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WELFARE REFORM

Three States' Approaches Show Promise of Increasing Work Participation





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**Health, Education, and
Human Services Division**

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The Honorable Daniel P. Moynihan
Ranking Minority Member
Committee on Finance
United States Senate

Dear Senator Moynihan:

This report, prepared at your request, reviews states' experiences under waivers with increasing the participation of welfare recipients in work and work-related activities. The report examines the policies and programs states initiated to increase participation in such activities, determines what participation rates states have achieved under their programs, and assesses whether states are likely to meet the work participation rates specified in the new welfare law.

We are sending copies of this report to the Chairman, Committee on Finance, U.S. Senate; the Chairmen and Ranking Minority Members, Committee on Ways and Means and its Subcommittee on Human Resources, House of Representatives; the Secretary of Health and Human Services; the Assistant Secretary for Children and Families; and other interested parties. We will also make copies available to others on request.

If you or your staff have any questions concerning this report, please call me at 202-512-7215 or David P. Bixler, Assistant Director, at 202-512-7201. Other GAO contacts and major contributors to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in black ink that reads 'Mark V. Nadel'.

Mark V. Nadel
Associate Director, Income Security Issues

Executive Summary

Purpose

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) ended the individual entitlement to welfare benefits established by the Social Security Act in 1935. Under the new law, welfare benefits are time limited and recipients are required to participate in work and work-related activities. Moreover, the new law requires states to have a minimum percentage of their caseload participating in work or work-related activities to avoid a financial penalty. Even before passage of the act, many states were experimenting with ways to increase participation in work by reforming their welfare programs through waivers of Aid to Families With Dependent Children (AFDC) program rules, which allowed them to try innovative approaches beyond the rules.

To get an early indication of likely state progress in meeting work participation requirements as well as issues facing welfare administrators under the new welfare law, the Ranking Minority Member of the Senate Committee on Finance requested that GAO review (1) the policies and programs states initiated under waivers to increase participation in work and work-related activities and (2) whether states with statewide waivers achieved participation rates comparable to those specified by the new federal law.

Background

AFDC provided assistance to economically needy families with children who lacked support from one or both of their parents because of death, absence, or incapacity. Recipients typically were not required to prepare for, or look for, work and needed only to establish and maintain income eligibility to receive benefits. The federal and state governments shared the costs of AFDC. The states administered the program, and the Department of Health and Human Services (HHS) had oversight responsibility.

As welfare caseloads grew and more women with young children entered the labor force, a major theme of welfare reform debates through the years was the need to increase the employability of welfare recipients to enable them to work their way off assistance. In the 1970s, the Congress changed the AFDC program to require certain recipients to participate in activities aimed at increasing their employability. In 1988, as part of the Family Support Act (FSA), it expanded these requirements by creating the Job Opportunities and Basic Skills Training (JOBS) program to provide education, training, and employment services to welfare recipients and to make AFDC a transitional path to self-sufficiency. In an attempt to focus their welfare programs more on work and increase participation further,

many states more recently requested waivers of federal law to reform their programs. As of June 1996, HHS had granted 33 states waiver authority to test policies intended to increase the number of welfare recipients participating in work and work-related activities.

The new welfare reform law completely transforms AFDC by replacing the individual entitlement to benefits with Temporary Assistance for Needy Families (TANF) block grants to the states. In addition, the law includes several provisions to ensure cash assistance is transitional and that those receiving aid work, or prepare for work, in exchange for benefits. While states have a great deal of discretion over the design of their programs, the new law establishes a 5-year lifetime limit to assistance and requires recipients to work after 2 years of benefit receipt. Furthermore, the law requires states to achieve specified levels of recipient participation in work activities to avoid financial penalty. In fiscal year 1997, 25 percent of a state's entire caseload—the all-families rate—must be participating in work and work-related activities. The rate increases by 5 percent a year to 50 percent by fiscal year 2002. A separate and much higher minimum work participation rate is specified for two-parent families: 75 percent in fiscal year 1997 and 90 percent in fiscal year 1999. Each state's minimum participation rates are reduced by an amount equal to the percentage that the state's welfare caseload has declined since fiscal year 1995.

GAO selected Massachusetts, Michigan, and Utah to review. These states had statewide waiver programs with work requirements that were sufficiently mature to allow for analysis of participation data.

Results in Brief

The three states GAO reviewed—Massachusetts, Michigan, and Utah—initiated policy changes designed to increase the proportion of welfare recipients participating in activities intended to move them toward self-sufficiency. These states increased the percentage of those participating and, at least in the first year, are almost certain to meet the all-families participation rate specified by the new federal welfare law.

The three states changed their requirements regarding who must participate and what constitutes participation. Michigan and Utah eliminated prior exemptions, thereby requiring all recipients to participate in some activity, while Massachusetts exempted a substantial portion of the caseload, mandating only parents with school-age children to participate in a work-related activity. Utah permitted a broad range of activities to count as participation, tailoring activity to client

circumstances, while Massachusetts and Michigan limited the activities for recipients required to participate to job search, followed by a job or, in the case of Massachusetts, by community service if a job is not found after 60 days. All three states reported being able to provide the services specified in their plans to support clients in their activities. They accomplished this in different ways: by increasing available services, by limiting participation requirements to fit the available resources, or by providing lower cost services. The three states had a common strategy of strengthening sanctions for noncompliance as a tool to increase participation.

Massachusetts, Michigan, and Utah were able to engage a substantial number of welfare recipients in work and work-oriented activities. Most recipients who counted as participating were working in unsubsidized jobs, which reflects the emphasis placed on work in all three programs as well as changes to the amount of income they can earn and continue to receive benefits. Compared with prior participation in JOBS program activities, the three states achieved higher participation rates under their waiver programs.

On the basis of GAO's analysis of state participation data, it is almost certain that these three states will meet their all-families target participation rate in the first year; but according to state officials, future rates may prove more difficult to achieve. Furthermore, Massachusetts and Michigan are concerned about their ability to meet the higher two-parent families rates; and all three states are concerned about meeting the future all-families rates, which not only are higher but require more hours of work participation. State officials expressed concern that as employable recipients find jobs, the remaining caseload will consist of individuals with substantial barriers to employment, making the higher future target rates difficult to achieve.

Principal Findings

States Took Different Approaches to Increase Participation

Under waivers, many states attempted to increase welfare recipients' participation in work-related activities. The three states GAO reviewed—Massachusetts, Michigan, and Utah—took different approaches to increasing the participation of welfare recipients in work. Michigan and Utah eliminated exemptions, expecting the entire caseload to participate in some activity. In contrast, Massachusetts mandated that only parents of

school-age children participate—approximately 20 percent of its caseload. Massachusetts and Michigan emphasized work-focused activities, such as a short job search/job readiness program or simple job search; while Utah allowed a broad range of activities tailored to individual needs, including education and training.

To encourage employment, states used different strategies. First, they informed individuals early in the application process of their obligation to participate in an activity that would lead to employment. Then they monitored and tracked client progress toward that goal and offered needed supportive services, such as child care and transportation assistance. To further promote employment, the states changed incentives in the AFDC program by allowing working recipients to disregard more of their earned income in the calculation of their benefits, thereby enabling them to earn more before becoming ineligible. To help recipients who earned their way off welfare make the transition to self-sufficiency, some services such as transitional Medicaid and child care were extended beyond the 12 months required by the JOBS program. Utah diverted needy job-ready individuals from the welfare rolls by offering them a one-time payment to cover emergency expenses until they received a paycheck. Finally, these states used sanctions to enforce the participation requirements by first reducing benefit amounts for failure to participate in planned activities and, if the failure persists, terminating benefits entirely.

The three states' different approaches reflect the strategies that they believe work to help welfare recipients in their states move toward self-sufficiency; consequently, these states plan to continue their programs, with minor changes, under the new law. Michigan and Utah, which attempted universal participation, are concerned about the welfare recipients left behind after the job-ready clients become employed and leave the rolls. They believe this group, which in the past generally was exempted or deferred from participation requirements because of their multiple barriers to employment, will require intensive services to be able to participate in the activities that meet the restricted definition of work participation under the new law.

Through their waiver programs, Massachusetts, Michigan, and Utah were able to increase the percentage of their AFDC recipients participating in activities designed to move them toward self-sufficiency. Reflecting the underlying work focus of their programs, the largest percentage of all participants in each of the three states were engaged in unsubsidized employment. Counting only activities allowed by the JOBS program, GAO

compared the participation levels that these states achieved under their statewide waiver programs in September/October 1996 to the levels that they reported for their fiscal year 1995 JOBS program. GAO's analysis found that Massachusetts' participation increased from 19 to 36 percent of the adult caseload, Michigan's from 21 to 42 percent, and Utah's from 42 to 57 percent.

States Likely to Achieve Initial All-Families Participation Rate, but May Be Challenged to Meet Other Rates

GAO's analysis showed that all three states are almost certain to meet the first year all-families TANF participation rate requirement. Taking credit for their caseload reductions since 1995, Massachusetts and Michigan officials estimate that their actual target participation rate for fiscal year 1997 will be about 13 percent, while Utah officials believe their rate will be about 14 percent. Using the definition of work participation in the new law, all three states were achieving participation rates higher than their estimated target rates under their waiver programs. GAO estimates that Massachusetts was achieving an overall participation rate of 25.3 percent; Michigan, 32.6 percent; and Utah, 30.9 percent. However, officials in Massachusetts and Michigan reported they will have difficulty meeting the separate two-parent families participation rate, and officials in all three states expressed concern over their ability to meet the higher future rates. As those recipients who are able become employed and move off the welfare rolls, officials are concerned that the remaining caseload will consist of less employable recipients, making it difficult to meet the higher future participation rates. Furthermore, since these programs were implemented under favorable economic conditions, which many believe contributed to the large caseload reductions, officials are concerned that an economic downturn could limit future program success. Also, as states are left with a more difficult population to serve, they are concerned about the cost and availability of services to meet this population's multiple needs in moving toward work and self-sufficiency.

Recommendations

GAO is making no recommendations in this report.

Comments From HHS and States

GAO received comments on a draft of this report from the three case study states: Massachusetts, Michigan, and Utah. These states provided technical clarifications about their programs and additional interpretations about certain data, which were incorporated as appropriate. Comments were requested from HHS, but none were received.

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Abbreviations

AFDC	Aid to Families With Dependent Children
AFDC-UP	Aid to Families With Dependent Children-Unemployed Parent
FEP	Full Employment Program
FIS	family independence specialist
FSA	Family Support Act
HHS	Department of Health and Human Services
JOBS	Job Opportunities and Basic Skills Training
SPED	Single Parent Employment Demonstration
TANF	Temporary Assistance for Needy Families

Introduction

From fiscal years 1989 through 1994, average monthly Aid to Families With Dependent Children (AFDC) caseloads rose sharply, from 3.8 million families to 5 million. Caseloads began to decline in 1994 and in fiscal year 1996, the federal and state governments spent over \$20 billion on AFDC benefit payments for about 4.6 million families. Concerned about the growth in the number of recipients and believing that the permanent guarantee of benefits contributed to welfare dependency, the Congress fundamentally altered the nature of welfare when it passed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193). This major welfare reform law ended the individual entitlement to assistance under AFDC and replaced it with capped block grants to the states called Temporary Assistance for Needy Families (TANF), making cash benefits temporary and conditional upon work participation. The new law promotes self-sufficiency through employment and time limits, imposing obligations on welfare recipients to engage in work-related activities after 2 years of benefit receipt—or sooner if a state determines the recipient is ready to work—and limiting the length of time individuals may receive federal assistance to 5 years. The law specifies the types of activities that are considered work-related and establishes minimum yearly requirements for the percentage of each state's welfare caseload that must be participating in one of these activities.

Before enactment of the new law, many states were experimenting with work requirements for welfare recipients through waivers of AFDC program rules that the Department of Health and Human Services (HHS) approved. Section 1115 of the Social Security Act allows the Secretary of HHS to waive provisions of the act for the purpose of permitting states to innovate within the AFDC program. As of June 1996, 33 states had received waivers to test policies aimed at increasing the participation of welfare recipients in work and work-related activities.

Past Legislative Efforts to Impose Work Requirements on AFDC Recipients

AFDC provided assistance to economically needy families with children who lack support from one or both of their parents because of death, absence, or incapacity. The federal and state governments shared the costs of AFDC. States had discretion over the amount they paid to entitled individuals. They administered the program, and HHS had oversight responsibility.

Since AFDC's beginning, a number of developments have generated discontent with the program. First, by the early 1990s, close to 90 percent of all AFDC families were headed by separated, divorced, or never-married

mothers, rather than the widows who constituted most of the single-parent population when the law was passed in the 1930s. Second, employment rates for all women, including single parents and women with very young children, have increased dramatically, making it difficult to defend the equity of supporting poor mothers who are unemployed. Third, there was a rapid increase in the size of AFDC caseloads, resulting in increased costs both to states and the federal government. Finally, concern that welfare fostered dependency was fueled by research that identified a substantial portion of the caseload who remain poor and receive assistance for long periods of time.

In the late 1960s, changes were made in AFDC eligibility requirements so that certain groups of recipients were expected to take a job or participate in activities designed to enhance their employability. In addition, attempts were made to encourage work by excluding a portion of earnings from the benefit calculation—a provision known as an earned income disregard.¹ These efforts were not successful in stemming the increases in AFDC caseloads during the 1970s; and, in 1981, the Congress passed legislation that restricted the amount of money working welfare recipients could disregard from their benefit calculations, resulting in many working welfare recipients losing their eligibility for benefits.²

In 1988, the Congress passed the Family Support Act (FSA), which established the Job Opportunities and Basic Skills Training (JOBS) program to provide education, training, and employment-related activities to help recipients support their families and avoid long-term welfare dependency. However, approximately one-half of the adults receiving AFDC were exempt

¹Initially, if a person on AFDC earned a dollar, their AFDC benefit would be reduced by that amount, imposing a 100-percent marginal tax rate on earnings. This was viewed as a strong work disincentive, since working would not necessarily result in increased income.

²In a 1985 report, *An Evaluation of the 1981 AFDC Changes: Final Report* (GAO/PEMD-85-4, July 2, 1985), we estimated that these changes decreased the national monthly AFDC caseload by 442,000 cases.

from the JOBS program, usually because they were caring for a young child.³ FSA also expanded eligibility for AFDC to certain two-parent families.⁴

The JOBS program established explicit and gradually increasing participation rates that states had to achieve to receive the full federal match of JOBS funds. These participation rates allowed the federal government to promote uniform goals among states with different program models. Minimum participation requirements conveyed to both welfare program administrators and recipients that welfare receipt was conditioned on recipients' involvement in employment-promoting activities or in work itself. The JOBS participation rates started at 7 percent of the nonexempt caseload in fiscal year 1991 and rose to 20 percent in fiscal year 1995. While most states met the minimum participation rates specified under JOBS, the number of AFDC recipients actually participating was only about 13 percent of the entire adult AFDC caseload in fiscal year 1994. In addition, our previous work showed that the JOBS program was not well focused on employment, despite its objective of preparing recipients for work.⁵

Since passage of FSA, many states have been using waivers to change their AFDC programs to increase work participation and decrease welfare dependency. Waivers were designed to allow states to experiment with programs and try out policies that were not allowed under current law. States were required to evaluate these waiver programs to determine whether they were successful and, therefore, worth continuing. In the early 1990s, waiver authority was granted almost routinely to states interested in reforming their welfare programs. States that reformed their welfare programs to focus more on work and work-related activities made changes in their JOBS program participation requirements, their sanctioning policies, and their earned income disregards.

³Individuals aged 16 through 59 were exempt from the JOBS program if they were ill or incapacitated; caring for a child under age 3 (or age 1 at state option); attending high school; in the second or third trimester of pregnancy; caring for an ill or incapacitated family member; employed 30 hours or more per week; residing in an area where the program was not available; or providing care to a child under 6 and child care could not be guaranteed. Teenagers with children under age 3 and who were not in school were not exempt from JOBS.

⁴Under the original Social Security Act, two-parent families were ineligible for AFDC unless one parent was incapacitated. However, in 1961, states were given the option to extend coverage to two-parent families in which one parent was unemployed. In 1988, FSA required all states to offer an unemployed parents provision to their AFDC programs. States that did not have an AFDC-Unemployed Parents (AFDC-UP) program before FSA were allowed to place a time limit on benefits for these families. As of February 1996, 12 states had time limits on eligibility, including Utah.

⁵Welfare to Work: Current AFDC Program Not Sufficiently Focused on Employment (GAO/HEHS-95-28, Dec. 19, 1994).

TANF Work Participation Requirements

While the new welfare law gives states broad discretion over program design, states are required to meet minimum performance standards for work participation to avoid financial penalty. States are required to have 25 percent of their entire caseload participating in work and work-related activities in fiscal year 1997, a rate that will increase by 5 percent each succeeding year until it reaches 50 percent by fiscal year 2002. A second, substantially higher, participation rate applies to two-parent families: 75 percent in fiscal years 1997 and 1998, and 90 percent in fiscal year 1999 and thereafter. The required number of hours of participation each week for single heads of household is 20 hours in fiscal years 1997 and 1998, 25 hours in fiscal year 1999, and 30 hours in fiscal year 2000 and thereafter. However, if the single parent has a child under the age of 6, the parent can meet the work requirement by participating 20 hours per week. For two-parent families, one parent must participate 35 hours and, in cases where a family receives federally funded child care, the second parent must participate 20 hours. States' target work participation rates are lowered if they have had caseload reductions since fiscal year 1995.

Activities that count toward participation under the new law are oriented toward work rather than education and training. The emphasis on activities directly related to work reflects the objective of the law to involve welfare recipients in employment-promoting activities or in work itself, so that they can leave welfare and become self-sufficient. Although actual movement off welfare through employment is not counted in the participation rate, to the extent that employment results in caseload reductions, states receive credit for these terminations through reductions in the target participation rates they are required to achieve. HHS can penalize states for failing to meet the federal participation requirement. The penalty starts at 5 percent of the state's block grant amount and rises gradually to 21 percent of the grant if the state continues failing to satisfy the minimum participation requirements.

TANF funding is capped at \$16.4 billion per year through fiscal year 2002. The amount of TANF funds that a state receives is based on recent federal expenditures for that state's AFDC program. Consequently, states that spent more for AFDC in the past will receive more in TANF funds. However, states will not automatically receive additional funds should their caseloads increase. States are required to maintain at least 75 percent of their 1994 level of AFDC spending on the new program. States that fail to meet required work participation rates must maintain 80 percent of their past spending.

Objectives, Scope, and Methodology

The Ranking Minority Member of the Senate Committee on Finance requested that we review states' early experiences with increasing the participation of welfare recipients in work and work-related activities under waivers. This review would provide an early indication of states' progress in meeting work participation requirements as well as issues facing welfare administrators under the new federal law. Specifically, we were asked to examine (1) the policies and programs states initiated under waivers to increase participation in work and work-related activities and (2) whether three states with statewide waiver programs achieved participation rates comparable with those specified by the new federal law.

To determine what programs states initiated under waivers to increase the work participation of welfare recipients, we analyzed the terms and conditions of waivers, as of June 30, 1996, for all states that HHS indicated had waiver provisions related to work participation. We also reviewed three states in depth that had implemented their waiver programs statewide. The three states selected—Massachusetts, Michigan, and Utah—had programs in operation long enough to have generated data for preliminary analysis. In addition, these states took distinctly different approaches toward increasing participation. To review the strategies these states used to implement their welfare reform, we analyzed program reports and documents and met with state and local welfare officials, state employment agency officials, service providers, welfare advocates in Michigan, and program evaluators in Utah and Michigan.⁶ In addition, we met with HHS officials responsible for monitoring these states' waiver programs as well as welfare policy experts familiar with these programs. We also reviewed the published work of research organizations that studied state welfare reform efforts. To determine why some recipients do not participate, we conducted reviews of case records in Michigan and Utah. To estimate JOBS and TANF participation rates for the waiver programs in Massachusetts and Utah, we relied on aggregate data submitted to us by the states; program administrators in these states helped us interpret their data and calculate their participation rates. For Michigan, we worked with Abt Associates, the contract evaluator for the state, using data supplied by the state to calculate the participation rates.

We conducted our work between March 1996 and March 1997 in accordance with generally accepted government auditing standards.

⁶Massachusetts has yet to contract with an evaluator to do their waiver evaluation.

States Increased Participation Rates Through Different Approaches

When the Personal Responsibility and Work Opportunity Reconciliation Act was enacted, Massachusetts, Michigan, and Utah already had implemented statewide programs designed to increase the work participation rates of welfare recipients. All three states had changed their programs to be more work-focused, supporting participation in activities designed to help recipients move off the welfare rolls and into self-sufficiency. These states had changed the rules regarding the categories of recipients required to participate and the activities in which they were allowed to participate; actively encouraged participation by providing incentives and support services as well as information emphasizing the obligation to work; and enforced participation by establishing stricter sanctions for nonparticipation in agreed-upon activities. These approaches were also found in other states' waiver programs. Through their redesigned programs, Massachusetts, Michigan, and Utah increased the proportion of their caseloads participating in activities designed to promote self-sufficiency.

States Changed Participation Requirements

The three states we reviewed changed their policies regarding who must participate, as defined under their respective programs, and the activities in which they must participate, in two cases eliminating exemptions and requiring all adult AFDC recipients to engage in some activity as a condition of benefit receipt. Thus, while the JOBS program exempted many recipients from participation, both Michigan and Utah eliminated exemptions while Massachusetts strictly mandated a smaller segment of the caseload to participate than under the JOBS program. Moreover, while JOBS broadly defined the activities states could require to meet the participation requirement, Utah further expanded allowable activities, while Massachusetts and Michigan restricted activities to those more closely linked to work. Eliminating exemptions can enable states to achieve greater levels of participation by including a larger portion of the caseload. Restricting activities to those closely linked to work can enable states to more quickly move job-ready recipients into employment.

States Changed Policies Regarding Who Must Participate

The three states reviewed took different approaches to required participation. Michigan and Utah expanded participation requirements to the entire caseload as a way to increase participation, while Massachusetts required only a fraction of its caseload to engage in a work-related activity but strictly enforced the requirement in an effort to increase participation of those recipients mandated to participate. Table 2.1 and the following

Chapter 2
States Increased Participation Rates
Through Different Approaches

pages summarize the work-related policy changes made under waivers in Massachusetts, Michigan, and Utah.

Table 2.1: Work-Related Policy Changes Under Waivers in Three States

	Massachusetts	Michigan	Utah
Program name	Welfare Reform '95	Family Independence Program	Single Parent Employment Demonstration Program
Participation requirements	60 days of job search followed by a job, subsidized employment, or community service	4 weeks of job search followed by unsubsidized employment	Activity based on individualized self-sufficiency plan
Activities that count as participation	<ul style="list-style-type: none"> — Unsubsidized employment — Community service — Subsidized employment — Job search for 60 days only 	<ul style="list-style-type: none"> — Unsubsidized employment — Community service — Job search 	<ul style="list-style-type: none"> — Unsubsidized employment — Job search — Training — Education — Mental health and substance abuse counseling, among others
Exemptions	<ul style="list-style-type: none"> — Disabled or caring for a disabled person — Third trimester of pregnancy — Child in assistance unit is under mandatory full-time school-age, usually age 6, or child not in assistance unit but living with recipient is under 3 months old 	<ul style="list-style-type: none"> — VISTA volunteer — Dependent under 16 <p>(Others are deferred for reasons such as having a child under 3 months old or caring for an incapacitated household member, or being ill, under age 16, or over age 65; however, they are required to participate in a social contract activity)</p>	Children under 16
Time limit	2 years in any 5-year period for families with no children under age 2	No change	No change
Sanction process	<ul style="list-style-type: none"> Eliminate conciliation Parent's benefit removed first, then entire family's benefit eliminated 	25-percent grant reduction for 1 year, followed by termination of the entire family's benefit	Extensive conciliation/case staffing/home visit; \$100 grant reduction for 2 months, then termination of the entire family's benefit
Amount of earned income excluded from benefit calculation	First \$30 of earnings + 1/2 of remainder excluded with no time limit for families with no children under age 2; for families with children under age 2 there is no change in disregard amount but it is no longer time limited	First \$200 of earnings + 20 percent of remainder excluded with no time limit	First \$100 of earnings + 50 percent of remainder excluded with no time limit
Eliminate 100-hour rule	Yes	Yes	Yes

(continued)

**Chapter 2
States Increased Participation Rates
Through Different Approaches**

	Massachusetts	Michigan	Utah
Transitional child care (TCC) and transitional Medicaid (TM)	Eliminate requirement that recipient have received welfare benefits for "3 of last 6 months" to be eligible for TCC and TM	No change	Eliminate requirement that recipient have received welfare benefits for "3 of last 6 months" to be eligible for TCC and TM Extend TCC until family income exceeds sliding fee schedule; extend TM for 24 months if still income-eligible
Unique features	One-stop career centers AFDC benefit of families with no children under age 2 reduced by 2.75%		Postemployment services One-time diversion from AFDC

Note: VISTA stands for Volunteers in Service to America.

Utah, which has a history of work requirements for welfare recipients, achieved higher JOBS participation rates than most other states between fiscal years 1991 and 1995 and was attempting, under its waiver program, to place 95 percent of its caseload in activities that ultimately would lead to self-sufficiency. Under its Single Parent Employment Demonstration (SPED) program, implemented in part of the state in January 1993, Utah required all recipients to participate in an activity, even those with significant barriers such as drug abuse and mental health problems. Since this expansion meant working with recipients who had been exempted or deferred from participation in the past, Utah was exploring new territory in terms of what is required to enable these recipients to move toward self-sufficiency. The SPED program director believes that the greatest savings come from moving recipients with multiple barriers into employment because these are the recipients most likely to become long-term welfare recipients. Like many other states, Utah has experienced substantial caseload declines over the last several years—attributable, according to officials, in part to its good economy and low unemployment rates—freeing up resources for recipients who may need more than a strong economy and the more traditional JOBS services to help them exit welfare through employment. Utah does excuse some recipients from participation for reasons such as lack of transportation or child care, or the existence of a family medical condition or emergency; however, the program’s self-sufficiency worker and the recipient are expected to work on resolving problems so that the recipient can ultimately participate. If recipients do not participate, they are subject to sanctions and the possibility of benefit termination.

Under Michigan's Family Independence Program, established in March 1996, all adult welfare recipients have an obligation to engage in an activity leading to self-support, referred to as their social contract.⁷ In contrast to this universal participation requirement, approximately 35 percent of Michigan's recipients were exempted from JOBS participation requirements in fiscal year 1994.⁸ Although the goal is for all recipients to work, they can be deferred from job search if they are not immediately employable, for example, if they have children under 3 months of age, are under 16 years of age, are ill, or are caring for an incapacitated household member. They are, however, still obligated to participate in some activity defined in their social contract. Recipients required to participate in work activities are subject to sanctions and benefit termination for failure to participate.

In contrast to Michigan and Utah, Massachusetts mandates only a small segment of its caseload to participate in a work-related activity as a condition of eligibility for benefits. Under Welfare Reform '95, implemented starting in November 1995, recipients with children under the age of 2—that is, approximately 46 percent of the caseload on October 31, 1996—are not required to work in order to keep their benefits. Recipients with children aged 2 to 6—approximately 34 percent of the caseload—are expected to work but are not subject to sanctions for failure to participate in a work-related activity.⁹ Only recipients with school-aged children—approximately 20 percent of the caseload—are strictly mandated to work. If they fail to comply with the work requirements, they are subject to a progressive set of sanctions for continued noncompliance after which the entire benefit is eliminated.

Like Michigan and Utah, other states with work requirement waivers changed exemptions, requiring a larger portion of the caseload to participate than in the past. Eleven states, including Michigan and Utah, extended the participation requirement to include parents with children

⁷Michigan began its reform effort in 1992 with the demonstration program To Strengthen Michigan Families. Additional waivers granted in 1994 eliminated exemptions from work participation and instituted Work First, a mandatory job search program.

⁸During the period that To Strengthen Michigan Families was in effect, the state was required to report JOBS participation rates to HHS.

⁹Recipients with children between the ages of 2 and 6 who volunteer to participate in the work program and complete an employment development plan are subject to sanctions for failure to participate. Furthermore, all recipients with no children under the age of 2 are subject to a need and benefit payment standard that is 2.75 percent lower than that used for families with children under the age of 2.

under 1 year of age (see table I.1).¹⁰ In contrast, seven states, including Massachusetts, increased the age for the youngest child exemption, thereby decreasing the number of adults required to participate because of the age of their youngest child. The age for the youngest child that exempts a parent from participation in states with work requirement waivers ranges from under 12 weeks in Indiana, Maryland, Michigan, Nebraska, Oregon, Utah, and Vermont to under 6 years in Ohio and New Hampshire.¹¹

States Changed Policies Regarding Allowable Activities

In addition to changing who must participate, states changed the activities allowed to meet the participation requirement. Their choices regarding which activities to allow reflect their approach toward moving welfare recipients into self-sufficiency as well as their fiscal situations. Some states chose “labor force attachment” models emphasizing rapid entry into the labor market, believing the market to be the best indicator of who is employable. Other states chose a human capital development approach that provides education and training to support employment at higher wages. In general, waiver programs have reflected states’ move toward more work-focused models. Massachusetts and Michigan implemented programs in which mandated individuals participate in short-term, work-focused activities. In contrast, Utah tailored activities to the individual, reflecting the notion that there is no one route to self-sufficiency appropriate for all. Consequently, in Utah, a client’s employment plan may consist of immediate job search or it may consist of education or training.

Recognizing that not all welfare recipients are immediately ready to enter the labor market and find a job, Utah permits participation in a range of activities aimed at getting previously exempted or deferred families with multiple barriers to participate in some activity. Consequently, Utah has expanded allowable activities to include activities such as substance abuse and mental health counseling in addition to the more traditional employment, job search, training (including on-the-job training), and education (including 2 years of college). Believing that recipients should be able to compete in the labor market for unsubsidized jobs, Utah does not allow subsidized employment to count as participation. The number of hours of participation required is individualized. For example, a client with

¹⁰Under the JOBS program states were to exempt parents with children under the age of 3 with an option to exempt only parents of children under the age of 1.

¹¹Some states have a separate rule for children conceived while the mother is receiving AFDC. For example, in Massachusetts, such children are not eligible for a welfare benefit and can exempt the mother from a work participation requirement only while they are under the age of 3 months.

a mental health problem might be required to see a therapist for 1 hour a week to meet the participation requirement, while another client could be expected to conduct a job search for 20 hours a week. The emphasis of the program is on making progress toward self-sufficiency. For a person with a mental health problem, dealing with that particular condition is viewed as an essential first step toward self-sufficiency.

Michigan, like Utah, attempts to include the entire adult caseload in some activity; however, unlike Utah, Michigan requires all applicants and recipients, unless deferred or considered not immediately employable, to participate in Work First, a short mandatory job readiness/job search program. After 4 weeks in the program, Work First participants who do not find a job are reassessed and engage in further job search activity, but officials expect most recipients to succeed in finding a job within the allotted period. Recipients who are deferred from Work First are required to engage in productive activities leading to their personal growth or to their community's enhancement. The activity in which a deferred recipient agrees to participate is established by a social contract between the client and the welfare agency; actual participation in the agreed-upon activity is self-reported and not closely monitored. A final group of recipients, including teen parents, for whom immediate employment is not appropriate, participate in Michigan's JOBS program, where they can, for example, continue their educations. Originally, under its waiver, Michigan did not provide on-the-job training or subsidized employment; however, effective January 1997, on-the-job training will be available to two-parent families. Officials indicated that when attempts to find a job have failed, a client may be placed in community service for a maximum of 6 months, at which point the client is assessed for further appropriate employment-related activities.

Massachusetts requires all nonexempt recipients with no children under school-age to conduct a 60-day job search.¹² Those who do not find employment at the end of the job search period must participate in community service or one of two subsidized work programs, the Full Employment Program (FEP) or supported work. The community service must be 20 hours or more per week as an uncompensated volunteer in a public, quasi-public, or nonprofit organization. For example, a recipient could be a volunteer in his or her child's school or at a hospital. Under FEP, the Massachusetts Department of Transitional Assistance provides a direct subsidy to employers who hire welfare recipients. Designed to benefit

¹²In Massachusetts, aliens who are not allowed to work in the United States are not subject to the 60-day job search requirement; they are assigned directly to community service sites.

individuals with no prior work experience, the subsidy is intended to allow the employer to provide on-the-job training to the recipient. Under the supported work program, the Department pays contractors to work with recipients and place them in jobs. The contractor supplies a “shadow” to continually supervise the participant.¹³ Some officials believe that subsidized work or supported work may be more successful than community service at moving welfare recipients into paid employment.

A total of 13 states expanded the definition of “work activity” under waivers to include activities that did not meet the participation requirement under the JOBS program, such as family counseling or drug and alcohol abuse counseling. Twelve of the 13 states added parenting or family skills training as an option (see table I.2). In addition, 19 states waived the JOBS program limits on job search, extending the time they could require individuals to look for work.¹⁴ Under the new law, job search is limited to a total of 6 weeks, which cannot be continuous for more than 4 weeks. However, if the state’s unemployment rate is 50 percent greater than the U.S. rate, the allowable job search period is extended to 12 weeks. Eighteen states also increased their use of subsidized work programs or community services jobs (see table I.3).

States Implemented Policies to Encourage Participation in Work and Work-Related Activities

In addition to redefining what constitutes participation under their waiver programs, states implemented policies designed to encourage recipients to meet the new requirements and thereby increase actual participation in work and work-related activities. Strategies included providing emergency assistance to divert applicants from becoming welfare recipients, delivering a strong work message to clients early during the application process, continually reinforcing the work message through close monitoring to ensure clients attend work-related activities, and allowing recipients to keep more of their earnings once they become employed. Additionally, the states structured their programs to provide the support services clients needed to work, such as child care and transportation.

¹³The Manpower Demonstration Research Corporation’s evaluation of the Supported Work Demonstration found this approach increased the employment of long-term welfare recipients. Sites included in the study were Atlanta, Chicago, Hartford, Newark, New York City, Oakland, and Fond du Lac and Winnebago counties in Wisconsin. See Stanley H. Masters and Rebecca Maynard, *The Impact of Supported Work on Long-Term Recipients of AFDC Benefits* (New York: Manpower Demonstration Research Corporation, Feb. 1981).

¹⁴Under the JOBS program, states could require up to 8 weeks of job search for applicants and recipients each year, resulting in a possible 16 weeks of required job search in the first year, with 8 weeks per year thereafter. Additional job search could not be required unless combined with some other activity designed to improve a participant’s prospects for employment, and in no case could a state require a recipient to participate in more than 3 weeks of job search before conducting an employability assessment.

States Prevent Welfare Receipt by Diverting Potential Participants With One-Time Payments

One way some states encourage work is to divert job-ready individuals from becoming welfare recipients. In Utah, individuals applying for assistance who have immediate job prospects or other sources of income are offered job placement assistance and a one-time financial payment to meet immediate needs, such as car repair or rent. The purpose of the diversion is to provide the family with financial security until a paycheck arrives, thereby curtailing the family's need for welfare. Utah also makes these diverted families eligible for transitional child care and Medicaid, benefits that usually are only available to individuals who have earned their way off welfare. According to Utah's program director, about 20 percent of eligible applicants are diverted from ever going on assistance in this manner. Five other states divert individuals from AFDC with lump sum payments. In most cases, if individuals do apply for assistance before a specified period, the amount of the diversion is taken into account in determining the amount of the family's benefit. Massachusetts and Michigan did not have a diversion component in their programs. (See table I.4.)

Clients Informed During Application Process of Participation Requirement

To emphasize their obligation to participate in activities that will help them become employed, clients in the three states we visited are told early in the application process that they must engage in a work-related activity as a condition of benefit receipt. In Michigan, an assistance payment worker explains at the time of application that all recipients must participate, even clients who typically had been exempted or deferred in the past. For example, recipients with a child under 3 months of age who are deferred from Work First might be expected to attend parenting classes or medical appointments to meet their obligation to participate under the social contract. The obligation to participate is again discussed at orientation to Work First. To address the chronic problem of welfare recipients failing to show up for orientation, beginning in October 1996, Michigan made attendance a condition of eligibility for benefits.

In Utah, applicants for assistance meet with a self-sufficiency worker before income eligibility is determined. They are shown a special slide presentation, developed by the state, that emphasizes the client's responsibility to participate and take immediate steps toward achieving self-sufficiency. The self-sufficiency worker establishes a self-sufficiency plan with the individual. If an individual is determined to be eligible for cash benefits, the benefit is viewed as a support enabling the individual to meet the participation requirements spelled out in the self-sufficiency plan. Caseworkers commented that early participation in some activity is

crucial for program success. Their experience shows that clients not assigned to an activity within 2 months will conclude that the new program is the same as the old program and disregard the mandate to participate.

Our review of state waivers found that other states used similar strategies to inform individuals of their obligation to participate in a work-related activity. In Indiana, for example, the state developed a script for staff to use at the initial eligibility meeting with applicants that focuses the meeting on job placement and assistance rather than entry into the welfare system.¹⁵ In addition, states such as Florida, Indiana, Virginia, and Wisconsin require clients to sign personal responsibility agreements that set forth the expectation that the client will participate in activities leading to self-sufficiency.

Caseworkers Responsible for Monitoring Client Activities

Caseworkers in the states we visited also encourage work by monitoring client participation in work-related activities. Under the previous AFDC program, most of the caseworkers' time was spent determining eligibility, and they had little ongoing contact with recipients. Utah has a self-sufficiency worker position whose primary functions have changed over the years as the state's program changed. Currently, these workers negotiate a self-sufficiency plan and monitor client progress with frequent follow-up calls to ensure that clients participate in the activities agreed to in the self-sufficiency plan. The self-sufficiency workers have smaller caseloads than income maintenance workers to enable them to make the additional client contacts. Utah officials have found that many of the recipients they currently serve require a lot of time and attention because they are the more difficult cases left behind after the employable recipients have found jobs. To become self-sufficient, these recipients may need assistance in addressing a number of problems, including drug or alcohol abuse, physical or mental disabilities, family responsibilities, domestic violence, and learning disabilities. In the past, many of these recipients would have been exempted or deferred from participation. Officials commented that working with such clients requires more skill and education, such as a degree in social work.

The Michigan Family Independence Agency is in the process of converting the assistance payments worker position to the position of family independence specialist (FIS). The FIS workers will have a target caseload

¹⁵Welfare Waivers Implementation: States Work to Change Welfare Culture, Community Involvement, and Service Delivery (GAO/HEHS-96-105, July 2, 1996). We reviewed the changes made under waiver programs to implement time limits and work requirements in Florida, Indiana, Virginia, and Wisconsin.

of 65, compared with the average caseload of 200 for the traditional assistance payments worker. If a client fails to attend a Work First appointment, the workers are responsible for learning why and attempting to remove any barriers to participation. While Michigan is making an effort to monitor recipients in Work First, the state does not closely monitor recipients assigned to social contract activities, who self-report their participation.

In Massachusetts, the caseworker role has been expanded to include responsibility for making referrals to employment and training services. Caseworkers contact recipients by telephone or scheduled office visit after 30 days and again after 45 days into their 60-day job search period to discuss the clients' progress and to remind them of the approaching deadline for finding a job. Although caseworkers inform clients of the job search services available, it is the client's responsibility to request needed services and assistance in their job search. On day 60, any client who does not have a job is given 10 days in which to select or be assigned to a community service position. Participation in community service is tracked through automatically generated attendance sheets that the client fills out and the supervisor at the community service site signs.

Other states also encourage clients' participation through close monitoring to ensure they are making progress toward self-sufficiency. Florida created a case manager position to coordinate and broker a comprehensive set of services clients might need to become employed. Escambia County in Florida expanded the responsibility of its existing staff to include both eligibility and case management functions. Former eligibility workers now are responsible for overseeing client activity and coordinating support services. Other states also report an increased monitoring of clients' participation. For example, in Fond du Lac County, Wisconsin, caseworkers monitor certain clients' participation in activities by receiving daily attendance reports from the local technical college.

States Allow Participants to Keep More of Their Earnings

In an attempt to encourage recipients to work, the three states we reviewed disregard a larger portion of their earnings in determining eligibility and benefits, thereby enabling more recipients to combine work and welfare and, thus, to be better off financially than when only receiving welfare or earnings. These states not only changed the amount of the earnings disregard, but also allowed it to remain in effect indefinitely. Utah allows recipients to disregard the first \$100 of income plus 50 percent of the remainder, Michigan allows \$200 plus 20 percent of the remainder, and

Massachusetts allows \$30 plus 50 percent of the remainder for working recipients with no children under the age of 2. Families with children under age 2 receive the traditional \$30 and one-third disregard with no time limit. Twenty-four other states with work requirements also changed the amount of earned income disregarded in determining eligibility and benefit amounts (see table I.5).

States Eliminate 100-Hour Rule to Increase Two-Parent Families' Participation in Work

Some states waived the special rules that affected AFDC eligibility for two-parent families. Federal regulations specified that poor two-parent families in which neither adult was disabled could receive aid only if the principal wage earner was working less than 100 hours per month and had a significant work history. This restriction was believed to have a negative effect on recipients' work effort since families would lose eligibility if one parent worked more than 100 hours a month, regardless of how much they earned. By abolishing the 100-hour rule, more two-parent families with earnings qualify for assistance. These are poor families that are already working part time that would have been ineligible for AFDC because they were working more than 100 hours a month, rather than because they had made enough money to be ineligible for benefits. The three states we visited eliminated the 100-hour rule so that poor two-parent families could work more hours and still receive welfare until they earned enough to no longer be eligible for benefits. Of all states with expanded work requirements under waiver, 25 states eliminated the 100-hour rule for two-parent families.

States Use Different Means to Provide Needed Support Services

To make the transition from welfare to work, many recipients need services such as training or job search and job readiness activities, child care, and transportation assistance. The three states we reviewed reported they were able to provide the services their programs were designed to offer and did not need to exempt clients because resources were unavailable. They achieved this outcome in different ways as discussed below.

Tailoring Services to Fit Available Resources

Both Massachusetts and Michigan stressed immediate movement into work after a period of job search. This labor force attachment approach allows states to serve larger numbers of clients because recipients generally participate in job search for shorter periods of time than they do in education and training programs. Manpower Demonstration Research Corporation results show that labor force attachment programs increase the number of recipients who leave the rolls because of employment,

which can result in welfare savings because recipients leave the rolls sooner than they would have without the program. Savings can also occur when recipients' earnings reduce AFDC benefits.¹⁶

Massachusetts officials said the state has not experienced shortages of resources needed to meet its participation goals. Costs are contained by providing services during the 60-day job search to only those recipients who request them. Furthermore, only parents of school-aged children are required to participate and they are expected to work or perform community service during school hours whenever possible.

Expanding and Enhancing Services for More Recipients

In contrast to Massachusetts and Michigan, Utah's approach is individualized. The state provides a broader range of services tailored to individual need, allowing recipients to engage in longer-term activities, such as postsecondary education and training, for a maximum of 2 years. State officials believe that the cost of Utah's range of services is offset by the savings resulting from moving more difficult-to-serve clients into employment since they tend to become long-term recipients. Officials indicated that the savings resulting from the caseload decline allow Utah to provide more intensive services to its remaining caseload. To be able to serve everyone, Utah began its program at only three sites and gradually phased in the remaining areas of the state. Furthermore, funds were added to pay for work activity programs and supportive services. At one of the initial sites in the Salt Lake City area, the state hired 13 new workers for the program.¹⁷

Child care is an important support in the welfare-to-work transition, and Utah has used savings from caseload declines to ensure that child care resources are adequate. According to an Urban Institute report, the overall reduction in AFDC expenditures 10 months after the Utah demonstration was implemented greatly exceeded the increase in child care expenditures. As a result, total expenditures on child care and AFDC payments actually declined by 20 percent.¹⁸

¹⁶Stephen Freedman and Daniel Friedlander, *The JOBS Evaluation: Early Findings on Program Impacts in Three Sites* (New York: Manpower Demonstration Research Corporation, Sept. 1995). Study sites were Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California. According to the study, most of the savings appear to be associated with recipients' having left the rolls sooner rather than with lower grants for recipients who did not earn enough to become ineligible for welfare.

¹⁷Though the program added staff at the beginning, during its 1997 session, the state's legislature eliminated 40 positions in Utah's Office of Family Support as a result of caseload declines.

¹⁸LaDonna Pavetti and Amy-Ellen Duke, *Increasing Participation in Work and Work-Related Activities: Lessons from Five Welfare Reform Demonstration Projects* (Washington, D.C.: The Urban Institute, Sept. 1995). States studied were Colorado, Iowa, Michigan, Utah, and Vermont.

During the first year of its welfare reform, Massachusetts increased spending on child care for welfare recipients and transitional assistance for former recipients by 13 percent. Michigan's child care expenditures increased by 26 percent from fiscal year 1995 to fiscal year 1996 with the average monthly number of child care cases increasing by over 3,000. However, Michigan has not run out of child care funds and officials report no increase in the use of child care funds by recipients subject to participation requirements. Other states initiating welfare reform also increased available resources for child care. Wisconsin, for example, dramatically increased expenditures for child care since implementation of its waiver demonstration, Pay for Performance, from \$12 million in 1987 to \$52 million in 1995.¹⁹ Under a new program, Wisconsin Works, the exemption for age of youngest child will be reduced from 1 year to 12 weeks, and officials anticipate child care expenditures to triple to \$158 million. To decrease demand for child care generated by its welfare reform, Iowa lowered the income level qualifying a family for a child care subsidy, thereby reducing the number of low-income working families eligible for subsidies.

Reorganizing Services

The states structured their delivery of services in different ways to emphasize recipients' responsibility to become self-sufficient. Utah provided services through its social service agency, the Department of Human Services. Employment counselors and mental health/drug counselors are co-located in the local social service agency. This client-centered approach may be most appropriate in states, such as Utah, that have succeeded in assisting the most job-ready clients to earn their way off welfare, leaving behind harder-to-serve recipients. Clients who receive all services in one location coordinated by the same caseworker as they do in Utah may be less likely to fall through the cracks than when they are referred to other agencies for services.²⁰

Michigan's Family Independence Program provides services to clients through two agencies. The Michigan Jobs Commission, a newly created agency responsible for all economic development programs in the state,

¹⁹We visited these two states as part of a companion assignment on welfare benefit termination, Welfare Reform: States' Early Experiences With Benefit Termination (GAO/HEHS-97-74, May 15, 1997).

²⁰As part of its seven-site JOBS program evaluation, the Manpower Demonstration Research Corporation evaluated the impact of different case management approaches on client participation. They found that in Columbus, Ohio, an integrated case management approach in which one case manager did both benefit determination and monitoring of employment and training activities resulted in significantly higher levels of client participation in orientation and JOBS activities than the case management approach that separated income maintenance and JOBS activities. See Two Approaches to JOBS Case Management in Columbus, Ohio: Implementation, Participation, and Impact Findings (New York: Manpower Demonstration Research Corporation, Nov. 1996).

provides job search services, while the Family Independence Agency oversees the case and tracks client compliance. With its large caseload, organizing the delivery system along functional lines may allow Michigan to provide services more efficiently and at lower cost per client served.

Massachusetts recently added one-stop career centers as an available source of assistance during the 60-day job search period for recipients who are required to work. The centers are funded through demonstration grants from the U.S. Department of Labor, and the Private Industry Council/Regional Employment Boards have contracting and oversight responsibility for the centers that are accessible to all citizens. The Department of Transitional Assistance negotiates agreements with the centers to serve an expected number of welfare recipients; however, the centers are reimbursed only for recipients actually served. When welfare recipients visit the center, they usually attend an orientation and meet with a career counselor to develop and sign an action plan for searching for a job. The Department of Transitional Assistance assists the client with health insurance, child care, and housing; the career center develops job search strategies for the client.

Other states have made similar efforts to structure their programs to deliver services differently to emphasize the responsibility to become self-sufficient. In addition to Utah, for example, Florida and Wisconsin brought together a variety of staffs at one location and formed case management teams to quickly help provide a comprehensive set of services that clients need to participate. Indiana adopted a policy requiring that local public assistance offices co-locate with workforce and job placement agencies as well as other social service agencies. Like Michigan, Iowa reorganized its service delivery along functional lines. Its Department of Economic Development contracted with workforce development agencies to provide job services such as assessment, job club, job search, education and training, and support services, while its Department of Human Services maintained responsibility for eligibility determination.

Transitional Services Expanded to Encourage Work

To aid the transition from welfare to self-sufficiency, Utah extended supportive assistance to recipients who earned their way off welfare. This extra support is designed to help recipients stay off welfare. For example, the state extended Medicaid coverage to 2 years after a recipient leaves welfare and transitional child care for as long as the family is eligible based on income. In addition, Utah created a new caseworker position, called transitional caseworker, to continue assisting individuals who have

earned their way off financial assistance. These case management services are available to individuals for 2 years after leaving welfare. While Michigan and Massachusetts provide transitional child care and Medicaid to individuals for 1 year after they leave welfare, this does not represent a change from JOBS, which required states to offer 1 year of transitional child care and Medicaid.

Of states with work requirement waivers, 11 states extended transitional child care, most increasing the period from 12 months to 24 months after a client becomes ineligible for AFDC because of earnings; and 7 states waived the former requirement that a recipient have received AFDC for 3 of the last 6 months to be eligible for transitional child care (see table I.6). Ten states also extended transitional Medicaid, most increasing the period to 24 months, and 10 states waived the “3 of the last 6 months” requirement for Medicaid.

States Implemented Stricter Sanctions for Noncompliance With Participation Requirements

Strict sanctions for failure to comply with work requirements are intended to encourage reluctant recipients to participate to retain their benefits. The three states we visited implemented tougher sanctions than they had in the past for failure to comply. After varying lengths of time under a progressive set of sanctions, the states terminate the entire family’s benefit, called a full-family sanction, for not cooperating with the program requirements. In contrast, under the JOBS program, only the parent’s portion of the grant was removed as a sanction and the family continued to receive the child’s portion of the benefit until the parent complied. For the first noncompliance, the sanction lasted until the participant complied. For the second and subsequent cases of noncompliance, the sanction lasted for 3 months or 6 months, respectively, or until compliance, whichever was longer. As a result of these rules, a client could remain in sanction status with a reduced benefit indefinitely.

Officials from all three states viewed the full-family sanction as a way to get a participant’s attention and eliminate from the rolls those who do not participate because they have other sources of support. Caseworkers report that clients often ignore all attempts to contact them until they are notified their grant will be terminated. Furthermore, officials in all three states said a grant reduction was not sufficient to get all recipients to comply and that the ultimate consequence of benefit termination was useful in some cases.

As part of the sanction procedure in Michigan and Utah, a process called conciliation is used to discover and help alleviate reasons for nonparticipation previously not disclosed to caseworkers. Conciliation, a requirement of the JOBS program, protects clients against unwarranted benefit terminations by providing an opportunity to resolve misunderstandings or disagreements before they result in a sanction. Both Michigan and Utah do home visits to ensure that clients understand their obligations prior to benefit termination for failure to participate. Massachusetts eliminated its conciliation process, allowing a client to be sanctioned for failure to participate with no formal procedure for dispute resolution. Massachusetts replaced conciliation with a set of progressive sanctions prior to benefit termination.

Utah requires an extensive conciliation process before terminating a recipient's benefits. A meeting called a case staffing is held to discuss barriers to employment and offer additional assistance. This meeting to which the client is invited, is attended by the case manager and other Department of Human Services and allied agency representatives familiar with the case. Home visits are made in some cases. Officials said the conciliation process was established to ensure the client understands the choice that is being made: to not participate and to have benefits terminated. They indicated the process is expensive because it is labor-intensive. In November 1995, Utah initiated the sanction policy of full benefit termination for noncompliance with work requirements. Before that time, clients who did not participate received a \$100 reduction in their benefit amount indefinitely. This could lead to recipients remaining in sanction status for long periods; for example, one case we reviewed had been in sanction status for 3 years. From the time the first family's benefits were terminated in December 1995 through December 1996, 180 families had their benefits terminated for failure to comply with the new program requirements.²¹

Michigan's conciliation process involves phone contact, scheduled office visits, and home visits if necessary. Clients can resume receiving full benefits at any point if they agree to comply, subject to a 5- or 10-day compliance test. If the client still does not comply after repeated attempts at contact, the grant is reduced 25 percent. After 12 months of receiving a reduced grant, the case is closed. Michigan terminated the benefits of its first cases for failure to participate in April 1996, and as of December 31,

²¹A small number of these cases—three as of June 30, 1996—had their benefits terminated for failure to comply with child support enforcement requirements.

1996, 765 cases had their benefits terminated for failure to comply with the work requirements.

Massachusetts imposes stringent sanctions for failure to comply on the group of recipients mandated to work. Clients are given an opportunity to discuss any hardship or barriers to participation when they are assessed, and agency workers are expected to review legitimate reasons for not participating, called good cause, before mandating employment or imposing sanctions. However, once a client fails to comply, there is no formal opportunity for conciliation and the adult portion of the grant is removed after a 10-day notice is sent. For an average grant of \$468 per month, this results in a reduction of about \$84. If the noncompliance continues, a second 10-day notice is sent and the entire grant is terminated unless participation occurs within the 10-day period. No home visit is required before benefits are terminated. Clients can return to assistance at any time if they comply with their participation requirements for 2 weeks. Furthermore, the sanction process stops if the recipient demonstrates an exemption or good cause, or files a timely appeal. As of December 31, 1996, Massachusetts had terminated the benefits of 1,322 families for an adult's failure to comply with the work participation requirements.²²

Under waiver, many additional states increased the duration and severity of sanctions imposed on mandatory participants who do not comply. Twenty-two states with expanded work requirements now allow the entire benefit to be terminated for failure to comply with work requirements (see table I.5).

States Achieve Higher Participation Rates Under Waiver Programs

By changing the rules and strengthening sanctions for noncompliance, Massachusetts, Michigan, and Utah were able to involve a substantial portion of their welfare recipients in some activity they believe will move them toward self-sufficiency.

Most Participants Are in Work-Related Activities

During September and October 1996, when all three states had their waiver programs operational statewide, 11 percent of the caseload in Massachusetts, 32 percent in Michigan, and 90 percent in Utah were

²²An estimated 386 additional families had their benefits terminated for noncompliance by a dependent child aged 16 to 18 required to participate in JOBS. Benefits can be terminated for reasons other than failure to comply with work requirements, such as the failure to comply with requirements for teen living arrangements or school attendance. For detailed discussion of benefit termination under waiver, see GAO/HEHS-97-74, May 15, 1997.

participating in activities that count as participation under the requirements of the states' waiver programs. (See table 2.2.) The largest percentage of those participating in all three states were engaged in unsubsidized employment, reflecting the work focus of these programs.

Table 2.2: Participation in Allowable Activities in Three States' Waiver Programs, September/October 1996

	Massachusetts	Michigan	Utah
Average number participating	8,491 ^a	43,271	9,813
Average monthly adult caseload	79,521	136,852	10,881
Percentage of adult caseload participating	11%	32%	90%

Note: Percentages are rounded to nearest whole number.

^aIn Massachusetts, only individuals who are strictly mandated to participate and are participating for 20 hours are counted as participating in the work program. During this same period, approximately 19,793 additional recipients not subject to the work requirement or not participating for 20 hours a week were participating in a work-related activity.

Utah has the highest overall participation rate, reflecting the fact that its program requires almost all recipients to participate and more broadly defines participation, allowing a range of activities to meet the participation requirement that are not counted in other states. Of those not participating, the largest number, over 5 percent of the caseload, were excused because of a family medical condition. Utah also has no minimum required number of hours of participation for some activities, tailoring the required hours to the recipient and the activity.

Although Michigan also has a universal participation requirement, it defers a substantial number of recipients from work participation whose participation in social contract activities is neither counted toward participation nor monitored. In addition, Michigan requires 20 hours per week of participation in most work activities. If Michigan counted everyone who was participating in an activity for any number of hours during a week, its participation rate would be closer to 42 percent for the same period.

Massachusetts had the lowest participation rate reflecting the fact that only one-fifth of its caseload is strictly mandated to participate and the state only counts the participation of that mandated group as meeting the participation requirement for its work program. However, the participation for this group is substantial. In September and October 1996, for example, an average of 15,734 individuals were mandated to participate in a work activity. During that period, 8,491, approximately

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54 percent, of these individuals were participating in an activity meeting their participation requirement. Table 2.3 shows that of those participating, 58 percent were employed, 23 percent were in community service, 13 percent were in their 60-day job search period, and 6 percent were grandfathered into educational activities. Reflecting the different definitions of participation in the three states, table 2.3 shows the percentage of those participating in the different countable activities.

Table 2.3: Distribution of Participant Activities in Three States' Waiver Programs, September/October 1996

Activity	Massachusetts	Michigan	Utah
Unsubsidized employment	56%	76%	34%
Subsidized employment	2%	1%	NA
Community service/community work experience	23%	1% ^a	2%
Job search/job readiness	13%	13%	23%
Vocational education and job training	NA	8%	6%
Education	6%	2%	12% ^b
Life skills training	NA	NA	9% ^c
Being assessed	NA	NA	14%
Average number participating	8,491 ^d	43,271	9,813

Note: Percentages are rounded to nearest whole number. NA means that either the state does not have this component or it is not counted as participation.

^aOnly Michigan has a community work experience program.

^bIn Utah, 32 percent of the participants in this category are in postsecondary education.

^cLife skills includes such activities as parenting, mental health, drug, and alcohol abuse counseling.

^dIn Massachusetts, only individuals who were mandated to participate are included in the total.

In each of the three states we reviewed, the largest percentage of all participants were engaged in unsubsidized employment. This pattern reflects the work focus of these programs and the fact that the income disregards were changed, allowing more recipients to simultaneously work and receive welfare benefits.²³ Of those participating in an activity, 56 percent in Massachusetts, 76 percent in Michigan, and 34 percent in Utah were in unsubsidized employment. After unsubsidized employment, the percentage of recipients engaged in other activities varied, reflecting

²³Increasing the amount of the earned income disregard can simultaneously increase recipients' total income while allowing them to count toward states' work participation rate under the new law. However, in states with low benefit levels, small amounts of earned income can lead to ineligibility for welfare benefits, leaving smaller numbers of working welfare recipients to count toward the work participation rate. The time recipients receive benefits, even while they are working, may count toward their time limit on benefit receipt.

the different program designs. In Michigan and Utah, the second largest group was engaged in job search/job readiness activities; but in Massachusetts, a significant group participated in community service. While Massachusetts had 6 percent in education,²⁴ many of these were grandfathered in from the previous JOBS program. Participation in subsidized employment was very low in Massachusetts and Michigan and nonexistent in Utah.

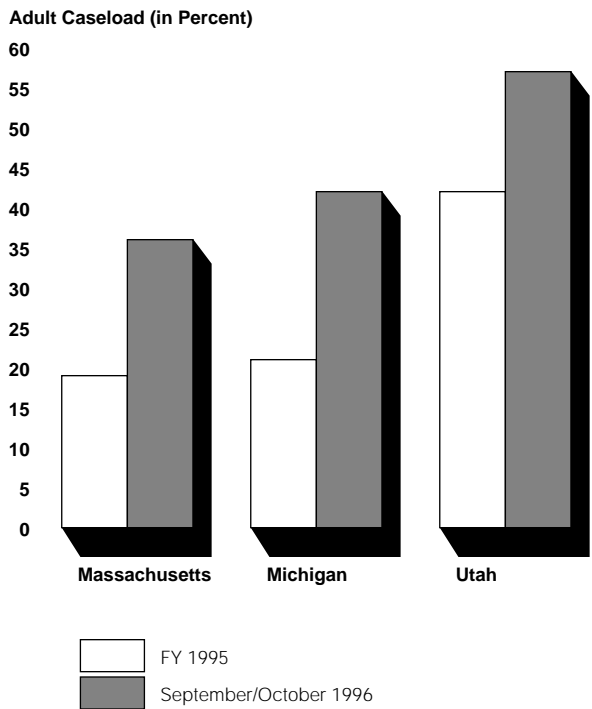
Three States Also Increased the Percentage of the Caseload Participating in JOBS Activities Under Waivers

To determine whether states had actually increased participation under their waiver programs over what they had been achieving in the prior year under the JOBS program, we assessed participation rates using the JOBS program definition of allowable activities. In addition to employment-related activities such as job search, community work experience, on-the-job training, and job entry, JOBS activities include high school or high school equivalency, remedial education, English as a second language, higher education, jobs skills training, and vocational training.

In comparison to reported participation in their JOBS programs for fiscal year 1995, all three states increased the percentage of their AFDC recipients participating in JOBS activities under their statewide waiver programs during September/October 1996. Through their waiver programs, Massachusetts increased the proportion of its caseload participating in such activities for any number of hours from 19 to 36 percent, Michigan from 21 to 42 percent, and Utah from 42 to 57 percent, as illustrated in figure 2.1.

²⁴These recipients are in English as a second language, adult basic education, and postsecondary education programs.

Figure 2.1: Average Monthly Participation Rates in JOBS Activities (FY 1995) and Comparable Activities in Three Statewide Waiver Programs (September and October 1996)



We used the percentage of the caseload participating in a federally defined JOBS activity for any number of hours as a consistent benchmark. To calculate comparable rates, we included in the numerator any welfare recipient active in a JOBS activity for any number of hours, and in the denominator we used total adult caseload for the comparable period. Consequently, although the absolute number of recipients participating in Utah actually declined slightly from fiscal year 1995 to September/October 1996, because of substantial reductions in the overall caseload, the number participating was a larger percentage of the caseload. Both Massachusetts and Michigan had large increases in the absolute numbers of recipients participating as well as caseload declines.

States Plan to Continue Programs Under TANF

Since the enactment of the new welfare reform law, states no longer need to use waivers of AFDC rules as a vehicle for instituting policies aimed at increasing the number of welfare recipients participating in work-related activities.²⁵ The policies that Massachusetts, Michigan, and Utah pursued under waivers provide an indication of what strategies they believe are effective in attaining greater participation. First, to overcome recipients' frequent failure to attend program activities, these states deliver a stronger message to clients regarding their obligation to participate in required activities and then monitor their participation.²⁶ All three states also changed the disregard for earned income to remove financial disincentives in the AFDC program. In addition, officials emphasize that these efforts must be coupled with the threat of benefit termination for failure to comply with work participation requirements. All three states underscored the importance of sanctions in achieving increased participation.

Massachusetts, Michigan, and Utah plan to continue their welfare programs relatively unchanged under TANF. The major change that Massachusetts will be making to its program is limiting benefit receipt for all nonexempt recipients—two-parent families and single heads of household with no children under the age of 2—to 24 months in any 60-month period, a policy that had been denied in the state's request for waivers. Otherwise, Massachusetts will continue to require that mandatory recipients work or perform community service for 20 hours per week and not increase the hours to 30 as specified in the new law. In addition, Massachusetts will not limit the length of job search to 6 weeks as required in the new law. These differences between the state's plan and the law require that waivers stay in force until the scheduled end of the waiver demonstration, at which time the state will be required to comply with requirements of the new welfare law. Utah had no time limit in its waiver program but plans to implement a 36-month limit on benefit receipt, from which a maximum of 20 percent of the caseload can be exempted for hardship. Eligible individuals who are employed at least 80 hours a month in unsubsidized employment and had worked at least 80 hours per month in 6 of the past 24 months can have their benefits extended on a month-to-month basis beyond the 36th month up to the 60th month. Michigan added a 2-year work requirement and a 5-year limit on

²⁵TANF provides that if a state had a waiver in effect on the date of enactment, it can continue the waiver until its expiration and will not be required to comply with provisions of the act that are inconsistent with the waiver. If a state had a waiver pending on the date of enactment and the waiver is approved on or before July 1, 1997, the state may not be required to comply with provisions of the act that are inconsistent with the waiver though the state will be subject to the work participation requirements of the act.

²⁶See Pavetti and Duke, pp. 43 and 46.

Chapter 2
States Increased Participation Rates
Through Different Approaches

benefit receipt, the same work requirements and time limits specified in TANF, and is reducing from 12 months to 4 months the length of time a client can be noncompliant before benefits are terminated. The state is considering using state funds to support certain unemployed recipients beyond the end of the 5-year limit.

States Likely to Achieve Initial TANF All-Families Participation Rate but May Be Challenged to Meet Other Rates

Massachusetts, Michigan, and Utah are likely to meet the TANF work participation rate for all families in the short run. However, state officials in Michigan and Massachusetts are concerned about their ability to meet the initial two-parent families' rate, and officials in all three states are concerned about the higher future rates for all families and two-parent families.

Calculating Participation Rates Under TANF

Under the new law, states are required to meet a participation rate for the entire caseload—the “all-families rate”—and a separate participation rate for families with two parents—the “two-parent families rate.” For the all-families rate, the numerator includes the number of families receiving assistance in which an adult or a minor child head of household is engaged in work. The denominator includes the total number of families receiving assistance reduced by the number of families who are being sanctioned for failure to participate. States have the option to exclude from the denominator families with children under the age of 1. For the two-parent families rate, the numerator includes only families in which both parents meet their participation obligation and the denominator includes all two-parent families except those being sanctioned.

To count as a participant for purposes of calculating the all-families rate in the first year, a single head of household must work at least 20 hours per week, and one adult in a two-parent family must participate 35 hours a week, at least 30 hours of which must be in one of the following activities:

- unsubsidized employment,
- subsidized public or private sector employment,
- work experience,
- on-the-job training,
- community service,
- provision of child care to an individual participating in community service,
- vocational education, not to exceed 12 months for any individual, or
- job search and job readiness assistance, but not to exceed 6 weeks.

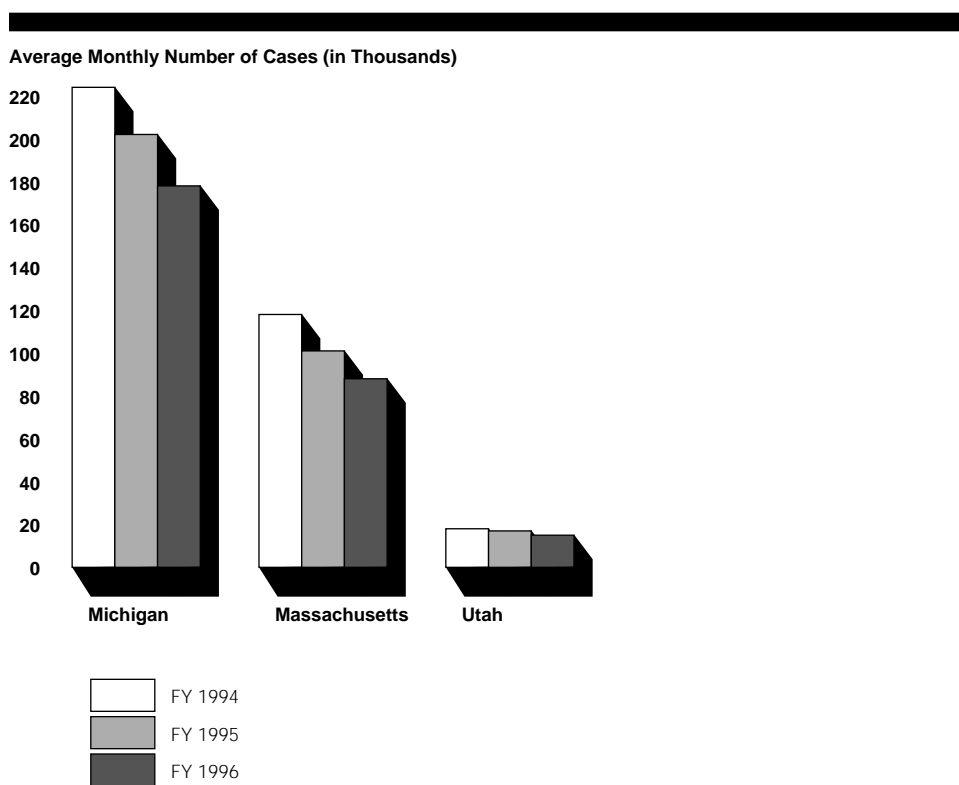
If a two-parent family receives federally funded child care and an adult in the family is not disabled or caring for a severely disabled child, the second parent must participate for 20 hours for the family to be counted as participating.

The minimum participation rates specified in the law for each year are lowered to the extent that state caseloads have declined since 1995. Given

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that all but three states nationwide have experienced declines in their caseloads beginning in 1994, the majority of states should have target participation rates for fiscal year 1997 that are lower than the minimum 25 percent specified in the law. Figure 3.1 illustrates the caseload decline since 1994 in Massachusetts, Michigan, and Utah.

Figure 3.1: Caseload Declines in Three States, FY 1994-96



Under the new law, caseload reductions not only provide states a lower target work participation rate, they also contribute to states having more money per recipient than in the past. This results from the fact that TANF block grant amounts are based on federal expenditures in prior years, when most states had higher caseloads, and remain fixed until fiscal year 2002. Recent statistics compiled by the U.S. House of Representatives' Committee on Ways and Means estimate the average benefit available per family in fiscal year 1998 will be \$5,662 compared with \$3,624 in fiscal year 1994.

Three States Likely to Achieve the All-Families Participation Rate in the Short Run

Using the new law's definition of work participation and reducing the minimum participation rate by the caseload reduction credit, all three of the states we reviewed should be able to meet the all-families participation rate for fiscal year 1997. Table 3.1 shows the target participation rates the three states will need to achieve under the new law in fiscal year 1997, taking into account the reductions in the caseloads these states have had from 1995 to 1996.²⁷ The table also shows the participation rates the three states would have achieved if the TANF participation rules were applied to their welfare programs in September/October 1996.

Table 3.1: Estimated FY 1997 All-Families TANF Target Participation Rates and TANF Rates Achieved Under Waiver in Three States in September/October 1996

State	Estimated target rate with credit for caseload reduction	Participation rate achieved using TANF definition of participation
Massachusetts	13	25.3
Michigan	13	32.6
Utah	14	30.9

Since Massachusetts has had a caseload decline of over 12 percent from fiscal year 1995 to fiscal year 1996, its first-year TANF participation rate is estimated to be about 13 percent. Michigan's caseload reduction over the same period is just under 12 percent, and Utah's is just over 11 percent. Therefore, Michigan's first-year TANF target will be about 13 percent, and Utah's about 14 percent.

Table 3.1 also shows that Michigan and Utah, the two states with a universal participation requirement, would easily make the all-families participation rate in the first year, even without the adjustment for the caseload decline. Massachusetts, which exempts a substantial portion of the caseload from participation requirements and is the only state of the three opting to exclude families with children under age 1 from the TANF work participation requirement, has a lower estimated work participation rate but would also meet the minimum 25-percent all-families participation rate in the first year. Since Massachusetts' target rate is estimated to be 13 percent, officials are confident about meeting this target. Because the

²⁷As of March 1997, HHS had not yet promulgated regulations telling states how to calculate caseload reductions for purposes of TANF participation rates. However, state program administrators are using the law and their own data to project what they think their reductions will be. According to the law, the minimum participation rate for a year is reduced by the number of percentage points equal to the number of percentage points by which the average monthly number of families that received assistance during the immediately preceding fiscal year is less than the number of families receiving assistance in fiscal year 1995. Therefore, the 1997 credit is equal to the percentage change between the 1996 and 1995 average monthly caseloads.

three states are experiencing continued caseload declines in fiscal year 1997, their targets for fiscal year 1998 should also be lower than those specified in the law.

States May Have Problems Meeting the Two-Parent Participation Rate

The two-parent families participation rate under the new law is higher than the two-parent rate under the JOBS program, both in terms of the hours of participation required and the percentage of the two-parent families required to participate. Though Massachusetts, Michigan, and Utah reported meeting the JOBS program's two-parent participation rates in 1994 and 1995, many states failed to meet them.²⁸ As shown in table 3.2, Michigan is unlikely to meet the initial two-parent TANF work participation rate of 75 percent for fiscal year 1997 without some program changes. Massachusetts was not able to provide us data to estimate a TANF two-parent family participation rate.

Table 3.2: Estimated FY 1997 Two-Parent Families TANF Target Work Participation Rates and TANF Rates Achieved Under Waiver in Three States in September/October 1996

Percent		
State	Estimated target rate with credit for caseload reduction	Participation rate achieved using TANF definition of participation
Massachusetts	66	NA
Michigan	60	35
Utah	53	87

Note: NA means data were not available.

Michigan's concern over meeting the two-parent families participation rate has led the state to develop an on-the-job training program specifically for this population. Of the three states we visited, Utah is the most likely to meet the two-parent rate in the first year. The state has a very small two-parent family caseload, approximately 110 cases, and has required this population to work in exchange for benefits since 1983. One parent is required to participate 40 hours per week and the other parent 20 hours. Also, Utah limits the length of time the benefit can be received to 6 months in any 12-month period. Utah officials estimate the state's current work participation for two-parent families using the criteria established by the new law would be 87 percent. Consequently, Utah officials are not concerned about meeting their estimated target rate for two-parent families of 53 percent in the first year.

²⁸The JOBS participation rate target for AFDC-UP families was 40 percent in 1994 and 50 percent in 1995. Forty-three states failed to make the rate in 1994, and 28 states failed to meet the 1995 rate.

Massachusetts plans to maintain its waiver provision requiring 20 hours a week of work participation for its mandatory work participants, including two-parent families, rather than the higher number of hours specified in the new law. Consequently, Massachusetts officials are not as concerned about their ability to meet the initial two-parent participation rates as are Michigan officials. However, they are concerned about the future rate increase to 90 percent and the fact that when their waiver authority expires in 2005 they will be required not only to meet the minimum participation rates but also the increased hours of participation specified in the law.

States May Have Difficulty Meeting Future Participation Rates

Officials in the three states we visited are concerned about their ability to meet higher future participation rates established under the new law because of the requirement that larger numbers of recipients work more hours, the possibility of a future recession undermining employment opportunities, and the unique employment problems in urban areas. Finally, there is concern that as those who are more employable get jobs and move off welfare, the remaining caseload will be increasingly difficult to employ and participation rates increasingly difficult to achieve.

Increases in Hours of Participation May Be Difficult to Achieve

According to state officials, it may be easier for recipients to find part-time employment than full-time employment because employers may not want to pay the fringe benefits associated with full-time employment. Initially, states can count recipients engaged in employment for 20 hours per week; however, as the required hours increase to 30 hours in the year 2000, the officials said it may be more difficult for recipients to find employment for at least this many hours. Moreover, in many states, especially those with low benefit levels, working 30 hours or more is likely to make a family ineligible for benefits. Once recipients have earned their way off the rolls, they will not count toward the participation rate. In Utah, during September and October 1996, only about 16 percent of the caseload participated over 30 hours a week, whereas about 31 percent participated over 20 hours in activities that would count toward the TANF participation rate. In Michigan, approximately 24 percent of the caseload participated 30 hours per week compared with almost 33 percent participating 20 or more hours per week in activities that meet the TANF participation requirements. The concern may be mitigated to some degree by the fact that TANF limits required work participation to 20 hours a week for single parents with a child under the age of 6. Furthermore, since these three states did not require more than 20 hours of participation under their waivers, the low

levels of participation for more hours may not reflect what can be achieved in the long run.

Changes in the Employment Outlook Could Affect States' Ability to Meet the TANF Participation Rates

Many observers believe that low unemployment rates have contributed to the dramatic decline in welfare caseloads during the past several years. A recent study of caseload declines concluded that most of the changes in the AFDC single-parent caseload since 1994 are attributable to factors such as the unemployment rate and demographic trends, including the number of children under age 18 in a state.²⁹ There are a number of factors beyond the control of policymakers and program officials that could contribute to changes in the caseload. Should the economy deteriorate in the future and unemployment rates go up, states may not receive the target rate reduction associated with a caseload drop and they will be trying to achieve higher target participation rates under less favorable economic conditions.

States With Welfare Populations Concentrated in Urban Areas May Have Difficulty Meeting the Participation Rates

Many argue that the urban poor on welfare tend to have significant barriers to employment. Frequently lacking in education and prior work history, they are uniquely unsuited to the jobs available, which increasingly demand more skills. The estimated TANF work participation rate in Wayne County, Michigan, which includes Detroit, is 23 percent, approximately 19 percent lower than for the rest of Michigan.³⁰ Furthermore, early results from Project Zero, a Michigan initiative to have the entire caseload employed in demonstration sites, suggests that a site in Detroit is experiencing greater difficulty getting participants employed than are other Michigan sites.

Recipients Who Do Not Find Jobs Tend to Have Multiple Barriers to Employment

Officials in the three states expressed concern that recipients who do not find employment have multiple barriers and therefore are considered hard to serve. In Utah, where all welfare recipients are required to participate, approximately 30 percent of the caseload is described by the program director as being hard to serve. Studies of recipients in this group have found that, in addition to being less likely to have prior work experience and being more likely to have lower literacy levels, they have multiple problems that make program participation difficult. The problems include

²⁹David J. Fein, *Understanding Recent Declines in State AFDC Caseloads: An Analysis of Cross-State Variation* (Cambridge, Mass. : Abt Associates, Oct. 1996).

³⁰For October 1996, the estimated TANF participation rate for Wayne County was 23 percent compared with 42 percent for the remaining Michigan counties and 33 percent for the entire state.

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mental health issues, such as depression, anxiety, and personality disorders; domestic violence; substance abuse; behavior problems with children; and legal problems. Since the new law allows states to exempt 20 percent of their caseload from the time limit, they may choose to exempt these hard-to-serve individuals; however, they will be included in the denominator of the participation rate calculation.

While Utah's waiver program is the only one of the three state programs we reviewed that allows participation in mental health or substance abuse treatment programs to meet the work participation requirement, Michigan will temporarily defer from work participation a recipient who is receiving such treatment. Officials reported services were insufficient to meet client need in this area. Even if clients cannot participate because they need, but do not receive, such services, they will remain in the denominator of the participation rate calculation, potentially lowering a state's participation rate.

Conclusions and HHS' and States' Comments

One of the goals of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is to end the dependence of needy parents on government benefits by making welfare a transitional program that moves recipients into employment and off the rolls. To this end, the act encourages states to increase the proportion of those receiving cash assistance in work and work-related activities, ultimately requiring recipients to work as a condition of benefit receipt and limiting the total time of benefit receipt. The three states we reviewed were attempting to accomplish this goal under waiver and, although these states were taking different approaches, they all appeared to have been able to increase participation. While we cannot conclude whether any of the specific policy changes were linked to changes in participation, we did observe some common elements across programs. For example, although these states differed on their participation requirements, they used similar strategies to get recipients to meet the requirements. The sanction of benefit termination as a way to motivate client participation was found in all three programs we reviewed and in 19 other states with waivers to increase work participation. Officials in the three states viewed sanctions as a powerful tool to increase participation rather than as a punishment for noncompliant behavior.

While the new law limits the types of activities that count as work participation, the experience of states, such as Utah and Michigan, that are trying to engage the entire caseload in self-sufficiency activities has been that some portion of the caseload requires more than job search and assistance with child care and transportation to be able to engage in a strictly defined work-related activity. To the extent that states move the more job-ready recipients into employment, they will be challenged to provide the services necessary to help clients with multiple barriers move into employment. Since these are the recipients who would have been exempted or deferred from participation in the past, states have limited experience in what is required to enable them to become employed, earn sufficient wages, and sustain employment in order to exit welfare permanently.

The experience of the three states we reviewed demonstrates that, with the programs they had in place and with credit for caseload reductions since fiscal year 1995, the initial all-families participation rate should be attainable. However, these states are unsure of their capacity to reach higher rates in the future, in part because they believe that their success in moving families off the rolls will make it increasingly difficult to meet future participation rates. As states assist recipients who are employable

into jobs and off the rolls, they are concerned that they will be left with recipients who are essentially unemployable or at least in need of multiple supportive services. On the other hand, the large reductions in caseload that appear to be continuing not only will lower states' target participation rates, but also will result in more money per recipient under the block grant, providing an opportunity for states to develop the range of services required to help the least job-ready make the transition to employment.

If a state chooses to provide the services necessary to enable recipients with multiple employment barriers to participate in an activity that will ultimately lead to self-sufficiency, the particular activity may not meet the strict definition of work participation under the new law. Consequently, even though the state may actually assist many of these recipients in getting jobs and leaving the rolls, it may not appear to be successful in meeting the participation requirements of the new law during the time it is preparing the least employable to make the transition from welfare to work. To ensure that participation rates are promoting the desired program outcome, they need to be carefully studied and monitored in the future.

Comments From HHS and States

We obtained comments on a draft of this report from our three case study states: Massachusetts, Michigan, and Utah. The states provided technical clarifications about their programs and data interpretation. We incorporated their comments in the report as appropriate. We requested, but did not receive, comments from HHS.

Selected Characteristics of Welfare Reform Programs in States With Waivers Changing Work Requirements

Table I.1: Age of Youngest Child Exemptions Cited in Waivers for States Changing Work Requirements

State	Parent exempt from participating if age of youngest child is...
Arizona	Under 1 year old
Colorado	No change requested in waiver
Connecticut	Under 1 year old
Delaware	Under 13 weeks old
Florida	Under 6 months old
Georgia	Under 5 years old
Hawaii	Under 6 months old
Illinois	Under 5 years old
Indiana	Under 12 weeks old
Iowa	Under 3 months old
Louisiana	No change requested in waiver
Maryland	Under 12 weeks old
Massachusetts	Under mandatory school-age, usually 6 years old, if child is included in the assistance unit, under 3 months old if the child was conceived while the parent was receiving AFDC
Michigan	Under 12 weeks old ^a
Mississippi	No change requested in waiver
Missouri	No change requested in waiver
Montana	Under 1 year old
Nebraska	Under 12 weeks old
New Hampshire	Under 6 years old if child is included in the assistance unit, under 3 months old if the child was conceived while the parent was receiving AFDC
North Carolina	Under 5 years old
North Dakota	Under 3 years old or at the state option, less than 3 but not less than 1 year old
Ohio	Under 6 years old
Oklahoma	No change requested in waiver
Oregon	Under 3 months old
South Carolina	Under 1 year old; no exemptions for parents under 25 years old who have not completed high school
South Dakota	No change requested in waiver
Texas	Under 5 years old; after September 1997, exemption changes to children under 4 years old
Utah	No exemptions
Vermont	Under 6 months old
Virginia	Under 18 months old; temporary 6-week extension granted for children conceived while the parent was receiving AFDC
West Virginia	No change requested in waiver

(continued)

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Selected Characteristics of Welfare Reform
Programs in States With Waivers Changing
Work Requirements**

State	Parent exempt from participating if age of youngest child is...
Wisconsin	Under 1 year old for one parent
Wyoming	Under 1 year old; 3-month exemption for children conceived while the parent was receiving AFDC

^aOriginally, under Michigan's waiver, all exemptions were eliminated; however, the state legislature made single parents with children under the age of 12 weeks exempt from the work requirement.

Source: The terms and conditions in the state waivers, HHS.

Table I.2: Expanded Activities Meeting the Participation Requirement in States Changing Work Requirements

State	Life skills training	Parenting or family skills training	Family counseling	Drug and alcohol counseling	Mental health counseling
Delaware		X			
Florida		X			
Georgia		X			
Iowa		X			
Nebraska		X			
North Dakota		X	X	X	
Oregon				X	X
South Carolina		X		X	
Texas		X			
Utah		X	X	X	X
Vermont		X			
Wisconsin	X	X			

Note: Other states that changed their work requirements did not count these activities, if provided, as meeting the participation requirements under their waivers.

Source: The terms and conditions in the state waivers, HHS.

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Table I.3: Changes in Age of Youngest Child Exemption and Work-Related Activities Cited in Waivers for States Changing Work Requirements

State	Changed age of youngest child exemption	Extended job search component	Subsidized work component	Community service component
Arizona	X		X	
Colorado				
Connecticut	X	X		X
Delaware	X	X		
Florida	X		X	
Georgia	X	X		
Hawaii	X	X		
Illinois	X	X	X	
Indiana	X	X	X	X
Iowa	X	X		
Louisiana				
Maryland	X	X		
Massachusetts	X	X	X	X
Michigan	X	X		
Mississippi			X	
Missouri				X
Montana	X			X
Nebraska	X	X		
New Hampshire	X	X	X	X
North Carolina	X	X	X	
North Dakota	X	X		
Ohio	X		X	
Oklahoma				
Oregon	X	X	X	
South Carolina	X	X		
South Dakota				X
Texas	X	X		X
Utah	X			
Vermont	X	X	X	X
Virginia	X	X	X	X
West Virginia				
Wisconsin	X		X	X
Wyoming	X			

Source: The terms and conditions in the state waivers, HHS.

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Table I.4: Diversions Cited in Waivers for States Changing Work Requirements

State	Diversion amount available	Waiting period to reapply
Maryland	Not to exceed 3 times the monthly benefit amount unless determined to be warranted by the local department, but in no case to exceed 12 months' AFDC benefit amount	Not eligible for the number of months covered by the one-time payment
Montana	Not to exceed 3 times the monthly benefit amount	Ineligible to receive 2 months of future AFDC benefits for each month's AFDC benefit received as part of the one-time payment
North Carolina	Not to exceed 3 times the monthly benefit amount	Required to repay these benefits following procedures used for AFDC overpayments
Texas	\$1,000 regardless of family size	12 months
Utah	Not to exceed 3 times the monthly benefit amount	3 months; eligible for prorated AFDC benefits if reapplies before 3-month period
Virginia	Not to exceed 120 days' benefit amount	160 days

Note: Other states changing work requirements did not cite diversions in their waivers.

Source: The terms and conditions in the state waivers, HHS.

Table I.5: Changes to Sanctions and Incentives Cited in Waivers for States Changing Work Requirements

State	Full-family sanctions ^a	Changed earned income disregards	Changed asset limit	Changed vehicle value limit	Allow individual development accounts
Arizona		X	X		X
Colorado		X	X	X	
Connecticut	X	X	X	X	
Delaware	X		X	X	X
Florida		X	X	X	
Georgia		X		X	
Hawaii		X	X	X	
Illinois	X	X	X		
Indiana	X		X		
Iowa	X	X	X	X	X
Louisiana	X				
Maryland	X	X	X	X	
Massachusetts	X	X	X	X	X
Michigan	X	X		X	
Mississippi	X	X	X		X

(continued)

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State	Full-family sanctions^a	Changed earned income disregards	Changed asset limit	Changed vehicle value limit	Allow individual development accounts
Missouri		X	X	X	
Montana		X	X	X	
Nebraska	X	X	X	X	
New Hampshire	X	X	X	X	
North Carolina		X	X	X	
North Dakota	X	X	X	X	
Ohio	X	X		X	
Oklahoma				X	
Oregon	X	X	X	X	X
South Carolina	X	X	X	X	X
South Dakota	X	X	X	X	
Texas		X	X	X	X
Utah	X	X	X	X	
Vermont	X	X	X	X	
Virginia	X	X	X	X	X
West Virginia	X				
Wisconsin	X	X	X	X	X
Wyoming			X		

^aTable shows states with full-family sanctions for failure to comply with work requirements. Four other states, Idaho, Kansas, Minnesota, and Tennessee, which did not change work requirements with waivers, did initiate full-family sanctions for failure to comply with existing work requirements. Full-family sanctions can be applied for other reasons, for example, failure to comply with teen living arrangement requirements. For a detailed discussion see Welfare Reform: States' Early Experiences With Benefit Termination (GAO/HEHS-97-74, May 15, 1997).

Source: The terms and conditions in the state waivers, HHS.

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Table I.6: Changes to Transitional Child Care and Transitional Medicaid Requirements for States Changing Work Requirements

State	Changed 3 of last 6 months participation requirement for transitional benefits		Transitional benefits extended after AFDC case closed because of increased earnings	
	Child care	Medicaid	Child care	Medicaid
Arizona			24 months	24 months
Colorado		Eliminated		
Connecticut	Eliminated	Eliminated	Extended until family's income exceeds 75% of state median income	24 months
Delaware			24 months	24 months
Florida			24 months	
Illinois	Eliminated		24 months	24 months
Iowa			24 months	
Massachusetts	Eliminated	Eliminated		
Mississippi	Eliminated	Eliminated		
Montana	Changed to 1 month	Eliminated		
Nebraska			24 months	24 months
New Hampshire		Eliminated		
Ohio			18 months	
South Carolina	Eliminated	Eliminated	24 months	24 months
Texas		Eliminated		18 months
Utah	Eliminated	Eliminated	Extended until family income exceeds sliding fee scale	24 months
Vermont				36 months as long as income does not exceed 185% of poverty line
Virginia		Eliminated	24 months	24 months

^aOther states that changed their work requirements through waiver did not change their transitional benefits.

Source: The terms and conditions in the state waivers, HHS.

GAO Contacts and Staff Acknowledgments

GAO Contacts

David P. Bixler, Assistant Director, (202) 512-7201
Margaret Boeckmann, Senior Social Science Analyst, (202) 512-6992

Staff Acknowledgments

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