The Great Recession and U.S. Safety Nets: The Case of Temporary Assistance to Needy Families (TANF)

Dr. Vicky Albert
Presentation at London School of Economics, Centre for Analyses of Social Exclusion
June 10, 2015
The Great Recession

- Officially lasted from December 2007 to June 2009
- Most severe recession since Great Depression
- In the first quarter of 2012 about 30% of jobless workers had been unemployed for a year or longer
- From 2007 to 2009, real personal income per capita fell by 8.3 percentage points and many individuals dropped from the labor force
The Safety Nets for Families with Children

- Unemployment Insurance
- Medicaid
- Earned Income Tax Credit
- Supplemental Security Income (SSI)
- Subsidized Housing
- Temporary Assistance for Needy Families Program (TANF)
Unemployment Insurance (UI)

• Relies on contributions, not means tested

• In 2008, Congress extended benefits for UI

• In 2009, extended them further, ultimately allowing recipients to receive up to 99 weeks of benefits if resided in a particularly high-unemployment state

• More single moms relied on UI during this recession than earlier ones, more worked in recent years
Means-Tested Programs

- Medicaid: Medical care to a number of different low income groups, including low income mothers and children, elderly and disabled individuals.

- Earned Income Tax Credit (EITC): Operates through tax system and supplements income to working families up to a point.

- Supplemental Security Income (SSI): Provides cash assistance to elderly, blind and disabled (most cash assistance are for disabled individuals).

- Subsidized Housing: Rents or vouchers for public housing with lengthy waiting periods.
Supplemental Nutrition Assistance Program (SNAP)

• Means Tested, formally Food Stamps

• Anti-hunger program plays important anti-poverty role

• Federally funded, entitlement program, covering a variety of low income demographic groups

• Most recipients are families with children, but also includes seniors or individuals with disabilities, and low income individuals regardless of disability status
**Temporary Assistance to Needy Families (TANF)**

- Income Eligibility and Categorical Eligibility
- Provides cash assistance to children and their caregivers, mostly single mothers and children
- Its predecessor was Aid to Families with Dependent Children (AFDC) prior to 1996, an entitlement program
- TANF, block grant program, replaced AFDC with passage of Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), known as Welfare Reform
Temporary Assistance to Needy Families (TANF) (continued)

- Fixed funding at $16.5 billion-per year basic federal block grant

- States required to contribute from their own funds under Maintenance of Effort Requirement (MOE)

- TANF funding has not been adjusted for inflation since inception
TANF Work Requirements

• Federal work participation standards: 50% of single parents and 90% of two-parent families required to participate in work-related activities

• When states fail to meet work standards they are at risk of being financially penalized
Percent changes in Caseloads 2007 to 2009

Figure 1
Percent Change in Unemployment Compensation, SNAP, Medicaid, and TANF Caseloads and Percent Change in Unemployment Rate during the Great Recession

Sources:
Why did TANF grow so modestly?

• In comparison to other safety nets, during the official recession, TANF’s caseload grew modestly

• According to critics, TANF became a weaker safety net since 1996, because of welfare reform

• TANF is a block grant with fixed expenditures, with substantial work related expectations and time limits that were not present under its predecessor, AFDC
Has TANF become a weaker safety net?

Figure 2
Trends in the AFDC/TANF Caseload and Percentage of Single Mothers Receiving AFDC/TANF, 1987-2011

TANF Policies which Vary Across States: July 2010

• Maximum benefits for Family of 3: $927 in Alaska, $170 in Mississippi. Median is 27% of poverty threshold.

• Lifetime Time limits: TANF recipients no longer receive cash assistance for longer than 60 months. No federal aid after 60 months.

• Work-related activities for at least 30 hours during the week required of most participants (all states)
TANF Policies 2010 (Continued)

- Sanction policies: typically applied for non-compliance with work requirements

- Job Search at Application: Almost half the states required that applicants participate in job search at time of application

- Diversion Policies: More than two out of three states allowed families to receive a lump-sum cash payment instead of monthly TANF cash assistance
Explaining Lower TANF Participation

- Welfare policies may have deterred some from entering the system or staying as longer as they would have under the earlier system.

- Life time limits, in particular may have mechanical effects of requiring people to leave and they may also anticipatory effects.

- More single mothers entered labor force since mid 1990s.
Single Mothers: Work Rates

Figure 2
Work Rates for All Single Mothers and for Never Married Mothers, 1980-2013

Source: Unpublished tabulations by the BLS of Current Population Survey data
The Brookings/UNLV Project

See Full Paper at:

Media Release available at:

The Three Studies

• First, examined TANF’s performance on a state-level by using several alternative measures.

• Second, based on data from the Survey of Income and Program Participation (SIPP), we compared the government benefits single mothers received during the 1990 recession before welfare reform and during the 2001 and 2007 recessions after welfare reform.

• Third, we interviewed TANF directors from across the nation regarding their views of their state’s response to the recession.
State-to-State Comparisons in TANF Response

• States have very diverse economies and welfare policies providing varying experiences to poor families with children

• Nearly every state was hard hit by the recession, but the timing of the hit varied substantially

• Important to examine how TANF responded during the period of rising state-level unemployment
Key Findings: State-to-State Increases in Unemployment (2006-2011)

• Alaska with lowest relative increase (39%), Utah with highest relative increase (246%)

• Average relative increase in unemployment rate was 133%, 36 states experienced increases of greater than 100 percent

• In 36 states, unemployment rate began rising before the onset of the national recession in 12/2007

• Unemployment rate began increasing across the states between December 2006 and April 2008
TANF Responsiveness

• TANF is more responsive to the Great Recession when measured relative to increases in unemployment in each state than during official recession
• In order to capture the increase in TANF while unemployment is increasing in a state we measured TANF increase from the month of the lowest TANF caseload during the state’s period of rising unemployment until TANF caseload peaked (Robust)
TANF Lagged Response to Rising Unemployment

- Lag averaged 12 months across the states.

- In 14 states TANF increased 1 to 2 months after unemployment began to increase.

- Some states with increases in unemployment rates of more than 150% had large delayed responses in TANF caseload to rising unemployment.
TANF Lagged Response to Rising Unemployment (continued)

• AZ with 209% increase in unemployment rate had 11 months lagged response in TANF (Also had large decrease in caseload)
• CA had 153% increase in unemployment and 6 months lag in TANF caseload
• Illinois 153% increase in unemployment rate and 22 months lag response in TANF
• Critics ignore the lags when analyzing national data
Why Lag?

TANF recipients or potential recipients may
• look for another job
• apply for Unemployment Compensation
• rely on SNAP (food stamps) which she already may have been receiving but which would increase in response to her loss of earnings
• move in with friends or relatives to save on housing
• apply for TANF and other welfare benefits
Another measure of Responsiveness

- Constrained: captures change in the TANF caseload each state had over the state’s period of rising unemployment.

- 16 states had a decline in their TANF caseload across the period of rising unemployment in the state, averaging 7.5% decline.
Another measure of Responsiveness (continued)

• Under this measure the average rise in the TANF caseload was 12%, a little less than twice the 6.8% yielded by the national recession measure.

• The decline of the TANF caseload in so many states is one of the major reasons some observers have concluded that the TANF program did not perform like a good safety net program should.
Last Measure of Performance

- Divided the distribution of the increases in state unemployment rates at the median

- Then within the high-increase- and low-increase-in-unemployment groups subdivided each group into states that were above the median and below the median in the rise of their TANF caseload
Figure 4: Four Groups of States Based on Increases in Unemployment Rate and TANF Caseload Growth

**LEGEND:**

<table>
<thead>
<tr>
<th>Group</th>
<th>Average unemployment rate growth (%)</th>
<th>Average TANF caseload growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESPONSIVE</td>
<td>153</td>
<td>50</td>
</tr>
<tr>
<td>(High unemployment increase, high TANF increase)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNRESPONSIVE</td>
<td>152</td>
<td>10</td>
</tr>
<tr>
<td>(High unemployment increase, low TANF increase)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GENEROUS</td>
<td>94</td>
<td>39</td>
</tr>
<tr>
<td>(Low unemployment increase, high TANF increase)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STATUS QUO</td>
<td>94</td>
<td>14</td>
</tr>
<tr>
<td>(Low unemployment increase, low TANF increase)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Four Quadrants

• Rise in unemployment rate (UR) on average 133%; rise in TANF caseload on average 30%

• Responsive: Almost all western states were responsive, average relative UR growth 183%, average TANF growth 50%, (e.g. New Mexico UR rose by 135%, TANF caseload rose by 58%, 18 states were responsive.)

• Unresponsive: Average UR growth 152%, Average TANF growth 10% (e.g. N. C. unemployment rate increased by 148%, TANF caseload rose only 16%, 7 states were unresponsive.)
The Four Quadrants (continued)

- Generous: Average UR growth 94%, average TANF growth 39% (e.g. New Hampshire's growth in UR was 97% and TANF’s growth was 46%) 7 states had this pattern.

- Status quo: Average UR growth 94%, average TANF growth 14% (e.g. South Dakota’s increase in UR rose by 104% (less than 133% average with beginning low UR) and TANF increase of 18 percent. 19 states followed this pattern.

- Note: all of this should be viewed with a relative perspective. Some variations are found within groups.
ARRA: Making it Possible for States to Become more Responsive

• 2009 American Recovery and Reinvestment Act (ARRA) helped states become more responsive

• It created a TANF emergency fund to allow states to cover increasing needs for basic assistance, short term benefits and subsidized employment

• Contingency fund built into original block grant initially helped some states but money ran out

• Under ARRA, Federal government paid for 80% of costs and fed funding ended in 2010 with $5 billion spent
TANF Directors’ Views of their State’s Response to Recession

Figure 6
TANF Directors’ Rating of the Quality of Their State’s Response to the Great Recession

<table>
<thead>
<tr>
<th>Quality of State Response From 1 (Excellent) to 5 (Very Poor)</th>
<th>Number of States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>
Using SIPP survey data, we compared benefits received by single mothers with children in this recession and earlier ones.

In 1990, 42% of single mothers received AFDC, 55% received Food Stamps; In 2007 16% received TANF and 66% received SNAP.

In the Great Recession, 27% of single mothers were receiving unemployment insurance for about 6.7 months as opposed to about 20% in both 2001 and 1990 recessions for about 4 months.
Beyond the Brookings/UNLV Project

• Empirical study of State Policy Choices and TANF Caseloads (Albert, paper under review)

• Exploring Unresponsive States during Great Recession (in progress)

• Exploring Unresponsive States during Recovery (in progress)
State Policy Choices and TANF Responsiveness

- Objective: disentangle the effects of states’ welfare policy choices on the size of their TANF caseload during their recessions by using aggregate TANF data from each state and D.C. while controlling for economic and demographic factors.

- When: TANF caseload peaked in response to rising unemployment during the recession in each state and D.C. (varied by state).
Multivariate Analyses

- \[ C (@ \text{peak}) = b_1 + b_2 \text{Population Fem15-44 (@ TANF state caseload peak)} + b_3 \text{Maxaid (@ TANF state caseload peak)} + b_4 \text{UnEmp Rate (@t unemployment rate peak or @ TANF peak)} + b_5 \text{Lifetime or Temp Limits (@ TANF state caseload peak)} + \text{error} \]

- \[ C (@ \text{peak}) = \text{TANF caseload in each state when it peaked in a particular state after the unemployment rate began to increase substantially during the recession in a state or D.C.} \]
Policy choices at TANF Peak

- Maximum level of cash benefits for family 3 (no other income)
- Presence of less than 60 month lifetime or temp limits (37%)
- Presence of severe sanctions (permanent elimination of family benefits or for more than 3 months (at least 50%)
- Presence of severe work requirements > 30 hours (20%)
- Presence of diversion policies during application (66%)
- Presence of job search at application (41%)
Model

• One model tested lifetime or temporary time limits and maximum aid as policy choices

• Controlled for population of females age 15 to 44, unemployment rate

• It explained 75% of variance in TANF caseload at its peak

• All variables were statistically significant (p < 0.01)
Key Findings

• TANF may have increased more in the recession in absence of lifetime or temporary time limit policies in selected states and in absence of decreasing benefits

• All else constant, 1% increase in unemployment rate during recession in the states, increases caseload by at about 5,724 cases
Key Findings

• All else constant, $1.00 decrease in Maximum Aid results in an and decrease of about 118 TANF cases in a state (p < 0.01)

• In presence of life time or temp limit policies (less than 60 months), all else equal, TANF rolls decrease in a typical state on average by about 26,230 cases (p < 0.01)
Unresponsive States and Rising Unemployment

Maximum aid decreased in real terms for the seven unresponsive states with a substantial increase in unemployment rates and minimal increases in TANF caseloads during the recent recession.

<table>
<thead>
<tr>
<th>States Unresponsive During the Recession 2006 = 100 (average for 2006)</th>
<th>Change</th>
<th>Relative Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>-$114.34</td>
<td>-32.4%</td>
</tr>
<tr>
<td>Georgia</td>
<td>-$43.67</td>
<td>-15.3%</td>
</tr>
<tr>
<td>Indiana</td>
<td>-$44.92</td>
<td>-15.3%</td>
</tr>
<tr>
<td>NJ</td>
<td>-$66.13</td>
<td>-15.3%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>-$74.40</td>
<td>-15.3%</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>-$86.41</td>
<td>-15.3%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>-$28.85</td>
<td>-15.3%</td>
</tr>
</tbody>
</table>
Changes in Georgia and Indiana

- Georgia: Jan 2004 to Nov 2007 steep decrease and Nov 2007 slight decrease every year
- Georgia Policy changes: July 2008 diversion payments

- Indiana: TANF has been decreasing since 2003 but sharp decrease since September 2009
- After Unemployment rate peaked in May 2009 extended the length of most severe sanctions
Arizona

TANF Caseload

Seasonally Adjusted Unemployment Rate
The Case of Arizona

- Unemployment rate began to increase substantially in 2008 and peaked in 2009
- July 2009, AZ reduced maximum benefit amount by 20% and stopped providing benefits to prospective mothers in 3rd trimester
- Downward trend began in Nov 2009
- In 2009, 40,000 families on TANF & in 2015, 12,000 families
Arizona Life Time Limits

- In 2010, AZ shortened its life time limit to 36 from 60 months. This resulted in a steep decline.

- A year later, AZ further shortened its time limits to 24 months. This resulted in a moderate decline.

- 12 months life time limits to be implemented in July 2016.
By December 2013

• By the end of 2013, almost all of the states’ unemployment rates decreased
• One out of two states had TANF caseloads that returned to their pre-recessionary levels or below
• Only one state had an unemployment rate that returned to its pre-recessionary level (ND UR was lower)
• Seven states had TANF caseloads that increased or stabilized while unemployment rates decreased
Unresponsive States and Economic Recovery

- The unresponsive states to economic recovery were states where the TANF caseloads were either increasing or stabilizing while the unemployment rates in their states were decreasing.

- All but two of these states (SD and WI) were responsive during the Great Recession: their Unemployment rates were increasing substantially and so were their TANF caseloads.
# Unresponsive States and Falling Unemployment

- Maximum Aid Changes in Real Terms (average 2006 = 100)

<table>
<thead>
<tr>
<th>State</th>
<th>Change in Real $$</th>
<th>Relative Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado</td>
<td>$35.66</td>
<td>9.9%</td>
</tr>
<tr>
<td>Florida</td>
<td>$-47.26</td>
<td>-15.3%</td>
</tr>
<tr>
<td>Illinois</td>
<td>$-30.79</td>
<td>-7.7%</td>
</tr>
<tr>
<td>Nevada</td>
<td>$-24.17</td>
<td>-6.8%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>$-15.57</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Vermont</td>
<td>$-99.82</td>
<td>-15.3%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$-122.17</td>
<td>-17.9%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>$184.39</td>
<td>53.4%</td>
</tr>
</tbody>
</table>
Wyoming

TANF Caseload

Seasonally Adjusted Unemployment Rate
South Dakota

TANF Caseload

Seasonally Adjusted Unemployment Rate
Illinois

- TANF Caseload
- Seasonally Adjusted Unemployment Rate
Vermont

- TANF Caseload
- Seasonally Adjusted Unemployment Rate
Policy Recommendations

• Federal government should help states become more responsive during recessions when states lack the revenues to meet the rising demand for TANF

• Less requirements from states in terms of matching funds when states need help from the federal government

• Block grant funds should keep up with inflation which will help states with their funding
More Policy Recommendations

• Federal government needs to evaluate how much latitude states can have under the block grant system extreme policy measures during recessions should not be taking place

• Work requirements, sanctions and lifetime limits need to be relaxed during recessionary periods
<table>
<thead>
<tr>
<th>Slide Number</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>34-38</td>
<td>Albert, V. (under review). State Policy choices and responsiveness of the TANF caseload to the Great Recession.</td>
</tr>
</tbody>
</table>
Brookings Mountain West

www.unlv.edu/brookingsmtnwest

Brookings Institution
and
University of Nevada, Las Vegas
Goals and Objectives

Create high-quality, independent, impactful programs, publications, and activities that address issues of critical importance to the Intermountain West region.

Serve as a platform on which to bring ideas and expertise together and on which to weave together narrower local, metropolitan, and state discussions about the West’s future.

Seek to enhance local, regional, and state research and public policy discussions.