

The Reauthorization of TANF

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I am a Professor of Politics at New York University, currently on sabbatical at Princeton. I am a longtime student of welfare reform and the author of several books on the subject.¹ I have just finished a book on welfare reform in Wisconsin. I appreciate this chance to testify on the reauthorization of Temporary Assistance for Needy Families (TANF).

The Success and Future of Reform

Welfare reform is unquestionably a success. Welfare rolls have plummeted while work levels among the poor have soared and poverty has fallen, among other good effects. The achievement is mostly due to social policy, although good economic conditions helped. The key policies were (1) stronger work requirements, coupled with (2) generous funding for the EITC, child care, and other support services. The results refute those who say the poor face too many “barriers” to work, but also those who think welfare can never succeed. Mostly, welfare reform is the achievement of a new, less permissive aid system. Support is still being given to needy families, but many more adults have to function in return.

I fear that reauthorization will get bogged down in issues going back to the creation of TANF in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Clear problems in the old law should be fixed, but reauthorization should not seek to restore entitlement, end the time limits, undo “work first,” or restore coverage for aliens. The main purpose of PRWORA was to end the old system. The agenda now should be more constructive. We should ask how to rebuild welfare around work—on the other side of entitlement.

Alone of the American states, Wisconsin has totally redesigned welfare. This state asked, not just how to change AFDC, but what an ideal work-based aid system would be. Congress and other states should now ask that same question.

My recommendation is to continue down the road we are on: (1) strengthen work requirements further, and (2) provide additional income and supports to low-income working families, especially but not only those that have left welfare.

A secondary goal should be to improve the performance of state governments as the chief implementers of reform. TANF banked heavily on the idea that states could innovate in welfare and then carry out their decisions. In fact, TANF implementation has gone smoothly chiefly in states with strong good-government traditions—not only Wisconsin, but Michigan, Minnesota, and Oregon, to name a few. Many urban states that traditionally had large caseloads, such as California, Massachusetts, or New York, have been seriously divided about how to reform welfare. And many states, especially in the South, have encountered serious administrative problems.

Although the main goal of reauthorization is to fine-tune national policy, Congress should do this in ways that promote a fuller implementation of reform at the state level. The best ways to do that are (1) to set strong enough work standards so that the more hesitant urban states have to accept

¹ Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1986); idem, *The New Politics of Poverty: The Nonworking Poor in America* (New York: Basic Books, 1992); idem, *The New Paternalism: Supervisory Approaches to Poverty* (Washington, DC: Brookings, 1997).

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a serious work test, and (2) to set ongoing performance standards that will promote better state programs over time. While state choice is an integral part of TANF, the nation has an interest that states choose *some* clear goals for their programs and then work to achieve these.

Most of what the Administration has proposed for reauthorization would advance these ends. Wade Horn, Ron Haskins, and the other drafters are highly qualified. The plan is well judged overall, although I would change some details. I will comment only on the work and management provisions, which are the areas I know best.

Work Provisions

Full engagement

The Administration would require that all recipients be fully engaged in constructive activities within 60 days of going on aid. I support this. The essence of effective reform programs is that recipients *must* participate. To demand universal engagement is a way to obtain this. Otherwise, recipients and their families cannot obtain the benefits that, on average, participation brings. And the more conflicted urban states can continue to avoid a full reckoning with the work test.

However, the proposal does not clearly define what full engagement means. The idea that recipients must be in activities or “in the process of being assessed or assigned” within 60 days looks like a loophole. What actually will be demanded of states? How will engagement be measured and enforced? These details must be nailed down in the law or regulations, or this requirement will remain a platitude.

Caseload fall credit

TANF demanded that states raise the share of their cases where adults were in work activities by increments, until 50 percent were so engaged by 2002. But the law also allowed states to count against those targets any percent by which their caseloads have fallen since 1995. Because the fall was unexpectedly great, it knocked the bottom out of the new work standards. This freed the big urban states from serious pressure to build the work mission into welfare. In 1999, for example, states were supposed to have 35 percent of their cases working, but the caseload fall credit cut the standards that most states actually faced to trivial levels—in 23 cases to zero. Virtually all states met these lowered standards, but 23 failed to reach the original 35 percent.²

The Administration proposes to withdraw this credit over two years. Some conservatives argue that the credit should be kept or, perhaps, benchmarked on caseloads later than 1995. In their view, driving the caseload down is equivalent to enforcing work on the rolls. But to do this does not force states truly to reform welfare itself. Withdrawing the credit would do more to accomplish that than anything else. *This is the most important single change that reauthorization must make.*

² U.S. Administration for Children and Families, Temporary Assistance for Needy Families (TANF) Program: Third Annual Report to Congress, August 2000 (Washington, DC: U.S. Administration for Children and Families, August 2000), table 3:1.

Work participation rates

The Administration also recommends that the work participation levels required of states be raised from the 50 percent required in 2002 to 70 percent by 2007. This strikes me as too ambitious, especially if it is combined with an end to the caseload fall credit. In effect, the Administration would require that the single-parent caseload work at close to the levels TANF mandated for two-parent cases—standards the states had great difficulty meeting.

The Administration's proposals as a whole are bound to have a strong diversion effect, causing a further deflation of the caseload. This means that the remaining recipients are bound to be the less employable. Wisconsin's W-2 program has been able to achieve very high work rates among the least employable clients, but only through intense case management and lavish support services. Most other states do not yet have administration of this quality. It may be best to keep the current 50 percent standard but make it real by ending the caseload fall credit.

Some also object that the Administration has not provided the funding needed to realize the higher level, particularly for child care. Here I am less doubtful. The Administration has kept TANF block grant and child care funding at roughly constant levels in nominal terms. While that is a fall in real terms, one might have expected cuts, given the drastic fall in the caseloads. And Congress should remember that much of the transitional child care offered by states to families leaving welfare has not been claimed. Many people are making informal arrangements for their children rather than claiming care from government. The need and cost of child care may well have been overestimated, as it has been throughout the history of welfare reform.

Work levels

Compared to TANF 1996, the Administration would be more definite about work for part of a recipient's activities, but less definite about work for the rest of the time. Twenty-four hours of effort in actual work or community service would be expected. That level strikes me as reasonable and practicable for most recipients.

Some have objected that the new rule would force localities to create community jobs on a large scale. I doubt that. The real purpose is to make the states get serious about placing recipients in private jobs. Public jobs operate as a backstop for that effort. Recipients take job search more seriously if they know they will be going to work in *some* job in any event. To date, New York City and Wisconsin are the only localities that have created public positions on a large scale. In both cases, the work-enforcing effect has been considerable.

A fairer criticism of public employment is that it makes no provision, by itself, for job search to get a real job outside government. The Administration's plan allows localities to place recipients in remedial activities for three months before the work norm kicks in, and this time might be used for job search. Congress might stipulate, as well, that public employment positions allow for 6 hours a week of private-sector job search, provided it was supervised as closely as the work assignment.

How does one achieve public jobs for meaningful hours in low-benefit states? Community service typically requires that one "work off" one's benefits at an hourly rate. With a low grant, only a few hours of work would suffice to defray the grant each month, at least if one pays the

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minimum wage. To require more hours would effectively raise the grant. Congress may have to stipulate a form of work experience where there is no correspondence between the grant and hours worked.

Activity levels

In addition to 24 hours of work, the Administration would demand 40 hours a week in total activity. While this effort would be more loosely defined than the work activities, this level strikes me as unrealistic. Very few recipients participate in programs at this level, even in Wisconsin, with its intense administration. In practice, many recipients would be exempted. I would accept 30 or 35 hours, the current standard.

It is more important to achieve high participation for limited hours than to achieve lower participation for more hours. The former does the most to transform the culture of welfare, so that work is universally expected.

Additional Steps

I would take these additional steps, not mentioned by the Administration, either to strengthen work requirements or to build up support for low-income working families. I realize that not all of these recommendations fall under the purview of this committee.

Full-family sanctions

TANF allows states to reduce the grant only partially if an adult refuses to cooperate with the work test. In states with high benefits but partial sanctions, notably California and New York, thousands of cases have come to subsist on the rolls indefinitely in sanctioned status.

This seems to happen in many cases because, with a partial sanction, recipients fail to grasp that there is a work test. When they fail to show up for work assignments, their grants are reduced, but they think their benefits have just been recalculated. Others recipients know about the work test and choose not to comply, but realize they can still stay on welfare. They can give up their own share of the cash grant, but keep the children's share and all in-kind benefits, and henceforth be free of the work test.

The culture of welfare cannot truly be changed until the right to do this is ended. Only then will many recipients take the work requirement seriously. Congress should mandate that families get no cash grant at all unless the adults comply with the work test. Grants are already closed for many other reasons; they should be for this one.

Child-only cases

These are cases where the children but not the caretaker is on the grant. They have grown rapidly to comprise a third of the TANF caseload, yet are exempt from the work test. Some of this relative growth is due to the departure of regular cases from the rolls. Yet child only cases, like weak sanctions, seem to have become a major loop-hole that undercuts work enforcement.

While the problem is little-analyzed, the child-only cases appear to fall into several groups. In one type, the mother is too impaired to function, often due to substance abuse, so a grandmother

takes over the children and is given aid. Or the mother transfers the children to a relative in order to avoid the work test, then receives support from this relative informally. The mother may be an alien, legal or illegal, while the child is native-born and thus a citizen. Or she may be on SSI or Disability Insurance, so that TANF for the children operates as a kind of caretaker supplement.

The idea that only the children receive support in these cases is a fiction. Congress should find a way to bring at least some of these groups under the work test, perhaps by putting the caretakers on the grant. A lesser reform would be to include these cases in the denominator for the work participation rate calculation.

Child support enforcement

The Administration would help fund higher pass throughs of child support to welfare families. This is desirable. The 100-percent pass through in Wisconsin has been shown to have positive effects on collections and on the involvement of absent fathers in the legal economy. Unless absent fathers see their payments going to their families and not to the state, solutions to the child support dilemma will be impossible.

The proposals, however, do little more to improve payment of child support. The Administration proposes to fund the development of marriage and unwed pregnancy programs. I think Congress should also fund further development of child support enforcement programs. Low-income fathers who have failed to pay their child support judgments are referred to these work programs. They either have to pay up or participate regularly, on pain of going to jail. The goal is to raise collections and also work levels for the fathers, much as welfare work programs have raised employment for welfare mothers.

Two such programs have been evaluated--Parents' Fair Share, which was a national demonstration, and Children First in Wisconsin. Both programs showed a power to raise fathers' payment of child support. Both "smoked out" hidden earnings and forced the fathers to pay up. Neither, however, showed clear impacts on the employment or earnings of the fathers.³ It may be too soon to mandate such programs, but states should get federal funding to develop them further.

Alternatively, one could set definite performance standards for child support enforcement. Currently, states receive financial incentives to do better in child support, but they face no definite standards, despite substantial federal funding. Just as states have to achieve specified participation levels in welfare work programs, so they might have to achieve support payment in some percentage of child support cases where the family was on welfare. This might well cause them to implement enforcement programs.

The Food Stamp work test

Work standards in Food Stamps are more lenient than in TANF. Adult recipients without children under 6 are supposed to work or participate for at least 30 hours a week. Yet the rules are

³ Fred Doolittle, Virginia Knox, Cynthia Miller, and Sharon Rowser, Building Opportunities, Enforcing Obligations: Implementation and Interim Impacts of Parents' Fair Share (New York: Manpower Demonstration Research Corporation, December 1998); Ron Blasco, Children First Program: Final Evaluation Report (Madison: Department of Workforce Development, November 2000).

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not well enforced in most place, in part because TANF's work tests take precedence for families subject to both programs. The Food Stamp Employment and Training program (FSET) is supposed to enforce the work rules, but it seems to exist more on paper than in reality. Often, eligibles are required to do little more than sign up for possible work with the Job Service. PRWORA made no important change other than to limit nonworking single people to three months on the rolls at a time.

Now that Food Stamp rolls are much larger than TANF, enforcing these requirements should get more attention. Work enforcement should probably be less stringent than in welfare work programs, since many families that draw Food Stamps are already working, at least to some extent. Congress in the past has treated Food Stamps as an entitlement, not to be conditioned seriously on the behavior of claimants.

Congress needs to reconsider the standard. The work tests should become real for at least part of the Food Stamp caseload, especially principal earners in two-parent families. And FSET should become more like a real program, with an administrative presence of its own.

Work thresholds for EITC

One reason why welfare leavers often remain poor is that they do not work steady hours once off TANF. This means they do not reap all the benefit they could from the Earned Income Tax Credit and other work supports. EITC currently subsidizes low earnings regardless of the number of working hours. However, the most successful work incentive programs, such as the Minnesota Family Investment Plan, required that recipients work at least 30 hours to get any benefits.⁴

If such a threshold were attached to EITC, the result might be more working hours and higher incomes from both wages and wage subsidies. The threshold should probably be lower than in welfare work programs like MFIP, perhaps 20 hours rather than 30. This minimum might apply, not to the existing benefit, but to the enhancements which Congress may consider, or to state tax credits. It might have to be run through the welfare system, which is more able to track working hours, than the tax system, which runs the existing EITC.

Management

The administration has suggested some changes in the management of welfare reform where I have different views. These matters are especially critical for improving TANF in the states that have faced administrative difficulties, especially in the South. A paternalistic structure that promotes work must be maintained even after families have left cash welfare. Congress should also look ahead and ask how to fund and manage welfare when that task can no longer be associated with clear caseloads.

⁴ Virginia Knox, Cynthia Miller, and Lisa A. Gennetian, Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program (New York: Manpower Demonstration Research Corporation, 2000); Gordon L. Berlin, "Welfare that Works: Lessons from Three Experiments that Fight Dependency and Poverty by Rewarding Work," The American Prospect, June 19-July 3, 2000, p. 7.

Performance standards

The Administration proposes to hold states accountable by expecting them to manage their programs using performance measures. But it would let them define those measures. I find this unrealistic. Unless Washington creates the measures, they will not be comparable across the country, nor they be clearly enough measured. It will then be impossible to hold the states accountable. States should have choice about the specific goals of TANF, but the way to assure this is to have multiple measures. These could cover employment outcomes, such as job entries, wages, or job retention, but also poverty reduction, nonmarital births, and perhaps other outcomes. States could choose which goals to emphasize, but then they would be seriously accountable for results.

The JOBS programs never had performance measures other than participation rates. While TANF has the measures used to award its unwed pregnancy and high-performance bonuses, these apply only to the states that apply for the bonuses. It is time to define comprehensive performance measures for TANF, applying to all states, even if this requires a regulatory process following reauthorization.

Program integration

The Administration proposes to create a new waiver process under which states could combine the administration of a wide range of social programs. The integration could go far beyond what was previously allowed under TANF or the Workforce Investment Act (WIA). Critics fear that this would allow states to apply full-family sanctions or time limits to Food Stamps or Medicaid, programs that PRWORA left as entitlements.

My question rather is about the administrative implications. Even the program reorganization permitted under PRWORA has created serious implementation problems for TANF. Many states have turned over the administration of welfare work requirements to the WIA agencies, either the Job Service or the voluntary training programs previously run under the Job Training Partnership Act. That change has worked well in a few states. But in most, it has created serious confusion, to the detriment of TANF.⁵

Historically, the WIA agencies have served welfare recipients poorly. The Job Service and JTPA are accustomed to serving voluntary jobseekers, so they usually do not understand the role of enforcing work required by welfare reform. They are also unaccustomed to providing the complex support services that recipients often require in order to work. In short, they are unwilling to be paternalistic. In an era of declining welfare caseloads, to turn welfare work over to WIA can look like an administrative economy. But it has seldom worked, simply because the WIA agencies are ill-suited to the welfare mission.

The TANF mission is demanding enough for the agencies already involved. This suggests that, at least for the immediate future, program integration should go no further than welfare and WIA. If the “superwaiver” is enacted, states that seek to combine a wider range of agencies should have to demonstrate that they have already handled TANF-WIA integration well.

⁵ I base this on the examination of case studies of TANF implementation in 24 states. Most of these studies were done as part of the Assessing the New Federalism project at the Urban Institute or the State Capacity Study at the Rockefeller Institute of Government.

Paternalism

It is too easy to think the welfare task is over once families have left cash aid. But we find that many have trouble working, or working consistently, off welfare, much as they did on the rolls. This is why, as many experts are saying, welfare needs to provide services to promote job retention and advancement for former welfare families after they are on the job.

I would go further. The most effective welfare work programs are those that combine generous benefits with close staff oversight of clients. Some structure like that is probably still necessary to achieve steady work after families have left cash aid. Staffs must still be available to people to work out problems that may block them working. And to be effective, they must still possess the capacity to influence behavior. They might speak for the administrative work tests that clients would still have to satisfy in Food Stamps or other non-cash benefits. Or they might persuade families to satisfy the hours thresholds that might be attached to EITC.

In the New Hope project in Milwaukee, a generous package of benefits—jobs, child and health care, and a poverty-level income—was offered to clients provided they worked 30 hours a week. Program staff helped recipients work out practical problems about participating, such as child care. They also actively persuaded people to put in the 30 hours so that they could claim the benefits. This combination of “help and hassle” was warmly appreciated by most of the recipients.⁶

New Hope is a model for the welfare administration of the future. I find it unlikely that WIA or other non-welfare agencies are willing or able to perform these functions. This is another reason for caution about program integration.

Beyond caseloads

We are accustomed to thinking of welfare as a caseload, and welfare reform as a reduction in caseloads. But the very success of reform has tended to merge the welfare population with the broader low-income population, most of which is employed. The major point of reform was to achieve this, but it has made managing welfare in the old way outdated.

We now have legions of welfare leavers who are working and no longer on cash aid, but who continue to receive subsidized child care, Food Stamps, or Medicaid. This has made them less distinct from the higher-income population, which also is employed but occasionally dependent on Unemployment Insurance or other social insurance benefits.

Even within welfare, caseloads do not indicate the size of the task as well as they once did. Formerly, many cases stayed continually on TANF for years. Today, short-term receipt is more usual. Large numbers of families cycle rapidly on and off the program. The rolls in a given month only suggest the broader population that may draw aid at some point in a year. And many families who have left cash aid continue to look to TANF agencies for short-term help of various sorts, not only benefits. Accordingly, administrators say that their work loads have dropped much less than caseloads.

⁶ Thomas Brock, Fred Doolittle, Veronica Fellerath, and Michael Wiseman, Creating New Hope: Implementation of a Program to Reduce Poverty and Reform Welfare (New York: Manpower Demonstration Research Corporation, October 1997), chap. 7.

One practical result is that it is no longer sufficient to fund welfare in terms of caseloads. The low numbers that some states today have on TANF do not begin to account for their actual responsibilities. In extreme cases like Wisconsin, the near-extinction of traditional welfare has led to a funding crisis. Spending on cash benefits has plummeted, while subsidized child care has soared. But some counties no longer receive from the state the administrative funding they say they to continue to serve the families who look to them.

The time is coming when welfare funding must be based more on populations than caseloads. Welfare is changing from a system that serves “cases” to one that seeks to maintain an entirely low-income community in work. The correct model is not traditional welfare but an HMO, where a provider gives health care to an entire population on an as-needed basis. Funding is based on capitation fees for the population rather than the number of patients served actively at a given time.

This suggests that TANF allocations among the states should eventually be shifted from their current basis in historic AFDC spending patterns to a basis in relative needy populations. The basis for funding ought to be not how many people a state has or once had on welfare but how many it has in principle agreed to serve by the way it sets its eligibility for cash aid or other benefits.

A focus on populations also reinforces the need for national performance measures. As caseloads drop, mere reduction in dependency ceases to be a reasonable criterion for success in welfare. We must instead ask how well welfare functions to achieve a range of outcomes for the population as a whole—not only lower dependency but higher employment and earnings, lower unwed pregnancy and poverty, and so on.