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Temporary Assistance for Needy Families: Work Requirements

Introduction

The Temporary Assistance for Needy Families (TANF) block grant helps states fund public assistance programs for needy families with children, usually headed by a single mother. TANF was created in the 1996 welfare reform law, with a goal of ending dependence on assistance through work and job preparation. This In Focus discusses TANF work requirements, summarizing and extending the analysis in CRS Report R44751, *Temporary Assistance for Needy Families (TANF): The Work Participation Standard and Engagement in Welfare-to-Work Activities*. Despite the work requirements, only a minority of non-employed TANF assistance recipients are engaged in activities such as job search, subsidized employment, community service, or education and training in a month.

Federal TANF Work Requirements

The federal TANF work requirements apply to *states*, rather than individual recipients. Most prominent is a numerical performance standard—a minimum work participation rate (WPR)—that each state must meet or risk a penalty that would reduce its block grant. It is this numerical standard and its detailed rules that are commonly referred to as the TANF work requirement. The standard was intended to provide accountability, while giving states flexibility to meet TANF’s goals.

While the federal participation standard may help shape states’ decisions about their work requirements for individual recipients, it is the states that determine what those requirements look like. States decide whether or not to provide assistance to working low-income parents. States also decide who among the non-working recipients must participate in activities, what activities they must engage in, and how many hours are required.

The Work Participation Standard

In order for the state to meet the work participation standard, (TANF) statute requires that states have either working, or engaged in activities, 50% of “all families” and 90% of families with two parents. Families are excluded in the WPR calculation if they do not have a “work-eligible” individual (e.g., grandparents caring for a child) or are otherwise exempt (e.g., single parents caring for an infant).

WPR Targets Vary by State and Year

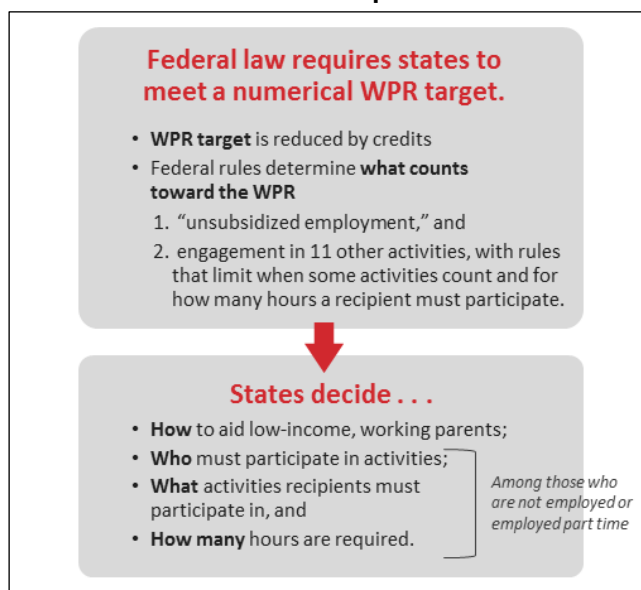
Further, the statutory percentages may be reduced by credits. The main credit is for caseload reduction, which has played a large role in TANF. The assistance caseload fell from 5.1 million families in March 1994 to 1.4 million in March 2017. Much of this decline resulted from states serving fewer eligible families, rather than declines in the number of families eligible for benefits. Currently, each state receives credits for the total caseload reduction that has occurred in it since FY2005.

For FY2016 (the latest year data are available), 12 states received no credit and faced the full 50% standard for all families, while 20 states had this standard reduced to 0%. Thus, 20 states could have no recipients working or engaged in activities and still meet the TANF standard.

What Counts as Engagement in Activities?

There are detailed rules about what activities count, when those activities count, and how many hours recipients must be engaged in activities for them to count toward meeting the state’s work participation standard. Federal rules permit states to count as “engagement” working at a job while simultaneously receiving assistance (“unsubsidized employment”), or participation in work and job preparation activities, which include job search and readiness, education and training, subsidized employment, community service, and work experience programs. TANF’s rules limit the counting of job search, job readiness, and education training. This reflects a “work-first” philosophy, which seeks to move recipients quickly into jobs.

Figure 1. Federal TANF Work Participation Standards and State Work Requirements



Source: Congressional Research Service (CRS).

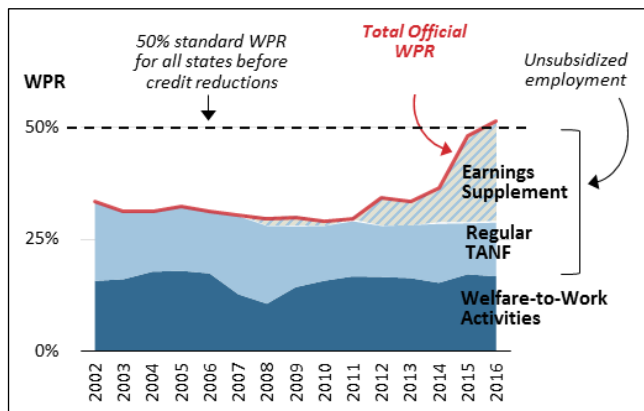
WPRs Achieved by States

Figure 2 shows the TANF WPR for FY2002 through FY2016. For the period from FY2002 to FY2011, the national WPR held fairly steady, around 30%. Beginning in FY2012, the WPR began to increase, and in FY2016 it exceeded 50% for the first time.

The figure divides the WPR into three participation categories: (1) welfare-to-work activities, (2) unsubsidized

employment in regular TANF programs, and (3) unsubsidized employment in “earnings supplement programs.” Earnings supplement programs are separate from regular TANF programs, with states providing working parents a relatively small benefit (\$10 to \$50 per month). Some earnings supplement programs are for those who left regular TANF programs; others may have no connection to the regular programs. Some states add a \$10 TANF-funded amount to a working parent’s Supplemental Nutrition Assistance Program (SNAP) benefit, regardless of their past connection to TANF assistance. Almost all of the increase in the WPR since FY2012 has come from unsubsidized employment in earnings supplement programs.

Figure 2. TANF Work Participation Rate, FY2002-FY2016



Source: Congressional Research Service (CRS) tabulations of the TANF National Data Files, 2002-2016.

State Penalties

Historically, most states with WPRs below 50% have been able to meet their participation standard for all families because of credits. States that failed to meet the standard entered into “corrective compliance plans” and avoided the penalty by subsequently meeting the standard. More states failed the 90% two-parent standard than failed the 50% all-family standard, but the former is penalized to a lesser degree under program rules. Additionally, many states have avoided having to meet the two-parent standard altogether by assisting two-parent families outside of TANF.

Engagement of Non-employed Recipients in Welfare-to-Work Activities

Caseload reduction and unsubsidized employment have played a large role in helping states meet the work participation standard. Participation in activities among non-employed recipients has played a smaller role. For FY2016, **Table 1** shows that out of 538,000 non-employed recipients in an average month, 124,000 (23%) were engaged in reported activities. Thus, more than three out of four TANF non-employed individuals were *not* reported as engaged in activities. FY2016 was not an atypical year: over the FY2002-FY2016 period, the highest percentage of non-employed individuals engaged in activities was 27%.

Table 1. Participation in Activities by Non-employed Work-Eligible Individuals, FY2016 (monthly averages)

Total Non-employed, Work-Eligible Individuals	538,078 individuals	(100%)
Engaged in activities	123,821 individuals	(23%)
Not engaged in activities	414,258 individuals	(77%)

Source: Congressional Research Service (CRS) tabulations of the TANF National Data Files, 2016. Excludes individuals in “earnings supplement” programs.

Conclusion

The TANF work participation standard is intended to provide accountability for state programs. States generally have met the standard through credits for caseload reduction and unsubsidized employment, which reflect goals of TANF. However, the TANF work participation standard has not resulted in engagement in activities beyond a minority of the non-employed caseload. Some of the unsubsidized employment is not connected with the regular TANF assistance program. Additionally, the caseload reduction has resulted primarily from a reduction in the share of TANF-eligible families receiving benefits, rather than declines in the number of families eligible for benefits.

The experience of TANF illustrates the difficulty of using performance measures to affect state policy. The 50% and 90% targets are aspirational, rather than evidence-based. They were not selected based on success rates of past programs in moving recipients from assistance to work. They call for higher participation rates than what evaluated pre-1996 programs achieved, including the most successful of those programs. Even so, the standard has mostly been met, though usually by means other than engaging recipients in activities. That is, states might be “hitting the target, but missing the point.”

Should Congress seek to raise participation among the non-employed, it could consider revising the participation standard (e.g., ending the credits or revising the treatment of some types of unsubsidized employment). TANF’s history is not encouraging for such efforts. Legislation enacted in 2006 attempted to close perceived loopholes in the standard, but this did not result in higher participation in job preparation activities. States found new ways to meet the standard without engaging more non-employed recipients.

Congress might also consider measuring performance based on employment outcomes, such as the share of those who leave the rolls and enter employment. That approach raises questions of whether states could “game” those measures as well, and how to set the outcome targets to reflect an effective program. Alternatively, Congress might consider different approaches or program structures to provide states incentives or requirements to engage a greater share of non-employed recipients in activities.

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