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February 28, 2013

Hearing on Waiving Work Requirements in the TANF Program

Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives

Mr. Chairman, Members of the Committee, thank you for the opportunity to share CLASP's views regarding the work requirements that states must meet under the Temporary Assistance for Needy Families (TANF) program. CLASP, the Center for Law and Social Policy, develops and advocates for policies at the federal, state and local levels that improve the lives of low-income people. Much of CLASP's efforts are aimed at improving low-income people's connections to the workforce and access to quality jobs.

There is a broad consensus that parents should, to the maximum extent possible, work to provide economic support for their families, and that welfare should serve as a bridge to self-sufficiency through employment. In the statement calling this hearing, Mr. Chairman, you said that welfare should "empower able-bodied recipients with the tools to secure a job, lift oneself out of poverty, and provide for one's family." Speaking both for myself and for CLASP, I agree with that goal, and I would venture that the overwhelming majority of Americans would agree with that. Stable employment in a well-paying job is the best pathway out of poverty and into the middle class. Moreover, employment is one of the key ways that people contribute to society.

Where we may disagree, however, is whether the work participation rate under TANF is an effective way of promoting this goal. I do not believe that it is. It is true that employment rates of low-income single mothers grew significantly during the late 1990s, but TANF work participation rates should not receive the credit for this increase. In fact, the work participation rate is at best a distraction from, and in many cases, an obstacle to, states running effective work programs for TANF recipients. As you consider reauthorizing the TANF program, I urge you to ask not whether proposed changes make it harder or easier for states to meet the work participation rates, but rather whether these changes make it more or less likely that low-income parents will have the opportunity to support themselves and their families through work.

It is also critical to remember that TANF has an important role to play in promoting economic security at times when parents are temporarily unable to work, such as because of a disability or family crisis, or when jobs simply are not available. While the share of poor single mothers who are working increased in the wake of welfare reform, so did the share of poor single mothers who are "disconnected" — neither working, nor receiving cash assistance. In 2010, during the height of the recession, 38 percent of poor single mothers were disconnected in this way.¹ We do not need to accept a rising number of children in deep poverty as unfortunate, but unavoidable consequence of promoting employment. It is possible to promote and support work without using the threat of destitution as the motivator.

In this testimony, I will lay out some of the major weaknesses of the TANF work participation rates. I will then discuss the growth and plateau of employment of single mothers over the past decades, and what has driven these trends. Finally, I will make some suggestions about ways that the TANF program could be improved to strengthen its effectiveness in promoting both work opportunity and economic security.

Problems with the Work Participation Rate

Since TANF was created, the primary performance measure has been the work participation rate (WPR), a measure of how successful states are at engaging adults in families receiving cash assistance in a specific list of work-related activities. States must engage at least 50 percent of adult members of families receiving assistance, and 90 percent of their two-parent families, in countable work activities for a minimum number of hours per week. States that fail to meet their WPR can lose a portion of their block grant funding.

One problem with the work participation rate is that the list of countable activities is too narrow. In an economy where family-supporting jobs are increasingly limited to those with at least a postsecondary credential or degree — and where those without at least a high school diploma find it harder and harder to find any employment — low-income parents need access to the training that would allow them to escape a cycle of low-wages, unstable work and poverty. The work participation rate puts significant limits on the extent to which full-time education and training may be counted as meeting requirements; many states have particularly highlighted as a problem the limitations on counting basic education and GED classes towards the work rates, as workers without a high school diploma are increasingly disadvantaged in the labor market.

The work participation rate also gives states little incentive to provide customized services to individuals with disabilities or other barriers to employment. “Job readiness activities” may only be counted for a limited number of weeks per year, and partial participation — even just one counted hour — uses up a full week of participation. States are required by law to make appropriate accommodations for individuals with disabilities, but there is no partial credit under the work participation rate. If an individual participates for 25 hours instead of the required 30, it is as if she did not participate at all.

However, the problems with the work participation rate are more fundamental than this. Allowing education and training and barrier remediation activities to count towards the rate, and providing states with partial credit for individuals who are engaged in work activities but do not meet the threshold for participation would only be a partial solution. A bigger problem is that the work participation rate only measures attendance. It does not make any attempt to measure the effectiveness of states’ employment programs — whether these programs are getting people into jobs, and whether these jobs are any better than those recipients might have found on their own.

Even as a measure of engagement, the work participation rate is deeply flawed. It does not distinguish between states that have low participation rates because they are doing a poor job of engaging recipients in any activity and states that have carefully assessed recipients and assigned some to reduced hours of participation or to activities that are not federally countable, such as full-time basic education. States may have achieved their high rates, not by running programs that are particularly good at engaging participants, but by placing hurdles to keep individuals with significant challenges out of the program. As you heard from Donna Pavetti of the Center on Budget and Policy Priorities last year, the eight states that achieved a 50 percent work participation rate in 2009, were mostly small states and serve a very small share of their poor families with children through their TANF programs.²

A final problem with the work participation rate is that it absorbs a disproportionate share of the limited resources available under the TANF program. Following the last reauthorization of TANF under the Deficit Reduction Act of 2005, HHS established federal standards requiring states to document and verify all hours of work participation claimed. Many states have since made extensive efforts to improve the reporting and documentation of hours of participation. I have no doubt that the reported hours of work participation for TANF recipients are more accurate and consistent across states today than in the late 1990s. However, there is no reason to believe that these efforts have in any way improved the employment services available to recipients. If anything, they have consumed large amounts of staff time that could otherwise be used to provide individualized services. One study of employment counselors in Minnesota found that they spent 53 percent of their TANF time — more than half — on documentation activities, rather than actually helping customers find and keep jobs.³

This quick overview of the problems with the work participation rate provides an important context for looking at the steps that states have taken to come into compliance with it. As the GAO has reported, states have used a range of strategies in order to meet the work participation rate requirements. States can have their target WPR lowered to the extent that they have experienced declines in the number of families receiving TANF assistance, known as the caseload reduction credit, and also by increasing state spending above the required minimum levels. Many states have also improved their work participation rates by changing the population included in the calculation. Many states have taken steps to remove non-countable families from the rate, including up-front diversion, use of solely state funded programs, and full-family sanctions. Others have used work supplement programs to add in families who are employed and countable as participating.

However, the use of these strategies should not be interpreted to mean that states do not take the work goals of TANF seriously. Rather, states recognize that many of the activities that are important steps along the path to employment — from engaging a recipient with a panic disorder in mental health treatment, to allowing high school dropouts to complete their GED and enroll in a vocational training program — will not be counted toward the work participation rate. These states therefore combine their work-focused efforts with backup strategies for ensuring that they do not become subject to work participation rate penalties. In these instances, their various strategies to increase the work participation rate are not a substitute for operating a work-focused program; rather, they are the means by which states ensure that they have the flexibility to do so.

Employment of Low-Income Single Mothers

Most defenders of the work participation rate do not get into the details of the rate. Rather, they point to the significant increase in employment among single mothers during the late 1990s, and attribute this increase to the work requirements under TANF. They postulate that any change to the work participation rate would undermine this success, and urge the expansion of similar requirements to other programs. However, there is very little basis for this claim.

First, it should go without saying that we are in a radically different employment context today than we were in the 1990s. In 1998, the overall unemployment rate was 4.5 percent v. 8.1

percent for 2012. For individuals aged 25 or older without a high school degree, the unemployment rate was 7.1 then versus 12.4 percent now. While pockets of high unemployment remained even then, in much of the country in 1998, nearly anyone who sought employment could be hired. Today, workers with credentials and extensive work experience struggle to find work, employers have many options, and many TANF recipients simply do not have a chance to prove themselves as capable employees.

Second, it is important to recognize that the replacement of AFDC with TANF was only one of a package of improvements that “made work pay” and supported the work efforts of low-income single mothers. These included a rising minimum wage, the expansion of the Earned Income Tax Credit (EITC), the expansion of Medicaid so that low-income children and parents did not immediately lose health insurance when leaving welfare, the creation of the Children’s Health Insurance Program, and a significant expansion of child care subsidies. Prior to the improvements of the 1990s, low-income single mothers were often made worse off by going to work — even though welfare benefits were (and remain) meager, mothers who began to work would often lose health insurance for themselves and their children, while incurring child care and other work expenses. This is no longer the case.⁴

Finally, to the extent that “welfare reform” played a role in promoting the employment of single mothers, this was clearly driven by the messaging, or culture change, rather than by the technicalities of the work participation rate. During the early years of TANF, caseloads dropped far more than expected, such that most states were able to meet their work participation rates entirely through the caseload reduction credit and unsubsidized employment. Nonetheless, nearly all states adopted a “work first” approach and made it clear to staff that their primary job was to promote employment among clients. The 2005 reauthorization reduced state flexibility and increased the paperwork burden, but there is no evidence that it has caused states to engage more recipients in work activities, let alone to develop more effective programs.⁵

Similarly, even during the recent deep recession, only a few states made any modifications to their work requirements, even as unemployment climbed to highs not seen in generations. The declining employment among single mothers in recent years is not because states slackened off on promoting work, but because of larger economic factors, reflected in the similar trend among other groups.

TANF agencies have overwhelmingly internalized this mission of engaging recipients in activities leading to self-sufficiency and would almost certainly continue to enforce a work expectation even in the absence of any federal requirements. Moreover, the vast majority of low-income parents themselves value work and want to support themselves and their families. They do not need more work requirements, but work opportunities and employment supports, such as child care.

Improvements in TANF Reauthorization

The current extension of TANF expires in late March; I urge this Committee to pass a clean extension of TANF to ensure that there is no lapse in funding. I also would welcome a full reauthorization of TANF, both to make improvements in the program and to provide states with certainty regarding program rules and funding.

Outcome measures

There is increasing consensus that the effectiveness of public programs should be measured, as much as possible, by their effects on outcomes for the populations that they are designed to serve. In the case of TANF, the target population is low-income children and their parents and caregivers. States should be held accountable for the results of the programs they support for the families who are served. They should also be accountable for the choices they make related to the types of programs they support and the groups of potentially eligible families they decide to serve.

What do I mean by that? Imagine a state in which there are 500 families with children, and 100 of the families are poor. (That's slightly lower than the actual child poverty rate of 21.4 percent.) Let's say that 10 of those 100 poor families are receiving cash assistance. (In the real world, there are 9 states that provide assistance to less than 10 percent of the number of poor families with children.) Finally, let's say that 5 of these 10 families are working or participating in other countable activities for enough hours to be counted toward the TANF work requirements. Congratulations, this state is meeting the TANF work participation requirements. Do we really think that this state is doing better than another state where 40 of those 100 poor families are receiving cash assistance, and 15 of them can be counted toward the work participation rate, even though this second state has a lower work participation rate? Or a third state, where only 50 of the 500 families with children are poor? Isn't that what we really care about?

I recognize the challenges inherent in using these sorts of outcomes as performance measures. Several states are already using outcome measures internally to monitor the performance of contractors or county agencies and to guide policy development. Taking opportunity promotion and poverty reduction seriously as a goal will require the participation of a range of actors – public and private, federal, state, and local – not just TANF agencies, and resources well beyond that of the TANF block grant. But if the only thing we attempt to measure, and the only performance indicator we report, is the work participation rate, we're never going to be able to have a serious conversation about whether TANF is moving us in the right direction. As part of reauthorization, I urge you to ask HHS to collect and report on severe hardship among families with children, as measured by indicators such as poverty, deep poverty (income below 50 percent of the poverty line), homelessness, hunger, lack of adult supervision, and multiple housing, school, or child care moves in a year.

There are very few areas of social policy with as strong a history of rigorous evaluation as welfare. However, many of these evaluations are now 20 year old, or more, and were conducted in the context of a very different economic and policy environment than we face today. For example, programs focused on rapid job placement — work first— clearly increased employment rates in the context of a labor market where less educated single mothers were far less likely to work than their childless peers. It is not obvious that similar programs are achieving similar effects today, when single mothers are just as likely to be employed as their childless counterparts.⁶

States that are willing to be held accountable for the outcomes they achieve in their programs, such as employment entry, job retention, or poverty reduction, should be given the ability to opt out of the process-focused participation rate either for the entire TANF population or for groups participating in specific programs, such as career pathways initiatives, in exchange for rigorous evaluation of their efforts. Several states have specifically indicated their willingness to be evaluated in this way. For example, in an August 2011 letter, the Executive Director of the Department of Workforce Services in Utah wrote:

“Utah has the desire to expend TANF dollars in the most efficient and effective manner supporting the kind of services and activities that promote initial employment, wage progression, and employment retention. Utah is willing to be held accountable for the positive employment outcomes resulting from the efforts of the Department of Workforce Services. A change in the approach away from narrowly prescribed priority activities to one of outcomes would relieve staffs from the burden of collecting data that is not relevant to the outcome of work, and hold staffs accountable for the employment outcome rather than the currently prescribed collection of participation data. As a state driven by data, DWS is anxious to discover the most effective activities that lead to employment. Waivers will allow experimentation in finding effective pathways.”⁷

Whether such flexibility is provided through waivers or through new state options allowed under reauthorization, such experiments would help identify the most effective service models in the current environment. These pilots would also help to identify possibilities and pitfalls in moving from process measures to outcome based performance measures.

Work participation rate

Assuming that the work participation rate is not going away entirely, there are some modest changes that could significantly reduce the negative effects of the rate as currently designed.

First, the caseload reduction credit should be replaced by an employment credit. Under none of the stated goals of TANF is it plausible to consider someone who leaves assistance without any source of income a success. Even from the perspective of saving public money, this is a failure, as these families are likely to show up needing help in even more costly systems, such as child welfare and emergency shelters. Yet states receive just as much credit toward the work participation rate for someone who is sanctioned off or reaches the time limit without work as for someone who earns enough to no longer need assistance.

Second, the restrictions on the counting of education and training should be eased, preferably eliminated. The current rules encourage states to limit recipients to very short-term certification programs, such as those to become home health aides. However, these jobs pay low wages, and it is often difficult for workers to get enough hours of work to cover their bills. Allowing longer periods of education and training would allow recipients to train for higher paying jobs. Recipients who need basic skills courses in order to participate in training programs should also be allowed to take these classes. Under current rules, such classes are only countable when combined with 20 hours or more of “core” work activities. By contrast, we have been told by

financial aid offices that they rarely approve more than 10 hours per week of federal work-study funding, because they believe that more than that level of work interferes with student success.

Third, in order to address the needs of the most vulnerable families, those with the greatest barriers to employment, states should be given more flexibility with regard to “job readiness” and barrier remediation activities and should be given partial credit for individuals who participate for less than the full required number of hours. Individuals who are dealing with homelessness, domestic violence, severe mental or physical illnesses, and addiction often need more than four weeks’ time to resolve these issues. Individuals who are complying with service plans mandated by transitional housing, child welfare, or justice systems should not be subject to contradictory requirements from TANF agencies.

Funding

Finally, I need to talk about money. While in the early years of TANF, states had significant new funds to invest in work supports and innovative programs, in recent years, most states have cut the services available to recipients. It is important to recognize that many of the changes that we all would like to see happen in TANF cost money. It is cheaper — at least up front — to hand people a phone book and tell them to start cold calling looking for jobs than to provide real services that meet people’s needs.

In this context, it is important to ensure that TANF funds are being used effectively, and are not replacing state spending. As you know, states use TANF funds for a wide variety of activities. This flexibility has been a key part of TANF since it was created. There is a great deal of variation across states in how they use their TANF funds, and the data reported by states on use of funds obscures as much as it illuminates. In some cases, it appears that states have indeed used TANF funds to replace other state spending on low-income families. One possibility going forward might be to make the penalty for failure to meet desired outcomes, not a loss of federal funding but reduced flexibility in the use of funds.

Similarly, as states have become increasingly sophisticated in identifying the range of activities that can be claimed as “maintenance of effort” spending, reported MOE levels have risen even though there is little evidence that services have increased. In order to restore the effectiveness of the MOE requirement, only spending by governmental entities (including counties and other sub-state entities) should be countable. This would preserve the incentive for states to increase or maintain spending on low-income households, while not allowing them to take advantage of spending by private entities. A reasonable limit should also be set on the definition of “needy families” so that states may not claim expenditures on families earning well above the median income.

With the sequester scheduled to take effect tomorrow, I recognize that it is perhaps quixotic to talk about increased funding for TANF. However, since TANF was created, the real value of the basic TANF block grant has declined 32 percent due to inflation. Moreover, in FY 2012, for the first time since TANF was created, Congress did not fund the supplemental grants previously received by 17 states. The Contingency Fund also does not have enough funding to make the

full grants to qualifying states; in the last few years, it has run out of money midyear. It is not reasonable to continuously expect the states to do more and more with less and less funding.

Subsidized employment

One specific area where new funding could be particularly helpful is in creating a permanent source of support for subsidized employment programs. During 2009 and 2010, 39 states and the District of Columbia used the TANF Emergency Fund to operate subsidized employment programs, creating over 260,000 positions. In many cases, agencies used the subsidies to encourage employers to expand employment during the recession; in other instances, agencies targeted employers who were already hiring and used the subsidies to encourage employers to hire disadvantaged workers whom they would not otherwise have considered. These programs received bi-partisan support at the state and local level and helped both disadvantaged workers and employers who were struggling in the recession. This experience proved that there was sufficient interest to operate such programs at scale. In addition to the immediate benefit of wages, participants got real work experience, along with connections to employers and other workers.⁸

One approach to supporting subsidized employment would be to create a permanent contingency fund usable for basic assistance, short-term non-recurrent assistance and work activities, including subsidized employment. Such a program might include a sliding-scale schedule of matching rates so that the states with the highest unemployment rates are required to provide the lowest share of program costs. Another approach would be to provide dedicated funding for subsidized employment, either within TANF or the workforce system.

Conclusion

I appreciate the opportunity to provide CLASP's perspective, which is based on decades of experience of creating policy solutions for low-income people. We share the goal that welfare should be a bridge to self-sufficiency and economic security. While welfare has often been a subject of deep disagreements, I believe that it is possible to find common ground in improving the effectiveness of TANF in promoting work opportunity for low-income parents.

Thank you.

¹ Thomas Gabe, “Welfare, Work, and Poverty Status of Female-Headed Households with Children, 1987-2010, Congressional Research Service, CRS R41917, December 20, 2011.

² LaDonna Pavetti, Testimony before the House Ways and Means Committee, Subcommittee on Human Resources, Hearing on “State TANF Spending and its Impact on Work Requirements,” May 17, 2102.

<http://www.cbpp.org/cms/?fa=view&id=3780>

³ Dani Indovino et al, The Flexibility Myth: How Organizations Providing MFIP Services are Faring Under New Federal Regulations, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, May 2008.

⁴ See Elizabeth Lower-Basch and Mark Greenberg, “Single Mothers in the Era of Welfare Reform,” in *The Gloves-off Economy: Workplace Standards at the Bottom of America’s Labor Market*, A. Bernhardt, H. Boushey, L. Dresser, and C. Tilly, eds., Champaign IL: Labor and Employment Relations Association, 2008, pp. 163–190.

Available at: <http://www.clasp.org/admin/site/publications/files/0490.pdf>

⁵ Government Accountability Office, Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates, GAO-10-525, May 2010. See also American Public Human Services Association, Focal Point, 2009,

<http://www.aphsa.org/Home/Doc/FocalPointDoc.pdf>

⁶ Danilo Trisi and LaDonna Pavetti, “Changing Employment Patterns Among Single Mothers Since Welfare Reform,” WREC Presentation, Center on Budget and Policy Priorities, May 2012.

⁷ Letter from Kristen Cox to George Sheldon, August 1, 2011, available at:

<http://www.scribd.com/doc/100023383/Utah-Administrative-Flexibility-Letter>

⁸ LaDonna Pavetti, Liz Schott, and Elizabeth Lower-Basch, Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund , Center on Budget and Policy Priorities and Center for Law and Social Policy, February 2011,

<http://www.clasp.org/admin/site/publications/files/Subsidized-Employment-Paper-Final.pdf>