Changing the Face of Welfare: Eligibility and Work Alternatives of TANF

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This article discusses the impact of the new Temporary Assistance to Needy Families (TANF) Block Grant, authorized under the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWOA), which became effective October1, 1996. This legislation provided a major overhaul of the nation's public welfare system by placing a greater emphasis on welfare recipients' participation in "work activities." This article addresses some of the major provisions of the new law, which include: eligibility restrictions on specific segments of the population; time limits on eligibility for benefits; family caps; and self-sufficiency contracts.

In August of 1996 Congress passed the Personal Responsibility and Work Opportunity Act (PRWOA). The primary focus of this legislation is "ending welfare as we know it". The Aid to Families with Dependent Children program (AFDC, in Ohio ADC) was repealed. Along with AFDC went other programs that served the AFDC population such as the Job Opportunity and Basic Skills program (JOBS), Emergency Assistance (in Ohio FEA), and Title IV-A day care (in Ohio this included ADC day care and at- risk day care).

Replacing these four programs are two block grants: (1) the Temporary Assistance for Needy Families (TANF) Block Grant; and (2) the Child Care Development Block Grant (CCDBG). This paper will focus on TANF; LBO is preparing additional information on the Child Care Development Block Grant which will be made available in the near future.

Title I of the PRWOA established the TANF program with the purpose of providing assistance to needy families with children and promoting participation in the labor market of persons receiving assistance under the TANF program. To meet these goals the federal government lifted most of the federal regulations on welfare programs. In addition funding was changed from an entitlement to a block grant form.

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TANF Funding

The new block grant funding is intended to provide additional flexibility to the states. No longer are welfare benefits an entitlement, but rather subject to available funding. States have been given a flat grant for each of the next five years based upon one of three historical benchmarks. Ohio received its share of the TANF block grant based on FFY 1994 spending in the eliminated programs,

The states are now free to implement welfare policies tailored to the state's need.

which amounts to approximately $728 million. However, acceptance of this federal money requires the state to spend at least 80 percent of the amount it spent in FFY 1994 on the eliminated programs, which, in Ohio, amounts to approximately $417 million. If the state fails to meet this maintenance of effort (MOE) requirement its TANF block grant will be reduced dollar for dollar for the amount less than 80 percent of FFY 1994 spending.

In addition to the TANF block grant Congress provided three other funding sources to help states serve TANF recipients in times of need: 1) Supplemental Grants; 2) a Contingency Fund; and 3) a Loan Fund. For a state to access any of these additional funding sources the MOE must be 100 percent of FFY 1994 spending.

States may receive supplemental funding if the state had 10 percent population growth or greater between April, 1990 and July, 1994 or if the state spending per poor person is less than 35 percent of the national average. The supplemental grant amounts to a maximum of 2.5 percent of federal spending on the eliminated programs in the state receiving the grant. These supplemental grants do not become available until FFY 1998. According to the Congressional Research Service, Ohio does not meet the criteria for a supplemental grant.

Contingency funding may be accessed if one of two situations arise: 1) a state's unemployment rate reaches at least 6.5 percent **and** is at least 10 percent higher than the same quarter in either of the two preceding years; **or** 2) the number of Food Stamp recipients in the state is 10 percent greater than the average monthly number of recipients in either FFY 1994 of FFY 1995 (the lower of these two) for the same three month period. A state must be maintaining 100 percent of FFY 1994 state spending on welfare in the period for which a state is requesting contingency funding. Contingency funds are treated as required state matching funds. The matching rate is the FFY 1995 Federal Medical Assistance Percentage (FMAP). The maximum amount a state may receive per year in contingency funds is 20 percent of the state's total block grant, which will be distributed in a monthly allocation of 1/12 of the state's contingency funds.

The rainy day loan fund is designed to serve states in economic downturns. The PRWOA establishes this fund at $1.7 billion. A state may receive a three year loan of up to 10 percent of its block grant from these funds. In order to be eligible for these funds, the state requesting loan funds may not have incurred any penalties under the TANF program.

Eligibility

As mentioned in the introduction, one of the major components of the new legislation is the changes in provisions addressing benefit eligibility. Specifically, these provisions not only limit the amount of time a person may receive benefits, but also place eligibility restrictions on specific segments of the population. In addition to this, the system is now more decentralized through the provision of greater discretion to the states. The end result of this discretion is that with the exception of certain provisions, the states are now free to implement welfare policies tailored to the state's need. As a result, these new state policies may be as simple as setting shorter time limits or as complex and controversial as family caps. What follows is an analysis of several of the issues surrounding benefit eligibility focusing on time limits, policies aimed at specific groups, and a number of options offered the states in determining eligibility.

Time Limits

Time limits have been a major component of reform in several state pilot welfare reform programs. Under PRWOA, time limits are now a system-wide reality as the federal legislation prohibits the states from providing TANF funded assistance to any recipient for more than sixty months during their lifetime.

The potential impact of this federal limit is further enhanced as the states, through their increased discretion, adopt shorter time limits. Ohio is one state (via Sub. H.B. 167 of the 121st General Assembly) that has already taken advantage of this flexibility, putting in place a cap of 36 months in any 60 month period.

Special Populations

In addition to the enactment of the sixty month time limit on eligibility, the PRWOA also makes major changes that target specific segments of the population. This discussion will center on the changes affecting minor parents, unwed adult parents, legal immigrants, and drug felons.

Minor Parents

One result of the federal legislation is the effect it will have on the eligibility of minor parents (primarily unwed mothers). Specifically, the act prohibits the states from providing TANF funded assistance to minor parents failing to meet the following criteria: participation in an educational program aimed at securing a high school diploma or GED, cooperating with state authorities in determining paternity for purposes of child support enforcement, and living with a parent, legal guardian or in an alternative approved adult supervised setting.

The intention of this provision is to reduce the possibility of long term dependence, by removing what are viewed as incentives to teenage pregnancy, and assuring a secure and responsible environment for both the minor parent and their child.

All Parents

In addition to mothers under the age of 18, the legislation also places restrictions on the provision of TANF funded aid to unwed mothers who, in the opinion of the state, fail to cooperate in the establishment of paternity for the purpose of child support enforcement. Specifically, the Act would require that a state reduce the family's grant by 25 percent or terminate it completely for failure to comply with this provision.

In addition to the requirement that all parents cooperate in establishing paternity, the states may also exercise the option of restricting or withholding benefits to parents who have not completed high school, or its equivalent, and who are not participating in an approved educational program. This option, which has already become reality in Ohio under Am. Sub. H.B. 167 seeks to address what is viewed as one of the major contributing factors to long term dependency — education.

Legal Immigrants

A third group affected under the legislation, and one that may experience the most profound impact in terms of eligibility, is legal immigrants. Under the law, most legal immigrants are prohibited from receiving aid under Supplemental Security Income (SSI) or Food Stamps until they have achieved U.S. citizenship. Included in this provision is a component subjecting current SSI and Food Stamp recipients to re-certification for their benefits within one year. Furthermore, benefits received in the form of Medicaid and

Time limits are now a systemwide reality.

States now have the option of implementing family caps.

aid provided through the TANF block grant for those entering the United States after the signing date of the legislation would be restricted until they have resided in the country for at least five years, or longer if the state so chooses. (Super, 1995). In addition to this, the states have also been granted the option of classifying as ineligible for Medicaid and TANF funded benefits, those legal immigrants who arrived in the country prior to the signing date of the legislation; in effect making that component of the law retroactive (Super, 1995). As a result of the changes in immigrant eligibility, all legal immigrants with the exception of those possessing refugee or asylee status, are potentially threatened with the loss or denial of TANF and related benefits.

Drug Felons

The fourth group of people whose eligibility is threatened under the legislation are those convicted of a drug related felony. Under the legislation, the states (if they so choose) can permanently ban such individuals from TANF cash assistance and food stamp benefits. If adopted, the ban would apply only to the person convicted of the offense with the rest of the family remaining eligible. In implementing and enforcing this provision, the state is authorized to collect drug-related information (in the form of a written self-declaration) from individuals at the time they apply for benefits.

State Alternatives

The third and final component of welfare reform to be discussed here is the degree to which the legislation affords the individual states a number of options that they may develop and implement at their discretion. While a number of these options are controversial, and have never been tried at the federal level, some, including restrictions on benefits for children born while on assistance and the use of Self-Sufficiency Contracts, have been implemented in a number of states (including Ohio) under the waiver process.

Family Caps

In addition to the flexibility of enacting shorter time limits, states have the option of placing restrictions on benefits for children born to families receiving assistance. This option, often referred to as “family caps”, is already in place in a number of states, with New Jersey’s being the only one in existence long enough to yield data on its effectiveness. Although very popular with the public at large, the primary question is whether or not they are successful in limiting births on assistance, and if so, at what cost.

Self-Sufficiency Contracts

The final state option granted by the legislation to be discussed here, is the choice to implement and enforce Self-Sufficiency Contracts with recipients as a condition for receiving aid. Self-Sufficiency Contracts require the recipient to agree to the satisfaction of certain obligations and responsibilities viewed as necessary in attaining self-sufficiency. Although these contracts have been implemented in a number of states (including Ohio), none have been in existence long enough to yield reliable data on their success. However, there are other issues surrounding the use of these contracts that will be discussed in the policy options section.

State Administration

A closing issue related specifically to increased state flexibility in determining eligibility, is the degree to which the development of 50 individual plans could create severe administrative headaches. Specifically, since many states (including Ohio) have or will soon adopt time limits shorter than 60 months, a major problem could be created as recipients enter and leave the welfare rolls or move from one state to another. As a result of these possibilities and the differences in eligibility among the states, it will be necessary to develop and maintain a dual tracking system (state and federal) to insure individual compliance with the federal and state time limit provisions.

Policy Options

Time Limits

In examining the welfare population and the impact of time limits, a number of organizations have generally reached similar conclusions. Specifically, while slightly more than 75 percent of the welfare population at any point in time exceeds the 60 month time limit, this group actually comprises a much smaller percentage of all welfare recipients. Furthermore, research indicates that of all first time recipients, 64.4 percent would not exceed the five year limit under the provisions of the old system (The Brookings Institution, 1996). Since language in the legislation permits a state to exempt up to 20 percent of its welfare population from the time limit requirement, a potential problem still exists in deciding how to address the remaining approximately 15 percent of recipients who historically could be expected to remain a recipient for longer than five years. In developing policies to address this group, it is useful to identify what characteristics they generally share that are viewed as contributing to their long term dependency.

As noted, approximately one third of long term recipients would violate time limits based on past history. The typical recipient in this group, sometimes referred to as the hard-core welfare population, generally lacks the skills, experience, or education deemed necessary to secure long term employment. When one considers the shorter Ohio time limits, and the estimate that approximately 48 percent of the recipients would reach Ohio's time limit of 36 months (The Brookings Institution, 1996), this may be an even bigger problem in Ohio.

However, since these numbers reflect the conditions in the system prior to the introduction of time limits, it is not yet possible to reliably predict the impact these limits might have. Any approach aimed at reducing the percentage of long term dependency will need to address the skills, education and experience factors that contribute to it.

Special Populations

Minor Parents

Since the provisions on education and establishment of paternity for this group will be addressed in the next section, the focus here will be on living arrangements and a discussion of the degree to which welfare has acted as an incentive to teen pregnancy. Specifically, have welfare benefits acted as an incentive to teen pregnancy as a way of escaping parental authority?

Research on the issue of teen pregnancy indicates that despite the perception of an explosion in teen pregnancy, since 1960 the birth rate among this age group has actually declined (from 89 out of 1,000 in 1960, to 61 out of 1,000 in 1992) (Acs, 1996). During this same time however, the birth rate among both unmarried minors **and** unmarried adults has increased. Examination of potential factors in this increase indicates that the specific link between welfare benefits and out of wedlock teen births as a method of escaping parental

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One of the major factors identified in long term welfare dependence is educational level.

authority, is not as common as some have argued.

Specifically, of mothers under the age of eighteen; 58 percent continued to live with their parents, 12 percent with other adults, 12 percent with a spouse and 18 percent alone with their children. A more likely cause of the overall increase in out of wedlock births, is that they are more a function of changing societal attitudes toward illegitimacy and the changing view in the population as a whole concerning marriage. As a result of this factor, the degree to which requiring certain living arrangements will change current trends is probably minimal.

All Parents

One major requirement shared among all parents (both minors and adults), and one designed to promote self-sufficiency, is the educational requirement. As discussed in the section on time limits, one of the major factors identified in long term welfare dependence is educational level. However, the degree to which mandating the completion of high school or its equivalent is successful, depends in part on additional expenditures for adult education programs. LBO research conducted for Sub. H.B. 167 indicates that this is increasingly so in the case of recipients who have been away from the formal education process for a longer period of time. For this group, the time to complete the educational requirements is generally longer and thus requires greater per person expenditures.

Regardless of the cooperation by the mother in the establishment of paternity to maintain her benefit eligibility, the degree to which the men responsible will have the resources to meet their financial obligations may be limited. Specifically, research indicates, that among men holding only a high school diploma, real hourly wages declined by 20 percent between 1973 and 1993 (The Brookings Institution, 1996). As a result, the financial ability of this group to meet the responsibilities of providing sufficient income or support has also declined. In short, while the intent of this provision is positive, the degree to which we can improve support collections, and the extent to which establishment of paternity may limit future out of wedlock births, is uncertain at this point.

Legal Immigrants

According to estimates of the Congressional Budget Office (CBO) new restrictions on immigrant eligibility are estimated to result in $22 billion in savings nationally over the next five years. Specifically, CBO estimates that by the year 2002, approximately 540,000 legal immigrants who would otherwise have qualified for Medicaid will be considered ineligible (Super, 1996). Of this group, the vast majority of cases are expected to be concentrated in a handful of states (Arizona, California, Florida, New York, Texas, and Florida) (The Brookings Institution, 1995).

The changes in immigrant eligibility as they apply to Ohio, could produce potentially modest savings as a result of fewer immigrant recipients of Medicaid, Food Stamps, SSI and programs funded under the TANF block grant. However, since Ohio has chosen to operate under the provisions of the approved waiver plan submitted in 1995, which makes no mention of retroactive ineligibility, the majority of any savings would come from restricting benefits to future immigrants.

Drug Felons

Although this provision, (which the states may choose to opt out of) permanently bars those convicted of a drug felony from the welfare roles, the extent to which it will reduce expenditures or act as a deterrent to drug use are minimal and questionable. Specifically, while this provision could remove certain individuals from eligibility, it would not affect the eligibility of other members of the family. Furthermore, in regard to its use as a deterrent, if the threat of a prison term is not enough to deter a person from engaging in a criminal act, then it is unlikely the threat of lost welfare benefits will have a significant impact either. In addition, the implementation is via self-declaration, which may limit its usefulness.

State Alternatives

Family Caps

Extensive examination of the New Jersey family caps by a number of researchers has yielded varying and conflicting data as to the effectiveness of its family cap provision. In this case, New Jersey introduced provisions restricting increased AFDC payments for children born more than ten months after first entering the welfare rolls (Weaver & Dickens, 1995). Under the plan, benefits remain constant at $308 instead of increasing to $401, in effect decreasing the potential family cash benefit by 23 percent (Weaver & Dickens, 1995). However, when the increase in benefits in Food Stamps and Medicaid are considered, the average total benefit only decreased by about five percent (Weaver & Dickens, 1995).

The impact of these changes on the fertility rate among AFDC recipients has been mixed and somewhat confused by the enactment of a number of other changes in New Jersey's welfare program during the same period of time. Overall, research indicates that while a noticeable decrease in AFDC births did take place in the period immediately following implementation of the caps, the success of the caps alone probably accounted for only a small portion of the drop. Specifically, researchers believe that compared to the reduction in births as a result of the economic component of the family cap, a similar or greater number were curbed by the message that AFDC births are socially unacceptable. In addition to this, the same research indicates that of an estimated reduction of 3,000 births experienced as a result of the cap, approximately 25 percent could be attributed to an increase in the abortion rate among the welfare population during the same time span (The Brookings Institution, 1995).

Self-Sufficiency Plans

Although several states (Ohio, Illinois, and North Carolina) have implemented Self-Sufficiency Plans under the waiver process, due to the short timeframe no reliable data exists on their success. Additionally, despite their implementation, questions have been raised concerning their legality and enforceability. Although none have as yet been challenged, literature suggests that they will work their way into the court system over the next several years.

State Administration

In order to effectively manage the time limit requirements, many states will be required to upgrade their current technological capacity in order to maintain dual tracking systems (state and federal). Although no reliable data exists as to the cost of such an upgrade, the Ohio Department of Human Services has stated that welfare reform initiatives will require reprogramming of their computers and that while the cost of reprogramming has yet to be determined, a similar, but less complex change undertaken in 1991 cost approximately $800,000. Policy makers

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should be aware of such details in addressing future policy decisions.

Work Requirements

While Congress provided more flexibility for determining eligibility, the work requirements under TANF are more prescriptive. The new block grant requires all adult recipients to be participating in a work activity by the end of their second year of assistance. By itself this requirement is not stringent, however the federally mandated state participation requirements for work activities increase each year of the block grant (Table 1 displays the participation rates required under TANF). Further restrictions on the method of calculating the participation rate makes the target participation rates harder to achieve.

Table 1
Work Activity Participation Rates Under TANF

	All Families Receiving TANF	Two-Parent Families
FFY 1997	25%	75%
FFY 1998	30%	75%
FFY 1999	35%	90%
FFY 2000	40%	90%
FFY 2001	45%	90%
FFY 2002 and Beyond	50%	90%

Previously, under the ADC program, there were several exemptions from participation in the JOBS program. These exemptions amounted to approximately 53 percent of ADC cases (Regular and Unemployed)[1]. People who were exempted from participation in the JOBS program were then deducted from the number of people eligible for the JOBS program for determining the participation rate. Under TANF this is no longer the case. The participation rate under TANF is calculated by taking all families receiving TANF benefits with an adult working divided by the number of families receiving TANF benefits[2].

What the new method of calculating participation rates means varies from state to state. One example is of a southern state that under the JOBS program had a 38 percent participation rate, under TANF this state would only have a 8 percent participation rate[3].

With all the discussion on work activity, the next logical question to answer is what exactly is defined as work activity. As is the case with the more stringent guidelines regarding the calculation of the participation rate, the definition of work activity is defined in the TANF block grant. Under TANF the required hours for participating in a work activity has increased compared to the JOBS program (Table 2 shows required hours of participation in a work activity as required under TANF). Under the old JOBS program the hours of participation were calculated as an average for all participants in JOBS. TANF requires *each* family to meet the work requirement.

The required hours must be met through one of the following activities: 1) unsubsidized employment; 2) subsidized employment (private or public); 3) work experience; 4) on-the-job-training; 5) job search, job readiness programs; 6) community service programs; 7) vocational education (less than 12 months); 8) provision of child care to community service program participants; 9) job skills training; 10) education directly related to employment, (if the individual has not received a high school diploma or equivalent); 11) for individuals who have not received a high school diploma or equivalent, attendance at a secondary school or program leading to a GED[4].

The state has one optional exemption from meeting the work requirement that allows families to be taken out of the eligible population for determination of the participation rate. That exemption is for single parents with a child under age one. This exemption may only be taken

[1] ODHS JOBS participation report for six month period ending December 31, 1995.

[2] Families who are under a sanction in the given month, but have not been subject to a sanction for more than three months (the three months need not be consecutive, only in the preceding twelve months) are deducted from the denominator for purposes of calculating the participation rate.

[3] This example is taken from the NCSL conference on PL 104-193. The state had 14,614 participants in the JOBS program. With exemptions, the number of persons eligible for the JOBS program is 38,230, thus equating to a participation rate of 38 percent. Under TANF most of the exemptions are lifted, therefore the number of people eligible for the TANF work program increases to 186,200. With the increase in eligibles the participation rate decreases to 8 percent.

[4] For an individual to be considered participating satisfactorily in a work activity the first 20 hours of the work activity must be met through one of the first 8 allowable work activities. After the first 20 hours have been met the remaining work activities can count toward meeting the work activity requirement.

For job search/readiness to count toward the first 20 hours of work the individual must have not participated in this activity for more than 6 weeks.

Table 2
Hours of Work Required per WEEK Under TANF

	All Families	Two-Parent* Families
FFY 1997	20	35
FFY 1998	20	35
FFY 1999	25	35
FFY 2000	30	35
FFY 2001	30	35
FFY 2002 and Beyond	30	35

**If a two parent family receives publicly funded day care then both parents are required to meet the work requirement.*

for twelve months. This effectively eliminates the current exemption for parents or caretakers of children under the age of three. Previously this exempted approximately 32 percent of the ADC cases from participation in a JOBS component. By eliminating these exemptions the demand for day care will increase; LBO is developing a model to forecast the future day care needs.

Policy Options

With the new emphasis on work, the state is left to design a new work program. Ohio's welfare reform plan, (which was implemented through Sub. H.B. 167 of the 121st G.A. and subsequently amended by Sub. H.B. 710), emphasizes a combination of education and work, both of which previously counted toward acceptable participation in the JOBS program. Currently 60 percent of JOBS participants are engaged in an education or training activity, with the remaining 40 percent in a work or work related activity. Under TANF this distribution will have to change dramatically to emphasize work.

Ohio must design a program that requires all TANF adult recipients to participate in one of the work related activities. The challenge facing the state is to design a work program that balances sanctions and incentives so that the rational choice for TANF beneficiaries is to work. For the purposes of this analysis the rational choice will be defined in the economic terms of TANF recipients maximizing utility.

Utility Maximization

Utility is a measure of the value an individual places on a bundle of goods. Utility is entirely dependent upon the individual's preferences, meaning that identical bundles of goods will provide different people with differing levels of utility. Individuals will maximize utility subject to their income and the prices of the goods demanded. For this analysis the goods are leisure and income (consumption). The slope of the budget constraint is defined by the real wage rate. Therefore the individual will choose a combination of income and leisure that will allow them to achieve the highest level of utility possible.

Utility maximization will be subject to the individual's budget constraint. An individual's income has two parts: labor income and non-labor income. Labor income comes from working and is the product of the individual's hourly wage and the number of hours the individual works. Non-labor income is a broad category that includes investment earnings, pension payments, and welfare cash benefits, Medicaid, and child care.

An individual's utility depends on the individual's income and the amount of leisure time the individual has to enjoy goods and services purchased with that income. An individual with sufficient non-labor income may choose to not work. This is a problem when the state is providing the non-labor income through welfare cash benefits, Medicaid, and child care, that induces the individual to not work.

The challenge facing the state now is to alter this budget constraint so it is rational behavior for welfare recipients to work. This must be done within the

By eliminating ... exemptions the demand for day care will increase.

definition of allowable work activities spelled out in the federal welfare legislation.

Subsidized Employment

Subsidizing employment may be the only way to shift a welfare recipient's budget constraint, by providing incentives to the recipient to work. By shifting the budget constraint the recipient will be able to reach a higher indifference curve, thus maximizing utility. This wage subsidy is done by redirecting the welfare cash benefits to a subsidy paid as a result of work.

Employer Subsidies

There are several methods for providing subsidized employment. The current method Ohio uses provides a flat grant to the company hiring a welfare recipient, once the recipient is employed. After ninety days of employment the employer receives another flat grant. The guiding philosophy behind this method of subsidy is that the recipient does not have the necessary skills for a job, thus the employer must be compensated for the additional training that must be provided for the welfare recipient versus any other candidate for the job. If this is an accurate description of the welfare recipient, this subsidy will provide the necessary training for the recipient. However the budget constraint of the welfare recipient will not move, not allowing the recipient to achieve a higher level of utility. Simply put, the welfare recipient is no better off as a result of the subsidy.

Recipient Subsidies

An alternative is to subsidize a person's wages. This will help to resolve the problem welfare recipients face of entering the labor market at a low wage. An example provided by Keane[5] suggests providing a wage subsidy of $1 per hour. According to the model developed by Keane this would get more single mothers into the workforce. However the side effect is a 160 percent increase in welfare costs. The large increase in welfare costs can be attributed to the fact that Keane's wage subsidy is to all single mothers. This would include low income people who were not on welfare to begin with, thus an increased population would be served. More targeted wage subsidies, paid only to recipients, have the same work participation effects as the $1 per hour subsidy, but with lower cost increases to the welfare system.

Tax Credits

Wages may be indirectly subsidized by expanding the Earned Income Tax Credit (EITC). The EITC gives low income workers a tax credit for earned income. This would increase the participation rate of single mothers in the labor market, but increase welfare costs by 51 percent[6], as well as decrease state tax receipts.

The federal government has enacted a tax credit in the PRWOA, called the Work Opportunity Tax Credit (WOTC). This tax credit provides a 35 percent credit for "qualified first year wages", up to $2,100. This tax credit is to the employer, not the employee. This will not make the welfare recipient any better off than without the subsidy. The idea behind this tax credit is to encourage the employer to hire and train welfare recipients.

Barrier Subsidies

In this subsidy category, instead of tying the subsidy to wages, the grant could be redirected to subsidize financial barriers to employment. The two barriers to employment usually cited are the need for child care and the lack of health care coverage. The state could redirect welfare cash benefits to

[5] See Keane 1995

[6] See Keane 1995.

provide services like these to eliminate the barriers to employment. Keane (1995) suggests this would spur an increase in employment of single mothers, while also being cost neutral. Keane states that in order for this type of subsidy to work effectively the child care or health insurance would have to be paid directly to the provider to prevent the welfare recipient from using the funds for other expenses.

Community Work Experience

Another wage subsidy program is the Community Work Experience program (CWEP). In CWEP only the welfare cash benefits are converted to wages. This will not make the welfare recipient any better off because the budget constraint of the recipient does not change, thus the recipient remains at the same utility level. Thus the only way to make CWEP programs work is to have sufficient sanctions in place for people who decide not to participate in CWEP. These sanctions would shift the budget constraint down, forcing the recipient to a lower utility level.

There are some complications to subsidizing employment no mater what form the subsidy takes. Organized labor may be in opposition to certain methods of subsidizing employment for welfare recipients. Administration of these programs can be very costly, particularly for large scale programs that deal with several employers.

On-the-Job Training

On-the-job training (OJT) is a type of apprentice program where welfare recipients receive training in a particular skill or trade. Ohio previously implemented such a program with very low participation. The OJT programs do not immediately alter the earnings of welfare recipients, however the recipient is assumed to be learning a marketable skill that they can use to get a job in the future, increasing the long-run earning potential of the welfare recipient.

These programs are relatively inexpensive for the state to administer since the training is provided by private companies or organizations. The problem has been finding and keeping companies or organizations that are willing to provide the necessary training. Substitute House Bill 167 of the 121st General Assembly enacted a new type of OJT program. The Linking Employers and Recipients Needs program (LEARN) allows county departments of human services to put welfare recipients into unpaid internships. However, this program is still too new to determine its effects on the employment prospects of welfare recipients.

Summary

The federal government has lifted many of the eligibility requirements for federally funded welfare benefits. The state now has the flexibility to do what will best serve Ohio's population. Whether that means altering time limits or addressing teenage parenting, one thing is certain, the state will have the ultimate responsibility for any successes or failures. Each change in eligibility will have uncertainties, but problems that arise can be addressed by altering policy.[7]

Going down the path of subsidizing employment will require some additional administration, however other administrative activities have been eliminated through the enactment of the TANF block grant. Subsidizing employment can make the welfare recipient better off, while training them for unsubsidized jobs in the future. However the costs of these programs can make some of them impossible to implement.

[7] This would also require the state to amend its state plan which is submitted to the Department of Health and Human Services, but the federal government may only determine if a plan is complete, not make any judgment calls on whether or not the policies put forth by the state are good or bad.

On-the-Job training alone will not solve the problems of welfare dependency, however it can improve the employment prospects of welfare recipients. This relatively inexpensive program will allow the apprentice to go into a trade that they have trained for and hopefully keep the individual off welfare in the future.

Conclusion

While this paper only looked at a few of the possibilities that are allowable under TANF, it shows that no single work program will serve all individuals. In addition, programs that require the individual to engage in some work activity to meet the work requirement may have additional costs to the welfare system. This should not be a deterrent to implementing these programs. The emphasis on work will have long-term dividends by improving the employment prospects of welfare recipients. However, the dilemma we may ultimately face is whether enough jobs exist in the right locales for welfare recipients. This may not be a problem in the current economic expansion, but when the economy worsens the labor market will become tighter, especially in rural areas.

In addition to the issues surrounding work requirements, the effects on eligibility resulting from changes in the system are numerous. These changes may create the potential for unforeseen consequences to both the recipients and the states. While many such changes have unknown outcomes, it does not mean that they should not be implemented. Instead policy makers should be mindful of these problems and shape policies to limit the potential negative outcomes.

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