

Policy Brief

March 2011

Education and Training Opportunities for TANF Recipients

Time for a Change

It has been 15 years since welfare reform was first passed. Since that time, Indiana's TANF program has done little to take advantage of the programmatic flexibility and funding available to move families out of poverty. Many other states have seized this opportunity and created innovative ways of identifying and supporting those recipients who are ready, willing and able to pursue education and training that will land them better jobs. These range from short, intensive programs that combine ready-to-work skills enhancement with paid internships to wider initiatives that support participants in pursuing advanced degrees. Research has shown again and again that investing in education and training results in higher pay and lower unemployment. It is time for Indiana to re-craft its TANF program so that it can function optimally as a pipeline for low-income Hoosiers to enter into the job market and when appropriate, support them in pursuing education and training opportunities.

TANF Work Participation Rates

In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act was passed and instituted sweeping changes to the welfare system. One of the key reform elements was requiring that a certain percentage of families be participating in work and work-related activities. Specifically, 50 percent for all families and 90 percent for two-parent families had to be participating in countable work activities or states would face financial penalties. Families with one parent had to be engaged in 30 hours of countable work activities and two-parent families had to be engaged in 55 hours, with few exceptions.

Changes included in the Deficit Reduction Act (DRA) – which reauthorized TANF in 2006 – effectively increased the work participation rates that states had to achieve in their TANF programs. First, it updated the base year for calculating the caseload reduction credit from 1995 to 2005. It also required families with an adult receiving assistance in a separate state program (paid for with state maintenance of effort dollars) meet work participation requirements. In addition, the DRA directed the U.S. Department of Health and Human Services to create definitions for each of the 12 countable work activities, the type of verification needed to document reported hours of work, and determine who is a “work eligible” recipient.

TANF Allowable Core Work Activities - Education and Training

No more than 30 percent of the total number counted in a state's work participation rate can be participating in eligible education and training activities. DRA regulations released in 2008 clarified several issues related to the TANF provisions including education and training for recipients.

Specific to education and training, the regulations provide more flexibility for states to count postsecondary and vocational education related activities. And, while there is still a 12 month limit in counting vocational or postsecondary education activities, the new regulations are important to easing some of the previous restrictions. These include:

- Allowing states to count coursework toward a Bachelors of Arts or advanced degree as a core work activity.
- Allowing states to count one hour of unsupervised study time for every hour of class time as a core work activity.
- Allowing English as a Second Language (ESL) and adult basic education to count as a core work activity, if embedded into a vocational education program.

The first two activities, when combined, means that many participants can meet their entire work requirement through vocational education (including the pursuit of post-secondary courses) and may not have to fit in other countable work activities to meet it. The thorny issue is that most degree programs are longer than 12 months. However, many of the education and training programs required for Indiana's middle-skill jobs which represent the largest share of jobs in Indiana—some 55 percent and a substantial share of future job openings—require more than a high school diploma but less than a four-year degree and can be completed in 12 months or less.

Additionally, hours spent in education and training programs past the initial 12 months can count as job skills training or education related to employment, but participants must also achieve 20 hours a week in employment or another core TANF work activity. Many other states have not let these issues get in the way of supporting recipients' pursuit of education and training (see model programs described below).

Indiana's Programmatic Challenges

Indiana has long emphasized a work-first philosophy within its TANF program. The state has allowed recipients to pursue postsecondary education as long as they are also engaged in 20 hours of part-time work or in a "work experience program." As the economy came to a grinding halt in 2008, the percentage of TANF adults engaged in education and training activities decreased. In FY 2006, 5 percent of adult TANF recipients were engaged in education and training. In FY 2008, this number dropped to 2 percent.¹ This decrease is notable because when there are fewer available jobs, it is typically a good time to invest in further education and training to prepare for higher-skilled, higher-wage jobs. The job market remains tight and it is a good time for the state to re-think its approach to education and training for TANF recipients.

**Average Number of Indiana Adult TANF Recipients Engaged in
Education or Training Activities, FY 2006 and FY 2008**

| Activity | FY 2006 | | FY 2008 | |
|---|---------|---------|---------|---------|
| | Number | Percent | Number | Percent |
| Vocational Education | 332 | 1.3% | 7 | 0.03% |
| On the Job Training | 14 | 0.1% | 0 | 0% |
| Education Related to Employment | 304 | 1.2% | 9 | 0.04% |
| Job Skills | 164 | 0.7% | 1 | 0.005% |
| Satisfactory School Attendance | 410 | 1.7% | 368 | 1.9% |
| Total Adults in Education & Training | 1,224 | 5.0% | 385 | 1.975% |
| Total Adult Recipients | 24,684 | 100% | 18,570 | 100% |

Source: U.S. Department of Health and Human Services, Administration of Children and Families, Work Participation Table 4A.

It will take a concerted effort by Indiana to move toward a mixed strategy approach to core work activities that places a dual emphasis on job placement and education and training. Engaging TANF recipients in education and training for at least 12 months is an economically wise investment – as it will assist the state in meeting its TANF work participation rate as well as most likely lead to increased job opportunities and wages for the TANF family and the family moving off public assistance. Several other states have done just this and, as a result, they have strong postsecondary education programs and training programs for welfare recipients with excellent results. Below are a few such programs.

Model Programs

Ready to Work – Kentucky

The Ready to Work (RTW) program was established in 1999. Since that time, it has grown into a successful strategy to engage recipients in postsecondary education and work while at the same time assisting Kentucky’s TANF program achieve higher work participation rates. Highly collaborative, the program engages participants in paid work study jobs while they pursue their education at partner institutions. “Work and Learn” coordinators assist and support participants and are an integral part of the program. The coordinators are paid with TANF funds and employed by the colleges and education institutions. There are approximately 2,000 participants in the RTW program. For FY 2010, \$10.8 million was budgeted for the program with \$7.7 million earmarked for work-study.

A study by the Kentucky Legislative Research Commission demonstrated that recipients who participated in the jobs skills education program had the highest “entering employment” rate, were employed at a higher rate after four quarters and earned more than those participants who did not participate in the program. It is notable that the average wage difference was more than \$3,500 compared to former participants in other TANF work activities. Ready-to-Work participants make up the vast majority of job skills education participants.²

The Arkansas Career Pathways Initiative (CPI)

CPI, established in 2004, provides a comprehensive set of academic and support services to low-income, low-skill individuals so they can acquire the degrees and/or credentials required to obtain and hold jobs in selected high-demand, high-wage industries. CPI is funded exclusively with federal TANF dollars and in FY2010 this amount was \$12 million. There are approximately 7,000 students currently enrolled, both TANF recipients and other low-income, low-skilled adults who meet CPI's eligibility criteria.

According to CPI's latest annual report, 90 percent of participants either completed the program or were continuing on the next semester. CPI counselors are responsible for ensuring that students who receive TANF cash assistance meet work participation rate requirements to the extent possible. Most students are counted as participating in vocational education for the first 12 months of their CPI participation and many of the students complete their studies during this time period. CPI is currently experimenting with other ways of counting students, including creating work-study internships, similar to Kentucky's RTW program. Current law allows work-study to be counted as subsidized employment as long as students are participating for at least 20 hours a week. In addition, hours spent in the classroom can then be counted as job skills training which has no cap.³

Parents as Scholars - Maine

The Parents as Scholars (PaS) program was established in 1997 and is funded through federal dollars the first 12 months and then structured as a separate state-funded program for the duration of the recipient's pursuit of a two or four-year degree. It has approximately 700 active participants who receive a range of academic and support services as they pursue their degrees.

According to a longitudinal study of participants, the wages of PaS graduates increased by nearly 50 percent over their pre-college wages and were 56 percent higher than welfare leavers without a degree.⁴ This fact alone should give Indiana reason to investigate this option: the Governor has stated numerous times that one of his top priorities is raising the personal income of Hoosiers. PaS is currently refining and tightening its collection of data on students to maximize the numbers of participants that meet the work participation requirements.⁵

Conclusion

In 2007, the Indiana Institute published *Meeting Federal TANF Participation Rates: Indiana Should Follow Federal Guidelines in Allowing Education and Training*.⁶ The report outlined several recommendations on strengthening Indiana's TANF program. These recommendations are still relevant today and are in strong alignment with model TANF programs in other states that emphasize education and training.

- Allow education and training to count as a sole activity. The department should follow federal guidelines authorizing certain education and training to count as work without requiring other activities. The state could count more people as meeting work participation rates and recipients could increase skills and employability.
- Align funding and spending priorities to match core activities and services needed to meet work participation rates. Currently over 40 percent is spent on "other non-

assistance” and administration. Meeting work requirements outlined in the DRA will require increased spending on work activities and correspondingly on child care.

- Establish outcome measures and data collection systems. Very little data exists on how welfare recipients are faring as a result of participation in state programs. Efficient and effective use of resources requires the evaluation of services.
- Create partnerships with stakeholder entities, similar to Kentucky’s Ready to Work program. Ivy Tech, the Department of Workforce Development, the Adult Education Division and employers should be consulted in creating work activities that meet the needs of businesses and workers.

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¹ See <http://www.acf.hhs.gov/programs/ofa/particip/2008/index2008.htm> and <http://www.acf.hhs.gov/programs/ofa/particip/2006/index2006.htm>, Table 4A. The percent decline in education and training activities is not as dramatic as the numbers decline. This is indicative of the decline in the total number of adult recipients.

² Bone, J. (January 2010). TANF Education and Training: Kentucky Ready-to-Work. Online: <http://www.clasp.org/admin/site/publications/files/RTW.pdf>.

³ Bone, J. (January 2010). TANF Education and Training: Arkansas Career Pathways Initiative. Online: <http://www.clasp.org/admin/site/publications/files/Arkansas-Career-Pathways.pdf>.

⁴ Smith, Rebekah, Luisa Deprez, and Sandra Butler. (2002) “Parents as Scholars: Education Works.” Augusta: Maine Equal Justice Partners. Online: <http://www.mejp.org/PaSeduworks.htm>.

⁵ Bone, J. (January 2010). TANF Education and Training: Maine Parents as Scholars. Online: <http://www.clasp.org/admin/site/publications/files/PaS.pdf>.

⁶ Finzel, Rochelle (2007). Meeting Federal TANF Participation Rates: Indiana Should Follow Federal Guidelines in Allowing Education and Training. Online: <http://www.incap.org/documents/iwvf/2007/MeeitngTANFRates2007.pdf>.