

Women, Poverty, and Welfare in the Great Recession

Katie Kerstetter¹

April 2013

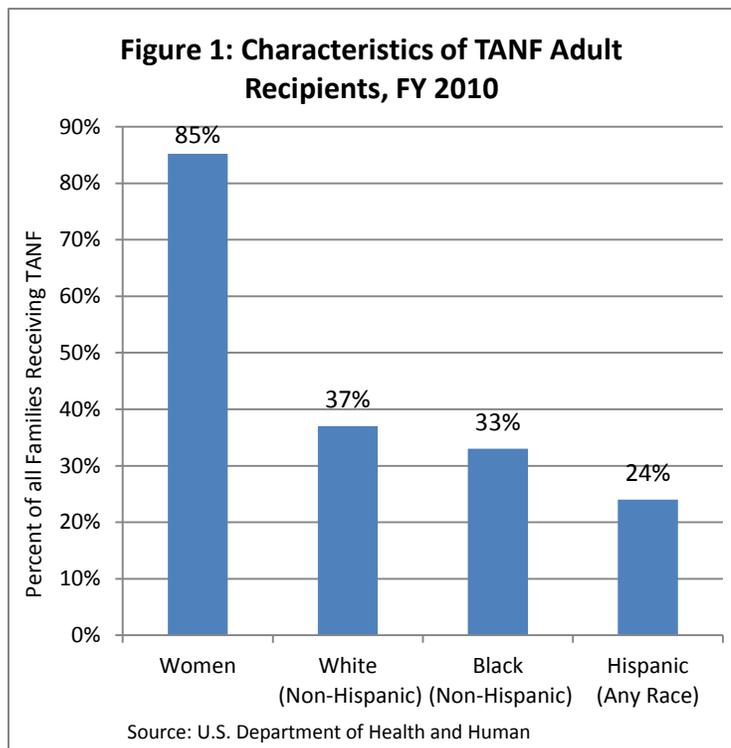
From December 2007 to June 2009, a period often termed the Great Recession, the U.S. economy lost the most jobs and saw the longest spells of unemployment since World War II. Many women were impacted negatively by this economic decline, and low-income women were left particularly vulnerable due to changes in social policy over the past several decades. This fact sheet evaluates the extent to which federal welfare policies helped to mitigate the effects of the most recent recession on low-income families. It finds that the Temporary Assistance for Needy Families (TANF) program largely failed to meet increased needs due in large part to the way the program is structured. The fact sheet concludes with recommendations about how to change the structure of federal welfare policies so that TANF can provide better support during the remainder of the economic recovery.

An Introduction to TANF

The Temporary Assistance for Needy Families (TANF) program provides a monthly cash assistance benefit to low-income families with children. It is a critical source of support for families when one or more caregivers are unemployed or disabled, when a household member is escaping domestic violence, and when a parent or guardian is transitioning to employment. Low-income families use TANF benefits to meet basic needs, including housing, clothing, and food costs. TANF also can provide families with access to mental health, job training, and subsidized employment services.

An average of 4.4 million people living in 1.8 million households receives TANF benefits each month.² Half of households receiving TANF have one

child, and less than 8 percent have more than three children. Among adult TANF recipients, most (85 percent) are women. A plurality of adults receiving TANF benefits (37 percent) is White. One third of adult TANF recipients are Black, 24 percent are Hispanic, 2 percent are Asian, and 1 percent is Native American. Nearly a quarter of adult TANF recipients are Hispanic (of any race).³



¹ Ph.D. Candidate, Department of Sociology and Anthropology, George Mason University. The author thanks Christy Flatt and the anonymous peer reviewers for their helpful feedback on previous drafts.

² U.S. Department of Health and Human Services. 2012. *Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010* (<http://www.acf.hhs.gov/programs/ofa/resource/character/fy2010/fy2010-chap10-final>).

³ U.S. Department of Health and Human Services. 2012.

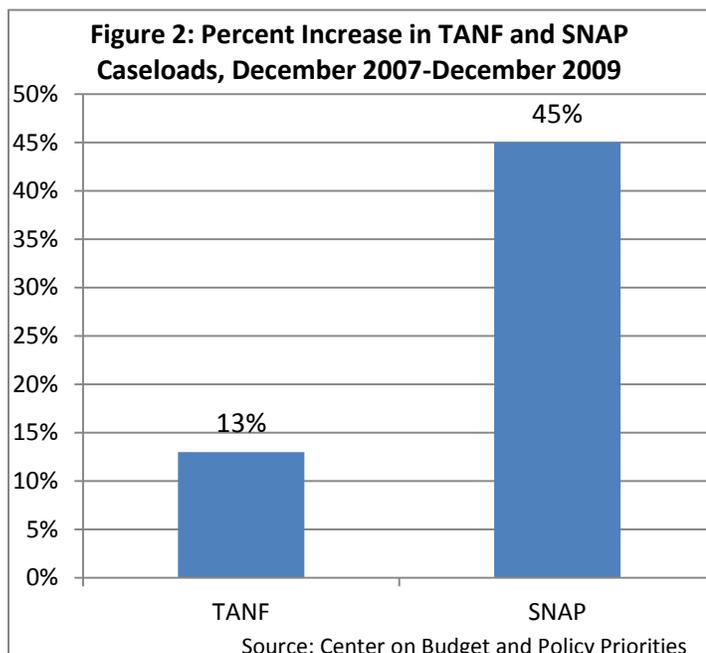
TANF’s authorizing legislation, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), fundamentally shifted the way the federal government provides cash assistance to low-income families. Before TANF, the Aid to Families with Dependent Children (AFDC) program provided cash assistance benefits as an entitlement and did not limit how long families could receive assistance. PRWORA eliminated low-income families’ entitlement to benefits, allowed states to deny benefits to particular groups (e.g., documented immigrants), limited the number of years individuals could receive benefits over their lifetime, and required most participants to be engaged in a narrowly-defined set of work activities as a condition of receiving benefits. PRWORA also structured TANF as a block grant program in which the federal government provides funding to states to administer local welfare programs.

In the first five years of TANF’s implementation, the number of low-income families receiving welfare benefits decreased, and the number of single parents who entered employment increased significantly. However, since 2000, TANF caseloads have continued to fall at the same time that child poverty has increased and employment among single mothers has decreased. Over half of the decline in the TANF caseload since 1995 has been attributed to a decrease in the proportion of low-income families receiving benefits, rather than a reduction in the number of poor families with children.⁴ Although TANF’s role as a safety net for low-income women and their families started weakening in its early years, that trend became particularly visible during the Great Recession.

State Welfare Programs Failed to Respond to Increased Need during the Great Recession

During the Great Recession, the number of people living in poverty in the U.S. increased from 39.8 million to 43.6 million, the largest number recorded in the 51 years that poverty estimates have been published.⁵ During a recession – when many individuals lose their jobs and struggle to find work – we would expect to find increased demand for income support programs like TANF and the Supplemental Nutrition Assistance Program (SNAP).

Although the number of individuals receiving benefits from SNAP increased by 45 percent between December 2007 and December 2009, the number of TANF recipients rose by only 13 percent (Figure 2). Worse yet, TANF caseloads rose by



⁴ Nazario, Carmen. 2010. “Statement by Carmen Nazario, Assistant Secretary for Children and Families ASL on the Role of TANF as a Safety Net before Committee on Ways and Means Subcommittee on Income Security and Family Support United States House of Representatives,” (<http://www.hhs.gov/asl/testify/2010/03/t20100311a.html>).

⁵ U.S. Census Bureau. 2010. *Income, Poverty, and Health Insurance Coverage in the United States: 2009*. Washington D.C. (<http://www.census.gov/prod/2010pubs/p60-238.pdf>).

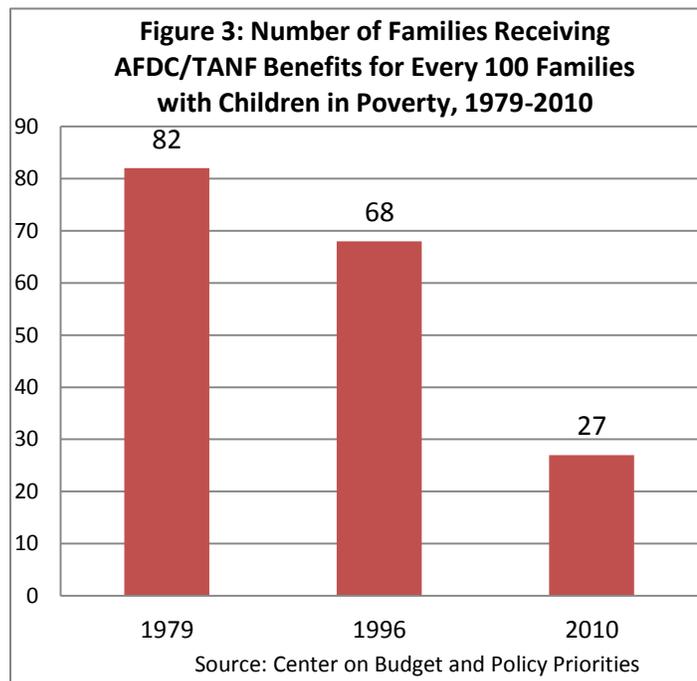
less than 10 percent in 16 states, remained mostly unchanged in 22 states, and *fell* in six states.⁶

As part of the economic stimulus legislation, Congress created the TANF Emergency Contingency Fund to provide grants to states for subsidized employment, short-term benefits, and cash assistance for low-income women and their families. A survey of states' subsidized employment programs found that more than 260,000 subsidized jobs were created for low-income youth and adults through the TANF Emergency Contingency Fund.⁷ Unfortunately, the fund expired on September 30, 2010, during a time when most states were still struggling to balance their budgets. In 2010 and 2011, six states and the District of Columbia cut their welfare benefit levels, effectively lowering the monthly cash assistance benefit for *more than a third* of all low-income families who were receiving benefits.⁸

What Accounts for the Failure of State Welfare Programs during the Great Recession?

With the exception of the new TANF Emergency Contingency Fund, states lacked incentives to expand their welfare programs to meet the growing need produced by the Great Recession. Some of these disincentives were tied to the economic downturn, others to the structure of the TANF program, and still others were related to larger social and historical processes. This section focuses specifically on the disincentives related to the current structure of the TANF program. The "Resources" section of this fact sheet includes suggested readings related to other contributing factors.

While state budget shortfalls certainly played a role in the reluctance of states to increase spending on TANF, the failure of state welfare programs to respond to the Great Recession is part of a larger pattern of declining support for low-income families. As Figure 3 demonstrates, for every 100 families with children living in poverty, the number of families receiving TANF benefits declined from 68 in 1996 to 27 in the first year of the economic recovery.⁹



⁶ Pavetti, LaDonna, and Liz Schott. 2011. *TANF's Inadequate Response to Recession Highlights Weaknesses of Block-Grant Structure*. Washington D.C.: Center on Budget and Policy Priorities (<http://www.cbpp.org/cms/?fa=view&id=3534>).

⁷ Pavetti, LaDonna, Liz Schott, and Elizabeth Lower-Basch. 2011. *Creating Subsidized Employment Opportunities for Low-Income Parents*. Washington D.C.: Center on Budget and Policy Priorities and the Center on Law and Social Policy (<http://www.cbpp.org/cms/index.cfm?fa=view&id=3400>).

⁸ Finch, Ife, and Liz Schott. 2011. *TANF Benefits Fell Further in 2011 and are Worth Much Less Than in 1996 in Most States*. Washington D.C.: Center on Budget and Policy Priorities (<http://www.cbpp.org/files/11-21-11pov.pdf>).

⁹ Trisi, Danilo, and LaDonna Pavetti. 2012. *TANF Weakening as a Safety Net for Poor Families*. Washington D.C.: Center on Budget and Policy Priorities (<http://www.cbpp.org/files/3-13-12tanf.pdf>). Restrictive eligibility policies in some states mean that TANF eligibility limits are below the poverty line.

Particular features of the TANF program contributed to this decline in support, including:

- **TANF's Block Grant Structure.** The elimination of the federal entitlement to welfare benefits has meant that TANF is no longer easily able to respond, as the federal SNAP program did, to increased need during economic recessions. The flexibility of TANF's block grant structure also has allowed cash-strapped states to spend a decreasing amount of their federal grant on direct financial assistance to low-income families. During the first several years of TANF's implementation, when caseloads were declining, states used freed-up TANF funds to pay for child care assistance, tax credits, and child welfare services for low-income families. As TANF funds were distributed to other programs, the percentage of federal and state TANF dollars spent on basic cash assistance decreased from 70 percent in fiscal year 1997, to 28 percent in 2009.¹⁰ When the Great Recession hit, states faced budget shortfalls at the same time they faced increased need for TANF benefits. And as states faced competing demands among social service programs, many chose not to redirect funds back to their TANF programs.
- **Evaluating State TANF Programs Based Primarily on their Work Participation Rate.** PRWORA established a set of conditions and incentives that have encouraged states to move TANF recipients as quickly as possible into employment. State TANF programs mainly are evaluated based on the proportion of a state's TANF population that is engaged in employment or an approved work activity. However, this process-based measure does not take into account the extent to which state TANF programs reduce family poverty or expand to meet families' increased needs during economic downturns.¹¹ This means that states are incentivized to serve fewer numbers of recipients even when need increases and job opportunities are scarce.

TANF Policy Changes Are Needed to Better Support Families during the Economic Recovery

TANF provides an important source of support for low-income families with children through cash assistance benefits and child care, job search, and transportation services. Yet, the flaws in TANF's current structure highlighted above have led to a situation in which TANF is "serving a smaller share of poor families, and providing less assistance to those families, than ever before."¹² The percentage of low-income single mothers who were not employed or receiving TANF benefits doubled from 1995 to 2009.¹³ Currently, all states provide a TANF cash assistance benefit that is half or less than half of the federal poverty level.¹⁴ Unless changes are made to TANF, a critical support for low-income families will continue to weaken. As Congress prepares to reauthorize PRWORA, policymakers should consider:

- **Changing How TANF Programs Are Evaluated to Include Employment, Education, and Safety Net Measures.** State TANF programs should not only be measured based on their ability to engage TANF recipients in employment or a narrowly-defined set of work activities. Programs also should be assessed based on their ability to help reduce family poverty, expand to meet families' increased needs during recessions, and move adult recipients into longer-term and

¹⁰ Pavetti and Schott. 2011.

¹¹ Lower-Basch, Elizabeth. 2013. *Goals for TANF Reauthorization*. Center for Law and Social Policy (<http://www.clasp.org/admin/site/publications/files/TANF-Reauthorization-Goals.pdf>).

¹² Lower-Basch. 2013.

¹³ Gabe, Thomas. 2011. *Trends in Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987-2009*. Washington, DC: Congressional Research Service.

¹⁴ Finch and Schott. 2011.

better-paying employment. State TANF performance measures should take into account the proportion of eligible families that are served by TANF and the extent to which states provide cash assistance benefits that allow families to meet their basic needs.

- **Automatically Adjusting the Federal TANF Block Grant for Inflation and Requiring States to Spend a Certain Amount of their Block Grant on Cash Assistance or Subsidized Employment.** The federal TANF block grant has never been adjusted for inflation. As a result, the real value of federal TANF funding has declined by 28 percent, and cash assistance benefits are the same or lower than they were in 1996 in more than one-third of states.¹⁵ An inflation adjustment to the federal grant should be combined with a mandate that states spend a specified amount of TANF funds on basic cash assistance and subsidized employment to bolster these critical supports in the economic recovery and beyond. Given that research suggests that an annual income increase of \$3,000 for low-income families can increase children’s academic achievement and lead to increased employment and work hours later in life,¹⁶ PRWORA also should encourage states to set cash assistance benefits at a level that allows families to better meet their basic needs and to adjust these benefits annually for inflation.

Resources

Gender & Society in the Classroom: Welfare Reform,
<http://gas.sagepub.com/site/misc/Index/Classroom/Welfare.xhtml>

For more information about the effects of the Great Recession:

Russell Sage Foundation and Stanford Center on Poverty and Inequality. “Recession Trends” (<https://www.stanford.edu/group/recessiontrends/cgi-bin/web/home>).

National Women’s Law Center. 2012. *Modest Recovery Reaching Women*. Washington D.C.: (<http://www.nwlc.org/sites/default/files/pdfs/octobermodestrecoveryfactfinal.pdf>).

Shierholz, Heidi. 2011. “Women and Jobs in the Great Recession and Its Aftermath.” IWPR Roundtable on Women and the Economy (<http://www.iwpr.org/roundtable-on-women-and-economy-files/Shierholz%20IWPR%202011.pdf>).

For information on the historical context of U.S. welfare policy:

Katz, Michael B. 1989. *The Undeserving Poor: From the War on Poverty to the War on Welfare*. New York: Pantheon Books.

Patterson, James T. 2000. *America’s Struggle Against Poverty in the Twentieth Century*. Cambridge, MA: Harvard University Press.

Skocpol, Theda. 1992. *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*. Cambridge, MA: Harvard University Press.

Trattner, Walter I. 1999. *From Poor Law to Welfare State*. 6th ed. New York: The Free Press.

For information on the racialization of U.S. welfare policy:

Collins, Patricia Hill. 2000. *Black Feminist Thought: Knowledge, Consciousness, and the Politics of Empowerment*. 2nd ed. New York: Routledge.

Quadagno, Jill. 1994. *The Color of Welfare: How Racism Undermined the War on Poverty*. New York: Oxford University Press.

¹⁵ Pavetti and Schott 2011; Finch and Schott 2011.

¹⁶ Duncan, Greg J., and Katherine Magnuson. 2011. “The Long Reach of Early Childhood Poverty.” *Pathways* (http://www.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf).