

Improving Employment Outcomes Under TANF

February 2001

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Prepared for the “New World of Welfare” Conference, held January 31-February 2, 2001, and organized by the University of Michigan’s Ford School of Public Policy and the Brookings Institution. This paper will appear in a book of the conference papers, forthcoming 2001 from the Brookings Institution Press.

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Acknowledgments

We appreciate helpful comments provided by a number of readers: Eloise Anderson, Gordon Berlin, Rebecca Blank, Michael Buckley, Sharon Dietrich, David Ellwood, Evelyn Ganzglass, Ron Haskins, Doug Howard, Lester Lenkowsky, Russ Lidman, Larry Mead, Charles Michalopoulos, Doug Steiger, and Don Winstead. We also benefitted from comments made during the initial meeting of chapter authors in Ann Arbor in September 2000. We are, of course, solely responsible for this chapter.

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Introduction

A set of ideas often called “Work First” has played an important role in shaping state approaches in implementation of the 1996 welfare law. The key beliefs of this perspective are that education and job training are not effective for unemployed parents; that the best way to promote employment is to focus on immediate job placement, regardless of job quality; and that the best way for individuals to advance in the labor force is to build a work history or participate in education and training activities while working.

A review of the experience since 1996 suggests both the strengths and limits of this approach. Since 1996, the nation has seen an unprecedented decline in welfare caseloads, much of which has been attributable to employment. However, most of the employment has been in low-wage jobs, and the evidence to date suggests that welfare leavers experience frequent job losses and limited upward mobility. Research findings since 1996 support the premise that TANF programs can do much more to address job quality while maintaining a strong focus on rapid employment entry, through a range of approaches including improved job matching, better use of labor market information, closer links to employers, and increased

access to skill-building activities.

This chapter summarizes the reasons behind the shift to Work First, the initial experiences and outcomes, state responses, and key research findings relevant to thinking about next steps. It concludes with recommendations for TANF reauthorization that would make improved labor market outcomes for low-income parents an explicit purpose of the Act and provide for broad state flexibility and meaningful accountability for achieving these improvements.

I. The Work First Philosophy and TANF Framework

The shift toward Work First began before 1996. Under the 1988 Family Support Act, states had broad discretion in determining the “mix” of education and training, job search, work experience, and other components in their welfare reform efforts. However, the law required states to include basic education as a mandatory activity for individuals without high school diplomas or with weak basic skills, and many states strongly emphasized basic education participation.

Early in the 1990s, the beginnings of a new direction became evident. Implementation of the Family Support Act coincided with an economic downturn and rapid caseload growth; the rapid caseload growth led many to question the approach states had taken. At the same time, short-term impacts from program

evaluations suggested that stand-alone basic education programs were demonstrating little or no employment impacts. Findings from California's GAIN Program, and particularly Riverside County, suggested that programs requiring participants to take any job quickly could generate more rapid employment entries and larger caseload declines than could basic education. (In fact, Riverside allowed substantial participation in education but that was not widely understood.) This short-term evidence coincided with the observations of many state officials, and a general reorientation toward a Work First philosophy was apparent in numerous state waiver proposals before enactment of the 1996 law.

The 1996 law consolidated and accelerated the trend through a set of key features. First, the fiscal structure of the block grant placed a premium on caseload reduction, because a state's federal funding stayed constant whether caseload went up or down. Caseload decline was seen as necessary to manage within the framework, and the ability to keep and redirect savings from caseload decline created a strong incentive to reduce caseloads.

Second, the law established "participation rates" for families receiving TANF assistance, and provided that states would risk fiscal penalties for failure to meet the required rates. To count toward the rates, an individual must be involved in one

of a listed set of work-related activities for a specified number of hours each week. Education and training activities only count toward the rates to a very limited extent, and generally cannot count for more than twelve months for individuals not working at least twenty hours a week. As a technical matter, states were free to allow, pay for, and support an activity regardless of whether the activity counted toward participation rates. Nevertheless, the federal listing of countable activities played a strong signaling role in suggesting which activities were considered appropriate. In addition, a “caseload reduction credit,” provided that a state’s participation rate requirement could be reduced if the state’s caseload declined for reasons other than changes in eligibility rules; this created a strong additional incentive for caseload reduction.

The 1996 law further encouraged Work First directions by imposing time limits on use of federal funds to provide assistance, eliminating all prior federal exemptions from work-related requirements, and broadening state authority to impose sanctions (grant reductions or terminations).

II. Initial TANF Implementation and Labor Market Outcomes

Initial TANF implementation in most states solidified a set of Work First policies. By 1997-1998, most states had developed programs which reduced or

eliminated exemptions from work activities; increased penalties for failure to comply with work requirements; increased financial supports for families in which an adult became employed; and imposed time limits on cash assistance. (State Policy Documentation Project, 2000). A handful of states adopted policies providing for universal or near-universal participation coupled with broad flexibility about the nature of activities in which an individual might be required to participate. More commonly, however, state policies narrowed the range of allowable activities to restrict access to education and training and to achieve a focus on rapid job entry.

Common state policies included:

- **Applicant diversion policies and practices:** As of October 1999, 20 states required participation in job search while an application for assistance was pending and 23 states might offer lump sum cash payments to families who agree not to pursue an application for assistance. (State Policy Documentation Project, 2000). Many states also employed less formal policies of discouraging application until other avenues are exhausted.
- **Requiring job search for many applicants and recipients:** 28 states required job search as the first work-related activity for all non-exempt or “job ready” adults.

- **Increased use of work experience and community service:** While not used as broadly as some had initially predicted, work experience gained increasing favor as states implemented TANF. The absolute numbers of participants in work experience programs still reflect a small share of the caseload -- about 3.3% of TANF families in 1999. However, excluding individuals in unsubsidized employment, most (51%) of those counting toward participation rates in 1999 were in work experience or community service. By contrast, in FY 1995, only 0.8 % of AFDC families participated in community work experience or other unpaid work activities, only 6.2% of those counting toward the JOBS participation rate.¹ (See Turner and Main, this volume, for a more complete discussion of work experience.)
- **Decreased use of education and training.** The data also suggest a striking drop in participation in education and training since implementation of TANF. The percent of AFDC/TANF families reported as participating in education and training activities fell from about 5.8% of the caseload in FY 96 to about 2.7% in FY 99.

¹ Final Tables Based on Form ACF-108 JOBS Data for Fiscal Year 1995," TANF-ACF-IM-97-1 (February 6, 1997). TANF participation rate data and JOBS participation rate data are not strictly comparable for a number of reasons but nonetheless can be used to discern broad trends. For more detail, see Greenberg, Strawn, and Plimpton, 2000.

Of course, not every state adopted a work first philosophy, and not every state in which the predominant focus has been work first adopted all of these policy initiatives. However, the fundamental shift to stronger emphasis on job search and work experience and curtailed access to education and training was clear and unmistakable as states implemented TANF.

As states implemented TANF, there was a historically unprecedented decline in the numbers of families receiving assistance. Much of the caseload decline is associated with increased labor force participation by female-headed households. Studies have consistently found that most families leaving welfare have found work (Loprest, 1999) and that labor force participation has increased among female-headed families. In addition, an increasing share of TANF adults are employed while receiving assistance -- 28% in FY 99, as compared with 8% in FY 94.

Most employed leavers are in jobs with low earnings and limited or no access to employment benefits. In the Urban Institute's nationally representative study, median wages for working TANF leavers in 1997 were \$6.61 per hour. Moreover, employed leavers are unlikely to receive employer-provided health care coverage or paid sick or vacation leave; in the Urban Institute study, 23% of employed leavers were receiving employer-provided health care coverage. (Loprest,

1999). Studies from individual states have reached similar findings.

Prior research had found that employment loss was a significant problem for welfare parents entering employment, and that the limited earnings growth for those entering employment was principally associated with working more hours or weeks in a year rather than with growth in wages. (Strawn and Martinson, 2000.) State leavers studies provide little information concerning employment retention and advancement; the studies with some longitudinal data typically suggest some earnings growth over time, but that median annual earnings for adults who have left assistance are probably in the range of \$8000 - \$12,000. (Office of Assistant Secretary, U.S. Department of Health and Human Services, 2000; Cancian, et al, 2000.)

III. Can We Do Better? Lessons from Recent Research

The outcomes in TANF leavers studies are generally consistent with findings from earlier research on the impacts of welfare-to-work programs. Recent evaluation and labor market research points toward more effective welfare-to-work strategies that have the potential to help low income parents find better jobs than they typically find on their own or through programs emphasizing job search or adult basic education services.

A. The limits of job search and basic education

Rigorous research finds that job search-focused programs have consistently increased employment rates among low-income parents in the near term but that these impacts are often not sustained over the long term. For example, the National Evaluation of Welfare-to-Work Strategies (NEWWS) studied eleven welfare-to-work programs and found that those focused primarily on job search activities produced larger gains in employment and total earnings over a two-year period than adult education-focused programs. However, impacts in two of the three job search-focused NEWWS programs declined by the end of two years, while impacts in five of the seven education-focused programs grew to equal or slightly surpass them. Longer follow-up is needed to determine which approaches are ultimately most effective and for which groups. (Freedman et al., 2000.) Other studies have shown that impacts in job search-focused programs often fade entirely within five years. (Friedlander and Burtless, 1995; Strawn, 1998. Two notable exceptions were GAIN programs in Riverside and San Diego Counties, each of which made substantial use of education and training in addition to job search, see Freedman et al., 1996). Moreover, earnings gains from these programs generally resulted from welfare recipients' working a greater share of the time — not because

they attained better jobs.

This is not to suggest that TANF could be achieving better results were it to repeat the approach of the Family Support Act and focus on basic education rather than job search. Despite the prevalence of low basic skills among welfare recipients, basic education-focused programs in the past have also failed to help recipients find higher-paying jobs than they would have on their own and were not as consistently successful as job search in increasing employment rates and earnings. (Freedman et al., 2000; Strawn, 1998.). At best, basic education-focused programs achieve employment and earnings impacts similar to job search, while taking longer and costing more. The programs most successful with nongraduates have not relied primarily on either education or job search, but rather have used both as well as other services. (See Michalopoulos, et al., 2000.)

In general, the most effective welfare-to-work programs have had a flexible, balanced approach that offers a mix of job search, education, job training, and work activities, known as a “mixed strategy.” (Freedman et al., 2000.) Successful employment programs more generally individualize services; have a central focus on employment; have close ties to local employers; and are intensive, setting high expectations for participation. (Strawn, 1998.)

Some of these mixed strategy programs have not only increased employment but also succeeded in helping welfare recipients find better jobs than they would have on their own. The best recent example is Portland, Oregon's Steps to Success program in the NEWWS evaluation.² Portland provided a mix of services, including job search, life skills, work-focused basic education, and occupational training. Among the eleven NEWWS sites, Portland increased employment and earnings more than the three "work first" programs while also increasing receipt of occupational licenses or certificates and GEDs by as much as the seven education-focused sites. (Freedman et al., 2000.) Portland increased stable employment, hourly wages, and access to full-time work and employer-provided benefits. It did so for both high school graduates and for those who entered the program without a high school diploma. (Freedman et al., 2000.)

How did Portland achieve its results? While the evaluation design makes this difficult to pinpoint, the general strategy is clear. For high school graduates with solid basic skills and some work experience, the program helped them access better jobs primarily through careful job matching and job development. For those who entered the program with low skills or who had not graduated high school,

² Other examples from the rigorous evaluation literature include the Alameda County, California GAIN program, the Baltimore Options program, and the Center for Employment Training in San Jose, CA. See Friedlander and Burtless, 1995; Cave et al., 1993; and Zambrowski and Gordon, 1993.

Portland typically provided life skills, work-focused adult education, and occupational training. Parents were expected to participate full-time, and program participation and employment were supported by a strong system for connecting parents with supports such as child care and specialized services to address specific barriers.

In addition, for those without high school diplomas or GEDs, access to occupational training may have been a key to Portland's success. The three NEWWS sites that most increased hourly pay for high school dropouts—Columbus, Detroit, and Portland—also boosted participation by this group in postsecondary education or occupational training. Only Portland, however, substantially increased their receipt of occupational licenses or certificates, an unusual achievement among welfare-to-work programs. (Freedman et al 2000.)

B. The importance of initial job quality in labor market outcomes

At the same time that recent evaluation research shows that it is possible to help welfare recipients access better jobs, several recent studies underscore the importance of doing so. These studies use national survey data to try to identify and disaggregate the personal, family, and job factors that predict how welfare recipients fare in the labor market over the long term. While this research controls

for many observable differences among those studied (e.g., skills, education, work history, wages), unobservable differences (e.g., motivation, interpersonal skills, family support) are likely important and are not captured in these analyses.

Factors linked to steady work. First, this research finds that working steadily initially is linked to sustaining employment over time. Women who worked more in the first year after leaving welfare were more likely to be employed four and five years after leaving welfare, particularly if they worked full-time, all year. (Cancian and Meyer 2000).

Second, controlling for individual characteristics, the quality of an initial job—e.g., wages and benefits—is linked to the likelihood of an individual maintaining employment over time. Rangarajan, Schochet and Chu (1998) find that women who began working at higher wages worked more weeks over a five-year period. Rangarajan, Meckstroth and Novak's study (1998) of women who left welfare for work in four cities found that those with higher wages were more likely to stay employed. This is consistent with earlier studies. (See Strawn and Martinson, 2000 for summary.) In addition, Rangarajan, Schochet and Chu (1998) find that those who began jobs that offered paid vacation leave stayed employed for an average of twelve months at a time, compared to seven months among those without such

leave. Similarly, those who began working in jobs that offered health insurance worked 77% of the following two years, compared to 56% of the time for those without insurance.

Third, some studies find that starting in certain occupations is linked to sustaining employment over time. Cancian and Meyer (2000) found that women who began working in sales were less likely to work in the fourth and fifth years after leaving welfare than women who started in other common occupations, such as private housekeeping, building cleaning or maintenance, clerical, and private sector care (including health care and formal child care). Two other studies also found a relationship between initial occupations and future employment; a third study did not. (See Strawn and Martinson, 2000 for summary.)

Factors linked to better jobs. A set of studies look at factors associated with higher wages over time for women who received welfare (again holding many observable job and personal factors equal). Most studies have concluded that wages grow very modestly—by about 1% annually—for women who have received welfare (Strawn and Martinson, 2000), even when they work steadily (Cancian and Meyer, 2000; Rangarajan, Schochet, and Chu, 1998.) Research by Corcoran and Loeb (1999) finds higher rates of average wage growth per year worked for welfare

recipients, though this rate is lower for those with lower basic skills, those who work part-time, and those with additional children. This latter study is consistent with Gladden and Taber's (2000 a) research showing similar wage growth rates for lower skilled workers as for other workers – about 4% for each full year of work. However, these researchers point out that given their initially low wages, even rates of wage growth as high as 4% are unlikely to make a substantial difference in whether families leaving welfare escape poverty. (Gladden and Taber, 2000 a and b).

Several studies have found that changing jobs can be a path to higher wages for women who have received welfare (Rangarajan, 1998; Cancian and Meyer, 2000). However, involuntary job changes and more than one voluntary job change a year are associated with lower wages. (Gladden and Taber, 2000 a).

For women leaving welfare, higher initial wages are linked to greater wage growth over time. Cancian and Meyer (2000) find that initial wages of women leaving welfare are strongly linked to future wages (four or five years later), even after controlling for other work history and job and personal factors. Several earlier studies found similar patterns. (See Strawn and Martinson, 2000 for summary.) However, Gladden and Taber (2000 b), in looking at lower skilled workers more

generally, do not find lower rates of wage growth at the bottom of the wage distribution.

Starting in certain occupations is linked to subsequent higher wages. Cancian and Meyer (1997) find that, compared with those who began working in sales, women who started in clerical positions earned 22 percent more per hour five years later, those who began in production and manufacturing or building cleaning and maintenance earned 17 percent more per hour, and those in private care (including health care and formal child care) earned 15 percent more per hour.

Higher basic skills, and especially education beyond high school, are strongly linked to subsequent higher wages. Cancian and Meyer (1997) find that women leaving welfare whose initial basic skills scores were in the top three-fourths of all scores earned about 8 percent more per hour in the fourth and fifth years than those with scores in the bottom fourth. Having a high school diploma mattered little for wage growth after controlling for factors such as basic skills level, how much individuals worked, and at what kinds of jobs. However, having post-high school education or training was strongly linked to subsequent higher wages. Corcoran and Loeb (1999) find similar results. This is consistent with other research on the returns to cognitive skills and educational attainment in the labor market, such as

Tyler, Murnane and Willett (2000).

The above research suggests a set of important policy implications:

- Helping welfare recipients and other low-skilled parents retain initial jobs or quickly become reemployed after job loss may promote steady work in later years.
- Steady work alone is unlikely to lead to significantly higher-paying jobs for many welfare recipients and other low-skilled parents.
- Changing jobs strategically can lead to higher-paying jobs.
- Helping welfare recipients and other low-skilled parents find initial jobs with higher pay or benefits may promote both steady work and further job advancement in later years.
- Over the long term, better access to postsecondary education or training is likely to be an important piece of the solution to promoting access to better jobs.

IV. Increasing Access to Better Jobs

The non-experimental and experimental research described above suggests that it is possible and important to help low income parents enter better jobs—with higher wages and benefits—while still focusing on rapid employment.

These research findings point toward the need for an approach that includes three key elements: 1) better job matching to place low income parents in the best possible initial jobs and to help them advance after they are working, to maximize returns to work experience and skills; 2) targeted skill upgrading on basic and job skills in demand in the local labor market for low income parents while they are working, preferably during work hours, at or near the worksite; and, 3) similarly targeted investments in skill upgrading for low income parents during periods of unemployment. Such job advancement services would have to be provided, of course, as part of a comprehensive program that included supportive services, income supplements, and initiatives for the harder-to-employ. (See Zedlewski and Loprest, this volume, for a further discussion of the hard-to-employ).

How does such a strategy compare with the actual response of states to evidence of low earnings, few job benefits, and frequent job loss by TANF leavers? First, states appear to be focusing primarily on helping low income parents sustain

employment; there has been less attention to helping them access better jobs. For example, many states have developed postemployment retention services and there has been increased attention to “work supports”— linkages to Medicaid, Food Stamps, Child Care, the Earned Income Tax Credit, and others—for families leaving TANF and for other low wage workers. Second, some states have developed postemployment advancement services for families leaving TANF assistance. Third, some states have begun to reexamine services for low income parents who are not yet working or are between jobs and to explore policies that combine a strong employment focus with greater attention to job quality concerns.

A. Postemployment retention services

As of October 1999, most states (34) were providing case management for at least some recipients who became employed or left cash assistance. Most states (32) were providing supportive services aimed at employment retention other than health care and child care and/or financial help or incentives. Postemployment supportive services most commonly include transportation aid, purchase of work clothing or tools, and payment of work-related fees. Half a dozen states were providing short-term cash payments to help cover work expenses, several offered cash bonuses for keeping or finding jobs or leaving TANF, and several provided

cash payments to cover emergencies (State Policy Documentation Project, 2000).

Many of these postemployment benefits and services are new and little information about utilization exists.

Some working families will undoubtedly be helped by postemployment retention services, but it is unclear whether the new policies will increase steady work among low income parents. A rigorous evaluation of postemployment services (case management combined with cash payments for employment-related expenses and emergency expenses) in four cities found that the services had no impact on how long welfare recipients kept jobs or how much they earned.

(Rangarajan and Novak, 1999.) An earlier evaluation of similar services also found no impacts. (Strawn and Martinson, 2000.) Case studies of retention services provided by small, private agencies suggest ways to improve outcomes for those receiving postemployment case management but no rigorous, independent evaluations of these programs have been done. Such programs are also very small-scale.

It would be prohibitively expensive to replicate their low client to caseworker ratios for all women leaving welfare and to date it has been difficult to predict based on personal characteristics which women are at highest risk of job loss. In addition, the models differ significantly from the typical state approach by pairing

postemployment retention services either with months of preemployment training in soft skills, basic skills, and jobs skills or by screening out high percentages of initial participants before job placement. (Strawn and Martinson, 2000.)

There is no rigorous research concerning work expense allowances or employment and retention bonuses for women who have received welfare. Recent research on two programs that provided substantial ongoing financial assistance for working families, Minnesota's Family Investment Program (MFIP) and Canada's Self-Sufficiency Program (SSP), does show increases in stable employment for participants. (See Berlin and Michalopoulos, this volume.) Whether smaller, shorter-term financial help will produce the same results is unknown. Expanded child care subsidy assistance may also help parents better sustain employment.

B. Postemployment job advancement services

As of October 1999, about a third of states (16) had policies to provide post-TANF services aimed at job advancement. These include contracting directly for education, training, employment, and career counseling services; tuition assistance; and, individual training accounts. A small but growing number of states - about half a dozen - are creating broader initiatives that are designed to serve working, low income families generally. (State Policy Documentation Project,

2000.) In some cases, education and training is provided at the worksite, with services customized to employer needs. As with postemployment retention services, it is unclear how many families are actually involved in these initiatives but numbers appear quite small.

There is little research on what postemployment advancement policies can achieve. On-the-job training produced increases in earnings for welfare recipients in sixteen Job Training Partnership Act-funded programs and in demonstrations in Maine and New Jersey. Both higher wages and more hours of work contributed to the higher earnings of the program groups. (Orr et al, 1996; Gueron and Pauly, 1991.) On-the-job training has typically operated on a small scale and been reserved for the most employable welfare recipients. Nonexperimental evidence on customized training programs suggests they can increase wages and job retention; until recently, however, these programs have rarely included low-income parents. (Strawn and Martinson, 2000.)

Little information exists on the results of current postemployment job advancement efforts. In the handful of states with some years of experience in offering financial assistance and support services to former recipients who enrolled in education or training—such as Florida and Utah—few people appear to have

used these benefits. Participation appears somewhat higher where states have more proactive efforts to recruit and directly provide former recipients with education, training and other advancement services—such as Oregon and Washington—but the number of families served remains a small proportion of the target population. Participation in advancement services appears to be highest where services are provided at the worksite and during work hours, but such employer-based initiatives are rare and small-scale. State and local staff involved in such efforts typically say it is difficult to find employers interested in partnering in workplace training for the least skilled workers. Some projects address this issue by combining TANF funds with other funding so that training can be given both to newly employed welfare recipients and to incumbent workers at the same workplace. Nevertheless, scale remains an enormous barrier for these types of efforts.(Strawn and Martinson, 2000.)

C. Changes in strategies for the unemployed

Beyond creating postemployment services, a third state response to the problems of low wages and job loss has been to change strategies for unemployed parents to place greater emphasis on helping them access better jobs. Most commonly, states are increasing access to postsecondary education or training. In

addition, some states are creating incentives for localities to match parents with higher paying jobs as opposed to any job.

In 1999 and 2000, a number of states expanded access to postsecondary education or training for TANF recipients. These actions include changing work requirements to allow participation in postsecondary education or training to meet all or most of a parent's work requirement beyond the twelve months that could count toward federal participation rates; using TANF funds to create additional work-study positions; creating separate state student aid programs for low income parents funded with state maintenance of effort dollars; and stopping the federal or state time limit clock for recipients who are full-time students. (See State Policy Documentation Project, 2000 for a full list of state TANF policies toward postsecondary and Wamhoff and Strawn, forthcoming 2001, for summary of recent developments.) While these state actions may suggest an emerging trend, the overall picture remains one of substantial limitations on access to education and training for TANF recipients in most states.

Some states are using performance measures to encourage localities to match low income parents with higher-paying and more stable jobs. TANF performance measures set by Alaska and Washington, for example, include wage growth and

employment retention. (Clymer, Roberts, and Strawn, forthcoming 2001). It is worth noting at the time Portland's program was evaluated in NEWWS, the Oregon TANF agency set targets for wages at placement that were substantially above the minimum wage.(Scrivener et al., 1998)

As discussed in Section III, efforts to link unemployed parents to better jobs have demonstrated success in some large-scale programs and can achieve higher participation than has been seen in postemployment initiatives to date. Given these practical advantages, states are more likely to reach their goals of increasing access to better jobs for low income parents if they make better job matching and targeted skill upgrading available not only to low income parents who are working but also to those who are not yet employed or between jobs.

States and localities may find it difficult to replicate the success of a program like Portland, however, without significant changes in policy and service delivery. Probably the most critical tasks are to involve employers directly in the design and delivery of services, to make occupational training more immediately accessible to those with low skills and to those who are working, and to articulate shorter-term training with opportunities to earn postsecondary degrees. One important step would be to integrate adult basic education and ESL services into occupational

training and/or provide them concurrently whenever possible. (Strawn and Martinson, 2000.)

Finally, despite job advancement efforts, it is likely that most former recipients and other low-skilled parents will continue to work at low-wage jobs; if increasing family income is a goal, then wage supplements and other antipoverty policies beyond welfare-to-work services will be needed.

V. The Next Steps: Recommendations for TANF Reauthorization

TANF reauthorization will involve many issues (Greenberg, et. al, 2000) but our recommendations here focus on the areas we have highlighted in this chapter: addressing job quality and encouraging a focus on employment retention and advancement. Some TANF decisions could have large but indirect effects on state efforts – for example, a cut in block grant funding or maintenance of effort obligations could mean a reduction in investments in new services and curtailment of existing ones. Our discussion here, though, is limited to changes in TANF that could directly foster a greater attention to job quality.

States are not prohibited from emphasizing job quality in the current TANF structure, but there is little to encourage or support it. While the law emphasizes caseload reduction, it has no comparable emphasis on increasing family incomes, and while the law emphasizes work, it places little attention on the importance of addressing wages, benefits or other measures of job quality. We think that the federal role in TANF should not be to impose detailed prescriptions for state approaches, but rather to establish national goals and hoped-for outcomes, and to hold states accountable for making progress toward those goals and outcomes. Accordingly, our recommendations concern modifications to the goals of TANF,

the State Plan requirements, the high performance and accountability structure, and the participation rate provisions of the law.

First, the purposes of TANF should be revised to include an express goal of reducing family poverty and promoting family economic well-being, and to make explicit that the goal of promoting work includes supporting employment retention and workforce advancement for needy families. The purposes of TANF affect whether particular expenditures are possible and have an important signaling effect in communicating Congressional expectations. Modifying the purposes would provide a powerful statement that the next stage of TANF implementation envisions higher goals than caseload reduction.

Second, states should be required to describe in their state plans how TANF and other resources will be used and coordinated in efforts to promote employment retention and advancement and enhance family economic well-being. This would reinforce the signaling effects, and perhaps help foster coordination. While the federal government should not mandate a single strategy, states should be expected to expressly articulate the strategies that they intend to use.

Third, the measures of state performance in TANF should place a

strong emphasis on poverty reduction, sustained employment, earnings growth, and higher wages. The law currently provides for \$200 million per year for high performance bonuses, and HHS has allocated those funds based on state outcomes including employment entries, retention, and earnings gains. In the context of the overall block grant structure, the existing high performance bonus involves a small amount of money, generates relatively little attention, does not measure poverty reduction, and has a number of technical problems that make it an inadequate measure of sustained employment or earnings growth. (Center for Law and Social Policy and Center on Budget and Policy Priorities, 2000.)

It is possible to improve the measures in the high performance bonus structure, but efforts to promote accountability for outcomes need to go further. In the current structure, states can elect not to compete for the high performance bonus. Moreover, each state seeking to win the bonus “competes” against every other state, and since there is no way to know in advance how other states will perform (or report performance), a state has little incentive to set clear benchmarks for its own performance. So, if a goal is to encourage states to place stronger emphasis on a set of employment outcomes, it may be more effective to ask each state, as part of its state plan process, to propose explicit outcome goals and to

incorporate mechanisms in which states can be rewarded and penalized for their performance in meeting or failing to meet such goals. We recognize that there are a set of difficult issues to consider in how goals would be set, how performance would be measured, and how adjustments would be made for economic conditions and unforeseen circumstances; at the same time, we think it is fundamental that in a context of broad flexibility in use of resources, the federal focus should be on measuring and seeking accountability for key outcomes.

In any case, performance standards should measure outcomes for families receiving TANF assistance and for a broader group of low income families. Many of the ways states now use TANF resources involve efforts to build supports outside the welfare system so that families need not seek TANF assistance. A declining share of block grant funds are actually expended on TANF assistance recipients, and measuring state performance should consider labor market participation and poverty status of all low income families, not just those in the cash assistance system.

Fourth, if the device of participation rates is continued, the current approach to counting and measuring participation should be reconsidered.

Congress will need to revisit participation rules in 2002, and not solely because of

the reasons discussed in this chapter. We have highlighted the restrictions on counting education and training and the caseload reduction incentives flowing from the caseload reduction credit. More broadly, in a context of a smaller caseload with more significant employment barriers, the restrictive listing of countable activities is in tension with the need to structure service strategies and individualized plans for individuals with multiple barriers and severe basic skills deficits. Because of the caseload reduction credit, many states now have effective rates at or near zero. The first impulse for some will be to want to raise rates, but simply raising rates without considering what counts and without addressing the perverse incentives flowing from the caseload reduction credit would only exacerbate the risks that states would not develop effective service strategies for families with multiple barriers.

A basic difficulty with any participation rate approach is that it measures process, not outcomes. Thus, one alternative to participation rates would be to develop results-oriented performance standards (as suggested above), and to substitute such performance standards for current participation rate rules. Another alternative might be to develop a broad expectation that all TANF recipients must be engaged in employment, employment-related activities, or other state-approved activities, while allowing states broad flexibility in determining the nature of the

activities.

If Congress maintains the participation rate approach, the rates should be revised to broaden what counts and end the “reward” for caseload reduction without regard to whether families have entered employment. For example, the law could be revised to allow states to count the time spent in approved activities identified in individualized plans. In addition, there should be no downward adjustment to participation rates for caseload decline; Congress may want to provide adjustments to reflect families that have left assistance due to employment, but not for mere caseload decline itself.

VI. Conclusion: TANF and Beyond

In this chapter, our discussion of job quality, retention and advancement has been confined to the TANF framework. However, there are important questions not addressed here about the relationship between TANF and state workforce development efforts under WIA. And, some of our discussion of needed changes in the delivery of employment and training services have implications both for WIA implementation and for the structure of and access to services under the Higher Education and Adult Education Acts. Moreover, the need for better access to targeted training between periods of employment should be relevant to discussions of Unemployment Insurance reforms. While a discussion of each of these systems is outside the scope of this chapter, it is important to consider the changes in other systems beside TANF that could enhance the labor market outcomes for low income and low skilled-workers.

At the same time, TANF reauthorization will provide an opportunity to set the framework for the next round of national and state efforts. In 1996, much of the focus was on the need to reduce caseloads and increase work, and both results occurred. In 2002, discussion should focus on the results that the nation hopes to see from the next round of efforts. If the desired results are sustained employment,

earnings growth, and reduced poverty, it will be important to ensure that the TANF structure directly and indirectly communicates those goals.

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@inproceedings{Strawn2001ImprovingEO, title={Improving Employment Outcomes Under TANF}, author={Julie Strawn and Mark T. Greenberg and Steve Savner}, year={2001} }. Julie Strawn, Mark T. Greenberg, Steve Savner. Published 2001.Â Poverty Research. Greenberg, Mark, +5 authors David Engstrom. Washington, D.C.: Center for Law and Social Policy, <http://www.clasp.org/pubs/TANF/packard%20piece.PDF>. 2000. Employment Prospects of Welfare Recipients: Another Look at the Data. Robert Kaestner. Economics. Improving Employment Outcomes: Using Innovative Goal-Oriented Strategies in TANF Programs. April 3, 2019. Topics: Self-Sufficiency, Welfare & Employment. ProjectsÂ Mathematica engaged four TANF programs implementing new interventions informed by evidence on self-regulation and designed to help participants reach their personal and job-related goals in a process to improve the quality of the interventions and their implementation.Â This brief is based on work conducted under the Goal-Oriented Adult Learning for Self-Sufficiency (GOALS) project, funded by the Office of Planning, Research, and Evaluation at the U.S. Department of Health and Human Services, Administration for Children and Families.