



Making the Employment Connection: New Opportunities to Support Transitional Jobs Programs Using the TANF Emergency Fund

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This paper highlights new opportunities to develop or expand Transitional Jobs programs using funding from the new Temporary Assistance for Needy Families (TANF) Emergency Fund, which was authorized by the American Recovery and Reinvestment Act (ARRA) of 2009 (PL 111-5).¹

Individuals with little work experience and other barriers to employment are among those hardest hit by this economic downturn, and it is crucial for states and localities to develop programs that meet these populations' needs. Transitional Jobs programs are a promising strategy that can help individuals with barriers to employment enter and succeed in the labor market. They provide a bridge to unsubsidized employment by combining time-limited subsidized employment with a comprehensive set of services to help participants overcome barriers and build work-related skills. A number of studies have found that Transitional Jobs programs can have positive effects on employment for participants with barriers to work.² These programs also help to stimulate the economy by providing needed income to low-income, out-of-work individuals who will spend it rapidly to meet their basic needs.

The TANF Emergency Fund creates a new opportunity for states to develop or expand Transitional Jobs programs. These programs have long been allowable uses of TANF block grant funds, but the Emergency Fund now allows states to draw *additional* funds if they increase their TANF-related spending in three categories, one of which is subsidized employment. States that increase TANF-related spending on subsidized employment in federal Fiscal Years 2009 or 2010 (compared to the equivalent quarter in FYs 2007 or 2008) can receive 80 percent of that increase back as additional federal dollars. These programs can serve members of low-income families whether or not they are currently receiving cash assistance under TANF.

Transitional Jobs Program Design

States and localities across the country have implemented Transitional Jobs programs for populations with barriers to employment, including TANF recipients, people experiencing homelessness, disconnected youth, people who are formerly incarcerated, refugees and immigrants, people with disabilities and veterans.

A Transitional Job gives participants the opportunity to gain valuable work experience while earning a paycheck to help meet basic needs. In addition, the temporary, real work experience of transitional employment offers the opportunity for people to develop a work history and have a current reference from an employer. Demonstrating success in a workplace environment can significantly increase the likelihood of getting hired in an unsubsidized job for participants with a criminal record, little or no work experience, or no work history in the United States.

Transitional Job placements vary in length from three to 12 months, depending on the structure of the program and participant needs. Participants work in a subsidized job for 20 to 30 hours a week in the nonprofit, public, or private sector; however, the majority of transitional work has typically taken place in nonprofit organizations. Most programs individually work with participants to place them at a worksite. Some programs place participants in work crews that go to different worksites. Transitional Jobs programs that make placements in governmental units or in the private sector typically collaborate with local representatives from organized labor to ensure that unsubsidized workers are not displaced as a result of the program.³

The core elements of a Transitional Jobs program include orientation and assessment, job readiness and life skills training, case management and supportive services, a subsidized wage-paying transitional job, unsubsidized job placement, job retention services, and linkages to education and training.⁴ Participants may engage in work for a certain number of hours per week and participate in education and training related to the target job for another set of hours. The flexibility of the subsidized job placement within the Transitional Jobs program also allows participants to receive services designed to help them manage barriers to employment.

Participants in Transitional Jobs programs are paid employees and are subject to minimum wage and other Fair Labor Standards Act (FLSA) protections. As paid employees, participants pay into the Social Security system (thus building quarters of work needed for future eligibility) and may qualify for federal and state Earned Income Tax Credits (EITC), the Child Tax Credit, the new Making Work Pay Tax Credit, and Unemployment Insurance, leading to increased long-term economic security.

Transitional Jobs program participants should not displace workers in the for-profit or nonprofit sectors. TANF (42 U.S.C. § 607(f)) explicitly includes non-displacement provisions for work activities supported by TANF dollars.⁵ Program administrators often create mechanisms to ensure that worker displacement does not occur as a result of the program. An evaluation of a Transitional Jobs program in New York City concluded that it is important to take the following measures to avoid worker displacement: involve unions in the development of job placements, keep wages of transitional workers at the same level as wages of other workers performing similar work, and place participants at many different worksites to ensure that no one employer or agency can replace their workforce with transitional workers.⁶

Supporting Transitional Jobs with the TANF Block Grant

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 authorized the TANF block grant to states. TANF is a flexible funding stream that provides states with funds that can be used for a wide range of activities that are aimed at any of the four purposes of TANF:

- assisting needy families so that children can be cared for in their own homes;
- reducing the dependency of needy parents by promoting job preparation, work and marriage;
- preventing out-of-wedlock pregnancies; and
- encouraging the formation and maintenance of two-parent families.

The TANF block grant has provided states with \$16.5 billion annually since 1996. States must also continue to meet a “maintenance of effort” (MOE) requirement of 75 or 80 percent of their pre-welfare reform spending levels on Aid to Families with Dependent Children (AFDC) and related programs, which were replaced by TANF. MOE spending must further one of the purposes of TANF and, with limited exceptions, must benefit members of low-income families with children.⁷ However, the income limits do not need to be the same as for cash assistance. Transitional Jobs programs serving needy parents (whether or not they are members of families receiving cash assistance) are clearly aimed at the first two purposes of TANF and are therefore eligible uses of both TANF and MOE spending.

Section 2101 of the ARRA created a new, \$5 billion TANF Emergency Fund under which states can receive 80 percent federal funding for spending increases in FYs 2009 or 2010 over FYs 2007 or 2008 in certain categories of TANF-related expenditures. The three categories are basic assistance, non-recurrent short-term benefits, and subsidized employment. States can receive up to 50 percent of their annual TANF block grant over two years from the combination of the pre-existing TANF Contingency Fund and the new Emergency Fund.⁸

Because subsidized employment is one of the three categories, this means that states that increase their TANF/MOE spending on Transitional Jobs can receive 80 percent federal reimbursement of their costs. Funding in this category is **not** contingent on the state experiencing an assistance caseload increase. *Participants may or may not be members of families receiving cash assistance.*

On April 3, 2009, HHS issued a Policy Announcement on the TANF Emergency Fund (TANF-ACF-PA-2009-01).⁹ In this announcement, HHS directed participating jurisdictions to draw on the existing definition of “work subsidies” from the ACF-196 spending reports.¹⁰ This definition includes “payments to employers or third parties to help cover the cost of employee wages, benefits, supervision or training.” Moreover, HHS specifically directs states to include “all expenditures related to operating a subsidized employment program, including the cost of overseeing the program, developing work sites, and providing training to participants.”

In the Policy Announcement, HHS states that it is now accepting applications for the first three quarters of federal FY 2009, October 1, 2008, through June 30, 2009. HHS has not yet developed a form and instructions, but states may apply immediately based on the information requirements described in the Policy Announcement. HHS indicates that it will respond to requests within two weeks, either to inform the state of the amount of the award, or to request further information.

Note that states may apply for funds for the upcoming quarter based on “reasonable estimates” for caseloads and expenditure data, rather than having to wait until the end of the quarter. If a jurisdiction submits an estimate of expenditures that is substantially higher than previous levels, HHS requires it to explain the change it has made to the program that results in the higher estimates. The jurisdiction must revise the estimates as actual data becomes available.

Spending claimed under the Emergency Fund provisions must be either TANF funds (including TANF Contingency Funds) or state funds claimed towards the MOE requirement. If a state has a Transitional Jobs program that has not previously been claimed towards the MOE requirement, it may wish to examine whether the participants are members of low-income families with children, meaning that all or a portion of the costs could be claimed as MOE. However, the Recovery Act gives the U.S. Department of Health and Human Services (HHS) the authority to adjust base year spending so that only true increases in spending can be claimed and states do not qualify just by claiming existing spending as TANF/MOE expenditures.

HHS notes that it may also adjust spending data so that a jurisdiction’s award is not unduly affected by the timing of the expenditures across quarters. This may be of particular relevance for states that pay Transitional Jobs contractors lump sum amounts for services provided in multiple quarters.

Transitional Jobs and the TANF Work Participation Requirements

Families that receive cash assistance under TANF are subject to a number of rules, including time limits on federally funded benefits and work participation requirements (50 percent of all families with an adult and 90 percent of two-parent families).^{*} These rules do not apply to individuals who are receiving wage subsidies as part of a Transitional Jobs program unless they also are receiving a residual cash assistance payment. (Whether this occurs depends on the wages and hours worked, as well as the state’s earned income disregard policy—which allows workers to keep a portion of their welfare payment that they would have otherwise lost because of earnings from a job.)

Transitional Jobs can be an effective strategy to help states meet higher work participation rates for individuals receiving cash assistance and to help individuals find

^{*} A single custodial parent with a child younger than six must participate for an average of 20 hours a week and all other parents must participate for an average of 30 hours a week to count toward the all families rate. Under the separate rate for two-parent families, the families must participate an average of 35 hours a week, or 55 hours if receiving federally funded child care.

jobs and move out of poverty. The subsidized work component of Transitional Jobs programs counts as “subsidized employment”, which is a core activity under TANF and can count toward all hours of a TANF recipient’s required hours of participation. Under TANF regulations, other components of a Transitional Jobs program can be counted as subsidized employment as long as all hours of activity are paid.¹¹

Transitional Jobs have many advantages over “workfare” programs in which recipients are required to “work off” their grant through unpaid activities. As noted before, wages received from a Transitional Jobs program are counted as earnings for participants and can help qualify them for a number of tax credits. They are thus far more financially beneficial to the participants than workfare. In addition, HHS regulations allow states to project hours of participation for subsidized employment for up to 6 months, once participation has been documented.¹² By contrast, each hour of participation in unpaid work experience must be documented by the provider. More fundamentally, receiving a paycheck creates a direct connection between work and wages and achieves the goal of “making work pay.”

More information about the various components of Transitional Jobs programs and assistance in creating or expanding existing programs is available from CLASP (www.clasp.org) and the National Transitional Jobs Network (www.transitionaljobs.net), a coalition of transitional jobs programs, policy organizations, and other sponsoring organizations that helps to develop and expand transitional jobs programs nationwide.¹³

¹ The ARRA is available at: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf. The Recovery Act refers to this provision as the TANF Emergency Contingency Fund. However, HHS in the Policy Announcement calls it the Emergency Fund in order to minimize confusion with the existing TANF Contingency Fund.

² Baider, Allegra and Abbey Frank, *Transitional Jobs: Helping TANF Recipients with Barriers to Employment Succeed in the Labor Market*. Center for Law and Social Policy, 2006: http://www.clasp.org/publications/transitional_jobs_06.pdf.

³ Kirby, Gretchen, et al. *Transitional Jobs: Stepping Stones to Unsubsidized Employment*. 2002. Washington DC: Mathematica Policy Research, Inc. Available online at: <http://www.mathematicampr.com/publications/PDFs/transitionalreport.pdf>.

⁴ For more information, see the National Transitional Jobs Network, Transitional Jobs Program Design Elements Fact Sheet: http://www.transitionaljobs.net/Resources/Downloads/Program_Design_new.pdf.

⁵ For a fuller description of non-displacement protections, see: Dietrich, Sharon, Maurice Emsellem, and Jennifer Paradise. *Employment Rights of Workfare Participants and Displaced Workers*. 2000. New York, NY: National Employment Law Project.

⁶ Youdelman, Sondra, with Paul Gestos. *Wages Work! An Examination of the New York City’s Park Opportunities Program (POP) and its Participants*. 2004. New York, NY: Community Voices Heard. Available online at: <http://www.cvhaction.org/english/reports/WagesWork.pdf>.

⁷ MOE funds on activities countable under the Responsible Fatherhood and Healthy Marriage grants are not limited to members of eligible families.

⁸ For more information about the TANF Emergency Contingency Fund, see Lower-Basch, Elizabeth, *Questions and Answers about the TANF Emergency Contingency Fund*, CLASP, updated April 3, 2009, available at: http://www.clasp.org/publications/tanf_efc_qanda030909final.pdf.

⁹ The Policy Announcement is available online at: <http://www.acf.hhs.gov/programs/ofa/policy/pa-ofa/2009/pa200901.htm>

¹⁰ The ACF-196 form and instructions are available online at:
<http://www.acf.hhs.gov/programs/ofa/policy/pi-ofa/2003/pi2003-2.htm>.

¹¹ See preamble discussion of 45 CFR § 261.2(b) as published at 73 Federal Register 6782, February 5, 2008.

¹² See 45 CFR § 261.60 (c)

¹³ The National Transitional Jobs Network provides links to several transitional jobs programs around the country. To learn more about individual programs, please visit:
<http://www.transitionaljobs.net/Programs/Programs.htm>.