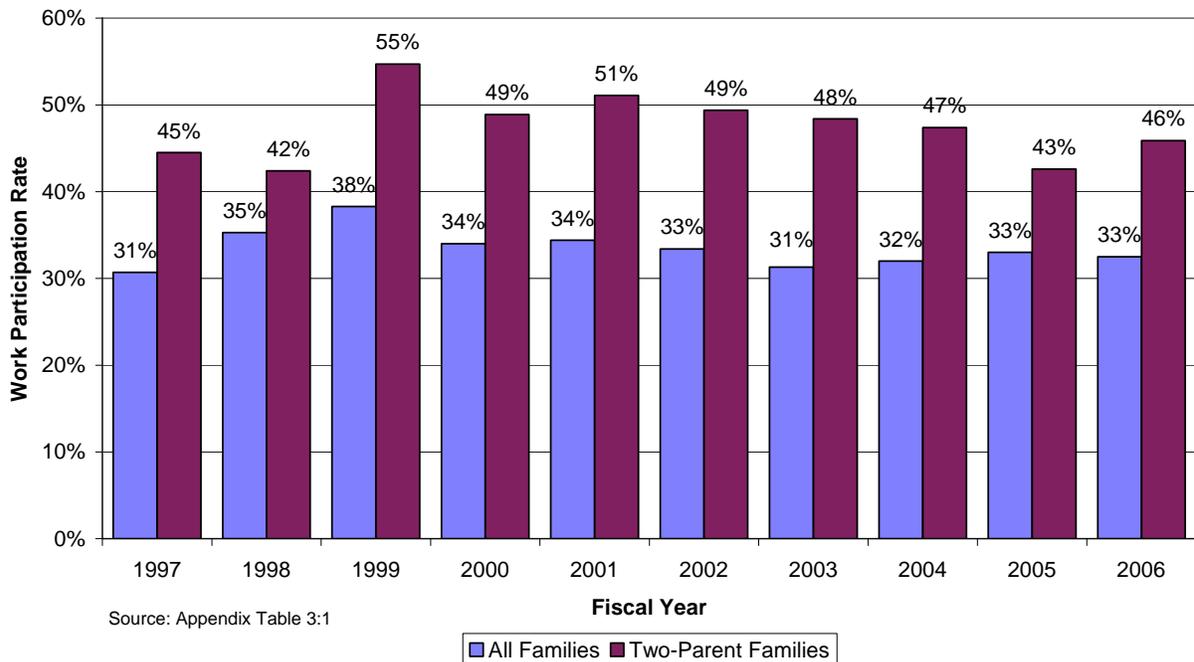


### III. WORK PARTICIPATION RATES

Work participation rates measure the degree to which TANF families are engaged in work activities that lead to self-sufficiency. In Fiscal Year (FY) 2006, the national average all families participation rate was 32.5 percent. To count toward the rate, a family must include an adult or minor head-of-household who is engaged in qualified work activities for at least 30 hours per week, or 20 hours per week if they had a child under six years of age (Appendix Table 3:1). This represents a 0.5 percentage point decline from the FY 2005 national average participation rate of 33.0 percent. The FY 2006 rate remains above the 30.7 percent attained in FY 1997, TANF's first year, but well below the 38.3 percent peak achieved in FY 1999. The all-families work participation rate increased in 29 States, but declined in 21 States, the District of Columbia, and two Territories (Appendix Table 3:3).

**Figure A**  
**TANF Work Participation Rates, FY 1997 - FY 2006**

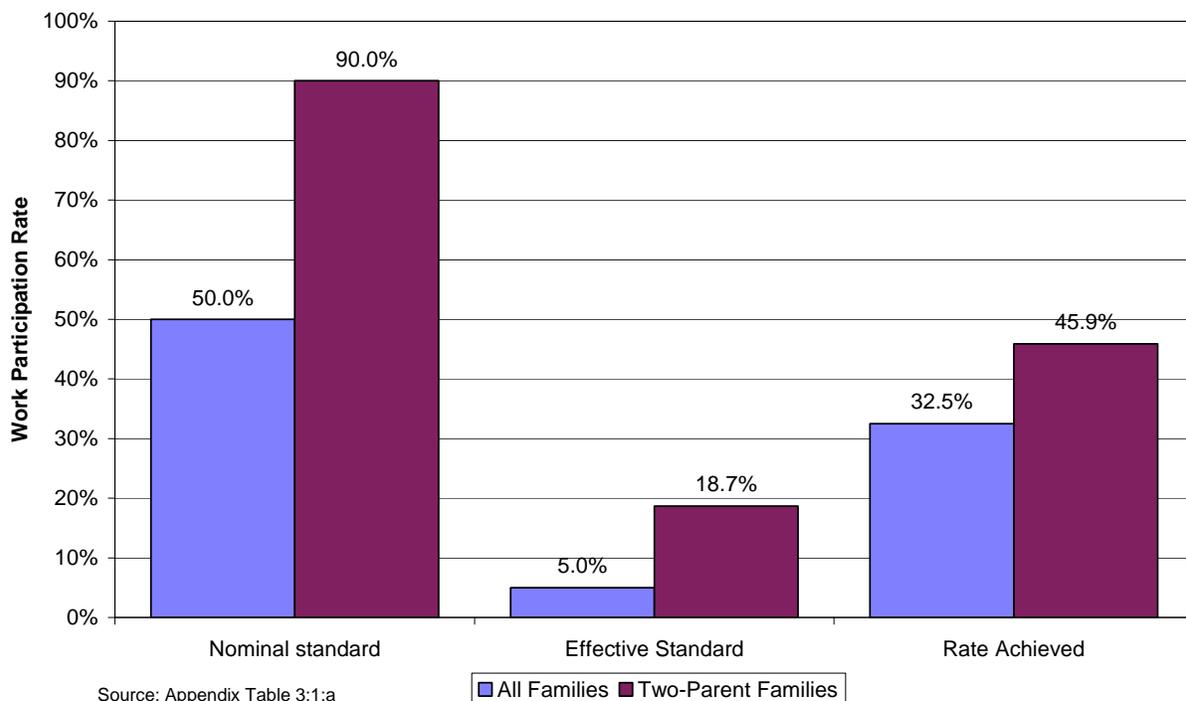


An additional 14.4 percent of TANF families required to participate had some hours of participation, but did not attain sufficient hours to qualify toward the work rate.

States and Territories reported zero hours of participation in qualified activities for 52.6 percent of families (although some likely participated in non-qualifying activities or were not reported as having any hours of participation, because they did not have sufficient hours to count toward the rate). This is 0.3 percentage points lower than in FY 2005 (Appendix Table 3:1 and Appendix Table 3:16).

While TANF requires States and Territories to meet two separate minimum work participation standards each year, one for all families and another for two-parent families, each jurisdiction (except Guam) received a credit against both of these standards for caseload reductions since FY 1995. In FY 2006, the all-families nominal minimum participation rate requirement was 50 percent, and the two-parent families nominal minimum participation rate was 90 percent. However, due to tremendous caseload reductions, the average (weighted) effective minimum work participation requirement in FY 2006 was only 5.0 percent for all families and 18.7 percent for two-parent families. Figure B compares annual national participation rates achieved with both the nominal (50 or 90) and effective (after reduction) required minimum rates.

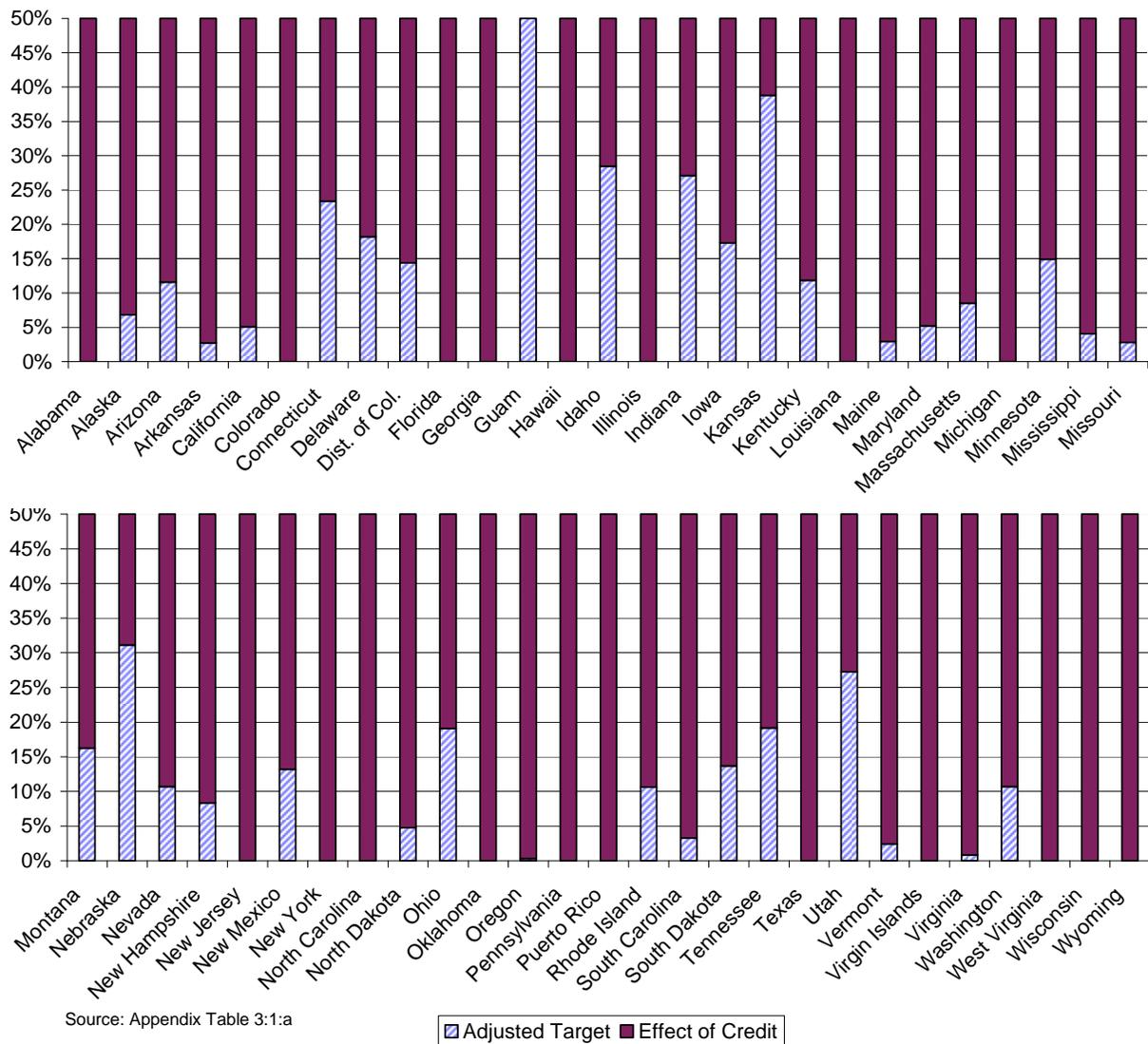
**Figure B**  
**U.S. Work Participation Rates and Standards, FY 2006**



In FY 2006, ten States achieved all families work participation rates of over 50 percent, and one did so because it was allowed to apply more generous criteria in defining program activities, excluding certain groups from participation requirements, or adopting an alternative hourly standard for participation under a Federal waiver (Appendix Table 3:2). All States and Territories met their required all-families rate except for Indiana and Guam. Seventeen States and two Territories had sufficient caseload reduction credits to reduce their effective required all-families rate to zero. Only 21 States faced an effective minimum greater than 10 percent

(Appendix Table 3:2). The effect of the caseload reduction credits on individual State minimums for FY 2006 is displayed in Figure C.

**Figure C**  
**Effect of Caseload Reduction Credits on**  
**All-Families Participation Rates**  
**FY 2006**

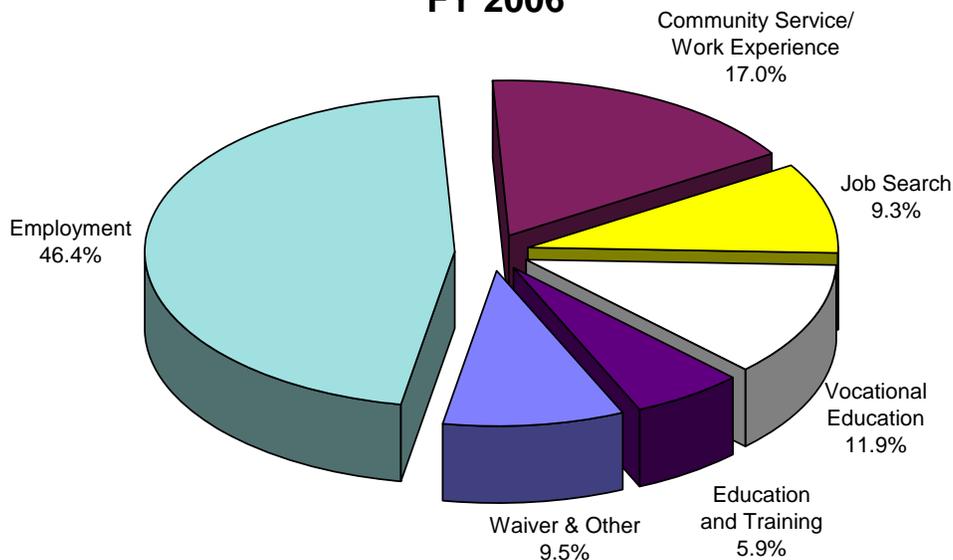


The FY 2006 two-parent national average participation rate was 45.9 percent, up from 42.6 percent in FY 2005. Five jurisdictions – Mississippi, North Dakota, Puerto Rico, South Dakota, and the Virgin Islands – did not serve two-parent families. Twenty-five jurisdictions served all of their two-parent families through a Separate State Program (SSP) and were not subject to the two-parent work participation requirements. Twenty-four jurisdictions served two-parent families through TANF, and three (Arkansas, Washington, D.C., and Guam) failed to meet their required two-parent rate in FY 2006 (Appendix Table 3:2).

Many TANF cases are excluded from work rate calculations, with child-only cases being the most significant group. Cases where a parent has been sanctioned for non-compliance are not included for up to three months while sanctioned, and those with children under one can be disregarded at State discretion. Other cases excluded are those that are part of an ongoing research evaluation, covered under an approved welfare reform waiver that is inconsistent with current law, and cases that are participating in a Tribal work program (see Appendix Table 3:5). These excluded cases accounted for approximately 54.5 percent of the full TANF caseload in FY 2006, an increase of 0.9 percentage points from FY 2005.

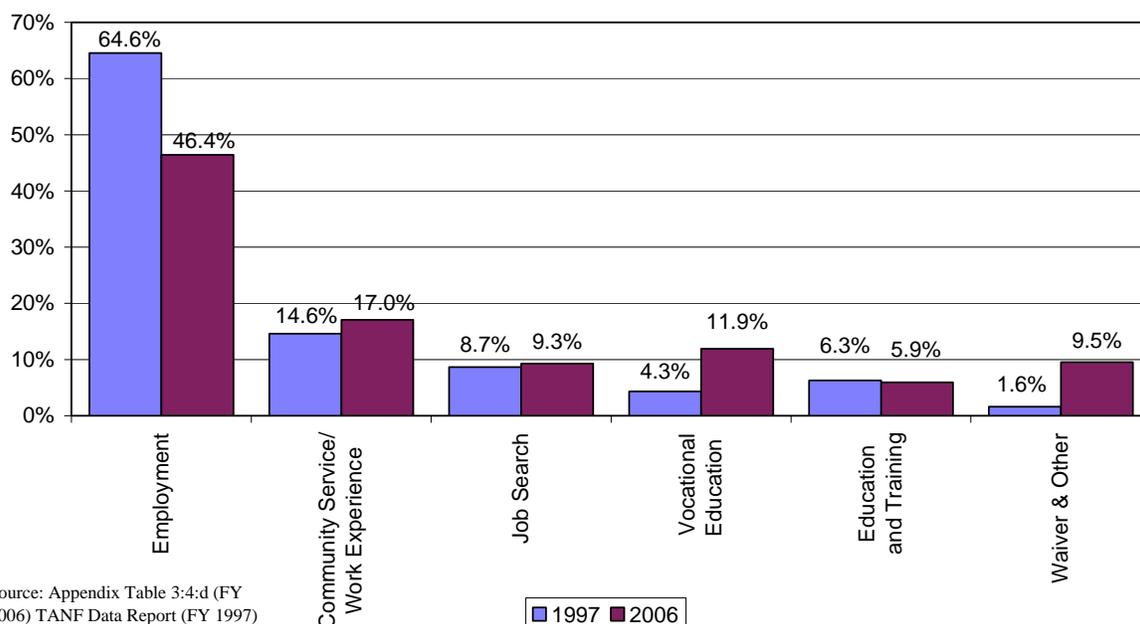
During FY 2006, 44.7 percent of adults nationally participated in qualified work activities for at least one hour per week in an average month (Appendix Table 3:11). As a group, they averaged 27.9 hours of qualified participation per week (Appendix Table 3:15). Figure D displays the breakdown of these hours by work activity. Figure E compares the proportions in each category in FY 2006 and FY 1997.

**Figure D**  
**Average Hours of Participation for**  
**All Adults by Work Activity**  
**FY 2006**



Source: Appendix Table 3:4:d

**Figure E**  
**Percent of Total Hours of Participation by Work Activity**  
**Comparison of FY 1997 and FY 2006**



Sixty-four percent of all hours claimed toward work participation rates involved direct work, mostly in employment but also in community service and work experience (Appendix Table 3:14). One State operating under a former Aid to Families with Dependent Children (AFDC) waiver that was continued under TANF was able to count certain activities that otherwise would not meet the Federal work definition. During the year, these activities accounted for less than 10 percent of all reported hours (Appendix Table 3:14).

**FY 2006 Work Participation in Separate State Programs (SSPs)**

Through FY 2006, there were no statutory work requirements or minimum participation rate standards for families in SSPs. Technically, reporting on work participation is optional unless the State wants to receive a caseload reduction credit. Thirty-two jurisdictions have established SSPs that provide assistance, and twenty-nine States are serving two-parent families to SSPs (Appendix Table 3:17). The FY 2006 National average all-family work participation rate for these programs is 31.1 percent and the FY 2006 National average two-parent work participation rate is 32.6 percent. Appendices to this chapter include the State-by-State data used to calculate work participation rates and other related information.

## **Work Participation Penalties**

### *Penalty Process*

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

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

The statute requires a reduction in the work participation penalty based on the degree of the State's noncompliance. The TANF regulations include a formula for calculating such reductions. This formula incorporates the following: (1) a reduction for failing only the two-parent work participation rate (prorating the penalty based on the proportion of two-parent cases in the State); (2) two tests of achievement for any further reduction; and (3) a reduction based on the severity of failure. The formula combines three measures for determining the severity of a State's failure: (1) the amount by which it failed to meet the rate; (2) the State's success in engaging families in work; and (3) how many consecutive penalties it had and how many rates it failed to meet. In addition to the required penalty reduction, the Secretary also has the discretion to reduce a work participation rate penalty for certain other reasons.

If a State does not demonstrate that it had reasonable cause, it may enter into a corrective compliance plan that will correct the violation and insure continued compliance with the participation requirements. If a State achieves compliance with work participation rates in the time frame that the plan specifies, then we do not impose the penalty. Table A summarizes this information for FY 2002 through FY 2006.

**Table A**

<b>Summary of Work Participation Rate Penalty Action</b>					
<b>Received Penalty Notice</b>	<b>Reasonable Cause Exception</b>	<b>Submitted Corrective Compliance Plan</b>	<b>Achieved Compliance</b>	<b>Failed Compliance</b>	<b>Other Outcome</b>
<b>FY 2002</b>					
Arkansas Dist. of Columbia Guam  Missouri West Virginia	None requested	Arkansas Dist. of Columbia Missouri	Missouri	Arkansas Dist. of Columbia	Guam - accepted penalty West Virginia - moved two-parent families into a Separate State Program (SSP), no penalty
<b>FY 2003</b>					
Arkansas Dist. of Columbia Guam Nevada  West Virginia	None	Arkansas Dist. of Columbia Nevada	Arkansas Nevada	Dist. of Columbia	Guam - imposing penalty West Virginia - moved two-parent families into a Separate State Program (SSP), no penalty
<b>FY 2004</b>					
Arkansas Dist. of Columbia Guam Indiana  Mississippi Washington	None	Arkansas Dist. of Columbia		Arkansas Dist. of Columbia	Guam - accepted penalty Indiana - revised data, no penalty Mississippi, Washington - revised caseload reduction credit, no penalty
<b>FY 2005*</b>					
Arkansas Dist. of Columbia Guam Indiana		Arkansas			
<b>FY 2006*</b>					
Arkansas Dist. of Columbia Guam Indiana		Arkansas			

\* FY 2005 and FY 2006 information is preliminary as we expect all States to submit a Corrective Compliance Plan.

