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

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### 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 for participants 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 help parents prepare for and find employment. Possible strategies include: making broader use of vocational educational training and on-the-job training; developing creative ways to combine education and training with other countable work activities; using 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 strategies can help recipients prepare for employment 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 achieved

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, referring clients to appropriate providers, 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 unsubsidized 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. The Administration’s welfare reauthorization proposal and the major House and Senate bills all would have eliminated the separate participation rate for two-parent families; however, this rate was continued under the DRA. States should consider how best to serve married families with multiple barriers to employment— 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. Chapter III discusses how income-supplement programs — through TANF, MOE, and child support 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, 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. While many states later adopted more varied programs, most welfare-to-work programs still feature a narrow set of activities associated with a “work-first” approach. 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.<sup>37</sup> This “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 “work-first” welfare-to-work programs, many of those who leave welfare for work remain poor and some parents are unable to find stable employment. 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.<sup>38</sup> Similarly, a recent study of families that left the Wisconsin TANF program found that most

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<sup>37</sup> 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>.

<sup>38</sup> Acs, Loprest, Roberts, Final Synthesis Report of Findings from ASPE’s Leavers Grants, 2001.

families remained poor six years after they left TANF. In the sixth year after leaving TANF, only 16 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.<sup>39</sup>

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 on welfare-to-work programs has consistently shown that the most effective programs are those that adopt a “mixed strategy” — that is, programs that focus on employment but include significant use of education and training and other activities. Research on low-wage workers and on job training programs suggests that programs will be more effective if: they 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 recipients to activities.

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, they should not exclude other useful approaches that can improve the prospects of families, but are not countable toward the federal participation rates. For example, some parents may benefit from full-time participation in postsecondary education beyond 12 months, in programs leading to a bachelor’s degree, or in activities tailored to the needs of individuals with disabilities or other barriers to employment.

### **Job Search and Job Readiness Assistance**

Job search and job readiness activities 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 — or 12 weeks for states that meet certain criteria — but no more than four weeks consecutively.<sup>40</sup> (As of June 2006, more than half of the states met the criteria that will permit them to count up to 12 weeks of participation in these activities, but the four week consecutive limitation still applies.)<sup>41</sup> The new regulations define job search and job readiness assistance as “the act of seeking or obtaining employment, preparation to seek or obtain

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<sup>39</sup> 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.

<sup>40</sup> In states in which the state has been determined to meet the “needy state” criteria as defined in the contingency fund section of the TANF statute, 12 weeks of job search and job readiness activities may count toward the rates, but the limitation of four consecutive weeks of these activities remains in place. §261.34

<sup>41</sup> ACF Program Instruction, TANF-ACF-PI-2006-04, September 25, 2006. <http://www.acf.hhs.gov/programs/ofa/pi-ofa/pi200604.htm> For more discussion of this provision, see: Elizabeth Lower-Basch, “Two-Thirds of States Qualify for Extended Counting of TANF Job Search and Job Readiness Assistance,” CLASP, October 5, 2006, [http://www.clasp.org/publications/two\\_thirds\\_qualify.pdf](http://www.clasp.org/publications/two_thirds_qualify.pdf).

employment, including life skills training, and substance abuse treatment, mental health treatment, or rehabilitation activities for those who are otherwise employable. Such treatment or therapy must be determined to be necessary and certified by a qualified medical or mental health professional.”<sup>42</sup> Under the language in the preamble, these services may not be counted under any of the other unpaid work activities. In the December 2006 guidance on Work Verification Plans, HHS has indicated that such services could be counted as part of a subsidized employment program if the client is paid for the hours of participation in the activities. However, HHS also stated that supportive services can not count under OJT, even if the client is being paid to attend them.<sup>43</sup>

In this guidance, HHS further stated that activities including “time spent in or arranging for transportation or child care” “do not have a direct connection to finding or preparing for employment.”<sup>44</sup> This restriction appears to contradict the plain language of the regulatory text, which states that job search and job readiness assistance may include “preparation to seek or obtain employment.” States may wish to continue to discuss this issue with HHS as part of the approval process until their work verification plan is finalized. In any case, states should allow participants to engage in such activities when needed, whether or not they are countable toward the participation rate calculation since recipients who do not have stable child care arrangements are unlikely to participate consistently.

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 the person’s 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 recipients, some states that initially took this “labor market as assessment” approach have backed away from it. For example, Washington State recently changed its policy of assigning nearly all recipients to job search as the first activity and instead conducts screenings and assessments prior to assigning recipients to job search or other program components.

Because federal law limits the extent to which participation in job search and job readiness activities counts toward TANF work participation rates, 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. In addition, because the new regulations only allow barrier removal activities to count toward the work participation rates under the job search and job readiness category, states will need to be deliberate about assessing TANF recipients thoroughly before beginning an activity, and ensuring that those that need barrier removal services get them as soon as possible.

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<sup>42</sup> 45 C.F.R. §261.2(g). It is unclear in the regulations what “otherwise employable” was intended to mean and states have taken different approaches to this language in their work verification plans. As a practical matter, many recipients may need a combination of activities to become “employable.”

<sup>43</sup> Further Guidance.

<sup>44</sup> Ibid.

Because the new regulations require that job search and job readiness activities be supervised and participation reported no less frequently than daily, states that have had less structured job search programs may need to redesign their current programs substantially. However, in the December 2006 guidance, HHS indicated that it would accept a plan that called for participants to keep a daily log of contacts and the time spent searching for work and to submit that log to their caseworkers bi-weekly. HHS also included sample language that states that “daily supervision” does not require daily in-person contact, so long as participants have “access to a case manager or other employment services provider worker for the participant to report on progress or seek additional guidance as needed before the next regularly scheduled contact.”<sup>45</sup> States should ensure that the additional contact with program staff results in job seekers getting more help finding employment. Simply requiring recipients to attend more meetings with caseworkers to document that they have been looking for work everyday is unlikely to improve employment outcomes and may simply lead to more sanctioning of recipients who fail to attend meetings.

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 limited period that is countable under the federal participation requirements. States and counties should consider continuing effective job search and job readiness programs beyond the federal limits on counting them if some 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. Moreover, as discussed later in this chapter and in Chapter IV, many recipients with barriers to employment may require job readiness activities for longer periods of time than allowed under the job search/readiness limits. These recipients should be provided with appropriate services regardless of those limitations, either within a TANF/MOE program or in a solely state-funded program.

#### *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 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 recipients’ engagement in the program. Since job search and job readiness programs are often the first activities in which recipients participate, they provide an important opportunity to begin determining whether recipients have barriers that 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.<sup>46</sup>

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<sup>45</sup> Further Guidance.

<sup>46</sup> Anu Rangarajan, Peter Schochet and Dexter Chu, “Employment Experiences of Welfare Recipients; Who Finds jobs: Is Targeting Possible?” 1998, pp. 98-99.

- **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.<sup>47</sup> 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 regularly scheduled workshops or other activities before recipients are connected to employers so that staff can assess participants’ soft skills and address any issues before they arise at the workplace.<sup>48</sup> Some job readiness programs have made effective use of job shadowing (allowing recipients to watch someone doing the same or similar job for which the recipient may apply) and other career exploration activities to help recipients identify jobs that match their skills and interests.
- **Job search programs should encourage recipients to look for jobs that offer adequate wages and benefits and opportunities for advancement, rather than focusing their job search on the most easily attainable low-wage jobs.** An evaluation of a welfare-to-work program in Portland, Oregon in operation in the mid-1990s and other studies of welfare-to-work programs suggest that when job search programs do more to help recipients connect to jobs that offer higher wages in growing industries that offer advancement opportunities, recipients are more likely to find stable employment and escape poverty.<sup>49</sup> 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. In Portland, full-time job developers worked closely with local employers to identify jobs that paid above the minimum wage and offered the best chance for stable employment and the state Employment Department linked participants with such jobs.

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.<sup>50</sup> And research has shown that for both low-wage workers and public assistance recipients alike,

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<sup>47</sup> Rangarajan, p. 99.

<sup>48</sup> 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.

<sup>49</sup> The evaluation of the Portland program was part of the National Evaluation of Welfare-to-Work Strategies which evaluated several programs across the country.

<sup>50</sup> 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\\_experience\\_s.pdf](http://www.acf.hhs.gov/programs/opre/welfare_employ/post_employ/reports/employ_experiences/emp_experience_s.pdf); and Heather Boushey, “Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth,” Washington, DC: Economic Policy Institute, June 2002, [http://www.epi.org/content.cfm/briefingpapers\\_bp128](http://www.epi.org/content.cfm/briefingpapers_bp128).

those employed in certain industries — such as business services, health services and special trade contractors (including plumbers and electricians)— are more likely to escape low-wage status as they gain more experience in the industry.<sup>51</sup>

- **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.<sup>52</sup> 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<sup>53</sup> 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.** In the past, many states did not provide child care subsidies for those recipients participating in individual job search. This limited the effectiveness of recipients’ job searches. 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.”<sup>54</sup>

Furthermore, if recipients are going to be required to be at a job search program for specific, scheduled hours, they will need child care in order to comply. Moreover, the child care protection in the TANF statute which prohibits states from sanctioning recipients that fail to comply with work requirements because of a lack of child care would apply to such structured programs.

#### *Strategically Claiming Hours of Participation as Job Search and Job Readiness*

The preamble to the interim final rules says that recipients exhaust a week of job search and job readiness that is countable if the state counts the recipient as participating for even a single hour of

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<sup>51</sup> 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](http://www.urban.org/UploadedPDF/410997_FinalReport_HHS.pdf).

<sup>52</sup> 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>.

<sup>53</sup> Jodie Sue Kelly, "Retention and Career Advancement," Cygnet Associates, 2001.

<sup>54</sup> Talor J. Combes and J. Rubin, "Engaging Employers to Benefit Low-Income Job Seekers," Jobs for the Future, 2005.

these activities during any seven day period.<sup>55</sup> In the December 2006 guidance, HHS explicitly rejected state proposals to convert the durational limits to days, or to ignore them if the number of hours of participation that are counted do not exceed a minimum threshold.<sup>56</sup>

States should therefore think carefully about *when* they claim hours of participation in this category. If a recipient is not going to meet the federal work participation rate standards in a particular month, then the state may not want to report the hours the individual does participate in job search/readiness activities under those categories for that month. (If the hours are not reported, then the time does not count against the four, six, and 12 week durational limits.) HHS has recommended this approach, but it carries a significant risk from a public relations perspective. For a number of years, HHS officials have claimed that a very large proportion of TANF recipients are engaged in “no hours” or work participation, based on the data states submitted to HHS. States have contended that this is misleading, because some states did not report hours of participation in activities that did not meet the federal definitions or that fell below the minimum hourly requirements. If states now routinely do not report hours of participation that do not count toward the federal participation rate calculation, they will leave themselves open to this same criticism. Thus, states should consider reporting those partial hours of job search/readiness activities as “other state activities” if it does not want to report them as participation in job search/readiness.

Similarly, if a recipient meets the work participation standards and would meet them if their job search/readiness activities were excluded — as could happen for recipients who participate in these activities for only a few hours over the course of the month — states should consider *not* reporting those hours under the job search/readiness category, but reporting them as “other state activities” instead.

*Front-End Programs Can Provide Some Additional Time for  
Assessment, Employment Services Planning, and Job Seeking Activities*

Some states are considering instituting “front-end” programs that would provide non-assistance benefits to some families that would have been eligible for TANF prior to the family receiving ongoing TANF benefits.<sup>57</sup> These front-end programs can: (1) provide non-recurring lump sum benefits (not to exceed a family’s needs over a four month period) to help families meet their basic needs, (2) assess families’ circumstances, (3) develop an employment plan, (3) provide time for the family to secure child care or address other short-term issues such as unstable housing, (4) provide time for the family to look for work if appropriate, and (5) serve as a bridge to programs designed to help low-income working families for those participants who find jobs and have earnings that make them ineligible for ongoing TANF assistance.<sup>58</sup> There are many ways to structure such front-end programs — some states are considering sending all TANF applicants to such a program while others would limit participation to those most job ready.

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<sup>55</sup> 71 Fed. Reg. 37459-37460.

<sup>56</sup> Further Guidance.

<sup>57</sup> A front-end program also could provide ongoing benefits, but if funded with TANF or MOE funds, those benefits would be considered “assistance” and participants would be included in the work participation rate calculation.

<sup>58</sup> For a detailed discussion of the design issues related to front-end programs and programs currently in place in Pennsylvania and Minnesota, see Liz Schott, “Up-Front Programs for TANF Applicants,” Center on Budget and Policy Priorities, January 2007, <http://www.cbpp.org/1-16-07tanf.htm>.



If families in the front-end program are receiving benefits that do not constitute “assistance,” they are not included in the state’s work participation rate calculation and the time participants spend in job search or job readiness activities do not count against the durational limits on these activities. Since many families are unable to meet the TANF work participation standards in the first couple of months of TANF receipt, a front-end program may increase a state’s participation rate by removing such families from the denominator of the work participation rate calculation during a time when they may be unlikely to participate for enough hours to meet the participation rate standards. (Note that some states achieve high participation rates in the early months of TANF receipt, so states should examine their data and determine how a front-end program might impact their participation rates.)

While a state can adopt any policy it wishes with respect to its state time limit, participation in a front-end program in which only non-assistance benefits are provided does not count against a family’s federal 60-month time limit and the families are not considered “TANF recipients” for purposes of child support-related rules.

A front-end program, if properly designed, can provide additional time for the state to assess the needs and circumstances of the family and develop an appropriate employment plan for them, effectively expanding the length of time a state has before the work participation rates apply and the “clock” on job search and readiness activities starts to tick. Families that find employment during the front end program may avoid TANF receipt altogether, or, depending on the states’ income disregard policies, may qualify for supplemental assistance due to their low wages. Families that do not find employment may be ready to engage in required activities when they shift from the front-end program to a TANF or MOE-funded assistance program.

While front-end programs can help address family needs and increase participation rates, poorly designed front-end programs can create significant barriers to ongoing assistance for those families that need longer-term aid. When designing a front end program, it is important to create a seamless transition from this program to appropriate assistance programs (which may include TANF or MOE-funded assistance programs or assistance programs funded with non-MOE state funds) for those families that need ongoing assistance at the completion of the front-end program. If this system is not seamless, some vulnerable families could lose access to needed assistance altogether.

As discussed in Chapter III (see page 76), a front-end program can serve as a bridge to programs that provide assistance to working families by ensuring that families that find jobs during the front-end program are eligible for the often-higher “recipient” earnings disregards in the state’s TANF program and for any programs designed to provide aid to former TANF recipients who are working, including those that provide income assistance or transitional benefits such as child care.

### **Education and Training<sup>59</sup>**

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 2005, the real wages of workers with

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<sup>59</sup> For more detail, 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](http://www.clasp.org/publications/tanf_ed_training.pdf).

less than a high school diploma declined by 16 percent, while the wages of those with a college education increased by 17 percent.<sup>60</sup> About 42 percent of all adult TANF recipients have less than 12 years of education<sup>61</sup> 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 2005, 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. *Almost all states have room to increase substantially the number of people in vocational educational training*; as noted earlier, up to 30 percent of recipients counting toward a state’s participation rate can be in vocational education training or can be teens who are 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 Portland program (described briefly on page 30), which was more successful in achieving these goals than any other program evaluated as part of the National Evaluation of Welfare-to-Work Strategies (NEWWS), offered a substantial number of instructional hours in 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.

In particular, welfare-to-work programs that have helped parents obtain higher-paying jobs have typically made substantial use of longer-term training. In Portland, over half of those with a high school diploma attended a community, two-year, or four-year college at some point in the five years after entering the program — a 66 percent increase compared to a control group. Among those entering the program without a high school diploma, four times as many received occupational certificates compared to the control group. In addition, the three NEWWS sites that most increased hourly pay for non-graduates after two years of follow-up — Portland, as well as Columbus, Ohio, and Detroit — also boosted participation in longer-term training for this group. In three other NEWWS sites, non-experimental analysis found that those who participated in basic education and

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<sup>60</sup> L. Mishel, J. Bernstein, and S. Allegretto, *The State of Working America 2006/2007*, Economic Policy Institute.

<sup>61</sup> U.S. Department of Health and Human Services, *FY 2004 Characteristics and Financial Circumstances of TANF Recipients*, Table 25, <http://www.acf.hhs.gov/programs/ofa/character/FY2004/indexfy04.htm>.

## 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.<sup>a</sup> Five of these primarily 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 lifetime limit on the period for which a recipient who is participating in vocational education training can be counted toward the state's work rates.
- Up to 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 page 17 in Chapter I).

In considering the effects of these limits, it is important to note that some education and training activities fit into more than one of the five categories listed above. For example, participation in an occupational certificate program 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.

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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<sup>a</sup> For a more detailed discussion of how the participation rates are calculated, see Chapter I.

California 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.

then went on to participate in postsecondary education or training had 47 percent higher earnings in the third year of follow-up compared to those who participated only in basic education.<sup>62</sup>

In addition, several non-experimental studies suggest 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. Nursing and dental associate degrees had a particularly high payoff with graduates in those programs earning \$37,000 by the second year out of college.<sup>63</sup>

Participation in such vocational certificate and Associate degree programs, as well as in non-credit vocational education, can count toward the first 20 hours of required TANF work hours as “vocational educational training,” as long as the programs prepare individuals for employment in current or emerging occupations. However, the regulatory definition of vocational educational training explicitly rules out postsecondary education that directly results in a baccalaureate or advanced degree.<sup>64</sup> (HHS has stated that such activities can be counted as job skills training, if directly related to employment.<sup>65</sup> However, to be counted as such, hours in postsecondary education must be combined with 20 hours per week of a core work activity.)

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.<sup>66</sup> It is important for states to be realistic about how much parents can

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<sup>62</sup> 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/>.

Johannes M. Bos, et al "Improving Basic Skills: The Effects of Adult Education in Welfare-to-Work Programs," MDRC, 2002, <http://www.mdrc.org/publications/179/full.pdf>.

<sup>63</sup> 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.

<sup>64</sup> 45 CFR §261.2(i) and preamble discussion.

<sup>65</sup> Further Guidance.

<sup>66</sup> David Fein and E. Becroft, "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.

really work and still succeed in school, and to take full advantage of the 12 months allowed for parents to engage in vocational educational training alone.

- **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.<sup>67</sup> 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.<sup>68</sup>
- **Participants are likely to increase their earnings far more if they obtain postsecondary occupational credentials than if they only increase basic skills, even if they receive a GED.** Research suggests that the effectiveness of education-focused welfare-to-work programs has often been limited by a weak connection to employment and by participants receiving too few hours of instruction to substantially improve literacy and math skills or obtain a GED. Further, while this research found that the largest economic benefits went to adult education participants who went on to postsecondary occupational programs, few made that transition.<sup>69</sup> 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.<sup>70</sup>

#### *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 recommendations when designing their education and training programs:

1. Engage participants in vocational educational activities for all required hours during the initial 12 months that such participation can count as a “core activity” (that is, for the first 20 hours of participation or the first 30 hours for most two-parent families). This will allow participants to make as much progress as possible toward a credential before they tackle the more difficult task of combining training with 20 hours a week 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.

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<sup>67</sup> Fein and Beecroft, 2006.

<sup>68</sup> 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.

<sup>69</sup> Bos, 2002.

<sup>70</sup> Fein and Beecroft, 2006.

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.
4. Allow recipients to participate in non-countable educational activities by providing them with financial assistance through solely state-funded programs. Such programs could cover students in need of extended basic skills training, those who have exhausted their 12 months of vocational educational training, or those enrolled in programs leading to a bachelors or advanced degree. Several states are considering such programs.

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 up to 12 months per person. 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:

- offer intensive programs that result in a certificate and fit within the 12-month limit (or longer if states are willing to provide access to these programs as a non-countable activity or outside the TANF structure); and
- 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 proficiency, and with other significant skill deficits.

- **Basic skills and ESL instruction can be a part of vocational educational training programs.** The primary way for basic skills instruction and English as a Second Language (ESL) to count toward the core hours of the participation rate is if these classes meet the regulatory definition of vocational educational training. The regulations themselves say only that vocational educational training must prepare individuals for current or emerging occupations requiring training other than a bachelors or advanced degree. The preamble of the new regulations — which is not binding in the same way that the rules themselves are but does suggest how HHS will interpret the rules — says that basic skills training may be counted as vocational educational training “as long as it is of limited duration and is a necessary or regular part of the vocational educational training.”

Programs which contextualize basic skills or English language instruction for an occupation or integrate it with occupational training would be allowed under the preamble language. The preamble also appears to leave room for states to count as part of vocational educational training a limited period of other basic skills and English language instruction as necessary — for example, through a bridge program — for someone to successfully enter and complete a vocational educational training program.

The December 2006 guidance states that basic and remedial education and ESL can only count as part of vocational educational training if they are “embedded activities” and if the work verification plan describes why they are considered to be an integral part of the activity.

- **Basic skills and ESL instruction also can count as non-core activities.** These programs can count under the following “non-core” categories: education related to employment, job skills training and high school completion (including GED). To enable parents to combine these activities with work, states should consider developing educational programs that are offered at times and places that are convenient for working adults and providing child care assistance for participants.
- **States may wish to explore whether basic skills and ESL instruction can count as part of on-the-job training (OJT) for employed recipients.** The regulations define OJT as “training in the public or private sector that is given to a paid employee while he or she is engaged in productive work and that provides knowledge and skills essential to the full and adequate performance of the job.” However, in the December 2006 guidance, HHS stated that “various educational activities can not count under OJT” even if paid. It is unclear how HHS is distinguishing between educational activities and training, and states may wish to pursue this issue as part of their work verification plan approval process.

Simply improving basic skills for parents with low skills 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 level skills and/or limited English proficiency, 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 to 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.<sup>71</sup> This program prepares students for employment in manufacturing, welding, emergency medical services, nursing and technician-level allied health professions,<sup>72</sup> business, and education. In this case, the basic skills

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<sup>71</sup> For more information about the Arkansas initiative, see: Southern Good Faith Fund, “Career Pathways Overview” [http://www.goodfaithfund.org/pdf/pub\\_ipe/pathway\\_overview.pdf](http://www.goodfaithfund.org/pdf/pub_ipe/pathway_overview.pdf).

component should be countable as vocational educational training because it is an integrated part of the occupation-specific training.

- **Integrate basic skills and English-language instruction with vocational training to make it more relevant to students' needs and increase the likelihood that 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.<sup>73</sup> (Again, when done this way, the basic skills and ESL instruction would count as vocational educational training.)

3. *Help recipients combine education and work.* Some 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:

- **When a paid employee participates in training “that provides knowledge and skills essential to the full and adequate performance of the job,” such training can be counted as OJT for all hours of participation.** As discussed below on page 43, the TANF definition of OJT is significantly broader than the one used by workforce agencies, and can include formal on- or off-worksites training as well as informal training provided by a supervisor or coworkers, as long as the participant is paid for the time spent in training. (The December 2006 guidance appears to draw a distinction between “training” and “educational activities” which may not be counted as OJT even if paid.). Since OJT counts as core hours of participation, this approach may allow recipients to combine fewer than 20 hours of employment with training activities.
- **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, or to develop programs that make use of distance learning technologies. 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.<sup>74</sup>
- **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.**<sup>75</sup> Such partnerships can be funded and/or managed through on-the-job

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<sup>72</sup> For information on the term "allied health" occupations, see: [http://careerplanning.about.com/od/occupations/a/allied\\_health.htm](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.”

<sup>73</sup> See outcome data for I-BEST at <http://www.sbctc.ctc.edu/Data/rsrchrpts/Resh05-2-I-BEST.pdf>.

<sup>74</sup> 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.

<sup>75</sup> 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.



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.

- **Revise their financial aid and work-study programs.** The Federal Work-Study Program, which provides paid employment to students showing financial need, can be an important support for students in postsecondary education programs that can not be counted as vocational education. 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.<sup>76</sup>

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.<sup>77</sup> For example, TANF, MOE, or other state funds can be used to 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. (The December guidance suggests that work study jobs should be reported as subsidized employment, regardless of the source of the work-study funds.) 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.

- **Ensure that adequate supportive services (such as child care, transportation, and personalized career and academic counseling) are available to parents in education and training programs.** In particular, states should support flexible child care arrangements that can accommodate parents’ work schedules and provide sufficient hours to cover class and study time as well as travel time from one activity to the next.

*4. Consider using a solely state-funded program to provide assistance to students in non-countable activities.* If a state provides assistance to students with state-only dollars that are not counted toward the MOE requirement, such recipients are not included in the work participation rate, and the state therefore does not need to worry about what activities are and are not countable under the federal rules. Such programs could cover students in need of extended basic skills training, those who have exhausted

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<sup>76</sup> 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.

<sup>77</sup> 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.

their 12 months of vocational educational training, or those enrolled in programs leading to a bachelor's or higher degree.

- **Prior to the DRA, several states provided such benefits through “separate state programs” — programs funded with state MOE funds and no TANF funds.** Due to the DRA changes, such programs would now need to be funded with dollars that are not claimed toward the MOE requirement. The considerations related to setting up a solely state-funded program are described in detail in a recent analysis by the Center on Budget and Policy Priorities.<sup>78</sup> Several states, including New Mexico and Nebraska, are considering establishing solely state-funded programs to provide assistance to recipients in postsecondary education programs.
- **Even if a state is not willing to make a long-term commitment to a solely state-funded program, it should allow participants who enrolled under the prior rules to complete their programs.** It would be both unfair and short-sighted to require students who enrolled in good faith to drop out or to undertake an overwhelming burden of work, school, and parenting.

#### *Homework Time and the Interim Final Rules*

In the preamble language related to the definitions of vocational educational training, education directly related to employment, and satisfactory attendance at secondary school, HHS states that study time only can be counted toward the participation requirements if it is monitored and the state can document the hours of participation. When a similar provision was in place under the AFDC JOBS program, which operated between 1989 and 1996, both schools and participants found the requirement burdensome, especially when participants, who were already juggling multiple responsibilities, had to travel to off-site study locations.<sup>79</sup>

In comments on the interim final rule, a large number of states, analysts, and advocates commented to HHS that this requirement was unreasonable. As this restriction is only included in the preamble language, some states have submitted work verification plans that allow for the counting of limited hours of unsupervised study time for students making appropriate progress in their classes. HHS re-emphasized the requirement that study time be monitored and documented in its December 2006 work verification guidance.

If the supervised study time provision remains in effect, states should work with education and training providers and other organizations to create opportunities for supervised study. Like class time, these study halls should be at times and locations that are convenient for students with families, including *working students*. States may also want to explore options for electronically monitoring participation through distance learning technology.

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<sup>78</sup> For a detailed analysis of the design issues related to solely state-funded program, see, Liz Schott and Sharon Parrott, “Designing Solely State-Funded Programs: Implementation Guide for One “Win-Win” Solution for Families and States,” Center on Budget and Policy Priorities, December 2006, <http://www.cbpp.org/12-7-06tanf.htm>.

<sup>79</sup> Jan L.Hagan and Irene Lurie. *Implementing JOBS: Progress and Promise*. Albany: The Nelson A. Rockefeller Institution of Government, State University of New York, 1994.

## On-the-Job Training

Under TANF rules, OJT is defined as “training in the public or private sector that is given to a paid employee while he or she is engaged in productive work that provides knowledge and skills necessary for the full and adequate performance on the job.”<sup>80</sup> While OJT is a form of education and training, it is discussed separately here because of the unique opportunities it provides for combining training and work under the HHS regulations.

Given the restrictions on other educational activities, OJT has some potential as a way to provide job-related basic skills, ESL and occupational skills training for newly hired TANF recipients or recipients in subsidized jobs to help them upgrade their skills and progress in the labor market. Unlike the other work activities that include education and training, states can count participation in OJT toward all hours of the work participation requirement, without limits on the duration of participation or the share of participants that may be counted. There is no limit on the extent to which the TANF program pays for the training programs or whether the training subsidy must be provided to an employer rather than a third party training provider.

The December 2006 guidance on work verification plans, however, sets some limits on the use of OJT for education and training activities that were not included in the interim final regulations or the preamble to those regulations. Under the guidance:

- *unpaid* training activities may not count as OJT and
- “supportive services such as substance abuse treatment, mental health treatment, rehabilitation activities and *various educational activities* can not count under OJT, even if the client is being paid by an employer.”

It is not clear what is intended by the distinction between “training” and “educational activities.” States should therefore be prepared to explain why the proposed training activities are an appropriate part of OJT in their work verification plans. States may wish to include under OJT workplace orientations that provide knowledge about the employer or the job tasks, and classroom instruction in areas related to job performance including specific skills such as computer training or improved basic skills, or English language that are used on the job.

This definition of OJT is broader than the definition traditionally used in the workforce investment system. Under that model, the employer is required to hire the participant and the employer is reimbursed for up to 50 percent of the wage rate of the participant — usually for up to six months — for the extraordinary costs of providing the training and additional supervision related to the training. In addition, there is the expectation that the employer will retain the employee after the subsidy ends. Given these rules, OJT has been used within the workforce system for job seekers who are on the whole more job-ready than many TANF recipients. The definition in the TANF regulations is less restrictive, though the subsequent guidance from HHS enunciates some new restrictions.

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<sup>80</sup> 45 C.F.R. §261.2(f).

### *How Effective Are Traditional On-the-Job Training Programs for TANF Recipients?*

Because traditional OJT has not been used widely in TANF and former AFDC programs, there are limited data on its effectiveness with this population. In the past, TANF agencies have made minimal use of OJT. Only 0.1 percent of TANF recipients subject to participation rates in FY 2004 were engaged in OJT and 21 states reported they had no TANF recipients enrolled in OJT.<sup>81</sup> The relevant research suggests that traditional OJT can improve participants' employment outcomes:

- 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.<sup>82</sup>
- 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.<sup>83</sup>
- The 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.<sup>84</sup>

### *How Can States Design Effective On-the-Job Training Programs Under the New TANF Definition of this Activity?*

States can adapt the traditional OJT model implemented in the workforce system to the needs and circumstances of TANF recipients. Ideally, states should use OJT 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. Programs should try to link recipients with 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 addition, states may want to explore ways of linking TANF funds with resources available through state incumbent worker training programs to support such training.

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<sup>81</sup> 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>.

<sup>82</sup> D. Greenberg and M. Shroeder, *The Digest of Social Experiments* (2nd ed.), The Urban Institute Press, 1997 cited in Lewin Group, 1999.

<sup>83</sup> 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.

<sup>84</sup> JTPA National Evaluation Seven Year Follow-Up, U.S. Department of Labor unpublished table. Westat: 1998.

States implementing traditional OJT programs for TANF recipients should consider developing 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.
- 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**

Under the federal TANF regulations, 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.<sup>85</sup> In the December 2006 work verification guidance, HHS clarified that barrier removal or educational activities may be counted as part of subsidized employment, as long as the individual is *paid* for the hours of participation. While this has not generally been the practice in subsidized employment programs in the past, this option is worth pursuing, as it is the only place where barrier removal activities can be counted on an ongoing basis, beyond the limits on job search and job readiness activities. As discussed below, Transitional Jobs are an effective model for subsidized employment that combines time-limited paid employment with a comprehensive set of services designed to develop participants' skills and prepare them for success in the workplace.

In the past, subsidized employment has been a little-used work activity — only 0.1 percent of all TANF recipients who were subject to the participation rates (that is, those in the denominator of the participation rate calculation) in FY 2004 were engaged in subsidized private sector employment, and only 0.3 percent were enrolled in subsidized public sector employment.<sup>86</sup> 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.

TANF participants in subsidized employment programs can receive valuable work experience and training while on the job, in addition to earning wages. Moreover, they pay into the Social Security

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<sup>85</sup> 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 78 on page 41 for more details.

<sup>86</sup> 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>.

system — thus building quarters of work needed for future eligibility — and may qualify for the Earned Income Tax Credit and Unemployment Insurance. 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. (Only individuals who receive some kind of TANF or MOE assistance are counted in the state’s participation rate.)

In the preamble to the interim final rule, HHS states that “at the end of the subsidy period, the employer is expected to retain the participant as a regular employee without receiving a subsidy.”<sup>87</sup> Many states and advocates commented to HHS that this provision should not be considered a prohibition on models that do not have such an expectation. As discussed above in the section on transitional jobs programs, HHS staff have indicated that the goal of this language was to ensure that employers participating in the subsidized employment program were not simply using the program to lower their labor costs but were providing something of value back to participants. As this language is only in the preamble and may change, states should consider explaining in their Work Verification Plans how they will ensure that employers are not abusing this program. For example, one state has proposed that after four months of a wage subsidy, an employer must declare whether the participant will be retained as regular employee; if not, the participant must be provided with 8 hours of paid leave each week to search for an unsubsidized job. In the December 2006 guidance, HHS included this provision in its example of acceptable language.

In the preamble to the regulations, HHS specifically notes several models of subsidized employment. In one model, sometimes called “work supplementation” or “grant diversion,” TANF funds that would otherwise be paid as assistance are provided to the employer to reimburse some or all of the participant’s wages and benefits. In a second model, a third-party intermediary acts as the employer of record during the trial period, so as to minimize the administrative burden on the company or organization that serves as a work-site. In such models, the payment to the intermediary is often based on performance incentives, rather than directly linked to the cost of wages. HHS also notes that supported work for individuals with disabilities, as defined under the Rehabilitation Act of 1973, may be counted as subsidized employment.

Note that under the sections of the interim final rule that address how hours of participation must be documented, subsidized employment and OJT are treated like unsubsidized employment, in that a state may project hours of participation for up to six months based on current documented actual hours of work.<sup>88</sup> This provision significantly reduces the reporting burden on participating employers, particularly when compared to work experience programs, where no such projection is permissible.

### *Transitional Jobs<sup>89</sup>*

One model of subsidized employment that shows particular promise for TANF recipients with barriers to employment is transitional jobs (TJ). These programs provide hard-to-employ TANF

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<sup>87</sup> 71 Fed. Reg. 37458.

<sup>88</sup> 45 C.F.R. §261.61(c).

<sup>89</sup> 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>.

recipients a bridge to unsubsidized private employment by combining time-limited, wage-paying employment (subsidized by public or, in some cases, private funds) with a comprehensive set of services — including barrier removal activities and education and training — designed to develop participants’ skills and prepare them for success in the workplace. Because recipients are in paid employment, they pay payroll taxes (as does the employer) and qualify for the EITC based on their earnings. Most states then treat the earnings from the transitional job as regular earnings when determining TANF eligibility and benefits — that is, families have some of those earnings disregarded through the earned income disregard policies in the state’s TANF program.

#### *How Can Participation in Transitional Jobs Programs Count toward the Work Participation Rate?*

In the past, states have generally reported participation in all elements of a transitional jobs program as subsidized employment, including activities that were integral to the transitional jobs program but were not paid. HHS’ December 2006 guidance indicates that supportive activities and educational activities may be counted under subsidized employment, but only if the individual is paid for these hours. It appears that either just the training component of a transitional jobs program, or both the training and the worksite components, may also be reported as on-the-job training (OJT) as long as the training is paid and “provides knowledge and skills essential to the full and adequate performance of the job.”<sup>90</sup>

Alternatively, the time spent at the worksite can be counted as subsidized employment and the time spent in education and training activities can be counted under job skills training, education directly related to employment, or vocational educational training. Because of the durational limits — and the limits on the total number of recipients who can participate in vocational educational training — states generally will want to avoid counting the training component of a transitional jobs program as vocational educational training, if the individual is participating in 20 hours of subsidized employment.

Because states can count hours spent in education, training, or barrier-removal activities as “subsidized employment” if the hours spent in these activities are paid, those designing transitional jobs programs may want to adjust how they structure program activities. Suppose, for example, a program has enough resources to pay for 25 hours of paid activities. Participants who need to address mental health problems or other barriers to employment and participants who need to improve certain skills before they can succeed at the workplace could spend a larger share of their 25 paid hours in these activities and a smaller share at the job site as compared to more job-ready participants. Indeed, some recipients might spend all of their paid hours in activities other than job site employment during an upfront period. As participants address their barriers and/or skill deficits, their assignments could change and they could spend more of their paid hours on the jobsite and fewer in other activities.

#### *How Are Transitional Jobs Programs Designed?*

Most TANF recipients who participate in transitional jobs programs have little work experience and limited education and often have received public assistance for a significant period of time. Many also have significant employment barriers, such as mental illness, learning disabilities, contact

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<sup>90</sup> 45 C.F.R. §261.2(f).

with the criminal justice system, substance abuse issues, unstable housing, and lack of adequate transportation. Therefore, many participants need intensive support services to move into the labor market.<sup>91</sup> 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 receive training, and help employers by ensuring that participants contribute to their employers' bottom-line;
- connection to work supports, such as child care and transportation subsidies, which can be critical to success in the labor market for participants and reduced turnover for employer; 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 ranged from \$287 and \$749 per participant, per month. Wage costs made up as little as 13 percent to as much as 59 percent of total project costs. 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.<sup>92</sup>

#### *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 on employment.<sup>93</sup> 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.<sup>94</sup>

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<sup>91</sup> National Transitional Jobs Network, "Transitional Jobs Programs Break Through Barriers to Work," <http://www.transitionaljobs.net/Resources/Downloads/TJProgramsBreakBarriers.pdf>.

<sup>92</sup> 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>.

<sup>93</sup> 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](http://www.mdrc.org/project_20_8.html).

<sup>94</sup> Ibid.



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.<sup>95</sup>

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.<sup>96</sup> Similarly, the six-program evaluation discussed above reported that transitional work has a positive personal, professional, and financial impact on participants.<sup>97</sup>

### *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:<sup>98</sup>

- **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 pages 34-37 for a discussion of the role of education and training in improving employment outcomes.) (Note that if a recipient is participating in 20 hours of paid activities, education and training activities in excess of those 20 hours can be counted as job skills training — a component that is not time limited and does not have an overall cap like vocational educational training.)
- **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 serious barriers also may require a more supportive work environment to succeed, including intensive supervision and fewer hours of 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.

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<sup>95</sup> Erin Burchfield, "Community Jobs Program Moves People from Welfare to a Career Track: Outcomes Assessment," Economic Opportunity Institute, April 2002.

<sup>96</sup> 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>.

<sup>97</sup> 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>.

<sup>98</sup> Ibid.

- **Develop strong job placement and employment retention services.** Programs that include job development and job placement activities lead to stronger employment outcomes.<sup>99</sup> 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.

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. The regulatory definition states that work experience must provide “an individual with the opportunity to acquire the general skills, training, knowledge and work habits necessary to obtain employment.”<sup>100</sup> In the past, some states and localities have tried to develop work sites where individuals can gain work skills, while others simply have treated the work assignment as a way to work off welfare payments.

Although the interim final rule states that the purpose of work experience is to improve the employability of those who cannot find unsubsidized employment, the preamble language says that job search, job readiness activities, and vocational educational training (including basic education and ESL) may not be counted as part of a work experience program. HHS reiterated this limitation in the December 2006 guidance.

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.<sup>101</sup> Larger programs tend to be less costly to administer, as many of the upfront and overhead costs are shared among all participants.<sup>102</sup>

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<sup>99</sup> Ibid.

<sup>100</sup> 45 C.F.R. §251.2(e).

<sup>101</sup> Harry Holzer, "Can Work Experience Programs Work for Welfare Recipients?" The Brookings Institution, 2002.

<sup>102</sup> Thomas Brock, et al., “Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research,” MDRC, September 1993.

### *How Effective Are Work Experience Programs?*

Although no random assignment evaluations of the impact of work experience programs on earnings have been completed for recipients under the TANF block grant, prior studies under the AFDC program are available.<sup>103</sup> 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.<sup>104</sup>

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.
- Work experience programs typically have not included skill-building components.<sup>105</sup> 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 have not included strong job development and placement programs that help recipients move from unpaid work experience to unsubsidized employment. Also, the work sites themselves often have been with employers who do not have job openings that match recipients' skills.
- Participants often did not receive individualized attention or assistance in dealing with barriers to employment.
- Workfare participants did 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

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<sup>103</sup>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.

<sup>104</sup> Thomas Brock, et al.

<sup>105</sup> 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](http://www.mdrc.org/Reports2002/TANF/TANFGuide_Full.pdf).

## Work Experience, Community Service, 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. In many community service programs, the same basic structure applies — recipients are required to participate in a workplace setting in exchange for their benefits. 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.<sup>a</sup> (45 CFR §260.35) This means that the maximum number of hours an individual can be required to participate in a work experience program — or a community service program where an employer-employee relationship exists<sup>b</sup> — in a given month is equal to the benefits the family receives divided by the minimum wage.

Under the TANF regulations, states are permitted, under certain circumstances, to count any family that participates in work experience or community service for the maximum hours allowed under the minimum wage requirements of the FLSA as having satisfied the required number of hours in core activities. The maximum hours permissible under the FLSA must be based on the combined value of the family's TANF benefits and any food stamp benefits the family receives. (A family's TANF benefits must be net of any child support received.) For states with a higher state minimum wage, the maximum permissible hours of work would be calculated using the state minimum wage.

For the all families rate, the number of hours allowed under the FLSA can count as meeting the 20-hour per week core requirement, even if actual participation falls short of 20 hours. (§261.31(d)) For those families with a 30 hour requirement (that is, those who are not a single parent with a child under age six), the additional 10 hours of required work activities must be satisfied in another activity that is not subject to the FLSA requirements (such as education and training) in order for the family to count toward the work rate. Similar rules apply with respect to the 30 or 50 hour core requirement for families counted toward the two-parent rate.

The Department of Labor has issued guidance permitting states to combine TANF cash grant allotments and the value of food stamp benefits in order to meet workfare FLSA requirements. And, USDA (with HHS concurrence) has told states that they must adopt a mini-Simplified Food Stamp Program (SFSP) to allow the state to count food stamps toward the FLSA calculation. USDA has provided a template to states that wish to secure approval of the necessary mini-SFSP.<sup>c</sup> HHS and USDA have clarified that states are not required to conform their Food Stamp Employment and Training exemptions to the TANF exemptions in order to take advantage of this policy.

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<sup>a</sup> See U.S. Department of Labor, *How Workplace Laws Apply to Welfare Recipients*. May 1997.

<sup>b</sup> FLSA applies to community service programs in which an "employer-employee" relationship applies. Such a relationship is likely to apply in community service placements in which recipients are required to participate for a specified number of hours each week, they are subject to sanction if they do not participate, and in which they are expected to perform job-like tasks.

<sup>c</sup> For USDA Guidance, see item 25 under FY 2006 at [http://www.fns.usda.gov/fsp/whats\\_new.htm](http://www.fns.usda.gov/fsp/whats_new.htm). See also ACF Q and As at [http://peerta.acf.hhs.gov/pdf/SFSP\\_Guidance\\_FINAL.pdf](http://peerta.acf.hhs.gov/pdf/SFSP_Guidance_FINAL.pdf).

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.<sup>106</sup>

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 York City found that earning wages was an important component in building participants' confidence and motivating them to move off welfare.<sup>107</sup>

### *How Can States Design More Effective Work Experience Programs?*

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 to work experience participants.** Participants in the Wisconsin work experience program who received vocational or job skills training as part of their assignment 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.<sup>108</sup> Note that the “deeming provision” related to the FLSA minimum wage protections discussed in the box above only helps states to meet the *core* hour requirements. For families who are required to participate more than 20 hours per week, 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 should try to identify an array of work assignments that can accommodate participants' strengths and limitations. Programs can also give participants gradually increasing work responsibilities.

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<sup>106</sup> Fred Doolittle, et al.

<sup>107</sup> 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>.

<sup>108</sup> Fred Doolittle, et al.

- **Provide ongoing supervision and a supportive work environment for participants with barriers.** The regulations require that work experience be supervised no less frequently than daily. 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.<sup>109</sup>
- **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 be combined with strong job search and job development components so that when recipients are ready for unsubsidized employment, they have the time and help they need to search for work. While the regulations require that hours of participation in job search and job readiness activities be tracked separately from hours of work experience, they may still be offered by the same providers and in the same location. Even if they are provided separately, states should make sure that clients are excused without penalty when they are absent from work experience programs due to job interviews. (For a fuller discussion of job search activities, see the discussion starting on page 27.)

### Community Service Programs

States' use of community service programs in their TANF welfare-to-work programs has varied widely. Nationally, community service constituted about 10 percent of the activities that states counted toward meeting their work rates. Many states rarely used the activity while others used it extensively.

Some states used 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 took a broader approach and included 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 were formal placements much like work experience; others were self-initiated and informal, such as volunteer hours at a child's school.

The TANF regulations indicate that many of the activities that states have previously counted under community service can no longer be included under this activity. In particular, the interim final rule states that community service programs must be *structured* programs designed to provide a public service and improve employability of those not otherwise able to obtain employment. The examples provided in the preamble include work performed for a school, Head Start program, church, or government or nonprofit agency, as well as participation in volunteer organizations such as Americorps and Vista. These are only illustrative examples and other options are allowable.

The preamble language explicitly states that this work activity excludes substance abuse treatment, mental health and family violence counseling, life skills classes, parenting classes, job readiness instruction, and caring for a disabled household member. These are all activities that some states had included within their definitions of community service under the prior rules. Under the interim final regulations, these activities can only be counted toward the participation rate under job search

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<sup>109</sup> In the Wisconsin workfare study, these problems arose in worksites with 20 or more participants. Fred Doolittle, et al., p. 63.

and job readiness, which are subject to severe durational limits. (Caring for a disabled household member can not be counted under the regulatory definitions of any of the work activities; however, the regulations do allow recipients caring for a disabled family member to be removed from the participation rate, if the disabled family member does not attend school on a full-time basis and the need for the care is medically documented. See page 98 for more details.) The work verification plan guidance also states that activities that meet the definition of another countable TANF work activity may not be counted as community service.

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

The regulations encourage states to 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. The preamble of the regulations states that training can count as community service when “embedded” in a community service program. HHS’ work verification plan guidance states that if a state is allowing embedded training activities as part of community service, the Work Verification Plan should specify the duration of such activities and how they are an integral part of the community service. When not “embedded” in community service, states should classify training as another type of activity. As stated above, job search may only count as job search and job readiness.

Finally, as noted above, many structured community service programs will be covered by the FLSA and, thus, the deeming provisions discussed above will apply.

## **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.<sup>110</sup> 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.

Given the severe barriers many families face and the narrow definitions of the countable work activities that HHS has adopted, some parents may be unable to participate in countable activities immediately. If states limit the activities that recipients with significant barriers engage in to those that are countable toward the federal requirements — or require all recipients regardless of their circumstances to participate for the hours required to count toward the participation rate — they are

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<sup>110</sup> 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>.

likely to worsen outcomes for vulnerable families rather than improve them. Moreover, as is discussed in Chapter IV, if a state were to adopt such an approach, it likely would run afoul of the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act (Sec. 504).

If recipients are asked to engage in activities that are inappropriate for them based on their circumstances, they are likely to fail to meet program requirement and 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.<sup>111</sup> 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.

As is discussed in more detail below, states that want to provide appropriate activities and services for recipients with significant barriers to employment but who are concerned about meeting their work participation requirements some recipients with significant barriers to employment may be unable to participate in standard should consider whether such families should be provided assistance in a solely state-funded program (not funded with TANF or MOE funds) that is not subject to the federal work participation or time limit requirements.<sup>112</sup>

Regardless of whether a family is provided assistance in a TANF/MOE-funded program or in a solely state-funded program, states have an interest in finding ways to improve the prospects of these families, including finding ways to increase engagement in activities that can help them overcome their barriers and move toward employment.

### **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. However, states that have adopted this approach in the past typically allowed some recipients to participate in activities that do not count toward the federal participation rate or to participate for fewer than the federally mandated number of hours. States that have adopted or are considering this approach face some new challenges:

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<sup>111</sup> See, for example, Marcia Meyers et al., "Review of Research on TANF Sanctions, University of Washington, West Coast Poverty Center," June 2006, [http://www.workfirst.wa.gov/about/sanction\\_literature\\_final.pdf](http://www.workfirst.wa.gov/about/sanction_literature_final.pdf); 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>.

<sup>112</sup> For a detailed discussion of solely state-funded programs, see, Liz Schott and Sharon Parrott, "Designing Solely State-Funded Programs: Implementation Guide for One "Win-Win" Solution for Families and States," Center on Budget and Policy Priorities, December 2006, <http://www.cbpp.org/12-7-06tanf.htm>.



- **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 now 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 and the new regulations limit the set of activities that can count toward the participation rate. When states' work participation requirements were easier to meet because of the caseload reduction credit, states could engage recipients in activities that did not count toward the work requirements (or engage them for fewer hours) without worrying that they might fail to meet the federal target. Because the federal participation rates are now far more difficult to meet, states may be reluctant to engage recipients with significant barriers to participation by placing them in activities that may not be countable, such as mental health treatment (beyond the limits on counting it as a job readiness activity).
- **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.<sup>113</sup> (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

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<sup>113</sup> Jacqueline Kauff, Michelle Derr, and LaDonna Pavetti, "A Study of Work Participation and Full Engagement Strategies," Mathematica Policy Research, September 2004.

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 for themselves.* 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) 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.<sup>114</sup> 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 under the prior rules. Under the new rules, most of these broader activities would only be countable under the job search and job readiness categories which have severe durational limits.)

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.

It is especially important for states to consider non-countable activities for TANF recipients with disabilities. States are obligated under the ADA and Sec. 504 to provide access to work activities for persons with disabilities and to make accommodations in TANF-related requirements for

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<sup>114</sup> Jacqueline Kauff, Michelle Derr, LaDonna Pavetti, pp. 46-50.

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, low cognitive functioning, and domestic violence. (A discussion of other types of assessment, such as developing 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. (Screening and assessments also could occur in “front-end” programs that families applying for TANF participate in before becoming ongoing TANF recipients.<sup>115</sup>) 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 analyses of assessment processes.<sup>116</sup>

#### *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.<sup>117</sup>

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<sup>115</sup> These programs are discussed briefly on page 32.

<sup>116</sup> 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.

<sup>117</sup> Terri Thompson and Kelly S. Mikelson, pp. 61-62.

**“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**

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 29.) In addition, states and program providers 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.”<sup>118</sup>

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 individuals who do not control their benefits. Also, the large caseloads many TANF workers carry may prevent them from providing anything more than limited screening.

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<sup>118</sup> Ibid, p. 60.

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, mental health, 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.<sup>119</sup>

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.<sup>120</sup>

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.<sup>121</sup>

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

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<sup>119</sup> Terri Thompson, Asheley Van Ness, and Carolyn T. O'Brien.

<sup>120</sup> 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.

<sup>121</sup> LaDonna Pavetti and Jacqueline Kauff, p. 7.

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.”<sup>122</sup>

While a state or county will not want to administer these types of intensive assessments to a broad population, it can use broad screening to tools to identify individuals with potential barriers and target the more intensive assessments towards such recipients. States may also wish to target recipients who are at risk of sanctioning or approaching time limits for more intensive assessments.

### **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.<sup>123</sup> 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.<sup>124</sup>

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 increasing 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.<sup>125</sup>

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 — there are constructive steps that states can take:

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<sup>122</sup> Ibid, p. 17.

<sup>123</sup> See Marcia Meyers et al., "Review of Research on TANF Sanctions, University of Washington, West Coast Poverty Center," June 2006, [http://www.workfirst.wa.gov/about/sanction\\_literature\\_final.pdf](http://www.workfirst.wa.gov/about/sanction_literature_final.pdf).

<sup>124</sup> 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>.

<sup>125</sup> 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>.

- **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.<sup>126, 127</sup>
- **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 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 how sanctions are used 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.<sup>128</sup> 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. In fact, both the Administration's welfare reauthorization proposal, and the major House and Senate reauthorization bills would have eliminated the separate participation rate calculation for two-parent families and Assistant Secretary for Children and Families Wade Horn has said repeatedly that he thinks the two-parent rate is highly problematic. While the DRA did not

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<sup>126</sup> Ibid.

<sup>127</sup> 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>.

<sup>128</sup> See, for example, Gordon L. Berlin, p. 13, [http://www.mdrc.org/Reports2002/TANF/TANFGuide\\_Full.pdf](http://www.mdrc.org/Reports2002/TANF/TANFGuide_Full.pdf).

eliminate the separate two-parent participation rate (and the omission may have been due largely to technical issues related to the type of legislative vehicle that was used), there remains widespread concern that the high two-parent participation rate requirement may act as a disincentive for states to provide aid to such families.

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.<sup>129</sup> 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 solely state-funded (SSF) program that does not count toward the state's MOE requirement, thereby avoiding federal penalties.

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). A state that fails only the two-parent participation rate must still increase its MOE spending to 80 percent of historical levels (versus 75 percent in a state that meets both participation rate requirements). (Because the MOE requirement applies to the year in which the state fails the rate, states should plan on spending at the 80 percent level unless they are entirely certain that they will meet both participation rates.)

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<sup>129</sup> CBPP tabulations of FY 2002 TANF and SSP quality control files from the U.S. Department of Health and Human Services.



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 the penalty for failing to meet the all-families rate. This part of the regulations was not affected by the interim final rules published in June 2006.

### **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 (and the corresponding increase in the MOE requirement). Such states can assist two-parent families through a state-funded program that does not count toward the state's MOE requirement.<sup>130</sup> States can allow or require two-parent families who participate in the SSF program to participate in a TANF-funded program that provides employment services. Employment services are not considered assistance and as long as the family is not receiving assistance in a TANF-funded program, the family is not considered in the work participation rate calculation. Note that such families cannot receive TANF or MOE funded child care or transportation assistance, as these benefits are considered "assistance" if provided to families that are not employed.

A state taking this approach can limit the amount of non-MOE state funds it spends by including *only* those two-parent families that are *not* meeting the federal work rate requirements in the SSF program. 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. It is important to note, however, that the child support rules are different in state-funded programs and TANF-funded programs and that some two-parent families do receive child support; so states adopting this approach will need to ensure that federal child support rules are followed.

Rhode Island used a similar (though not identical) approach in the past. 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 assigned its two-parent families that were meeting the federal participation standards to its TANF program and assigned those two-parent families that did 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, though the administrative issues with doing so may not be worth the savings in the SSF program for many states.

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<sup>130</sup> As discussed in chapter I (page 11), if two-parent families remain potentially eligible for TANF (that is, they would be eligible if their income met the TANF eligibility limits, but those receiving SSF benefits would not meet those income-eligibility limits) and are given a choice to participate in the TANF-funded program or the solely state-funded program, it is possible that the resulting caseload decline would be eligible for caseload reduction credit because there would be no eligibility change in the TANF funded program. Ensuring that two-parent families remain potentially eligible for assistance in the TANF program also help protect those families in the case of a state budget crisis leading to reduced funding for the solely state funded program. If the families remain eligible for TANF, those families would have access to TANF assistance even if funding for the SSF program was reduced.

