example, initially experienced some problems because of lack of clearly defined responsibilities between welfare and workforce staff. Confusion arose over who held responsibility for maintaining participants’ employment plans, because staff from both systems provided case management services to TANF recipients. In Miami/Dade, the Employment Service was originally charged with delivering initial job placement services and the WAGES coalitions were responsible for providing services to those who did not find jobs. This organizational arrangement broke down because the Employment Service was unable to handle the volume of clients and the local WAGES coalitions were slow to put more intensive services in place (see also Botsko et al. 2000; Crew and Davis 2000). The system was eventually simplified, with local WAGES coalitions vested with complete authority for moving individuals into work. More recently, in an effort to further streamline workforce development efforts, authority for the TANF program was shifted from the WAGES coalitions to local workforce development boards (see also Brock et al. 2002).

In some sites, service providers’ ability to effectively operate in the TANF service environment was confounded by problems with referral processes between the TANF agency and providers. In some cases, the referral process itself contained flaws that needed to be worked out. In other cases, referrals to providers were made unsystematically and unevenly, or providers’ service capacity exceeded demand. For example, in Oakland/Alameda, Denver, and Jersey City/Hudson, providers did not receive enough referrals from the welfare department and found it necessary to conduct outreach into the community to recruit clients. In these places, as well as others, there was competition for program participants—with too many providers trying to recruit too few clients.
Communication Problems Are Exacerbated by the Lack of Effective Management Information Systems

As might be expected, sites experienced communication problems between the different organizations involved in providing services on such issues as tracking participation, determining exemptions, and imposing sanctions. Communication problems were exacerbated by the lack of good management information systems, which are critical if different organizations are involved in providing services to individual clients. Often one organization is responsible for tracking an individual’s participation in program activities, while another may be responsible for enacting sanctions or exempting individuals from program activities. This division of responsibility requires systems to be developed that allow staff from different organizations to access information on the status of individual clients.

In general, the development of effective management information systems lagged behind the implementation of other program aspects, often because of the time involved in establishing these information systems (Nathan and Ragan 2001). Development was also complicated by TANF’s new demands on these systems, including tracking time limits and participation in multiple services and programs (GAO 2002a). Many sites continue to grapple with these demands several years after TANF implementation. In Los Angeles, the computer database could not handle the number of transactions required to track so many people in so many programs. Most transactions were still handled on paper, and then entered by teams of data entry workers. As a result, line workers and supervisors could not get accurate and timely information about their caseloads. In Oakland/Alameda and Miami/Dade, new automated systems were developed after other systems failed to provide the information necessary to operate the program efficiently.

Colocation Improved Communication Issues and Client Access to Services

Many sites simplified the system that TANF clients must navigate by colocating services and staff in the same physical location when possible. Colocation also facilitates easier and more timely communication between systems. For example, in Milwaukee, eligibility and contracted employment staff are colocated in one-stop centers. In Seattle/King, where case workers are responsible for both eligibility and employment services, job search classes provided by the workforce development system are conducted in the same location as the TANF case workers.

Several sites provided various services for the hard-to-employ at the TANF office by having specialized staff from a contracted agency on site. In Denver, a program to assist individuals with mental heath, substance abuse, and domestic violence issues is provided by several contracted organizations, many of whom are located at the TANF office. In Boston/Suffolk and Oakland/Alameda, domestic violence counselors from contracted providers are outstationed in TANF offices. In New Jersey/Hudson, a vendor at the welfare office provides assessments and referrals for individuals with substance abuse problems. Sites with colocated services reported that colocation increased the likelihood that clients receive a coordinated set of services and that client barriers to employment are identified and addressed.
Fostering High Performance and Ensuring Accountability

The increased complexity of the TANF service delivery system, greater involvement of workforce development agencies, and the general proliferation of providers involved in the system has led to new arrangements for paying providers, monitoring performance, and ensuring quality and accountability. A difficult and ongoing implementation issue, many sites have tried a variety of management tools, contracting approaches, and performance measures. Even in places that made significant progress in these areas, there is continuous need for adjustment and refinement in response to lessons learned, new opportunities and constraints, and changing service needs.

Increased Use of Performance-Based Contracts

Under PRWORA, the increase in contracting by TANF agencies was accompanied by increased use of performance-based contracts. In the late 1970s and 1980s, most welfare offices paid contracted providers on a cost-reimbursement basis, where providers were paid based on the number of clients they served (Pavetti et al. 2000). During the same period, the workforce development system (under JTPA) shifted from using cost-reimbursement contracts to fixed-price contracts, which typically made milestone payments based on performance-based outcomes such as job placement, wages, and job retention. Under the JOBS program, there was some use of performance-based contracts largely modeled after those in place under the workforce development system, but this form of contracting was still uncommon (Kramer et al. 2002).

Under PRWORA, cost-reimbursement contracts still predominate, but performance-based contracts—or relying on performance-based measures to evaluate contractor performance—have become more common (GAO 2002b). In fact, many study sites—including Miami/Dade, Milwaukee, Oakland/Alameda, San Diego, and Tampa Bay/Hillsborough—relied exclusively on performance-based contracts to pay employment service providers. The performance measures used in these contracts are relatively consistent across the sites and rely on an array of outcomes including participation in program services, employment, retention, wage increases, and exits from TANF.

A few sites augmented these measures with more innovative payment incentives. In Tampa, providers are paid bonuses for re-engaging sanctioned clients, engaging clients in vocational training, or placing individuals in jobs that make a certain amount above the minimum wage. Some sites, such as Jersey City/Hudson, use a combination of payment methods, reimbursing providers for part of their costs through a cost-reimbursement mechanism and the remainder through a performance incentive structure.

Several sites continue to rely on cost-reimbursement contracts, but collect and evaluate provider performance based on a set of outcome measures. In Minneapolis/Hennepin, providers are paid a fixed price per slot but “graded” by the workforce development agency that oversees their contracts. Grades are based
on employment rates, wages, terminations from TANF, and job retention, with different measures given different weights. Contractors are dropped if they perform poorly during the contract period. In Florida, the state WAGES board monitors the performance of local coalitions using similar criteria.

**Difficulties Encountered in Using Performance-Based Contracts**

Study sites’ experiences with performance-based contracting suggest that administering a pay-for-performance reimbursement system is more complicated than administering a cost-reimbursement system. In particular, reaching agreement between the administering agency and the contractors on measures and payment levels was difficult and time-consuming in several sites. Some sites also found it difficult to obtain the data needed from the service providers to operate a performance-based system because contractors had little experience in collecting the documentation required and were not equipped to handle the reporting requirements.

Several sites had to significantly revise their contracting process because of these issues. Jersey City/Hudson spent several years working out problems with their TANF contracting system, an endeavor which included bringing in a new agency to oversee the contracts and hiring a consulting firm to write RFPs and oversee attendance reporting. Oakland/Alameda and San Diego established an internal contract monitoring team as well as independent auditors to oversee contractors and verify performance data. In Miami/Dade, the initial contracts were poorly written and did not spell out expectations; it was hard to hold providers to performance-based contracts and the contracts had to be subsequently revised.

In spite of these difficulties, most sites found performance-based contracting useful for improving accountability in the system. Several sites, such as Jersey City/Hudson, dropped providers they found were not performing. In Seattle/King, where staff were evaluated based on similar criteria as those used for the providers, information on the specific outcomes of providers greatly affected staff decisions about which provider they chose.

**Factors Contributing to Institutional Change**

TANF implementation has in most cases altered the welfare service delivery system to include a stronger message that employment is the goal of welfare, new staffing arrangements to facilitate moving larger number of individuals into employment activities, and more coordination and collaboration with other organizations and agencies. These developments typically have not created a wholesale transformation of the welfare system; the business of determining initial and ongoing eligibility for cash assistance, food stamps, and medical assistance remains a critical function of these agencies. At the same time, the enactment of PRWORA has contributed to significant changes in the institutional culture and structure of welfare.
It is important to understand the conditions that changed the welfare environment, as past research has found that the welfare bureaucracy is generally immune to change (Meyers et al. 1998). In addition, research has shown that efforts to coordinate service delivery with other agencies have had only limited success owing to a range of issues including lack of leadership, lack of perceived benefits, conflicting goals, and different accountability systems (Martinson 1999). While the range and intensity of institutional change associated with welfare reform vary considerably across states and localities, the strong interorganizational dimension of TANF implementation has been shaped by a few distinctive factors.

**Broad Programmatic Flexibility**

PRWORA established a block grant funding structure for TANF that gave states and localities much broader flexibility to design their cash assistance programs. Unlike the past system, which was infused with numerous and often competing federal regulations (Nightingale 1990), TANF gave states broad latitude to redesign their programs—albeit with some mandates, particularly in terms of work participation requirements. This new autonomy greatly energized the system and spurred states and localities to make significant changes they would not have contemplated in the past, even though some may have been possible under the old law.

The high-profile nature of welfare reform also helped galvanize and sustain the momentum necessary to overcome ingrained bureaucratic inertia. Welfare reform figured prominently on the political agendas of many state governors, giving state and local agencies greater impetus to develop new organizational and service strategies for implementing policy reforms. Extensive media coverage on welfare reform in a devolved policy environment also helped generate greater awareness and focus on state and local implementation.

**Significant Financial Resources**

The financial resources available through the TANF block grant created an opportunity to take maximum advantage of the flexibility afforded states and localities under the new law. With caseloads declining and the TANF block grant set at a fixed level, the welfare system had significantly more resources than previously to create different institutional arrangements for service delivery. The ability to pay for services through contracts with outside organizations thus opened up a whole host of opportunities for increased control over the design, content, and delivery of services. Conversely, organizations that may have been reluctant or disinclined to work with the welfare agency now had both financial incentive and support to do so.

In contrast, under FSA, in large part because of the recession in the early 1990s, states and localities generally did not have sufficient resources to leverage the services of other organizations on a significant scale. Welfare-to-work programs of that era generally relied on making referrals to other existing community programs and services, which may or may not have been designed to meet the needs of welfare...
recipients. Organizations providing these services were generally not given any financial incentive to accommodate the needs of the welfare population.

**Mandate to Serve More Individuals with a Broader Range of Services and Supports**

Prompted by stricter work participation requirements in PRWORA, states dramatically increased the number of individuals subject to work requirements (by narrowing or eliminating exemptions) and included more employment-related activities. Moreover, the establishment of time limits on eligibility for cash assistance argued for providing the services needed to move individuals into work in a timely manner. In response to these new demands, state and local welfare agencies had to expand capacity relatively quickly—and many did this through contracting with other organizations.

The pressure to redesign existing welfare-to-work programs to meet stricter participation requirements was most pronounced in the early stages of TANF implementation, before it became clear that states would easily meet the increased participation rates.10 State and local welfare agencies developed work-oriented activities, primarily job search, because they were the quickest path to employment, the most ideologically consistent with the focus on work, and the easiest to expand to accommodate a large number of participants.11 Many welfare agencies found they were best able to meet this challenge by involving organizations with expertise in employment services.

As some welfare agencies became more focused on the needs of their hard-to-employ population, there was an increased need to expand organizational ties with other types of providers. Because welfare agencies were inexperienced with serving the hard-to-employ and unsure which interventions were most effective, many relied on organizations with expertise serving this population so they could better address the needs of the hard-to-employ. This reliance also broadened and diversified the type of providers that were brought into the service delivery mix.

**Conclusion**

Although the rhetoric surrounding the passage of PRWORA consistently suggested that significant changes in policy direction and priorities could not be achieved without “changing the culture of welfare” offices (Hercik 1998), there was initially some concern whether the long-entrenched welfare bureaucracy could convert to a work focus under the new welfare law. The changes in the institutional structure and linkages of the welfare delivery system were larger than might have been expected, as large bureaucracies are often resistant to change and little occurred under previous welfare reform efforts.

In spite of these issues, there were immediate and substantial changes to the welfare service delivery system under PRWORA in response to its new work-focused
mission, with states and local administrators bringing much energy and commitment to restructuring the welfare system. And this effort is ongoing, with the system continually evolving as states and localities set out to address new challenges and continue to build on the experiences gained to date. The extent to which some welfare agencies have experimented with their service delivery systems, established new relationships with different types of providers, and sought to pull together a wider range of services for clients is noteworthy, and one not experienced on this scale in past efforts to reform the welfare system.

But TANF has also resulted in a more complicated service delivery system that is prone to coordination difficulties, mixed messages, clients falling through cracks, and other problems. This is not surprising given the magnitude of institutional change that has occurred in such a short period. While substantial progress has been made, there are three areas that need continuing attention.

First, the number of providers involved in many of the systems warrants attention to ensure that services are consistently high quality. Other studies have noted that the new institutional relationships under TANF are unstable and may not result in service quality over the long run (Brodkin et al. 2002). The performance-based systems that are increasing under TANF provide some accountability, but they can also encourage “creaming,” or focusing on the job-ready. Therefore, program operators need to look beyond narrowly focused employment measures to assess and improve the quality of services. This is particularly important for specialized services developed for the hard-to-employ.

Second, the service delivery network’s increasing complexity in many localities warrants increased effort to coordinate the services of the many players involved in the system. In particular, further development of more sophisticated management information systems appears critical and has not received sufficient attention.

Finally, more individuals have begun to reach their time limits in many sites. Like sanctioning, time limits may be a difficult piece of the program to implement consistently and effectively if a range of organizations are involved in different steps leading to the termination of benefits. Attention needs to be paid to the processes for individuals who reach their time limit, to ensure that institutional responsibilities for addressing the needs of these families are clearly defined.
Notes

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

2. State-level policy and organizational changes are not considered in this paper although they may also be occurring in tandem with or driving many of the local-level changes described here.

3. Urban Institute study teams visited each of the ANF sites and conducted semi-structured interviews with staff responsible for TANF, workforce development, child care, and child welfare. These interviews with staff were conducted at both the state level and local offices. Discussions with advocates and other knowledgeable people in the community were used to supplement information from interviews with agency staff. State updates based on the case studies are available at http://newfederalism.urban.org/html/state_focus.html.

4. Welfare staff assigned to the welfare-to-work program component typically fulfilled a case management function, which generally included referring participants subject to the work requirements to existing educational and training resources in the community, monitoring clients’ progress, and perhaps providing some form of job search assistance or referring clients to contracted job search providers.

5. For example, under JTPA (WIA’s predecessor), several studies documented that the workforce system sometimes experienced difficulties delivering services to more disadvantaged individuals with a wider range of barriers to employment—the group typically served through the welfare system (Martinson 1999). In addition, the welfare and workforce systems have differed in the emphasis placed on education and training as a route to employment. Even before the 1996 welfare law, but particularly when TANF was first implemented, programs operated by the welfare system took a primary interest in efforts to find job placements quickly, and had less interest in placing clients in the longer-term training provided by the workforce system (Grubb et al. 1999).

6. The WtW Grants Program, authorized under the Budget Reconciliation Act of 1997, provided grants for states and localities to help the least employable welfare recipients or the noncustodial parents of recipient children move into and retain jobs. WtW grants are administered through the WIA system of Workforce Investment Boards (WIBs), in coordination with state and local TANF agencies.

7. An experimental study comparing the integrated and specialized approach to case management found that the integrated approach engaged more people in welfare-to-work activities. Both approaches raised employment and earnings by about the same amount, while the integrated approach resulted in greater reductions in welfare receipt—probably because staff responded more quickly to changes in employment and eligibility status (Scrivener and Walter 2001).

8. The increased focus on the hard-to-employ stemmed from a combination of factors: caseload declines which resulted in a more difficult to serve population remaining on the rolls, narrower exemption policies than in the past, and a mounting urgency due to impending time limits to better help the more difficult cases requiring additional services to transition off welfare.

9. Because of the effect of the recession on state budgets, many states could not spend enough of their own money to draw down their entire federal JOBS funding allotment.

10. Because of the caseload reduction credit provision in PRWORA, which allowed states to reduce their participation rate when the TANF caseload declined, it was generally much easier than initially anticipated for states to meet the work requirements for single-parent families.

11. Some states and localities also designed short-term, employment-oriented education and training activities.
References


GAO. See U.S. General Accounting Office.


REFORMING WELFARE: INSTITUTIONAL CHANGE AND CHALLENGES


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