

# Workforce Development: Employment Retention and Advancement Under TANF<sup>1</sup>

## Introduction

The “work first” concept has played an important role in shaping state approaches to implementing the 1996 welfare law. Its key principles are that pre-employment education and job training are not as effective as job searches in increasing employment and earnings for unemployed, low-income parents with little or no work experience; that the best way to promote employment is to focus on immediate job placement, regardless of job quality; and that the best way for individuals to advance in the labor force is to build work histories or participate in education and training activities while working.

A review of developments since 1996 suggests both the strengths and the limitations of the work first approach. The nation has seen an unprecedented decline in welfare caseloads, much of which has been attributed to employment. However, most of the employment has been in low-wage jobs, and evidence suggests that welfare leavers experience frequent job losses and limited upward mobility.

## Statistical Portrait

Below is a portrait of the workforce characteristics of parents moving from welfare to work:

- Most adults who leave welfare are working. Many studies of welfare leavers have found employment levels in the range of 60 percent.<sup>2</sup>
- More adults are working while receiving Temporary Assistance for Needy Families (TANF) cash assistance: 28 percent in FY 1999, compared to 8 percent in FY 1994.<sup>3</sup>
- Low earnings are typical. Welfare leavers usually earn about \$8,000 to \$12,000 annually.<sup>4</sup>
- Most welfare leavers have limited access to job benefits such as health care coverage or paid sick or vacation leave.<sup>5</sup>

- While the size of the welfare rolls has fallen nationwide, racial and ethnic disparities exist in the movement from welfare to work. From FY 1996 to FY 1999, for example, the white percentage of the welfare caseload fell, while the black and Hispanic percentages both rose slightly.<sup>6</sup> There is also some evidence of disparate treatment of black, white, and Latino recipients.
- A study of welfare recipients in rural Florida found that 53 percent of white recipients left welfare for jobs, compared to 32 percent of black recipients. Furthermore, less than 8 percent of white recipients left due to non-compliance with welfare rules, compared to 22 percent of black recipients.<sup>7</sup> An analysis of Illinois data revealed similar results.<sup>8</sup>
- Research has shown that families who are sanctioned for noncompliance often have greater barriers to employment than other families receiving welfare, including low education levels, limited work experience, and disabilities and other health problems.<sup>9</sup>
- A study in two rural Virginia counties found that 59 percent of white welfare recipients, but only 36 percent of black recipients, indicated that their caseworkers were often or sometimes helpful in providing information about potential jobs. Forty-one percent of the white recipients, but *none* of the black recipients, indicated that caseworkers encouraged them to go to school.<sup>10</sup>
- A General Accounting Office study found that TANF recipients found it more difficult to enter the workforce where one or more work-impeding characteristics existed, a fact which substantiated the finding of another study by an Ohio State University researcher, that members of racial and ethnic minority groups are “significantly disadvantaged” in employment opportunities in the TANF system.<sup>11</sup>

The increase in the percentage of welfare recipients who are working and the fact that the majority of welfare leavers are employed may be attributed to a variety of factors, including a strong economy. However, the work first policies of many state TANF programs clearly have played a role in the movement of welfare recipients into the workforce and in the types of jobs and work activities that have been accessible to them. For example, the percentage of families on welfare participating in education and training fell sharply between 1996 and 1997.<sup>12</sup> Local reports also indicate steep declines in the percentage of TANF recipients enrolled in post-secondary education.<sup>13</sup>

Research findings since 1996 support the premise that TANF programs can do much more to address job quality while maintaining a strong focus on rapid entry into the workforce, through a range of approaches including improved job matching, better use of labor market information, closer links to employers, and increased access to skill-building activities.

In general, the most effective welfare-to-work programs have had a flexible, balanced approach that offers a mix of job search, education, job training, and work activities.<sup>14</sup> These “mixed strategy” programs offer more-individualized services, have a central focus on employment, have close ties to local employers, and set high expectations for participation.<sup>15</sup>

Some of these mixed-strategy programs have not only increased employment but also helped welfare recipients find better jobs than they might have otherwise. One of the best examples is Portland, Oregon’s, Steps to Success program, which provided a variety of services including job search, life skills, work-focused basic education, and occupational training.<sup>16</sup>

The Portland program increased hourly wages, job stability, access to full-time work, and access to jobs with benefits. It raised employment more effectively than work first programs and raised receipt of education and training credentials more effectively than education-focused programs. It also helped a wide range of recipients, including high school graduates and non-graduates.

Research indicates that the following factors predict *employment retention* among parents leaving welfare for work: starting off in higher-paying jobs;<sup>17</sup> working steadily, initially;<sup>18</sup> finding jobs with benefits;<sup>19</sup> and working in certain occupations.<sup>20</sup>

Factors that predict *job advancement* among adults leaving welfare for work include starting off with higher-paying jobs,<sup>21</sup> changing jobs strategically and voluntarily (but not too often),<sup>22</sup> having or acquiring higher basic skills and post-secondary education or training (includ-

ing English as a Second Language classes),<sup>23</sup> and starting off in certain occupations.<sup>24</sup>

## State Strategies & Innovations

While there has been little rigorous research to establish the effectiveness of state strategies to help welfare leavers sustain employment and obtain better jobs, some of the more common approaches are outlined below.

As of October 1999, 34 states were providing case management for at least some recipients who became employed or left cash assistance.<sup>25</sup> Thirty-one states were providing supportive services (other than health care and child care) and/or financial help or incentives aimed at employment retention.<sup>26</sup> These services most commonly included transportation aid, purchase of work clothing or tools, and payment of work-related fees. Half a dozen states were providing short-term cash payments to help cover work expenses, several offered cash bonuses for keeping or finding jobs or leaving TANF, and several provided cash payments to cover emergencies.<sup>27</sup> States have utilized both federal and state resources to fund retention services.

As of October 1999, the District of Columbia and 15 states had policies to provide post-TANF services aimed at job advancement.<sup>28</sup> They included contracting directly for education, training, employment, and career counseling services; tuition assistance; and individual training accounts.

Participation appears highest where services are provided at the worksite and during work hours. While it may be a challenge to find employers interested in collaborating to provide training for the least-skilled workers, some programs have addressed this issue by combining TANF and other funds so that training can be provided both to newly employed welfare recipients and to incumbent workers at the same workplace.

Some states have begun to reexamine services for low-income parents who are not yet working or are between jobs and to explore policies that combine a strong employment focus with greater attention to job quality concerns. In 1999 and 2000, for example, a number of states expanded access to post-secondary education or training for TANF recipients.<sup>29</sup>

These state initiatives included allowing participation in post-secondary education or training to meet most or all of a parent’s work requirement beyond the 12 months that count toward federal participation rates, using TANF funds to create additional work-study positions, creating separate state student-aid programs for

low-income parents funded with state maintenance-of-effort dollars, and stopping the federal or state time limit “clock” for recipients who are full-time students.<sup>30</sup>

Some states are using performance measures to encourage localities to match low-income parents with higher-paying and more-stable jobs. TANF performance measures set by Alaska and Washington State, for example, include wage growth and employment retention.<sup>31</sup>

## Implications for Federal Policy

The research on job training, retention, and advancement services and the steps states have taken to provide these services suggest some opportunities for federal policy:

- The purposes of TANF could be expanded to include reducing family poverty and promoting family economic well-being. In addition, it should be made explicit that the TANF goal of promoting work includes employment retention and workforce advancement.
- States could be required to describe in their TANF plans how federal TANF funds and other resources will be used to promote employment retention and advancement and to enhance family economic well-being.
- Federal measures of state performance could place a strong emphasis on poverty reduction, sustained employment, earnings growth, and higher wages. These outcome-based measures could replace federal work participation rates.
- If federal work participation rates are not replaced with outcome-based measures, states could be given broad flexibility to determine the nature of work activities, including the ability to count education and training without restrictions.
- Federal agencies should vigorously monitor state and local implementation of civil rights and employment rights protections afforded under current law, and could assist participants with vigorous enforcement when appropriate.

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## Endnotes

<sup>1</sup> Author: Nisha Patel, Center for Law and Social Policy. Adapted from Strawn, Julie, Mark Greenberg, and Steve Savner. 2001. *Improving Employment Outcomes Under TANF*. Washington, DC: Center for Law and Social Policy. Contributing editors: Kate Boyer, Rockefeller Institute of Government; Margaret Simms, Joint Center for Political and Economic Studies.

<sup>2</sup> See, for example, Gregory Acs and Pamela Loprest, *Initial Synthesis Report of the Findings from ASPE’s “Leavers” Grants* (Washington, DC: The Urban Institute, 2001); Julia Isaacs and Matthew Lyon, *A Cross-State Examination of Families Leaving Welfare: Findings from the ASPE-Funded Leavers Studies* (Washington, DC: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Administration, 2000).

<sup>3</sup> U.S. Department of Health and Human Services, Administration for Children and Families, *Characteristics and Financial Circumstances of TANF Recipients: Fiscal Year 1999* (Washington, DC, 2000); U.S. Department of Health and Human Services, Administration for Children and Families, *Aid to Families with Dependent Children: Characteristics and Financial Circumstances, October 1993-September 1994* (Washington, DC, 1995).

<sup>4</sup> U.S. Department of Health and Human Services, *Indicators of Welfare Dependence: Annual Report* (Washington, DC, 2000); Maria Cancian et al., *Before and After TANF: The Economic Well-Being of Women Leaving Welfare* (Madison, WI: Institute for Research on Poverty, 2000).

<sup>5</sup> See Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?* (Washington, DC: The Urban Institute, 1999). Studies from individual states have reached similar findings; see Christine Devere, Gene Falk, and Vee Burke, *Welfare Reform Research: What Have We Learned Since the Family Support Act of 1988, RL30724* (Washington, DC: Congressional Research Service, 2000).

<sup>6</sup> An analysis of U.S. Department of Health and Human Services data reveals that the white percentage of the caseload had been decreasing since FY 1985 and that between FY 1996 and FY 1999 it decreased even more rapidly, by 5.4 percentage points (a shift of 15 percent). Since FY 1985 the black percentage had been fluctuating between 36 percent and 42 percent; between FY 1996 and FY 1999 it increased by 1.1 percentage points (a shift of about 3 percent). The Hispanic percentage had been steadily increasing since FY 1985; between FY 1996 and FY 1999 it increased by 3.8 percentage points (a shift of about 18 percent). See Elizabeth Lower-Bausch, *Preliminary Analysis of Racial Differences in Caseload Trends and Leaver Outcomes* (Washington, DC: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, Revised December 2000). Data from the Urban Institute’s National Survey of America’s Families indicate that between 1997 and 1999 the share of TANF families reporting their race as white decreased by 9 percent, the share reporting their race as black



rose by 12 percent, and the share reporting their race as Hispanic rose by 3 percent. See Sheila Zedlewski and Donald W. Alderson, *Before and After Reform: How Have Families on Welfare Changed?* (Washington, DC: The Urban Institute, 2001).

<sup>7</sup> Florida Inter-University Welfare Reform Collaborative, *Qualitative Study of WAGES*, 1999.

<sup>8</sup> The Illinois study found that between July 1997 and June 1999, 40 percent of white families, compared to 27 percent of minority families, became ineligible for welfare due to earned income. Fifty-four percent of minority cases, but only 39 percent of white cases, closed due to noncompliance with program rules. Sarah Karp, "Work Preparation Falts: Minorities Off Welfare Get Few Jobs," *Chicago Reporter* (January 2000).

<sup>9</sup> Heidi Goldberg and Liz Schott, *A Compliance-Oriented Approach to Sanctions in State and County TANF Programs* (Washington, DC: Center on Budget and Policy Priorities, 2000).

<sup>10</sup> Susan T. Gooden, "All Things Not Being Equal: Differences in Caseworker Support Toward Black and White Welfare Clients," *Harvard Journal of African American Public Policy*, 4: 23-33 (1998).

<sup>11</sup> The following studies include race as a work-impeding characteristic: Cynthia M. Fagnoni, "Moving Hard To Employ Recipients Into The Workforce," GAO-01-368, FDCH Government Account Report, March 15, 2001, Washington, DC; Rebecca Y. Kim, "Factors Associated with Employment Status of Parents Receiving Temporary Assistance for Needy Families," *Social Work Research*, Vol. 24, Issue 4, December 2000, p. 211. Peer Reviewed.

<sup>12</sup> U.S. Department of Health and Human Services, Administration for Children and Families, FY 1996 and FY 1997 participation data.

<sup>13</sup> See, for example, Peggy Kahn and Valerie Polakow, *Struggling to Stay in School: Obstacles to Post-Secondary Education Under the Welfare-to-Work Regime in Michigan* (Flint, MI: University of Michigan, Center for the Education of Women, 2000); Robert E. Pierre, "Trading Textbooks for Jobs," *Washington Post*, December 29, 1997.

<sup>14</sup> Stephen Freedman et al., *Evaluating Alternative Welfare-to-Work Approaches: Two-Year Impacts for Eleven Programs* (Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education, 2000).

<sup>15</sup> Julie Strawn, *Beyond Job Search or Basic Education: Rethinking the Role of Skills in Welfare Reform* (Washington, DC: Center for Law and Social Policy, 1998).

<sup>16</sup> See Freedman et al., *Evaluating Alternative Welfare-to-Work Approaches*. See also George Cave et al., *JOBSTART: Final Report on a Program for School Dropouts* (New York: Manpower Demonstration Research Corporation, 1993); Daniel Friedlander and Gary Burtless, *Five Years After: The Long-Term Effects of Welfare-to-Work Programs* (Russell Sage, 1995); Amy Zambrowski and Ann Gordon, *Evaluation of the Minority Female Single Parent Demonstration: Fifth Year Impacts at CET* (Princeton, NJ: Mathematica, 1993).

<sup>17</sup> The following study found that women who began working at higher wages worked more weeks over a five-year period: Anu Rangarajan, Peter Schochet, and Dexter Chu, *Employment Experiences of Welfare Recipients Who Find Jobs: Is Targeting Possible?* (Princeton, NJ: Mathematica, 1998). The following study of women who left welfare for work in four cities found that those with higher wages were more likely to stay employed: Anu Rangarajan, Alicia Meckstroth, and Tim Novak, *The Effectiveness of the Postemployment Services Demonstration: Preliminary Findings* (Princeton, NJ: Mathematica, 1998).

<sup>18</sup> The following study found that women who worked more in the first year after leaving welfare were more likely to be employed four and five years after leaving welfare, particularly if they worked full time, all year: Maria Cancian and Daniel R. Meyer, "Work After Welfare: Women's Work Effort, Occupation, and Economic Well-Being," *Social Work Research*, 24(2): 69-86 (2000).

<sup>19</sup> Rangarajan, Meckstroth, and Novak, *The Effectiveness of the Postemployment Services Demonstration*, found that those who began jobs that offered paid vacation stayed employed for an average of 12 months at a time, compared to seven months among those without paid vacation. Similarly, those who began working in jobs that offered health insurance worked 77 percent of the following two years, compared to 56 percent for those without insurance.

<sup>20</sup> Cancian and Meyer, "Work After Welfare," found that women who began working in sales were less likely to work in the fourth and fifth years after leaving welfare than women who started in other common occupations, such as private housekeeping, building cleaning or maintenance, clerical, and private sector care (including health care and formal child care).

<sup>21</sup> Cancian and Meyer, "Work After Welfare," found that higher initial wages are linked to greater wage growth over time (four or five years), even after controlling for other work history and job and personal factors. However, the following study, which looked at lower-skilled workers more generally, did not find lower rates of wage growth at the bottom of the distribution: Tricia Gladden and Christopher Taber, *The Relationship Between Wage Growth and Wage Levels*, Working Paper 173 (Chicago, IL: Joint Center for Poverty Research, 2000).

<sup>22</sup> Several studies have found that changing jobs can be a path to higher wages for women who have received welfare. See, for example, Cancian and Meyer, "Work After Welfare"; Anu Rangarajan, *Keeping Welfare Recipients Employed: A Guide for States Designing Job Retention Services* (Princeton, NJ: Mathematica, 1998). However, involuntary job changes and more than one voluntary job change a year are associated with lower wages. See Tricia Gladden and Christopher Taber, "Wage Progression Among Less Skilled Workers," in *Finding Jobs: Work and Welfare Reform*, edited by David Card and Rebecca M. Blank (New York, NY: Russell Sage, 2000).

<sup>23</sup> The following study found that women whose initial basic skills test scores were in the top three-fourths of all scores earned about 8 percent more per hour in the fourth and fifth years after leaving welfare than those with scores in the bottom fourth: Maria Cancian and Daniel R. Meyer, *Work After Welfare: Work Effort, Occupation, and Economic Well-Being*, paper prepared for the Annual Meeting of the Association for Public Policy Analysis and Management, Washington, DC, October 1997. The study also found that post-high school education or training was strongly linked to subsequent higher wages. See also Mary Corcoran and Susanna Loeb, "Will Wages Grow with Experience for Welfare Mothers?" *Focus*, 20(2) (Madison, WI: Institute for Research on Poverty, 1999); John H. Tyler, Richard Murnane, and John B. Willett, *Cognitive Skills Matter in the U.S. Labor Market, Even for School Dropouts*, Report #15 (Cambridge, MA: National Center for the Study of Adult Learning and Literacy, 2000).

<sup>24</sup> Compared with those who began working in sales, women who started in clerical positions earned 22 percent more per hour five years later; those who began in production and manufacturing or building cleaning and maintenance earned 17 percent more per hour; and those in private care (including health care and formal child care) earned 15 percent more per hour (Cancian and Meyer, "Work After Welfare").

<sup>25</sup> Alabama, Alaska, Arizona, Arkansas, California, Florida, Georgia, Hawaii, Idaho, Indiana, Kansas, Kentucky, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin.

<sup>26</sup> Alabama, Alaska, Arizona, Arkansas, California, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maine, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Mexico, New York, North Dakota, Ohio, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, and West Virginia.

<sup>27</sup> State Policy Documentation Project, 2000, [www.spdp.org](http://www.spdp.org). The State Policy Documentation Project is a joint project of the Center for Law and Social Policy and the Center on Budget and Policy Priorities.

<sup>28</sup> In addition to the District of Columbia, the 15 states included Florida, Idaho, Maryland, Michigan, New Hampshire, New Mexico, New York, Ohio, Oregon, South Dakota, Texas, Utah, Virginia, Washington, and West Virginia.

<sup>29</sup> For a detailed analysis, see Steve Wamhoff and Julie Strawn, *Increasing Access to Post-secondary Education for TANF Recipients: An Update on State and Local Initiatives* (Washington, DC: Center for Law and Social Policy, forthcoming).

<sup>30</sup> See State Policy Documentation Project, [www.spdp.org](http://www.spdp.org). For an analysis of techniques for combining TANF with community college workforce development programs, see Susan Golonka and Lisa Matus-Grossman, *Opening Doors: Expanding Educational Opportunities for Low-Income Workers* (New York: Manpower Demonstration Research Corporation and National Governors' Association Center for Best Practices, 2001).

<sup>31</sup> Carol Clymer, Brandon Roberts, and Julie Strawn, *Stepping Up: State Policies and Programs to Promote Low-Wage Workers' Steady Employment and Advancement* (Boston, MA: Jobs for the Future, 2001).

