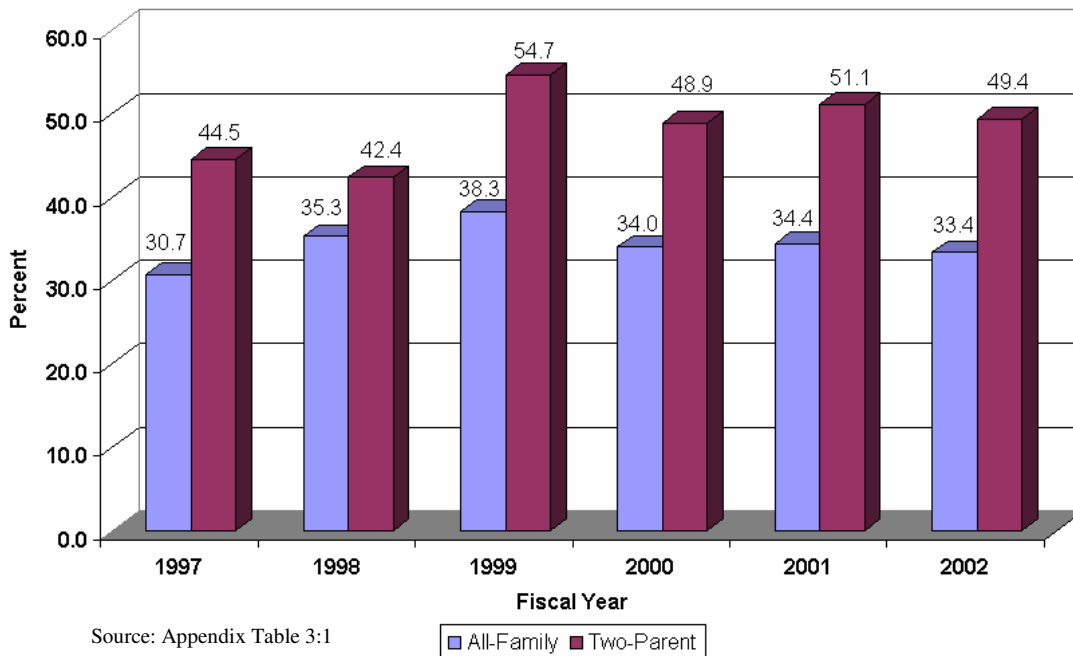


### III. WORK PARTICIPATION RATES

Work participation rates measure the degree to which parents in TANF families are engaged in work activities that lead to self-sufficiency. An average of 33.4 percent of non-exempt TANF adults met Federal all-family work participation standards by averaging monthly participation in qualified work activities for at least 30 hours per week, or 20 hours per week if they had children under age six (Appendix Table 3:1). This represents a decline from Fiscal Year (FY) 2001, when average participation was 34.4 percent. This year's rate remains above the 30.7 percent attained in FY 1997, TANF's first year, but well below the 38.3 percent peak achieved in FY 1999. All-family work rates increased in 19 States and Territories, and declined in 34 (Appendix Table 3:1:b). The all-family rates since 1997 are presented in Figure A.

**Figure A**  
**TANF Work Participation Rates**

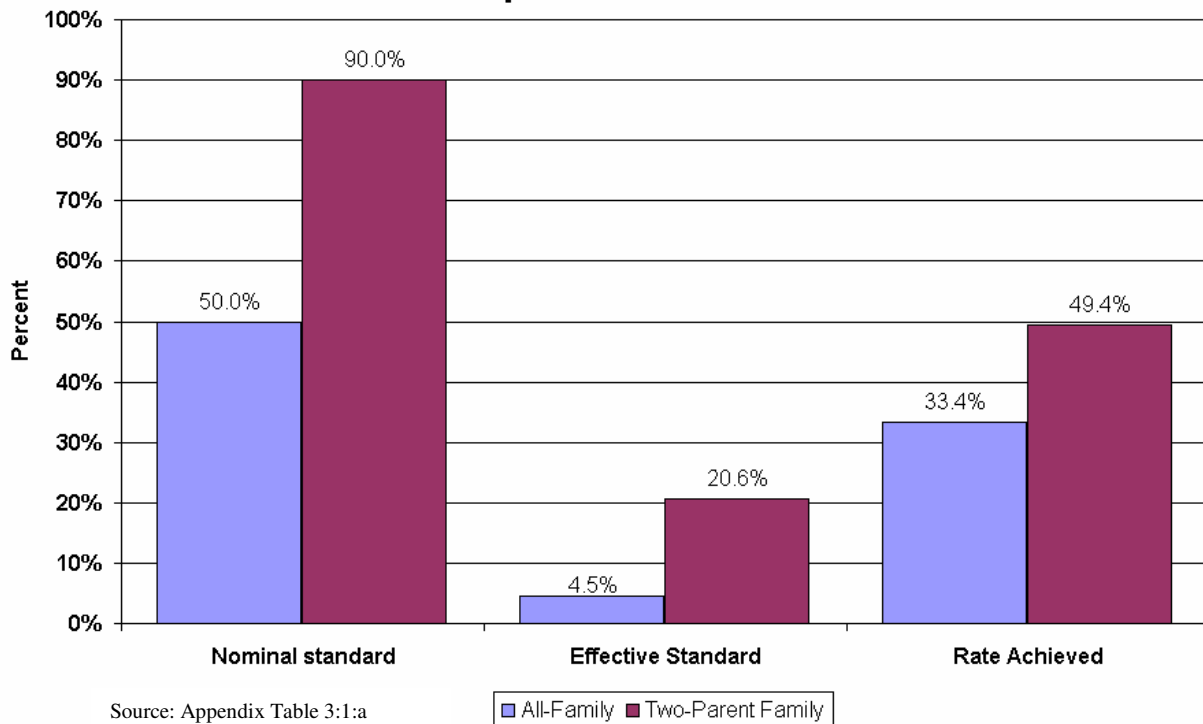


An additional 8.3 percent of non-exempt TANF adults participated in work activities for at least one hour per week, but did not attain sufficient hours to qualify toward the work rate. States reported zero hours of participation in qualified activities for the remaining 58.3 percent of non-exempt adults (although some likely participated in non-qualifying activities), which is 1.5 percentage points higher than in FY 2001 (Appendix Table 3:1 and Appendix Table 3:4:a).

Many TANF cases are exempt from work rate calculations, with child-only cases being the most significant group. Cases where a parent has been sanctioned for non-compliance are not included for up to three months while sanctioned, and those with children under one can be exempted at State discretion. Other cases exempted include: cases that are part of an ongoing research evaluation, cases covered under an approved welfare reform waiver that is inconsistent with current law (the statute allows these cases to be exempted), and cases that are participating in a Tribal work program. These exempted cases accounted for approximately 49.5 percent of the full TANF caseload in FY 2002, an increase of 4.2 percent from FY 2001.

TANF requires States and Territories to meet two separate minimum work participation standards each year, one for all families and another for two-parent families receiving TANF. However, each jurisdiction has received a credit against both of these standards for net caseload reduction since FY 1995. In FY 2002, the all-family nominal minimum participation rate requirement was 50 percent for single-parent families, and 90 percent for two-parent families. However, due to tremendous caseload reductions, the average (weighted) effective minimum work participation requirement in FY 2002 was only 4.5 percent for all families and 20.6 percent for two-parent families (Appendix Table 3:1:a). Figure B compares annual national participation rates achieved with both the nominal (50 or 90) and effective (after reduction) required minimum rates.

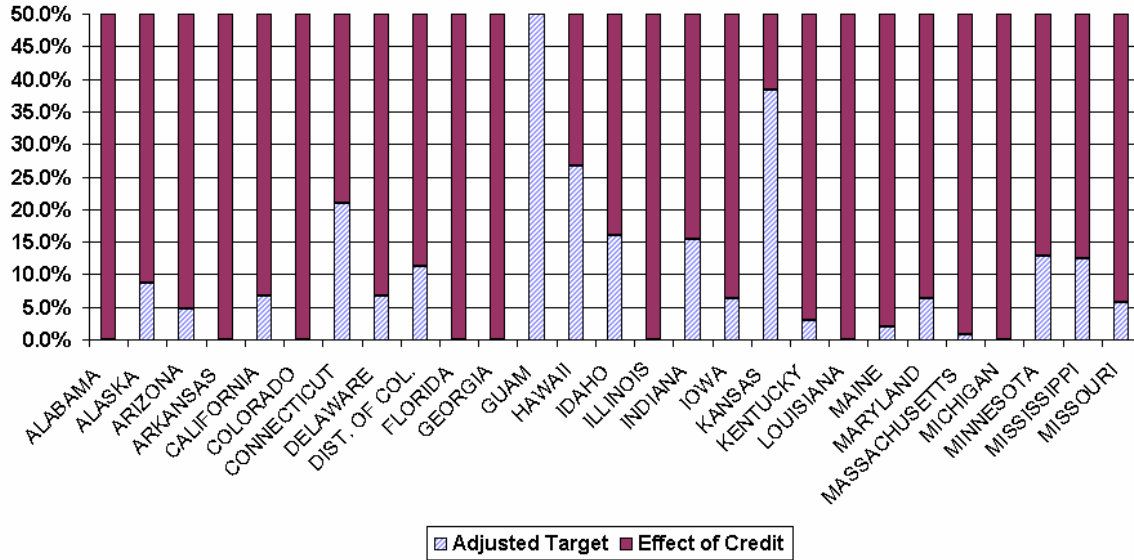
**Figure B**  
**U.S. Work Participation Rates and Standards**



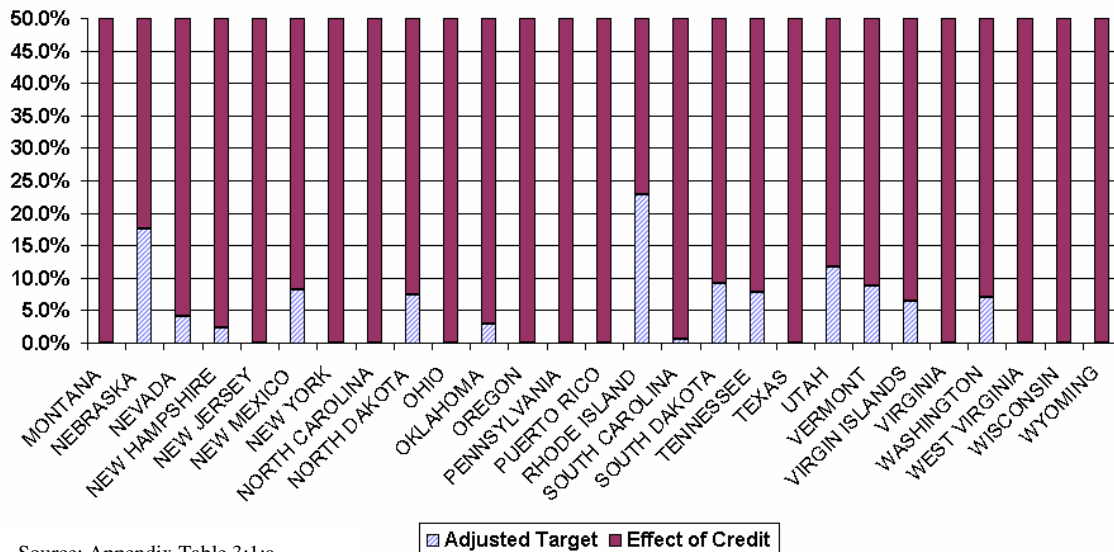
Twelve States achieved work participation rates over 50 percent, and seven did so because they were allowed a more generous participation definition under State law (Appendix Table 3:1:a). All States and Territories met their required all-parent rate except for Guam, which has failed to report its rate since 2000. Twenty-one States had sufficient caseload reduction credits to reduce

their effective required all-parent rate to zero. Only twelve States faced an effective minimum greater than ten percent (Appendix Table 3:1:a). The effect of the caseload reduction credits on individual State minimums for FY 2002 is displayed in Figure C.

**Figure C**  
**Effect of Caseload Reduction Credits on Overall Participation Rates, FY 2002**  
 Alabama to Missouri



**Figure C (cont.)**  
**Effect of Caseload Reduction Credits on Overall Participation Rates, FY 2002**  
 Montana to Wyoming

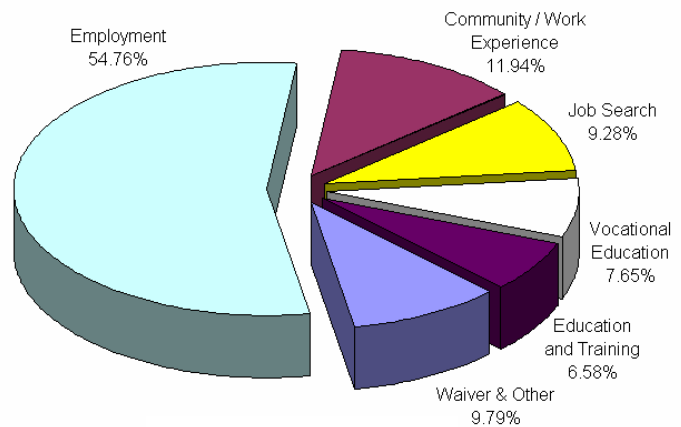


Source: Appendix Table 3:1:a

The two-parent national average participation rate fell to 49.4 percent in FY 2002 from 51.1 percent in FY 2001. Twenty-four jurisdictions served their two-parent families through a Separate State Program (SSP) and were not subject to the two-parent work participation requirements. Thirty jurisdictions serve two-parent families through TANF, and five (Arkansas, Washington, D.C., Guam, Missouri, and West Virginia) failed to meet their required two-parent minimum rates in the year (Appendix Table 3:1:a).

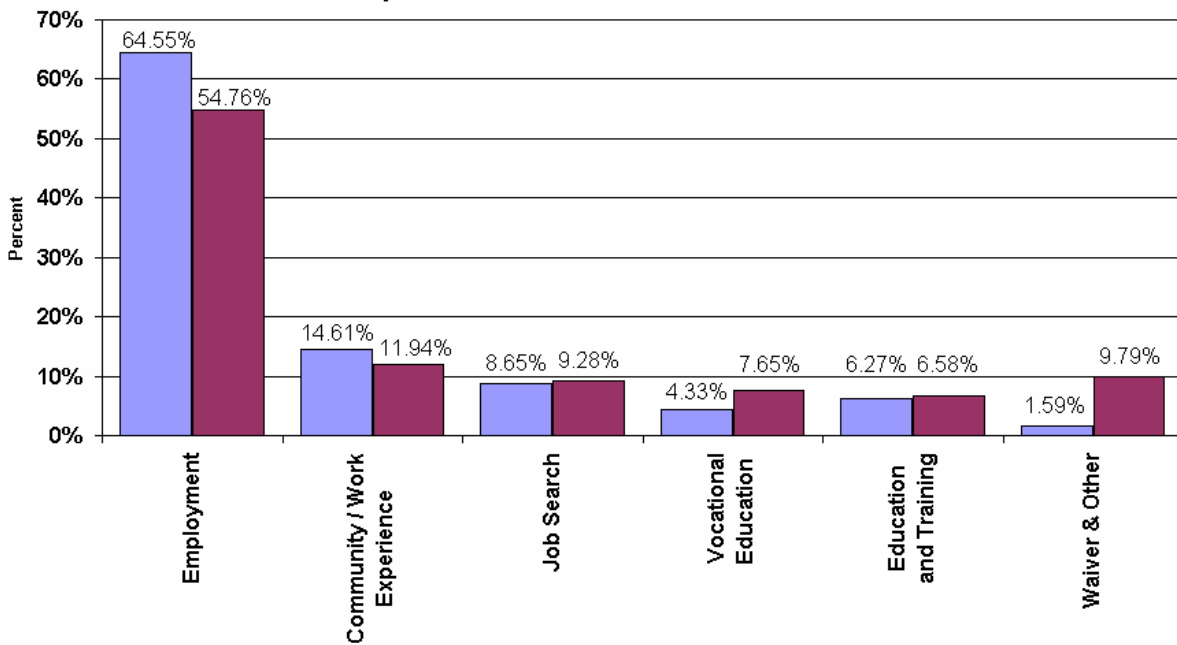
During FY 2002, 41.7 percent of non-exempt adults nationally participated in qualified work activities for at least one hour per week in an average month (Appendix Table 3:4:a). As a group, they averaged 28.5 hours of qualified participation per week (Appendix Table 3:5). Figure D displays the breakdown of these hours by work activity. Figure E compares the proportions in each category in FY 2002 and FY 1997.

**Figure D**  
Total Hours of Reported TANF Participation by Activity  
U.S. Monthly Average, FY 2002



Source: Appendix Table 3:4:d

**Figure E**  
Percent of Total Hours of Participation by Work Activity  
Comparison of FY 1997 and FY 2002



Source: Appendix Table 3:4:d (FY 2002)  
TANF Data Report (FY 1997)

■ 1997 ■ 2002

Two-thirds of all hours claimed toward work participation rates involved direct work, mostly in employment but also in community work experience (Appendix Table 3:4:d). Several States operating under former AFDC waivers that were continued under TANF were able to count certain activities that otherwise would not meet the Federal work definition. During the year, these activities accounted for nearly 10 percent of all reported hours (Appendix Table 3:4:d).

### **FY 2002 Work Participation in SSP-MOE Programs**

There are no statutory work requirements or minimum participation rate standards for families in SSPs. In fact, reporting on work participation is optional unless the State wants to compete for the High Performance Bonus or receive a caseload reduction credit. Thirty States have established SSPs that provide assistance (Appendix Table 3:8). Nineteen States (Alabama, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Maryland, Minnesota, Nebraska, Nevada, New Jersey, Rhode Island, Tennessee, Texas, Utah, and Virginia) have moved all or part of their two-parent families to SSPs. For SSPs, the FY 2002 National average all-family work participation rate is 41.6 percent, and the FY 2002 National average two-parent families work participation rate is 39.4 percent (Appendix Table 3:8). Appendices to this chapter include the State-by-State data used to calculate work participation rates and other related information.

### **Work Participation Penalties**

#### *Penalty Process*

Each year, States submit to HHS case-level data on participation in work activities, as well as information needed to calculate the caseload reduction credits. HHS calculates the participation rate achieved by each State, with and without waivers, and the caseload reduction credit. HHS then notifies each State of the participation rate it achieved and whether it is subject to a penalty. A State that fails to meet a participation rate has 60 days to submit a request for a reasonable cause exception or submit a corrective compliance plan.

To ensure State accountability, HHS has defined a limited number of circumstances under which States may demonstrate reasonable cause. The general factors that a State may use to claim reasonable cause exceptions include (1) natural disasters and other calamities; (2) Federal guidance that provided incorrect information; and (3) isolated problems of minimal impact. There are also two specific reasonable cause factors for failing to meet the work participation rate: (1) federally recognized good cause domestic violence waivers; and (2) alternative services provided to certain refugees.

The statute requires a reduction in the work participation penalty based on the degree of the State's noncompliance. The TANF regulations include a formula for calculating such reductions. This formula incorporates the following: (1) a reduction for failing only the two-parent work participation rate (prorating the penalty based on the proportion of two-parent cases in the State); (2) two tests of achievement for any further reduction; and (3) a reduction based on the severity of failure. The formula combines three measures for determining the severity of a

State's failure: (1) the amount by which it failed to meet the rate; (2) the State's success in engaging families in work; and (3) how many consecutive penalties it had and how many rates it failed to meet. In addition to the required penalty reduction, the Secretary also has the discretion to reduce a work participation rate penalty for certain other reasons.

If a State does not demonstrate that it had reasonable cause, it may enter into a corrective compliance plan that will correct the violation and insure continued compliance with the participation requirements. If a State achieves compliance with work participation rates in the time frame that the plan specifies, then we do not impose the penalty. Table A summarizes this penalty information for FY 1997 through FY 2002.

**Table A**  
**Work Participation Rate Penalties by Year**

Received Penalty Notice	Reasonable Cause Exception	Submitted Corrective Compliance Plan	Achieved Compliance	Failed Compliance	Other Outcome	
<b>FY 1997</b>						
Alabama Michigan Mississippi Nebraska Nevada New Jersey N. Carolina Ohio	Oklahoma Texas Virginia Washington West Virginia	California Dist. of Col. Kansas Maine Michigan Nebraska Nevada	New Jersey N. Carolina Ohio Texas Virginia Washington	Kansas Maine Michigan Nevada Ohio Texas Washington	Dist. of Col. Nebraska N. Carolina	Alabama, Mississippi—penalty waived, too small Arizona, California—revised data, no penalty Iowa, Oklahoma, West Virginia—accepted penalty New Jersey, Virginia—rescinded plan, accepted penalty
<b>FY 1998</b>						
Alaska Nebraska New Mexico N. Carolina Pennsylvania Puerto Rico Rhode Island Texas	Virginia Virgin Islands Washington West Virginia	Alaska Arkansas Dist. of Col. Minnesota Nebraska New Mexico	N. Carolina Pennsylvania Rhode Island Texas Washington	Alaska Minnesota Nebraska Pennsylvania Rhode Island Texas Washington	Arkansas Delaware Dist. of Col. New Mexico N. Carolina	Puerto Rico—revised data, no penalty Virginia—moved two-parent families to separate State program, no penalty Guam, W. Virginia, Virgin Isl.—accepted penalty North Carolina—penalty reduced after corrective compliance period
<b>FY 1999</b>						
Alaska Minnesota Nebraska New Mexico North Carolina West Virginia Virgin Islands	None	Alaska Arkansas Colorado Dist. of Col. Guam	Minnesota Nebraska New Mexico Virgin Islands	Alaska Colorado Dist. of Col. Minnesota New Mexico Virgin Islands	Arkansas Guam Nebraska	North Carolina, West Virginia—accepted penalty
<b>FY 2000</b>						
Alaska Arkansas Guam Minnesota Mississippi	North Carolina —penalty reduced	Alaska Arkansas Minnesota New Mexico Virgin Islands	Alaska Minnesota New Mexico Virgin Islands	Alaska Minnesota New Mexico Virgin Islands	Arkansas	Wisconsin—revised caseload reduction credit, no penalty Guam, Mississippi, North Carolina—accepted penalty
<b>FY 2001</b>						
Arkansas Dist. of Col. Guam	None requested	Arkansas* Minnesota Dist. of Columbia* Virgin Islands	Minnesota Virgin Islands	Minnesota Virgin Islands		Guam, Mississippi—accepted penalty
<b>FY 2002</b>						
Arkansas Guam Dist. of Columbia Missouri West Virginia	None requested	Arkansas* Dist. of Columbia* Missouri* West Virginia*				

\* Corrective Compliance Plan still in effect.

