



CHICAGO JOBS COUNCIL

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*A CJC Policy Paper*

**Critical Issues & Initial Answers:  
Recommendations for Reauthorization of the  
Temporary Assistance for Needy Families Program**

December 2000

## ACKNOWLEDGEMENTS

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In order to bring a local voice to the national debate around the future of welfare reform, these recommendations were developed by the Chicago Jobs Council's Welfare-To-Work Group – approximately 30 employment training providers, advocates and civic groups who meet monthly to identify and organize around pressing issues facing Chicago's current and former welfare participants. Given the significance of TANF reauthorization, the working group formed a smaller ad hoc committee that met several times, since April 2000, to discuss ideas, develop recommendations, and edit draft versions.

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**CJC Senior Research Associate, Wendy Moylan, led the staffing effort and was the principal author of the paper. Questions and comments about this paper, or about welfare -to-work efforts in general, should be directed to CJC Policy Associate, Rose Karasti – at (312) 252-0460, ext. 309 or [rose@cjc.net](mailto:rose@cjc.net).**

# EXECUTIVE SUMMARY

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## **Overview**

In August of 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Among other things, this law replaced the nation's existing welfare program, called Aid to Families with Dependent Children (AFDC), with a new welfare-to-work program called Temporary Assistance for Needy Families (TANF). The TANF legislation eliminated the federal entitlement to public assistance, imposed a five-year lifetime limit on aid receipt, and established strict work and participation rate requirements for those receiving cash benefits. By September 2002, Congress must pass, or "reauthorize," the law in order to continue the TANF program's funding and may choose to revise its key policies based on lessons learned since 1996. Policymakers and advocates are already developing proposals and strategies for TANF reauthorization.

The Chicago Jobs Council (CJC) has had a long-standing interest in the design and implementation of the TANF program. Our involvement is driven by the front-line experience of our 100 members in providing employment services to and advocating on behalf of low-income families in Chicago. This paper is grounded in the lessons we have learned from Illinois' TANF implementation and our members' expertise in successfully moving welfare participants and other low-income families into the workforce and out of poverty. It also pulls together a variety of research efforts that have gathered information on how current and former welfare participants have fared under the 1996 welfare reform law. We hope both federal and state policymakers will consider our recommendations as the nation debates the funding and program issues of TANF reauthorization. We also believe this paper can help inform businesses as well as philanthropic and community-based organizations about the implications this policy review could have for their respective constituencies.

## **The Basics**

In order to provide the background and context of our recommendations, three summaries of local, state, and national research are included in this paper:

- TANF Program Basics
- Lessons Learned from TANF Implementation
- TANF Reauthorization Basics

## **Recommendations**

In order to ensure that welfare reform includes strategies for poverty reduction, this paper offers insight on the realities of the current TANF environment as well as a series of specific approaches designed to achieve our overarching recommendations for change:

- I. Preserve and improve the safety net for both working and non-working individuals and families facing employment barriers.
- II. Build flexibility into policies to accommodate the dynamic, and often non-linear, process of moving from welfare to work.
- III. Value lifelong learning as an essential element to poverty reduction.
- IV. Make work pay with a range of job- and income-related supports.
- V. Measure, reward and monitor states according to participants' meaningful educational, personal and employment gains.
- VI. Invest in the nation's workforce with increased funding for education, training and work-related supports.

# **THE BASICS**

# TANF PROGRAM BASICS

## **What is TANF?**

In August of 1996, Congress passed a law named the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Among other things, this law replaced the nation's existing welfare program, called Aid to Families with Dependent Children (AFDC), with a new welfare-to-work program called Temporary Assistance for Needy Families (TANF). In contrast to AFDC, the TANF program does not entitle families to cash assistance, but instead, requires parents to participate in defined work activities in order to receive aid. In addition, people cannot receive federal cash benefits for more than five years in their adult lifetime.<sup>1</sup>

## **What are the purposes of TANF?**

The law outlines four purposes for TANF:

1. To assist needy families with children.
2. To end dependence of needy parents by promoting job preparation, work and marriage.
3. To reduce out-of-wedlock births.
4. To promote the formation and maintenance of two-parent families.

## **Who runs the TANF program and how?**

Through the PRWORA, Congress decided that each state should run its own TANF program and determine its own rules for welfare eligibility. This kind of shift from federal to state welfare administration is called "devolution." Because of devolution, each state has designed and managed its TANF program differently. For example, some states administer TANF through a single statewide welfare agency, while others use different welfare agencies in each county of the state. Many program requirements also vary from state to state or county to county. However, because states' programs are based on the rules within the federal law, there are some similarities. Each state must satisfy a set of work and participation rate requirements in order to avoid risk of federal penalties.<sup>2</sup> In addition, the current law provides states with financial bonuses for reaching particular performance benchmarks, such as reductions in their welfare caseloads. As a result, most states focus on reducing the number of families receiving TANF and therefore emphasize parents' rapid movement into the workforce. Generally, states do not allow many parents to take classes that would improve their education and skills and their chances for higher pay, promotion, and permanent self-sufficiency.

## **How is TANF funded?**

The lump sum of federal funds states receive to support their TANF programs is called the TANF federal block grant. Each state receives a TANF federal block grant in fixed annual allocations based on its 1994 welfare-spending levels.<sup>3</sup> In return, each state is required to spend its own money every year – at least 75

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<sup>1</sup> Only months that adults actually get a welfare check count toward the five-year, or 60-month, lifetime limit. Any month during which someone under the age of 18 receives assistance does not count toward the lifetime limit. In addition a few states, like Illinois, "stop the clock" when adults work a paid job for a specific number of hours per month, or when adults keep at least a minimal grade point average when attending college full-time. Finally, federal law allows states to exempt 20 percent of their current caseload from time limits if those families are experiencing "hardships" as defined by each state.

<sup>2</sup> The U.S. Department of Health and Human Services oversees the performance of each state's TANF program. Beyond FY2001, states must engage 50 percent of their single-parent caseloads in work activities for 30 hours per week.

<sup>3</sup> Based on this current formula, Illinois receives an annual block grant of \$585 million.

percent of its 1994 welfare expenditures – to support low-income families. This state responsibility is known as the “maintenance of effort” (MOE) requirement.<sup>4</sup>

## LESSONS LEARNED FROM TANF IMPLEMENTATION

### ***How have state welfare policies changed under TANF?***

The principal changes in most states’ welfare programs since Temporary Assistance for Needy Families (TANF) began in 1996 are:<sup>5</sup>

- Expanded work participation requirements, which increase both the number of people participating in work-related activities and the number of hours that they engage in those activities.
- Restricted access to education and training programs, and limitations toward counting education and training as work activities.
- Severe penalties for violating program rules, including the reduction or elimination of cash assistance.
- The termination of cash assistance after five years or less due to adult lifetime limits on federal cash assistance.
- Continued assistance after families enter employment, generally counted toward the five-year lifetime limit.
- Little change in cash assistance benefit levels.
- Expanded efforts to discourage or “divert” new applicants from receiving cash assistance.
- Difficulty in “de-linking” Food Stamp and Medicaid assistance from the TANF cash grant, causing erroneous cuts to food and medical aid once families leave welfare.<sup>6</sup>
- A shift in the roles of caseworkers and local human service offices, from calculating eligibility and payments to promoting “work first.”
- An acceleration of caseload decline, including state caseload reductions of 20 to 50 percent.

### ***How have families who have left welfare fared?***

A number of national and state “leaver studies” that examine families who have left welfare report that about 60 percent of welfare participants have found work.<sup>7</sup> That means that a substantial share of families leaving welfare – about 40 percent, according to various studies – are not working.<sup>8</sup> Even in a booming economy, these same studies have found that those leaving welfare for employment are getting jobs that pay below-poverty wages, averaging between \$6.50 and \$7.00 per hour. Without the education and training proven to give people access to jobs that pay higher wages and opportunities for career advancement, many families are likely to stagnate economically. In addition, researchers typically find that employed leavers are not receiving health insurance, paid sick or vacation leave, or child care subsidies.<sup>9</sup> This, in combination with the sharp declines in Medicaid and Food Stamp enrollments,

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<sup>4</sup> Because Illinois meets federal work participation rate requirements, the state needs to maintain 75 percent of its past expenditures, totaling \$430 million each year.

<sup>5</sup> Greenberg, M. and Laracy, M. 2000. “Welfare Reform: Next Steps Offer New Opportunities. A Role for Philanthropy in Preparing for the Reauthorization of TANF in 2002,” Center for Law and Social Policy and Annie E. Casey Foundation.

<sup>6</sup> This characteristic was added to Greenberg’s and Laracy’s list from: Sweeney, E., et al. 2000. “Windows of Opportunity: Strategies to Support Low-Income Families in the Next Stage of Welfare Reform,” Center on Budget and Policy Priorities.

<sup>7</sup> The Urban Institute’s National Survey of America’s Families found that 61 percent of welfare leavers were working. State studies generally report between 50 and 70 percent of leavers as employed. According to the Illinois Department of Human Services’ 1999 survey, “When Families Leave Welfare Behind,” Illinois numbers fall within the average at 65 percent.

<sup>8</sup> Greenberg, M. and Laracy, M. 2000. “Welfare Reform: Next Steps Offer New Opportunities. A Role for Philanthropy in Preparing for the Reauthorization of TANF in 2002,” Center for Law and Social Policy and Annie E. Casey Foundation.

<sup>9</sup> Anderson, S. and Halter, A. 1999. “Highlights from ‘When Families Leave Welfare Behind: First Survey Findings, Illinois Families in Transition,’” University of Illinois at Urbana-Champaign for Illinois Department of Human Services. & Armato, S., Lewis, J. and Lohrentz, T. 2000. “Living with Welfare Reform,” Work, Welfare and Families, Chicago Urban League and Center for Urban Economic Development.

illustrate the dangerous predicament faced by many families who have left welfare for work. Perhaps even more alarming is that in some states, significant numbers of case closures are not due to employment, but are due to heavy sanctioning and benefits termination. Those who have been cut off of welfare may have multiple barriers to self-sufficiency that were never identified or addressed while receiving TANF.<sup>10</sup>

### **What about families who currently receive TANF?**

Most families who receive TANF want to work. However, compared to those who have already left welfare for work, families still receiving cash assistance are less likely to have any recent work history and are less likely to have completed high school. They are also more likely to face issues relating to extreme literacy barriers, mental health challenges, substance abuse, domestic violence, physical impairments or caring for disabled family members. Many of these families will need additional services both before and after employment, and some will require longer-term assistance.

## **TANF REAUTHORIZATION BASICS**

### **What and when is “TANF Reauthorization”?**

“TANF reauthorization” refers to passing federal law that will extend the Temporary Assistance for Needy Families (TANF) program’s funding and, possibly, revise its key policies. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) created TANF and set up funding levels until September 30, 2002. For TANF to continue, Congress must decide whether to maintain or change funding requirements by that date. The federal reauthorization debate could occur as early as 2001 or could be delayed until 2002. Although Congress could solely focus on funding levels during reauthorization, it is likely that key programmatic policies could be changed based on lessons learned since 1996.

### **What TANF funding decisions might Congress make?**

To reauthorize TANF, Congress could simply continue the existing TANF funding structure. If it decides to debate funding issues, Congress will likely consider the following four questions:

1. Should the TANF block grant structure and its funding levels continue or significantly change?
2. Should state “maintenance of effort” (MOE) requirements and levels continue or change?
3. Will funding for the high performance and out-of-wedlock bonus provisions of the law continue?
4. Will spending be targeted to influence family formation and how will that affect program policy?

### **What TANF policy questions might Congress consider?**

Though Congress is not required to consider any programmatic policy changes for reauthorization, it may debate the following four questions, based on lessons learned since 1996:

1. What should be the goals of the TANF program?
  - a) Should the stated purposes of prevention, the reduction of out-of-wedlock births and two-parent family formation be changed to better address poverty reduction?
  - b) Should TANF provide services to people who cannot yet find work *as well as* people who work in low-wage jobs?

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<sup>10</sup> For example, approximately one-fifth of those who have left TANF and are not working also have mental impairments, according to: Sweeney, E. 2000. “Recent Studies Indicate That Many Parents Who Are Current Or Former Welfare Participants Have Disabilities And Other Medical Conditions,” Center on Budget and Policy Priorities.

2. Should the five-year lifetime limit on TANF receipt be modified or eliminated?
  - a) How did being cut off of assistance affect families who already reached their time limit?
  - b) Should certain families be exempt from the time limit? How many and for how long?
  - c) Should a time limit exist at all if support is given based on an individual assessment of need?
3. Who should receive TANF cash assistance?
  - a) Should the law mandate that all states provide cash assistance based on individuals' means-tested need, regardless of their parental or custodial status, immigration status, or criminal background?
4. How should state performance be measured?
  - a) Will states be measured on how many people leave welfare? Or, will other benchmarks that reflect the incremental steps toward self-sufficiency be adopted?
  - b) Should the law encourage states to identify and address multiple barriers to self-sufficiency, such as mental and physical disability, substance abuse, domestic violence, and low literacy and skills?
  - c) Will work and participation rate requirements allow better access to education and training?
  - d) Should there be more federal safeguards to prevent full family sanctions and declines in Food Stamp and Medicaid receipt?

### **Why plan for reauthorization now?**

The work of reforming welfare is not done. Policymakers, and those who attempt to influence them, are already developing proposals and strategies. In fact, Congress could reauthorize TANF as early as 2001. Federal, state and local policymakers; administrators and service providers working within the TANF system; as well as employers, advocates and constituents who care about people transitioning from welfare to work should share their expertise. A number of coalitions are now forming to contribute to the welfare reform dialogue.



# **RECOMMENDATIONS**

## **Recommendation I:**

### **Preserve and improve the safety net for both working and non-working individuals and families facing employment barriers.**

#### ***Current Environment***

The first four years of Temporary Assistance for Needy Families (TANF) implementation coincided with a national economic boom. As a result, many states continue to rely heavily upon job placement to reduce their welfare caseloads. Over time, however, every state will be forced to address three labor market realities: some welfare participants need to develop work habits and skills before moving into and keeping private-sector jobs; some communities still have high unemployment rates; and the possibility of future economic downturns at the state, regional, or national levels is inevitable.<sup>11</sup>

Even in today's robust economy, homeless shelters and food pantries across the country present serious statistical and anecdotal evidence of a dramatic increase in current and former welfare participants' demand for their services. In fact, a 1999 survey of 481 families living in Chicago homeless shelters found that 44 percent had TANF cash benefits stopped or reduced, and 33 percent had no source of income at all, including Food Stamps and Medicaid. And, while 34 percent said getting a job was the cause of losing benefits, 82 percent of those who had gotten a job were no longer working.<sup>12</sup>

Contributing to this dangerous predicament are state strategies that: 1) push people with skills barriers and other unaddressed needs into jobs that they are not adequately prepared for; 2) reduce or stop cash benefits due to clients' failure to cooperate with strict work or administrative requirements; and, 3) fail to provide needed supports to families before, during and after employment. Instead of creating additional barriers to making the transition from welfare to work, the TANF program must first ensure that individuals who face employment barriers and who would be hardest hit by an economic downturn can adequately house, feed, and support themselves and their families. Since no one should live in poverty, a safety net must be maintained and improved.

#### ***Specific Recommendations to Maintain and Improve the Safety Net***

1. A safety net of income support must be maintained for adults and youth who are unable to work, are pursuing education and training that will allow them to achieve self-sufficiency, or are working for low wages that cannot sustain their families.
2. The safety net must cover anyone in need, including single adults. No state should deny a person's eligibility due to their criminal background, immigration status, or parental or custodial status.
3. States must be required to periodically review and provide a level of income support that is at least sufficient to ensure adequate and decent housing, nutrition and health care and reflects the cost of supporting a family in the participants' specific areas of residence.<sup>13</sup>

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<sup>11</sup> Sweeney, E., et al. 2000. "Windows of Opportunity: Strategies to Support Low-Income Families in the Next Stage of Welfare Reform," Center on Budget and Policy Priorities.

<sup>12</sup> Dworkin, J. 2000. "Families Hardest Hit: Effects of Welfare Reform on Homeless Families," Chicago Coalition for the Homeless in collaboration with the National Welfare Monitoring and Advocacy Partnership.

<sup>13</sup> According to the Center on Budget and Policy Priorities' "Windows of Opportunity," the current, maximum monthly welfare benefit for a family of three in the median state is just one-third of the federal poverty threshold.

4. The family “cap,” which denies additional aid to children born during a family’s welfare receipt, must be abolished. As mentioned above, cash assistance levels should support *all family members’* basic needs.
5. States must ensure that Food Stamps and Medicaid are provided to those who are eligible before, during and after TANF receipt.
6. The provision of affordable housing must be a prioritized component of welfare reform.
7. In order to prevent job loss, eviction or utility cut-offs, states should provide short-term aid to current and former welfare participants facing temporary crises, such as a car breakdown or the illness of a child, that can jeopardize economic and family stability. Programs designed to provide emergency aid should not attach restrictions on access to ongoing or future TANF assistance.

## **Recommendation II:**

### **Build flexibility into policies to accommodate the dynamic, and often non-linear, process of moving from welfare to work.**

#### **Current Environment**

The current Temporary Assistance for Needy Families (TANF) caseload presents increasingly complex educational, social and medical needs that rapid employment will not address or tolerate. The most commonly reported employment barriers include: mental health problems, physical disabilities, and substance abuse problems; low skill levels and extreme literacy barriers; domestic abuse; and primary care for a chronically ill family member. A high percentage of TANF participants contend with these barriers while simultaneously facing strict time limits and work requirements.

And, while the federal TANF law provides states options to create programs that could effectively address participants’ educational, personal and health-related employment barriers, states are measured by, and therefore typically focus on, reducing the number of people who receive welfare. Moreover, states that have developed programming to address TANF participants’ complex needs often under-utilize worthy policies that would ultimately enhance participants’ ability to move out of poverty.<sup>14</sup>

Now is the time to mandate a more flexible TANF program that meets the individual needs of its participants. States must design and implement a system in which clients, with the appropriate guidance and direction from a skilled case manager, can craft individualized welfare-to-work strategies and realistic timelines for achieving employment objectives. Policies and programs must support and encourage those who are truly ready to find employment, while providing more intensive and longer-term support to those who face major, and often multiple, barriers to employment.

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<sup>14</sup> For example, according to the August 2000 Women Employed Women’s Information Network “WE-WIN Briefing: Welfare Reform Information,” early analyses show that 75 percent of Illinois’ welfare participants have minimal or basic literacy skills. However, fewer than 13 percent are enrolled in programs to help develop basic literacy skills.

## **Specific Recommendations for Flexible Policies and Programs**

1. There should be no lifetime time limit on the receipt of cash assistance, supportive services, or education and training. Services and goals for TANF participants should be based on individualized assessments of need.
2. Central to any overall program design must be a thorough and professional assessment of client/family needs in order to develop a plan for achieving self-sufficiency. Tools should include screens for substance abuse, domestic violence as well as physical, mental health and learning disabilities. Assessments for literacy and basic skills should also be available.
3. Incremental steps toward economic and family stability – including improving literacy as well as basic and work skill levels, parenting, volunteering in community service, and participating in clinical counseling – must be valued as reasonable stages toward self-sufficiency.
4. Efforts to help low-income, non-custodial parents overcome employment barriers and become more involved in the lives of their children must be included in states' welfare-to-work strategies.
5. Strategies should not be designed or intended to hold anyone back. For example, a domestic violence victim who nevertheless wishes to participate in job readiness activities, or a non-reader who nevertheless wishes to participate in work-skill development, should be permitted, but not required, to do so. Additionally, some participants will benefit from a combination of activities, both within and across strategies.
6. In order to prepare sufficiently and safely for employment, individuals facing domestic violence must have the greater flexibility described in the Family Violence Option when developing their self-sufficiency plans. The provisions in the Family Violence Option must become mandatory for all states.
7. In order to successfully prepare for self-sufficiency, youth up to age 21 must have access to case managers and caseworkers who know the TANF rules and training opportunities specific to youth. These youth specialists must also have training in how the stages of adolescent development are likely to affect pathways to self-sufficiency.

## **Recommendation III:**

### **Value lifelong learning as an essential element to poverty reduction.**

#### **Current Environment**

Like all job seekers, current and former participants of Temporary Assistance for Needy Families (TANF) need work skills and career counseling that will allow them to get, keep and move up in employment. However, many welfare participants who enter the workforce remain in poverty because they lack the skills and support needed for jobs that pay decent wages.

Many studies show that more education correlates with higher earnings. In fact, education and training helps TANF participants to gain between \$5,000 and \$10,000 of annual income.<sup>15</sup> Conversely, each year of work experience is only worth 10 cents per hour.<sup>16</sup> Despite this startling contrast and the significant skill deficits that many welfare participants face, most state welfare programs quickly move people into low-wage jobs in an effort to reduce welfare caseloads. But states' efforts to make TANF participants "work first" do not provide lasting solutions to either caseload or poverty reduction. Even during this economic boom that helped many find jobs, those who leave welfare for work without a high school diploma are twice as likely to return to welfare.<sup>17</sup> Furthermore, welfare-to-work programs often lack adequate follow-up after job placement. According to a 1999 study by the Educational Testing Service, 40 percent of working welfare participants earning less than \$200 a week already have the skills they need to double their income, but lack post-placement counseling and support.<sup>18</sup>

Welfare-to-work strategies must support participants in enhancing their skills and earnings capacity so that they can permanently leave public assistance. Because lifelong learning is an essential element to poverty reduction, the TANF program must accommodate the time and flexibility needed for continuing education and career planning.

#### **Specific Recommendations for Increased Access to Education and Training**

1. A range of short- and long-term education (e.g., adult literacy and basic skills, English language proficiency, GED, post-secondary education, etc.), employability development, and occupational skills training programs (including self-employment programs) must be available, and fully funded, to meet the varied interests and workforce preparation needs of job seekers. Furthermore, combining basic skills and vocational or employment programming is most effective in helping people get and keep good jobs.
2. A range of employment-related services must be made available to both youth and adults, and fully funded, including, but not limited to: volunteer experience (as a meaningful step toward paid employment), life skills/self-esteem development, on-the-job training programs (OJT), paid work

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<sup>15</sup> Carnavale, A. and Desrochers, D. 1999. "Getting Down to Business: Matching Welfare Participants' Skills to Jobs that Train," Educational Testing Service.

<sup>16</sup> Spalter-Roth, R. and Hartman, H. 1997. "Increasing Working Mothers' Earnings: Education and Training Under Welfare Reform," *Welfare Reform News*. August-September 1997, p. 4.

<sup>17</sup> Based on Illinois' recidivism rates as reported in: Anderson, S. and Halter, A. 1999. "When Families Leave Welfare Behind: First Survey Findings, Illinois Families in Transition," University of Illinois at Urbana-Champaign for Illinois Department of Human Services.

<sup>18</sup> Carnavale, A. and Desrochers, D. 1999. "Getting Down to Business: Matching Welfare Participants' Skills to Jobs that Train," Educational Testing Service.

experience in the private sector, entrepreneurial development, and one-on-one job placement and retention services.

3. The creation of publicly-funded, transitional jobs with private and public employers will enable unemployed and under-employed individuals with multiple barriers to earn wages and gain valuable work experience while also alleviating job shortages in distressed communities.
4. Post-placement services are essential and should include: job counseling; reassessment to examine education, training and other employment barriers for those having difficulty retaining employment or needing additional skill development to advance their career mobility; career development services which focus on preparing individuals for career paths (including non-traditional employment) that ensure progression toward or achievement of sustainable wages and opportunities for advancement.
5. Self-employment, asset and microenterprise development should be allowable work activities and should be actively promoted and supported as tools for expanding employment and career mobility opportunities.

## **Recommendation IV:**

### **Make work pay with a range of job- and income-related supports.**

#### ***Current Environment***

As states implement the Temporary Assistance for Needy Families (TANF) program, each commonly promotes work as the primary objective of its welfare system. New state policies emphasizing work, coupled with strong economic growth, have led to welfare participants' increased employment. However, challenges still remain.

Even though parents who leave welfare for work are employed full-time or nearly full-time, their below-poverty wages, averaging \$6.61 per hour, are too little to support their families.<sup>19</sup> Many of these families also fail to receive key work supports – including child care assistance, Medicaid coverage, and Food Stamps – despite their continued eligibility for this help.<sup>20</sup> And, the approximately one million welfare participants entering the labor force join more than seven million workers who are poor and another 13 million workers at chronic risk of falling into poverty.<sup>21</sup> Inadequate education, limited access to jobs, restricted opportunities for upward mobility, lack of transportation, and the burdens of child care and health insurance costs constrain opportunities for these workers and their families.<sup>22</sup>

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<sup>19</sup> The Urban Institute's National Survey of America's Families found that the average wage for employed welfare "leavers" was \$6.61 per hour, and state studies report comparable wage levels. According to the Illinois Department of Human Services' 1999 survey, "When Families Leave Welfare Behind," Illinois welfare leavers earned \$7.00 per hour.

<sup>20</sup> Sweeney, E. et al. 2000. "Windows of Opportunity: Strategies to Support Low-Income Families in the Next Stage of Welfare Reform," Center on Budget and Policy Priorities.

<sup>21</sup> Research and Policy Committee of the Committee for Economic Development. 2000. "Welfare Reform and Beyond: Making Work *Work*, A Policy Statement by the Research and Policy Committee of the Committee for Economic Development," Committee for Economic Development.

<sup>22</sup> According to Work, Welfare and Families' 2000 survey, "Living with Welfare Reform: A Survey of Low Income Families in Illinois," out of 2,166 low-income clients of Illinois social service agencies who left TANF for work, 35 percent attributed a lack of skills, experience or education to their current unemployment; 43 percent cited child care as a job retention obstacle; and 19 percent named transportation as their work retention barrier. Eighty-four percent of working TANF participants lacked employer-sponsored health benefits.

Welfare reform must not simply make welfare participants work. The TANF program must maximize a range of supports that help current and former participants keep their jobs, move up in their careers, and permanently leave welfare – and most importantly, poverty – behind.

### **Specific Recommendations to Make Work Pay**

1. Earnings disregard rules that support gradual increases in income through work and transition toward self-sufficiency (such as Illinois' innovative Work Pays program) should be part of an income maintenance plan.
2. State tax policies (such as the Earned Income Tax Credit) and asset accumulation strategies (such as Individual Development Accounts) should be integrated to support low-wage workers until they can obtain employment at sustainable wages.
3. Career counseling that focuses on the quality of initial jobs and ongoing retention and advancement services must be available and will increase the likelihood of steady employment and wage/benefit growth over time. Links must be made to services that address ongoing needs related to low skills and inadequate education, domestic violence, substance abuse, as well as physical and mental health issues.
4. States should provide transportation help – including commuting allowances, funds to purchase or maintain a car, and coordination with paratransit systems – to accommodate low-income workers' reverse commutes, non-standard hours, and the multiple stops between work and child care.
5. A seamless system of child care that is affordable and accessible during traditional and non-traditional hours, for children with specialized medical needs, and for children whose parents are in domestic violence or substance abuse counseling, should be developed and maintained for all low-income families.
6. In order to prevent job loss, states should provide short-term aid to low-income workers facing temporary crises, such as a car breakdown or the illness of a child, that can jeopardize economic and family stability.
7. States must ensure that Food Stamps and Medicaid are provided to eligible low-income individuals and families and must expand health care coverage for low-income workers not eligible for Medicaid.
8. All services and supports must be universally available according to income and continued to be provided based on means.
9. To both provide non-custodial parents with incentives to pay child support and supplement low-income families' incomes, states must “pass through” all of the child support collected. States must also disregard such a “pass-through” as countable income when determining eligibility for any public assistance program.
10. Policymakers should encourage employers' cooperation in public efforts, including expansion of employee supportive services (like transportation, child care, and other employee assistance), provision of career-ladder workplace training, and adoption of innovative business practices (like flexible work hours) to create family-friendly workplaces and a diverse workforce.

## Recommendation V:

### Measure, reward and monitor states according to participants' meaningful educational, personal and employment gains.

#### ***Current Environment***

The current federal law that regulates the Temporary Assistance for Needy Families (TANF) program primarily measures states' performance through caseload reduction – the significant decrease in the number of families who receive TANF. As a result, states have focused their welfare-to-work efforts on reducing the size of their caseloads rather than identifying and addressing families' employment barriers. Two principal methods for caseload reduction have emerged in most states: 1) “work first” programs that rapidly move people into low-wage jobs, and, 2) administrative procedures that drive away TANF applicants and cut aid from TANF participants who cannot follow program rules.

As a result of “work first,” hundreds of thousands have entered the workforce at below-poverty wages without the training and support – and ultimately the educational and personal skills – they need to keep or upgrade their jobs.<sup>23</sup> Thousands more who are without work have been either discouraged from applying for needed assistance, or cut off of assistance in the absence of efforts to identify and address literacy, domestic violence, mental health or disability-related barriers.

As TANF reauthorization approaches, policymakers must refine performance measures so that states are compelled to address families' personal, educational, health- and work-related needs. As illustrated in the past four years, states will develop programming around the mandates and rewards provided by federal law.

#### ***Specific Recommendations for State Performance Measurement and Rewards***

1. Program success should be measured and rewarded according to a meaningful standard of self-sufficiency that is adjusted for regional and local differences. We recommend Wider Opportunities for Women's *Self-Sufficiency Standard*, which estimates the minimum amount of income a family needs to satisfy its basic needs without relying on public or private assistance. The estimates approximate a basic standard of living, which can be specified according to family size and geographical boundaries.<sup>24</sup>
2. Rigorous longitudinal data collection and tracking is needed to effectively evaluate service strategies. Performance measures should include:
  - a. Interim indicators of educational advancement, such as enrollment, completion and achievement in high school and GED programs; ESL, literacy and basic skills classes; vocational training; and post-secondary education;

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<sup>23</sup> The Urban Institute's National Survey of America's Families found that the average wage for employed welfare “leavers” was \$6.61 per hour, and state studies report comparable wage levels. According to the Illinois Department of Human Services' 1999 survey, “When Families Leave Welfare Behind,” Illinois welfare leavers earned \$7.00 per hour.

<sup>24</sup> Wider Opportunities for Women has developed *Self-Sufficiency Standards* for each county in 13 states as well as the Washington, D.C. metropolitan area. The Chicago Workforce Investment Board recently adopted the *Illinois Self-Sufficiency Standard* to determine eligibility for training services and to use as a performance measurement under the Workforce Investment Act of 1998.



- b. Interim indicators of housing and health stabilization (including access to and use of supportive services such as drug rehabilitation programs, domestic violence counseling, mental health counseling, health care, child care, and transportation assistance);
  - c. Employment data, especially wages and benefits received;
  - d. Job retention and career advancement rates;
  - e. The need for and use of continued government assistance/support from programs that determine eligibility at 200% of child poverty or less (including receipt of Food Stamps, Medicaid, and the Child Health Insurance Program);
  - f. The effects of case sanctioning, termination, and work activity requirements on family stability as indicated by entry into and outcomes from states' child welfare systems<sup>25</sup> and homeless shelters;
  - g. The amount of child support received and passed-through to families;<sup>26</sup> and,
  - h. Indicators of success in serving youth, (ages 15 and under, 16-17, as well as 18-21), including completion of secondary education and all other measures indicated above.
3. States should use sector-specific labor market data to effectively anticipate, prioritize and invest in training and education programs that meet future labor market demand.
  4. States should be rewarded based on their success in helping job seekers achieve self-sufficiency and reducing poverty (as opposed to being rewarded for changing family structure). Therefore, funds used to reward states for decreasing out-of-wedlock births should be redirected to rewarding states for reducing poverty (per the indicators listed above). Influencing family structure should also be removed from the purposes of TANF.
  5. The "Abstinence Only Until Marriage" provisions of PRWORA should be eliminated, as they focus only on teaching children and adolescents about abstinence and prohibit teaching about any other methods of STD and pregnancy prevention.<sup>27</sup> Funding for the Abstinence Only Until Marriage program should be redirected toward comprehensive sex education and family planning services that will empower young people to make healthy and informed reproductive decisions.

### **Specific Recommendations for Increased State Accountability**

1. Before any case is sanctioned or terminated, states must perform a reassessment to ensure previously unidentified barriers, such as a physical, mental or learning disability or a threat of domestic violence, are identified and given good cause.
2. Income support – including cash assistance, assistance derived from earnings disregard programs, Food Stamps, and Medicaid – should not be reduced or terminated until the participant is accorded due process, which includes timely notice, a reassessment, and an opportunity for a fair hearing.

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<sup>25</sup> Via comparisons of TANF and child welfare caseloads and family reunification rates within states' child welfare systems.

<sup>26</sup> As mentioned above, states must disregard such "pass-throughs" as countable income when determining eligibility for any public assistance program.

<sup>27</sup> The Abstinence Only Until Marriage program received \$50 million in federal funding despite the fact that there is still little credible evidence for the effectiveness of the Abstinence Only approach. According to Jemmot and Jemmot, *Journal of the American Medical Association*: 1998; 1520-1536, 1574-1575, the Abstinence Only approach is ineffective and can be dangerous.

3. The Department of Health and Human Services should fund the Office of Civil Rights to periodically evaluate states' programs in order to ensure that policies are not applied in a manner that discriminates, or has the effect of discriminating, on the basis of race, color, national origin, gender, age, disability, sexual orientation, religion or marital status.
4. TANF participants should have equal access to other workforce development systems, including but not limited to those created by the Workforce Investment Act of 1998, so that low-income families are provided with equal, integrated services.
5. Rather than diverting TANF applicants, states must have an obligation to reach out to individuals and families whose incomes are at or below 200% of poverty in order to assess their eligibility for public assistance.

## **Recommendation VI:**

### **Invest in the nation's workforce with increased funding for education, training and work-related supports.**

#### ***Current Environment***

During the reauthorization debate, policymakers will decide whether to continue or significantly change the formula and funding levels of both the Temporary Assistance for Needy Families (TANF) block grant<sup>28</sup> and the "maintenance of effort" (MOE) requirement.<sup>29</sup> As the number of welfare participants has decreased across the nation, some states have not spent all of their TANF funds. The reduced caseloads and states' subsequent surpluses suggest to some congressional leaders that TANF federal block grant levels should be decreased, and indicate to some governors that state MOE requirements should be relaxed. However, others argue that welfare funding needs to be increased, or at least maintained, to provide critical support to families who either have left welfare for low-wage jobs or have remained on the caseload due to severe employment barriers.

In fact, some states like Illinois have spent all of their TANF block grant and MOE funds on needed initiatives, such as subsidized child care, the child welfare system and other social service programs, and would be seriously hurt by funding cutbacks. Despite their investment in needed services, states' fiscal constraints still force them to choose between funding one program over another, often leaving to the wayside programs that help individuals make a permanent attachment to the workforce, like education and training. Moreover, states have been able to reduce their welfare caseloads due, in large part, to the nation's booming economy. Once the economy stalls, families who have been unable to permanently attach to the labor force because of limited work experience, low educational attainment, and multiple barriers to employment may return to TANF. Clearly, the need for funding that can be used to reduce employment-related barriers still exists and exceeds current allocations.

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<sup>28</sup> Each state receives an annual TANF block grant, or a lump sum of federal funds, to run its welfare program. Block grant amounts represent what the state was receiving in AFDC-related funds in or near 1994. For example, each year Illinois receives a block grant of \$585 million from the federal government.

<sup>29</sup> The MOE requirement mandates that each state continue to spend 75 percent or 80 percent of the amount the state was spending on AFDC-related expenditures in 1994. For example, Illinois must spend at least \$430 million of its own money each year to support families moving from welfare to work. This money can be used more flexibly than the block grant.

## **Specific Recommendations for Increased Funding**

1. Because maintenance of effort (MOE) requirements allow states to “carve out” funding for low-income family supports without having to compete in general revenue budget battles, MOE requirements should not be relaxed. In fact, in order to invest in needed programming that will mitigate the employment barriers both working and non-working TANF participants face, federal TANF block grant funding and MOE levels must be increased.
2. States should be measured on how they spend their MOE, and provided a bonus for expenditures proven to reduce poverty,<sup>30</sup> such as allocations to education and training programs, state Earned Income Tax Credits, and Individual Development Accounts. Bonus money should be used to balance the lack of existing funding for needed education and training, increases to the cash grant and/or child support pass-through, as well as child care (especially for care at non-traditional hours, for specialized medical needs, and for children whose parents are in domestic violence or substance abuse counseling).
3. Any savings realized from a decrease in income assistance should be reinvested in the workforce system’s education, training, retention and support services to fulfill low-income individuals’ and families’ unmet needs.
4. Because education and training are strategies proven to give people access to jobs that pay higher, sustainable wages, local, state and federal governments must appropriate TANF and other funding to support the workforce system’s ability to provide lifelong learning opportunities.
5. The amount of child support the federal government recoups from states should be eliminated so that states can pass through a larger amount of child support to families. Such a “pass-through” must not be regarded as countable income when determining eligibility for any public assistance.

## **Looking Ahead**

While the purpose of this paper is to outline CJC’s vision for a refined TANF program, we recognize that many research and budgetary questions are raised by our recommendations. As the TANF reauthorization debate gains momentum, CJC will continue to develop advocacy strategies linked with other local, regional and national groups, and will distribute fact sheets to further discuss particular programming and performance measure models. We hope our future endeavors will continue to shed light on the impending changes to the TANF program, and count on our fellow advocates and service providers to share their expertise. If you would like to join CJC’s efforts, or need more information about welfare-to-work efforts in general, contact CJC Senior Research Associate, Wendy Moylan, at (312) 252-0460, ext. 308 or [wendy@cjc.net](mailto:wendy@cjc.net), or contact CJC Policy Associate, Rose Karasti, at (312) 252-0460, ext. 309 or [rose@cjc.net](mailto:rose@cjc.net).

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<sup>30</sup> CJC uses the standard of raising families’ incomes to at least 200% of the poverty level.

A B O U T
C J C

Founded in 1981, the Chicago Jobs Council (CJC) is a membership organization that works to increase job opportunities for all city residents, with an emphasis on those in poverty, racial minorities, the long-term unemployed, women and others who experience systemic exclusion from employment and career mobility. With 18 original members, CJC has grown to include 100 community-based organizations, civic groups, businesses and individuals committed to helping disadvantaged Chicagoans gain access to the jobs and training they need to enter the labor market, secure stable employment at a living wage, and pursue sustainable careers.

CJC pursues its mission through advocacy, applied research, public education and capacity-building initiatives focused on influencing the development or reform of public policies and programs. Our work is grounded in the perspectives of our members, who contribute their expertise as direct service practitioners, advocates, researchers and employers. Our efforts are also guided by the results of demonstration projects that test innovative solutions to pressing employment problems. By organizing members and other interested parties around workforce development, welfare reform, economic and community development issues, CJC fosters dialogue and cooperative strategies that effect change.



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