The Working Poor Families Project

POLICY BRIEF
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Promoting Economic Self-Sufficiency as a State TANF Outcome

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The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 established the federal Temporary Aid to Needy Families (TANF) program to change "welfare as we know it." TANF guidelines encouraged states to pursue new and innovative strategies to aid recipients in their transition to employment and self-sufficiency. Federal law, however, did not examine measures of family well-being, such as progress toward economic self-sufficiency, as the standard for program success. Instead, the process outcomes of participation rates and caseload reductions were considered.

When Congress reauthorized TANF earlier this year, it did not change this emphasis on process outcomes. In fact, the reauthorization eliminated the high performance bonus program that rewarded states for achieving positive employment outcomes.[3] But as states reexamine their TANF programs under the new law, they have the opportunity to set new definitions for program success, to measure whether TANF services and actions are leading families out of poverty toward economic self-sufficiency, and to redirect program activities and outcomes toward those goals.[4]

The Working Poor Families Project (WPFP) supports state nonprofit organizations to strengthen state policies that can help low-income working families achieve economic security. The WPFP encourages states to direct their TANF and other workforce development programs to achieve significant employment and earnings outcomes for participants. In particular, the WPFP encourages the adoption of two primary objectives for state TANF programs: 1) establish economic self-sufficiency as a goal for TANF leavers; and 2) measure success toward this goal and related outcomes on a routine basis.

Although the federal government does not measure state success in helping TANF families achieve gains in earnings, a number of states conduct or support studies on this issue. Only a few states, such as Arkansas, Ohio, Texas, and Washington, have enacted legislation mandating that state agencies regularly examine how effectively the TANF program helps participants and leavers achieve economic self-sufficiency. The Arkansas and Texas legislation was motivated by policy recommendations made by the Arkansas Southern Good Faith Fund and the Texas Center for Public Policy Priorities under their Working Poor Families Projects.

THE WORKING POOR FAMILIES PROJECT

Strengthening State Policies for America's Working Poor

Millions of American breadwinners work hard to support their families. But, despite their determination and effort, many are mired in low-wage jobs that provide inadequate benefits and offer few opportunities for advancement. In fact, more than one out four American working families now earn wages so low that they have difficulty surviving financially.[2]

Launched in 2002 and currently supported by the Annie E. Casey, Ford, Joyce, and Mott foundations, the Working Poor Families Project is a national initiative that works to improve these economic conditions. The project partners with state nonprofit organizations and supports their policy efforts to better prepare America's working families for a more secure economic future.

For more information:
http://www.aecf.org/initiatives/fes/workingpoor/

Measuring Earnings Outcomes in States

Based on a review of Arkansas, Ohio, Texas, and Washington's laws, this report considers five primary issues to be addressed when crafting state legislation in this area:

1) Establish economic self-sufficiency as a goal of the TANF program;
2) Identify appropriate measures of economic self-sufficiency;
3) Establish the appropriate time period(s) for measuring earnings;
4) Determine what constitutes progress and success; and
5) Require the public reporting of outcomes on a regular basis.

1) Set TANF Goals

It is important that states clearly articulate that economic self-sufficiency is a primary goal of their TANF program, particularly in the absence of a tangible federal policy goal on this matter. Arkansas did this in its 2003 TANF legislation (Act 1306) by calling for increasing the percentage of cash assistance for families who move out of poverty. The legislation even goes to the point of instructing the TANF agency to permit participants to "obtain the education and training they need to obtain jobs that pay wages allowing them to be economically self-sufficient." The goal of economic self-sufficiency should apply to all TANF participants and leavers, not just those initially connected to work.

2) Determine Economic Measures

It is essential to have a clear and precise measure of economic self-sufficiency. Three out of the four states -- Arkansas, Texas and Washington -- measure economic self-sufficiency by looking at earnings at 100 percent and 200 percent of the federal poverty level. This is probably the best approach as it is both easily computed and commonly understood. Ohio uses another approach, reporting the number of former recipients who have obtained employment and their earnings. To be meaningful the state must determine an earnings amount that represents an appropriate measure or level of economic self-sufficiency.

One issue to consider is what constitutes earnings. Through state data systems, such as the state Unemployment Insurance wage record files, earnings data are reported for workers by their employers. Despite some limitations, this data system is generally easily accessed and is typically well understood as it is used to compute earnings from work for other state programs, such as WIA. Some states apply a more expansive definition of earnings than what is captured in the UI wage record files. Arkansas defines earnings to include "the value of food stamps and the federal Earned Income Tax Credit and child support." Including multiple sources of income obviously requires a more sophisticated process of matching data on TANF participants with other administrative data systems beyond the UI wage record files. While earnings are not the same as total family income, a focus on earnings draws attention to a fundamental issue: Do parents earn enough through work to escape poverty and achieve economic self-sufficiency?

3) Identify Measurement Periods

Since earnings accrue over time, it is necessary to establish a point at which to assess economic progress or success. Washington state calls for the measurement of TANF participants' earnings at 12, 24, and 36 month intervals after leaving welfare. Texas focuses on the one-year anniversary after employment rather than measuring earnings after program completion. The Arkansas legislation does not specify a measurement period, however, in practice, the state measures earnings at six months after leaving the program.

Given that some participants may be employed for months prior to leaving the TANF program, it is important to be clear on both the time period and the starting point. The Washington approach, which measures earnings for up to three years after exit, allows for the measurement of earnings progress over time and creates the opportunity to examine the factors that lead to higher earnings over a longer period. This information can provide useful insights for strengthening state policies on career and earnings advancement.

4) Establish Benchmarks For Success

Ideally one would prefer that *all* TANF leavers achieve economic self-sufficiency within a stated period of time. None of the four states, however, have identified an acceptable standard of success. In other words, the states have not determined what percentage of TANF leavers should achieve economic self-sufficiency, be it within one, two or three years after leaving the program.

Data from TANF leaver studies suggest that achieving a goal of 100 percent of leavers earning self-sufficient wages is a distant dream at best. A 2003 study on the earnings of single mothers who left TANF in Wisconsin found that less than one in three had family earnings above poverty (defined broadly to include earnings from other family members and tax credits) one year after exit. When looking only at the mothers' work earnings after taxes, the study found that only 19 percent had employment earnings above poverty. This data pertains to a 1999 cohort of TANF participants who exited during strong economic times.[5]

Data available from Arkansas, Texas, and Washington provides a perspective on recent outcomes. Based on the studies available, the percent of families reaching 100 percent of the poverty level or above range from 12 percent to 48 percent, depending on the cohort, length of time since leaving welfare, and income sources included (see Table 1).

The portion of former recipients reaching income levels at or above 200 percent of poverty ranges from less than one percent to 12 percent. In Washington, where former recipients are measured the longest amount of time, the percentage of leavers reaching economic self-sufficiency increases over time.

In addition to measuring success against a pre-determined standard, a state can also attempt to compare outcomes against other programs or cohorts of individuals. For example, the state of Washington requires that TANF leavers' earnings be compared with earnings of a comparison group that did not receive welfare services.

5) Report Openly and Regularly

The basic compilation of data and analysis is of little value unless utilized in the public domain. The final consideration is the reporting frequency. In Ohio and Washington, for example, analyses are conducted and reported on a quarterly basis. Longer intervals between reports may make more detailed reporting and analysis, as well as longer coverage, possible. At the same time, intervals that are too long could lead to unwieldy data projects. Certainly it is important to have results available at least on an annual basis so that data can be presented and considered in the public domain.

Table 1: TANF Leavers' Earning Outcomes[6]

State	Percent at 100% FPL	Percent at 200% FPL	Measurement Period	Income Sources Included
Arkansas	12	2	Six months	Earnings only
Arkansas	19	2	Six months	Earnings and food stamps
Arkansas	19	2	Six months	Earnings, food stamps and child support
Arkansas	37	2	Six months	Earnings, food stamps, child support, estimated EIC (less SS tax)
Texas	n.a.	7	One year period after entering employment	Earnings only
Washington[7]	36-42	5-9	After 12 months	Earnings only
Washington	41-45	8-10	After 24 months	Earnings only
Washington	48	12	After 36 months	Earnings only

Conclusion

Overall, it is important that TANF be viewed as a resource and program to help participants achieve economic self-sufficiency. In the absence of federal leadership on this issue, states need to look beyond process outcomes and establish their own goals and outcomes that measure progress toward family economic well-being. Not only will such outcomes identify the level of success states are achieving, they also will provide important feedback as to whether state TANF activities and services provide economic value to participants.

The old maxim "what gets measured is what gets done" underlies the WPFP's interest in recasting state TANF policies to measure progress toward economic self-sufficiency. Arkansas demonstrated the value of this approach. By adopting outcome measures that examined progress toward economic self-sufficiency, the state identified a need to redirect its TANF resources to help participants achieve higher earnings. As such, the TANF agency decided to invest $16 million in a statewide Career Pathways education and training initiative that serves eligible TANF participants.

The WPFP recommends states develop a process for measuring TANF outcomes that, at a minimum, contain the following points. First, the state TANF program should include an articulated goal of moving all TANF participants to economic self-sufficiency within two years of leaving cash assistance. Second, appropriate earning levels should be set at 100 percent of poverty and 200 percent of poverty. Third, analysis should be conducted on TANF participants one and two years after exit and the results made public at least annually. Finally, standards of success should be articulated for moving some percentage of participants toward the stated goal of economic self-sufficiency. These recommendations are a starting point and are intended to set the stage for WPFP organizations to engender a more specific discussion about the need to develop policies and opportunities for TANF leavers to achieve economic self-sufficiency.

Generating the expectation that TANF and all workforce development programs should lead to economic self-sufficiency is a primary goal of the WPFP. By raising public attention to this goal, WPFP state organizations create the opportunity to strengthen state TANF and other workforce development policies to better serve and benefit low-income working families.

WORKING POOR FAMILIES PROJECT RECOMMENDATIONS:

1) The state TANF program should include an articulated goal of moving all TANF participants to economic self-sufficiency within two years of leaving cash assistance.
2) Appropriate earning levels should be set at 100 percent of poverty and 200 percent of poverty.
3) Analysis should be conducted on TANF participants one and two years after exit and the results made public at least annually.
4) Standards of success should be articulated for moving some percentage of participants toward the stated goal of economic self-sufficiency.

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Endnotes

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[2] Waldron, Roberts and Reamer. "Working Hard, Falling Short," Working Poor Families Project, October 2004, p. ii.
[3] Instructions from the U.S. Department of Health and Human Services on March 15, 2006 (TANF-ACF-PI-2006-01) requires states to still submit monthly data that will enable the Department to continue calculating and ranking State performance in moving TANF recipients into private sector employment.
[4] States committed to the goal of improving family well-being can do a number of other things in addition to establishing meaningful performance outcomes. For example, states can increase the number of participants engaged in education and training, which can lead to better jobs and higher earnings as well as help meet the new participation requirements.

[5] Cancian, Haveman, Meyer and Wolfe. "The Employment, Earnings and Income of Single Mothers in Wisconsin Who Left Cash Assistance", Institute for Policy Research, University of Wisconsin-Madison, Report #85, January 2003, p. 33.
[6] Ohio is not included as the state only reports on wages earned and does not apply the earnings against a threshold of economic self-sufficiency.
[7] Data ranges reflect data from TANF leavers from three separate quarters (fourth quarters of 2001-2003) where available.

Appendix

Arkansas Code
Section 20-76-195
(k) (l) The administration of the program shall focus on promoting the following outcomes for program recipients and poor families in Arkansas:
(5) (A) Increase the percentage of former transitional employment assistance cash assistance recipients who move out of poverty, including the value of food stamps and the federal Earned Income Tax Credit and child support.
(B) The Arkansas Transitional Employment Board shall use the following or similar indicators to determine whether this outcome is being met:
(i) Percentage of families with earning levels above one hundred percent (100%) and the percentage above two hundred percent (200%) of the federal poverty limit, including child support payments, the imputed value of food stamps, and the federal Earned Income Tax Credit.
(ii) Percentage of eligible former recipient families enrolled in the food stamp program; and
(iii) Percentage of eligible former recipient families who file for the federal Earned Income Tax Credit.

Section 20-76-443
(a) The Department of Human Services shall permit Transitional Employment Assistance Program recipients to obtain the education and training they need to obtain jobs that attain wages that allow them to be economically self-sufficient.

Ohio Code
Section 5101.80. Administration of Title IV-A programs

(C) (10) Contract with a private entity to conduct an independent on-going evaluation of the Ohio works first program and the prevention, retention, and contingency program. The contract must require the private entity to do all of the following:
(a) Examine issues of process, practice, impact, and outcomes;
(b) Study former participants of Ohio works first who have not participated in Ohio works first for at least one year to determine whether they are employed, the type of employment in which they are engaged, the amount of compensation they are receiving, whether their employer provides health insurance, whether and how often they have received benefits or services under the prevention, retention, and contingency program, and whether they are successfully self sufficient;
(c) Provide the department with reports at times the department specifies

(11) Not later than January 1, 2001, and the first day of each January and July thereafter, prepare a report containing information on the following:
(a) Individuals exhausting the time limits for participation in Ohio works first set forth in section 5107.18 of the Revised Code.
(b) Individuals who have been exempted from the time limits set forth in section 5107.18 of the Revised Code and the reasons for the exemption.

Texas Code
Section 302.0044
Wage tracking of TANF CHOICES program recipients.

(a) The commission, in consultation with local workforce development boards, shall compile the following information with regard to each recipient of employment services under the Temporary Assistance for Needy Families (TANF) CHOICES program:

(1) whether the recipient is placed in employment paying wages equal to or exceeding 200 percent of the federal poverty level for a family that is the size of the recipient's family; and

(2) if the recipient is placed in employment earning wages equal to or exceeding the amount described by Subdivision (1), whether the recipient has earned that amount before the first anniversary of the date of the recipient's initial date of employment.

(b) Not later than December 15 of each year, the commission shall report to the legislature the percentage of recipients of employment services under the Temporary Assistance for Needy Families (TANF) CHOICES program who meet the wage criteria described by Subsections (a)(1) and (2).

Washington Code
Revised Code of Washington 74.08A.410
Outcome Measures – Development - Benchmarks

(1) The WorkFirst program shall develop outcome measures for use in evaluating the WorkFirst program authorized in chapter 58, Laws of 1997, which may include but are not limited to:
(a) Caseload reduction;
(b) Recidivism to caseload after two years;
(c) Job retention;
(d) Earnings;
(e) Reduction in average grant through increased recipient earnings; and
(f) Placement of recipients into private sector, unsubsidized jobs.

Section 207(1)(a) of ESSB 5404 requires the Department of Social and Health Services to do the following:

Continue to implement WorkFirst program improvements that are designed to achieve progress against outcome measures specified in RCW 74.08A.410. Valid outcome measures of job retention and wage progression shall be developed and reported quarterly to appropriate fiscal and policy committees of the legislature for families who leave assistance, measured after 12 months, 24 months and 36 months. An increased attention to job retention and wage progression is necessary to emphasize the legislature's goal that the WorkFirst program succeed in helping recipients gain long-term economic independence and not cycle on and off public assistance. The wage progression measure shall report the median percentage increase in quarterly earnings and hourly wage after 12 months, 24 months, and 36 months. The wage progression report shall also report the percentage with earnings above one hundred percent and two hundred percent of the federal poverty level. The report shall compare former WorkFirst participants with similar workers who did not participate in WorkFirst. The Department shall also report percentage of families who have returned to temporary assistance for needy families after 12 months, 24 months, and 36 months.