Poor Relief for Low-wage Workers

Why Aren't Unemployment Compensation and Temporary Assistance More Responsive When Low-Wage Workers Experience Income Declines?

By Shawn Fremstad and Arloc Sherman[1]
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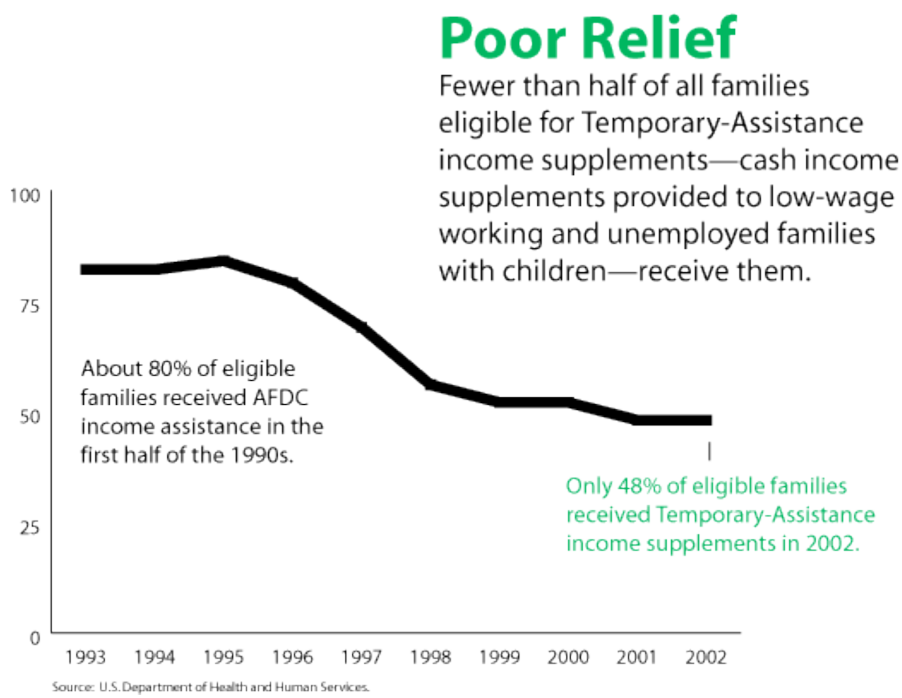
A primary purpose of the Temporary Assistance program is to provide income supplements to families that lack adequate incomes due to involuntary unemployment or low earnings. In this sense, Temporary Assistance complements unemployment insurance (UI) and the Earned Income Tax Credit (EITC).

The traditional unemployment insurance program provides limited or no benefits to most low-wage workers. Temporary Assistance helps to round out the unemployment insurance system by ensuring that low-wage workers who are responsible for children have income support during periods of unemployment.

Temporary Assistance also helps round out what is sometimes called the "work support" system by ensuring that working families have supplemental protection against very low-earnings. The core of the work support system is the EITC, which provides an annual refundable tax credit to working families. But the EITC has limitations. All but a small fraction of beneficiaries receive the EITC as a lump sum once a year, rather than as a



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[3] All figures for TANF income supplements in this paper include supplements funded through TANF "separate state programs." Poverty data is from the U.S. Census Bureau's Current Population Survey. Both sets of figures refer to calendar years and are for the 50 states and Washington D.C. (no territories).

monthly income supplement that can be used to meet basic living expenses. Because Temporary-Assistance income supplements are typically provided to working families on a monthly basis, they can play a more immediate role in reducing hardships caused by low earnings, and help ease transitions into the work force for parents with little or no prior work experience.

Moreover, the benefits provided by the EITC are too low to lift a typical family with two children and a parent working full-time, year-round at minimum wage above the poverty line. And families who don't have steady full-time work fall even farther below the poverty line. In sum, for parents with low-wage or part-time jobs, Temporary-Assistance income supplements can make the difference between having a standard of living above or below the poverty line, both over the year and in a particular month.

Despite the potential of Temporary Assistance as a source of protection and support for working parents, such families are increasingly unlikely to get this kind of help from the program. Over the past decade, including during the recent economic downturn, the share of families with income below the poverty line who receive income supplements through Temporary Assistance has declined considerably.[3] In 2004:

- Only 30 children received Temporary Assistance for every 100 poor children.

- Nearly 8.2 million parents living with their children were poor, but only about 1.3 million parents—about 16 parents for every 100 poor parents—received Temporary Assistance.[4] (Because more than a third of all Temporary Assistance cases are "child-only" cases, poor parents are even less likely to receive Temporary Assistance income supplements than poor children.)

- Only 6 married families for every 100 poor married families received Temporary Assistance. (About 1.912 million married families with children were poor in 2004; 113,310 married families received Temporary Assistance in an average month that year.)

- These figures may overstate the share of persons with income below the poverty line receiving Temporary Assistance. As economists John Schmitt and Dean Baker of the Center for Economic and Policy Research have found, the survey used to generate the official annual poverty estimates—the Current Population Survey—appears to undercount the number of persons with incomes below the poverty line.[5]

The poverty line—$15,067 in 2004 for a family of three—is the official U.S. measure of "income inadequacy" or the amount needed for a minimally adequate standard of living.[6] However, not all families with income below this minimally adequate standard are eligible for Temporary-

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[4] In both the poverty data and the caseload figures, "parents" may include step-parents, grandparents, or other relatives raising children in the absence of biological parents.

[5] John Schmitt and Dean Baker, The Impact of Undercounting in the Current Population Survey, Center for Economic and Policy Research, August 2006.

[6] There is growing consensus that the official poverty line does not accurately measure the amount of income needed for a minimally adequate living. Public opinion polls routinely find that most Americans believe that the amount of income needed to meet basic needs is substantially higher than the poverty line. See Jared Bernstein, Chauna Brocht, and Maggie Spade-Aguilar, *How Much is Enough? Basic Family Budgets for Working Families*, Economic Policy Institute (2000).

Assistance income supplements. According to a recent report commissioned by HHS, about 83 percent of families with children that had household income below 50 percent of the poverty line in 2000 were eligible for Temporary Assistance that year, and only 33 percent of families with household income between 50 to 99 percent of the poverty level were eligible.[7]

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Number of children who received TANF income supplements per 100 poor children in 2004.

These depressed levels of eligibility for poor families are due to a combination of factors, including eligibility rules in most states that cause employed families to lose eligibility for Temporary-Assistance income supplements before their earnings put them above the poverty line, and various non-financial eligibility factors in Temporary Assistance that can make even families with extremely low incomes ineligible for income supplements.

Even among those families who meet Temporary Assistance eligibility requirements—most of whom have incomes below 50 percent of the poverty line—less than half receive TANF supplements.

- HHS data show that only 48 percent of eligible families received Temporary-Assistance supplements in 2002.[8]

- A survey of new parents in 20 U.S. cities found that 45 percent of Temporary-Assistance-eligible mothers did not receive Temporary-Assistance income supplements between their child's birth and the child's first birthday.[9]

Similar figures are not yet available for subsequent years, but the number of families receiving Temporary-Assistance supplements has continued to drop since 2002 despite increases in poverty and unemployment. As a result, it seems likely that eligible families have become even less likely in recent years to receive Temporary-Assistance income supplements. Given recent trends, a reasonable estimate is that about 4 million children live in families that do not receive Temporary-Assistance income supplements even though they meet the eligibility requirements in the states in which they live.[10]

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[7] Anu Rangarajan, Laura Caster, and MelissaA. Clark, *"Public Assistance Use Among Two-Parent Families,"* Mathematica Policy Research, Inc., January 2005, p. 18. A small share of families with income over the poverty line—16 percent of those with income between 100 and 129 percent of poverty and 8 percent of those with income between 130 and 200 percent of poverty—are eligible for TANF.

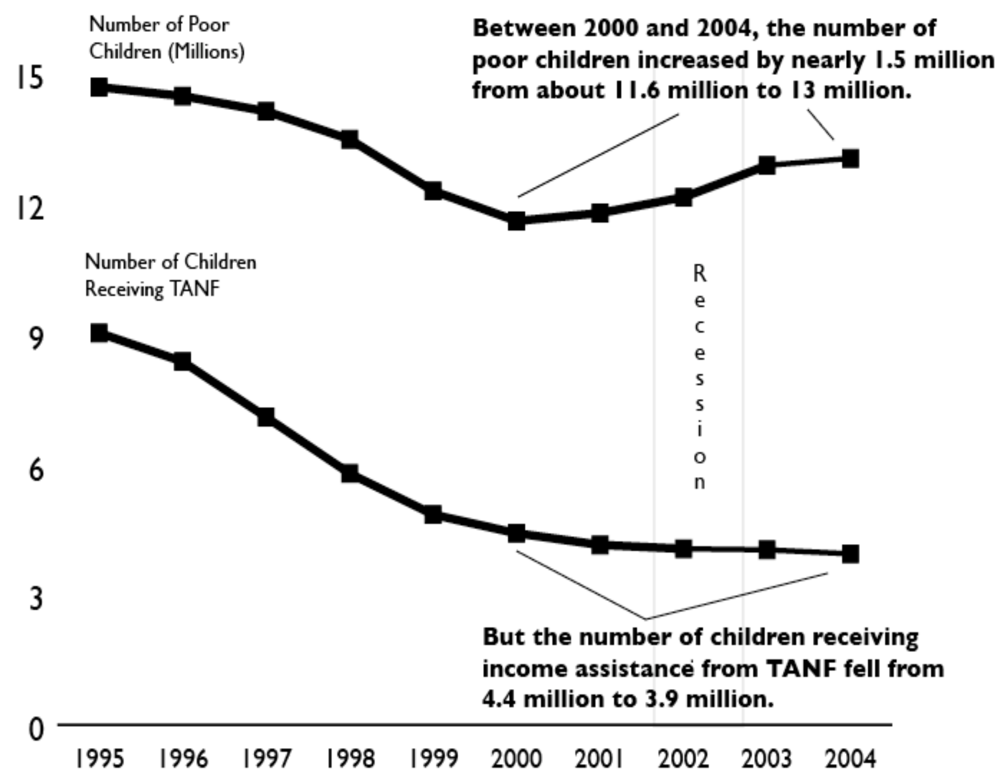
[8] HHS, Indicators of Welfare Dependence: Annual Report to Congress 2005.

[9] Nancy E. Reichman, Julien O. Teitler, and Marah A. Curtis, "Hardships Among Sanctioned Leavers, Non-Sanctioned Leavers, and TANF Stayers," Center for Research on Child Wellbeing, Working Paper #03-17-FF, December 2003.

[10] About 4 million children received TANF supplements in 2002; HHS estimated that 48 percent of eligible families participated in TANF that year, which suggested that about 4 million eligible children did not participate in TANF in 2002. There is little reason to think that the number of eligible non-participants has declined since 2002 and it may have increased given the upward trend in poverty and the downward trend in participation.

More Poor Children Since 2000, But Fewer Get Help from TANF

Between 1996 and 2000, both the number of children in poverty and the number receiving TANF income assistance declined. After 2000, the number of children in poverty started to rise, but the number of children receiving help from TANF continued to decline.



Sources: U.S. Department of Health and Human Services; U.S. Census Bureau.

One of the important points these data help illustrate is that the decline in receipt of Temporary-Assistance income supplements in recent years is not driven by an increase in income among poor families. In fact, even during the full-employment economy of the last half of the 1990s, almost half of the decline in the number of families receiving Temporary Assistance was due to a decline in participation by families who remained eligible for it.[11]

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[11] Rangarajan, Caster, and Clark, p. 26.

The Wrong Kind of "Recession-Proof": Fewer Families Get Income Supplements as Employment Falls and Poverty Rises

The last recession lasted for eight months in 2001. However, real median household income and labor force participation continued to decline following the recession. According to the Congressional Budget Office, "the past several years have … seen a particular lack of job creation and a closely related lack of hiring."[12] And Treasury Secretary John Snow recently acknowledged that less educated Americans are not sharing equally in the benefits of economic growth since the recession.[13] As a result of the recession and the nature of the subsequent recovery, poverty increased and employment rates fell between 2000 and 2004.

The overall rate of employment among single mothers fell between 2000 and 2004 at a faster rate than it did among other parents or the population overall. The employment rate among single mothers fell from 73.0 percent in 2000 to 69.6 percent in 2004.

As employment fell between 2000 and 2004, the child poverty rate rose.

- The number of children living in poverty increased by about 1.4 million between 2000 and 2004. In 2004, about 13.0 million children were poor, comprising 17.8 percent of children in the United States. The number of *poor* children in the United States that year was greater than the total number of children in the states of Florida, Iowa, Texas, and Virginia combined.

- The poverty rate for very young children is even higher. About 1 in 5 children under age six—19.9 percent—were poor in 2004. This poverty rate increased by about one-sixth between 2000 and 2004. The high rate of poverty among very young children is particularly troubling in light of research suggesting that it has negative impacts on school performance, even after controlling for other factors.[14]

The number of families eligible for public assistance increases when employment and income decline. Public assistance normally responds to increases in poverty by helping more families than it did when incomes were higher. Food Stamps and Medicaid responded in this way to the increase in poverty that occurred between 2000 and 2004. As incomes fell and poverty rose between 2000 and 2004, more families nationally received help. This assistance allowed them to purchase groceries and visit doctors in spite of income losses or the loss of private health care coverage.

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[12] Congressional Budget Office, "Employment During the 2001-2003 Recovery," August 2005.

[13] "Snow Concedes Economic Surge is Not Benefiting People Equally," Jonathan Weisman, Washington Post, August 9, 2005, page A03.

[14] Pamela Morris, Greg J. Duncan, and Christopher Rodrigues, "Does Money Really Matter? Estimating Impacts of Family Income on Children's Achievement with Data from Random-Assignment Experiments," February 2004. See also Greg J. Duncan and Jeanne Brooks-Gunn, eds, *Consequences of Growing Up Poor* (New York: Russell Sage Foundation, 1997).

State Trends in Response to the Recession

Between 2000 and 2004, less than half of state Temporary Assistance programs were responsive to the increase in poverty. The number of families receiving Temporary Assistance income support increased in 20 states between 2000 and 2004. However, the level of increase in these states was relatively modest— across all 20 states combined, about 145,000 more families received income assistance than received assistance in 2000. In the remaining 30 states and the District of Columbia, the number of families receiving Temporary Assistance declined. For more detailed state-by-state trends, see the Appendix.

By contrast, fewer families nationally received Temporary Assistance in 2004 than in 2000, even though the number of families experiencing income declines that pushed them far below the poverty line increased. Between 2000 and 2004, the number of children living in poverty increased by over a million, while the number of children receiving Temporary-Assistance income supplements fell by almost 500,000.

Poverty also deepened rapidly for those children most likely to need and qualify for Temporary-Assistance income supplements. The number of children in female-headed families with income (apart from Temporary Assistance) below the poverty line rose by 12 percent between 2000 and 2004. During the same period, the number with non-Temporary-Assistance income below *half* the poverty line rose by 19 percent.[15]

Some have argued that the continued decline in the number of families receiving Temporary-Assistance income supplements since 2000 shows that "welfare reform" is "recession-proof." Unfortunately, Temporary Assistance is recession-proof in a negative way that minimized the role it played in cushioning the blow of increased poverty and hardship that resulted from the economic downturn and has continued even after the downturn subsided. In both 2001 and 2002, fewer than half of children eligible for Temporary-Assistance income supplements received them. In contrast, other public assistance programs, including Food Stamps and Medicaid, are recession-proof in a positive way. When times got tougher and there were more families who needed help, Food Stamps and Medicaid helped more families. Temporary Assistance helped fewer families.

Temporary Assistance and Unemployment Insurance

Most poor families with children are "working families." Some 69 percent of poor families included one or more workers in 2004. Similarly, most of the families who receive Temporary-Assistance income supplements are working families. Most families who receive Temporary-Assistance income supplements in a given month are either working during that month or working at some other point during the year.

- According to HHS data, on an average monthly basis, 60 percent of individuals who received Temporary-Assistance income supplements in 2002 lived in a family with at least one person in the labor force. Some 34 percent of the individuals who received

[15] CBPP analysis of Current Population Survey data.

Temporary-Assisatnce income supplements lived in a family with a full-time worker.[16]

- On an average monthly basis in 2003, between 25 to 35 percent of adult Temporary-Assistance beneficiaries were working themselves in the same month they received Temporary Assistance.[17]

- Among children whose families received Temporary Assistance in an average month in 2003, three in five of their families earned over $1,000 from employment sometime that year, according to Center calculations of longitudinal survey data.[18]

- About 41 percent of adults who received Temporary Assistance benefits at any time during a quarter in 2001 worked at sometime during that quarter. And about 52 percent of adults who received Temporary-Assistance benefits at any time during a quarter in 2001 worked at some time during that quarter or the subsequent quarter.

- The most recent data on "spells" of receipt of Temporary-Assistance income supplements—from the late 1990s—shows that nearly half of spells of receipt of TANF income supplements lasted four months or less, and three-fourths lasted one year or less.

Given the high rate of work among beneficiaries of TANF income supplements, it might be thought that unemployment insurance has taken over the "safety net" role of protecting low-income families who lose work during a downturn. As we have shown in previous analyses, this does not appear to be the case.[19] Compared to the recession in the 1990s, the number of single mothers who received unemployment insurance increased between 2000 and 2003. However, this increase is modest compared to the increase in poverty. As a result, the combined safety net of unemployment insurance and TANF income supplements failed to keep pace with rising poverty.

- Between 2000 and 2003, the number of children living in mother-only families that received either unemployment insurance or cash assistance rose by 253,000, an increase equal to just 30 percent of the growth in child poverty among mother-only families.

- By contrast, during the recession of the early 1990s, the number with unemployment insurance or cash assistance rose by 845,000, or 93 percent of the corresponding increase in poverty.

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16 HHS, Indicators of Welfare Dependence: Annual Report to Congress 2005, Figure IND 2.

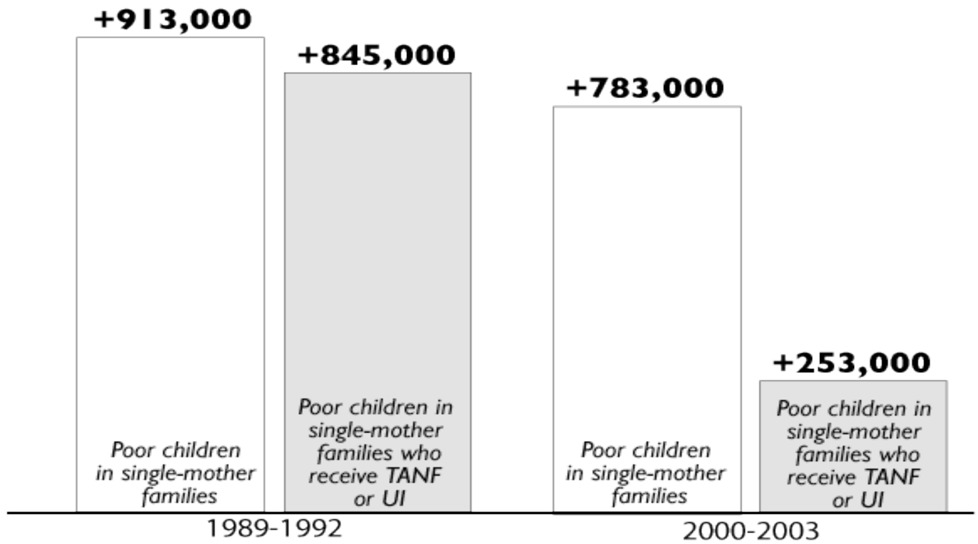
17 According to official TANF "participation rate" calculations, about 26 percent of adult TANF beneficiaries were working in 2003. However, HHS officials have recently suggested the participation rate data, which are based on TANF case records, may not capture the full extent of work among TANF beneficiaries. Alternative data — drawing on employer records as well as TANF case data — suggest that the actual share of working adult beneficiaries may be as high as 35 percent.

18 CBPP tabulations of the Survey of Income and Program Participation.

19 Shawn Fremstad, Sharon Parrott, and Arloc Sherman, "Unemployment Insurance Does Not Explain Why TANF Caseloads Are Falling as Poverty and Need Are Rising," Center on Budget and Policy Priorities, October 2004.

A Weaker Safety Net

The combined unemployment "safety net" of TANF and Unemployment Insurance was much less responsive to the most recent increase in unemployment and poverty.



To be sure, increased receipt of unemployment insurance by poor families during a downturn should make it possible for fewer families to need to rely on Temporary-Assistance income supplements than would in the absence of UI. But more families should still receive Temporary Assistance *as long as poverty—after taking unemployment insurance income into account, as official poverty data do—is rising*. This hasn't happened over the last few years. Instead, poverty has risen, even after taking unemployment insurance into account, but fewer poor families have received income support from Temporary Assistance.

The weakness of unemployment insurance as a safety net for single-mothers and other low-wage workers has been well documented. Researchers at the Urban Institute recently concluded that unemployment insurance "plays a relatively small role in reducing poverty and slowing the rise of poverty during labor market downturns …."[20] Similarly, in a report title titled *Unemployment Insurance: Role as Safety Net for Low-Wage Workers is Limited*, the GAO noted that "compliance with some state eligibility requirements [for unemployment insurance] can be particularly difficult under certain circumstances for low-wage workers—especially former welfare recipients, who are often single mothers with intermittent employment histories."[21]

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[20] Gregory Acs, Harry J. Holzer and Austin Nichols, "How Have Households with Children Fared in the Job Market Downturn?" Urban Institute, April 2005.

[21] Government Accountability Office, *Unemployment Insurance: Role as Safety Net for Low-Wage Workers is Limited,* GAO-01-181, December 2001. See also Anu Rangarajan, "Unemployment Insurance as a Potential Safety Net for TANF Leavers: Evidence from Five States," Mathematica Policy Research, Inc., September 2004; Heather Boushey and Jeffrey B. Wenger, "UI is Not a Safety Net for Unemployed Former Welfare Recipients," Center for Economic and Policy Research, December 2003.

The Role of Temporary-Assistance "Diversion" and Other Barriers to Accessing Temporary Assistance

According to researchers at the Urban Institute, single mothers who were potentially eligible for welfare were much less likely to enter the TANF system after enactment of the 1996 welfare law than in the first half of the 1990s. The decline in entry rate is not explained by changes in the characteristics of low-income mothers or improvement in the economy, and falling benefit levels (measured in real terms) had only a modest impact on entry rates. (Greg Acs, Katherin Ross Phillips, and Sandi Nelson, "The Road Not Taken? Changes in Welfare Entry during the 1990s," December 2003.)

It is likely that informal and formal "diversion" policies have contributed to the decline in TANF entry among poor families. Some recent studies suggest that diversion may be "overinclusive" — that is, that it might divert families who would be better off if they received TANF income supplements:

- A study of TANF "non-entrants" in three major cities found that non-entrants were significantly more likely to be disabled or have other health problems than TANF entrants. (Robert Moffitt, Katie Winder, Linda M. Burton, Alan F. Benjamin, Tera R. Hurt, Stacy L. Woodruff, and Amy Kolak, "A Study of TANF Non-Entrants," November 2003.) Overall, the researchers found that families with greater need were more likely to obtain assistance, but that the targeting of diversion often was problematic. For example, black families were more often discouraged from applying than other families, and families who were diverted from welfare did not have higher income levels over time than families who were not diverted.

- Using national data, London (2003) finds that TANF applicants who are "diverted" from participating are more likely to have low education levels than TANF recipients, other TANF applicants who didn't enter TANF, and TANF leavers. Interestingly, more educated applicants also are overrepresented in the diverted population. Diverted applicants also are less likely to have jobs than other TANF leavers and more likely to speak Spanish as their primary language. (Rebecca London, "Which TANF Applicants are Diverted and What are their Outcomes?" February 2003.)

More than Money: The Positive Effects of Income Supplements for Poor Families

Poor families clearly would benefit economically if more of them received Temporary-Assistance income supplements. For example, a study of Temporary-Assistance applicants in Milwaukee County, Wisconsin found that the *earnings* of applicants who ended up participating in Temporary Assistance were about the same as the *earnings* of applicants who did not participate, but that the *total income* of participants was significantly higher (but still below the poverty line) over a 12-month period. The median income of non-participants was only $3,380 compared to $8,583 for participants. Participants fared better because they received Temporary-Assistance income supplements and were more likely to receive food stamps.[22]

[22] Amy Dworsky, Mark E. Courtney, and Irving Piliavin, "What Happens to Families Under W-2 in Milwaukee County, Wisconsin? Report from Wave Two of the Milwaukee TANF Applicant Survey," September 2003. See also Robert Moffitt and Katie Winder, The Correlates and Consequences of Welfare Exit and Entry: Evidence from the Three-City

This example also illustrates that the old dichotomy between the "working poor" and the "welfare poor" isn't meaningful anymore, if it ever was. After all, the parents who ended up getting Temporary-Assistance income supplements in Wisconsin were just as likely to work as those who didn't get supplements. The big difference is that the working poor families who received income supplements were much better off financially (although, in both cases, most were still poor) than those who didn't.

Additional recent research suggests that income supplements can have positive effects that go beyond boosting income. The most significant findings have been made by the highly regarded Manpower Demonstration Research Corporation. MDRC has conducted rigorous evaluations of welfare reform programs that provided income supplements to both unemployed and employed families with inadequate incomes. MDRC found that these programs had a more positive impact on overall income than programs that were generally limited to unemployed families, and also had significant positive impacts on family and child well-being that did not appear in the other programs.

Results from the Minnesota Family Investment Program (MFIP) demonstration program that operated in the early 1990s are especially notable.[23] Unlike the old AFDC program (which tended to cut families off assistance as soon as they found a job, even at wages well below the poverty line), under MFIP, families remained eligible for income supplements until they had achieved earnings equal to 140 percent of the federal poverty level. The program included work requirements, but they were much less stringent then those currently in place in most state TANF programs; instead, the program relied largely on the positive work incentives created by strong earnings supplements and child care assistance. MDRC found that MFIP increased employment of long-term AFDC recipients in urban areas by 35 percent and earnings by 23 percent. Overall income increased by 15 percent and the percentage of families with total income above the poverty level increased by 68 percent.[24] MDRC concluded that providing an income supplement for families who found jobs, coupled with mandatory participation in services, was responsible for most of the earnings gains.[25]

MDRC also found that MFIP had other positive effects on family and child well-being. Among urban recipients who had a child age 2 to 9 when they entered the study, there was an 18 percent decrease in domestic violence and a 25 percent increase in the use of formal child care. These recipients also reported decreased levels of problem behavior by their children and a 42 percent decrease in below-average performance in school. Although the percentage of two-parent families with at least one parent employed did not increase, MFIP's more generous benefit resulted

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Study, January 2003 (finding that employed TANF "stayers" had somewhat higher household incomes than employed TANF "leavers").

[23] Dave Hage, *Reforming Welfare by Rewarding Work* (Minneapolis, MN: University of Minnesota, 2004) provides background on the development of the initial MFIP demonstration and the statewide version of MFIP that was put in place in Minnesota in 1997 with significant modifications.

[24] MDRC, Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program (2000).

[25] MDRC, Gordon L. Berlin, Encouraging Work, Reducing Poverty: The Impact of Work Incentive Programs (2000).

in a 15 percent increase in the percentage of two-parent recipient families with incomes above poverty. Increases in family well-being were especially dramatic for two-parent families and included a 38 percent increase in the percentage of families who were married after three years and a 103 percent increase in the rate of home ownership.

In a subsequent analyses of MFIP and other welfare reform programs, MDRC concluded that increased employment among the parents in a family did not by itself measurably improve their children's well-being. It was only in programs like MFIP, which extended income supplements to both employed and unemployed families, that parents experienced increased employment and increased income and that there were positive effects (such as higher school achievement) for their elementary school-aged children.[26] "These are the only reliable findings pointing the way to improvements in young children's well-being" through welfare reform, noted MDRC's then- vice-president (now president) Gordon Berlin.[27]

MDRC researchers determined specifically that boosting income, not employment, was pivotal to improving child well-being: "young children's school achievement is improved by the income gains generated by these programs but is not affected by changes in parental employment and welfare receipt occurring at the same time."[28]

MDRC's conclusion that MFIP had a positive impact on child well-being in large part because it provided income supplements to working families is bolstered by other recent social science evidence.

- In a recent research paper examining the impacts of various welfare reform programs that were evaluated using random assignment designs, Pamela Morris and Greg Duncan conclude that income supplement programs that boost incomes for low-income working parents have positive and significant effects on the school achievement of preschool-aged children.[29]

- A study published in 2003 in the *Journal of the American Medical Association* examined the impact of payments that were provided to American Indian children in rural North Carolina after a tribal casino opened and started distributing profits to their

[26] Johannes Box, Danielle Crosby, Greg Duncan, Aletha Huston, and Pamela Morris, *How Welfare and Work Policies Affect Children A Synthesis of Research*, MDRC (2001).

[27] Gordon L. Berlin, "What Works in Welfare Reform—Evidence and Lessons to Guide TANF Reauthorization," MDRC (2002), www.mdrc.org/Reports2002/TANF/TANF-Implications3.htm. In contrast to these positive findings for young children, Berlin cautions that welfare-to-work programs have not helped older children, even when the programs raise parental income.

[28] Pamela A. Morris, Lisa A. Gennetian, and Greg J. Duncan, "Effects of Welfare and Employment Policies on Young Children: New Findings on Policy Experiments Conducted in the Early 1990s," *Social Policy Report* Volume XIX Number II (2005), www.mdrc.org/publications/407/full.pdf.

[29] Pamela Morris, Greg J. Duncan, and Christopher Rodrigues, "Does Money Really Matter? Estimating Impacts of Family Income on Children's Achievement with Data from Random-Assignment Experiments," February 2004. See also Beck A. Taylor, Eric Dearing, and Kathleen McCartney, "Incomes and Outcomes in Early Childhood," *Journal of Human Resources*, Vol. 39: 981 (Fall 2004); Greg J. Duncan and Jeanne Brooks-Gunn, eds, *Consequences of Growing Up Poor* (New York: Russell Sage Foundation, 1997).

parents.[30] The rate of behavioral problems among children who were lifted from poverty by the payments declined and, after four years, fell to the same levels found among children whose families had never been poor. According to the researchers, the key factor appeared to be that parents who were no longer poor were able to spend more time supervising their children.

- In a recent study of the impact of increases in the EITC on children's school achievement, economists Gordon Dahl and Lance Lochner conclude that "extra income does appear to have a positive causal effect" on math and reading scores for children growing up in poor families.[31]

Similarly, research that tracked former and current Temporary-Assistance income supplement recipients in Michigan in 1997 to 1999 found that unemployed recipients who got jobs *and continued to receive TANF* were more likely than other recipients to improve their parenting and report that their children's behavior had improved. Notably, unemployed recipients who got jobs and stopped receiving Temporary Assistance did not improve their parenting or report improved child behavior relative to unemployed Temporary Assistance recipients. The researchers suggest that:[32]

> Given evidence that women in this sample who do work often have unstable jobs with erratic work hours and low benefits, it is possible that combining welfare and work gives mothers a sense of financial stability that is not found among wage-reliant mothers. Women who combine welfare and work can rely on a regular source of income as well as health benefits, something that many wage–reliant women may not have.

Policy Implications

Many of the concerns raised in this report can be addressed through changes in state Temporary Assistance and UI policies. States should review Temporary Assistance policies that are likely to deter participation by poor families. Such policies may include diversion programs, job search and other requirements that needy parents must participate in before they are approved for Temporary-Assistance income supplements as well as full-family-sanction policies, time-limit policies, and work requirements that do not take the specific needs and capabilities of individual families into account.

- States should consider revamping Temporary-Assisatnce rules that make working families with low incomes ineligible for Temporary Assistance. The typical way to improve such policies is by increasing the amount of earnings that are "disregarded"— not counted — in

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[30] E. Jane Costello and others, "Relationships Between Poverty and Psychopathology: A Natural Experiment," *Journal of the American Medical Association* (2003) 290:2023-2029.

[31] Gordon Dahl and Lance Lochner, "The Impact of Family Income on Child Achievement," National Bureau of Economic Research, April 2005. Although their paper relies on non-experimental data, Dahl and Lochner use a fixed instrumental-variables strategy that they believe allows them to overcome the bias from omitted variables.

[32] Rachel Dunifon, Ariel Kalil and Sandra K. Danziger (2003). "Maternal work behavior under welfare reform: How does the transition from welfare to work affect child development?" *Children and Youth Services Review: Special Issue on Child Welfare and Welfare Reform.*

determining the amount of a family's Temporary Assistance supplement. However, there are other state policies that have the effect of making working families ineligible for Temporary Assistance income supplements. For example, 11 states limit income supplements for working families after only a few months of work. In addition, some states don't allow two-parent families or families headed by legal immigrants to receive Temporary Assistance income supplements on the same basis as one-parent and citizen families, and, in most states, supplements received by working families count against their time limit.[33]

- States should consider increasing the value of the income supplements they provide to unemployed families. The value of Temporary Assistance income supplements—even when combined with food stamps—leave most unemployed families well below the poverty line and struggling to meet basic needs such as food and housing costs. Table 2 in the Appendix compares the combined benefits an unemployed family would receive from each state's Temporary Assistance program and the Food Stamp Program to the costs of two basic needs — housing and food. In nine states, combined Temporary Assisatance and food stamp benefits are too low to cover the typical housing and food costs of Temporary Assistance recipients in those states. In another thirty states, Temporary Assistance and food stamp benefits just barely cover these expenses, leaving less than $100 per month for all other household expenses. States should consider modifying their UI programs in ways that extend benefits to more low-wage workers and improve benefit adequacy for low-income families with children.[34]

The low level of Temporary Assistance receipt by poor families suggests that it is time to rethink Temporary Assistance's role in a way that was not as part of the recent reauthorization of the program. Only about 30 out of every 100 poor children receive Temporary Assistance income supplements. Even among their parents, most either are working or engaged in required activities. Yet, as authors of an op-ed published in a Kansas newspaper put it, much of the debate about Temporary Assistance seems stuck in a "time warp," sounding like a "conversation from the early 1990s."[35]

Conclusion

Despite increases in poverty and decreases in employment, poor families were increasingly unlikely to receive Temporary Assistance income supplements between 2000 and 2003. In 2003, only about 30 children received Temporary Assistance per every 100 poor children. Similarly, more than 7.6 million parents living with their children were poor in 2003, but only about 1.4 million parents received Temporary Assisatnce. Some have argued that the continued decline in the number of families receiving TANF income supplements since 2000 shows that Temporary Assistance is

[33] For more on policy options to improve TANF income supplements, see Liz McNichol and John Springer, *State Policies to Assistance Working-Poor Families*, Center on Budget and Policy Priorities (2004), p. 17.
[34] See the website of the National Employment Law Project, http://www.nelp.org/changingworkforce/index.html, for more information on UI reforms.
[35] David Callahan and Tamara Draut, "Welfare Time Warp," Dodge City Daily Globe, June 2002, available at: http://www.demos.org/pub12.cfm.

"recession-proof." Unfortunately, Temporary Assistance is recession-proof in a negative way that minimized the role it played in offsetting the increased poverty and hardship that resulted from the economic downturn. In contrast, other public assistance programs, including Food Stamps and Medicaid, are recession-proof in a positive way. When times got tougher and there were more families who needed help—Food Stamps and Medicaid helped more families; Temporary Assistance helped fewer.

State	Number of Children in Poverty		Average Monthly Number of Children with TANF/SSP Income Supplements		Number of Children Receiving Income Supplements Per 100 Poor Children		Child Poverty Trend*	Child Case-load Trend
	2000	2004	2000	2004	2000	2004	00-04	00-04
United States	11,801,857	12,898,266	4,415,445	3,933,354	37	30	+	-
Alabama	227,952	247,453	36,569	36,486	16	15		-
Alaska	23,392	18,884	14,088	9,195	60	49		-
Arizona	300,038	294,399	64,568	81,719	22	28		+
Arkansas	166,241	163,665	21,542	16,114	13	10		-
California	1,725,955	1,728,837	1,129,557	1,014,873	65	59		-
Colorado	98,540	163,225	21,143	27,635	21	17	+	+
Connecticut	92,111	83,362	48,978	37,930	53	46		-
Delaware	21,564	25,732	8,890	9,938	41	39		+
District of Col.	32,864	35,442	33,615	33,274	102	94		-
Florida	643,070	667,439	118,091	98,089	18	15		-
Georgia	379,135	473,168	98,559	92,529	26	20	+	-
Hawaii	35,420	39,591	48,859	23,167	138	59		-
Idaho	49,194	68,725	1,913	2,744	4	4	+	+
Illinois	471,682	523,063	179,427	75,143	38	14		-
Indiana	214,543	225,650	76,012	106,697	35	47		+
Iowa	89,813	80,198	35,808	35,060	40	44		-
Kansas	76,693	77,073	22,813	30,560	30	40		+
Kentucky	204,168	234,849	62,979	57,892	31	25	+	-
Louisiana	314,791	334,768	56,090	34,534	18	10		-
Maine	31,906	45,744	21,469	21,666	67	47	+	+
Maryland	168,987	148,032	55,649	49,921	33	34		-
Massachusetts	195,137	174,742	71,338	74,681	37	43		+
Michigan	342,082	426,589	147,027	156,168	43	37	+	+
Minnesota	109,616	123,527	80,058	71,081	73	58		-
Mississippi	193,537	225,255	26,846	30,061	14	13	+	+
Missouri	210,069	212,601	94,257	83,519	45	39		-
Montana	35,580	38,081	8,589	9,307	24	24		+
Nebraska	43,611	53,852	19,324	22,187	44	41	+	+
Nevada	61,532	109,199	12,347	16,578	20	15	+	+
New Hampshire	18,670	27,798	9,450	10,050	51	36	+	+
New Jersey	203,820	247,475	97,677	85,642	48	35	+	-
New Mexico	126,300	129,245	48,152	32,627	38	25		-
New York	853,376	900,987	473,867	355,233	56	39		-
North Carolina	344,760	444,099	75,177	59,383	22	13	+	-
North Dakota	21,953	19,895	5,435	5,360	25	27		-
Ohio	432,700	486,458	173,593	140,544	40	29		-
Oklahoma	158,722	170,526	27,666	25,796	17	15		-
Oregon	136,902	151,585	28,090	32,042	21	21		+
Pennsylvania	424,798	455,736	177,632	170,123	42	37		-
Rhode Island	36,374	49,446	33,016	26,347	91	53	+	-
South Carolina	190,006	224,722	31,744	33,083	17	15	+	+
South Dakota	25,829	26,636	5,414	5,025	21	19		-
Tennessee	257,144	276,808	108,355	138,972	42	50		+
Texas	1,228,172	1,388,541	255,492	199,828	21	14	+	-
Utah	68,803	95,446	15,632	14,365	23	15	+	-
Vermont	17,098	14,193	9,992	8,516	58	60		-

Virginia	206,107	220,694	52,446	60,891	25	28		+
Washington	228,488	245,560	112,048	100,559	49	41		-
West Virginia	99,337	90,789	22,939	26,122	23	29		+
Wisconsin	144,712	173,198	34,312	43,559	24	25		+
Wyoming	18,563	15,284	911	539	5	4		-

* Changes shown are statistically significant at the 90 percent confidence level.