Economic Studies at BROOKINGS

Reformed Welfare Program Effective During Great Recession

Sky Did Not Fall: Safety Net Programs with Work Requirements Prevented 20 Million from Falling into Poverty

When the Great Recession hit in 2007, the Temporary Assistance for Needy Families (TANF) program, created under the 1996 welfare reform law and successful in lowering welfare rolls and increasing work rates among low-income single mothers, was strongly criticized for not providing benefits to more families as unemployment rates skyrocketed, but new research finds that TANF was more responsive to the recession than critics have claimed.

In "The Responsiveness of the Temporary Assistance for Needy Families Program during the Great Recession," Brookings Senior Fellow Ron Haskins and Professor of Social Work Vicky Albert of University of Nevada at Las Vegas, along with Kimberly Howard, produce three studies that closely examine TANF performance during the Great Recession. They find that the TANF caseload rose in nearly every state as unemployment increased during the recession.

The new report is based on three studies. First, the researchers compared changes in the TANF rolls to increases in Aid to Families with Dependent Children rolls (AFDC - the pre-1996 cash welfare program with weak work requirements) during previous recessions, as well as changes in TANF rolls in relation to state-by-state increases in unemployment. They found that TANF rolls increased more in the recession of 2001 and the Great Recession of 2007 than AFDC did on average during the pre-welfare reform recessions of 1980, 1981 and 1990. In addition, the increase in the TANF rolls was greater when examined during the unique period of rising unemployment in each state (12 and 30 percent respectively under two methods of measuring increases in state unemployment rates) than during the inclusive dates of the official national recession (7 percent), according to the research.

"The nation experienced 51 different recessions and 51 different responses by the TANF program to the recession," they write. "But the key point is that measuring the rise of the TANF caseload in response to the unique increase in unemployment in each state reveals TANF to have been more responsive to the recession."

Haskins, Albert, and Howard then used a nationally-representative longitudinal data set to examine how single mothers fared in the three most recent recessions (1990, 2001, 2007-2009), given the increase in the size of this demographic over the last few decades and their high poverty rates. Single mothers were less likely to receive benefits from the TANF program during the 2001 and 2007 recessions compared with the 1990 recession before welfare reform, but they were more likely to have a job and to get other government benefits, including unemployment benefits, Supplemental Nutrition Assistance Program (SNAP, previously known as food stamps), Supplemental Security Income, and tax credits based on work. Overall, a broad measure of income which includes many of these benefits showed that poverty among single mothers and their children was lower during the Great Recession than during the recession of 1990 before welfare reform.

In fact, the authors show that government-provided income supplements and benefits provided to low-income working families with children are more generous now – especially during the Great Recession – than they were under AFDC. The government benefits include cash income supplements, SNAP, school breakfast and lunch, child care, and others. In addition, all the children in these low-income families now qualify for health care benefits through Medicaid. In an important finding, single mothers were also more likely to receive unemployment compensation, primarily because they were more likely to have a work history than during previous recessions. As a result of these generous work supports, a mother of two earning as little as $11,000 per year can escape poverty.

"The combination of strong work requirements and generous work support benefits is a reasonable policy, despite the fact that fewer mothers receive TANF now than in the past," they write.

Third, the researchers interviewed state TANF directors, finding that most states did not struggle to pay for growing TANF rolls during the Great Recession, in part because of the Stimulus bill passed by Congress in 2009, and that most directors considered their state's response to the Great Recession as adequate or better.

Overall, citing research by others, especially analysts at the Center on Budget and Policy Priorities, the authors point out that the work-based tax credits, Unemployment Compensation, and SNAP removed over 12 million people from poverty during the first full year of the Great Recession. The expansion of these programs and new benefits enacted as part of the Stimulus bill removed another 7.5 million people from poverty, bringing the total to nearly 20 million who avoided poverty during the most recent recession.

Although they believe the TANF program worked well, especially in conjunction with other safety net programs, the authors suggest some potential reforms:

- TANF allows vocational training to count toward states fulfilling their work requirement, but only a maximum of 30 percent of the work requirement can be fulfilled by TANF recipients in education or training. In times of high unemployment, Congress could raise the percentage limit from 30 to 40 or even 50 percent when unemployment reaches some specified level in the state, given that most experts believe the unemployed should expand their skills through job training during recessions.

- Congress should consider changing the 12-week limit on job search during periods of high unemployment to as much as six months, given that the average period of search before finding a job increases sharply during periods of high unemployment.

"All in all, the American system of balancing work requirements and welfare benefits worked fairly well, even during the most severe recession since the Depression of the 1930s," they conclude.