

# Is It Time to Reform TANF's "Punishing" Work Requirements? Applying New Insights from the "Intellectual Godfather" of Welfare Reform

Peter Germanis<sup>1</sup>

May 10, 2018

Most conservatives believe the 1996 welfare reform law, particularly the creation of the Temporary Assistance for Needy Families (TANF) block grant along with its work requirements, has been an unprecedented success. While the 1996 law sent a symbolic message about the importance of work, TANF's work requirements are unreasonable and dysfunctional. Their main function has been to impose barriers and cut caseloads through a process known as "bureaucratic disentanglement." Even with sharply reduced caseloads, states have resorted to gimmicks to satisfy federal work rate targets that themselves are unreasonable. Such gimmickry does nothing to help the poor get connected to work opportunities.<sup>2</sup>

## TANF's Work Requirements: Emphasizing "Hassle" Over "Help"

In the immediate aftermath of the 1996 law, the number of poor families with children and the number receiving TANF cash assistance both fell, leading some to conclude that "welfare reform" was a success, particularly its work requirements. According to Speaker Ryan:

[The 1996 welfare reform law] is the crown jewel and the centerpiece of some of the most successful social policy legislation we've passed. It lowered child poverty rates, it moved people from welfare to work – because of these work requirements.<sup>3</sup>

While TANF's work requirements undoubtedly led to caseload declines, the suggestion that they lowered child poverty is less plausible. What Speaker Ryan and others in the "TANF is an unprecedented success" camp don't explain (or gloss over) is that there were many forces driving down caseloads and poverty – a strong economy, an expansion in aid to the working poor (e.g., EITC, child care, and Medicaid), pre-existing state welfare reforms through waivers, and a massive windfall of federal TANF funds for all states for at least the first five years TANF was in place because Congress based the block grant on historically high spending levels. There is no credible evidence to suggest the work requirements themselves reduced the poverty *rate* and indeed they likely pushed millions *deeper* into poverty – something an examination of changes in the poverty *rate* would miss.<sup>4</sup>

Two simple statistics suggest that about 3 million families were pushed deeper into poverty as a result of welfare reform.

- *TANF-to-poverty ratio*. Between 1996 and 2015, the number of families with children in poverty rose, from 6.4 million to 6.5 million; meanwhile, the number of families receiving cash assistance fell from 4.4 million to 1.5. This dynamic can be captured in a single statistic – the TANF-to-poverty ratio. In 1996, for every 100 families in poverty, 68 received cash assistance from TANF; by 2015, it fell to 23.<sup>5</sup>

- *TANF participation rate* (share of eligible families receiving assistance). Another measure of TANF's reach is the share of families that have incomes low enough to qualify for assistance that actually receive it. In 1996, an estimated 5.6 million families were eligible to receive cash assistance and 4.4 million received it (79 percent). By 2015, 6.1 million families were eligible to receive assistance, but only 1.6 million received it (26 percent).<sup>6</sup>

Why do so few families with children that are poor or income-eligible for TANF receive benefits? The most likely reason is its unreasonable work requirements.<sup>7</sup> These are a function of many factors, but the hours of required participation, the sanction for non-compliance, and the maximum benefit are perhaps the most important.

- *Hourly requirements.* To meet TANF's work requirement targets, states are required to engage families with a work-eligible individual in specified work activities for a minimum average of 30 hours per week or about 130 hours per month.<sup>8</sup>
- *Sanctions.* The 1996 law gave states complete flexibility in determining the size and scope of sanctions for non-compliance with work requirements. Many states adopted much harsher sanctions than had existed under TANF's predecessor program (AFDC), where the sanction typically involved removing the adult's needs from the grant for a limited period of time. Under TANF, the penalty for non-compliance in *most* states means losing the entire benefit for the family, irrespective of the degree of noncompliance. Falling one hour short of the required standard can trigger a full-family sanction. In 12 states this can be for an extended period of time – 12 months or longer. Indeed, in six states, the penalty can be *permanent* case closure.<sup>9</sup>
- *Maximum benefit.* TANF benefits vary considerably across states, from \$170 a month in Mississippi to \$789 a month in New York, with a median of \$432.<sup>10</sup>

As a result of the interaction of these factors, in many states, the 130-hour per month requirement results in effectively forcing individuals to value their time at \$1 to \$3 an hour; even in more generous states, the valuation is just \$4 to \$5 an hour.<sup>11</sup>

### **New Insights from the “Intellectual Godfather” of Welfare Reform**

Robert Rector of The Heritage Foundation has been dubbed the “intellectual godfather” of welfare reform for his role in crafting the 1996 legislation, particularly TANF's work requirements. His recent comments about the House Agriculture Committee's farm bill, which would significantly expand the scope of work requirements for SNAP (formerly known as food stamps) suggest that it may be time to reconsider some aspects of TANF's work requirement.

The House farm bill would require able-bodied adults between the ages of 18 and 59 who don't have a child under 6 to work or participate in a work program for at least 20 hours per week in exchange for a benefit of about \$150 to \$185 a month. For those who are not employed, this equates to less than \$2 in benefits per hour of participation in a work-related activity. Failure to meet the bill's work requirements would result in a one year loss of benefits for the first

infraction and three years for a subsequent one.<sup>12</sup> These requirements are considerably harsher than the current rules for able-bodied adults without dependents (ABAWDs), where the hours of participation in a workfare or community service program can be based on the SNAP allotment divided by the minimum wage – resulting in a weekly requirement of about 6 hours.

Rector expressed a number of reservations about the proposal, particularly the unreasonableness of its hourly requirement:

It was easy defending the Maine program, because I could say it only asked for six hours of community service, but it has to be proportionate. The idea here is not to punish these people.<sup>13</sup>

Rector is referring to Maine’s recent re-imposition of the SNAP “work requirement” (really a time limit) for ABAWDs. He also raised concerns about the minimum duration of the sanction in the bill – an entire year for the first infraction and three years for subsequent ones:

That’s exactly what you don’t want to do. You want to have a work program where it’s very firm but it’s very forgiving: If you didn’t do what you were supposed to do last month, okay, we’re not going to give you the benefit, but if you want to do the right thing this month we’ll put you back on the rolls.<sup>14</sup>

He has also emphasized the importance of sanctions that are proportionate, i.e., related to the degree of noncompliance.

The most effective system is to adjust benefits *pro rata*; if the parent performs half the required activity, the household should receive half the normal benefits. Future benefits can quickly be restored by raising activity to required levels.<sup>15</sup>

According to Rector’s logic, a more reasonable approach to implementing work requirements would be to base the hourly requirements on the size of the grant divided by the minimum wage and to make sanctions proportionate to the degree of non-compliance.

### **Reforming TANF’s “Punishing” Sanctions**

The goal of welfare reform and work requirements should not be to “punish” families, but to engage them in work activities that provide a “hand up.” It is time to restore a reasonable balance between “help” and “hassle,” using the principles Rector laid out for SNAP. (Ironically, he has not yet reached this same conclusion for TANF.)

TANF’s work requirements should be modified as follows:

1. Set the maximum number of hours that can be required equal to the monthly grant divided by the federal minimum wage. Instead of at least 130 hours, this would set a ceiling on the number of required hours. Table 1 illustrates the impact across a range of states, from those paying low benefits to those paying relatively high benefits.

<b>State</b>	<b>Maximum Monthly Benefit (family of three)</b>	<b>Maximum Monthly Hourly Requirement</b>
Mississippi	\$170	23 hours
Tennessee	\$185	26 hours
Illinois (median state)	\$432	60 hours
California	\$704	97 hours
New York	\$789	109 hours

If some states believe a higher hourly standard is warranted, they should pay a higher benefit.

2. Eliminate automatic full-family sanctions; instead, apply the *pro rata* rule as a maximum, i.e., if the participant performs half the required hours of participation, then the monthly grant should at least equal half the maximum grant. (In most states, this *would* make the sanction less harsh, but in some, most notably California and New York, this *could* increase the size of the sanction, though as structured here, the proposal sets a cap on the maximum penalty.)
3. Eliminate minimum durational requirements for sanctions; allow families who meet the requirements by participating satisfactorily for the minimum hours required to regain eligibility. As Rector explained, “You want to have a work program where it’s very firm but it’s very forgiving.”
4. Allow states to test alternatives to this approach, but require a random assignment experiment to evaluate the relative effectiveness of alternative sanction policies on participation in work activities, welfare receipt, employment, and total family income. This would be particularly important if states test variations of the full-family sanction. This was the requirement prior to the 1996 law, but TANF gave states a blank check with no accountability – it’s time to restore accountability.

## **Conclusion**

TANF’s work requirements are unreasonable, unrealistic, and are not about connecting needy families to work. While the proposed changes to work requirements outlined here seek to restore the balance between “help” and “hassle,” TANF is fundamentally broken – it is first and foremost a form of revenue sharing. States could easily evade these proposed rules by taking advantage of the funding flexibility inherent in TANF to place all assistance cases in solely state funded programs and continue to impose punishing sanctions. But, until policymakers have the courage to admit that TANF is massive policy failure and that it must be repealed and replaced, the messaging can be important. In this regard, we should remember the newfound wisdom from the “intellectual godfather” of welfare reform:

**“The idea here is not to punish these people.”**

---

<sup>1</sup> The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I consider myself 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.

<sup>2</sup> For a detailed discussion, 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>.

<sup>3</sup> Cited in Rob Bluey, "Paul Ryan: HHS Welfare Work Waiver Will Undermine 1996 Reforms," *The Daily Signal*, September 13, 2012, available at: <http://dailysignal.com/2012/09/13/paul-ryan-hhs-welfare-work-waiver-will-undermine-1996-reforms/>.

<sup>4</sup> For more detail on these factors, see: Peter Germanis, "'Welfare Reform' Increased Poverty and No One Can Contest It: A Note to Conservatives," April 24, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2015/11/Welfare-Reform-Increased-Poverty.pdf>.

<sup>5</sup> All the data for this paragraph are from: Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Reaching Few Poor Families," Center on Budget and Policy Priorities," December 13, 2017, available at: <https://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families>.

<sup>6</sup> U.S. Department of Health and Human Services, *Welfare Indicators and Risk Factors: Sixteenth Report to Congress*, May 4, 2018, p. A-11, available at: <https://aspe.hhs.gov/pdf-report/welfare-indicators-and-risk-factors-seventeenth-report-congress>.

<sup>7</sup> TANF cannot be evaluated in a rigorous sense, because it is not really a "program" but a form of "revenue sharing." Moreover, its implementation across states varies enormously. Thus, judgments about why caseloads declined or other outcomes changed are inevitably somewhat uncertain. However, the unreasonableness of the work requirements stands out as a logical conclusion based on a broad scan of the literature surrounding the implementation of TANF's work requirements.

<sup>8</sup> For a single parent with a child under 6, the requirement is an average of 20 hours per week, or about 87 hours for the month.

<sup>9</sup> For more detail on state sanction policies, see: Urban Institute, *Welfare Rules Databook: State TANF Policies as of July 2016*, October 2017, available at: [http://wrd.urban.org/wrd/data/databooks/2016%20Welfare%20Rules%20Databook%20\(Final%20Revised%2001%2016%2018\).pdf](http://wrd.urban.org/wrd/data/databooks/2016%20Welfare%20Rules%20Databook%20(Final%20Revised%2001%2016%2018).pdf).

<sup>10</sup> For more detail on state benefit levels, see: Urban Institute, *Welfare Rules Databook: State TANF Policies as of July 2016*, October 2017, available at: [http://wrd.urban.org/wrd/data/databooks/2016%20Welfare%20Rules%20Databook%20\(Final%20Revised%2001%2016%2018\).pdf](http://wrd.urban.org/wrd/data/databooks/2016%20Welfare%20Rules%20Databook%20(Final%20Revised%2001%2016%2018).pdf).

<sup>11</sup> These calculations vary significantly by state, sanction policies, and family size; in addition, the work requirement for single parents with a child under 6 is 87 hours per month. For more detail on state policies, see: Urban Institute, *Welfare Rules Databook: State TANF Policies as of July 2016*, October 2017, available at: [http://wrd.urban.org/wrd/data/databooks/2016%20Welfare%20Rules%20Databook%20\(Final%20Revised%2001%2016%2018\).pdf](http://wrd.urban.org/wrd/data/databooks/2016%20Welfare%20Rules%20Databook%20(Final%20Revised%2001%2016%2018).pdf).

<sup>12</sup> The adult could only regain eligibility by becoming employed for at least 20 hours per week or becoming exempt, e.g., for age or disability.

<sup>13</sup> Robert VerBruggen, "Welfare Reform 2.0," *The National Review*, April 26, 2018, available at: <https://www.nationalreview.com/magazine/2018/05/14/republicans-welfare-reform-efforts-improve-food-stamps/>.

<sup>14</sup> Robert VerBruggen, "Welfare Reform 2.0," *The National Review*, April 26, 2018, available at: <https://www.nationalreview.com/magazine/2018/05/14/republicans-welfare-reform-efforts-improve-food-stamps/>.

<sup>15</sup> Robert Rector, Jamie Bryan Hall, and Mimi Teixeira, "Five Steps Congress Can Take to Encourage Work in the Food Stamps Program," *The Heritage Foundation*, April 20, 2018, available at: [https://www.heritage.org/sites/default/files/2018-04/IB4840\\_1.pdf](https://www.heritage.org/sites/default/files/2018-04/IB4840_1.pdf).