United States Government Accountability Office

GAO

Report to Congressional Requesters

December 2005

WELFARE REFORM

More Information Needed to Assess Promising Strategies to Increase Parents' Incomes

GAO-06-108

December 2005

GAO
Accountability • Integrity • Reliability

Highlights

Highlights of GAO-06-108, a report to congressional requesters

WELFARE REFORM

More Information Needed to Assess Promising Strategies to Increase Parents' Incomes

Why GAO Did This Study

Following major welfare reform in 1996, the number of families receiving cash assistance was cut in half to 2 million. While many former recipients now rely more on their earnings, they often work at low-wage jobs with limited benefits and advancement opportunities. To better understand how to help these individuals and their families attain economic self-sufficiency, GAO is reporting on (1) strategies designed to increase income for TANF recipients through employment; (2) the key factors related to implementing and operating such strategies; and (3) actions the Department of Health and Human Services (HHS) has taken to facilitate the use of these strategies. GAO consulted experts to gather information about promising strategies and visited 26 programs.

What GAO Recommends

GAO recommends that HHS (1) identify opportunities for additional research on increasing TANF recipients' earnings, (2) review its existing efforts to better ensure information and implementation assistance reaches the wide range of program administrators and service providers involved in welfare reform, and (3) seek out new opportunities to collaborate with Education and Labor on research and technical assistance. In response, HHS said that its efforts in these areas are sufficient and do not warrant additional attention.

www.gao.gov/cgi-bin/getrpt?GAO-06-108.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Bellis at (415) 904-2272 or bellisd@gao.gov.

What GAO Found

Based on interviews with experts and site visits, we identified four strategies that aimed to increase incomes for recipients of Temporary Assistance for Needy Families (TANF)—training, post-secondary education, self-employment, and financial asset building. Training strategies often targeted services to particular groups or job market needs. Other programs used post-secondary education to position clients for higher-wage jobs. Some programs we visited gave participants the tools to run their own businesses as a way out of poverty. Finally, asset building strategies aim to help clients save and invest money to pursue career goals and support their families. The 26 programs we visited used one or more of these strategies.

A broad network of local non-profits, state and local TANF offices, employers, and community colleges is key to operating these strategies. Some of the programs we visited were non-profits under contract with the TANF office. Others relied on a mix of public and private funds, some because of concerns that TANF's emphasis on work was a barrier to providing education and training options. State and local TANF offices, for their part, sometimes set policies and provide additional funding to encourage the strategies discussed in this report. Local non-profits and TANF agencies either directly provided or helped link clients to supplemental services such as child care, housing, on-the-job support, and transportation. As part of the broader network, local non-profits and TANF offices often forged links with employers and community colleges to leverage additional resources for their clients, including training curricula, career ladders, and work opportunities.

HHS is supporting these strategies through research, targeted grants, and technical assistance. Efforts by other federal agencies, such as the Departments of Education and Labor, also support some of the strategies discussed in this report. HHS has several research projects focused on helping low-income individuals find higher-wage employment and build their assets. While these efforts are important, more needs to be known about the effectiveness of specific strategies, such as those identified in this report, in increasing TANF recipients' earnings capacity. In addition to the TANF block grant, HHS has two small grant programs that support employment and asset-building strategies. While HHS has provided some technical assistance to facilitate the use of these strategies, it is not clear whether service providers understand ways they can incorporate education and training in a work-focused welfare system. Furthermore, HHS faces some challenges disseminating information on new research or promising strategies to all of the organizations providing services to TANF clients in the more decentralized welfare environment.

Contents

Letter 1

Results in Brief 3
Background 6
Programs Used Four Strategies Designed to Help TANF Clients Move into Higher Wage Employment or Build Financial Assets 10
A Network of Non-Profits, TANF Agencies, Employers, and Community Colleges Is Key to Operating Programs 25
HHS Is Supporting Research, Providing Technical Assistance, and Sponsoring Targeted Grant Funding, but Additional Research and Technical Assistance Are Needed 30
Conclusions 37
Recommendations for Executive Action 39
Agency Comments and Our Evaluation 39

Appendix I **List of Experts Interviewed** 42

Appendix II **Program Contact Information** 43

Appendix III **Comments from the Department of Health and Human Services** 47

Appendix IV **GAO Contact and Staff Acknowledgments** 55

Related GAO Products 56

Table

Table 1: Selected Programs and Strategies Used 11

Figures

Figure 1: A Student in the Kentucky River Foothills R.O.U.T.E. Training Program in Richmond, Kentucky Trains for a Commercial Truck Drivers' License 14
Figure 2: Participants in the District 1199C Training and Upgrading Fund Career Ladder Program Demonstrate Features of the Program's Nurse's Aide Training Facility 16
Figure 3: Vendors Sell Produce and Other Goods in the Career Transitions Farmers' Market in Belgrade, Montana, Where Microenterprise Students Can Test Their Business Ideas 23
Figure 4: Ways in Which TANF Clients Were Connected to Programs 26

Abbreviations

ACF	Administration for Children and Families
AFI	Assets for Independence
CET	Center for Employment Training
DOT	Department of Transportation
EITC	Earned Income Tax Credit
ESL	English as a second language
HHS	U.S. Department of Health and Human Services
HUD	U.S. Department of Housing and Urban Development
IDA	Individual Development Accounts
IRS	Internal Revenue Service
JOLI	Job Opportunities for Low-Income Individuals
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
TANF	Temporary Assistance for Needy Families
USDA	U.S. Department of Agriculture
WORC	Women's Opportunities Resource Center
WIA	Workforce Investment Act

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

December 2, 2005

The Honorable Max Baucus
Ranking Minority Member
Committee on Finance
United States Senate

The Honorable Edward Kennedy
Ranking Minority Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable James McDermott
Ranking Minority Member
Subcommittee on Human Resources
Committee on Ways and Means
House of Representatives

The Honorable Benjamin Cardin
House of Representatives

Welfare reform legislation of 1996 shifted the focus of the nation's welfare program from issuing benefit checks to moving families to economic independence. The centerpiece of this legislation is the Temporary Assistance for Needy Families (TANF) block grant, under which states receive federal funds to design and operate their own welfare programs within federal guidelines. Since states have implemented welfare reforms, they have spent almost $200 billion in federal and state TANF funds to meet the broad goals of the law, including ending the dependence of low-income parents on government benefits through job preparation, work, and marriage. In addition to TANF funds, state welfare agencies draw on a vast array of federal, state, and community programs and services to assist TANF recipients' work efforts, including employment, training, and education programs overseen by the Departments of Labor and Education. While many entities at all levels of government are involved in providing support and services to TANF recipients, the Department of Health and Human Services (HHS) is responsible for overseeing welfare reform at the federal level.

Since 1996, the number of families receiving cash assistance declined from 4.4 million to about 2 million in 2004, as the number of low-income parents

working increased. While many former welfare recipients now rely more on their own earnings than on welfare, they often work at low-wage jobs, sometimes with limited benefits and few opportunities for advancement. Some former recipients return to the welfare rolls when they leave or lose jobs or struggle to keep child care, transportation, health, and other work supports in place.

As Congress considers reauthorization of welfare reform, much attention has focused on helping welfare families transition to more stable and higher-paying employment and ending welfare dependence.[1] Many policymakers are concerned that TANF programs nationwide place too much emphasis on moving needy parents quickly into any available employment rather than developing strategies for helping them find stable and higher-paying jobs. As agreed with your offices, we are providing information on: (1) examples of strategies being used to help TANF recipients increase their incomes through employment; (2) the key factors related to implementing and operating such strategies; and (3) the actions HHS has taken to facilitate the use of these strategies.

Current federal and state welfare reforms are built upon a considerable research base showing that welfare-to-work programs can succeed in moving welfare recipients into jobs and reduce their reliance on public assistance. Much less is known, however, about how welfare-to-work programs can increase participants' earnings, and ultimately household incomes. To address the first two questions, we identified through research and referrals officials with expertise in welfare-to-work strategies and who represented diverse perspectives. For a complete list of officials interviewed, see appendix I. Once identified, we interviewed these experts to elicit their suggestions about promising strategies for increasing income for TANF recipients and examples of these strategies in operation. Based on these interviews, we identified a list of 127 programs operating these strategies for TANF recipients. These programs were typically administered by non- or for-profit organizations or other entities such as community colleges or unions and operated separately from the TANF agencies. Generally, TANF agencies administer core TANF program activities, such as determining eligibility for and providing income support; assessing client needs and employability; referring clients to services; and

[1]The funding authority for the TANF block grant was originally due to expire in September 2002. Since that time, Congress has granted several temporary extensions as it has continued to consider reauthorization proposals.

monitoring client activities; in some cases the TANF agency also directly provides employment-related services.

Of the 127 programs identified by experts, we selected 26 for site visits, based on several criteria, including coverage of strategies that could address diverse client skill levels and local economic conditions; geographic coverage; and coverage of diverse state TANF policies. During these site visits, we interviewed program administrators about how their programs operated, including the factors that facilitated and hindered their respective missions. We typically toured facilities and in some cases, we attended training sessions and spoke with program participants. We also collected relevant documents and any program evaluations that were available.

We also conducted interviews with the welfare agency in the local area, as well as pertinent state TANF officials. To address our third objective, we collected and reviewed relevant documents and interviewed HHS officials in headquarters and regional offices to identify relevant technical assistance, information sharing, and other research activities. We also spoke with officials at the Departments of Labor and Education where appropriate. We conducted our work in accordance with generally accepted government auditing standards from September 2004 to November 2005.

Results in Brief

Based on our interviews with experts and visits to programs, we identified four strategies that aimed to increase incomes for TANF recipients—training, post-secondary education, self-employment, and financial asset building. Training strategies varied considerably in terms of time commitment, target population, and needs of the local job market. For instance, some programs featured short-term commitments, such as 5-week certified nurse's assistant training, designed to give participants a set of skills to move quickly into jobs yet earn above minimum wages. Other training programs prepared clients for longer-term commitments, such as 2-year apprenticeship programs in the trades. Often, these programs targeted a specific industry or skill relevant to the local economy, and sometimes delineated career paths with formal milestones, making it possible for a client to gain skills and advance at intervals, for example, from certified nurse's aid to licensed practicing nurse to registered nurse. Some programs incorporated a post-secondary education strategy, using a 2-year or 4-year college degree to position clients for higher-wage, often professional jobs. We found microenterprise or self-employment strategies generally in sparsely populated areas lacking a

strong business presence or sufficient entry-level job opportunities. These programs usually included financial literacy and business plan development components and sometimes provided clients with seed money to start a business. Finally, asset building strategies helped clients save and invest money through vehicles like individual development accounts, assuming that personal savings play an important role in helping TANF clients pursue career goals and support their families. Overall, the programs we visited often employed a combination of strategies to help clients increase income and personal savings, although we observed great variation in program structure and design. This variation made it possible for programs to accommodate client and situational realities involving diverse skill backgrounds, work histories, and economic conditions.

We found that a broad network of support—involving local non-profits, state and local TANF agencies, employers, and community colleges—is key to operating these strategies to help TANF recipients find jobs and improve their financial security. Most of the programs we visited were run by non-profit organizations that provided services to TANF clients either under contract with the state or local welfare agency or using a mix of public and private funding sources. Some programs told us they chose to use other funding sources because of concerns that the work focus of the current welfare system was a barrier to offering education and training options. State and local TANF offices, for their part, sometimes established policies to encourage certain strategies, even though those priorities are not emphasized in the federal legislation. For example, one state implemented policy provisions and provided additional funding to allow post-secondary education as a component of its TANF program. In addition to core services, providing a range of supplemental and support services for TANF clients is critical to operating these strategies. Local nonprofits and TANF agencies either directly provided or helped link clients to services such as child care, housing, on-the-job support, and transportation. As part of the broader network, local nonprofits and TANF offices sometimes forged links with employers and community colleges to leverage additional expertise and support for their clients, including training curricula, career ladders, and work opportunities.

HHS is supporting these strategies through research, technical assistance, and targeted grant funding, but more efforts are needed to determine the effectiveness of such strategies and to assist states and localities in incorporating them into their TANF programs. HHS currently has several major research projects underway, such as the Employment Retention and Advancement project, that address issues related to helping TANF clients raise their incomes. HHS has also taken several steps, including hosting an

annual welfare research conference, to share research-related information. The agency also provides technical assistance through the Welfare Peer Technical Assistance Network and HHS's 10 regional offices. The agency also provides targeted grants such as Job Opportunities for Low-Income Individuals. Efforts by other federal agencies, such as the Departments of Labor and Education, also support some of the strategies discussed in this report. While HHS has research efforts under way that will provide important information, more needs to be known about what specific strategies are most effective in raising TANF recipients' earnings. In addition, while several units and offices within HHS have taken steps to disseminate research findings and help TANF programs implement promising strategies, there may be more opportunities to reach the wide range of state and local welfare agencies and programs involved in welfare reform. We also identified some confusion about whether and how to incorporate strategies such as education and training for TANF recipients within a work-focused welfare system.

To help ensure that the federal government considers research on these promising strategies and better informs welfare agencies and programs about how they might incorporate such strategies for TANF recipients, we recommend that the Secretary of HHS:

1. Review its current research agenda and identify opportunities to conduct and promote additional research on increasing earnings capacity among low-income parents.

2. Review existing research dissemination and technical assistance efforts across the relevant units and agencies to better ensure a comprehensive process for distributing information and implementation assistance to the wide range of program administrators and programs involved in welfare reform.

3. Seek out additional opportunities to work with the Secretaries of Labor and Education to jointly conduct and promote research and distribute information and implementation assistance related to enhancing skills and earnings capacity among low-income parents.

In commenting on a draft of this report, HHS said that the recommendations were not warranted given its existing efforts. While we acknowledge HHS' ongoing efforts, we continue to think additional efforts are warranted.

Background

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) represented a significant departure from previous welfare policies in place for more than 60 years. Previously, state and local welfare agencies focused mainly on issuing monthly welfare checks to eligible families. In contrast, the revised welfare legislation establishes broad goals for state TANF programs that go beyond income support payments, including ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; preventing and reducing out-of-wedlock pregnancies; and encouraging the formation and maintenance of two-parent families. To receive its TANF block grant funds, each state must contribute its own funds up to a specified level. The amount of TANF funds available to states each year is capped, unlike the previous welfare program under which federal and state welfare payments increased each year as welfare rolls increased.

Along with new goals and funding structure, the law established work requirements and time limits considered key to changing the nature of welfare. States are to involve increasing percentages of their adult TANF recipients in certain activities for a required number of hours each week or face financial penalties. These work requirements limited some types of education and training from counting toward the work requirement. To emphasize the temporary nature of assistance, states must restrict most families to a lifetime limit of 60 months of cash assistance.

Within this federal framework, TANF provides states considerable latitude to design and implement programs to meet TANF goals while responding to states' unique economic conditions, client needs, and policy priorities. Each state determines what aid and services to provide, sets eligibility requirements for these services, and determines what service delivery approaches to use, including reliance on contractors. Even within the federal work requirements and time limits, some provisions exist that allow states some flexibility or adjustments to stated federal requirements. More specifically:

1. States may allow and support TANF recipients in any activity of the state's choosing, although they can only count federally-specified activities toward the federal work requirement. States have some additional flexibility because they have significant discretion in

defining what activities fit within these federally-specified categories, as we found in our recent report.[2]

2. A provision in the law, called the caseload reduction credit, lowers the work requirement standard a state must meet if its TANF cash assistance caseload declines. While the work participation rate standard rose as high as 50 percent in the law, in practice states have faced much lower standards due to this credit.

3. A state may exclude a family from work requirements and time limits by providing cash assistance with the state's own funds rather than federal TANF funds.

4. Work requirements and time limits only apply to families receiving ongoing monthly cash assistance, allowing states to provide other services to non-welfare families, such as providing low-income working families with child care assistance.

Due to the importance of state flexibility under TANF, the welfare legislation limited HHS' authority to regulate state TANF programs. Also, HHS staff available to implement TANF was substantially reduced. However, HHS retains central oversight authority over certain aspects of state TANF programs, such as oversight of federal work requirements and time limits among other program elements. In addition, it has authority to conduct research and provide technical assistance to states, although its research role has changed significantly under TANF. Under the previous welfare program, HHS required states that applied for and received waivers to federal program rules to have an independent organization evaluate its program change, supported by HHS funding. While some of these waiver evaluations were continued under TANF, HHS no longer has authority to require evaluations of state programs, although it still has some resources available for research.

In implementing TANF, states focused more than ever before on helping welfare recipients and other low-income parents find jobs. Many states implemented work-focused programs that stressed moving parents quickly into jobs; restructured benefit payments to allow more parents to combine welfare and work; expanded support services, particularly child care

[2]GAO, *Welfare Reform: HHS Should Exercise Oversight to Help Ensure TANF Work Participation Is Measured Consistently across States*, GAO-05-821 (Washington, D.C.: Aug. 19, 2005).

subsidies; and took some steps to identify and address barriers to employment. To provide services, TANF programs often turned to the workforce development and educational systems that have traditionally provided employment, training, and educational services and to other for- and non-profit providers. As a result of this decentralized service model and variation in the type and package of services that individuals are provided through TANF and other programs, the per-person cost can vary widely.

Cash welfare caseloads declined dramatically in the years immediately following welfare reform and have continued to hold at about half their pre-reform levels despite the recession of 2001. Experts attribute this decline to several factors, including welfare reform, the economy, and other policy changes, including expansion of the earned income tax credit (EITC) that provides subsidies to low-income workers, as well as increased federal spending for child care subsidies for low-income parents. Changes in welfare spending over time reflect this shift away from cash assistance to other services. Of the total federal and state TANF dollars spent in fiscal year 1995, about 70 percent was for cash assistance payments, in contrast to about 38 percent in fiscal year 2004. With the funds freed up from reduced cash assistance caseloads, states have invested in work preparation and other support services for welfare recipients and other low-income families.[3]

This dramatic decline in cash assistance caseloads and other changes under welfare reform have spurred interest in how former welfare recipients are faring. Our work and other research shows that most of the parents leaving welfare have found employment and some are now better off than they were on welfare. However, many work in unstable, low-wage jobs with few benefits and advancement opportunities. In these cases, even a common occurrence such as a parent's need to stay home with a sick child can lead to job loss and a return to welfare. While key government supports such as the EITC, Medicaid, Food Stamps, and others can help these parents support their families and lift them out of poverty, most parents are not earning enough to be self supporting.

This raises important questions about whether welfare reform programs can achieve better outcomes for their participants. The welfare reform

[3]It is important to note that cash assistance caseload data do not reflect the many families who receive TANF-funded services.

outcomes seen so far are in keeping with what is known about the effectiveness of welfare-to-work programs. A considerable body of research, much of it sponsored by HHS, suggests that welfare-to-work programs can increase employment and reduce welfare receipt. This research also shows that welfare-to-work programs that rely on a mixed approach—with a strong work focus and some education and training as needed—show the greatest earnings gains. Moreover, a mixed strategy appears more effective than approaches that focused solely on education and training or solely on job search, although an emphasis on job search only was less costly.[4] At the same time, research shows that even the most effective welfare-to-work programs tested so far increase employment and earnings but do not typically increase household incomes. This is because the increased income from earnings is offset by the loss of cash welfare, food stamps, and other support services.

Considerable questions still exist on how best to improve outcomes under welfare reform. The existing research base does not yet provide answers regarding how best to help parents successfully transition to more stable and economically-sustaining employment. Some believe that incorporating more in-depth or quality education and training into state TANF programs could yield greater results, expressing concerns that states currently do not sufficiently emphasize education and training in their TANF programs, in part due to the current structure of TANF work requirements. To address this, a Senate Finance Committee reauthorization proposal includes provisions to allow and encourage states to provide additional education and training opportunities in their TANF programs.

[4]For more information, see Lessons from the National Evaluation of Welfare-to-Work Strategies. U.S. Department of Health and Human Services, U.S. Department of Education, Washington, DC; Gayle Hamilton, MDRC, 2002. Also see *Report on a Meta-Analysis of Welfare-to-Work Programs*, U.S. Department of Health and Human Services, DC; David Greenberg and Andreas Cebulla with Stacey Bouchet, June 2005.

Programs Used Four Strategies Designed to Help TANF Clients Move into Higher Wage Employment or Build Financial Assets

Based on our interviews with experts and our site visits, we identified four strategies used to help TANF clients find well-paying jobs and improve their financial condition: training, post-secondary education, self-employment, and financial asset building. Within the training strategies, some programs aim to help TANF clients find jobs quickly, while others take a more long-term approach to prepare clients for highly technical fields like nursing. Training programs also target specific subgroups of clients, such as women or non-English speakers, or jobs in high demand in the local economy. Programs using post-secondary education strategies help clients get 2- or 4-year college degrees to position them to compete for higher-wage, often professional jobs. Microenterprise, or self-employment strategies, emphasize financial literacy and business plan development and sometimes provide clients capital to start a business. In contrast to the first three categories, asset building strategies focus on building clients' financial reserves through savings accounts or homeownership, relying on the assumption that personal savings play an important role in helping TANF clients pursue career goals and support their families. Many programs we visited used a combination of one or more of the four strategies. While several programs served only TANF clients, most programs served a broader population of low-income individuals in general. Table 1 shows each program by the strategy used, population targeted, and federal funding sources.

Table 1: Selected Programs and Strategies Used

		Strategies					
Location	**Program**	**Training**	**Post secondary education**	**Financial asset building**	**Microenterprise development**	**Low-Income Population Targeted[a]**	**Sources of Federal Funding[b]**
California	Californians for Family Economic Self-Sufficiency	X	X	X	X	Individuals	HUD
	Center for Employment Training	X				Individuals	Labor, Education
	LIFETIME		X	X		TANF Only	[c]
	San Francisco Works	X	X	X		Individuals	Labor
	Street Tech	X	X			Individuals	Labor
	Women's Initiative for Self Employment			X	X	Women	HUD
Illinois	Bethel Employment and Training Center	X		X		Individuals	Labor
	Chicago Women in Trades	X				Women	HHS
	Project Match	X	X			Individuals	[c]
	The Cara Program	X		X		Individuals	HHS, USDA
Kentucky	Bowling Green Housing Authority Women in Construction	X				Women	HHS, HUD
	Bowling Green Technical College Ready to Work Program		X	X	X	Individuals	HHS, Education
	Brighton Center's Center for Employment Training	X				Individuals	Labor, Education
	Kentucky River Foothills R.O.U.T.E. Training Program	X				Individuals	HHS, Labor

Location	Program	Strategies: Training	Strategies: Post secondary education	Strategies: Financial asset building	Strategies: Microenterprise development	Low-Income Population Targeted[a]	Sources of Federal Funding[b]
Maryland	Community College of Baltimore County Continuing Education Program		X			TANF Only	Labor
	The Johns Hopkins Skills Enhancement Program	X	X			Individuals	Labor, Education
Montana	Career Training Institute	X	X	X	X	Women	HHS, Labor, Education, HUD, USDA
	Career Transitions	X	X		X	Individuals	Labor, Education, USDA
	Montana PEAKS, Inc.	X	X		X	Individuals	HHS, Education, HUD
	Women's Opportunity and Resource Development, Inc.	X	X	X		Women	HUD
Pennsylvania	AchieveAbility		X	X		Families	HUD
	Campaign for Working Families			X		Families	[c]
	District 1199C Training and Upgrading Fund	X	X			Individuals	HHS, Labor, Education
	PathWaysPA	X		X		Families	HHS, Labor
	Transitional Work Corporation	X	X			TANF Only	HHS, Labor
	Women's Opportunities Resource Center (WORC)			X	X	Women, Minorities	HHS

Source: GAO.

Note: For programs' contact information, see appendix II.

[a]Low-income individuals include TANF clients.

[b]While some programs did not directly receive federal funding from HHS, often the participants in their programs were receiving cash assistance and support services from TANF such as child care subsidies and transportation assistance among others.

[c]No federal funding cited by program officials.

Training Strategies Fit Unique Client Needs and Local Economic Conditions

Programs using training strategies to help TANF clients find jobs often vary their services to meet clients' needs, whether by providing short- or long-term training courses, targeting specific subgroups of TANF participants, or focusing training to prepare participants for jobs in high demand in the local economy. Specifically, we observed that training strategies vary considerably in terms of:

- time commitment,
- target population, and
- job market relevance.

Training Programs Vary in Terms of Time Commitment

At least two programs offer clients short-term (12 weeks or less) training courses designed to give them the skills to move quickly into jobs paying more than the minimum wage. For example, the Kentucky River Foothills R.O.U.T.E. (Road Ready Operators Understanding Transportation Excellence) Training Program in Richmond, Kentucky, trains low-income individuals for a Class B Commercial Drivers License. Once clients complete the 8-week truck drivers' program, they are eligible to obtain jobs driving small trucks and buses at wages starting at $9 per hour. The Montana PEAKS program, operated by a nonprofit organization in Flathead County, Montana, is another example of a short-term, results oriented program. It serves as one of two job services providers under contract to the county TANF agency. In a minimum of 12 weeks, the Montana PEAKS program trains its clients for entry-level jobs in construction. Many Montana PEAKS graduates obtain jobs as construction site flaggers. Graduates of the program have earned wages of up to $20 per hour.

Figure 1: A Student in the Kentucky River Foothills R.O.U.T.E. Training Program in Richmond, Kentucky Trains for a Commercial Truck Drivers' License

Source: GAO.

While short-term training allows participants to move into higher-paying jobs more quickly, program officials found that many clients also required scheduling flexibility in order to successfully complete the training. To accommodate this need, the Kentucky truck drivers' program conducts training for participants in 1-week modules to allow the admission of students on a rolling basis. Because modules were designed as "stand alone" components, participants can start and stop the program at any time without having to repeat the entire course.

Other training programs offer longer-term training (roughly 6 months or more) to prepare clients for entry-level jobs in highly technical fields with the potential for career advancement. Jobs in this category can provide an entry point to a career ladder that could lead to jobs with even higher wages. One example of this kind of incremental advancement approach is the District 1199C Training and Upgrading Fund[5] career ladder program in

[5]The District 1199C Training and Upgrading Fund was established in 1974 by the National Union of Hospital and Healthcare employees, an affiliate of the American State, County, and Municipal Employees (AFL-CIO).

Philadelphia, which trains TANF clients, union members, and individuals from the community-at-large for careers in health care. TANF clients referred by caseworkers and other students may come to the 1199C career ladder program to participate in the organization's 4-month long nurse's aide training program. Graduates of this program are often placed into nurse's aide jobs paying wages that nationally had a median beginning wage of $9.59 per hour in 2002. Another important aspect of the 1199C career ladder program is its ability to accommodate clients who do not immediately have the skills necessary to be successful in a nurse's aide program. The program also admits participants who enroll first in an adult basic education course, then graduate to the nurse's aide training and finally matriculate into the Licensed Practical Nurse certificate program. Participants also have the opportunity to apply for funding to complete the Registered Nursing program with a school of nursing in the Philadelphia area. According to the U.S. Bureau of Labor Statistics, average wages for registered nurses range from $17.93 to $35.94 an hour.

Figure 2: Participants in the District 1199C Training and Upgrading Fund Career Ladder Program Demonstrate Features of the Program's Nurse's Aide Training Facility

Source: GAO.

Over the course of our site visits, we found that a number of individual employers had structured their own internal career ladder programs. In

Baltimore, the Johns Hopkins Skills Enhancement Program, supported with a grant from the Department of Labor,[6] was designed to serve TANF clients and other low-income individuals in the Baltimore area. The Skills Enhancement Program places new employees, some of which are former TANF clients referred from the Baltimore Department of Social Services, into janitorial positions while being trained by the hospital to obtain entry-level healthcare positions. According to one program official, one participant in the Skills Enhancement Program entered the program in a janitorial position earning $8.50 per hour. After completing phlebotomy [7] training sponsored by the hospital, the participant was promoted to a clinical associate earning $12 per hour. The participant plans to enroll in another program to become a registered nurse. Career ladders were also evident in fields other than healthcare. In San Pablo, California, located not far from the technology corridor of the San Francisco Bay area, the Street Tech non-profit program provides training for clients to attain entry level jobs as computer technicians earning $15 to $20 per hour. Their Computer Apprenticeship Training/Microsoft Office User Specialist program provides participants an introduction to the field and teaches some general, basic computer skills. Graduates of this program may choose to complete 6 months of additional training at Street Tech in order to receive an A+ certification,[8] and some have chosen to complete the organization's Field Tech training to further enhance their skills and increase their earning potential.

Training Programs Cater to the Needs of Differing Target Populations

In recognition of their target population's diverse needs and capabilities, programs often provide more than one type of employment-related service either directly or through some type of referral arrangement. For example, the Bethel Employment and Training Center, a faith-based non-profit in Chicago, offers its TANF and other low-income clients a diverse array of in-house and collegiate training opportunities, such as helping clients

[6]The Department of Labor administered the federal Welfare-to-Work program, a short-term 2–year program, that provided funding to help states and localities meet their welfare reform objectives and the goals set forth under PRWORA by providing federal resources above and beyond the TANF block grant to move the least-employable TANF recipients and noncustodial parents of TANF children into long-term unsubsidized employment.

[7]Phlebotomy is the practice of drawing blood.

[8]According to the Computing Technology Industry Association, A+ is an international industry credential that validates the knowledge of computer service technicians with the equivalent of 500 hours of hands-on experience. Major hardware and software vendors, distributors, and resellers accept A+ as the standard in foundation-level, vendor-neutral certification for service technicians.

pursue interests with a variety of employers or seek self-employment. However, their offerings are not limited to training alone. The organization also has teamed up with an area bank to establish an individual development account (IDA) program that matches client contributions 2-to-1 up to $1800. Likewise, the Career Training Institute, a non-profit program that serves TANF and other low-income clients in a 3-county area in Helena, Montana, delivers a diverse roster of services. The program offers clients a multitude of training opportunities, from construction and commercial driving to clerical and accounting occupations. In addition, the Institute will also refer clients to an IDA program for women interested in starting their own businesses. An official from at least one program site suggested that offering a variety of services may provide a natural incentive for clients to stay in contact, making it easier for programs to track their progress. For example, once a client completes job training and obtains work, he or she may return later to open an IDA account or pursue other post-employment services.

Some of the programs we visited help individuals with academic barriers or other skill deficiencies by providing them with adult basic education and life-skills training to prepare them for vocational coursework. For example, the San Francisco Works program, a mostly privately-funded non-profit in San Francisco, prepares TANF and other low-income clients with sixth grade skill levels to participate in training for entry level positions in biotechnology (e.g., lab technicians, media assistants, etc.). Its On Ramp to Biotech program provides clients training in language, lab science terminology, lab procedures, and documentation to prepare them to complete a 24-month biotech certification program at a community college.

The Brighton Center's Center for Employment Training program in Kentucky works with applicants to help to remove a number of barriers to employment. Through intensive case management, Center staff help clients find services to address issues such as low self-esteem and provide clients with skills and support systems to help them find and retain employment. Likewise, the Transitional Work Corporation, a TANF service provider under contact to the Philadelphia County Assistance Office, also provides advisors to prepare clients who have limited education and have been on TANF for more than 24 months.

To help clients with limited work experience successfully make the transition to permanent employment, a number of programs help participants understand what would be expected of them at the job site. For example, The Cara Program requires participants to wear professional

attire each day and has mounted a time clock in the building's entryway, where participants punch in and out each day. Similarly, the program site for Street Tech in San Pablo, California resembles a corporate office, and staff conduct their relationships according to corporate norms and expectations. For instance, participants can be released from the program or "fired" for not meeting expectations for good attendance. Street Tech also places particular emphasis on the skills required for writing resumes, setting up interviews, and writing follow up thank you notes. At the Community College of Baltimore County, a TANF contractor with the Baltimore Department of Social Services, staff prepare TANF clients for their job search by providing coaching and conducting mock interviews.

While many of the programs we visited assisted individuals with limited work experience, others require that individuals have more education or better work habits. The Chicago Women in Trades program, a non-profit which prepares TANF clients and other low-income women for various apprenticeships in the construction field, such as pipefitting or bricklaying, requires its participants to have a high school diploma or GED, knowing that they would not be accepted into apprenticeship programs without this credential. While the Street Tech training program accepts individuals with limited work experience, it screens candidates to ensure that they are well-suited to handle the challenges of the various computer certification exams.

Some programs target specific subsets of the welfare or low-income population, such as people who speak English as a second language (ESL) or those with learning disabilities. The Center for Employment Training (CET), a non-profit in San Jose, California, assesses all of its students to determine if they require general training in English or English language training in the context of the job function or vocation. For example, certified nursing students at the San Jose CET are taught English using medical terminology. Other programs focus on clients with learning disabilities. For example, Career Transitions, a non-profit in Belgrade, Montana, employs an instructor with a background in teaching with learning disabilities to provide microenterprise training and other short-term employment training. In addition, the ROUTE Training Program has designed its commercial truck driving program to involve both experiential and classroom learning in an effort to accommodate some participants' learning disabilities. Program staff explained that this hands-on approach is particularly effective for students with learning disabilities and others who have not been successful in a traditional classroom environment.

Several programs target women, encouraging them to pursue nontraditional employment in the trades or highway construction, although officials from some programs noted the initial reluctance of TANF job-seekers to pursue more lucrative careers in the trades outside of the often low wage service professions. Officials from the Bowling Green Housing Authority in Kentucky reported that clients who graduated from their Women in Construction program earned starting wages of $10 to $12 per hour. Flathead County, Montana, benefited from the growth of the building and construction industry. The Montana PEAKS program capitalizes on the growing building and construction industry, placing many women clients at project sites in Glacier National Park, the recipient of $100 million in recent construction contracts. To maximize wages in the trades, Chicago Women in Trades encourages its TANF clients to pursue union apprenticeship programs, which they believe provide more benefits and stability than non-union jobs. For example, staff estimated that women who completed their gateway program and, subsequently, a formal apprenticeship program were able to earn as much as $30 per hour.

Programs Use Training Approaches Relevant to Local Job Markets

Many programs aim to provide clients with the training necessary to fill jobs in high demand in the local job market, such as health care, technology, and financial services. A number of programs direct clients to pursue occupations where shortages exist. For example, the District 1199C Training and Upgrading Fund program in Philadelphia, Pennsylvania, and the Johns Hopkins Skills Enhancement Program in Baltimore, Maryland, provide career paths for clients with health care professions, where there is a shortage in long-term care and other related high-demand health care occupations. In the San Francisco Bay area, two programs we visited prepare clients to fill vacancies in the biotechnology and computer technology fields. According to San Francisco Works' executive director, San Francisco is home to approximately 100,000 biotechnology jobs and that number is expected to grow by 50 percent. Graduates of San Francisco Works' biotechnology program fill positions that do not require a 4-year degree, such as lab technicians or media assistants. The Street Tech program also responds to the demand for technology positions in San Francisco and helps low-income individuals gain skills with the potential to move them toward higher wages. According to program administrators, students who complete the Street Tech program secure entry level jobs that range from $15 to $20 an hour and fill the demand for computer technical personnel, one of the fastest growing fields in their county.

A number of programs we visited consider the amount required for individuals in their localities to be self-sufficient before placing clients into

employment. The state of Pennsylvania and counties in California encourages service providers and caseworkers to use the Self-Sufficiency Standard developed by Family Economic Self-Sufficiency Project[9] as a target when developing client employment plans. According to the Family Economic Self-Sufficiency Project, the standard calculates how much money working adults need to meet their basic needs without subsidies like welfare or food stamps. Unlike the federal poverty standard, the Self-Sufficiency Standard accounts for the costs of living and working as they vary by family size and composition and by geographic location. Both the PathWaysPA non-profit program in Philadelphia and local government officials of San Francisco County in California worked together with other local government officials and non-profit agencies in their respective regions to establish a local self-sufficiency standard for their TANF clients.

Post-Secondary Education Strategies Aim to Leverage College Degrees to Move Participants into Better-paying Jobs

Some programs we visited help motivated, qualified, low-income clients pursue education beyond high school, with the belief that higher education is key to moving individuals into higher wage jobs. For example, the goal of the LIFETIME program in Oakland, California, is to help low-income, TANF mothers earn 2- or 4-year college degrees in order to increase their earning potential. The LIFETIME program employs peer counselors who have already successfully completed a post-secondary degree under TANF to serve as models for clients in order to demonstrate that combining education and welfare is possible and permissible under current law. Staff will also help clients select a career path that matches their personal interest and aptitude.

Likewise, the AchieveAbility program, a nonprofit located in Philadelphia, Pennsylvania that serves TANF and other low-income clients, operates on the premise that clients should earn at least an associate's degree in order to earn incomes that would allow them to be self-sufficient. In exchange for continuing in housing partially funded by HUD, AchieveAbility clients must pursue education and to complete a GED and 2-year degree.

[9]The Family Economic Self-Sufficiency Project is an effort initiated in 1996 by Wider Opportunities for Women and three national partner organizations—the Corporation for Enterprise Development, the Ms. Foundation for Women, and the National Economic Development and Law Center—to provide resources and technical assistance to community-based advocates and states on human resource investment policies, and to gain support for strategies that can improve the chances for self-sufficiency for low-income families. The project is funded partially through the support of the Ford Foundation, the Annie E. Casey Foundation, the Norman Foundation and the Rockefeller Family Fund.

Participants are also given the opportunity to participate in cultural and other educational activities.

Microenterprise Strategies Can Give TANF Recipients Tools to Run Small Businesses

We encountered several programs using microenterprise strategies that encourage participants to run their own small businesses to either supplement or provide their sole source of income. These programs generally target low-income individuals who are highly motivated, but live in a region with few employment opportunities. Two programs in rural Montana featured self-employment training: Career Transitions and the Career Training Institute. While the Career Training Institute in Montana, provides a variety of employment training services to its clients, it actively markets microenterprise development to their TANF clients. While the Institute staff acknowledged the low success rate of these start-ups, they argue that microenterprise training does help clients build a variety of important skills.

In Belgrade, Montana, the Career Transitions program provides its microenterprise clients with 50 hours of self-employment and business training. The program will often receive TANF clients who require longer term training and more intensive case management than what is considered available through the county TANF office. Individuals who successfully complete the training and produce a feasible business plan are eligible for low interest loans to implement their plan. A unique feature of the Career Transitions program was the ability for clients to sell and test market their business ideas at the organization's weekend farmer's market. One official from the Career Transitions program said that, for many low-income job-seekers, self-employment is the best way to become self-supporting. This is particularly true for custodial parents of young children, for whom, staff explained, self-employment provides a means to work out of the home and also fulfill care giving responsibilities. Those clients who have been successful have gone on to develop enterprises ranging in scale from part-time home-based businesses to retail operations with multiple locations.

Figure 3: Vendors Sell Produce and Other Goods in the Career Transitions Farmers' Market in Belgrade, Montana, Where Microenterprise Students Can Test Their Business Ideas

Source: Career Transitions.

One program we visited provided microenterprise assistance to low-income women in an urban environment. The Women's Initiative for Self Employment is a nonprofit that offers training and technical and financial assistance for prospective women small business owners in the urban San Francisco and East Bay area. While the Women's Initiative does serve TANF clients, sometimes through referral by TANF caseworkers, and other low-income workers, some participants in the program have strong skill sets and work histories and may be only temporarily low-income. The program's Executive Director attributed the success of the program to the use of a model that is tailored to clients' needs and argued that the fundamentals of their program model are equally applicable in urban and rural environments. She also reported that participants who make the transition off of welfare are more likely to approach self-employment as a full-time venture, rather than part-time.

Asset-building Strategies Emphasize Savings and Financial Education

While the training, education, and microenterprise strategies primarily focus on employment, asset building strategies emphasize savings and financial education and literacy as important stepping stones to greater economic security for TANF clients. Programs we visited were using financial asset-building strategies on the premise that families must accumulate assets, through savings accounts and homeownership, and acquire financial management skills in order to move toward self-sufficiency. Among the tools used by programs are IDAs and the EITC. The 1998 Assets for Independence Act authorized federal funding for a series of state and local IDA programs. IDAs are personal savings accounts that enable low-income persons to combine their own savings with matching public or private funds to purchase homes, start or expand businesses, advance their education, or purchase other assets that will promote economic self-sufficiency[10]. The act authorizes grants to qualified non-profit organizations (including low-income credit unions and designated community development financial institutions), as well as state, local and tribal government agencies, to conduct 5-year demonstration projects under which non-federal sources contribute at least one-half of the project funds up to $1 million. Proponents of the IDA program often educate low-income individuals about the use of the EITC, a federal tax credit for low-income families, in order to facilitate asset accumulation.

In Philadelphia, the Campaign for Working Families, sponsored by several public and private funding sources to help low-income families move into the middle class, partners with several other organizations including the Women's Opportunities Resource Center to help families build assets and establish IDAs. The Campaign for Working Families encourages clients who use the organization's free tax preparation services to roll their EITC savings into an IDA. The IDA program, funded in part through an HHS Assets for Independence grant, requires clients to participate in financial management classes and save a minimum of $10 per week in order to receive up to $2,000 in matching funds over a 2-year period. Savings may go toward home purchase or repair, higher education, or self-employment. In Chicago, the Bethel Employment and Training Center partners with the First Bank of Oak Park to provide clients with a 2-to-1 match for up to $1,800. In order to be eligible to receive matching funds, participants must attend 10 classes on budgeting and other financial topics. Like the Philadelphia program, clients can use the IDA money for education,

[10]The IDAs authorized by the Assets for Independence Act are more limited in terms of the types of expenditures allowed.

housing, or to start a business. One official reported that most participants in the Chicago program use the funding for education.

In addition to savings, we visited programs that promote financial literacy. Through its "Building Blocks to Financial Success" course, the Women's Opportunities Resource Center teaches money management skills including savings, debt management, financial planning, and banking. The "Building Blocks" program is available both online and in a classroom setting. All participants in the Women's Resource Center IDA program must complete the "Building Blocks" curriculum.

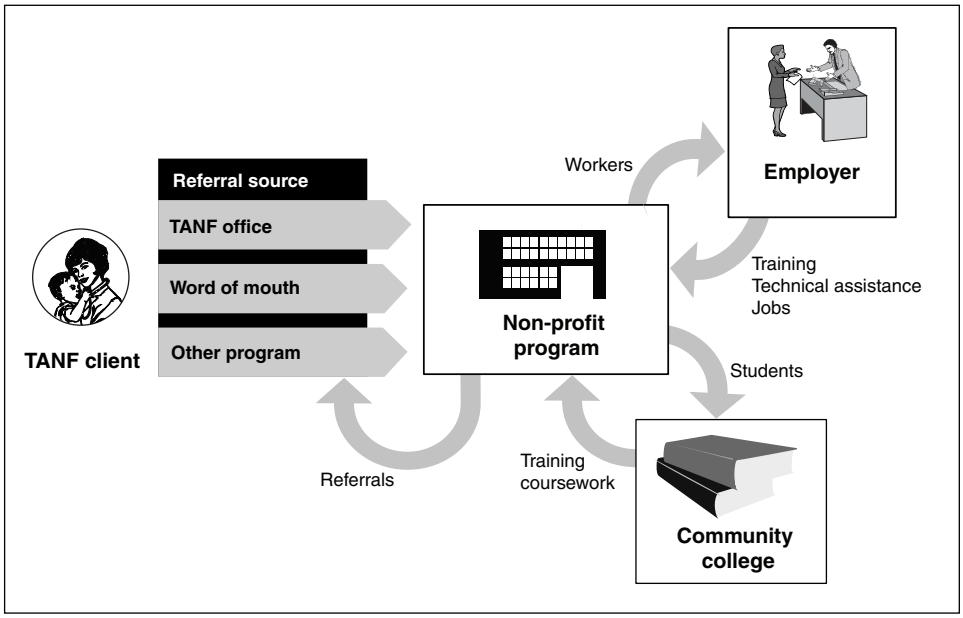
A Network of Non-Profits, TANF Agencies, Employers, and Community Colleges Is Key to Operating Programs

The programs we visited relied on a network of support to help TANF clients prepare for and attain well-paying jobs. Typically, the programs we visited were run by non-profit organizations providing services to TANF clients either under contract with a TANF agency or using a mix of public and private funding sources. Some state and local welfare agencies, through adopting specific policy provisions such as allowances for post-secondary education, also played a key role in fostering the strategies in this report. In addition to core services, local non-profits and TANF agencies either directly provided or helped link clients to services such as child care, housing, and on-the-job support. As part of the wider network, local non-profits and TANF agencies established partnerships with employers and community colleges to develop curricula and create career ladders and work opportunities for TANF clients.

Collaboration Between Local Nonprofits and TANF Agencies Is Key to Implementing These Strategies

The vast majority of programs experts identified as using one or more of the four strategies were private, non-profit organizations, rather than the local welfare office, although in some cases employers, unions, or community colleges provided the actual services. As a result, the programs we visited were predominantly non-profits, although we also made an effort to connect with the TANF office in each locality. TANF recipients were connected to these programs through a variety of methods, including formal referrals through the TANF agency or other programs and word-of-mouth recommendations from friends and family. (See fig. 4.)

Figure 4: Ways in Which TANF Clients Were Connected to Programs



Source: GAO and Art explosion.

Many of the programs served TANF clients along with other low-income people. Welfare recipients generally made up between 10 and 60 percent or more of the clientele of the programs we visited. The officials we met with cited some advantages to this approach. Namely, interaction between TANF and non-TANF clients provides role model opportunities, allowing clients to learn from the example set by low-income job seekers with more established work histories. Furthermore, officials posited that welfare recipients may be more attractive to employers if they are viewed simply as out-of-work job seekers rather than branded as TANF clients.

Some of the programs we visited provided services to TANF clients through a contract with the state or local TANF office, while others received funding from a variety of public and private sources. Officials from two programs said this approach gave them an advantage over government agencies and other entities with a single-source funding mechanism and protected them to some degree from shifting state and federal budget priorities. In addition, administrators from two different programs said that there are psychological benefits to being distinct from the TANF program, as many needy clients who perceive a stigma around public assistance may be more likely to seek help from a group that is not explicitly linked to the welfare office. Moreover, some programs told us

they chose to use other funding sources because they believed the work focus of the current welfare system was a barrier to offering strategies like education and training. Some of the experts we consulted and other researchers shared similar concerns that the system's focus on "work first" may discourage the development of education and training approaches that delay a client's entry into the workforce. Specifically, program officials we interviewed cited the eligibility restrictions, work and reporting requirements of some federal funding sources, including TANF and the Workforce Investment Act (WIA), as deterrents. Other officials told us that pursuing certain government grants and contracts would have forced them to set aside their mission or would have placed an undue administrative burden upon their organization.

State and local TANF policies can play an important role in facilitating the use of employment support strategies. States can provide support to local programs by crafting TANF policies with a focus on specific priorities or in response to the unique needs of their TANF population, even if those priorities are not reflected in federal welfare legislation. For example, in a recent legislative session, representatives from the state of Montana, following Maine's lead, passed legislation that will allow some of its TANF clients to count pursuing a 4-year degree toward meeting state TANF work requirements. Until 2004, Montana's TANF program was able to do this because the state had in place—prior to welfare reform—a waiver from certain federal TANF requirements, including those that would not allow this type of educational activity to count as a permissible federal work activity unless it was combined with another activity, such as part-time work. In another effort focused on increasing education levels among TANF clients, the governor of Kentucky launched an initiative in the late 1980s to centralize oversight for the state's community and technical colleges, believing that a more centralized approach might make it easier for low-income families to pursue higher education. This development served as the cornerstone of more recent efforts to better integrate the education and workforce systems. In our site visits in Kentucky, we saw links between community colleges and TANF agencies.

In addition to core employment-related services, providing pre- and post-employment support services was a key factor in facilitating TANF recipients' involvement in these programs. Local nonprofits and TANF agencies either directly provided or helped link clients to services such as child care, housing, on-the-job support, transportation, and other assistance. For example, in Chicago, the Project Match program allows clients to return again and again over a period of years until they are permanently employed. Also in Chicago, The Cara Program delivers on-

the-job support to participants for their first 9 months of employment. Other programs we visited offer a host of other supports like housing, child care, or referrals to other programs to help clients engaging in training and other work preparation activities. For example, the District 1199C Training and Upgrading Fund program in Philadelphia helps participants locate assistance for child care and transportation subsidies. Some programs focus on specific populations of at-risk job seekers, such as the Bethel Employment and Training Center program in Chicago that specializes in providing employment assistance to former felons. State and local TANF offices also help facilitate the necessary support services, such as child care and transportation, that make it possible for clients to participate in these programs. Typically, the TANF agency has flexibility to fund and support services to a given TANF client regardless of whether that client is participating in a program that receives TANF funds.

Some of the organizations we visited do not directly provide services, but could be characterized as service brokers, referring or linking participants with other programs in the community. For instance, Women's Opportunity and Resource Development, Inc., in Missoula, Montana, operates as a clearinghouse for services for TANF clients. SF Works operates on a similar model. Although it provides a handful of services directly, it generally operates as an intermediary to ease the way for TANF clients to take advantage of the biotech prep coursework available to them. Another California program, LIFETIME, lends support and guidance to single mothers on welfare to help them complete post-secondary education. Again, although it does not directly provide training or other services, it assists its constituency by connecting them to the necessary support services delivered by other providers in the community.

Partnerships with Local Employers and Community Colleges Yield Additional Resources for TANF Clients

As part of the broader network, local non-profit programs and TANF offices often forged partnerships with local employers to open up job opportunities for their clients. For example, The Cara Program in Chicago has developed relationships with employers in the financial services industry, such as JP Morgan, to place clients in entry level positions with the potential for advancement, such as mailroom check processors. Program officials told us they turned applicants away based on active substance abuse problems or criminal backgrounds, out of concern about compromising their relationships with potential employers. In San Francisco, one of the nation's highest-paying markets in the legal services industry, one group developed a program to train TANF clients to serve as paralegals.

Other programs consulted with employers to develop training curricula and gather other information related to employer needs. Input from employers is an essential component to ensure effective training that addresses labor market needs. The San Jose CET worked directly with employers to develop curricula tailored to local labor market needs. Some non-profits, such as the San Francisco Works program in San Francisco, were founded by a group of enterprising businesspeople who saw an opportunity to connect job-seeking welfare recipients in the work-focused system of the 1990s with open positions created by San Francisco's booming economy.

In addition to employers, some programs also partnered with or originated within unions to assist TANF clients in finding work. For example, the Montana PEAKS program is housed in a building owned by the local steelworkers union, and the head of the program reported that she had established relationships with unions for the logging, construction and aluminum refinery industries to expand the job opportunities available to her clients.

In addition to employers, program officials cited their partnerships with community colleges as important sources of additional resources and expertise. For example, the Brighton Center's Center for Employment Training program in Lexington, Kentucky, negotiated an agreement with the Central Kentucky Technical College to allow CET students to transfer their CET credits to the college. In other cases, the community colleges directly provided training and post-secondary education services to TANF clients. For example, students in the San Francisco Works program took classes on-site with the partner community college.

HHS Is Supporting Research, Providing Technical Assistance, and Sponsoring Targeted Grant Funding, but Additional Research and Technical Assistance Are Needed

Through research, technical assistance, and grant-making activities, HHS plays an important role in fostering the four strategies identified in this report that are designed to help TANF participants raise their incomes. Although HHS has several efforts underway, more needs to be known about the effectiveness of strategies for building individuals' skills and earnings capacity and how to incorporate them as options within state and local TANF programs. Within HHS, the Administration for Children and Families (ACF) has primary oversight responsibilities for TANF and for these efforts, most of which have focused on promoting financial asset building and training strategies. HHS' Office of the Assistant Secretary for Planning and Evaluation (ASPE) also plays a key role in research efforts.

HHS Conducts and Shares Research on Employment and Asset-building Strategies

HHS is engaging in several research projects focused on helping TANF clients and other low-income individuals find higher-wage employment and build their assets. One such effort, the Employment Retention and Advancement project, will identify and test program models designed to promote employment stability and increased earnings for TANF recipients and other low-income individuals. Started in 1998, this evaluation will test the effectiveness of 15 programs in eight states. The program models under review are designed to help participants retain jobs or advance in their careers, or both.

Each program provides a package of services that will be compared. For example, participants in one career advancement program meet with "career and income advisors" to develop a career and income advancement plan that takes into account the client's current job, career goals and specific barriers. Evaluations of this and the other program models will focus on the impact of receiving this package of services. TANF and other low-income individuals participating in the programs will be tracked for up to 5 years. While some preliminary results are available, final results from this 10-year evaluation are not expected until 2008. Evaluation results from this study can provide important information about the various combinations of services that might lead to positive outcomes for low-income individuals.

To complement these efforts, HHS has also made contributions to the New Visions Self-Sufficiency and Lifelong Learning Project currently underway in California. A partnership between the local community college and the Department of Social Services, the project focuses on earnings gains as a

primary measure of improvement in employment prospects of working parents who also receive TANF.

In addition to the Employment Retention and Advancement project, in 2010, the agency expects final results from a second research effort—the Hard-to-Employ Demonstration and Evaluation Project—a 10-year study to identify effective strategies for improving employment outcomes for current or former TANF recipients and other low-income individuals who have had difficulty finding and holding down jobs. While both the Hard-to-Employ Demonstration and Evaluation Project and the Employment Retention and Advancement project are designed and managed by HHS, Labor also provides some funding.

HHS also recently supported research comparing the job requirements of high demand positions in the long-term care industry to the skill profiles of TANF clients. This study explored the possibility of training TANF clients to fill these needs and identified challenges programs face in designing and implementing a long-term care training program for TANF clients. On the demand side, HHS is also about to undertake a nationally representative survey of employers in an attempt to understand more about the factors that ensure a TANF job-seeker success in the workplace. In addition, the agency is reviewing current research to better understand the role that asset building plays in addressing poverty. More specifically, they are looking at the factors influencing low-income families' asset accumulation, as well as possible effects. The agency also plans to examine how means-tested program rules may affect low-income families' ability to build assets. Finally, in recognition of employment barriers facing TANF job seekers in rural areas, HHS has also launched a demonstration project to evaluate the effectiveness of welfare-to-work strategies being used in rural areas, with final results due in 2007.[11]

These research efforts are a part of HHS' broader research and evaluation efforts that include analysis of healthy marriage and responsible fatherhood initiatives, evaluations of other related welfare-to-work grants programs as well as research designed to address the needs of special populations such as low-income individuals with additional barriers.

[11]For more information, see GAO, *Welfare Reform: Rural TANF Programs Have Developed Many Strategies to Address Rural Challenges*, GAO-04-921 (Washington, D.C.: Sept. 10, 2004).

The agency also has taken steps to share research findings with local TANF programs, welfare researchers, and policymakers. Since 1998, HHS' Administration for Children and Families has sponsored an annual Welfare Research and Evaluation Conference to share evaluations of welfare reform and formulate ways to incorporate these findings in the design and implementation of programs. In addition, ACF and ASPE make research results available through presentations at other conferences related to welfare and low-income issues, their agency websites, and online announcements sent to subscribers. For example, officials noted that ASPE and ACF work together to send "TANFnet" announcements to state program administrators; currently TANFnet goes to 300 state administrators.

Another source of research on these types of strategies could be the programs using them, although this was not the case among those we visited. Few of the programs reported plans for rigorous research and evaluation. A number of the officials we met with cited a lack of dedicated funding as the reason for not doing more in the way of evaluation and outcome measurement. Some individual programs had undertaken efforts to measure participant outcomes and two mentioned plans for a rigorous experimental design evaluation that could result in an assessment of its effectiveness.[12] Often, when a program did collect data on participant outcomes, the indicators of interest were directly related to employment—program wide job placement rate, individual wage gain, length of tenure in a given job or access to benefits. However, some programs were interested in a broader spectrum of progress indicators. For example, the Project Match program in Chicago oversees a central database that tracks a variety of individual performance indicators for a number of area programs. These may include progress on work preparation activities, family or personal activities (e.g., going to medical appointments), and housing and financial activities (e.g., eliminating a debt).

This forthcoming research will expand existing knowledge about welfare-to-work strategies in important ways, but more remains to be known about designing and implementing programs that can increase low-income parents' earnings capacity and move them into higher-wage jobs. For example, research could help identify (1) more information on specific education and training strategies that work and what the key program

[12]The two experimental design evaluations are funded by a variety of federal and foundation sources.

elements are that lead to success and that can be replicated; (2) ways to incorporate education and training strategies into the lives of low-income individuals, whether as part of a welfare-to work program or in combination with part- or full-time work; (3) which strategies work best for those with varying skill levels, including how best to target educational and training skills to specific job needs, particularly for those who may not succeed in a classroom setting; and (4) which service delivery approaches are the most effective and cost-efficient, including understanding more about the most appropriate provider or access point, such as the welfare, educational, or employment and training systems or some combination of these.

A new initiative HHS has recently launched, called the Innovative Employment Strategies Project, could help to identify additional research opportunities within existing resource constraints. This project is designed to document promising practices to help TANF and other at-risk families achieve self-sufficiency through employment and to make recommendations for further research.

HHS has a strong tradition of leading and supporting rigorous welfare research and is well-positioned to continue to promote and support additional research, although it faces considerable challenges in doing so. In 2003, we recognized ACF as an agency with an evaluation culture based on its efforts to plan, execute and use information from evaluations[13] and highlighted it as a model for other agencies. As part of this culture, it has played a role in working with methodological experts and partnering with state and local welfare agencies to promote and support the importance of evaluation to state and local welfare agencies. At the same time, HHS faces considerable challenges to support research in the new and evolving welfare environment. These include:

- limited authority to oversee states and reduced resources under TANF;
- fewer incentives for states to evaluate their programs than existed under the previous welfare program with its waiver, evaluation, and funding provisions;

[13]GAO, *Program Evaluation: An Evaluation Culture and Collaborative Partnerships Help Build Agency Capacity*, GAO-03-454 (Washington, D.C.: May 2, 2003).

- the increasingly decentralized welfare environment with a multitude of players involved in delivering services and operating programs; and

- the broadened population of interest under welfare reform, including current and former welfare recipients and other low-income parents.

Still, HHS has a track record of successfully working with research experts and state and local governments, as well as its federal partners Labor and Education, to make important contributions. In addition, it has already broadened its research agenda to conduct and promote research beyond TANF recipients. The types of strategies we identified form a critical area to explore as welfare reform evolves.

HHS Provides Targeted Grants That Encourage Use of Strategies

HHS also supports strategies designed to help TANF clients raise their incomes through targeted grants. In addition to the TANF grant—one of the most significant and likely sources of funding for welfare programs—the agency also offers two smaller grant programs that directly support the employment and asset-building strategies discussed in this report. The Job Opportunities for Low-Income Individuals (JOLI) and Assets for Independence (AFI) programs, both administered by ACF's Office of Community Services, are designed to help TANF clients move into higher-wage employment or build financial assets through use of strategies such as training, asset building and microenterprise development.

The JOLI grants, created in 1988, provide funding to organizations interested in creating job opportunities for TANF recipients and other low-income individuals with the goal of economic self-sufficiency. Nonprofit organizations receiving JOLI grants are required to use specific types of strategies such as training women and minorities for nontraditional jobs and supporting the development of microenterprises. In addition, HHS requires these organizations to establish a cooperative relationship with the state TANF agency, in an effort to ensure that TANF clients benefit from services funded by JOLI grants. In fiscal year 2004, about $5 million in grant funding was awarded. The agency is currently developing evaluation tools to assess the effectiveness of programs funded by JOLI grants.

HHS' AFI grants support asset accumulation among TANF recipients and other low-income families by funding financial education and economic support services. In addition to providing services such as financial education and assistance accessing tax credits, organizations receiving AFI grants help low-income individuals and families open special purpose

savings accounts called IDAs that are matched with grant funds. Participants can use the money they save for postsecondary education to purchase a first home or start a small business. According to HHS, there are currently more than 315 AFI projects active across the country, and more than 21,000 families have opened IDAs through the AFI project . The average AFI grant award is $350,000 across a 5-year grant period. In 2007 ACF will publish a final evaluation of the effectiveness of the AFI grant projects.

Use of Strategies Facilitated through Technical Assistance Provided by the PeerTA Network and HHS Regional Offices

HHS supports the use of strategies identified in this report by providing technical support to TANF programs through the Welfare Peer Technical Assistance Network. The Network is comprised of states, counties, localities, and community based organizations and provides opportunities for members to learn from each other via round tables, site visits, teleconferences and a Web Site. Upon request, the Network provides opportunities for members to share experiences and solve common problems. For example, in 2005, the Network sponsored a 3-day event focused on innovative strategies to increase self-sufficiency outcomes in rural areas and in 2004 and 2005 co-sponsored with the Internal Revenue Service (IRS) two roundtable discussions about the use of the EITC. In 2002, the Network joined forces with Labor to focus on promoting IDAs.

HHS also supports these strategies by disseminating information to state and local TANF programs through ACF's 10 regional offices. Most often, regional offices sponsor regional conferences or workgroups to share effective strategies for meeting the needs of TANF recipients. For example, one regional office publicized a state post-secondary educational program that regional officials believed to be a promising practice. Information about this program was shared within the region and nationally. A second regional office organized a meeting in 2002 for several states to gather and discuss the administration of IDA programs. In 2004, this same regional office hosted a teleconference to discuss strategies and ways to develop successful work experiences for TANF clients in rural settings.

Regional offices sometimes collaborate with other federal agencies in these efforts. For example, one ACF regional office worked with Labor to sponsor a conference designed to provide technical assistance to a state level TANF office on how to help move TANF recipients into health care jobs. Another regional office collaborated with the IRS to disseminate information about the EITC to states with the goal of helping TANF programs develop organized efforts to increase the number of low-income

families who claim the credit. Some regional offices, in collaboration with federal agencies such as Labor and the Department of Transportation (DOT), have organized multi-state meetings on the specific challenges facing rural areas, as well as promising strategies. Regional offices have also shared information with TANF program administrators through the use of newsletters, electronic listservs and site visits.

While HHS has provided some technical assistance to facilitate use of these strategies, the overall emphasis of welfare reform on work rather than education and training is sometimes perceived by programs as a barrier to implementing these strategies for TANF recipients. As we noted previously, some programs we visited believed they would have to change their program design and mission in order to get TANF funding or did not want to meet what they believed to be onerous program requirements while other providers made adjustments to meet their own mission goals and TANF work requirements. Some of the education focused providers were supported by state TANF programs that were specifically designed to include such options. It is not clear whether all program administrators, programs, and policymakers understand ways they can include education and training components as a part of their TANF programs. HHS headquarters and regional offices that work with program officials to share concrete information on what others have done to incorporate such strategies can help administrators understand the full range of program strategies that they may use at their option. While some program design decisions are made at the state level, often it is up to local TANF administrators to choose program strategies. As a result, it is important for HHS to provide assistance to both state and local administrators. Moreover, because many of the strategies we identified may involve efforts under the purview of Labor and Education, some of the cross-agency efforts identified by some of the regional offices may be particularly useful in providing technical assistance. While some regional offices noted such cross-agency efforts, others did not.

Other Federal Agencies also Play a Role Encouraging Use of Strategies

Beyond HHS, a number of other federal agencies also provided research, technical assistance and targeted grants in support of grants designed to help TANF clients and other low-income individuals achieve higher-wage employment and build financial assets, sometimes in conjunction with HHS. For instance, HHS is a contributing partner to Labor's National Work Advancement and Support Center Demonstration. In addition, Labor's High Growth Job Training Initiative, while not specifically targeted to low-income individuals, seeks to train participants with training for high growth jobs such as those in the health care industry. As mentioned

earlier, HHS is in the process of evaluating this practice as a possible approach for pairing TANF clients with opportunities in the burgeoning long-term care industry. In addition, from 1994 through 2003, Labor's Women in Apprenticeship and Nontraditional Occupations program has funded community based organizations to provide technical assistance to employer and labor union efforts to place and retain women in apprenticeship and nontraditional occupations.

Several other agencies have promoted the use of these strategies. For example, the Department of Education—in addition to collaborating with HHS and Labor on welfare-to-work research efforts—has sponsored its own research on community colleges' role in welfare-to-work training. The agency has also provided technical assistance to state TANF administrators about post-secondary education as it pertains TANF. Additionally, the IRS has supported asset-building strategies by partnering with HHS in the Delta Initiative—an effort whereby both agencies are working to increase the number of TANF and other low-income families in the seven state Mississippi Delta region who apply for the EITC.[14] The Department of Transportation also has several efforts designed to help low-income individuals, as well as efforts to train and support women and minorities for entry into highway construction and maintenance jobs. In addition, DOT permits states to reserve some On-the-Job Training program positions for TANF clients. In addition to DOT's efforts, HUD has launched the Jobs-Plus demonstration to increase labor force attachment among public housing residents (many of whom are also TANF clients) by issuing grants to local housing authorities to provide residents with employment-related services and incentives to improve their employment prospects.[15]

Conclusions

Our review focuses on promising strategies for increasing welfare clients' incomes and the role that HHS can play in supporting these strategies. The sweeping welfare reforms of the last decade shifted the focus of the federal welfare program from issuing benefit checks to a broader mission of moving families into economic independence. Under the TANF block grant, states are funding a variety of programs designed to help clients make a successful transition into the workforce. This has carved out an

[14]The National Organization of Black County Officials is also a partner in this effort.

[15]The Jobs-Plus demonstration is funded through HUD's Moving-To-Work initiative, and matched by a grant from the Rockefeller Foundation, with additional support from other public agencies and philanthropies.

important role for the broader workforce development and educational network—local non-profit programs, employers, community colleges, and other organizations. As a result, welfare recipients now prepare for work in a more decentralized environment where service providers may rely on a combination of public and private funding sources beyond TANF funding streams. The Departments of Education and Labor and other federal agencies have also expanded their roles in providing work-related services for TANF clients and other low-income people.

While all of the strategies and programs we visited may show promise and help some welfare recipients find better jobs, research does not yet exist to isolate which strategies work best, for whom, and under which conditions, not to mention how to deliver services in the most cost-effective manner. However, the significant federal dollars spent on TANF warrants continued federal research efforts and attention from HHS, as well as Education, Labor, and other relevant agencies. Many of the strategies covered in this report represent new, or at least untested, approaches in the realm of welfare-to-work services. They deserve an opportunity for the kind of validation that only rigorous research can provide.

Finally, in a time of scarce budgetary resources, it is appropriate that HHS and state TANF programs make full use of the vast array of strategies and programs available at the local level to help welfare recipients achieve the goal of self-sufficiency. According to experts, many state and local organizations have developed new and promising approaches with the potential to improve clients' economic stability and career prospects. These practices hold value for the individuals and agencies directly involved and can provide important lessons for others. As the federal agency charged with helping low-income parents avoid dependence on welfare, HHS has several mechanisms to share research and information on effective and promising practices with programs providing services to TANF clients, such as its regional offices or partnerships with other agencies. However, some innovative programs serving welfare clients operate at the local level—not linked to HHS—and others may not receive direct funding from TANF and therefore may not be known to local, state, or federal officials. Because of these factors, HHS officials may find it increasingly challenging to gather and disseminate information on promising practices or to provide technical assistance for local programs wishing to implement these promising strategies. It is more difficult, but important, to reach all of the parties now involved in delivering welfare-to-work services in this more decentralized environment.

Recommendations for Executive Action

To help ensure that the federal government considers research on these promising strategies and better informs welfare agencies and programs about how they might incorporate such strategies for TANF recipients, we recommend that the Secretary of HHS:

1. Review its current research agenda and identify opportunities to conduct and promote additional research on increasing earnings capacity among low-income parents.

2. Review existing research dissemination and technical assistance efforts across its relevant units to better ensure a comprehensive process for distributing information and implementation assistance to the wide range of program administrators and programs involved in welfare reform.

3. Seek out additional opportunities to work with the Secretaries of Labor and Education to jointly conduct and promote research and distribute information and implementation assistance related to enhancing skills and earnings capacity among low-income parents.

Agency Comments and Our Evaluation

We provided a draft of this report to HHS for its comments; these appear in appendix III. In its comments, HHS said that the recommendations were not necessary or warranted given that it is already carrying out a strong portfolio of research, evaluation, technical assistance and dissemination. It also stated that our conclusions and recommendations about promising strategies do not reflect existing research evidence. We disagree. While acknowledging HHS' past and ongoing efforts, already discussed in the report, we continue to think additional efforts are warranted. In addition, our conclusions and recommendations are firmly based in existing research.

More specifically, as the report introduction and background discuss and as HHS notes, welfare reform is built upon a considerable research base. This research shows that welfare-to-work interventions can increase employment and reduce welfare use and that a mixed approach—with a strong work focus and some education and training as needed—shows the greatest earnings gains. This research also shows that the most successful approaches tested generally do not lead to stable, higher-paying employment. As a result, many former welfare recipients rely on other forms of government aid to help make ends meet and some return to the welfare rolls. We have added to our discussion of this research in the background section. A key unanswered question—and the focus of this

report—is about identifying and testing additional ways to help low-income parents support their families through employment rather than reliance on government supports. We acknowledge that HHS has several important research efforts under way to shed light on these issues. Our recommendation asks HHS to review its research agenda and seek out additional opportunities, given the importance of improving outcomes for low-income parents.

We maintain that while not yet proven effective, the practices we identified hold promise and warrant additional attention in HHS' portfolio. We acknowledge that some strategies, such as microenterprises, will probably always be of limited scale. We also clearly understand that, as HHS said, Congress created work requirements that emphasized some core activities and deemphasized others, such as post-secondary education. At the same time, Congress gave states flexibility to include other approaches deemed to address state and local needs and some administrators we spoke with believe post-secondary education can play a role in moving families permanently off welfare. We also identified promising short-term, work-focused training strategies that would fit within existing TANF work requirements. HHS stated that we recommend that it do more to encourage states to shift their focus toward activities not emphasized by Congress. What we found, and what we do recommend, is that the wide range of program administrators involved in helping low-income parents avoid welfare dependence would benefit from an even greater effort by HHS to provide information and practical technical assistance about promising practices. We think further collaboration among HHS, Labor, and Education in providing technical assistance warrants attention.

As we already discuss in the report, HHS has several relevant and very important research efforts under way that will provide valuable information to policymakers. We understand that choices about where to focus limited research resources must be made and that its ongoing efforts are just one part of a larger portfolio of research related to TANF goals, including research on promoting safe and healthy marriages and fatherhood initiatives. We added language to the report to acknowledge these resource constraints. However, within these constraints, we still think it important that HHS explore opportunities to conduct and promote research on ways to increase low-income parents' incomes through employment. We also think it particularly important that it expand its collaborations with Labor and Education in addressing these issues. Much remains to be explored about whether and how best to incorporate education and training into the lives of low-income parents to improve

employment outcomes. Potential benefits include improved household incomes, reductions in government benefit programs, and increased contributions to the nation's workforce. We note that HHS cited the President's proposal for TANF reauthorization as an opportunity that would give HHS additional funds to explore promising practices.

In some cases, HHS' comments included information on research, dissemination, or technical assistance activities that it had not shared with us earlier; these have been added to the report. We also made revisions in some of our summary statements and other areas to better ensure HHS' existing efforts were acknowledged and to add clarification. HHS also provided technical comments that we incorporated as appropriate.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies of this report to the Secretary of the Department of Health and Human Services, appropriate congressional committees, the Secretaries of Labor and Education, and other interested parties. In addition, the report will be available at no charge on GAO's Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (415) 904-2272 or bellisd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.

David D. Bellis
Director, Education, Workforce,
and Income Security Issues

Appendix I: List of Experts Interviewed

Officials with expertise in welfare-to-work strategies were interviewed from the following organizations.

Goodwill Industries of Southwestern Michigan
Jobs For the Future
Mathematica Policy Research, Inc.
MDRC
National Conference of State Legislatures
National Network of Sector Partners
Professor Harry Holzer, Georgetown University
Public Private Ventures
The Annie E. Casey Foundation
The Aspen Institute
The National Governors Association
The Upjohn Institute
The Urban Institute
Wider Opportunities for Women

Appendix II: Program Contact Information

Following is contact information for programs mentioned in this report.

California

Californians for Family Economic Self-Sufficiency (CFESS)
National Economic Development and Law Center
2201 Broadway, Suite 815
Oakland, CA 94612
aimee@nedlc.org
(510)251-2600

Center for Employment Training
701 Vine Street
San Jose, CA 95110
hsapien@cet2000.org
(408)534-5230

LIFETIME
132 East 12th Street
Oakland, CA 94606
contact@geds-to-phds.org
(510)452-5192

San Francisco Works
235 Montgomery Street, 12th Floor
San Francisco, CA 94104
tfeeley@sfworks.org
(415)217-5183

Street Tech
2300 El Portal Drive, Suites F & G
San Pablo, CA 94806
(510)234-1300

Women's Initiative for Self Employment
San Francisco, CA
(510)287-3114 or (415)641-3460

Illinois

Bethel Employment and Training Center
4006 W. Lake Street
Chicago, IL 60624
hfoshee@bethelnew.org
(773)826-8430

Chicago Women in Trades
jvellinga@cwit2.org
(312)942-1444

Project Match
420 North Wabash Avenue, 6th Floor
Chicago, IL 60611
(312)893-7243

The Cara Program
703 W. Monroe
Chicago, IL 60661
swernet@thecaraprogram.org
(312)798-3302

Kentucky

Bowling Green Housing Authority Women in Construction
247 Double Springs Road
Bowling Green, KY 42101
(270)843-6071

Bowling Green Technical College Ready to Work Program
1845 Loop Drive
Bowling Green, KY 42101
(270)901-1000

Brighton Center, Inc.
Center for Employment Training (CET)
601 Washington Avenue, Suite 140
Newport, KY 41071
TNolan@brightoncenter.com
(859)491-8303

R.O.U.T.E. Training Program
Foothills Community Action Partnership
309 Spangler Drive
Richmond, KY 40475
acox@foothillscap.org
(859)624-2046

Maryland

Community College of Baltimore County Continuing Education
800 South Rolling Road
Catonsville, MD 21228-5317
mwalsh@ccbcmd.edu or jedwards@ccbcmd.edu
(410)455-4920 or 410-455-6922

The Johns Hopkins Skills Enhancement Program
Office of Community and Education Projects
Human Resources Department
The Johns Hopkins Hospital
600 N. Wolfe Street, Phipps 352
Baltimore, MD 21287
bedward@jhmi.edu
(410)614-0273

Montana

Career Training Institute
347 N. Last Chance Gulch
Helena, MT 59601
sheilah@ctibrc.org
(406)443-0800

Career Transitions
20900 E. Frontage Road, B-Mezz
P.O. Box 145
Belgrade, MT 59714
info@careertransitions.com
(406)388-6701

Montana PEAKS Inc.
Montana Women in the Trades
P.O. Box 2209
Columbia Falls, MT 59912
mtpeaks@digisys.net
(406)892-5767

WORD (Women's Opportunity and Resource Development, Inc.)
127 N. Higgins, Suite 307
Missoula, MT 59802
kgough@wordinc.org
(406)543-3550

Pennsylvania

AchieveAbility
21 South 61st Street
Philadelphia, PA 19139-3008
info@achieve-ability.org
(215)748-8750

Campaign for Working Families
1207 Chestnut Street, 6th Floor
Philadelphia, PA 19107
jhunt@gpuac.org
(215)851-1819

District 1199C Training and Upgrading Fund
1319 Locust Street
Philadelphia, PA 19107
cfeldman@1199ctraining.org
(215)568-2220

PathWaysPA
310 Amosland Road
Holmes, PA 19043
(610)543-5022

Transitional Work Corporation
Land Title Building
100 S. Broad Street, Suite 700
Philadelphia, PA 19110
rcg@transitionalwork.org
(215)965-3000

WORC (Women's Opportunities Resource Center)
2010 Chestnut Street
Philadelphia, PA 19103
(215)564-5500

Appendix III: Comments from the Department of Health and Human Services

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

NOV 9 2005

Mr. David D. Bellis
Director, Education, Workforce,
and Income Security Issues
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Bellis:

Enclosed are the Department's comments on the U.S. Government Accountability Office's (GAO's) draft report entitled, "WELFARE REFORM: HHS Could Do More to Promote Research and Support Promising Strategies to Increase Parents' Incomes." (GAO-06-108). These comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,

Larry J. Goldberg
for Daniel R. Levinson
Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for U.S. Government Accountability Office reports. OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE U.S. GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED, "WELFARE REFORM: HHS COULD DO MORE TO PROMOTE RESEARCH AND SUPPORT PROMISING STRATEGIES TO INCREASE PARENTS' INCOMES" (GAO-06-108)

General Comments

The Department of Health and Human Services (HHS) appreciates the opportunity to comment on the U.S. Government Accountability Office's (GAO) draft report.

The draft GAO report recommends that HHS retarget its evaluation resources to focus on four strategies designed to increase income for parents receiving cash assistance from the Temporary Assistance for Needy Families (TANF) program—training, post-secondary education, self-employment, and financial asset building. The report argues that HHS has not done enough to evaluate "the effectiveness of such strategies and to assist States and localities in incorporating them into their TANF programs."

GAO's recommendations, however, do not reflect what we believe to be strong research evidence that contradicts many of the conclusions reached and recommendations presented. Further, the recommendations are not well aligned with stated Congressional intent with regard to approaches to increase self-sufficiency and decrease welfare dependency. They also do not reflect a thorough understanding of the challenges involved in undertaking rigorous evaluation, as indicated below:

- GAO's identification of "promising strategies" is based on "interviews with experts and visits to programs." HHS's current research agenda involving evaluations of multiple strategies to increase income and sustain attachment in the labor force is based on a large body of prior research and consultation with a wide range of researchers, interest groups, program practitioners, and other stakeholders.

- In creating TANF, Congress specifically emphasized certain core activities and de-emphasized others. This focus was in contrast to the activities Congress emphasized in the predecessor Job Opportunities and Basic Skills (JOBS) training program. In particular, TANF legislation focuses on work and work-like activities. GAO's recommendation that HHS do more to encourage States to shift their focus toward other activities, especially post-secondary education, could be seen as inconsistent with Congressional intent.

- GAO notes that HHS has "no plans to promote or support research on what specific strategies are most effective in raising TANF recipients' earnings." This statement does not accurately reflect past and current work that HHS has undertaken to address this issue. As has been the case for many years, HHS continues to invest a major portion of research funds to support multiple research projects to assess the effectiveness of alternative approaches to help low-income workers and TANF

recipients enter and sustain their attachment to the labor market and increase their earnings. One of these early studies was the National Evaluation of Welfare-to-Work Strategies (NEWWS) evaluation in which "education first" strategies were directly compared to "work first" strategies. The findings from this study support the work focus within the TANF legislation. HHS is currently investing substantial resources in two additional large scale research projects that specifically focus on approaches to help low-income workers and TANF recipients retain employment and increase their earnings by advancing in the labor market. The first of these is the Employment Retention and Advancement Demonstration Evaluation (ERA) and the second is the Hard-to-Employ Demonstration Evaluation (HtE). The ERA study is evaluating fifteen different tests/models in eight States. The HtE study currently includes four tests. These research projects were designed based on the evidence and lessons from earlier research by HHS and others regarding strategies to be tested with different segments of the TANF caseload.

- HHS supported a recent meta-analysis of welfare-to-work programs that identified those programs with impacts on average earnings. An earlier study of "What Works Best for Whom" took a similar approach. Except for direct experimental comparisons, the ability to determine which of the approaches to increasing earnings are "most effective" is hampered by the fact that different interventions deal with different population groups and vary in other ways. This limitation is particularly salient for programs like micro-enterprise, financial asset building, and post-secondary education, wherein participants are likely to be a small, self-selected group. Under these circumstances, even with impact findings, it would be difficult to make judgments about which approaches are most effective for a broader population.

- The draft GAO report does appropriately recognize the range of research studies HHS has supported. While HHS has not invested in rigorous evaluation of some of the strategies identified as promising by GAO, these topic areas have been addressed within the research agenda (more information is provided below). Research used to inform public policy and investments of resources at the Federal, State, and local level should be sound and provide evidence of the long-term as well as short-term benefits of alternative strategies. HHS's research budget is not sufficiently large to allow for major investments to produce sound research on all areas of interest; HHS must choose priorities among competing topics of interest. As a result, HHS has chosen to focus on those strategies for increasing earnings that involve large segments of the TANF caseload, rather than programmatic approaches that are not widely used by State or local agencies or that involve relatively small numbers of TANF recipients, e.g., micro-enterprise.

2

- In addition, while the body of the report acknowledges HHS's long commitment to research and evaluation and mentions some of its recent and ongoing projects in this area, the title of the report appears unnecessarily critical. HHS strongly requests that GAO rename this report. A suggestion would be "HHS Should Continue to Promote Research and Support Promising Strategies to Increase Parents' Incomes."

Finally, we do not agree that the recommendations are necessary or warranted, as HHS is already carrying out a strong portfolio of research, evaluation, technical assistance, and dissemination. Specific comments on recommendations are provided below.

The President's proposal for TANF reauthorization would give HHS additional funds to explore promising practices and to disseminate information on those practices. We look forward to Congressional action that will move the President's proposal toward enactment.

GAO Recommendation #1:

To help ensure that the Federal Government considers research on these promising strategies and better informs welfare agencies and programs about how they might incorporate such strategies for TANF recipients, we recommend the Secretary of HHS:

(1) Review its current research agenda and identify opportunities to conduct and promote additional research on increasing earnings capacity among low-income parents.

HHS Response:

HHS is already making significant investments in this area such as:

- Employment Retention and Advancement Demonstration Evaluation—This project is funded by ACF and builds on earlier research findings indicating that many TANF recipients who find jobs do not keep them for very long periods and many do not advance to higher paying jobs. The goal of this multiyear demonstration and evaluation project is to gain knowledge about how best to help low-income workers and TANF recipients sustain attachment to, and advancement in, the labor market. The project is evaluating fifteen different intervention strategies in eight States (California, Illinois, Minnesota, New York, Ohio, Oregon, South Carolina, and Texas).

3

- Hard-to-Employ Demonstration Evaluation—This project, funded by ACF and the Assistant Secretary for Planning and Evaluation (ASPE), with additional support from the Department of Labor (Labor), also builds on lessons from earlier work that found that some TANF recipients may benefit from different strategies to help them find appropriate employment and advance in the labor market to increase their earnings. The evaluation is testing four different strategies using state-of-the-art approaches working with different population groups.

- Poor Finances: Assets and Low-Income Households—This project, funded by ASPE, is designed to build the knowledge base about asset building and provide a foundation for further research and policy development with regard to strategies to increase asset building among the poor. This fall, ASPE will be issuing a series of six reports that provide an assessment of the nascent state of knowledge and policy development regarding asset building in the context of social policy, with particular attention to assets and the poor. The various reports offer overviews of asset definitions and measurements, distributions of assets and liabilities, possible effects of asset accumulation, determinants of asset accumulation, and an overview of data sources that may be used for further research. In the next phase, the study will examine the effects of means-tested program rules on asset building, focusing on the TANF program.

Moreover, HHS is currently supporting a number of studies that will help focus future research on promising practices to help TANF recipients increase their earnings- and increase family self-sufficiency. One of these is the new Innovative Employment Strategies project being conducted by the Urban Institute. This project will document approaches and lessons learned from existing innovative and promising strategies to help families receiving, or at risk of receiving, TANF assistance to achieve and maintain self-sufficiency through employment. A focus of the project will be to examine the opportunities and challenges for the further development and rigorous evaluation of such approaches, and to make recommendations for further research.

GAO Recommendation #2:

Review existing research dissemination and technical assistance efforts across its relevant units to better ensure a comprehensive process for distributing information and implementation assistance to the wide range of program administrators and programs involved in welfare reform.

HHS Response:

To help in disseminating research results, ACF sponsors an annual Welfare Research and Evaluation Conference and uses its resources to ensure that State and local TANF officials can attend. For the past seven years, this conference has been a forum for welfare administrators and program officials, researchers, and policy makers to learn about the latest findings in evaluations of welfare reform, to formulate ways to incorporate evaluation

4

results into the design and implementation of programs and policies, and to develop effective strategies to ensure sound evaluations of welfare reform.

ACF's Welfare Peer TA (Technical Assistance) Network (Network) provides support to allow peer-to-peer technical assistance to public agencies and private organizations operating the TANF program. Technical assistance is provided through a variety of mechanisms: peer-to-peer site visits, workshops, moderated teleconferences, and interactive question and answer sessions. The Network also highlights policy-relevant research, innovative programs, related links and upcoming events. The objective of the Network is to facilitate the sharing of information between and among States and to establish linkages between organizations serving the needs of welfare recipients. It is notable that the Network is designed to be responsive to the expressed interests and priorities of State officials.

HHS staff and contractors often give presentations at professional conferences such as those of the Association for Public Policy Analysis and Management (APPAM) and the National Association for Welfare Research and Statistics (NAWRS) attended by State and local TANF officials to share our results with the larger research community and program administrators.

In addition, HHS is working to make our research and evaluation products accessible to a broader audience. ASPE is developing short research briefs and summaries for all of our reports in order to make our research findings more useful for busy program administrators and policy makers who often do not have the time to read a lengthy report. We have an e-mail listserv that announces when new products are available http://aspe.hhs.gov/info/maillist.shtml. All of our reports are provided online in order to make them available to individuals and organizations that are not already on our mailing lists. The Web site has been recording approximately 100,000 hits per month over the past year. Over 160,000 individuals visited ASPE's Web site during a single month this spring, and the Web site of ACF's Office of Planning, Research and Evaluation received over 30,000 hits in August 2005.

GAO Recommendation #3:

Seek out additional opportunities to work with the Secretaries of Labor and Education to jointly conduct and promote research and distribute information and implementation assistance related to enhancing skills and earnings capacity among low-income parents.

HHS Response:

We regularly seek out opportunities to work with other departments in common research efforts. In the past year, we have contributed to Labor's National Work Advancement and Support Center Demonstration. Also, as the draft GAO report notes, Labor collaborates on the HtE project and has participated in the ERA project. The Department of Education contributed funds to the NEWWS evaluation. HHS and Labor worked closely together in ASPE's evaluation of the Labor-funded Welfare-to-Work (WtW) grants. Currently, we are

5

collaborating on projects to identify what job characteristics are most associated with TANF leavers moving out of low-earnings status and to examine the role of unemployment insurance in providing a safety net for low-income workers.

Further, the draft GAO report mentions (page 31) four specific areas where additional research could help us know more about "designing and implementing programs that can increase low-income parents' earnings capacity and move them into higher-wage jobs." While more research is always desirable, the report does not consider the necessity for selecting priorities among research topics, in light of resource constraints, nor does it adequately reflect the research already underway in these areas.

With regard to the first two areas, "more information on specific education and training strategies" and "ways to incorporate education and training strategies into the lives of low-income individuals," we have supported a large body of rigorous research on which strategies are most effective for increasing employment and earnings. This research, most notably NEWWS, has consistently shown that education and training are less effective than work-first approaches. The results for the Portland NEWWS site, along with earlier results from the Riverside site in the California Greater Avenues to Independence (GAIN) evaluation, suggest that a mixed approach in which short-term training precedes job searching for some individuals is the most effective strategy for increasing earnings. In both Portland NEWWS and Riverside GAIN, however, the emphasis was very clearly on getting people to work, with training of secondary importance.

We are currently supporting research into the effects of education and training in the ERA project, which is cited in the draft GAO report, as well as in the New Visions Self-Sufficiency and Lifelong Learning Project in Riverside, California. New Visions is a joint venture of the Riverside Community College (RCC) in California and the Riverside County Department of Public Social Services. The purpose of the demonstration is to improve the employment prospects of working TANF recipients, and a major research focus is on gains in earnings. The program consists of 10 months of classes at RCC, the first 6 of which are devoted to basic and higher education. The last 4 months consist of activities that are more specifically tailored to the individual and can range from entry-level community college coursework to work experience and job placement.

The third area, "which strategies work best for those with varying skill levels," has been addressed in the project "What Works Best for Whom," in which the results of 26 experimental studies of WtW programs were reanalyzed to examine the effects on subgroups defined by their level of disadvantage. This study found that for the most disadvantaged subgroups, mixed-approach programs that were employment focused were the most successful in increasing earnings, while mixed-approach programs that emphasized education and training were generally unsuccessful. A recent meta-analysis of welfare-to-work programs provides an expanded synthesis.

6

The fourth area seeks to discover "which service delivery approaches are the most effective and cost-efficient." We have included impact and cost-benefit analyses in ERA and the HtE projects and other major evaluation projects. We agree that it is of critical importance to measure the effectiveness and cost efficiency of programs, and we will continue to do so.

Moreover, we take issue with the draft GAO report's assertion (page 5) that HHS "has no plans to promote or support research on what specific strategies are most effective in raising TANF recipients' earnings." In fact, we have recently initiated two research projects designed to address these issues:

- The Innovative Employment Strategies project will identify and discuss: (1) innovative and promising approaches currently being used to help families receiving, or at risk of receiving, TANF assistance to achieve and maintain self-sufficiency through employment; and (2) opportunities and challenges for the further development and rigorous evaluation of such approaches, with recommendations for further research.

- The Understanding the Demand Side of the TANF Labor Market project will develop and conduct a nationally representative survey of employers of entry-level workers, with a view to describing and analyzing those factors likely to make TANF recipients more successful earners.

7

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

David Bellis, Director (415) 904-2272, bellisd@gao.gov

Acknowledgments

Gale Harris, Assistant Director, and Tiffany Boiman, Analyst in Charge, managed this assignment and made significant contributions to all aspects of this report. Michelle Bracy, Rachael Chamberlin, Lise Levie, Jean McSween, Angela Miles, Susan Pachikara, Nyree Ryder, and Daniel Schwimer also made significant contributions to this report.

Related GAO Products

TANF: State Approaches to Screening for Domestic Violence Could Benefit from HHS Guidance. GAO-05-701. Washington, D.C.: August 16, 2005.

Welfare Reform: Rural TANF Programs Have Developed Many Strategies to Address Rural Challenges. GAO-04-921. Washington, D.C.: September 10, 2004.

Supports for Low-Income Families: States Serve a Broad Range of Families through a Complex and Changing System. GAO-04-256. Washington, D.C.: January 26, 2004.

Program Evaluation: An Evaluation Culture and Collaborative Partnerships Help Build Agency Capacity. GAO-03-454. Washington, D.C.: May 2, 2003.

Welfare Reform: With TANF Flexibility, States Vary in How They Implement Work Requirements and Time Limits. GAO-02-770. Washington, D.C.: July 5, 2002.

Welfare Reform: States Are Using TANF Flexibility to Adapt Work Requirements and Time Limits to Meet State and Local Needs. GAO-02-501T. Washington, D.C.: March 7, 2002.

Welfare Reform: More Coordinated Federal Effort Could Help States and Localities Move TANF Recipients with Impairments toward Employment. GAO-02-37. Washington, D.C.: October 31, 2001.

Welfare Reform: Moving Hard-to-Employ Recipients into the Workforce. GAO-01-368. Washington, D.C.: March 15, 2001.

Welfare Reform: Work-Site-Based Activities Can Play an Important Role in TANF Programs. GAO/HEHS-00-122. Washington, D.C.: July 28, 2000.

Welfare Reform: Assessing the Effectiveness of Various Welfare-to-Work Approaches. HEHS-99-179. Washington, D.C.: September 9, 1999.

Welfare Reform: Information on Former Recipients' Status. HEHS-99-48. Washington, D.C.: April 28, 1999.

Welfare Reform: States' Experiences in Providing Employment Assistance to TANF Clients. HEHS-99-22. Washington, D.C.: February 26, 1999.

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are $2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Paul Anderson, Managing Director, AndersonP1@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

PRINTED ON RECYCLED PAPER