CHAPTER II: Improving Welfare-To-Work Programs and Increasing Engagement

Introduction

This chapter discusses how states can strengthen their welfare-to-work programs by increasing engagement and participation among recipients and improving the effectiveness of the employment services provided. The goals of the options discussed here are to improve employment outcomes and increase states' work participation rates, although not every recommendation meets *both* of these goals simultaneously.

More specifically, this chapter discusses the following:

- **Designing effective work activities.** Despite federal restrictions, states continue to have some flexibility in the design of their welfare-to-work programs. States can use this flexibility to develop more comprehensive welfare-to-work strategies that do more to help parents prepare for and find employment. Possible strategies include: making broader use of vocational educational training, developing creative ways to combine education and training with other countable work activities, utilizing effective subsidized employment strategies, and improving work experience and job search programs so they do more to connect recipients to higher quality unsubsidized jobs. To be effective, all work activities should include critical supports for families, including child care and transportation assistance. These components can help recipients prepare for employment by addressing their individual needs and can link recipients directly to employers who have jobs available that match recipients' skills and interests.

- **Increasing engagement in work activities.** Many states have struggled to engage a large share of recipients in work activities. In some states, a significant number of recipients referred to welfare-to-work programs do not participate successfully; some perform the required activities but do not make progress, while others do not attend consistently.

  Research has shown that many recipients have barriers to employment that impede their ability to participate fully or effectively in work activities. Some states and localities have been able to

achieve high rates of engagement in program activities by improving screening and assessment procedures to identify barriers to employment, providing more-intensive case management services to families, seeking to match recipients to activities that will help them prepare for jobs in which they have an interest and the capability to succeed, and developing effective training and subsidized employment programs to help those with significant barriers transition to work.

- **Addressing the unique policy issues related to two-parent families**. Under the Deficit Reduction Act of 2005 (DRA), states are required to meet a 90-percent work participation rate for two-parent families. Most researchers and state agencies view this rate as unreachable unless states deny assistance to two-parent families who are unable to participate for the required number of hours, thereby pushing them deeper into poverty. States should consider how best to serve married families — whether inside or outside the TANF structure — but should not eliminate aid to these families because of the new work requirements.

Policies that provide income supplements and other work supports to low-income working families are an important complement to the welfare-to-work program approaches discussed in this chapter, and have been shown to increase employment rates, retention rates, and earnings of poor families. Chapter III discusses how income-supplement programs — through TANF, MOE, and child support programs and policies — can help "make work pay" and increase a state's work participation rate. (While a detailed discussion of other work supports, such as child care assistance, state and federal earned income tax credits, food stamps, housing assistance, and health care is beyond the scope of this report, such supports are critical to the success of the programs described here. Appendix I has a resource list for information on these programs.)

Creating Effective and Countable Work Activities

During the 1990s, many states emphasized a "work-first" approach that focused on immediate job search and placement in unsubsidized employment. While many states later adopted more varied programs, most recipients in welfare-to-work programs still participate in a narrow set of activities. In 2004, two-thirds of TANF recipients who counted toward meeting federal work participation rates were participating in job search and job readiness activities or unsubsidized employment, just two of the 12 categories of allowable work activities.[29] This narrow "work-first" strategy, coupled with a strong economy and strengthened work supports for low-income working families (such as child care, EITC and Medicaid), helped lead many parents to leave welfare for work.

Research has shown, however, that under existing welfare-to-work programs, some parents are unable to find stable employment, while many of those who leave welfare for work remain poor. For example, according to a compilation of studies, 71 percent of former TANF recipients worked at some point in the year after leaving TANF, but only 37 percent worked in all four quarters of the year.[30] Similarly, a recent study of families that left the Wisconsin TANF program found that most families remained poor six years after they left TANF. In the sixth year after leaving TANF, only 16

[29] Office of Family Assistance, U.S. Department of Health and Human Services, 2004 Work Participation Rates, Table 4b, http://www.acf.hhs.gov/programs/ofa/particip/2004/table04b.htm.

[30] Acs, Loprest, Roberts, Final Synthesis Report of Findings from ASPE's Leavers Grants (2001).

percent of families had earnings above the federal poverty line, and 60 percent were extremely poor, with earnings below 25 percent of the poverty line.[31]

States can improve employment outcomes for TANF recipients by making more effective use of a broader range of work activities, including vocational educational training and subsidized jobs, and improving activities that already are in use, such as job search and job readiness activities.

Research has consistently shown that the most effective welfare-to-work programs are those that adopt a "mixed strategy" — that is, programs that are heavily work focused but include significant skill-building components. The most effective programs target industries and occupations with relatively high earnings, employment growth, and opportunities for advancement; they are closely connected to employers to help TANF recipients gain access to better jobs than they could have gotten on their own; and caseworkers strive to match work activities and employment goals to individual recipients' strengths, barriers, and interests. In short, these programs succeed in part because they do not take a one-size-fits-all approach to assigning activities to recipients.

This section discusses what is known about the effectiveness of various work activities that count toward the TANF participation rates and recommends ways to use these components to create a mixed-strategy welfare-to-work program.

While states will need to increase the number of recipients in countable work activities to move toward meeting the new participation rates, some parents may benefit — at least for a period of time — from participation in an activity that may not be considered countable toward the federal participation rates. This may include postsecondary programs that last beyond 12 months or activities tailored to the needs of individuals with disabilities or designed to address barriers to employment. (The extent to which certain activities will or will not count toward the participation rates will not be clear until the federal TANF regulations are released in June.) While states can make increased use of activities that they may count toward the work rates, they should not exclude other useful approaches.

Job Search and Job Readiness Assistance

Job search and job readiness activities — essential stepping-stones to employment — are part of every state's TANF program. Under the federal TANF law, recipients engaged in job search or job readiness activities may count toward work participation rates for a total of six weeks in a year, but no more than four weeks consecutively.[32]

Some state "work-first" approaches always assign job search as an individual's first activity and use his or her success in the labor market search as a preliminary assessment of his or her employability. This approach was particularly popular in the late 1990s. It does not allow for the early identification of barriers, however, and given the prevalence of barriers among TANF

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[31] Chi-Fan Wu, Maria Cancian and Daniel Meyer, "Standing Still or Moving Up? Evidence from Wisconsin on the Long-Term Employment and Earnings of TANF Participants," October 2005, DRAFT.

[32] In cases where the state unemployment rate is at least 50 percent greater than the national unemployment rate, or the state has been deemed a "needy state," 12 weeks of job search may count toward the rates.

recipients, some states that initially took this "labor market as assessment" approach have backed away from it. For example, Washington State has recently decided to change its policy of assigning nearly all recipients to job search as the first activity and instead will conduct screenings and assessments prior to assigning recipients to job search or other programs

Because federal law limits the extent to which participation in job search and job readiness activities counts toward TANF work participation rates, states should use these components efficiently. Specifically, states should avoid using up TANF recipients' countable participation time in unstructured job search programs in which recipients are required to make a certain number of job contacts but which do not help recipients prepare for their job search, connect directly with employers who have jobs that are a good match for their skills and interests, and identify barriers to labor market success. A more structured job search and job readiness program that provides these supports (and, when appropriate, helps recipients begin addressing significant barriers) can be more successful.

Depending on the characteristics of the local TANF population and job market, a comprehensive job search and job readiness strategy may well take longer to help parents secure jobs than the four to six weeks that are countable under the federal participation requirements. States and counties should consider continuing effective job search and job readiness programs beyond the four-to-six week limitation if a large number of recipients find employment in the several weeks immediately following the countable period. However, a lengthy and unproductive job search program, during which recipients face repeated rejection from employers, will frustrate recipients and reduce the state's work participation rate.

How Can States Design More Effective Job Search and Job Readiness Programs?

States can take several steps to improve the effectiveness of their job search and job readiness programs:

- **Job search programs should encourage recipients to look for good jobs rather than to take the first job offered.** The quality of job placement plays an important role in long-term employment outcomes. One of the reasons Portland, Oregon's welfare-to-work program (which was evaluated in the mid-1990s as part of the National Evaluation of Welfare-to-Work Strategies, or NEWWS) was so successful, researchers concluded, was that its job search and readiness component focused on helping recipients find jobs that paid above the minimum wage and offered the best chance for stable employment. Full-time job developers worked closely with local employers and the state Employment Department to link participants with employment. They also sought positions that paid above the minimum wage and provided room for advancement.

  More generally, studies have found that women, including those with a history of welfare receipt, work longer and more consistently when they find jobs that pay higher starting wages.[33]

[33] See, for example, Anu Rangarajan, Peter Schochet, and Dexter Chu, "Employment Experiences of Welfare Recipients; Who Finds Jobs: Is Targeting Possible?" 1998, http://www.acf.hhs.gov/programs/opre/welfare_employ/post_employ/reports/employ_experiences/emp_experiences.pdf; and Heather Boushey, "Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment

And research has shown that for both low-wage workers and public assistance recipients alike, those employed in certain industries — such as special trade contractors (including plumbers and electricians), business services, and health services — are more likely to escape low-wage status as they gain more experience in the industry.[34]

The evaluation of the Portland program and these other studies suggest that if job search programs did more to help recipients connect to jobs that offer higher wages in growing industries that offer advancement opportunities, recipients would be more likely to find stable employment and escape poverty. This points to the importance of building stronger connections with employers and analyzing local labor markets to identify higher-quality employment opportunities that will help families become economically self-sufficient.

- **Job search programs should include job readiness components.** Research suggests that job search programs are most effective when they include job readiness components — including "soft skills" training in which recipients are taught workplace norms, communication skills, and time management skills that can help them manage the demands of work and family responsibilities.[35] To introduce participants to a "culture of employment" and boost their soft skills, some successful job placement programs have made their program environments mimic the workplace. Some programs also offer workshops or other planned activities that meet regularly before recipients are connected to employers so that staff can assess participants' soft skills and address any issues before they arise at the workplace.[36] Some job readiness programs have made effective use of job shadowing (allowing recipients to watch someone doing the same or similar job that the recipient may apply for) and other career exploration activities to help recipients identify jobs that match their skills and interests.

- **Job search and job readiness programs should seek to identify recipients' skills and barriers to employment and serve as a gateway to additional services and supports for those who need more help to succeed in the labor market.** Job search and job readiness programs should seek to assess participants' skills, abilities, and interests as well as barriers to employment. As is discussed in more detail below, assessment should start early and continue throughout parents' engagement in the program. Since job search and job readiness programs are often one of the first activities in which recipients participate, they provide an important opportunity to begin determining whether recipients have barriers that require additional

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Tenure and Wage Growth," Washington, DC: Economic Policy Institute, June 2002, http://www.epi.org/content.cfm/briefingpapers_bp128.

[34] Fredrik Andersson, et al, "Successful Transitions out of Low-Wage Work for Temporary Assistance for Needy Families (TANF) Recipients: The Role of Employers, Coworkers, and Location," April 2004, http://www.urban.org/UploadedPDF/410997_FinalReport_HHS.pdf.

[35] Rangarajan, p. 99.

[36] Julie Strawn and Karin Martinson, "Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce," MDRC, 2000, p. 33. Jodie Sue Kelly, "Seven Ways to Boost Job Retention," Enterprise Foundation, 1999, http://www.enterprisefoundation.org/resources/WSS/section5/njiac.asp; Anu Rangarajan, p. 99. New York's Vocational Foundation, Inc, created a five month program to mimic the workplace for participants to, among other things, help them "develop good work habits before they being paid employment, when the consequence of failing to follow the rules can be the loss of the job." See, Tony Proscio and Mark Elliot, "Getting In, Staying On, Moving Up: A Practitioners Approach to Employment Retention," Working Ventures, 1999.

require additional services. These programs, therefore, should be able to refer recipients who are not succeeding in this activity for more in-depth assessments and for more intensive services, including education, training, and mental health or substance abuse treatment.[37]

"In my opinion, most welfare reform programs are...sending people out to work before they are ready, while they still have child care and transportation problems that will cause them to fail at work. This winds up irritating employers like me, who become reluctant to hire from this source."

- employer who had hired TANF recipients

- **Job search programs should develop strong relationships with employers.** Job search and job readiness programs that develop ties to employers — and work to understand the kinds of skills individual employers need — can link recipients directly to employers who have jobs that match recipients' skills and interests.[38] Programs that become adept at providing employers with job applicants who become successful employees provide a valuable service, which, in turn, will encourage employers to notify the program when future openings emerge. To improve recipients' chances of succeeding in the workplace, job search programs can also help employers develop orientation sessions for new employees[39] and strategies to resolve problems that may arise, such as difficulties with child care.

- **Job search programs should connect participants to necessary work supports such as child care and transportation.** Recipients who have stable child care and reliable transportation during job search and job readiness programs will be better able to participate in these programs consistently. Recipients also need these supports to be in place when they receive a job offer so they can start working immediately. Parents are more likely to adjust to a new job successfully if they are not also trying to help their children adjust to a new child care routine, or trying to figure out how they are going to get to work, at the same time. One employer of low-wage workers commented, "In my opinion, most welfare reform programs are…sending people out to work before they are ready, while they still have child care and transportation problems that will cause them to fail at work. This winds up irritating employers like me, who become reluctant to hire from this source."[40] Unfortunately, many states do not provide child care subsidies for those in job search programs.

Education and Training[41]

Education and training can promote better employment outcomes and help states meet federal work rates at the same time. Higher levels of education are closely associated with increased earnings and lower rates of unemployment. Between 1973 and 2003, the real wages of workers with less than a high school diploma declined by 20

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[37] Rangarajan, pp. 98-99.

[38] Carol Clymer and Laura Wyckoff, "Employment Retention Essentials: Building a Retention-Focused Organization," Public Private Ventures, 2003; and Frederica Kramer, "Job Retention and Career Advancement for Welfare Recipients," Welfare Information Network, 1998, http://www.financeproject.org/Publications/issueretention.htm.

[39] Jodie Sue Kelly, "Retention and Career Advancement," Cygnet Associates, 2001.

[40] Talor J. Combes and J. Rubin, "Engaging Employers to Benefit Low-Income Job Seekers," Jobs for the Future, 2005.

[41] For a more in-depth discussion, see Evelyn Ganzglass, "Strategies for Increasing Participation in TANF Education and Training Activities," Center for Law and Social Policy, April 2006, http://www.clasp.org/publications/tanf_ed_training.pdf.

percent, while the wages of those with a college education increased by 18 percent.[42] Almost half of all TANF recipients have no high school diploma[43] and thus lack the qualifications that are increasingly necessary to obtain good jobs. As discussed below, research has consistently shown that welfare-to-work programs that include a strong skill-building component are more successful than those that follow a narrow "work-first" approach.

Despite the clear connection between education and success in the labor market, the TANF system has invested relatively little in what should be an important component of a welfare-to-work strategy. In FY 2003 less than 2 percent of state and federal TANF funds were spent on such services. In addition, preliminary estimates by the Congressional Research Service indicate that in FY 2004, just over 5 percent of families in TANF and separate state programs who would count toward the participation rates under the DRA either participated in vocational educational training or were teens that maintained satisfactory attendance in secondary school or participated in a course of study leading to a GED. Because up to 30 percent of the recipients who count toward a state's participation rate can consist of individuals in these activities, almost all states have room to increase the number of recipients in vocational educational training (and, for teens, participating in high school).

How Effective Are Education and Training Programs for TANF Recipients?

Research on welfare-to-work programs over the last ten years has shown that the most successful strategies for helping parents work more consistently and increase their earnings emphasize employment *and* provide a range of services that include a strong education and training component. The above-mentioned Portland program, which was more successful in achieving these goals than any other program evaluated as part of NEWWS, offered a substantial number of instructional hours in short-term education and training per week, linked training to job search, closely monitored participation, and emphasized obtaining jobs that paid above the minimum wage and offered a good chance of stable employment.

The Portland program also increased receipt of education and training credentials, including helping more high school dropouts earn both a GED and an occupational certificate. Non-experimental comparisons found that those who participated in both basic education and occupational training — components that generally took about a year to complete — were much more likely to succeed than those who participated in basic education alone.[44]

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[42] L. Mishel, J. Bernstein, and S. Allegretto, *The State of Working America 2004/2005*, Economic Policy Institute.

[43] U.S. Department of Health and Human Services, *FY 2001 Characteristics and Financial Circumstances of TANF Recipients*.

[44] Gayle Hamilton, "Moving People From Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies," U.S. Department of Health and Human Services, July 2002, http://aspe.hhs.gov/hsp/newws/synthesis02/.

How Do the Federal Work Rates Count Participation in Education and Training?

The 1996 federal TANF law identifies 12 specific areas of work activity that may count toward states' work participation rates.[a] While all work activities may include an educational component, five of these directly involve education and training:

- vocational educational training;
- job skills training directly related to employment;
- education directly related to employment, in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency;
- satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence, in the case of a recipient who has not completed secondary school or received such a certificate;
- on-the-job training.

The law sets several limits on when states can count participation in these activities toward the work rates:

- There is a 12-month limit on the period for which a recipient who is participating in vocational education training can be counted toward the state's work rates.
- Only 30 percent of participants who are counted toward a state's work rates may do so through vocational educational training or by being a teen head of household who either maintains satisfactory attendance in secondary school or participates in education that is directly related to employment (if they have not received a high school diploma or a certificate of high school equivalency).
- For all recipients other than teens, job skills training, education directly related to employment, and secondary school/GED classes can count toward the work rates only when combined with at least 20 hours per week (30 hours per week for two-parent families) of participation in "core" countable activities. (For a list of "core" and "non-core" activities, see page10 in Chapter I).

In considering the effects of these limits, it is important to note that many education and training activities fit into more than one of the five categories listed above. For example, a given activity could be classified as vocational education training for a TANF recipient who had not exhausted his or her 12-month limit and as job skills training for a recipient who was working 20 hours a week — and thus could be countable toward the work rates in both cases. But precisely which activities states can define as "vocational education training" will depend on forthcoming federal regulations, unlike in past years when states were able to define this term themselves.

The limits on counting various education and training activities toward the work rates will influence states' program design decisions. Sometimes, states may want to engage a recipient in education and training even when it will not count toward the work rate because, in the state's view, it will help the family move from welfare to work or secure a better job. In such cases, states may want to provide assistance outside the TANF structure (i.e., with state funds that do not count toward the MOE requirement) so these families are not included in the base population from which the work rate is calculated. This option is discussed further below.

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[a] For a more detailed discussion of how the participation rates are calculated, see Chapter I.

In addition, several non-experimental studies provide evidence of the substantial economic benefits for TANF recipients of *postsecondary* education. A study of TANF recipients who exited California community colleges in 1999 and 2000 found that TANF students were twice as likely to work year-round after college as they had been prior to entering the program. The study found that, in general, vocational certificate programs needed to be at least 30 units in length to yield earnings levels of more than $15,000 by the second year out of school. Students who left with an Associate degree (which required 60 or more course units) earned, on average, five times more in their second year out of school than they had when they entered college; average earnings in this group jumped from $3,916 to $19,690.[45]

Many education-focused welfare-to-work programs have not been cost effective because they lacked a strong connection to employment and because few recipients received high enough "doses" of instruction to gain either literacy skills or a GED.

While research suggests that combining work and skill upgrading can be effective for low- income parents, three important caveats must be considered:

- **Programs that offer education and training to current or former recipients who are also working generally suffer from very low participation**. This reflects the difficulty many single parents face in juggling work, family, and school responsibilities.[46]

- **Too many hours of work can harm an adult's chances of completing his or her skill-upgrading course of study.** A recent study of the New Visions Self-Sufficiency and Lifelong Learning Project found that participants who work more than 120 hours per month were substantially less likely to participate in that program or other employment and training activities.[47] Similarly, research by the U.S. Department of Education found that students who work 15 hours or more per week were much more likely to report that work interfered with their schooling by limiting their class choices and schedules, the number of classes they could take, and their academic performance.[48]

- **The *type* of skill upgrading provided matters tremendously**. Research suggests that many education-focused welfare-to-work programs have not been cost effective because they lacked a strong connection to employment and because few recipients received high enough "doses" of instruction to gain either literacy skills or a GED. Even recipients who received GEDs under such programs often did not reap the full benefit of the certificate because GED receipt was not followed by postsecondary training and degrees or certificates that have value in the labor

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[45] A. Mathur with J. Reichle, J. Strawn, and C. Wisely, "From Jobs to Careers- How California Community College Credentials Pay Off for Welfare Participants," Center for Law and Social Policy, May 2004.

[46] David Fein and E. Beecroft, "College as a Job Advancement Strategy: Final Report on the New Visions Self-Sufficiency and Lifelong Learning Project," Abt Associates, Inc., January 2006. Also, H. Hill, G. Kirby, and T. Fraker, "Delivering Employment Retention and Advancement Services: A Process Study of Iowa's Post-Employment Pilot," Mathematica Policy Research, 2001; and D. Paulsell and A. Stieglitz, "Implementing Employment Retention Services in Pennsylvania: Lessons from Community Solutions," Mathematica Policy Research, 2001.

[47] Fein and Beecroft.

[48] Ali Berker and Laura Horn. 2003. "Work First, Study Second: Adult Undergraduates Who Combine Employment and Postsecondary Enrollment," NCES 2003–167. Washington, DC: National Center for Education Statistics, U.S. Department of Education, Institute of Education Sciences.

market.[49] In the New Visions program, for example, only about one-fourth of participants completed the core program (work conflicts were the most commonly cited reason for dropping out); moreover, the core program was focused primarily on increasing academic skills such as math, English, and reading rather than preparing participants for specific occupations.[50]

How Can States Design Effective Education and Training Programs?

Research on effective welfare-to-work programs, the difficulty of combining training and work, and the low skill levels of TANF recipients all suggest that states should consider the following three recommendations when designing their education and training programs:

1. Engage recipients in vocational educational activities for all required hours during an initial period of time to maximize their skill building or progress toward a credential before they are expected to combine training with 20 hours of other activities.

2. Develop education and training programs that are accessible to recipients who lack the basic skills that often are prerequisites for training programs that can prepare recipients for high-demand, better-paying jobs.

3. Develop flexible training opportunities and provide appropriate supports, such as work-study jobs, child care, and intensive career and academic counseling, to increase the likelihood that a parent will successfully combine training with other core work activities and parenting.

These recommendations are explored in greater detail below.

1. *Utilize vocational educational training as a stand-alone activity.* Vocational educational training can count toward all hours of the participation-rate calculation for 12 months. After that period, training programs must be combined with at least 20 hours of participation in other core activities. Given this structure, states should maximize the effectiveness of the first 12 months of education and training programs to build pathways to postsecondary education and credentials that have a significant payoff in the labor market. In designing vocational educational training programs, states should:

    - ensure that skill-building activities are accessible to a significant number of low-income parents with low levels of basic skills and/or limited English proficiency;

    - offer intensive programs that result in a certificate and fit within the 12-month cap (or longer if states are willing to provide access to these programs as a non-countable activity or outside the TANF structure); and

[49] G. Hamilton.

[50] Fein and Beecroft, 2006.

- connect recipients who have exhausted their 12 months of full-time participation in vocational education training with further education and training that can be pursued in conjunction with other activities and that lead to postsecondary occupational credentials with demonstrated value in the local labor market.

2. *Make training accessible to recipients with low basic skills.* Given the low skill levels of many TANF recipients, states should develop skill-upgrading opportunities that are accessible and appropriate for individuals without high school diplomas, with limited English, and with other significant skill deficits.

   Simply improving basic skills for such parents is unlikely to lead to jobs that can support a family, and a GED alone has been shown to have a fairly limited pay-off in the labor market. Instead, the goal should be to help such recipients upgrade their basic skills to a point where they can then participate in programs that lead to a credential with demonstrated value in the local labor market, typically an occupational credential. States can create clear paths to such credentials, even for those who initially have lower skills and/or limited English, in the following ways:

   - *Support "bridge" programs for students with very low skills to master specific educational and occupational skills that are needed for immediate employment and can meet requirements for entry into postsecondary occupational training programs.* Arkansas, for example, is developing such occupation-specific bridge programs as part of a statewide career pathways initiative for TANF recipients. This program prepares students for employment in manufacturing, welding, emergency medical services, nursing and technician-level allied health professions,[51] business, and education.

   - *Integrate basic skills and English-language instruction with vocational training to make ESL instruction more relevant to students' needs and increase the likelihood that ESL students will complete workforce training and earn college credits.* Washington State's Integrated Basic Education and Skills Training (I-BEST) model is a good example of this approach, with demonstrated results.[52] It should be noted that if basic skills are integrated into a vocational educational program, the forthcoming federal TANF regulations may allow those hours of basic skills instruction to be counted as a core activity.

3. *Help recipients combine education and work.* Many recipients will combine education and training with other core activities, such as an unsubsidized or subsidized job. States can take the following actions to create education and training activities that are suited to the needs of parents trying to juggle education and training with parenting and other activities:

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[51] For information on the term "allied health" occupations, see: http://careerplanning.about.com/od/occupations/a/allied_health.htm. The web site states that the term is "is used to identify a cluster of health professions and covers as many as 100 occupational titles, exclusive of physicians, nurses, and a handful of others. Allied Healthcare jobs include cardiovascular technologists and technicians, dental hygienists, diagnostic medical sonographers, opticians, and radiologic technologists and technicians."

[52] See outcome data for I-BEST at http://www.sbctc.ctc.edu/Data/rsrchrpts/Resh05-2-I-BEST.pdf.

- *States can create education and training options that meet at times and locations that are more convenient for working parents.* For example, states can work with education and training providers to offer more classes on evenings and weekends. States also can support the development of intensive modularized courses that break longer occupational programs into shorter (two- or three-week), concentrated modules that parents can complete as their schedules allow — and for which employers may be more willing to provide release time for training.[53]

  In addition, states can create public-private partnerships with employers to hold training at or near the work site and during work hours, and to have workers paid for at least some of their time in class, if possible.[54] Such partnerships can be funded and/or managed through on-the-job training contracts (see below), industry-based training programs that are part of state economic development programs, and state or local career pathway programs that prepare low-skilled individuals for high-demand industries and occupations. Typically, businesses contribute resources to these partnerships; often, specific wage increases are linked to completion of training.

- *States can revise their financial aid and work-study programs.* One way is to link attendance in postsecondary education programs that extend beyond 12 months with the Federal Work-Study Program, which provides paid employment to students showing financial need. Work-study jobs often are easier for students to manage than regular employment because employers schedule work hours around the student's class schedule and understand that the student's main priority is his or her studies.[55]

  States also can use TANF, MOE, or other state funds to fill in the gaps when a student's Federal Work-Study allotment is exhausted or to provide employment over the summer or during school breaks, when some students can work more hours.[56] For example, TANF, MOE or other state funds can be used cover an extra 5-10 hours of wages above the 10-15 hours that Federal Work-Study jobs typically provide to ensure that a student has at least 20 hours of work per week during the school year.

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[53] J. Strawn and K. Martinson, "Steady Work and Better Jobs: How to Help Low-income Parents Sustain Employment and Advance in the Workforce," MDRC, June 2000.

[54] For detailed descriptions of this approach, see Amy-Ellen Duke, Karin Martinson, and Julie Strawn, "Wising Up: How Government Can Partner with Business to Advance Low-Wage Workers," Center for Law and Social Policy, April 2006.

[55] Low-income students who are eligible for federal financial aid, such as Pell grants, through Title IV of the Higher Education Act are eligible for the Federal Work-Study Program. This includes most postsecondary students who are also receiving TANF. Federal work study jobs pay at least minimum wage and can be either on or off-campus. Off-campus jobs are largely limited to private non-profit organization or a public agency, though private, for-profit employers may be considered if the job relates directly to the student's area of study. Under the Federal Work-Study Program, the hours of employment are based on the amount of financial aid the student is awarded and the hours of attendance. Therefore, the lowest income students qualify for more hours.

[56] To be counted in a state's participation rate, an individual must be receiving "assistance" as defined by TANF regulations. The current definition of "assistance" excludes wage subsidies to employers (45 C.F.R. § 260.31). As a result, if an individual (or family) is only receiving TANF-funded wages through a wage subsidy to the employer, the individual is technically receiving "non-assistance," and therefore cannot be counted in the state's participation rate calculation. If, however, an individual receives both earnings from a subsidized job and a residual assistance grant (in a TANF or MOE-funded program), then she will be counted in the state's participation rate calculation.

In addition, states can change their financial aid policies to allow students who are attending school less than half time to qualify for state financial aid for the cost of tuition and books.

- *States can ensure that adequate supportive services (such as child care, transportation, and personalized career and academic counseling) are available to parents using TANF, MOE, or other funds.* In particular, states should support flexible child care arrangements that can accommodate parents' work schedules and provide sufficient hours to cover study time and travel time from one activity to the next.

On-the-Job Training

On-the-job training (OJT) consists of training, partially subsidized by the government, that employers provide employees to upgrade their work-related skills. The employer is reimbursed for a portion of the participants' wages to offset the cost of the training and the trainees' decreased productivity during the training period. Employers are expected to continue employing trainees after their training period ends. States can count participation in OJT towards all hours of the work participation requirement.

Within the context of the workforce development system under the Workforce Investment Act of 1998 (WIA) and its predecessor, the Job Training Partnership Act of 1982 (JTPA), OJT has been used as an incentive to employers to hire and train individuals with limited work experience or low skills. In Program Year (PY) 2004, approximately 10 percent of program completers in WIA Adult Program had received OJT while in the program.[57] Yet while the workforce development system has used OJT, TANF generally has not. Only 0.1 percent of TANF recipients subject to participation rates in FY 2004 were engaged in OJT; 21 states reported they had no TANF recipients enrolled in OJT.[58]

How Effective Are OJT Programs for TANF Recipients?

Because OJT has not been used widely in TANF and former AFDC programs, there are limited data on its effectiveness are limited. The relevant research suggests that although OJT can improve participants' employment outcomes, in most cases the impact is small:

- A national evaluation of JTPA in the late 1980s and early 1990s found that women who received AFDC for more than two years and were enrolled in OJT had small earnings gains two and three years after completing OJT, but that these gains dissipated over the course of the seven-year follow-up period.[59]

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[57] Social Policy Research Associates. *2004 WIASRD Data Book, p*repared for the US Department of Labor, February, 2006.

[58] CLASP calculations based on Table 4A, "TANF - Average Monthly Percent Of Adults Participating In Work Activities For A Sufficient Number Of Hours For The Family To Count As Meeting The All Families Work Requirements," Fiscal Year 2004, http://www.acf.hhs.gov/programs/ofa/particip/indexparticip.htm#2004.

[59] JTPA National Evaluation Seven Year Follow-Up, U.S. Department of Labor unpublished table. Westat: 1998.

- An evaluation during the mid-1980s of an OJT program in New Jersey found small but statistically significant earnings gains of 11 percent for program participants in comparison to the control group.[60]

- On the other hand, an evaluation of Maine's Training Opportunities in the Private Sector (TOPS) program, which provided unemployed women receiving AFDC with services such as pre-vocational training, unpaid work experience, and subsidized on-the-job training, found much larger impacts. Participants' average earnings were 31 percent above those of the control group, and these gains were sustained throughout the follow-up period.[61]

How Can States Design More Effective OJT Programs?

States may want to use OJT training subsidies to employers as a way to connect TANF recipients to jobs they would not be able to find through a job search alone and to provide them with enhanced training opportunities after they are employed. Since OJT programs require the employer to hire the TANF recipient, this strategy is likely to be more effective with "job-ready" individuals whom employers are willing to commit to hiring.

To improve the employment outcomes of OJT participants, programs should ensure that OJT placements are made in businesses and industries that offer opportunities for career progression and wage growth. Programs also can provide participants with additional training in skills needed to qualify for more-advanced jobs, such as moving from certified nursing assistant to licensed practical nurse.

For their part, employers can contribute additional resources to promote worker training and advancement and provide specific wage increases linked to completion of training. In designing an OJT program, states can build upon the U.S. Department of Labor's guidance for developing OJT contracts with employers to ensure that employers offer meaningful training opportunities to program participants. States implementing OJT programs for TANF recipients should develop mechanisms to ensure that participating employers:

- Commit to retaining participants who complete the training successfully and (for employers seeking renewals of OJT contracts) demonstrate a record of retaining OJT participants after the government subsidy ends. Such stipulations help ensure job stability and retention for participants and reduce the potential for employer abuse of the training subsidy.

- Develop structured training plans for program participants that clearly identify target skills and competencies and how they will be achieved.

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[60] L. Plimpton and D. Nightingale, "Welfare Employment Programs: Impacts and Cost-Effectiveness of Employment and Training Activities." Unpublished, cited in Lewin Group report for the U.S. Department of Health and Human Services, "Job Retention and Advancement Strategies Among Welfare Recipients: Challenges and Opportunities," 1999.

[61] D. Greenberg and M. Shroeder, *The Digest of Social Experiments* (2nd ed.), the Urban Institute Press, 1997 cited in Lewin Group, 1999.

- Pay wages and benefits to OJT participants that are consistent with the wages and benefits provided to other employees in the organization. States should target OJT contracts to jobs and employers that provide benefits and pay wages that can support a family.

- Demonstrate that they will provide program participants with opportunities for advancement.

Subsidized Employment

Subsidized employment is time-limited, wage-paying employment in which wages are subsidized by government funds. States can count participation in subsidized employment in either the private or public sector towards all hours of a TANF recipient's required hours of participation.[62] However, only 0.1 percent of all TANF recipients who were subject to the participation rates in FY 2004 were engaged in subsidized private employment, and only 0.3 percent were enrolled in subsidized public employment.[63]

States can use subsidized employment to help participants enter the labor market through the acquisition of work experience and enhanced connections to employers. Wage subsidies provide an incentive for employers to hire TANF recipients who may have low skills and little previous work experience. In many cases, employers are expected to hire program participants after the government subsidy expires.

Through subsidized employment, TANF participants can receive valuable work experience and training while on the job, in addition to earning wages. Moreover, they pay into the Social Security system — thus building quarters of work needed for future eligibility — and may qualify for the Earned Income Tax Credit and Unemployment Insurance. Participants also are subject to minimum wage and other Fair Labor Standards Act (FLSA) protections. Depending on a state's earned income disregard policy — the policy which determines how quickly benefits are reduced as earnings rise — participants might receive TANF assistance in addition to their paycheck.

Transitional Jobs[64]

Transitional jobs programs hold particular promise for TANF recipients with barriers to employment. These programs provide hard-to-employ TANF recipients a bridge to unsubsidized private employment by combining time-limited, wage-paid employment (subsidized by public, or in some cases private funds) with a comprehensive set of services designed to develop participants' skills and prepare them for success in the workplace.

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[62] To be counted in a state's participation rate, an individual must be receiving "assistance" as defined by TANF regulations. The current definition of "assistance" excludes wage subsidies to employers (45 C.F.R. § 260.31). See footnote 56 on page 26 for more details.

[63] CLASP calculations based on Table 4A, TANF - Average Monthly Percent Of Adults Participating In Work Activities For A Sufficient Number Of Hours For The Family To Count As Meeting The All Families Work Requirements, Fiscal Year 2004, http://www.acf.hhs.gov/programs/ofa/particip/indexparticip.htm#2004.

[64] For a more in-depth discussion, see Allegra Baider and Abbey Frank, "Transitional Jobs: Helping TANF Recipients with Barriers to Employment Succeed in the Labor Market," Center for Law and Social Policy, May 2006, http://www.clasp.org/publications/transitionaljobs06.pdf.

How Are Transitional Jobs Programs Designed?

Most TANF recipients who participate in transitional jobs programs have little work experience and limited education; often they have received public assistance for a significant period of time. Many also have severe employment barriers, such as mental illness, unstable housing, learning disabilities, contact with the criminal justice system, substance abuse issues, and lack of adequate transportation, and therefore need intensive support services to move into the labor market.[65] Accordingly, transitional jobs programs typically offer some or all of the following:

- pre-placement assessment to match participants to work assignments that fit their interests, needs, and circumstances;
- short-term training both before and during employment in the transitional job to help address barriers to employment such as limited English proficiency and poor soft skills;
- intensive case management to help participants address personal problems that could make it more difficult to obtain and sustain employment over the long term;
- enhanced work-site supervision to help participants learn basic skills, acquire good work habits, and ensure that they have significant job responsibilities, receive training, and contribute to their employers;
- connection to work supports, such as child care and transportation subsidies, which can be critical to success in the labor market; and
- unsubsidized job placement and retention services.

The cost of transitional jobs programs varies according to program design, services offered, and length of program. An evaluation of six transitional jobs program found that service costs ranged from $856 to $1,871 per participant per month. Wage costs for ranged from $287 and $749 per participant, per month. The duration of these programs ranged from three to nine months of transitional employment, with some programs offering one to two years of job retention services. Higher cost transitional jobs programs last longer and offer more intensive pre-placement assessment and training, on-going skill-building and retention follow-up.[66]

How Effective Are Transitional Jobs Programs?

While no experimental research has been completed to date on transitional job programs, a number of non-experimental studies have found that they appear to have significant positive effects

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[65] National Transitional Jobs Network, "Transitional Jobs Programs Break Through Barriers to Work," http://www.transitionaljobs.net/Resources/Downloads/TJProgramsBreakBarriers.pdf.

[66] Gretchen Kirby et al, *Transitional Jobs: Stepping Stones to Unsubsidized Employment,* Mathematica Policy Research, April 2002, http://www.mathematica-mpr.com/publications/PDFs/transitionalreport.pdf.

on employment.[67] An extensive review of six programs found high employment rates — between 81 percent and 94 percent — for individuals who completed the programs, though it is important to note that about half of the individuals who were referred to the programs did not complete them.[68]

A review of participants in Washington State's Community Jobs program revealed strong program outcomes: 72 percent of those who completed the program entered employment, and their average income during their first two years in the workforce was 60 percent higher than their income before entering the program.[69]

Qualitative research has shown that specific elements of transitional jobs programs, including earning a paycheck, working with an involved supervisor, and having a clear work plan, lead program participants to feel positive about their participation and help them gain skills that are transferable to future employment.[70] Similarly, the six-program evaluation discussed above reported that transitional work has a positive personal, professional, and financial impact on participants.[71]

How Can States Design Effective Transitional Jobs Programs?

Research and program experience suggests that the following are important elements in the effective design and implementation of transitional jobs programs:[72]

- **Include a skill-building component.** Transitional jobs programs will be more successful at placing recipients in higher quality unsubsidized jobs if they include training and skill-building activities related to jobs in industries that are growing, pay higher wages, and offer opportunities for career advancement. (See page 20 for a discussion of the role of education and training in improving employment outcomes.)

- **Ensure that staff identify recipients with barriers to employment and develop workable plans to give those individuals the help they need.** Because transitional jobs programs are designed for individuals with barriers to employment, they must be able to identify previously undisclosed barriers and have the resources and staff capacity to provide needed referrals and intensive case management. Participants with severe barriers may also require a more supportive work environment to succeed, including intensive supervision and fewer hours of

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[67] MDRC is in the process of evaluating a transitional jobs program for ex-offenders in New York City, and a transitional jobs program for TANF recipients in Philadelphia, as part of the multi-site demonstration project. MDRC is expecting results from this study by 2007. More information is available at: http://www.mdrc.org/project_20_8.html.

[68] Ibid.

[69] Erin Burchfield, "Community Jobs Program Moves People from Welfare to a Career Track: Outcomes Assessment," Economic Opportunity Institute, April 2002.

[70] Sondra Youdelman, "Wages Work! An Examination of the New York City's Park Opportunities Program and Its Participants," Community Voices Heard, March 2004, http://www.cvhaction.org/english/reports/WagesWork.pdf.

[71] Gretchen Kirby et al, "Transitional Jobs: Stepping Stones to Unsubsidized Employment," Mathematica Policy Research, April 2002, http://www.mathematica-mpr.com/publications/PDFs/transitionalreport.pdf.

[72] Ibid.

Counting the Work Participation of Non-Custodial Parents

Programs that help non-custodial parents prepare for and find jobs can help states meet their work participation rates. If a non-custodial parent with a child receiving TANF assistance participates in countable work activities, that parent can count toward the state's work participation rate.

The preamble to the existing TANF regulations notes that a state may choose to include the non-custodial parent (living apart from the child) as a member of the child's eligible family. (If non-custodial parents are included in the state's definition of "family," the family would *not* be considered a "two-parent family" for purposes of the separate two-parent work participation rate calculation.) To count the work participation of a non-custodial parent, a state must provide some benefit to that parent that meets the definition of "assistance." If it does so, the state may not retain the non-custodial parent's child support payments as reimbursement for this assistance. (See preamble to 1999 TANF rules at 64 Fed. Reg. 17761.)

States should also be aware that they can apply for new fatherhood-related funding to pay for employment services for non-custodial parents with children who receive TANF. The DRA provides $150 million in marriage and responsible fatherhood-related funding to HHS to distribute on a competitive-grant basis. Up to $50 million of these funds are for fatherhood initiatives and can be used for three categories of activities: (1) promoting or sustaining marriage, (2) promoting responsible parenting, and (3) fostering economic stability by helping fathers improve their economic status.

work initially. Employees can gradually build up both their hours of work and their responsibilities as they become more proficient. This gradual approach may be especially appropriate for recipients with mental health problems or low cognitive functioning.

- **Develop strong job placement and employment retention services.** Programs that include job development and job placement activities lead to stronger employment outcomes.[73] Retention activities will also help to ensure continued success after the transitional job placement ends.

In the past, TANF and Welfare-to-Work grants were the principal sources of funding for transitional jobs programs. Since Welfare-to-Work funds have been exhausted and there is growing competition for TANF funds, states may have trouble funding transitional jobs programs solely through TANF. Depending on the population served, states may be able to use other federal funding sources, such as Workforce Investment Act funds, Food Stamp Employment and Training funds, Hope VI funds for public housing initiatives, Federal IV-D Child Support Funds, and federal funds dedicated to serving individuals with criminal records.

Work Experience

Unpaid work experience programs (sometimes referred to as "workfare") require TANF recipients to work in public or non-profit agencies in return for public assistance. Participation in these programs counts towards all hours of a TANF recipient's required hours of participation,

[73] Ibid.

although federal minimum wage rules can limit the amount of hours a recipient can be required to work. (See box on page34.)

Typically in work experience programs, welfare agencies refer welfare recipients to time-limited community work placements in government or non-profit agencies. Some work experience programs target specific geographic areas, others target the hard-to-employ population, and still others require all welfare recipients to participate. Some states and localities have tried to develop work sites where individuals can gain work skills, while others simply see the work assignment as a way to work off welfare payments.

While work experience programs do not have wage costs (since recipients work in exchange for their welfare benefit), they do have administrative costs that range from approximately $1,000 to about $8,000 annually per participant, depending on the design and length of the program and the extent to which the program provides work site supervision and case management.[74] Larger programs tend to be less costly to administer, as many of the upfront and overhead costs are shared among all participants.[75]

How Effective Are Work Experience Programs?

Although to date no random assignment evaluations of the impact of work experience programs on earnings for TANF recipients have been completed,[76] in 1993, MDRC did an extensive review of all of the evaluations of work experience programs they had conducted in the 1980s and early 1990s. This review found little evidence that these programs consistently improve employment or earnings. Also, it was not clear from the limited evidence available that these programs lead to reductions in welfare payments or welfare receipt.[77]

There are several possible reasons why work experience programs did not have more positive effects on employment.

- Work experience programs often were designed to enforce a reciprocal obligation, not to help recipients become more employable or help them find jobs.

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[74] Harry Holzer, "Can Work Experience Programs Work for Welfare Recipients?," The Brookings Institution, 2002.

[75] Thomas Brock, et al., "Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research," MDRC, September 1993.

[76]MDRC is currently evaluating a program in New York City for TANF and Safety Net recipients with significant work impairments, which includes a large community work experience component. The results of the evaluation were not available at the time this report was written.

For research on the implementation of work experience programs in New York and Wisconsin, see: Nightingale, et al. "Work and Welfare Reform in New York City During the Giuliani Administration. A Study of Program Implementation," Urban Institute, 2002; and Fred Doolittle, et al., "Community Service Jobs in Wisconsin Works: The Milwaukee County Experience," MDRC, 2003.

[77] Thomas Brock, et al.

Work Experience and the Fair Labor Standards Act

In a work experience program, a TANF recipient typically "works off" the value of his or her TANF benefits (and in some cases, food stamp benefits) for a designated set of hours. The number of hours of work that can be required is governed by minimum wage requirements. Since the federal Fair Labor Standards Act (FLSA) protections apply to TANF recipients just as to other workers, TANF recipients cannot "work off" their benefits at a wage rate that is lower than the minimum wage.[a] (45 CFR § 260.35)

The wage rate for these unpaid jobs is calculated on the basis of the recipient's TANF benefits. Because TANF benefits are low, in many states FLSA protections prohibit a recipient from participating in unpaid work experience for the number of hours required by TANF rules. Even if states require recipients to "work off" the value of their food stamp benefits as well (which would require a food stamp administrative waiver to extend food stamp work requirements to all TANF recipients), many states would still not be able to reach the TANF work requirement. As a result, most states will need to combine work experience with other activities that count toward the work requirement.

[a] See http://www.dol.gov/asp/w2w/welfare.htm#How.

- Work experience programs typically have not included skill-building components.[78] The lack of training and skill development makes it difficult for participants to gain the work readiness, basic literacy, and other occupational skills necessary to secure unsubsidized employment in the private sector.

- Many work experience programs do not include strong job development and placement programs that help recipients move from unpaid work experience to unsubsidized employment. Also, the work sites themselves are often with employers who do not have job openings that match recipients' skills.

- Participants often do not receive individualized attention or assistance in dealing with barriers to employment.

- Workfare participants do not always get the supervision necessary to improve their skills. In a study of work experience programs in Wisconsin, researchers found that over a third of participants believed that the most important method of learning their job was instruction from their supervisor. The same study found that although 62 percent of participants received some sort of mentoring or personal support from a supervisor, at some of the worksites with more than 20 participants, designated supervisors hardly knew the participants and could not answer any survey questions about their performance.[79]

In addition, qualitative research has found that lack of wages can demoralize program participants and impede success in moving into the labor market. A study of a transitional jobs program in New

[78] Gordon Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, http://www.mdrc.org/Reports2002/TANF/TANFGuide_Full.pdf.

[79] Fred Doolittle, et al.

York City found that earning wages was an important component in building participants' confidence and motivating them to move off welfare.[80]

Recommendations

Since work experience programs can be costly to operate and do not have demonstrated success in increasing employment and earnings, states should consider alternatives before expanding or initiating them. However, if states do choose to implement work experience programs, they should draw upon the experience of transitional jobs and other welfare-to-work programs that appear more promising:

- **Provide education and training as part of the program.** As discussed above, education and training are an important part of a comprehensive employment program and should be combined with work experience programs. Participants in the Wisconsin work experience program who received vocational training reported greater improvements in work habits and basic skills than participants who did not receive training. In addition, participants who received training reported that they were given more responsibility at the work site; they also expected that they would receive higher wages when they found unsubsidized employment.[81] Combining work experience with education and training can also enable the state to ensure that recipients meet their federal hourly work participation requirements without violating the Fair Labor Standards Act.

- **Target training and work experience to industries that offer more promising job opportunities.** Work experience positions and related skill building that help recipients prepare for industries offering higher wages and opportunities for advancement can help recipients secure a place on a career ladder.

- **Consider the needs and skill levels of program participants.** Participants with barriers to employment may need a more flexible work environment and more supportive services to succeed. States that implement unpaid work experience programs should identify an array of work assignments that can accommodate participants' strengths and limitations. Programs can also give participants gradually increasing work responsibilities.

- **Provide ongoing supervision and a supportive work environment for participants with barriers.** To ensure adequate supervision, programs should use smaller work sites and provide a sufficient number of supervisors so that participants can get the individualized attention and support they need.

- **Incorporate job search and job placement into the program.** Since most work experience programs are not designed to help participants move into unsubsidized employment with the work site employer, they must include strong job search and job development components so that when recipients are ready for unsubsidized employment, they have the time and help they

[80] Sandra Youdelman, "Wages Work! An Examination of the New York City's Park Opportunities Program and Its Participants," Community Voices Heard, March 2004. http://www.cvhaction.org/english/reports/WagesWork.pdf.

[81] Fred Doolittle, et al.

need to search for work. As discussed above, the job search component of a work experience program should help recipients secure jobs that offer good wages and opportunities for advancement. For a fuller discussion of job search activities, see page 17.

Community Service Programs

States' use of community service programs in their TANF welfare-to-work programs varies widely. Nationally, community service constitutes about 10 percent of the activities that states count toward meeting their work rates. Many states rarely use the activity, however, while others use it extensively.

Some states use a very limited definition of community service, counting only those activities that a court orders someone to complete as part of a criminal sentence. Other states take a broader approach and include activities that contribute to the well-being of members of the community, such as caring for a disabled family member, volunteering at a sports event, or addressing one's own barriers to employment. Sometimes community service activities are formal placements much like work experience; at other times, they are self-initiated and informal, such as volunteer hours at a child's school. The June 2006 federal TANF rules will likely have a greater impact on state options in the area of community service than in any other kind of work activity.

Much like work experience, community service often focuses on requiring a reciprocal obligation rather than preparing a person for work. The concept underlying many state community service approaches — that benefit recipients should give something back in return for their benefits — allows a state to include a range of activities that help the community. Nevertheless, states can also use community service as a stepping stone toward other work activities and employment. For recipients who are ready for more employment-oriented activities, states could make community service programs more effective in leading to unsubsidized employment by building in (or linking to) other work-related services such as soft skills training, education and training, or job search assistance.

Increasing Participation in Work-Related Activities Among Recipients with Barriers to Employment

States seeking to engage a greater percentage of TANF families in work-related activities will need to step up efforts to serve recipients with barriers to employment. The prevalence of barriers to employment among TANF recipients — including mental and physical problems — has been well documented.[82] A critical challenge during the next stage of state welfare reform is for states to identify and address these barriers in order to help families connect to work or other activities. To accomplish this, states will need a range of assessment and service strategies.

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[82] See, for example, "More Coordinated Federal Effort Could Help States and Localities Move TANF Recipients With Impairments Toward Employment," GAO-02-37, October, 2001; LaDonna Pavetti and Jacqueline Kauff, "When Five Years Is Not Enough: Identifying and Addressing the Needs of Families Nearing the TANF Time Limit in Ramsey County, Minnesota," Mathematica Policy Research, March 2006; and Eileen P. Sweeney, "Recent Studies Indicate that Many Parents Who are Current or Former Welfare Recipients Have Disabilities or Other Medical Conditions," Center on Budget and Policy Priorities, February 2000, http://www.cbpp.org/2-29-00wel.htm.

Given the severe barriers many families face, some parents may be unable to participate in countable activities immediately, particularly if forthcoming regulations adopt narrow definitions of the work activities. Moreover, as states step up efforts to increase engagement among families with barriers to employment, families that are not able to comply with these requirements are likely to face sanctions, including full-family sanctions. Extensive research has shown that a large share of sanctioned families faces significant barriers that impede their ability to meet program requirements.[83] While assessments and a more careful tailoring of work activities to match families' specific circumstances can help parents comply with work requirements, states also can make better use of the clues about families' problems when they do not successfully participate in welfare-to-work activities to try to identify barriers earlier. Noncompliance itself may signal the existence of a barrier and present an opportunity for the state to begin providing help.

A large share of sanctioned families faces significant barriers that impede their ability to meet program requirements.

Increasing Engagement

A number of states have taken "full-engagement" approaches in their TANF programs for some time. These states have few if any exemptions from participation requirements, contending that all (or nearly all) recipients must participate in one of a broad range of activities. States that have adopted or are considering this approach face some new challenges:

- **Increased prevalence of barriers to employment among TANF recipients.** As welfare caseloads have shrunk by half over the last decade, many program administrators have noted that a large share of those remaining on TANF have significant barriers to employment, including mental and physical health problems, substance abuse, learning disabilities, and low cognitive functioning levels. (Many persons who have left TANF also present these issues, particularly those who have lost assistance due to sanctions and time limits.) There is no hard data to confirm this trend, but some researchers and program administrators believe that some more difficult-to-measure barriers have become more common among TANF recipients.

- **Higher effective work participation rates.** The DRA changes increase the effective work participation rates states have to meet as compared to the rates they had to meet under prior law. When states' work participation requirements were easy to meet, states could engage recipients in activities that did not count toward the work requirements without worrying that they might fail to meet the federal target. Because the federal participation rates are now far more difficult to meet, it may be more difficult for states to engage recipients with significant barriers by placing them in activities that may not be countable, such as mental health treatment.

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[83] See, for example, Yeheskel Hasenfeld et al., "The Logic of Sanctioning Welfare Recipients: An Empirical Assessment," *The Social Services Review,* June 2004; "The Use of TANF Work-Oriented Sanctions in Illinois, New Jersey, and South Carolina," Mathematica Policy Research, 2004, http://aspe.hhs.gov/hsp/TANF-Sanctions04.

- **Waivers that gave states broader flexibility have expired.** When TANF was established in 1996, many states opted to continue their pre-TANF waivers and thus enjoyed flexibility to count a broader range of work activities toward federal work rates during the waiver period. Many of these waivers also exempted persons with disabilities and other barriers from work activities. All of these waivers but one have now expired.

What Lessons Can Be Drawn from State Full Engagement Efforts?

Successful full-engagement strategies typically consider an individual's strengths and the family's needs while focusing on work as the ultimate goal. A Mathematica Policy Research study for the Department of Health and Human Services gleaned important lessons from selected state full engagement policies, which are highlighted below.[84] (The study also stressed the importance of early screening and specialized assessments, which are discussed in a later section.)

- *Individualized case planning.* The most successful programs gave caseworkers significant discretion to craft employability plans — including the types of activities in which a recipient would participate, the hours of participation, and the support services that would be provided — based on families' unique strengths, interests, and barriers.

- *Frequent and regular contact with recipients.* Engagement is an ongoing process. Participation in work activities does not always get easier for a recipient over time; some recipients' barriers may worsen, or new barriers may develop, while a parent is participating in work activities. In some cases, participation may exacerbate family problems as parents try to balance work with other responsibilities. To help recipients participate on a sustained basis, case managers need regular and frequent contact (at least monthly) with recipients to reassess their circumstances, modify employment goals, address barriers to employment that may surface, and provide encouragement.

- *Flexibility in setting activities.* Having a full menu of options — for example, parenting programs or mental health or substance abuse treatment — is important. Also important is the latitude to vary the number of hours of participation required, including requiring fewer hours than may be needed in order to count the recipient toward the federal work rates.

- *Allow clients to set goals.* When TANF recipients set goals, they are more willing to participate because they have a sense of ownership in the plan.

Some Work Activities for Recipients with Barriers May Not Be Countable

States seeking fuller engagement should not focus solely on placing recipients in activities that meet the federal work rates. Some recipients — particularly those with significant barriers to employment — can make more progress toward employment and self-sufficiency if they first participate in activities that address their barriers, before moving on to other (i.e., countable)

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[84] Jacqueline Kauff, Michelle Derr, and LaDonna Pavetti, "A Study of Work participation and Full Engagement Strategies," Mathematica Policy Research, September 2004.

activities. This might mean assigning an individual to a non-countable activity, allowing an individual more time to complete an activity than is countable, or assigning an individual to participate for fewer than the federally required hours per week.

States that have adopted such approaches have successfully engaged a significant share of TANF recipients. Mathematica Policy Research analyzed full-engagement programs in El Paso County, Colorado and the state of Utah and found high levels of engagement in work-related activities: 90 percent and 82 percent, respectively. However, many recipients — 38 percent and 62 percent, respectively, of those assigned to any activity — were engaged at least in part in non-countable activities.[85] These non-countable activities typically were designed to address personal and family challenges (such as mental health problems or substance abuse) or to help support work by addressing transportation or child care barriers. Fewer than half of the El Paso County recipients and only one in five of the Utah participants were assigned exclusively to countable activities. (It is important to note that what states, and the researchers, may have labeled as non-federally countable activities might include activities that other states counted toward the federal participation rates and which may or may not be countable under the forthcoming federal rules.)

States can serve families who are engaged in non-countable activities either through their state's TANF or MOE-funded programs or through a separate program that does not receive any TANF or MOE funds; a state may prefer the latter option so that these families are not considered in the federal work rate calculation. This requires, of course, that the state identify resources for the program that are in addition to those used to meet the state's MOE requirement.

It is especially important for states to consider non-countable activities for TANF recipients with disabilities. States are obligated under the Americans with Disabilities Act and Section 504 of the Rehabilitation Services Act to provide access to work activities for persons with disabilities and to make accommodations in TANF-related requirements for individuals with disabilities when needed. These obligations may include requiring recipients to participate in different activities or for fewer hours than typically required. (Issues related to TANF and individuals with disabilities are discussed in Chapter IV.)

Improving Screening and Assessment

An essential step in increasing engagement is to identify barriers to employment through screening and assessment. Without identification of these barriers, states will miss opportunities to help clients participate successfully and, ultimately, gain employment. Moreover, if states do not identify barriers, they may end up assigning TANF recipients to inappropriate activities and sanctioning families that are unable to comply. The goal of assessment is not merely to identify potential barriers, but to begin developing a course of action to address them.

The discussion below focuses on identifying unobserved barriers to employment. For TANF recipients, these are most likely to be substance abuse, physical and mental health problems, learning disabilities, and domestic violence. (A discussion of other types of assessment, such as developing

[85] Jacqueline Kauff, Michelle Derr, LaDonna Pavetti, pp. 46-50.

"Non-compliance may also serve as a clue or red flag that an unobserved barrier is prohibiting compliance. When considered in this way, non-compliance offers another opportunity at which TANF and partner agency staff can screen or assess for a potential barrier to employment."

- 2001 Urban Institute report

an employability plan based on education, job skills, and work history, is outside the scope of this report.)

Assessment typically occurs in stages, including preliminary screenings for most or all recipients and then follow-up referrals for more specialized and intensive assessments when warranted. There is no single way to conduct effective assessments, but useful lessons can be drawn from the experiences of states and localities that have worked to improve their procedures. The discussion below draws heavily from two reports prepared by the Urban Institute for the U.S. Department of Health and Human Services in 2001, which provide comprehensive analysis of assessment processes.[86]

When Should Assessments Occur?

Assessments should start early, with short screening tools used broadly to identify recipients who need more in-depth assessments, and continue as recipients engage in work-related activities.

States can include screening and assessment in client contacts that focus on establishing program eligibility and employment planning process. In Utah, for example, employment counselors use an assessment tool in the up-front employability planning process that covers not only work history and education but also issues such as substance abuse, physical and mental health, and domestic violence. In Arkansas, screening for employment barriers follows soon after TANF eligibility determinations are made.[87]

Screening and assessment procedures also should be built into job search and job readiness programs. (For a discussion of how to improve these programs, see page 17.) In addition, states should consider developing ways to better use information about noncompliance with work requirements — or failure to make progress in a work activity — to determine whether more in-depth assessments are warranted. For example, an individual's repeated inability to understand and complete simple tasks in the work program may trigger an assessment for cognitive functioning. Similarly, a parent's failure to comply with work requirements may reflect barriers to participation that may not have been identified through assessments. As one study noted, "Non-compliance may also serve as a clue or red flag that an unobserved barrier is prohibiting compliance. When considered in this way, non-compliance offers another opportunity at which TANF and partner agency staff can screen or assess for a potential barrier to employment."[88]

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[86] Terri Thompson, Asheley Van Ness and Carolyn T. O'Brien, "Screening and Assessment in TANF/Welfare-to-Work: Local Answers to Difficult Questions," The Urban Institute, December 2001 and Terri Thompson and Kelly S. Mikelson, "Screening and Assessment in TANF/Welfare-to-Work: Ten Important Questions TANF Agencies and Their Partners Should Consider," The Urban Institute, March 2001.

[87] Terri Thompson and Kelly S. Mikelson, pp. 61-2.

[88] Ibid, p. 60.

Administrative data such as length of time on assistance could identify recipients for further assessment. In Ramsey County, Minnesota, officials focused on families approaching the TANF time limit — many of whom had not succeeded in prior work activities — and provided in-depth psychological, vocational, and functional needs assessments (described below). However, states should not wait until a family is nearing its time limit to investigate why the family is not progressing toward employment.

Who Should Conduct Screenings and Assessments?

Typically, TANF eligibility workers or case managers play a key role in identifying potential unobserved barriers to employment, but more in-depth assessments are conducted by specialized workers either within the agency or from a partner agency or contractor.

Eligibility workers and case managers have the most frequent and extended contact with clients and are the first line of observation in identifying possible barriers and situations requiring further evaluation. They are most likely to use informal methods of observation.

Relying on eligibility workers and case managers has both advantages and disadvantages. On the one hand, clients are more likely to disclose unobserved barriers to someone they trust, and some staff report that providing supportive services (such as transportation assistance) to clients can help build a trusting relationship. On the other hand, agency staff note that clients may be more comfortable disclosing barriers to persons who do not control their benefits. Also, the large caseloads many TANF workers carry may prevent them from providing anything more than limited screening.

Specialized workers or employees of partner agencies such as community-based organizations are the best equipped to conduct in-depth assessments of barriers. These persons often have more specialized training — for example, in developmental disabilities, substance abuse, or domestic violence — and can administer more in-depth assessments in these areas. Also, since they do not control the families' benefits, staff of partner agencies may be trusted more by recipients. Often these partner agencies are co-located with the TANF agency so that referrals (or even quick screenings) can happen promptly and conveniently. In the above-mentioned Ramsey County program, which uncovered significant mental health problems and high rates of low cognitive functioning among long-term recipients, the county partnered with the county's disability agency to conduct vocational and in-home functional assessments.

How Should Assessments Be Conducted?

While many states use formal screening and assessment tools, informal methods play an important role as well. Most staff interviewed in the Urban Institute's detailed study of six sites reported that informal approaches were more effective than screening or assessment tools in uncovering barriers.[89]

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[89] Terri Thompson, Asheley Van Ness, and Carolyn T. O'Brien.

There is no single best way to uncover barriers. Many states use tools to bring greater uniformity and structure to the process and to allow workers with less training to provide the first line of identification. Sometimes, as in the case of Rhode Island and Montana, they use a single tool to identify multiple issues. States also use issue-specific tools — for example, Washington State and Kansas use a tool specifically aimed at identifying learning disabilities, while other states use a tool aimed at identifying domestic violence. Maryland researchers compared client-reported barriers with administrative data and based on that analysis recommend that tools that make use of validated scales for measuring mental health, alcohol abuse and domestic violence may be particularly beneficial rather than solely relying on self-reporting of these barriers.[90]

Psychological and occupational assessments can provide important insights about a client's barriers. Ramsey County conducted comprehensive psychological vocational assessments of TANF recipients approaching time limits through psychologists who administered standard psychometric tests of cognitive ability. The results from the vocational psychological testing provided county staff with information that enabled them to develop more individualized service plans and to account for factors they had not previously considered in assessing their clients.[91]

Ramsey County then looked even more deeply at the group of recipients whose assessment indicated very low cognitive ability (i.e., an IQ below 70) by assigning an occupational therapist to conduct additional in-home functional assessments. In contrast to a typical TANF assessment, which is designed simply to uncover barriers, the functional needs assessments were intended to identify *how* such barriers affect a recipient's ability to perform daily tasks and engage in work-related activities. The assessment included observing the home and asking the parent to perform a specific household task, such as preparing a packaged meal that the therapist provided.

These assessments revealed significant limitations in cognitive functioning. For example, most participants were unable to read and follow the directions to prepare a simple pre-packaged meal. Some could not determine how much change they should get from a dollar if they spent 69 cents, and some were unable to count from 1 to 10. As the Mathematica study of the Ramsey County program noted, "In addition to identifying previously unidentified barriers to employment, the assessments provided concrete suggestions for surmounting the barriers, including finding paid employment if that was a realistic goal. For case managers, the information has been invaluable, making the task of working with long-term recipients a targeted effort as opposed to a shot in the dark."[92]

While a state or county will not want to administer these types of intensive assessments to a broad population, it can target the assessments toward recipients who are unable to participate successfully, such as those who are noncompliant or approaching time limits.

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[90] Catherine Born, et al., "Barriers to Independence Among TANF Recipients: Comparing Caseworker Records and Client Surveys," University of Maryland School of Social Work, June 2005. Validated scales are ones that have been tested and approved for use by researchers.

[91] LaDonna Pavetti and Jacqueline Kauff, p. 7.

[92] Ibid, p. 17.

A Compliance-Oriented Approach to Sanctions

There is significant evidence that a large share of families that are sanctioned for failing to comply with program requirements has significant barriers to employment, including limited work history, low educational attainment, and physical and mental health problems. Moreover, families that are sanctioned tend to do worse after leaving TANF than other recipients: they have lower employment rates, lower incomes when employed, and higher rates of hardship. In a recent California study of four counties, case managers agreed that most non-compliant recipients have significant barriers and thus cannot comply with welfare-to-work requirements.[93]

Some states looking to increase their work participation rate may consider increased use of full-family sanctions, either by adopting a full-family sanction policy or by increase the frequency with which full-family sanctions are imposed. This would be unfortunate. Despite the extensive use of such sanctions over the last decade, there is no evidence that full-family sanctions are more effective than partial-family sanctions at encouraging recipients to participate or at improving employment outcomes.[94]

If the goal of a state's sanction policy is to increase compliance and participation — as opposed to imposing penalties and reducing the number of families receiving assistance — states have constructive steps they can take:

- **Communicate expectations to clients both before and after noncompliance.** Considerable research has indicated that many clients do not understand the requirements they must meet or how to come into compliance.[95, 96]

- **Use information about noncompliance as a signal that more-intensive efforts to understand the family's circumstances may be warranted**. For example, Arizona uses a report of non-compliance as an opportunity to identify barriers to participation. Prior to imposing sanctions, the caseworker is directed to revise the employability plan to address the barriers or to make a pre-sanction referral, often to a community resource.

- **Restore full benefits upon compliance**. Imposing mandatory periods of disqualification can deepen family hardship and may reduce a family's incentive to come into compliance.

- **Continue reaching out to families even after they are sanctioned.** In some states, the agency or a community-based organization works closely with a family after a partial or full sanction has been imposed in order to achieve compliance. For example, in Tioga County, New York, the county significantly reduced the number of cases in sanction through home

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[93] Sofya Bagdasaryan, et al., "CalWORKS Sanction Policies in Four Counties: Practices, Attitudes, Knowledge," California Policy Research Center, May 2005, http://wprp.ucop.edu/PMBUCLAMAY2005.pdf.

[94] See discussion in Dan Bloom and Don Winstead, "Sanctions and Welfare," Brookings Institution Policy Brief, January 2002, http://www.mdrc.org/publications/191/policybrief.html

[95] Ibid.

[96] For example, see, Sofya Bagdasaryan; HHS Office of Inspector General, "Education Clients About Sanctions," October 1999, http://oig.hhs.gov/oei/reports/oei-09-98-00291.pdf; HHS Office of Inspector General, "Improving Sanction Notices," October 1999, http://oig.hhs.gov/oei/reports/oei-09-98-00292.pdf.

visits to sanctioned families. These visits increased the county's knowledge of the circumstances and barriers faced by the sanctioned families. In some instances, agency workers found that the sanction was not appropriate; in others, they identified barriers and created a pathway toward compliance.

In addition, states can learn a great deal from their administrative data on sanctions. Some counties or offices may be much more successful than others at achieving high work participation rates or curing partial sanctions. Analyzing the usage of sanctions across the state may enable the state to identify best practices

TANF Work Requirements and Two-Parent Families

The DRA requires states to meet a very high work participation rate for two-parent families: 90 percent, if the state's two-parent TANF caseload is not below its 2005 level. Most program administrators and researchers believe a 90-percent participation rate is infeasible unless states deny aid to poor two-parent families who are unable to meet the work requirements for *any* reason.[97] This is because there are many legitimate reasons why families are unable to meet these requirements: illness or the need to care for an ill relative, family emergencies (including unstable housing situations and issues related to the child welfare system), or simply a lack of open slots in a work program.

As states consider how to serve two-parent families, it is important to recognize that married-couple families that receive assistance through TANF or separate state programs are very poor. The typical (or median) such family has income of just *63 percent of the poverty line,* even when its income assistance and food stamps are counted, according to HHS. Without food stamps and cash assistance, most of these families would be destitute. Moreover, nearly three-quarters of the two-parent families assisted by a TANF or separate state program have *no* cash savings to draw upon should they lose this assistance.

Poor two-parent families may need assistance for a variety of reasons. Some need temporary help during a period of joblessness. Others face problems such as poor health, mental impairments, low literacy levels, or the need to care for a severely disabled child. While married-couple families have lower poverty rates than single-parent families, those two-parent families that do find themselves in need of aid often face very difficult circumstances, and the denial of aid to these families could push many of them into deep poverty.

States that want to avoid imposing penalties on marriage for poor parents in the wake of the DRA have two main options:

- continue assisting poor two-parent families in their TANF programs and accept the very modest penalties associated with failing to meet the two-parent participation rate; or

- assist two-parent families through a state-funded program that does not count toward the state's MOE requirement, thereby avoiding federal penalties.

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[97] See, for example, Gordon L. Berlin, p. 13, http://www.mdrc.org/Reports2002/TANF/TANFGuide_Full.pdf.

These two options are explored below.

Serving Two-Parent Families Inside the TANF Structure

As noted in Chapter I, states face a maximum federal penalty of 5 percent of their adjusted TANF block grant for failure to meet the federal work requirements. But if a state meets its all-family work participation rate and only fails to meet its two-parent rate, the penalty imposed is small, because the penalty is multiplied by the percentage of the TANF caseload consisting of two-parent families. For example, if a state is subject to the full 5 percent penalty and two-parent families make up 8 percent of the state's caseload, the penalty is 0.4 percent of the state's block grant (5 percent x .08).[98]

If a state fails to meet both the two-parent and all-families participation rates, current regulations suggest (though the language is not entirely clear) that the penalty is the same as for failure to meet the all-families rate.

It is not entirely clear, however, whether failing to meet both work rates would harm a state's ability to avoid the resulting penalties by taking advantage of the "corrective compliance" mechanism. Under the TANF statute, states that fail to meet the work participation rates can enter into a corrective compliance plan with HHS; if they follow the terms of that plan, they are not subject to penalties. However, a state has a relatively short time — 6-18 months after HHS approves the plan — to come into compliance with the federal work rates.

Since the 90-percent participation rate is so difficult to meet, states may be unable to develop a credible corrective compliance plan that identifies steps for coming into full compliance with the work rates. Even if a state does get a plan approved, it is unlikely to meet the 90-percent participation rate and thus is likely to face some level of penalty. Presumably, if the state is unable to meet the two-parent rate during the compliance period but does meet the all-families rate, it would face only the small penalty for failure to meet the two-parent rate. Further clarification from HHS would be useful on whether a state's failure to meet the two-parent rate would prevent the state from engaging in the corrective compliance mechanism.

Serving Two-Parent Families Outside the TANF Structure

States may not want to accept the penalty for failure to meet the two-parent participation rate, or they may be concerned that failing to meet that rate could prevent them from securing penalty relief for failing to meet the all-families rate. Such states can assist two-parent families though a state-funded program that does not count toward the state's MOE requirement. In many states, the cost of assisting two-parent families is modest. States should note that they can fund employment services — but not child care and transportation assistance — for these families through TANF, as employment services are not considered "assistance" and thus work requirements do not apply.

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[98] This rule is not expected to change in the forthcoming interim final TANF regulations as this issue is outside the scope of the areas for which Congress granted HHS the authority to issue new regulations on an interim final basis.

A state taking this approach can limit the amount of non-MOE state funds it spends by including *only* those two-parent families who are not meeting the federal work rate requirements in the program that is funded outside of the TANF or MOE structure. This would allow the state to get credit in its TANF and MOE-funded programs (toward the all-family and two-parent rates) for those families who are participating and, at the same time, avoid the penalty for failing to meet the two-parent participation rate.

Rhode Island currently uses a similar (though not identical) approach. Under prior law, families receiving assistance in an MOE-funded program were not considered when determining a state's work participation rate. Based on that structure, Rhode Island assigns its two-parent families that meet the federal participation standards to its TANF program and assigns those two-parent families that do not meet the participation rate standards to an MOE-funded program. States can adapt the Rhode Island approach to minimize the number of two-parent families it serves outside of the TANF and MOE structure.