



# SUPPLEMENTAL SECURITY INCOME, WELFARE REFORM, AND THE RECESSION

With Temporary Assistance for Needy Families providing less support during recessions than its predecessor safety net, Supplemental Security Income has become important for low-income families with children.

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For years, the Aid to Families with Dependent Children (AFDC) program provided an important safety net for families with children in the United States. The nature of this safety net changed dramatically in 1996, when major welfare reform was passed. As Bill Clinton said when he signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), the new Temporary Assistance for Needy Families (TANF) program would “end welfare as we know it.” And it did.

The early days of welfare reform coincided with substantial increases in employment and earnings for many former welfare recipients. Unprecedented decreases in the number of benefit recipients also were seen. But the early days of welfare reform coincided with an economic boom. It was unclear at the time how much of the employment gains would withstand an economic downturn.

The Great Recession, characterized by high and sustained unemployment and decreases in earnings, has provided a clear answer. Even highly skilled and experienced workers have been unemployed for long periods. The data show that the gains in employment experienced by single-parent families immediately following welfare reform have eroded. Cash benefits through TANF are providing less recessionary protection to families at a time when availability of jobs is low.<sup>1</sup>

Over the same time period, the Supplemental Security Income (SSI) program, which provides federally funded income support for

disabled individuals, has become one of the country’s most important means tested, cash-aid programs. And evidence suggests that some of the increase in SSI caseloads might be directly related to welfare reform. That is why understanding the growth in SSI participation could be important for understanding the safety net in the post-welfare-reform era.

In my research, I ask the following questions:

- What factors affect SSI participation?
- Has welfare reform played a role in rising participation rates?
- Has welfare reform affected the relationship between economic conditions and SSI participation?<sup>2</sup>

## Looking at Caseloads

Although the SSI program is targeted at the disabled, and the TANF program, like AFDC before it, is targeted at single-parent families, there are similarities in the characteristics of recipients using the two programs. Both programs serve disadvantaged populations that tend to have low levels of education and minimal work history. In addition, high rates of both physical and mental disabilities have long been identified among AFDC and TANF recipients.<sup>3</sup>

## A Striking Increase

It therefore may not be surprising that, despite the complicated five-step process that determines whether applicants qualify, there has

been rapid growth in SSI caseloads. Between 1990 and 2010, the program saw the number of disabled adult SSI recipients increase by 89 percent and the number of child SSI cases quadruple.

Can some of the increase in SSI caseloads be attributed to efforts to reform welfare? Previous research suggests that it can.<sup>4</sup> Indeed, some localities appear to have actively moved to SSI those TANF recipients deemed unlikely to find jobs before reaching their time limit.<sup>5</sup> SSI benefits have become an alternative safety net for former welfare recipients who also experience a disability, and as such, are helping to reduce poverty for many economically disadvantaged families.<sup>6</sup>

### Factors Affecting Caseloads

Using a panel of data from all 50 states and the District of Columbia for the years 1990 to 2010, I exploited variation both across states and over time to determine what factors affect SSI caseloads. I examined the relative contribution of factors such as economic conditions, demographic variables, health conditions, and relative program generosity.

I then tested in two ways whether welfare reform directly affected SSI participation. I looked directly at the implementation of the 1996 federal welfare reform and also examined the effects of waivers granted to states to reform their welfare programs in the early 1990s (often considered the precursors to federal welfare reform). I also examined whether specific state-level welfare policies such as time limits and sanctions for noncompliance with welfare rules affect SSI participation.

The results suggest that higher levels of per capita income reduce the SSI caseload share for both adults and children (studied separately), and that higher percentages of nonmarital births are associated with greater SSI participation. In addition, the welfare waivers implemented in the early 1990s significantly increased SSI participation among adult women, and implementation of TANF had effects of a similar size. TANF policies that cut recipients from the rolls for noncompliance with welfare rules significantly increased the share of both adults and children on SSI. This is consistent with evidence that families in which one or more people had a disability were more likely to be cut from TANF than other families.<sup>7</sup>

I also examined whether the relationship between economic conditions and SSI participation has changed since welfare reform was enacted in 1996. Results suggest that SSI participation among disabled women and children became significantly more cyclical after welfare reform. In other words, after 1996, SSI participation was more likely to rise in response to unemployment-rate increases than was previously the case.

### Implications

The research suggests a direct relationship between elements of welfare reform and SSI participation among women and children. Furthermore, the increased cyclicity of the SSI program is consistent with previous evidence suggesting that cash benefits through TANF provide less recessionary protection than AFDC benefits did before welfare reform. The finding is also consistent with evidence that

other programs, such as the Supplemental Nutrition Assistance Program (formerly the food stamps program), have become more cyclical since welfare reform.

Taken together, the findings suggest that SSI is, to some extent, playing the role of an alternative safety net in the post-welfare-reform era. Going forward, SSI is likely to continue to be important for the well-being of low-income families, particularly during times of sustained high-unemployment rates.

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### Endnotes

- 1 "Chart Book: TANF at 16" (white paper, Center on Budget and Policy Priorities, Washington, DC, August 22, 2012); and Marianne P. Bitler and Hilary Hoynes, "The State of the Safety Net in the Post-Welfare Reform Era," *Brookings Papers on Economic Activity* 2 (2010): 71–127.
- 2 Lucie Schmidt, "The Supplemental Security Income Program and Welfare Reform" (Public Policy Discussion Paper no. 12-3, New England Public Policy Center, Federal Reserve Bank of Boston, 2012).
- 3 Pamela Loprest and Gregory Acs, "Profile of Disability among Families on AFDC" (Urban Institute Research Paper, Washington, DC, 1995); and S.K. Danziger, M. Corcoran, S. Danziger, et al., "Barriers to the Employment of Welfare Recipients," chap. 7 in *Prosperity for All?* R. Cherry and W. Rodgers, eds. (New York: Russell Sage Foundation, 2000).
- 4 Lucie Schmidt and Purvi Sevak, "AFDC, SSI, and Welfare Reform Aggressiveness: Caseload Reductions vs. Caseload Shifting," *Journal of Human Resources* 39, no. 3 (2004): 792–812.
- 5 LaDonna A. Pavetti and Jacqueline Kauff, "When Five Years Is Not Enough: Identifying and Addressing the Needs of Families Nearing the TANF Time Limit in Ramsey County, Minnesota" (white paper, Mathematica Policy Research, Washington, DC, 2006).
- 6 Mark G. Duggan and Melissa Schettini Kearney, "The Impact of Child SSI Enrollment on Household Outcomes," *Journal of Policy Analysis and Management* 26, no. 4 (2007): 861–885.
- 7 Andrew Cherlin, Linda Burton, Judith Francis, et al., "Sanctions and Case Closings for Noncompliance: Who Is Affected and Why?" (Welfare, Children, and Families Study Policy Brief no. 01-1, Johns Hopkins University, Baltimore, 2001); and Heidi Goldberg and Liz Schott, "A Compliance-Oriented Approach to Sanctions in State and County TANF Programs" (white paper, Center on Budget and Policy Priorities, Washington, DC, 2000).