CASE: Revising TANF

It is the fall of 2016. Temporary Assistance for Needy Families (TANF), the main component of the welfare reforms passed in 1996, is up for renewal. In fact, it has been up for renewal for many years now, but Congress has not been able to agree on substantive reforms, and previous re-authorizations have been temporary. The Obama Administration wants to make one last push for a long-term renewal, and the Secretary of Health and Human Services has asked you to analyze the recent evidence on TANF and to make recommendations for the revisions that are needed.

Evaluating 20 Years of TANF

Many well-known poverty scholars have examined the impact of TANF on the lives of families, particularly single-parent families.

Ron Haskins argues that the 1996 welfare reforms that created TANF have been quite successful in achieving their main objective, namely, to move single parents off of welfare and into work. More specifically, he argues that these reforms have resulted in “a decline in the welfare rolls, an increase in work by low-income mothers, and an increase in family income with a resulting decline in poverty among children in female-headed families” (Haskins 2016a, p. 225).

An even more positive view of TANF is provided by Robert Doar of the American Enterprise Institute (AEI), a conservative think tank. “Based on 20 years of program performance, we can say that TANF has been a success. In the checkered history of US social policy, TANF is a bright spot: Few programs have generated such strong gains in poverty reduction and employment. The program’s robust work requirement, accountability of state performance, and expanded administrative flexibility all helped raise the labor force participation of never-married mothers from 59.5 percent in 1995 to 73.8 percent in 2001 and reduce their poverty rate from 51 percent to 38.5 percent over the same time period. While a strong economy and the expanded Earned Income Tax Credit certainly helped, studies that isolate the impact of welfare reform find that TANF itself also increased employment and earnings” (Doar 2015).

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1 This case was written by Professor John Yinger solely for the purposes of class discussion.
2 TANF was part of the Personal Responsibility and Work Opportunity Reconciliation Act; it replaced Aid to Families with Dependent Children (AFDC).
3 Haskins is a senior fellow at the Brookings Institution in Washington, D.C.
Haskins also recognizes, however, that the new welfare system has some problems. In particular, he points to “the decline in the percentage of poor families with children who receive a cash benefit, the rise of ‘disconnected’ single mothers who have neither earnings nor TANF cash, and problems with the way states administer the TANF program” (2016a, p. 227).

An alternative view is provided by Sandra Danziger, Sheldon Danziger, Kristin Seefeldt and H. Luke Shaefer, who emphasize that by eliminating the entitlement to welfare in previous law, the 1996 reforms left many single parents who cannot work without the benefits they need to provide for themselves and their families. In their view, “the transition to the new ‘work-based safety net’ remains incomplete: neither the federal government nor the states replaced the entitlement to cash assistance with an entitlement to participate in work or work-related activities” (Danziger et al. 2016b, p. 231).

This view is similar to the one expressed by the Center for Budget and Policy Priorities (CBPP), a liberal think tank: “TANF’s early years witnessed unprecedented declines in the number of families receiving cash assistance—and unprecedented increases in the share of single mothers working, especially those with less than a high school education. But since then, as the economy has weakened, nearly all of the employment gains have disappeared, and TANF caseloads have responded only modestly to increased need during the deep economic downturn that started in 2007” (CBPP 2016).

CBPP also points out that the “share of never-married mothers with a high school education or less who were employed jumped from 51 percent in 1992 to a high of 76 percent in 2000, but by 2013, it had fallen back to 63 percent, about the same level as in 1996. And, although the sharp improvement in employment among single mothers in the 1990s is often attributed to welfare reform, research has shown that other factors—especially a very strong labor market (with unemployment as low as 4 percent) and the Earned Income Tax Credit (EITC)—were far more important.”

The notion that TANF has lowered poverty is not universally accepted. The poverty rate among children in single-parent families clearly declined during the boom years that followed the 1996 reforms, but it started to creep up in 2000. Moreover, some people think that TANF pushed some single mothers into marriage for financial reasons, so that children in two-parent families may also be affected. As shown in Figure 1, the poverty rates for children and for single-parent households are now higher than they were in 1996. In addition, the decline in the welfare rolls is not the clear benefit that some people gain, since it reflects single-parents who do not apply because of the complexity of the new rules or who do not apply because they want to save some of their time-limited eligibility. See Figure 2.

Danziger et al. (2016, p. 233-4; references omitted) also point out that “Many who left welfare … were unable to work steadily. Whereas three-quarters of former recipients worked at

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4 Sandra Danziger is a professor at the University of Michigan (UM); Sheldon Danziger is the president of the Russell Sage Foundation (and a former professor at the UM); Kristin Seefeld is an assistant professor at UM; and H. Luke Shaefer is an associate professor at UM.
some point in the year following welfare exit, only one-third worked in all four calendar quarters. The kinds of jobs held by former recipients contribute to this instability. For example, many Wisconsin welfare leavers reported quitting jobs when they or a child became ill or they became pregnant. In addition, the decline in the caseload exceeded the increase in employment, suggesting that the implementation of work requirements and time limits, and the failure to provide work opportunities contributed to an increased number of single mothers who had neither earnings nor cash assistance, referred to as the ‘disconnected.’”

CBPP also emphasizes the problems of “disconnected” families. As they put it (2015), “these families often have barriers to employment that can impede their ability to meet the state’s expectations, such as: mental and physical impairments; substance abuse; domestic violence; low literacy or skill levels; learning disabilities; having a child with a disability; and problems with housing, child care, or transportation. TANF has, for the most part, failed this group of families—many of whom have become disconnected from both work and welfare—by providing them with neither a reliable safety net nor employment assistance that adequately addresses their employment barriers.”

Recommendations for TANF Reforms

On the basis of their analysis, Danziger et al. (2016b, pp. 235-6; references omitted) propose four significant changes in TANF. “First, the emphasis on ‘personal responsibility’ should be balanced with a ‘public responsibility’ to provide work opportunities to those for whom there is limited employer demand, especially when unemployment rates are high. Those who are willing to work but cannot find employment should be offered the opportunity to work to support their families instead of having their benefits terminated…. Creating a permanent program of work opportunities for those willing to work but unable to find a job would help complete the transition to a work-based safety net.

“Second, …. [i]ncreasing public funds for child-care subsidies would both raise the economic well-being of single mothers, but also contribute to increased labor supply by raising the net gain from work.

“Third, TANF should extend cash assistance to a greater percentage of eligible families, with work requirements, time limits, and other restrictions automatically relaxed during recessions…. [M]any families who need temporary cash assistance have difficulty enrolling in TANF. Reducing barriers to entry requires restraining state discretion to divert TANF funds for other uses. For example, states might be required to spend some fraction of their block grant and maintenance of effort funds on cash assistance and work opportunities. The states could better afford these restrictions if the TANF block grant were finally increased from its 1996 level, with additional automatic increases provided during recessions.”

The fourth recommendation by Danziger et al. is motivated by the fact that many potential TANF recipients have “barriers to employment that prevented them from finding steady work even when the economy was booming…. [F]or those whose barriers to work are so severe that they cannot work, but not severe enough to qualify them for disability benefits, …. a new
part-time or temporary disability benefits program” is needed. One possibility they mention is as modification of the Supplemental Security Income (SSI) program, which now applies only to permanent disabilities.

As noted earlier, Haskins has some sympathy with the notion that some mothers who are “disconnected” from the welfare system need more help. In his view (2016a, p. 228), “[o]ne response would be for welfare departments to reach out to disconnected families to establish whether they face hardships and how the hardships might be alleviated. Wisconsin did this after its radical reform drove far more cases off the rolls than expected.” Another possible program Haskins supports “would begin with an assessment of the mother’s health and the barriers to work she faces. The program would also provide a cash stipend, usually some percentage of a full TANF benefit, and implement a set of activities to help the mother build up to full-time work. Regular assessments would continue.”

Haskins also believes (2016a, p. 228-9) that “states have taken advantage of the spending flexibility offered by the block grant to game federal rules and, in many cases, conduct a small and ineffective TANF cash benefit program while using block grant dollars for other purposes.” The range of activities supported by the TANF block grants is described in Figure 3. One possible response to this problem, says Haskins, is to return to a federal-state matching program, “which would require states to spend their own dollars on core TANF purposes and only then have their expenditures matched by federal dollars.” Haskins doubts, however, that Republicans would accept a move away from the block-grant system.

Haskins also argues (2016b, p. 240) that it would be politically impossible, given strong Republican opposition, to return to a welfare system with an entitlement. However, he sees some room for compromise. “Republicans do not want to revisit the days of providing cash payments to nonworking parents; progressives want to reform TANF to provide greater support to disconnected mothers. A politically acceptable solution that has some empirical support is to provide states with funds to subsidize jobs. One approach would be to provide the Secretary of Health and Human Services with a pot of perhaps $50 million a year for 10 years to conduct a competitive grant program for states or local governments that pledge to spend the money on subsidizing jobs or training unemployed parents for jobs available in the local market.”

The HHS Conference

The Secretary of Health and Human Services, Sylvia Mathews Burwell, has arranged a conference to discuss the re-authorization of TANF. She has asked for presentations from analysts in the HHS Office of Planning and Evaluation and from representatives of groups with different points of view. These groups include the National Association of Social Workers the American Enterprise Institute, the Center for Budget and Policy Priorities, and the Center for Law and Social Policy. As an expert in welfare policy, you have also been asked to participate.

You may, if you wish, submit a two-page memorandum to Secretary Burwell, explaining and defending your main recommendations for TANF reforms.
References


Figure 1. Selected Poverty Rates After PRWORA

Source: U.S. Census
Figure 2: The TANF Participation Rate

**TANF National Participation Rate, 1992-2010**

**Average Monthly Participation among Eligible Families, Calendar Year**

Source:

Note:
This graph shows the share of families eligible for cash assistance in an average month that receives benefits. Estimates are for TANF and the last several years of AFDC. Eligibility counts exclude families estimated to be ineligible due to time limits.
Figure 3: Activities Supported by TANF Funding

Only About Half of Federal and State TANF Dollars Went for Core Welfare Reform Activities in 2013

- Basic assistance: 28%
- Work-related activities & supports: 8%
- Child care: 16%
- Administration & systems: 7%
- Refundable tax credits: 8%
- Other areas: 34%

Note: Total does not add to 100% due to rounding
Source: CBPP analysis of HHS 2013 TANF financial data
Appendix A: Recommendations from the National Association of Social Workers

The interest and involvement of the National Association of Social Workers (NASW) in the reauthorization of TANF is rooted in the mission and core values of the social work profession. These core values, which include social justice and belief in the dignity and worth of each person, have been embraced by social workers throughout the profession’s history and are the foundation of social work’s purpose and perspective.

1. Increase supports for working families through TANF.

In all but a few states, the amount of the TANF benefit is less than half the official poverty line. The federal government should increase the floor for TANF benefits to 100% FPL.

2. Eliminate education barriers.

Currently, TANF defines countable work activities too narrowly. In TANF reauthorization the definition of work should be expanded to include higher education, ESL, literacy, vocational training and elementary and secondary education.

3. Address employment barriers.

TANF must address physical and mental illness, disability, substance abuse and domestic and sexual violence issues as being barriers to employment.

4. Provide child poverty reduction bonus.

TANF should include financial incentives to states that significantly reduce child poverty, and to those that lift sanctions denying aid to children whose parents engage in conduct that is deemed inappropriate.

5. Enhance the capacity of the welfare system infrastructure.

The additional tasks for service provision being placed on frontline workers, such as social workers, calls for a significant investment in training to enhance their capacity to responsibly serve vulnerable families.

6. Suspend, at least until recovery has been achieved, the five-year time limit on receipt of TANF benefits.

See:
Appendix B: Recommendations of the Center for Law and Social Policy (CLASP)

1. **Focus on alleviating poverty and preventing material hardship among children and families**, especially those who are particularly vulnerable due to circumstances such as disability, domestic violence, or homelessness.

2. **Create effective pathways to economic opportunity**, including access to mainstream education and training and individualized services for those with barriers to employment.

Appendix C: Recommendations of the Center for Budget and Policy Priorities (CBPP)

1. **Making TANF a more effective work program.** Congress can help states improve their work programs by changing what counts toward the work participation rate and increasing the focus on employment outcomes. This would help states to make greater use of employment and training programs that help parents prepare for jobs in today’s economy. In addition, changes in federal law could encourage states to do more to help families with significant barriers to employment.

2. **Making TANF a more effective safety net.** TANF’s safety net role has weakened significantly over time. It does not have to be this way. Congress can encourage states to serve families in need by rewarding states that provide a strong safety net and changing provisions that discourage states from serving families with the most significant employment needs. These are the families with the most to gain from the employment and support services that TANF is supposed to provide.

3. **Improving the targeting of federal and state TANF funds.** Many states spend a substantial share of their state and federal TANF funds in areas outside of the core purposes of welfare reform. Given the constrained fiscal environment, Congress should take steps to ensure that TANF funds are targeted to promoting and supporting work and providing a safety net to needy families.

4. **Strengthening federal funding levels and the Contingency Fund.** As noted, the TANF block grant has been flat for 16 years and has shrunk by one-third in real (inflation-adjusted) dollars. Moreover, supplemental grants for 17 mostly poor states, which Congress created as an integral part of TANF in 1996, have not been funded since 2011. And the Contingency Fund, which Congress created to meet additional needs during hard economic times, is inadequately funded and poorly designed; for example, its complex requirements discourage many states that are facing significant hardships from using the fund.

Appendix D: Recommendations of Doar (2015) at the American Enterprise Institute

One area ripe for improvement is the work participation rate (WPR). Under TANF, states must engage 50 percent of their recipients in work activities to avoid losing funds. Many states game the system.

“Caseload reduction” credits let states lower their required work participation rate by reducing the number of people who receive benefits. “Excess Maintenance of Effort” exemptions allow states to engage a smaller share of recipients in work if the state spends more than is required. And some states provide very small benefits to workers in order to boost their work engagement numbers. These loopholes should be closed. Returning the WPR to a true 50 percent would re-establish it as a meaningful accountability measure.

Phasing in outcome-oriented metrics would also be a step in the right direction. These measures are untested, and should not replace existing requirements in the near term or undermine the proven work-first approach. But introducing supplementary assessments based on participant outcomes, such as job placement and job retention, could help states focus on what matters most.

…. Giving states partial credit toward their WPR for people who partially meet the work requirement but don’t reach the full thirty hours a week expectation would recognize that some work is better than no work. Eliminating the separate and higher work participation rate for married-parent families would end an implicit marriage penalty. And funding demonstration projects to evaluate programs with experimental techniques along with creating a What Works Clearinghouse would help states pursue evidence-based policies.

…. [E]xpanding allowable educational activities would likely make TANF less effective in getting recipients employed. Data show that rates of completion for GEDs or 2-year college certificates are low and that adult education programs fail to increase earnings over control groups. Allowing recipients up to the age of 26 to satisfy their requirements through secondary education or any recipient to pursue vocational education for 24 months (the current limit is 12 months), as the draft proposes, would not be effective at boosting employment.

And strong verification processes must remain in place. These requirements demand resources, and states do not like them. But the program’s past success and the public’s support rested on ensuring that recipients are engaged in productive activities on a daily basis.

TANF has been a rare bright spot in US anti-poverty policy. Policymakers should not forget that the primary reason the program has been successful is its work-first approach. Skepticism toward reforms that change course is warranted. However, the program also has room for improvement—be it by preventing states from playing numbers games or by incentivizing a sharper focus on employment and job retention. Reforms should help TANF build on its past success in reducing poverty, not fundamentally change it.