TANF has been a massive policy failure – Let's start over

A Response to Robert Doar

Peter Germanis[1]

October 22, 2015

Robert Doar of the American Enterprise Institute recently wrote an article, "TANF has been a success – Let's make it better."[2] He contends, "Based on 20 years of program performance, we can say that TANF has been a success." Unfortunately, Doar's assessment relies on misleading data comparisons and outdated research findings. More important, it fails to reflect the reality of what "TANF" has become. In fact, TANF is not "welfare reform" at all, but a fixed and flexible funding stream that has failed to provide an adequate safety net or an effective welfare-to-work program. Instead, in many states, it has become a slush fund used to supplant state spending and fill budget holes – it is welfare for states, not poor families.

This response is intended to provide a more complete picture and addresses some of Doar's more questionable claims. His arguments are consistent with those of many other conservatives and he has extensive experience as a program administrator, having spent more than 15 years working on implementing TANF in New York State and New York City. My goal is to change conservative thought by presenting what I believe is a more complete perspective of the law's implementation and likely effects.[3]

Doar: "President Bill Clinton and House Speaker Newt Gingrich's 1996 partnership to transform our nation's old cash welfare program remains a significant achievement … moving away from an entitlement program that asked little of recipients and toward a block grant with work requirements that pushed states to help low-income Americans get a job."

TANF is not "welfare reform"; it is simply a fixed and flexible funding stream. Initially, the block grant provided states large windfalls in federal funding, because the block grant amount was based on past spending levels when AFDC caseloads had reached their peak. However, because the block grant is not adjusted for inflation, state TANF agencies today have far fewer resources to address TANF's main purposes than they did when the law was enacted, despite the fact that the number of families eligible for cash assistance is even greater today than when states implemented the program. This problem has been exacerbated by the fact that many states have diverted TANF and related maintenance-of-effort (MOE) funds for other purposes, using the block grant as a form of general revenue sharing. Although TANF has a strong work message, it

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[1] I am a conservative and have worked on welfare issues for The Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. I am expressing my views as a concerned citizen. This critique assumes the reader has a basic understanding of the TANF program; for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: http://mlwiseman.com/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf.

[2] Robert Doar, "TANF has been a success – Let's make it better," American Enterprise Institute, September 29, 2015, available at: https://www.aei.org/publication/tanf-has-been-a-success-lets-make-it-better/.

[3] See also my response to a similar article by Ron Haskins, one of the chief architects of the 1996 law: Peter Germanis, "$2 a Day: An *Even More* Complete Picture – TANF is 'Welfare for States,' Not for Needy Families," September 27, 2015, available upon request by emailing me at petergermanis1@gmail.com.

in fact gutted the already weak work requirements under the previous AFDC/JOBS program. The result of this misguided effort is a safety net with massive holes – one that is not effective in providing either basic assistance to needy families or ensuring that low-income parents receive the work-related activities and services they need (see Germanis, 2015).

Doar: "TANF is a bright spot: Few programs have generated such strong gains in poverty reduction and employment. The program's robust work requirement, accountability of state performance, and expanded administrative flexibility all helped raise the labor force participation of never-married mothers from 59.5 percent in 1995 to 73.8 percent in 2001 and reduce their poverty rate from 51 percent to 38.5 percent over the same time period."

Talk about cherry-picking! TANF wasn't really implemented until the beginning of 1997[4], so Doar gives credit for positive effects that occurred before it even existed. Both employment rates and poverty rates started improving in 1992 and would have continued to do so in the absence of TANF. But, more important, after talking about "20 years of program performance," Doar cites figures through 2001. It's now 2015! The positive outcomes Doar is referring to have largely disappeared in the years after 2001, in part, due to TANF's ineffectiveness as a safety net and welfare-to-work program. Doar picked a time period of strong economic growth and expanded aided to the working poor, particularly the expansion of the Earned Income Tax Credit. And, states were already implementing welfare reform under a process started by President Reagan that allowed states to experiment with changes to their AFDC programs by granting waivers (subject to rigorous evaluation – typically random assignment – and cost neutrality), an approach continued by President Bush and President Clinton. When the 1996 law passed, many states simply continued these policies – they didn't need TANF to enact "welfare reform."

Doar also suggests that TANF's success during this period is due to its "robust work requirement." The creation of TANF gutted the even modest work requirements that existed before the 1996 law. In 2001, Doar's endpoint, 28 states had a 0 percent target work rate. In other words, they had to do nothing, in large part because of the "caseload reduction credit," a provision which gave states credit toward their work requirement for reduced caseloads. Welfare caseloads were already falling before TANF was implemented and would have declined significantly regardless of whether TANF was enacted or not. Indeed over the entire 1998 to 2011 period, 20 to 30 states have had a 0 percent target. Doug Besharov and I pointed to TANF's weak requirements in a 2004 paper for the American Enterprise Institute:

> The complexity of TANF's participation requirements stems largely from the politics of how the original law described participation requirements. The drafters wanted to show they were serious about reform, so they set a high putative requirement (eventually 50 percent). But they compromised on the real requirements through a slew of exclusions and exemptions that substantially watered down the 50 percent requirement (even before the impact of the caseload reduction credit).[5]

[4] States implemented TANF between September 30, 1996, and July 1, 1997.

[5] See Douglas J. Besharov and Peter Germanis, "Toughening TANF," American Enterprise Institute, April 21, 2004, available at: https://www.aei.org/publication/toughening-tanf and Douglas J. Besharov and Peter Germanis, "Toughening TANF: How Much? And How Attainable?," March 23, 2004, available at: http://www.welfareacademy.org/pubs/welfare/toughening_tanf.pdf

In discussing reauthorization proposals in the early to mid-2000s, we also explained, "the structure of the TANF block grant would enable states to avoid *all* additional participation requirements…" What conservatives fail to understand is that TANF itself gutted the work requirements – the caseload reduction credit wiped them out for many states, but also the block grant structure and excessive state flexibility gave states numerous loopholes, as I describe in detail in my paper in a section aptly titled, "TANF Work Requirements: An Epic Fail" (see Germanis, 2015). To the extent TANF had an effect in the early years, it was its strong work message and a large windfall in federal funding that arose because Congress based the block grant on historically high spending levels. Over time, this calculation would change, states have figured out how to game the work requirements, and inflation and other factors have reduced the funding available to state TANF agencies. Indeed, states spend just 7 percent of their TANF/MOE funds on work activities.

The idea that TANF has a "robust work requirement" is a myth.

Doar: "While a strong economy and the expanded Earned Income Tax Credit certainly helped, studies that isolate the impact of welfare reform find that TANF itself also increased employment and earnings."

While Doar doesn't provide references, one frequently cited study suggests welfare reform had a relatively modest impact on the employment of single mothers:

> A highly regarded study by University of Chicago economist Jeffrey Grogger found that welfare reform accounted for just 13 percent of the total rise in employment among single mothers in the 1990s. The EITC (which policymakers expanded in 1990 and 1993) and the economy accounted for 34 percent and 21 percent of the increase, respectively.[6]

Researchers at RAND prepared a comprehensive synthesis of the impact of welfare reform on welfare caseloads, child poverty, and a range of other outcomes.[7] While most reform programs showed declines in welfare receipt, and some showed reductions in poverty, the magnitude of the impacts was considerably smaller than suggested by the simple trends in national data. This is because the control group also benefitted from a strong economy and increased aid to the working poor.

Perhaps more important, these findings reflect the early period of TANF's implementation. The results are not generalizable to today's TANF program. As explained above, TANF is not really "welfare reform," but a fixed and flexible funding structure. States have mostly reallocated TANF/MOE funds to other purposes. In fact, in 2014, federal TANF and state MOE spending

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[6] LaDonna Pavetti, "Why the 1996 Welfare Law Is Not a Model for Other Safety-Net Programs," Center on Budget and Policy Priorities," July 22, 2014, available at: http://www.cbpp.org/blog/why-the-1996-welfare-law-is-not-a-model-for-other-safety-net-programs.

[7] Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), http://www.acf.hhs.gov/programs/opre/welfare_employ/res_systhesis/reports/consequences_of_wr/rand_report.pdf.

on basic assistance and work activities accounted for just one-third of its total spending.[8] TANF rapidly became a slush fund for states to supplant existing spending and fill budget holes in areas such as child welfare services, early education, and financial assistance for college, to name but a few.[9]

Doar: "This record cautions against drastic changes to TANF, but smaller tweaks that help move more people into employment are warranted."

What "record"? Citing statistics through 2001 and referencing studies without providing any details on the findings or even who the authors are is not evidence of a "record." More important, Doar's paper and other related publications at AEI focus narrowly on cash assistance and work requirements, largely ignoring two-thirds of TANF/MOE expenditures. A more fulsome analysis suggests that TANF is a massive policy failure and that instead of "tweaks," it is time to start over! (See Germanis, 2015)

Doar: "One area ripe for improvement is the work participation rate (WPR). Under TANF, states must engage 50 percent of their recipients in work activities to avoid losing funds. Many states game the system. …These loopholes should be closed."

To the extent that states "game the system," it is a function of the 1996 law itself. Doar mentions caseload reduction credits, the "excess MOE" provision" in the caseload reduction credit, and states paying token benefits to families that work enough hours to count in the work rate. None of these were loopholes under the prior law – TANF created them. And, Doar does not explain how he would close the loopholes and later suggests that TANF just needs tweaking. As long as TANF is a block grant with excessive state flexibility, states will be able to game the work requirements. The failure of policymakers to understand that is reflected in the last effort to reauthorize TANF – the Deficit Reduction Act of 2005. In the immediate aftermath, most states began taking advantage of various loopholes that they had not used before. These were well-known to most states and others who wrote about TANF, yet Doar and others keep tinkering with the existing programmatic structure.[10] As a result, they will leave loopholes that states will exploit. Meanwhile, he proposes nothing to repair the safety net or deal with TANF as a slush fund.

Doar: "Returning the WPR to a true 50 percent would re-establish it as a meaningful accountability measure."

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[8] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Fiscal Year 2014 TANF Financial Data," July 7, 2015, available at: http://www.acf.hhs.gov/programs/ofa.

[9] See Liz Schott, LaDonna Pavetti, and Ife Floyd, "How States Use Federal and State Funds Under the TANF Block Grant, October 15, 2015, available at: http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant.

[10] Robert Doar, Angela Rachidi, and Maura Corrigan, "Statement to the Subcommittee on Human Resources, House Committee on Ways and Means on Discussion Draft to Reauthorize TANF," July 24, 2015, available at: https://www.aei.org/wp-content/uploads/2015/07/AEI-Comment-on-TANF-Reauthorization-Discussion-Draft-FINAL.pdf.

From 2003 to 2006 Doar was Commissioner of the Office of Temporary and Disability Assistance in New York with responsibility for TANF. New York's participation rate ranged from 35.2 percent to 37.8 percent during this period – a respectable rate, but well below the 50 percent standard he wants to re-establish. And, what target rate did Doar face? ZERO percent – thanks to the caseload reduction credit. How was this a "meaningful accountability measure"?

To Doar's credit, as an administrator, he took the TANF message to heart and implemented the program as close to what Congress probably intended. But, he didn't need the TANF law to accomplish this; he could have done it under AFDC/JOBS, and he could have received waivers to modify any provisions related to exemptions, sanctions, or work requirements that he needed. Granted, the AFDC/JOBS work requirements needed strengthening, but TANF totally failed in that regard. If one excludes "unsubsidized employment" as a work activity, state participation rates would fall from over 30 percent on average to about 15 to 20 percent; in many states, they would be below 10 percent!

Doar: "There is compelling evidence that TANF's work-first approach is more successful in increasing earnings than an education-based approach. The Ways and Means discussion draft goes astray in this regard. Currently, TANF recipients must spend the majority of their required work engagement time in "core" activities (work or work-like activities), as opposed to activities that do not carry the structure or feel of work (such as education, job search, or job readiness training). Changes outlined in the discussion draft would eliminate this distinction and requirement. In doing so, it would weaken the program's work-first focus and likely diminish TANF's ability to help recipients gain full-time employment."

Doar relies on limited and outdated research studies to support the work-first approach. Indeed, his conclusions are inconsistent with those who conducted the very research he bases his own conclusions on. Much of the research on the relative merits of work first versus an education-based approach is based on programs that operated about 20 years ago, including periods before TANF's implementation.

In developing its list of countable work activities, Congress used early research findings testing the impact of two welfare-to-work models. One approach was the "Labor Force Attachment" (LFA) approach, which emphasized rapid job entry and focused on job search assistance, followed by work experience or short-term education or training activities. The second approach was the "Human Capital Development" (HCD) approach, which permitted participation in longer, skill-building education and training activities. The impacts of these programs on employment, earnings, welfare receipt, and other outcomes were evaluated using random assignment. A 1995 report describes the program's preliminary, two year impacts on employment, earnings, and welfare receipt in three sites (Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California).[11] The LFA model raised earnings 25 percent and reduced welfare receipt by 22 percent, compared to the HCD model, which had no impacts on earnings, although it did reduce welfare payments by 14 percent. And, the LFA approach was

[11] Stephen Freedman and Daniel Friedlander, *The JOBS Evaluation: Early Findings on Program Impacts in Three Sites* (New York, NY: MDRC, June 1995), available at: http://www.mdrc.org/sites/default/files/Early%20Findings%20on%20Program%20Impacts%20in%20Three%20Sites%20ES.pdf.

considerably less costly than the HCD approach. These findings influenced the development of TANF's work activities, but the conclusions based on this research were premature.

In 2001, MDRC released a report covering impacts over a five-year period and found that the gap between the two approaches had largely dissipated:

> Directly comparing the LFA and HCD programs in the three sites in which these programs were run side by side (thus using the most rigorous method for assessing the relative effectiveness of employment- and education-focused programs), employment and earnings levels over five years were largely similar for the two types of programs.
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> In the three LFA-HCD sites, LFA sample members left welfare at a slightly faster pace than HCD sample members in the first year of follow-up, but the gap narrowed in subsequent years. Only in one site did the LFA and HCD programs differ with respect to the number of months on welfare or welfare expenditures over five years. In this site, welfare months and expenditures were lower in the LFA program than the HCD program.[12]

That report also found that the most effective program was one that operated in Portland, Oregon, which relied on a flexible approach in assigning individuals to job search or short-term education and training, depending on caseworkers' assessment of recipients' skills and needs. The program increased average five-year earnings by 25 percent and reduced welfare receipt by 24 percent. But, TANF's limits on counting education and training activities would not permit a state run this approach and count all of the hours of participation. In fact, it is noteworthy that none of the programs that were evaluated would have met TANF's 50 percent work participation requirement. As Gordon Berlin of MDRC explains:

> None of the welfare-to-work programs evaluated by MDRC to date — even the most effective ones — would have met the standards currently in place (that is, had states received no credit for caseload reductions), primarily because too few people participated in them for at least the minimum number of hours per week.[13]

Given the timing and the limitations of the research, the evidence favoring a "work first" model is hardly "compelling." We should permit more flexibility and conduct more research.

The authors of the NEWWS evaluation concluded: "These findings suggest that the challenge of the future is to identify other types of programs or initiatives that can provide welfare recipients

[12] Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams Ciardullo and Anna Gassman Pines (all of MDRC) and Sharon McGroder, Martha Zaslow, Jennifer Brooks and Surjeet Ahluwalia (all of Child Trends), *How Effective Are Different Welfare to Work Approaches? Five Year Adult and Child Impacts for Eleven Programs* (New York, NY: MDRC, December 2001): ES-15, 18, and 20, available from: http://www.mdrc.org/sites/default/files/full_391.pdf.

[13] Gordon L. Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, available at: http://www.mdrc.org/sites/default/files/TANFGuide_Full.pdf.

with better and more stable jobs, increase their income, and improve the well-being of their children."[14] Similarly, Berlin emphasizes the need for a flexible approach:

> The 1996 welfare reform's "work first" emphasis was, in part, a reaction to the perceived shortcomings of the 1988 Family Support Act (FSA) reforms, which had strongly encouraged education and training in the hope that it would help people get better jobs. To some extent, this swinging pendulum of action and reaction in federal policy mimics the movement between a work-first and an education-first approach that has characterized policymaking in state after state. At its extreme, "work first" becomes "work only." When administrators realize that not everyone can get a job, the pendulum swings back toward the point where everyone is assigned to education and training, few people are getting jobs, costs are high — and the pendulum again begins its return swing.
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> The challenge for policymakers is to find ways to maintain the employment orientation that underlies reform's success, while opening the door to additional education and training. Results from carefully designed tests of job-search-first programs, education-first programs, and mixed-strategy programs provide strong support for the idea that education and training have an important, although probably subsidiary, role to play in the future of welfare reform. The evidence indicates that both job-search-first and education-first strategies are effective but that neither is as effective as a strategy that combines the two, particularly a strategy that maintains a strong employment orientation while emphasizing job search first for some and education first for others, as individual needs dictate. There is little evidence to support the idea that states should be pushed to one or the other extreme.[15]

In a personal communication in response to an earlier draft of this paper, Doar explained that his views were influenced not only by past research, but "even more based on what I saw in New York."[16] I can understand. I too have been impressed with the New York City approach. Douglas Besharov and I wrote the following about the program:

> Almost every objective observer agrees that the implementation of New York City's welfare reform program was a tremendous administrative and management accomplishment—especially given the city's bureaucratic and political environment. The City's HRA demonstrated that it is possible to run a large work experience program that uses a "full engagement" model of case management requiring twenty hours per week of mandatory work experience plus fifteen hours per week of mandatory educational and

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[14] Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams Ciardullo and Anna Gassman Pines (all of MDRC) and Sharon McGroder, Martha Zaslow, Jennifer Brooks and Surjeet Ahluwalia (all of Child Trends), *How Effective Are Different Welfare to Work Approaches? Five Year Adult and Child Impacts for Eleven Programs* (New York, NY: MDRC, December 2001): ES-4, available from: http://www.mdrc.org/sites/default/files/full_391.pdf.

[15] Gordon L. Berlin, "What Works in Welfare Reform: Evidence and Lessons to Guide TANF Reauthorization," MDRC, June 2002, pp. 36-37, available at: http://www.mdrc.org/sites/default/files/TANFGuide_Full.pdf.

[16] Personal communication from Robert Doar to Peter Germanis, October 18, 2015.

> treatment services. As a result, New York's work experience program is widely seen as a model for how a high-intensity program should be run.[17]

We were impressed, but we also cautioned that because "no rigorous evaluation was performed" the lessons gleaned would be limited. There could be a host of other factors that influence outcomes. Indeed, in many random assignment experiments of welfare-to-work programs, those in the control group do as well or nearly as well over time. Without a counterfactual, observation can be misleading.

And, at the national level, the reliance on "work first" is not a likely explanation for TANF's putative success. As Besharov, writing for the American Enterprise Institute, explained:

> Caseloads fell sharply in all states, yet they did so seemingly without regard to whether states developed ambitious programmes or not. They fell in states with strong work-first requirements and those without them; in states with mandatory work experience (workfare) programmes and those without them; in states with job training programmes and those without them; and in states with generous child care subsidies and those without them. They just fell.
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> …These two programmatic elements of welfare reform—a 'work first' policy and limited education and training efforts—are unlikely to have caused the large caseload declines. Before TANF, even the most richly funded welfare-to-work experiments rarely achieved reductions of even 10 per cent. Mandatory work, often called 'workfare,' also cannot explain the decline.
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> Despite popular impression, few states operate large-scale mandatory work programmes (in which recipients perform public service activities in return for their welfare payments). In an average month in 2000, only about 3 per cent of TANF families included an adult in a mandatory work programme (more on that below). And most of these were in New York City, Wisconsin, Ohio, or New Jersey.[18]

In short, the evidence about the effectiveness of "work first" compared to other strategies whether relying on rigorous research or observation, is far from definitive. And, many program administrators agree. For example, Eloise Anderson, Wisconsin's Secretary of the Department of Children and Families, testifying before the House Ways and Means Committee, argued that the "the participation requirements, as currently structured, must be revised to ensure that the standards align with the ultimate goal of the TANF program: moving recipients from welfare to work."[19] Based on her experience, she recommended a number of changes to the work

[17] Douglas J. Besharov and Peter Germanis, "Full Engagement Welfare in New York city: Lessons for TANF's Participation Requirements," August 2004, pp. 7-8, available at: http://www.welfareacademy.org/pubs/welfare/nyc_hra.pdf.

[18] Douglas J. Besharov, "Two Cheers for American Welfare Reform – Lessons Learned, Questions Raised, Next Steps," American Enterprise Institute, October 30, 2008, available at: https://www.aei.org/publication/two-cheers-for-american-welfare-reform/.

[19] Eloise Anderson, Secretary Wisconsin Department of Children and Families and Chairperson of the Secretaries Innovation Group Before the Committee on Ways and Means Subcommittee on Human Resources U.S. House of

requirements, including eliminating the distinction between core and non-core hours, recognizing the need for more flexibility in counting educational and training activities.

It is puzzling that Doar seems to have no qualms about how states have spent their TANF/MOE funds, using billions of dollars for activities that are unrelated to core welfare reform purposes, but when it comes to the work activities they can count, he is overly prescriptive, basing his recommendations on outdated research and personal preferences.

Doar: "Reforms should help TANF build on its past success in reducing poverty, not fundamentally change it."

TANF is a massive policy failure. Not only does Doar misunderstand what TANF is and what it has become, his focus is too narrow, mainly limited to TANF's dysfunctional work requirements. In any reauthorization (or preferably, replacement) of the TANF program, policymakers should ask themselves the following questions:

- Does it make sense to have a funding structure for a safety net program that is unresponsive to changes in economic and demographic circumstances?
- Does it make sense to have a funding structure that states can manipulate to avoid federal requirements?
- Does it make sense to have a funding structure that allows states to use federal funds to simply supplant existing state expenditures?
- Does it make sense to give states so much flexibility that they can count virtually any expenditure as either a federal TANF or state maintenance of effort expenditure?
- Does it make sense to give states so much flexibility to duplicate the benefits and services of dozens of other low-income programs with little or no accountability?
- Does it make sense to provide funding for programs that have either no income limit or that permit states to set very high income limits?
- Do the rules and requirements promote effective programming; or can they easily be evaded and/or are unnecessarily complicated?

TANF fails in each of these regards. It's time to start over!

Representatives April 30, 2015, available at: http://waysandmeans.house.gov/wp-content/uploads/2015/06/Eloise-Anderson-Testimony-043015-HR3.pdf.