

SUMMARY REPORT

Welfare Reform in Los Angeles

Implementation, Effects, and Experiences of Poor Families and Neighborhoods

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David Seith



The Project on Devolution and Urban Change

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BUILDING KNOWLEDGE
TO IMPROVE SOCIAL POLICY

August 2005

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and Urban Change**

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**Denise F. Polit
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**with
Sarah Rich**



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Overview

The 1996 national welfare reform law imposed a five-year time limit on federally funded cash assistance, established stricter work requirements, and provided greater flexibility for states in designing and managing programs. This report — the last in a series from MDRC’s Project on Devolution and Urban Change — describes how welfare reform unfolded in Los Angeles County (particularly between 1998 and 2001) and compares welfare reform experiences and outcomes there with those in the other three Urban Change sites: Cuyahoga County (Cleveland), Miami-Dade County, and Philadelphia.

Los Angeles is a big and complex urban county, with a welfare caseload that is larger than that of 48 of the 50 *states*. In addition to its sheer size, the Los Angeles story is also unique among the four Urban Change sites because its new welfare policies were gentler on families, with time-limit and sanctioning rules that continued to provide benefits to children and with other policies that made it easier for welfare recipients to increase their income by combining welfare and work. That said, the welfare reform experience in Los Angeles paralleled in many ways what happened in the three other Urban Change counties: The county had a rigorous work participation requirement that typically kicked in after a recipient had been on welfare for 18 months, and it developed policies to help move welfare recipients into jobs; over time, more recipients did go to work. Neighborhood conditions also generally got better. However, most recipients still remained poor, and those who worked were usually in low-wage jobs without benefits.

While welfare caseloads declined significantly both in Los Angeles and nationwide, a higher proportion of people remained on welfare in Los Angeles than in the other three Urban Change counties, and fewer left welfare for work. Policies that allowed welfare recipients to stay on the rolls with fairly high earnings also increased people’s connection to support services, and — perhaps as a result — household incomes were higher than in the other sites. Contrary to national trends during the 1990s, however, the concentration of poverty increased in Los Angeles, likely driven by an influx of poor immigrant families into particular neighborhoods.

Analyses of trends before and after the new welfare law took effect are mixed in Los Angeles. They suggest that state and county policies encouraged people to leave the rolls and discouraged people from coming onto the rolls but that they also increased the likelihood that former recipients would return to the rolls. Although welfare recipients were more likely to work over time, the trends do not suggest that this was because of the county’s efforts. Instead, the burgeoning economy was probably an important force behind improving conditions.

Overall, the Urban Change project suggests that neither the fears of welfare reform’s critics nor the hopes of its supporters appear to have been realized. There is no evidence that welfare reform caused widespread hardship, but families were not substantially better off financially even though many parents went to work. Looking ahead, the central challenge facing welfare policymakers is how to devise strategies to help low-wage workers acquire the skills needed to advance and how to support low-wage workers, perhaps by helping families use such work supports as food stamps, Medicaid, child care subsidies, and the Earned Income Credit — in effect, building a safety net around work and earnings.

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Preface

This report concludes the main portion of MDRC's Project on Devolution and Urban Change, an eight-year effort to chart the course of welfare reform in four big urban counties: Los Angeles, Cuyahoga (Cleveland), Miami-Dade, and Philadelphia. The goal of the study was to find out whether federal welfare reform would lead to meaningful changes in urban welfare bureaucracies and to learn how time limits and other policies would affect the poorest families and neighborhoods. Given the broad sweep of the overhaul, the Urban Change study used a variety of qualitative and quantitative methods to examine how governments, neighborhoods, and families experienced welfare reform over a several-year period. This report describes what we found in Los Angeles County, but it also offers lessons from across the four sites that are important for assessing the success of welfare reform so far and for continued discussions about the reauthorization of the federal program.

In Los Angeles County, we found a welfare agency that took seriously the task of helping people find work and provided generous benefits and other provisions to help ensure that families were better off if they did go to work and were not worse off if they could not. Implemented during an improving economy, welfare reform in Los Angeles County did not lead to the ruinous effects that some people feared, but many families and neighborhoods remained in distress at the end of the study period.

Across the four Urban Change cities, we found four very different approaches to welfare reform but remarkably similar results. Cuyahoga County enforced a relatively short time limit but, for those who reached it, provided a rich array of support services. Miami-Dade County likewise enforced a short interim time limit but provided little help preparing recipients for work and sanctioned a high proportion of people who did not comply with requirements. Philadelphia had relatively weak requirements for recipients to work or look for work, and it granted many extensions to the program's time limits. Despite these differences, welfare caseloads were down in all four counties; conditions improved in high-poverty and high-welfare neighborhoods in all four counties; and welfare recipients who were surveyed at two points in time were more likely to be working and to be financially better off in 2001 than in 1998.

The Urban Change findings contain a number of lessons to inform both state policy and the ongoing debate about reauthorization of the federal welfare law. First, the federal welfare block grant's flexibility and funding level were crucial in helping the cities and states develop and provide services that they deemed best suited to their welfare programs. Second, even though participation rates and employment rates soared and welfare receipt plummeted, none of the cities would have met the participation rates and work-hour requirements now being considered by Congress. Third, expanded earned income disregards that let welfare recipients keep

some of their welfare benefits when they went to work helped to boost participation rates and provided crucial economic support to families who took low-quality jobs, but these short-term benefits had the unintended effect of reducing the time that it would take families to reach federal time limits. Fourth, helping former welfare recipients stabilize what appears to be a precarious foothold in the labor market and obtain better jobs may require outreach to help families receive work supports for which they are eligible, like the Earned Income Credit, and specialized skill-building programs designed to upgrade the skills of working parents. Finally, in all four cities, the needs of the working poor and the problems of the hard to employ loom large. As states continue to seek solutions to these relatively new problems, they need both substantial flexibility to try new approaches and better evidence about what works.

Gordon L. Berlin
President

Acknowledgments

This report represents the culmination of several years of research and could not have happened without the support of many people. We especially thank the families — predominantly low-income women with children — whose lives are represented in the statistics and stories throughout this volume. We hope that the report reflects their experiences and contributes to policy decisions that will improve their lives and opportunities.

We are particularly grateful for the many kinds of support we received from administrators and staff in both Los Angeles and California. Bruce Wagstaff at the California Department of Social Services and Bryce Yokimozo, Phil Ansell, and Henry Felder of Los Angeles County Department of Public Social Services (DPSS) have provided invaluable support for MDRC's research agenda. At DPSS, Eileen Kelley, Sandra Garcia, Lisa Nuñez, Barbara Sullivan, Luther Evans, Victoria Evers, Gail Dershewitz, and Michael Bono at various times helped to smooth the path for our research and generously responded to questions. We also want to thank the directors and staff of the Greater Avenues for Independence (GAIN) regional offices and the California Work Opportunities and Responsibility to Kids (CalWORKs) district offices who discussed policy and office practices and who arranged for us to observe participant services: Jackie Mizell-Burt, Ida Rivera, Pamela Chilton, Viola Sanders, Dennis Veals, and Rita Figueroa. Thanks also to Colleen Cunningham, Gerardo Chiquito, and Mayindi Mokwala for their assistance in confirming details of policy implementation and in reviewing an early draft of this report.

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We received helpful written feedback on a draft of the report from Elizabeth Lower-Basch at the U.S. Department of Health and Human Services. Within MDRC, we received substantive advice on several drafts from Gordon Berlin, Thomas Brock, John Hutchins, Judy Gueron, Howard Bloom, and Barbara Goldman.

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The Authors

Summary Report

The 1996 national welfare reform law imposed a five-year time limit on federally funded cash assistance, imposed stricter work requirements, and provided greater flexibility for states in designing and managing programs. This report — the last in a series from MDRC's Project on Devolution and Urban Change — describes how welfare reform unfolded in Los Angeles County (particularly between 1998 and 2001) and compares welfare reform experiences and outcomes there with those in the other three Urban Change sites: Cuyahoga County (Cleveland), Miami-Dade County, and Philadelphia.

Los Angeles is a big and complex urban county, with a welfare caseload that is larger than that of 48 of the 50 *states*. That said, the welfare reform experience in Los Angeles paralleled in many ways what happened in the three other Urban Change counties: Over time, more welfare recipients were working; their job quality and incomes improved, and their poverty rates went down; and neighborhood conditions generally got better. However, most women remained poor, and those who worked were usually in low-wage jobs without benefits.

In other ways, the Los Angeles story is unique among the four Urban Change sites. For instance, California's new welfare policies were gentler on families, with time-limit and sanctioning rules that protected children and with other policies that made it easier for welfare recipients to increase their income by combining welfare and work. However, California also had a rigorous work participation requirement that was designed to kick in after a recipient had been on welfare for 18 months.

While welfare caseloads declined precipitously nationwide, substantially more people remained on welfare in Los Angeles than in the other four Urban Change counties, and fewer left welfare for work; but more people in Los Angeles remained connected to safety net services, and household incomes were higher than in the other sites. Contrary to national trends during the 1990s, however, the concentration of poverty increased in Los Angeles — driven presumably by an influx of poor immigrant families into particular neighborhoods.

After presenting a digest of the study's findings, this summary report offers background on the Urban Change study in Los Angeles, depicts the county's demographic and economic environment, describes the implementation of welfare reform, explains the effects of reform on welfare receipt and employment and on the lives of welfare recipients, describes what happened in Los Angeles neighborhoods during welfare reform, and concludes with policy implications drawn from conclusions from all four Urban Change sites.

Findings in Brief

The Los Angeles Welfare Program

- **Los Angeles County’s caseload is large and diverse.** The welfare caseload in Los Angeles is the largest in the country and is highly diverse, with nearly half the recipients not being native English speakers. The size and complexity of the county’s welfare agency created a challenging environment for implementing reform.
- **The CalWORKs program added time limits and rigorous participation requirements.** The most significant changes introduced by California’s welfare law — California Work Opportunities and Responsibility to Kids (CalWORKs) — were lifetime time limits for welfare receipt and mandatory participation in work-related activities for the entire nonexempt caseload. California’s program also initially included (until December 2004) a “work-trigger” time limit mandating that, after 18 months on welfare, nonexempt recipients either work or do community service for 32 hours per week.
- **CalWORKs requirements are softened by protections for children.** CalWORKs instituted a five-year lifetime time limit on cash assistance, but California, unlike most other states, applies the time limit only to the adult portion of the grant, and so cash benefits are reduced but not eliminated after five years. Also, financial penalties for adults’ nonparticipation in welfare-to-work activities are not imposed on the children’s portion of the grant.
- **California’s cash grants and financial work incentives are comparatively generous.** In addition to offering a high basic grant compared with other states, California increased the earned income disregard (the amount of earnings that are not counted when calculating the amount of the cash grant), making it easier for welfare recipients to increase their income by combining welfare and work.
- **Participation in the GAIN program begins immediately.** Under CalWORKs, nonexempt welfare recipients are automatically enrolled in California’s welfare-to-work program, Greater Avenues for Independence (GAIN), and they must participate in an orientation, appraisal, and (usually) job club, which provides job-finding guidance. Many participants meet the participation mandate (32 hours per week) by working. Those who are not successful in finding a job sign a welfare-to-work plan, which sets in motion additional activities that are geared to enhancing their employment prospects. The work-trigger time clock begins when clients sign the welfare-to-work plan.

Key Outcomes

- **Caseloads were declining in the mid-1990s.** Los Angeles County began implementing CalWORKs in a period of declining caseloads, down from about 315,000 in 1994 to 260,000 when CalWORKs took effect in early 1998.
- **Both participation and sanctioning increased.** Rates of participation in GAIN increased substantially in Los Angeles after CalWORKs was implemented, peaking at 47 percent of the single-parent caseload in early 2001. Recipients who did not comply with program requirements were increasingly likely to be penalized and have their grants reduced. By 2002, about 20 percent of the caseload were sanctioned.
- **CalWORKs appears to have encouraged long-term recipients in Los Angeles to exit welfare more quickly.** An analysis of administrative records data suggests that CalWORKs encouraged recipients — especially long-term recipients — to leave the rolls faster than they would have without welfare reform. CalWORKs may also have slightly increased the likelihood that recipients would have short-term employment and that they would return to welfare after an exit. Many of the trends in welfare receipt and employment predated CalWORKs, and it is likely that the economy and other factors also played an important role in these outcomes.
- **Recipients in both poor and nonpoor neighborhoods increasingly got jobs.** Welfare recipients in Los Angeles's poorest neighborhoods increasingly went to work, and they did so at the same rate as recipients in better neighborhoods. Also, conditions in the poorest neighborhoods remained stable or improved throughout the 1990s; for example, rates of child maltreatment and teenage pregnancy declined. These improvements began before CalWORKs, and they continued thereafter at a similar pace.
- **The circumstances of recipients who took part in a longitudinal survey generally improved over time.** A longitudinal survey of nearly 700 women in Los Angeles who received welfare in 1995 revealed that, between 1998 and 2001, the women's employment rates grew and their jobs typically got better. Their economic circumstances also improved, with average household income increasing and poverty rates and material hardships decreasing — although it is hard to tease out whether these changes reflect the effects of welfare policies, the strong economy, or other factors.

- **Despite improvements, most women in the survey remained poor.** Half the women in the Los Angeles Urban Change survey were still on welfare in 2001; a sizable percentage were combining work and welfare at the end of the study period. Respondents who were working typically earned low wages and did not receive health insurance from their employers. Most families remained poor and suffered material hardships.

Cross-Site Comparisons

- **Los Angeles's new welfare policies were comparatively lenient.** Compared with welfare policies in the three other urban counties where the Urban Change study took place — Cuyahoga County (Cleveland), Miami, and Philadelphia — the policies in Los Angeles were more generous and gentler on families.
- **Welfare exits accelerated in all Urban Change sites.** In the four Urban Change counties, welfare reform appears to have sped up welfare exits for at least some part of the caseload. This effect was concentrated among long-term recipients, except in Miami.
- **Caseload declines were smallest in Los Angeles.** Welfare caseloads declined more sharply in the three other counties than in Los Angeles. In the longitudinal survey, more than three times as many women in Los Angeles were still receiving welfare in 2001 as in Miami or Cuyahoga. Families in Los Angeles were also most likely to be getting safety net benefits, such as food stamps.
- **Across the four sites, similarities were more prominent than differences.** Strong cross-site similarities predominated: Over time among women in the Urban Change survey, more were working; job quality improved; incomes were up; poverty rates were down. Neighborhood conditions also generally got better in all four counties. But also across the four sites, most women remained poor, and those who worked were in low-wage jobs without benefits.

The Background of the Urban Change Study in Los Angeles

The 1996 federal welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), introduced profound changes in America's welfare system. It eliminated Aid to Families with Dependent Children (AFDC) — the cash assistance program for low-income families — and replaced it with a time-limited program called Temporary Assistance for Needy Families (TANF). It also imposed tougher work requirements on welfare recipients and gave states more flexibility in designing their welfare programs. In turn, many

states “devolved” much of the responsibility for their welfare programs to local governments and other entities.

Anticipating that welfare reform might pose special challenges to urban areas — where poverty and welfare receipt are most concentrated — MDRC launched the Project on Devolution and Urban Change (Urban Change, for short). The project has examined the implementation and effects of TANF in four urban counties: Cuyahoga (Cleveland), Los Angeles, Miami-Dade, and Philadelphia. Between 2002 and 2004, MDRC released reports examining the particular ways in which reform unfolded in Cuyahoga, Philadelphia, and Miami-Dade Counties.¹ This report focuses on Los Angeles, and it addresses questions similar to those posed for the other study sites:

- How did California change its welfare law, and how did officials in Los Angeles implement those changes? What “messages” and services were put in place? How were work requirements and time limits implemented?
- What were the effects of welfare reform on the Los Angeles County caseloads? Did reform alter patterns of welfare and employment?
- How did low-income families in the county adapt to work requirements and other dimensions of welfare reform? What were their experiences in the labor market? Were they better or worse off economically?
- What were the conditions of neighborhoods in Los Angeles before and after welfare reform? Were poor neighborhoods better or worse off after reform?

In many ways, the Urban Change project captures the best of times and the most challenging of places for welfare reform. The study’s focal period of the late 1990s through the early 2000s was one of prolonged economic expansion and sharp declines in unemployment in the United States. In addition, states and local areas had unprecedented amounts of money to spend on welfare recipients, due to a combination of stable TANF funding (a five-year block grant based on pre-TANF spending levels) and declines in welfare caseloads. The study thus captures the most promising context for welfare reform: one of high labor market demand and ample resources to support families in the process of moving from welfare to work. At the same time, it focuses on big-city welfare agencies — institutions that have had difficulty effecting changes in the past — and on the experiences of the poorest people and places within each county.

¹See Brock, Coulton, London, Polit, Richburg-Hayes, Scott, and Verma, *Welfare Reform in Cleveland* (New York: MDRC, 2002); Michalopoulos, Edin, Fink, Landriscina, Polit, Polyné, Richburg-Hayes, Seith, and Verma, *Welfare Reform in Philadelphia* (New York: MDRC, 2003); and Brock, Kwakye, Polyné, Richburg-Hayes, Seith, Stepick, and Dutton Stepick, *Welfare Reform in Miami* (New York: MDRC, 2004).

To assess TANF's implementation and effects in Los Angeles County, the study used several research methods and data sources:

- **Field research.** Researchers visited welfare offices to observe program operations and to interview staff.
- **Analysis of administrative records.** Welfare and employment records were examined for all families who received cash assistance between 1992 and 2001.
- **Surveys of welfare recipients.** Nearly 700 women who had a history of welfare receipt and lived in high-poverty neighborhoods prior to welfare reform were interviewed in 1998 and 2001.
- **Ethnographic interviews with welfare recipients.** Researchers conducted a series of in-depth interviews with 50 welfare families in three poor neighborhoods to understand their perspectives and experiences.
- **Analysis of trends in social and economic indicators at the neighborhood level.** Aggregated data on welfare receipt and employment, prenatal care and childbirths, crime, and child maltreatment in neighborhoods were examined.

These data were gathered at multiple points to capture changes over time. In some instances, data were obtained as far back as 1992, to establish a trend line that could help illuminate whether changing patterns of welfare receipt, employment, and neighborhood conditions could reasonably be related to TANF. The study therefore provides an unusually comprehensive look at what happened with welfare reform and whether, on balance, low-income people and neighborhoods became better or worse off over a several-year period. Nevertheless, it is worth stressing that the effects of welfare reform cannot be disentangled from those of other changes that occurred during the study period, including the strengthening national economy, the expanded federal Earned Income Credit (EIC), and shifts in population characteristics.

This summary — like the full report on which it is based — describes the social and economic environment of Los Angeles County during the study period. It analyzes how TANF was implemented, examines trends in welfare receipt, describes the economic and social experiences of low-income families, and examines the county's neighborhood conditions before and after welfare reform. To provide context for what happened in Los Angeles, a later section of the summary compares results in Los Angeles County with those from Cuyahoga, Miami-Dade, and Philadelphia Counties. (Researchers used the same methods and data elements in all four counties in the Urban Change study.) The summary concludes with a discussion of policy implications.

The Demographic and Economic Environment

Before drawing inferences from a study focusing on Los Angeles, some appreciation of its social and economic context is essential.

- **Los Angeles is, both geographically and demographically, a large and complex county.**

Los Angeles County covers a vast physical space; it spans over 4,000 square miles — an area larger than Delaware and Rhode Island combined. The county includes 88 cities as well as unincorporated areas. With nearly 10 million residents, it is the most populous county in the United States. Like other cities in the Southwest, Los Angeles experienced substantial population growth during the 1980s, with growth continuing more slowly during the 1990s.

- **Los Angeles is an enduring destination for immigrants, making it one of the nation's most racially and linguistically diverse counties.**

Most of Los Angeles County's expanding population base in the past two decades is attributable to immigration flow, with foreign-born residents making up 36 percent of the population in 2000. Immigrants come mostly from Spanish-speaking countries (especially Mexico, El Salvador, and Guatemala), but sizable numbers of immigrants from eastern Asian countries have also made Los Angeles their home. The population growth among Latinos and Asians has been offset to some extent by declining proportions of both whites and African-Americans.

- **Immigration inflows have made Los Angeles a youthful county, but it is also a county sharply divided in terms of educational attainment.**

Many Latinos arrive in Los Angeles as young adults and start families; almost 30 percent of the county's residents are under age 18. Trends in educational attainment suggest the emergence of two distinct economies in Los Angeles, with one-quarter of residents who are college educated (disproportionately whites and Asians) but also a higher-than-average percentage who are *not* high school graduates (disproportionately African-Americans and Latinos).

- **Contrary to the national picture of dramatic economic growth during the 1990s, major economic indicators in Los Angeles County present a mixed picture. Unemployment rates declined, for example, but poverty increased.**

Unemployment rates in Los Angeles peaked in the early 1990s and then declined until 2000. However, only six out of ten adults were in the labor force in 2000 — an exceptionally low participation rate. Median income (adjusted for inflation) fell between 1990 and 2000, corresponding to growth in the number of low-income households. Poverty rates increased, and, by 2000, more than one out of six residents had incomes below the federal poverty line — exacer-

bated by the fact that they were living in one of the most expensive urban areas in the country. Jobs in the manufacturing sector have declined, while the “new economy” — driven in large part by technology — offers fewer jobs for workers with low skills.

The Implementation of Welfare Reform

In the period before TANF, California’s welfare-to-work program was Greater Avenues for Independence (GAIN), which originally offered primarily education to program participants. But a rigorous study by MDRC in the early 1990s found that Riverside County’s employment-focused approach, which emphasized quick employment combined with opportunities for human capital development (education and training), was more effective in increasing employment and reducing welfare caseloads.² Several counties subsequently changed their policies, and California passed legislation in 1995 to encourage counties to focus on labor force attachment as the principal strategy for GAIN programs. Additionally, California strengthened other policies in the pre-TANF era to encourage welfare recipients to work. Given the existing welfare program’s compatibility with the new emphasis on employment, California was positioned for a relatively smooth transition to TANF-compliant welfare policies. An extended debate in the California legislature, however, delayed the state’s response to TANF.

AB1542 — California Work Opportunities and Responsibility to Kids (CalWORKs) — was finally signed into law in August 1997, almost one year after PRWORA was enacted. According to this legislation, the state established broad policies and continues to supervise the overall welfare program, but administration and considerable decision-making discretion devolved to the counties. In brief, CalWORKs conforms to federal time-limit and participation requirements, but it safeguards children by not allowing sanctions against their share of cash assistance grants.

The Major Features of CalWORKs

- **CalWORKs combines policies intended to limit welfare receipt, encourage work, and change the behavior of welfare recipients while preserving a safety net for children.**

The two most significant changes in California welfare policy following TANF were the introduction of time limits for welfare receipt and mandatory participation in work-related activities for the entire nonexempt caseload, but these requirements were softened by safeguards designed to shield children from hardships.

²Riccio, Friedlander, and Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: MDRC, 1994).

- **CalWORKs imposes a time limit on cash benefits for adults but not for children.**

California adheres to the federal lifetime limits on cash assistance — 60 months — but, unlike most other states, applies the time limit only to the adult portion of a case’s grant. Under California’s plan, children on a welfare case continue to be eligible for TANF, at the state’s expense, until they reach age 18. When a family is “timed out,” the total grant amount is reduced by about 20 percent (for example, from \$626 to \$505 monthly for a family of three in 2000).

- **CalWORKs maintains an employment-focused orientation and has adopted stringent participation requirements for adults, but children are not penalized for any noncompliance by their parents.**

CalWORKs mandates that all recipients (unless they qualify for an exemption) enroll immediately in the GAIN welfare-to-work program and participate in work-related activities, which could include some education and training during the first 18 months. California’s participation threshold is 32 hours per week for single-parent families — higher than the federal 30-hour requirement. Noncompliant recipients are penalized, but their children are not, putting California with a minority of states that do not apply full-family sanctions for noncompliance, even for multiple instances of it. California also had (until December 2004) a “work-trigger” time limit: After 18 months (24 months for those on the rolls when the program was put in place), recipients who wanted to continue receiving aid had to be actually working or engaged in community service (rather than just in work-related services) for at least 32 hours per week.

- **CalWORKs encourages employment by increasing the amount of money that recipients can earn before losing welfare eligibility.**

CalWORKs enhanced California’s earned income disregard — the amount of money that a family can earn each month before losing welfare eligibility. California increased the disregard to the first \$225 of earnings plus 50 percent of additional earnings, with no time limit on this incentive. The generous disregard, combined with the state’s high grant levels, means that a family of three can have earnings and can continue getting some cash benefits until their income exceeds \$1,458 a month (the equivalent of being paid about \$8.75 per hour in a 40-hour-per-week job).

- **CalWORKs introduced provisions intended to influence welfare recipients’ childrearing and parenting behaviors.**

Prior to August 1997, a family’s monthly welfare benefit was increased by approximately \$100 whenever a new child was born. California instituted a “family cap” policy at about the same time that CalWORKs was implemented: When children are born 10 months or more after a case opens, the grant is not increased. Also, under CalWORKs, recipients are required to document immunizations for preschoolers and school attendance for school-age children.

- **California’s policies protect immigrants from the loss of benefits under PRWORA.**

California uses federal funds to provide benefits to immigrants who qualify for TANF under federal law (those who entered the United States before August 22, 1996, or who have been in the country at least five years), and it uses state funds to provide TANF and Medi-Cal benefits to legal immigrants who arrived after that date or who arrived less than five years ago. California also used state funds to pay for food stamps for immigrants who lost eligibility with the passage of PRWORA — until the federal government restored eligibility to nearly all immigrants in 2002.

The Administration of Benefits and Services in Los Angeles County

In California, the state’s Department of Social Services oversees TANF, while each county develops and administers its own program as specified in its state-approved TANF plan. Los Angeles County submitted its CalWORKs plan — formulated with significant community input — for approval in January 1998 and then began implementing the plan in April 1998.

- **The sheer size and diversity of the Los Angeles County caseload created logistical challenges during the implementation of CalWORKs, which for the first time sought to engage the entire caseload in welfare-to-work activities.**

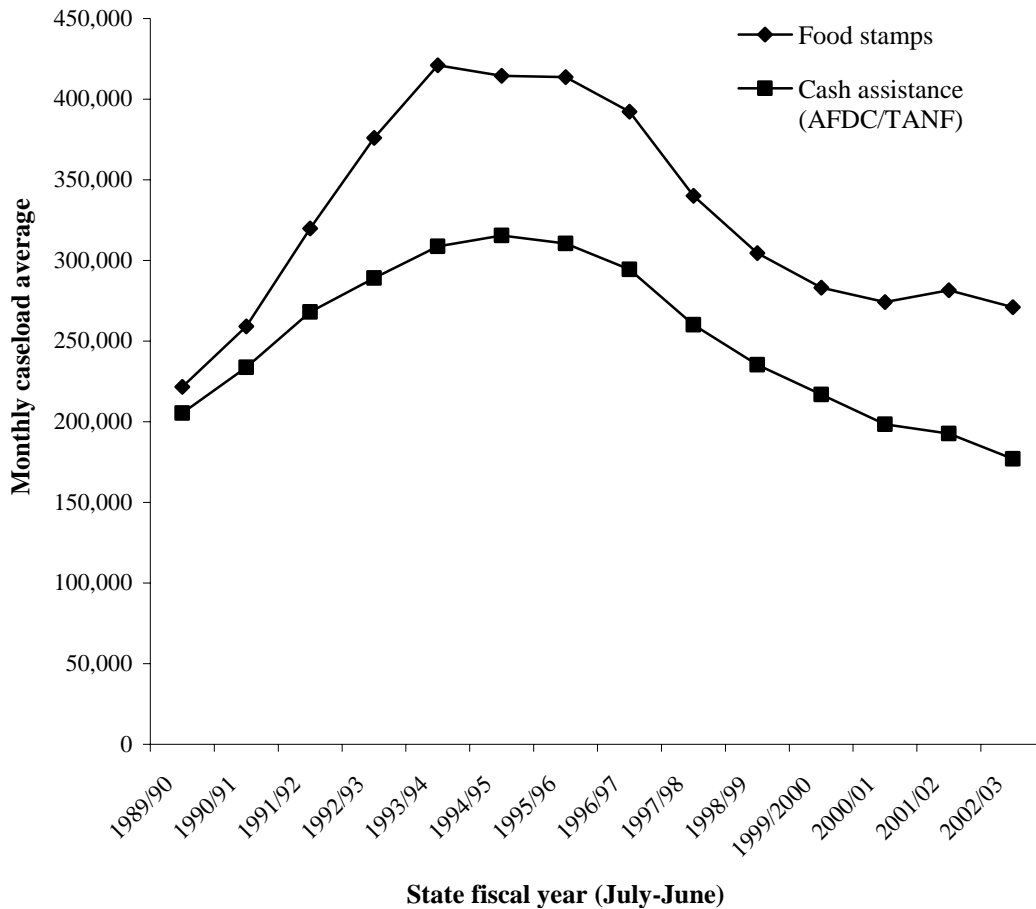
The Los Angeles County Department of Public Social Services (DPSS) is an enormous public agency, with a workforce in 2002 of approximately 13,000 people. This complex agency serves a welfare caseload that, in January 1998, averaged just under 260,000 cases. Los Angeles’s caseload — although dramatically reduced from its peak of over 315,000 cases in Fiscal Year (FY) 1994/95 — is the largest county caseload in the nation and is even larger than that of 48 of the 50 states. (Figure 1 shows caseload trends.) Moreover, DPSS serves a high percentage of immigrants: Over 40 percent of clients do not speak English as their native language, which complicates arrangements for communication and service provision. The caseload also includes a diverse mix of single-parent families, two-parent families, and child-only cases. Thus, although the pre-CalWORKs policies in Los Angeles already incorporated some of the requirements of TANF, the size and complexity of the welfare agency and its caseload created a challenging environment for implementing policies designed to engage the entire nonexempt caseload.

- **The Los Angeles County plan promotes the idea that any job is a good (first) job, but it also articulates a goal of assisting families to move toward self-sufficiency and improved personal circumstances.**

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Figure 1

Monthly Cash Assistance and Food Stamp Caseloads in Los Angeles, 1989/90 to 2002/03



SOURCE: Los Angeles County Department of Public Social Services.

NOTE: A case represents any configuration of household members who receive benefits together, which may include adults and children together or children only.

The Los Angeles plan articulates the view that finding employment is a critical first step toward achieving self-sufficiency, but it also emphasizes that retaining jobs and advancing in employment are vital in the long run. Thus, DPSS offers postemployment services to help working participants develop advanced job skills and find better jobs. DPSS also developed specialized screening procedures and services for participants who have certain barriers to em-

ployment: domestic violence, substance abuse, and mental health problems. Then, in 1999, DPSS took a leadership role in developing the county's Long-Term Family Self-Sufficiency (LTFSS) plan — a set of integrated, multiagency strategies to provide a broad array of services to low-income families in Los Angeles.

- **Los Angeles County faced a budget crisis in FY 2001/02 that affected its ability to deliver services, just as the economy weakened.**

Los Angeles County, and DPSS specifically, faced a budget crisis when, in FY 2001/02, the state unexpectedly froze spending at the previous year's level, even though substantial increases had been budgeted. Los Angeles faced even higher deficits for FY 2002/03, when the state budget gap forced cuts in CalWORKs. Budget deficits compelled DPSS to implement a hiring freeze and to limit or eliminate some services; the deficits also severely undermined the LTFSS program. The budget crisis was exacerbated by problems with food stamp error rates. In 2002, the State of California was penalized \$126 million by the federal government for food stamp error rates higher than the national averages in FY 1999/2000 and FY 2000/01. Much of the problem originated in Los Angeles County. Although California eventually negotiated a settlement with the federal government in 2004, Los Angeles was threatened with responsibility for paying its share of the penalty (\$88.3 million), and this problem monopolized the attention of several of DPSS's top staff for nearly a year — to the detriment of the welfare program.

Case Management and Service Delivery in Los Angeles County

In Los Angeles, separate staff within DPSS are responsible for administering welfare benefits and operating the welfare-to-work program. Recipients of cash assistance in Los Angeles interact with both Eligibility Workers (EWs), who are the benefits caseworkers, and GAIN Service Workers (GSWs), who are the welfare-to-work case managers.

- **Eligibility Workers interact briefly with clients in uncongenial environments in which it is difficult for clients to ask detailed questions about program requirements or to provide confidential information.**

During intake interviews, EWs obtain needed information and explain a long list of rules and policies. The volume of information and the brevity of these scripted interviews — driven by high caseloads — make it difficult for applicants to ask questions that would help them better understand requirements or to grasp key features of the new rules. Private space for interviews is not available, which further undermines the EWs' efforts to screen for such employment barriers as domestic violence, mental health problems, and substance abuse. Clients also have difficulty communicating with their EWs directly when they have questions about benefits or about sanctions.

- **After approval, clients are scheduled to report to the GAIN program, where they are told about participation requirements, go through an appraisal, and are assigned to an activity — usually job club.**

Within a few weeks of intake, clients who are not exempted are scheduled for GAIN orientation, which comprises informational and motivational sessions that explain that participation in an approved activity must begin immediately. After orientation, GSWs meet with participants to appraise their circumstances, assess their need for special services, and assign them to their first activity. Unless clients are already employed or are in an approved training program, they usually are assigned to job club — typically for three or four weeks — which provides job search training and access to job listings and telephones for job applications. Clients who complete job club without securing employment sign a welfare-to-work plan, which sets in motion additional activities geared to enhancing their employment prospects (for example, additional weeks of job search, education programs).

- **Although the work-trigger time clock began when clients signed a welfare-to-work plan, many recipients never signed this plan; therefore, the first time clock never started ticking for these recipients.**

Only recipients who signed a welfare-to-work plan were subject to the work-trigger time limit at 18/24 months. For various reasons, many recipients never started this first clock ticking: Those who were exempted, who were already working, who found employment during job search, or who failed to report for orientation did not sign a plan. As a result, there may have been some confusion about the time-limit policy, because relatively few clients were ever affected by the 18/24 time limit, despite having been told about it. This situation may have led some participants to conclude that the lifetime limits were not “real” either. This ambiguity — combined with the fact that penalties for noncompliance and the lifetime limits themselves apply only to the adult portion of the grant — may have reduced the effectiveness of these work inducement policies for some recipients.

- **Despite the complications noted above, recipients increasingly participated in GAIN activities after CalWORKs was implemented, and those who did not comply were more likely to be sanctioned.**

In the early 2000s, increasing percentages of the adult caseload enrolled in GAIN, with the rates of true participation in work-related activities (not just enrollment in GAIN) peaking at nearly 47 percent of the single-parent caseload in early 2001. Recipients who did not comply with participation requirements were more likely to be penalized than in the past; by the summer of 2002, sanctioning affected about 20 percent of single-parent cases.

- **A steadily high percentage of recipients in Los Angeles combined welfare benefits with employment income.**

Welfare staff were not always knowledgeable about the details of the earned income disregard and were not always careful in marketing it to clients. Nevertheless, as long as clients reported their earnings, the benefit was calculated automatically. Indeed, the bulk of the caseload in Los Angeles met their participation requirements by combining welfare receipt with earned income. For example, in January 2001, about 25,000 GAIN participants from single-parent families were in unsubsidized employment — compared with fewer than 2,000 in job club; about 8,000 in vocational training; and about 2,000 in adult basic education. In the first quarter of 2001, 40 percent of adult recipients in single-parent families were combining work and welfare.

- **Despite the emphasis in Los Angeles on assisting individuals who face special barriers to employment, relatively few recipients who have these barriers have been identified and have received help.**

EWs and GSWs are trained to screen clients for substance abuse, mental health, or domestic violence problems and to make referrals to programs that are offered through community partners. Perhaps because of staff or client discomfort with the screening process, however, DPSS has referred relatively few clients to receive such services (fewer than 2,000 clients per month in FY 1999/2000 — less than 2 percent of recipients), and some who are referred fail to pursue treatment. Also, relatively few clients have taken advantage of the county's postemployment services, which are offered to support job retention, perhaps because the demands of work and parenting are already so high.

- **Clients began hitting their lifetime time limits in Los Angeles County in January 2003.**

Because California signed its CalWORKs legislation late, the time clock for the five-year lifetime limits did not begin ticking until January 1998, and so clients did not begin to hit their five-year time limits until January 2003. The state paid for benefits to families who were still eligible for benefits between December 2001, when the federal clock hit 60 months, and January 2003, when the state time clock hit the 60-month mark. As clients approached their lifetime limits, DPSS sent out several notices and offered enhanced services. In January 2003, over 25,000 cases were timed out of CalWORKs because of the state time limit, but timed-out families continued to receive a substantial portion of their grants (excluding only the adult share), at the state's expense.

The Perceptions and Experiences of Welfare Recipients

- **A survey of welfare recipients reveals that their knowledge of CalWORKs policies was typically limited (although knowledge improved over time) and that they generally did not have positive views of welfare staff.**

Nearly 700 women who received welfare in Los Angeles County in May 1995 (before TANF) were interviewed about their knowledge of welfare rules in 1998 and again in 2001. Although more respondents knew the rules in 2001 than in 1998, the women's knowledge of several key features of CalWORKs was not strong, despite outreach efforts by DPSS staff. For example, while most women knew in 2001 about a time limit on cash assistance, fewer than half knew that the time limit is five years. Non-English-speaking Latinas were especially unlikely to know the time-limit policies. Among respondents who were on welfare around the time of the 2001 interview, about half indicated that welfare staff pushed them to get a job before they felt ready or before a good job came along, and roughly two-thirds felt that staff "just wanted to enforce the rules."

- **Women who were interviewed as part of an ethnographic study confirmed that there was considerable confusion about new welfare policies and many complaints about DPSS staff.**

Some women in the ethnography consistently expressed uncertainty about how — or whether — time limits would affect them, and sometimes they confused sanctions with time limits. The distinction between the 18/24 work-trigger time limit and the five-year lifetime limit also mystified some women. Several Latina immigrants who had problems with their benefits erroneously concluded that the problems stemmed from their immigrant status. Ethnographic respondents described frustrations in communicating with DPSS staff and with the emphasis on finding jobs rather than on education and training, but some said that they thought the GAIN program would motivate them. (Box 1 presents some of the ethnographic respondents' comments about welfare.)

The Estimated Effects of CalWORKs on Welfare Receipt and Employment

One of the goals of TANF is to move people from welfare to work. As a first step in exploring the likely effects of CalWORKs on welfare receipt and employment, administrative records were assembled for the 5.85 million individuals who received cash assistance or food stamps for at least one month in Los Angeles County from January 1992 through December 2001. It should be noted that data are available only through 2001 and, thus, that the analysis focuses on the period before families reached the 60-month lifetime limit. The analysis excludes child-only cases.

Box 1

Women in the Ethnographic Sample Comment on Welfare Reform

Women who were interviewed as part of the Urban Change ethnographic study in Los Angeles described their experiences with welfare reform and their interactions with welfare staff. The comments below reflect some major themes that emerged but are not representative of all women in the study.

On (mis)understanding time limits

Michelle: I don't know if I have a time limit or not. I believe I've been on welfare for five years plus, because it was three years up there [northern California] and two years down here, so I don't know. . . . I guess my thing would be over in March. I would be completely off welfare.

On (mis)understanding benefits for immigrants

Teresa: Immigrant people who do not have any documents to live here legally, they [DPSS] cannot give them any aid. Before, they did give them aid, because I have known of people who got it.

On experiences with the welfare-to-work program (GAIN)

Baby: GAIN was a good experience because of what it does for self-esteem. I think it's a good thing to motivate people.

Lisa: It [job club] was a bunch of boloney. I wanted to get my GED. Like right now I'm enrolling here in the service center with a GED class from 9 to 11 in the morning. And if I tell them, they'll be, like, "Oh, well, you know you have to be in school for 32 hours a week." So it's hard.

Diane: And then you go and sit up in a classroom for eight hours . . . do nothing [in job club]. . . . You know, they send you through this job training and all this kind of stuff. [They're] not helping you get a job. You're to go out there and find this job on your own. And a lot of people, you know, they take your application, but they don't ever call you. And it's not working.

Crystal: They used to not put you in it [job club] until your baby was 6 years old. Now they cut the age down. But I haven't been able to go. I have a little boy who is in kindergarten; I got one kid that gets out at 2 o'clock; and it's kind of hard. Somebody has to be here when the kids come home from school. Then I've got a baby [age 15 months] here, too. When the kids come home from school and I'm at GAIN until five o'clock, who's going to be here?

Monica: And then . . . [GAIN] helped me out. . . . It's helped; it's pushing me to do things for myself — which is good, you know.

Ly: I went to see the GAIN worker. . . . They asked me how many children I have. I said six children. Then they asked [if] I could drive. I said no, and they could not find any job for me. When they give me an appointment to see the GAIN worker, I just go . . . I really want to get a job. [But] how can I, if my children need me at home? They are too young, and besides they don't hire people who don't speak English.

Much of the analysis summarized below compares groups of cases in which adults received welfare payments between January 1993 and April 1998 (when the Los Angeles CalWORKs plan was signed) with groups of cases in which adults received welfare between April 1998 and December 2001. The pre-April 1998 data are used to establish a trend line to predict recipients' behavior post-April 1998. If the behavior of the later groups differs markedly from the prediction, this suggests that CalWORKs had an effect. For example, if CalWORKs contributed to the decrease in caseloads after April 1998, then either people should have left welfare faster than expected (based on pre-CalWORKs trends) after that point *or* fewer people than expected should have begun receiving welfare. An important caveat is that the credibility of the estimates depends on the underlying assumption that trends observed prior to 1998 would have continued unabated even in the absence of reform. If that assumption is not correct, then the estimates of the effects of CalWORKs are less plausible.

The main findings are summarized in Table 1. Consistent with the overall declining caseload trend, rates of entry of new recipients as well as rates of reentry by returning recipients declined in the pre-CalWORKs period, and, after welfare reform, changes in these trends were fairly modest. However, there is evidence from these analyses that welfare exits were affected by CalWORKs: The rate of cases closing quickly increased after 1998, especially among long-term recipients. The analyses also suggest modest effects on recipients' employment — notably, a slight increase in unstable employment.

Readers should bear in mind the limitations of the study's ability to estimate welfare reform's effects. First, the analysis method is better suited to capturing large, sudden changes in policy and behavior than gradual or incremental ones. The method is more plausible for predicting behavioral changes soon after the 1998 implementation of CalWORKs than in later years, when assumptions based on historical trends become less tenable. Finally, the analyses cannot separate the effects of welfare reform from other factors, such as the growing economy, the expanded federal Earned Income Credit (EIC), and the changing demographics of the population. In sum, while the study can accurately describe long-term trends on welfare and employment, it lacks the precision of a controlled experiment in determining whether or not any changes in people's behavior were caused by CalWORKs.

- **The rate at which welfare cases in Los Angeles County closed quickly was declining between 1993 and 1998, but then the exit rate increased after CalWORKs was implemented.**

Before CalWORKs, the rate at which newly opened cases exited from welfare within six months was declining, although month-to-month variation was extensive. For example, nearly 50 percent of the cases that opened in late 1993 subsequently closed within six months. By mid-1997, the rate of closing within six months was down to closer to 30 percent. The predicted trend would be

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Table 1

**Trends and Estimated Effects of TANF in Los Angeles County:
Welfare Exits, Welfare Entry, and Employment**

Outcome and Group	Trend Before Welfare Reform (1992 to 1998)	Trend After Welfare Reform (1998 to 2001)
<u>Welfare exits</u>		
New welfare recipients	Rate of case closing quickly was decreasing	Rate of case closing quickly (within 6 or 12 months of opening) increased ***
Long-term welfare recipients	Rate of case closing quickly was flat	Rate of case closing quickly (within 3, 6, or 12 months of becoming long term) increased sharply ***
<u>Welfare entry</u>		
New welfare recipients	Rate of entry was decreasing slightly	Rate of entry increased slightly ***
Returning welfare recipients	Rate of reopening (recidivism) within 6 months was decreasing slightly	Recidivism rate increased slightly **
New food stamp-only recipients	Rate of entry onto welfare (within 3, 6, or 12 months) was increasing gradually	Rate of entry onto welfare (within 3, 6, or 12 months) decreased ***
<u>Employment</u>		
Employment among new welfare recipients	Rate of employment within 4 quarters of case opening was increasing	Rate of employment increased at same rate as before welfare reform
Unstable employment among new recipients	Rate of short-term employment (1-3 consecutive quarters) was fairly flat	Rate of short-term employment increased slightly ***
Stable employment among new recipients	Rate of long-term employment (4 or more consecutive quarters) was increasing	Rate of increase of long-term employment slowed slightly **

NOTE: All but one of the post-reform effects noted in this table (which reflect comparisons of actual trends with predictions based on pre-reform trends) are statistically significant. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; and * = 10 percent.

a continuation of this decline. However, the rate at which newly opened cases left welfare within six months *increased* somewhat after CalWORKs; for example, about 33 percent of the cases that opened in April 2001 were closed by September of that year.

- **The effect that CalWORKs appears to have had on hastening welfare exits was especially pronounced among long-term recipients.**

Among long-term recipients — those receiving benefits for at least 18 out of 24 months — the trend line for case closures within six months after becoming “long term” was flat in the pre-CalWORKs period (Figure 2). For example, about 25 percent of the long-term cases closed within six months in both January 1995 and January 1997. During 1998, however, the rate of closures began to rise dramatically. By mid-2000, over 50 percent of long-term cases closed soon after reaching “long-term” status, suggesting that the effect on hastening welfare exits was concentrated largely among long-term recipients.

- **By contrast, trends for entry onto the welfare rolls in Los Angeles County suggest that CalWORKs was associated with a slight increase. Recidivism (returning to welfare after a case closing) also increased slightly.**

Prior to 1998, the number of new welfare cases was declining at a rate that gave CalWORKs little opportunity to affect further decline. In fact, entry of new cases actually increased slightly after 1998. Rates of reentry onto the welfare rolls among former recipients declined throughout the pre-reform period and then noticeably increased toward the end of the study period.

- **There was an exception to the welfare entry trends among cases considered to be at high risk: Cases that initially received only food stamps were much less likely than predicted to begin receiving welfare after CalWORKs.**

The likelihood that a new food stamp recipient would soon begin receiving cash assistance was increasing gradually in the pre-reform era, despite overall caseload declines. After 1998, however, this likelihood stopped decreasing. This suggests that CalWORKs decreased — by about 7 percentage points, on average — the likelihood that a food stamp recipient would open a cash assistance case within six months.

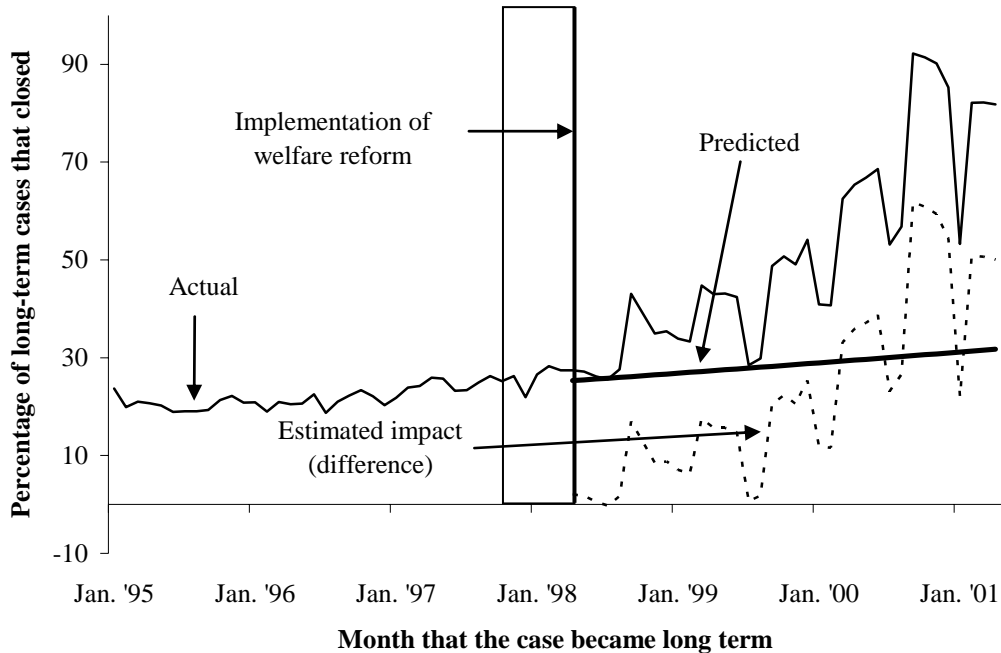
- **CalWORKs was not associated with a change in the likelihood that a recipient in Los Angeles would become employed within a year of welfare entry, but it did appear to modestly increase the rates of unstable employment.**

Over the entire study period, welfare recipients were increasingly likely to become employed and have earnings income, and the trend line did not change after 1998. However, the trend for having *unstable employment* (defined as employment in three or fewer consecutive quarters) did change modestly after 1998. In the years before CalWORKs was implemented, the rate of short-term employment among welfare cases consistently hovered at around 24 percent.

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Figure 2

Percentage of New Long-Term Welfare Cases That Closed Within Six Months of Becoming Long Term, January 1995 Through April 2001



SOURCE: MDRC calculations using Los Angeles County administrative welfare records.

NOTES: The sample is limited to family cases, which contain an adult and children. Cases that opened as child-only cases are excluded from the analysis.

A "long-term case" is defined as a case that received cash assistance in 18 out of 24 months from the start of first cash assistance receipt. The percentage of long-term cases that closed is calculated as the proportion of long-term cases that closed within 6 months after the base period of 24 months.

The boxed area represents the time span over which welfare reform policies may have affected behavior, as the policies were well advertised prior to being signed into law. The area extends from October 1997 to March 1998. The thicker vertical line of the boxed area represents the implementation of Los Angeles's TANF program in April 1998.

The predicted percentage of cases that would close and the estimated effect of welfare reform are based on the semi-log model for the pre-reform trend. See full report for details.

The rate increased to an average of nearly 27 percent in the post-CalWORKs period. By contrast, growth in recipients' *short-term stable employment* (employment in four or more consecutive quarters) — which had been steadily increasing prior to 1998 — slowed modestly but significantly after CalWORKs.

- **Overall, the findings from the administrative records analysis, although mixed, suggest that CalWORKs did contribute to declines in welfare caseloads but had only minimal effects on recipients' employment.**

The findings suggest that CalWORKs moved people off the rolls somewhat faster and had an especially marked effect on the case closings of long-term recipients. On the other hand, CalWORKs policies may have increased both short-term (unstable) employment and recidivism. These findings may reflect GAIN's "work-first" messages, work incentives, and participation requirements, which affected increasingly larger segments of the welfare caseload after CalWORKs was implemented — including long-term recipients, who may have a more difficult time finding steady employment.

The Experiences of Former and Ongoing Welfare Recipients

One of the Urban Change project's objectives is to understand how the well-being of low-income families has evolved since welfare reform. The experiences of 697 single mothers who were on welfare in May 1995 and who were living in Los Angeles's poorest neighborhoods were studied through survey interviews conducted just after CalWORKs got under way (in 1998) and then again three years later (in 2001). Beginning in 1998, the two waves of surveys were supplemented by a series of ethnographic interviews with 50 welfare mothers in three poor neighborhoods.

In summary, data from these two sources indicate that, overall, there were notable improvements with regard to the employment and economic well-being of women in Los Angeles who had been welfare recipients in 1995, with virtually no evidence of worsening circumstances, at least in the aggregate. However, half the women were still getting cash assistance, and most of the ones who worked were in jobs that continued to leave them poor or near poor. Although poverty declined for these women, improvements in material well-being were often not substantial. In ethnographic interviews, many women spoke about their struggles with low-wage jobs and about their conflict between their need to work, on the one hand, and their desire to be at home to care for their children, on the other.

It should be kept in mind that any observed changes over time in the circumstances of the women in the survey or ethnographic samples are not necessarily attributable to welfare re-

form and are likely to reflect a combination of factors, including the aging of these women and their children, the strong economy, and the effect of other policies, like the EIC.

Welfare and Employment Experiences

- **Most survey respondents had worked for pay after CalWORKs was implemented, and many were working in 2001. Half were still receiving welfare, however, including a substantial minority who were combining work and welfare.**

Among women in the survey, welfare receipt declined from 100 percent in May 1995 to 72 percent in 1998 and to 50 percent at the time of the 2001 interview. Nearly 40 percent of the women were working and no longer receiving welfare in 2001. The percentage of women who were employed *and* receiving cash assistance was fairly steady over time, decreasing only slightly from 25 percent in 1998 to 20 percent in 2001. At both interviews, about 10 percent of the women had neither work nor welfare as a source of income.

- **Although a notable minority of respondents had worked steadily, most had worked more sporadically, and 16 percent had not worked at all.**

Some survey respondents had had stable employment, but there was considerable variation within the sample. Slightly more than a third of the women had worked in 36 or more months out of a 48-month period between 1997 and 2001. About half had had less stable employment in short-term jobs, and one out of six had not worked at all in that period. Women who combined welfare with work were less likely to work steadily than those who left welfare for work. The ethnographic study suggests that some women change jobs frequently because they take assignments through temp agencies in jobs with low — and fluctuating — wages and periods of unemployment between assignments.

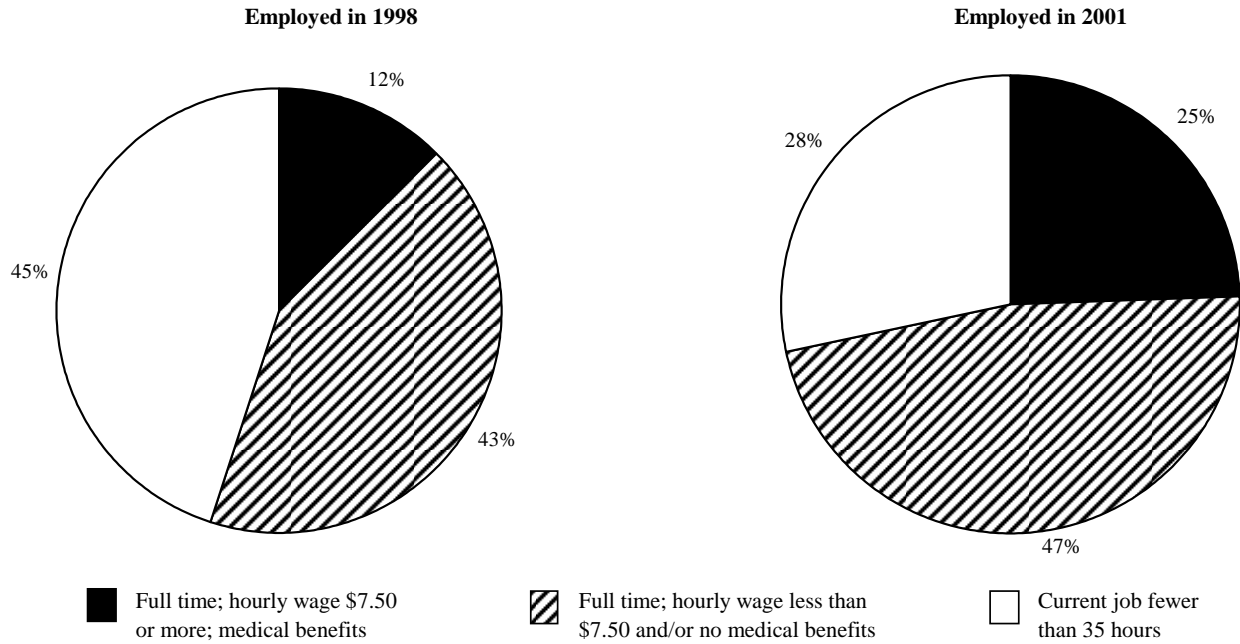
- **Over time, the respondents who worked typically reported increases in earnings, although relatively few had good-paying jobs with benefits in 2001.**

Full-time employment increased over time, and the average hourly wage for the women's current or most recent job grew from \$7.09 in 1998 to \$8.22 in 2001. The result was an increase in average weekly earnings, up from \$230 to \$298. Respondents were also more likely to be in jobs with fringe benefits (such as sick pay and health insurance) in 2001 than in 1998. Nevertheless, only one out of four women who worked in 2001 had full-time jobs that paid \$7.50 per hour or more and offered employer-provided health insurance (Figure 3).

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Figure 3

Job Characteristics for Those Currently Employed in Los Angeles in 1998 and in 2001



SOURCE: MDRC calculations from the Urban Change Respondent Survey.

NOTE: Calculations for 1998 are based on 289 of the 318 respondents who were working and for whom wage and benefit information was available. Calculations for 2001 are based on 379 of the 398 respondents who were working and for whom wage and benefit information was available.

- **Respondents who combined work and welfare had less favorable jobs than those who had left welfare; many who were no longer getting TANF appeared to still be eligible for some cash benefits.**

Working women who had left welfare were more stably employed, had far better-paying jobs, and were more likely to receive fringe benefits than women who combined work and welfare. Given California's generous earned income disregards, many welfare leavers appear to have been eligible for at least partial cash benefits. But the ethnographic respondents suggested that, for some working women, getting a small welfare check was not "worth the hassle."

- **Although many respondents were employed in 2001, most women faced barriers to employment; barriers were more common and more likely to co-occur among women who were not working.**

Most of the women had barriers that could constrain their ability to get a job or limit the kinds of jobs for which they qualified. In particular, nearly half the women lacked a high school diploma or General Educational Development (GED) certificate in 2001 — although 8 percent acquired this credential between 1998 and 2001. About one out of five reported difficulty conversing in English, and similar percentages reported a health problem that limited their ability to work or had high scores on a scale measuring depression. The percentage reporting such barriers remained fairly constant between the 1998 and 2001 interviews. Predictably, the more barriers that women reported, the less likely they were to be working.

- **Respondents to the ethnographic study commonly expressed tensions between the need to work and the desire to stay home to raise their children.**

In the ethnography, many women who worked talked about the pride they felt in earning their own paycheck and having more money to spend on their children. However, they also spoke about the tension between wanting to provide financially for their children by working and wanting to be home to raise them, which they considered their "real" job. The generous grants and work incentives in Los Angeles — and the availability of child care subsidies — may have permitted a balance for some of these women by allowing them to receive welfare while working part time.

- **Ethnicity, education, and ability to speak English were related to different economic outcomes, but improvements were observed for all groups.**

Within the survey sample, Latinas who could not speak English had worked less steadily — and were in lower-quality jobs — than English-speaking Latinas or African-Americans. In 2001, the weekly earnings of non-English-speaking Latinas averaged \$229, about 25 percent lower than Latinas who could speak English. Women who lacked a high school diploma or GED in 1995 were also much less likely to be employed and earned lower wages in their cur-

rent or most recent job than women who had these credentials. Wages and earnings did, however, improve between 1998 and 2001 for all ethnic, language, and education groups, but non-English-speaking Latinas had the weakest improvements in job quality.

Economic Circumstances and Material Hardship

- **The households of women in the survey changed over time as some women married and — despite California’s family cap policy — more children were born.**

Despite California’s policy of not increasing the cash grant when welfare recipients have another child, 15 percent of the women in the survey sample gave birth between 1998 and 2001. All the women in the ethnography knew about the family cap policy, but most of them specifically said that this policy did not affect their decisions about whether or not to have another child. About one out of five of these women were married in 2001, and others were living with a partner, but the large majority continued to be single parents.

- **Over time, the composition of the women’s total household income changed, but TANF income and safety net services (food stamps and Medi-Cal) continued to be supports for most families.**

From 1998 to 2001, there was a reduction in the percentage of families who received TANF (down from 71 percent to 52 percent) and an increase in the percentage with earnings income (up from 50 percent in 1998 to 64 percent in 2001). There were also declines in the use of food stamps, WIC (the Women, Infants, and Children program), and Medi-Cal. Nevertheless, 57 percent of families were still getting food stamps, and over 60 percent had Medi-Cal in 2001; about one out of three women whose children were in child care reported getting a child care subsidy.

- **On average, families were better off economically in 2001 than they had been in 1998, but most families continued to be poor.**

The average total monthly household income in the survey sample increased from \$1,355 in 1998 to \$1,811 in 2001 — corresponding to an average annualized income of nearly \$22,000 in 2001 (not including the estimated value of the EIC, which would have added about \$1,400 to a working-adult household with two children). The percentage of households below the official poverty line declined from 67 percent of the sample in 1998 to 54 percent in 2001 (not counting the estimated EIC). While the decline in poverty is good news, the vast majority of families still had low income, and most who had left welfare shifted from being welfare poor to working poor.

- **Households of respondents who remained on welfare without working were poorer in 2001 than those of the women who worked.**

The average monthly per person income in households of nonworking welfare recipients was less than half that of working welfare leavers (\$292 versus \$664, respectively). Welfare recipients improved their economic situation if they also had earnings: The average monthly per person income in their households in 2001 was \$416. Women who were neither on TANF nor working in 2001 had low average per person income (\$368 monthly) and especially low rates of receiving food stamps or Medi-Cal, even though most appear to have been income-eligible.

- **Over time, respondents' assets increased, with both car ownership and home ownership rising between 1998 and 2001.**

More women owned cars in 2001 (55 percent) than in 1998 (43 percent). Home ownership also increased — to 5 percent in 2001, compared with 3 percent in 1998. Along with increased assets, however, came increased debt: 33 percent of households owed more than \$2,000 in 2001 (not including car loans and mortgages), compared with 22 percent in 1998.

- **There were improvements over time with respect to certain material hardships, but most respondents continued to endure at least one food, housing, or health care hardship.**

Food insecurity (that is, having inadequate amounts or types of food) and housing hardships (such as an excessive rent burden) declined between 1998 and 2001, and health care hardships did not get worse, despite declines in Medi-Cal receipt. Nevertheless, nearly half the women were food insecure in 2001, and there continued to be high rates of housing hardship, including crowding, doubling up with others, and having multiple housing problems (for example, faulty plumbing). The ethnographic interviews suggest that many women continued to struggle with expenses and, to get by, relied on contributions from extended family members or partners.

- **Although income grew over time among all ethnic and language groups in the study, non-English-speaking Latinas had especially low incomes in both 1998 and 2001.**

Between 1998 and 2001, the increases in monthly household income averaged \$430 for English-speaking Latinas (a 26 percent average increase), \$367 for non-English-speaking Latinas (a 31 percent average increase), and \$521 for African-Americans (a 43 percent average increase). However, non-English-speaking Latinas, who had low average incomes as well as large families, had average incomes per household member that were about 30 percent lower than that of African-Americans in 2001.

CalWORKs and Neighborhoods

As federal legislation to reform welfare was taking shape in the mid-1990s, questions were raised about the effects of reform in large cities, especially in disadvantaged areas. Given that low-income families are often concentrated in poor neighborhoods, both the opponents of welfare reform and its advocates predicted that its effects would be especially strong among families in such neighborhoods. Critics feared that declines in family income, increases in the number of unsupervised children, and growing despair would translate into increasing levels of substance abuse, crime, teen birthrates, and other problems. Proponents of welfare reform anticipated that as families secured employment, their increased earnings, income, and collective sense of efficacy would translate into greater community cohesion and reductions in social ills.

This section summarizes findings from the Urban Change project's neighborhood indicators component, which asked: What were the conditions of neighborhoods in Los Angeles before and after CalWORKs, and did poor neighborhoods get better or worse after welfare reform? The Urban Change study divided the 1,620 neighborhoods (census tracts) in Los Angeles County into three groups, based on their pre-TANF rates of poverty and welfare receipt: neighborhoods with low rates of both poverty and welfare receipt (nonpoor neighborhoods), those with high rates of poverty but low rates of welfare receipt (high-poverty, low-welfare neighborhoods), and those with high rates of both poverty and welfare receipt (high-poverty, high-welfare neighborhoods). A threshold of 20 percent or higher was used to categorize a neighborhood as high poverty or high welfare. Conditions in these three types of neighborhoods before and after 1996 were analyzed to determine whether trends stayed the same or changed after CalWORKs was introduced. These analyses are purely descriptive of trends during the 1990s.

The overall conclusion is that, in terms of key social and economic indicators, several neighborhood conditions improved during the 1990s in all three types of neighborhoods. However, unlike in most of the country, Los Angeles had more high-poverty neighborhoods (either low welfare or high welfare) in 2000 than in 1990. Employment rates among welfare recipients grew steadily over time, and those in high-poverty, high-welfare neighborhoods were as likely to go to work as those living elsewhere. Most of the positive trends predated CalWORKs, however, so the relative roles of welfare reform and other factors (including a booming economy) are difficult to determine.

Trends in Neighborhood Welfare and Poverty

- **The ethnic and demographic composition of neighborhoods in Los Angeles County is related to their poverty and welfare status.**

Nonpoor neighborhoods in Los Angeles are predominantly non-Latino white and Latino. Latinos, African-Americans, and immigrants predominate in neighborhoods that have high

rates of both poverty and welfare receipt. Poor neighborhoods also have a higher proportion of children than the other types of tracts, and they have lower rates of labor force participation and of high school graduation and a lower ratio of working adults to children.

- **During the period of this study, the number of neighborhoods in Los Angeles with high rates of welfare decreased. However, the number of neighborhoods with high rates of poverty increased.**

Welfare recipients in Los Angeles tend to be much more dispersed throughout the county than recipients in many metropolitan areas, especially areas in the Northeast and the Midwest. During the 1990s, when welfare caseloads were declining, welfare concentration was reduced even further. The number of high-poverty, high-welfare neighborhoods declined from a peak of 116 (out of the 1,620 neighborhoods) in 1995 to 24 in 2000. However, Los Angeles was unusual among U.S. cities during the 1990s, in that the number of high-poverty neighborhoods increased — up from 25 percent of all neighborhoods in the county in 1990 to 34 percent in 2000. This trend is somewhat surprising, given the generally improving economy of the late 1990s, but it presumably reflects the influx of poor immigrant families into Los Angeles County during that decade.

Neighborhoods and Welfare-to-Work Transitions

- **Welfare recipients living in neighborhoods in Los Angeles that had high rates of poverty and welfare receipt were just as likely to go to work as recipients who lived in the other types of neighborhoods.**

Although some hypothesized that welfare recipients who lived in high-poverty or high-welfare neighborhoods would be less connected to employment opportunities and therefore less likely to find or keep employment, this proved not to be the case. Recipients in the most disadvantaged neighborhoods were about as likely as those in the balance of the county to combine welfare and work, to leave welfare, and to become employed.

Conditions of Poor Neighborhoods

- **Over a nine-year tracking period, most social and economic indicators of neighborhood conditions in Los Angeles improved or were stable.**

The levels of social and economic distress mostly improved during the study period (Table 2). There were substantial declines in the rates of teenage births, births with inadequate prenatal care, and child abuse and neglect. In general, the observed trends predated CalWORKs reform and did not show major jumps or reversals after reforms were implemented.

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Table 2

Summary of Trends in Neighborhood Conditions in Los Angeles County, 1993 to 2000, by Poverty Status^a

Indicator	All Neighborhoods	High-Poverty Neighborhoods ^b	Low-Poverty Neighborhoods
<u>Births</u>			
Teen births	Declines*	Declines*	Declines*
Adequacy of prenatal care	Increases*	Substantial increases*	Increases*
Low-birth-weight births	Stable	Stable	Stable
<u>Child well-being</u>			
Child abuse and neglect	Substantial declines*	Substantial declines*	Substantial declines*

NOTES: A star (*) indicates that the trend is statistically significant.

^aA neighborhood was classified as poor if 20 percent or more of its residents were below the poverty threshold prior to TANF (1992-1995).

^bIncludes high-poverty, high-welfare neighborhoods and high-poverty, low-welfare neighborhoods.

- **Improvements occurred over time in all three types of neighborhoods in Los Angeles, but the absolute levels of distress were greater in the high-poverty, high-welfare neighborhoods than in the nonpoor neighborhoods.**

Some of the favorable trends in key neighborhood indicators were particularly pronounced in high-poverty or high-welfare tracts. However, conditions in the county's poorest neighborhoods were consistently less favorable than in other areas. For example, rates of child maltreatment were nearly three times greater in high-poverty, high-welfare neighborhoods than in nonpoor neighborhoods in 1993 (18.5 percent versus 6.4 percent, respectively); by 2000, these rates were down to only 6.9 percent in the high-poverty, high-welfare neighborhoods but were still twice as high as rates in nonpoor neighborhoods (3.1 percent).

Comparisons with Cuyahoga, Miami-Dade, and Philadelphia Counties

To provide perspective on what happened in Los Angeles after welfare reform, this section draws contrasts with the three other counties that are part of the Urban Change study: Cuyahoga County (Cleveland), Ohio; Miami-Dade County, Florida; and Philadelphia County, Pennsylvania. Findings from the other counties have been described in separate reports (cited above),

using the same methods and data elements as this report. Table 3 summarizes the characteristics of each county and the key features of its welfare program following TANF. In brief, despite divergent policy and programmatic responses to TANF in the four counties, and despite notable differences in their social and economic contexts, the trends in most major outcomes were similar.

Contexts and Policies in the Four Urban Change Counties

- **Despite some contextual similarities, welfare reform unfolded in different social and economic environments in the four Urban Change counties.**

Cuyahoga and Philadelphia Counties are old, industrial cities that have suffered through 30 years of declining manufacturing bases and movement of jobs to the suburbs, whereas Los Angeles and Miami-Dade are fast-growing counties. Cuyahoga and Philadelphia have sizable African-American populations and few immigrants, whereas Los Angeles and Miami-Dade are heavily populated by Hispanic immigrants and (in Los Angeles) Asian immigrants. Although all four are the largest counties in their states and have a disproportionate share of their states' welfare caseloads, Los Angeles is in a league of its own with regard to the size of its caseload, budget, and staff. The cost of living — above average in all four sites — is also especially high in Los Angeles.

- **The welfare policies in all four counties involved time limits and a focus on quick employment, with mandatory participation requirements and enhanced work incentives; however, the counties' policies and messages to recipients differed considerably in several respects.**

Some of the essential features of welfare reform are similar in the four Urban Change counties, which all implemented welfare programs that emphasize moving recipients into work. Pre-TANF welfare systems that promoted job search on a mostly voluntary basis were transformed into systems with a stronger focus on work and with program participation requirements for the entire nonexempt caseload. Each state also increased the amount of money that welfare recipients could keep when they went to work. Time limits were instituted in all four counties. Only in Los Angeles, however, did the lifetime time limit apply only to the adult portion of the grant — meaning that recipients still received a grant, albeit a reduced one, after the time limit. While all four counties imposed financial sanctions for noncompliance with the welfare-to-work requirements, Miami-Dade used sanctions (full-family sanctions) far more often than the other three counties. Cuyahoga, however, was the strictest county in enforcing time limits. Los Angeles had the most generous grants, and it implemented policies to shield children from time limits and sanctions. The grants for sanctioned and “timed-out” families in Los Angeles were higher than the full grants in the other three Urban Change sites.

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Table 3

Description of Contexts and Policies for Welfare Reform in the Four Urban Change Sites

Descriptor	Cuyahoga	Miami-Dade	Philadelphia	Los Angeles
<u>The socioeconomic context</u>				
Population characteristics	Mostly African-American and white	Diverse population of Hispanics/Latinas, whites, and African-Americans; large numbers of foreign-born residents	Mostly African-American and white	Diverse population of Hispanics/Latinas, African-Americans, Asians, and whites; large numbers of foreign-born residents
Unemployment rate	Fell from 7.4% in 1992 to 4.2% in 2000; rose to 5.2% in 2001	Fell from 10.5% in 1992 to 5.3% in 2000; rose to 7.7% in 2002	Fell from 9.4% in 1992 to 6.1% in 1999; rose to 6.4% in 2001	Fell from 9.8% in 1992 to 5.3% in 2000; rose to 6.8% in 2002
Poverty rate	Rose from 12.8% in 1990 to 13.1% in 2000	Was stable at 17.6% in 1990 and 2000	Rose from 19.8% in 1990 to 22.2% in 2000	Rose from 14.8% in 1990 to 17.6% in 2000
Local economy	Large health care industry; declining manufacturing base; increasing service sector; movement of businesses to the suburbs	Large tourism and service industries; trading hub between the United States and Latin America	Major industrial center, particularly for textiles; large health care industry; declining manufacturing base; movement of businesses to the suburbs	Major manufacturing center, despite declines; growth in bio-medical and other technology; large entertainment, tourism, and health service industries

(continued)

Table 3 (continued)

Descriptor	Cuyahoga	Miami-Dade	Philadelphia	Los Angeles
Key welfare policies				
Time limits	5-year lifetime limit; 36-month interim time limit	4-year lifetime limit; interim time limit of 24 or 36 months depending on case characteristics	5-year lifetime limit; 2-year work-trigger time limit	5-year lifetime limit—adult portion of grant only; 18 (or 24)-month work-trigger time limit
Program emphasis	Work-focused, 30 hours of mandated participation	Work focused, 30 hours of mandated participation	Work focused, 20 hours of mandated participation after 2 years	Work focused, 32 hours (35 in 2-parent families) of mandated participation
Sanctions for noncompliance	Full-family sanction	Full-family sanction	Adult portion first two years, then full-family sanction	Adult portion only
Maximum grant, family of 3, in 2000	\$373	\$303	\$403	\$626
Family cap policy	No	Yes	No	Yes
Work incentives	Expanded earned income disregard; loss of eligibility at earnings of \$974 (2000, family of 3)	Expanded earned income disregard; loss of eligibility at earnings of \$787 (2000, family of 3)	Expanded earned income disregard; loss of eligibility at earnings of \$806 (2000, family of 3)	Expanded earned income disregard; loss of eligibility at earnings of \$1,458 (2000, family of 3)

(continued)

Table 3 (continued)

Descriptor	Cuyahoga	Miami-Dade	Philadelphia	Los Angeles
<u>Local implementation</u>				
Time limits	Rigorous enforcement of interim time limit, with safety net services for those near limits	Extensions on interim time limits for families fulfilling work requirements	Many extensions for families reaching time limits	Work-trigger time limit not universal; enforcement of 5-year lifetime limit began 2003
Program focus	Emphasis on job club/job search, some encouragement for GED; steady increase in participation after welfare reform	Emphasis on job club; some unpaid work experience	Emphasis on initial job search, then flexibility in hours and activities until 2-year work trigger; increase in participation after welfare reform	Emphasis on job club, special services for clients with mental health or other barriers; increasing levels of participation in welfare-to-work program (GAIN)
Sanctions	Low rate of sanctioning (under 2% from 1998 to 2000)	Strict enforcement of rules; high rate of sanctioning (up to 61%), but erratic	Limited use of sanctions (3%-6%)	Increasing rate of sanctions (over 20% by 2002)
Welfare caseloads	41,000 in Fiscal Year 1995/96; 17,000 in Fiscal Year 2000/01 (58% decline)	50,000 in Fiscal Year 1995/96; 17,000 in Fiscal Year 2000/01 (67% decline)	79,000 in Fiscal Year 1995/96; 44,000 in Fiscal Year 2000/01 (44% decline)	311,000 in Fiscal Year 1995/96; 199,000 in Fiscal Year 2000/01 (36% decline)

- **In all four sites, many recipients were confused about the new policies.**

Welfare recipients in all four counties showed signs of confusion about the details of welfare reform, especially the exact length of the time limits on assistance. Although recipients' knowledge increased over time in all four sites, survey respondents in Los Angeles generally displayed less understanding of the new policies than those in the other counties. Language barriers and other communication problems, as well as misunderstandings about the work-trigger time limit, may have contributed to the lower understanding in Los Angeles. A majority of respondents in all four sites felt that welfare staff placed a high priority on enforcing the rules rather than on helping them to transition successfully off welfare.

- **Welfare caseloads declined in all four sites, but rates of decline varied.**

All four counties (as in the rest of the United States) experienced declines in welfare caseloads between the early 1990s and early 2000s, but the declines were less sharp in Los Angeles than in the other three counties.

Welfare Entry and Exits and Employment in the Four Counties

- **In all four counties, new welfare policies appear to have sped up welfare exits for at least some part of the caseload.**

In every county except Miami-Dade, long-term recipients (those who had received welfare at least 18 months out of a 24-month period) closed their cases significantly faster after welfare reform than would have been predicted based on trends in the years prior to the implementation of new policies (Table 4). In Miami, exit rates for long-term recipients steadily declined throughout the study period, and — unlike in the other sites — did not accelerate after welfare reform. (It should be noted, however, that average welfare spells for Miami-Dade's long-term recipients were already fairly brief before 1996, leaving relatively little room for improvement.) In both Miami and Los Angeles, welfare reform was associated with somewhat faster case closings for *new* welfare cases. As noted earlier, the estimates of welfare reform's effects are predicated on the assumption that pre-reform trends would have continued without welfare reform.

- **The effects of welfare reform on welfare entry (and reentry, among former recipients) appear to have been small and inconsistent across the four counties.**

Beginning in the early 1990s, the rate of new case openings was declining in all four counties, and, except in Los Angeles, the declining trend continued after welfare reform (although the rate slowed slightly in Philadelphia). Variation in entry rate trends across the sites was fairly small and could reflect demographic changes over time — that is, changes in the

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Table 4

Changes in Welfare and Employment Trends After TANF in the Four Urban Change Sites

Outcome	Cuyahoga	Miami-Dade	Philadelphia	Los Angeles
Welfare exits	Exit rates increased from 1992 to 1996; increases slowed after 1996 for the overall caseload but accelerated for long-term recipients.	Exit rates increased steadily from 1992 to 1996 and increased at a slightly faster pace after 1996 for new recipients, with no change in trend for long-term recipients.	Exit rates increased from 1992 to 1996 but declined slightly after 1996 for new recipients, although they accelerated for long-term recipients, most notably after the two-year time limit.	Exit rates decreased slightly from 1992 to 1998 but increased after 1998, with especially sharp exit rate increases among long-term recipients.
Welfare entry	Entry rates declined from 1992 to 1996 and continued to decline at the same pace after 1996.	Entry rates declined from 1992 to 1996 and continued to decline at the same pace from 1996 to 2001.	Entry rates declined from 1992 to 1996 and continued to decline after 1996, but at a slower pace.	Entry rates declined slightly from 1992 to 1998 but then increased slightly.
Welfare reentry by former recipients (recidivism)	Recidivism increased slightly from 1992 to 1996 and continued to increase at the same pace after 1996.	Recidivism decreased from 1992 to 1996 and continued to decrease after 1996, but at a slower pace.	Recidivism decreased slightly from 1992 to 1996 and increased slightly after 1996.	Recidivism decreased slightly from 1992 to 1998 but then increased slightly.
Recipients' employment and employment stability	Employment rates increased slightly from 1992 to 1996 and continued to increase at the same pace after 1996, although increases to long-term employment slowed.	Employment rates were steady from 1992 to 1996 but increased after 1996, and the length of employment spells also increased.	Employment rates were steady from 1992 to 1996 but increased after 1996, with gains mostly to short-term employment.	Employment rates increased from 1992 to 1998 and continued to increase at the same pace after 1998; rates of short-term employment increased slightly after 1998, while increases of long-term employment slowed.

NOTE: All post-reform effects noted in this table (which reflect comparisons of actual trends with predictions based on pre-reform trends) are statistically significant at or beyond the 5 percent level, but less confidence can be placed in post-reform changes noted as "slight."

population who were at risk of welfare entry. Los Angeles, in particular, saw an influx of poor immigrants who continued to be eligible for welfare benefits throughout the 1990s, which, together with rising unemployment rates in the early 2000s, might account for the slight increase in welfare entry there. Although recidivism (reentry) was also on the decline in Miami, Philadelphia, and Los Angeles, it rose in the late 1990s in Cuyahoga, Philadelphia, and Los Angeles. Welfare reform may have slowed the declining rate of recidivism in Miami-Dade and may have increased recidivism in Los Angeles and Philadelphia, perhaps because cases reopened when short-term employment did not result in permanent self-sufficiency.

- **Welfare reform may have had some modest effects on employment rates among welfare recipients, but gains were more likely to be for spells of unstable employment than for longer-term employment.**

Table 4 also shows that, in every site, there were some employment trends that appear to have been altered by the implementation of new welfare policies. In both Los Angeles and Philadelphia, short-term spells of employment (those lasting three or fewer quarters) increased after welfare reform, perhaps reflecting policies that encouraged quick employment and allowed recipients to combine work and welfare. Miami's much tougher sanctioning policies and shorter lifetime time limit could perhaps account for the changes that were observed in its employment trends.

Economic Circumstances of Families in the Four Counties: Survey Findings

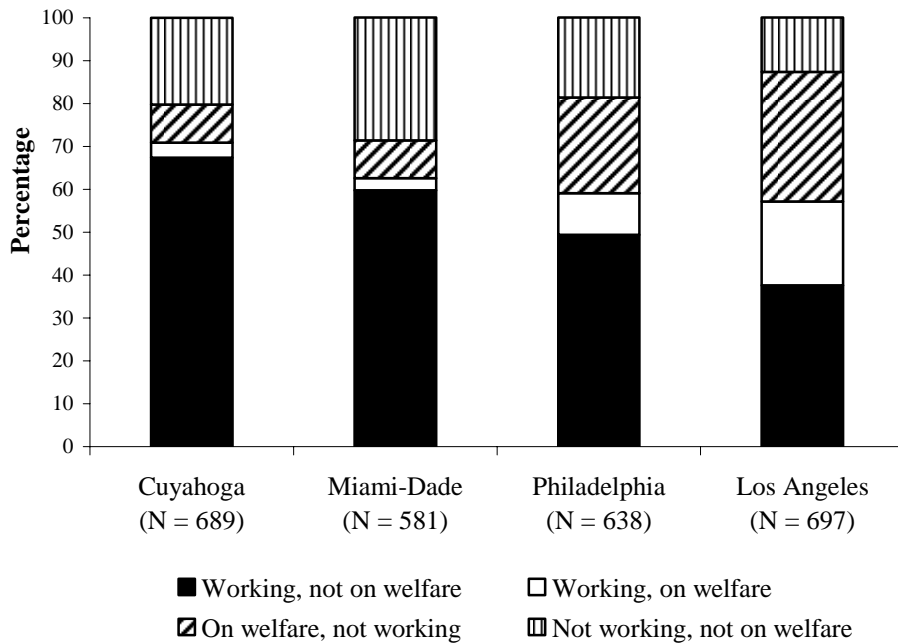
- **Among survey respondents who were on welfare in May 1995, welfare and employment statuses differed markedly in the four counties in 2001.**

Based on data from the two waves of Urban Change surveys (in 1998 and 2001), respondents in Los Angeles were substantially more likely than those in the other sites to still be on welfare in 2001 (Figure 4). Perhaps reflecting the generous work incentives and the lenient sanctioning and time-limit policies in Los Angeles, half the women were still on welfare at the end of the study period, compared with less than 15 percent in Cuyahoga and Miami. Rates of combining work and welfare were about six times higher in Los Angeles than in these two other sites. The women in Cuyahoga County, where time limits were most strictly enforced — and where unemployment rates were lowest and educational attainment was highest — were most likely to be employed and off welfare in 2001. Miami, which had the highest sanctioning rate and the lowest grant, had an especially high percentage of vulnerable women who were neither working nor on welfare at the end of the study period.

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Figure 4

Work and Welfare Status of Women in the Survey Samples in the Four Urban Change Sites, 2001



SOURCE: MDRC calculations from the Urban Change Respondent Survey.

NOTE: All women in the survey samples were single mothers receiving welfare in May 1995.

- **Over time in all four sites, more respondents became employed, and job quality improved, but low-paying jobs without fringe benefits were the norm everywhere.**

Sizable minorities of women in the survey — with similar rates in the four counties — had been stably employed, that is, employed in at least 36 of the 48 months prior to the 2001 interview (Table 5). Among the women who worked — and most had done so — average hourly wages, weekly work hours, and earnings rose between 1998 and 2001; fringe benefits, too, were up in all four sites. Nevertheless, only a minority of working women across the sites were in full-time jobs that paid at least \$7.50 per hour and offered health insurance. Job quality was highest in Cuyahoga and Philadelphia, where the average hourly wage in 2001 was \$8.82 and where almost 40 percent of the working women had employer-provided health insurance.

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Table 5

Employment and Economic Outcomes of the Survey Samples
in the Four Urban Change Sites in 2001

Outcome	Cuyahoga	Miami-Dade	Philadelphia	Los Angeles
<u>Employment in 48 months before 2001 interview (%)</u>				
Never worked during this period	6.1	13.7	12.8	15.5
Worked in 36 to 48 months of this period	39.4	37.1	32.6	36.1
<u>Characteristic of current/most recent job in 2001</u>				
Average hourly wage (\$)	8.82	8.11	8.82	8.22
Average weekly earnings (\$)	335	300	325	298
Job has/had medical benefits for self (%)	36.8	30.6	37.7	28.3
<u>Selected barriers to employment in 2001 (%)</u>				
Has no diploma or GED certificate	33.3	37.4	38.7	48.8
Has difficulty conversing in English	1.3	11.4	2.9	18.9
Has a health problem that limits ability to work	20.1	21.4	27.8	18.1
<u>Sources of household income in prior month^a (%)</u>				
TANF (cash welfare assistance)	17.0	13.6	32.9	52.1
Earnings from employment	72.0	63.9	64.1	63.6
<u>Noncash benefits received in prior month (%)</u>				
Food stamps	48.5	52.8	54.5	56.7
Medicaid for self	49.3	48.4	55.8	60.3
Medicaid for any child	50.4	61.0	59.9	63.0
<u>Household income and poverty</u>				
Average total monthly household income (\$)	1,771	1,489	1,683	1,824
Average monthly income per person in household (\$)	487	382	430	462
Below official poverty line ^b (%)	49.6	61.9	56.9	54.2
Below 185% of official poverty line (%)	82.4	89.9	85.0	85.5
Sample size	689	581	638	697

SOURCE: MDRC calculations from the Urban Change Respondent Survey.

NOTES: All women in the survey samples were single mothers receiving welfare in May 1995.

^aIncome sources are for any household member, not just respondents.

^bThe official poverty index does not include food stamps.

- **The majority of survey respondents in all four counties faced an array of barriers to employment.**

In all four sites, the women faced two or more barriers to employment, on average. Education and language barriers were especially prevalent in Los Angeles, where about half the women lacked a diploma or GED certificate and nearly one out of five could not speak English. Health and mental health barriers were most common in Philadelphia.

- **Over time, respondents' households got more income from employment and less income from TANF, but TANF income varied widely in the four counties at the end of the study.**

By 2001, earnings income contributed more to household income, on average, than any other source in all four sites. However, almost four times as many households in Los Angeles (52 percent) as in Miami (14 percent) had TANF income in the month before the 2001 interview.

- **In 2001 in all four sites, about half (or more) of the women surveyed still received key safety net services, such as food stamps and Medicaid.**

Despite differences in TANF receipt, about half the women in all four sites reported getting food stamps at the end of the study, and about 50 percent to 60 percent had Medicaid (or Medi-Cal). The women in Los Angeles — who were most likely to still be getting TANF — were especially likely to still have food stamps and public health insurance.

- **The overall economic picture was similar across the four sites, with average household incomes up and poverty levels down over time. Yet the majority of respondents remained poor or near poor.**

Total household incomes increased from 1998 to 2001 in all four sites. Average monthly income was highest in Los Angeles (\$1,824) and lowest in Miami (\$1,498) — although, when household size is taken into consideration, the average income per person was highest in Cuyahoga. Non-English-speaking Hispanic women in both Miami and Los Angeles had especially low incomes. In terms of poverty, rates varied from a low of 50 percent in Cuyahoga County to a high of 62 percent in Miami. In all the sites, the percentage of women who were poor or near poor — defined as below 185 percent of the federal poverty level — exceeded 80 percent. Economic gains over time were found in all four sites for women with different racial, ethnic, and language backgrounds and for those with different levels of educational attainment.

Poor Neighborhoods in the Four Counties

- **Trends in social and economic indicators were favorable in all four Urban Change sites, and the trends appear not to have been affected by welfare policies in any of the sites.**

All four counties showed relatively similar improvements in neighborhood indicators during the 1990s, such as declines in the rate of teenage births. Improvements were found in all three neighborhood types (although the improvements were often most pronounced in the poorest neighborhoods), and they did not speed up or slow down after welfare reform. Also, in all four sites, welfare recipients from the poorest neighborhoods were just as likely to work and to leave welfare as recipients from better neighborhoods. Many of the trend lines in the four sites were comparable as well: Employment among recipients increased throughout the 1990s, and welfare exit rates were also up. Exit rates did, however, increase far less sharply in Los Angeles than in the other counties, which is consistent with county differences in caseload trends and with findings from the survey that recipients in Los Angeles were substantially more likely to still be on welfare in 2001. The concentration of poverty and welfare receipt in Los Angeles and Miami distinguishes them from the other two counties: Their low-income populations are relatively dispersed throughout the counties, whereas the low-income populations of Cuyahoga and Philadelphia are more concentrated in the city centers. Los Angeles, however, was one of only two urban areas in the country where poverty concentration increased during the 1990s, perhaps reflecting the continuous inflow of low-income immigrants.

Conclusions and Policy Implications

When the Project on Devolution and Urban Change began, both supporters and critics of welfare reform envisioned striking changes in benefits and services and in the well-being of poor families at risk of receiving welfare benefits. Proponents believed that the 1996 welfare reform law would spur innovation among states and localities, that tougher work requirements and time limits would induce more welfare recipients to find jobs, and that ending the welfare “culture” of low-income communities would lead to the revitalization of those communities. Critics, by contrast, feared that states would slash benefits and try to make their programs less attractive than those of neighboring states. They worried that sanctions and time limits would deprive needy families of essential income and would cause suffering and lead to increases in crime, homelessness, and other social problems.

The Urban Change project can now draw on evidence from four places — Cuyahoga, Los Angeles, Miami-Dade, and Philadelphia Counties — to assess whether these expectations of big change have come to pass. In brief, the counties’ actual experiences fall somewhere between the two extremes for predicted outcomes: The evidence from this study does not

suggest that either dire outcomes or dramatic improvements followed the implementation of new welfare policies.

What lessons are policymakers to draw, and how does Los Angeles's experience contribute to those lessons? Though the answers depend largely on the goals that policymakers want welfare reform to achieve, this study supports several observations and recommendations, some of which are relevant at the national level and across states and others of which apply more directly to the situations in California and Los Angeles County.

Cross-Site Issues

- **One lesson from this study (and from other studies) of responses to TANF is that states and localities, when given the freedom to do so, craft markedly different policies and procedures for addressing the needs of low-income families.**

The devolution of responsibility for cash assistance policies from the federal government to the state and local levels resulted in widespread and extensive local debate and discussion among policymakers, service providers, and advocates, and it ultimately yielded policies designed to be more sensitive to local circumstances. The experiences in the four Urban Change sites suggest that states and local entities can work within a federal policy structure that provides direction but also allows flexibility.

- **Despite notable differences in approach to welfare reform in the four Urban Change sites, many of the trends in welfare receipt, employment, family well-being, and neighborhood conditions were similar. This underscores the important role that the economy and other forces — in addition to welfare reform — likely played in influencing people's behavior. This might also reflect a common message across counties that aid was temporary and that welfare recipients were expected to work.**

Although there were some differences in outcomes in the four sites, many of the big “headlines” from the Urban Change counties are the same. Welfare rolls went down. Employment among welfare recipients went up. Conditions in poor neighborhoods — although worse than in more affluent neighborhoods — held stable or improved. People leaving welfare for work were still poor, but generally were not worse off, and many showed signs of progress. These similarities were found despite differences in the demographic characteristics, labor markets, and welfare policies in the four counties, suggesting that larger social and economic forces and similar messages about welfare played a major role in shaping these trends — and are likely to do so in any policy environment. It is, of course, important to remember that the Urban Change study took place in large urban environments during a period of rapid economic expan-

sion in the United States and that data collection ended before lifetime limits on cash assistance affected many families.

- **While similarities across the sites are noteworthy, important differences did emerge. In particular, substantially more people remained on welfare in Los Angeles than in the other counties, and fewer had left welfare for work; but more people in Los Angeles remained connected to safety net services, and household incomes were higher than in the other sites.**

California made a number of policy choices designed to protect children and their families (and also to protect immigrants). Welfare grants in California are among the most generous in the country, and the new incentives designed to encourage employment made it possible for recipients in Los Angeles to combine work and welfare to a degree not possible in the other sites. Moreover, families in Los Angeles were not faced with the prospect of being totally cut off welfare when five-year time limits hit — or when adults failed to participate in mandated welfare-to-work activities. These policies might discourage recipients from leaving welfare, but they also might provide families with extra income as well as a better connection to key safety net services. The relatively low rates of employment and high rates of welfare receipt among the women in Los Angeles are likely to reflect other forces as well. In particular, survey respondents in Los Angeles were more likely than respondents in the other sites to have language problems and educational deficits. Nevertheless, it is worth noting that women who had a diploma or GED in Los Angeles were more likely to still be receiving welfare in 2001 than *non*-high school graduates in the other three sites.

- **Neither generous and lenient policies (Los Angeles) nor severe and stringent ones (Miami) — or, for that matter, policies between these extremes — were associated with widespread reductions in poverty and material hardship among low-income families.**

In all four Urban Change sites, many women left welfare for work, but their economic circumstances, while improved over time, remained bleak. Even years after they were first selected to be in the study, the majority of families in these four urban counties experienced at least one hardship, such as hunger, inadequate housing, or lack of health insurance. This confirms what is perhaps obvious — that welfare policies are not in and of themselves antipoverty strategies and that a better-coordinated set of policies across various domains (employment, wages, taxes, education, immigration, and so on) may be needed to address the basic needs of all residents; this may be especially true in large urban areas that pose the most severe challenges, such as the ones included in this study.

- **Although most of the welfare recipients in Los Angeles and the other three counties had worked, they struggled financially in low-paying jobs.**

Welfare policymakers may need to devise more flexible strategies to help workers with low skills acquire the training and experience needed to advance and to secure jobs with health benefits.

Despite the strong economy that characterized the study period, the women in the survey and ethnographic samples described the daunting challenges that they faced in going to work while maintaining their parenting responsibilities. In both Los Angeles and Miami, non-English-speaking Latinas tended to be the worst off economically, as were women of all racial and ethnic groups across the sites who lacked a high school diploma or GED. While current policy allows welfare recipients to spend up to 10 hours of their 30-hour weekly work requirement in education, very few clients do so — perhaps because staff do not encourage it or because women who have small children find it difficult to combine education classes with 20 hours of work-related activities. It may be that a more flexible strategy — combining an emphasis on employment with more options for education and training — may be more effective than a rigid emphasis on quick employment in helping women who have low skills to obtain jobs with decent wages and health benefits. A more individualized welfare-to-work plan, paying attention to recipients' needs and preferences, may have a better payoff in terms of promoting long-term self-sufficiency. While data from this study do not directly affirm this conclusion, data from other MDRC studies suggest that a strategy that blends education, an emphasis on work, and a provision of work supports may be especially effective.

- **For welfare recipients whose barriers to employment are extremely severe, supplementary services and special strategies are likely to be required.**

For welfare recipients who are “hard to employ” as a result of facing multiple or especially severe barriers — including mental health problems, homelessness, substance abuse, and domestic violence — neither a push toward quick employment nor an emphasis on education and training, in and of themselves, is likely to promote self-sufficiency. Welfare administrators in Los Angeles (and the other sites) recognized this challenge and developed several strategies to address the needs of such recipients. Data from the Urban Change survey — which indicates that sizable minorities of the women had health and mental health barriers — suggest that upfront screening of recipients for these problems is not effective in identifying all who are in need. Other strategies appear to be needed, and perhaps one opportunity is to begin a more in-depth dialog with recipients who are in sanction status, to determine why it is that they are unable or unwilling to comply with participation requirements. In working with these hard-to-employ cases, creative, individualized approaches — some of which were to have been tested as part of Los Angeles's Long-Term Family Self-Sufficiency (LTFSS) initiative — may be essential.

- **Food stamps, Medicaid/Medi-Cal, child care subsidies, and the Earned Income Credit appear to have played an important role in supporting**

the incomes of former welfare recipients and helping them to stay employed. Greater emphasis could be placed on advertising these benefits.

The service sector economy is characterized by low wages and benefits — a fact that is unlikely to change any time soon. Many of the women in the Urban Change ethnographic sample indicated that they would not have been able to make it without the help they received from food stamps, child care subsidies, and Medicaid. The survey suggests that, in all four counties, more welfare leavers were eligible for these benefits than received them. Welfare staff — together with local foundations, advocacy groups, and community organizations — might consider ways to step up their efforts to inform low-income families about the supports that are available (and to make it less onerous to access these). It helps when such information is communicated consistently, frequently, and in multiple locations.

- **The Urban Change study suggests that legislative proposals to increase welfare-to-work participation rates much above 50 percent may not be realistic, at least in large urban areas.**

The 1996 federal welfare reform law sets participation targets that are much higher than in the past, but it also gives states credit for reducing welfare caseloads. Some federal lawmakers have expressed support for revisions that would raise participation requirements and eliminate the caseload reduction credit. Data from Cuyahoga, Los Angeles, and Philadelphia Counties provide some insight into participation levels that may be achieved by urban welfare departments — and it should be remembered that, in most cases, these may reflect expansive definitions of “participation.” Los Angeles’s participation rate peaked at about 47 percent in 2001; similarly, Cuyahoga achieved a participation rate of 49 percent in FY 1999/2000, and Philadelphia attained a top participation rate of 47 percent in FY 1997/98. Participation rates tended to decline thereafter, however. Although some policymakers question why all welfare recipients cannot be engaged in work activities, MDRC’s research suggests that the participation rate will never approach 100 percent because of the constant opening and closing of cases, the time lapse involved in assigning clients to activities and monitoring their attendance, and the personal and situational problems that many welfare recipients face, including illness and child care problems.

Issues in California and Los Angeles County

- **The culture in the eligibility/income maintenance offices, which does not seem fully consistent with the goal of encouraging progress toward self-sufficiency, could benefit from some reform.**

In this study, welfare recipients’ encounters with their Eligibility Workers (EWs) did not appear to be a good vehicle for encouraging participation in work-related activities or for “marketing” the GAIN program. Indeed, these encounters may engender hostility, confusion, or

anxiety, and although some onerous aspects of these meetings may be necessary, positive interactions between clients and EWs are undermined by time restrictions and other constraints that are perhaps avoidable. For example, clients seeking clarification about a rule or wanting to redress an erroneous sanction have had difficulty calling their EW directly and have been forced to talk with someone staffing a help line — someone unfamiliar with their case. The EWs could potentially play an important role in sending clients messages, not only about their obligations but also about their opportunities — for example, about the income disregards and about such key work supports as child care. While it is the GAIN Service Workers' responsibility to communicate this information during the initial meeting, some recipients opt not to attend the GAIN orientation and appraisal session — perhaps because they have already formed a negative attitude based on their initial encounter with an EW.

- **Simpler welfare policies may help welfare staff send clearer messages to clients and strengthen program implementation.**

California's welfare reform law is relatively complex. Not only does it feature work requirements and time limits, but it also includes provisions designed to ease the transition to work and to influence parenting and reproductive behavior. Even the state's time-limit policy was complicated initially, in that there were two time clocks, and they did not affect everyone on the grant. Welfare staff in the Los Angeles study often did not have enough time at intake and recertification interviews to explain the new rules — and they themselves did not always understand the rules. Compared with similar groups of women in Cuyahoga and Philadelphia, the women in Los Angeles were less certain about the amount of time that they could receive cash assistance, whether they could continue getting food stamps when they left the welfare rolls, and the transitional benefits that were available. California policymakers might consider simplifying some aspects of the welfare law or, at least, might refrain from adding new layers to an already-complicated law.

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About MDRC

MDRC is a nonprofit, nonpartisan social policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Child Development
- Improving Public Education
- Promoting Successful Transitions to Adulthood
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.