

WELFARE AND WORK DATA

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED NINTH CONGRESS
FIRST SESSION

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JULY 14, 2005
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WELFARE AND WORK DATA

THURSDAY, JULY 14, 2005

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:02 a.m., in room B-318, Rayburn House Office Building, Hon. Wally Herger (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
July 14, 2005
No. HR-5

CONTACT: (202) 225-1025

Herger Announces Hearing on Welfare and Work Data

Congressman Wally Herger (R-CA), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on welfare and work data. **The hearing will take place on Thursday, July 14, 2005, in room B-318 Rayburn House Office Building, beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from an invited witness only. The witness will be an official from the U.S. Department of Health and Human Services (HHS). However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee for inclusion in the printed record of the hearing.

BACKGROUND:

The 1996 welfare reform law (P.L. 104-193) made significant changes to the Federal-State welfare system designed to aid low-income American families. The law repealed the individual entitlement to cash welfare benefits and created the Temporary Assistance for Needy Families (TANF) block grant program. The TANF program provides fixed funding to States to operate programs that provide time-limited aid to recipients while encouraging work and self-sufficiency. In large part due to the TANF program's emphasis on promoting work and self-sufficiency, the number of families receiving cash assistance has fallen by more than 60 percent since 1996.

The 1996 law also included provisions allowing State TANF programs access to certain information on newly hired employees. Under the 1996 law, employers are required to report new hire data within 20 days of hiring to a State Directory of New Hires (SDNH). This information is then forwarded by all States and combined with Federal new hire information to comprise the National Directory of New Hires (NDNH). States are authorized to use information in their SDNH and the NDNH to verify eligibility for certain programs, including TANF.

During the past several months, HHS has been involved in pilot tests with the District of Columbia and certain States to match welfare caseload data with information in the NDNH to better understand how many welfare recipients are working. At the hearing, HHS will discuss initial findings from these pilot tests, which suggest that work rates among welfare recipients are underreported.

In announcing the hearing, Chairman Herger stated, "One of the goals of welfare reform is to encourage and support more low-income parents in work. While welfare reform increased the share of working recipients, current data suggest a majority of parents on welfare still are not working," stated Chairman Herger. "Using data from the NDNH, HHS has produced material that suggests there are thousands more current and former welfare recipients working than States have been reporting. This new information has important implications for the next stage of welfare reform, and suggests that policies that expect and support more work among parents on welfare make sense."

FOCUS OF THE HEARING:

The hearing will review a HHS analysis of welfare and work data.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “109th Congress” from the menu entitled, “Hearing Archives” (<http://waysandmeans.house.gov/Hearings.asp?congress=17>). Select the hearing for which you would like to submit, and click on the link entitled, “Click here to provide a submission for the record.” Once you have followed the on-line instructions, completing all informational forms and clicking “submit” on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You **MUST REPLY** to the email and **ATTACH** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business Thursday, July 28, 2005. **Finally**, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman HERGER. Good morning, and welcome to today’s hearing, “Providing New Insights on Welfare and Work Data.” This hearing involves a central focus of the 1996 Welfare Reform law (P.L. 104-93). The 1996 law expected parents on welfare to work or engage in other activities in exchange for welfare checks. Rising to this challenge, literally millions of parents and families have gone to work and moved off welfare. Many parents—about 1.4 mil-

lion—remain on welfare. We will learn today that significantly more of those parents are working than was previously reported.

As Assistant Secretary Wade Horn of the U.S. Department of Health and Human Services (HHS) will report, in a sample of ten States, 34 percent of welfare recipients appear to be working. That compares with only about 25 percent of recipients working using the data sources relied on today. That means that about 125,000 more parents on welfare are working than we knew about before. An earlier match run by HHS and District of Columbia officials found the average hourly wage for parents on welfare who were working in D.C. was \$9 an hour. At least in D.C.—and hopefully, elsewhere—those previously unknown workers are earning well above the minimum wage. All of that is welcome news.

The specific issue before us is the use of what is called the National Directory of New Hires (NDNH). This database was first created in the 1996 welfare law to help collect more child support. It has since been tapped for other uses, including to ensure that unemployment benefits are not paid to people who have gone back to work. States are authorized to use this national new hire information in operating their welfare programs, but none do. Many States use information in their State directories of new hires to determine whether welfare recipients are working. The additional information in the national directory, including about workers hired by multi-State employers and the Federal Government, adds important pieces to the welfare-to-work puzzle.

As Secretary Horn will explain, States support HHS's efforts to help them tap into the NDNH, as they should. This is a simple and available tool that will help States improve TANF's performance in encouraging and supporting work. For example, States can use the new hire information to help those who just got a job keep it, or get a better one. Or States could more effectively target child care and job training services to parents on welfare, starting with the increased numbers who are working. As the District of Columbia has shown, they can achieve savings by ensuring only those eligible for welfare remain on the rolls.

What are the policymakers to make of this, especially as we consider the next steps in welfare reform? I would argue that it backs up our efforts to expect and support more parents in work. All sides—the Administration, House and Senate, Republicans and Democrats—have proposed raising the target work rates for welfare recipients. This new data confirms that States can satisfy higher work rates, since there already is more work going on than we previously knew.

While that is encouraging news, more must be done. I am very interested in hearing Secretary Horn's testimony and discussing its implications. This hearing, like other reauthorization legislation, should help States increase the share of welfare recipients who are working and moving up the career ladder. I look forward to the testimony and our discussion this morning. Without objection, each Member will have the opportunity to submit a written statement and have it included in the record at this point. Mr. McDermott, would you care to make a statement?

[The opening statement of Chairman Herger follows:]

Opening Statement of The Honorable Wally Herger, Chairman, and a Representative in Congress from the State of California

Good morning and welcome to today's hearing providing new insights on welfare and work data.

This hearing involves a central focus of the 1996 welfare reform law—work. The 1996 law expected parents on welfare to work or engage in other activities in exchange for welfare checks. Rising to this challenge, literally millions of parents and families have gone to work and moved off welfare. But many parents—about 1.4 million—remain on welfare.

We will learn today that significantly more of those parents are working than was previously reported. As Assistant Secretary Wade Horn of the Department of Health and Human Services will report, in a sample of 10 states 34 percent of welfare recipients appear to be working. That compares with only about 25 percent of recipients working using the data sources relied on today. That means that about 125,000 more parents on welfare are working than we knew about before.

An earlier match run by HHS and District of Columbia officials found the average hourly wage for parents on welfare who were working in DC was 9 dollars an hour. So at least in DC and hopefully elsewhere those previously unknown workers are earning well above the minimum wage. All of that is welcome news.

The specific issue before us is the use of what is called the National Directory of New Hires. This database was first created in the 1996 welfare law to help collect more child support. It has since been tapped for other uses, including to ensure that unemployment benefits are not paid to people who have gone back to work. States are authorized to use this national new hire information in operating their welfare programs, but none do.

Many States use information in their State directories of new hires to determine whether welfare recipients are working. But the additional information in the national directory—including about workers hired by multi-state employers and the federal government—adds important pieces to the welfare-to-work puzzle.

As Secretary Horn will explain, States support HHS's efforts to help them tap into the National Directory of New Hires, as they should. This is a simple and available tool that will help States improve TANF's performance in encouraging and supporting work. For example, States can use the new hire information to help those who just got a job keep it, or get a better one. Or, states could more effectively target child care and job training services to parents on welfare, starting with the increased numbers who are working. And as the District of Columbia has shown, they can achieve savings by ensuring only those eligible for welfare remain on the rolls.

So what are policymakers to make of this, especially as we consider the next steps in welfare reform? I would argue that it backs up our efforts to expect and support more parents in work.

All sides—the Administration, House and Senate, Republican and Democrat—have proposed raising the target work rates for welfare recipients.

This new data confirms that states can satisfy higher work rates, since there ALREADY is more work going on than we previously knew. While that is encouraging news, more must be done.

I am very interested in hearing Secretary Horn's testimony and discussing its implications. This hearing, like our reauthorization legislation, should help States increase the share of welfare recipients who are working and moving up the career ladder.

Mr. MCDERMOTT. Thank you, Mr. Chairman. We want Temporary Assistance to Needy Families (TANF) to help those in need. We want every available TANF dollar to reach those who qualify. It is not unreasonable—in fact, it is prudent—to have appropriate checks and balances in place to safeguard TANF from possible abuse. However, the experts tell us that no large program in the public or private sector is immune from some abuse, and that our goal should be to make sensible steps to prevent it. I want to work together with you to safeguard TANF.

With that in mind, I look forward to hearing the suggestions from HHS on a tool that may help verify the employment status of TANF recipients. I am open to hearing about an electronic data-

base called the National Directory of New Hires, which already collects employment data for the purposes of collecting delinquent child support and may provide earnings information that is not necessarily reflected in a state's TANF data.

However, as we work together to safeguard TANF, we must also work together just as diligently to safeguard the rights of the people involved. We cannot, and we must not, permit a shortsighted rush to judgment under the guise of fiscal prudence. For instance, we should demand that the appropriate safeguards are in place to independently verify the employment status of a person before we rely on a national database to reduce or eliminate TANF benefits for the non-reported work.

Equally important, while we are safeguarding the system, let's remember that TANF recipients overwhelmingly are decent, honest, hardworking Americans. They just need a little help to find a path out of poverty. By and large, they are single mothers and children, not cheats. We can't forget that. There is more we can and should be doing. Our zeal to find people who may be receiving some overpayment should be matched by our desire to reach out to the countless families who are eligible for TANF but do not receive any help from us. Less than half—48 percent—of eligible TANF families actually receive any TANF assistance. Let's be clear about something. TANF is not exactly a cash cow for poor Americans. On the contrary, TANF, on average, provides assistance that is a meager 29 percent of the poverty level for a single mother and two children.

To those Republicans who suggest that a TANF entitlement is an enticement not to find work, I suggest you replace the batteries in your reality meter. There is simply no truth to that brand of cruel and insensitive rhetoric. Here is a fact we ought to have stenciled on the wall: a full-time worker in a minimum wage job with two children at home will receive 69 percent of the poverty level this year. That is the lowest level on record going back all the way to 1959. Even if you add the earned income tax credit, this family still remains below the poverty level. Regrettably, minimum wage work is not a guaranteed exit from poverty.

As far as I am concerned, TANF is an investment by Americans in Americans. It is a helping hand; not a handout. It is a commitment to the future and to the people who will shape it. I don't mind saying that I am worried about the purposes of today's hearing. If we are here to consider ways to safeguard the system and the people in it, that is fine. If we are here to consider ways to reach out to those who we aren't reaching, that is even better. If this is a smoke screen to undermine the ongoing debate about TANF work requirements, then we do a disservice to the process, program, and people involved.

In fact, I think we are way off base, and here is why. First, the new hire wage information used in the HHS ten-State statistical analysis is based on quarterly data; and it is, therefore, not directly comparable to TANF administrative data, which is monthly. It is an apples-to-oranges comparison that perhaps misleads, and that may not illuminate this debate.

Secondly, the new hires data does not provide any information on the number of hours worked. That is relevant to the determining participation rates under TANF.

Finally, those individuals which the new hire data shows to be working with earnings in excess of a state's TANF eligible level would not even be counted toward a state's work participation rate under the Republican welfare bill which passed out of this Committee several weeks ago. Lest we forget, that legislation does not include an employment credit to reward States for people who actually leave welfare for work.

If we are really after data—not safeguards—then we ought to consult with organizations that can address the real question, not the smoke screen. One such organization is the Manpower Demonstration Research Corporation, or MDRC, which has conducted comprehensive reviews of welfare programs across the country. Here is what the MDRC has said about the Republican welfare bill when it was proposed in 2002—and it is really not much different today:

“To meet the standards being proposed, the most successful State welfare programs that have been evaluated would have to be restructured radically. This restructuring could have the unintended effect of distorting priorities, diverting resources, and driving up the costs for child care and work experience slots, with the potential consequence of undermining the very success that is now being celebrated.”

Those closest to the issue know it best. For instance, the Governor of my State said that the Republican TANF proposal will require Washington State to move its caseload toward lower-cost, lower-return work experience programs. These are make-work programs that Washington State recently discontinued, because they demonstrated a low rate of success in moving the recipients to private employment.

Mr. Chairman, governors, local officials, agency caseworkers, and intervention organizations overwhelmingly agree that the Administration's proposals are way outside the mainstream. It has been this way for 3 years, but the Administration keeps trying to sell the same bottle of snake oil as an elixir that will cure everything and anything. It is our job to see TANF for what it is: the faces, the hopes, and the aspirations of countless numbers of disadvantaged Americans who are trying to escape poverty. We should reach out with a hand, not a stick. We strengthen and safeguard TANF best by strengthening its ability to help those who need help. It is time to stop acting like TANF is nothing but a handout. TANF is nothing less than an investment in America's future, and we ought to act like it and make decisions on that basis. I look forward to Mr. Horn's testimony. Thank you.

Chairman HERGER. Thank you, Mr. McDermott. Before we move on to our testimony today, I want to remind our witness to limit his oral statement to 5 minutes. However, without objection, all of the written testimony will be made a part of the permanent record. Our witness this morning is the Honorable Wade F. Horn, Assistant Secretary for Children and Families at the HHS. Dr. Horn, it is good to see you again. Please proceed with your testimony.

**STATEMENT OF THE HONORABLE WADE F. HORN, PH.D.,
ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, U.S.
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Dr. HORN. Thank you, Mr. Chairman and Members of the Subcommittee. I am very pleased to appear before you today. As I don't have to tell Members of this Subcommittee, the Personal Responsibility and Work Opportunity Reconciliation Act has had profoundly positive effects. Since 1996, welfare caseloads have declined by 55 percent. Even more importantly, today 1.6 million fewer children live in poverty than in the final year of the Aid to Families with Dependent Children program.

The information I am providing to the Committee today builds on these achievements, and suggests that more TANF recipients may be working than many believe. More specifically, our recent work suggests that the NDNH, which the Administration for Children and Families (ACF) has used to boost child support collections to \$21.9 billion in fiscal year 2004, has additional possible applications that will make it possible for States to further reduce TANF caseloads by helping to identify individuals who are employed while receiving TANF benefits.

We began our investigation of the use of the NDNH with a pilot test in the District of Columbia. For this pilot study, the D.C. Department of Human Services submitted the unduplicated Social Security numbers of 20,096 TANF adults to the Office of Child Support Enforcement, to match against information contained within the NDNH. The results of those matches are shown on the first chart that is displayed on the easel.

[The information was not received at time of printing.]

Of this number, 6,681 individuals, or 33 percent of the total, were matched with information contained with the NDNH. Of these, the District independently verified that 5,410, or 81 percent of the matches, were actually employed; of which only 226 had verified wages reflected in the D.C. TANF case record. Of the 5,184 clients verified as employed, but who had not reported their earnings to the D.C. TANF agency, 2,436, or 47 percent, were closed because their earnings exceeded the income threshold for receipt of TANF cash benefits; while 2,748 cases, or 53 percent, earned enough to have their cash benefits reduced. The estimated savings from the case closures and reduced benefits was nearly \$10 million, an amount just over 10 percent of the District's annual TANF block grant.

Building on the D.C. pilot, ACF began working with ten States, representing nearly half of the Nation's caseload, to compare what was reflected about employment in the State TANF caseload information with what is known from the NDNH. The results of that analysis are shown on the second chart. A total of 552,033 valid Social Security numbers for TANF adults in the ten States, for the month of October 2004, were matched against the NDNH. The findings indicate that in every single State, more TANF adults were involved in jobs than was reflected in the employment rates of the TANF data reporting system.

Based on the D.C. pilot and the ten-State findings, we believe there are practical benefits of using the NDNH for State TANF agencies. First, the NDNH can help States identify potential em-

ployment leads within days, rather than months, by providing new hire information for those who go to work for a multi-State employer, the Federal Government, or across State lines. This information is a critical starting point to good case work.

Second, regular and timely matching of TANF caseloads with the NDNH can help States learn how recipients are faring; whether they need help, and whether they don't need help. This information can help States better plan agency resources for helping those employed maintain and advance in employment and overcome obstacles that could otherwise result in a family returning to assistance.

Third, the NDNH can identify individuals who are working and earning too much to qualify for cash assistance. This can help those families preserve their time-limited assistance, and better target TANF dollars to those most in need.

Further, we also can use this information to help working families obtain other income supports, such as the earned income tax credit and child support.

We believe the use of the NDNH is so promising that we are sharing this information with States and inviting them to partner with us in a regularly scheduled computer matching process. In addition to the practical benefits available to State TANF agencies through the NDNH, we believe there are a number of implications for welfare reform, as well. First, many more TANF recipients are capable of finding work than some believe. That is because they are working. They are just not known to be working to the local TANF agency. Consequently, TANF must continue to be focused on an expectation of work and on moving TANF beneficiaries into work.

Second, given that many more current TANF recipients may be working than is known to State TANF agencies, higher work participation rates may not be as much of a challenge to meet as some believe.

Third, securing child care may be less of a challenge than some believe; since nearly all of this otherwise unreported employment is occurring among single moms with children.

Finally, to the extent that the NDNH can identify TANF clients who are receiving cash benefits to which they are not entitled, this would free up funding which could then be used to provide services to more TANF families, or enhance services for those already being served.

Mr. Chairman, the dramatic reductions in welfare caseloads and child poverty since 1996 are among the most positive social developments of the last 30 years. The need for welfare reform didn't end with the implementation of the 1996 Act. More remains to be done, including the enactment of H.R. 240. While we work toward that passage, initiatives like the NDNH can do much more to spur State TANF agencies to further reduce caseloads and move the TANF families of today toward work and self-sufficiency. The Secretary and I stand ready to work with you now and in the future to bring economic independence within the reach of all of America's most needy families. Thank you. I will be happy to answer any questions you might have.

[The prepared statement of Dr. Horn follows:]

**Statement of The Honorable Wade F. Horn, Ph.D., Assistant Secretary for
Children and Families, U.S. Department of Health and Human Services**

Mr. Chairman, and members of the subcommittee, I am pleased to appear before you today to share new information about employment levels of Temporary Assistance for Needy Families (TANF) families. Recent work by the Administration for Children and Families offers some exciting insights on the number of working families that may be helpful as the Congress moves forward to reauthorize the TANF program and other critical programs included in welfare reform.

First, I want to express my gratitude to the Chairman and members of the subcommittee for your efforts to move legislation patterned on the President's proposal, "Working Toward Independence." Since I appeared before you in February to testify on welfare reform results and TANF reauthorization you have reported a reauthorization bill, H.R. 240, to the Full Committee. We look forward to the Congress reauthorizing TANF soon to help even more of America's TANF families realize the dream of economic independence.

I would like to use my time today to briefly reiterate key results from the first phase of welfare reform as a springboard for discussing the information we have gathered most recently on employment of TANF families.

Background

The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) has had a profound, positive impact on some of our nation's most vulnerable families. Congress granted States flexibility to change welfare from a system that paid people to stay out of the workforce and remain dependent on government, to one that encourages—insists, actually—that those who can, go to work as quickly as possible.

Since enactment, welfare caseloads declined by 55 percent—from 4.4 million families to just under 2 million families, the lowest number since 1970. Not only did single-parent labor-force participation reach historic levels, but the earnings of those households made significant gains as well. The child poverty rate declined from 20.5 percent in 1996 to 17.6 percent in 2003. Today, there are 1.6 million fewer children living in poverty than in 1996.

I believe there are three primary reasons why these results were achieved:

- First, welfare reform stressed reciprocal responsibility. Rather than guaranteeing a lifetime entitlement to cash so long as a recipient did not go to work or marry someone who worked, the new system offered recipients a cash benefit but with the expectation that the recipient would work or take steps to go to work in return for that benefit.
- Second, welfare reform incorporated a "work-focused" strategy. This does not mean that the challenges TANF recipients often face, including workplace skill deficiencies, life challenges, and logistical hurdles, were neglected. What "work focused" does mean is that the TANF agency provides supportive services so that the poor can focus on finding, and keeping, gainful employment.
- Third, and perhaps more important, the architects of welfare reform believed that welfare recipients were capable of work. They did not consider welfare recipients to be helpless "clients" forever in need of government assistance. Rather, they believed that welfare recipients could compete in the labor market and succeed.

Evidence of More Employment

Now there is even better news related to employment and TANF from a growing body of evidence suggesting more TANF recipients may be working than many believe. First, TANF data on reasons for case closure have persistently understated the role of employment. We alluded to this problem in the Sixth Annual TANF Report to Congress, where we said, "understanding the reasons for case closure is limited by the fact that States reported 26.4 percent of all cases as closed due to 'other' unspecified reasons. For example, while independent studies of the reason for families leaving welfare typically find that somewhat over half leave as a result of employment, States reported only 17.2 percent of cases closing due to employment, clearly an understatement of the true rate. Many closures due to employment are coded as failure to cooperate or as some other category because at the point of closure, the agency often is unaware that the client became employed."

This undercount in administrative data may occur because some recipients obtain employment, but do not immediately notify the TANF agency, and when it comes time to recertify eligibility, they simply do not keep the appointment. The TANF agency then closes the case, but because it does not know the reason, it simply classifies the exit due to "failure to comply," "other," or "voluntary closure." In some

States, adults who work but do not report their employment may appear to be out of compliance with work requirements and are listed as closed due to a “work-related sanction.” Researchers at the Urban Institute have found differences between the administrative data reported by States and research survey data that indicate that work-related reasons are substantially more important to case closure than the administrative data would indicate.

Further, leaver studies from 20 States and the District of Columbia indicate that 48 percent of former recipients, on average, left cash assistance for employment or because of increased earnings, about three times the percentage reflected in TANF administrative data reported by the States.

In addition to these numerous studies supporting higher than reported employment, I would like to share a new source of evidence showing that more recipients (both on and off the TANF caseload) are working than one might infer from TANF administrative data alone. But first I’d like to provide a brief overview of the current data collection mechanisms.

There are several ways States determine whether recipients are working. The first is recipient self reporting. Recipients report that information to the State and the State in turn, reports it through TANF administrative data to us. We know that some recipients, for whatever reason—they are too busy, they cannot get through to the agency, or they just forget—neglect to inform the State agency that they have started working.

The second source of information is the “Income and Eligibility Verification System” (IEVS) for public assistance programs mandated by Congress in 1984 in recognition of the need for information to supplement recipient reporting. IEVS is a battery of computer matches that includes State Quarterly Wage data, Unemployment Insurance data, Social Security data, and unearned income data from the Internal Revenue Service (IRS). While IEVS is a great tool for correcting overpayments, it does not provide access to a national quarterly wage data base or access to timely new hire data.

States do have access to new hire data in their State Directory of New Hires (SDNH) maintained by the child support enforcement agency but as with IEVS, these data are limited to in-State data only. Additionally, employers with workers and businesses in more than one State are given the option to select one State from which to report all new-hire information for its operations throughout the country. So, when Wal-Mart reports all of its “new hires” to Colorado, neither Maryland’s IEVS nor its SDNH would be able to find out about those “new hires” in a timely manner. Many employers like Wal-Mart, hotel and food service chains, banks, hospitals, and retail outlets report “new hires” through a single State. Currently, over 22,000 multi-State companies and another 46,000 multi-State subsidiaries report to a single State. Whether we are talking about the Bank of America or the Postal Service, many of these companies employ TANF recipients. A TANF recipient could literally be working next door to a TANF agency and not show up in a State “new hires” match.

The National Directory of New Hires (NDNH)

The National Directory of New Hires (NDNH) offers solutions to these problems. The NDNH was authorized under welfare reform to provide a national database of employment information for the purpose of collecting child support payments. Managed by ACF’s Office of Child Support Enforcement, the NDNH has played a role in raising child support collections to \$21.9 billion in fiscal year 2004. The NDNH has three components:

- *New Hires* information tells us that a potential employee filled out new hire paperwork including a W-4 form which is the form employees use to report tax withholding information to employers. The employer forwards that information to the SDNH which then submits the W-4 data to the NDNH. It provides timely information—the new hire information is generally made available for matching purposes within 30 days of the date of its filing. The NDNH provides another advantage in that it is, by definition, national data. It provides out-of-State information, including companies that report elsewhere and new hires that work in other States.
- *Quarterly Wage (QW)* data in the NDNH is about six months old, similar to IEVS quarterly wage data, and most sources of wage information. However, the added benefit of the NDNH quarterly wage data is that it is national data, which provides some additional information on employment in other States.
- *Unemployment Insurance (UI)* information tells us whether a recipient has applied for or is receiving unemployment benefits.

Another advantage of the NDNH is that it provides Federal employment information, which is not available with State-based matching sources. Through the NDNH, we can get information on possible employment, for example, at the Social Security Administration in Baltimore, civilian employment at military facilities, or Yosemite National Park in California. These are all places where the Federal government employs workers, some of whom may be TANF recipients.

Of course, not everyone who is employed is in the NDNH. Individuals would not be included if they are self-employed or are working the cash economy. And, of course, the NDNH would not pick up illegal activity. Even when there is a match, it does not necessarily mean the person is actually working. An individual could have been offered a job and filled out a W-4, but later accepted another job and filled out a second W-4. Or, the individual may have failed to show up for work or left a job shortly after starting.

Nevertheless, the NDNH information is available on a nationwide basis and offers more comprehensive data than IEVS or SDNH. With these advantages we sought to find out what would happen if we ran the Social Security numbers of the TANF caseload against the NDNH.

We began our investigation of the potential to match NDNH and TANF data with a pilot test in the District of Columbia. D.C. was an important test case, because many residents of D.C. work outside the District—in Virginia and Maryland—and many work for the Federal government. TANF officials in D.C. believed that matching with the NDNH could yield valuable new information about their caseload that would enable them to improve services and identify work participation they were missing.

For this pilot study, the D.C. Department of Human Services submitted the unduplicated Social Security numbers of 20,096 TANF adults to the Office of Child Support Enforcement in four matches conducted between June 2003 and September 2004. For each match, the District obtained information on earnings and W-4 reports over the preceding 15 months. The total combined period extended from April 2002 to September 2004.

The NDNH matched 6,681 individuals, or 33 percent of the cumulative, non-duplicated Social Security numbers submitted. Of these, the District independently verified the employment information in one of three ways. First, it checked against its own records. Second, if no record of employment was found, then attempts were made to verify employment with the listed employer. Finally, if unsuccessful at those two attempts, the recipient was contacted. The District verified that 5,410 or 81 percent of the matches were actually employed, of which only 226 had verified wages reflected in the D.C. TANF case record. An additional 578 cases, or nine percent of matches, are still pending verification. And, for 10 percent of the matches, the verified information showed that the client was not employed.

Of the 5,184 clients verified as employed but who had not reported their earnings, 2,436 (47 percent) were closed because their earnings exceeded the income threshold. The cash benefits of the remaining 2,748 cases (53 percent) were reduced. Stated another way, of the 20,096 unduplicated Social Security numbers, 12 percent of these cases were closed for excess earnings and 14 percent had their benefits reduced as a result of the NDNH match. The estimated savings from the case closures and reduced benefits are nearly \$10 million, an amount just over 10 percent of the District's annual TANF block grant.

We have built on these efforts by working with 10 States, representing nearly half of the nation's caseload. In this expanded effort, we conducted a preliminary match of the TANF caseloads against both the NDNH new hires data and the Quarterly Wage data for a single month—October of last year. We compared what was reflected about employment in the TANF data reported to us, with what is known from the NDNH.

A total of 552,033 valid Social Security numbers for TANF adults in the 10 States for the month of October 2004 were matched against the NDNH. The findings suggest that in every single State more TANF adults were involved in jobs than reflected in the employment rates of the TANF data reporting system. A comparison of employment rates using average monthly TANF data for the first quarter of FY 2005 to the percent of those reporting any quarterly earnings from the NDNH Quarterly Wage data for the same time period shows a 9.3 percentage point differential between the two data sources (25.1 percent vs. 34.4 percent). Across the 10 States, the employment rate differences ranged from 2 to 22 percentage points. Although the two rates are not measured in exactly the same way, there are important differences between employment reported by the TANF agency and the employment information available in the NDNH.

One reason for the large differences in employment between what TANF agencies report and what is found in the NDNH may be explained by the fact that TANF

agencies may not have timely access to *all* data on new hires. Across the 10 States for the month of October 2004, adding the “out-of-State” and “Federal agency” matches increased the total number of matches by nearly 50 percent—with increases ranging from 36 percent to 114 percent. The large number of W-4 matches from many of these States is an indication of the multi-State employers who do business in one State, but report their new hire data to other States, or of cross-border employment. Even assuming that many of these matches would eventually show up in Quarterly Wage matches, the full complement of new hires matches found only in the NDNH gives TANF agencies the ability to “locate” new employment after about 30 days, rather than finding the recipient six months after they receive their first paycheck.

Implications for Using the NDNH

Based on the D.C. pilot and the 10-State findings, we believe there are practical benefits of using the NDNH for State TANF agencies. First, the NDNH can help States identify potential employment leads within days, rather than months, by providing new hire information for those who go to work for a multi-State employer, the Federal government, or across State lines. This information is a critical starting point to good casework.

Second, regular and timely matching of TANF caseloads with the NDNH can help States learn how recipients are faring—whether they need help, and whether they don’t need help. This information can help States better plan agency resources for helping those employed maintain and advance in employment, and overcome obstacles that could otherwise result in a family returning to assistance.

Third, the NDNH can identify individuals who are working and earning too much to qualify for cash assistance. This can help these families preserve their time-limited assistance, and better target TANF dollars to those most in need.

Finally, we also can use this information to help working families obtain other income supports, such as the EITC and child support.

We believe the use of the NDNH is so promising that we want to give every State a chance to determine the benefits. We are sharing this information with States and inviting them to partner with us in a regularly scheduled computer matching process. Further, in order to facilitate State use of the NDNH in the first year so they can test the benefits of these matches, we are exploring whether there are ways to provide some financial support to states where needed.

Implications for Welfare Reform

Aside from the practical benefits that the NDNH delivers to the local agencies, we believe that there are a number of implications for welfare reform as well:

1. More welfare recipients are working than many believe. TANF was created to help families prepare and pursue work. Part of the success of these efforts is that many recipients understand this and get jobs on their own—and far more often than our agencies are able to track. That is, many more TANF recipients are capable of finding work than some believe, and consequently TANF must continue to be focused on an expectation of work for individuals and on helping each of them make that step and succeed.
2. Meeting higher work participation rates may not be as difficult as some believe. If the true rate of employment is higher than reported, reaching a 50 percent work participation rate, with an employment credit and/or an updated caseload reduction credit, is not nearly as difficult as some would portray. With the NDNH as a tool to enhance effective case management, the proposed new requirements are achievable.
3. There appears to be a greater capacity for TANF recipients who work to secure child care than many think, as nearly all of this otherwise unreported employment is occurring among single moms with children. This finding, however, should not be surprising. Studies of former TANF recipients consistently show that most leavers, even those with young children, do not use child care subsidies, even when they are eligible for them.
4. The NDNH information can lead to savings in the form of avoided costs by identifying those who are capable of self-support and who have found child care on their own. This frees up funding, which can then be used to provide services to more TANF families or enhance services for those already being served. The District, for example, saved nearly \$10 million, or 10 percent of its TANF grant. If similar results are found as we make access available to all States, significant resources would be available to States to use for child care or other services for those currently employed and to assist those not engaged in work to move into the workforce.

Conclusion

When properly used, the NDNH will advance the underlying goals of welfare reform: helping move even more recipients off welfare dependency; breaking the cycle of intergenerational dependency; and promoting self-sufficiency through full-time, stable employment.

As President Bush has remarked on the reauthorization of welfare reform, "This compassionate approach will help many more Americans realize a better life of independence, hope and dignity that comes with having a job. It will also promote strong families . . . while freeing States to seek innovative ways to improve services to those who are transitioning from the welfare rolls to the workforce."

Mr. Chairman, the information and plans I have shared with you today represents a next step that we and States are taking in welfare reform. But, the fundamental program changes that are embodied in the President's proposal and H.R. 240 await the action of Congress. The Secretary and I stand ready to work with you on reauthorization to make economic independence within the reach of all America's neediest families. I would be happy to answer any questions.

Chairman HERGER. Thank you, Dr. Horn, for your testimony. I appreciate the work that you have done in this incredibly important area, and the Administration, and the overwhelmingly successful results we have seen. I believe, as you have mentioned, our goal and the purpose of this hearing today—one of many hearings on this issue—is to continue to improve the system and help those individuals who most need help in our society. With that, we will turn to questions. For the first question, would the gentlelady from Pennsylvania, Ms. Hart, care to inquire?

Ms. HART. Yes, I would. Thank you, Mr. Chairman. First, I am really pleased to see that we did a pilot program and we have gotten some really useful information from it. A couple of things. I am interested in the child support collections issue, and I noticed in your testimony you mentioned that there is \$21.9 billion as the total collected in 2004. Maybe I missed it, but is there some evidence of a significant increase? Could you expand on that a little bit?

Dr. HORN. We have certainly seen increases, particularly since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. As you are aware, PRWORA provided a lot of new tools to the Office of Child Support Enforcement and local child support enforcement agencies, to ensure that the child support that children need and deserve is, in fact, provided to them.

Ms. HART. Okay. I appreciate that. Obviously, I am familiar with a number of the other resources that are at hand, and that is a huge issue, I think, for a lot of families, obviously. I am also interested in the cost of running the data match. Will States be paying for that? Will HHS pay for that? Is there an estimate of how much that might cost?

Dr. HORN. We believe that simply doing a monthly caseload match for all 50 States and territories of the NDNH W-4 information alone would cost about \$700,000. If States were to match not only against the W-4 data included in the NDNH, but also the quarterly wage information, and the UI information, then that figure goes up to about \$1.5 million. Now, I want to emphasize, the total cost of doing a complete match, on a monthly basis, for every State and every territory is \$1.5 million in a program with a total budget of \$16.7 billion.

Ms. HART. Wow.

Dr. HORN. It is a relatively low-cost item.

Ms. HART. It is. It is a lot of bang for the buck. The other question I had, when you talk about comparing the lists and some of the welfare recipients who were working, I am always concerned about working officially—under the table, that sort of thing. Are all of the people who are found to be working actually working at jobs where they were reported and paying—well, probably not paying taxes, if they were under a certain income. Were they actually officially working; or were some of these folks found to be working under the table, for example?

Dr. HORN. Anyone who is working in the cash economy, or who is self-employed, or is an independent contractor, or is engaging in illegal activities for earnings—

Ms. HART. They are not going to be in the NDNH.

Dr. HORN. They are not going to be in the NDNH.

Ms. HART. We have a lot of official hired people who we just weren't matching, databases that just weren't mixing. This is really something that really should have been at our disposal a long time ago.

Dr. HORN. If you look at the D.C. pilot study, 26 percent of their caseload were employed for wages, and there is information about them in the NDNH. Those cases were not known to be working to the D.C. TANF agency.

Ms. HART. Wow. Okay. Plus, probably, a significant number who may be working in the underground economy. We will work on that another time. What is the schedule? Is there an estimate for when States are going to really be able to start accessing this information and moving forward?

Dr. HORN. We have been working with States for the last 6 or 7 months to develop memorandums of understanding, so that we can get going with this effort. Some States may start as early as this month. We hope to have as many as 48 States on board by October of 2005. We are moving pretty quickly with this. To answer more fully one of your previous questions, we are exploring with the Department our authority to be able to help for the first year, to offset some of the costs associated with doing this match, so that States can determine for themselves how useful this matching process is.

Ms. HART. Okay. It sounds to me like we are making some progress in the right direction, and I appreciate your work on this. I yield back, Mr. Chairman.

Chairman HERGER. I thank the gentlelady. Would the gentleman from Washington, Mr. McDermott, like to inquire?

Mr. MCDERMOTT. Mr. Horn, when I look at this ten-State thing, it looks like there are a lot of people who are cheating out there. Is that right?

Dr. HORN. I wouldn't say that.

Mr. MCDERMOTT. You wouldn't say that?

Dr. HORN. No, I wouldn't.

Mr. MCDERMOTT. I am glad you wouldn't say that. Have you brought the States in and asked them why they have these discrepancies?

Dr. HORN. They don't have the information available to them, let me, first of all——

Mr. MCDERMOTT. Well, wait a minute. We are talking case-workers now. If I am working, and I am getting welfare, and I get a job, I go in and I am supposed to report my new information, right?

Dr. HORN. If you are a welfare recipient, you are supposed to, yes.

Mr. MCDERMOTT. Yes. Now, I have given it to you. If you don't report it, am I the cheat?

Dr. HORN. Let me be very clear. We don't think that the NDNH match is primarily a tool to find welfare cheats.

Mr. MCDERMOTT. Ah. Okay.

Dr. HORN. We think it is primarily a tool to help TANF agencies work their caseload. If you are a TANF recipient, and you go to the TANF office, what do they tell you? They say, "Get a job." You go out there; you are looking for a job; you get a job. After you have gotten a job, you get a letter that says, "Hey, we haven't seen you in a couple of weeks. Come into the office to continue your job search." Well, if you are a TANF recipient that is now employed, you say, "I don't have to do that; I have a job," and so you throw the letter away. You get another letter that says, "If you don't come in, we are going to reduce your benefits." You go, "Well, fine. I am already working."

There are a lot of reasons why a TANF recipient might not report the fact that they are working; not because they are trying to cheat, but because they are busy, they neglect to tell the TANF agency. This is a tool for the local agency to be able to work their cases. The reason this is so important is not simply in order to generate savings, but because for as long as that person, who is now working, is officially on the rolls of the TANF agency, their time clock is ticking. We are not doing that recipient any favor by allowing their time clock to tick while they are working. There are a lot of different purposes for this, but it is mostly a starting point for local agencies to work their cases.

Mr. MCDERMOTT. Tell me about these States. You said one of them is about ready to implement. What are they implementing, this State? You don't give us any names. I don't know who they are. Could you tell us the name of this State that is implementing?

Dr. HORN. That is thinking about implementing in July?

Mr. MCDERMOTT. Yes.

Dr. HORN. I have a chart here.

Mr. MCDERMOTT. I would like to have them come in to the Congress and testify on what they are doing, how they are doing this all of a sudden, when they haven't been doing it before.

Dr. HORN. Well, it is interesting. The way that it is set up is that since 1984 the local TANF agencies are supposed to match against a system called the Income and Eligibility Verification System (IEVS), which is at the State level. They are mandated, in fact, we impose penalties on States that don't match against the IEVS database. The problem with the IEVS database is it only includes quarterly wage data from an employer reporting in that State. If you are living in D.C. but working in Virginia, that quarterly wage data does not go to D.C.'s IEVS; it goes to Virginia's IEVS.

In addition to that, if you are working in the State of Washington, but you are working for a multi-State corporation like Wal-Mart, multi-State corporations can choose where to file both their quarterly wage data and their W-4 information. Generally, what they do is they pick a single State. They don't do it in every single State. If you are working for a Wal-Mart in Washington State, that information may be processed in Colorado; not in Washington State.

A person may be working in Washington, and yet if a State matches against the IEVS data in that State, you are not going to pick up multi-State corporations; you are not going to pick up out-of-State employment; and you are not going to pick up Federal employment. There are limitations to current matches.

Mr. MCDERMOTT. Let me stop you, though. One of the issues here is that you have got data that is quarterly. If I am this recipient, and I go to work for a month, and then I am off, I am counted in the quarterly data, right?

Dr. HORN. Right.

Mr. MCDERMOTT. I may not show up in the monthly data for the next couple of months. I am not going to be shown as working; although you will be shown as working in the quarterly data.

Dr. HORN. You are exactly correct. If you look at the ten-State match, we took the October 2004 caseload. We matched against the quarterly wage information we had for that quarter. Well, it is not only possible, my guess is it happened a number of times, that somebody after October, they get hired, because of the holiday season. They get some part-time employment, and they have some wage data in that quarter.

It is not that they are cheating. In fact, all this says is, "Here is a starting place." This is a starting place for you to start to work your case. If you don't know somebody is employed part-time, or if you don't know they are employed, then you have a different perspective on how to help them. If they stop showing up, you may close their case, you may put them in sanction status; when in fact it is not because they are being uncooperative, it is because they went and did exactly what you told them to do, which is to get a job.

Mr. MCDERMOTT. Could you tell us the name of the State?

Dr. HORN. Yes. I will list the States who have indicated they are interested in starting in July: Arizona, California, Delaware, District of Columbia, Maryland, Massachusetts, Mississippi, Missouri, Montana, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Utah, and Wisconsin.

Mr. MCDERMOTT. I hope the Chairman will have a representative sample of those people come in and tell us what this is going to mean to them, to integrate your systems. I think it is going to take people.

Dr. HORN. It is going to take people, it is going to take a lot of case work on the local level, absolutely.

Mr. MCDERMOTT. Yes, a lot of case work.

Dr. HORN. You bet. That is what they are supposed to do.

Mr. MCDERMOTT. If your caseload is a hundred; somebody tells you something; you don't write it down, and it doesn't get into the database. It shows up as an error. I really think that that is why

we ought to have some States in here to testify. Thank you, Mr. Chairman.

Chairman HERGER. The gentleman is welcome. I would encourage these States to submit testimony for the record, as is requested by the gentleman from Washington. Now to the gentleman from Louisiana, Mr. McCrery, to inquire.

Mr. MCCRERY. Thank you, Mr. Chairman. My good friend from Washington, Dr. McDermott, in his opening statement made a point about a minimum wage worker with a family of three only getting 68.9 percent of poverty level for his work. That is true. If it were a fact that the minimum wage workers, as a percent of our total workforce, remained constant, then that statistic might be more relevant. If you look at another piece of data, you see that it is not so relevant. In 2004, only 2.7 percent of hourly workers in this country were making minimum wage or less. That is less than half of what it was just 10 years ago, and about a third of what it was 20 years ago.

There are all kinds of ways to make progress. The market seems to be working to pay people what they are worth, as evidenced by the data that I have just shared with you. Now, that is not to say that the minimum wage is not relevant. I think it is. There is more data out there that indicates that the picture is not as bleak as the gentleman from Washington might have implied.

Now, Dr. Horn, I think the same gentleman did make a good point with respect to the costs that States might be looking at when they shift to this system. Looking at the pilot programs that you have some evidence from, would you say that States net, after this system might be implemented, would be a coster or a saver for the States?

Dr. HORN. It is hard to take a look at our pilot test in Washington, D.C., and not conclude that it would be a saver. As I indicated in my testimony, the savings to the D.C. TANF agency was \$10 million, representing about 10 percent of their entire TANF block grant. That \$10 million doesn't go back to the Federal Treasury. That \$10 million stays in Washington, D.C., for the use of the TANF agency to do lots of things, like provide more child care subsidies, more employment training, more work supports. This is not about taking money and putting it back in the Federal Treasury. It is about ensuring that we use the TANF dollars that are available to the most effective and efficient manner possible. In D.C. this clearly saved them a lot of money that they could then use for other kinds of work supports.

Mr. MCCRERY. That is a great statistic. The question is, would that \$10 million be eaten up in increased administrative costs because of the factors that Dr. McDermott pointed out, based on your experience working with the States?

Dr. HORN. If every State matched their entire caseload for every month of a calendar year, or a fiscal year, the total cost nationally to match not just against the W-4 data but the quarterly wage earned and UI data would be \$1.5 million, nationally. There were \$10 million in savings in Washington, D.C., alone. It is hard to see how the additional cost of matching against the NDNH would not be overwhelmed by the amount of money that would be freed up

when you are able to determine that some people are getting benefits to which they are not entitled.

Yes, would they also have to work the case, like D.C. did, in order to verify whether the match indicated that there was employment? Yes, but that is what caseworkers are supposed to do. If TANF caseworkers are not working their caseload, what are they doing? If they are not in contact with the people who are on their TANF caseload, what are they doing? That is their job.

Mr. MCCRERY. If the States in fact realized savings, net savings, from the implementation of this program, then they don't send that money back to Washington; they keep the money as part of their TANF grant. They can use that for authorized purposes under TANF, like child care, job search, all those things that are authorized uses of the TANF money. Is that right?

Dr. HORN. Absolutely.

Mr. MCCRERY. Now, States have tried something like this before, in using other data systems such as the IEVS, the Public Assistance Reporting Information System (PARIS), to try to help them with case work, try to help them learn more about the individuals that are on their welfare caseload. What is the difference between this new program and those systems?

Dr. HORN. You could theoretically get all the information you wanted from the match with the NDNH by doing the following: you could match all your caseload against the IEVS, and you get quarterly wage data. You could then do another match against your State directory of new hires, and get your W-4 data for companies that file W-4s in your State. You could then match against the PARIS information system and get Federal employment. You could then call up the Child Support Enforcement Agency and ask for a list of the 60,000 multi-State corporations and subsidiaries that file in some other State; figure out how many of those 60,000 companies and subsidiaries operate in your State; contact every single State where they are filing their W-4 on wages outside of your state; do matches against all those States. Or you could do one match against the NDNH. Now, if you are a State, and you wanted that information, which one would get you all that information with the least amount of effort and expense?

Mr. MCCRERY. In other words, they might actually save administratively.

Dr. HORN. Oh, I think they would save a lot of money.

Chairman HERGER. The gentleman's time has expired. To the gentleman from California, Mr. Becerra, to inquire. I might mention that we are in a vote, so as soon as we conclude this question, we will recess and return.

Mr. BECERRA. Thank you, Mr. Chairman. Secretary Horn, thank you very much for the testimony. Let me explore a couple of things with you, because I think you are trying to drive us in the direction where we are able to ascertain who should and who shouldn't be on, and that way we can direct our resources where we really need them. You mentioned a couple of things in response to Mr. McDermott's questioning that I think are important. You mentioned this is a starting place; that we don't necessarily know if this information is going to give us the full answer, but it might lead us somewhere.

Dr. HORN. Right. Exactly.

Mr. BECERRA. Mr. Chairman, at some point I really think it is worthwhile, given the Secretary's testimony, that we have some of those States come before us, because I think the Secretary hit something on the nose very importantly. That is, what are some of these caseload workers doing? If they are not reporting the data, if somebody on welfare, who has tried to get herself off of welfare, is doing what she can, and she reports herself as working, but it doesn't get reported by the caseload worker—because the caseload worker is very busy, or whatever—she may pay the consequences because of policy decisions we make that will affect her ability, or someone else like her in the future, to actually get that job or have the child care she needs.

I think it is important, Mr. Chairman, that we try to follow up with some of those State agencies or county agencies that actually administer the TANF laws, to make sure we understand why there is a discrepancy between what you found with the NDNH data, and the TANF administrative data that you received that shows in one case maybe more people are working than are reporting.

I think it is extremely important because you are right, there are dollars here that we should be spending for folks who really need it. There aren't enough dollars to go around, especially in child care, and we really desperately need to concentrate those moneys where we can.

I do have a concern with one of your statements. I think it was more in your written testimony, Secretary Horn, than perhaps what you said. That is with regard to child care, and to extrapolate from this initial starting-place study that perhaps welfare recipients don't need as much child care as we may think. Most of the studies that we have seen—studies by non-partisan institutions—have shown that the more that there is adequate, decent child care available to a welfare mother, the more likely she is to stay on a job, versus come back on the welfare rolls.

I would just urge if we could make sure that your agency, along with the State agencies and county agencies, who are doing most of this administrative work, if we could follow up to find out what really happens to women who have children, who are trying to get off, and their ability to secure child care. I would hate to see us move forward on data that goes after those who really are cheating the system, and find that we ultimately affect women who are desperately working hard or getting themselves trained, and looking for decent child care and may not find it. Mr. Chairman, I don't really have any questions. Secretary, let me give you an opportunity to respond to anything I may have said.

Dr. HORN. Well, one of the advantages of doing this match is you can locate people who are working. If you don't know they are working, you don't know that they may need a child care subsidy. They may have gone to work; found an informal child care arrangement, which may or may not be stable. You don't know that. You don't have any information about that.

The advantage of this match is it gets you down a road where you can ask questions. You may find somebody who has got a job, and you may ask, "What is your child care arrangement?" They may say, "Oh, it is very good. It is my mother, it is very stable,

blah-blah-blah.” Or they might say, “Well, you know, we are kind of—you know, my neighbor does it here.” Then you say, “Do you know that you are eligible for a child care subsidy?” They may go, “No.” “Well, let me help you get a child care subsidy, then, to get a more stable child care arrangement.”

Mr. BECERRA. Well, the more we could do that, where we can actually direct folks to the right sources, versus having them do the fly-by-nights because they have no choice, I think the better off we all are. I hope, Mr. Chairman, what we can do is take this information and have other folks who can help us. Somehow, we have to understand why there are these discrepancies. You mentioned before, Mr. Secretary, in conversation with Mr. McDermott, that you are not implying that everybody is a welfare cheat.

Dr. HORN. No, not at all.

Mr. BECERRA. What we have to do, Mr. Chairman, I think, is take this information and, as the Secretary said, it is a good starting place, and then let’s figure out, let’s understand these discrepancies. Then we can make some real tough but good decisions on where to go.

Dr. HORN. I agree.

Mr. BECERRA. I appreciate your testimony.

Dr. HORN. Thank you.

Chairman HERGER. I thank the gentleman. I believe the will of the Committee is that we will have one more question, from the gentlelady from Connecticut, Mrs. Johnson, and then we will adjourn. I might mention that any Members who have questions can submit them for Dr. Horn to respond in writing to the Committee, and it will be part of the record. With that, to the gentlelady from Connecticut, Mrs. Johnson, to inquire.

Mrs. JOHNSON. We have 4 minutes left, so those who want to go, go ahead. I just wanted to make this comment. First of all, you made a very important point that I think we are missing. There is a lifetime limit on how long you can be on welfare. These people don’t realize that the clock keeps running. At the very least, I think you need to recommend that States change their process, so that in that first letter they send out to say, “We haven’t heard from you,” they say, “If you have got a job, it is in your interest to let us know, because we don’t want you to use up your lifetime bank if you are already working”; and then the second point that, “You could still be eligible for daycare subsidies and whatever. So please contact us.”

We have got to make it a lot easier, because you are right, they need to be able to leave a message on the phone, they need to be able to deal with this through a computer message. I hope States will take seriously sending a different kind of letter in that first notification. I really want to congratulate you and your staff for the energy and creativity you put into your roles as leaders and managers of our TANF program. We have known about these banks. This could have been run a long time ago. The fact that you decided to do this really is going to make a difference, not only to States and the money they have available to provide daycare and support services, but also to the position each woman on welfare holds in regard to her lifetime bank. Also, to the sort of dignity and recognition she deserves for getting a job.

I think this is a very exciting development. I am very glad you don't see this as proving that you are a cheat, or you are anything at all. It is just communication; it is just, "Can we make the system serve you right?" I think we forget about how many support services there are. If this were a question I would ask you to run through all the support services that a woman who is leaving welfare but working could be eligible for. They kind of don't know that. In the old program, you were either on or off; it was black or white. We have a far better system, both for supports and career development, than we have ever had. I think we can make use of this information to improve the quality of our service. I really thank you for your initiative and your leadership as an administrator. Wade, you are doing a fine job.

Dr. HORN. I thank you.

Mrs. JOHNSON. Your staff, too.

Dr. HORN. I would like recognize two of my staff in particular, who have been really leading this effort. That is Grant Collins, who is the Deputy Director of the Office of Family Assistance, and David Siegel, who is the Acting Commissioner for the Office of Child Support Enforcement. If we don't use our expertise more in the service of the recipients, there is no way the States can help the recipients better. It is really a team sport.

Mrs. JOHNSON. I have honestly never seen such creative leadership from the Federal level as I have seen in your Department in the last few years, and I just wanted to acknowledge that on the record.

Dr. HORN. Thank you.

Mrs. JOHNSON. I had better go vote.

Chairman HERGER. I think we have about a minute on the vote. I would like to ditto what the gentlelady from Connecticut said, Dr. Horn. This is probably one of the most successful programs, the TANF program, that we have ever seen in this area to assist and help, again, these families and children who most need it. I want to thank you. I want to thank you for your testimony, and the team that you have assembled and the Administration. Again, thank you for providing this information as we consider ways to continue working to improve TANF's programs. With that, the Committee stands adjourned.

[Whereupon, at 10:49 a.m., the hearing was adjourned.]

[Submission for the record follows:]

Community Voices Heard
New York, New York 10029
July 29, 2005

To Whom It May Concern:

We believe that the attached recently released report, *The Revolving Door*, highlights some of the problems with the way the work-first approach is being implemented in states and localities. As you will see, the program in New York City has not been a success. We fear that increased work hours and work requirements are based on a faulty assumption that the type of program we evaluate in the attached document are far more successful than they actually are. We hope that our findings will be of use to the Committee as it moves forward on Welfare and Work policy planning.

We have a 10-page designed and printed version of the attached Executive Summary (also attached for viewing as a pdf). If the Committee would like us to forward hard copies of this, please let us know. The Executive Summary is based on a 140 page report that can be downloaded off of our website: www.cvhaction.org. Additionally, hard copies of the larger report are available from us upon request.

Thank You,

Sondra Youdelman
Policy & Research Director

Executive Summary

The Revolving Door: Research Findings on NYC's Employment Services and Placement System and Its Effectiveness in Moving People from Welfare to Work

By Sondra Youdelman with Paul Getsos

A Research Project by
Community Voices Heard

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Executive Summary

INTRODUCTION: The Failure of a Work-First Approach in Challenging Times

In August 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) into law, eliminating the federal entitlement to public assistance, imposing time limits on the provision of assistance to poor families, and requiring states to impose strict work participation requirements. At the same time in New York City, Mayor Giuliani moved aggressively to dismantle one of the country's strongest social safety nets—placing primary emphasis on work and diversion. At both the local and national levels, a strong work-first approach was the philosophy that guided the development of new policies and programs associated with welfare reform.

In New York City, the Human Resources Administration (HRA) instituted a comprehensive work-first policy—transforming welfare centers into job centers, expanding the local unpaid Work Experience Program (WEP) to cover tens of thousands of single mothers, instituting intensive job search activities for people on welfare, and aggressively sanctioning non-participating welfare recipients. The NYC welfare system was hailed as a national model. Indeed, city welfare rolls dropped an eye-opening 50 percent between 1996 and 2000, and the percentage of single mothers with jobs rose in the city as it did nationwide.

The rapid economic growth and robust job creation of the late 1990s presented ideal labor conditions for welfare-to-work programs. A growing economy provided jobs for many who were forced away from public assistance. Unemployment rates fell to 30-year lows and wage rates for less skilled workers rose briskly.¹ When recession hit in 2001, however, higher unemployment rates signaled that competition for available jobs would become much sharper.

In New York City, the impact of the recession was severe. Unemployment rates peaked in 2003 with an average overall rate of 8.5 percent. Higher still were the unemployment rates for people of color in NYC: 12.9 percent for African-Americans and 9.6 percent for Latinos. While the economy slowly began to show signs of recovery in 2004, unemployment rates have yet to return to their 2000 levels.¹¹

With the change in circumstances, the many flaws of the New York City approach—and the strict national work-first model—have become evident. The hardest to employ have not benefited from “work-first.” Those with significant barriers to employment—including low levels of education, limited English proficiency, physical and mental disabilities, inadequate access to childcare and supportive services—are still stuck in a welfare system that pushes them to move to work, even if they do

¹Mark Levitan and Robin Gluck, *Job Market Realities and Federal Welfare Policy* (New York: Community Service Society, September 2003), p. 14.

¹¹Mark Levitan, *Unemployment and Joblessness in New York City, 2004: Better, But Still a Long Way to Go* (New York: Community Service Society, February 2005), p. 7.

not yet possess what they need to get and keep a job and move beyond the public assistance system.

This report documents the results of a comprehensive examination of the Employment Services and Placement (ESP) System, a key program developed and administered by the Human Resources Administration (HRA) to further its work-first approach. The research set out to uncover whether or not currently operating job readiness and job placement programs accomplish their intended goals, what stands in their way, and how they might be improved to better serve the needs of the clients, the providers, and the system at large. Our findings point to a failure of this work-first model in achieving its main goal—moving people from welfare to work, into jobs and toward economic independence.

The Employment Services and Placement (ESP) System

Since 1999, New York City's main strategy for moving work-ready welfare recipients to employment and self-sufficiency has been "Full Engagement"—job readiness and job search activities two days a week, coupled with unpaid work experience the other three.

Employment services for welfare recipients are provided by two main contracts: **Employment Services and Placement (ESP)** contracts for the "general population" and **Special Populations** contracts for recipients with particular needs due to specialized circumstances such as homelessness and a history of drug abuse. **Skills Assessment and Job Placement (SAP)** contracts were also set up to serve applicants to public assistance, as they wait for their cases to open.

Current NYC ESP Vendors and Percent of Population Referred to Vendor	
ACS-Inc. (New York Job Partners)	7%
America Works of NY	8%
Career Educational Consultants (CEC)	10%
Federation Employment & Guidance Service (FEGS)	

This report focuses on the services provided by the Employment Services and Placement System. The renewal contracts, established by the start of 2003, allocated up to \$130 million for program services over three years—estimating that the program would service almost 80,000 people in that time period.

From the beginning, ESP contracts were solely performance-based. Vendors only got paid for results: job placement, 3-month retention, and 6-month retention. Most contractors can receive a maximum payment of \$5,500 per client when someone they place in a job remains employed at 6 months.

There are currently 9 vendors that hold ESP contracts. Collectively, the vendors now operate 26 sites throughout the city. Current vendors include a combination of for-profit corporations, large not-for-profit agencies, community-based organizations, and the City University of New York (CUNY).

Each vendor is referred a different percentage of the overall ESP population, based on their original contract and current capacity (see Table above). According to HRA's December 2004 figures, an average of 4,100 individuals are referred across the 26 sites each month, or close to 50,000 per year.

ESP vendors are contracted to move people from welfare to work. At each ESP site, a combination of job readiness, job skills training, and job search assistance is offered to prepare individuals for and connect them to jobs; services are then provided to help participants retain jobs.

Finding 1: The ESP System has Failed to Meet its Primary Goal of Connecting Welfare Recipients to Long-Term Employment

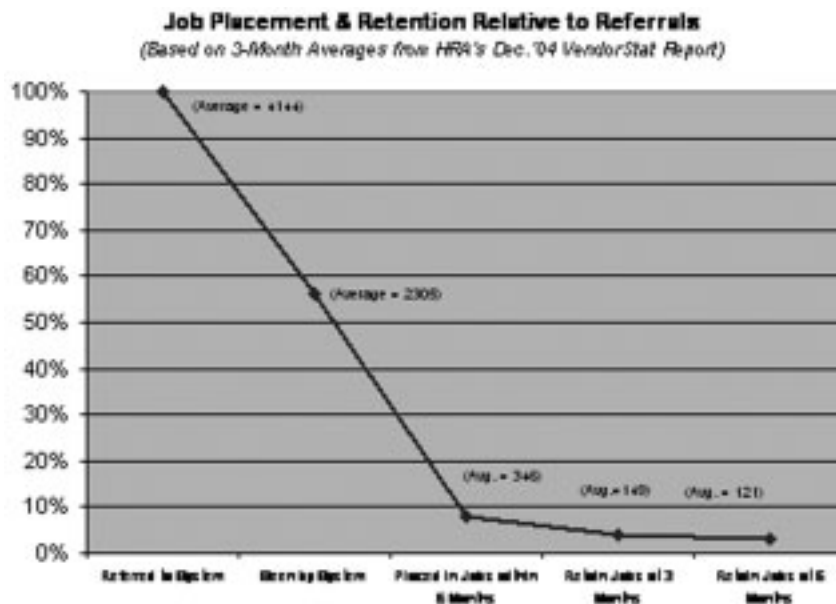
While the primary goal of the ESP System is to move people into jobs and off of welfare, less than 1 in 10 welfare recipients referred to the ESP System are placed in jobs within six months. Within another six months, almost 1 in 3 of those individuals return to public assistance.

The primary goal of the Human Resources Administration is moving people off of welfare and into employment. The ESP System is one of the strategies used for accomplishing this goal. ESP vendors are held accountable for both job placement and job retention. They receive their first payment when they place people into jobs, and subsequent payments as people retain those jobs for three and six months.

Unfortunately, research findings show that the ESP System is doing an inadequate job of connecting welfare recipients to jobs and achieving retention within the six-month period vendors are allotted.

Client Outcomes

Based on three-month average figures reported in HRA's December 2004 VendorStat Reports:



- Only 8 percent of those referred to the ESP System are placed in jobs within six months (see Figure below).
- Of those placed in jobs:
 - 35 percent still hold those jobs six months later.
 - 29 percent return to public assistance.
 - 36 percent remain unaccounted for.

Systemic Problems

Research indicates that certain program dynamics contribute to the low placement and retention rates:

It's crazy. People get FTCed [Failure to Comply] for not attending WEP, even though they were at an interview!

— ESP Provider

- **Conflicts with the Work Experience Program:** Problem inherent in the Work Experience Program (WEP), as well as a lack of coordination between WEP and ESP Sites, impede program success. Some vendors criticized the Work Experience Program (WEP) for interfering with their ability to accomplish their

programmatic goal of job placement. The client survey showed that 83 percent of ESP clients are engaged in WEP. Vendors spoke of challenges that emerged because clients were granted permission to leave their work assignments for interviews, and clients who were more loyal to WEP sites than to job searching. They also identified the false hopes of long-term employment in WEP assignments as discouraging some clients from looking for work.

The job developers try to give you a temporary job that only pays \$5 an hour... I don't want a three-week job that only pays \$5 an hour. As soon as you have one of these terrible temporary jobs, your benefits get cut and then you have to start the process all over again once the three weeks is up. I have a family to support – I need a real job.
– ESP Client

- **Lack of a Strategic Approach to Workforce Development for Welfare Recipients:** The absence of a strategic approach to workforce development for welfare recipients impairs program effectiveness. Clients spoke of job developers that lacked connections to good employers and pushed them toward jobs limited in scope and quality. Vendor interviews pointed to the challenges faced by job developers left to make connections with little city support. HRA-sponsored employment services are developed on a site-by-site basis and have no strategic linkage to labor market realities.
- **No Coordination between HRA and the Department of Small Business Services (SBS):** A lack of coordination between the city agency that focuses on linking workforce development to economic development, and the Human Resources Administration that services welfare recipients and the ESP System, was evident. Clients either knew nothing about SBS' One Stop Centers or criticized not being able to choose to use their services rather than those of their ESP. Vendors mentioned that their job developers and those of the One Stop Centers operated completely independently. ESP sites are at times marginalized from economic development initiatives that could offer jobs for their clients.

Finding 2: The ESP System Fails to Offer Individuals the Training and Education Critical for Long-Term Self-Sufficiency

Even though a lack of education and training was identified as a major barrier for a vast majority of ESP clients, only 18 percent of clients were able to access education and training programs; 1 in 3 clients did not know that education and training might satisfy a portion of their work requirements and that vouchers were available to cover the costs of these programs.

They [the ESP Site] never tried to send people to education and training – they just kept talking about how many people would have to approve the program and made it sound really hard.
– ESP Client

Within the ESP program context, preparing individuals for work includes two key components: providing job readiness support on-site and connecting people to vocational training off-site when appropriate. Past studies have demonstrated that a programmatic mix of job search and adult basic education is more effective in promoting sustained employment than programs that focus exclusively on job search or work experience.ⁱⁱⁱ Unfortunately, research findings from this study show that most individuals are not being provided with the training and education they need to move toward self-sufficiency.

ⁱⁱⁱ Gayle Hamilton, *Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies* (New York: MDRC, July 2002).

Client Access

The representative client survey revealed high levels of educational challenges among ESP clients:

- 43 percent of ESP clients have less than a high school diploma and 50 percent only have a high school diploma or GED.

However, despite the fact that many ESP clients could benefit from education and training, the client survey also showed that few who want it are able to access it through the system:

- Only 18 percent of ESP clients were able to access vocational education and training to better prepare them for work.
- 71 percent of those not participating in education and training said they would like to do so.

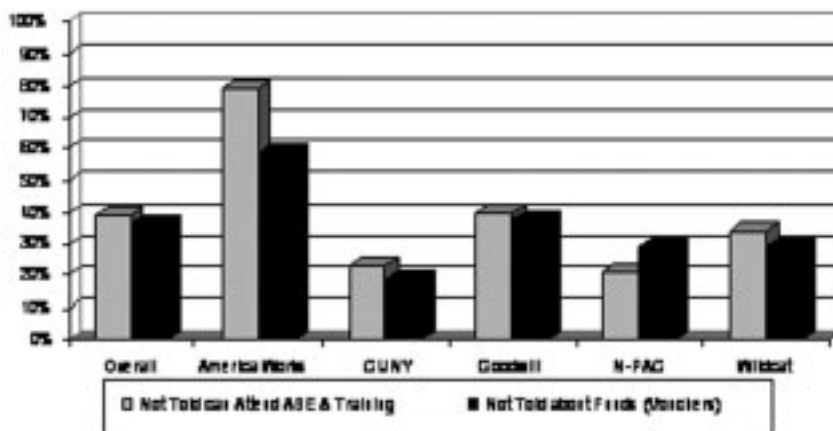
Many clients did not know about their rights to education and training and funds to support them:

- 39 percent were not told that attending Adult Basic Education and/or vocational education could partially or entirely satisfy their work requirements.
- 36 percent did not know that vouchers were available to cover costs of such training.

Certain vendors were more likely to inform clients about their rights to education and training than others (see Figure below).

ESP Clients NOT told about Education & Training Rights, Comparison Across 5 Vendors with Largest Contracts

(Client Survey, N=320, Ongoing Clients Not in Education & Training
Differences by vendor are statistically significant, $p < .05$.)



Systemic Problems

Theoretically, they're good [vouchers for training] but in practice there's a need for closer monitoring. Because if you can't trust sending someone to a provider that has integrity, then there's a problem. The eligibility criteria is too flexible now.

— ESP Provider

Research revealed two particular program design issues that seemed to discourage vendors from referring people to education and training:

- **Limitations of the ITA Voucher System:** Though there appears to be no limit on the availability of ITA Vouchers for client training, the slow and difficult process for obtaining them, as well as the lack of information regarding the variety of training programs that exist and the quality of them, appears to discourage vendors from encouraging client enrollment. Clients and vendors considered the application system for ITA Vouchers tedious, and the delay in approval for vouchers often leads to lost clients and/or lost interest. The fact that the processing of a client's voucher application is instantly canceled when a client receives a sanction is yet another reason why vendors hesitate to invest energy in assisting clients to apply for them. Additionally, vendors and clients alike criticized the prioritization of short-term training over quality training.
- **Performance-Based Contracts Undermine Education and Training:** The structure of the ESP contracts provides no incentive for connecting clients to education and training. With payment contingent on placement within six months, vendors with short-term cash flow concerns have more incentive to push participants into quick employment than to promote choices that might be better for clients in the long run.

Finding 3: The ESP System Does Not Support the Provision of Services Needed by a Large Proportion of Individuals Referred to It

According to the representative sample of clients we surveyed, over half (55 percent) had been through multiple HRA job readiness/job search programs. HRA VendorStat Reports confirmed that 92 percent of those referred to the ESP System do not have their needs met by it—instead, clients are perpetually recycled through a system that fails to address their needs.

The ESP System was designed under a work-first philosophy. Clients referred to it are considered ready to work, and the assumption is that the system simply needs to help connect them to jobs. The reality, however, appears quite different. Some clients never arrive, some arrive wrongly assessed, and some come with multiple barriers. Unfortunately, we found that the ESP System does not meet the real needs of large numbers of participants—and that the great majority of individuals find themselves going around and around in circles instead of heading forward on a path toward self-sufficiency and long-term employment.

Why continue to send people to the same program if it's not working?...HRA tells us to FTC them, but why? They are just sent to another ESP Site. We're known for keeping people on our roster for too long. But, if we FTC everyone, we wouldn't have anyone. The whole system is a recycling process. -- ESP Provider

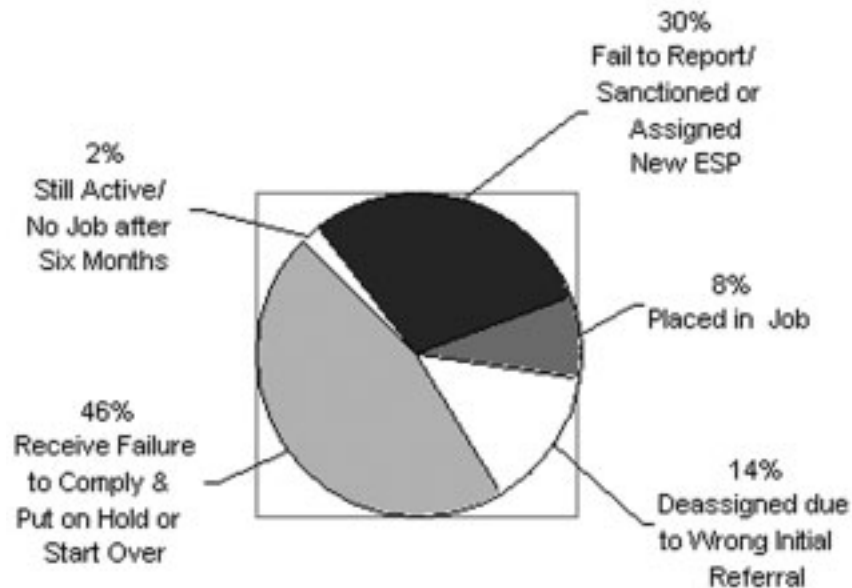
Client Status

Based on figures from HRA's December 2004 VendorStat Reports, 8 percent of those referred to the ESP System are placed in jobs. The large majority of those referred, however, never receive the services intended (see Figure on next page):

- 30 percent of those referred to the ESPs each month Fail to Report.
- 14 percent are sent back to HRA each month due to a wrong initial referral.
- 46 percent end up in receipt of a Failure to Comply (FTC).

Percent of those Referred to the ESP System that are Served by It

(3-Month Averages, HRA's Dec. 2004 VendorStat Reports)



All of these individuals are taken off the roster of the ESP site, are made to report to an HRA Job Center to discuss their situation, and are then re-assigned to the same site or a different site (or program) to begin the process again. According to the client survey, 55 percent of those in the ESP system had already been through other HRA job readiness/job search programs. Not served by one, they were cycled on to the next.

Systemic Problems

Research uncovered three particular program design problems that contribute to the continuous cycling of clients and the ineffectiveness in meeting their needs:

- **Poor Assessment and Referral Processes:** HRA's assessment and referral system fails to connect people to appropriate services. Assessments done at the SAP Sites prior to ESP referral are often either inadequate or are ignored at the next step along the line, leading to inappropriate referrals. Even if a thorough assessment is performed, ESP sites rarely gain full access to the assessment. ESP Sites must fill in and begin again. Since the assessment process was not supposed to be core to the ESP System, little has been done to develop it adequately. Vendors are each left to figure out the appropriate way to assess on their own, beyond HRA's standardized check list, and great variation exists in how thoroughly it is done. Nearly half (44 percent) of the random sample surveyed said they did not feel that the assessment effectively captured their background and interests, and whether or not the subsequent Employment Plan was linked to the assessment was in question.

My case has been closed almost ten times. They always send me letters telling me I am close to being cut off – I've filed for Fair Hearings so many times that the judge knows me by name. And, every time, I get assigned to another ESP Site.

– ESP Client

- **High Propensity to Sanction:** The ESP System focuses on sanctioning those that do not comply, rather than addressing barriers and working to engage client problems and issues. The system's work-first prioritization over barrier removal is a likely contributing factor to the high rates of no-shows and FTCs. The system focuses on sanctioning those that do not comply, rather than figuring out the reasoning behind their non-compliance and working with people to help address their barriers and become engaged. While 77 percent of clients that identified barriers to employment said that workers at their ESP site are aware of the barriers they face, only 52 percent felt the ESP program is able to help them deal with the barriers. Vendors are quick to explain that they are discouraged from working with clients for the long amount of time often necessary to address barriers and are instead encouraged to sanction them. Clients spoke of their perpetual problems with being FTCed, or nearly FTCed. They often spoke of bad communication and bad record keeping, by HRA and the contracted programs, which led to unjust sanctioning.
- **Contract Incentives Discourage Service Provision:** Contract incentives contribute to the lack of provision of services critical to moving people off welfare and into work. While it is expected that ESPs will need to provide comprehensive services in order to achieve high levels of placement and retention, there are neither incentives nor additional resources provided to truly address the barriers that people face in finding and keeping jobs or to tackle problems underlying non-compliance. The incentives are structured in a way that encourages vendors to work with those easiest to place quickly, and leave behind those that need more support and more time for initial placement. Clients realize this and grow wary of a system that is failing to meet their needs.

CONCLUSION:**Systemic Failure and A Revolving Door**

About 30% of the people benefit from the model we're dictated to run. But then there are different types of individuals – 10% of these, 15% of these, 20% of these. It would be good to designate resources to design programs to help people at different levels. – ESP Provider

Based on the above findings, we conclude that the Employment Services and Placement (ESP) System has failed to achieve its goals of moving people from welfare to work, and instead maintains people in a continuous cycle—in and out of the doors of different HRA offices and programs—destined never to have their real needs addressed.

The Employment Services and Placement (ESP) System emerges in the research as a program that fails to move people from welfare to work. Perhaps at one time, in a more robust economy and when there were more work-ready individuals in the system, it met the needs of individuals referred to it. However, this is not the context within which it currently operates. Our research finds that systemic problems cause the program to fail to meet the needs of those it currently is meant to service.

These systemic problems include the following:

- NYC lacks a strategic coordinated workforce development approach for welfare recipients,
- WEP fails to prepare people for work and sets up a paradigm that discourages job searching or sends people in circles for non-compliance,
- The ITA voucher system is structured in a way that discourages enrollment in training,
- Education and training providers are neither monitored nor evaluated,
- HRA's assessment process fails to refer the right people to the right services,
- The welfare system prioritizes sanctioning of clients over addressing their barriers, and
- The contracting system rewards placement and retention without supporting working with those that face more challenges to employment.

We recognize that a small percentage of individuals find success with this approach. However, we have found that the great majority seem stuck in a procedural maze—scrambling from one vendor to the next, from one set of services to another, but ultimately getting nowhere, except recycled into another employment program. Given the amount of federal, state, and local funding that is being spent on this system, we must ask if this is the best use of limited governmental resources. This criticism is magnified when one factors in the additional good will, energy, and countless hours of people power that is invested by government agencies and employees, the private sector, and community based organizations—not to mention the personal investment of hopes and aspirations that the clients themselves put into getting a job and off of welfare—we must question the efficacy of a system in which so many are invested, and yet produces so few results. Many vendors are doing what they can given the constraints under which they operate. However, a focus on designing a system wherein vendors can be more effective, and more clients can have their needs addressed, is critical. It is based on our findings, specifically the lack of results of the current system, that we put forward the following list of recommendations.

MOVING FORWARD: Recommendations to Improve Employment Services for Welfare Recipients

At the close of 2005, HRA's ESP contracts will come to an end after two, three-year cycles. HRA has just collected proposals from agencies interested in being contracted for its new employment services program—*HRA Works!*—which collapses three current employment services contracts into one. HRA deserves credit for the

time and effort it has put into reflecting on what worked and what failed to work in their last contracting cycle as they structured their new RFP. However, they have not gone far enough.

The time for correcting both the program design and the program contracting is now. This research points to a number of recommendations that will help get at the root of the programmatic challenges uncovered. For purposes of this Executive Summary, a few such recommendations are presented here. More information on these recommendations, as well as some additional ones, can be found at the end of this report.

To meet the goal of connecting more welfare recipients to long-term employment, city government should:

1. Coordinate HRA and SBS in Crafting a Single Workforce Development Strategy

One strategic approach should drive workforce development efforts for all of NYC's unemployed and underemployed. HRA and SBS should work together to develop a common analysis of the labor sector growth areas in the city and the pathways and programs individuals must use to advance within them.

2. Develop Career-Ladder Programs that Reflect Real Labor Market Needs

Targeted training programs can prepare individuals for entry into and advancement within the economic sectors with the most potential for future growth. NYC should expand a number of initiatives that have begun to do this, broadening participation to include welfare recipients.

3. Create Industry and/or Occupation Employment Services Hubs for Welfare Recipients

Career-oriented employment services hubs should be created in addition to the geographically based hubs that HRA is proposing for its next round of contracts. Staff at industry hubs could focus their employer connections and training knowledge on particular industries and occupations. Clients would benefit from more targeted placement assistance connected to their interests.

To facilitate access to education and training among welfare recipients, city government should:

4. Eliminate Sanctions and FTCs as Barriers to ITA Voucher Applications

Once a vendor helps a client apply for an ITA Voucher, it should not be bumped out of the system due to an FTC or sanction status. This discourages vendors from assisting clients with voucher applications and distances clients from the training they need to exit the system.

5. Monitor and Identify Effective Training Programs

Clients will continue to be denied access to education and training if efforts are not made to better identify effective training programs and encourage vendors to place people in them. The city should conduct a centralized evaluation of approved sites and distribute results to vendors.

6. Add Payment Milestones that Encourage Placement in Training

HRA should revise performance-based contracts to include incentives that encourage vendors to help people get training and education. Two additional milestones should be added to the contracts: one compensated milestone for placing a client in training, and one after the client's completion of it.

To more adequately meet the needs of a diverse population seeking assistance, the city government and the Human Resources Administration should:

7. Develop an Assessment Process that is Broad in Scope

The assessment process should include more than completion of a TABE Test and a check-box employment plan form. Efforts should be made to learn from more holistic techniques being utilized by some, gather information on additional ones, and support vendors in implementing new methods.

8. Establish a Separate Sanction Trouble-Shooting Program

HRA should eliminate its current sanctioning approach, with its assumption of fault and a need for punishment. In its place, the agency should create a special unit (or provide adequate resources to vendors) to reach out to individuals that Fail to Comply, find out what prevents their compliance, and work with them toward reengagement.

9. Create Line Item Funds or Additional Milestones for Service Provision

So that vendors can have funds to provide the intensive services needed by many clients, some line item funding is critical. Alternatively, the agency could set up additional payment milestones to reward assisting people with securing housing, setting up childcare arrangements, special referrals, etc.

10. Expand Paid Transitional Jobs into Other City Agencies

For individuals lacking recent work experience, a short-term paid subsidized job opportunity can help propel them back into the workforce. The establishment of NYC's Parks Opportunity Program (POP) has replaced WEP and begun to fulfill this need. The program should be expanded into other city agencies to provide similar opportunities in a variety of occupations.

11. Create a Supported Work Program for the Hardest to Employ

A supported work program provides intensive support and services to hard-to-employ individuals in an accepting work environment: on-site employment supervision, case management (addressing personal, family, and vocational needs) and job coaching. Resources should be invested into creating such a program for welfare recipients with the most barriers to employment.

To ensure that we can really learn what works in moving people from welfare-to-work, city government should:

12. Contract an Outside Entity to Evaluate *HRA Works*

With a new program set to kick off in October 2005, now is the perfect moment to initiate an evaluation. Learning more about program design and implementation at the vendor level, as well as what services work to produce what outcomes, could help HRA fine-tune the program along the way and to solicit better results.

