

# Work-exempt TANF participants

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The Temporary Assistance for Needy Families (TANF) program uses work exemptions to accommodate the needs of mothers with newborns, and those who cannot work because of an injury or other documented disability. Since these circumstances differ greatly from those of participants who are subject to TANF work requirements, it is possible that work-exempt participants have substantially different TANF participation and socioeconomic outcomes. Understanding differences in characteristics and patterns of program participation, work, and earnings between work-exempt and work-required TANF participants may also have implications for how the TANF system can best serve different types of users. In this article, I describe work done with my colleague Jennifer Noyes, using Wisconsin administrative data to examine patterns of TANF use and employment among work-exempt and other TANF participants.<sup>1</sup>

## Welfare reform context

The welfare reform of the mid-1990s took a “work first” approach, while allowing low-income families to continue to receive subsidized child and health care benefits after parents, particularly single mothers, obtained employment. Much of the research on the effects of welfare reform has focused on employment outcomes. Nearly 20 years since these reforms were first implemented, we know that in general, single mothers are working more. However, for most low-income working women, greater labor force participation has not resulted in moves up the economic ladder. On average, wages continue to be low, work is often sporadic or fluctuating, and poverty remains fairly persistent among much of the target population. Political discussion, and to some extent policy, continues to focus on work. For example, the Deficit Reduction Act of 2006 expanded work requirements and sanctions, while narrowing what could be counted as work.

## TANF work exemptions

Considering participation and work outcomes by welfare participants without disaggregating exposure to work requirements assumes that the treatment received in TANF programs is homogenous across groups, which likely confounds results. In most states, TANF programs may temporarily exempt participants who have a documented disability, are pregnant, or who have recently given birth.<sup>2</sup> For anyone qualifying for such an exemption, the degree and extent of

work participation required looks vastly different from that expected of work-assigned program participants. It is possible that we are overstating the effects of work requirements on program and employment outcomes, because those who are exempt from work requirements may actually have better human capital characteristics, and thus may be more likely than other participants to find employment after their exemption expires.<sup>3</sup> The only research that has been done to date on TANF work exemptions focuses on maternity leave-taking.<sup>4</sup>

## Why it matters

Understanding differential use of TANF may have a number of policy implications. After spending months conducting interviews in Wisconsin welfare offices, I came away with the sense that the TANF program actually operated as three distinct and independent programs: for workers, new mothers, and participants who have a qualifying disability and are expected to be work-exempt for a period of at least 60 days (hereafter called *disabled*).<sup>5</sup> The differences included not just work participation, but also the degree of possible punitive actions, and the amount of exposure to efforts by caseworkers to connect participants to work. If TANF does indeed function as three different programs, then we would expect to see differences in program outcomes between the three groups. Understanding to what extent the program is assisting people who are not there for work could also be helpful in deciding how, and for whom, TANF resources should be used. There may also be implications for service delivery and tangential program modifications such as short-term disability and paid leave programs.

## Evidence from Wisconsin

As part of a study documenting the application process for Wisconsin Works, or W-2, Wisconsin’s TANF program, I conducted field observations and interviews in Wisconsin welfare offices during 2006. Using administrative data, I was able to consider demographic characteristics, pre-entry TANF and employment history, and TANF and employment outcomes for those subject to work requirements, new mothers, and disabled participants.

## Differences in TANF participation

Table 1 illustrates the differences between the three groups I observed utilizing Wisconsin’s TANF program. Application period, participation requirements, and mandatory activities all differ across the three groups. So, for example, TANF worker participants were required to be on-site or submitting job applications for 30 hours each week, while a person

**Table 1**  
**2006 Differences in W-2 Program Participation across Groups**

	Worker	Disabled	New Mother
Eligibility Requirements	Limited or no prior work experience; does not have documented disability	Documented disability	Infant three months or younger or at-risk pregnancy
TANF application period	12-day application period with assigned work activities; enrollment conditional on compliance	Abbreviated period; medical activities to address disability; no job search; enrollment as "disabled" participant conditional on verification of disability	Abbreviated period; no assigned work requirements; enrollment conditional on receipt of birth certificate or documentation of an at-risk pregnancy
Participation Requirements	30 hours per week of work or work-like activities	30 hours per week to address disability	Time for bonding with infant at home; no participation requirements
Mandatory Activities	Job search; community service job; educational activities	Depends on the disability. Examples: Physical: physical therapy; At-risk pregnancy: bed-rest; Mental Health: counseling. Can be a combination of activities	Not applicable
Time Limit	24 months	24 months	No limit <sup>a</sup>
Caseworker Interactions	High	Moderate	Low
Agency Monitoring	High	Moderate	Low
Exposure to Discretionary Action (Sanctions)	High	Moderate	Low

**Notes:** "Eligibility requirements" indicates criteria other than income eligibility, which all participants must have.

<sup>a</sup>Participants who enter New Mother participation from another type of TANF participation have the New Mother months counted for their overall participation time limit (60 months). In 2006 there were no formal time limits to New Mother participation.

qualifying for an exemption because of a disability had to spend the same amount of time addressing the disability through physical therapy, doctor appointments, taking prescribed medication, or related activities assigned by their caseworker. In contrast, new mothers were expected to spend time at home with their infants, and had no other TANF participation requirements. Bureaucratic interaction with TANF staff also appears to vary greatly across these groups, due to the different breadth and scope of discretion in punitive actions allowed for each type of TANF participant. Caseworkers monitored every hour of a worker's participation, and workers could be sanctioned for missing an hour of required work activities. For participants in the disabled group, it was more common for caseworkers to monitor compliance on a weekly basis, using reports from doctors and participants. New mothers have no participation requirements and are thus not monitored during the exemption, and could be sanctioned only for failure to comply with child support requirements (as could any other TANF participant).

## Findings

In order to better understand the policy implications of the differences between these three groups, I assess: (1) whether work-exempt participants represent a significant share of TANF entrants; (2) patterns of TANF use across the groups; and (3) patterns of employment across the groups. As shown in Table 2, I found that a majority of TANF participants were in an exempt category; 48 percent were new mothers, an additional 17 percent were disabled, and the remaining 35 percent fell into the non-exempt worker category. Table 2 also shows differences in characteristics between the groups; as expected, the disabled were more likely to be older, while

new mothers were more likely to be younger. Some human capital differences are also evident; though all groups are clearly disadvantaged, new mothers were substantially more likely than those subject to work requirements to have at least a high school diploma.

Figures 1 and 2 show TANF use and employment history in the year prior to TANF entry, and confirm the human capital findings; over three-quarters of new mothers had not received TANF in the year prior to entry, while about half of each of the other groups had no receipt. Those with a disability exemption were the most likely to have spent more than 6

**Table 2**  
**Characteristics across TANF Groups**

	All	Worker	New Mother	Disabled
Characteristics	<i>N</i> = 682	<i>n</i> = 238	<i>n</i> = 328	<i>n</i> = 116
	100%	34.9%	48.1%	17.0%
Age				
20 Years or Younger	31.1%	36.6%	36.3%	5.2%
21–25 Years	23.6	20.6	28.4	16.4
26–33 Years	27.6	22.3	29.0	34.5
34 Years or Older	17.7	20.5	6.4	44.0
Race				
White	10.7	5.5	14.3	11.2
African American	78.5	88.7	72.3	75.0
Less than High School Diploma				
	66.6	79.4	59.2	61.2
Never Married				
	91.8	93.3	93.9	82.8
Number of Children				
One	47.1	57.1	46.3	28.5
Two	28.8	23.5	26.2	35.3
Three	26.0	18.9	27.4	36.0

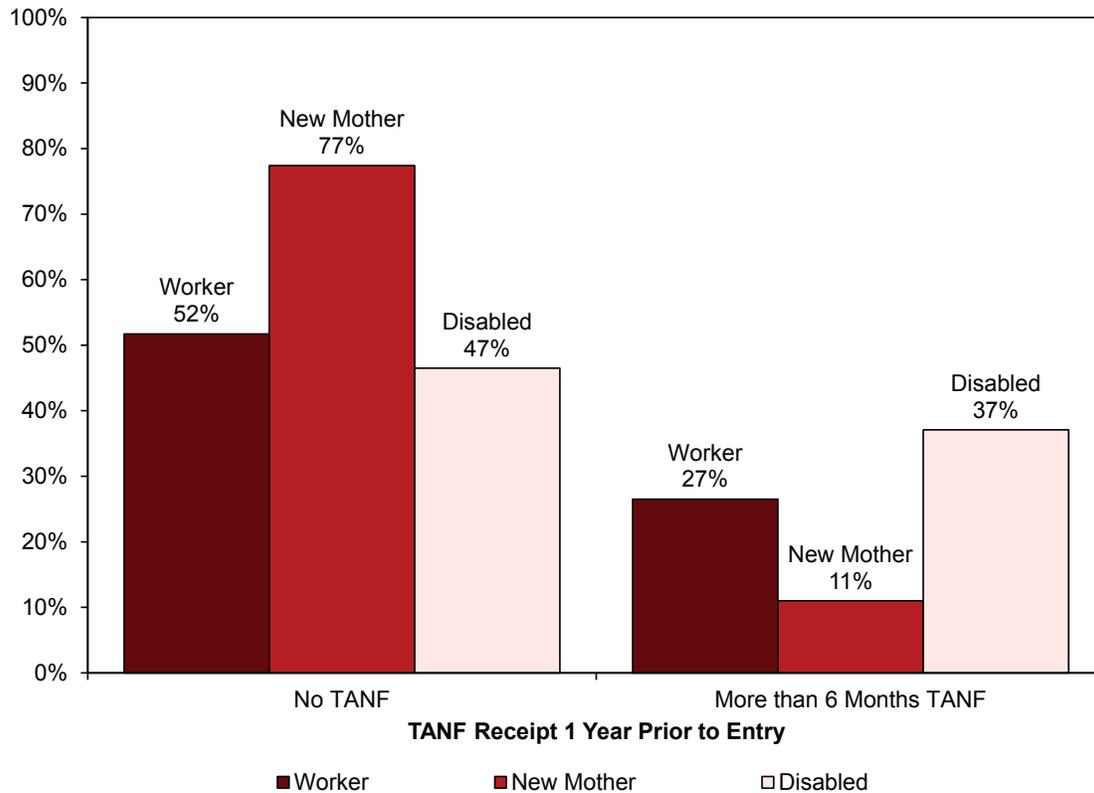


Figure 1. Pre-entry TANF use across groups.

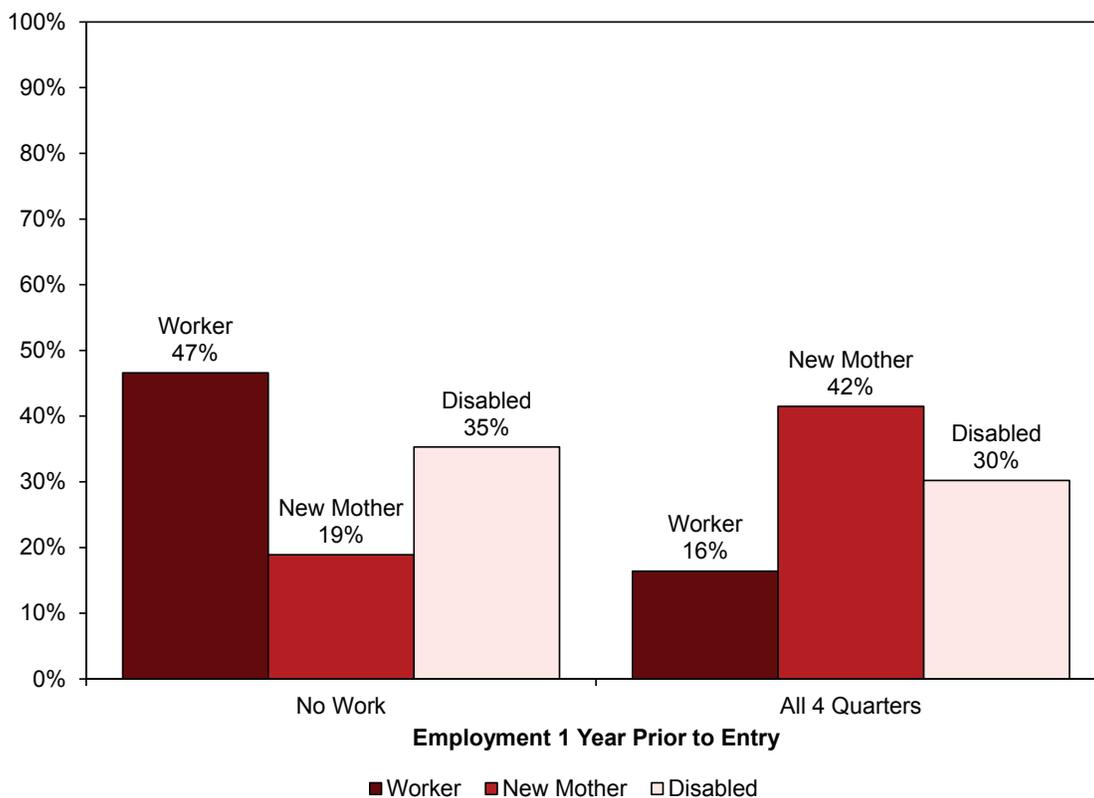


Figure 2. Pre-entry employment across groups.

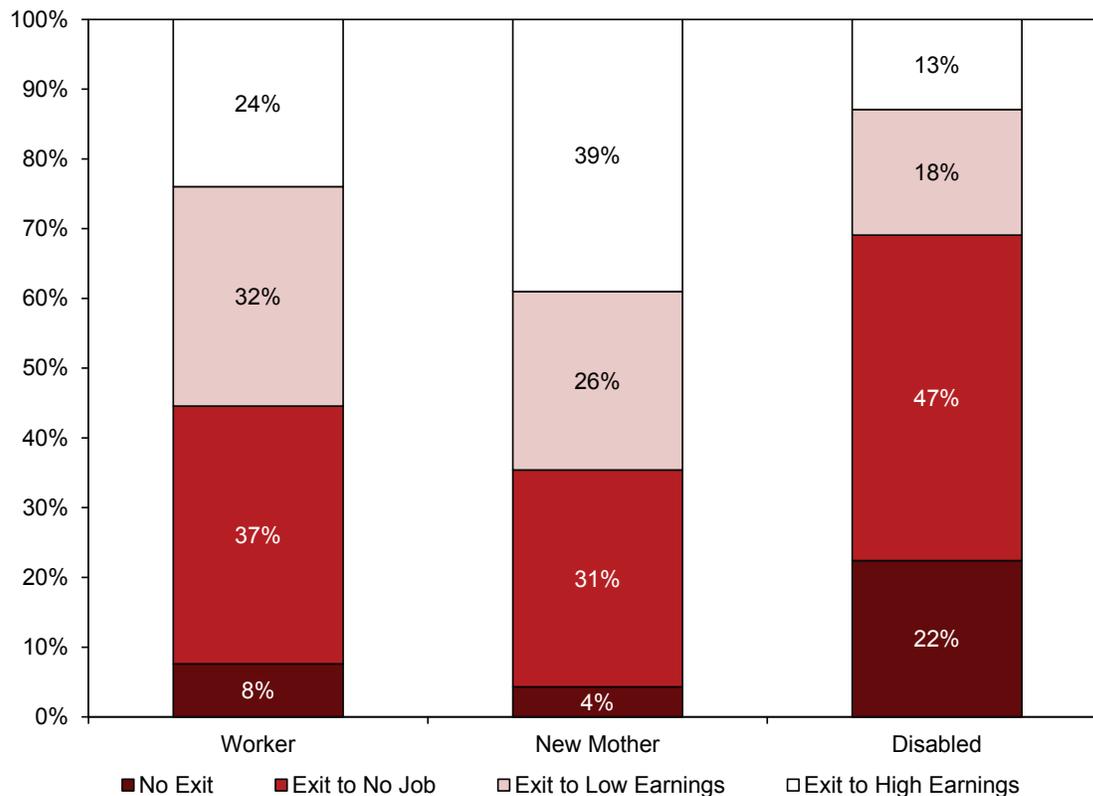


Figure 3. TANF exits and earnings levels across groups.

months on TANF in the prior year. Looking at employment history in Figure 2, less than 20 percent of new mothers (and largely the youngest of those mothers) had no work history in the past year, while close to half of those subject to TANF work requirements had not worked. New mothers, and to a lesser extent those in the disabled group, were also more likely than those subject to work requirements to have been employed in each quarter of the previous year.

Overall, 8.5 percent of participants remained on TANF over a 24-month period; this percentage varied over the three groups, ranging from under 5 percent for new mothers, to nearly one-quarter of those with a disability. Those subject to work requirements were least likely to remain on TANF for only one spell, indicating that they were more likely to be “churners” who cycle on and off TANF. Among both new mothers and the disabled, around three-quarters had only one spell on TANF, but the length of that one spell varied greatly between the two groups, with new mothers staying on for an average of only 5.5 months, while the disabled averaged twice that.

Figure 3 shows who exited TANF for work during the two years following TANF entry, and whether the job paid lower or higher wages, with “lower” defined as equal to or below full time at minimum wage, and “higher” being either at or above a full-time minimum wage position. About 65 percent of new mothers exited to a job, with about 60 percent of those obtaining a higher wage position. Those who were disabled

were the least likely to exit for work (about 30 percent), and the most likely to either exit without a job (just under half), or remain on TANF. Among those who were subject to TANF work requirements, about 55 percent exited to a job, and around 55 percent of those obtained a lower-wage position. A regression analysis confirmed that these results remain when demographic characteristics are controlled for.

### Summary and policy implications

I found that those subject to work requirements are the minority of TANF entrants in Wisconsin, and that just under half enter for means-tested maternity leave. The three groups of participants I considered look remarkably different: those subject to work requirements have less human capital and tend to be TANF cyclers; new mothers have more human capital and tend to be TANF leavers; and those with a disability are older and tend to be TANF stayers (within the time limits of the program). Employment outcomes also vary across groups; new mothers are most likely to exit TANF for work (and most likely to exit to a higher-wage job); disabled participants are most likely to not exit TANF or to exit without employment; and workers are more heterogeneous in employment outcomes with most exiting for work (and the largest share exiting to lower-wage jobs).

Given that TANF participants are a diverse group with significant differences in human capital characteristics and

program and employment outcomes, it may be time to consider expanding other programs or creating different sets of programs in order to target services towards specific needs. For instance, substituting social insurance programs, such as Temporary Disability Insurance for disabled TANF participants and paid leave for new mothers, may free up TANF resources for the program's target population—those who need assistance finding employment—and thus better meet the needs of all. At the same time, we should not overlook potential tradeoffs in transitioning some participants to social insurance programs. It may be that new mother and disabled TANF participants are linked to other vital resources such as Medicaid, Supplemental Nutrition Assistance Program (SNAP), and child care subsidies during TANF program participation, connections that may not readily occur in the context of a social insurance program. ■

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<sup>1</sup>Information on the W-2 Applicant Project from which these data were drawn can be found here: <http://www.irp.wisc.edu/research/welreform/wisconsin.htm#w2appl>

<sup>2</sup>States vary in their pregnancy exemptions; some will exempt only for high-risk pregnancies, others will exempt early in the pregnancy, and others will not exempt for pregnancy at all.

<sup>3</sup>M. Cancian, J. L. Noyes, and M. Ybarra, "The Extended TANF Application Period and Applicant Outcomes: Evidence from Wisconsin," *Social Work Research* 36, No. 4 (2012): 273–288.

<sup>4</sup>See, for example, H. D. Hill, "Welfare as Maternity Leave? Exemptions from Welfare Work Requirements and Maternal Employment," *The Social Service Review* 86, No. 1 (2012): 37–67; and M. Ybarra, "Implications of Paid Family Leave for Welfare Participants," *Social Work Research* 37, No. 4 (2013): 375–387.

<sup>5</sup>"Disabled" here is used to describe individuals who are exempt from work requirements because they have one of the following qualifying disabilities: health, mental health, substance abuse, domestic violence, or are the caretaker of an incapacitated child. The work exemption for disabled participants extends until well-being improves to the degree that the disability no longer interferes with work, or the participant reaches the 60-month limit on TANF receipt.