

40 Hour Work Rule: Implications for Families and Children

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December 9, 2002



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The work participation rate refers to the proportion of the welfare caseload — adult welfare recipients — working or engaged in a defined set of work-related activities for a specific number of hours per week.

The 1996 welfare reform legislation required states to demonstrate that 50 percent of their adult welfare caseload was working or involved in work-related activities.

The 1996 welfare reform legislation also allowed states to take a “caseload reduction credit” for moving welfare recipients off the rolls. The federal government granted states a 1 percentage point credit toward their work participation requirement for every percentage point drop in the state’s caseload since 1995. Because of the tremendous decline in welfare caseloads, the caseload reduction credit made it much easier for states to meet the 50 percent work participation requirement.

Without the caseload reduction credit, only 11 states would have met the 50 percent federal work requirement established in the 1996 law.

For a more thorough discussion of this topic see:

Rethinking Work Requirements, Alan Weil, “Short Takes on Welfare Policy 8,” June 2002. <http://www.urban.org/ViewPub.cfm?PublicationID=7762>

Before and After Reform: How Have Families on Welfare Changed?, Sheila R. Zedlewski and Donald W. Alderson, Policy Brief B-32, April 2001. <http://www.urban.org/ViewPub.cfm?PubID=310280>

TANF Reauthorization Proposals: Key Provisions Regarding Work

Requirement	Current Law	House/ <u>Administration</u>	Senate <u>Finance</u>
Participation Rate	50%	55% in 2004 to 70% in 2007	55% in 2004 to 70% in 2007
Credits	Caseload Reduction	Recent Caseload Rdctn/Employment credit	Employment Credit
Hours	20 hrs child<6 30 hrs child>6	40 hours	Current Law
Activities	<u>Primary (1st 20):</u> Work E&T (12 mos) Job Srch (6 wks) <u>Secondary:</u> Training	<u>Primary (1st 24):</u> Work Rehab – 3 mos <u>Secondary:</u> State Option	<u>Primary (1st 24):</u> Work Job Search 8 wks Rehab 6 mos E&T – 24 mos <u>Secondary:</u> Rehab



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TANF reauthorization proposals in the House and Senate would change current work participation rules substantially.

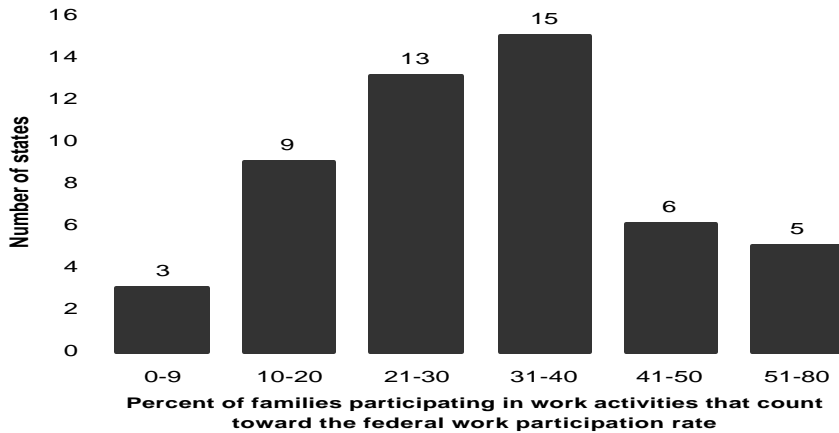
Work Participation Rate: Both the House and Senate proposals increase the Work Participation Rate from the current level of 50 percent to 55 percent in 2004 and 70 percent in 2007. While the House and Senate proposals do include an employment or caseload reduction credit, it is much smaller than today.

Hours of Work Participation Requirement: The House bill requires that welfare recipients work 40 hours per week regardless of the age of the children in the family. This is twice the number of hours of work required for mothers with preschool children under the current law and in the Senate Finance Committee proposal.

Primary Work Activities: The number of hours welfare recipients must be involved in their primary work activity increases from 20 to 24 hours in both the Senate and House bills. While the House bill requires the first 24 hours to be work (either paid or unpaid), the Senate bill permits recipients to count up to 6 months of rehabilitation activities as a primary work activity. The Senate bill also doubles allowable education and training from 12 months to 24 months and this activity can count towards the primary work activity.

Secondary Work Activities: Both the House and Senate proposals include options for welfare recipients to use Secondary Work Activities to meet the remaining 16 hours of the 40-hour work participation requirement.

Range of Federal Work Participation Rates for All Families in Fiscal Year 2000

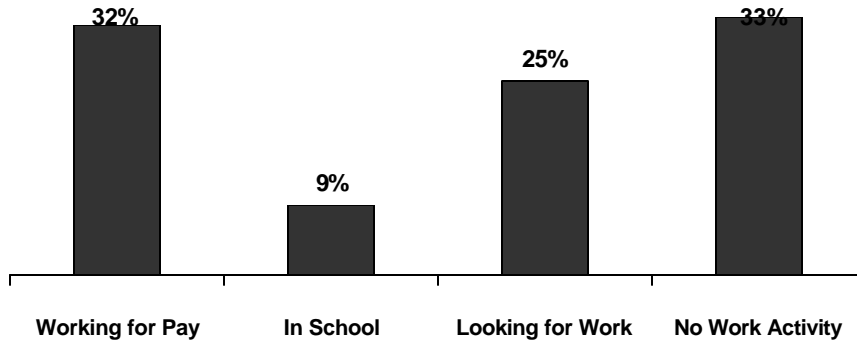


Note: Participation rates do not take into account state waivers.
Source: "With TANF Flexibility, states vary in how they implement work requirements and time limits," General Accounting Office, July 2002, GAO-02-770, page 13.



Increasing the work participation rate to 70 percent by 2007 will pose a significant challenge to states. The most current data available (FY 2000) show that the effective work participation rate for states are quite low. While states have done much better than their minimum requirement, they are far from the new proposed requirement: When you eliminate the caseload reduction credit, only 26 states have participation rates above 30 percent, and only 5 states reached the 50 percent work participation target in the original law.

Work Activity
Adults Receiving TANF Benefits in 1997 and 1999

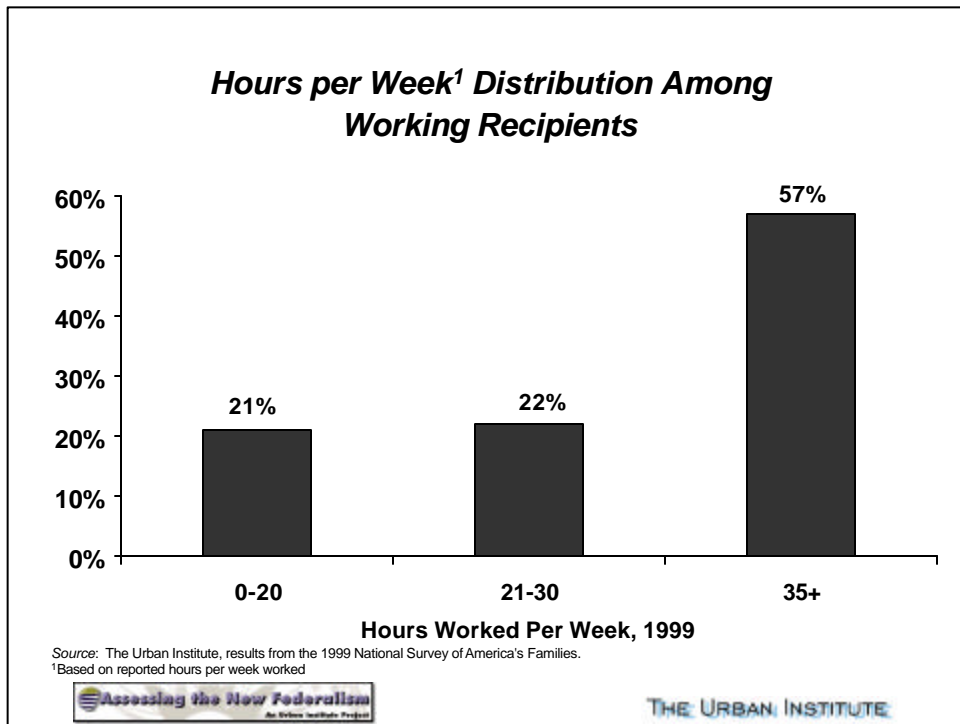


Source: The Urban Institute, results from the 1999 National Survey of America's Families.



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While there is a lot more work activity among adults on TANF than there was before welfare reform, only 32 percent are working. The majority of the caseload reported that they were looking for work or not engaged in any work activity.



Not only is the work participation rate for welfare recipients well below the targets proposed by the House and Senate, many of those who are working are not working nearly enough hours to meet the proposed targets.

The good news is that over half of working welfare recipients reported working 35 hours a week or more.

The bad news is that, on average, states are currently only about half way towards meeting the proposed 2004 requirements. In 1999, only 32 percent of adult welfare recipients were working. Of those, only 79 percent were working 20 hours per week or more. Therefore, only about 25 percent of TANF adults were meeting the 20 hour per week standard of the 1996 law.

These low work rates occurred even though most mothers on welfare wanted to work and jobs were plentiful. The financial incentives for welfare recipients, such as the EITC, food stamps, and other work supports, also supported work by making it pay far more than welfare.

TANF Recipients Have Barriers to Work Work Declines with Number of Barriers

Number of Barriers	% by Number of Barriers	% Working
None	20%	56%
One	40%	33%
Two or More	40%	20%

The vast majority of women on welfare have serious barriers to work including mental or physical health problems, lack of a high school education, no work experience in three or more years, caring for a disabled child, caring for an infant, and not speaking English.

80 percent of TANF adults have at least one serious barrier to employment.

Work decreases as the number of barriers increases. While over half of welfare recipients with no barriers were working, only one in five of those with two or more barriers were working.

Increasing Work Requirements May Be Difficult to Achieve

- Lack of jobs, barriers to employment, and need for work supports limit the ability of welfare recipients to work.
- To meet increased work requirements, states may need to put the focus back on immediate attachment to the workforce rather than removal of barriers and work support services.



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Analysis of existing data on welfare recipients suggests that the proposal to increase work requirements may be very difficult for both states and TANF recipients to achieve.

There are a number of reasons why work participation rates are not higher:

- There is a lack of jobs for those with little education.
- Welfare recipients face barriers to employment that need to be resolved.
- Welfare recipients need better access to child care, especially for infants.

Under the current TANF program, most states have initiated programs to increase education and training programs, address physical and mental health issues, and move more TANF dollars into child care.

A major increase in work requirements may require states to shift their focus back to placing more TANF recipients in jobs as quickly as possible and tracking additional hours of secondary work activities. States may adopt strategies to increase sanctions for non-working adults, divert more non-working families from cash assistance, or retain more working recipients rather than encourage them to “save” more of their 5 year lifetime benefit for tougher times.