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## UNEMPLOYMENT INSURANCE DOES NOT EXPLAIN WHY TANF CASELOADS ARE FALLING AS POVERTY AND NEED ARE RISING

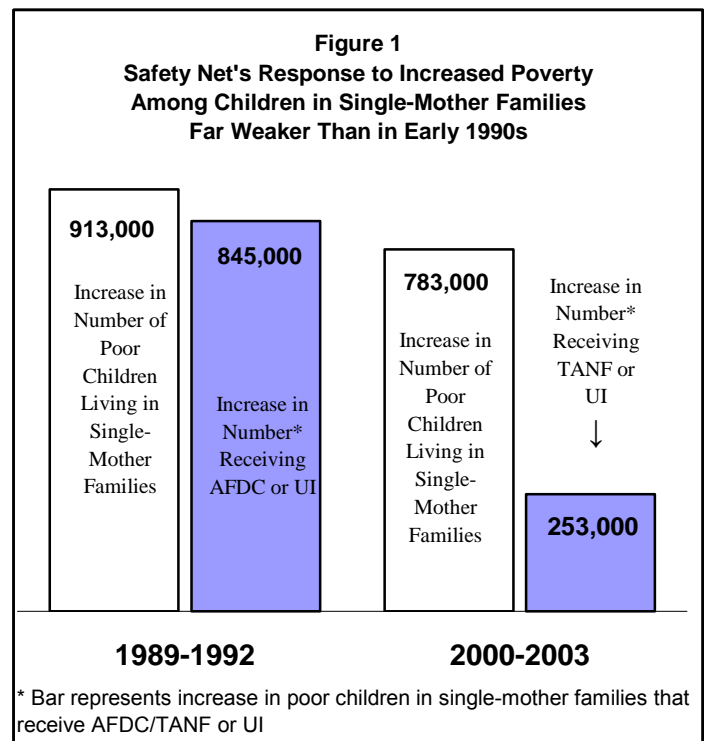
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Between 2000 and 2003, the number and percentage of single mothers living in poverty increased while the percentage of single mothers with jobs fell. At the same time, poverty among children rose, and the number of children living below *half* of the poverty line increased by nearly one million. In response to this increase in poverty and need, the number of families receiving food stamps and Medicaid rose. The number of poor families receiving TANF cash assistance, however, continued to fall. TANF provided assistance to 845,000 *fewer* people in 2003 than it did in 2000.

Administration officials have attempted to portray TANF's lack of responsiveness to increased need as a positive development and have suggested that unemployment insurance is filling that need rather than TANF. Wade Horn, the Assistant Secretary for Children and Families at HHS, has said that welfare reform moved poor single parents into the "economic mainstream." According to Horn, the safety net for people who are part of the economic mainstream is unemployment insurance, not TANF.<sup>1</sup>

Unfortunately and contrary to Administration claims, for most poor families, unemployment insurance has not proved to be an effective substitute for the TANF safety net during this period of labor market weakness.

- **Only a very small percentage of poor children in single-mother families had mothers who received unemployment insurance in 2003.** Overall, fewer than 7 percent of all poor children in single-mother families — and just 4 percent of children in single-mother



<sup>1</sup> Griff Witte, "Poverty Up as Welfare Enrollment Declines: Nation's Safety Net in Tatters As More People Lose Their Jobs," Washington Post, A3, September 26, 2004.

families with income below half of the poverty line — had mothers who received unemployment insurance in 2003, according to government survey data.

- **Fewer than two out of every 100 poor single-mother families were lifted out of poverty by the unemployment insurance program in 2003.** Among single-mother families whose “pre-unemployment-insurance” income — that is, the amount of income they had before counting unemployment insurance — was below the poverty line, fewer than two percent were lifted out of poverty when their unemployment benefits were counted.
- **Between 2000 and 2003, the number of poor children in single-mother families increased by more than 780,000 after counting all unemployment insurance benefits these families received. Nonetheless, TANF cash assistance caseloads fell over this period.** TANF could have helped ease the hardships of poverty for many of these children and their families, particularly those living in deep poverty (with incomes below half of the poverty line). It also could have provided them with supports and services they might need to find jobs.
- **More poor children lived in families that received neither unemployment insurance benefits nor cash assistance during this period than during the recession of the early 1990s** (see Figure 1). Between 1989 and 1992, the number of poor children in single-mother families rose by 913,000. During the same time period, the number of such children receiving either cash assistance or unemployment insurance rose by 845,000 — or 93 percent. By contrast, between 2000 and 2003, the number of single-mother families living in poverty rose by 783,000, but the number receiving one or both of these benefits rose by only 253,000 children — or just 32 percent as much.
- **These trends continued to worsen in early 2004.** Recent HHS data show that TANF caseloads continued to decline in the first quarter of 2004. At the same time, labor force data show that the number of jobless single parents in the first half of 2004 matched its highest level in seven years.<sup>2</sup>

To be sure, receipt of unemployment insurance by poor families has an impact on welfare caseloads. If some poor families receive unemployment insurance during a downturn, it is reasonable to expect TANF rolls to rise somewhat less than they would if no poor families received unemployment insurance. But TANF caseloads *should still increase as long as poverty and need — after taking unemployment insurance income into account, as official poverty data do — are rising.* Receipt of unemployment insurance by poor families cannot explain a *decline* in TANF caseloads during a period of increasing poverty and need.

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<sup>2</sup> CBPP calculations of the monthly Current Population Survey for January through June of 2004.

Under Horn's formulation, poor families with children — and even families living below half the poverty line (about \$620 a month in 2003 for a single-mother with two children) — are part of the “economic mainstream” as long as they have left TANF. Few would describe a jobless single mother living on less than \$620 per month as part of the economic mainstream in the United States, even if she receives no cash assistance. Indeed, a recent Department of Health and Human Services report found that many such families face considerable difficulty in meeting basic needs, including housing and food.<sup>3</sup> Impoverished, jobless families that are having difficulty affording food or are missing rent payments are not generally considered to be part of the economic mainstream.

Rising poverty rates indicate that more families have been leaving the economic mainstream in the past few years than joining it. The goal of welfare reform should be to help families join the economic mainstream by providing temporary income support, help in finding and keeping jobs, and child care. To accomplish these goals, families who need help joining the economic mainstream have to be allowed to participate in welfare reform programs.

The TANF caseload data and the new Census poverty figures should spur efforts by federal and state policymakers both to seek to determine *why* TANF cash assistance programs are failing to assist growing numbers of poor families and to develop proposals to ensure that in the future, the program is responsive to increases in need. This would be more productive than pretending that all is well in TANF cash assistance programs and that families living in deep poverty, but not receiving help from TANF, are part of the “economic mainstream.”

### **Administration Has Opposed Efforts to Improve the Effectiveness of the Unemployment Insurance Program as a Safety Net for Low-income Working Families**

The Administration's insistence that unemployment insurance should be the safety net for increasing numbers of jobless single mothers is ironic because the Administration has opposed efforts to institute improvements in the program that would help more unemployed workers in low-income families receive benefits.

The weakness of unemployment insurance as a safety net for low-wage workers has been well documented. In 2000, the U.S. Government Accountability Office (then known as the General Accounting Office) released a report titled *Unemployment Insurance: Role as Safety Net for Low-Wage Workers is Limited*. The report found that in the 1990s, unemployed low-wage workers were far less likely to receive unemployment insurance than other unemployed workers. Low-wage workers were twice as likely to be unemployed, but less than half as likely to receive unemployment insurance.

The GAO explained that “compliance with some state eligibility requirements can be particularly difficult under certain circumstances for low-wage workers — *especially former welfare recipients*, who are often single mothers with intermittent employment histories”<sup>4</sup> (emphasis added). State eligibility rules related to the length of time an individual must be

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<sup>3</sup> See Tammy Ouellette, Nancy Burstein, David Long, and Erik Beecroft, *Measures of Material Hardship: Final Report*, U.S. Department of Health and Human Services, April 2004.

### Poverty is Long-Lasting for Most Poor Children

Most poor families do not exit poverty quickly. According to a Census Bureau study published in 2001, about two-thirds of children who were poor in 1996 remained poor in 1997, and slightly more than half of poor children in 1996 also were poor in 1999. Moreover, these figures are likely to understate the amount of time that poor children usually spend in poverty. The study was based on data from 1996 to 1999, a period when poverty rates were falling and employment and wages were rising strongly in response to a booming economy.

Assistant Secretary Horn recently suggested that most poor families face only short-term hardship. According to Horn, the typical poor family is only poor for four months. Horn did not explain that this estimate uses a measure of poverty radically different from the official poverty measure that the Administration generally uses when providing information about poverty trends. Under the alternative measure used by Horn, a family is “poor” if its income during *any two-month period* falls below the poverty line, even if its income over the entire year is *above* the poverty line. The official poverty figures used by the Census Bureau — and by the Administration in almost all other contexts — use an annual measure of income.

It is misleading to point to data that use a much more expansive definition of poverty to suggest that families who are poor for the entire year are facing only short-term hardships. Information on “spells” of poverty that last two months or more are useful for answering the question, “how many families face at least a brief period of low income during a year,” but do not inform a discussion about the adequacy of the safety net for families who are poor for the entire year.

It would be just as misleading to use the alternative data on poverty to make the case that the poverty problem in the United States is much larger than is commonly understood. If the Administration were to use consistently the definition of poverty that Horn relied on, it would need to report that the level of poverty in the United States is roughly *double* the level of poverty measured by official poverty statistics.

employed before seeking benefits and the level of past earnings required to qualify for benefits can disqualify many low-wage workers from the program. In addition, many states have rules that do not allow unemployed workers who are seeking part-time rather than full-time employment, or workers whose job loss was due to a family emergency (such as the illness of a child), to receive unemployment insurance. These rules also disqualify substantial numbers of unemployed single mothers.

A number of attempts were made in Congress in recent years to reform the unemployment insurance system so that more workers — particularly low-wage workers — who lose their jobs can receive unemployment insurance benefits. For example, the Senate version of the 2002 economic stimulus legislation included temporary changes in the way that eligibility is calculated that would have expanded the number of low-wage and part-time workers who can receive unemployment benefits. The Administration actively opposed these changes, and they were dropped from the final legislation.

In addition, the Administration has done little to ensure the passage of legislation to extend temporary unemployment benefits to the more than two million jobless workers who were not able to find jobs before their benefits ended. The Temporary Extended Unemployment Compensation program, which provides additional weeks of unemployment benefits to workers who run out of regular, state-funded unemployment benefits before they can find a job, began phasing out in December 2003 and ended altogether in March 2004. In February 2004, majorities in both the House and the Senate voted to resume the program. Republican leaders in Congress prevented the legislation from moving forward.