

Increasing Opportunities: Creating and Expanding Transitional Jobs Programs for TANF Recipients under the Deficit Reduction Act

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States are now facing difficult choices regarding their Temporary Assistance for Needy Families (TANF) programs. The Deficit Reduction Act of 2005 (DRA) increased effective work participation rate requirements and narrowed definitions of allowable work activities. Administrators have two options: Focus on designing programs to meet the increased participation rates, regardless of the impact on families; or focus on increasing work participation rates through the creation and expansion of programs that improve long-term employment outcomes, such as Transitional Jobs (TJ) programs.

Backgroundⁱ

The passage of the DRA significantly changed the structure of the work requirements mandated in the federal TANF program, with the result that most states will need to significantly increase the number of recipients participating in work activities. As before, states must ensure that 50 percent of families with an adult recipient—and 90 percent of two-parent households receiving assistance—are participating in a set of work activities (defined in the law) for a set number of hours. However, before the DRA, states received credit toward the participation rates for caseload declines since 1995. Most states received significant credit, making it easy for them to meet the participation requirements. Under the DRA, states will receive credit for caseload declines compared to 2005 levels;ⁱⁱ but these credits are likely to be much smaller, as caseloads are already at historic lows. Thus states are unlikely to see large caseload declines unless they adopt policies that restrict poor families' access to needed assistance. Moreover, under the DRA, the participation rate requirements apply to families receiving assistance from programs that are funded by state-only dollars if that spending is claimed for the state's maintenance of effort requirement.

In addition, the passage of the DRA reduced state flexibility around defining the specific work activities. Under TANF, there are 12 categories of work activities that count toward work participation rates; nine of these are considered “core” activities, while the other three are considered “non-core” and are countable only upon completion of at least 20 hours per week of core activities.ⁱⁱⁱ Prior to the passage of the DRA, there were no

standard definitions about what could be considered under each activity, giving states the ability to craft their own definitions. However, the DRA directed the Department of Health and Human Services (HHS) to issue regulatory definitions. This summer, HHS issued an interim final rule that defined the countable work activities.^{iv} These regulatory definitions are much narrower than those that many states have used in the past.

Transitional Jobs and the Interim Final TANF Regulations

TJ programs have been used successfully to provide hard-to-employ TANF recipients with paid work experience. These programs serve as a bridge to unsubsidized employment, as they combine time-limited subsidized employment with a comprehensive set of services in order to help participants overcome barriers and build work-related skills.^v TJ programs are consistent with a work-first approach, as they aim to help participants begin work as quickly as possible. However, a key difference with other work-first approaches is that TJ programs typically offer a more supportive work environment, additional training, and enhanced connections to other services that help individuals succeed in the labor market.^{vi} A number of studies have found that participants who graduate from a Transitional Jobs program find an unsubsidized job, realize an increase in family income, develop improved skill levels and have greater self-esteem.^{vii}

In the past, states have generally reported participation by TANF recipients in all elements of a TJ program as *subsidized employment*. While the interim final rule and the preamble to the regulations do not directly address how to report participation in transitional jobs programs, the new definition of subsidized work is “employment for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing recipients.” Guidance provided by HHS to states in late December notes that hours of participation in barrier removal or educational activities can be counted as subsidized employment only if the individual is *paid* for these hours as part of the subsidized employment activity. Therefore, a state can only count hours that TJ participants spend in education, training, barrier removal activities, job search, and job readiness activities as subsidized employment when those hours are paid.^{viii}

TJ programs also appear to meet the regulatory definition of *on-the-job training* (OJT) as “training in the public or private sector that is given to a paid employee while he or she is engaged in productive work and that provides knowledge and skills essential to the full and adequate performance of the job.” However, the HHS guidance states that barrier removal and various educational activities may not be counted as OJT even if the client is paid for those hours. It is not entirely clear what is intended by the distinction between “training” and “educational activities.” However, training in on-the-job skills and knowledge development that is necessary for job performance—and for which participants are paid—may be counted under OJT. An example provided in the HHS guidance suggests that OJT is distinguished from subsidized employment by the inclusion of a training plan.

Therefore, under the new regulation, states have a series of options for reporting participation in transitional jobs:

- 1) States can count the time that participants spend at work as subsidized employment or OJT and count education and training activities as either *vocational education training* or *job skills training directly related to employment*. If the participants work at least 20 hours a week, states should report any training activities as job skills training (a non-core work activity) rather than using up the 12 months individual lifetime limit on the time that participation in vocational educational training may be counted toward participation rates. Barrier removal activities may also be counted as *job search and job readiness assistance*, subject to the time limits on counting of such activities.^{ix}
- 2) States can count all the hours of employment and training that are part of transitional jobs programs as OJT, provided that participants are paid for all the hours counted and the training activities fall within the allowable activities of OJT outlined in the regulations and guidance.
- 3) States can count all the hours of participation in transitional jobs programs as subsidized employment, as long as participants are paid their hourly wage both for hours worked and for time spent in barrier removal or educational activities.

If the funding is available to allow participants to be paid for all hours of participation, this third approach provides the most flexibility, as it allows for the counting of the widest range of activities, under subsidized employment without the limits on counting of job search and job readiness activities. This approach also does not require providers to track the hours of participation in each component of a TJ program separately.

If, however, a TJ program cannot afford to pay wages for all the hours of participation, it might be useful to shift over time the number of hours spent on the jobsite and the number of hours spent in other activities (skill building, barrier removal, etc.). Suppose, for example, a program has enough resources to pay for 25 hours of paid activities. Participants who need to address mental health problems or other barriers to employment and participants who need to improve certain skills before they can succeed at the workplace could spend a larger share of their 25 paid hours in these activities and a smaller share at the jobsite, as compared to more job-ready participants. Indeed, some recipients might spend all their paid hours in activities other than jobsite employment during an upfront period. As participants address their barriers and/or skill deficits, their assignments could change and they could spend more of their paid hours on the jobsite and fewer in other activities.

There are several additional issues that are of interest to TJ programs. First, given the HHS guidance requiring that participants be paid for all time counted as subsidized employment or OJT, programs may, if funds are limited, want to consider being flexible about the amount of time spent in actual work versus that spent in barrier removal activities. Depending on participant skill levels at the time of entry into the program, it

could be more beneficial to have individuals at first spend more hours in training and less time on the job, with the balance gradually shifting to include more time on the job and less in barrier removal activities.

Second, under the regulations, hours of participation in both subsidized employment and OJT may be projected forward for a six-month time period based on current documented hours of participation. This provision provides some flexibility for transitional jobs programs.

Finally, the preamble to the interim final rule states that, in the case of subsidized employment and OJT, the employer is “expected to retain the participant as a regular employee without receiving a subsidy” at the conclusion of the subsidy or training period. This has raised some questions as to whether this language limits the use of TJ programs that do not place this expectation on their host employers. The language, however, is only in the preamble—not in the regulation itself—and it seems likely that these programs will be countable even if the particular transitional jobs model is one in which the employers are not expected to hire the individual as long as employers are giving something of value back to the recipient and program—namely real marketable skills. Based on HHS’s responses to questions about this issue, our understanding is that HHS is likely to approve Work Verification Plans that propose to count TJ programs as subsidized employment or OJT, regardless of whether or not the individual remains employed with the host worksite. In the guidance, HHS suggests with an example that an employer who does not intend to hire a participant in subsidized employment provide that worker with paid leave in which to search for unsubsidized employment.

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For more information about TJ programs please visit the National Transitional Jobs Network website at www.transitionaljobs.net, or contact Melissa Young, of the National Transitional Jobs Network, at (773) 728-5960 or myoung@heartlandalliance.org.

ⁱ For more detailed information on the changes to TANF under the DRA, see “Implementing the TANF Changes in the Deficit Reduction Act: ‘Win-Win’ Solutions for Families and States,” available at <http://www.clasp.org/publications/tanfguide.pdf>.

ⁱⁱ Deficit Reduction Act (DRA) Section 7102 (a).

ⁱⁱⁱ The nine core activities are unsubsidized employment, subsidized private sector employment, subsidized public-sector employment, work experience, on-the-job-training, job search and job readiness, community service programs, vocational education training, and providing child care services to an individual participating in a community service program. The three “non-core” activities are job skills training directly related to employment, education directly related to employment, and attendance at a secondary school or a GED course.

^{iv} See interim final rule, 45 CFR Parts 261, available online at <http://www.acf.dhhs.gov/programs/ofa/tanfregs/tfinrule.pdf>, for definitions of all work activities.

^v For details of fundamental program design elements, see <http://www.transitionaljobs.net/Resources/Downloads/Program%20Design.pdf>.

^{vi} Pavetti, Ladonna et al. *Work-Based Strategies for Hard-to-Employ TANF Recipients: A Preliminary Assessment of Program Models and Dimensions*. 2001. Washington DC: Mathematica Policy Research, Inc.

^{vii} See Hill, Heather, Kirby, Gretchen, and Pavetti, LaDonna. *Transitional Jobs: Stepping Stones to Unsubsidized Employment*. April 2002. Mathematic Policy Research.; Burchfield, Erin. (April 2002), [Community Jobs Program Moves People from Welfare to a Career Track: Outcomes Assessment Summary April 2002](#). Seattle, WA: Economic Opportunity Institute; and EnSearch, Inc. (September 2004). [2004 Comparison Study: An Evaluation that Compares Outcomes for a Multi-State Transitional Jobs Program with Random Samples of Participants in the Minnesota Family Investment Program \(Minnesota's TANF Program\)](#). Lifetrack Resources.

^{viii} States must describe how they will ensure that all reported hours of participation are consistent with the regulatory definitions as part of their Work Verification Plans. Until HHS begins to approve or reject the plans that states have been submitted, it will remain unclear exactly what can be counted.

^{ix} Job search and job readiness assistance may be counted toward the participation rate for no more than 4 consecutive weeks, and no more than 6 weeks in a fiscal year. This limit is extended to 12 weeks in states that meet certain criteria of economic distress. For more information on this limit, see "[Two-Thirds of States Qualify for Extended Counting of TANF Job Search and Job Readiness Assistance](#)" available at: http://www.clasp.org/publications/two_thirds_qualify.pdf