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# Temporary Assistance for Needy Families (TANF): The Work Participation Standard and Engagement in Welfare-to-Work Activities

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# Summary

The 1996 welfare reform law (P.L. 104-193) created the Temporary Assistance for Needy Families (TANF) block grant. TANF's predecessor program, Aid to Families with Dependent Children (AFDC), historically assisted non-working single mothers. The debates leading to the 1996 law focused on how to move those single mothers from welfare to work.

TANF provides states with flexibility in how they design their programs. It has national goals, one of which is ending dependence of needy parents on government benefits by, in part, promoting job preparation and work. To enforce that goal, TANF requires that 50% of each state's TANF families with an adult recipient include a member who is either working or engaged in welfare-to-work activities. There are credits that states may receive that lower the 50% goal for states that have reduced caseloads or spend from their own funds more than the amount required under TANF. Thus, there are four different routes for states to meet the work participation standard: (1) caseload reduction (i.e., reducing the number of families receiving TANF assistance); (2) excess state spending; (3) providing assistance to those already working ("unsubsidized employment"); and (4) engaging otherwise non-employed recipients in welfare-to-work activities, such as job search, education and training, community service, work experience, and subsidized employment.

The main performance measure for TANF is the work participation rate (WPR), which measures the share of families in the caseload with a member who is either working or engaged in welfare-to-work activities. The WPR is compared annually to the state's after-credit numerical goal to determine whether it met the work participation standard. The national average WPR fluctuated around 30% from FY2002 through FY2011. Most states met the work participation standard through a combination of caseload reduction, excess spending credits, and a WPR below 50%. Over that period, about half of the national WPR was comprised of recipients in unsubsidized jobs.

In recent years, the national TANF average WPR has increased; it approached 50% for the first time in FY2015. This increase is due to states using TANF dollars to implement "earnings supplement" programs, separate from the regular TANF cash assistance programs. Earnings supplement programs provide benefits, usually small ones ($10 to $50 per month), to families with working parents who are not in regular state TANF assistance programs. Some earnings supplement programs provide benefits to those who left regular state TANF cash assistance programs; others provide benefits to families without any necessary connection to regular TANF cash assistance. Despite this, families who receive these TANF-funded benefits are counted toward the WPR.

Throughout the history of TANF, participation in welfare-to-work activities has been relatively modest. In FY2015, out of a monthly average of 743,000 non-employed TANF work-eligible individuals, 143,000 (less than 1 in 5) were reported as engaged in welfare-to-work activities.

TANF now has a record of 20 years, highlighted by (1) caseload reduction, with particularly large caseload declines in the early years; (2) an increase in the share of families receiving assistance with a parent who is employed; and (3) modest rates of participation in welfare-to-work activities among those who are not otherwise employed. If policymakers wish to increase engagement of non-employed recipients, a number of questions would be raised—including whether TANF's flexibility with the performance standards structure provides sufficient incentives to increase engagement, or whether other program models, such as a separate program dedicated to work activities for assistance recipients, should be considered.

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# Introduction

The Temporary Assistance for Needy Families (TANF) block grant provides federal funding to states, tribes, and territories for a wide range of benefits, services, and activities to address both the effects of and the root causes of child poverty. It is best known for funding state cash assistance programs to families with children who are very poor. These programs—often called welfare programs—have historically been the focus of policy controversy and debate, and they remain the topic of most discussions of TANF.

The 1996 welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), created TANF and culminated a decades-long evolution in policy about how to aid needy families with children, and under what circumstances.[1] TANF replaced the Aid to Families with Dependent Children (AFDC) program, which was a cash assistance program for needy families with children. Most of these children were in families with a non-employed single mother. A major focus of the debates leading to the 1996 welfare reform law was how to move non-employed single mothers from welfare to work.

TANF is a broad-purpose block grant with national goals. One of those goals is to end the dependence of needy parents on government benefits, in part by promoting job preparation and work. That goal is enforced by TANF's measure of program performance: the work participation standard. This report

- provides an overview of TANF's federal rules regarding participation in work and job preparation;
- shows the trends in the TANF work participation rate (WPR); and
- examines the degree to which non-employed TANF work-eligible individuals are engaged in welfare-to-work activities.

# The Temporary Assistance for Needy Families (TANF) Block Grant

The statutory purpose of the TANF block grant is to "increase the flexibility of states in operating a program" to achieve four statutory goals,[2] which are to

1. provide assistance to needy families with children so that children may be cared for in their own homes or in the homes of relatives;
2. end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. prevent and reduce the incidence of out-of-wedlock pregnancies; and
4. encourage the formation and maintenance of two-parent families.

States may use the TANF funds that finance benefits, services, and other activities to achieve that statutory purpose and any of the four goals. States may also count state expenditures made for TANF-eligible families on these benefits, services, and activities toward the TANF state spending

[1] The history of the welfare reform debates that led to the creation of TANF can be found in CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*, by Gene Falk.

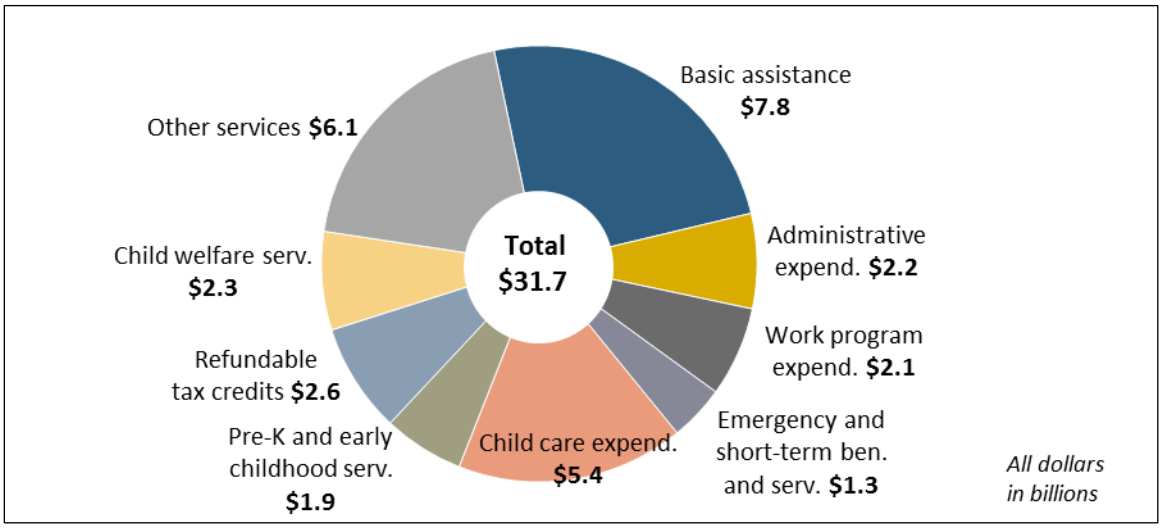
[2] Section 401 of the Social Security Act.

requirement, known as the maintenance of effort (MOE) requirement.[3] These benefits, services, and other activities go well beyond cash assistance for needy families and associated activities, such as work and job preparation activities. TANF funds can also be used for benefits, services, and activities for larger populations than just families receiving cash assistance.

## How States Have Used TANF Funds

In FY2015, a total of $31.7 billion in federal TANF dollars and associated state funds was used on a wide range of expenditures. Basic assistance, which includes cash assistance, totaled $7.8 billion (about 25% of all federal and state TANF funds). Work program expenditures totaled $2.1 billion (6.7% of the total). The remaining TANF dollars included those spent on activities to support work (child care, refundable tax credits) and on an array of social services, including early childhood education (pre-K) and services for families in which the children have experienced, or were at risk of experiencing, abuse and neglect (child welfare services). These activities are broader than those that were financed in TANF predecessor programs, and they can fund benefits for populations other than those eligible for or receiving cash assistance. Note that even the $2.1 billion for work program expenditures might reflect services provided to persons in families with children who are not receiving cash assistance.

**Figure 1. Federal and State TANF Dollars Used, FY2015**




**Source:** Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

As indicated on the figure, a major use of TANF funds is to support those in families with children, and who are already working, as opposed to the pre-1996 focus on supporting families with a non-employed single parent. The child care expenditures and refundable tax credits (e.g., state add-ons to the Earned Income Tax Credit) generally go to working families. Additionally, as

[3] TANF requires states to spend from their own funds a minimum amount of money on TANF-eligible families for TANF-related activities. This is because AFDC and its related programs that were consolidated into TANF were matching grant programs, with considerable cost-sharing from the states. The minimum each state must spend to meet this requirement, known as the maintenance of effort (MOE) requirement, is 75% of what the state spent on AFDC and related programs in FY1994. This percentage rises to 80% if the state fails TANF's work participation standard. For a discussion of TANF financing, see CRS Report R44188, *Temporary Assistance for Needy Families (TANF): Financing Issues*.

discussed in this report, a greater share of those receiving assistance under TANF are working compared to those who received cash assistance under AFDC.

The wide range of uses of TANF funds—and the ability to use state-funded expenditures for any program providing services to TANF-eligible families—mean that TANF is effectively not a single program, but a funding stream. That is, TANF federal and state funds may be directed to multiple state-level programs providing different benefits to different groups of families.

## Work Participation Standard and "Assistance"

The TANF statute applies the work participation standard to states with respect to families that receive TANF- or MOE-funded assistance. The statute itself does not define "assistance"; it is defined in regulations promulgated by the Department of Health and Human Services (HHS) as follows

> The term "assistance" includes cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses).[4]

The HHS regulations further defined some TANF activities that do *not* constitute assistance, such as child care or transportation aid for working families, refundable tax credits, and work subsidies. Short-term, one-time payments to meet emergency (i.e., not ongoing) needs are also not considered assistance.

Because the TANF work participation standard applies only to families receiving assistance, it does not apply to the families that are aided by the bulk of TANF dollars (unless those families also receive assistance). Further, families that receive *any* benefit that meets the technical definition of assistance are counted when determining if states meet their work participation standards. Ongoing cash assistance—the monthly "welfare" check—is one form of assistance. As noted above, however, there are other forms of benefits that would also be considered assistance, such as food or housing benefits, that may be paid for out of TANF and state MOE funds.

## Federal Work Participation Standard for States; State Work Requirements for Individuals

The federal TANF work participation standards apply to the states; it is the states that design the work participation requirements for individual recipients. In general, states can be expected to design their work requirements that apply to individuals with an eye toward meeting their work participation standard.[5] States determine who to exempt from requirements, what types of activities to assign a recipient to, and how to sanction those who fail to comply with requirements. Most states ultimately end benefits for families with work-eligible individuals who fail to comply, though the two largest states (New York and California) do not end benefits for the children in families with a noncomplying individual.

[4] 45 C.F.R. § 260.31(a)(1).

[5] For a description of state rules regarding work requirements for individuals, see Elissa Cohen, Sarah Minton, and Megan Thomson, et al., *Welfare Rules Databook: State TANF Policies as of July 2015*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation, OPRE Report 2016-67, September 2016.

# Federal TANF Work Participation Standard

While the purpose of TANF is to increase state flexibility, the law does have provisions to hold states accountable for operating programs to meet national goals. The detailed mechanics of the TANF work participation standard, as well as a glossary of terms used in discussing it, can be found in **Appendix A**. The following are key elements of the standard:

- A numerical participation target set in the statute at 50% for all families and 90% for two-parent families.
- "Credits" against these statutory targets for caseload reduction and excess state spending. These credits reduce the numerical target and differ by state and year.
- A set of rules for calculating a state's work participation rate (WPR). Among these are rules to determine what families are included or excluded from the WPR. They also include rules that specify the activities that count toward the WPR and the minimum hours per week of participation required for a family to be considered "engaged in work" and count toward the state's WPR.

States that fail to meet their work participation standards are at risk of being penalized. States can avoid or reduce their penalties for failing to achieve their minimum WPR by either claiming a reasonable cause or entering into a corrective compliance plan. If a state comes into compliance (i.e., meets its minimum WPR) within the timeframe of the corrective compliance plan, it is not penalized.

## Caseload Reduction

States may meet their work participation standard in whole or in part through caseload reduction. Caseload reduction comes from having fewer families on the assistance rolls than in an earlier year. This might result from families leaving assistance faster, or fewer families coming onto the rolls. States may receive credit toward their work participation standard from caseload reduction by either means, regardless of whether fewer families receive assistance because of decreased need in the state, or whether that caseload reduction occurs even while need in the state is increasing.

The TANF caseload reduction credit gives states a one percentage point reduction in their statutory work participation standard for each 1% decline in their caseload. Currently, states are given credit for caseload declines from FY2005 to the most recent prior year. That, is, caseload reduction credits for FY2015 are based on caseload declines from FY2005 through FY2014. However, states are not given credit for caseload reduction that results from changes in federal or state policies. In determining a state's caseload reduction credit, the state provides HHS with (1) its gross caseload decline and (2) an estimate of the effects of policy changes on that decline. The caseload reduction credit is given for net caseload reduction, after the effects of policy changes are factored out.

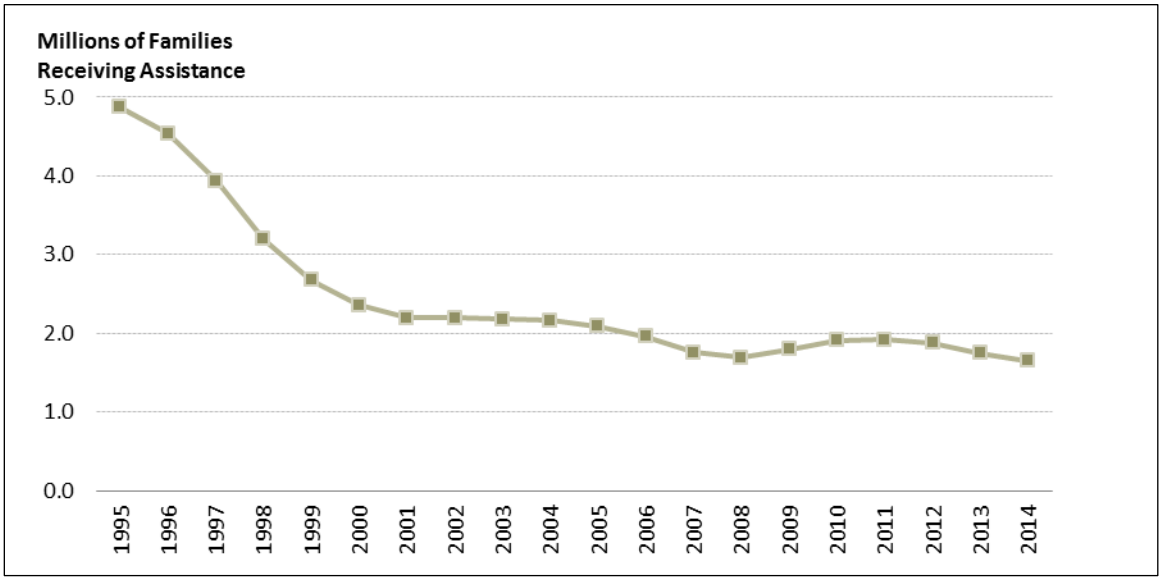
For example, for FY2015 states would be given credit for net caseload declines from FY2005 through FY2014. If a state's net caseload decline was 25%, it would receive a 25 percentage point credit against its work participation standard. Its standard would be 50% minus 25 percentage points, or 25%. The 25% would be the minimum WPR that the state would have to achieve to meet its standard.

Historically, the caseload reduction credit has played a fairly large role. The caseload reduction credit originally included in the 1996 welfare reform law measured caseload reduction from FY1995 (before the welfare reform law). The Deficit Reduction Act of 2005 (DRA, P.L. 109-171)

changed the base year for measuring caseload declines, effective FY2007, providing credits for caseload declines from FY2005.

**Figure 2** shows the number of families receiving assistance from FY1995 to FY2014. It shows particularly sharp caseload declines in the late 1990s; after 2000, the caseload continued to fall, but at a slower rate. Caseloads temporarily increased in response to the 2007-2009 recession, but began to fall again in FY2011.

**Figure 2. Number of Families Receiving Assistance: FY1995 to FY2014**




**Source:** Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

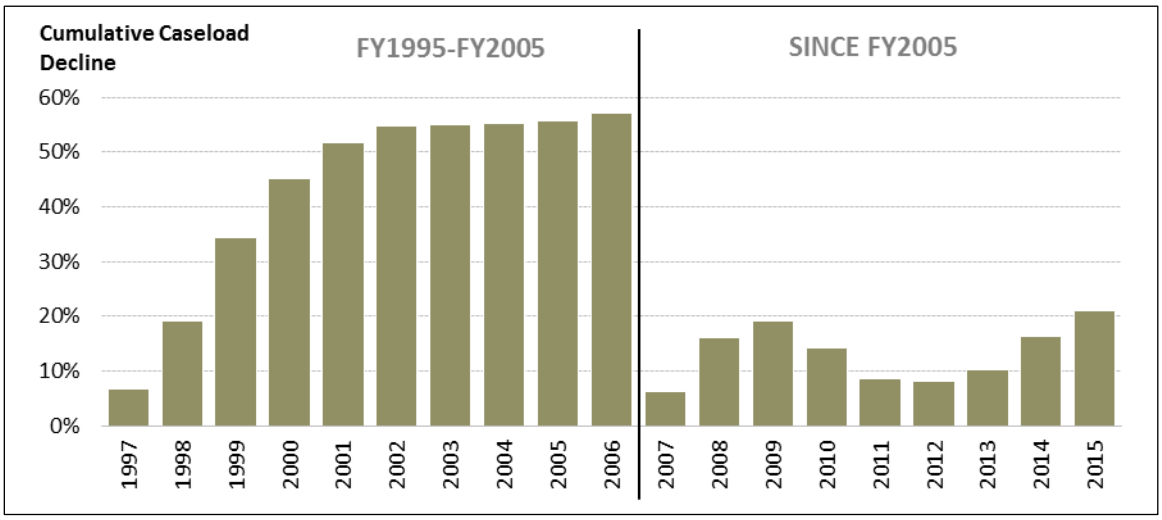
The large caseload declines resulted in large caseload reduction credits, particularly before FY2007. **Figure 3** shows the cumulative caseload decline measured from either FY1995 (for years before DRA was effective) or FY2005 (for years after DRA was effective) for the nation as a whole. In the early 2000s, the cumulative caseload decline from FY1995 exceeded 50%.

The figure is intended to illustrate how the caseload decline translated into large caseload reduction credits. The actual credits were determined on a state-by-state basis, and also netted out the effect of policy changes. In FY2002, which used caseload reduction from FY1995 to FY2001 to determine the caseload reduction credit, the credit was 50 percentage points in 21 states. This reduced the minimum WPR for these states to 0%; they did not need to have a single work-eligible individual working or in activities to meet the standard.

The figure also shows smaller cumulative caseload declines for FY2007 and thereafter, when the DRA change to measuring caseload declines from FY2005 forward was effective. Though caseloads rose in response to the 2007 to 2009 recession, the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) froze caseload reduction credits through their application to the FY2011 standard, so that the caseload increase in response to the 2007-2009 recession did not reduce the caseload reduction credit and increase the minimum WPR states would have to meet. Caseloads began to fall again after FY2011.

**Figure 3. Cumulative Percentage Decline in the Number of Families Receiving Cash Assistance: FY1997 to FY2015**

(Decline from Base Year [FY1995 or FY2005] to Preceding Fiscal Year)




**Source:** Congressional Research Service (CRS), based on data from the U.S. Department of Health and Human Services (HHS).

## Excess State Spending

Under regulations promulgated by HHS in 1999, states can receive credit against their work participation standard for spending in excess of the required minimum spending under the TANF MOE.[6] Under a formula, states are able to count as caseload reduction families receiving assistance from the extra state dollars spent on TANF-eligible families. These families are then added to other caseload reductions that states have in determining their overall caseload reduction credit.

The credit for excess state spending was little used until the DRA change to the caseload reduction credit that measured caseload decline from FY2005 rather than FY1995 became effective. Following the implementation of that change in FY2007, the number of states claiming the excess state spending credit increased. According to an analysis by the Government Accountability Office (GAO) in FY2009, 16 of the 45 states that met the TANF work participation standard would not have done so without the credit for excess state spending.[7]

## Two-Parent Families

Under the TANF work participation standard, states must meet a separate, higher work participation standard for the two-parent portion of their assistance caseload. The statutory standard for two-parent families is 90%, but it can be reduced by a state's caseload reduction credit (including the credit for spending in excess of the MOE).

Before FY2007, many states aided two-parent families in "separate state programs." These are programs that have their spending counted toward the TANF state spending requirement (the

[6] Regulations are at 45 C.F.R. §261.43(b).

[7] U.S. Government Accountability Office, *Temporary Assistance for Needy Families, State Maintenance of Effort Requirements and Trends*, GAO-12-713T, May 17, 2012, http://www.gao.gov/assets/600/590958.pdf.

MOE), but are considered separate from TANF. Under the original TANF rules established by the 1996 welfare reform law, families in separate state programs were not included in a state's WPR calculation. Hence, they were not considered when determining whether a state met its work participation standard.

The DRA brought families in separate state programs into the WPR calculation. Many states reacted to this change by aiding needy two-parent families in solely state-funded programs, separate from both federal TANF and state MOE dollars. This permits states to avoid including two-parent families in determining whether or not the state meets its work participation standard. In FY2015, 22 states had no two-parent families receiving TANF or MOE-funded assistance. Some states also use solely state-funded programs to aid additional categories of recipients beyond two-parent families, thus excluding those categories as well from the WPR calculation.

## Determination of the State Work Participation Rate (WPR)

The TANF WPR is a percentage that divides families receiving assistance who are considered "engaged in work" by the number of families receiving assistance with a work-eligible individual who are not disregarded from the rate. This section will give an overview of how that calculation is done.

### Work-Eligible Individuals

To be included in the WPR, a family receiving assistance must have a work-eligible individual. In general, work-eligible individuals are adults (age 18 or older) or single minor parents who receive assistance for both themselves and their children.

Some parents, or other relatives caring for children, receive assistance only for their children. For example, disabled parents receiving Supplemental Security Income are ineligible for TANF in most states, but their children may receive TANF benefits. Further, many immigrant, noncitizen parents are ineligible for TANF, but their citizen children are eligible. Most relative caregivers (e.g., grandparents, aunts, uncles) do not receive benefits for themselves, but only for the children in their care. Families in those circumstances are considered "child-only" families and usually do not have a work-eligible individual. Thus, child-only families are excluded from the WPR calculation. (For details on the definition of "work-eligible" individuals, see discussion in **Appendix A**.) In FY2015, 62% of all families receiving TANF assistance had a work-eligible individual.

### Families with a Work-Eligible Individual, But Disregarded from the WPR

All families with a work-eligible individual are not included in the WPR, as the TANF statute allows states to disregard some families with a work-eligible individual from the calculation. These families are (1) single adults caring for infants; (2) participating in a tribal work program; or (3) sanctioned, with the exclusion limited to 3 months in a 12-month period. These disregards are discussed further in **Appendix A**. After taking into account the disregards, 57% of all families receiving assistance were included in the WPR calculation in FY2015.

### Engaged In Work

In order to be counted as engaged in work and participating in the WPR calculation, an individual must be participating in at least 1 of 12 defined work activities for a minimum number of hours per week. The minimum hours per week are 20 for single parents with pre-school children and 30 for other families. To be considered engaged for the purpose of the two-parent standard, the

parents must be participating for a combined 50 hours per week in a month, which rises to 55 hours if the family receives federally funded child care.

Federal law lists 12 activities that count toward the WPR:[8]

1. unsubsidized employment,
2. subsidized private sector employment,
3. subsidized public sector employment,
4. unpaid work experience if sufficient private sector employment is not available,
5. on-the-job training,
6. job search and job readiness assistance,
7. community service programs,
8. vocational educational training (not to exceed 12 months with respect to any individual),
9. job skills training directly related to employment,
10. education directly related to employment (for those who did not complete high school),
11. satisfactory attendance at a secondary school (for those who did not complete high school), and
12. providing child care for individuals in community service.

Federal TANF law limits the counting of the pre-employment activities (job search, job readiness, education, and job skills training) toward the TANF WPR. Job search and readiness count for up to 12 weeks in a 12-month period; vocational educational training counts for up to 12 months in a recipient's lifetime. Other education and training is also counted under limited circumstances. Teen parents without a high school diploma may be counted toward the WPR if they are completing secondary school or in a General Educational Diploma (GED) equivalency program. Adult recipients may only have education and training (other than vocational educational training) count in limited circumstances.

### *Unsubsidized Employment in Regular TANF Programs: Earnings Disregards*

Under AFDC, there were federal rules for how much earnings a family could have and remain eligible for benefits. The rules required states to disregard some of a family's earnings when determining eligibility and computing benefits. However, after 12 months on a job states only disregarded $90 of earnings per month, so that benefits were reduced dollar for dollar for any earnings over $90 per month.[9] This permitted few families with earnings to remain on the AFDC rolls.

States began to experiment with different earnings disregards under waivers of federal AFDC rules even before the enactment of the 1996 welfare law. Under TANF, there are no federal rules prescribing what the earnings disregard should be. Moreover, states get credit toward their WPR

[8] The list of activities creditable toward the WPR dates back to the 1996 welfare reform law. The DRA required HHS to promulgate regulations that define specific activities that fall within the categories of that list. The definitions of activities creditable toward the WPR can be found in **Table A-2**.

[9] In addition to the earnings disregard, federal law provided that a family with out-of-pocket child care expenses could deduct those as well, up to a maximum amount, when determining "countable income," used to determine the AFDC benefit amount.

for work in unsubsidized employment. States have in place various forms of earnings disregards, though most permit families with earnings to stay on the rolls longer and/or at higher levels of earnings than was possible under AFDC.[10] These policy changes have resulted in a greater share of TANF families having a worker than was the case under AFDC. Employed individuals who meet the minimum hours standard are counted as "engaged in work" and help a state meet its TANF work participation standard.

### *Unsubsidized Employment in Earnings Supplement Programs*

Earnings supplement programs are separate from the regular TANF cash assistance program in the state and operate under separate rules. They pay benefits to parents (or relative caretakers) who are working. Earnings supplement programs typically pay a small monthly benefit. Some of these programs are targeted to those who have been on the regular TANF cash assistance programs but have left welfare for work. For example, Virginia pays welfare leavers who remain employed $50 a month for up to one year. Other programs pay earnings supplements to working parents who had no necessary connection to the TANF cash assistance programs. For example, California pays a $10 work incentive nutrition benefit (WINS) to all working parents in the Supplemental Nutrition Assistance Program (SNAP). That nutrition benefit meets an ongoing need (food) and is thus considered assistance.

Though earnings supplement programs provide benefits different from the traditional ongoing cash assistance—the welfare check—they do provide what in TANF is technically called "assistance." As long as the benefit is TANF or MOE-funded and meets the definition of assistance, these working parents are included in the WPR calculation and their work is creditable toward meeting a state's TANF work participation standard.

# Trends in Work Participation

This section examines trends in work participation, discussing work participation in three categories:

- unsubsidized employment in regular TANF assistance programs;
- unsubsidized employment in "employment subsidy programs" (programs that aid working parents outside of regular state assistance programs); and
- welfare-to-work activities (all federally creditable activities other than unsubsidized employment).

## The National WPR

**Figure 4** shows the estimated national TANF WPRs for all families for FY2002 through FY2015. The official rates used as the main TANF performance measure are computed for each state; the national TANF WPR represents the average for the states, with the average weighted by the size of each state's caseload. As shown in the figure, the national WPR has been below 50% for all years from FY2002 through FY2015. For the period from FY2003 through FY2011, the national WPR hovered around 30%. Since FY2011, the national WPR has increased, with a sizable jump from 36% for FY2014 to an estimated 48% for FY2015.

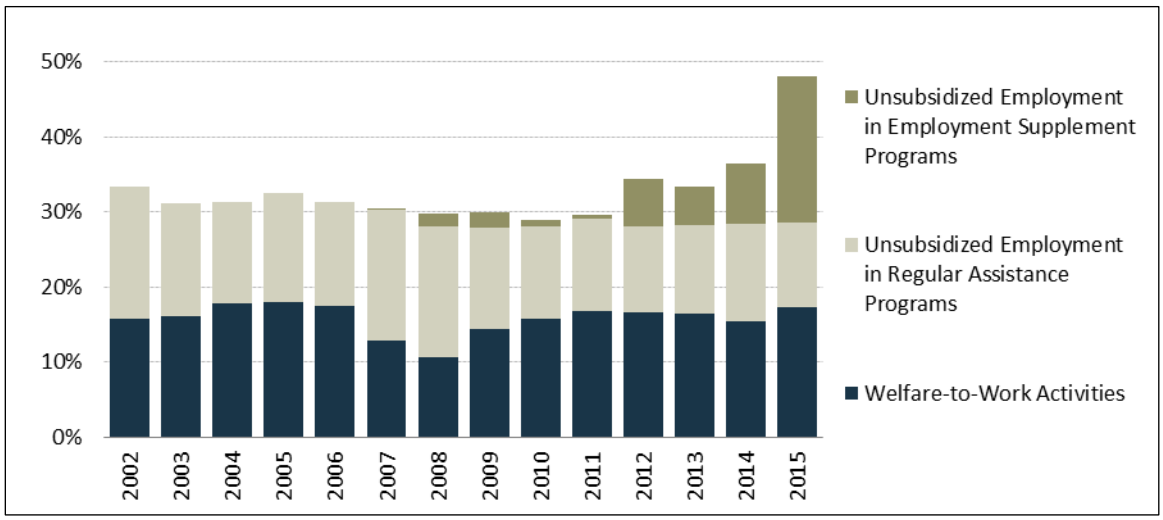
[10] See Elissa Cohen, Sarah Minton, and Megan Thomson, et al., *Welfare Rules Databook: State TANF Policies as of July 2015*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation , OPRE Report 2016-67, September 2016, p. 94.

The figure also divides total participation into three different categories, showing engagement in unsubsidized employment in "earnings supplement" programs, unsubsidized employment in regular TANF assistance programs, and welfare-to-work activities. In this categorization, a family is classified as participating in unsubsidized employment only if that is the sole activity of its work-eligible individuals. If a work-eligible individual participated in both welfare-to-work activities and unsubsidized employment, that individual is classified as having participated in welfare-to-work activities.

The figure shows that for the period from FY2002 through FY2011, engagement solely in unsubsidized employment accounted for an average of half of all work participation. It also shows that the recent jump in the WPR resulted from increases in unsubsidized employment, particularly unsubsidized employment in employment subsidy programs.[11] The establishment of California's earnings supplement program was the cause of more than half (54%) of the increase in the overall national WPR from FY2013 to FY2015.[12]

**Figure 4. Estimated TANF Work Participation Rate (WPR), by Activity and Program Type, FY2002-FY2015**

(Families meeting activity and hours requirements; unsubsidized employment represents those who participated solely in unsubsidized employment)




**Source:** Congressional Research Service (CRS) tabulations of the TANF national data files, FY2002-FY2015.

**Note:** Employment subsidy programs could only be identified for FY2007-FY2015. For a description of how employment subsidy programs were identified for this analysis, see **Appendix B**. The figure illustrates the WPR computed for the "all families" rate, not the separate two-parent rate. A family is classified as participating in unsubsidized employment only if that is the sole activity of its work-eligible individuals. If a work-eligible individual participated in both welfare-to-work activities and unsubsidized employment, that individual is classified as having participated in welfare-to-work activities.

## Engagement in Welfare-to-Work Activities

In FY2015, a single activity—participation solely in unsubsidized employment (in either the regular TANF program or the earnings supplement programs)—accounted for 64% of all

[11] For state WPRs, see http://www.acf.hhs.gov/ofa/resource-library/search?area[2377]=2377&topic[2357]=2357&type[3084]=3084.

[12] Based on computations by CRS of the TANF National Data files, the WPR in the absence of California's earnings supplement program would have been 40% rather than 48%.

participation creditable toward the TANF WPR. This means families with members who were engaged in the 11 other activities (either only those activities or in combination with unsubsidized employment), accounted for a little more than one-third (36%) of all participation creditable toward the WPR. Through the history of TANF, participation in welfare-to-work activities has been relatively modest among non-employed work-eligible individuals.

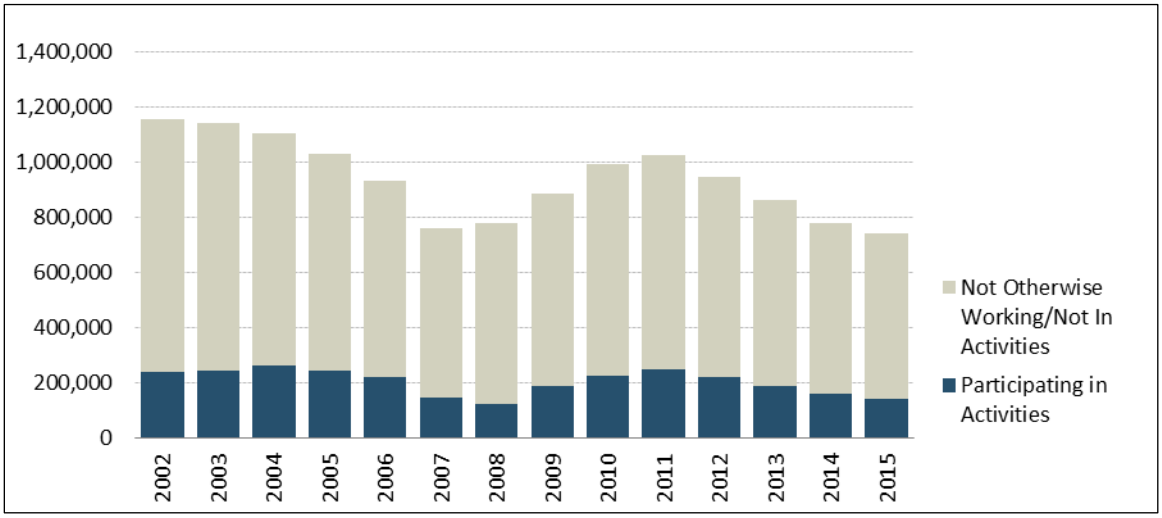
## Trends in Participation in Welfare-to-Work Activities

**Figure 5** shows the monthly average number of TANF work-eligible individuals who were not in an unsubsidized job. It also shows their *reported* participation in at least one of the 11 welfare-to-work activities creditable toward the WPR. Note that some work-eligible individuals might have participated in an activity but the state did not report them as engaged in the activity.[13] The figure shows recipients who had *any* reported participation in the 11 TANF welfare-to-work activities; that is, if a TANF work-eligible individual participated for an average of one hour per week in one of the 11 activities in a month, that individual is shown as participating in welfare-to-work activities.

The figure shows that in all years, less than 1 in 4 non-employed recipients were reported as participating in welfare-to-work activities. Since peaking in FY2011, the rate at which states engage non-employed recipients again fell. In FY2015, a monthly average of 143,000 TANF work-eligible individuals were not employed and were participating in activities, less than 1 in 5 non-employed TANF work-eligible individuals.

**Figure 5. Number of TANF Work-Eligible Individuals Without Unsubsidized Employment Participating in Welfare-to-Work Activities, FY2002-FY2015**

(Monthly averages; participating at least one hour per week during the month)




**Source:** Congressional Research Service (CRS) tabulations of the TANF national data files, FY2002-FY2015.

**Notes:** Includes TANF work-eligible individuals in Separate State Programs (SSPs) countable toward the TANF maintenance of effort requirement. For FY2008 and later years, includes non-recipient parents who are work-eligible and excludes adult and teen parent recipients who are not work-eligible.

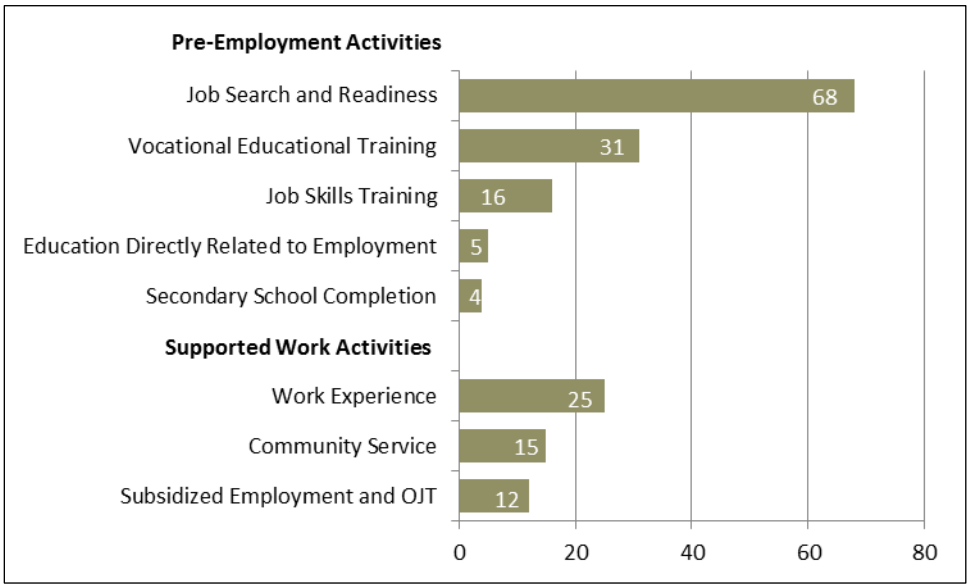
[13] A state might not have reported participation if (1) it was not in an activity creditable toward the WPR, or (2) the participation could not be verified.

### Participation in Welfare-to-Work Activities in FY2015

**Figure 6** provides some more detail on participation in welfare-to-work activities in FY2015 among those who were not employed. It divides the 11 activities creditable toward the WPR into two groups: pre-employment activities and supportive work activities. There was more participation in the pre-employment activities than in the supportive work activities. The most common welfare-to-work activity was job search and readiness, with about 68,000 non-employed work-eligible individuals per month participating in FY2015. Supported work activities are work experience, community service, subsidized employment (both in the public and private sector), on-the-job training, and providing child care to a community service participant. Relatively few TANF work-eligible individuals were in unpaid community service, in unpaid work experience, or working in a subsidized job.

**Figure 6. Participation in Job Readiness and Supportive Work Activity Among TANF Work-Eligible Individuals Who Were Not in Unsubsidized Employment, FY2015**

(Participation of at least one hour per week in the month, in thousands)




**Source:** Congressional Research Service (CRS) tabulations of the TANF National Data File for FY2015.

**Note**: OJT is on-the-job training..

# Policy Implications

TANF was enacted more than 20 years ago. There is now a track record to determine how states responded to the flexibility granted and direction given to them in creating their own programs. The record of the past 20 years shows

- declining cash assistance caseloads, with particularly large declines in the early years; and
- an increase in the share of families receiving assistance who have a working member.

The TANF work participation standard gives credit to both of these outcomes, and thus encourages states to continue to pursue these goals. Each of them raises questions about future policy directions that might be taken in TANF and low-income assistance programs generally. A

third part of that record is modest rates of participation in welfare-to-work activities among those who were not otherwise employed.

## The Role of the Caseload Reduction Credit

The caseload reduction credit's ability to affect state TANF programs was purposeful. The legislative history of TANF includes the following discussion of the credit:

> This provision, in effect, provides States with the ability, and in fact the incentive, to do away with the concept of measuring participation rates, (which is by and large a "process" measurement), and move toward having their performance based on a true outcome—a reduction in welfare dependency, a goal in which no one can argue.[14]

The caseload decline of the late 1990s was often touted as an indicator of reduced welfare dependency. Caseloads declined, work among single mothers increased, child poverty fell, and the estimated number of people who were eligible for cash assistance also declined. To the extent that those who left the rolls—or even deferred from coming onto the rolls—were employed, it could be argued that the policies enacted in welfare reform were successful, regardless of whether states engaged large numbers of recipients in activities or not.

However, since 2000, child poverty has increased, the employment gains of single mothers have eroded, and the size of the population that meets TANF's financial need tests has increased. The continued caseload declines in the face of increasing child poverty since 2000 led to concerns that the program was not meeting the needs of poor families. The caseload decline resulted from fewer eligible families actually receiving benefits. In 1995, an estimated 82% of those eligible for AFDC actually received assistance. This percentage had already slipped to 47% in 2000 and fell further after that point, reaching 28% in 2012. TANF also reached fewer families with children, even those in the deepest of poverty.[15] Under TANF's work participation standard, states received credit toward their work participation standards for a caseload decline that was occurring even as the population in need was growing.

Additionally, concerns were raised that the caseload reduction credit took the focus off of engaging recipients in work activities. The George W. Bush Administration proposed eliminating the caseload reduction credit and replacing it with a credit for employed leavers. The Senate Finance Committee reported legislation three times that would have swapped an employment credit (modified from the Bush Administration proposal) for the caseload reduction credit. On the other hand, House-passed TANF reauthorization bills during this period would have retained the caseload reduction credit.[16]

## Credit for Excess State Spending

The excess spending credit was seen as an incentive for states to increase their investment in TANF-related activities. However, because states may count toward their MOE nonfederal

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[14] See U.S. Congress, House Committee on Economic and Educational Opportunities, *Welfare Reform Consolidation Act of 1995*, Report together with Minority and Dissenting Views to Accompany H.R. 999, 104th Cong., 1st sess., March 10, 1995, H.Rept. 104-75, Part I (Washington: GPO, 1995), p. 45.

[15] For a discussion of the post-welfare reform caseload decline relative to poverty and the number of people who meet TANF eligibility requirements, see CRS Report R44724, *Temporary Assistance for Needy Families (TANF): Size of the Population Eligible for and Receiving Cash Assistance*, by Gene Falk.

[16] The legislative activity during the attempt to reauthorize TANF in the 2002-2005 period is discussed in CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*, by Gene Falk.

spending on a wide range of activities in a state—including the value of services performed by third parties, such as charities in the state—questions have been raised about the efficacy of the incentive provided by the credit. GAO noted in a 2012 report that state reported MOE spending was increasing, but that it was "unclear" whether that increase represented increased levels of service.[17]

Because the excess spending credit is part of the overall caseload reduction credit, the elimination of the caseload reduction credit would also end the credit for excess state spending. Alternatively, Congress could eliminate the excess spending credit and retain the credit for true caseload reduction.

## TANF Benefits to those Working in Unsubsidized Jobs

The ability of states to count people on the assistance rolls who are working in unsubsidized jobs toward meeting the TANF work participation standard also raises policy issues. Once they were given the ability to expand assistance to working families in the early years of welfare reform—under waivers of pre-1996 law in some states, and under TANF in other states—states did so. The research conducted on pre-1996 welfare reform experiments found that programs that made such expansions were particularly successful in moving recipients from welfare to work and improving family incomes. These experiments were on programs that expanded assistance by disregarding a greater share of earnings when a recipient on the rolls became employed. This research is now dated, however.

Additionally, there has been no research on the efficacy of earnings supplement programs that provide working families with a relatively small, and sometimes nominal, amount (e.g., $10 a month) to continue aid after recipients reach the end of eligibility for a state's regular assistance program, or provide it for families with no necessary connection to the cash assistance programs. These types of programs do improve a state's WPR, and whether or not they improve family outcomes (employment, earnings, poverty status) is untested.

## Renewing a Focus on Welfare-to-Work Activities?

Policymakers have expressed interest in why the rate of engagement in welfare-to-work programs is relatively modest, and in strategies to increase engagement. In the Claims Resolution Act of 2010 (P.L. 111-291), Congress required a special, one-time collection of data by the states that specifically included detail on the circumstances of TANF assistance recipients who had "zero hours" of engagement (i.e., not working, not engaged in activities).[18] This was followed by a 2014 Government Accountability Office (GAO) report on how to promote wider use of employment-focused approaches for TANF assistance recipients.[19] The Department of Health and Human Services (HHS) also followed-up on the Claims Resolution Act data collection by funding a study to further understand the circumstances of recipients with zero hours of engagement.[20]

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[17] U.S. Government Accountability Office, *Temporary Assistance for Needy Families. State Maintenance of Effort Requirements and Trends*, GAO-12-7-713T, May 17, 2012, p. 8, http://www.gao.gov/assets/600/590958.pdf.

[18] The findings of this data collection were reported in U.S. Department of Health and Human Services, *Engagement in Additional Work Activities and Expenditures for Other Benefits and Services, April-June 2011*, A TANF Report for Congress, February 13, 2012.

[19] U.S. Government Accountability Office, *Temporary Assistance for Needy Families. Action is Needed to Better Promote Employment-Focused Approaches*, GAO-15-31, November 2014.

[20] Michelle Derr and Elizabeth Brown, *Improving Program Engagement of TANF Families: Understanding Participation and Those with Reported Zero Hours of Participation in Work Activities*, U.S. Department of Health and

Any attempt to refocus state efforts so that they engage a greater proportion of their non-employed caseload in welfare-to-work activities leads to several questions:

- What is a reasonable expected rate of engagement in welfare-to-work activities?
- What activities should states focus on when engaging non-employed recipients? and
- Would changes in performance measurement facilitate greater engagement in welfare-to-work activities?
- Would changes in the structure of the program facilitate greater engagement in activities?

There is little current research that addresses these questions. As with the assessment of unsubsidized employment discussed above, most of the research that could inform these questions is from the pre-1996 welfare reform experiments. That research is now quite old and its applicability to current policies and the current economic context should be questioned.

## What Rate of Engagement Can Be Expected?

Over the FY2002 to FY2015 period, states engaged at most 1 in 4 non-employed work-eligible individuals in welfare-to-work activities. This measurement is made on a monthly basis. It includes individuals coming onto the rolls for the first time, those who just lost their jobs, those who are in between assigned activities, and those who states have difficulty getting to comply with work requirements. Therefore, it is not reasonable to expect 100% participation in activities among TANF assistance recipients.[21]

MDRC, the organization that evaluated many of the pre-1996 welfare reform experiments, warned back in 1995 that the participation rates contemplated in the legislation that ultimately resulted in the 1996 welfare reform law were higher than any rate achieved in the demonstrations they had evaluated—including the most successful programs.[22] Even if the research on welfare-to-work experiments were to be used to determine what participation rate would reflect a successful program, that research would be dated (being based primarily on pre-1996 welfare reform policies and economic conditions). Thus, there is no current research to inform policymakers about what rate of engagement would indicate a well-performing welfare-to-work program.

## What Activities Should Be Emphasized?

If there is to be more engagement, what activities should states focus on for non-employed recipients? There have been numerous proposals over the years to loosen the limitations on the ability of states to count education and training toward the TANF work participation standard. Many recipients are in families for which pursuit of a high school equivalency degree (GED) does not count toward the TANF WPR. States receive no credit for the pursuit of a GED for

Human Services, Administration for Children and Families, Office of Planning Research and Evaluation, OPRE Report 2015-06, January 19, 2015.

[21] The HHS reports following enactment of the Claims Resolution Act provide some descriptive information on the share of those reporting "zero hours" who fall into these categories. See U.S. Department of Health and Human Services, *Engagement in Additional Work Activities and Expenditures for Other Benefits and Services, April-June 2011*, A TANF Report for Congress, February 13, 2012.

[22] See Gayle Hamilton, *The JOBS Evaluation: Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs*, MDRC, July 1995.

single parents with pre-school children, about one-third of all families who are counted in determining the WPR.

There have been proposals to allow pursuit of the GED to count. There have also been proposals to raise the one-year limit on counting vocational education training. Opponents of these proposals often cite the pre-1996 research that indicated that "human capital" development programs (those emphasizing education and training) did not result in better outcomes for recipients than did programs emphasizing job search and quick job attachment.[23] That research is now quite old, and the economy, the educational attainment of the labor force, and the types of education and training programs that are available have changed. For example, the limitations of past education and training programs helped inform the development of "career pathways" programs that combine work and training.

Further, even fewer TANF work-eligible individuals were engaged in supported work activities—subsidized jobs, community service, work experience, and on-the-job training—than were engaged in pre-employment activities such as job search or education. A question here is whether the reason for this is cost concerns, or that state policymakers were not convinced that these programs would have desirable long-term employment impacts for recipients. Pre-1996 research indicated that community service and work experience programs provided useful services to their communities, but generally failed to improve employment outcomes for recipients.[24] Again, that research is dated.

There has been recent interest in subsidized employment programs. Some of this stems from subsidized employment programs states implemented under the TANF Emergency Contingency Fund (ECF) in the FY2009-FY2010 period under the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). While they were TANF-funded, the ECF subsidized employment programs were not necessarily targeted to TANF cash assistance recipients; other low-income parents and youths were able to participate in them.

Before the ECF-funded programs, there was some research on smaller-scale "transitional jobs" programs. In particular, two programs were evaluated: one in Philadelphia that was targeted to long-term TANF assistance recipients, and another in New York for ex-offenders. Both programs raised incomes of participants while they were in subsidized jobs.[25] However, they did not show longer-term, positive employment impacts. (The New York program did, however, reduce recidivism to prison.) Currently, both HHS and the Department of Labor (DOL) are fielding evaluations of subsidized employment pilot projects.

## Should Performance Measurement Be Changed?

Most of the policy debates about welfare-to-work issues devolve into a discussion about the WPR and the work participation standard. The issues raised above do question whether the multiple

[23] This finding is from the National Evaluation of Welfare-to-Work Strategies. In three demonstration sites, "work-first" programs emphasizing job search operated side-by-side with programs emphasizing human capital development, facilitating a comparison of the effectiveness of the two types of programs. See Gayle Hamilton, Stephen Freedman, and Lisa Gennetian, et al., *National Evaluation of Welfare-to-Work Strategies. Howe Effective Are Different Welfare-to-Work Approaches? Five Year Adult and Child Impacts for Eleven Programs*, MDRC, December 2001, http://www.mdrc.org/sites/default/files/full_391.pdf.

[24] See Thomas Brock, David Butler, and David Long, *Unpaid Work Experience for AFDC Recipients*, MDRC, September 1993, http://www.mdrc.org/sites/default/files/full_596.pdf.

[25] See Dan Bloom, *Transitional Jobs: Background, Program Models, and Evaluation Evidence*, MDRC, February 2010, http://www.acf.hhs.gov/sites/default/files/opre/tj_09_paper_embed.pdf.

routes to meeting the work participation standard—including caseload reduction and crediting states for unsubsidized employment—take the focus off of engaging non-employed recipients in welfare-to-work activities. One option to refocus states on engaging non-employed recipients in activities is to modify the work participation standard so caseload reduction and unsubsidized employment are not credited toward a state meeting the standard.[26]

As an alternative to measuring engagement, the idea of switching to an "outcome" measure has been raised.[27] That is, state programs would not be evaluated in terms of the share of the caseload engaged in activities, but instead on whether recipients are employed and/or their earnings upon leaving TANF. Outcome measures have their own issues, such as whether they encourage "cream skimming," or focusing services on those likely to succeed. Whether switching to an outcome-based measure would increase or decrease engagement in welfare-to-work activities is not known.

## Program Structure

What program structure would deliver additional activities to recipients? Does TANF's current program structure give states the incentive to engage non-employed recipients in welfare-to-work activities? The 2014 GAO report found

> While the 10 state and local programs we examined are making use of some promising approaches for moving TANF recipients into employment and increasing their earnings, incentives are lacking for large numbers of state and local TANF agencies to adopt and test such approaches under the structure of the TANF program. This suggests a loss of opportunity.[28]

The 2015 HHS-funded report noted that funding limitations led states to focus on

> using available resources to help those who, with a small investment, were able to get a job. With fewer resources, states are targeting their resources toward families for which they can achieve the greatest benefit in meeting program outcomes. Such a strategy may fail to serve hard-to-employ TANF clients, who often require larger investments of a case manager's time, work, and personal supports, and a broader range of service options to keep them engaged and help them get a job.[29]

States receive a set amount of TANF funding per year, which by design limits resources. If a state can meet its work participation standard through a combination of caseload reduction, excess state spending, or unsubsidized employment, it receives the same amount of federal funding if it engages non-employed recipients in activities or not. If it engages non-employed recipients in activities, the state receives the same amount of money if it engages a recipient in a relatively

[26] Such a measure would be similar to the pre-1996 participation standard for AFDC recipients who participated in the Job Opportunity and Basic Skills (JOBS) Training program. AFDC recipients who were employed 30 hours per week or more were exempted from the JOBS participation rate calculation. Thus, those recipients had to participate in a welfare-to-work activity in order to be creditable toward the state's JOBS participation standard.

[27] See discussion in Liz Schott and LaDonna Pavetti, *Changes in TANF Work Requirements Could Make Them More Effective in Promoting Employment*, Center on Budget and Policy Priorities, February 26, 2013.

[28] U.S. Government Accountability Office, *Temporary Assistance for Needy Families. Action is Needed to Better Promote Employment-Focused Approaches*, GAO-15-31, November 2014, p. 37.

[29] Michelle Derr and Elizabeth Brown, *Improving Program Engagement of TANF Families: Understanding Participation and Those with Reported Zero Hours of Participation in Work Activities*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning Research and Evaluation, OPRE Report 2015-06, January 19, 2015, p. 14.

cheap welfare-to-work activity (e.g., job search) versus a relatively expensive activity (e.g., supported work).

Additionally, relying on performance measures to enforce national policy objectives runs a number of risks. Performance measures are meant to change behavior—in this case, the behavior of those who design and administer TANF programs. Sometimes performance measures change behaviors in ways that policymakers intend them to, and other times they change behaviors in unintended ways.[30] The performance measure literature has identified some "dysfunctional responses," when the action taken to meet a performance standard does not efficiently further the true objective of an organization or program. That is, the response to a performance measure could mean that a state is "hitting the target but missing the point."[31] The use by states of earnings supplement programs to meet the TANF work participation standard could be viewed as such a dysfunctional response.

Moreover, any performance system needs a standard, or goal to reach. As discussed above in "What Rate of Engagement Can Be Expected?", there is no recent research to inform what participation rate a state could or should be able to achieve. TANF's track record indicates that setting an arbitrary, national standard without consideration of what a state might reasonably achieve could lead to dysfunctional responses, rather than having states raise engagement in activities.

Congress could consider alternate program structures that might create more incentives for states to serve non-employed cash assistance recipients. For example, it could create a separate program, with dedicated funding, to provide employment services and/or work opportunities for non-employed recipients. Separate funding streams dedicated to work or a limited range of activities have been added to TANF in the past. The Welfare-to-Work grant program, enacted by the Balanced Budget Act of 1997 (P.L. 105-33), added dedicated funding for work activities for hard-to-serve TANF recipients and related populations for FY1998 and FY1999. While the evaluation of that program lacked an examination of program impacts, it did show results in increased service capacity, find a new focus on serving non-custodial parents, and provide some lessons for other welfare-to-work efforts. As noted above, the ECF was added to TANF by ARRA. Its funding for FY2009 and FY2010 was limited to basic assistance, non-recurrent short-term benefits, and subsidized employment. This led to the creation of the TANF subsidized employment programs and the current interest in that type of program intervention.

[30] For a general discussion of performance measurement for government programs, see James J. Heckman, Carolyn J. Heinrich, and Pascal Courty, et al., *The Performance of Performance Standards* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2011).

[31] Gwyn Bevan and Christopher Hood, "What's Measured is What Matters: Targets and Gaming in the English Public Health Care System," *Public Administration*, vol. 84, no. 3 (August 2006), pp. 517-538, quoted in Heckman, et al., cited above.

# Appendix A. The TANF Work Participation Standard

The TANF work participation standard serves two purposes: (1) it is a measure of how a state is performing in engaging recipients in work or work activities, and (2) it reinforces the notion that participation in work or work activities in return for receiving welfare assistance is a policy goal of TANF. This appendix describes the detailed rules of the TANF work participation standard. It also provides data (for FY2015) on the number of families included in the participation rate calculation, their engagement in countable work activities, and their hours of engagement.

**TANF Work Participation: A Glossary of Terms**

The language of TANF work requirements and the work participation standard has its own nomenclature. The following are some of the key terms used in discussions of TANF work requirements and the standard.

- **Work-eligible individual:** generally parents (either recipients or non-recipients) and non-parent caretakers who themselves are recipients of TANF. Certain parents (discussed in detail below) are excluded from the definition of work-eligible individual. Non-recipient, non-parent caretakers are *not* considered work-eligible individuals.
- **TANF work participation standard: t**he official assessment of state welfare-to-work programs under TANF law. It comprises (1) a target rate of work participation, (2) the caseload reduction credit, (3) a list of activities countable in the work participation rate, and (3) the minimum number of hours per week of participation required in a month for counting activities toward the work participation rate.
- **Caseload Reduction Credit:** a reduction in the target rate of work participation granted for reducing the cash assistance rolls. States can also count as caseload reduction families aided by state spending in excess of what is required under the TANF MOE.
- **Countable activities:** a list of 12 activities (listed in law, defined in HHS regulations) that a work-eligible individual may engage in to have her or his participation counted toward the TANF work participation standard.
- **Engaged in work:** the number of families participating in countable activities for at least the minimum number of hours.
- **Family included in the TANF work participation rate:** a family with at least one work-eligible individual who is not disregarded from the participation rate.
- **Work participation rate:** a fraction (expressed as a percentage) derived by dividing the number of families considered engaged in work by the number of families included in the participation rate. It is the work participation rate that is compared to the target rate of work participation that determines whether a state has met the TANF work participation standard.

## The Numerical Participation Standard

TANF sets a minimum work participation standard that a state must meet. The standard includes performance measures that apply in the aggregate for each state. They require that a specified percentage of families be considered engaged in specified activities for a minimum number of hours.

The TANF statute stipulates that 50% of all families and 90% of two-parent families must be engaged in work to meet the standard. However, few states have ever had to meet the full standard because the percentages are reduced for caseload reduction or state spending in excess of what is required under the TANF MOE. The caseload reduction credit lowers a state's 50% and 90% standards based on caseload reduction measured from FY2005, reducing it by one percentage point for each decline of 1% in the caseload. Additionally, under HHS regulations promulgated in 1999, states may also receive credits for spending in excess of what they are

required to spend under the MOE requirement.[32] States may consider families assisted by spending in excess of MOE as caseload reduction, and hence receive extra caseload reduction credits for such families.

For example, if a state achieves caseload reduction (including the effect of caseload reduction from excess MOE) of 25%, the state's work participation standard for the all-family standard is reduced by 25 percentage points—from 50% to 25%. If a state achieves caseload reduction of 50%, its all-family standard is reduced by 50 percentage points—from 50% to 0%.

## Computation of the Work Participation Rate

A state's TANF work participation rate is computed and then compared to the state's effective (after-credit) standard. The work participation rate is a percentage, reflecting the number of families determined to be engaged in work divided by the total number of families included in the participation rate calculation. Not all families receiving cash assistance are included in the participation rate calculation, as some families do not have a work-eligible individual or are otherwise disregarded from the rate.

### Families Included in the TANF Work Participation Rate

Only families receiving assistance from federal TANF or state MOE funds are included in the participation rate calculation. However, certain families receiving assistance are excluded either by statute or regulation. Such families may be exempted from TANF work requirements without creating the potential for their nonparticipation to result in a lower participation rate.

The families excluded from the participation rate are those

- without a work-eligible individual;
- (at state option) with a single parent caring for a child under the age of one—this exclusion is limited to a maximum of 12 months in a lifetime for the family;
- (at state option) participating in a tribal TANF or tribal work program; or
- under a sanction for refusal to comply with work requirements, for up to 3 months in a 12-month period.

**Table A-1** shows TANF and MOE families by their status with respect to the WPR calculation. It begins with the total number of TANF families and then subtracts those without a work-eligible individual. From that number, families with work-eligible individuals who are disregarded from the WPR are subtracted to derive the number of families included in the WPR calculation.

[32] These regulations are at 45 C.F.R. §261.43.

**Table A-1. TANF and MOE Families, Derivation of the Number of Families Included in the Work Participation Rate Calculation, FY2015**

| | Families | As a Percentage of Total TANF and MOE Families |
|---|---|---|
| **Total Families** | **1,636,082** | **100.0** |
| Minus no work-eligible individual | 619,328 | 37.9 |
| **With a work-eligible individual** | **1,016,754** | **62.1** |
| **With a work-eligible individual/disregarded from the work participation rate** | | |
| Minus single parent with a child under the age of one | 67,717 | 4.1 |
| Minus subject to sanction and disregarded | 21,278 | 1.3 |
| Minus participating in a tribal TANF program | 1,675 | 0.1 |
| **Included in the work participation rate calculation** | **928,575** | **56.8** |

**Source:** Congressional Research Service (CRS) tabulations of the FY2015 TANF National Data Files.

### Tribal TANF Programs

Individuals participating in a tribal TANF program can be excluded from the calculation of a state's work participation rate. Though CRS is not examining tribal TANF data in this report, a short discussion of tribal TANF as it pertains to work requirements may be informative.

Tribes, tribal organizations, and tribal consortia are authorized to receive and administer their own Tribal Family Assistance Grant for the support of activities that meet the same purposes as state TANF programs. However, tribes are not subject to all of the same work requirements that states are. Though there are hourly minimums and annual targeted participation rates that they must meet, each of these requirements is set by the tribe, in cooperation with the Department of Health and Human Services. At the recipient level, tribal TANF work activities are not subject to the same restrictions on vocational training that are placed on state TANF programs. Further, tribes may define their own individual work activities that count for the purposes of calculating their work participation rate, so recipients may have a different range of activities that count toward their own hourly requirements.

Certain work requirements that tribes must meet are similar to the state requirements in some ways. For example, all work-eligible recipients are included in the calculation of the tribe's work participation rate, with a few exceptions. Parents with a child under one and parents subject to a sanction for less than 3 months in the last 12 months may be excluded from the tribe's work participation rate calculation. Further, like states, tribes may be subject to a sanction if they do not meet their work participation rate.

As discussed above, states determine what requirements apply to individual recipients. Thus, they have the option to *exempt* additional individuals and families from work requirements, which means that the family will not be sanctioned for failure to engage in work activities. However, such families will still be included in the calculation of the work participation rate.

## Engaged in Work: Countable Activities

Work-eligible individuals must participate in specific activities during a month to be considered engaged in work and count toward the work participation standard. Work-eligible individuals

must also participate in activities for a minimum number of hours per week in a month to be considered engaged in work.

Federal law lists 12 categories of activities creditable toward meeting the TANF work participation standard. HHS regulations define what specific types of activities count under each of the 12 categories. **Table A-2** lists the 12 creditable categories of activities and the HHS regulatory definition for each. As shown in the table, the specific activities included in the 12 categories are fairly comprehensive in terms of welfare-to-work activities, and include education (including attendance at four-year colleges) and rehabilitative activities. However, as will be discussed below, the pre-employment activities of job search, rehabilitation, and education are limited in terms of how long or under what circumstances they can be counted toward the official participation standard.

**Table A-2. Countable TANF Work Activities and Their Definitions**

| Activity | Definition |
|---|---|
| ***Unsubsidized employment*** | Full- or part-time employment in the public or private sector that is not subsidized by TANF or any other public program. |
| ***Subsidized private sector employment*** | Employment in the private sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual. |
| ***Subsidized public sector employment*** | Employment in the public sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual. |
| ***Job search and readiness***<br>*Participation in this activity may be counted for six weeks (12 weeks in certain circumstances) in a 12-month period.* | The act of seeking or obtaining employment, or preparation to seek or obtain employment, including life-skills training and substance abuse treatment, mental health treatment, or rehabilitation activities. Such treatment or therapy must be determined to be necessary and documented by a qualified medical, substance abuse, or mental health professional. |
| ***Community service*** | Structured programs and embedded activities in which TANF recipients perform work for the direct benefit of the community under the auspices of public or nonprofit organizations. Community service programs must be limited to projects that serve a useful community purpose in fields such as health, social service, environmental protection, education, urban and rural redevelopment, welfare, recreation, public facilities, public safety, and child care. A state agency shall take into account, to the extent possible, the prior training, experience, and skills of an individual in making appropriate community service assignments. |
| ***Work experience*** | A work activity, performed in return for welfare, that provides an individual with an opportunity to acquire the general skills, knowledge, and work habits necessary to obtain employment. The purpose of work experience is to improve the employability of an individual who cannot find unsubsidized full-time employment. |
| ***On-the-job training*** | 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. |
| ***Vocational educational training***<br>*Participation in this activity is limited to 12 months in a lifetime.* | Organized educational programs that are directly related to the preparation of individuals for employment in current or emerging occupations. |

| Activity | Definition |
|---|---|
| ***Caring for a child of a recipient in community service*** | Providing child care to enable another cash welfare recipient to participate in a community services program. This is an unpaid activity and must be a structured program to improve the employability of participating individuals. |
| ***Job skills training directly related to employment*** | Training or education for job skills required by an employer to provide an individual with the ability to obtain employment or to advance or adapt to the changing demands of the workplace. |
| ***Education directly related to employment (for those without a high school or equivalent degree)*** | Education related to a specific occupation, job, or job offer. |
| ***Completion of a secondary school program (for those without a high school or equivalent degree)*** | In the case of a recipient who has not completed secondary school or received such a certificate, this means regular attendance, in accordance with the requirements of a secondary school or course of study, at a secondary school or in a course of study leading to a certificate of general equivalence. |

**Source:** Table prepared by CRS based on HHS regulations. See *Federal Register*, vol. 73, no. 24, February 5, 2008, pp. 6772-6828.

## Engaged in Work: Hours of Participation

To be considered a participant and counted by a state toward meeting its work participation standard, a family member or members must be engaged in work activities for a minimum number of hours per week in a month. The required minimums vary by the family's composition.

**Table A-3** outlines the TANF work participation hours standard. For meeting the "all family" standard, the hours requirement varies depending on family type and the age of the youngest child. The general hours requirement is an average of at least 30 hours per week during the month. However, for single parents caring for a child under the age of six, an average of 20 hours per week during the month is needed in work activities for a state to deem them participants. More hours are required for two-parent families to meet the standard. For these families, the combined hours of both parents are considered in determining whether they can be considered participant families.

**Table A-3** shows that certain hours of participation must be in "core" activities, while remaining hours may be in "supplemental" activities. The core activities are (1) unsubsidized employment, (2) subsidized private sector employment, (3) subsidized public sector employment, (4) job search and readiness, (5) community service, (6) work experience, (7) on-the job-training, (8) vocational educational training, and (9) providing child care to a recipient in community service. The supplemental activities are (1) job skills training directly related to employment;,(2) education directly related to employment, and (3) completion of a secondary school program.

**Table A-3. TANF Hours Requirements for the All-Family Rate and the Two-Parent Family Rate, by Family Type**

(Excludes special rule for teen parents)

| | All-Family Rate | | Two-Parent Family Rate (Parents may combine hours) | |
|---|---|---|---|---|
| | **Single-Parent Families with a Child Under Age 6** | **Other Families** | **Two-Parent Families Receiving Federally Funded Child Care** | **Two-Parent Families not Receiving Federally Funded Child Care** |
| Total hours requirement | An average of 20 hours per week during the month | An average of 30 hours per week during the month | An average of 55 hours per week during the month | An average of 35 hours per week during the month |
| Required hours in core activities | An average of 20 hours per week during the month | An average of 20 hours per week during the month | An average of 50 hours per week during the month | An average of 30 hours per week during the month |
| Allowable hours in supplemental activities | Not applicable | Up to an average of 10 hours per week during the month | Up to an average of 5 hours per week during the month | Up to an average of 5 hours per week during the month |

**Source:** Table prepared by the Congressional Research Service (CRS).

HHS regulations clarify that only actual hours of participation count toward meeting the work participation standard; however, there is an excused absence policy. For paid activities, states are credited for all hours for which an individual is paid, including any holidays or paid leave (e.g., paid sick leave). For unpaid activities, the regulations allow for up to 10 holidays plus 80 hours of other excused absences over a year.

The regulations require that hours in unpaid activities be supervised on a daily basis. The daily supervision requirement means that a responsible party has daily oversight of an individual's participation, not necessarily daily in-person contact with the participant.

## Special Rules for Teen Parents without a High School Diploma

Teen parents who are included in the TANF work participation rate calculation have a special rule for determining whether they are engaged in work. A state may deem a teen parent who lacks a high school diploma as engaged in work if she or he is participating in education directly related to employment for an average of at least 20 hours per week during the month or is making satisfactory progress toward completion of a secondary school program, including a program leading to a General Educational Development diploma. However, such participation of a teen parent may not count toward the participation standard if a state exceeds a cap on participation in education. The education cap requires that no more than 30% of those considered engaged in work may be individuals in vocational educational training and teen parents deemed engaged in work through education.

**Table A-4** shows families included in the WPR calculations for FY2015 by the number of hours required for the family to fully meet the federal participation standard. That is, for two-parent families it shows them as being required to meet a 35- or 55-hour standard that would permit them to meet both the all-family standard and the two-parent standard.

**Table A-4. TANF Families Included in the Work Participation Rate Calculation, by Number of Hours Required to Fully Meet the TANF Hours Standard by Family Type, FY2015**

| Family Category | Families | As a Percentage of Families included in the work participation calculation |
|---|---|---|
| **Included in the work participation rate calculation** | **928,575** | **100%** |
| Teen parents without high school | 14,803 | 1.6 |
| 20 hours per week | 324,824 | 35.0 |
| 30 hours per week | 446,718 | 48.1 |
| 35 hours per week | 141,455 | 15.2 |
| 55 hours per week | 775 | 0.1 |

**Source:** Congressional Research Service (CRS) tabulations of the FY2015 TANF National Data Files.

# Appendix B. Data Used for this Analysis

The data used in this report to examine TANF participation in work activities are from the TANF national data files. The national data files are based on data states are required to collect monthly and report to HHS on a quarterly basis based on Section 411 of the Social Security Act. These data provide information at the family and individual recipient levels, and include various demographic and economic data. Section 411 also requires that states report information required to compute TANF work participation rates, and HHS has specified that states report information on the average weekly hours of engagement in each of the 12 countable TANF work activities (see **Table A-2**).

States may report engagement in other activities not countable toward the official TANF work participation standard, but they are not required to do so. The TANF national data files lacked information about "other" work activities for FY2014 and FY2015; therefore, state-reported activity in other activities was excluded from this analysis.

For some states, the TANF national data files represent all the families receiving assistance; in other states, they represent a sample of all TANF families and recipients receiving assistance. Thus, the estimates here are subject to sampling error. Additionally, there may also be nonsampling error associated with files if states miscoded some characteristics. There might also be some state-to-state variation in reporting practices that could affect data quality and the comparison of information from the files across states.

The state-reported data might not reflect all work participation. States are required to report whether a work-eligible individual participates in an activity creditable toward the TANF work participation standard and the number of hours per week in the month spent in that activity. TANF law limits the counting of certain activities; for example, job search is counted for up to 12 weeks in a 12-month period. If a work-eligible individual engages in job search beyond those limits, it would not be reported as a creditable activity. A special data collection made in FY2011 indicated that non-reporting of credible activities was not large.[33]

## Data Used for Official TANF WPRs

States are required to collect the data noted above monthly and report them quarterly. HHS uses the state reported data to determine compliance with TANF's work participation standard, though HHS often uses a different version of the reported data in making its determination than it releases in the public-use TANF national data files. Therefore, estimated participation in activities in this report may differ from the official work participation information released by HHS.

## Identification of Earnings Supplement Programs

The TANF national data files do not separately identify families receiving assistance from "earnings supplement" programs separately from families receiving aid in other TANF assistance programs. In order to estimate the impact of the earnings supplement programs on the WPR, this analysis used the following criteria to identify families in such programs:

[33] See U.S. Department of Health and Human Services, *Engagement in Additional Work Activities and Expenditures for Other Benefits and Services, April-June 2011*, A TANF Report to Congress, February 13, 2012, http://www.acf.hhs.gov/sites/default/files/ofa/cra-june2011.pdf.

- The family was receiving assistance in a "separate state program" counted toward the TANF MOE, and not within the TANF program itself. The TANF national data files do distinctly identify families in separate state programs.
- The family was receiving assistance in a separate state program where either (1) the employment rate in the program exceeded 75% and the median benefit was $50 or less; or (2), for FY2015, the state annual report (ACF-204 report) identified the separate state program as providing assistance to working parents outside of the regular TANF assistance program.

Earnings supplement programs could only be identified for FY2007 and later years. Before FY2007, states often used separate state programs to assist two-parent families.

**Table B-1. States Identified as Having Earnings Supplement Programs for FY2007 through FY2015**

| Year | States |
|---|---|
| 2007 | Virginia |
| 2008 | Massachusetts, Virginia, Washington |
| 2009 | Massachusetts, Virginia, Washington |
| 2010 | Massachusetts, Virginia, Washington |
| 2011 | Minnesota, Oregon, Virginia, Washington |
| 2012 | Indiana, Maine, Massachusetts, Minnesota, New Hampshire, Ohio, Oregon, Washington |
| 2013 | Indiana, Maine, Massachusetts, Minnesota, New Hampshire, Oregon, and Washington |
| 2014 | Indiana, Maine, Massachusetts, Minnesota, New Hampshire, Ohio, Oregon, and Washington |
| 2015 | California, Indiana, Maine, Massachusetts, Minnesota, New Hampshire, Ohio, Oregon, and Washington, |

**Source:** Based on Congressional Research Service (CRS) analysis of the TANF national data files, FY2007-FY2015

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