

**TANF Reauthorization:
Opportunities to Reduce Poverty
by Improving Employment Outcomes**

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Introduction

One goal of the 1996 welfare law was to reduce the number of families receiving cash assistance. Another goal was to promote employment among poor parents. In addition, for many, another goal of welfare policy is to reduce poverty among families with children and assist poor families to reach greater financial security. In theory, all of these goals can work in harmony if a policy and funding framework emphasizes preparation for and access to good jobs, and access to work supports such as subsidized child care, that enable families to find stability and security in the labor market. However, these goals are distinct and success in achieving one goal is not always matched by comparable success in achieving the others.

One important policy discussion during TANF reauthorization will concern the balance that should be struck among these potentially competing goals, and the strategies that states are allowed, encouraged, or required to undertake in achieving any agreed upon goals. In the following pages, we provide background on some of the key features of the original legislation that relate to work and information about the experience to date regarding employment and earnings for families receiving and leaving welfare. We then make specific recommendations for changes in TANF that could improve employment outcomes by encouraging better initial jobs, a stronger emphasis on advancement for low-earning workers, and better linkages to work supports for parents entering and working in low-wage jobs.

The TANF Framework

A number of provisions of the 1996 welfare law influence how states structure and finance work-related activities under TANF. Among the key features of the law:

- TANF provided states with block grant funding at fixed levels through 2002, and allowed states substantial flexibility in the use of both federal and state maintenance of effort (MOE) funds. States were allowed to spend TANF and MOE funds on a broad range of employment-related services and work supports and to transfer up to 30% of TANF funds to the Child Care and Development Block Grant.

¹ The analysis and recommendations presented in this paper were developed collaboratively with the Center on Budget and Policy Priorities.

- States were given broad discretion in structuring program rules, allowed to create significant financial incentives for employment through earned income disregards, and authorized to impose sanctions, including full termination of cash assistance, for noncooperation with work activities requirements.
- The law imposed time limits, specifying that a state could not use federal funds to provide assistance to a family for more than sixty months, subject to allowable exceptions for up to 20% of the state's caseload. The time limits applied to the use of federal funds. States were given some flexibility in structuring time limits through their ability to use state funds to pay benefits for families who would then not be subject to federal time limits.
- The law established "participation rates" for families receiving TANF assistance and provided that states would risk fiscal penalties for failure to meet the required rates. To count toward the rates, an individual must be involved in one of a listed set of work-related activities for a specified number of hours each week. States may count recipients who are employed or participating in a range of subsidized employment and paid and unpaid work experience toward the federal participation rates. However, education and training activities only count toward the rates to a very limited extent, and generally cannot count for more than twelve months for individuals not working at least twenty hours a week. Other activities designed to address other barriers to employment (substance abuse, domestic violence, etc.) are not countable or are only countable to a very limited extent under the current structure.
- The law specified that the participation rate requirements would increase from 25% to 50% between 1997 and 2002, but a "caseload reduction credit" provided that a state's participation rate requirement would be reduced if a state's caseload declined for reasons other than changes in eligibility rules. Thus, the required participation rate for a state will be adjusted downward if the state's caseload falls, whether or not the fall in caseload is attributable to families going to work.
- A High Performance Bonus provided additional funds to states based on the rates of job entry, earnings growth, and employment retention for affected adults.

In implementing TANF, states continued a trend begun in the early 1990s of fundamental change in the basic orientation of state systems, as the principal focus shifted from providing income support to an emphasis on requiring and supporting employment. Most states were guided by a "work-first" philosophy, in which programs emphasized rapid employment entry. The guiding perspective was that any job could be a stepping stone to a better job, that job placement efforts should not make special efforts to link parents with better jobs, and that education, training, and skill-building for the unemployed should be discouraged. Formal policy changes in this area commonly included expanded requirements to participate in work-related activities; increased penalties for failure to comply with such requirements; and restricted access to education and training. More broadly, as states implemented TANF, they commonly increased income support for families with earnings; liberalized program asset requirements; broadened eligibility for two-

parent families; imposed time limits on assistance; and expanded the availability of “transition” benefits for families leaving assistance.²

Implementation Experience Concerning Caseload Levels, Child Poverty, and Employment³

Since the law was enacted, both the TANF assistance caseload and the nation’s child poverty rate have fallen significantly. However, participation in TANF assistance fell much more rapidly than child poverty declined.

Since 1994, there has been a historically unprecedented decline in the number of families receiving assistance. In early 1994, five million families were receiving AFDC. The number fell to 4.4 million by the time the 1996 law was enacted, and then dropped to 2.1 million by March 2001.⁴ Thirty-three states report higher caseloads in September 2001 than in March 2001, though the total number of TANF cases across the country declined by 1% over this period.⁵ Part of the caseload decline is clearly due to reduced need. Child poverty fell from 21.8% in 1994 to 16.2% in 2000.⁶ However, participation in welfare fell much more rapidly than child poverty. In 1994, 62% of poor children were receiving AFDC assistance; by 1999, only 40% of poor children were receiving TANF assistance.⁷

There has been a large increase in employment among low-income single mothers. Studies of families who have left welfare have consistently found that about 60% of leavers are working. The share of adults working while receiving TANF assistance increased from 8% in 1994 to 28% in 1999.⁸ (Part of the explanation for this increase in employment among recipients is that under TANF, most states have liberalized the rules for reducing assistance when a family has earnings; as a result, a family is more likely to retain eligibility when a parent enters a low-wage job.) And, Census Bureau data also point to a large increase in employment among low-income female-headed families in recent years. For families with incomes below 200% of poverty, between 1994 and 1999, employment rates stayed essentially flat for married mothers but grew

2 State Policy Documentation Project, a joint project of the Center for Law and Social Policy and the Center on Budget and Policy Priorities. Available online: <http://www.spdp.org>

3 The following section is drawn substantially from *Comments to the U.S. Department of Health and Human Services Regarding the Reauthorization of the Temporary Assistance for Needy Families Block Grant* (Washington, DC: CLASP, November 2001). Available online:

<http://www.clasp.org/pubs/TANF/TANF%20comments%201101.pdf>

4 U.S. Department of Health and Human Services, *U.S. Welfare Caseloads Information: January-September, 2000*. Available online: <http://www.acf.dhhs.gov/news/tables.htm>

5 Mark Greenberg, Elise Richer, and Vani Sankarapandian, *Welfare Caseloads Are Up in Most States* (Washington, DC: Center for Law and Social Policy, December 2001). Available online:

<http://www.clasp.org/pubs/TANF/FY01%20Caseload%20discussion.htm>

6 Joseph Dalaker, “Poverty in the United States: 2000,” *Current Population Reports* (Washington, DC: U.S. Census Bureau, September 2001). Available online: <http://www.census.gov/prod/2001pubs/p60-214.pdf>

7 U.S. Department of Health and Human Services, “Indicators of Welfare Dependence,” *Annual Report to Congress* (March 2001), A-9.

8 U.S. Department of Health and Human Services, “Temporary Assistance for Needy Families (TANF) Program,” *Third Annual Report to Congress* (August 2000). Available online:

<http://www.acf.dhhs.gov/programs/opre/annual3.doc>.

by thirteen percentage points for single mothers. As a result, 59% of single mothers in families with incomes below 200% of poverty were working in 1999, versus 43% of married mothers.⁹

Much of the employment has been in low-wage jobs, often without employer-provided benefits. For working adults receiving assistance, earnings averaged \$597.97 per month in FY 99.¹⁰ Leavers studies also report generally low wages and earnings for those who are employed after leaving assistance. According to the Urban Institute's Nation Survey of America's Families, median wages for recent welfare leavers in 1999 were \$7.15 an hour.¹¹ State studies typically report wages at or in that range. A new CLASP review of more than 30 recent leavers studies found that median wages ranged from \$6.00 to \$8.47 an hour, while median first quarter earnings ranged from \$1,884 to \$3,416, with most states showing median quarterly earnings of \$2,000 to \$2,500.¹² Five states provided the average annual earnings level for leavers continuously employed since leaving, and in no case did the average earnings exceed the poverty guideline for a family of three.¹³ Furthermore, only about half of employed leavers work in jobs which offer paid personal leave, and even fewer have paid sick leave. Only one-quarter receive employer-sponsored health insurance.¹⁴

There is some earnings growth over time, but so far, earnings remain low for most of the affected families. The fact that many families are entering low-wage employment was not unexpected, because a strong focus in TANF implementation was to encourage parents to enter employment as rapidly as possible, even at low wages, with the hope that earnings would grow over time. A limited number of states have reported longitudinal data for families leaving welfare and entering employment. From those data, it looks like earnings do increase after leaving assistance, but remain low. CLASP's review of recent leavers studies found that in most states, earnings in the fourth quarter after exit grew by only a few hundred dollars when compared to earnings in the first quarter.¹⁵ There are little data yet available showing long-term earnings changes for TANF leavers. A study done in Wisconsin which tracked families who left welfare in 1995 found similar quarterly earnings growth, but larger annual earnings growth. They found that median earnings (in 1998 dollars) were \$8,608 in the first year after leaving, \$9,627 in the second year, and \$10,924 in the third year.¹⁶ Despite the growth over this period, the actual figures remain low, never coming close to the poverty line for a family of three.

9 Ibid.

10 U.S. Department of Health and Human Services, "Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 1999." Available online:

<http://www.acf.dhhs.gov/programs/opre/characteristics/fy99/analysis.htm>

11 Pamela Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers* (Washington, DC: The Urban Institute, April 2001), 3. Available online:

http://newfederalism.urban.org/pdf/anf_b36.pdf

12 Elise Richer, Steve Savner, and Mark Greenberg, *Frequently Asked Questions about Working Welfare Leavers* (Washington, DC: Center for Law and Social Policy, December 2001). Available online:

<http://www.clasp.org/pubs/TANF/leaversFAQ.pdf>

13 Ibid.

14 Ibid.

15 Ibid.

16 Cancian et al., *Before and After TANF: The Economic Well-being of Women Leaving Welfare* (Madison, WI: University of Wisconsin, Institute for Research on Poverty, May 2000), 36. Available online:

<http://www.ssc.wisc.edu/irp/sr/sr77.pdf>

TANF's Role in Affecting the Employment Outcomes

TANF played an important role in the growth of employment among single mothers, but was not the only factor. It is probably impossible to isolate the independent role of TANF in the increase in employment among single mothers. The growth in employment of low-income single mothers with young children began between 1992 and 1993. During the 1990s, a set of factors contributed to employment growth for single mothers: the strong national economy, the expansion of the Earned Income Tax Credit, increased availability of child care subsidies, expansion of health coverage for children, the minimum wage increase, and improved child support enforcement. There seems to be a consensus among researchers that welfare reform efforts played an important role, with the effects more pronounced in latter years.¹⁷ Other factors occurring at the same time all pushed in the same direction, and we don't know how the same policies would have worked in a different economy, or how one component would have worked without the others.

The "TANF effect" involved both additional requirements and federal block grant funds that became available because of caseload declines, making it possible to increase services. Since funding levels were generally set to reflect welfare caseloads from the early-mid 1990s, and caseloads began falling in 1994, the TANF block grant structure allowed states to redirect funds formerly spent on cash assistance to employment-related services, among other activities. The General Accounting Office estimated that if all states had participated in TANF throughout 1997 and had met applicable maintenance of efforts, states would have had an additional \$4.7 billion above the funding level that they would have had under prior law.¹⁸ And, since block grant funding remained constant as caseloads declined, the funds potentially available for services steadily increased over time. This made it possible for states to expand employment-related services, child care, and other important services. Thus, both additional requirements and expanded services resulting from additional funds are each part of the "TANF effect."

State TANF choices to restrict access to education and training activities may have also played a role in increasing the likelihood that families attaining employment entered low-wage jobs. As noted above, many states were guided by a "work-first" philosophy, and substantially reduced access to and resources for education and training. However, new evidence from the five-year impacts in the National Evaluation of Welfare-to-Work Strategies indicates that a program placing a stronger emphasis on job quality performed better than those that emphasized taking any job. In the NEWWS evaluation, the highest performing program (in Portland, Oregon) placed a strong emphasis on employment, but relied on a more individualized, mixed strategy combining job search and education and training, and rather than urging participants to take any jobs, the program expressly focused on helping participants find better jobs.¹⁹

17 Rebecca M. Blank, "Declining Caseloads/Increased Work: What Can We Conclude About the Effects of Welfare Reform?" *FRBNY Economic Policy Review* (New York: Federal Reserve Bank of New York, September 2001). Available online: www.newyorkfed.org/maghome/econ_pol/2001/801rbla.pdf

18 U.S. General Accounting Office, *Welfare Reform: Early Fiscal Effects of the TANF Block Grant*, GAO/AIMD-98-137 (Washington, DC: Author, August 1998), 11. Available online: <http://www.gao.gov>.

19 Hamilton et al., "How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs: Executive Summary," *National Evaluation of Welfare-to-Work Strategies* (New York:

Participation in Work Supports

The fact that many exiting families have low earnings underscores the importance of access to “work supports” — Food Stamps, Medicaid, child care assistance, and child support services — for families leaving assistance. However, participation in Food Stamps and Medicaid sharply declines after families leave assistance, most working leavers do not receive child care assistance, and most leavers do not receive child support.

In a set of eight leavers studies funded by HHS, the share of single parents receiving food stamps in the quarter after leaving TANF ranged from 33% to 57% (and was 9% in one additional county). The share of adults receiving Medicaid in the quarter after leaving was between 41% and 57% in seven of nine sites.²⁰ There are indications that factors affecting the drops in participation include eligibility rules, lack of awareness of continued eligibility, and administrative practices that sometimes resulted in closing Food Stamp and Medicaid cases when TANF cases were closed.²¹ While these are critical supports for low-wage workers and their families, recommendations about policy changes in these programs are not included here because they will not formally be a part of TANF reauthorization, although there may well be legislative activity on them in 2002.

There are also indications that families who could benefit from child care assistance after leaving welfare often do not receive such assistance. In state leavers studies, only about one-third or less of working leavers report receiving child care subsidies,²² despite the fact that 40% of working low-income single parents (income below 200% of poverty) with children under age 13 have child care costs, averaging \$217/month, and representing 16% of family income.²³

Child support collection has significantly improved in recent years. The Urban Institute reports that when poor families receive child support, the support represents 26% of family income.²⁴ However, despite these improvements, federal administrative data indicate that some child support is collected for only 44% of welfare leavers participating in the child support program. Moreover, about half of support arrears collected on behalf of leavers are not paid to the family, but instead are retained by the government to recover prior assistance costs. Overall, more than

Manpower Demonstration Research Corporation, November 2001). Available online:

http://www.mdrc.org/Reports2001/NEWS_FinalReport/NEWS_FinalReport_ES.htm

20 Gregory Acs and Pamela Loprest, *Initial Synthesis Report of the Findings from ASPE’s ‘Leavers’ Grants* (Washington, DC: The Urban Institute, January 2001). Available online:

<http://aspe.hhs.gov/hsp/leavers99/synthesis01/>.

21 Janet Quint and Rebecca Widom, *Post-TANF Food Stamps and Medicaid Benefits: Factors That Aid or Impede Their Receipt* (New York: Manpower Demonstration Research Corporation, January 2001). Available online:

<http://www.mdrc.org/Reports2000/UrbanChange/Post-TANFFoodStamp/PostTANFBenefits2000.pdf>

22 Rachel Schumacher and Mark Greenberg, *Child Care After Leaving Welfare: Early Evidence from State Studies* (Washington, DC: Center for Law and Social Policy, October 1999), 10. Available online:

<http://www.clasp.org/pubs/childcare/Child%20Care%20after%20Leaving%20Welfare.PDF>

23 Linda Giannarelli and James Barsimantov, *Child Care Expenses of America’s Families* (Washington, DC: The Urban Institute, 2000), 14.

24 Elaine Sorensen and Chava Zibman, *Child Support Offers Some Protection Against Poverty* (Washington, DC: The Urban Institute, March 2000), 2. Available online: <http://newfederalism.urban.org/pdf/Anf31.pdf>

half of the support retained by government is collected for welfare leavers, rather than families currently receiving cash assistance.²⁵

It is not yet clear how TANF implementation has affected children, but prior research suggests that there may not be benefits unless there are increases in family income. Recent work by the Manpower Demonstration Research Corporation, looking at pre-TANF welfare-work programs, found that while many programs raised employment rates, only some raised income, because gains in employment were often offset by losses in benefits. In those programs where employment was associated with increased family income, MDRC found evidence of positive effects on children's school achievement. In addition, two of three programs that raised incomes found increases in positive behaviors by children, and one found a decline in problem behaviors. In contrast, programs in which increased employment did not translate to increased incomes had mixed effects, and no clear positive impact on children's well-being. The authors conclude: "[W]e found that programs that provided earnings supplements had consistently positive impacts on children's achievement. Raising employment without increasing income may not be sufficient to boost the healthy development of children in low-income families."²⁶

Future Directions to Better Meet the Need for Financial Security

The experience since 1996 suggests that the goal of caseload reduction has been accomplished in ways that do not always translate into employment for parents leaving welfare. Similarly, employment goals have often been achieved in ways that do not translate into financial security for families receiving or leaving welfare. In addition, families leaving welfare and working at low wages have frequently not been successful in accessing supports that are intended to support low-wage workers, such as subsidized child care, child support, Food Stamps and Medicaid. There is also evidence, noted above, that simply substituting low-wage work for welfare will not necessarily benefit children, while improving family income does provide improved prospects for children.

These results suggest the need to identify a set of expanded goals for reauthorization and a set of policies and strategies that reauthorization should seek to encourage. In articulating goals, we do not mean to suggest that each of these should be expressly written into the statutory goals of TANF; we think that is one among several ways that they can be communicated, but it is important for Congress to find ways to articulate what it most hopes for states to focus on in the next period. TANF's work-related goals should include:

- Reducing child and family poverty, by ensuring that employment translates to improved economic well-being and that states actively help those with the most serious barriers to enter stable employment;

25 U.S. Department of Health and Human Services, Office of Child Support Enforcement, *FY2000 Preliminary Data Preview Report* (Washington, DC: Author, July 2001). Available online: <http://www.acf.dhhs.gov/programs/cse/pubs/2000/datareport/>

26 Pamela A. Morris et al., *How Welfare and Work Policies Affect Children: A Synthesis of Research* (New York: Manpower Demonstration Research Corporation, March 2001), 63. Available online: <http://www.mdrc.org/Reports2001/NGChildSynth/NG-ChildSynth.pdf>

- Supporting low-wage workers and those seeking work by strengthening access to work supports, such as Food Stamps, Medicaid, child care, and child support, by families leaving TANF and by other low-income families; and,
- Expand opportunities for low-wage workers to obtain higher quality jobs, by helping increase the share who are in jobs with higher pay, key benefits such as sick leave, vacation, and health care benefits, and adequate flexibility to meet family needs.

The following proposals would advance these goals.

Reducing Child and Family Poverty

Proposal: Specify in the law that poverty reduction is one of the TANF goals.

Reauthorization provides an important opportunity to communicate priorities for the next stage of state and local welfare reform initiatives. In doing so, one key message should be the need to broaden the focus of state efforts from caseload reduction to efforts to reducing family poverty and increasing families' financial security. Specifying that poverty reduction is a goal does not mean a departure from emphasizing employment; rather, it means that employment should translate to improved economic well-being; that working with the hardest to employ is preferable to cutting off their assistance; and that TANF funds should be seen as part of an overall strategic effort to dramatically reduce child poverty in the United States. The lack of any reference to addressing child poverty in the goals of TANF has been an unfortunate omission, and adding an explicit child poverty reduction goal would provide a valuable signal to states and communities about the challenge

Some states and observers have expressed concern that the available resources in TANF would not be sufficient to end child poverty, and that the responsibility for addressing child poverty should not be the sole responsibility of a state's TANF agency. We agree with both points. However, the fact that TANF funds are not sufficient to completely meet a goal should not keep us from explicitly identifying and attempting to make progress toward the goal; and, we are not in any way suggesting that articulating a goal in a statute implies that this is the sole program or initiative to which the goal applies.

Supporting Low-Wage Workers and Those Seeking Work

Proposal: Federal time limits should not be imposed against working families.

The inclusion of time limits on the use of federal funds to provide assistance to families was a central provision in the TANF block grant. The rationale for this policy has been to send a clear and unequivocal message about the importance of maximizing earnings and other income sources while minimizing reliance on cash welfare payments. To best achieve this goal, time limits should be implemented in ways that support work..

Nearly every state has liberalized its earnings disregard policies in order to provide continued help to working families with very low earnings. These supplements to earnings are important to ensure that entering employment results in improvements in family economic well-being;

research findings suggest that in order to see improved outcomes for children when parents work, it is crucial that work actually translates to increased income, as opposed to just substituting work income for public benefits income.²⁷ However, counting months of such assistance against a time limit means that earnings disregard and time limits policies are working at cross purposes. In a number of states that implemented time limits shorter than five years, from 40% to 87% of all families whose benefits were terminated as a result of time limits were employed, though often with very low earnings, at the time they were terminated.²⁸ In experimental demonstrations in Florida and Connecticut, average family income fell when families began reaching time limits, because gains in employment income did not offset the losses in public benefits.²⁹ Thus, applying time limits against working families had the effect of reducing incomes for low-earning families.

A handful of states have enacted rules that disregard months in which a recipient combines employment and welfare when determining whether a family has reached a state time limit. However, the months of assistance continue to count against the federal clock unless state funds are used to provide that assistance. This results in needless administrative complexity. Federal law should not restrict a state's ability to use TANF funds to help low-earning working families and should communicate the importance of using TANF funds to provide help for such families.

Proposal: Federal funding for child care should be increased.

Child care assistance is important to help parents sustain employment, pay for basic needs, and ensure that children are in environments promoting education and healthy development while their parents are working. While the number of families receiving subsidy assistance has grown since 1996, so has the number of low-income working families. As a result, there remains a tremendous gulf between the number of families eligible for and the number actually receiving subsidy assistance: the federal government estimates that, in 1999, only 12% of potentially eligible families were receiving assistance through the federal Child Care and Development Fund. The share of eligible families receiving help has probably grown since that time, but not enough to change the basic picture: the great majority of potentially eligible low-income families do not receive child care assistance.

Since 1996, the principal source of growth in child care funding has come from TANF, as states were able to redirect TANF funds freed up as welfare caseloads fell. However, it seems clear that states will not be able to rely on continued rapid TANF caseload decline as a funding source

27 See Pamela A. Morris et al., *How Welfare and Work Policies Affect Children: A Synthesis of Research* (New York: Manpower Demonstration Research Corporation, March 2001). Available online: <http://www.mdrc.org/Reports2001/NGChildSynth/NG-ChildSynth.pdf>

28 Mark Greenberg, "Time Limits and Those Still Receiving Assistance: Background and Issues for Reauthorization," presentation to Senate Finance Committee Forum Series, November 19, 2001.

29 Dan Bloom, Laura Melton, Charles Michalopoulos, Susan Scrivener, and Johanna Walter, *Jobs First: Implementation and Early Impacts of Connecticut's Welfare Reform Initiative* (New York: Manpower Demonstration Research Corporation, March 2000), 78. Available online: <http://www.mdrc.org/Reports2000/Connecticut/CT-JobsFirst.pdf>; Dan Bloom, James J. Kemple, Pamela Morris, Susan Scrivener, Nandita Verma, and Richard Hendra, *The Family Transition Program: Final Report on Florida's Initial Time-Limited Welfare Program* (New York: Manpower Demonstration Research Corporation, December 2000), 180. Available online: <http://www.mdrc.org/Reports2000/Florida-FTP/FTP-Final-FullRpt.pdf>

for child care in the coming years. Accordingly, we believe that Congress should significantly expand the dedicated funding for child care available through the Child Care and Development Fund, with an ultimate goal of making subsidy help available to all eligible low-income families.³⁰

Proposal: Child support assignment and distribution rules should be changed so that families receive more child support.

When families apply for TANF assistance, they are required to assign (or turn over) to the government their rights to child support. The child support is used by the government to reimburse assistance costs. The basic rule established by the 1996 law is that the government keeps child support owed while a family receives assistance, while the family keeps child support owed when the family does not receive assistance. Congress should eliminate the two exceptions to this basic rule: the tax offset exception and assignment of pre-assistance arrears. In addition, states that decide to pass through support to families receiving assistance should not have to repay the federal share of the support. States should be given assistance in converting their distribution rules so that program fiscal stability is maintained, for example by enacting an appropriate effective date, providing systems funding, allowing use of TANF funds and credit toward TANF maintenance of effort requirements.

Expanding Opportunities for Low-Wage Workers to Obtain Higher Quality Jobs

Proposal: Give states the option of using employment outcome measures in lieu of the participation rate process measures in TANF.

TANF participation rates are the primary mechanism in the law for shaping state choices about employment services for welfare recipients. Yet the current rate structure has many flaws. First, participation rates do not measure employment outcomes, but rather just count the number of hours that recipients are engaged in activities. There is no reason to believe that states with higher participation rates have better employment outcomes. Second, the participation rate structure makes it difficult for states to integrate TANF-funded employment services with other federally funded employment activities under the Workforce Investment Act (WIA), despite the clear Congressional intent of encouraging such integration. Third, through the “caseload reduction credit,” the participation rate structure provides incentives for cutting caseloads regardless of employment outcomes. And finally, by counting only a narrow list of work activities toward the participation rates, it discourages states from providing work activities that could help the harder-to-employ or help workers obtain higher paying jobs.

While our other proposals address some of these problems, allowing states to use employment outcome measures in lieu of the TANF process ones solves a number of them at once. In fact, the American Public Human Services Association in its reauthorization recommendations has proposed allowing states the option of replacing participation rates with measures of job

30 *Comments to the U.S. Department of Health and Human Services Regarding the Reauthorization of the Child Care Development Fund (CCDF)* (Washington, DC: Center for Law and Social Policy, November 2001). Available online: <http://www.clasp.org/pubs/childcare/CCDFcomments1101.pdf>

placement, retention, and earnings progression.³¹ An example of such employment outcome measures are those used in WIA for other federally-funded employment programs. These measures do not prejudge which activities are most effective for achieving the outcomes in any given locality or state; they simply hold states accountable for helping people find work, keep jobs, and increase their wages. Because the exact levels of performance are negotiated individually for each state with the federal government and are based on improvement from the past, such a system is flexible enough to accommodate state differences in caseload characteristics and economic contexts.³²

Proposal: Replace the “caseload reduction credit” with a new employment credit that rewards states when families leave welfare for employment. Give extra credit to states that help families obtain higher-paying jobs.

In the current participation rate structure, states can meet their required work participation rates simply by reducing caseloads, regardless of whether families are working. This is because the state’s required participation rate is adjusted downward if the state’s caseload has fallen since 1995 for reasons other than changes in eligibility rules.³³ This provides an incentive for states to reduce caseloads whether or not families are going to work, rather than focusing state efforts on improving employment outcomes and access to work supports.

We recommend phasing out the caseload reduction credit and replacing it with a credit based on the extent to which families leaving welfare include a working adult. Replacing the caseload reduction credit with such an employment credit would reward states for helping families find work, an outcome that is consistent with current TANF goals. Giving states extra credit for placing families in higher-paying jobs would be an important step in reorienting TANF toward the additional goals of poverty reduction and financial security.

Proposal: Revise TANF job search requirements to allow parents a reasonable period of time to look for the best available job.

Research suggests that a significant number of welfare recipients could obtain better quality jobs simply by having more time and help in identifying higher-paying jobs with benefits for which they qualify. A significant number of recipients already have the skills needed to qualify for better jobs.³⁴ And the Portland, Oregon, site in the NEWS evaluation demonstrated that it is

31 American Public Human Services Association, *Crossroads: New Directions in Social Policy* (Washington, DC: Author, 2001).

32 For a detailed description of the performance measures in WIA, see Steve Savner, *Key Implementation Decisions Affecting Low-Income Adults Under the Workforce Investment Act* (Washington, DC: Center for Law and Social Policy, August 1999). Available online: <http://www.clasp.org/pubs/jobseducation/kellwia2.htm>

33 For example, in FY 2002, states must meet an official participation rate of 50%, but if, for example, a state’s caseload fell by 45% between 1995 and 2001 for reasons other than changes in eligibility rules, the state’s adjusted participation rate would be 5%. If the state’s caseload had fallen by 50% or more for reasons other than changes in eligibility rules, the state would have an adjusted rate of zero.

34 Anthony P. Carnevale and Donna M. Desrochers, *Getting Down to Business: Matching Welfare Recipients Skills to Jobs That Train* (Princeton, NJ: Educational Testing Service, 1999).

possible to increase wages and access to full-time jobs with benefits for those with high school diplomas primarily through better job matching.³⁵

While some TANF recipients will need skill upgrading and barrier removal services to access higher quality jobs, for many others, improved job matching by the program and additional time to look for work could improve their financial security and access to employer-sponsored benefits. The TANF law should be changed to allow individuals to use the first six weeks of job search to look for work that pays above a designated level (this could be set, for example, at a percentage of the median wage in the local labor market) and offers health benefits for the individual and family. TANF-funded employment programs should help individuals in this search by providing career counseling, access to current labor market information, and job matching services.

Proposal: Create a Career Ladders Fund to enable low-wage workers to upgrade skills and to demonstrate and replicate effective practices for serving them

As described earlier, those leaving welfare for work have typically found jobs at below-poverty wages, and the majority of them are not receiving key benefits, such as health care, through their employers. Like other low-wage workers, however, many welfare recipients cannot qualify for higher quality jobs without intensive services to upgrade their skills and address barriers to employment. Welfare-to-work programs that help recipients find better-paying jobs have typically included a significant amount of job training, and those with the biggest impacts made that training accessible to those without high school diplomas and/or lower skills. In fact, training programs may have a bigger impact when they serve those who are less likely to have gotten access to training on their own.³⁶

Little attention has been paid, however, to this research. Welfare recipients and former recipients have had very limited access to skill-upgrading services under TANF — in fact, states spent less than one percent of the block grant in 2000 on education and training.³⁷ This under-investment reflects in part TANF's lack of emphasis on job preparation generally, and more particularly, its inattention to job quality. It is also due to state skepticism about the efficacy of education and training based on the generally poor labor market outcomes of stand-alone basic education services. Unfortunately, because of current practices in the job training system, when welfare recipients and other low-wage workers do receive education and training services, those with lower skills typically receive only basic education services, not occupational training.³⁸

35 Stephen Freedman, Daniel Friedlander, Gayle Hamilton, JoAnn Rock, Marisa Mitchell, Jodi Nudelman, Amanda Schweder, and Laura Storto, *Evaluating Alternative Welfare-to-Work Approaches: Two-Year Impacts for Eleven Programs* (New York: Manpower Demonstration Research Corporation, June 2000).

36 See examples of the Center for Employment Training and Portland, Oregon's Steps to Success in Julie Strawn and Karin Martinson, *Steady Work and Better Jobs* (New York: Manpower Demonstration Research Corporation, 2001).

37 Mark Greenberg and Elise Richer, *Analysis of Fiscal 2000 TANF and MOE Spending by States* (Washington, DC: Center for Law and Social Policy, 2002). Available online:

<http://www.clasp.org/pubs/TANF/FY00/Introduction.htm>

38 See Julie Strawn, *Beyond Job Search and Basic Education: Rethinking the Role of Skills in Welfare Reform* (Washington, DC: Center for Law and Social Policy, 1998), for a summary of this research. Available online:

<http://www.clasp.org/pubs/jobseducation/beyondexec.htm>

Further, states that have invested in skill upgrading to help recipients and former recipients advance now find that those initiatives are at serious risk of being reduced or eliminated when state budgets are tight and the need for cash assistance increases.³⁹

Federal leadership is needed to give low-wage workers opportunities to upgrade their skills by making training funds available for individuals and by demonstrating that training programs can successfully serve those who typically do not gain access to them. A Career Ladders Fund should be created in TANF, using funds in addition to current block grant levels. The fund would be a national research and demonstration project with two purposes. First, it would test the effect of allowing welfare recipients, other low-income families, and noncustodial parents to earn access to Career Training Accounts by sustaining employment for a period of time. In addition to funding training so that these workers could advance to better jobs, these accounts would also create incentives for workers to stay with entry-level jobs long enough to gain work experience and employer references. Second, the fund would provide technical assistance and Career Ladder Grants to states for funding local interventions that demonstrate which job training approaches can assist those with lower skills, limited English, and/or other challenges to employment to obtain higher quality jobs. It would also help states replicate best practices.

States would apply to be part of the demonstration and if chosen to participate, would receive both a Career Ladder Grant and the ability to draw down funds for Career Training Accounts for individuals. Priority in giving Career Ladder Grants would be given to states that propose to fund projects that seek to:

- Substantially increase the wages of low-income workers or the unemployed by upgrading job and related skills in partnership with employers, especially when services are provided at or near the worksite and when they serve those with limited English or low basic skills; or,
- Increase employment and substantially increase wages for the unemployed who have little work experience and face multiple challenges to employment.

Proposal: Encourage states to adopt the proven welfare -to-work strategy of providing a mix of employment and skill-upgrading services — rather than just job search — by removing the law’s current limits on vocational educational training.

Since TANF was adopted in 1996, new research findings have made it increasingly clear that the most effective welfare-to-work programs have offered a mix of job search, education, job training, and work activities.⁴⁰ Some of these mixed strategy programs have not only increased employment but have also helped welfare recipients find better jobs than they would have on their own. The best example is Portland’s Steps to Success program in the NEWWS evaluation.⁴¹

³⁹ In Oregon, for example, budget problems have resulted in proposals to eliminate the state’s landmark job retention and advancement initiatives; similarly, in California, the Governor has proposed eliminating TANF-funded services that support welfare recipients in training in the community college system.

⁴⁰ Stephen Freedman et al., *Evaluating Alternative Welfare-to-Work Approaches: Two-Year Impacts for Eleven Programs* (New York: Manpower Demonstration Research Corporation, June 2000).

⁴¹ See also George Cave, Hans Bos, Fred Doolittle, and Cyril Toussaint, *JOBSTART: Final Report on a Program for School Dropouts* (New York: Manpower Demonstration Research Corporation, 1993); Daniel Friedlander and Gary Burtless, *Five Years After: The Long-Term Effects of Welfare-to-Work Programs* (New York: Russell Sage

Portland provided a mix of services, including job search, life skills, work-focused basic education, and occupational training. Among the eleven NEWS sites, Portland increased employment and earnings more than the three “work first” programs while also increasing receipt of occupational licenses or certificates and GEDs by as much as the seven education-focused sites. Portland increased stable employment, hourly wages, and access to full-time work and employer-provided benefits for both high school graduates and those who entered the program without a high school diploma.⁴² These findings are echoed by other studies of mixed strategy programs whose impacts were both larger initially and appear to last longer than those of programs that either provided primarily job search or primarily basic education.

Given this research, there is no justification for TANF continuing to discriminate against employment-focused education and training activities in determining what counts toward meeting work participation rates. The current limitations on vocational educational training send a signal that Congress sees these activities as less important and less legitimate than other activities. Further, the twelve-month limit means that those who might benefit most from occupational training are least likely to obtain it. This is because even shorter training programs, such as earning an occupational certificate from a community college, can take more than twelve months under current educational practices for students with limited English or lower skills who must take developmental courses in addition to their training coursework.

Conclusion

As the Administration and Congress turn their attention toward the reauthorization of the TANF program, they have an opportunity to reduce poverty by helping low-income working families achieve greater financial security through better jobs and stronger work supports. We believe that the policy recommendations outlined in this paper would improve employment outcomes by helping workers find better initial jobs, expanding opportunities for low-wage workers to obtain higher quality jobs, and providing better work supports for parents entering and working in low-wage jobs.

Foundation, 1996); Amy Zambrowski and Anne Gordon, *Evaluation of the Minority Female Single Parent Demonstration: Fifth Year Impacts at CET* (Princeton, New Jersey: Mathematica Policy Research, Inc., December 1993).

⁴² Stephen Freedman et al., *Evaluating Alternative Welfare-to-Work Approaches: Two-Year Impacts for Eleven Programs* (New York: Manpower Demonstration Research Corporation, June 2000).