5. Conclusions and Next Steps

As noted in Section 1, this is the first of two reports on the impact of CalWORKs. It describes outcomes under CalWORKs through the summer of 2000 and begins the process of explaining the observed variation in outcomes—through time, between California and other states, and among California’s counties. This concluding section summarizes the findings to date and discusses directions for additional analyses for the second and final impact analysis.

Conclusions

The impact analysis addresses three questions: (1) What has happened to the outcomes of interest? (2) Why do outcomes vary across time, between California and the other states, and among California’s counties? and (3) Were the program changes made worth the cost? This report addresses the first and part of the second question (but does not consider intercounty variations). Here, we review our findings.

What Has Happened to Outcomes of Interest?

In the conceptual model of Section 1 (Figure 1.1), we argued that CalWORKs legislation could indirectly affect the outcomes of interest through the county welfare programs themselves and, in particular, through the process of implementing the CalWORKs model. We find (as shown in Section 2) that rates of participation in WTW activities—and, in particular, work—are rising. Absolute levels of participation, however, are low. Less than a third of all adults in single-parent cases are participating even at the federally required number of hours per week (25 hours, 20 for those with a child under six years of age). The corresponding fraction at the required state number of hours per week (32 hours) is less than a quarter. Among those not working, the corresponding fraction is much lower. It appears that as of the period described by the available data, county programs had had only limited success in involving those not yet ready for unsubsidized employment. Developing more-effective programs is an ongoing area of CWD activity.

When we look at how the caseload and outcomes for welfare leavers have changed over the past decade, we see (as shown in Sections 3 and 4) that the
observed trends are nearly uniformly positive. Since its peak in mid-1995, the caseload has declined at about 1 percent per month, so that today it is about half its peak level. The decline in the caseload results equally from decreases in the rate of entrance into welfare and increases in the rate of exit from welfare. Finally, we note that while California’s 43 percent decline in caseload is large, it is smaller than that of the nation as a whole (60 percent), and some states report declines of 80 percent or more.

Findings for the other outcomes also reflect nearly continuous and substantial improvement since the early 1990s, although in some cases the absolute levels remain low. Employment and earnings are up among both welfare recipients and welfare leavers, rates of return to welfare among welfare leavers are falling, Medi-Cal take-up among welfare leavers is rising, and poverty in single-mother families and for all children is falling.

*What Caused These Outcomes?*

Our descriptive analyses clearly show that most of the trends are positive. The next question is, What causes the positive trends we are seeing? It seems unlikely that county WTW programs are the major cause of the long-term (i.e., from the mid-1990s) decline in caseload and increases in employment and earnings. The timing is wrong. The improvements in almost all the outcomes date back to the early 1990s, well before the passage of CalWORKs and the consequent increase in spending by the counties and delivery of a significantly higher level of WTW services to recipients. Furthermore, while we would expect county WTW programs to affect primarily exits from welfare, about half of the caseload decrease results from the decline of entrants into welfare.

There is some evidence of accelerating improvements for some outcomes (exit rates from welfare, employment from entry into welfare) in the most recent periods. These recent improvements may result from the new CalWORKs programs. Understanding this recent experience and how it unfolds past the data available for this report will be a major focus of our second impact analysis report a year from now.

What else might explain the outcomes? Like the national literature on the effects of welfare reform, our answers to these questions are preliminary and in some cases speculative. It seems clear that a major role should be assigned to the economy. With a better economy, those off welfare have better job prospects, thus lowering the entrance rate onto welfare; those on welfare are more likely to find jobs, thus raising the participation rate and the exit rate from welfare; and those who have left welfare are more likely to be employed and less likely to
return to welfare, thus lowering reentrance rates to welfare. Finally, because recipients have higher incomes, fewer children and families will be in poverty. Based on our analyses, the improved economy appears to explain about half of the state’s caseload decline from its peak in March 1995, much of the variation in caseload decline across the counties, and some of the differential decline between California and the rest of the nation. As part of the evaluation, we are now performing equivalent analyses of the effect of the economy on other outcomes (e.g., employment and earnings of current recipients and leavers, by time since entering welfare).

Some role should also be assigned to nonwelfare policies. The national literature suggests that the massive expansions of the federal EITC in the late 1980s and early 1990s, combined with increases in California’s minimum wage and the Work Pays reforms to the benefit structure (augmented further by the CalWORKs legislation), have probably all contributed to higher levels of employment and earnings for current recipients and welfare leavers. In addition, by making work more attractive, these changes have probably also helped to shrink the caseload. Moreover, the increase in the take-up rate of Medi-Cal among welfare leavers is plausibly related to the adoption of new Medi-Cal programs and intensive information and casework efforts on the part of CDSS and CWDs.

Finally, some of the more recent declines probably result from changes to state policies under CalWORKs. We have already noted the likelihood that the Work Pays reforms and their extensions as part of CalWORKs have increased work among current recipients. In addition, the new environment, with its new message that program participation is expected of (nearly) every adult, has probably contributed to the caseload decline, discouraging entrance and encouraging faster exit.

That said, the national econometric evidence and simulations for California suggest that while the details of the CalWORKs legislation—participation-rate requirements, sanction policy, time-limit policy, and benefit structure—explain some of the caseload decline, they probably also partly explain why California’s caseload has declined less than that in other states. Compared with the TANF reforms in other states and the immediate pre-TANF waiver reforms, the CalWORKs legislation made less dramatic changes in welfare in California. In many other states, the new TANF programs or immediate pre-TANF waivers brought earlier and more strictly enforced participation-rate requirements (especially among those not working): full-family sanctions—more swiftly and surely applied than in California, and shorter lifetime time limits—with earlier start dates; and cessation of payments for both adult(s) and children when the
time limit is reached. Just as it seems likely that the CalWORKs policy changes explain some of the changes in outcomes, especially the caseload decline, it seems likely that the more dramatic policy changes in other states would have caused larger changes in outcomes, in particular, a larger decline in caseloads.

However, whether the state’s smaller caseload decline that has apparently resulted from these policy choices is a cause for concern is far from clear. Lower benefit levels and stricter sanctions and time limits would imply fewer monetary resources for the state’s poorest families. It seems likely that there is a tradeoff; programs that would decrease the caseload would probably also leave some children worse off.

The policy choices in the CalWORKs legislation are broadly consistent with California’s policies in the pre-PRWORA period. Arguably, they reflect the state’s balancing of the higher safety net for children against the resulting larger welfare caseload, including its higher cost and greater dependency. If the perception of the appropriate balance has shifted, then cutting the welfare benefit, more strictly imposing the universal-participation requirement, streamlining the conciliation process, increasing the maximum sanction, cutting the time limit, and removing the continuing payment to the child(ren) would each probably cut the welfare caseload, but at the cost of significantly decreasing the financial resources available to support children.

**Were the Changes Worth the Cost?**

We defer addressing the cost/benefit question until next year. In this report, we have laid a foundation for that analysis by describing program outcomes (so that we better understand program benefits). As mentioned above, the implementation of WTW programs occurred too late to be a major factor in the earlier changes observed in our data. An additional year of experience will be particularly important in understanding the effects of county WTW programs. As of the summer of 2000, those programs were settling into steady state. Once we have another year of results with the programs in steady-state operation and more post-welfare experience for leavers, we will be able to build on our foundation with additional analyses of costs and benefits.

**Next Steps**

This report has concentrated on describing trends in California, compared with other states and between California’s counties through approximately the summer of 2000—later for some measures, earlier for others. It has also begun
the process of trying to understand the effects of CalWORKs and other factors on the observed variation—through time, between states, and among California’s counties.

This leaves four tasks for the coming year and our second and final report on the impact of CalWORKs. First, as mentioned above, the second report will incorporate another year of experience with the CalWORKs programs and with the PRWORA programs in other states. In particular, the present report analyzes data for relatively little time off aid for those who left with the implementation of the CalWORKs reforms, both the policies and the programs. These additional data are particularly important in view of the evidence of accelerating improvements in outcomes toward the end of the data analyzed for this report, presumably as the reformed and expanded county CalWORKs programs were having their effects.

Moreover, with another year of data, we will see the effects of cases in more states reaching time limits. Finally, especially with respect to the employment and earnings information from the MEDS/EDD match, we will explore the completeness of the data by cross-checking reported earnings against other sources (e.g., our household survey) that include different types of income—out-of-state, income from independent contracting, and earnings of other family members.

Second, this report has explored a relatively narrow set of outcomes—work activities participation rates, caseloads, employment and earnings of leavers, poverty. In the remainder of the project, we will consider a wider range of outcomes. In particular, separate reports will present results from the first and then the second wave of our survey of current and recent welfare recipients. That survey is collecting information on experiences in interacting with CWDs and broader measures of household well-being.

Third, this report begins the task of understanding the causes of the trends in outcomes for California and differential outcomes for California versus the rest of the nation. Over the next year, we will extend and expand these analyses, also drawing on the rapidly expanding national literature on these issues.

Fourth, the second report will examine the differential effects of the welfare programs in each of California’s 58 counties. As we noted earlier, those programs are only now settling down into a post-surge steady state, and quality improvements are continuously being considered and implemented.