



The Impact of the Deficit Reduction Act of 2005 on Low Wage Jobs
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Editor's Note: This SIPR Policy Paper examines the ongoing process of welfare reform, especially how recent legislative changes are encouraging innovations at the state level. It is the third in a series of essays in support of SIPR's project on the Benefits Access Learning Cluster, an effort funded by the Charles Stewart Mott Foundation and managed by Senior Fellow April Kaplan to identify effective employer-based models for raising awareness of and participation in work-support programs and to develop and disseminate knowledge about best practices to employers, benefit-program administrators, human-service agencies, and other important stakeholders.

Background

Welfare has weathered much debate over the last 40 years. However, by the 1990s policymakers and practitioners of nearly every philosophical stripe agreed that welfare needed to be transformed from a benefit program into a transitional work-support program, with clear expectations that people move quickly from welfare to work. Why? Because work gives people the opportunity, meaning and structure in their lives that social programs cannot provide.

The public clearly expected agencies and recipients to be accountable for job preparation, job development, job placement, job retention and self-sufficiency. Both recipients and staff needed to share a common expectation that assistance was temporary while taking the necessary steps to become self-sufficient. Workers and recipients alike, it was determined, must view benefits and employment services as a critical resource that should be used prudently, like savings for our future.

With these goals in mind, Congress enacted, and President Bill Clinton, signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which included the Temporary Assistance to Needy Families Program (TANF). TANF was intended to end "welfare as we know it." Under TANF, states are required to assist recipients in making the transition to employment and must meet critical program requirements in order to maintain full funding and avoid penalties. To avoid a work participation penalty, a state must ensure that 50 percent of all families with one adult (and 90 percent of two-parent families) participate in 12 allowable work activities for a specified number of hours each week.

Generally, to count in the participation rate, an individual must participate for an average of 30 hours per week in the month (a single custodial parent of a child under six must participate for only 20 hours), and the parents in two-parent

families can combine to participate for 35 hours or 55 hours if they receive federally funded child care.

Nine core work activities must be used to meet the first 20 hours (30 or 50 hours for two parent families) of required work:

- Unsubsidized employment;
- Subsidized private-sector employment;
- Subsidized public-sector employment;
- Work experience if sufficient private-sector employment is not available;
- On-the-job training (OJT);
- Job search and job readiness assistance;
- Community service programs;
- Vocational educational training; and
- Providing child care services to an individual who is participating in a community service program.

Three activities can only count as participation after the 20-hour requirement is met:

- Job skills training directly related to employment;
- Education directly related to employment, in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency; and
- Satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence, if a recipient has not completed secondary school or received such a certificate; and

A Decade of Reform

It has been more than ten years since PRWORA was enacted. In many ways, the goal to end welfare as we know it has been accomplished. There is general agreement on many positive results of the TANF program and the success it has had in moving welfare recipients and low-wage workers closer to self sufficiency through work and critical work supports.

States used positive incentives, such as increased income- and-asset disregards and state earned-income tax credits, and dramatically improved the work supports of child care and transportation to encourage employment among recipients. As a result, the TANF caseload has been reduced by over 60 percent, and over two million mothers have entered the workforce. The result, according to a House Ways and Means subcommittee report, is not just more Americans working, but more resources flowing to those on welfare and those emerging from welfare. "Total taxpayer resources for welfare and child care increased from about \$7,000 per family on welfare in 1996 to over \$16,000 per family today."¹

As advocates of reform predicted, participation in employment and work activities increased significantly. “Income among welfare recipients increased substantially between 1997 and 2002. The median income for a family receiving welfare benefits was \$11,820 in 2002, compared with \$7,196 in 1997.”ⁱⁱⁱ

While most would agree that welfare reform has been a success, prospects for low-income families are still mixed, and there is still much to do before anyone can be satisfied with the results. Poverty and child-poverty rates have been reduced by one-fifth since 1993; however, the rates increased slightly between 2000 and 2004 and dropped only one tenth of a percent in 2005. There are still 37 million Americans (12.6 percent of the population) living in poverty, 13 million of whom are children (17.6 percent of all children).ⁱⁱⁱ Many of the poor include families where one or more parents are working in unstable jobs with low wages and not enough work supports.

After nearly three years of debate over more substantive legislative changes, the TANF program was reauthorized for another five years as part of the Deficit Reduction Act (DRA) of 2005 (Pub. L. 109-171).

The Deficit Reduction Act of 2005 retained most TANF provisions enacted in PWRORA and made two key statutory changes that affect participation requirements. First, all welfare cases in separate state programs (SSP) claiming to meet the maintenance-of-effort (MOE) requirement must now meet the same participation rates as individuals and families who were receiving benefits paid for by TANF. This new provision will have the effect of moving many individuals who previously were not in the full-time workforce into the workforce, thus increasing the need for a variety of work supports. In FY2005, slightly more than 910,000 families were included in the participation rate denominator; this change adds nearly 140,000 families to the denominator, a little less than one-third of whom are participating in work activities. This means that nearly 48,000 additional families will be required to enter work or other activities to meet the 50 percent overall participation requirements. A significant portion of these families will also need the critical supports of child care, transportation and other work-support services to enable them to work.

Second, the base year for the calculation of the caseload reduction credit is changed from FY1995 to FY2005. To give states credit for families that become self-sufficient and exit the welfare rolls, a caseload reduction credit was included in PRWORA. The original credit reduced the minimum participation rate a state must meet by the reduction in the state's TANF caseload in the prior year compared to its AFDC caseload in FY1995. The credit excludes reductions due to changes in Federal law or eligibility criteria made subsequent to the base year.

Recalibrating the base year effectively eliminates the caseload reduction credit states had achieved over the past ten years and has the effect of making the 50 percent overall and 90 percent two-parent participation requirements real. The Department of Health and Human Services (HHS) estimates that the caseload reduction credit for most states, comparing the average caseload in FY2006 to the FY2005 baseline, will

be from five to ten percent. In addition to the nearly 300,000 families that are already participating, more than 150,000 additional families will need to participate to meet the 50-percent rate under this change, many of whom will need support services.

The DRA also required HHS to promulgate rules by June 30, 2006 in several areas:

- To define the 12 countable work activities specified in PWRORA;
- To specify the circumstances under which a non-recipient parent who resides with a child receiving assistance should be included in the work participation rates;
- To ensure accurate and consistent work participation information; and
- To implement a new penalty if a state fails to establish and maintain adequate work verification procedures.

The Interim Final Rule

The Administration for Children and Families (ACF) in HHS published the interim final rule on June 29, 2006, to incorporate the new statutory changes into TANF (see <http://www.acf.hhs.gov/programs/ofa/tanfregs/finrule.pdf>). A summary of the key provisions in 45 CFR is outlined below.

Work Definitions (45 CFR 261.2)

To specify the circumstances under which a parent who resides with a child who is a recipient of assistance should be included in the work participation rates, HHS added a definition for the term “work-eligible individual.” A “work-eligible individual” includes: 1) an adult (or minor child head-of-household) receiving assistance under TANF or a separate state program; and 2) a non-recipient parent living with a child receiving assistance, unless the parent is excluded. The following parents are excluded because they either cannot work legally or it would be inappropriate to require them to work:

- a minor parent who is not the head-of-household (or spouse),
- an alien who is ineligible to receive assistance due to his or her immigration status, or
- a recipient of Supplemental Security Income (SSI) benefits (determined by state option on a case-by-case basis).

The interim final rules also define each of the 12 distinct work activities as mutually exclusive. The rule also introduces a new requirement that all non-employment activities must be supervised by a worksite sponsor, or other responsible party on an ongoing basis no less frequently than daily. Below is the definition and key preamble guidance for each of the 12 work activities.

Unsubsidized employment means full- or part-time employment, including self-employment, in the public or private sector in which the employer is not subsidized by TANF or any other public program. Work-related subsidies provided to the recipient, such as child care, transportation, and other support services are not considered in determining whether employment is unsubsidized or subsidized.

Subsidized private-sector employment means employment in the private sector for which the employer receives an ongoing subsidy from TANF or other public funds to offset some or all of the wages and costs of employing a recipient.

Subsidized public-sector employment means employment in the public sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing a recipient. Under subsidized employment, the participant is paid wages and receives the same benefits as a non-subsidized employee performing similar work.

Work experience (including work associated with the refurbishing of publicly assisted housing) if sufficient private sector employment is not available means a work activity, performed in return for welfare, that provides an individual with an opportunity to acquire the general skills, training, knowledge, and work habits necessary to obtain employment. The purpose of work experience is to improve the employability of those who cannot find unsubsidized employment. Participants receive TANF assistance and benefits, rather than wages, but may be considered employees under the Fair Labor Standards Act (FLSA). If classified as an “employee” under the broad definition in FLSA, participants must be compensated at the minimum wage. The TANF “assistance” that work experience participants receive is not considered wages for Social Security purposes, nor is the assistance considered taxable income for purposes of federal income tax or the Federal Earned Income Tax Credit (EITC).

On-the-job training (OJT) means training in the public or private sector that is given to a paid employee while he or she is engaged in productive work and that provides knowledge and skills essential to the full and adequate performance of the job. States may subsidize the employer to offset the cost of the training.

Job search and job readiness assistance means the act of seeking or obtaining employment, preparation to seek or obtain employment, including life skills training, and substance abuse treatment, mental health treatment, or rehabilitation activities for those who are otherwise employable. This activity is limited to six weeks (no more than four of which may be consecutive) or 12 weeks under specified conditions. A week consists of seven consecutive days. Job readiness assistance comprises two types of activities:

- Preparation for an individual to obtain employment, such as job search, preparing a resume, interviewing, work-place expectations and life skills; and
- Substance-abuse treatment, mental-health treatment, or rehabilitation activities for those who are otherwise employable (such treatment or therapy must be determined to be necessary and certified by a qualified medical or mental health professional).

Community service programs mean structured programs and embedded activities in which TANF recipients perform work for the direct benefit of the community under the auspices of public or nonprofit organizations. Community service

programs must be limited to projects that serve a useful community purpose in fields such as health, social service, environmental protection, education, urban and rural redevelopment, welfare, recreation, public facilities, public safety, and child care. Community service programs must be designed to improve the employability of recipients not otherwise able to obtain employment.

- Family- and self-improvement activities that do not provide a direct benefit to the community may not be counted as community service.
- Also excluded are unstructured and unsupervised activities such as helping a neighbor or friend, and foster parenting.

Vocational educational training (not to exceed 12 months with respect to any individual) means organized educational programs provided by education or training organizations that are directly related to the preparation of individuals for employment in current or emerging occupations requiring training other than a baccalaureate or advanced degree.

- Vocational educational training does not include basic and remedial education, education in English proficiency, and postsecondary education.
- Unsupervised homework time may not count; however, structured and monitored study sessions which can be documented may be counted.

Job skills training directly related to employment means training or education for job skills required by an employer to provide an individual with the ability to obtain employment or to advance or adapt to the changing demands of the workplace. Barrier removal activities may not be included.

Education directly related to employment, in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency, means education related to a specific occupation, job, or job offer. This includes courses designed to provide the knowledge and skills for specific occupations. If required for employment, this may include adult basic education (ABE), English as a second language (ESL), and education leading to a General Educational Development (GED). Participants must make “good or satisfactory progress” under the standards of the institution. Unsupervised homework time may not be counted.

Satisfactory school attendance at secondary school or in a course of study leading to a certificate of general equivalence, in the case of a recipient who has not completed secondary school or received such a certificate, means regular attendance, in accordance with the requirements of the secondary school or course of study, at a secondary school or in a course of study leading to a certificate of general equivalence, in the case of a recipient who has not completed secondary school or received such a certificate. “Good or satisfactory progress” is required, and unsupervised homework time may not count.

Providing child care services to an individual who is participating in a community service program means providing child care to enable another TANF recipient to

participate in a community service program. Because assistance is time-limited, states should ensure that the activity is effective in helping move the client to self-sufficiency. This activity must be supervised on an ongoing basis no less frequently than daily.

Ensuring Accuracy of Work Data (45 CFR §§ 261.60-65)

This subpart includes the new work verification provisions of the DRA.

Actual Hours - Section 261.60 requires that only actual hours (not scheduled hours) of participation may be counted. A state must document in the case file all hours of participation that it reports and may not report data on the basis of “exception” reporting.

Holidays, Excused Absences - States may define and count reasonable, short-term, excused absences for hours missed due to holidays and a maximum of ten additional days of excused absences in any 12-month period, no more than two of which may occur in a month. The work-eligible individual must have been scheduled to participate in an activity for the period of the absence. Each state must describe its “excused absence” policies and practice as part of its Work Verification Plan. A state may not count more hours for a self-employed individual than the net income divided by the federal minimum wage.

Documentation - A state must verify through documentation in the case file all hours of participation that it reports. Documentation for employment may include pay stubs, timecards, sign-in/out sheets and rosters with recorded hours of work. For non-employment activities, States should require service providers to document the hours of their clients’ participation using time sheets or attendance records.

Projected Actual Hours of Work - To ensure that the verification requirements do not create a burden on employers or employees and thus discourage work, under § 261.61(c) the rules permit states to report projected actual hours of work for up to six months on the basis of prior, documented actual hours of work. This policy applies only to unsubsidized and subsidized employment and OJT. If the state becomes aware of a change in the client’s work situation, the new actual hours must be documented and may be prospectively projected again for six months. A state that chooses to project actual hours of work must describe its policies in the Work Verification Plan.

Work Verification Plan - Under the DRA, states are required to establish and maintain work participation verification procedures. Section 261.62 describes what a state must do to verify its participation information. Each state must establish and maintain procedures that comply with regulatory requirements, develop and use internal controls that ensure valid work participation rates, and to submit a Work Verification Plan detailing its procedures to the Secretary for approval no later than September 30, 2006, and operate under an approved Work Verification Plan no later than September 30, 2007.

Work Verification Penalty - The DRA added a new penalty for a State that fails to establish or comply with its work participation verification procedures. The penalty will be

imposed under two conditions: 1) if a state fails to establish and timely submit its Work Verification Plan; or 2) if a single audit or other reviews demonstrate that the state has not maintained adequate internal control procedures to ensure the accuracy of the work participation data. A penalty of five percent will be imposed for failure to submit a Work Verification Plan by the due dates. If a state fails to ensure accurate data, the penalty will be based on the number of years that a state fails to comply – one percent in the first year, two percent in the second year, to a maximum of five percent in the fifth year. States that are subject to this penalty may claim reasonable cause and/or may submit a corrective compliance plan to fully correct the violation and avoid the penalty.

The Effect of these Statutory and Regulatory Changes

A recalibrated caseload reduction credit, the addition of cases in separate state programs, and the addition of certain parents of child-only cases as “work-eligible” individuals, makes a 50-percent participation rate significantly harder to achieve under the DRA. Based on unpublished FY2005 participation data, HHS estimated that nearly 341,000 families are meeting the work-participation requirements. Nearly 163,000 more families would have to participate or increase participation (89,000 families were already participating but with insufficient hours to count) to meet the all-family participation requirements. This estimate assumes a caseload reduction credit of between five and ten percent for FY2007 based on caseload data submitted by states for FY2006 and the estimated impacts of various provisions on participation rates.^{iv}

The defined regulatory circumstances in which “child-only” cases with a parent are added significantly contribute to this increase. In FY2004, 44 percent of all TANF cases had no adult recipients in the assistance unit. Forty-five percent of these cases involved a non-parental relative who chose not to be included in the assistance unit, or whose income and assets preclude him or her from receiving cash assistance. These non-parental caretaker relatives are unaffected by the DRA or interim final rule provisions. Fifty-five percent (478,000) of the “child-only” cases had a parent living in the household. Of the families with a parent living in the home, the parent(s) did not receive assistance for several reasons:

- In 40 percent of the cases (194,000), the parent was receiving Supplemental Security Income (SSI);
- Thirty-two percent (152,000 cases) involved a parent who is a non-qualified alien, or a qualified alien who entered the country after August 1996;
- Eleven percent of the cases (53,000) included a parent who is subject to a work sanction; and
- In 17 percent or 80,000 cases, a parent is not eligible for various other reasons, including those with a parent that has reached a time limit and was removed from the grant.^v

In the interim final rules, a parent receiving SSI is included at the option of the state. Ostensibly, this will only happen when such a parent is meeting the work-participation requirements. Non-qualified aliens, the second category, are also excluded from the definition of a work-eligible individual. Basically, this means that states need to include parents who have been

sanctioned, or are otherwise ineligible for assistance in the denominator. Thus, of 850,000 child-only cases, around 133,000 cases are added to the rate and 66,500 of these must participate to meet the overall participation requirement.

States argue that there are many reasons that may prevent a recipient from meeting the full hourly participation requirements in a month, including illness, gaps between work activities, and family emergencies such as evictions and the need to find new housing, the need to care for an ill family member or the need to resolve substance abuse, mental health or domestic violence issues.

While increasing participation by 163,000 cases is no easy task, it is not impossible. Existing participation data understate the actual level of participation, because some states do not report all participation, and some participation, with modest change, may be countable under the new definitions. Also, some parents who are already working are unknown to the welfare agency.

The documented results and outcomes achieved by States in response to PWRORA demonstrate how innovation and commitment can effectively overcome challenges. TANF was created to help families prepare for and pursue work. A number of states have clear challenges to meet the work participation rates. However, based on the response to prior federal requirements and potential penalties, most states, with their business, community and faith-based partners, will effectively overcome these obstacles, increase participation rates and improve the employability of families.

Key Issues

Will the Need for Increased Participation Affect the Availability of Jobs and Work Supports for Low-Income Families?

One fundamental concern that has been raised about the new requirements is the effect they may have on former recipients and other low-income working families. Will states need to reduce resources and work supports to these families in order to meet the increased participation requirements?

Given the fact that many poor families involve parents who are working in low-wage and unstable jobs, this is a concern. One of the first questions is whether sufficient jobs exist in the economy to meet these additional participation requirements without affecting the jobs of low-income workers? Work is a primary goal of TANF and all state programs. Unsubsidized employment accounted for 53 percent of all participation in FY2004, and is expected to be the primary component of any new participation increases. In short, are over 80,000 jobs available for TANF clients, many with low-skills and barriers to work?

While today's economy is not as strong as that of the mid-1990s, without a doubt there are many jobs available, even for potential workers with low skills. This is demonstrated unmistakably by the employment success of immigrants with both low-skills and legal restrictions on work. While there are geographical areas in many states with a mismatch between potential employees and available jobs, states have become very effective in working with employers to place clients in the job market. The High Performance Bonus data

submitted by states since the enactment of PWRORA reflect the average placement of recipients in over 750,000 new jobs each year. To meet increased participation, these efforts need to continue and expand and will likely have little impact on low-income families that are already working.

In response to the new requirements, states working closely with employers and community partners may also enhance job opportunities. One promising potential for additional jobs relates to so-called "sectoral employment" or targeted occupations. For example, the long-term care (LTC) occupations needed to care for the elderly, disabled and ill are expanding dramatically as "baby-boom" era adults grow older. There is currently a mismatch between supply and demand, which with effective coordination could be at least partially filled by TANF recipients. An assessment conducted by the HHS Assistant Secretary for Planning and Evaluation (ASPE), Office of Disability, Aging and Long-Term Care Policy, in four states concluded:

Our analysis supports the consideration of TANF recipients as a potential source of workers to meet the growing demands of the LTC industry. We find that just over half of the caseload in Illinois, 56 percent in Maryland, 58 percent in South Carolina, and 61 percent in the District of Columbia, meet the basic needs of LTC employment.^{vi}

States may also expand subsidized private and public sector jobs. Like unsubsidized employment, these wage-paying positions may also qualify for the Earned Income Tax Credit and enhance a family's overall income.

One example is Hawaii, which achieved an all-family rate of 70.5 percent in FY2004. Part of Hawaii's success is attributable to an innovative subsidized employment program. Supporting Employment Empowerment (SEE) Hawaii Work uses an apprenticeship concept and expands it into a training-for-hire model with private-sector management. Hawaii contracts with a private employment service agency to market SEE, take and fill job orders from companies, and provide ongoing support to employers and employees. More than 400 companies employ SEE participants in a wide variety of positions. The employer sets the wage and the state reimburses minimum wage (currently \$6.75 per hour) plus 14 percent (toward unemployment insurance, workers' compensation, FICA, etc.) for six to 12 months.

Employers get prescreened job applicants who are ready to work and motivated with great job benefits paid by the state, including on-the-job guidance and mentoring, childcare coverage, health-insurance coverage, transportation and housing assistance. The employer also saves recruitment, hiring and training costs, and benefits from reduced job turnover. In its first year, SEE Hawaii Work placed more than 300 recipients with little work experience with diverse private-sector companies. For example, North Star Alliance, a financial services company, has hired 29 SEE participants as mortgage-banking trainees. Four participants graduated from training and are now earning over \$30,000 annually in unsubsidized salaries. The other participants are also on their way to becoming mortgage-banking professionals.^{vii}

Washington has one of the largest subsidized employment programs in the country. Community Jobs provides community-based work and skill-building experience to TANF parents encountering barriers entering the job market. The state contracts with community-based organizations to provide local service delivery. This includes establishing worksites and providing intensive case management, personal goal development and support services to parents. Host worksites are in nonprofit organizations, educational institutions, private entities, and local, state, federal, or tribal governments. Parents work 20 hours per week for up to nine months and are paid Washington's hourly minimum wage. Many participants are also enrolled in special barrier-removal programs. Each parent creates an individual development plan with the contractor to identify professional and personal goals. A training plan describes job duties, occupational goals and objectives, including training and skill development.^{viii} The Community Jobs program, which provides short-term, subsidized work for the hardest-to-serve parents, was found to increase quarterly earnings by an average of \$463.^{ix}

There have been significant increases in other programs that support efforts to engage and sustain people in work. In a document assessing the last decade, the Urban Institute reports "In 2002, federal and state governments spent \$131 billion on Medicaid and SCHIP, food stamps, child care subsidies, and the EITC, 28 percent more than in 1996 (in real terms)."^x Most low-income working families are eligible for all of these needs or income-based benefits, whether on welfare or not. The report notes that former recipients who take advantage of these government supports are less likely to return to welfare.

In analyzing increased work supports, Ron Haskins of the Brookings Institute noted, "It would be difficult to exaggerate the extent to which the nation's social policy to help low-income families has shifted from one that provided most of its benefits to families dependent on welfare to one that provides enormous benefits to working families."^{xi} The critical problem is that so few former recipients and other low-income working families take advantage of these work supports. While the availability of these critical supports is not affected by the TANF changes, expanded outreach and marketing of the advantages of these programs would enhance available resources and work supports for all low-income families.

Most states have resources or the ability to find additional resources that can be used to expand supports for families, if needed to sustain work. First, state-reported expenditure data for FY2005 show that nearly all states have unspent federal funds totaling almost \$4 billion. As more welfare families engage in work, caseloads will decline and free up additional dollars that were formerly spent on welfare benefits.

The DRA also expands a state's ability to meet its 80 percent (or 75 percent, if a state meets the work participation requirements) MOE requirement. States may count expenditures that provide pro-family benefits and services to anyone, without regard to financial need or family composition, if the expenditure is reasonably calculated to prevent and reduce the incidence of out-of-wedlock births, or encourage the formation and maintenance of two-parent families. The interim final rule clarifies that states also may

claim allowable costs borne by others as MOE. These include expended cash donations from non-federal third parties (for example, non-profits) and the value of third party in-kind contributions as long as there is a written agreement between the parties. States may also reallocate former spending patterns to meet critical work objectives. With dramatically reduced caseloads in the past, most states allocated TANF funds to a wide variety of services and benefits, including sizeable expenditures on early education, social services (child welfare, family preservation, juvenile justice and the social-services block grant), child care and transportation and state tax credits. States have for the past several years spent a majority of TANF funds on benefits and services other than cash assistance. Most of these benefits and services are provided to families who do not receive cash assistance. In FY2005, for instance, less than 12 percent of federal TANF funds were expended on "work related activities."^{xii} With the DRA's new emphasis on work, states may even enhance, rather than reduce, work supports for low-income working families.

Will States Make Significant Program Changes to Meet the New Requirements?

A significant concern raised by states and advocates is they will have to modify the current programs and services that have produced welfare reform's positive outcomes. As a general principle, each state should re-examine the effectiveness of its policies and procedures on a regular basis to eliminate ineffective programs, expand and enhance effective programs, and try new ideas and approaches. The DRA forces all states to consciously reassess priorities and reenergize work programs. But the amount of change needed is clearly dependent upon the state. As noted earlier, for many states modest changes will enable them to meet the overall participation requirements. For those states that need to dramatically increase participation rates, significant program redesign may be needed and overdue. Changes in two key areas may increase participation – expanded public service programs and a full-engagement strategy.

A primary program-design change to increase participation for clients with barriers to work may enhance alternate work opportunities. After a State maximizes its potential for participation in unsubsidized or subsidized employment, it may be necessary to expand work experience and community-service programs. These programs provide both work and learning opportunities for individuals with few work-related skills and little experience. Plus, they offer the opportunity to address unmet community needs. In both programs, workplace protections of the Fair Labor Standards Act (FLSA), health and safety, anti-discrimination and Workers' Compensation generally apply.

In the past, community work experience programs were criticized because they did not develop participants' skills and rarely resulted in permanent employment. A review of evaluations of unpaid work-experience programs in the 1980s by MDRC found little evidence of positive effects on employment and earnings. Rebecca Maynard outlines several challenges: 1) opposition from organized labor; 2) extensive administrative and supervisory support; and 3) costs of supports such as child care and transportation.^{xiii}

But that view has been changing during the past decade. Clifford Johnson and Ana Carricchi Lopez of CBPP note that the record of public job creation is far more promising. Research findings from a wide range of program evaluations provide substantial evidence that publicly-funded jobs can be effective in boosting employment and earnings for disadvantaged populations, increasing the supply of entry-level jobs, and responding to pressing community needs:

- The value of work performed and services provided through public job creation initiatives are quite significant, particularly when project development and worksite selection is closely linked to community needs. For example, the AFDC Homemaker-Home Health Aide Demonstrations yielded net social benefits ranging from \$2,200 to \$13,000 per participant at least in part because of the value of homemaker services that participants provided to elderly and other functionally impaired individuals; and
- The National Supported Work Demonstration, designed to test the effect of structured, paid work experience on long-term recipients, ex-addicts, ex-offenders and young high school dropouts, had the following results: AFDC participants earned \$1,076 (or 23 percent) more than control group members three years after the program ended; and taxpayers reaped a net gain of \$9,000 per AFDC participant due to declines in lifetime welfare receipt.^{xiv}

With effective training, public jobs creation can both improve a client's employability and address unfilled public needs. States have demonstrated that programs are feasible both in rural areas and urban cities. In even the smallest communities, individual placements or sites may be found in nonprofit or public agencies which provide supervision, and peer workplace norms. Larger-scale projects or work teams are also feasible, which facilitate cooperative work skills and can address bigger tasks with visible outcomes. Supervision is critical to the effectiveness of publicly-funded jobs and larger projects permit the use of specially trained supervisors. In tight labor markets, it may also be possible to "contract out" work crews that perform specified tasks for public agencies or for-profit enterprises on a fee-for-service basis.^{xv}

Recent programs, including those in New York City, Chicago, Kansas, and Montana are demonstrating the effectiveness of such programs. New York City demonstrated that work-experience programs work in an urban environment. A wide variety of positions and activities have been developed using private contractors. For example, Wildcat Service Corp. contracts to perform park maintenance, cleaning shelters, temporary services and programs tailored to banking, finance, and home care industries.^{xvi} Such techniques enabled the city to operate the largest work-experience program in the nation. "New York City's WEP is impressive not only in how rapidly it could create work slots for so any welfare recipients but also in the size of the caseload involved, especially for FA (family assistance) recipients. Between 1995 and 2001, WEP provided a mixture of mandatory work experiences enriched by an array of remedial and treatment services to more than 250,000 recipients."^{xvii}

Montana effectively used work experience in a rural setting. In FY2004, Montana achieved a participation rate of 92.7 percent for all families, and 95.7 percent for two-parent families, due in large part to a work-experience program. In preparation for the expiration of the state's welfare reform waiver, Montana aggressively reached out to county and community partners in the state to identify and develop work-experience slots and programs that both improve employability and address the needs of work sponsors.

With an 88-percent participation rate in FY2004, Kansas illustrates how community service may be used to increase participation. A goal for each client was to complete 20 hours of community service that recognized the volunteer work already being done by applicants and recipients. Kansas used a broad definition of community service, and some of these activities may not be countable under the new federal definition. However, the practice illustrates the huge untapped potential that exists for community service slots.

In Chicago, Project Match has operated a community-based employment program of diverse activities for disadvantaged adults in a housing project since the mid-1980s. Under the "incremental ladder to economic independence," community service has been a component in which many recipients are already involved, with "lots of potential for the less job-ready." Project Match includes such community-service activities as volunteering at church or school, serving as a Little League coach or scout leader, or serving on a tenant board, school council or registering people to vote. Even under the new definition of community service, many of these activities may count if they are part of a structured program that benefits the community, enhances employability and offers hours that are scheduled, supervised, documented and verified. As project staff note:

The structure and context of these types of community service activities – the familiarity of the setting, the ease with which roles and responsibilities can be individualized, the opportunity for more responsibility when the time comes – make them an ideal point for welfare recipients at risk of failure if they are assigned to more formal and demanding work-prep activities.^{xviii}

Another key component to meet work requirements and appropriately serve families in an era of time-limited benefits is a full-engagement strategy in which all clients are expected to be engaged on the path to self-sufficiency. Every individual has the potential to succeed in enhancing skills and opportunities for self-sufficiency. Whether or not states can count the participation of all individuals in certain activities because they do not meet a federal definition or because the hours of participation are not sufficient to count, self-sufficiency activities are beneficial to all families. The expectations for each family should be set by the state taking into consideration the needs of the family, obligations under the Americans with Disabilities Act (ADA), Section 504 of the Rehabilitation Act of 1973, and program goals.

Thus, the state may require more or fewer hours of an adult than needed to count toward the federal participation rate.

States may also allow families to engage in broader or different activities than countable federal activities. In implementing and enhancing a full-engagement approach, states should examine and assess each of their program-design options:

- Assess the strengths, capabilities and needs of every family and develop an individualized self-sufficiency plan. Use ongoing and sequential screenings and assessments for service planning, including job search to determine the level of employability, specialized assessments to identify intensive service needs and program activities and hours based on the families' circumstances and needs. With community partners or contract providers, ensure timely access to services and specialized supports to address family challenges, including:
 - Intensive case management and peer support,
 - Mental-health treatment and counseling,
 - Substance-abuse treatment and remediation,
 - Domestic-violence services, and
 - Programs for learning and developmental disabilities.
- Effectively use sanctions to motivate. Most clients recognize the value of work and preparation for work; however, sometimes, a sanction is needed to reinforce a clear and consistent message that participation is required. The consequences should be immediate when clients do not participate, along with aggressive efforts to identify hidden barriers and second chances to re-engage clients in appropriate activities.
- Make services accessible. One critical reason that clients drop out of work activities is that they cannot arrange or reschedule work-support services. It is important to provide coordinated service planning, especially work, child-care services, and transportation. It is just as important to have collaborative partnerships with the business community, WIA, faith-based and community groups and providers, community colleges, and literacy and other education groups. Where possible, provide easy access of service and treatment providers through co-location in one-stop employment centers, which are open after-hours.

Don't Underestimate Either the Clients or the States

During the years following passage of PWRORA, a common highlight of most welfare-to-work conferences was one or more clients discussing their struggles and successes on the path to self-sufficiency. Even in the midst of eloquent and charismatic speakers - presidents, cabinet secretaries, business and human service executives - the heartfelt personal stories of recipients stood out. A common theme of success repeated by these incredible individuals were two critical components of agency action:

- Creating a clear expectation that clients are required to work, instilling a belief that they can work and a vision of the rewards of work for their family; and

- Case managers that stimulated, motivated, supported and cheered them on, but also chastised, sanctioned and held them accountable for their actions.

Often forgotten in a case manager's discussion about requirements, work activities, and services is the fundamental need to take the time to explain and market programs and their benefits, and to recognize and motivate clients toward achievable dreams. For far too many clients, there has been little positive reinforcement in their past experience in school and life. All of us need coaching, mentoring, recognition and applause to progress. For some, the welfare agency and case manager, with the support of community and faith-based organizations, must provide these supports.

Program marketing may be even more critical for clients with significant barriers to work. No doubt, there is a correlation between the number and severity of barriers and employment. As the number and severity of barriers increase in the population, employment goes down. Overlooked in this correlation, however, is the difficulty of predicting, on an individual basis, who may overcome significant and multiple challenges.

Jason DeParle, in his poignant *American Dream*, tells the story of three Milwaukee families who each face incredible obstacles and individual challenges (like all of us, some are of their own making or mistaken choices).^{xix} With determination and in many ways the "undaunted courage" of the Lewis and Clark expedition,^{xx} they address the stops and starts that life brings. However, it would have been difficult to predict which parent might succeed better at work, based on an analysis of work experience, skills, and barriers to work. Unexplained in all of the welfare research literature is why and how some individuals, with insurmountable barriers and challenges, set productive and excellent examples for their children every day by getting up, parenting, going to work, and helping with school work. One thing is clear - with opportunity, support, direction and motivation - adult recipients have clearly demonstrated that they can prepare for work, enter the workforce and succeed at work.

Just like clients that face challenges with determination, state human-service agencies have demonstrated equal capability to address legislative tasks and achieve the results mandated by Congress. The history of welfare reflects that states can and do adapt to change with flexibility, innovation and creativity. The results achieved after the enactment of PWRORA are just the latest, but perhaps the best example. Faced with the participation requirements of the Deficit Reduction Act, states will make the necessary program design changes to engage more clients in work and the next welfare reform era.

The thoughts of President Franklin D. Roosevelt in his first inaugural address as he faced the challenge of the Great Depression still seem relevant today. "A host of unemployed citizens face the grim problem of existence, and an equally great number toil with little return," he observed. "Only a foolish optimist can deny the dark realities of the moment... Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously."

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