








TANF Emergency Fund Extension

Getting North Carolinians Back to Work

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EXECUTIVE SUMMARY:

-  **THE TANF EMERGENCY FUND** provided North Carolina with critical funding to child care subsidies (\$23.6 million), More at Four (\$30.5 million), Work First family assistance (\$9.7 million) and to the subsidized jobs program (\$11.4 million). Taken together, these programs served to support working families and provide job opportunities for low-income adults.
-  **STUDIES SHOW** that wage subsidy programs can create jobs and connect workers to employment opportunities, creating wealth and spurring business.
-  **WITHOUT THE TANF EMERGENCY FUND EXTENSION**, the subsidized jobs program in North Carolina will end on September 30, 2010. All county programs received notice in July to end spending on the program in preparation for the end of the federal program and already 5 programs have had to shut down.
-  **ENDING THESE SUBSIDIZED JOB PROGRAMS** will cost jobs, remove much-needed income from local economies, adversely affect local businesses, and make it impossible for many low-income parents to cover basic expenses. This is the opposite of what the nation needs at a time when the economic recovery remains precarious.
-  **CONGRESS MUST ACT QUICKLY** to extend the TANF Emergency Fund for another full year to ensure that those already employed can stay in their positions and those still unemployed can participate.

AFTER LABOR DAY, Congress will return to Capitol Hill to try once again to pass legislation that will help to move the economy forward. One piece of unfinished business is the extension of the Temporary Assistance for Needy Families (TANF) Emergency Fund. The TANF Emergency Fund was included in the American Recovery and Reinvestment Act (ARRA) and provided \$5 billion to help states serve families seeking employment and requiring additional work supports during these difficult economic times. The fund will expire on September 30th if Congress doesn't act before then to extend it.

One of the particularly innovative ways states have used these funds is in the development of subsidized jobs programs. Nationwide, more than 240,000 jobs have been created.¹ In North Carolina, TANF Emergency Funds were used to place more than 1,000 individuals in jobs while also providing critical funding to support work for many more North Carolina families.²

CREATING JOBS IN NORTH CAROLINA

At 9.8 percent in July 2010, North Carolina's unemployment rate continues to remain higher than the national average. The loss of jobs and the failure to create new jobs is a critical challenge in both the short- and long-term. Job creation is needed not only to replace the jobs lost during this recession but to also match the growth in the workforce.

The latest labor market numbers reflect the challenges to job creation in the private sector. From June to July 2010, the job growth that did occur in the private market was not significant enough to meet natural growth in the workforce.³

The TANF Emergency Fund provides public dollars to public and private entities hiring low-income workers, which can be effective at stimulating job creation. The wage subsidy works to change the economics of hiring for business and provides a cushion that can support businesses as they build up demand for their goods and services. Because it is also targeted to low-income workers, those most likely to spend their earnings quickly in the economy, there is an additional benefit: these funds contribute to local demand for goods and services which helps to keep workers that produce, ship and sell those goods and services employed.

Evaluation of a different wage subsidy program implemented in the 1980s in Minnesota found that that effort created more than 18,000 permanent jobs and improved the earnings and labor force participation rates of participants. Most importantly, employers participating in the program said that the wage subsidy motivated them to expand their payroll and allowed them to grow their business.⁴

The work of local Department of Social Service offices to identify work-ready participants and connect to local employers complemented the wage subsidy to allow for effective matching of workers to job opportunities. Research finds that the most effective ways to deliver a wage subsidy is to combine the subsidy with case management strategies and engagement of the private sector to identify job opportunities.⁵ These additional services have been an important part, as well, of ensuring that low-income workers are able to get jobs in a difficult labor market.

TANF Emergency Fund

The TANF Emergency Fund subsidized job program in North Carolina has created 1,024 jobs from April to July 2010.

The program was designed to allow counties to develop their own programs to suit local labor market and economic development needs. Funding was used to provide a 100% subsidy of the gross wages with employers contributing their training and supervision costs. Hourly wages ranged from \$8 to \$12 per hour with workers completing 20 to 40 hours per week. The programs were designed to provide the subsidy for 3 to 7 months, at which point it was possible that the job would become permanent. Workers served by the program were low-income earning less than 200 percent of the Federal Poverty Line. While data remains to be collected on the number of temporary jobs that became permanent, workers have gained additional work experience, maintained or developed their skills and established networks for future employment.

Two out of every three jobs created were in the private sector. In Mecklenburg County alone, 93

Success Stories

The word "opportunity" is appropriate not only because this stimulus-funded, subsidized employment program gives individuals a chance to build their skills and provide for their families; it is also an opportunity for DSS to collaborate with community partners and willing employers in a way that will make a real difference to struggling families in our community. It's really amazing the difference you can make when you have the right people around the table.

*– Mary Wilson, Director, Mecklenberg County
Department of Social Services*

This opportunity.... gives me the chance to better my skills in an area I always wanted to work in. This job has also given me the chance to rethink what I need to do to be successful in the workforce. I am making an attempt to return to college and pursue a degree in business, something I wanted to do but I had to raise my six children alone. I've worked jobs to make it with the kids but now that they are older, I can get a degree. The training from Connectinc has helped me fine tune my office skills and understand what is important in the field of work.

*– Latonia Hill, Robeson County, Employed
through The Benefit Bank at Connect Inc.*

private employers have been engaged in the program.⁶ Jobs have been created in occupations of growth such as home health aides, child care providers, clerical/office positions, and skilled manufacturing positions.⁷

One-fourth of the state's counties have participated in the program to date. Those counties participating have generally been larger metropolitan counties and geographies experiencing high need (See Table 1).

In North Carolina, the TANF Emergency Fund also provided the state with resources to meet ongoing challenges for working families. The state revenue crisis moved policymakers in this legislative session to look to spending reductions to balance the budget. The result is that many of the work supports experiencing greater demand due to the economic downturn saw their funding level decrease.

Child care subsidies were poised to be particularly hard hit. Child care is one of the greatest cost in a family's budget and child care subsidies are particularly important to support workers' continued engagement on the job. Further, TANF Emergency Fund dollars were also used to support More at Four, the state's award-winning pre-Kindergarten education program that primarily serves low-income and at-risk eligible children. The TANF Emergency Fund made it possible for North Carolina to maintain vital early childhood programs amidst a staggering budget shortfall.

Conclusion

Ending this program will cost North Carolina jobs, remove much-needed income from local economies, adversely affect local businesses, and make it impossible for many low-income parents to cover basic expenses. This is the opposite of what the nation needs at a time when the economic recovery remains precarious. Congress must act quickly to extend the TANF Emergency Fund for another full year to ensure that those already employed can stay in their positions and those still unemployed can participate.

TABLE 1

TANF EMERGENCY FUND		
County	Jobs Created	Unemployment Rate July 2010
Alamance	4	10.8
Alexander	11	13.1
Anson	22	12.6
Bladen	23	11.6
Buncombe	9	8
Catawba	12	12.5
Cleveland	48	12.8
Columbus	68	11.9
Cumberland	10	9.1
Edgecombe	80	14.5
Greene	8	10.1
Guilford	24	10.8
Johnston	6	8.8
Lincoln	20	12.1
McDowell	9	11.5
Mecklenburg	400	10.7
Nash	0	12
Orange	19	6.5
Richmond	3	13.1
Rutherford	0	14.6
Sampson	2	8.3
Wayne	0	8.4
Wilkes	2	12.7
Wilson	76	12.4

1 Pavetti, LaDonna. July 26, 2010. Going, Going, Almost Gone: Job-Creating TANF Emergency Fund Set to Expire. Center on Budget and Policy Priorities: Washington, DC.

2 Special Data Request to Department of Social Services at the N.C. Department of Health and Human Services.

3 Employment Security Commission North Carolina, July 2010.

4 Rode, Peter, March 1988. MEED means more business: Job Growth through Minnesota's Wage Subsidy Program. JOBS NOW Coalition: Minnesota.

5 Katz, Lawrence. Wage Subsidies for the Disadvantaged. National Bureau of Economic Research.

6 Special Data Request to the Mecklenburg County Department of Social Services.

7 Special Data Request to the Department of Social Services at the N.C. Department of Health and Human Services.