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February 27, 2020

Policy Brief: Deep Poverty Among Children Rose in TANF's First Decade, Then Fell as Other Programs Strengthened

By Danilo Trisi and Matt Saenz

A close examination of the effectiveness of economic security programs, using more complete income figures than are widely available, reveals that policy shifts in aid for children in families with the least income have had a significant impact. In the decade after policymakers altered the public assistance system in the mid-1990s, it became much less effective at protecting children from deep poverty — that is, at lifting their incomes above *half* of the poverty line — and children's deep poverty rose.[1] But during the Great Recession, assistance policies for children in poverty and deep poverty grew stronger, bolstered by temporary recovery initiatives, and prevented what likely would have been a large surge in deep poverty among children.

Deep poverty among children remains a significant problem. Some 2 million children live in families with income and benefits (net of taxes paid) below half the poverty line, or below just $14,000 a year for a typical family of four. To make significant progress in protecting children from this level of economic hardship will require strengthening income supports for families in deep poverty, including those where parents are out of work, either temporarily or over a longer period.

Our analysis finds:

- The deep poverty rate among children rose in the decade after the 1996 law that created the Temporary Assistance for Needy Families (TANF) program, from 3.1 percent in 1995 to 3.5 percent in 2005.[2] (See Figure 1.) All of the increase occurred among the children most affected by the 1996 law: those in single-mother families. In 2005, an additional 300,000 children lived in deep poverty due to this increase. Our finding that deep poverty rose for children in single-mother families during TANF's first decade is consistent with administrative caseload data showing that the number of families receiving cash assistance (most of whom are single-

[1] For more detail see Danilo Trisi and Matt Saenz, "Deep Poverty Among Children Rose in TANF's First Decade, Then Fell as Other Programs Strengthened," Center on Budget and Policy Priorities, February 27, 2020, https://www.cbpp.org/research/poverty-and-inequality/deep-poverty-among-children-rose-in-tanfs-first-decade-then-fell-as.

[2] The decade from 1995 to 2005 is a particularly notable period for examining the effects of the 1996 law, as it begins the year before the law's enactment and ends when the law's major changes had mostly played out and before significant additional changes in low-income policies began blunting its negative impact on deep poverty. Further, 1995 and 2005 had similar overall unemployment rates and represent similar stages in the business cycle.

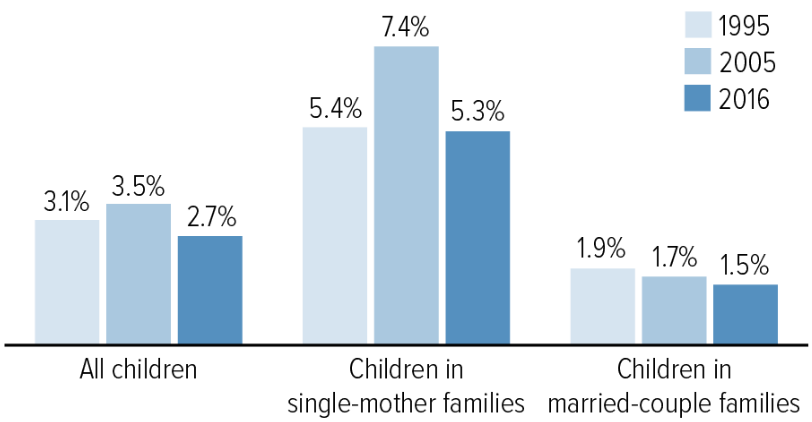
parent families) fell by 2.7 million from 1995 to 2005, even though the number of single mothers without a job fell by only 0.4 million.[3]

- Deep poverty for children rose in the decade after 1995 largely because government benefits became less effective at protecting children from deep poverty. In 1995, public benefits lifted above half of the poverty line 82 percent of children who otherwise would have been in deep poverty; by 2005, this figure had dropped to 74 percent. The main reason was the loss of cash assistance following the 1996 law.

FIGURE 1

Deep Poverty Rose Among Children in Single-Mother Families in Decade After 1996 Law Created TANF

Percent of children below half the poverty line, by family type



Note: Deep poverty = Those in families with incomes below 50 percent of the poverty line. Figures use Supplemental Poverty Measure (SPM) and 2018 SPM poverty line adjusted for inflation. Figures correct for underreporting of benefits from SNAP, Supplemental Security Income, and Temporary Assistance for Needy Families (TANF).

Source: CBPP analysis of SPM data from Columbia University Population Research Center (for 1995 and 2005) and U.S. Census Bureau (for 2016). Corrections for underreported benefits from Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM).

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- In contrast to the trends in deep poverty, overall child poverty *fell* between 1995 and 2005 and government assistance became *more* effective at lifting children above the poverty line. In 2005, government programs lifted 34 percent of children above the poverty line who'd otherwise be below it, as opposed to 24 percent in 1995. These contrasting trends suggest a shift in the focus of government assistance, away from helping children in families with the least income and toward those modestly higher on the income ladder.

[3] LaDonna Pavetti, "TANF Studies Show Work Requirement Proposals for Other Programs Would Harm Millions, Do Little to Increase Work," Center on Budget and Policy Priorities, November 13, 2018, https://www.cbpp.org/research/family-income-support/tanf-studies-show-work-requirement-proposals-for-other-programs-would.

- The deep poverty rate for Black and Latino children rose from 4.9 percent in 1995 to 6.3 percent in 2005; among white children it appeared to dip slightly, although not by a statistically significant amount. Unequal declines in the government's effectiveness at protecting children from deep poverty largely explain these trends. In 1995, public benefits lifted above half the poverty line 86 percent of Black and Latino children who would otherwise have been in deep poverty; by 2005, this figure had fallen to 74 percent. The comparable figure for white children remained statistically unchanged over this period.
- Deep poverty among children was lower in 2016 (2.7 percent) than in 2005 (3.5 percent), due to stronger government assistance programs and, since the Great Recession, an improving economy. However, government assistance programs did less in 2016 than they did two decades earlier, in 1995, to reduce deep poverty among children. Among children whose families were below half the poverty line before counting benefits from economic security programs, those benefits lifted 79 percent of them above half the poverty line in 2016, as opposed to 82 percent of such children in 1995.
- Children living in deep poverty are a diverse group, but deep poverty is far more likely for some children than for others. For example, the deep poverty rate in 2016 was 4.5 percent for Black children, 3.5 percent for Asian children, 3.2 percent for Latino children, and 2.0 percent for white children. Children in single-mother families had a deep poverty rate of 5.3 percent, versus 3.1 percent for children in single-father families and 1.5 percent for children in married-couple families.
- Twice as many children would live in deep poverty without the food assistance that the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) provides. SNAP lifted 1.9 million children above half of the poverty line in 2016, more than any other program.

These findings emerge from a comprehensive assessment of poverty that blends the Supplemental Poverty Measure (SPM) — which counts more forms of income than the "official" poverty measure (among other differences) and therefore more accurately reflects the resources available to low-income households — with corrections for underreporting of key government benefits in survey data. The SPM counts income from SNAP, rental subsidies, and other federal non-cash benefits and refundable tax credits, which the official poverty measure omits. The SPM also subtracts federal and state income taxes, federal payroll taxes, and certain expenses (such as child care) from income when calculating a family's available income for basics such as food, clothing, and shelter. A family is considered poor if its resources are below a poverty threshold that accounts for differences in family composition and geographic differences in housing costs. Our analysis ends in 2016 since that's the most recent year for which we have data that correct for underreporting of key government benefits.

We created a poverty series merging data files from the Census Bureau's Current Population Survey (CPS) with historical SPM data produced by a Columbia University research team[4] and corrections for underreporting created by the Urban Institute. We use the Census Bureau's SPM data for 2009 through 2016, and the Columbia SPM data for prior years. Our poverty series uses the

[4] Chris Wimer *et al.,* Historical Supplemental Poverty Measure Data, Columbia Population Research Center, 2017, https://www.povertycenter.columbia.edu/data-release/2016/8/23/historical-spm-data.

2018 SPM poverty line, adjusted in years before for inflation.[5] In 2018, the deep poverty threshold (defined as half of the SPM poverty line) for a two-adult, two-child family renting in an average-cost community was $14,083.

We provide a fuller picture of the public income support system for low-income families by correcting for the underreporting of key government benefits in the Census data.[6] These corrections expose the increase in deep poverty for children during the first decade after the creation of TANF. This increase is masked in the *uncorrected* data because changes in the degree of underreporting make it appear that benefits fell less than they actually did. One final adjustment to our data addresses the concern that some people who appear to be in deep poverty are self-employed business owners who may possess substantial assets but are experiencing temporary business losses. To reduce this concern, this report omits families with negative cash income from our counts of families in deep poverty.

Our findings are consistent with earlier evaluations of the impact of imposing work requirements on cash assistance recipients. Evidence from welfare-to-work pilot programs in the early 1990s — based on rigorous, random-assignment study design and with income measured carefully using administrative records — showed that those programs tended to increase deep poverty. Those programs were, if anything, less harsh than the 1996 law.

Policy Changes Could Sharply Reduce Deep Child Poverty

The experience of the last two decades shows that government policies can have a large impact on the number of children with family incomes below half of the poverty line. While deep poverty among children fell between 2005 and 2016, economic security programs do less today than in 1995 to protect children from deep poverty. To make more substantial progress in reducing the number of children in deep poverty will require further action.

A groundbreaking report from a National Academies of Sciences (NAS) committee that Congress charged with recommending ways to reduce child poverty found that either of two separate policy packages could cut children's deep poverty — as well as child poverty overall — in half.[7] Comparing elements from these packages, the three policy changes with the largest impact on reducing child deep poverty are creating a child allowance, increasing SNAP benefits, and expanding housing vouchers.

One way to essentially create a child allowance would be to make the Child Tax Credit fully refundable — that is, fully available to children in low-income families regardless of whether their families have earnings. Raising SNAP benefits, providing rental vouchers to more low-income families, and increasing the number of families receiving TANF and the amount of direct cash assistance they receive would also lessen deep poverty.

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5 Using a recent year's SPM threshold and adjusting it back for inflation creates an "anchored" SPM series. Some analysts prefer it to the standard or "relative" SPM, which allows thresholds to grow slightly faster than inflation as living standards rise across decades. For more detail on our methodology, see the main report.

6 We correct for the tendency of Census Bureau data to underreport income from three government assistance programs: AFDC/TANF, Supplemental Security Income, and SNAP. The corrections come from the Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM).

7 National Academies of Sciences, Engineering, and Medicine, *A Roadmap to Reducing Child Poverty*, National Academies Press, 2019, https://www.nap.edu/read/25246.