

### Related Brookings Resources

- *Restoring Fiscal Sanity: How to Balance the Budget*  
Alice M. Rivlin and Isabel V. Sawhill, eds.  
Brookings Institution Press (2004)
- *One Percent for the Kids*  
Isabel V. Sawhill, ed.  
Brookings Institution Press (2003)
- *Welfare Reform and Beyond: The Future of the Safety Net*  
Isabel V. Sawhill, R. Kent Weaver, Ron Haskins, and Andrea Kane, eds.  
Brookings Institution Press (2002)
- *The New World of Welfare*  
Rebecca Blank and Ron Haskins, eds.  
Brookings Institution Press (2001)
- *Ending Welfare as We Know It*  
R. Kent Weaver  
Brookings Institution Press (2000)
- For more information on the Brookings Welfare Reform & Beyond Initiative and a full archive of the WR&B Policy Brief series, go to [www.brookings.edu/wrb](http://www.brookings.edu/wrb)



1775 Massachusetts Ave., N.W.  
Washington, DC 20036

## The Challenge of Achieving High Work Participation Rates in Welfare Programs

LADONNA PAVETTI

Efforts to reform the welfare system over the last two decades have largely focused on reducing welfare dependency by getting welfare recipients to work. By the time the Temporary Assistance for Needy Families (TANF) program was created by the welfare reform law of 1996, there was widespread agreement in the states that welfare recipients should be required to look for work and to do so shortly after (or even before) they began receiving cash assistance. Once TANF was implemented, work became a central focus of local welfare offices. However, as shown by the recent debates on the reauthorization, consensus on work requirements remains elusive.

In this policy brief, I examine work participation under TANF; the reauthorization proposals on work Congress is considering; the implications of those proposals for state and local welfare offices; and the factors that may have led to lower-than-expected work participation rates and what might be done to raise them.

Critical decisions that continue to generate widespread controversy include: How deep into the caseload should work requirements extend; what level of effort should be expected of individual recipients; in what types of activities should recipients be

required to participate; what penalties should be imposed for non-compliance; and what measures should be put into place to hold states accountable for engaging recipients in work activities?

### WORK PARTICIPATION UNDER TANF

Work requirements under TANF have been defined by a combination of federal mandates and state choices (table 1). These requirements were phased in over approximately six years, providing states with time to shift the emphasis of their welfare programs from providing ongoing income maintenance to



**Table 1. Work Requirements Under TANF**

State Accountability Structure	50 percent of the caseload participating in countable work activities with a one-for-one percentage point reduction for any net reduction in the caseload since 1995.
Coverage	States and localities decide who is required to participate in program activities, but all families enrolled in TANF with a child over age 1 are counted in the state's work participation rate; participation is mandatory for recipients once they have received assistance for 24 months.
Expected Level of Effort	30 hours for a parent with a child over age 6; 20 hours for those with a child 6 or younger.
Countable Activities	Participation in primary work activities for the first 20 hours and participation in primary or secondary activities for any additional required hours. Primary work activities include: (1) paid or unpaid work; (2) vocational training; (3) job search; and (4) providing child care for other participants. Secondary activities include job skills training and education related to employment.
Penalties for Noncompliance	Pro rata reduction in the TANF grant; elimination of full grant permitted.

preparing welfare recipients to enter the paid labor market and supporting them once they make the transition.

**Accountability Structure.** To hold states accountable for moving families from welfare to work, the TANF legislation included work participation rates that states were required to achieve, or risk losing a portion of their state TANF allocation. Issues encountered in devising the work participation rate included how to account for changes in the TANF caseload that might result from a greater emphasis on participation in work activities and how to set reasonable expectations for states. To address these issues, states were required to meet gradually increasing work participation rates and were provided with a "caseload reduction credit" of one percentage point for every percentage point reduction in their TANF caseload after 1995. The credit was designed to reward states that helped welfare recipients leave the rolls.

In the first year after TANF was passed, states were required to have 25 percent of their caseload participating in countable activities. By 2002, states were expected to meet work participation rates of 50 percent. Taking into account the caseload reduction credit, all states met their work participation requirements for every year between 1996 and 2002. In 2002, the caseload reduction credit completely offset the work participation requirement for 21 states and only 11 states had to meet a work participation rate greater than 10 percent. On average, after accounting for the caseload reduction credit, states only had to meet a work participation rate of six percent.

Despite this low work requirement, states achieved an average work participation rate of 33 percent, 27 percentage points above the required participation target. There was, however, considerable variation among the states. Kansas achieved the highest rate, 85

LaDonna Pavetti is a senior fellow at Mathematica Policy Research, Inc.

percent, and Georgia, with just 8 percent, achieved the lowest. Twelve states achieved work participation rates of at least 50 percent and ten achieved participation rates of 25 percent or less. The participation rates for the five states with the largest TANF caseloads ranged from a low of 10 percent to a high of 56 percent, with only one of the five achieving a rate above 50 percent.

**Coverage.** The TANF debate over who should be expected to work focused primarily on expectations for two groups of recipients: families with young children and families facing significant personal or family challenges. Liberals and some state officials were concerned that sufficient resources would not be available to provide child care to all families that needed it, especially families with infants. They also were concerned that families facing personal and family challenges such as mental or physical health problems or domestic violence would have to meet unrealistic work expectations. In the end, specific decisions about who should be required to participate in work activities were left to the states.

Even though federal law defines which families are included in the work participation rate, there is considerable variation among the states in the proportion of their families included in the work participation calculation. This variation comes primarily from state decisions regarding whether to require families with a child younger than age one to participate in work activities and waivers that had been approved before 1996 that were still in place in eleven states in 2002. For example, because of a waiver for Massachusetts that excludes families from work requirements until they have received assistance for 24

months, only 23 percent of the single-parent caseload is included in the state's work participation calculation. At the other extreme, all families are included in the participation rate calculation in Oregon and 95 percent or more are included in Maine, Utah, and Montana.

#### **Level of Effort and Acceptable Activities.**

The 1995-96 congressional debate over what level of effort should be expected of welfare recipients and in which activities they should be permitted to participate was contentious. Liberals argued strongly for allowing recipients to participate in educational activities that would prepare them for better-paying jobs, and said that since most mothers work part-time, any reform should expect only part-time work from welfare recipients. Conservatives felt strongly that allowable activities should be narrowly defined to focus primarily on work and that recipients should be expected to work close to full-time. The final legislation was quite prescriptive, defining both the hours and the activities in which recipients were expected to participate (table 1).

By 2002, almost two-thirds of TANF recipients who met their work requirements did so by working in unsubsidized employment. Participation in all other activities was low, with substantial variation across the states in the mix of activities. For example, the fraction of recipients participating in job search was only 14 percent; for work experience and vocational education programs, it was only 10 percent. Few states made substantial use of either work experience or education and training programs. Only about a third of the states had as many as 20 percent of recipients participating in a vocational education program.

*“By 2002, almost two-thirds of TANF recipients who met their work requirements did so by working in unsubsidized employment. Participation in all other activities was low, with substantial variation across the states in the mix of activities.”*



*“Proponents of President Bush’s plan believe that the proposed changes are necessary to truly transform the welfare system into a work-oriented assistance system. . . . Opponents of the plan emphasize the progress states have made and what they have accomplished in helping mothers leave welfare for work.”*

The federal definition of work activities excludes some activities that states use. Thus, under a broader definition of work activities, states would have more recipients engaged in some work-related activities than the federal participation rates suggest. Examples of activities that count as participation under state, but not federal, rules include attending physical or mental health treatment, locating child care, pursuing disability income, and participating in other supportive services.

**Penalties for Noncompliance.** Prior to the passage of the 1996 welfare reform law and the implementation of TANF, welfare offices reduced welfare payments for recipients who failed to participate in mandated work activities by eliminating the payment for the noncompliant adult in the grant (reducing the payment by about \$65 per month in the average state). Believing that this penalty was not sufficient to influence household heads’ participation decisions, many states began applying for and receiving waivers in the early 1990s to impose more stringent sanctions for noncompliance. Building on this early experience, the TANF legislation required states to impose a pro rata reduction on all families not meeting their work requirement and permitted them to eliminate all of a family’s cash grant. Liberals worried that the imposition of more stringent sanctions would leave vulnerable families with no stable means of support, potentially worsening their already precarious situations. Conservatives argued that tougher penalties were necessary to encourage high levels of program compliance. The majority of states have used the flexibility provided under TANF to implement more stringent sanctions. Eighteen states have implemented a gradual full-family sanction in which the grant is initially reduced and then

eliminated if noncompliance continues. Seventeen states have implemented an immediate full-family sanction in which the entire grant is eliminated immediately. One state, Wisconsin, uses a pay-for-performance model in which the amount of a family’s benefit is determined by the number of hours that the household head participates in required work activities. If the family head does not work, the cash payment is zero. Only fourteen states and the District of Columbia have retained a partial sanction, similar or identical to what was in place prior to welfare reform.

### THE TANF REAUTHORIZATION DEBATE

The structure of work requirements has been a central focus of the TANF reauthorization debate. Because there is widespread agreement that work should be a key element of TANF, the debate primarily has been focused on how the structure of the TANF work requirements should be changed to better support this goal.

The Bush administration’s proposal for reauthorization and the bill that passed the House in each of the last three years call for increasing the work participation rate, narrowing the caseload reduction credit, increasing the required hours, narrowing the list of countable activities, and requiring more stringent sanctions. The participation requirement would begin at 50 percent and increase by 5 percentage points yearly until reaching 70 percent. The caseload reduction credit would be replaced by a credit that is based on recent caseload declines, substantially reducing the amount of the credit. Families would be required to participate in activities for 40 hours per

week, 24 of them in paid or unpaid work. All states would be required to adopt full grant sanctions for families that fail to comply with work requirements.

Proponents of President Bush's plan believe that the proposed changes are necessary to truly transform the welfare system into a work-oriented assistance system. They point to low participation rates among current recipients and the limited use of work experience and community service programs as evidence that states have not taken the work requirements seriously enough. They also argue that if mothers are to escape poverty, they must learn to work full-time. Opponents of the plan emphasize the progress states have made and what they have accomplished in helping mothers leave welfare for work. They believe that the proposed plan reduces state flexibility, sets unrealistic expectations for the recipients who are left on the TANF rolls, and requires additional services without providing additional funding. As an alternative, they have proposed a broader range of countable activities, fewer hours of work, additional funding for child care, and a caseload reduction credit that focuses on work exits from welfare.

### INCREASING PARTICIPATION

Surprisingly, even though the reauthorization debate has focused on the details of how work requirements should be structured, there has been limited attention paid to the factors that might lead to lower-than-expected work participation rates and what might be done to address them. States' policy and programmatic choices have demonstrated their commitment to engaging TANF recipients in activities designed to prepare them for employment.

Even though they are not required to do so, sixteen states impose work requirements on families with children under the age of one. In addition, even though states are not required to engage TANF recipients in work activities until they have been on assistance for 24 months, nearly every state requires participation immediately. Finally, about a third of the states already have adopted a universal engagement philosophy and have developed approaches for engaging their entire TANF caseload in a broad range of work activities. Given what states have already done, it is not immediately obvious why more states have not achieved higher work participation rates.

When TANF is finally reauthorized, it seems likely that the work requirement will be strengthened, although probably not as much as recommended by the Bush administration. States and local welfare offices will almost certainly have to examine their current efforts to engage TANF recipients in work activities and identify strategies for improving their performance. Several strategies to increase work rates may prove useful to states.

**Implement work-related policy changes.** Policies that might influence a state's work participation rates include policies that disregard earned income, allowing families to combine work and welfare; diversion programs that aim to keep families off the TANF rolls either by providing a lump sum payment or by requiring families to participate in a job search program as a condition of eligibility; sanction policies that levy penalties on non-compliant families and eventually remove them from the caseload; and time limits that discourage long-term welfare use. These policies could influence a state's participation rate in various ways. For example, policies that

*“States have led the way in reforming the welfare system and have embraced the transition to a work-oriented system.”*



#### ADDITIONAL READING

Besharov, Douglas J. and Peter Germanis. March 2004. "Toughening TANF: How Much? And How Attainable?" College Park, MD: University of Maryland Welfare Academy.

Fagnoni, Cynthia. March 2001. "Welfare Reform: Progress in Meeting Work-Focused TANF Goals." Testimony before the Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives. 107 Cong. 1 sess. GAO-01-522T.

Fremstad, Shawn, Sharon Parrott, Mark Greenberg, Steve Savner, Vicki Turetsky, and Jennifer Mezey. August 2002. "One Step Forward or Two Steps Back? Why the Bipartisan Senate Finance Bill Reflects a Better Approach to TANF Reauthorization than the House Bill." Washington, D.C.: Center on Budget and Policy Priorities and Center for Law and Social Policy.

Hamilton, Gayle and Susan Scrivener. September 1999. "Promoting Participation: How to Increase Involvement in Welfare-to-Work Activities." New York: MDRC.

allow more earned income have the potential to boost participation rates because they keep many working families on the caseload and, therefore, in the participation rate calculation. Diversion, full-family sanction, and time-limit policies could contribute to higher participation rates because they eliminate families from the caseload that have not complied with work requirements. If sanctions and time limits motivate TANF recipients to work, they would also boost participation rates. It is important to note that these policy changes may have other effects besides increasing work participation rates. For example, diversion policies may discourage some families who need assistance from applying for it. Policies that allow more earned income may be costly and cause families to reach their time limit sooner than they would in the absence of such policies; and sanctions may reduce the money available to families, especially those who face multiple barriers to employment.

**Improve service delivery.** As part of their efforts to reform the welfare system, local welfare offices expanded their capacity to deliver employment services to TANF recipients, often through contracts with a variety of public and private agencies that provide job search and other work-related activities. Even with this expansion, local welfare offices may still not have sufficient capacity to immediately engage all TANF recipients in work activities, resulting in extended periods of inactivity, primarily for new applicants. It is also possible that the referral process from one agency to another may not operate smoothly, resulting in gaps in participation at key transition points. Further, if job search is the only program option offered to recipients, those who do not find employment quickly

may languish for extended periods because there is nothing else available for them.

**Identify the impacts and the costs and benefits of work programs versus participation in a broad array of activities.** Proposals regarding activities in which recipients should be required or allowed to participate are based largely on ideology. The Department of Health and Human Services should conduct demonstration projects in several states to determine whether mandatory work programs produce better participation and employment outcomes and are more cost-effective than universal engagement programs like those in Utah and Oregon, which place recipients in a broad range of program activities. Such an experiment is a logical next step in identifying promising strategies for helping to move more families from welfare to work.

**Address client nonparticipation.** In some cases, program services may be available but TANF recipients fail to take advantage of them. Although recipients who are noncompliant are subject to sanctions, it may take considerable time to document the noncompliance and to try to reengage the client before sanctions are imposed. If personal and family challenges contribute to the participation problems, it may take additional time to resolve those issues and develop a plan that will eventually lead to participation in countable activities. Implementing strategies to address noncompliance sooner or promote greater compliance at the outset would eventually cause participation rates to rise. Currently, there is little incentive for states to invest in strategies to address client nonparticipation. Consequently, we know little about how to



encourage high levels of participation in program activities.

**Improve access to child care and other work supports.** Often, recipients are not required to participate in program activities until they have arranged child care. Especially in rural areas or smaller cities and towns where public transportation is limited, recipients also may not be required to participate until they have located suitable transportation. The time lag in arranging child care or finding transportation can be considerable. For families that need subsidized care, the process often involves multiple steps including going through an eligibility determination process, arranging for a medical exam to certify that the child is free from communicable diseases, and locating a provider in a convenient location with space available. Difficulties encountered during any one of these steps could result in a considerable lag from the time a self-sufficiency plan is signed until someone is able to participate in countable program activities. To address these issues, states could consider offering on-site, drop-in child care until a more permanent arrangement can be put into place. Alternatively, they could design program activities such as independent job search that can be done at home or during non-traditional hours when family members may be able to provide child care. In places where child care providers or subsidies to cover the cost of child care are limited, additional resources may need to be devoted to increasing the supply of child care available to families required to participate in work activities.

**Devote additional resources to case management.** There is considerable variation in the range of tasks TANF workers are required to perform and in the number of

cases they handle at any given time. In welfare offices where workers carry high caseloads, they may find it difficult to achieve high levels of program participation. If sufficient time is not available to monitor participation, some families may be missed because there is not sufficient time to obtain proper documentation. For nonparticipating families, it takes time to determine what factors may be contributing to the nonparticipation and to develop strategies to resolve them. When time is limited, these families may simply fall through the cracks and end up not participating in program activities for extended periods and may not be sanctioned for nonparticipation. Welfare offices could provide additional case management through existing employment service contracts or by implementing group case management models such as Pathways, a program designed by staff from Project Match in Chicago that is in use in several counties in New York and California.

**Improve data collection and program monitoring.** Monitoring participation in work activities is a complicated task, especially when multiple providers are involved. If the system in place for monitoring program activities does not adequately capture all the program activities in which recipients are engaged, the reported work participation rate will underestimate the number engaged in work-related activities. Some recipients could be participating in activities that they do not report to the TANF office; or they may participate in activities but do not provide sufficient documentation. In addition, if the data collection and monitoring system is primarily designed to meet federal requirements, participation in noncountable work activities may not be collected. States should develop improved

#### ADDITIONAL READING (CONTINUED)

Riedl, Brian M. and Robert E. Rector. July 2002. "Myths and Facts: Why Successful Reform Must Strengthen Work Requirements." Washington, D.C.: Heritage Foundation.

Turner, Jason. May 2003. "Universal Engagement of TANF Recipients: The Lessons of New York City." Washington, D.C.: Heritage Foundation.

U.S. Census Bureau. May 2002. "Work and Work-Related Activities of Mothers Receiving Temporary Assistance to Needy Families: 1996, 1998 and 2000."

U.S. General Accounting Office. July 2002. "Welfare Reform: With TANF Flexibility, States Vary in How They Implement Work Requirements and Time Limits."

Zedlewski, Sheila R. and Jennifer Holland. August 2003. "Work Activities of Current Welfare Recipients." Washington, D.C.: Urban Institute.



Recent Welfare Reform  
& Beyond Policy Briefs

“Encouraging Job Advancement  
Among Low-Wage Workers:  
A New Approach”  
WR&B Brief #30  
Harry J. Holzer  
(May 2004)

“Waive of the Future?  
Federalism and the Next Phase  
of Welfare Reform”  
WR&B Brief #29  
Pietro Nivola, Jennifer Noyes,  
and Isabel Sawhill  
(March 2004)

“Work and Marriage: The Way to  
End Poverty and Welfare”  
WR&B Brief #28  
Ron Haskins and Isabel Sawhill  
(September 2003)

Editor  
Elana Mintz

Production/Layout  
Mary Techau

Vice President of  
Communications  
Stephen G. Smith

The Brookings Office  
of Communications

202/797-6105

communications@brookings.edu

The views expressed in this  
Policy Brief are those of the  
author and are not necessarily  
those of the trustees, officers,  
or other staff members of the  
Brookings Institution.

Copyright © 2004  
The Brookings Institution

reporting systems and computer systems that capture all countable activities.

**CONCLUSION**

The proposals now before Congress to increase work participation rates imply that states' current efforts to engage TANF recipients are inadequate. However, the debate has largely focused on what the participation rates should be and how many hours should be devoted to work. Many states and members of Congress are raising concerns both about whether the work requirements are realistic and whether there are too many loopholes that would allow states to continue to do what they are currently doing. What is missing from these debates is a serious analysis of why states have not already achieved higher participation rates and what it will take for them to do so. States led the way in reforming the welfare system and have embraced the transition to a work-oriented system. Mandates for higher work participation rates without guidance on how to achieve them are not likely to result in greater employment

among TANF recipients, the ultimate goal of such requirements. Current efforts to reform the welfare system started as small demonstration projects designed to identify how to increase employment among welfare recipients. In the long run, implementation of a number of small demonstration projects designed to test various strategies for increasing participation in work activities and employment may lead to higher participation rates than broad mandates that may not be achievable. A closer examination of policies designed to promote work, service delivery, and data collection and monitoring systems would help states or local welfare offices identify where they should target their limited resources. Making any new investments within a fixed budget may prove especially difficult. Because of the budget shortages many states and local governments are facing, new investments to achieve higher work participation rates will almost certainly need to be offset by reductions in other program investments, complicating the decision-making process. **B**

**Tell us what you think of this Policy Brief.  
E-mail your comments to [yourview@brookings.edu](mailto:yourview@brookings.edu).**

**The Brookings Institution**  
1775 Massachusetts Ave., N.W.  
Washington, DC 20036

NONPROFIT ORG.  
U.S. POSTAGE  
PAID  
FREDERICK, MD  
PERMIT NO. 225