

North Carolina can improve TANF policy to boost employment outcomes

August 2025

One goal of North Carolina's Temporary Assistance for Needy Families program (TANF) is to help participants achieve sustaining employment. But current rules discourage people from increasing their earnings and assets, while relying on counterproductive punishment strategies that undercut success. The state also underinvests in the evidence-based approaches that more dependably connect people to good jobs.

HOW STATE POLICYMAKERS CAN BOOST EMPLOYMENT OUTCOMES:

Make the transition off of benefits smoother, so that North Carolinians pursue better pay without fear of losing support

North Carolinians participating in TANF pay one of the steepest penalties in the country for increasing their earnings. When a person's pay increases, the state immediately recalculates benefit levels and disregards only 27.5 percent of those increased earnings in the new calculation. This discourages people from pursuing better pay. Nine states disregard 100 percent of earned income for a certain amount of time — usually for 3-6 months after earnings increase.



Recommendation: State policymakers should increase the "earned income disregard" to 100 percent for the first 3 to 6 months, then 50 percent thereafter

NC's TANF participants aren't allowed to own more than \$3,000 in assets, far below the limit in many other states. This low limit is at odds with the program's goals, since it discourages participants from saving and undermines self-sufficiency. Researchers have found that relaxing or eliminating asset limits reduces program administration costs, increases wealth accumulation for low-income households, and reduces participation in TANF programs — a win-win-win. Nine states have no asset limit at all, including Alabama, Louisiana, Ohio, and Virginia.



Recommendation: State policymakers should eliminate the asset limit

Invest in evidence-based employment rather than counterproductive punishment

North Carolina denies benefits to North Carolinians convicted of drug-related felonies for six months following the completion of their sentence, which is unnecessarily punitive. Research shows that TANF reduces recidivism and helps formerly incarcerated individuals overcome substantial barriers to employment. Twenty-five states and DC have fully opted out of this “felony drug ban.”



Recommendation: State policymakers should eliminate the TANF drug felony ban

Unlike other states, North Carolina also uses a “pay after performance” policy, which withholds benefits until participants meet certain requirements. These rigid requirements can push families deeper into poverty and interfere with good faith efforts to comply.



Recommendation: State policymakers should adjust “pay after performance” provisions to allow greater flexibility for families

Lessons from TANF over the years have shown that punitive monitoring of behavior has limited overall returns on the economic security of families and is costly to administer. Instead, NC can use evidence-based subsidized employment — in which public funds temporarily pay some or all of workers’ wages — to support the transition to economic security and prevent a return to the low-paying work that led families to TANF in the first place. Evaluations of local- and state-level subsidized employment programs have found positive impacts on wages for participants.



Recommendation: State policymakers should establish a subsidized employment program to directly connect people with work opportunities

WHAT IS TANF?

The Temporary Assistance for Needy Families (TANF) program was established in the 1996 welfare reform legislation at the federal level to take the place of Aid to Families with Dependent Children, shifting the program from an entitlement to a block grant that gives states flexibility over eligibility and rules. TANF in North Carolina is called Work First. NC spends just 5 percent of its TANF funds on basic cash assistance, compared to 23 percent nationally.



* For citations and references go to NCBudget.org/TANFjobs