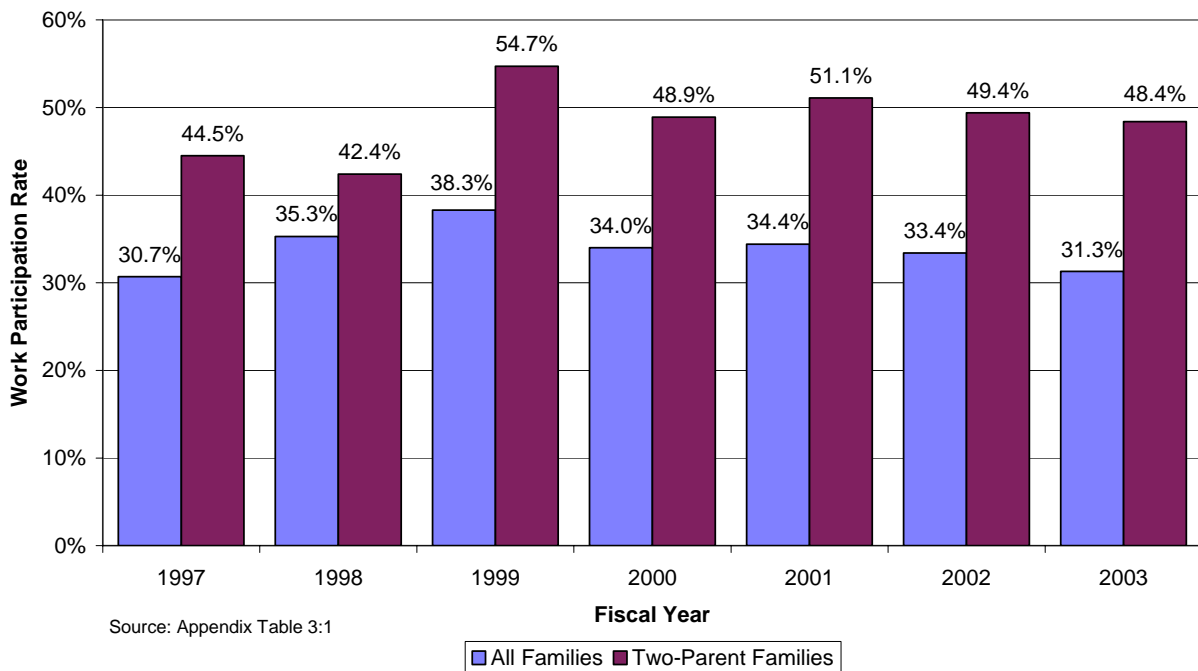


### III. WORK PARTICIPATION RATES

Work participation rates measure the degree to which TANF families are engaged in work activities that lead to self-sufficiency. In Fiscal Year (FY) 2003, the national average all families participation rate was 31.3 percent. To count toward the rate, a family must include an adult or minor head-of-household who is engaged in qualified work activities for at least 30 hours per week, or 20 hours per week if they were a single parent with a child under six years of age (Appendix Table 3:1). This represents a 2.1 percentage point decline from the FY 2002 national average participation rate of 33.4 percent. As shown in Figure A, the FY 2003 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. The all families work participation rate increased in 24 States and 2 Territories, but declined in 27 States (Appendix Table 3:1:b).

**Figure A**  
**TANF Work Participation Rates, FY 1997 - FY 2003**

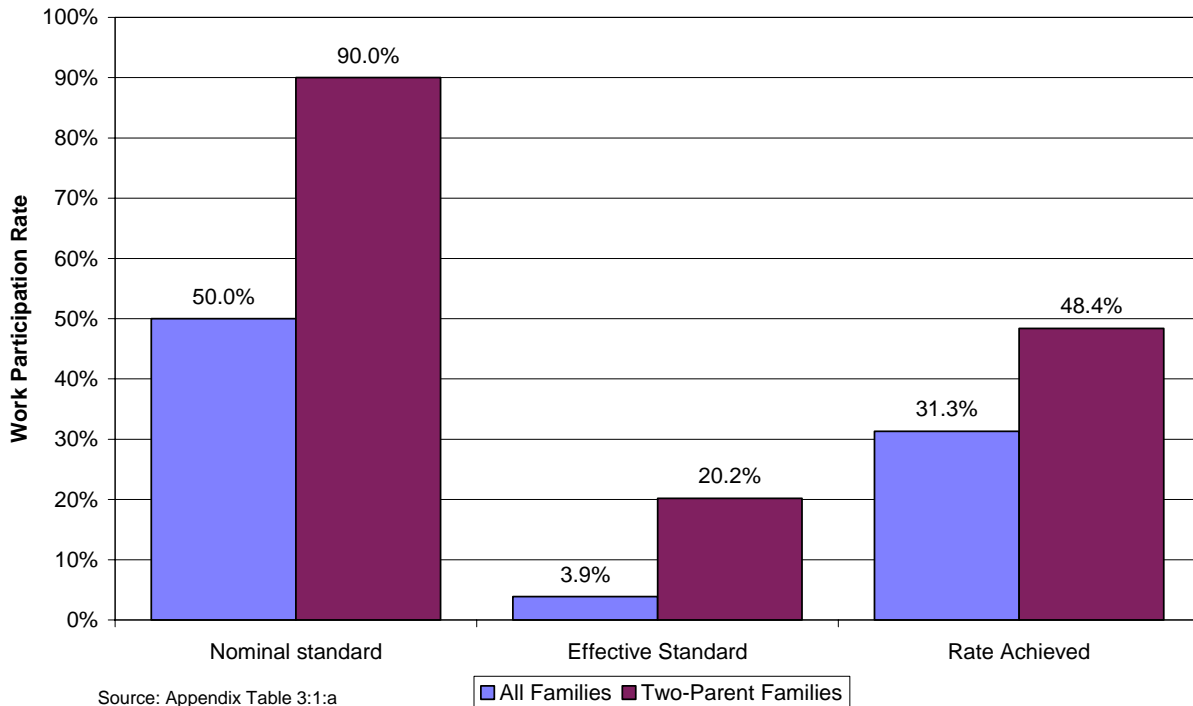


An additional 13.4 percent of non-exempt TANF adults participated in countable work activities for at least one hour per week, but did not attain sufficient hours to qualify toward the work rate.

States and Territories reported zero hours of participation in qualified activities for the remaining 58.8 percent of non-exempt adults (although some likely participated in non-qualifying activities but did not have sufficient hours to count toward the rate). This is 0.5 percentage points higher than in FY 2002 (Appendix Table 3:4:a).

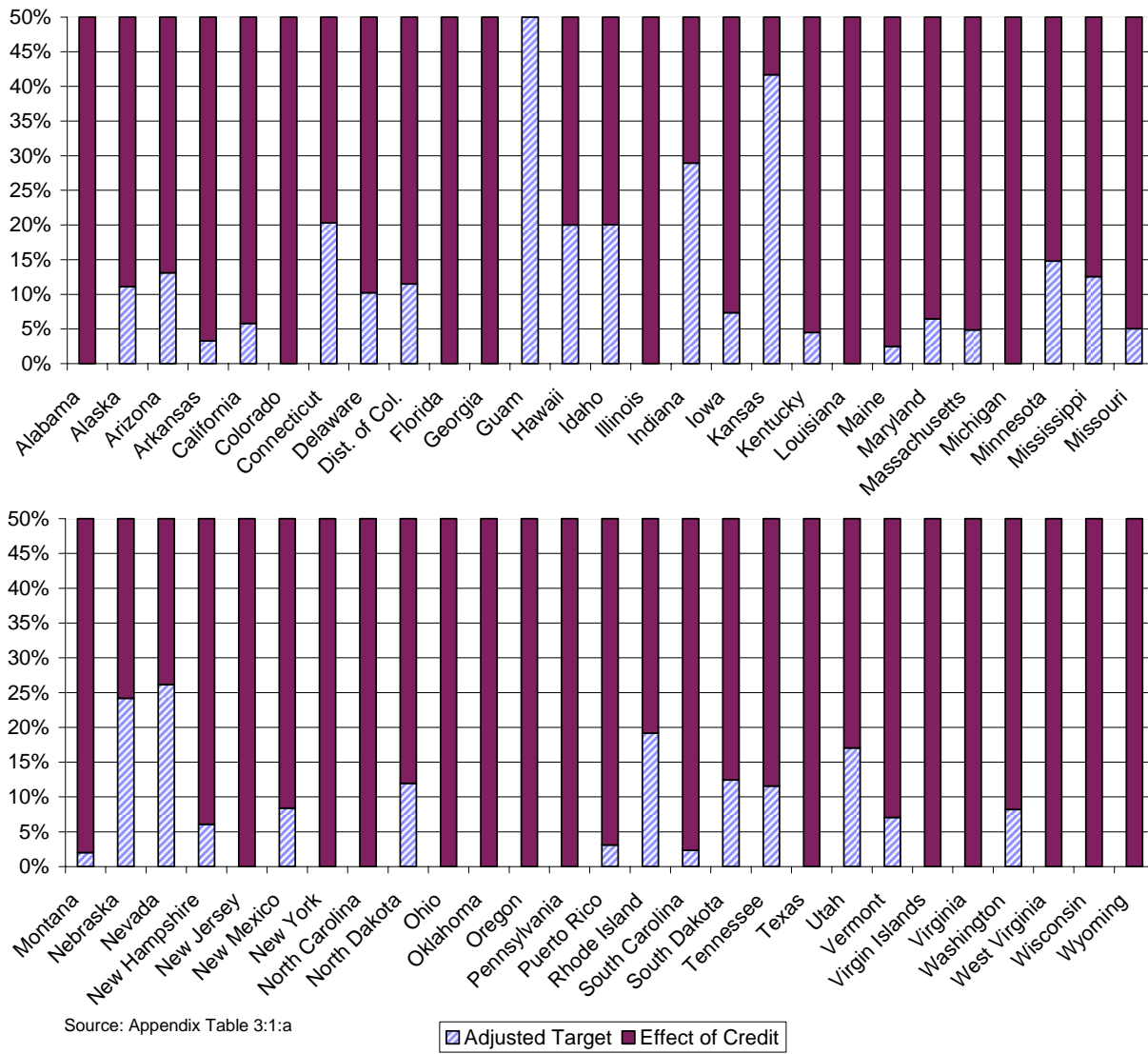
While TANF requires States and Territories to meet two separate minimum work participation standards each year, one for all families and another for two-parent families, each jurisdiction (except Guam) received a credit against both of these standards for caseload reductions since FY 1995. The credit as provided by the statute equals the reduction in the State’s average monthly TANF caseload in the prior year compared to its average monthly Aid to Families with Dependent Children (AFDC) caseload in FY 1995, but it excludes reductions due to Federal Law or to changes in eligibility. In FY 2003, the all families nominal minimum participation rate requirement was 50 percent, and the two-parent families nominal minimum participation rate was 90 percent. However, due to tremendous caseload reductions, the average (weighted) effective minimum work participation requirement in FY 2003 was only 3.9 percent for all families and 20.2 percent for two-parent families. 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, FY 2003**



Ten States achieved all families work participation rates of over 50 percent, and six of these did so because they were allowed to apply more generous criteria in defining program activities, excluding certain groups from participation requirements, or adopting an alternative hourly standard for participation under a Federal waiver (Appendix Table 3:1:a). All States and Territories met their required all families rate except for Nevada and Guam. Nineteen States and one Territory had sufficient caseload reduction credits to reduce their effective required all families rate to zero. Only 19 States faced an effective minimum greater than 10 percent (Appendix Table 3:1:a). The effect of the caseload reduction credits on individual State minimums for FY 2003 is displayed in Figure C.

**Figure C**  
**Effect of Caseload Reduction Credits on**  
**All-Families Participation Rates**  
**FY 2003**

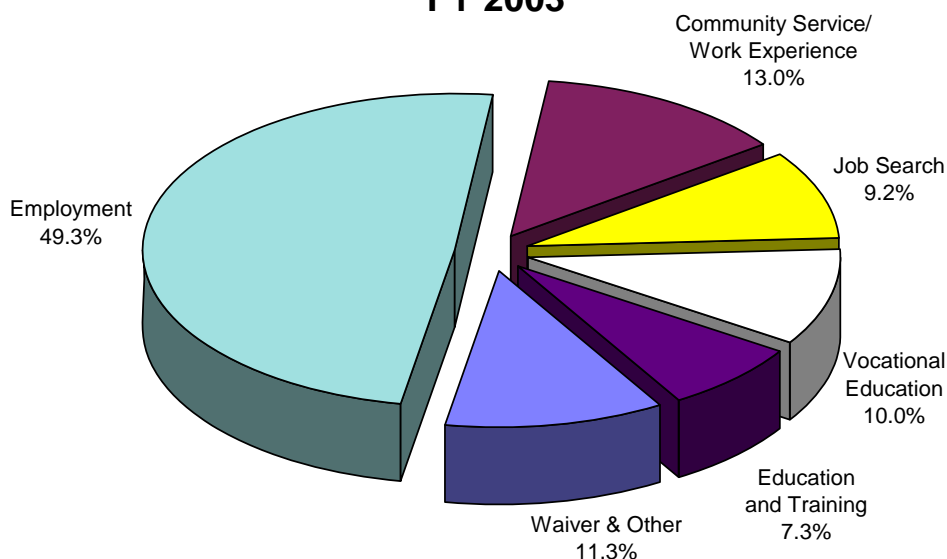


The FY 2003 two-parent national average participation rate was 48.4 percent, down from 49.4 percent in FY 2002. Five jurisdictions—Mississippi, North Dakota, Puerto Rico, South Dakota, and the Virgin Islands—did not serve two-parent families. Twenty jurisdictions served all of their two-parent families through a Separate State Program (SSP) and were not subject to the two-parent work participation requirements. Twenty-eight jurisdictions served two-parent families through TANF, and four (Arkansas, Washington, D.C., Guam, and West Virginia) failed to meet their required two-parent rate in FY 2003 (Appendix Table 3:1:a).

Many TANF cases are excluded 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 during the sanction, and those with children under one can be disregarded at State discretion. Other cases excluded are those that are part of an ongoing research evaluation, those covered under an approved welfare reform waiver that is inconsistent with current law, and those participating in a Tribal work program (see Appendix Table 3:3:a). These excluded cases accounted for approximately 50.0 percent of the full TANF caseload in FY 2003, an increase of 0.5 percentage points from FY 2002.

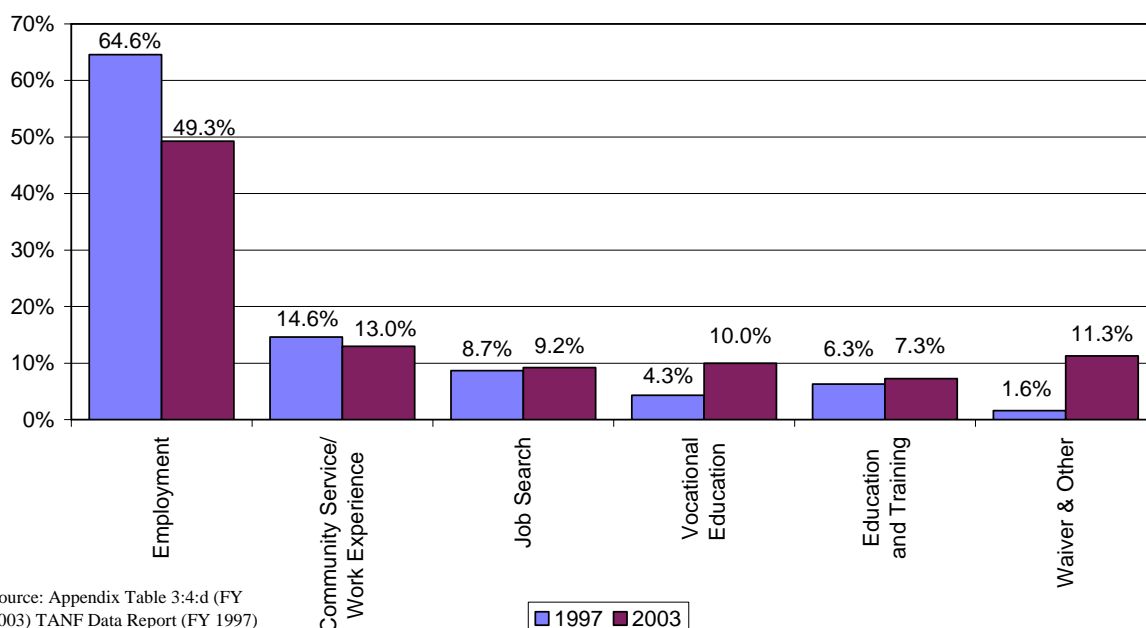
During FY 2003, 41.2 percent of adults nationally participated in qualified work activities for at least one hour per week in an average month (Appendix Table 3:4:a). As a group, they averaged 28.2 hours of qualified participation per week (Appendix Table 3:5). Figure D displays the breakdown of these hours by work activity. Figure E compares the proportions in each category in FY 2003 and FY 1997.

**Figure D**  
**Average Hours of Participation for**  
**All Adults by Work Activity**  
**FY 2003**



Source: Appendix Table 3:4:d

**Figure E**  
**Percent of Total Hours of Participation by Work Activity**  
**Comparison of FY 1997 and FY 2003**



Source: Appendix Table 3:4:d (FY 2003) TANF Data Report (FY 1997)

Sixty-two percent of all hours claimed toward work participation rates involved direct work, mostly in employment but also in community service and work experience (Appendix Table 3:4:d). Several States operating under former Aid to Families with Dependent Children (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 more than 11 percent of all reported hours (Appendix Table 3:4:d).

### **FY 2003 Work Participation in Separate State Programs (SSPs)**

There are no statutory work requirements or minimum participation rate standards for families in Separate State Programs. Technically, reporting on work participation is optional unless the State wants to compete for the High Performance Bonus or receive a caseload reduction credit. Twenty-nine jurisdictions have established SSPs that provide assistance (Appendix Table 3:8). Twenty-two States (Alabama, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Maine, Maryland, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, Rhode Island, Tennessee, Texas, Utah, and Virginia) have moved all or part of their two-parent families to Separate State Programs. For Separate State Programs, the FY 2003 National average all family work participation rate is 37.4 percent and the FY 2003 National average two-parent work participation rate is 31.8 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 the U.S. Department of Health and Human Services (HHS) case-level data on participation in work activities, as well as information needed to calculate the caseload reduction credits (about half submit sample data, while others submit universe data). 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 HHS does not impose the penalty. Table A summarizes this information for FY 1997 through FY 2003.

Table A

Summary of Work Participation Rate Penalty Action							
Received Penalty Notice		Reasonable Cause Exception	Submitted Corrective Compliance Plan		Achieved Compliance	Failed Compliance	Other Outcome
<b>FY 1997</b>							
Alabama Arizona California Dist. of Col. Iowa Kansas Maine Michigan Mississippi Nebraska	Nevada New Jersey North Carolina Ohio Oklahoma Texas Virginia Washington West Virginia	None Granted	California Dist. of Col. Kansas Maine Michigan Nebraska Nevada	New Jersey North Carolina Ohio Texas Virginia Washington	Kansas Maine Michigan Nevada Ohio Texas Washington	Dist. of Col. Nebraska North Carolina	Alabama, Mississippi – penalty waived, below threshold Arizona, California – revised data, no penalty Iowa, Oklahoma, West Virginia – accepted penalty New Jersey, Virginia – rescinded plan, accepted penalty
<b>FY 1998</b>							
Alaska Arkansas Delaware Dist. of Col. Guam Minnesota Nebraska New Mexico North Carolina	Pennsylvania Puerto Rico Rhode Island Texas Virginia Virgin Islands Washington West Virginia	Alaska, Guam – penalty reduced	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 North Carolina	Puerto Rico – revised data, no penalty Virginia – moved two-parent families to Separate State Program (SSP), no penalty Guam, West Virginia, Virgin Islands – accepted penalty North Carolina – penalty reduced after corrective compliance period
<b>FY 1999</b>							
Alaska Arkansas Colorado Dist. of Col. Guam Minnesota Nebraska New Mexico North Carolina West Virginia Virgin Islands		None Granted	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 New Mexico North Carolina Virgin Islands Wisconsin		North Carolina – penalty reduced	Alaska Arkansas 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 Minnesota Mississippi Virgin Islands		None requested	Arkansas Minnesota Dist. of Col. Virgin Islands	Minnesota Virgin Islands		Arkansas Dist. of Col.	Guam, Mississippi – accepted penalty
<b>FY 2002</b>							
Arkansas Dist. of Col. Guam Missouri West Virginia		None requested	Arkansas <sup>1</sup> Dist. of Col. <sup>1</sup> Missouri <sup>1</sup> West Virginia				Guam - accepted penalty West Virginia - moved two-parent families into a Separate State Program (SSP), no penalty
<b>FY 2003</b>							
Arkansas Dist. of Col. Guam Nevada West Virginia			Arkansas <sup>1</sup> Dist. of Col. <sup>1</sup> Nevada <sup>1</sup>				West Virginia - moved two-parent families into a Separate State Program (SSP), no penalty

<sup>1</sup>Corrective Compliance Plan still in effect.





