

## **Major Means-tested and Income Support Programs for the Working Class, 2009-2019**

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## Introduction

The labor market and economic trends covered by other authors in this volume exist alongside safety net and social insurance programs that both shape and are shaped by the labor supply and socioeconomic well-being of low- and moderate-income families with workers. As we reflect on the well-being of America's working class during the decade of recovery that followed the Great Recession in 2009, changes in the reach, coverage, and performance of social insurance and means-tested programs necessarily comprise part of the overall picture. To this end, this article examines trends in income support programs for low-income workers and their families from 2009 through 2019.

We focus on four programs that provide cash or near-cash provisions to families with workers or potential workers: the Earned Income Tax Credit (EITC), the Supplemental Nutrition Assistance Program (SNAP), Unemployment Insurance (UI) and Temporary Assistance to Needy Families (TANF). *Did program policies and coverage change over the most recent expansionary period? What do these trends and shifts of selected program provisions and workers' participation in them foretell for the pandemic downturn?* Our analysis tracks several dimensions of these policies, paying attention to coverage, benefits, and outcomes over the period 2009-2019. Changes in program provisions, including target beneficiaries, coverage, and benefits, speak to a program's generosity and policymakers' intent. These matters hold substantive importance for the well-being of program participants and potential participants as well as symbolic significance in that they represent negotiated political agreements on the role of social welfare programs. We then examine outcomes of these policy changes through tracking caseload counts, and the ratio of caseloads to potentially eligible households, and provide state-level differences on other program dimensions in some instances. We conclude with a cross-program discussion of the state of the safety net for low- and moderate-income households with

workers as of the beginning of 2020 and the likely impact of such program designs on attenuating hardship in the midst of COVID-19.

### *Evolution of the US Welfare State through 2009*

The US safety net has evolved over time, with expansions and contractions in part reflecting overarching economic conditions and political sentiment. The first major expansion - and the bedrock of today's system - was the Social Security Act of 1935. Responding to the disruptions of the Great Depression, this effort established the Unemployment Insurance system and cash assistance for families with children. Another wave of legislative and court actions in the 1960s added food assistance and expanded access to entitlement cash assistance. Then as politics shifted, the US pulled away from entitlement-based provisions and toward neoliberal principles calling for maximum labor force participation (Abramowitz 2012). Expansions of the EITC and federal waivers to experiment with work-based welfare in the 1980s and 1990s portended the 1996 welfare reforms that ushered in TANF and made cash assistance largely dependent on market work. Indeed, by the early 2000s, safety net spending had shifted away from the non-working poor toward low-earning workers (Moffitt 2015).

While we know that spending trends in public provisions for lower-income families are important metrics in understanding program effectiveness, it tells us less about how low and moderate- income families have fared since the Great Recession relative to target programs. Overall, policy reactions to the Great Recession – as illustrated by the American Recovery and Reinvestment Act (ARRA) of 2009 provided largely temporary measures in program support suggesting a post-recovery trajectory of the previous several decades. To these ends, our analysis covers the economic expansion that began in June 2009 through 2019 to assess program trends in the post-expansion context.

In order to provide a nuanced picture of the robustness of the safety net we must consider such provisions at the state and federal level. The federalist structure of the US government shapes the development and evolution of the social safety programs (Pierson 1995; Meyers, Gornick, & Peck 2001). The division of rights and responsibility for funding, program design, and rule-setting between the federal and state (and local) governments varies by program. TANF and UI programs began at local or state level and federalized under the Social Security Act of 1935 as a policy response to the Great Depression. Despite their different joint federal-state funding mechanisms, these two programs have remained highly decentralized in rule-making and administration. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 facilitated the welfare devolution revolution, granting states more discretion on TANF block grant allocation, program rules and administration. SNAP (previously Food Stamps) was established in the context of War on Poverty and the Great Society in the 1960s. SNAP is federally funded with nationally uniform eligibility and benefit rules, but it is administered by states. The EITC, enacted under the Tax Reduction Act of 1975, is fully financed by the federal revenues and administered by the federal Internal Revenue Service (IRS), but many states independently have added EITCs to their own state tax programs. Research has shown that the federal-state feature of the program design contributed to cross-state and cross-program variations in policy responses to economic cycles (Bruch, Meyers, and Gornick 2018; Chang 2015; Gais 2009; Schott, Pavetti, and Floyd 2015).

### *The Contemporary Safety Net*

The US safety net includes both social insurance programs, designed with broad (if not universal) eligibility, and means-tested programs that provide benefits only to lower-income households. Why is it important to think about the safety net as we think about the well-being of

America's working class over the economic recovery that was? Part of the answer is in the concept of a safety net – it is what is supposed to catch people when the labor market is not enough. Even a robust economy will have workers temporarily out of jobs as well as persons for whom market work is temporarily, or more permanent, incompatible with other life circumstances. Furthermore, many jobs pay workers less than needed to afford basic life necessities (SSS, other calculators). Hence the agility of the safety net, or the extent to which safety net provisions are used, matters for the well-being of households, particularly low- and moderate-income households without substantial assets.

Social insurance and means-tested programs also shape labor supply. The simplified utility-maximizing theory underpinning economic models of the labor market holds that for an individual, working for wages makes sense if it is an improvement over the fallback position of subsisting without work. In this framework, a generous safety net may make it possible for workers to stay out of the labor market; hence, improvements in the safety net may indirectly place upward pressure on wages and work conditions. Inversely, restrictions in the generosity of benefits available to non-workers increase incentives to work. For instance, strong evidence shows that the Earned Income Tax Credit, which - by design - goes only to tax filers with earned income, increases participation in the labor force especially among unmarried parents (Eissa and Hoynes 2006; Schanzenback and Strain 2020). Conversely, such incentives likely only work for lower-income households with a stable worker. For instance, despite the retrenchment of TANF provisions (average monthly TANF benefits are lower now than in 1997 after accounting for inflation) TANF participants remain, on average, no better off than prior to reform in work, income, poverty, deep poverty, or material hardship measures. What role has access to such provisions played in post-Great Recession trends and patterns?

## **Trends in Program Policies**

### *TANF*

The American Recovery and Reinvestment Act (ARRA) of 2009 provided a \$5 billion TANF Emergency Fund available to states for fiscal years 2009 and 2010. States could apply to the ARRA TANF Emergency Fund to receive additional funding to support cash assistance, subsidized employment, and short-term supports such as emergency assistance. The maximum amount that any state could receive in ARRA TANF Emergency Funds over 2009 and 2010 was half of one year's TANF block grant amount (Schott, 2009). States' that received emergency fund dollars were allotted 80 percent of costs dependent on demonstrating a rise in caseloads relative to 2007 or 2008. States could also apply to keep their work participation rate at 2007 or 2008 levels due to the weak labor market. The ARRA TANF Emergency Fund expired at the end of 2010. Since its lapse, the TANF program has seen few changes in structure; it continues to be block grant supported with broad authority in program design residing with states, and few changes in coverage of eligible families or average benefits as evidenced by this chapter. TANF was last reauthorized was in 2005 through the Deficit Reduction Act. Since then, TANF has been funded through short-term extensions.

### *SNAP*

Four pieces of federal legislation - one immediately before and three during the 2009-2020 recovery -shaped SNAP over this period. First, the 2008 Farm Bill – passed during the Great Recession – updated the program that until then had been known as Food Stamps. Beyond the new moniker, the 2008 bill upped the minimum benefit and contained provisions to modernize and streamline state administration, including options for simplified reporting and longer certification periods in some cases (Rosenbaum 2008). Then the 2009 ARRA boosted

SNAP's minimum benefit from mid-2009 (as the recovery was, in retrospect, beginning) through November 2013. When the ARRA provision expired in late 2013, benefit rates then dropped (Keith-Jennings and Rosenbaum 2015).

The 2014 Farm Bill did not restore the ARRA-level benefits or expand benefits as anti-hunger advocates hoped but also did cut eligibility as the then Republican-controlled House of Representatives had proposed (Bolen, Rosenbaum, and Dean 2014). Rather it took a middle path of strengthening administrative processes and closing some identified loopholes. As a nod toward stakeholders who believed that benefits reduce recipients' work effort, the bill also contained funding for pilot programs and advancement of the SNAP Employment & Training efforts. This was a carrot for employment relative to the "sticks" suggested by the House. The 2018 Farm Bill did include these employment mandates, however, most notably the Able-Bodied Adults Without Dependents (ABAWD) clause, which limited SNAP eligibility for persons without a medical reason for nonwork nor dependents to 3 months of SNAP in within a three-year period. Applicants who were working or participating in training, volunteer or workfare activities could still receive benefits.

### *EITC*

By the advent of the 2000s, the federal Earned Income Tax Credit was credited as the US's largest and most successful anti-poverty measure (Hoynes, 2014). The EITC supplements total earnings with a subsidy amount that phases in, plateaus, and then phases out relative to earnings and family size. The federal EITC is refundable, meaning that it is dispersed even if the tax filer does not have an offsetting tax liability. By supplementing income for tax filers who earned some money through market work, the EITC boosts income enough to move many low-earning workers and their families from under to over the federal poverty threshold. The ARRA

contained two expansions to the EITC that were subsequently maintained. First, the bill created a more generous credit for families with three or more children, raising the overall credit amount that was previously capped at the amount for two children. Second, the act extended the phase-out point for married tax filers, hence reducing the “marriage penalty” whereby two-adult households received lower credits than they would as two unmarried filers. Congress extended these measures temporarily in the 2012 tax bill and then permanently in the 2015 tax bill.

### *Unemployment Insurance*

Unemployment insurance (UI) is a federal-state social insurance program providing wage replacement for workers who lose their jobs. The UI system also buttresses consumer consumption and functions as an economic stimulus tool during economic downturns. In response to the Great Recession and its lingering aftermath, the federal government made several policy changes to Unemployment Insurance. Congress passed the Emergency Unemployment Compensation (EUC) program in July 2008 to extend UI benefits up to 53 weeks to those who had exhausted their regular 26-week UI benefits. Congress amended the EUC08 program 11 times after its passage, including a final benefit extension to the end of 2013 under the Middle Class Tax Relief and Job Creation Act (MCTRJCA) of 2012 (Congressional Research Service 2014). The American Recovery and Reinvestment Act (ARRA) of 2009 strengthened UI programs in several ways. First, it provided an additional \$25 weekly benefit on the top of regular UI benefits. Second, it fully financed the state-level Extended Benefit (EB) program, which was triggered when a state’s unemployment rate reached certain high levels. The EB program provides an additional 13 or 20 weeks of benefits to unemployed workers who have exhausted their regular UI benefits and EUC benefits, making a maximum of 99 weeks of UI benefits available to unemployed workers. In addition, the ARRA temporarily waived interest



payments on state UI loans. Lastly, as part of the ARRA, the Unemployment Insurance Modernization Act (UIMA) provided a \$7 billion incentive funding for states to reform their UI programs by August 2011, aiming to include more low-wage or disadvantaged workers into the UI system and provide more adequate benefits for unemployed workers. To receive the first one-third of the allocated incentive funding from the federal government, a state must adopt an alternative base period (ABP) method which is more likely to qualify low-wage or low-skilled workers than a standard base period method does. To receive the remaining two-thirds of the allocated incentive funding, a state must adopt two out of the following four provisions: allowing UI claimants searching for part-time jobs, providing extended benefits for UI claimants in training programs, providing an additional allowance for UI claimants with dependents, and allowing family reasons (i.e., domestic violence, spousal relocation, and taking care of sick family members) for leaving work.

### **Trends in Program Outcomes**

What happened when these evolutions in program design and implementation combined with low- and moderate-income Americans' demand for safety net programs over the Great Expansion? In this section, we track three broad level outcomes that reveal different dimensions of our focal programs' performance over the period 2009-2019. Figure 1 shows these indicators, which extend prior work (Chang and Romich 2020). Figures are calculated based on administrative and Census data as described in Appendix A. First, overall caseload trends show the number of persons who used each program, either as an average monthly case count or annually in the case of EITC. Next caseload divided by the approximate number of eligible persons gives an indication of how much of the target population the program actually reached. This is similar to the program inclusiveness measure used by Sarah Bruch and colleagues

(Bruch, Gornick, and Meyers 2018). For instance, for TANF we calculate inclusiveness by dividing caseload by the number of families with children under 18 below 100% of the poverty line. Finally, the third panel shows the changes in inflation-adjusted average benefit amount over time as measured by total expenditure divided by caseload. All figures are presented as percentage change from 2009.

TANF trends show a continuation of patterns observed since the 1990s namely decreases in caseloads and benefit amounts. After staying fairly consistent through 2012, TANF caseloads then dropped every year. By 2019, 40% fewer households received TANF cash assistance as had in 2009. Panel B shows that much of this caseload drop was likely due to decreased demand as the ratio of TANF recipients to potentially eligible households only edged down slightly. While ARRA funding buoyed average TANF grants in 2010, average benefit amounts then dropped, ending the decade about 10% lower in nominal terms than in 2009. These national average trends mask considerable state-to-state variation, which we discuss below.

Trends in SNAP program use, reach, and generosity reflect the changing policies described above. In 2009, the SNAP caseload included just under 15 million households. Consistent with the lagged effect of the recession on poverty and the temporary expansions under ARRA, the caseload grew rapidly, to 18.4 million in 2010 and peaking at 22.8 million households in 2013. Although the ARRA increase ended in 2013, total caseloads remained well above pre-recession levels, falling only to 19.7 million in 2018. Comparing caseload rates to the percentage of households at or below 130% of the federal poverty line shows that the program reached more of the potentially eligible households. In 2009, the caseload count was only 78% of the number of families below 130% of poverty; by 2018, (the most recent year for which data is available), this ratio was 95%. As a result, the ratio of caseload to potentially SNAP-eligible

households increased most years over the decade and at the last (pre-pandemic) count, remains over 30 percent higher than in 2009. This expansion in program reach occurred alongside a steady decrease in average benefit amount, likely because newly eligible households had higher incomes and hence qualified for lower benefit amounts. As shown in panel C, the average spending per SNAP household dropped over twenty percent over the expansion.

EITC program trends showed less variation than the other focal programs. Claimants included just over 27 million tax filers in 2009 and never exceeded 29 million filers over the subsequent decade. Our proxy for the number of potentially eligible claimants - workers from households with family income below 200% of the federal poverty line - dropped over this period, making the ratio of claimants to potentially eligible population grow by 15.7% by 2018. Finally, the average EITC amount remained very stable, reflecting the automatic inflation adjustment of the benefit and the continuation of the ARRA changes, which started in 2009.

Finally, as befits an economic recovery, UI caseloads dropped in every year, ending 2019 with 62 percent fewer claimants than in 2009. However, as shown in Panel B, this caseload drop reflects both a drop in need as well as a drop in the recipiency rate. Thanks to the ARRA expansions, the percentage of all unemployed persons who received UI benefits was higher than normal - but still only 43% in 2009. This rate then declined 40.3% between 2009 and 2013 before inching back up slightly over the remaining period. In 2019, only 28% of unemployed persons received unemployment benefits. Average UI benefit amounts dipped over the period 2009-2014, likely reflecting reemployment among higher earners. By 2019, average benefit amounts were almost identical to 2009.

*Select State-level Program Variations*

The national data presented in Figure 1 focuses on caseload dynamics and average benefits among our selected programs. While useful in understanding nation-wide program coverage and benefits, these analyses mask considerable state-to-state variation in our highly federalized safety net. Moreover, caseload dynamics and average benefits do not reveal other ways in which safety net programs may expand or contract participation via other means, such as enhancing or reducing administrative burdens (Herd and Moynihan 2019). In short, administrative burdens are the learning (knowing and understanding a particular program), psychological (associated program stigma), and compliance costs (submission of required documents) of program participation that are passed on to program applicants and participants (Herd and Moynihan 2019). Such burdens are less visible but may substantially affect program reach and enrollment.

To this end, we present trends in facets of administrative burden that might affect program participation by enhancing or contracting administrative burdens that likely affect program take-up. Robustly examining the complexity of administrative burdens in our selected programs is beyond the scope of this article. However, strategic examples from two state administered programs, TANF and state-level EITC programs, as reflected in Figure 2, are instructive in highlighting changes (or not) in state-level program designs.

Research demonstrates that state EITCs are associated with increased take-up of the federal EITC suggesting state EITCs not only enhance tax benefits for families but also reduce learning costs of the federal EITC program (Neumark and Williams 2020). Figure 2, B illustrates the number of state-funded EITC programs and the number of those states with refundable EITCs from 2009-2019. The number of states with EITCs increased from twenty-three in 2009 to twenty-eight including Ohio and Colorado. Among EITC states the number with refundable

provisions increased by only one, from twenty-one in 2009 to twenty-two in 2019. State EITCs' median percent of the federal EITC rose from 15 percent in 2009 to 19 percent in 2019.

For TANF we examine the number of required documents (submission of child/ren school attendance, child/ren grades, child/ren immunization records, and a health screening) prior to program enrollment as a form of administrative burden compliance costs. We assigned a value of "1" for each of the four document requirements if they were in place for each year for each state (range 0-4) and categorize the number of states with 0, 1-2, or 3-4 on our TANF administrative documentation measure, across years 2009-2018<sup>1</sup>. Overall, trends in TANF documentation burden was relatively stable; states with no documentation burden decreasing from fourteen in 2009 to twelve by 2018; states with one or two documentation burdens increasing from thirty to thirty-four; and states with three to four documentation burdens decreasing from nine in 2009 to eight in 2018. These trends suggest in some instances states have increased and/or decreased TANF documentation burdens although the number of states with any TANF documentation burdens remained relatively stable during the expansion period.

## **Summary and Discussion**

This analysis of changes to the policies and performance of major income support programs for the working class largely reveals a continuity of policy trends in place before the Great Recession. The safety net that expanded during the recession then contracted (Chang and Romich 2020) via the tightening of eligibility rules and expiration of most temporary expansions. TANF caseloads largely continued their two decades of decline. SNAP played a strong countercyclical role with the greatest expansion in caseloads followed by a steady decline. UI

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<sup>1</sup> 2018 is currently the last available data for TANF rules and requirements through the Welfare Rules Database, Urban Institute.

caseloads - which include higher earning workers alongside low- and moderate-earners - fell steadily as well. Originally designed to exclude many workers of color, UI has always failed to cover many lower-wage workers (Rodems and Shaefer 2016), a trend that continued over the last decade. Of the ARRA measures that made income supports more generous, only the changes to the EITC were made permanent. The expansions of this work subsidy aligns with the now decades-long trend of social welfare policy reinforcing or enforcing labor force participation.

By focusing on only a handful of major federally established programs, this review does not capture some interesting state and local innovations that hold promise in benefiting the working class. States, counties, and cities have instituted labor standards mandates to raise wages, require or provide paid sick or family leave, and protect workers from destabilizing work schedules (Henly and Lambert, this volume). Unconditional cash transfer and basic income pilots are underway in several cities nationwide, including a randomized control trial of a \$500 monthly grant in Stockton, California (Gennetian, Nyandoro, Baker, and Martin-West 2020). If expanded nationwide, such efforts could substantially alter the need for and nature of income support for workers and their households.

Had the long expansion ended with a standard recession stemming from shocks in one or a few economic sectors, we would have predicted a similar safety net response as the one we observed during and after the Great Recession. Instead, employment and output dropped sharply as the Covid-19 pandemic grew. As of this writing (November 2020), we have only a partial view of the federal safety net response, and we categorize results as mixed. We do know that the Coronavirus Aid, Relief, and Economic Security (CARES) Act of March 2020 and related efforts expanded some programs. Notably, the CARES Act addressed longstanding concerns about the UI program, including extending eligibility to gig workers and temporarily increasing

weekly benefits. However, the benefit increases were short-lived and other provisions may not continue into 2021. SNAP continues to be the most dependable workhorse for limiting hardship and providing (limited) stimulus; the CARES act allowed states to provide maximum SNAP benefits to all qualifying households, an option that all states took up. Benefits from UI and SNAP comprised the largest response, but still did not meet the needs of many households (Moffitt and Ziliak 2020). In contrast, the remains of the TANF program do not provide an effective infrastructure for response as so few families are connected to the program and states have redirected funding especially to childcare. Finally, because the EITC is part of the federal income tax program and delivered as a lump sum in the first or second quarter of the year, it does not have the agility to quickly respond to increasing hardship. Indeed, EITC claims for Tax Year 2020 will likely break from recent trends given widespread interruptions in employment.

With the incoming Biden Administration starting to signal policy plans, we should soon know more about likely directions for income support policies over the next recovery.

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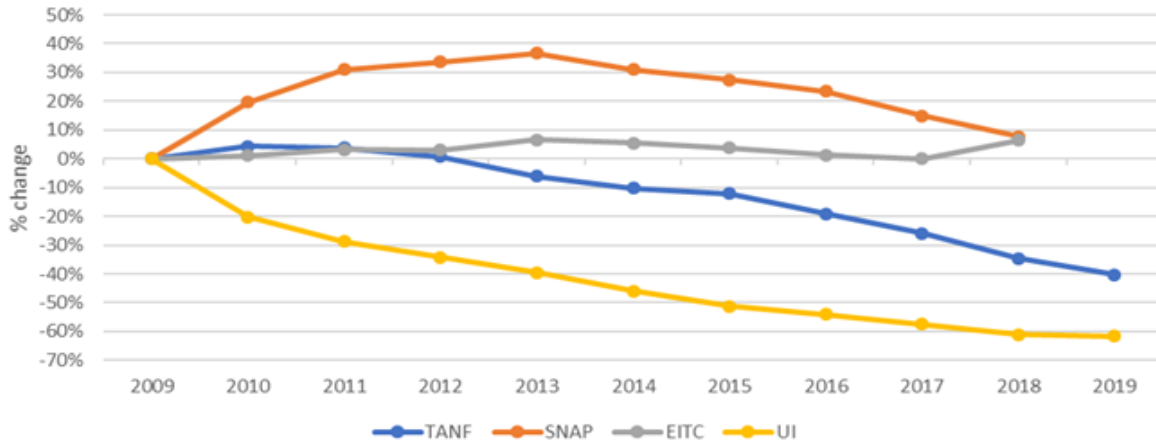
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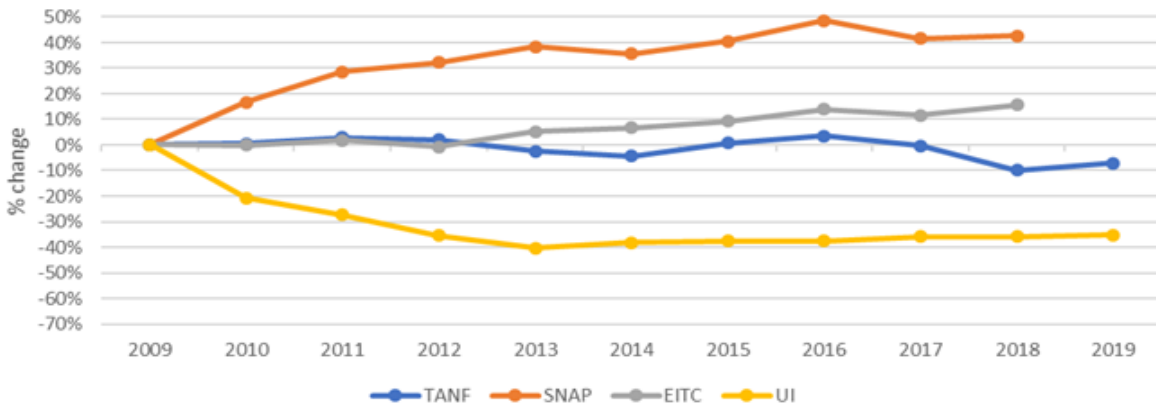
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Figure 1

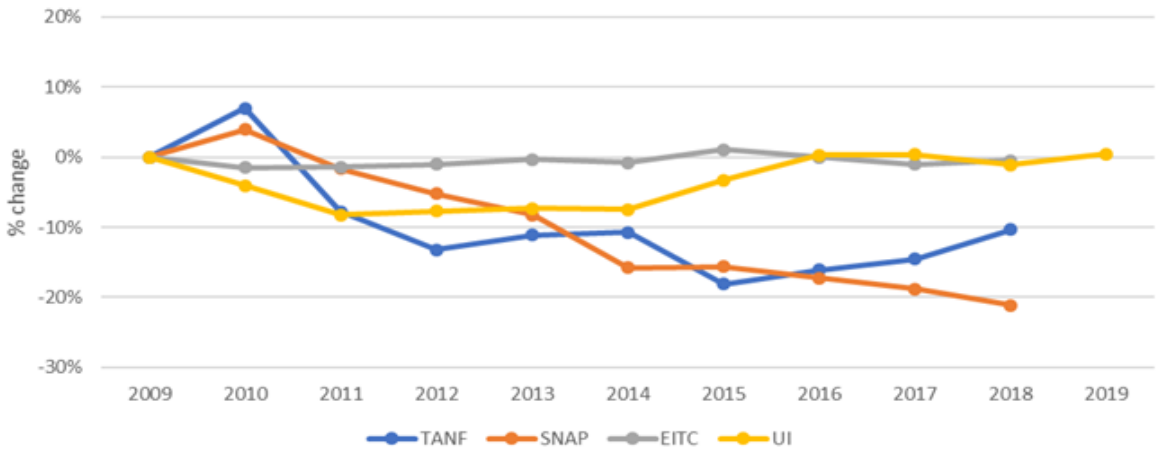
A. Caseload, change relative to 2009



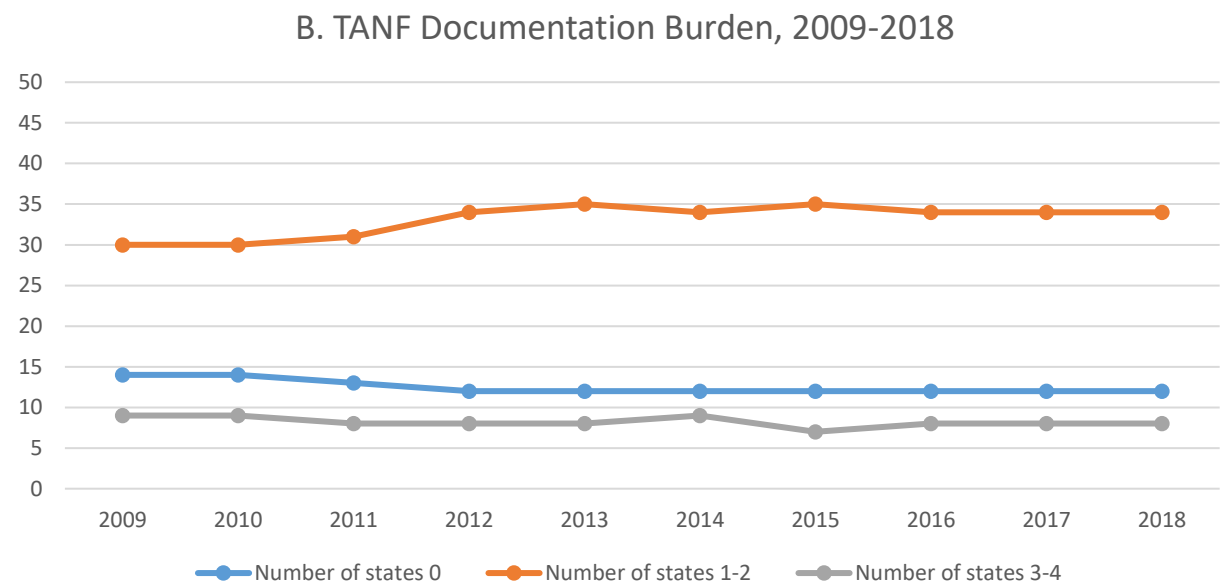
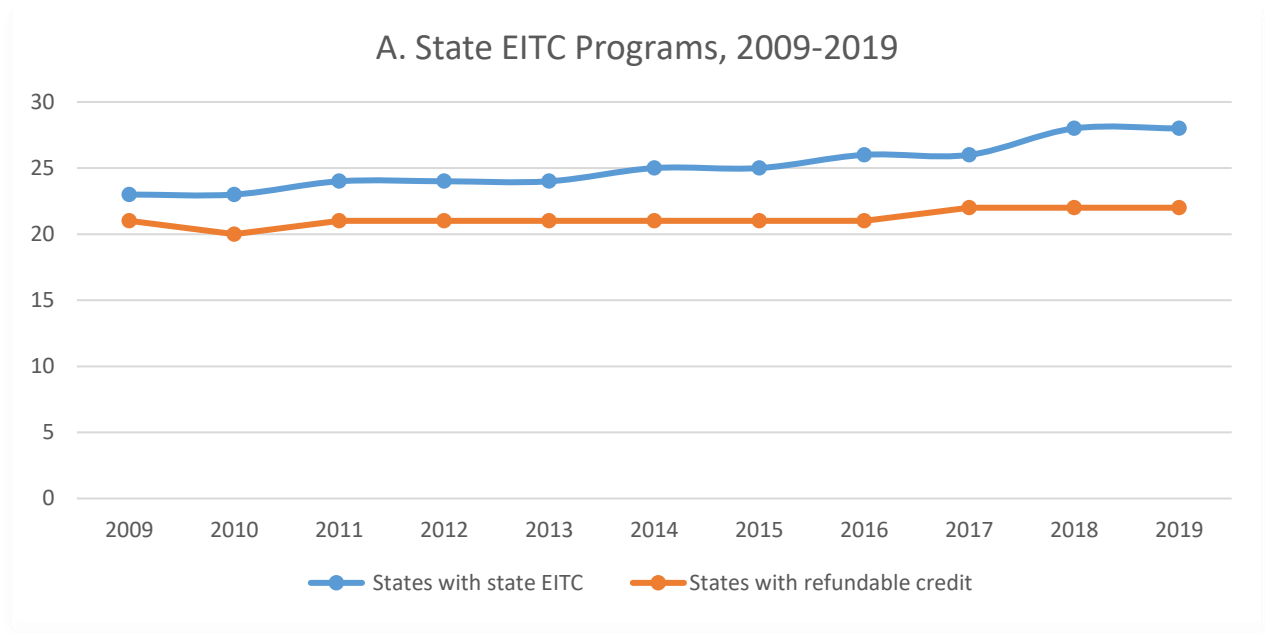
B. Ratio of caseload to potentially eligible population, change relative to 2009



C. Average benefit amount, change relative to 2009



**Figure 2**



### **Caseload changes**

To measure changes in caseloads in TANF, SNAP, EITC, and UI we examine percent changes in caseloads relative to 2009, from 2009-2019 for all four programs. We draw on multiple public data sources to construct program caseload files including: TANF caseload data from the Administration of Children and Families (ACF), SNAP caseload data from the United States Department of Agriculture (USDA), EITC receipt data from the Internal Revenue Service (IRS), and Unemployment Insurance data on initial claims from the Department of Labor (DOL). TANF enrollment is measured by the monthly average of the number of families on TANF, using calendar year data reported by the Administration for Children and Families (*TANF Caseload Data*, 1996-2015, 2016, 2017, 2018, 2019). SNAP enrollment is measured by the number of participating households with children, using fiscal year data reported by the United States Department of Agriculture (Cronquist, 2019). We measure EITC by the number of tax returns with earned income credit, reported by the Internal Revenue Service (*Table A. All Individual Income Tax Returns*, 2020),

### **Ratio of caseload to potentially eligible population**

We examine changes in the percent of eligible families served for TANF, SNAP, EITC, and UI from 2009 to 2019. We begin with the total number of families enrolled in a program as a proportion of eligible families (see caseload changes above for construction of caseload files). For TANF and SNAP, we consider the total number of families enrolled in the program as a percent of the number of families with children under 18 years who are below the 100% of the federal poverty line. We use the alternative measure of poverty from the Current Population Survey (CPS) which incorporates the value of tax and transfer benefits not included in the official poverty level (Flood et al., 2020). We measure ratio of caseload to potentially eligible for the EITC by the number of IRS tax returns with the credit as a percent of the number of adults age 15 and older with earned income and family income below 200% of the alternative poverty level (Flood et al., 2020). UI is measured by UI reciprocity rate, as reported by the Bureau of Labor Statistics. The reciprocity rate measures the number of uninsured unemployed individuals, in regular programs, as a percent of total unemployed.

### **Average Benefit Amount**

Average monthly benefit amounts are calculated by monthly cash or near cash expenditures for the program by the number of families and/or individuals (service unit dependent on program) served in a given month. Data for average benefit amounts are as previously stated.

### **State EITC**

Drawing on national welfare data from University of Kentucky Center for Poverty Research, we count a state as “1” if they had a state EITC in place in year x. For refundable state EITCs, we

assigned a “1” if the state had an EITC program in year x and the credit was partially or fully refunded.

### **TANF Documentation Burden**

We use data from the Welfare Rules Database on required documents TANF applicants must submit from 2009-2018 (last year of available data). We draw on four document requirements: school requirements, school attendance, child/ren’s immunization records, and proof of health screening. We assign each requirement a “1” in year x if the state required the document as part of TANF enrollment.