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State Strategies for Improving the Employment Outcomes of TANF and Low-Income Families

Summary

Research studies during the past decade have shown that despite the large number of Temporary Assistance for Needy Families (TANF) recipients entering the workforce, many of these individuals have difficulty remaining employed and advancing in the labor market. Most working TANF clients are employed in low-wage, low-benefit jobs that typically do not offer paid vacation, sick leave, or health insurance. A study of people who were no longer receiving TANF cash assistance found that, on average, they earned less than \$10,000 per year.¹ In addition, TANF clients employed in low-wage occupations often work nonstandard hours, making reliable child care difficult to obtain. All these factors make it challenging for TANF clients to transition off the welfare system permanently and achieve economic self-sufficiency.

The earlier success and reauthorization of the TANF program in 2006 has helped broaden interest not in only welfare recipients, but also in low-income working families. Like many TANF clients, many low-wage earners face similar challenges in advancing in the labor market and finding jobs that can support families. According to the U.S. Census Bureau, in 2005 one out of every five children lived in a low-income family with a parent who worked regularly.² Other statistics indicate that approximately 3 million people live in poverty in the United States despite working full time and year-round.³

Governors and other state leaders are in a strong position to assume a lead role in developing programs and policies that help TANF and low-income families achieve long-term self-sufficiency through stable employment. Although the reauthorization legislation and regulations have reduced some of the flexibility in the TANF program, states still have an opportunity to craft programs that help clients not only find employment, but also advance in the labor market and earn higher wages. Meeting federal requirements and avoiding penalties are important tasks, but they are not the central objectives of state welfare programs. Creating opportunities for TANF clients to succeed and advance in the labor market is consistent with the broad goal of helping low-income families attain economic security.

States can create opportunities for TANF clients and low-wage workers to advance in the labor market by:

- helping them prepare for success in the workforce through education and skills development activities, career and work readiness credentials, and postsecondary education;

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- establishing “launching pads” that can help them quickly advance in the labor market through such efforts as transitional jobs programs and career ladder strategies; and
- providing them with ongoing support through earnings supplements, earnings disregards, work support benefits, and child and earned income tax credits.

Introduction

Public cash assistance in the United States was substantially transformed with the passage of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*. The legislation created the Temporary Assistance for Needy Families (TANF) block grant program to replace the previous entitlement program and reoriented the welfare system to focus on employment, personal responsibility, and positive family formation. Since the creation of TANF, states have witnessed a large decrease in the number of people receiving cash assistance and have made significant investments in services designed to help needy families become self-sufficient.

In February 2006, Congress reauthorized the TANF program with a renewed focus on helping welfare clients move from public assistance to the workforce. The *Deficit Reduction Act of 2005* (DRA), which reauthorized the TANF program, contains several new provisions requiring more rigorous work participation requirements and reducing some state flexibility. With changes taking effect October 1, 2006, states have taken initial action and adopted policies to increase work participation rates. Some key DRA provisions include changing the base year for calculating the caseload reduction credit from fiscal year 1995 to fiscal year 2005 and including more individuals in the calculation of state work participation rates.⁴ As a result, most states will need to significantly increase work participation rates to reach the required levels of 50 percent for all families and 90 percent for two-parent families.

As part of the TANF reauthorization, the U.S. Department of Health and Human Services (HHS) issued interim final regulations effective June 2006. The regulations mainly pertain to work activities and accountability under the TANF system. Generally, the regulations more narrowly define each activity that can count toward state work participation rates, which may require states to revise their programs. Although the TANF regulations are not yet final, HHS is not expected to make significant changes to the new regulations.

Changes outlined in the TANF regulations include these.

- Educational activities, such as adult basic education (ABE) and English-as-a-second-language (ESL) classes, must be a component of work-related training for specific occupations.
- Substance abuse, mental health, and rehabilitation treatment programs are only counted as work under job readiness activities.
- Postsecondary programs resulting in four-year degrees do not count toward the federal work participation rate.
- Client enrollment in work participation activities must be supervised, and states must establish work verification plans.
- States must indicate how work activities meet federal definitions and describe tracking and reporting of client participation in work activities.

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For more information on TANF reauthorization, see the NGA Center for Best Practices Issue Brief [*The Wait is Over, the Work Begins: Implementing the New TANF Legislation*](#).

One of the most significant outcomes of welfare reform has been the increase in employment among welfare recipients. Approximately one-third of all TANF recipients are now working.⁵ Overshadowing this positive trend, however, is the fact that many TANF clients cycle in and out of the low-wage labor market with little opportunity to advance to higher-paying positions. Welfare recipients typically have lower job tenure rates, compared with other workers.⁶ Tenuous attachment to the labor market, in turn, results in many families returning to public assistance. A study of welfare leavers found that of the clients who left the TANF system between 2000 and 2002, approximately one-quarter returned to cash assistance by the end of a two-year study.⁷ In addition, TANF clients often obtain low-wage jobs that do not offer benefits such as paid vacation, sick leave, and health insurance. All these factors make it challenging for TANF clients to transition out of the welfare system permanently and achieve economic self-sufficiency.

To successfully meet the new TANF requirements and help individuals advance out of the low-wage labor market, states will need to focus attention on reducing welfare recidivism, providing the education and training needed for higher-paying jobs, and offering support to improve job tenure rates. This issue brief identifies several policy and program options that states can pursue to improve employment outcomes for both TANF clients and low-income workers while also meeting the federal requirements, including:

- preparing individuals for success in the labor market by helping them acquire education, training, and credentials;
- launching careers to higher-paying positions, such as through effective job search and job readiness programs, transitional jobs programs, and career ladders; and
- providing ongoing support to help individuals remain attached to the labor market and advance in careers.

The reauthorization of TANF parallels a renewed focus on increasing employment opportunities for low-wage workers. Governors are in a strong position to exercise leadership that not only sets a new course for state welfare programs, but also helps low-income workers advance in the workforce. Many policies that can help individuals succeed in the workforce require states to make financial investments. However, TANF is funded through a block grant that affords states considerable flexibility to support services for needy children and families. Governors can also work with state agencies and legislatures to redirect TANF and maintenance-of-effort (state spending required to receive federal TANF dollars) funds to increase investments in employment-related services and supports for TANF clients and other low-income workers.

By engaging employers in the design of these strategies, states can ensure training, credentials, and career opportunities are aligned with local labor market needs. Governors and other state leaders can play an important role in bringing together stakeholders and employers from the private and public sectors to develop effective tools that can help TANF clients and low-wage workers succeed in the labor market.

Preparing Clients for Success in the Workforce

U.S. Census Bureau data consistently show that labor market success is closely tied to skills and education credentials. Furthermore, evidence suggests that employers are more willing to hire and train workers with a demonstrated capacity for learning.⁸ Providing opportunities to develop skills, obtain education, and acquire work experience will help TANF recipients and low-income workers advance in the labor market.

Education and Skills Development

The most effective education and training programs are those that offer a flexible strategy based on the needs of the individual and that have a strong orientation toward work.⁹ Effective education and skills development programs typically offer:¹⁰

- applied learning experiences where educational information is tied directly to work and pertains to specific occupations;
- short-term enrollments that typically take one year or less to complete; and
- support services and assistance with developing clear employment goals.

It is equally important that programs be well aligned with local labor market demands. The best strategies:

- use labor market information to identify relatively high-wage, high-grow industries that offer jobs with benefits and opportunities for advancement;
- structure programs so they provide occupation-specific skills needed by targeted industries and employers with entry-level vacancies; and
- engage employers in the design of education and training programs.

States can offer education and training programs that help adults develop the job skills they need to succeed in the workforce and that meet the new federal TANF work participation rate requirements. Under the new TANF federal regulations, only programs that prepare individuals for employment in specific occupations can count toward work participation rates. Importantly, short-term training counts toward the TANF work participation rate when it falls under the following categories: on-the-job training, vocational educational activity, or job skills training directly related to employment.¹¹

Many states are showing promising results from activities that offer a mix of education and training in combination with employment. Consistent with the new TANF regulations requiring the integration of basic skills instruction with occupational training, **Washington** created short- and long-term programs providing education and training opportunities to TANF and other low-income clients. The [Customized Job Skills Training](#) (CJST) program is one of the state's short-term programs, offering 8- to 22-week occupational training courses designed to meet the needs of local employers. Research on the CJST program found that participants earned an estimated \$864 more per quarter than the control group.¹²

Bridge Programs. Bridge programs are another way to help TANF clients and others acquire basic education as well as job skills. Usually offered on a flexible and compressed time schedule, these programs help students quickly gain the fundamental skills and knowledge necessary for them to transition to longer-term educational or job training programs. Bridge programs typically

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train clients for occupations that are demanded by local employers. **Illinois** created a general educational development (GED) bridge program that offers basic educational instruction as well as prepares clients for careers in the manufacturing industry. The program uses a GED curriculum that incorporates manufacturing terms and concepts within the instruction and is funded through the Governor’s Critical Skills Shortage Initiative.¹³ By integrating education and skills training in this manner, states can include individuals in TANF work participation rates.

Integrated Language Instruction. Many TANF clients and low-wage workers have limited English skills, making it difficult for them to enter the workforce and advance to jobs with higher salary levels. Working immigrant families are approximately twice as likely as native-born families to be poor or low income.¹⁴ Integrating language instruction with employment preparation training can be an effective way to help adults acquire the language skills they need to advance in the workforce. Workers learn specific skills to prepare them for high-demand occupations, increase their English literacy levels, and improve their communication skills.

Examples of integrating language instruction with occupational training are career pathway programs developed by Portland Community College in **Oregon**. Through a partnership program known as the Regional Workforce Training Team, the college offers ESL instruction in conjunction with training for careers in health care, office skills, food services, and entry-level high-technology manufacturing. The program incorporates strong links to local employers, provides an internship for students to gain hands-on work experience, and uses a vocational ESL format to provide both language and job skills training to students.

The new federal TANF regulations stipulate that ESL and ABE instruction cannot be counted as stand-alone activities; such instruction must be delivered as a component of another countable work activity. In the preamble of the regulations, HHS states that English-as-a-second-language or adult basic education instruction can be incorporated or “embedded” in vocational education training if it prepares clients for employment in specific occupations and is of limited duration.¹⁵ Similarly, ESL and ABE instruction can count toward federal work requirements when these activities are part of on-the-job training provided by an employer in the workplace, job skills training, education directly related to employment, or satisfactory attendance at a secondary school.

Career and Work Readiness Credentials

Career and work readiness certificates are portable credentials indicating that the holder has skills and abilities valued in the labor market. Obtaining a certificate depends on demonstrated competencies of interest to employers, not education level. Career and work readiness certificates are awarded based on an assessment of a person’s ability to understand written information, apply mathematics and reading in workplace situations, follow directions, and use other “soft skills” (e.g., interpersonal and communication skills). Credentials also provide employers with information about the specific skills a potential employee may have, helping to ensure the “trainability” of workers. In addition, career and work readiness credentials are increasingly recognized and valued by employers. Individuals can obtain such certificates through a wide variety of organizations such as one-stop career centers, community colleges and community-based organizations.

Career and work readiness certificates can help low-skilled workers qualify for employment offering higher wages and advancement potential. They also provide a valuable credential for

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welfare clients, though they are not specifically designed for this population. With almost half of all welfare clients lacking a high school diploma, opportunities to acquire credentials are increasingly important for TANF recipients to succeed in the labor market.¹⁶ States with existing work readiness programs are well-positioned to incorporate the acquisition of the credential into their TANF program. For example, TANF clients could pursue certificates while enrolled in job readiness or job search activities or at the completion of a community service or work experience activity. Other states could include TANF agencies in discussions when developing credential programs.

States have adopted several different types of career and work readiness credentials based on employer and industry-accepted standards. One of the most prominent credential programs is the WorkKeys system administered by ACT, a national education organization. WorkKeys provides skill profiles of more than 12,000 U.S. occupations and offers computer-based skill assessments for individuals in 10 broad areas of interest to employers. The **Louisiana** Workforce Commission worked with business leaders to create industry-specific curricula and certifications based on WorkKeys.¹⁷ Another credentialing program is the Career Readiness Certificate (CRC). The CRC is based on a WorkKeys skill standard and was established by the [Career Readiness Certificate Consortium](#). The [National Work Readiness Credential](#) (NWRC) is a project of the U.S. Chamber of Commerce.¹⁸ Originating from the work of **Florida, New Jersey, New York, Rhode Island, Washington,** and the **District of Columbia**, NWRC is a Web-based assessment that can be offered to individuals through several partners, including businesses, testing centers, community colleges, and one-stop career centers. Individuals who obtain the credential have met common, business-defined standards of work readiness.

Postsecondary Education

One way to help TANF clients and low-skilled workers advance out of the low-wage labor market is through postsecondary education. According to the U.S. Bureau of Labor Statistics, occupations requiring postsecondary education will account for 42 percent of all job growth in this decade.¹⁹ Census data also indicate that women with an associate's degree earn more than twice as much as those without a high school diploma.²⁰

To create the best prospects for success, states will want to pay attention to several areas when structuring postsecondary opportunities for both TANF recipients and low-skill workers, including:²¹

- helping students navigate the financial aid process and securing sufficient resources to fund their studies;
- ensuring students have opportunities to develop work experience;
- helping students balance work and school;²²
- creating more nontraditional course formats, such as short-term certificate programs or modular programs with open-entry and open-exit policies, that offer students flexibility; and
- developing bridge programs between noncredit and credit courses.

State policymakers can adopt initiatives that make it easier for low-skilled, low-income individuals to attain education and training that will enable them to compete for better-paying jobs and support their families. For example, state policymakers can establish or expand need-

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based financial aid for working adults enrolled part time in vocational education, two-year degree, and four-year degree programs. **Pennsylvania's** [Workforce Advancement Grant for Education](#) program provides up to \$3,500 per year for adult students pursuing education and training in more than 150 identified high-demand occupations.

Several states have developed promising approaches to engage TANF recipients in postsecondary education. CalWORKs, the **California** TANF program, helps welfare recipient students and those transitioning off welfare through coordinated student services at community colleges, including work study, job placement, child care, and curriculum development services. **Kentucky's** [Ready-to-Work](#) (RtW) program provides services to TANF clients who are enrolled at community and technical colleges and annually serves approximately 2,000 students.²³ Services include case management, aggressive advising and career counseling, and help accessing campus and community based services. In addition, students can receive TANF funded support services such as transportation and child care. An important component of RtW is an opportunity for clients to work in the public or private sector in the field of their study. Students can earn up to \$2,500 per year without reducing their TANF cash benefit.

Like California and Kentucky, many states allow TANF recipients to participate in postsecondary education activities, particularly at the community and technical college level. States included these activities within their definition of vocational education training so they could count such clients in their work participation rate (for up to 12 months). The new federal TANF regulations now prohibit states from counting clients enrolled in baccalaureate or advanced degree programs in the federal work participation rate, though two-year and certificate programs remain countable activities. States can still support TANF clients who are seeking four-year degrees, but their participation will not count toward the state's work participation rate. To meet work participation requirements, states can encourage students to enter vocational education activities or, when combined with work, education directly related to employment (after 20 hours in a core activity).^{*} States may want to target postsecondary opportunities to TANF recipients who demonstrate a strong academic foundation and serious commitment to completing programs.

States can also help welfare clients enrolled in four-year degree programs through solely state-funded programs. These programs use general revenue dollars that do not count toward a state's required maintenance-of-effort (MOE) spending under federal TANF requirements. Because solely state-funded programs are supported through funds that are not MOE or TANF dollars, federal work requirements do not apply. This can provide states some flexibility in designing programs and activities for welfare clients outside of federal requirements.

Launching Careers to Higher-Paying Jobs

By developing programs that offer a “launching pad” to the workforce, states can help TANF clients and low-wage workers attain critical elements needed for successful careers and advancement, such as references, work histories, and awareness of workplace norms. States can design different programs to assist adults with varying needs, skills, and abilities – all of which

^{*} To count in the state's work participation rate, clients can only enroll in vocational education activities for a maximum of 12 months. In addition, only 30 percent of the TANF caseload can participate in vocational education activities. Few states have reached these limits in the past.

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provide an opportunity for participants to gain experience in the workforce and move forward in a career.

States can provide TANF clients with starting points in the labor market through activities that count toward federal work participation rate requirements, including unsubsidized employment, subsidized private- or public-sector employment, and on-the-job training. By structuring programs and training within the context of federal regulations, both states and TANF families benefit through increased work participation rates and opportunities leading to higher-paying jobs. Many of these strategies can also benefit low-wage workers as they gain the skills needed to advance in the labor market. Strategies and partnerships that help build a solid foundation for careers include:

- emphasizing effective job search and job placement practices that focus on occupations and industries offering opportunities for advancement;
- providing subsidized employment through transitional jobs programs that offer paid work experience, support services, and case management to help individuals successfully move toward unsubsidized jobs; and
- developing career pathways that help workers advance to higher-paying jobs by increasing their skill levels through training.

Starting with Quality Jobs and Moving Upward

Job type and characteristics can affect employment retention and advancement among workers. By encouraging TANF recipients and low-wage workers to seek higher-quality jobs with better pay and benefits rather than the first job offered to them, states can help reduce welfare recidivism rates and improve the well-being of families. States face pressure to quickly move TANF clients into employment; however, strategies that focus on higher-quality jobs often lead to better financial outcomes and longer job retention.²⁴ Studies show that former TANF recipients who received employer-sponsored health insurance were more than twice as likely to remain employed after two years, compared with employees without such benefits.²⁵

Although clients have limited time to engage in job search and job readiness activities under federal TANF requirements, states can encourage local offices and contractors to design programs that help clients understand the benefits of initially finding employment in industries that offer higher wages.²⁶ Studies have found that clients working in transportation, utilities, construction, and manufacturing are more likely to advance to higher-wage employment and retain jobs longer than are clients who are first employed in other industries.²⁷ Similarly, job search programs should stress that industry type, company size, turnover rates, and training opportunities are good predictors of advancement potential within a company. Self-directed job searches may be appropriate for clients with ample work experience, but most TANF recipients benefit from activities that are more structured and include opportunities to receive feedback and guidance.

Strategic job changes can also help TANF clients and low-wage workers advance more rapidly into higher-paying positions and remain attached to the labor market. Individuals who purposefully change jobs for higher pay generally have higher rates of wage growth than those who remain employed with the same organization.²⁸ Retention in the labor market is fostered

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through strategic job changes, with clients gaining skills and knowledge, increasing earnings, and developing the personal tools needed to advance in the workforce.

A key factor in successful job search and job readiness programs is that they are linked to local employers. By understanding the needs and characteristics of the local labor market, staff in job search programs can help steer clients towards job opportunities that match their skills and abilities and offer higher wages and benefits. Providing support services, such as transportation and child care, also helps clients more actively participate in job search and job readiness programs and can help clients transition more successfully into new jobs.

Providing Transitional Jobs

Many welfare recipients do not have the work skills or experience needed to compete effectively in the labor market. Subsidized employment opportunities can help clients acquire the knowledge and experience necessary to advance in the workforce. While the work setting and structure vary, transitional jobs are one of the more successful models to help TANF clients develop critical work experience through subsidized employment.

Transitional jobs typically provide participants with paid, temporary work experience and are offered to clients with lower skill levels who cannot secure unsubsidized employment on their own. States can develop transitional jobs where program participants work in public, nonprofit, or private-sector organizations. In addition, many transitional job participants work in organizations that fill critical needs in their community. An important component of transitional jobs programs is the support services participants receive while working, such as case management, close supervision, and life skills and job readiness training.

Georgia developed the GoodWorks! Program, a transitional employment initiative that serves TANF clients with identified challenges (e.g., substance abuse issues, mental health concerns, or criminal backgrounds). Individuals also cannot be participating in work or a training activity. Clients work in a temporary, entry-level job typically for six to nine months in various positions, such as customer service, health care, and food service. After gaining valuable skills and work experience, clients are then linked to permanent jobs. GoodWorks! began in 1999 through an \$18.6 million allocation in TANF funds to design and implement the program. An evaluation found that the program serves as an important first step in helping clients link to the workforce and that TANF recipients with multiple needs can be successful in the labor market when offered support services.²⁹

Although transitional jobs programs can be costly to implement and bring to scale, initial research and state experiences point to successful outcomes and suggest this is a promising area of activity. In **Washington**'s transitional jobs program, [Community Jobs](#), 72 percent of the participants found employment with the average income of program completers increasing 60 percent during their first two years in the workforce. In addition, income levels for program participants were 148 percent higher than before enrolling in the program.³⁰ In response to the new TANF regulations, the program will double the number of available slots for clients and engage participants in 30 hours of activities to count individuals in Washington's work participation rate. New programs will also offer community service and work experience opportunities to prepare clients for activities in the transitional jobs program.

Transitional jobs are more effective when programs pay clients instead of allowing them to "work off" their cash assistance.³¹ By paying participants, individuals can qualify for the Earned Income

Tax Credit and other tax credits to help increase their income level. In addition, transitional jobs more closely resemble regular unsubsidized employment when participants receive wages.³² Within the transitional jobs model, subsidies are provided to employers to cover all or some of the wages, benefits, and other costs of employing a TANF client.

Other strategies for maximizing the effectiveness of transitional jobs programs include using appropriate settings, focusing on employment in demand occupations, and offering education and training components.

- **Using Appropriate Settings.** Private firms are likely to provide an experience that more closely resembles unsubsidized employment and, consequently, may afford TANF recipients more opportunities to acquire marketable job skills. Public agencies, community groups, or nonprofit organizations, however, reportedly have more flexibility in the types of transitional jobs they develop, enabling them to customize activities for hard-to-serve customers.
- **Focusing on Employment in Demand Occupations.** Programs should offer participants the chance to gain skills demanded by local employers. Moreover, various transitional job placements should be offered so participants can gain experience in occupations that are suited to their interests and abilities.
- **Offering Education and Training Components.** Offering ABE, GED, or ESL instruction in conjunction with job skills training can help clients gain the critical skills needed to advance in the labor market. Programs should ensure education and training components are offered at the worksite or help participants with transportation issues. Other support services such as child care should also be offered to participants to encourage full participation.

Developing Career Ladders

Career ladders or pathways are formal programs that help prepare low-wage workers for higher-wage employment through education and training. After completing each training program or module, participants are connected to higher-level job opportunities. Although career pathway programs differ in their composition, they typically offer basic skills instruction, entry-level training opportunities, internships and employment opportunities, and access to advanced training to upgrade skill levels. Each “rung” on the career ladder is developed to specifically prepare individuals for higher levels of education and employment.

Career ladder programs typically operate in the private sector within a single industry, involve several employers, and enable workers to advance to higher-level positions among multiple organizations. Career ladders involve long-term commitments from all partners regarding funding and program development. By offering a way to increase wages and advance in a career, the programs not only help low-wage workers, but also help employers with recruitment and retention issues. Employers can contribute substantially to career pathway programs by providing employees with release time to attend educational or training activities, reimbursing employees for tuition expenses, helping design training programs, and donating resources.³³

Since these education and training programs are tied directly to employment, TANF clients who enroll in career ladder programs can meet federal work participation requirements through the core activities of unsubsidized employment and on-the-job training. Enrollment in a career

pathway program can also count toward federal work requirements under the non-core activity of job skills training directly related to employment (after a client first participates in 20 hours of a core activity as defined by federal regulations).

States can initiate and support career ladders through different means, including convening members of the private sector, workforce investment boards, workforce intermediaries, and other key stakeholders to promote efforts. States can also support career ladder initiatives by committing public funds and by collaborating with private and philanthropic organizations.

Helping Clients Succeed at Work Through Collaborative Efforts

In April 2006, **Michigan** launched the [Jobs, Education and Training](#) (JET) pilot program to help reduce welfare recidivism rates and provide the support services TANF families often need to become self-sufficient. The Michigan Departments of Human Services and Labor and Economic Growth jointly developed JET to help welfare clients become permanently attached to the workforce. Under the pilot, TANF clients receive diverse services, including up-front assessments to determine the needs of the individual and family, expanded training and education opportunities to increase skill levels, and post-employment support services for up to 180 days. Single family plans are developed and updated among one-stop career centers, local departments of human services, and other partners to deliver services that are most beneficial for TANF families. The program is being expanded in 2007 to additional counties, which will serve 50 percent of the state's TANF population when combined with the initial pilot sites.

Several states have developed career ladder programs for low-income individuals and TANF recipients. The [Arkansas Career Pathways Initiative](#) uses TANF funds to create and implement specific career pathway programs at two-year colleges. Coordinated by the Arkansas Department of Higher Education, the initiative provides training to low-income individuals who often face barriers to completing postsecondary education courses. TANF clients are included in the group of individuals targeted for assistance through the program. Qualified individuals can receive free classes, soft skills training, child care, and transportation assistance. The nursing pathway, for example, enables students to earn a certified nursing assistant certificate in as few as six weeks and then advance to a licensed practical nurse or registered nurse program.

The [Minnesota Pathways Program](#) works with business and education institutions that have partnered to develop training programs, new jobs, and career advancement opportunities for TANF clients transitioning off the system and other low-income clients. Preference for grants is given to programs offering full-time jobs

with benefits and defined career paths for advancement. Research on graduates from one of the customized training programs indicated clients earned hourly wages that were 19 percent higher than those who were served by a program that only provided job search and supportive services.³⁴

The [Extended Care Career Ladders Initiative](#) (ECCLI) in **Massachusetts** provides training opportunities for individuals to become direct care workers for nursing homes, home health aid facilities, and other organizations. State funds have been used to support ECCLI, with more than 400 entry-level workers completing at least one career ladder training activity and receiving a salary increase since the program began.³⁵

Providing Ongoing Support to Working Families

A wide range of benefit programs can offer critical support to low-income workers and TANF families as they bridge low-wage work and living expenses, including food stamps, Medicaid, child care, and children’s health insurance. These benefits, along with earnings supplements and tax credits, can act as a critical safety net for families during economic downturns. By tying receipt of such support services to employment, work becomes a more financially attractive alternative than public assistance. In addition, policies that disregard a portion of earned income when determining cash assistance levels can encourage TANF clients to work. States can craft policies to maximize the benefit of earnings supplements, earnings disregards, work supports, and tax credits to better enable TANF clients to remain attached to the labor market and advance in a career.

Earnings Supplements

Earnings or work supplements are one means of assisting families as they transition off welfare. To help families make ends meet, states can provide earnings supplements through small cash bonuses, monthly grants, or a combination of the two. Research findings show that financial incentives can promote stable employment, though states face costs when implementing such programs. Both states and families can benefit from earnings supplements by increasing overall income levels and by retaining employed TANF clients in state work participation rates.³⁶ Most states that have implemented earnings supplements offer monthly payments of between \$100 and \$200 for six to 24 months.

States can fund earnings supplements using state MOE or federal TANF dollars. If TANF funds are used, clients will have federal time limits and child support requirements applied to their case. However, by only using state MOE dollars to support programs, clients can be rewarded for work without facing a reduction in allowable time to obtain cash assistance under federal law.

The **Arkansas** Work Pays program offers a monthly stipend of approximately \$200 to families that have left the TANF cash assistance program because of work but need additional support.

Up-Front Programs to Help Families

Several states have developed up-front programs to assist families before entering the TANF program or to help families avoid welfare by finding employment. Programs can provide cash assistance and support services as well as create appropriate employment plans to help meet client needs.

Minnesota’s [Diversionsary Work Program](#) provides benefits for up to four months to TANF-eligible families that have *not* been on the state’s welfare program in the past year. The program is structured as non-assistance, with payments provided directly to landlords and utility companies instead of families. Parents who do not find employment within four months are referred to the state’s TANF program for enrollment.

Pennsylvania’s Work Support Component provides support to families before entering the TANF program. Structured as nonassistance, the program provides cash benefits to clients for up to four months while they participate in job readiness and job search activities. The program aims to prepare clients for work and helps ensure clients entering the TANF program are already engaged in countable work activities under federal regulations. Families are automatically transferred to TANF, if needed, once reaching the program’s time limit.

The program also offers assistance with job retention and advancement issues, helping clients gain valuable experience in the labor market.³⁷

Research evaluating the effectiveness of earnings supplement programs shows the greatest impact on earnings and job stability for highly disadvantaged clients. In addition, clients with lower levels of education and work experience often benefit the most from receiving supplements while working.³⁸ Work supplements are most effective if they are tied to full-time employment or other work requirements. States may want to weigh the costs and benefits of targeting these services to a narrow group of TANF clients in order to help the most disadvantaged families increase their self-sufficiency.

Earnings Disregards

Most states disregard a portion of an individual's wages when determining ongoing eligibility for TANF cash assistance or benefit levels. The disregarded amount of wages provides an incentive to work because it enables individuals to earn money through employment and still receive TANF cash assistance. When determining cash benefit levels, states can disregard a proportion of wages, a flat dollar amount, or a combination of the two. Disregards typically apply until the family's income level is greater than the financial eligibility standards established by the state to receive assistance. An enhanced earnings disregard policy can also help states meet federal work participation requirements. Because clients earn more through both work and cash assistance, clients are more likely to be employed and included in a state's work participation rate. **Illinois** established a two-thirds earnings disregard; only one out of every three earned dollars is counted against a family's cash assistance benefit. The earnings disregard is applied so long as clients work at least 30 hours per week. Clients also are supported through MOE funds if they work at least 30 hours per week; in these cases, federal time limits on the receipt of cash assistance would not apply.

Work Support Benefits

Work support programs, such as food stamps, Medicaid, children's health insurance, and child care assistance, provide critical resources for low-income families. States can help TANF clients and other low-income workers by:

- investing resources to increase the availability of such work support benefits as child care and transportation assistance;
- improving access to work support benefits; and
- offering work expense allowances to help individuals pay for employment-related expenses.

For many TANF and low-income families, work-related expenses can consume a large proportion of family income. Findings from a research study show that among working poor families headed by a single mother who paid for child care services, 40 percent spent at least half of their income on child care expenses.³⁹ States can help low-income working clients by increasing such work support benefits as transportation and child care assistance. For example, in state fiscal year 2006 **Wisconsin** spent 52 percent of federal and state TANF dollars to provide assistance for child care expenses. The state is expected to spend 58 percent of TANF dollars for child care in state fiscal year 2007. Like Wisconsin, many states also directly spend TANF funds to assist low-income families not receiving cash assistance with child care expenses. Investing additional resources in

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work support benefits can be difficult for states, particularly during economic downturns when they must operate under tight fiscal conditions. However, investments in work allowances and benefits, particularly assistance with child care and transportation costs, can help improve employment retention and outcomes for TANF clients and other low-wage workers.

States can also take steps to improve access to benefits for low-income families, an important part of helping working families receive services that can help them stay employed. Streamlining benefits and increasing outreach efforts also assists families that could gain from receiving multiple services. States can take several steps to streamline and integrate programs, including:

- using the Internet to develop online screening tools, benefit calculators, and applications for multiple programs;
- integrating access to services through call centers and local organizations;
- aligning policies pertaining to eligibility, verification, and renewal processes to improve coordination among work support programs;
- developing a single application for multiple benefits; and
- allowing families to report information via fax, telephone, and the Internet to simplify recertification and renewal processes.

Several states have developed comprehensive approaches by increasing outreach, bundling services, simplifying benefits, and using technology to improve access to work support benefits. **Florida** has adopted various strategies to modernize the state's model for delivering support services to families in response to changes in customer needs and a legislative directive. Under the new system, [ACCESS Florida](#), families can apply for benefits in multiple ways—mail and fax, community partners, online applications, customer call centers, and Florida Department of Children and Families offices. For more information on how states can increase access to work support benefits for families, see the NGA Center for Best Practices Issue Brief [Improving Access to Benefits for Low-Income Families](#).

Earned Income and Child Tax Credits

The federal Earned Income Tax Credit (EITC) is one of the largest and most effective antipoverty programs in the nation. Census data indicate that approximately 4.4 million people, including 2.4 million children, were lifted out of poverty in 2003 because of the federal tax credit.⁴⁰ Several research studies have concluded that EITC has helped increase employment among low-skilled workers, particularly current or former TANF cash assistance recipients.⁴¹ The tax credit aims to help working adults who earn approximately \$36,000 or less per year by offering a credit to offset owed income tax. The amount of the credit varies depending on the worker's wages, family size, and marital status. In 2006 the maximum credit was \$4,536 for a family with two or more children and \$2,747 for a family with one child.⁴²

States can also enact a state earned income tax credit that is typically set as a percentage of the federal EITC. Including the District of Columbia, 20 states have created a state EITC with annual benefits expected to exceed \$1.5 billion.⁴³ States can support refundable portions of state EITCs using federal TANF block grants, state maintenance-of-effort dollars, and general funds. State EITCs can be a more attractive option than an earnings supplement for TANF clients because of the equity in assisting all low-income workers regardless of welfare receipt. However, it can be cost prohibitive to enact or result in revenues foregone. Moreover, states do not benefit from an

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increase in TANF work participation rates. From 2001 to 2004, **New York** significantly expanded the state EITC program, paying approximately \$682 million in refundable tax credits to about 1.35 million low-income working families.⁴⁴ The state also expanded the state EITC to offer support to young, noncustodial working parents.⁴⁵

Although the EITC can provide a significant income boost, as many as 20 percent to 30 percent of eligible individuals do not claim the credit while others rely on costly tax preparation services. To overcome these barriers, states can:

- increase awareness of the EITC through coalitions, advertisements, the Internet, and the private sector;
- support free tax preparation services by linking families to resources and by using state dollars to increase the number of available programs; and
- link the EITC to other asset development strategies, such as financial literacy, credit counseling, and savings accounts.

Many state leaders are working to raise awareness of both the EITC and free services that help families apply for the credit. For example, **Arizona** Governor Janet Napolitano created a task force on the EITC to help improve free tax preparation services and increase the number of adults who apply for the credit. For more information on other state efforts, see the NGA Center for Best Practices Issue Brief [*State Efforts to Support Low-Income Families and Communities Through the Earned Income Tax Credit*](#).

Conclusion

Many individuals have difficulty leaving welfare on a permanent basis and achieving economic self-sufficiency. In addition, many families continue to live in poverty despite working. With the TANF reauthorization, states have renewed capacity to craft programs and policies that give TANF clients and other low-income workers opportunities to acquire basic skills and education that will help them secure higher-paying jobs. The reauthorization also affords states flexibility to provide benefits and services that support employment and help ensure labor force attachment. Through these efforts, governors can strengthen the employment outcomes and brighten the futures of TANF and low-income families.

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Notes

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² The Annie E. Casey Foundation, “Over Half of Low-Income Children Live with a Parent Who Works Regularly,” Data Snapshot, Number Three (Baltimore, Md.: The Annie E. Casey Foundation, November 2006), 1.

³ Jodie Levin-Epstein and Webb Lyons, *Targeting Poverty: Aim at a Bull’s Eye* (Washington, D.C.: Center for Law and Social Policy, August 2006), 4.

⁴ For more information on the reauthorization, see the NGA Center for Best Practices Issue Brief *The Wait is Over, the Work Begins: Implementing the New TANF Legislation*.

⁵ The Urban Institute, *Issues in TANF Reauthorization* (Washington, D.C.: The Urban Institute, May 19, 2003).

⁶ Holzer and Martinson, 3.

⁷ Pamela Loprest, *Fewer Welfare Leavers Employed in Weak Economy* (Washington, D.C.: The Urban Institute, August 21, 2003), 1.

⁸ Lisa M. Lynch, *Labor Market Intermediaries for the Training of Low-Wage Workers* (Medford, Mass.: Fletcher School of Law and Diplomacy, June 2000).

⁹ Gayle Hamilton, *Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies* (New York, N.Y.: MDRC, July 2002), at: <http://www.mdrc.org/publications/52/summary.html>.

¹⁰ Julie Strawn, “Why Congress Should Expand, Not Cut, Access to Long-Term Training in TANF” (Washington, D.C.: Center for Law and Social Policy, February 10, 2004).

¹¹ Clients can only enroll in vocational education for up to 12 months. In addition, only 30 percent of the recipients included in the federal work participation rate can be enrolled in vocational education activities. However, most states have not reached the 30 percent threshold.

¹² Marieka Klawitter, *Effects of WorkFirst Activities on Employment and Earnings* (Seattle, Wash.: University of Washington, Daniel J. Evans School of Public Affairs, September 2001), at: www.WorkFirst.wa.gov/about/studyACTIV.pdf.

¹³ “Governor Blagojevich Announces \$220,000 in Funding to Address Critical Shortage of Industrial Workers in Northwest Illinois,” press release of the Office of Illinois Governor Rod Blagojevich, Springfield, February 22, 2006, 1.

¹⁴ Randy Capps et al., “A Profile of Low-Income Working Immigrant Families,” *New Federalism, National Survey of America’s Families, Series B, No. B-67* (Washington, D.C.: The Urban Institute, June 2005), 2, at: http://www.urban.org/UploadedPDF/311206_B-67.pdf.

¹⁵ Information included in the new TANF regulations regarding how long clients can enroll in a GED and an ABE course that is integrated into an employment-related activity remains somewhat unclear. The U.S. Department of Health and Human Services is expected to clarify this information in the final regulations.

¹⁶ Center for Law and Social Policy and Center on Budget and Policy Priorities, *Implementing the TANF Changes in the Deficit Reduction Act: “Win-Win Solutions for Families and States*, 2d. ed. (Washington, D.C.: Center for Law and Social Policy and Center on Budget and Policy Priorities, January 30, 2007), 34.

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¹⁷ For more information on the use of WorkKeys in Louisiana, see <http://www.act.org/workkeys/initiatives/louisiana.html> for more information.

¹⁸ For more information on the National Work Readiness Credential, see <http://www.workreadiness.com/index.html>.

¹⁹ Daniel Hecker, “Occupational Employment Projection to 2010,” *Monthly Labor Review* (Washington, D.C.: U.S. Department of Labor, Bureau of Labor Statistics, November 2001), 1.

²⁰ Strawn.

²¹ Lisa Matus-Grossman and Susan Gooden, *Opening Doors—Students’ Perspectives on Juggling Work, Family, and College* (New York, N.Y.: MDRC, July 2002), ES-5.

²² A study of a community college program in California found that TANF students needed to maintain light workloads to prevent employment from interfering with their studies. See Fein and Beecroft, *College as a Job Advancement Strategy: Final Report on the New Visions Self-Sufficiency and Lifelong Learning Project* (Bethesda, Md.: Abt Associates, January 2006).

²³ For more information on Kentucky’s Ready-to-Work program, see <http://www.kctcs.net/readytowork/about.html>.

²⁴ Hamilton.

²⁵ Heather Boushey, “Staying Employed after Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth,” EPI Briefing No. 128 (Washington, D.C.: Economic Policy Institute, June 2002).

²⁶ Clients are limited to participating in job search and job readiness activities for six weeks per year, with only four consecutive weeks permitted. Substance abuse treatment, mental health treatment, and rehabilitative activities also are included in this activity category. Under specific provisions in the Social Security Act and corresponding regulations, however, some states can qualify as “needy states” and extend job search and job readiness programs to 12 weeks in a fiscal year. For more information, see Elizabeth Lower-Basch, “Two-Thirds of States Qualify as ‘Needy States’ for Extended Counting of TANF Job Search and Job Readiness Assistance” (Washington, D.C.: Center for Law and Social Policy, July 25, 2006), at: <http://www.clasp.org>.

²⁷ Harry Holzer, “Encouraging Job Advancement Among Low-Wage Workers: A New Approach,” Policy Brief: Welfare Reform & Beyond, No. 30 (Washington, D.C.: The Brookings Institution, May 2004), 3.

²⁸ Fredrik Andersson, Harry Holzer, and Julia Lane, *Moving Up or Moving On: Who Advances in the Low-Wage Labor Market?* (New York, N.Y.: Russell Sage Foundation, 2005).

²⁹ Michelle Derr, LaDonna Pavetti, and Angelina KewalRamani, *Georgia GoodWorks! Transitional Work and Intensive Support for TANF Recipients Nearing Time Limits* (Princeton, N.J.: Mathematica Policy Research, December 2002), 13–15.

³⁰ Erin Burchfield, *Community Jobs Program Moves People from Welfare to a Career Track: Outcomes Assessment Summary* (Seattle, Wash.: Economic Opportunity Institute, April 2002).

³¹ Marie Cohen, *Work Experience and Publicly-Funded Jobs for TANF Recipients*, WIN Issue Note, vol. 2, no. 12 (Washington, D.C.: The Finance Project, September 1998).

³² Ibid.

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Low-Income Families**

- ³³ Davis Jenkins and Christopher Spence, *The Career Pathways How-To Guide* (Brooklyn, N.Y.: Workforce Strategy Center, October 2006), 20.
- ³⁴ National Results Council, *Ways to Work: Off Welfare and Out of Poverty* (Minneapolis, Minn.: National Results Council, 2001).
- ³⁵ For more information on the Extended Care Career Ladders Initiative, see the Web site of the Commonwealth Corporation at <http://www.commcorp.org/eccli/index.html>.
- ³⁶ Charles Michalopoulos and Gordon Berlin, “Financial Work Incentives for Low-Wage Workers,” in *New World of Welfare*, ed. by Rebecca Blank and Ron Haskins (Washington, D.C.: The Brookings Institution Press, 2001), 270.
- ³⁷ Artee Williams, director of the Arkansas Department of Workforce Services, “Post-Employment Assistance: Helping Low-Income Families and Meeting the Work Rates” (presentation at a conference of the NGA Center for Best Practices, Washington, D.C., October 10–11, 2006).
- ³⁸ Charles Michalopoulos, *Does Making Work Pay Still Pay?* (New York, N.Y.: MDRC, August 2005).
- ³⁹ Richard Wertheimer, *Poor Families in 2001: Parents Working Less and Children Continue to Lag Behind*, Research Brief Publication No. 2003-10 (Washington, D.C.: Child Trends, May 2003), 3.
- ⁴⁰ Robert Greenstein, “The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor” (Washington, D.C.: Center on Budget and Policy Priorities, August 17, 2005), 3.
- ⁴¹ V. Joseph Hotz, Charles Mullin, and John Karl Scholz, “The EITC and Labor Market Participation of Families on Welfare,” chap. 3 in *The Incentives of Government Programs and the Well-Being of Families*, ed. Bruce Meyer and Greg Duncan (Evanston, Ill., and Chicago, Ill.: Northwestern University and University of Chicago, Joint Center for Poverty Research, January 31, 2001), at: <http://www.jcpr.org/book/pdf/IncentivesHotzChap3.pdf>.
- ⁴² Ifie Okwuje and Nicholas Johnson, *A Rising Number of State Earned Income Tax Credits Are Helping Working Families Escape Poverty*, rev. (Washington, D.C.: Center on Budget and Policy Priorities, October 20, 2006), 3.
- ⁴³ Okwuje and Johnson, 1.
- ⁴⁴ Approximately 90 percent of New York’s EITC program is supported by state TANF maintenance-of-effort spending, comprising the largest proportion of the state’s MOE funds.
- ⁴⁵ Okwuje and Johnson, 1.