

## TANF in Rural America Informing Re-authorization

LEIF JENSEN, MARYBETH J. MATTINGLY, AND JESSICA A. BEAN

One-fourth of rural children live in poverty,<sup>1</sup> and many of them depend on cash assistance and other government support to thrive. As the federal government prepares to reauthorize the cash assistance program, Temporary Assistance for Needy Families (TANF), it is a key opportunity to bring the circumstances of those struggling in the countryside to the attention of reauthorization committees.

In 1996 the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) brought an end to welfare as we knew it, and ushered in a new era in which cash assistance for poor parents became both temporary and conditional on activities to promote economic independence through work. Emblematic of this sea of change, the erstwhile Aid to Families with Dependent Children (AFDC) program became TANF. From the outset, researchers and policy analysts recognized that implementing TANF in rural communities posed greater challenges than in urban places.<sup>2</sup> The impact of welfare reform in rural areas was thought to be potentially problematic given the higher poverty rates, a greater prevalence of underemployment, weaker labor markets, and less available transportation, education, and child care services.

This brief provides a fresh look at rural-urban differences in rates of poverty and welfare receipt, and in TANF's ameliorative impact on poor families. This appraisal is needed now for three reasons. First, there are persistent labor market disadvantages and barriers to work in rural areas. Second, the nation is enduring one of the deepest and most persistent economic downturns since the Great Depression and nonmetropolitan populations are often left out of the media spotlight. Third, and most important, the federal government will soon debate the reauthorization of TANF, which presents an opportunity to bring the unique circumstances of struggling rural Americans into policy discussions.

### Key Findings

- Poverty rates for both nonmetropolitan and metropolitan places fell in the late 1990s as the economy strengthened but, by the mid-2000s, began to rise again.
- Nonmetropolitan poverty rates were significantly higher than those in metropolitan areas in each year since 1995 and the gap has widened over time.
- The percentage of poor families receiving TANF declined dramatically beginning in the late 1990s following welfare reform, reaching a low of 13.3 percent in 2007. Rates remained low even when poverty and unemployment began to rise in the mid-2000s.
- In 2009, just over 11 percent of poor rural families reported receiving any income from TANF, as compared to nearly 14 percent of poor urban families.<sup>3</sup>
- Cash assistance from TANF relieves, but does not eliminate, poverty because benefit levels are far too low to lift families above the poverty threshold. These ameliorative effects are weaker in rural than urban areas. Over time, the positive impacts of TANF receipt have continued to decline.

## Rural Poverty and Welfare Receipt

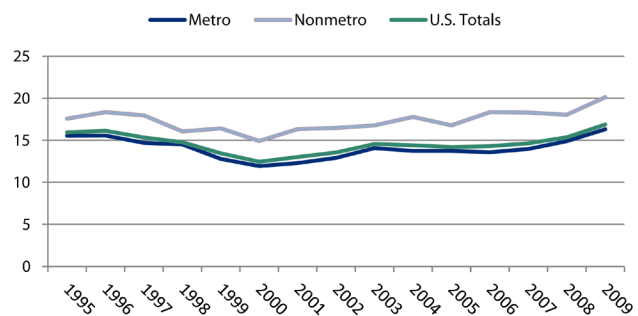
Although poverty is often regarded as a predominantly urban problem, poverty rates in rural America are similar to or higher than those in central cities, and are higher than suburban poverty rates.<sup>4</sup> This pattern is most apparent among children, with 24 percent of rural children living in poverty compared with 15 percent in suburban areas and 26 percent in central cities in 2009.<sup>5</sup> Rates are particularly high among non-white children, with nearly half (49 percent) of rural black children and 37 percent of rural Hispanic children under age 18 living in poverty.<sup>6</sup> This is significantly higher than the 41 percent of black children and 35 percent of Hispanic children in central cities. High rural poverty rates may be attributed to the temporary or seasonal nature of many rural jobs, high rates of underemployment, high proportions of single-parent families, and low educational attainment, all of which decrease families' earning power.<sup>7</sup>

Research on rural poverty often focuses on economic survival strategies and in particular how rural and urban households differ in their reliance on social welfare programs. Historically, poor families in nonmetropolitan areas have been less likely to rely on TANF, food stamps (now known as the Supplemental Nutrition Assistance Program, or SNAP), and other means-tested programs than their metropolitan counterparts.<sup>8</sup> This is due, at least in part, to problems of access and availability in rural areas, and a greater stigma associated with and aversion to welfare receipt.<sup>9</sup> The lower reliance also squares with findings on residential differences in income packaging—the composition of family income from earnings, TANF, and other sources. Rural families rely more on work than welfare as a source of income.<sup>10</sup> However, this is not the case in all rural places,<sup>11</sup> and recent evidence suggests that SNAP receipt is higher among the poor in rural areas than in central cities.<sup>12</sup> Given the conflicting pictures and with TANF reauthorization around the corner, a fresh assessment is needed.

## Poverty

Overall, poverty remained significantly higher in rural than urban places between 1995 and 2009 (see Figure 1).<sup>13</sup> Because both rural and urban places are affected by national and global economic cycles and forces, the trends in poverty rates are quite similar, with declines through the late 1990s, followed by increases in the mid-2000s. The rural poverty rate increased slightly faster in the most recent period (2008–2009), and stood at 20.1 percent in 2009, significantly higher than the metropolitan rate of 16.3 percent.

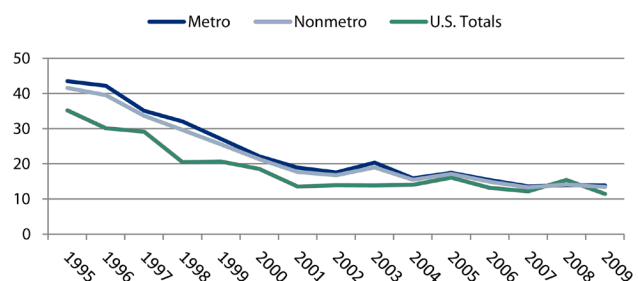
FIGURE 1. PERCENT OF POOR FAMILIES BY PLACE



## TANF Receipt

Figure 2 shows the prevalence of TANF receipt among families living below the poverty line by metro status. In both urban and rural places, fewer poor families are receiving welfare income today than in 1995 just prior to welfare reform, despite very difficult economic times in recent years. Figure 2 also indicates that the historically lower welfare receipt among nonmetro than metro poor families has slowly become less noticeable, owing to more rapid declines in receipt among metro poor families.

FIGURE 2. PERCENT OF POOR FAMILIES WITH TANF, BY PLACE

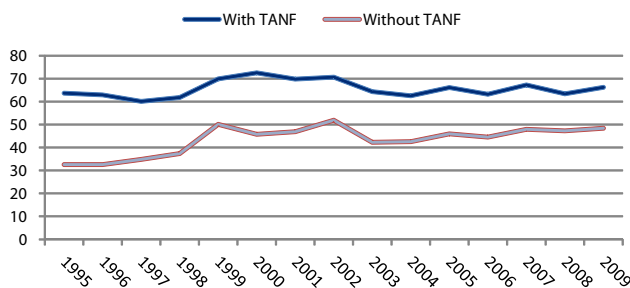


## Ameliorative Effects

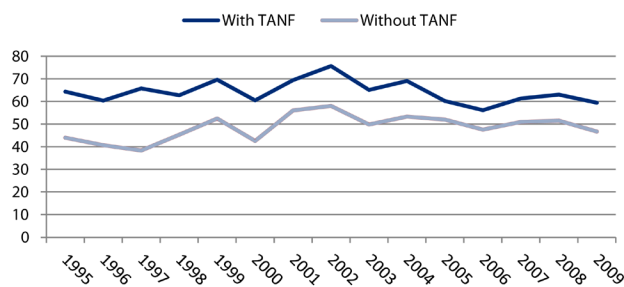
Figures 3A and 3B illustrate the ameliorative effects of TANF by assessing the degree to which the poverty gap in poor families is reduced when welfare income is considered. The poverty gap refers to the difference (in dollars) between a poor family's total income and its designated poverty threshold for a family of its size, essentially asking, how much more money would the family need to move out of poverty? To make comparisons easier, we express the poverty gap in relative terms, as the median family income among TANF recipients (with and without TANF income included) as a

percentage of the poverty line. The bottom lines denote total non-welfare family income (total income less TANF) as a median percentage of the poverty threshold, across families. The top lines denote the same, but with TANF income included in the total. The gap between the two lines reflects the average poverty reduction across families over time.

**FIGURE 3A. MEDIAN PERCENT OF POVERTY, WITH AND WITHOUT TANF IN METRO AREAS**



**FIGURE 3B. MEDIAN PERCENT OF POVERTY, WITH AND WITHOUT TANF IN NON-METRO AREAS**



Several trends are clear. First, in urban America, TANF brings families closer to escaping poverty than in rural America. For example, in 2009, urban families receiving TANF were lifted from a median of 48 percent of poverty to 66 percent of poverty by TANF, whereas in rural America, TANF recipients were lifted from 47 percent of poverty to 59 percent of poverty.

Second, in both rural and urban America, TANF has closed less of the poverty gap over time. In 1995, TANF reduced the poverty gap by 31 percentage points in urban America and 20 percentage points in rural America. In 2009, it only closed the gap by 18 percentage points in urban places and 13 percentage points in rural places.

Finally, in neither urban nor rural America are average poor families who receive TANF lifted out of poverty by this assistance. This is true of all years since 1995, though TANF has done better in some years than others. Since TANF is insufficient for lifting a family out of poverty, it

may be tempting—in this tough budgetary climate—to conclude that TANF should be abandoned altogether. However, it should be noted that when combined with other social service programs like Medicaid and SNAP, TANF can be an important source of income for struggling families. Thus, re-thinking some of TANF's weaknesses and strengthening its positive practices is a more sensible option.

It is important to note that the Current Population Survey collects data on the basis of an entire calendar year, while TANF eligibility and receipt is determined monthly for those with earned income. Thus, families may earn higher incomes for much of the year, rendering them ineligible for TANF, but spend a portion of the year earning less and receiving TANF. Therefore, the total annual income for those who received TANF for only part of the year might be much higher than for those who were TANF-eligible for the entire year. Because of this possibility, our analyses rely on median percentages, which are less influenced by outlying values.<sup>14</sup>

## Policy Implications

The U.S. government has long wrestled with the conundrums of whether and how to provide poverty assistance.<sup>15</sup> The nation values compassion and help, but some have asked whether welfare erodes the work ethic and the incentive for marriage, themselves American values. The issue of whom to blame for poverty—the individual or society—and how, therefore, to address the problem is a long-standing debate, with the majority opinion tilting back and forth in accord with economic and political cycles.

By 1996, prevailing opinion listed in the direction of ending welfare as we know it and, when signed into law by President Clinton, the Personal Responsibility and Work Opportunity Act (PRWORA) marked a dramatic shift. Notably, it ended welfare as a federal entitlement program by establishing strict work requirements, placing a five-year lifetime limit on receipt of benefits, and ceding significant program control to individual states through block grants. The reform also sought to encourage marriage and discourage nonmarital birth and enacted stronger child support enforcement. From the precipitous decline in TANF caseloads since welfare reform, one could assume PRWORA was a resounding success—if the goal was to reduce the number of families on welfare. However, there is ample evidence that the very strong economy and low unemployment of the mid- to late-1990s were driving much of the caseload decline. Further, there is evidence that many of the families who moved from welfare to the workforce earned low wages and were unable to increase those earnings over time.<sup>16</sup>

PRWORA was scheduled for reauthorization in 2002, but Congress deliberated until 2005, passing the Deficit Reduction Act. In the throes of the Great Recession, Congress created the TANF Emergency Fund as part of the 2009

American Recovery and Reinvestment Act.<sup>17</sup> The Emergency Fund provided much-needed help to states facing increased demand for support owing to the economic downturn. In 2010, the TANF block grant was given a one-year extension through September 2011. The TANF Emergency Fund, however, which lapsed at the same time, was not included in this extension. Another extension is expected through September 2012. If, as researchers Pavetti, Trisi and Schott assert, “TANF [was] not designed for hard economic times,”<sup>18</sup> the forthcoming reauthorization may need to pay renewed attention to how TANF is performing during a sluggish recovery with persistently high rates of under- and unemployment. In order to adapt TANF to better support struggling families in a modern economy, we make the following suggestions regarding TANF reauthorization:

- **Keep America’s rural poor in mind.** Although the urban and inner-city poor predominate policy discussions, the comparatively high poverty rates among rural Americans, and their unique circumstances and challenges, must be recognized.
- **Acknowledge differences in ameliorative effects.** Much attention has been paid to caseload levels and trends as measures of policy impact. Renewed attention is needed on TANF’s ability to relieve poverty. Reauthorization discussions must include the weakening ameliorative effects over time—and that, historically and today, the effects are weaker in rural than urban areas.
- **Re-establish the TANF Emergency Fund.** The detrimental effects of the Great Recession persist, and the targeted assistance under the Emergency Fund was of tremendous benefit to distressed places.<sup>19</sup> Re-establishing the fund, relaxing eligibility requirements, and encouraging states to recognize the rural poor in the allocation of these funds would help struggling families to weather the storm. The Emergency Fund should be discontinued when the emergency actually ends.
- **Reinvigorate the Contingency Fund.** The 1996 welfare reforms established a contingency fund that provided extra support during difficult economic conditions for states that maintained a high level of state support for the needy.<sup>20</sup> As Pavetti and colleagues note, complex eligibility requirements mean that the fund is not responsive to state needs, even though it recognizes that states should be able to get extra federal help during difficult economic periods if they are devoting more resources to help families meet their basic needs.<sup>21</sup> As high SNAP enrollment is one requirement for eligibility, it is likely that many rural states would qualify.<sup>22</sup> Again, the unique deprivation and circumstances of the rural poor must factor into the allocation of these funds.
- **Reconsider TANF Supplemental Grants.** On July 1, 2011, federal supplemental grants for seventeen states expired. These grants have been provided every year post-welfare reform to augment TANF benefits in states where welfare benefits were historically low and population growth was high.<sup>23</sup> Of the seventeen states where grants expired, twelve states count more than a quarter of their population as rural.<sup>24</sup> As these states “already receive less than half the amount of federal TANF funds per poor child that other states do,”<sup>25</sup> this expiration has particular implications for poor rural families.

The necessity of re-authorizing TANF gives us an opportunity to reflect on its strengths and limitations. TANF is an important component of poor families’ budgets. However, in its current form, it is insufficient; strengthening TANF would help alleviate some material hardship in the lives of America’s neediest citizens.

## Data

This analysis is based on data drawn from the March Supplements of the 1996–2010 Current Populations Surveys (CPS), reflecting incomes earned in 1995 through 2009. Conducted by the U.S. Census Bureau for the Bureau of Labor Statistics, the March CPS (or Annual Social and Economic Supplement) contains data on a wide range of income, employment, and sociodemographic characteristics of individuals and families living in a nationally representative sample of U.S. households. In addition to providing a contemporary snapshot, this study period (i.e., from PRWORA to the present) includes the period when many families would have reached their time limits on TANF, as well as a period of particular strength and weakness in the U.S. economy and job market.

## ENDNOTES

1. Marybeth J. Mattingly and Michelle L. Stransky, "Young Child Poverty in 2009: Rural Poverty Jumps to Nearly 29 Percent in Second Year of Recession," Issue brief No. 17 (Durham, NH: Carsey Institute, 2010).
2. Bruce A. Weber, Greg J. Duncan, and Leslie A. Whitener, editors, *Rural Dimensions of Welfare Reform* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2002). Throughout this brief, we use the terms "metropolitan" and "urban" synonymously to refer to the aggregate of central cities and suburbs, and "nonmetropolitan" and "rural" synonymously to refer to all other place types.
3. The precise survey item in the Current Population Survey (CPS) asks respondents if "at any time during [previous year], even for one month, did (you/anyone in this household) receive any CASH assistance from a state or county welfare program such as (State Program Name)?" Although the item refers to cash assistance that needy families may receive (including AFDC [before 1996], TANF [after 1996], General Assistance, and emergency assistance), all but TANF are essentially obsolete. Thus, we use the language "TANF receipt" throughout this brief.
4. See, for example, Marybeth J. Mattingly, Kenneth Johnson, and Andrew P. Schaefer, "Rural Children Disproportionately Live in Poor Counties" (Durham, NH: Carsey Institute, 2011, forthcoming); and Bruce Weber et al., "A Critical Review of Rural Poverty Literature: Is There Truly a Rural Effect?" *International Regional Science Review*, vol. 28 (2005): 381-414.
5. Mattingly and Stransky, "Young Child Poverty in 2009: Rural Poverty Jumps to Nearly 29 Percent in Second Year of Recession."
6. Marybeth J. Mattingly and Jessica A. Bean, "The Unequal Distribution of Child Poverty: Highest Rates among Young Blacks and Children of Single Mothers in Rural America," Issue brief No. 18 (Durham, NH: Carsey Institute, 2010).
7. William P. O'Hare, "The Forgotten Fifth: Child Poverty in Rural America," Report No. 10 (Durham, NH: Carsey Institute, 2009).
8. Mark R. Rank and Thomas A. Hirschl, "The Link between Population Density and Welfare Participation," *Demography*, vol. 30 (1993): 607-622; Thomas A. Hirschl and Mark R. Rank, "Community Effects on Welfare Participation," *Sociological Forum*, vol. 14 (1999): 155-174. See also Jennifer Sherman, *Those Who Work, Those Who Don't: Poverty, Morality, and Family in Rural America* (Minneapolis: University of Minnesota Press, 2009).
9. Ibid.
10. Daniel T. Lichter and Leif Jensen, "Rural America in Transition: Poverty and Welfare at the Turn of the Twenty-First Century." In *Rural Dimensions of Welfare Reform*, edited by Bruce A. Weber, Greg J. Duncan, and Leslie A. Whitener (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2002).
11. Research on California found greater welfare receipt in rural than urban areas, though this work did not control for poverty status, a rough proxy for need (see Henry Brady, Mary H. Sprague, and Fredric C. Gey, "Seasonal Employment Dynamics and Welfare Use in Agricultural and Rural California Counties." In *Rural Dimensions of Welfare Reform*.
12. See Jessica A. Bean and Marybeth J. Mattingly, "More Than One in Ten American Households Relies on Supplemental Nutrition Assistance Program Benefits," Issue brief No. 20 (Durham, NH: Carsey Institute, 2011); Sheena McConnell and James Ohls, "Food Stamps in Rural America: Special Issues and Common Themes." In *Rural Dimensions of Welfare Reform*.
13. Earlier cited research relied on calculations from published CPS estimates. In this brief, we compute estimates from publicly available CPS microdata. These data mask the location of many residents, making it less reliable to compute separate estimates for central cities and suburbs. Thus, we rely on the CPS variable coded metro/nonmetro.
14. Our analyses of individual level data from 2010 (reporting on 2009 receipt; not shown) suggest that the average length of TANF benefit receipt, among those reporting any benefits, was just under nine months, and nearly 60 percent of recipients reported receipt for all twelve months. Roughly 11 percent of the sample received benefits for two months or less. There were few place-based differences in length of receipt; the median for both metro and nonmetro places was twelve months, although the average duration of benefit receipt was slightly lower in nonmetropolitan places. Taken together, this suggests that our findings on poverty among TANF recipients are not driven by one-time recipients' incomes.
15. David T. Ellwood, *Poor Support: Poverty in the American Family* (New York: Basic Books, 1988).
16. Sharon Parrott et al., *Implementing the TANF Changes in the Deficit Reduction Act: 'Win-Win' Solutions for Families and States*, 2d. ed. (Washington, DC: Center on Budget and Policy Priorities and Center on Law and Social Policy, 2007).
17. LaDonna Pavetti, Danilo Trisi, and Liz Schott, "TANF Responded Unevenly to Increase in Need During Downturn" (Washington, DC: Center on Budget and Policy Priorities, 2011).
18. Ibid., p. 6.

19. See, for example, LaDonna Pavetti, Liz Schott, and Elizabeth Lower-Basch, “Creating Subsidized Employment Opportunities for Low-Income Parents” (Washington, DC: Center on Budget and Policy Priorities and Center on Law and Social Policy, 2011).
20. Elizabeth Lower-Basch, “Questions and Answers about the TANF Emergency Contingency Fund” (Washington, DC: Center for Law and Social Policy, 2009).
21. Pavetti et al., “TANF Responded Unevenly,” p. 9.
22. Liz Schott and LaDonna Pavetti, “Redesigning the TANF Contingency Fund to Make it More Effective” (Washington, DC: Center on Budget and Policy Priorities, 2011).
23. LaDonna Pavetti, Liz Schott, and Ife Finch, “Expiration of TANF Supplemental Grants a Further Sign of Weakening Federal Support for Welfare Reform” (Washington, DC: Center on Budget and Policy Priorities, 2011).
24. John Cromartie and Shawn Bucholtz, “ERS/USDA Data-Rural Definitions: State-Level Maps” (Washington, DC, Economic Research Service, U.S. Department of Agriculture, 2007).
25. Pavetti et al., “Expiration of TANF Supplemental Grants,” p. 2.

## ABOUT THE AUTHORS

Leif Jensen is professor of rural sociology and demography at The Pennsylvania State University (lij1@psu.edu).

Beth Mattingly is director of research on vulnerable families at the Carsey Institute and research assistant professor of sociology at the University of New Hampshire (beth.mattingly@unh.edu).

Jess Bean is a vulnerable families research associate at the Carsey Institute (Jessica.bean@unh.edu).

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Huddleston Hall  
73 Main Street  
Durham, NH 03824

(603) 862-2821

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