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The Unprotected Recession: Record Numbers of Families Have No Work and No Welfare in 2001

The year 2001 marked the first economic downturn since the Personal Responsibility and Work Opportunity Act of 1996 ended the nation's cash welfare system for families with children and replaced it with a new, time-limited Temporary Assistance for Needy Families (TANF) program focused on work. In the first years of the new program, more than a million parents moved from welfare to work, aided by a booming economy, plentiful job openings, and rising state and federal funding for child care and other work supports.

More recently, however, TANF's strict emphasis on work¹, designed for better times, has collided with widespread job losses and severe cutbacks in state services — leaving thousands of the nation's most vulnerable families with no job, no help finding a job, and no help surviving and meeting their children's basic needs. In effect, single parents and their children (the main group aided by TANF) entered the recession of 2001 with less protection from economic devastation than in any prior recession in decades. Pending proposals from Congress and the Bush Administration — which further tighten work requirements and fail to strengthen child care and other work supports — threaten to make the problem even worse.

An analysis of government survey data shows:

- In 2001, the number and percentage of female-headed families (with children) who were without work in an average week, yet had no welfare income, reached the highest point in the 26 years for which data are available. (See Fig. 1.)
- The increase in these families in 2001 (17 percent) was by far the largest one-year increase on record. (See Appendix A.)
- The number of children in such jobless families with no TANF income during the year surged by 626,000 children in 2001 — a rise of 18 percent. (See Table 1.)
- These children live in households with few other resources. Indeed, the sharp rise in their number can account for *all* of the troubling increase in extreme child poverty in 2001. (See page 5.)

The findings are based on a Children's Defense Fund (CDF) computer analysis of survey data from the U.S. Census Bureau's March Current Population Survey. The survey is the source of the government's annual official income and poverty statistics.

¹ See pages 6–7 for a discussion of TANF and its rules.

Fig. 1: Female-headed families with no work and no welfare: 1975–2001

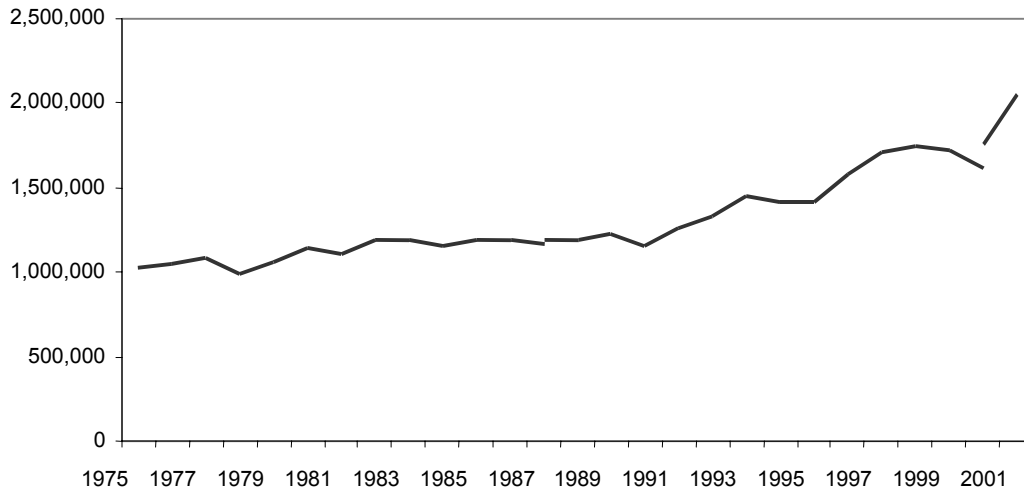
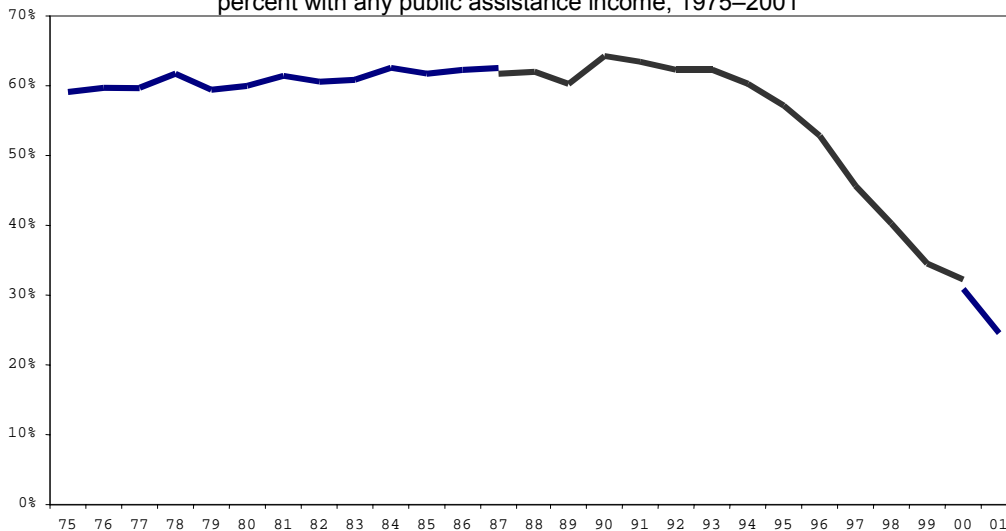


Fig. 2: Vanishing help for families with no work
Among nonemployed female-headed families,
percent with any public assistance income, 1975–2001



Note: For Figures 1 and 2, employment status is for the family head only and represents a weekly average for the year, calculated based on how many weeks the family head worked during the year. Families are considered to receive public assistance (welfare) if any family member received any income from TANF/AFDC or General Assistance during the year. Families are those headed by a female head of household with related children under 18 and no spouse present. Breaks in the lines represent the introduction of a new survey sample.

Source: CDF tabulations of U.S. Census Bureau data from the March Current Population Survey, March 1976–2002. See Appendix A for numbers and additional notes.

Safety Net No Longer Catching Jobless Families, Unlike Past Recessions

When compared with other recessions of the last 20 years, what makes the year 2001 unique is not the rise in the number of jobless families but the failure of public cash assistance to respond in order to protect them.

To measure the level of joblessness among family heads of households each year since 1975, and to examine the link between joblessness and receipt of public assistance, this study uses government survey data on the work experience and income sources of American households.² The data show that the number of female heads of families (with children) who had no work in an average week rose from about 2.5 million in 2000 to 2.7 million in 2001 — an increase of 188,000 women with children.

Similar or greater increases in joblessness occurred among female family heads in the recession years of 1980 and 1991 and in the recession-influenced year of 1993. (See Appendix A.) However, in each of those years the increase was accompanied by a substantial rise in the number of such jobless families who also received public assistance income. In effect, public assistance absorbed between one-half and two-thirds of the increase in jobless female heads of families in each of those earlier years, thereby cushioning the impact of the recession on their children.

By contrast, in 2001, public cash assistance failed to absorb *any* of the increase in jobless female-headed families with children. Instead, the number of jobless female family heads covered by public assistance *dropped* by more than 100,000 in 2001, according to the survey data.³

As a result, the proportion of jobless women covered by public assistance — which had held constant at around 60 percent for 20 years and through three recessions — has plunged in recent years to a record low of 25 percent, the survey data show. (See Fig. 2.)

Trend Encompasses All Racial Groups

Across every major racial and ethnic group, the number of female-headed families (with children) who have no work (in an average week) and no welfare reached a record high in 2001. Although the number of families and the size of the changes is small, when the data are broken down by race, the consistency of the findings is striking. In that year, compared with 2000, the number of families with no work and no welfare:

- grew by 103,000 (or 13 percent) among non-Latino Whites.
- grew by 118,000 (or 21 percent) among non-Latino Blacks.
- grew by 53,000 (or 16 percent) among Latinos.

² Average weekly employment levels are based on government survey questions that ask Americans each March how many weeks they worked during the previous calendar year. See Appendix A for data.

³ For a discussion of the potential pitfalls of using survey data for tracking welfare receipt, see Appendix B, “Other Data Sources Confirm the Rise in Families with No Work and No Welfare.”

Affected Households Report Scant Additional Resources to Support Their Children

The 4.0 million children who live in female-headed families with no work and no welfare⁴ are overwhelmingly poor by any standard, the survey data show. (See Table 1.) Their families lack adequate resources to meet their basic needs, even when a wide range of potential alternative income sources are taken into account:

- Two out of three children (or 68 percent) live in families below the official poverty line, with total family cash income below the federal poverty line of \$14,128 a year for a family of three. (Cash income includes payments from unemployment insurance, child support, Social Security, disability programs like Social Security Supplemental Security Income, pensions, interest on savings, stock dividends and any other payments, in addition to wages, salaries, self-employment income and public cash assistance.)
- Even after counting the value of noncash benefits from government food and housing assistance programs and tax credits like the federal earned income tax credit — income sources that are not included in the official federal definition of poverty — 63 percent live below the poverty line.
- Even after adding income from live-in boyfriends and other household members who are not part of the family, 56 percent live below the poverty line.

Table 1: Children in female-headed families with no work and no TANF income during the year

	2000	2001	Change
Total	3,402,000	4,028,000	+626,000
Below poverty line, based on:			
family's cash income	2,255,000	2,755,000	+500,000
family's cash and noncash after-tax income	2,061,000	2,543,000	+482,000
household's cash and noncash after-tax income	1,810,000	2,260,000	+450,000
Below one-half the poverty line, based on:			
family's cash income	1,448,000	1,889,000	+441,000
family's cash and noncash aftertax income	1,000,000	1,305,000	+304,000
household's cash and noncash after-tax income	733,000	1,035,000	+302,000

Source: CDF tabulations of U.S. Census Bureau data from the March 2001 and March 2002 Current Population Survey. Families with no work are a weekly average of families in which the head of household did not work. Numbers may not add due to rounding.

⁴ No work here is a weekly measure and means the head of household had no paid employment in an average week of the year. An alternative, more extreme form of no work is having no family members working for pay at all during any part of the year. Under this more extreme definition there were 2.1 million children in female-headed families with no work and no welfare in 2001, up by 506,000 (or 32 percent) from the previous year. These children were even more likely to experience poverty (and extreme poverty) than the children described in Table 1.

Increase Explains Recent Surge in Extreme Child Poverty

To make matters worse, many of the children in no-work, no-welfare, female-headed families are not just poor but are *extremely* poor — defined as living below *one-half* the federal poverty line. Based on their family's cash income alone, nearly 1.9 million out of the 4.0 million children—or 47 percent—are extremely poor. (See Table 1.) When unrelated household members and noncash income sources are included, the figure drops substantially, yet remains very high at 26 percent. (Half the poverty line was \$7,064 a year for a family of three in 2001.)

In fact, the increase in families without work or welfare appears to account for one of the most disturbing developments for children and families of recent years — the sudden spread of extreme child poverty in 2001.

- The number of extremely poor children in female-headed families without work or welfare income during the year rose by 441,000 (or 30 percent) from 2000 to 2001, based on the family's cash income.
- This increase is more than large enough to account for the entire nationwide rise in children in families with cash income below half the poverty line that year (303,000).

The pattern holds true regardless of what definition of extreme poverty is used. When the picture is expanded to count both cash and noncash after-tax income and to account for boyfriends and other household members, the number of extremely poor children in female-headed families without work or welfare income rises by 302,000 children (or 41 percent) from 2000 to 2001— again enough to explain the increase in extreme child poverty nationwide.

The Problem Likely is Getting Worse

Although full data are not yet available for 2002, basic caseload and labor force statistics suggest that the number of families with no work and no welfare is probably *not* receding and may have risen still higher in fiscal year 2002. Quarterly labor force data and monthly TANF program records show that:

- The average monthly number of jobless single parents (whether receiving TANF or not) *increased* by more than 200,000 between federal fiscal year 2001 and 2002.
- During the same period, the average monthly TANF caseload *declined* by more than 50,000 families nationwide (although many individual states saw increases, and the national caseload began to rise during the final months of the period).

Taken together, these findings suggest a continued rise in the number of jobless families unprotected by TANF. In fact, if past caseload characteristics hold steady, then the figures

imply that the average monthly number of single parents with no work and no welfare has risen by roughly 240,000 families nationwide between fiscal years 2001 and 2002.⁵

Aspects of TANF Programs that May Be Keeping Jobless Families Out

A number of current welfare-to-work policies and practices may be adding to the rising number of single-parent families with no work and no welfare. Although it is not clear which program features have played the biggest role, it is clear that together they have reduced access to cash assistance for many newly jobless families in a way not intended by the policy's authors.

One of these policies is time limits. The federal law that created TANF in 1996 imposed a five-year lifetime limit on receipt of TANF, which in many states began to hit families in 2001. More importantly, many states have imposed shorter time limits. More than 93,000 families had had their cases closed due to time limits by December 2001 according to the research firm MDRC.

A second program feature is work requirements. TANF work participation rules expect many TANF families to find at least a very low-paying job as a condition of assistance. (Single parent families generally are expected to spend at least 30 hours per week working or, within certain limits, looking or preparing for work. For those with children younger than 6, the requirement is 20 hours per week.) Failure to comply with work rules and related requirements resulted in more than 500,000 families losing assistance from 1997 to 1999, according to estimates by the Center on Budget and Policy Priorities. Finding and keeping an acceptable job can be especially difficult for families who already are grappling with illness, disability, limited work skills, domestic violence and other family crises, lack of transportation, or other severe barriers to employment. In addition, many families are not made adequately aware of program expectations and are cut off from the TANF program for failing to comply with rules they do not yet understand. Continuing to comply with these rules may be even more difficult and frustrating for families when the economy is weak and jobs are scarce. Work rules that might lead to a job in good economic times could push a family off assistance in bad times. For example, a state rule that requires parents to ask 20 potential employers for a job might yield a job after the fourth attempt in a good economy. But in a weak economy a parent might easily have to keep trying all 20 times, and if she fails to document one of these visits, she could be penalized and lose assistance.

Third, lack of outreach to families and limited understanding among families about time limits and other eligibility policies may stop eligible families from applying for TANF cash assistance. Fourth, some states and localities have exacerbated the problem by adopting diversion policies, longer application forms and similar policies that discourage eligible families from applying or make it less likely that an application will be approved. Fifth, most

⁵ Although the above comparison uses *fiscal year* data — the latest for which official caseload figures are available from the federal government — newer figures suggest a similar increase took place between *calendar years* 2001 and 2002. U.S. Labor Department figures show that the number of single jobless parents rose by 202,000 between calendar years 2001 and 2002. During the same period the number of TANF cases, based on preliminary state figures compiled by the Center for Law and Social Policy (www.clasp.org), declined by about 30,000. (The TANF data also show, however, that by the second half of 2002 caseloads were beginning to rise in most states and nationwide.)

states send a strong message to families (through caseworkers' words, posters placed in welfare offices, statements by public officials and other means) that using welfare is bad, and some families may act on this message by staying away even in times of need.

Restrictions on eligibility for immigrants also may play a role. However, the fact (noted earlier) that families without work or welfare are on the rise for White and Black as well as Latino families suggests that immigrant restrictions are far from the only reason for the no work, no welfare trend.

Adding dramatically to all of these problems is the limited federal investment in, and rapid erosion of state resources for, services to help working poor families stay employed and off of the TANF cash assistance rolls. The result is state cutbacks in work supports (such as child care or transportation assistance) and work preparation (job training or education) that would enable low-skilled parents to get and keep jobs once they leave welfare.

House Approach to Welfare Reform Likely Would Make the Problem Even Worse

A bill to reauthorize TANF passed by the U.S. House of Representatives in February 2003 could make the problem much worse. The bill (H.R. 4), which closely follows President Bush's welfare proposals, would likely increase the number of families with no work and no welfare by imposing ever more inflexible work rules as a condition for receiving assistance, while failing to include meaningful new resources to help support work, create jobs, or give families training or child care so they can find and keep a job on their own.

The House bill not only fails to help families find work in the weak economy, but also actually worsens the Catch-22 of tough work expectations and shrinking work opportunities that causes families to leave the public assistance rolls without finding a job. The bill:

- imposes tougher work activity requirements. For example, it requires states to place parents for at least 40 hours per week in job-related activities (up from 30 hours currently) and ends an exemption that allowed parents with children younger than 6 to participate for 20 hours.
- imposes more rigid and drastic penalties for failure to meet these expectations, including, for the first time, requiring states to terminate cash assistance outright for an entire family in selected cases of noncompliance.
- fails to give states meaningful new resources to help families keep jobs. For example, the bill provides far too little new child care funding (just \$1 billion over five years) to cover the cost of inflation, let alone the cost of meeting the bill's new work requirements or the cost of helping millions of unassisted working-poor families continue working without cash assistance.
- discourages job training by no longer allowing states to count families' hours in a job training program toward federal "core" work participation requirements.

A draft bill currently moving through the Senate would be uncomfortably similar to the House bill in terms of work requirements and lack of new resources. By contrast, an earlier welfare bill, approved by the Senate Finance Committee in 2002, would have taken several positive steps to reduce the chances that a family will end up with no work and no welfare. That bill would have:

- required states to conduct a review before cutting off a family’s payments and funded caseworker training to reduce the chance that families lose benefits due to a paperwork error or because severe work barriers leave them unable to comply with rules.
- added some new funding to increase employment and income by creating a new transitional jobs/“business links” initiative.
- changed the current TANF “caseload reduction credit” to reward states for placing low-income families in employment — with extra credit for higher-paid employment — rather than merely reducing the welfare caseload.
- allowed states to count more education, training and services to address serious work barriers (such as physical or mental disability, limited English or substance abuse) toward the core federal participation requirements, which help ensure families are prepared for work by the time they leave cash assistance.
- enabled states to restore cash benefits for legal immigrants whose eligibility had been restricted in 1996.

Experts have noted that the two bills — the House-passed bill and the 2002 Senate Finance bill — differ starkly in their likely effects on children’s lives, in large part due to how the differing provisions listed here are likely to affect families’ resources. In March, 50 of the nation’s top scholars — including experts in the fields of welfare-to-work programs, child development, poverty, families, and the economy— sent Congress a rare joint statement warning that many of the House bill’s provisions “may be more likely to *injure* children’s well-being than to improve it.”⁶ (Italics in original.) Although the preamble of the House bill declares that improving children’s well-being is the TANF program’s overarching purpose, the scholars warn that the details of the House bill could defeat that purpose.

Instead, they said, “We believe the best prospect for improving children’s well-being through welfare reform lies in enacting a bill like the Senate Finance Committee’s 2002 welfare bill plus substantial new child care funding and additional state flexibility to improve income.”

⁶ Available from the National Center for Children in Poverty Web site at www.nccp.org.

APPENDIX A

Female householders with related children under 18, 1975–2001

(Numbers in thousands)

Year	Total	No work	No work and no welfare	Percent change since previous year: No work and no welfare
1975	4,986	2,503	1,024	
1976	5,164	2,607	1,053	+3%
1977	5,530	2,704	1,086	+3%
1978	5,617	2,599	994	-8%
1979	5,918	2,617	1,064	+7%
1980	6,299	2,849	1,143	+7%
1981	6,488	2,867	1,105	-3%
1982	6,397	3,027	1,195	+8%
1983	6,622	3,064	1,195	+0%
1984	6,832	3,070	1,153	-4%
1985	6,893	3,095	1,186	+3%
1986	7,094	3,142	1,189	+0%
1987	7,153	3,115	1,163	-2%
1987*	7,216	3,114	1,194	+3%
1988	7,363	3,126	1,188	-1%
1989	7,445	3,093	1,226	+3%
1990	7,707	3,258	1,159	-5%
1991	7,991	3,450	1,261	+9%
1992	8,230	3,516	1,328	+5%
1993	8,758	3,853	1,449	+9%
1994	8,665	3,559	1,412	-3%
1995	8,751	3,300	1,418	+0%
1996	8,957	3,336	1,575	+11%
1997	8,822	3,140	1,706	+8%
1998	8,935	2,938	1,751	+3%
1999	8,736	2,640	1,725	-1%
2000	8,510	2,381	1,614	-6%
2000*	8,813	2,540	1,759	+9%
2001	9,171	2,728	2,056	+17%

* New survey sample. Data for this and subsequent years are not strictly comparable with data for earlier years.

Employment status in this table is for the family head only and represents a weekly average for the year, calculated based on how many weeks the householder worked during the year. (For example, a family head who worked year-round is not counted as a jobless worker. A family head who did not work at all during the year is counted as one jobless worker. A family head who worked one-third of the year is counted as two-thirds of a jobless worker.) A family is considered to receive welfare (public assistance) in this table if any family member in the household received any TANF /AFDC or General Assistance income during the year.

Source: CDF tabulations of U.S. Census Bureau data from the March Current Population Survey, March 1976–2002.

APPENDIX B

Other Data Confirm the Rise in Families with No Work and No Welfare

Some researchers may wonder whether the findings in this report are the result of technical problems with the Census Bureau survey data used. The concern stems from the fact that, in recent years, a growing proportion of cash assistance recipients failed to report their assistance in the survey.⁷ That trend means that the survey findings in this report might overstate both the number and the increase over time in jobless families with no welfare income.

Other data sources, however, indicate that the no-work, no-welfare trend is real. An analysis of administrative records from the TANF program show that the number of jobless single-parent families served by TANF indeed fell rapidly through federal fiscal year 2001 (the most recent administrative data available). At the same time, household survey data for the same time period show a slight one-year rise in the overall number of jobless single parents. In principle, the number of jobless single parents overall minus the number on TANF equals the number with no work and no welfare. (See Table 2).

Table 2: A comparison of employment trends from public assistance records confirms the rise in families with no work and no cash assistance
Number of nonemployed, unmarried parents, 12-month averages

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Change: FY00 to FY01
Total jobless single parents	3,340,500	3,070,000	2,975,000	2,998,500	+23,500
No work but get TANF	1,631,439	1,212,898	1,022,856	912,873	-109,983
No work, no welfare	1,709,061	1,857,102	1,952,144	2,085,627	+133,483

Note: Fiscal year is October (of previous calendar year) through September.

Sources:
Row 1 is from U.S. Bureau of Labor Statistics, unpublished quarterly labor force estimates; calculations by CDF.
Row 2 is from the U.S. Department of Health and Human Services, Administration on Children and Families, unpublished tabulations of TANF program data. Calculations by CDF.
Row 3 is Row 1 minus Row 2.

⁷ Possible reasons for increased under-reporting or misreporting of TANF income may include confusing changes in the names of some state TANF programs; increased work requirements in TANF, which may cause some recipients to report their TANF income as income from work rather than welfare; declining or less steady participation in TANF, which may make it harder for individuals to accurately recall their participation in the program when asked about it months later in the Census Bureau's survey; or the increased stigma of receiving welfare.

Therefore, taken together, the data suggest a genuine rise of 133,000 in the number of single parents with no work and no welfare in fiscal year 2001.

Moreover, these fiscal year figures understate the trend because the time period they cover misses the lion's share of recent job losses. For single parents, as for the economy as a whole, the major loss of paid employment since the year 2000 occurred in the months immediately following the events of September 11, 2001. The figures in this appendix are for federal fiscal years, which start in October of the previous calendar year and end in September. Therefore, they fail to capture the post-September job losses. (The post-September job losses are captured to some degree, however, by the findings in the body of this report. That is because those findings depend on survey data for calendar years, concluding with calendar year 2001, which ended in December 2001.)

As discussed earlier, the numbers appear likely to rise again in fiscal year 2002. (See page 6.)