



TANF Must Be Able To Respond Faster and Stronger to Economic Crises

By Justin Schweitzer April 5, 2022

This is the third in a series of three reports on how TANF can better assist families in or at risk of poverty, particularly during the COVID-19 crisis. The [first report](#) focused on what Congress should do at the federal level to address immediate needs. The [second report](#) concentrated on actions that should be taken at the state and local levels during the pandemic and recession. This final report discusses structural changes that will make TANF more effective and responsive to economic crises as an anti-poverty aid program.

Introduction and summary

Despite the Temporary Assistance for Needy Families (TANF) program's ostensible purpose of alleviating poverty, it consistently fails to respond in a timely or sufficient manner during economic downturns, when need quickly intensifies. This report examines the rules and features of TANF, particularly at the federal level, that do not allow it to work as an automatic stabilizer—that is, as a government policy that counters recessionary forces by automatically increasing stimulus during economic downturns without the need for any action from lawmakers.¹ It is critical that policymakers reform TANF into an automatic stabilizer so that it can perform better as an anti-poverty, anti-recessionary tool to help the low-income adults who continue to struggle with the economic fallout of the COVID-19 pandemic.

To do so, the Center for American Progress recommends the following policy interventions:

1. Reform TANF's block grant structure to remove arbitrary funding limits, set federal minimum spending levels on the most beneficial uses, and create a sufficiently funded permanent TANF Emergency Fund with more accessible automatic triggers.
2. Replace the work participation rate (WPR) and caseload reduction credit (CRC) with new success measures that incentivize providing more families with higher benefits and achieving better long-term employment outcomes.
3. Automatically ease individual requirements for participants during downturns.
4. Create a permanent, well-funded subsidized jobs program that ramps up during downturns.

5. Remove other structural barriers to access by reforming work requirements; eliminating lifetime use limits and asset limits; and simplifying applications, recertifications, and re-enrollments.

Most of these actions would require a new bill to pass through Congress. However, states have considerable flexibility to make improvements over the current conditions, particularly with the suggested changes in the fifth recommendation. TANF does not need to be the sole safety net and automatic stabilizer in the country; however, TANF has the ability to target those most in need with aid suited to their specific situations, if it is sufficiently funded and leveraged in that way.

TANF is not an automatic stabilizer, but it should be

Much has been documented about how the TANF program is insufficient to meet the needs of low-income families. In every state, TANF benefits are well below the poverty line,² and few households in poverty actually receive those benefits.³ Even worse, these deficits are rooted in the racist legacy of direct cash assistance in the United States as well as the TANF program's own legacy of racism and sexism, with benefits being significantly lower and reaching far fewer families in states with higher populations of color.⁴ Moreover, women—particularly nonwhite single mothers and those without higher education—make up the vast majority of adult TANF recipients.⁵ Because of this demographic makeup, TANF recipients are regularly subject to paternalistic policies and insufficient benefits.⁶

Nevertheless, TANF is still vital to the families who do receive assistance, providing them with critical funds to buy basic necessities when their incomes are low, as well as connecting them to jobs, training, and other supports such as child care and domestic violence services.⁷ Yet most families in need either do not receive this assistance or receive too little of it. Making matters worse, since TANF is federally structured in a way that disincentivizes and hinders states from fully matching the amount of aid to the level of need, these problems are exacerbated during economic crises, when the number of people facing poverty and hardship rises rapidly.⁸

The solution to this problem: automatic stabilizers. In contrast to TANF's current structure, automatic stabilizers are programs or features of the budget designed to quickly respond to changing economic conditions by expanding or contracting with the level of need, without waiting for a vote or new action from policymakers.⁹ Importantly, automatic stabilizers simultaneously protect individuals and stimulate the broader economy by providing vital assistance when people experience sudden drops in their incomes; supporting critical spending power; and multiplying in effectiveness during major economic downturns, when many households are facing big budget crunches. For example, unemployment insurance (UI) is an automatic stabilizer that significantly increases spending during recessions to cover the additional people losing their sources of income—although many still do not

receive their benefits due to deteriorated administrative capacity, flawed eligibility rules, and defective verification or anti-fraud systems.¹⁰ In addition, UI's Extended Benefits program kicks in automatically during periods of high unemployment after workers exhaust their regular UI benefits.¹¹

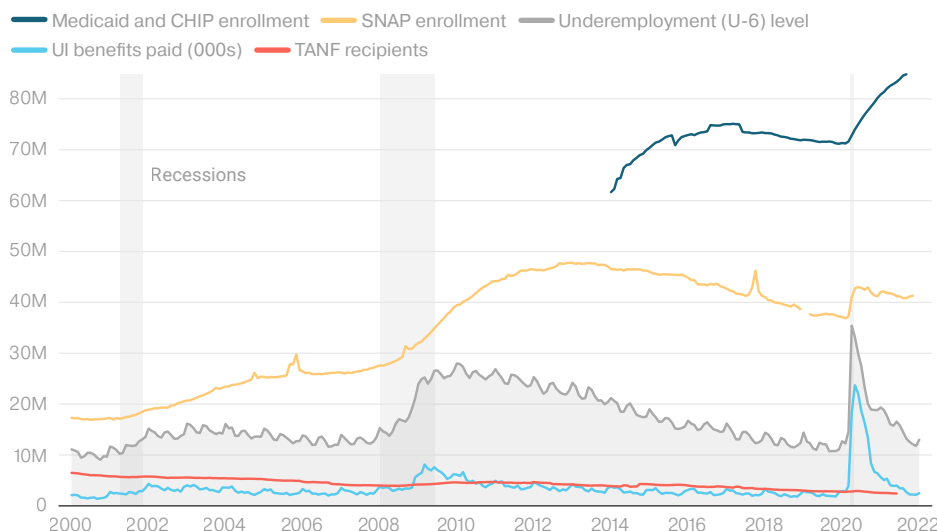
Automatic stabilizers are programs or features of the budget designed to quickly respond to changing economic conditions by expanding or contracting with the level of need, without waiting for a vote or new action from policymakers.

In many ways, TANF is the opposite of an effective automatic stabilizer. Because the program is a block grant, it is provided the same amount of funding every year, regardless of need across the country, and it is resistant to efforts to make it more responsive. Due to inflation, TANF is getting stretched thinner each year. At present, however, most states do not spend nearly enough of even just their current allocations on core elements of the program—such as direct cash assistance, child care, and work supports—that are most helpful for low-income families.¹² Additionally, the performance measures, rules, and incentives that the federal government enforces for state TANF agencies such as WPR requirements and lifetime use limits—as well as the lack of national minimum standards for spending—actually discourage states from providing assistance to more families in need, especially during recessions. While Congress could give the federal government the ability to set strong minimum standards for TANF benefits, states still have significant flexibility to better spend their TANF funds.

FIGURE 1

Even during recessions, Temporary Assistance for Needy Families (TANF) enrollment has barely budged from its downward trajectory

Safety net enrollment compared with underemployment level, 2000–2021



Note: A partial government shutdown in 2019 caused most of the Supplemental Nutrition Assistance Program (SNAP) benefits for February 2019 to be issued in January 2019, distorting the SNAP data for those two months, so they were omitted. Unemployment insurance (UI) claims are normally calculated on a weekly basis, so total benefits paid for state-only claims were used as a proxy for enrollment. The UI data do not include any of the federally expanded benefits programs. Monthly Medicaid and Children's Health Insurance Program (CHIP) data were only available back to 2014. Some of the expansions in Medicaid enrollment were due to states expanding the program under the Affordable Care Act. Underemployment (U-6) encompasses people in the labor force who are unemployed but also those who are unemployed and have left the labor force but would like a job (i.e., discouraged workers), those marginally attached to the labor force, and those employed part time who want full-time work. All data in this chart are not seasonally adjusted.

Source: Author's calculations are based on data from the U.S. Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, U.S. Food and Nutrition Service, U.S. Employment and Training Administration, U.S. Administration for Children and Families Office of Family Assistance, and Kaiser Family Foundation.

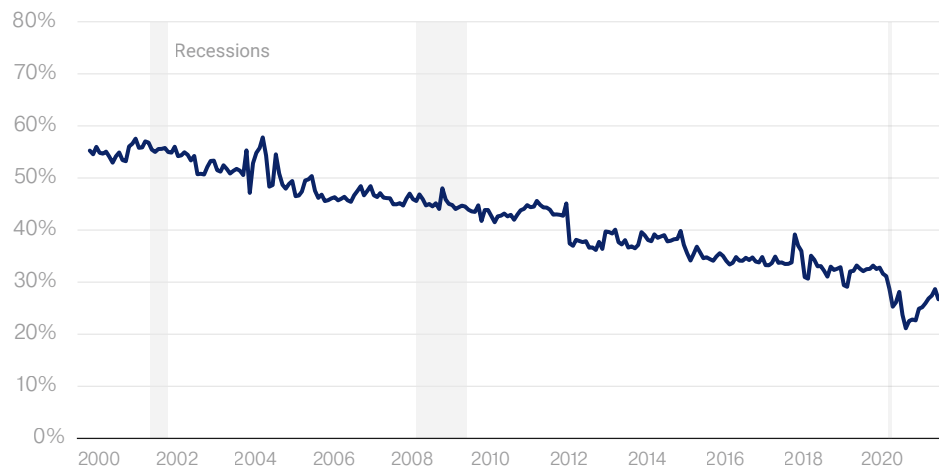
The speed of an automatic stabilizer’s response to increased need is a critical feature.¹³ As the pandemic has shown, Congress—even when in emergency mode—can take months to pass a bill expanding safety net benefits and will typically set arbitrary end dates that do not reflect conditions on the ground.¹⁴ For this reason, it is crucial that Congress establish strong automatic stabilizers with programs such as TANF during stable economic times, instead of waiting for a crisis to hit to recognize their importance.

Unlike TANF, programs that are closer to being true automatic stabilizers—such as UI, the Supplemental Nutrition Assistance Program (SNAP), and Medicaid—significantly increase the total amount of benefits paid out as the number of eligible households grows, albeit still with some shortcomings in the benefit amounts and delivery.¹⁵ As Figure 1 shows, during the past three recessions, TANF lagged noticeably behind these other programs in expanding to cover newly eligible participants as the number of households facing economic hardship grew. And as Figure 2 shows, approval rates for TANF applications have been steadily declining since the program’s founding in 1996 and, in fact, dropped significantly in 2020 at the onset of the pandemic.

FIGURE 2

Approval rates for TANF applications have steadily declined since the program’s inception, especially during the pandemic

Approval percentage of Temporary Assistance for Needy Families (TANF) applications for all families, 1999–2021



Note: Approval rates were calculated as the total monthly number of applications approved divided by the total monthly number of applications received for the United States as a whole. Data for fiscal year 2021 were only available through June 2021 at the time of publication.

Source: Administration for Children and Families Office of Family Assistance, “Temporary Assistance for Needy Families (TANF): TANF Application Data,” available at https://www.acf.hhs.gov/ofa/resource-library?keyword=TANF%20Application%20Data&f%5B0%5D=program%3A270&f%5B1%5D=type%3Aeasychart&sort_by=combined_publication_date (last accessed February 2022).

In periods of financial hardship, even seemingly small amounts of assistance from TANF can be immensely beneficial to low-income families trying to afford necessities such as clothes and groceries. This assistance can make a profound difference in local economies by supporting families' abilities to spend. TANF need not be a catch-all automatic stabilizer that solves every problem in society in order to be effective—but it should be able to quickly expand to provide meaningful assistance to everyone falling into financial hardship, fulfilling some of their basic needs and working in conjunction with other aid programs that make up the country's economic safety net. If TANF were set up to more rapidly respond at the onset of economic downturns, it would be able to help prevent individuals and families from being trapped in poverty and halt recessionary spirals that always fall hardest on low-income households.

A brief history: TANF has failed families in need since its creation

Congress created TANF in 1996 to replace Aid to Families with Dependent Children (AFDC), which had provided direct cash assistance to families in poverty with children since 1935.¹⁶ AFDC was an entitlement program, meaning that anyone who met the income and other eligibility requirements received aid, with no limit on overall spending in the program. In contrast, TANF was created as a block grant, which provides each state with a set amount of money that does not adjust over time in response to inflation or any changes in population or need.¹⁷ Due to inflation, the relatively modest \$16.5 billion in federal TANF funding—matched by \$15 billion in state-level maintenance of effort (MOE) funds¹⁸—is worth 43 percent less today than it was at the program's founding.¹⁹

In 2020, just 51 percent of federal and state funds were spent on the core TANF activities: basic cash assistance; child care; work supports and supportive services; and work, education, and training activities.²⁰ TANF's block grant status gives states flexibility in determining how to use their funds and what rules to apply to beneficiaries, so long as they follow a few core principles laid out by the federal government.²¹ While this flexibility has the potential to result in positive innovation, it has resulted far too often in states cutting benefits; restricting access; and putting paternalistic and harmful requirements, such as drug tests and family caps, on recipients.²² These state-level issues compound the already stringent and punitive federal rules in place for TANF recipients—including work requirements, lifetime use limits, ineligibility for immigrants and those with felony drug convictions, and requirements to assign rights to child support payments to the state.²³

The reality is that, across almost every state, TANF assistance has quickly and steadily declined over the past quarter century—both in the amount distributed as a percentage of the poverty line and in the number of families in need receiving it.²⁴ Indeed, for every 100 families in poverty in the United States in 2020, only 21 actually received TANF cash assistance, compared with 68 at the program's outset in 1996.²⁵

Meanwhile, benefit amounts are extremely inadequate for the modern cost of living, with 16 states in 2021 setting their monthly benefit amount at less than 20 percent of the poverty line and only New Hampshire offering benefits above 50 percent of the poverty line.²⁶ There is also a strong correlation between states with higher Black populations and more restrictive, less generous TANF cash assistance programs.²⁷

TANF is vital to the families it does serve, providing income for basic necessities such as rent, food, and diapers; connecting recipients to employers and job training; and assisting with child care and other barriers to stable home lives and employment. Cash assistance—whether from TANF, tax credits, or other programs—has been shown to have long-term benefits for the health, educational attainment, future earnings, and economic mobility of households, especially those with children.²⁸

That said, TANF has failed far too many people in need, both during stable economic times and, especially, during the three recessions that have occurred since its inception. In these latter instances, the program has failed to sufficiently expand its reach and benefits in response to increased hardship. This failure is not by accident; rather, it is the direct result of reforms that placed more emphasis on restricting spending and preventing a population arbitrarily deemed as undeserving from receiving benefits than on ensuring positive outcomes.

Lessons from TANF’s structure in past downturns

TANF was originally created with a \$2 billion Contingency Fund that was intended to act partially as an automatic stabilizer itself by providing more funding to states when economic conditions worsened. However, the Contingency Fund quickly proved to be inadequately funded, too difficult to access, and too loose in what it allowed states to spend the extra money on.²⁹

Only seven states were able to receive money from the Contingency Fund in fiscal year 2008, and only 18 states received money in FY 2009.³⁰ This was due to restrictive and somewhat arbitrary economic triggers: In any given year, states either had to have SNAP caseloads 10 percent above 1994–1995 levels or unemployment rates 10 percent higher than those from the same period during either of the previous two years—meaning that a state with slowly decreasing unemployment could lose eligibility while the rate was still high. In addition, the more stringent MOE requirements on contingency funds were hard for many states to meet during recessions, when their budgets were contracting.³¹ Moreover, states that did access the fund were not obligated to spend that money on needs related to the weak economy and heightened individual hardship; they could instead cut benefits and eligibility—as several did during the Great Recession—while using the funds to fill other budget holes.³² In the face of a significant ongoing recession, the Contingency Fund was fully depleted by December 2009, with the \$334 million added for FY 2011 exhausted in just two months.³³

Recognizing that the Contingency Fund was not effective enough during the Great Recession, Congress established the TANF Contingency Emergency Fund³⁴—more commonly known as the “Emergency Fund”—to distribute additional money to state TANF programs. During COVID-19, Congress created the Pandemic Emergency Assistance Fund³⁵ to serve the same purpose. However, in both cases, these TANF emergency funds were developed with significant flaws that made them insufficient to meet the full level of need.³⁶

While the Emergency Fund was an effective tool, its funding was finite and came with an expiration date—September 30, 2010—that seriously limited its impact.³⁷ Despite ongoing need due to a slow economic recovery and despite the relative effectiveness of the funds that had been spent—particularly the subsidized jobs programs that the Emergency Fund enabled states to expand³⁸—the fund’s success was stunted because most states cut off or significantly reduced the additional aid after or even months before the expiration date.³⁹ Additionally, the state allocations were based on the original TANF block grant allotments, so the Emergency Fund perpetuated and exacerbated the initial inequities among states.⁴⁰

On a positive note, the Emergency Fund’s nonrecurrent short-term (NRST) benefits—such as temporary emergency cash, rent, or utility payments—and subsidized employment were not classified as “assistance” and therefore were not required to go only to Americans eligible for TANF cash assistance, nor did they count toward time limits for TANF benefits.⁴¹ Yet states were not explicitly prevented from lowering time limits, tightening eligibility, or increasing work and behavior requirements and sanctions, such as docking cash assistance, so many families were still denied opportunities for help.⁴²

In many ways, the Pandemic Emergency Assistance Fund, created in 2021 in response to the devastating economic pressures of the COVID-19 pandemic, seemed to improve upon past iterations, but it still suffered from the same fundamental problems. More restrictions were placed on how states could spend the funds—limiting them to only offering NRST benefits that would go directly to families in need without counting against time limits⁴³—rather than allowing states to shift money around to plug other budget holes.⁴⁴ State allocations of the emergency fund, meanwhile, were improved by basing the allotments on the child population and prior TANF spending on cash and emergency assistance and NRST benefits in each state and Washington, D.C., as well as by reallocating any unspent funds to other states that did spend all of theirs.⁴⁵ However, total funding across states was just \$1 billion and will expire in September 2022, less than two years after the fund’s inception, and individual families are not permitted to use NRST benefits for more than four months.

3 in 5

Share of Americans who will spend at least one year below the poverty line from ages 20 to 75

21

Number of families that actually received TANF cash assistance for every 100 in poverty in 2020

Even if lawmakers learn from past TANF emergency funds and pass new ones with marginal improvements to spending and eligibility rules during future recessions, these funds will likely still have the same fundamental flaws of being enacted too late in the crisis, being too limited in funding, and being too short in timespan—flaws that exacerbate suffering among the families that can least afford it. Without significant reforms that tie meaningful additional funding to accessible automatic triggers, TANF will never be structured to respond effectively to economic downturns.

Recommendations to make TANF an automatic stabilizer

TANF could be more effective at responding to economic downturns if the program were reformed into something much closer to an automatic stabilizer. Since 2010, TANF has only been renewed at the federal level by continuing resolutions, which, by definition, do not accommodate significant changes to the program.⁴⁶ The legislative actions described below would require full program reauthorization to be universally effective, rather than perpetuating the stopgap of continuing resolution appropriation.

While it is unlikely that Congress will enact major reforms to the TANF program in the immediate future,⁴⁷ these recommendations lay a groundwork for future discussions. Even if voting for full reauthorization requires a longer legislative process, some of these reforms could be worked into an emergency relief package during a future recession—in particular, creating a larger and more effective Emergency Fund; implementing a robust subsidized jobs program; and enacting changes to the WPR and CRC.

Economic triggers for these automatic provisions should be based on national, state, and local metrics to ensure that communities continuing to struggle are not cut off just because the national average has improved. Typically, recessions hit fast but recoveries are much slower, with individuals who have experienced layoffs facing significant earnings and employment declines years into the future.⁴⁸ It is critical not to take away additional support too soon after a recession, as doing so could leave many people lagging permanently behind.⁴⁹ Ensuring that TANF is responsive to state and local need is especially important because current and former recipients tend to work jobs that are more precarious and unstable, and they are therefore laid off more quickly and hired more slowly during a recession.⁵⁰

Families in need should not have to wait months amid an economic crisis for Congress to pass a new temporary expansion with the aid they need.

Eliminate the block grant structure and create a sufficiently funded, permanent TANF Emergency Fund

First and foremost, for TANF to be an automatic stabilizer, its funding cannot be limited by arbitrary, outdated constraints. Combined state and federal funding should reflect the number of people eligible and applying for TANF assistance as well as whatever level of benefits are deemed necessary to meet their needs.

Retaining TANF's block grant structure will ensure failure on this front.⁵¹ MOE requirements on states should stay in place, but because states are subject to balanced budget requirements, the federal government should provide the additional funding needed above a certain level without requiring states to match that level.

Many states have shown that regardless of how much money is provided by the federal government, they are often unwilling to spend additional funds on people in need.⁵² Moreover, because governments often allow administrative capacity to deteriorate significantly during temporary periods of economic boom, it is extremely difficult for TANF programs to quickly ramp up spending during a downturn. For these reasons, it is critical that states be required to always maintain TANF spending above a certain minimum level.

Furthermore, recessions necessitate extra spending to protect households from prolonged periods of hardship and to give struggling local economies the full stimulus needed to break out of the downward spiral. This could mean increasing cash benefit amounts, as SNAP did for recipients during the pandemic;⁵³ loosening eligibility requirements and expanding to cover more people, as Pandemic Unemployment Assistance did for UI;⁵⁴ investing more in core supports such as subsidized employment, as the TANF Emergency Fund did during the Great Recession;⁵⁵ or some combination of the above. Regardless, families in need should not have to wait months amid an economic crisis for Congress to pass a new temporary expansion with the aid they need.

Importantly, the Contingency Fund should be replaced with a permanent TANF Emergency Fund with improved and simplified automatic triggers that allow access more quickly and broadly as economic trouble arises in a state. The emergency funds created during the past two recessions proved extremely beneficial to participants, as limited as they were. This new permanent Emergency Fund should offer significantly more funding without an expiration date attached, building on the rules in place for the Pandemic Emergency Assistance Fund.⁵⁶ Spending from the fund should be restricted to certain core supports such as cash assistance boosts, subsidized employment, and NRST benefits. To motivate obstinate states to spend all the money available, any emergency funds not spent or obligated after the set deadlines should be reallocated to other states that have spent their funds—with more funding remaining available should the original states later want to spend it on families in need.

Replace the work participation rate and caseload reduction credit with new success measures that incentivize covering more families, not less

The main performance measure imposed on state TANF programs by the federal government is the work participation rate.⁵⁷ In order for states to keep their full federal TANF funding, they must ensure that 90 percent of TANF recipients in two-parent families and 50 percent of all participating households meet requirements on work activities, including participating in subsidized or unsubsidized employment,

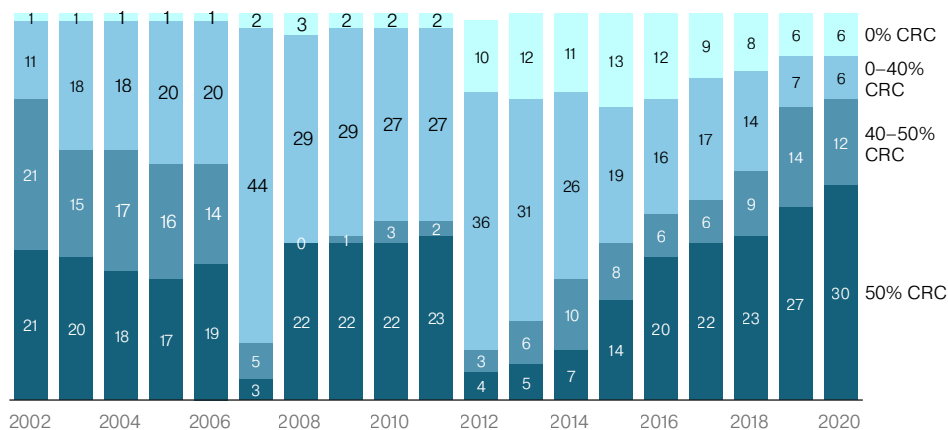
job search activities, and training. States can also receive a caseload reduction credit that reduces the WPR requirement by 1 percentage point for every percent below the base year—currently 2005—that their TANF caseload is, meaning that the more a state lowers the number of families it assists through TANF, the easier it is for that state to meet its federal requirement on work participation.⁵⁸

Combined, the WPR and CRC directly incentivize states to reduce the number of people they assist through TANF; to assist only the people for whom it will be easiest to find employment rather than those with the greatest need; and to employ a “work first” mentality whereby rapidly placing recipients in any job is more important than addressing significant barriers in their lives and setting them on a stable and sustainable career path.⁵⁹ In 2020, 30 out of 54 states and territories had caseloads that were less than half the size they were in 2005—when caseloads were already fairly low—meaning they received a 50 percentage-point CRC and faced a WPR requirement of 0 percent for all TANF households. (see Figure 3) Again, states were rewarded despite the fact that for every 100 families in poverty in 2020, only 21 received TANF cash assistance.⁶⁰

FIGURE 3

Most states have reduced Temporary Assistance for Needy Families (TANF) enrollment so much that they are receiving the full 50 percent CRC

Number of states and territories by size of caseload reduction credit (CRC)



Note: During the Great Recession, a federal “hold harmless” provision allowed states to apply the lowest annual caseload from 2007 to 2011 to the CRC as they took on more families in need. Data represent CRC for families of all sizes in TANF. The base year to which caseloads were compared to for the CRC was 1995, until 2005—when it was updated to be 2005. Data for South Carolina in 2012 were only preliminary in the sources available, so they were excluded. Likewise, data for Michigan in 2013 were only preliminary, but a copy of the state’s caseload reduction report was available online, so data were able to be included. Guam did not submit a caseload reduction report until 2009, meaning it was given a 0 percent CRC every year before then.

Source: Administration for Children and Families Office of Family Assistance, “Temporary Assistance for Needy Families (TANF): Work Participation Rates and Engagement in Work Activities,” Table 2, available at https://www.acf.hhs.gov/ofa/resource-library/?f%5B0%5D=program%3A270&f%5B1%5D=program_topic%3A633&f%5B2%5D=type%3Aeasychart&keyword=&sort_by=combined_publication_date (last accessed February 2022).

During the Great Recession, a federal “hold harmless” provision allowed states to apply the lowest annual caseload from 2007 to 2011 to the CRC in order to lower their WPR requirements as they took on more families in need.⁶¹ However, in 2012 and 2013 many of the states that did increase caseloads were financially penalized after the “hold harmless” provision expired because those states then had a lower CRC and consequently failed to meet their WPR requirement.⁶²

In the COVID-19-induced recession, the U.S. Department of Health and Human Services granted relief from financial penalties to states that did not meet their WPR requirements and encouraged them to grant broad good-cause waivers of work requirements to their TANF recipients.⁶³ Despite this temporary relief, many states were still reluctant to increase caseloads in the past two recessions because they accurately foresaw that the additional federal TANF funds would expire or be spent before the additional costs of increasing caseloads dissipated.⁶⁴

The WPR and CRC should be permanently replaced, and the federal government needs to create better success measures for TANF programs that incentivize states to focus on outcomes and deliver assistance to as many families in need as possible. This is particularly necessary to ensure that states are being pushed to increase caseloads during a recession, rather than to decrease them as they are currently incentivized to do.

These improved performance measures should include some combination of metrics for the following:

- The number of families in poverty who receive assistance—for example, the TANF-to-poverty ratio⁶⁵
- The size of the benefits—particularly direct cash assistance—that participating families receive
- The percentage of total funds that each state spends on core supports such as cash assistance, child care, and subsidized employment
- The quality and long-term stability of the jobs into which people on or leaving TANF get matched

To incentivize states to help as many people as much as possible, the federal government should reward them with additional funds when they reach higher levels in each of these metrics. The federal government should also set stricter national standards for minimum allowable levels in each of these performance measures.

If the WPR and CRC are not permanently replaced, they should, at the very least, automatically be suspended until the economy has fully recovered.⁶⁶ The base year for the CRC also must automatically be adjusted to either the last year before the downturn is determined to have ended or some future year, so that states are assured they will not be punished for helping their residents by increasing caseloads during recessions.

Automatically ease individual requirements on participants during downturns

When economic conditions trigger the new permanent TANF Emergency Fund, the program should also adjust performance measures and incentives to encourage additional stimulus for low-income families facing immediate hardship. During downturns, when jobs are much harder to find and retain, all work and behavior requirements and sanctions should be automatically suspended, and TANF recipients who previously lost some or all their benefits due to sanctions should have them fully restored. No paperwork, caseworker interviews, or other administrative burdens to maintain benefits should be required during this period either, as tracking and managing compliance are administratively costly and often result in otherwise eligible participants losing their benefits due to minor errors.⁶⁷

Likewise, time limits on TANF benefits should be automatically frozen when the Emergency Fund is triggered, meaning that any amount of time receiving assistance during a downturn would not count toward a recipient's lifetime use limit and that those who had already met their time limits would be allowed to receive TANF benefits again. During the COVID-19 pandemic, several states either did not count TANF use toward time limits or allowed those who did reach their lifetime use limit to stay in the program, while Maine was the only state to allow individuals who had previously reached their maximum time limit to return to the program.⁶⁸

These suspensions and freezes could all happen at the state level with encouragement from the U.S. Department of Health and Human Services; however, they should be applied universally and automatically. For that, Congress would have to write these provisions into law and attach them to economic triggers.

Create a permanent subsidized jobs program that gets ramped up during downturns

During the Great Recession, 39 states and Washington, D.C., used \$1.3 billion of the \$5 billion TANF Emergency Fund to create more than 260,000 subsidized jobs.⁶⁹ Subsidized employment is not simply the creation of government-funded jobs, but rather an important workforce intervention that provides paid work experience and on-the-job training that will help workers who face structural barriers find stable, better-paying employment in the long term.⁷⁰ Additionally, subsidized employment provides vital income to families in need, support for businesses that can allow them to withstand or even expand during a recession, and financial stimulus for local economies. Unfortunately, despite being a very successful part of the TANF Emergency Fund during the Great Recession,⁷¹ subsidized jobs programs were ended by most states when the funding expired in September 2010, or states simply stopped placing people in the subsidized jobs in the months leading up to this deadline.⁷²

Subsidized employment has always been an allowable use of TANF funds, but outside of the Great Recession it has never received the attention or funding needed to scale up in a significant way. In his chapter in *Recession Ready*,⁷³ Indivar Dutta-Gupta outlined a much grander subsidized jobs program run through TANF that would be an effective automatic stabilizer. His design would administer the program throughout the business cycle but ramp it up during economic downturns, counteracting escalating job losses by preserving and creating jobs that would not otherwise exist. This model would also include wraparound support services such as training, job search and matching help, and transportation and caregiving assistance. By keeping the program running and funding in place—albeit in a smaller capacity—even in a strong economy, states would be able to continue placing people in subsidized jobs without worrying about funding being cut off at an arbitrary deadline or when the broader economy recovered.

A more robust subsidized employment program such as that described by Dutta-Gupta could be made available to anyone who needs assistance finding work, not just those already receiving TANF assistance. Expanding eligibility in this way could potentially preempt these individuals' need for greater aid. The jobs supported could also be specifically targeted to struggling industries and to low-income people who normally face major barriers to employment, such as those with long employment gaps and the formerly incarcerated.⁷⁴ For participants seeking stable long-term employment, subsidized jobs create a much smoother transition into the labor market and are more likely to set them on higher-wage employment pathways.⁷⁵

Remove other structural barriers to access

Several other reforms to TANF would more broadly improve the program's accessibility while also setting it up to be less obstructive to the large influxes of participants that accompany any economic downturn. These reforms could all be done at the state level,⁷⁶ setting states up to better weather future downturns. However, while some states do use the flexibility TANF provides to experiment and improve benefits and access, the scale of reforms needed—coupled with the fact that most states have trended in the opposite direction, becoming more restrictive and less helpful since TANF's inauguration⁷⁷—necessitates federal action.

These reforms include:

- **Restructure work and behavior requirements and sanctions:** Rather than focusing on punitive measures, TANF should provide the support people need to address immediate hardships, overcome systemic barriers, and get onto stable employment pathways. At present, too many people are kicked off benefits when they need them the most.

- **Eliminate the five-year lifetime use limit for all TANF recipients:** Setting these arbitrary deadlines for badly needed help—and allowing states to stop issuing benefits even sooner—only exacerbates poverty for the millions of people who will experience hardship beyond those cutoffs.⁷⁸ During times of crisis, families should not have to choose between receiving immediate assistance or preserving what is left of their lifetime amount for a future period of hardship.⁷⁹
- **Eliminate asset limits on TANF participants:** In addition to income eligibility rules, most states set asset limits on TANF participants.⁸⁰ During an economic crisis, many people who need temporary support can be blocked by asset limits or forced to relinquish resources, such as cars, that could actually help them find longer-term employment stability.⁸¹ Eliminating asset limits would be beneficial to both states and recipients by speeding up the application process, reducing administrative burdens and expenses, and allowing TANF programs to expand quickly in response to increasing job losses and financial hardship, all without trapping prospective recipients in poverty.
- **Simplify the application, recertification, and re-enrollment process for TANF:** This process should be simplified significantly and streamlined with other low-income support programs such as SNAP, the Special Supplemental Nutrition Program for Women, Infants, and Children, and Medicaid so that an application to one can be used for all. Doing so would speed up the application process, reduce administrative costs, and ensure that far fewer recipients are cut off due to minor process or paperwork mistakes—especially at the onset of recessions, when a rush of applications flood safety net programs.

Conclusion

Poverty is a serious problem in the United States and one that is far more widespread than many realize. Nearly 3 in 5 Americans will spend at least one year below the poverty line from ages 20 to 75.⁸² Most will cycle in and out of poverty, experiencing months or years of doing well before hitting stretches where they struggle financially.⁸³ This is particularly pronounced during recessions, especially when government responses fall short. Therefore, it is crucial that safety net programs such as TANF are accessible and available to provide assistance during periods of hardship. Importantly, the longer a spell of poverty lasts, the harder it becomes to overcome it,⁸⁴ especially for children, who are much more likely to struggle with poverty in adulthood if they spent time in poverty as a child.⁸⁵

Automatic stabilizers can be immensely effective in catching households before they fall into poverty and, by doing so, preventing economic downturns from spiraling into full recessions.⁸⁶ TANF has the potential to make a significant difference by providing monthly cash assistance and other incredibly important support services.

But to be truly successful, TANF must be funded and directed properly as an effective automatic stabilizer. Until this program is improved, recessions will continue to be extremely harmful and economic recoveries will continue to leave millions of Americans behind.

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