



November 2014

# TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

## Action Is Needed to Better Promote Employment-Focused Approaches

## Why GAO Did This Study

The TANF block grant requires states to engage a certain percentage of work-eligible cash assistance recipients in specified work-related activities, such as job search assistance and training. Yet, data suggest that more TANF recipients could receive assistance that would help them gain employment and reduce their dependence. GAO was asked to provide examples of what some states are doing to achieve these goals and how to expand these efforts.

This report (1) reviews some approaches that have been identified as holding promise for engaging TANF recipients in employment and increasing their earnings and examines ways in which selected states and localities have used them, and (2) identifies factors that influence their use. To first identify promising approaches, GAO reviewed summaries and syntheses of rigorous research on approaches that increase employment and earnings, and profiled 10 state and local programs that were nominated by experts familiar with welfare research and state and local efforts, and that were selected to represent a range of approaches. GAO also reviewed relevant federal laws, regulations, and agency guidance, and interviewed agency officials and experts with a range of views.

## What GAO Recommends

GAO recommends that HHS should issue guidance to clarify how the career pathways approach can be used by TANF agencies and identify potential changes to address the lack of incentives in the TANF program. HHS agreed with GAO's recommendations.

View [GAO-15-31](#). For more information, contact Kay E. Brown at (202) 512-7215 or [brownke@gao.gov](mailto:brownke@gao.gov).

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## Action Is Needed to Better Promote Employment-Focused Approaches

## What GAO Found

The 10 state and local programs GAO examined used various promising approaches to help Temporary Assistance for Needy Families (TANF) cash assistance recipients gain employment by meeting a range of participant needs. These approaches included the use of subsidized employment, employment alongside treatment for a health condition, and training for high-demand jobs. For example, for individuals in need of additional work experience, San Francisco's TANF program has provided subsidies to employers to place participants in temporary, wage-paying jobs. To help individuals with mental and physical disabilities and substance abuse problems, nonprofit contractors for New York City's TANF program have provided individualized assessment and treatment, often combined with employment. To prepare individuals with various skill levels for high-demand jobs, Minnesota and Washington have used a career pathways approach of combining occupation-specific training with basic skills education and support services. However, experts told us that some states have a misperception that this approach is not allowable under TANF rules, even though the Departments of Labor, Education, and Health and Human Services (HHS) support its use. HHS told us that states could still meet program requirements while using this approach, but the agency has not issued formal guidance clarifying this. Internal control standards for the federal government state that information should be communicated to managers in a form that enables them to carry out their responsibilities. As a result of these misperceptions, the career pathways approach may be underused by TANF agencies and TANF recipients could miss out on the potential benefits of this approach.

Expertise and dedicated funds facilitated use of these promising approaches, but the federal TANF program, itself, lacks incentives for their wider adoption. Of the 10 programs GAO examined, 9 drew on the expertise of partner organizations—including community college systems, workforce agencies, and nonprofits. The programs also benefitted from decisions by state and local policymakers to dedicate funds—including TANF funds—for the selected programs, according to officials. However, incentives for large numbers of state and local TANF agencies to adopt and test promising approaches are lacking under the structure of the TANF program for several reasons. First, many program design and funding choices are left to the states, and GAO's prior work has shown that state use of TANF funds for more costly welfare-to-work approaches can compete with other allowable uses of TANF funds. Second, TANF's main performance measure does not necessarily encourage agencies to use certain approaches that incorporate longer-term education and training or treatment services, although states are not prohibited from doing so. Third, little incentive exists for TANF agencies to evaluate their programs. HHS's authority over many aspects of TANF is limited and it has not proposed legislative changes to address these areas. Yet, because HHS oversees TANF, it is positioned to identify, suggest, and work in consultation with Congress on potential changes that would better address the lack of incentives for the use of promising approaches by states and to better meet the TANF goal of increasing employment. Without federal action, adoption and evaluation of promising approaches may continue to be limited to select states and localities, leaving TANF recipients in other locations without access to these promising approaches.

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## Abbreviations

AFDC	Aid to Families with Dependent Children
HHS	Department of Health and Human Services
MOE	maintenance of effort
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
TANF	Temporary Assistance for Needy Families

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November 19, 2014

The Honorable Orrin Hatch  
Ranking Member  
Committee on Finance  
United States Senate

The Honorable Dave Reichert  
Chairman  
Subcommittee on Human Resources  
Committee on Ways and Means  
House of Representatives

The Temporary Assistance for Needy Families (TANF) block grant, administered by the U.S. Department of Health and Human Services (HHS), provides \$16.5 billion annually in federal funding to states for cash assistance as well as a variety of other benefits and services to meet the needs of low-income families with children.<sup>1</sup> In March 2014, states used federal and state TANF funds to provide cash assistance to 1.6 million low-income families nationwide.<sup>2</sup> In keeping with a TANF goal of reducing families' dependence on government by promoting work, TANF requires states to engage a certain percentage of families with a work-eligible individual receiving cash assistance in specified work-related activities or face potential financial penalties. These work activities include, for example, unsubsidized employment, job search and job readiness assistance, certain training and education, and work experience. In recent years, some state TANF agencies have narrowed the scope of services they provide, reportedly in response to resource constraints and staff reductions. Related to this trend, data suggest that more TANF recipients—especially those considered hard to employ—could receive

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<sup>1</sup>42 U.S.C. § 601 et seq.

<sup>2</sup>Federal law governing TANF generally refers to the term “assistance” and does not make distinctions between different forms of aid funded by TANF. However, HHS draws distinctions between “assistance” and “nonassistance.” HHS regulations define assistance to include cash, payments, vouchers, or other forms of benefits designed to meet families’ ongoing, basic needs. 45 C.F.R. § 260.31. HHS also generally includes in assistance services, such as child care and transportation assistance for parents who are unemployed. HHS uses the term nonassistance to refer to TANF expenditures that fulfill one of the four TANF purposes, but do not meet this regulatory definition. In our report, we refer to HHS’s definition of assistance as “cash assistance.”

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assistance that will help them to gain employment and reduce their dependence on cash assistance.

GAO has been asked to provide examples of what some states are doing now to help TANF recipients reach these goals and how these efforts can be expanded. Our report (1) reviews some approaches that have been identified as holding promise to engage TANF recipients in employment and increase their earnings and examines ways in which selected states and localities have used them, and (2) identifies factors that influence the use of these and other promising approaches.

To first identify promising approaches, we reviewed research summaries and syntheses of rigorous research on promising approaches for engaging TANF recipients in employment and increasing their earnings.<sup>3</sup> To identify state and local programs that are currently using these approaches to serve TANF cash assistance recipients, we interviewed cognizant researchers; officials from HHS, the Department of Labor, and the Department of Education; and others with TANF expertise. We selected 12 experts based on their knowledge of the research and efforts under way at the state and local level, as well as to reflect a range of perspectives on welfare-to-work issues. We identified them through our literature review and through referrals from other experts. We selected 10 programs to profile (located in 6 states—California, Kentucky, Minnesota, New York, Utah, and Washington—and the District of Columbia) from those nominated by experts to reflect diversity in approaches used, economic conditions, demographics, and geographic regions, among other factors. We conducted in-depth interviews, by phone and through four site visits, with program administrators and state and local TANF officials to learn about key program features that might increase employment and incomes. We obtained views from experts; federal, state, and local officials; and program administrators on factors that facilitate the use of promising approaches and that could broaden their use. We assessed information and communication HHS provides to states related to promising approaches against federal internal control

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<sup>3</sup>Specifically, we primarily focused on studies that used a random assignment (experimental) research design. This type of design compares the outcomes for groups that were randomly assigned either to the treatment or to a nonparticipating control group before the intervention, in an effort to control for any systematic difference between the groups that could account for a difference in their outcomes. A difference in these groups' outcomes is believed to represent the program's impact.

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standards.<sup>4</sup> We obtained budget, performance, and other program data for the programs we selected, and reviewed HHS administrative data on states' engagement of TANF recipients in prescribed work activities. We assessed the reliability of these data by reviewing related documentation and interviewing knowledgeable officials and determined they were sufficiently reliable for providing contextual information on these programs and describing work participation trends, respectively. We also reviewed relevant GAO, HHS Office of Inspector General, and HHS reports, as well as relevant federal laws, regulations, and guidance. Appendix I describes our objectives, scope, and methodology in greater detail.

We conducted this performance audit from January 2014 to November 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### TANF and the Work Participation Rate

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) established four purposes for the TANF block grant:

1. provide assistance to needy families so that children may be cared for in their own homes or homes of relatives;
2. end dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. prevent and reduce out-of-wedlock pregnancies; and
4. encourage two-parent families.<sup>5</sup>

Within these goals, states have responsibility for designing, implementing, and administering their welfare programs to comply with federal

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<sup>4</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

<sup>5</sup>Pub. L. No. 104-193, sec. 103(a)(1), § 401, 110 Stat. 2105, 2113.

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guidelines, as defined by federal law and HHS, including imposing a 5-year lifetime limit on many families receiving cash assistance.<sup>6</sup> In addition, the block grant includes a maintenance-of-effort (MOE) requirement, which requires states to maintain a significant portion of their historic financial commitment to welfare-related programs. In fiscal year 2013, states spent a total of \$31.6 billion in federal TANF funds and state MOE funds, with federal funds accounting for 53 percent of the total. The federal law that established TANF also created a TANF Contingency Fund that states could access in times of economic distress.<sup>7</sup> In creating the TANF block grant, Congress emphasized the importance of state flexibility, and restricted HHS's regulatory authority over the states except to the extent expressly provided in the law.

In line with the second purpose, a key TANF goal is helping parents prepare for and find jobs. The primary means for measuring state efforts in this area has been TANF's work participation rate. Generally, states are held accountable for ensuring that at least 50 percent of all families receiving TANF cash assistance and considered work-eligible participate in one or more of the federally-defined allowable activities for the required number of hours each month.<sup>8</sup> The law also contains a provision known as the caseload reduction credit, which allows states to reduce the work participation rate they are required to meet based on reductions in the size of their TANF caseload.<sup>9</sup> In addition, TANF regulations provide that states that spend more than their MOE requirements generally receive an increase in their caseload reduction credit.<sup>10</sup>

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<sup>6</sup>According to HHS, most states either have a shorter and more restrictive time limit, or use state funds or a hardship exemption to exempt or extend assistance to families.

<sup>7</sup>Pub. L. No. 104-193, § sec. 103(a)(1), § 403(b), 110 Stat. 2105, 2122. For example, collectively, states in economic distress can access up to \$612 million in the TANF Contingency Fund in each of fiscal years 2013 and 2014, but they must spend more than a specified amount of state funds to do so.

<sup>8</sup>The work participation rate requirement for two-parent families is generally 90 percent.

<sup>9</sup>42 U.S.C. § 607(b)(3).

<sup>10</sup>45 C.F.R. § 261.43.



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## TANF Programs Currently Engage Recipients in a Limited Range of Work-related Activities

Our work has shown that over the years, states have engaged about one third of families receiving TANF cash assistance in federally-defined work activities nationwide while still meeting their required work participation rates. Generally, this is because many states have relied on the caseload reduction credit and other allowable options to meet the requirement rather than engaging more families in specified work activities to reach a 50 percent rate. This has raised concerns among some policymakers that states are meeting the letter but not the spirit of the law. PRWORA established higher work participation rate requirements and eliminated many exemptions from these requirements for recipients compared to what was in place prior to TANF.<sup>11</sup> This reflected research that found that mandatory work requirements could reduce welfare receipt and increase employment among single mothers and help address concerns about long-term welfare receipt. In our prior work, we concluded that states' use of the modifications currently allowed in federal law and regulations, as well as states' policy choices, have diminished the usefulness of the work participation rate as a national TANF performance measure.<sup>12</sup>

The Claims Resolution Act of 2010 required states to report additional information on TANF recipients' engagement in activities.<sup>13</sup> An HHS report to Congress, based on 2011 state data, found that that 24 percent of work-eligible individuals met federal work participation rate standards, but more than 50 percent of work-eligible individuals had zero hours of participation (see fig. 1).<sup>14</sup> While some of these individuals were exempted from participation or excluded for some other reason such as caring for a child under age one, at least some of these individuals had

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<sup>11</sup>See 64 Fed. Reg. 17,720, 17,722 (Apr. 12, 1999). Further, the Deficit Reduction Act of 2005, which reauthorized the TANF block grant, was generally expected to strengthen these work requirements by adding several provisions to improve the reliability of work participation data and program integrity and by modifying the caseload reduction credit.

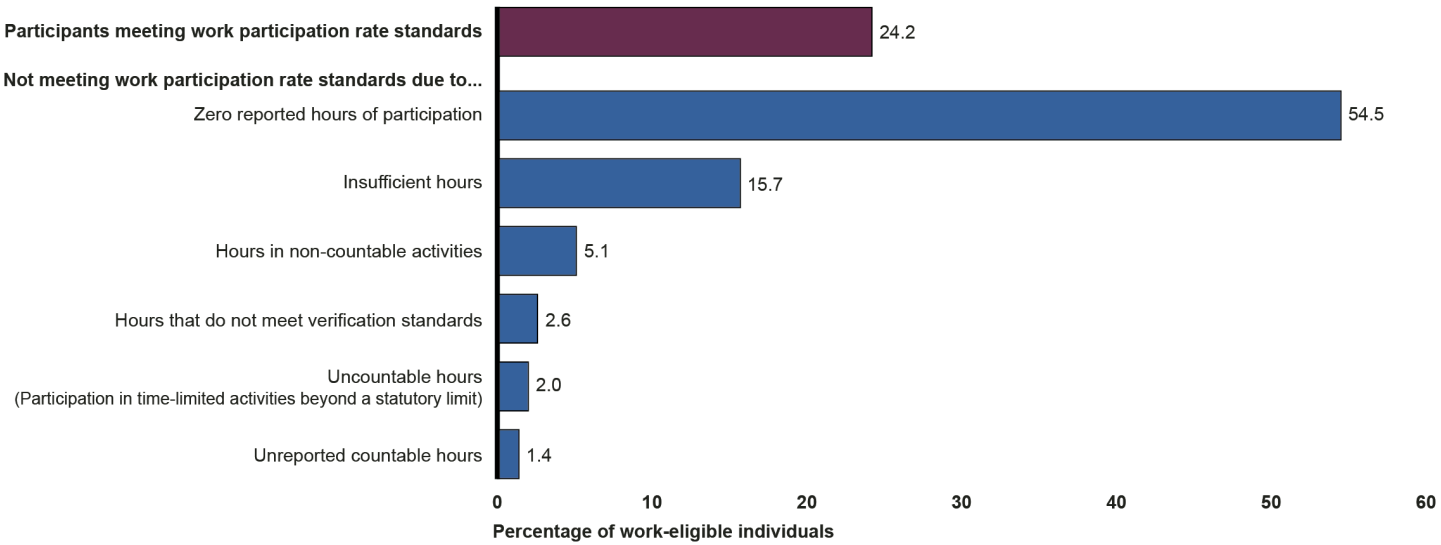
<sup>12</sup>GAO, *Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates*, [GAO-10-525](#) (Washington, D.C.: May 28, 2010).

<sup>13</sup>Pub. L. No. 111-291, § 812, 124 Stat. 3064, 3160.

<sup>14</sup>In fiscal year 2011, about 54 percent of families receiving cash assistance included an individual who was considered work-eligible for the purpose of the work participation rate. Work-eligible individuals are generally adult recipients of cash assistance or certain non-cash recipient parents of children receiving assistance, who count toward the work participation rate.

not been engaged in work activities by the state or local TANF agency.<sup>15</sup> HHS data show that federal and state spending on work-related activities, such as subsidized employment, has declined in the last 3 years for which data are available (fiscal years 2011-2013) and has been under 8 percent of total TANF spending in each of these years.

**Figure 1: Percentage of Work-Eligible Individuals by Participation Status, April 2011–June 2011**



Source: GAO analysis of Department of Health and Human Services (HHS) data. | GAO-15-31

Note: The number of individuals in each of the categories sum to more than 100 percent since a work-eligible individual could be included in more than one category. According to HHS, the percentage of work-eligible individuals that counts toward the work participation rate for the purpose of this analysis is likely to be lower than the official work participation rate for most states. This is due to methodological differences between the calculations. For example, work eligible individuals who are disregarded from the official work participation rate—such as certain single parent families with a child under the age of one or families subject to a work-related sanction—are included in this analysis.

Almost half of individuals meeting the work participation rate standards did so through unsubsidized employment—working in a regular job while

<sup>15</sup>HHS reported that the data from states indicate that individuals with zero hours of participation represent a range of situations including the following: individuals who are non-compliant and are in the sanction process; families disregarded from the participation rate because they were caring for a child under age one, subject to a work-related sanction, or participating in a Tribal work program; individuals the state or local agency failed to engage; and individuals who were exempt due to illness or disability.

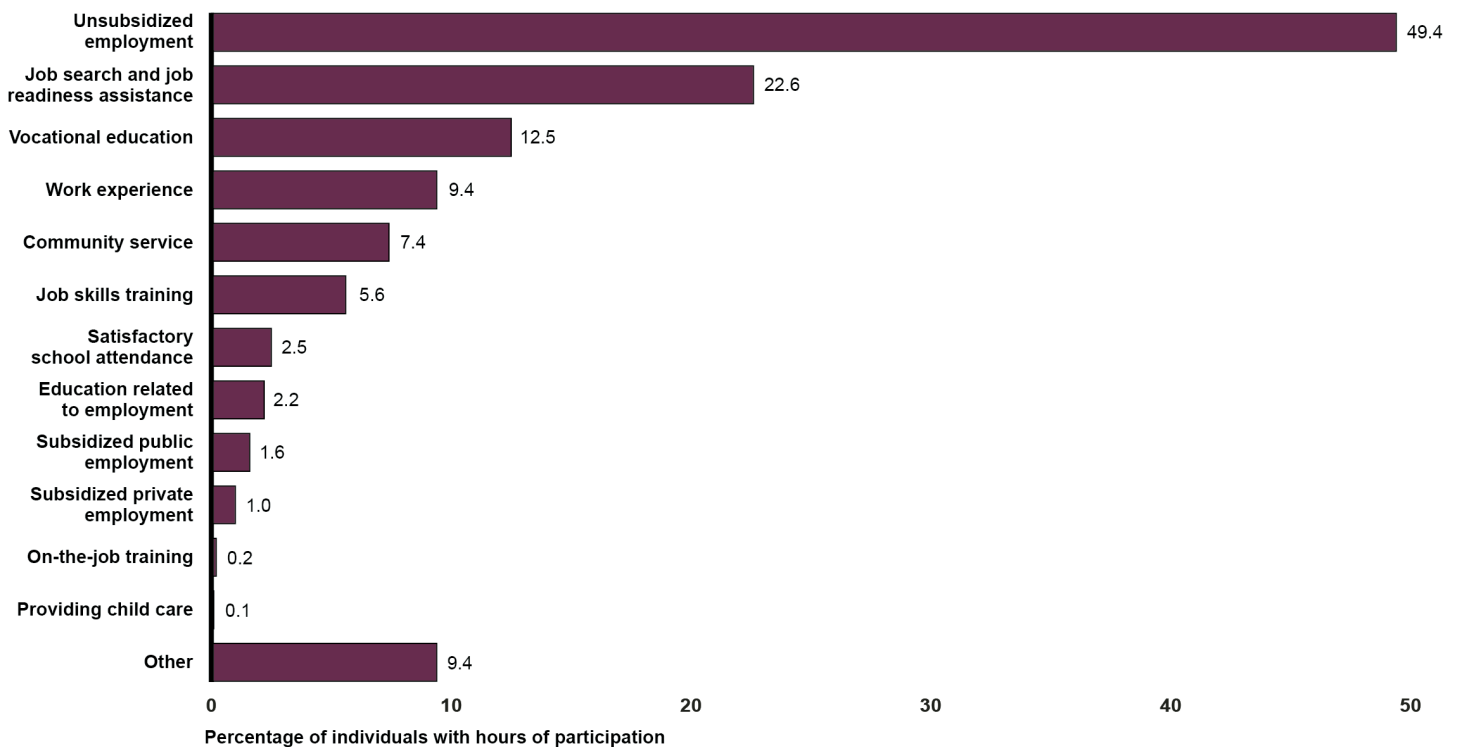
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receiving cash assistance. This suggests that states' ability to meet the work participation rate relies heavily on the activities of individuals who are already able to work rather than providing special assistance to those who have the most difficulty finding and keeping jobs. In fiscal year 2011, unsubsidized employment was the most common work activity among individuals participating in at least one hour of a countable work activity per month.<sup>16</sup> Job search and job readiness assistance, followed by vocational education training, were the next most common activities (see fig. 2).

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<sup>16</sup>In meeting the 30-hour average weekly requirement, individuals must spend at least 20 of the hours in certain activities (referred to as core activities). Any additional hours needed to meet the requirement can come from non-core or core activities. (See appendix II for the 12 categories of federal work activities and limitations on counting time in those activities.) Some activities have restrictions on the amount of time that can be spent in them and still be counted toward the work participation rate. For example, counting participation in job search and job readiness assistance is limited to no more than six weeks in a 12-month period (or 12 weeks in a 12-month period if the state meets the definition of a "needy state" for the TANF Contingency Fund) and no more than four consecutive weeks. Vocational educational training is limited to 12 months over an individual's lifetime, and no more than 30 percent of the families that a state counts toward its federal work participation rates may do so through participation in vocational educational training.

**Figure 2: Percentage of TANF Work-Eligible Individuals with Hours of Participation, by Work Activity, Fiscal Year 2011**



Source: GAO analysis of Department of Health and Human Services (HHS) data. | GAO-15-31

Note: The number of individuals in each of the categories sum to more than 100 percent since a work-eligible individual could be included in more than one category.

## History of Welfare Program Experimentation, Research and State Waivers

Between 1987 and 1996, there was considerable experimentation with welfare-to-work programs under TANF's predecessor program, Aid to Families with Dependent Children (AFDC), as HHS granted waivers to states to test and evaluate new approaches. A body of HHS-sponsored research resulted, showing that welfare-to-work programs can increase employment and reduce welfare receipt. This research helped inform the creation of TANF. Between 1987 and 1996, 46 states received waivers from existing AFDC requirements to test and evaluate new approaches to improve employment outcomes for people on welfare. These initiatives were referred to as section 1115 waivers because they were granted

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under section 1115 of the Social Security Act.<sup>17</sup> According to HHS officials, HHS required states that applied for and received waivers from federal program requirements to have an independent organization evaluate its program change, supported by HHS and state funding.<sup>18</sup> These waiver initiatives included placing time limits on the receipt of benefits and strengthening work requirements, among others. According to HHS, many of the policies and concepts included in state waiver requests were later incorporated into TANF. States that received section 1115 waivers under AFDC were allowed, under PRWORA, to continue to operate under these waivers until their expiration. However, the last of these waivers expired in 2007, and no provision in law allowed these AFDC waivers to be extended. Questions have been raised as to whether HHS continues to have the authority under section 1115 to waive certain TANF program rules; this report does not address this issue.<sup>19</sup> Under law, HHS is required to conduct TANF and related research<sup>20</sup> and the agency supports a broad array of research and evaluations. See appendix III for a list of relevant recent and ongoing HHS-funded evaluations.

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<sup>17</sup>AFDC and, subsequently, TANF, were authorized under the Social Security Act, as amended.

<sup>18</sup>States could claim the cost of evaluation as a regular AFDC expenditure and receive matching federal funding, according to HHS officials.

<sup>19</sup>Some members of Congress have raised concerns about a 2012 announcement by HHS that the agency would use waiver authority to allow states to test various strategies, policies, and procedures designed to improve employment outcomes for needy families. HHS made this announcement in a July 2012 Information Memorandum, Transmittal No. TANF-ACF-IM-2012-03. On September 4, 2012, we held that this Information Memorandum constitutes a rule and is subject to the Congressional Review Act's requirement that it be submitted to Congress and the Comptroller General before taking effect. See B-323772, Sept. 4, 2012. While questions have been raised about the extent of HHS's authority to take this action, neither this report nor our issued products, B-323772, Sept. 4, 2012 or [GAO-12-1028R](#), Sept. 19, 2012, address whether the Information Memorandum is a valid interpretation of statutes or regulations. The potential for waivers has been controversial and the House of Representatives passed a bill in 2013 aimed at preventing HHS from implementing them (*Preserving the Welfare Work Requirement and TANF Extension Act of 2013*, H.R. 890, 113th Cong. (2013)). This legislation has not been enacted. According to HHS, as of November 3, 2014, no state had formally submitted a request for a waiver related to TANF work requirements.

<sup>20</sup>42 U.S.C. § 613(a).

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## Evolution of the TANF Block Grant

Since the 1996 welfare law replaced AFDC with the TANF block grant and gave states flexibility to set spending priorities, they have used a smaller share of the grant to provide cash assistance.<sup>21</sup> Within the first 5 years of TANF, the number of families receiving cash assistance declined by over half and states shifted their TANF priorities to other forms of aid, or non-cash services. These can include any other services meeting TANF purposes, such as job preparation activities, child care and transportation assistance for parents, out-of-wedlock pregnancy prevention activities, and child welfare services. In fiscal year 1997, nationwide, states spent about 23 percent of federal TANF and state MOE funds on non-cash services. In contrast, states spent more than 66 percent of federal TANF and state MOE funds for these purposes in fiscal year 2013. While the TANF block grant still serves as the nation's major cash assistance program for low-income families with children, states have also increasingly used it as a flexible funding stream for supporting a broad range of allowable services. However, we previously reported that the accountability framework currently in place in federal law and regulations has not kept pace with this evolution. Our prior work found that TANF's accountability framework provides incomplete information on how states' non-cash services are contributing to TANF purposes. We noted that Congress may wish to consider ways to improve reporting and performance information so that it encompasses the full breadth of states' uses of TANF funds.<sup>22</sup> The composition of the overall TANF caseload has also changed, with the percentage of "child-only" cases increasing from about 23 percent in fiscal year 1998 to about 46 percent in fiscal year 2011. These cases consist of families receiving cash assistance on behalf of children only, in contrast to other cases in which adults in the families also receive benefits on their own behalf.<sup>23</sup> According to HHS, the increase in the percentage of child-only cases was primarily due to a sharp decline in the number of TANF cases with an eligible adult, rather than an increase in the number of child-only cases.

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<sup>21</sup>In this report, we focus on TANF cash assistance recipients.

<sup>22</sup>GAO, *Temporary Assistance for Needy Families: More Accountability Needed to Reflect Breadth of Block Grant Services*, [GAO-13-33](#) (Washington, D.C.: Dec. 6, 2012).

<sup>23</sup>Generally, in child-only cases, the parent or adult caregiver is not eligible for benefits for one or more of a variety of reasons, such as receipt of certain other federal benefits or immigration status. See GAO, *TANF and Child Welfare Programs: Increased Data Sharing Could Improve Access to Benefits and Services*, [GAO-12-2](#) (Washington, D.C.: Oct. 7, 2011).

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## Hard-to-Employ TANF Recipients

Some TANF cash assistance recipients are work-ready while others face challenges that make them harder to employ. According to the preamble to a TANF final rule from 1999, several provisions of the law, including time limits, higher participation rate requirements, and fewer individual exemptions from participation requirements, taken together, suggest that states should serve more clients beyond just those who are job-ready.<sup>24</sup> However, some state TANF officials we interviewed for a 2012 report said the pressure to meet TANF work participation rate requirements causes them to focus on the “ready-to-work” cash assistance population, which can leave the “hard-to-employ” population without services. Health issues, disability, substance abuse, criminal records, domestic violence, limited education, and responsibilities for disabled children or parents can all constitute employment challenges for TANF recipients, who may need enhanced assistance to prepare for, find, and keep jobs. States may generally only count a family’s participation in job readiness assistance, which can include mental health and substance abuse treatment, towards the work participation rate for up to 12 weeks in a year.

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## Selected State and Local Programs Reflect Elements of Four Promising Approaches

### Research Indicates Several Promising Approaches for Increasing Employment and Earnings

A body of rigorous research points to four approaches that can be used to increase the employment and earnings of TANF cash assistance recipients: subsidized employment, treatment and employment services, career pathways, and modified work-first.<sup>25</sup> While still relevant, some of this research is based on programs that operated, at least in part, during TANF’s predecessor program, AFDC, and have since ended; and some of these older studies focused on programs that predominantly targeted women. Some prior studies have also focused on individuals with education levels that are higher, on average, than the TANF population.

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<sup>24</sup>64 Fed. Reg. 17,720, 17,722 (Apr. 12, 1999).

<sup>25</sup>See appendix IV for a bibliography.

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#### Research Snapshot: Subsidized Employment

##### Evaluation of Florida's Back to Work program

Florida's Back to Work program used American Recovery and Reinvestment Act of 2009 funding to create subsidized jobs. Administered by regional workforce boards, it operated in 2010 and placed about 5,600 individuals in subsidized jobs. For-profit, non-profit, and public sector employers received subsidies that covered 80 to 95 percent of program participants' wages for 6 months. For-profit organizations were asked to commit to hiring the participants after the subsidy ended and non-profits were encouraged to do the same. Program participants experienced significantly greater increases in unsubsidized employment compared to individuals who were eligible but did not take part in subsidized employment. Participants experienced a nearly \$4,000 average increase in earnings over their prior earnings compared to about a \$1,500 average increase for the comparison group.

Source: Anne Roder and Mark Elliott, *Stimulating Opportunity: An Evaluation of ARRA-Funded Subsidized Employment Programs*, Economic Mobility Corporation, Inc. (New York, NY: September 2013).

Further, although some of the programs discussed helped to increase participants' employment and earnings—and therefore, may have decreased dependence on public assistance—they did not necessarily increase household incomes. This is because the increased income from earnings can be offset by the loss of cash welfare, food assistance, and other support services. Ongoing research, including some of the current studies discussed below and in appendix III, aims to test updated versions of some of these approaches that might lead to longer-term results.

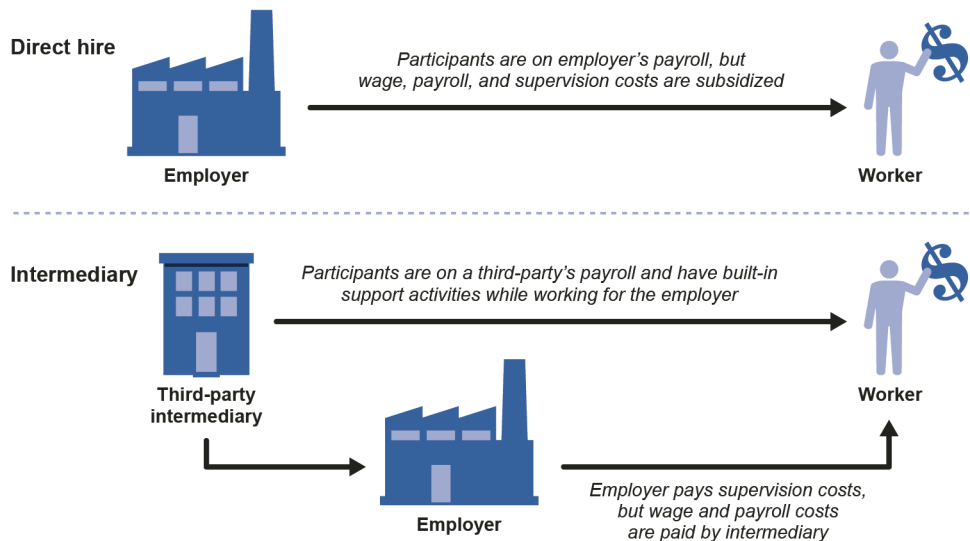
- **Subsidized employment** – Subsidized employment broadly refers to the use of public funds to create or support temporary work opportunities for people who might otherwise be unemployed. One model of subsidized employment—transitional jobs—focuses on the hard-to-employ by providing temporary, wage-paying jobs, support services, and job placement help to individuals who have difficulty getting and holding jobs in the regular labor market. Subsidized employment programs have been used for decades to provide income support for people who are unable to find jobs in the regular labor market and improve employability for people with limited work experience.<sup>26</sup> These programs can vary, for example, in terms of the amount of wages that are subsidized; prospects for permanent, unsubsidized employment; the degree of worksite supervision provided; and whether the worker is employed directly or through an intermediary (see fig. 3).

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<sup>26</sup>The New Deal's Works Progress Administration, which employed more than 8 million people in infrastructure projects in the 1930s, was an early subsidized employment program. See Dan Bloom, *Transitional Jobs: Background, Program Models, and Evaluation Evidence*, a report prepared by MDRC at the request of U.S. Department of Health and Human Services, 2010.



**Figure 3: Two Subsidized Employment Models**



Source: GAO depiction of two subsidized employment program models, as described in Anne Roder and Mark Elliott, *Stimulating Opportunity: An Evaluation of ARRA-Funded Subsidized Employment Programs*, Economic Mobility Corporation, Inc. (New York, NY: September 2013). | GAO-15-31

Research has shown that subsidized employment can increase employment and earnings, although some studies suggest that these gains may not last beyond the subsidized position. Nevertheless, these programs can provide individuals who are hard to employ with work experience and can have indirect effects, such as reduced recidivism among former prisoners. Subsidized employment programs in the 1970s and 1980s, during the time of TANF's predecessor program, yielded positive results on employment and earnings. One such demonstration project tested a model in which 10,000 welfare recipients in seven locations received 4 to 8 weeks of training and spent up to one year in subsidized positions as home health aides.<sup>27</sup> Most of the subsidized employment programs that produced long-term employment gains targeted women; disadvantaged men experienced fewer positive results following the period of subsidized employment.

Following welfare reform, transitional jobs gained traction as a strategy to increase the employability of TANF recipients. The theory

<sup>27</sup>The AFDC Homemaker Home Health Aid demonstration produced increases in employment and earnings in most of the seven sites that were sustained for 3 years. *Transitional Jobs*, 5.

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behind this approach is that people best learn to work through working. Program staff can observe and coach participants on skills such as developing good work habits and dealing with coworkers to improve their future success in an unsubsidized job. Participants may be able to subsequently acquire jobs they would not otherwise have access to. Recent studies of transitional jobs programs have not shown sustained increases in employment, although these programs had indirect effects of reducing recidivism and reliance on welfare receipt.<sup>28</sup>

As part of the American Recovery and Reinvestment Act of 2009, Congress provided funding through the TANF Emergency Contingency Fund that in part helped states cover the costs of increased expenditures for subsidized employment programs.<sup>29</sup> Thirty-nine states and the District of Columbia reportedly used \$1.3 billion from the Emergency Contingency Fund to create 260,000 subsidized jobs, according to research.<sup>30</sup> Although these efforts were not focused solely on TANF cash assistance recipients, experts we spoke with said the availability of additional funds renewed interest among states in subsidized employment. According to one study, these efforts involved the private sector in creating subsidized positions to a greater extent than in the past.<sup>31</sup>

Two coordinated research initiatives are currently under way to evaluate the “next generation” of subsidized employment programs. The HHS-funded Subsidized and Transitional Employment

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<sup>28</sup>The Center for Employment Opportunities and the Transitional Work Corporation, both part of the HHS Enhanced Services for the Hard-to-Employ project, generated decreases in recidivism and welfare receipt, respectively. The Center for Employment Opportunities program targeted former prisoners. Reductions in recidivism, relative to a control group, continued for program participants even after employment gains dissipated. According to the Center for Employment Opportunities evaluation, relationships with program staff or attitudinal changes resulting from program participation may have contributed to this reduction. Meanwhile, participants in the Transitional Work Corporation program experienced reductions in TANF receipt of about \$600 per person over the first 18 months of the follow-up period. *Transitional Jobs*, 26, 33, 35.

<sup>29</sup>The American Recovery and Reinvestment Act of 2009 created a \$5 billion Emergency Contingency Fund for state TANF programs, available in fiscal years 2009 and 2010. Pub. L. No. 111-5, § 2101(a)(1), 123 Stat. 115, 446.

<sup>30</sup>Anne Roder and Mark Elliott, *Stimulating Opportunity: An Evaluation of ARRA-Funded Subsidized Employment Programs*, Economic Mobility Corporation, Inc. (New York, NY: September 2013).

<sup>31</sup>*Stimulating Opportunity*, 7.

### Research Snapshot: Treatment and Employment Services

#### Evaluation of New York City's Personal Roads to Individual Development and Employment (PRIDE)

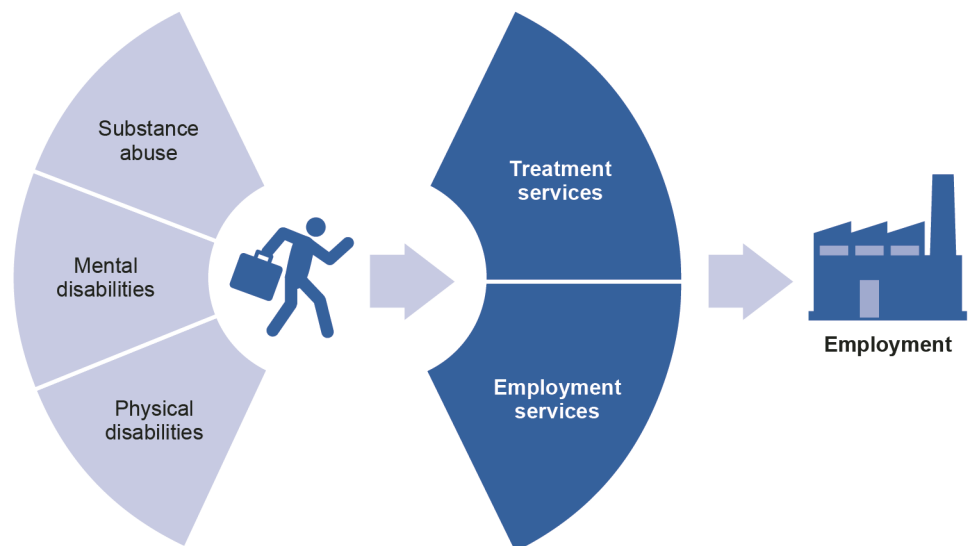
New York City's PRIDE was a large-scale welfare-to-work program for recipients with work-limiting medical or mental health conditions. This program operated from 1999 to 2004, and served more than 30,000 people. Staff performed in-depth assessments of participants' work and education histories and medical conditions, then assigned them to activities—including unpaid work experience, education, and job placement assistance—that took account of their medical conditions. An evaluation of 3,000 randomly-assigned participants found that PRIDE significantly reduced the amount of welfare that participants received, in part because it generated increases in employment. Thirty-four percent of participants worked in jobs covered by unemployment insurance within 2 years after entering the study, compared to 27 percent of the control group. However, about two-thirds of participants never worked during the 2-year study period.

Source: Dan Bloom, Cynthia Miller, and Gilda Azurdia, Results from the Personal Roads to Individual Development and Employment (PRIDE) Program in New York City, a report prepared by MDRC at the request of the U.S. Department of Health and Human Services (July 2007).

Demonstration is evaluating seven subsidized employment programs that target current, former, or potential TANF recipients, low-income noncustodial parents, and others. The Department of Labor-funded Enhanced Transitional Jobs Demonstration is evaluating seven sites for which it has provided grants for transitional jobs programs that target either non-custodial parents or former prisoners. HHS and the Department of Labor entered into a memorandum of agreement to coordinate these studies through shared data collection instruments and evaluation sites and coordinated reporting efforts. Both projects incorporate lessons from earlier research on transitional jobs and test whether providing subsidies to private employers can be effective for less job-ready participants. Reports on the results of these studies are scheduled for 2015 through 2018.

- **Treatment and employment services** – This approach provides treatment for mental health needs, substance abuse, or a physical disability as well as employment services in different combinations and sequences (see fig. 4). The theory behind this approach is that treatment can help to stabilize a health condition to make steady work possible, while work experience can help participants learn how to manage problems that could otherwise prevent them from retaining a regular job.

Figure 4: Treatment and Employment Services



Source: GAO analysis. | GAO-15-31

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Rigorous research has shown some limited impacts for this approach. Evaluation of one program that offered a mix of unpaid work experience, educational activities, and job search assistance to TANF recipients with work-limiting health conditions and disabilities showed, to some extent, increased employment that lasted for two years.<sup>32</sup> Another evaluation for a program in which staff visited participants' homes to teach them life skills showed substantial increases in employment and earnings for those considered very hard to employ, but the larger population of participants receiving services experienced only small increases in employment and earnings.<sup>33</sup> In terms of future research possibilities, HHS is considering whether emerging research from the fields of psychology and neuroscience on executive functioning—which is related to behaviors such as goal-setting, self-regulation, planning, and problem-solving—could help adults succeed in employment.<sup>34</sup> If so, it may have applications for TANF.

- **Career pathways** – This approach has been defined in different ways, but can involve providing contextual learning to prepare individuals of various skill levels to advance in a high-demand occupation or industry. Reading, writing, and math skills are taught using real-life materials and situations from the industry in which they will be used. Employers in the targeted sectors help to determine what skills are required for participants to become employed and advance their careers in growing industries. Workers of varying skill levels can use multiple entry or exit points to advance within a specific sector or occupational field and gain industry-recognized credentials through a clear sequence of education, training, or a combination of education and training. Participants are provided career counseling and other support services (see fig. 5).

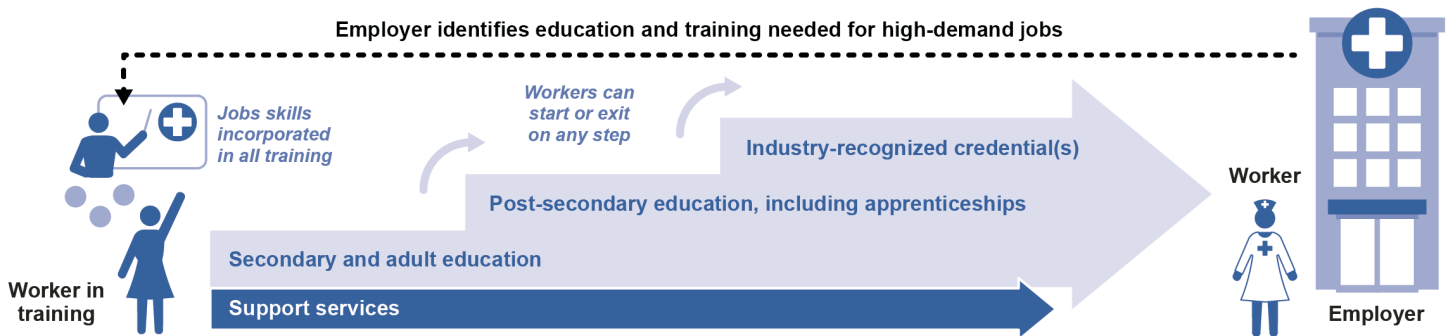
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<sup>32</sup>This refers to the Personal Roads to Individual Development and Employment program. See Dan Bloom, Cynthia Miller, and Gilda Azurdia, *Results from the Personal Roads to Individual Development and Employment (PRIDE) Program in New York City*, a report prepared by MDRC at the request of the Department of Health and Human Services (July 2007).

<sup>33</sup>The Building Nebraska Families program produced significant increases in employment, earnings, and other outcomes for very hard-to-employ participants. See Dan Bloom, Pamela J. Loprest, and Sheila R. Zedlewski, *TANF Recipients with Barriers to Employment*, Urban Institute (Washington, D.C.: August 2011).

<sup>34</sup>See Administration for Children and Families, Department of Health and Human Services, "Executive Function Meeting of Experts," accessed August 6, 2014, <http://www.acf.hhs.gov/opre-executive-function-meeting-of-experts>.

**Figure 5: Career Pathways**



Source: GAO depiction of career pathways elements, as described in Social Policy Research Associates, *Career Pathways Toolkit: Six Key Elements for Success*, U.S. Department of Labor, (Washington, D.C.: September 2011). | GAO-15-31

This approach builds on results from a random-assignment evaluation of sector-based employment, indicating that programs offering sector-specific training can increase the employment and earnings of low-income individuals.<sup>35</sup> The approach is also informed by lessons from prior research showing that adult basic education alone has not been successful in connecting low-skilled individuals to jobs. Research on education-oriented welfare-to-work programs that operated in the 1980s and 1990s showed that the most successful programs offered short-term assignments that did not allow participants to “languish” in activities without making progress. This is in contrast to remedial education and GED preparation programs that either had difficulty retaining participants or kept them for years without clear progress. These prior findings informed a call for training that promotes career advancement, integrates basic education and skills training, and engages local employers, while providing support services to TANF recipients to improve program retention.<sup>36</sup>

<sup>35</sup>Sheila Maguire et al., *Tuning In to Local Labor Markets: Findings from the Sectoral Employment Impact Study*, Public/Private Ventures (Philadelphia, PA: 2010).

<sup>36</sup>Judith M. Gueron and Gayle Hamilton, “The Role of Education and Training in Welfare Reform,” The Brookings Institution, Policy Brief no. 20 (April 2002).

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## Research Snapshot: Sector-Based Career Training

### Public/Private Ventures' Sectoral Employment Impact Study

Results from Public/Private Ventures' Sectoral Employment Impact Study based on follow-up interviews 24 to 30 months after random assignment suggest that sectoral programs can increase the employment and earnings of traditionally disadvantaged workers. The study, launched in 2003, evaluated three sectoral programs that train workers for skilled positions in a range of industries, including healthcare, manufacturing, information technology, and construction. The study assessed impacts on employment, earnings, hourly wages and access to work-related benefits. Programs included in the study offered training that was focused on a specific sector or sectors and that took no more than a year to complete. Over the follow-up period, treatment group participants were employed an average of 1.3 months more than individuals in the control group. Individuals enrolled in training also earned about \$4,500 more than individuals in the control group over a 2-year period and were also more likely to work in jobs with higher wages and benefits.

Sources: Sheila Maguire et al., *Tuning In to Local Labor Markets: Findings from the Sectoral Employment Impact Study*, Public/Private Ventures (Philadelphia, PA: 2010); and Alan Werner et al., *Literature Review: Career Pathways Programs*, OPRE Report #2013-24, Office of Planning, Research and Evaluation, Administration for Children and Families, Department of Health and Human Services (Washington, D.C.: June 24, 2013).

As confirmed by HHS officials, there are no completed rigorous experimental impact studies of a comprehensive career pathways program, but HHS is funding relevant ongoing evaluations, as part of an inter-agency effort with the Departments of Education and Labor to promote the use of career pathways.<sup>37</sup> One of the studies, known as the Innovative Strategies for Increasing Self-Sufficiency project, is a nine-site, random assignment evaluation of career pathway programs. Initiated in 2007, the study will last 10 years, and early results are expected in the next 2 to 3 years. HHS also has a research portfolio for evaluating health care-related education and training programs operated with Health Profession Opportunity Grants (HPOG). These grants are targeted to TANF recipients and other low-income individuals and aim to prepare them for occupations in the health care field that pay well and are expected to either experience labor shortages or be in high demand. Three of the HPOG grantees are to have site-specific impact evaluations as part of the Innovative Strategies for Increasing Self-Sufficiency project with reports expected in 2016. An interim analysis of the impacts of HPOG is expected in June 2016. HHS expects that further follow-up analysis of both Innovative Strategies for Increasing Self-Sufficiency and HPOG impacts will be released in 2018.

The Department of Education, Department of Labor, and HHS have jointly promoted the use of career pathways approaches as a promising strategy for helping adults acquire marketable skills and industry-recognized credentials.<sup>38</sup> The three agencies issued a Request for Information on the use of career pathways in April 2014 to inform policy development, strategic investments, and technical assistance activities and improve coordination of federal policy development.<sup>39</sup> The agencies have begun a joint analysis of

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<sup>37</sup>Although a comprehensive career pathways program has not yet been rigorously evaluated, we included this approach because it was based on a rigorous evaluation of sector-based career training and lessons from other prior rigorous evaluations.

<sup>38</sup>In a joint letter issued on April 4, 2012, the agencies defined career pathways as “a series of connected education and training strategies and support services that enable individuals to secure industry relevant certification and obtain employment within an occupational area and to advance to higher levels of future education and employment in that area.” In addition, the Workforce Innovation and Opportunity Act makes several references to career pathways. For example, one purpose of the title of the Act dealing with adult education and literacy is to create partnerships to assist adults in the transition to postsecondary education and training, including through career pathways.

<sup>39</sup>79 Fed. Reg. 22,662 (Apr. 23, 2014).

#### Research Snapshot: Modified Work-First Approach

##### The National Evaluation of Welfare-to-Work Strategies (NEWWS)

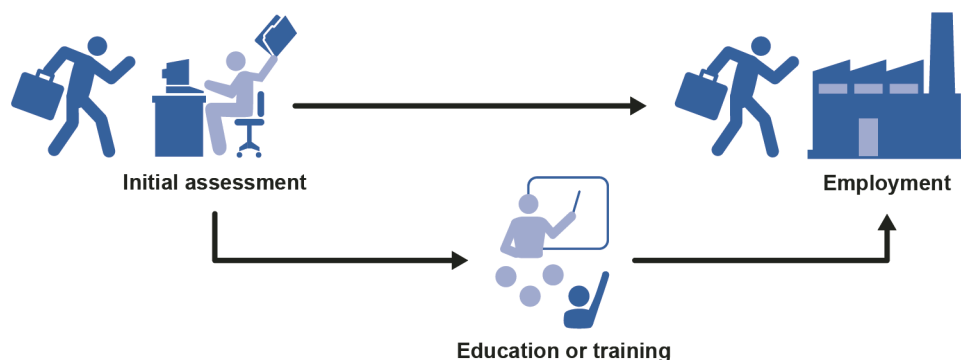
NEWWS examined the long-term effects of 11 mandatory welfare-to-work programs, in seven sites, on welfare recipients and their children. These programs took different approaches to helping welfare recipients find jobs, advance in the labor market, and leave public assistance. During the 1990s, more than 40,000 single-parent families were tracked over 5-year follow-up periods. A Portland, Oregon program outperformed the other programs that were examined. It offered education or training to some participants, depending on the caseworkers' assessment of the individuals' skills and needs, and encouraged all participants to hold out for jobs that paid better than the minimum wage and offered stable employment. In the program's fifth year, it produced a 6.4 percent increase in employment and 14.6 percent increase in average earnings, compared to the control group.

Source: Gayle Hamilton, *Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies*, Department of Health and Human Services, a report prepared by Manpower Demonstration Research Corporation at the request of the Department of Education (Washington, D.C.: 2002).

responses to the Request for Information. According to HHS officials, this information will yield insights on (1) the benefits of and challenges to aligning diverse funding streams, programs, and stakeholders around career pathways systems; and (2) the current and potential future use of career pathways systems to help at-risk populations, including TANF cash assistance recipients, gain skills and access the middle class.

- **Modified work-first** – This approach entails a strong work focus and some upfront education or training, as needed (see fig 6). Research on welfare-to-work programs during the 1990s sought to test the effectiveness of programs that emphasized rapid employment (“work first”) through mandatory job search compared to those that focused first on mandatory education and training. One program combined aspects of both of these approaches: it included a strong employment focus, the use of both job search and short-term education or training, and an emphasis on holding out for a good job, as opposed to participants taking the first job they were offered.<sup>40</sup>

Figure 6: Modified Work-First Approach



Source: GAO analysis. | GAO-15-31

Research shows that programs using this approach increased employment and earnings and reduced welfare receipt. This approach

<sup>40</sup>Gayle Hamilton, *Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies*, a report prepared by Manpower Demonstration Research Corporation at the request of the Department of Education (Washington, D.C.: 2002).

appears more effective than programs that focus solely on education and training or solely on job search.

## All Selected Programs Focus on Employment while Using Various Elements of the Approaches to Meet the Needs of Their Target Populations

We examined 10 ongoing programs that all help TANF cash assistance recipients to gain employment, using various different elements of the above cited promising approaches to meet a range of participant needs (see table 1).<sup>41</sup> These populations included those whose limited prior work experience prevented them from gaining employment on their own, those with one or more work-limiting characteristic such as a mental or physical disability or substance abuse problem, and those in need of additional skills to enter a new field or to increase their employability. All of the selected programs serve TANF recipients: 5 of the 10 serve TANF recipients exclusively, while the other programs serve a broader population.

**Table 1: Characteristics of Selected Programs**

Program name	Program approach				Participant characteristics	
	Subsidized employment	Treatment and employment services	Career pathways	Modified work first	Target population	Percentage of participants who receive TANF cash assistance
San Francisco Jobs Now!	x				Adults divided into three tiers ranging from hard-to-employ to work-ready	41 %
Los Angeles County subsidized employment program	x				TANF recipients ranging from hard-to-employ to work-ready	100 %
Erie County (NY) Placing Individuals in Vital Opportunity Training (PIVOT)	x				Job-ready TANF recipients who had not found jobs on their own or during "job club" activities	100 %

<sup>41</sup>We did not review any state laws or regulations. All information on state laws or regulations was provided by state and local officials.



Program name	Program approach				Participant characteristics	
	Subsidized employment	Treatment and employment services	Career pathways	Modified work first	Target population	Percentage of participants who receive TANF cash assistance
Utah Licensed Clinical Therapists		x			TANF recipients with substance abuse, domestic violence, or mental health problems	100 %
New York City's Wellness, Comprehensive Assessment, Rehabilitation and Employment program (WeCARE)		x			Adults with mental or physical health or substance abuse problems	18 %
Ramsey County (MN) Families Achieving Success Today (FAST)		x			Adults with mental or physical health or substance abuse problems	9 %
Washington State Integrated Basic Education and Skills Training (I-BEST)			x		Low-skilled and low-literacy adults	15 %
Minnesota Fast Training Resources and Credentialing Adult Career Pathways (FastTRAC)			x		Low-wage, low-skilled adults	18 %
Kentucky Ready to Work	x		x		TANF recipients interested in education; separate track for those with low literacy and math skills	100 %
District of Columbia TANF program				x	TANF recipients; separate tracks for those with different levels of education, experience, and skills and personal, health, or other barriers	100 %

Source: GAO analysis of information provided by experts and program officials. | GAO-15-31

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Some of the programs we examined offered subsidized employment to those whose limited prior work experience prevents them from gaining employment on their own. For example:

- San Francisco's Jobs Now! program uses a community jobs model similar to a transitional employment program to place participants in employment positions. The program includes 6 months of subsidized employment and is targeted to those with limited experience or exposure to work. Some participants are placed in public service training programs where they are employed with the local human services agency or other city departments like the Office of Parks and Recreation. Other participants who are more job ready are placed in a wage-subsidy program with private businesses. Under this program tier, Jobs Now! subsidizes 100 percent of the wage for the first month, 75 percent for the second month, and \$1,000 for the next 3 months. Employers also agree to make a good faith effort to retain the employee after the subsidy ends. Administrators reported that the retention rate with private employers—once the subsidy ends—is between 75 and 80 percent.
- Similarly, Erie County, New York's PIVOT wage subsidy program requires a commitment from employers to hire participants after the wage subsidy ends. PIVOT is designed to serve those TANF recipients who are among the more work-ready, but who did not find jobs on their own during previous job search activities. When participants are referred to the program through the local TANF agency, they receive a skills assessment and enter a job-readiness training program for 45 days while their eligibility is being determined. Participants are screened to match their skill levels with employer needs. PIVOT places participants in local employment—in industries such as banking, hospitality, legal services, manufacturing, health, and childcare—for 6 months during job training. Participants' days are typically split between a work experience program and other work activities such as GED classes or barrier remediation, such as English lessons for refugees with language barriers.
- Los Angeles County's large subsidized employment program includes a component in which participants can gain work experience with for-profits, nonprofits or government agencies, and an on-the-job training component that places participants with private sector employers. For the latter, a subsidy for the participants' wages is sent to a private job provider during the first two months of employment. After those 60 days, the wage is paid directly by the employer, who receives \$350 for each part-time employee and \$500 for each full-time employee.

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Three of the ten programs we examined used the treatment and employment services approach to serve participants with one or more physical or mental disabilities, substance abuse, or other work-limiting characteristics.

- Utah's Licensed Clinical Therapist program provides services for clients with substance abuse, domestic violence, and mental health problems. An administrator said participants often enter the program under emotional turmoil that—if untreated—would prevent them from gaining stable employment. To address this need, clients receive a clinical assessment to diagnose mental health problems and they can participate in clinical therapy sessions offered by the program in combination with job search and resume building activities.
- New York City WeCARE was designed to provide comprehensive services to hard-to-employ clients with mental or physical health needs or substance abuse problems. The program uses an in-house comprehensive assessment of physical, psychological, and social needs by a board-certified doctor and social worker to determine whether a client is fully employable, can participate in work-related activities with limitations, needs treatment to stabilize a condition before engaging in work-related activities, or if the client could be eligible for federal disability benefits. One important program element is flexibility. For example, participants have a window of several days to make a scheduled appointment. A contractor told us that by offering flexibility, the program is better able to engage participants whom other programs might automatically sanction for non-participation.<sup>42</sup>
- Ramsey County, Minnesota's FAST program is a partnership between agencies that co-locate services like mental health treatment, vocational rehabilitation, community health care, and TANF employment supports. Administrators said with the right supports and an individualized service plan, clients with mental or physical health or substance abuse problems—who are not eligible for federal disability benefits—can gain employment. FAST contracts services with Goodwill/Easter Seals, which provides day-to-day supervision of

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<sup>42</sup>Unforeseen circumstances, such as caring for a sick child, may cause a TANF recipient to miss a scheduled appointment or some hours of work activity. Some states use sanctions, such as a reduction in the amount of TANF cash assistance or gradual or immediate termination of TANF cash assistance, to encourage recipients to participate in program activities, according to one study.

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participants and facilitates the individual placement and supports created for them. Home visits are used as needed to assess families' needs, and family supports, including employment retention services, can last up to 9 months or longer.

Three of the ten programs we examined used multiple elements of the sector-based career pathways approach to increase the skills of participants looking to enter a new field or increase their employability.

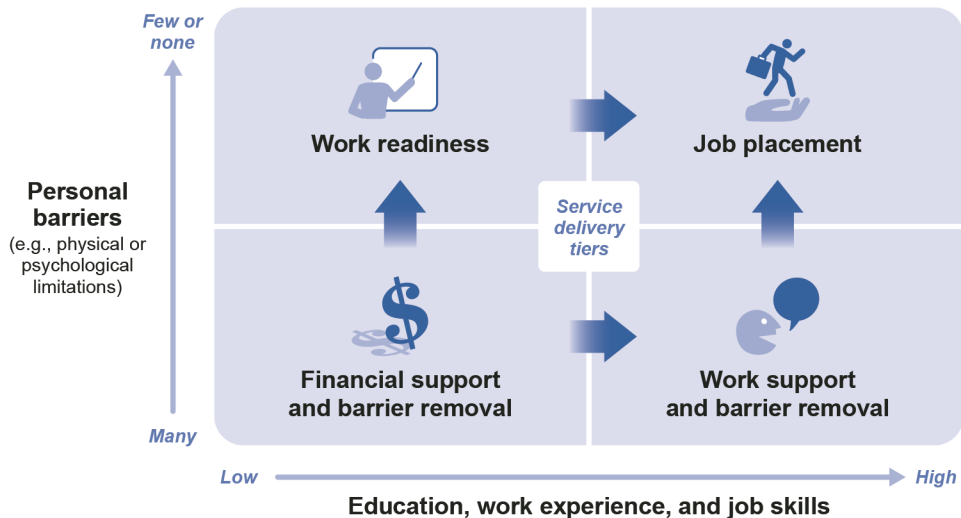
- Washington State's I-BEST program was developed to help participants increase their literacy and basic skills while earning certificates or degrees in order to qualify for in-demand jobs. The program is offered in 34 community and technical colleges in the state. The program curriculum is based on regional job market demands and resources. A college must demonstrate local demand for a career program and show that those who complete the program will be able to exit it and receive an average wage of \$13/hour or more. Program administrators said they believe their program is successful because of its team-taught, integrated service delivery model. Within I-BEST classrooms, two instructors work together to bolster basic skills while integrating career-related content into students' curriculum. Since the program's founding about 10 years ago, more than 200 career programs in fields such as health care, early childhood education, and advanced manufacturing have been approved by the Washington State Board for Community and Technical Colleges.
- The Minnesota FastTRAC program aims to move low-wage, low-skilled adults into credit-bearing training. Participants typically enter the program after being referred by various sources including local TANF and workforce programs. Participants are screened to determine their education level and needs. Similar to the I-BEST program, clients then go to classroom-based programs, in which instruction in math and reading is provided within the context of a profession like healthcare. Clients may also participate in some job shadowing during this period.
- Similarly, Kentucky officials perceived a need to increase educational attainment among the TANF population to improve their employability and launched the Ready to Work program about 16 years ago. The program is run statewide through the Kentucky Community and Technical College System. Unlike the I-BEST program, which focuses specifically on high-demand occupations, Ready to Work allows participants to select classes from the full catalogue of local courses.

However, the program does offer counseling on job prospects in various career tracks. Participants also engage in on- or off-campus work study positions with public and private employers that are subsidized using TANF funds and connected to each participant's program of study and career goal.

All of the programs we examined used some form of assessment to identify participants' service needs. Across the programs, factors assessed included skill levels, work history, interests, and physical and mental health. Additionally six of the 10 programs structured services or program offerings in two or more tiers or employment tracks for the purpose of better targeting the needs of participants.

- For example, the D.C. TANF program, which uses elements of a modified work-first approach, was redesigned in 2008-2009 in response to complaints that under the program's "one size fits all" service delivery model, job-ready clients and those with significant barriers to employment were receiving the same services. Under the redesign, a continuum of services is available based on the client's needs at assessment. Clients are categorized into a service delivery tier based on their education, experience, and skills, as well as barriers they may face (see fig 7).

**Figure 7: D.C. TANF Program's Service Delivery Model**



Source: GAO presentation of D.C. Temporary Assistance for Needy Families (TANF) program's service delivery model. | GAO-15-31

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## Selected Programs Emphasize Work Participation Rate to Varying Degrees

Although the programs we examined were all focused on work, they varied in the extent to which they were structured to help their states meet TANF's work participation rate requirements, according to state and program officials. Contributing to the work participation rate, such as by requiring participants to meet specific federally-defined hours and activities requirements, was a goal of 5 of the 10 programs, for at least some portion of the participants served. For example, a Kentucky Ready to Work program administrator said its work study component is its biggest asset for meeting the work participation rate requirements. Students are placed in private-employment positions when possible and when positions are not available, administrators said students can work on campus or in volunteer positions to meet their hours requirements. In the D.C. TANF program, participants have different requirements depending on their service delivery tier. For example, job-ready participants are expected to meet both hours and activity requirements that are consistent with the federal work participation rate standards. Those who are less job ready must meet the hour requirements but may participate in any mix of activities even if they do not count toward the District's work participation rate. An administrator told us the D.C. TANF program was designed based on what they thought would work best to get participants employed and with the expectation that this will also result in meeting the work participation rate requirements.

The work participation rate requirement was given less emphasis by the other five programs we examined, according to state and program officials. These administrators said their programs did not emphasize the work participation rate because of a conscious choice to prioritize other program goals, or because their programs served too few work-eligible TANF recipients to affect the state's rate. Nearly all (9 of the 10 programs we examined) were components of larger TANF programs, meaning that states and localities may have a variety of other mechanisms for meeting the work participation rate requirements beyond these programs. Even without a strong emphasis on the work participation rate, these programs—like those that did emphasize the work participation rate—still maintained an employment focus and some offered activities that at least partially counted toward the work participation rate.

Administrators in Los Angeles County's subsidized employment program said they do not over-emphasize contributing toward the work participation rate requirements, but instead focus on placing participants in work. Similar to the D.C. TANF program—where addressing participants' barriers and progressively increasing their engagement over time is thought to contribute to the work participation rate and increase

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long-term stable employment—Los Angeles County officials said if participants can be placed in employment, meeting the requirement is typically not an issue. Additionally, administrators said that because California allows clients to participate in some activities for longer durations than can be counted toward the federal requirement, they focus on keeping people engaged in work-related activities under the state rules.<sup>43</sup>

Because TANF cash assistance beneficiaries comprise only 15 percent of Washington State's I-BEST participants, contributing toward the work participation rate is not an explicit goal of this career pathways program. However, administrators said that time spent in the program's short-term training can count toward meeting the work participation rate requirements. Some experts who were knowledgeable about career pathways programs nationwide told us that some states have a misperception that the career pathways approach is not allowable under TANF rules, since only 12 months of vocational education training can be counted toward the work participation rate. However, HHS officials told us that states can allow TANF recipients to combine education with other work activities that count toward the work participation rate, meaning that within certain constraints, activities under the career pathways approach can be counted toward the work participation rate requirements. Some experts said that formal guidance from HHS, among other agencies, clarifying this fact might encourage broader use. Internal control standards for the federal government state that information should be communicated to managers and others who need it in a form that enables them to carry out their responsibilities.<sup>44</sup> In TANF's decentralized block grant environment, state and local officials make many program decisions and it is important that they also receive pertinent information in a form that enables them to carry out their duties and responsibilities efficiently and effectively. While HHS's Administration for Children and Families has conducted webinars and regional workshops to help guide TANF agencies in the implementation of career pathways approaches, the agency has not issued any such formal guidance. Greater clarity

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<sup>43</sup>According to officials, California allows TANF recipients to participate in up to 24 months of education or training, even though only 12 months of vocational educational training is countable toward the federal work participation rate.

<sup>44</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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regarding how activities related to the career pathways approach may be allowable under TANF rules could address misperceptions and encourage more widespread use of this approach by state and local TANF agencies.

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## Expertise and Dedicated Funds Facilitated the Use of Promising Approaches, but the TANF Program Lacks Incentives for Wider Adoption or Testing

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### The Selected Programs Benefitted from Partner Expertise and Dedicated Funding

Nearly all of the 10 programs we examined that currently use elements of promising approaches drew on expertise beyond the state or local TANF agency (see table 2). Nine of these programs involved partnerships with organizations and agencies such as community college systems, workforce agencies, and nonprofit organizations or contracted vendors. These partnerships provided the selected programs with access to the experience and expertise of a range of partners. For example:

- Officials with the Los Angeles County TANF agency noted that partnership with a local workforce agency is a key facilitating factor in its subsidized employment program. The workforce agency has acted as the employer of record for payroll and insurance purposes, and had existing employer relationships, so the TANF agency did not need to develop these capacities.
- While Kentucky's Ready to Work program is entirely funded by TANF, the program is administered by the state's community college system, and its case managers are located on campus and familiar with the college environment. According to program officials, clients generally pay their tuition through federal Pell Grants, so Ready to Work case managers help clients complete financial aid applications and ensure they remain eligible for the grants.



- Officials with Ramsey County, Minnesota's FAST program that seeks to engage individuals with disabilities in work reported that the experience and credibility of the initiative's lead nonprofit partner was a key facilitating factor. They particularly valued the nonprofit's previous experience working with both rehabilitation and employment services, as opposed to other contractors that have only operated in the TANF employment context.

**Table 2: Selected Program Partner Organizations and Technical Assistance**

Program name	Partner organizations in addition to state or local TANF agency			
	Community college system	Workforce agency	Nonprofit or vendor	Received technical assistance
San Francisco Jobs Now!			•	
Los Angeles County subsidized employment program		•		•
Erie County (NY) Placing Individuals in Vital Opportunity Training (PIVOT)			•	•
Utah Licensed Clinical Therapists		<sup>a</sup>		
New York City's Wellness, Comprehensive Assessment, Rehabilitation and Employment program (WeCARE)			•	
Ramsey County (MN) Families Achieving Success Today (FAST)		•	•	•
Washington State Integrated Basic Education and Skills Training (I-BEST)	•			
Minnesota Fast Training Resources and Credentialing Adult Career Pathways (FastTRAC)	•	•	•	•
Kentucky Ready to Work	•			•
District of Columbia TANF program			•	•

Source: GAO summary of information provided by program officials. | GAO-15-31

<sup>a</sup>Utah's TANF program is administered by the state workforce agency.

Six of the programs also received technical assistance from a federal agency or nonprofit, such as a policy research organization or foundation. For example, Minnesota officials cited participation in the federal Career Pathways Institute as an important step in the development of the state's

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career pathways program.<sup>45</sup> Officials said participation in technical assistance activities connected them with many other programs that influenced elements of their work. Officials in Los Angeles and Ramsey County, Minnesota, said that taking part in an evaluation conducted by a research organization helped inform their program models, and Ramsey County officials said their participation had enabled them to access additional resources, such as training from national experts.

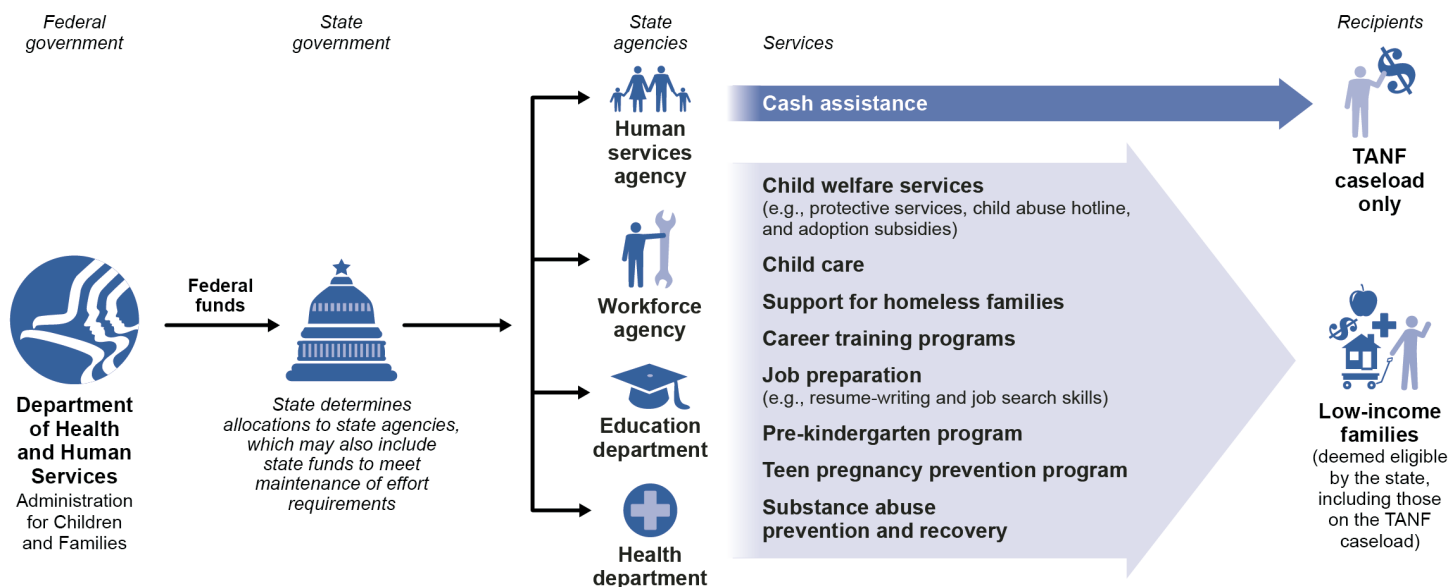
Decisions by state and local policymakers to dedicate funds for the selected programs also facilitated the use of promising approaches, according to program officials. We have previously reported that when federal TANF funds are allocated to states, states do not necessarily direct the funding to state welfare agencies, but may allocate funds to support various programs depending on legislative priorities (see fig. 8). Officials with 7 of the 10 programs we interviewed noted that state or local funding decisions had facilitated their use of promising approaches.<sup>46</sup> For example, officials with the District of Columbia TANF program noted that the allocation of additional funding has been the key factor that has allowed the agency to continue to support its modified work-first approach. Officials reported that the approach requires more staff resources to assess clients' work readiness and determine appropriate activities than does the agency's prior model of "one size fits all." The allocation of additional resources has allowed the agency to support these staff. The allocation of additional funds by state and local governments also facilitated San Francisco's use of a subsidized employment approach for TANF cash assistance recipients, according to program officials. They reported that these funds have supported the agency's ability to increase its wage subsidy in an effort to attract higher-wage employers.

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<sup>45</sup>In 2010, the Departments of Labor and Education initiated a one-year Career Pathways Initiative that funded nine states and two tribal entities to develop sustainable career pathways and promote linkages among system partners. As part of the initiative, two Career Pathways Institutes brought together grantee teams and subject matter experts, state and local practitioners, and federal staff.

<sup>46</sup>In addition to federal TANF funds, selected programs reported receiving funds from state and local sources. However, some of these funds may have included federal TANF funds that were being allocated by state and local entities. In addition, some of these state or local funds may have been used by states to meet their TANF maintenance of effort requirement.

**Figure 8: Example of Possible Allocation of TANF Funds by a State**



Source: GAO analysis based on examples of programs and services funded by Temporary Assistance for Needy Families (TANF) in various states. | GAO-15-31

Additionally, in 3 of the 10 programs, TANF funds and other funding sources were mixed to support the program, which served both TANF clients and other low-income populations. For example, New York City's WeCARE program combined TANF funds with state and local funds to serve 24,000 daily participants, which included TANF cash assistance recipients as well as low-income single adults and childless couples with clinical barriers to employment who received cash assistance through a state-funded program. These funding sources were combined to award contracts to vendors that provide treatment and employment services to any client regardless of his or her program affiliation. Officials with Minnesota's FastTRAC career pathways program said that initial funding for their program came from a foundation grant and subsequently from funds available under the American Recovery and Reinvestment Act of 2009. They noted that the state has been able to maintain the program after that funding was no longer available because the program is a partnership with multiple state agencies and a nonprofit organization, most of whom contribute some funding. These funds are combined and then sent to local providers of career pathways programs through competitive grants. While Minnesota officials suggested that combining resources across partners was key to their program, they also noted the challenges of reconciling different funding streams and performance measures. Experts knowledgeable about career pathways programs

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nationwide echoed these concerns to us. They suggested a need for federal guidance to clarify how various sources of federal funds can be used to support these programs, and that some TANF programs may be reluctant to use a career pathways approach in the absence of a clear statement that use of TANF funds for career pathways programs is explicitly allowable. As noted above, HHS has provided some information related to career pathways, but has not issued formal guidance. Consistent with internal control standards, guidance could help state and local officials to better carry out their responsibilities. Without explicit clarification that TANF funds may be used to finance career pathways activities, some state and local TANF agencies may be discouraged from attempting this approach.

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### TANF Lacks Incentives for the Broader Adoption and Testing of Promising Approaches

As structured, the TANF program lacks incentives to encourage broader adoption of promising approaches by large numbers of state and local TANF agencies. The federal law that created TANF established a goal of increasing job preparation and employment, and included a provision addressing the development and evaluation of innovative approaches for reducing welfare dependency.<sup>47</sup> However, several TANF program characteristics may not encourage states to adopt and test new approaches for increasing the employment and earnings of cash assistance recipients. HHS's authority over many aspects of TANF is limited and it has not proposed legislative changes to address these areas. Without federal action, adoption and evaluation of promising approaches may continue to be limited to select states and localities, leaving TANF recipients in other locations without access to these promising approaches.

### Program Design and Funding

TANF leaves many program design and funding choices to states. The law that created the TANF block grant established a goal of state flexibility, and restricted HHS's regulatory authority over the states except to the extent expressly provided in the law.<sup>48</sup> This flexibility allows for multi-agency partnerships that can facilitate the use of promising approaches, as discussed above. It also allows states to spend TANF

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<sup>47</sup>Pub. L. No. 104-193, § 103(a)(1), 110 Stat. 2105, 2112.

<sup>48</sup>42 U.S.C. §§ 601(a), 617. Accordingly, HHS has limited authority to influence state program choices and cannot compel states to adopt particular approaches for their welfare-to-work programs.

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## Work Participation Rate Requirements

funds on a wide range of programs and services that are not necessarily related to welfare-to-work activities, as long as these services support one of TANF's four statutory purposes.<sup>49</sup> In a 2012 report, we found that states spent significant amounts of TANF funds on services such as child welfare or child care, and that state use of federal TANF funds for these and other services can create tensions and trade-offs in state funding decisions.<sup>50</sup> As a result, any additional resources needed for implementing more costly promising approaches for TANF cash assistance clients may compete with other allowable uses of TANF funds. Officials with three programs we interviewed that exclusively use TANF funds to implement elements of promising approaches noted that their programs had been continuously funded for many years and suggested that it would be difficult to find funding for the programs were they beginning today.

Additionally, the federal work participation rate requirements do not necessarily work as an incentive for states to implement certain promising approaches, according to our interviews and prior work. Some experts and HHS officials we interviewed suggested that limits on the amount of time that certain job readiness and training activities may be counted toward a state's work participation rate<sup>51</sup> may discourage states from pursuing approaches that involve longer-term treatment or education. We have previously reported the concerns of state and local TANF officials that these limits do not allow sufficient time to address barriers to work for clients who have been out of the workforce for an extended period of time or to train clients for higher-wage employment that will prevent them from needing assistance in the future.

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<sup>49</sup>42 U.S.C. §§ 601(a), 604(a).

<sup>50</sup>In this report, we concluded that while states still spend some portion of TANF funds on welfare-to-work programs for the cash assistance population, their new and varied uses of TANF funds for non-cash services over time beyond this population raise questions about how state efforts are contributing to TANF purposes. We recommended that HHS develop a plan for revising its financial reporting categories to better understand how states use TANF funds. HHS subsequently published an information memorandum and Federal Register notices on a revised reporting form for collecting more detailed and accurate TANF expenditure data. See 78 Fed. Reg. 56,236 (Sept. 12, 2013), 79 Fed. Reg. 2444 (Jan. 14, 2014). The agency said it plans to implement the revised form in fiscal year 2015 and provide technical assistance to states through this transition. GAO, *Temporary Assistance for Needy Families: More Accountability Needed to Reflect Breadth of Block Grant Services*, [GAO-13-33](#), (Washington, D.C.: Dec. 6, 2012).

<sup>51</sup>See 42 U.S.C. § 607(c).

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Officials with 5 of the 10 programs we interviewed that were using promising approaches also expressed concerns about the limits. For example, officials with Ramsey County Minnesota's treatment and employment services program said the TANF work activities rules do not provide enough flexibility for families coping with mental illness in that the time limit on job search and job readiness assistance and the 20-hour minimum for core work activities are not realistic for all.<sup>52</sup> As a result, officials said most clients in the program receive cash assistance through a state program rather than through TANF.<sup>53</sup> Yet, serving such clients through a state program instead of TANF likely limits the program's replicability in other state or local TANF agencies, as not all states may be willing to devote state funds for this purpose.<sup>54</sup> Officials with Kentucky's Ready to Work program reported that the 12-month limit on counting vocational educational training toward the work participation rate<sup>55</sup> has caused the program to rely more heavily on its work-study subsidized employment component, which has increased the program's cost. Further, one official said that while the subsidized work-study component is a critical program feature, the expectation that clients will work at least 20 hours a week once they have exhausted their allowable full-time education may affect academic outcomes.

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<sup>52</sup>See 42 U.S.C. § 607(c).

<sup>53</sup>In 2010, we reported that some states have opted to fund cash assistance for certain low-income families with state dollars not counted toward the state's maintenance of effort requirement, known as solely state funds. Families provided with cash assistance through solely state funds are not included in the work participation rate calculation. We reported that families for whom states use solely state funds to provide cash assistance are those that typically have the most difficulty meeting the TANF work requirements, such as families that included a parent with disabilities. See *Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates*, [GAO-10-525](#) (Washington, D.C.: May 28, 2010). According to HHS, families in a solely state funded program are not in the numerator or denominator used to calculate the work participation rate, but they could affect the calculation of the caseload reduction credit because any such shift would be considered an eligibility change. A reduced caseload due to an eligibility policy change does not count toward a caseload reduction credit.

<sup>54</sup>As of our 2010 report, for which we surveyed all 50 states and the District of Columbia, 14 states provided cash assistance to low-income families with significant barriers to employment using solely state funds. The report found that in 9 of these 14 states, work participation rules were generally not the same for these families as for families in the state's TANF program. We did not collect information on what employment services, if any, are provided to these families.

<sup>55</sup>See 42 U.S.C. § 607(d)(8).

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The work activity limits only apply to what states may count toward the work participation rate and do not prevent states from allowing clients to engage in these activities for longer periods of time. However, several experts we interviewed explained that many state policies on activities that are available to clients are shaped by the work participation rate requirements. That is, some states may design their programs to provide and support only those activities that count toward the work participation rate, while other states also provide and support activities that do not count toward the rate. In addition, we have previously found that states have relied on a combination of factors allowed in law to reduce the percentage of families they needed to engage in work to meet their work participation rate requirements.<sup>56</sup> According to the most recent data available from fiscal year 2011, 23 states used these factors to reduce their required work participation rate for all TANF families from 50 percent to 0 percent. As a result, states may have less incentive to use promising approaches to engage hard-to-employ individuals in work activities, as they can meet their work participation rate requirements without engaging these individuals. In 2013, we noted that the work participation rate is complex and that any potential changes to the measure would likely have a profound impact on state TANF programs.<sup>57</sup>

## Research and Evaluation

Finally, interviews conducted for this report and our previous work indicate that state and local TANF agencies have little incentive to test the effectiveness of new approaches. While several program administrators cited short-term or anecdotal evidence that their programs may contribute to increases in employment and earnings, only 4 of the 10 programs had undergone or were currently involved in a rigorous impact evaluation.<sup>58</sup>

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<sup>56</sup>[GAO-10-525](#) and *Temporary Assistance for Needy Families: Update on Families Served and Work Participation*, [GAO-11-880T](#) (Washington, D.C.: Sept. 8, 2011).

<sup>57</sup>In this report, we identified a number of potential options that could improve TANF performance and oversight, based on our prior work, and that might be considered as part of an extension or reauthorization of TANF. GAO, *Temporary Assistance for Needy Families: Potential Options to Improve Performance and Oversight*, [GAO-13-431](#) (Washington, D.C.: May 15, 2013).

<sup>58</sup>These programs are participating or have participated in rigorous impact evaluations sponsored by HHS. The Los Angeles County subsidized employment program and non-TANF clients in San Francisco Jobs Now! are being included in the Subsidized and Transitional Employment Demonstration. Washington's I-BEST is part of the Innovative Strategies for Increasing Self-Sufficiency project. Ramsey County's FAST program was evaluated as part of the TANF/Supplemental Security Income Disability Transition Project. For more information on these studies, see Appendix III.

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States are not required to conduct impact evaluations of their TANF programs under federal TANF law, although these evaluations can provide useful information on program effectiveness. A rigorous evaluation impact study with a random assignment design allows for comparison with a control group in order to distinguish the program's influence from other factors.

Officials with some of the programs that had not undergone rigorous evaluations said they had not participated in these studies because of concerns about administrative burden, the newness of the program, or that a portion of their caseload would not receive services or count toward the work participation rate. Local Minnesota FastTRAC contractors said long-term follow ups with clients who had left the program would be burdensome to staff, who need to focus on newer or existing participants' needs. An official with the D.C. TANF program said it had not yet been evaluated formally because the program had only recently been redesigned. A Kentucky Ready to Work administrator said the program has not been rigorously evaluated through a random assignment study. The administrator said this was because the state TANF agency does not want to deny services to anyone who is eligible as a result of being assigned to a control group or miss an opportunity to contribute toward the work participation rate.<sup>59</sup> An administrator at one site that was undergoing a rigorous impact evaluation said that because only half of study participants would be selected for the program, recruitment for the study was challenging.

We have previously found that although HHS has a strong tradition of leading and supporting rigorous welfare research, there are fewer incentives for states to evaluate their programs under TANF than existed under the previous welfare program with its evaluation and funding provisions.<sup>60</sup> Indeed, although HHS maintains an active research agenda,

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<sup>59</sup>In our prior work, we have noted that the ethical concern that the control group should not be harmed by withholding needed services can be addressed by providing the control group with whatever services are considered standard practice. In this case, however, the evaluation will no longer be testing whether a new approach is effective *at all*; it will instead test whether it is more effective than standard practice. GAO, *Program Evaluation: A Variety of Rigorous Methods Can Help Identify Effective Interventions*, [GAO-10-30](#) (Washington, D.C.: Nov. 23, 2009).

<sup>60</sup>GAO, *Welfare Reform: More Information Needed to Assess Promising Strategies to Increase Parents' Incomes*, [GAO-06-108](#) (Washington, D.C.: Dec. 2, 2005).



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TANF agency participation in some recent and ongoing HHS evaluations has been limited. For example, none of the four sites in the recently-completed Enhanced Services for the Hard-to-Employ Demonstration and Evaluation were TANF agencies.<sup>61</sup> In addition, in two ongoing evaluations of career pathways programs, participating sites consist primarily of community colleges and workforce agencies. According to HHS, these sites vary in the extent to which they serve TANF cash assistance recipients.<sup>62</sup> An HHS official we interviewed reported that engaging TANF programs in evaluations of promising approaches is difficult because of the administrative burden on the state or locality. Officials added that HHS has no authority to require state agency participation in research and evaluation and no dedicated funding to provide states or localities incentives to participate. However, HHS officials also noted that often entities beyond TANF agencies serve TANF cash assistance recipients and research findings are still relevant for these partners. HHS has also taken steps to share research findings with local TANF programs, welfare researchers, and policymakers. For example, the agency has sponsored an annual Welfare Research and Evaluation Conference to share evaluations of welfare reform and formulate ways to incorporate these findings in the design and implementation of programs since 1998. HHS also makes research results available through presentations at other conferences related to welfare and low-income issues, their agency websites, and online announcements sent to subscribers.

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## Conclusions

While the 10 state and local programs we examined are making use of some promising approaches for moving TANF recipients into employment and increasing their earnings, incentives are lacking for large numbers of state and local TANF agencies to adopt and test such approaches under the structure of the TANF program. This suggests a loss of opportunity. Data already suggest that state TANF programs currently engage recipients in a relatively limited range of activities and that more TANF recipients could be engaged in activities that are work-related. TANF's

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<sup>61</sup>One of the sites was a nonprofit that conducted a program exclusively for TANF clients.

<sup>62</sup>According to HHS, in preliminary analysis for the Innovative Strategies for Increasing Self-Sufficiency evaluation approximately 14 percent of all sample members were receiving TANF at baseline, with a high of nearly 40 percent in one site. In preliminary analysis for the Health Profession Opportunity Grants evaluation, similarly, 15 percent of participants were receiving TANF, with a number of sites reporting a quarter or more as being TANF recipients.

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goals include ending needy families' dependence on government benefits by promoting work. However, the program's block grant structure means that many policy decisions are decentralized, and HHS has limited authority in directing state programmatic choices. This tends to leave innovation to individual localities and states. Yet other allowable uses of TANF funds compete with the adoption of promising welfare-to-work approaches. Further, limited participation by TANF agencies in HHS evaluations may slow the development and adoption of new promising approaches, leaving TANF without a continuous improvement process. In announcing its intention to exercise waiver authority, HHS noted that the purpose of its proposed waivers was to test alternative and innovative strategies, policies, and procedures designed to improve employment outcomes for needy families. However, as HHS officials told us, no state has applied for a waiver since its announcement in 2012. While we are not taking a position on whether HHS has authority to issue waivers, it is clear that this strategy has not encouraged states to innovate and test new approaches. We recognize that PRWORA limits HHS's authority over state program and funding choices and evaluations of state programs. Yet, HHS, as the federal agency that oversees TANF, is positioned to identify, suggest, and work in consultation with Congress on potential changes that would address the lack of incentives for states to adopt promising approaches. Absent federal action, adoption and evaluation of promising approaches may continue to be limited to select states and localities, leaving TANF recipients in other locations without access to these promising approaches. In the meantime, at least one promising approach—career pathways—appears to suffer from misperceptions about whether activities under the career pathways approach can be counted toward the work participation rate, or whether the career pathways approach is allowable with TANF funds. Without clarification that it is, indeed, allowable, TANF agencies may be discouraged from attempting it.

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## Recommendations for Executive Action

To encourage broader adoption and evaluation of promising approaches and address impediments to the use of the career pathways approach among TANF agencies, we recommend that HHS should take the following two actions:

- In consultation with Congress, identify potential changes that would address the lack of incentives for states and localities to adopt promising approaches and then develop and submit a legislative proposal outlining those changes.
- Issue formal guidance to clarify how activities under the career pathways approach can be countable for the purpose of the work participation rate and that TANF funds may be used to finance the career pathways approach.

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## Agency Comments and Our Evaluation

We provided a draft of this report to HHS, the Department of Education, and the Department of Labor. The Departments of Education and Labor did not have comments. HHS provided written comments, reproduced in appendix V, in which the agency generally concurred with our recommendations. HHS also provided technical comments that we incorporated, as appropriate.

HHS agreed with our recommendation that the agency consult with Congress on ways to address the lack of incentives for states and localities to adopt promising employment-focused approaches. HHS noted that in the Administration's Fiscal Year 2015 Budget Request, it stated, "when Congress takes up reauthorization, the Administration will be prepared to work with lawmakers to strengthen the program's effectiveness in accomplishing its goals. This effort should include using performance indicators to drive program improvement and ensuring that states have the flexibility to engage recipients in the most effective activities to promote success in the workforce, including families with serious barriers to employment." The budget request also included a legislative proposal to increase incentives for states to implement or strengthen subsidized employment programs by creating a new initiative funded by diverting existing TANF Contingency Funds to this new use. We were aware of these points in HHS's budget request and maintain that HHS should develop more concrete proposals to address the lack of incentives within the TANF program itself, and note that the agency need not wait for Congress to take up reauthorization to do so. HHS also noted that it has sponsored a large body of research that helps federal policy makers understand the wide variety of services provided by state TANF

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programs and provides credible information to state TANF decision-makers about possible innovative and effective approaches to serving their clients. At the same time, the agency acknowledged that gaps remain in the research on effective employment-focused approaches for low-income families and noted that additional research is needed.

HHS also agreed with our recommendation that the agency issue formal guidance to clarify how the career pathways approach can be used by TANF agencies. HHS said that it will issue a formal Information Memorandum on the implementation of career pathways approaches in TANF, as part of the agency's ongoing technical assistance efforts. It also elaborated on the various ways it has promoted career pathways and other employment-focused approaches in recent years, as we acknowledged in the report. In addition to the need for guidance, HHS said that the 12-month limit on counting vocational education training toward the work participation rate is a constraint to the implementation of career pathways models in TANF programs. However, as we note in our report, states may allow TANF recipients to combine education with other work activities that count toward the work participation rate. Better clarification of this fact through formal guidance should help to address state misperceptions that the time limit on counting vocational education training prohibits the use of career pathways approaches.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the Secretaries of Health and Human Services, Education, and Labor, and interested congressional committees. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

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If you or your staff have any questions concerning this report, please contact me at (202) 512-7215 or [brownke@gao.gov](mailto:brownke@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

*Kay E. Brown*

Kay E. Brown, Director  
Education, Workforce, and Income Security Issues

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# Appendix I: Objectives, Scope, and Methodology

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Our report (1) reviews some approaches that have been identified as holding promise to engage TANF recipients in employment and increase their earnings and examines ways in which selected states and localities have used them, and (2) identifies factors that influence the use of these and other promising approaches.

To first identify promising approaches, we reviewed research summaries and syntheses of rigorous research on approaches for engaging TANF recipients in employment and increasing their earnings.<sup>1</sup> We primarily focused on studies that used a random assignment (experimental) research design. This type of design compares the outcomes for groups that were randomly assigned either to the treatment or to a nonparticipating control group before the intervention, in an effort to control for any systematic difference between the groups that could account for a difference in their outcomes. A difference in these groups' outcomes is believed to represent the program's impact.<sup>2</sup> To help compile the research we reviewed, we conducted a literature search of 12 research databases, including EconLit, ProQuest Research Library, and Social Services Abstracts, using search terms such as "welfare to work." Our intent was not to describe all possible promising approaches, but rather to identify some key approaches.

We considered approaches to be "promising" if a rigorous evaluation had determined that a program using this approach contributed to increased employment, income, or earnings, or reduced welfare receipt. Not all programs using the approach had to yield positive results in order for the approach to be considered promising. We realize that there is variation in how these approaches are implemented. Although a comprehensive career pathways program has not yet been rigorously evaluated, we included this approach because it was based on a rigorous evaluation of sector-based career training and lessons from other prior rigorous evaluations.

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<sup>1</sup>Research shows that welfare-to-work programs that increase employment and earnings do not necessarily increase household incomes. This is because the increased income from earnings can be offset by the loss of cash welfare, food stamps, and other support services.

<sup>2</sup>GAO, *Program Evaluation: A Variety of Rigorous Methods Can Help Identify Effective Interventions*, [GAO-10-30](#) (Washington, D.C.: Nov. 23, 2009).

We sought input on our list of approaches from researchers with MDRC, a nonprofit, nonpartisan education and social policy research organization. We also validated our list of approaches through the process of seeking expert nominations for programs currently using these approaches. For example, based on our review of the literature, we initially identified earnings supplements—the practice of supplementing low-wage workers’ earnings with incentives to encourage employment and employment retention—as a possible promising approach. However, because we did not find any current examples of this approach being used to serve TANF cash assistance recipients, we did not include it in our final list of promising approaches.

To identify state and local programs that are currently using these approaches to serve TANF cash assistance recipients, we interviewed cognizant researchers; officials from the Department of Health and Human Services (HHS), the Department of Labor, and the Department of Education; and others with TANF expertise. We selected 12 experts based on their knowledge of the research and efforts under way at the state and local level, as well as to reflect a range of perspectives on welfare-to-work issues. We identified them through our literature review and through referrals from other experts. We asked the experts and agency officials to identify state and local programs that are currently using the promising approaches we identified through our literature review to serve TANF cash assistance recipients. We asked the experts to indicate the specific reasons why they recommended these programs and whether evaluation results or outcome data were available for the programs; however, these programs have generally not been rigorously evaluated.

From the programs identified by experts, we selected 10 programs to profile (located in 6 states—California, Kentucky, Minnesota, New York, Utah, and Washington—and the District of Columbia) to reflect diversity in approaches used, economic conditions, demographics, and geographic regions. We also considered how the program was connected to TANF and whether the program was in an area where TANF is state- or county-administered.<sup>3</sup> We did not report on work participation rates for the states in which these programs are operated because some are state programs

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<sup>3</sup>According to HHS, the majority of states centrally administer TANF, but some states (California, Colorado, Minnesota, New Jersey, New York, North Dakota, Ohio, and Wisconsin) play a supervisory role and delegate administration of TANF to the counties.

and others are locally administered. Work participation rates are calculated only on the state level by HHS, based on data reported by the states, and generally available after the end of the fiscal year. We conducted in-depth interviews, by phone and through four site visits, with program administrators and state and local TANF officials to learn about key program features that help increase employment and earnings. For 3 programs, we also interviewed local contractors. We obtained views from experts; federal, state, and local officials; and program administrators on factors that facilitate the use of promising approaches and that could broaden their use. We assessed information and communication HHS provides to states related to promising approaches against federal internal control standards.<sup>4</sup>

We obtained budget, performance, and other program data for the programs we selected, as well as HHS administrative data on states' engagement of TANF recipients in prescribed work activities. We assessed the reliability of these data by reviewing related documentation and interviewing knowledgeable officials and determined they were sufficiently reliable for providing contextual information on these programs and describing work participation trends, respectively. We also reviewed relevant GAO, HHS Office of Inspector General, and HHS reports, as well as relevant federal laws, regulations, and guidance.

We conducted this performance audit from January 2014 to November 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>4</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).



# Appendix II: Categories of Federal Work Activities and Limitations on Counting Time in Those Activities

In meeting the 30-hour average weekly requirement, individuals must spend at least 20 of the hours in certain activities (referred to as core activities). Any additional hours needed to meet the requirement can come from non-core or core activities.

**Table 3: Categories of Federal Work Activities**

Activity	Definition	At least daily supervision required	Limitations on counting time (for all families)
<b>“Core” activities</b>			
Unsubsidized employment	Full- or part-time employment in the public or private sector that is not subsidized by TANF or any other public program.		
Subsidized private sector employment	Employment in the private 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 an individual.		
Subsidized public sector employment	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 an individual.		
Work experience	A work activity, performed in return for welfare, that provides an individual with an opportunity to acquire the general skills, knowledge, and work habits necessary to obtain employment. The purpose of work experience is to improve the employability of an individual who cannot find unsubsidized full-time employment.	X	
On-the-job training	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.		
Job search and job readiness assistance	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. Such treatment or therapy must be determined to be necessary and documented by a qualified medical, substance abuse, or mental health professional.	X	Participation in this activity may be counted for 6 weeks (12 weeks in certain circumstances) in a year

**Appendix II: Categories of Federal Work  
Activities and Limitations on Counting Time in  
Those Activities**

<b>Activity</b>	<b>Definition</b>	<b>At least daily supervision required</b>	<b>Limitations on counting time (for all families)</b>
Community service programs	Structured programs and embedded activities in which individuals 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 are designed to improve the employability of individuals not otherwise able to obtain unsubsidized full-time employment. A state agency shall take into account, to the extent possible, the prior training, experience, and skills of an individual in making appropriate community service assignments.	X	
Vocational educational training	Organized educational programs that are directly related to the preparation of individuals for employment in current or emerging occupations.	X	Participation in this activity is limited to 12 months in an individual's lifetime
Caring for a child of a recipient in community service	Providing child care to enable another cash welfare recipient to participate in a community services program. This is an unpaid activity and must be a structured program designed to improve the employability of participating individuals.	X	
<b>"Non-core" activities</b>			
Job skills training directly related to employment	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.	X	Must be combined with 20 hours per week in a "core" activity
Education directly related to employment (for those without a high school diploma or equivalent certificate)	Education related to a specific occupation, job, or job offer.	X	Must be combined with 20 hours per week in a "core" activity
Attendance in a secondary school program or course of study leading to a certificate of general equivalence (for those who have not completed secondary school or gotten a certificate of general equivalence)	Regular attendance, in accordance with the requirements of a 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 work-eligible individual who has not completed secondary school or received such a certificate.	X	Must be combined with 20 hours per week in a "core" activity

Source: GAO analysis of relevant federal laws and regulations. | GAO-15-31

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# Appendix III: Selected Recent and Ongoing Department of Health and Human Services-Funded Evaluations

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## Recent Studies

**Employment Retention and Advancement Project (ERA):** This study ran from 1998 to 2011. Under the study, Health and Human Services issued planning grants to 13 states to develop new programs. The goal was to test strategies for helping employed individuals keep their jobs and advance in the workforce. Only 3 of the programs were found to increase employment retention and advancement: the Texas sites (Corpus Christi and Fort Worth), Chicago, and Riverside PASS ERA programs. An ERA report was published in April 2010, “The Employment Retention and Advancement Project: How Effective Are Different Approaches Aiming to Increase Employment Retention and Advancement? Final Impacts for Twelve Models,” which can be viewed at:

<http://www.acf.hhs.gov/programs/opre/resource/the-employment-retention-and-advancement-project-how-effective-are>. Among the participating sites, 8 were led by TANF agencies at either the state or local level. The Texas ERA program offered monthly stipends of \$200 to former TANF recipients working at least 30 hours per week. The Chicago program was a work-focused advancement program, offering targeted job search assistance and help indentifying and accessing career ladders. These services were provided to participants by staff in a private, for-profit firm, and TANF recipients were required to have regular contact with program staff to continue to receive TANF benefits. In contrast, the Riverside PASS ERA program provided voluntary, individualized retention and advancement services provided primarily by three community-based organizations and community colleges. Each of these programs targeted a specific population’s service needs.

**Enhanced Services for Hard-to-Employ Demonstrations and Evaluations:** This demonstration tested several strategies for helping hard-to-employ parents find and sustain employment. One of the four sites in the study included TANF participants: the Transitional Work Corporation in Philadelphia conducted a subsidized employment demonstration exclusively for TANF clients. Other sites included programs in Kansas, Missouri, New York, Pennsylvania, and Rhode Island. This 10-year evaluation was completed in 2012. Findings from this study were used to influence the design of two new federal subsidized employment initiatives. Final evaluation reports can be viewed at: <http://www.mdrc.org/publication/what-strategies-work-hard-employ>.

**Temporary Assistance for Needy Families/ Supplemental Security Income Disability Transition Project (TSDTP):** This study is an effort to identify the extent of overlap between TANF and SSI programs and populations and develop pilot programs aimed to improve a variety of outcomes for individuals with disabilities and work-limiting barriers to

employment. The study is a collaboration between ACF and the Social Security Administration through a contract with MDRC. This study is complete. Reports were published throughout 2013 and 2014. TSDTP included Ramsey County, Minnesota—a program highlighted in this GAO report—which participated in a pilot-phase experiment to increase employment among TANF participants with work limitations and disabilities. Los Angeles County, California and Muskegon County, Michigan were also involved in the study, implementing pilot tests of approaches to serving individuals with disabilities either through the provision of services to TANF participants with work-limiting barriers, streamlining the Supplemental Security Income application process, or improving coordination between the two systems.

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## Ongoing Studies

### **Behavioral Innovations to Increase Self-Sufficiency (BIAS) study:**

Launched in 2010, BIAS is the first major opportunity to apply a behavioral economics lens to programs that serve poor families in the United States. The goal of the study is to learn how tools from behavioral science can improve the well-being of low-income children, adults and families. The study is being conducted by OPRE and MDRC in partnership with behavioral experts. One site within the study is the Los Angeles county TANF agency. Results are planned for rolling release in 2014 and 2015. Two reports on BIAS were issued in April and August of 2014.

**Health Professions Opportunities Grant (HPOG):** HPOG was established by the Patient Protection and Affordable Care Act with the goal of providing training programs in high-demand healthcare professions to TANF recipients and other low-income individuals. In 2010, the Administration for Children and Families (ACF) awarded five-year grants to 32 grantees in 23 states. The program includes post-secondary educational institutions, workforce investment boards, state and local government agencies, and community-based organizations. Two of the 27 non-tribal HPOG grantees are Departments of Human or Social Services agencies and also administer the TANF program. One of the five tribal sites also administers the Tribal TANF program. However, a number of HPOG grantees also serve as the employment services providers for TANF agencies. ACF's Office of Planning, Research, and Evaluation (OPRE) is evaluating HPOG demonstration projects. An interim analysis of the impacts of HPOG is expected in June 2016.

**Innovative Strategies for Increasing Self-Sufficient Project:** The Innovative Strategies for Increasing Self-Sufficiency evaluation began in

2007 as a multi-site, random-assignment evaluation of promising strategies for increasing employment and self-sufficiency among low-income families. It is under the direction of ACF. This study focuses on the career pathways approach as the main intervention. One of the nine ISIS sites—Seattle/King County Workforce Development Corporation—is a contracted employment services provider for a local TANF agency and serves both TANF and non-TANF clients. Other sites in the study include: Des Moines Area Community College, I-BEST in Washington State, Instituto del Progreso Latino, Madison Area Technical College, Pima Community College, San Diego Workforce Partnership, and Valley Initiative for Development and Advancement.

**Job Search Assistance (JSA) Strategies:** This study was launched by OPRE in fall 2013 and features a multi-site, random-assignment evaluation to measure the relative impact of specific job search services offered by TANF programs on short-term labor market outcomes such as earnings and time to employment. The JSA evaluation aims (1) to provide information about the relative impacts of various JSA services and the manner in which agencies provide them, and (2) to provide actionable and policy-relevant feedback to the TANF field, including federal TANF policymakers, state and local TANF administrators, and frontline caseworkers. Site recruitment is ongoing, and initial findings could be reported as early as the end of 2016.

**Subsidized and Transitional Employment Demonstration (STED):** The STED study was launched by ACF in 2010 with the goal of demonstrating and evaluating the next generation of subsidized employment models for critical low-income populations. The project is led by MDRC, under contract with ACF, and examines strategies for providing counter-cyclical employment and for successfully transitioning individuals from short-term subsidized employment to unsubsidized employment. STED is being conducted in coordination with the Department of Labor's Enhanced Transitional Jobs Demonstration Project. Random assignment began at the first sites in early 2012 and continued through late 2013. Of the seven STED sites, three are TANF agency-operated including Los Angeles, San Francisco, and Minnesota. The evaluation is scheduled to run through 2017.

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# Appendix V: Agency Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation  
Washington, DC 20201

NOV 3 - 2014

Kay E. Brown  
Director, Education, Workforce,  
and Income Security Issues  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Ms. Brown:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, "Temporary Assistant for Needy Families: Action is Needed to Better Promote Employment-Focused Approaches" (GAO-15-31).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

A handwritten signature in dark ink, reading "Jim R. Esquea", is positioned above the printed name and title.

Jim R. Esquea  
Assistant Secretary for Legislation

Attachment



**GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED: TEMPORARY ASSISTANCE FOR NEEDY FAMILIES: ACTION IS NEEDED TO BETTER PROMOTE EMPLOYMENT-FOCUSED APPROACHES (GAO-15-31)**

The Department appreciates the opportunity to review and comment on this draft report.

**GAO Recommendation 1**

The Government Accountability Office (GAO) recommends that the U.S. Department of Health and Human Services (HHS) should take the following action: In consultation with Congress, identify potential changes that would address the lack of incentives for states and localities to adopt promising approaches and then develop and submit a legislative proposal outlining those changes.

**HHS Response**

HHS appreciates GAO's attention to employment-focused approaches in the Temporary Assistance for Needy Families (TANF) program. HHS has maintained a strong focus on encouraging states to better help TANF recipients and other low-income parents obtain jobs, sustain employment, and make progress in the labor force. This focus is, and will continue to be, a major part of the ACF research agenda, TANF technical assistance efforts, and ongoing communication with state human service agencies.

HHS has sponsored a large body of research that both helps federal policy makers understand the wide variety of services provided by state TANF programs and, more importantly, provides credible and thoughtful information to state TANF decision-makers about possible innovative and effective approaches to serving their clients. HHS currently has underway major multi-site experiments in the areas of employment-focused post-secondary education and training, job search strategies, subsidized and transitional employment, and behaviorally informed interventions where tests in a variety of program areas (including TANF, child support and child care) will have broad applicability. Beyond HHS's randomized control trials, our TANF-focused research portfolio includes studies that provide useful, applicable knowledge to state administrators and case workers. These studies help answer questions ranging from more specific strategies for how to best serve individuals with disabilities to the overarching question of how to engage clients and match them with the services that have the greatest likelihood of supporting their family's economic well-being and ultimate self-sufficiency.

HHS's technical assistance and messaging to TANF agencies follows the same focus by highlighting the importance of innovative employment and skill-building strategies. In the last several years, HHS has published various Dear Colleague Letters on developing career pathways models, funding and implementing summer youth employment programs, and helping youth transition from high school to postsecondary education and the workforce. We also published an Information Memorandum on using TANF funds for employment and other services for homeless families, and continually works with states through regional meetings and ongoing conversations on strategies for helping TANF recipients with barriers to employment enter and move up in the labor force. In 2015, HHS will be announcing a policy academy initiative to provide more intensive technical assistance and support to a select group of TANF agencies committed to achieving better employment outcomes for families.

HHS commends GAO for identifying and disseminating research on promising employment-focused approaches for TANF recipients. HHS notes that, while the research can provide useful information to policymakers at the state and federal level, additional research is needed. For example, the report points out that, “there are no completed rigorous experimental impact studies of a comprehensive career pathways program,” and notes that HHS is currently funding an evaluation of such programs. Additionally, the effectiveness of the modified work-first approach is attributed to a single study from the 1990s, and more evidence would help identify promising practices within this approach.

In July 2014, the Departments of Labor, Commerce, Education, and Health and Human Services issued a synthesis of research entitled, *What Works in Job Training: A Synthesis of the Evidence*. The paper highlighted the importance of expanding our knowledge of what works and filling the gaps in evidence by expanding the analysis on the long-term impacts of training approaches that have shown to have strong short-term impacts and appear to be the most job-driven, such as industry-recognized certificates, apprenticeships, and career pathways models. The paper notes that ongoing and future research should aim to disaggregate subgroup impacts to better understand how promising approaches can best serve specific populations, including the long-term unemployed, persons with disabilities, youth, and those with barriers to employment. Additionally, the paper recommends an expanded analysis to understand the effectiveness of specific program model components as well as replication and ongoing evaluation of promising approaches in different contexts to understand how implementation might work across settings.

HHS will continue the ongoing research described above and work to fill in research gaps to better understand effective employment-focused approaches for low-income families. This key research is funded by welfare research funding authorized in the Social Security Act, and HHS believes it is critical to maintain this allocation.

#### **GAO Recommendation 2**

GAO recommends that the U.S. Department of Health and Human Services (HHS) should take the following action: Issue formal guidance to clarify how activities under the career pathways approach can be countable for the purposes of the work participation rate and that TANF funds may be used to finance the career pathways approach.

#### **HHS Response**

HHS concurs with GAO’s recommendation to issue a formal Information Memorandum (IM) on the allowability of career pathways programs in TANF. However, we note that HHS has provided significant technical assistance on career pathways approaches through a number of mediums over the past several years, and continues to do so. Topics of HHS-sponsored in-person and virtual technical assistance from 2008 to the present have included: career pathways implementation, broadening the scope of TANF work activities, meeting employer needs, stackable credentials, administrative and program flexibility, and multiple funding streams and partnerships to support postsecondary education for low-income individuals. Within the past two years, HHS has hosted workshops on career pathways implementation at annual regional meetings of TANF administrators to highlight best practices, sponsored a podcast on the Arkansas Career Pathways Initiative, jointly authored a Dear Colleague letter with the Departments of Labor and Education encouraging partnerships to help transition students from high school graduation to postsecondary education and the workforce, and created an online catalog of career pathways toolkits. In 2014, HHS facilitated conversations on career pathways and other employment-focused approaches in all of the five regional meetings convened with TANF administrators, and hosted, in conjunction with the

Departments of Labor and Education, the National Dialogue on Career Pathways. Additionally, in 2013, HHS commissioned a paper entitled *Navigating TANF and WIA to Build Health Profession Career Pathways - A Guide for HPOG Programs* that has been broadly shared to highlight the challenges and opportunities that exist in partnerships between TANF and career pathways programs. HHS continues to work with state, county, and tribal TANF programs to develop and strengthen career pathways models as part of a broader effort to facilitate improved program outcomes.

#### **State Adoption of Employment-Focused Approaches**

Beyond the need for guidance, states face a number of issues in the adoption and implementation of employment-focused approaches for their TANF programs.

For example, while career pathways models are allowable under TANF and promoted through significant TANF technical assistance, the GAO report correctly points out that only 12 months of vocational education training can be counted toward the work participation rate. This statutory limitation is indeed a constraint to the implementation of career pathways models in TANF programs, and we recommend that GAO should be explicit about this issue.

Additionally, GAO correctly notes that both TANF's block grant structure and limitations on federal authority regarding programmatic choices have reduced state incentives to adopt and test the types of program interventions described in the report. GAO attributes part of this problem to the diversion of funding from basic assistance and work activities to other allowable purposes. Indeed, in FY 2013, only 28% of total TANF and Maintenance-of-Effort (MOE) funds used were expended on basic assistance and only 6% were expended on work-related activities. HHS has recently made substantial changes to the way states report financial data that will provide a much better understanding of how states are spending their TANF block grant funds. However, ultimately, States have broad discretion in choices about how they use their TANF funds among allowable activities, and that will remain the case unless the law itself is changed. Lastly, it is important to appreciate that the existing federal participation rate requirement establishes a list of countable activities, but does not expressly require or encourage states to take evidence-based approaches to promoting employment. While states are free to engage individuals in activities that do not count toward participation rates, the reality is that state choices are heavily shaped by the rules on what does and does not count toward the rate. Moreover, the fact that the participation rate structure only measures participation, not successes in employment outcomes, means that states may have less incentive to identify and implement the most effective strategies for connecting families with employment or promoting employment stability. A number of states are still engaged in a range of innovative approaches, as reflected by the GAO's examples in the report. However, in order to encourage States to take more strongly evidence-based approaches to promoting employment, HHS can, and will, continue to emphasize the importance of research and technical assistance, but there will also be a virtue in considering additional legislation approaches when Congress reauthorizes the program.

#### **Working with Congress**

HHS concurs with GAO's recommendation to consult with Congress on ways to address the lack of incentives for states and localities to adopt promising employment-focused approaches. In the Administration's Fiscal Year (FY) 2015 Budget Request, HHS stated that, "when Congress takes up reauthorization, the Administration will be prepared to work with lawmakers to strengthen the program's effectiveness in accomplishing its goals. This effort should include using performance indicators to drive program improvement and ensuring that states have the flexibility to engage recipients in the most effective activities to promote success in the

workforce, including families with serious barriers to employment.” The FY 2015 Budget Request also included a legislative proposal to increase incentives for states to implement or strengthen subsidized employment programs. The proposed Pathways to Jobs initiative would support work opportunities through subsidized employment for low-income parents, guardians, and youth, including summer jobs for youth.

GAO notes that no state has formally applied for a waiver following the issuance of a July 2012 HHS Information Memorandum encouraging states to test innovative strategies designed to improve employment outcomes for needy families. Congressional concern about HHS waiver authority may have caused uncertainty and discouraged states from submitting formal waiver requests to HHS, despite state interest in testing new approaches.

**Need for Ongoing Research and Technical Assistance**

HHS appreciates the synthesis of research prepared by GAO for this report. The Department reiterates that ongoing research on employment-focused approaches for low-income individuals is needed in order to facilitate implementation of promising practices in TANF programs across the country and improve employment outcomes for TANF recipients. HHS will continue its focus on encouraging TANF agencies to better help their clients to obtain jobs, sustain employment, and make progress in the labor market. Per GAO’s recommendation, HHS will issue a formal IM on the implementation of career pathways approaches in TANF, as part of ongoing technical assistance efforts. HHS will also continue to share with Congress its recommendations for how best to promote the adoption of promising employment-focused approaches, including the need for continued funding for welfare research and a review of the work participation rate requirement structure.

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

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## Staff Acknowledgments

In addition to the contact named above, Gale Harris (Assistant Director), Kristen Jones (Analyst-in-Charge), Holly Hobbs, and Michael Pahr made significant contributions to all aspects of this report. Also contributing to this report were James Bennett, Sue Bernstein, Ed Bodine, Alexander Galuten, Ashley McCall, Sheila McCoy, Almeta Spencer, and Walter Vance.

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