



The Performance of the Social Safety Net in the Great Recession

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Overview

- How has the safety net performed in the Great Recession?
- Performance: Were the most important programs serving low income families able to support more of them? Were all types of needy families helped? Were some helped more than others? Were the poorest families helped more than the less needy? How much of the expenditure on the programs go to the nonpoor?
- These are all questions relevant to what most would define as the performance of the social safety net during a major downturn

Means-Tested Programs in 2007 (Pre-Recession)


	No.Recips(000)	Expend(mil)
Medicaid	54,800	\$328,900
School Food	40,700	10,900
SNAP	26,500	30,400
EITC	24,600	48,500
WIC	8,300	5,400
SSI	7,400	41,200
Housing	5,100	39,400
TANF	4,100	11,600

Social Insurance Programs in 2007 (Pre-Recession)

	No.Recips(000)	Expend(mil)
Medicare	44,000	\$432,200
OASI	40,900	485,881
SSDI (DI)	8,920	99,100
UI	7,642	32,500
WC	NA	55,200

“Normal” Responses

- Which of the programs should be expected to automatically respond to an increase in unemployment and decline in income?
- Most obvious: UI
- Food Stamps, Medicaid, SSI for aged: all have few eligibility conditions other than low income and assets
- Other programs (TANF, Housing, SSI-Disability, DI, OASI, Medicare) not so obvious that they would respond

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- Also not obvious: EITC
 - Could go either way; its aim is to support work, but work declines during a Recession

Stimulus Additions

- (1) UI Extensions (started in 2008, expanded in 2009, renewed; up to 99 weeks). Also increased UI benefits, expanded eligibility, more more part-time eligibles
- (2) ARRA: more for TANF, EITC, SNAP, OASI, Medicaid
- (3) Making Work Pay, temporary reduction in payroll tax, extended Child Tax Credit

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- Look at aggregate expenditure trends first

Social Insurance and Means-Tested Transfers Per Capita, 1970-2010

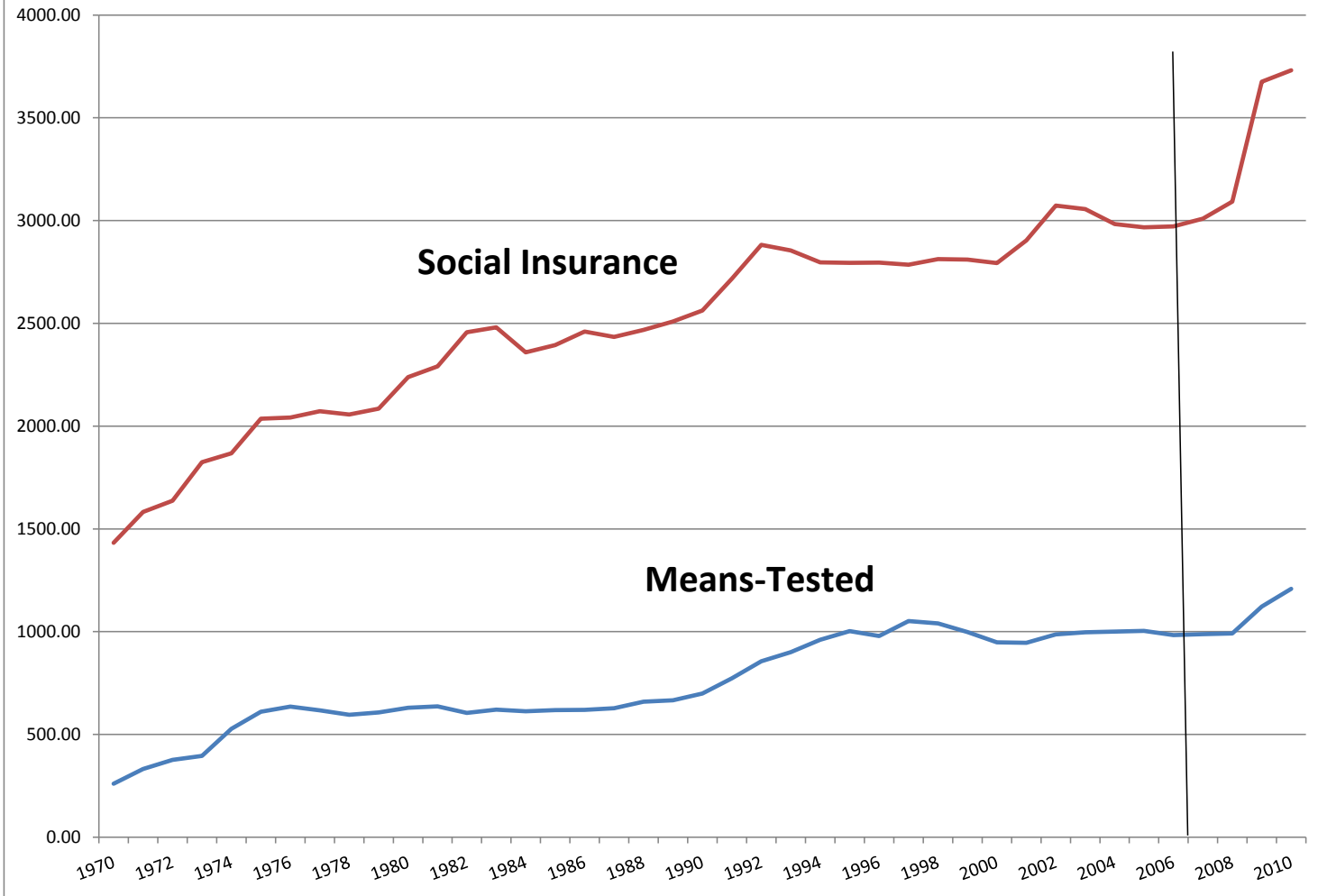
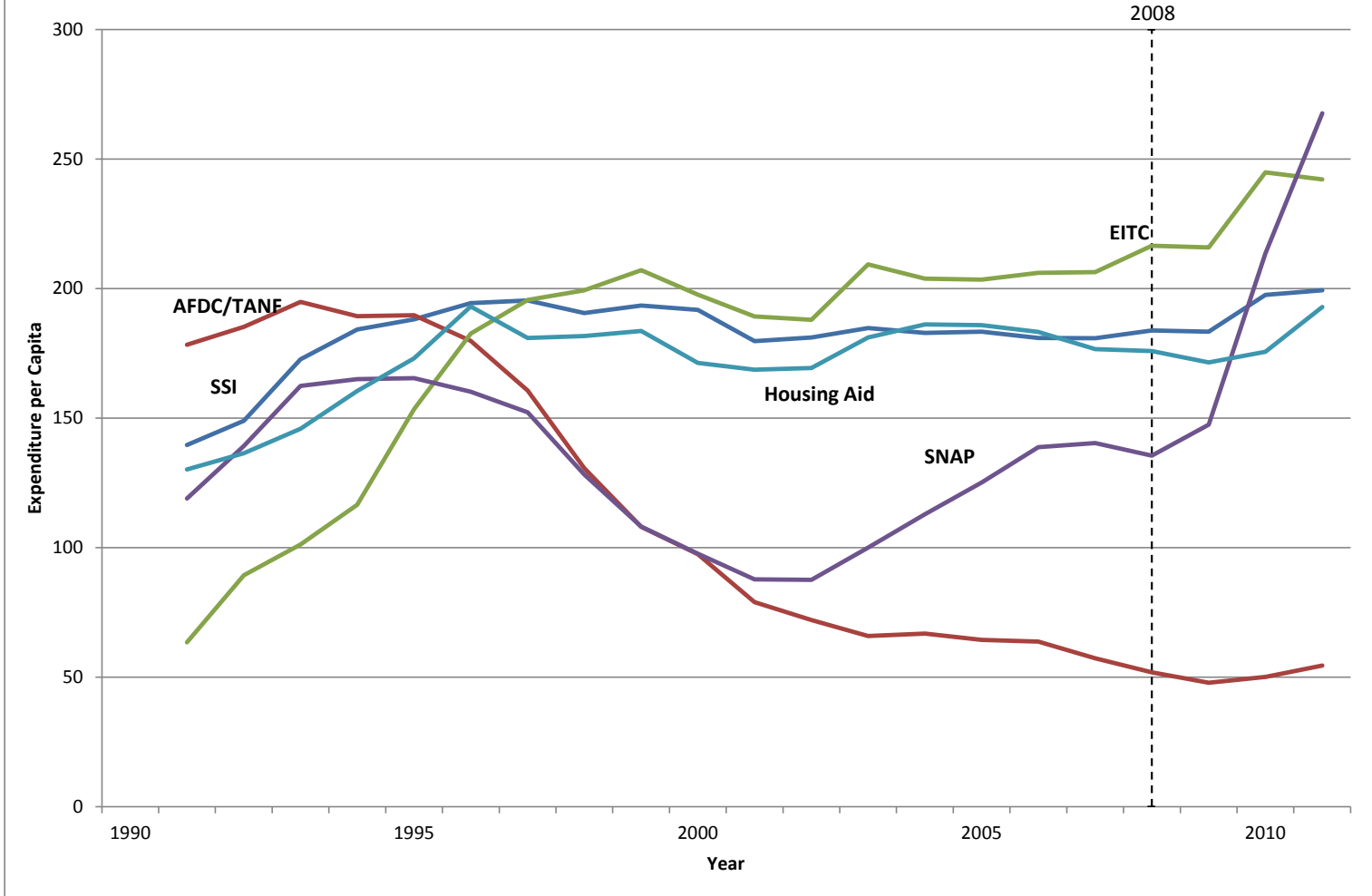
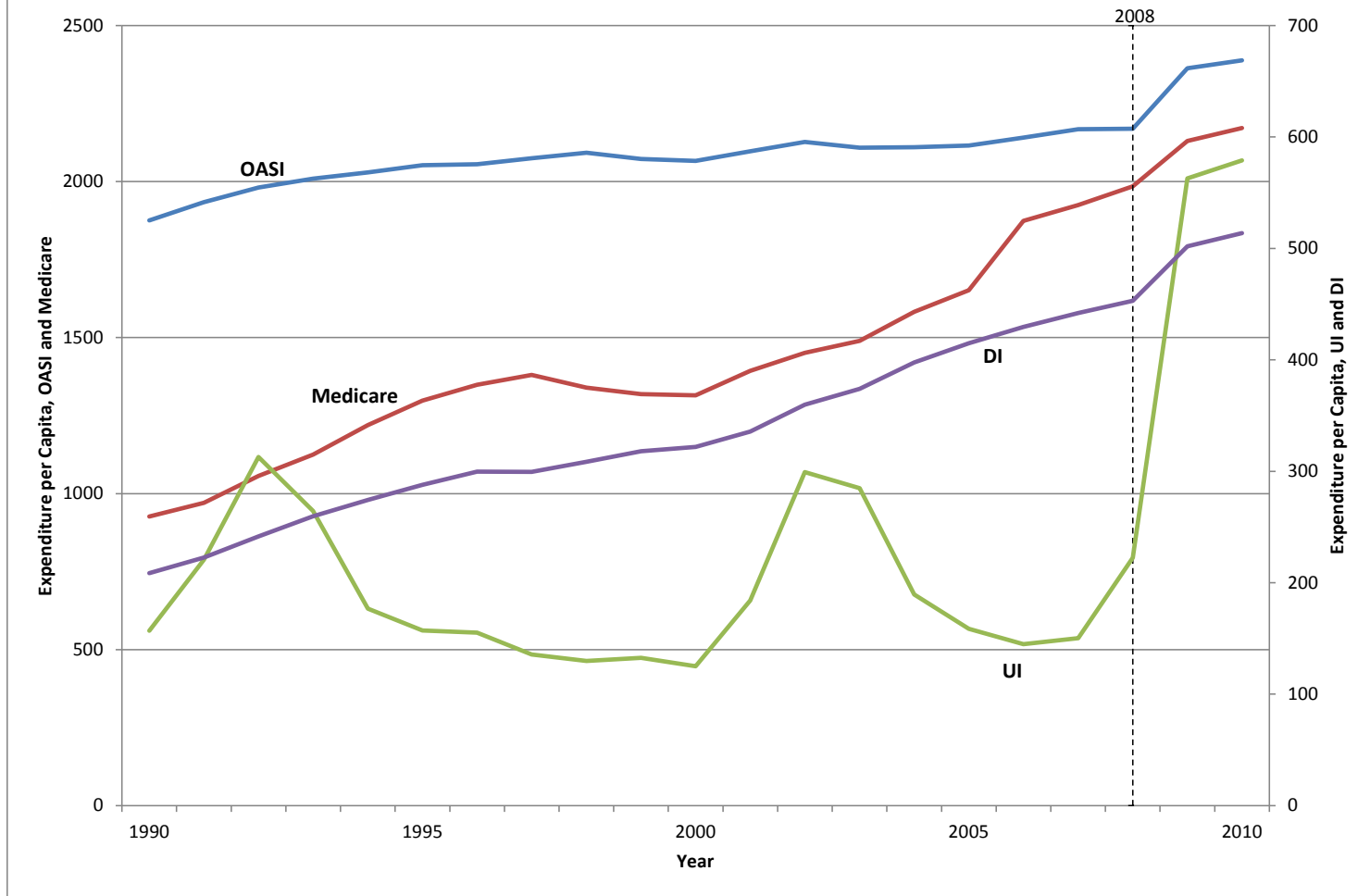



Figure 2: Expenditure per Capita, Non-Medicaid Means Tested Programs, 1990-2010 (real 2009 dollars)



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- Medicaid: aggregate expenditure rose from \$327 billion in 2007 to \$401 billion in 2010


Figure 2: Expenditure per Capita, Social Insurance Programs, 1990-2012
(real 2009 dollars)



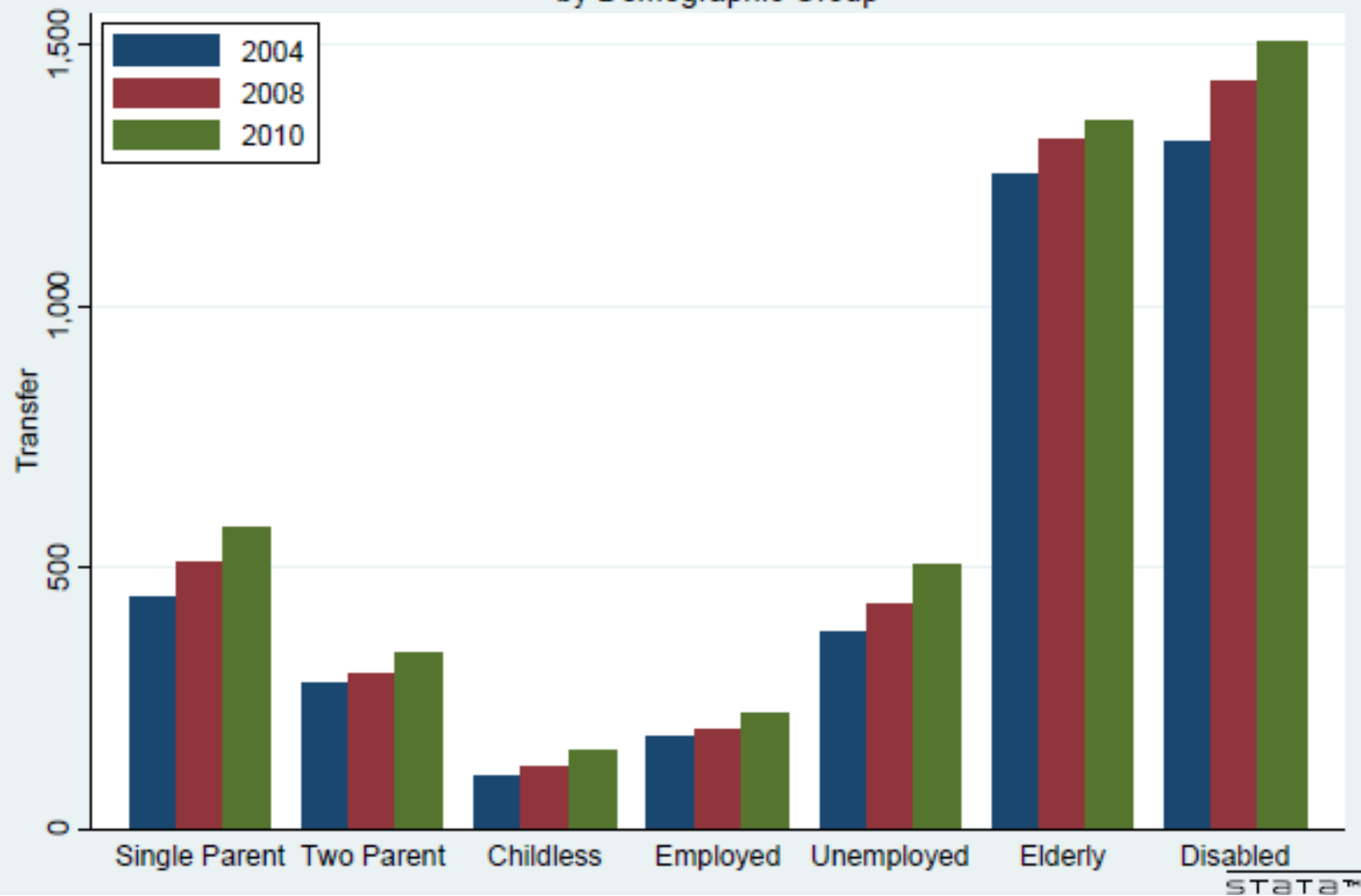
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- So: many of the programs that were not expected to respond, did not
 - But some of those that were not expected to respond, did (DI)
 - Some of the unclear ones (EITC, OASI) did expand
 - Those that were expected to respond strongly, responded very strongly (UI, SNAP, Medicaid)

Distributional Effects

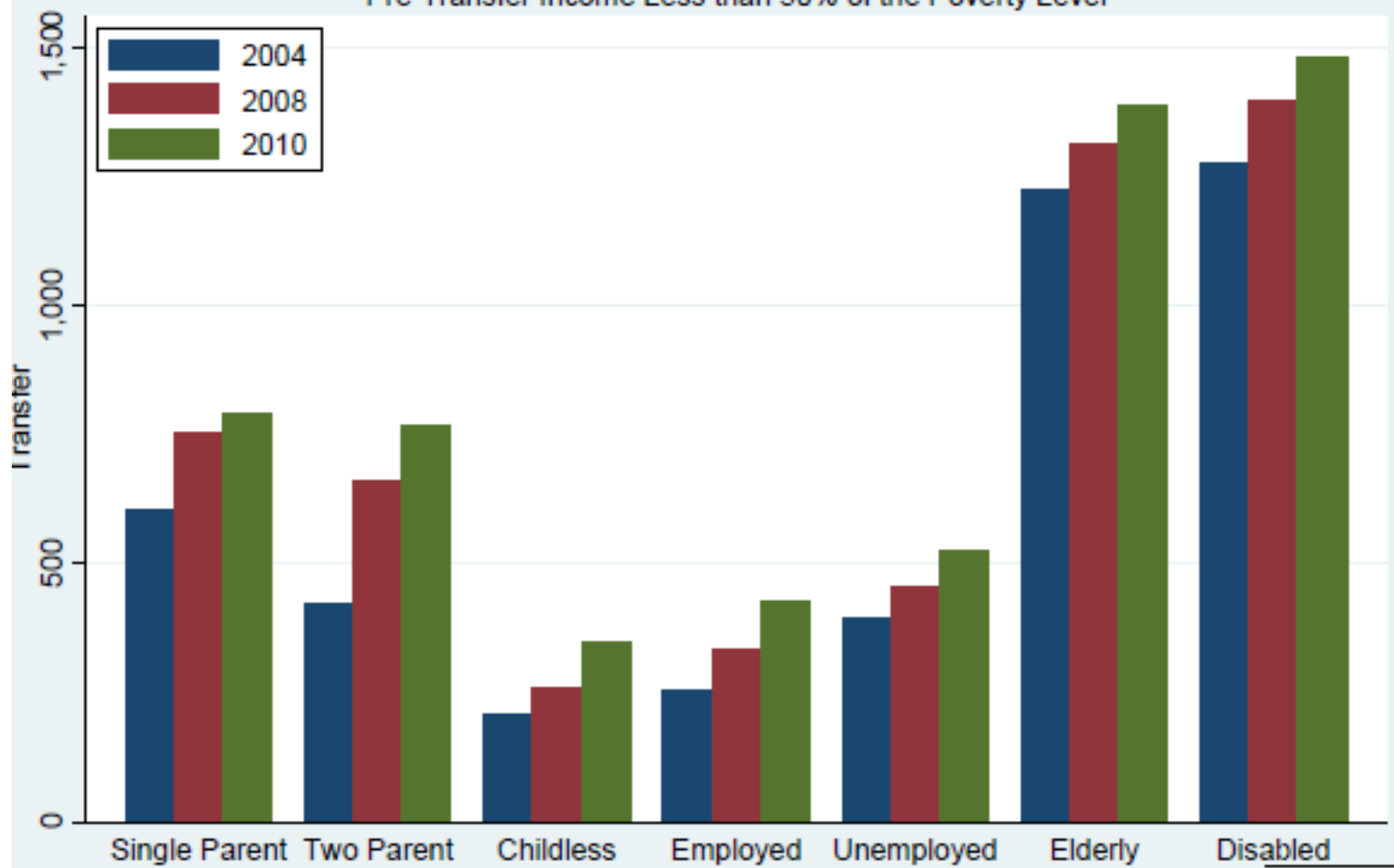
- 2004 and 2008 SIPP panels
- Representative surveys of US population
- Just count up the amount of monthly benefits reported by each family from each program in the safety net (and EITC, CTC)
- Distribution 1: By Demographic Group
- Distribution 2: By Pre-Transfer Income Class
- 2004, 2008, 2010


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- Demographic groups: elderly, disabled, and non-elderly non-disabled single-parent families, two-parent families, childless; and employed and nonemployed families
 - Pre-transfer income group: less than 50% of Poverty line, 50%-100%, 100%-150%
 - Exclude Medicaid and Medicare


Average Monthly Government Expenditures
by Demographic Group



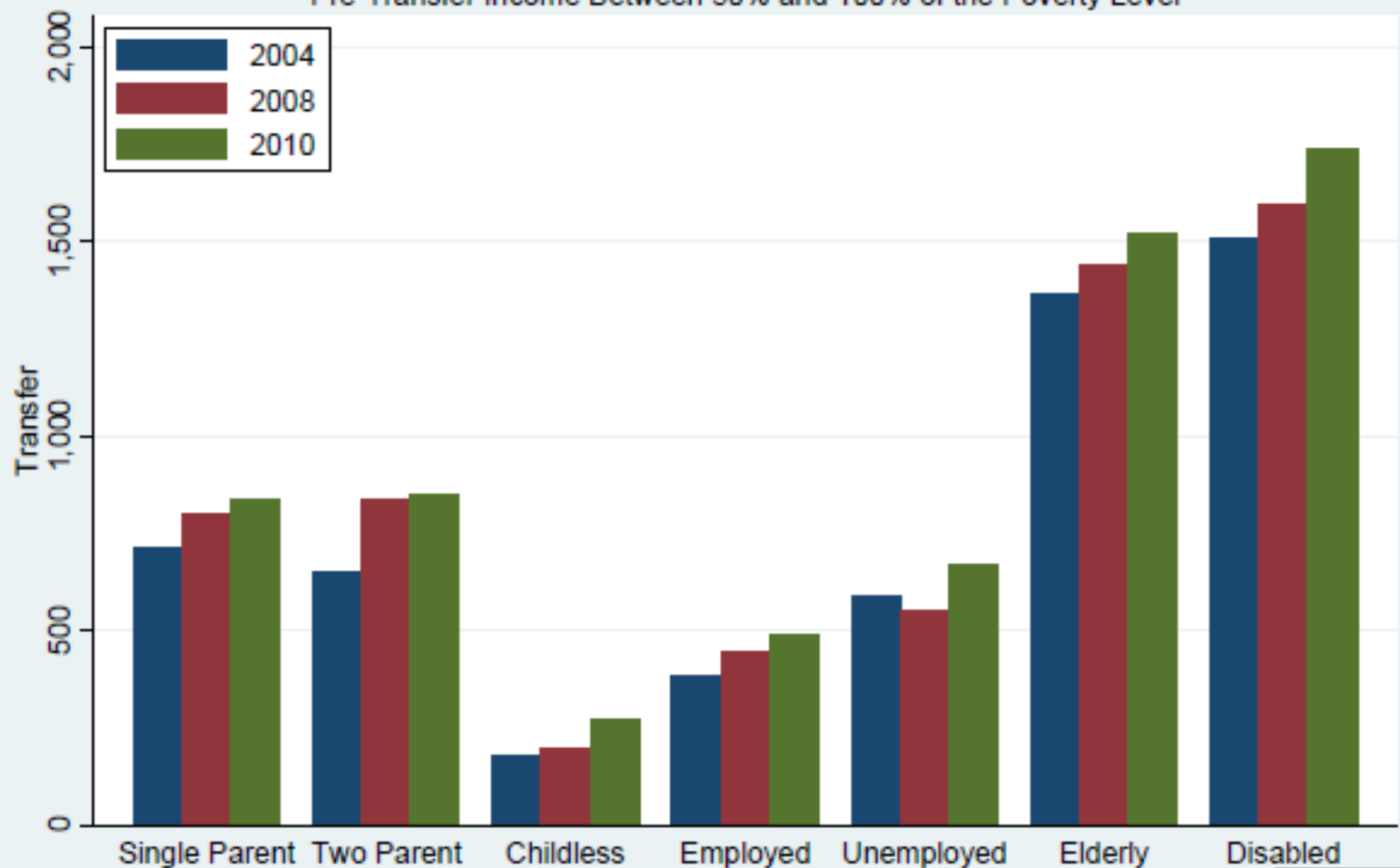
Average Monthly Government Expenditures
by Demographic Group and Poverty Level
Pre-Transfer Income Less than 50% of the Poverty Level



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- Major programs for non-elderly, non-disabled: UI and SNAP (not EITC)
 - For example:
 - Single mother families in deep poverty in 2004 received, on average, \$604 per month; in 2008, this had rise to \$751; by 2010, \$866
 - UI in those 3 years: \$44, \$78, \$131
 - SNAP in those 3 years: \$162, \$227, \$278

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- Two parent, childless, nonemployed: same (but childless is mostly UI, not SNAP)
 - Employed: UI, SNAP, but also EITC
 - Elderly: mostly OASI, some DI and SSI
 - Disabled: DI, SSI, but also some SNAP and UI

Average Monthly Government Expenditures
by Demographic Group and Poverty Level
Pre-Transfer Income Between 50% and 100% of the Poverty Level

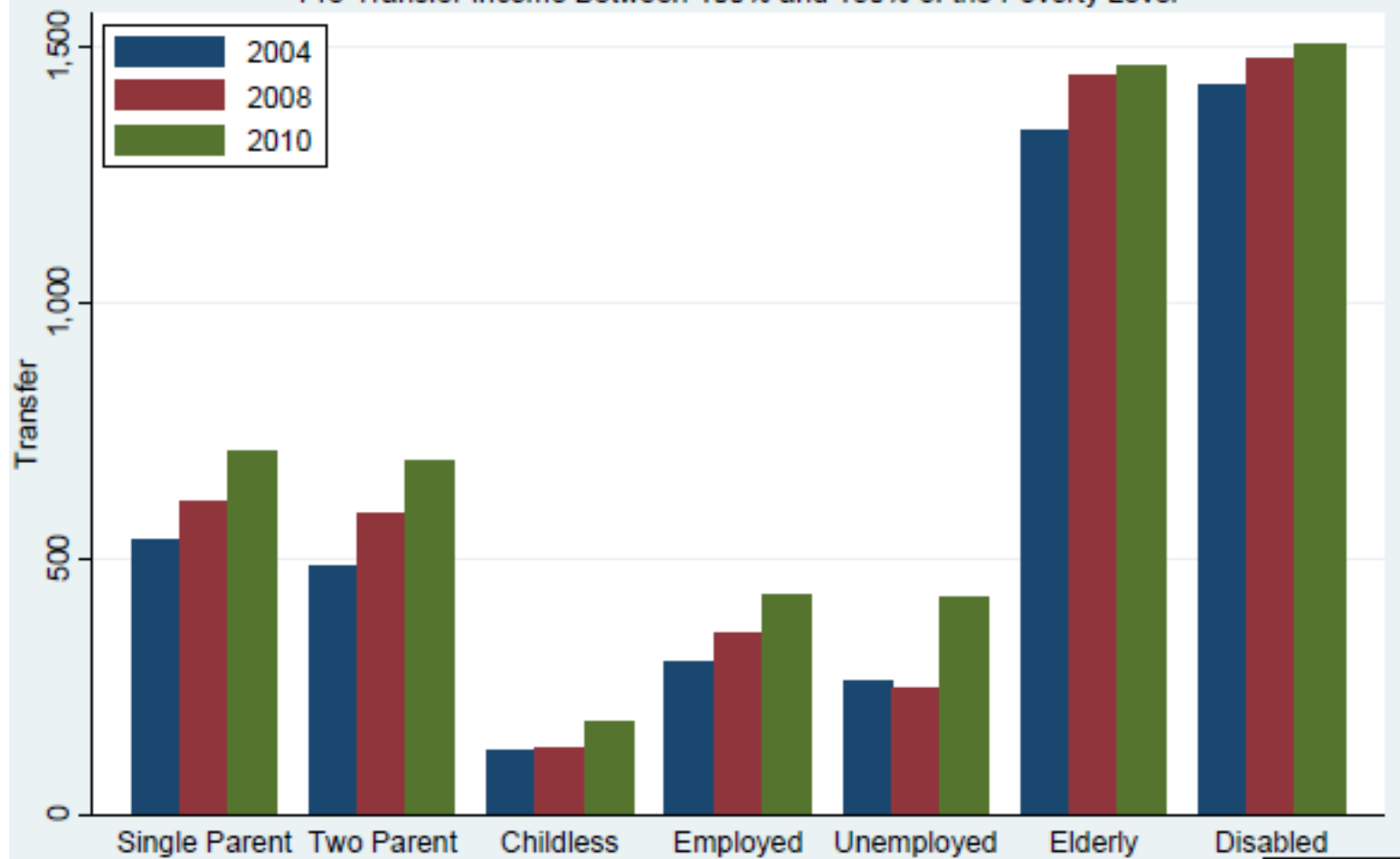



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- Smaller increases
 - For this group, EITC increase important as well as UI and SNAP


Average Monthly Government Expenditures

by Demographic Group and Poverty Level

Pre-Transfer Income Between 100% and 150% of the Poverty Level

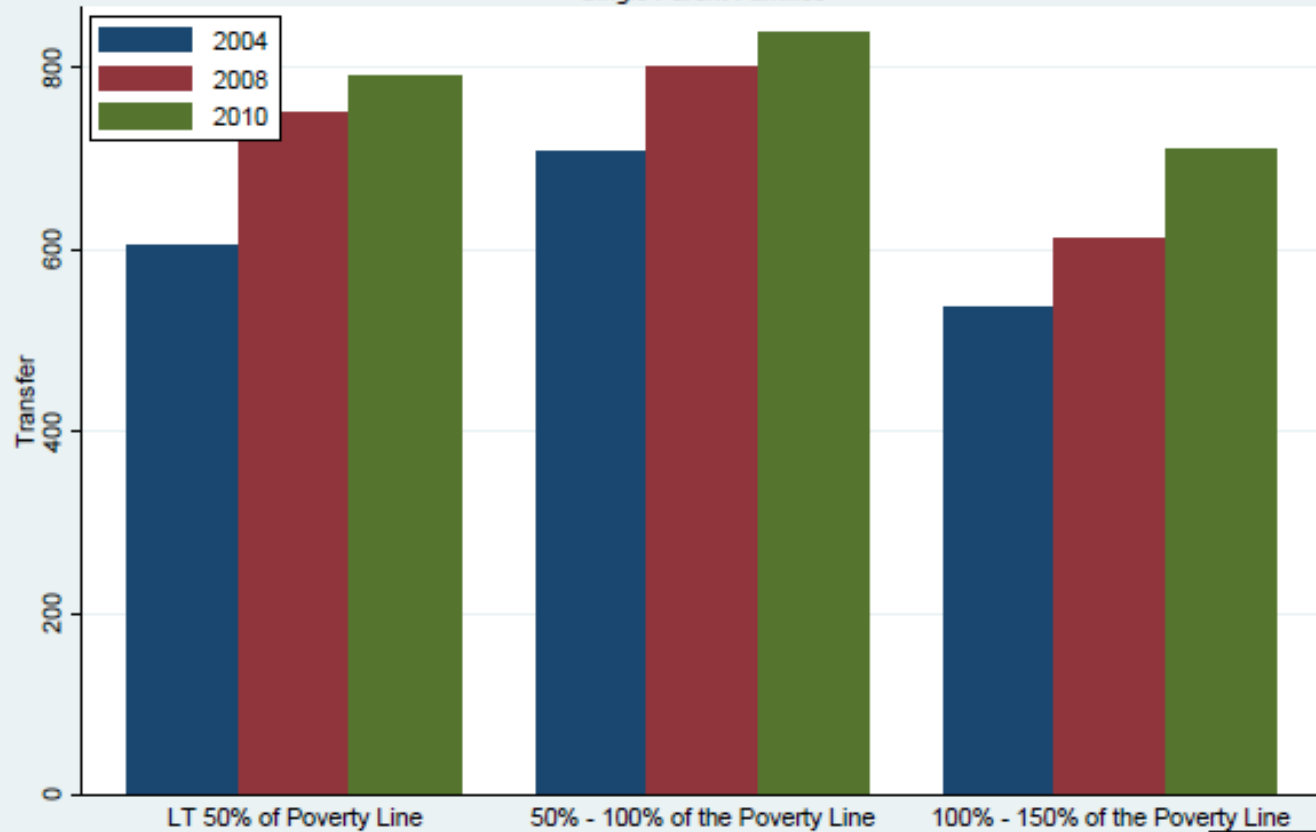


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- Large flow of benefits to the near-poor (100%-150% poverty line): large increase in SNAP, EITC; also some UI increase, though smaller than lower income groups



One note: EITC goes more to families in the 50%-100% range than families in the 0%-50% range (as do Social Security and DI benefits), so those in the higher income group often receive greater transfers than those in the lower income category:

Figure 4: Average Monthly Government Expenditures
by Year and Poverty Level
Single Parent Families



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Figure 5: Average Monthly Government Expenditures
by Year and Poverty Level
Two Parent Families

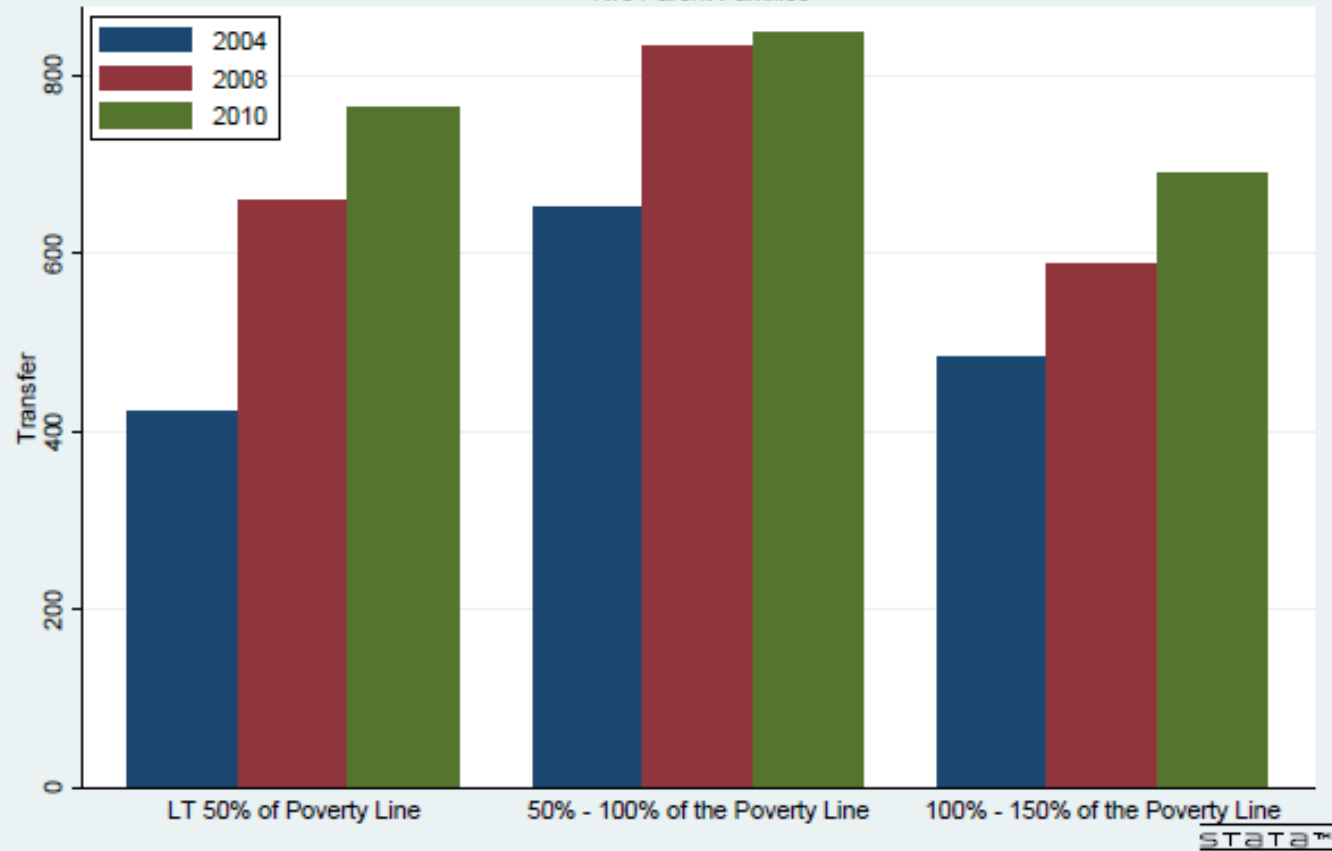


Figure 6: Average Monthly Government Expenditures
by Year and Poverty Level
Childless Families

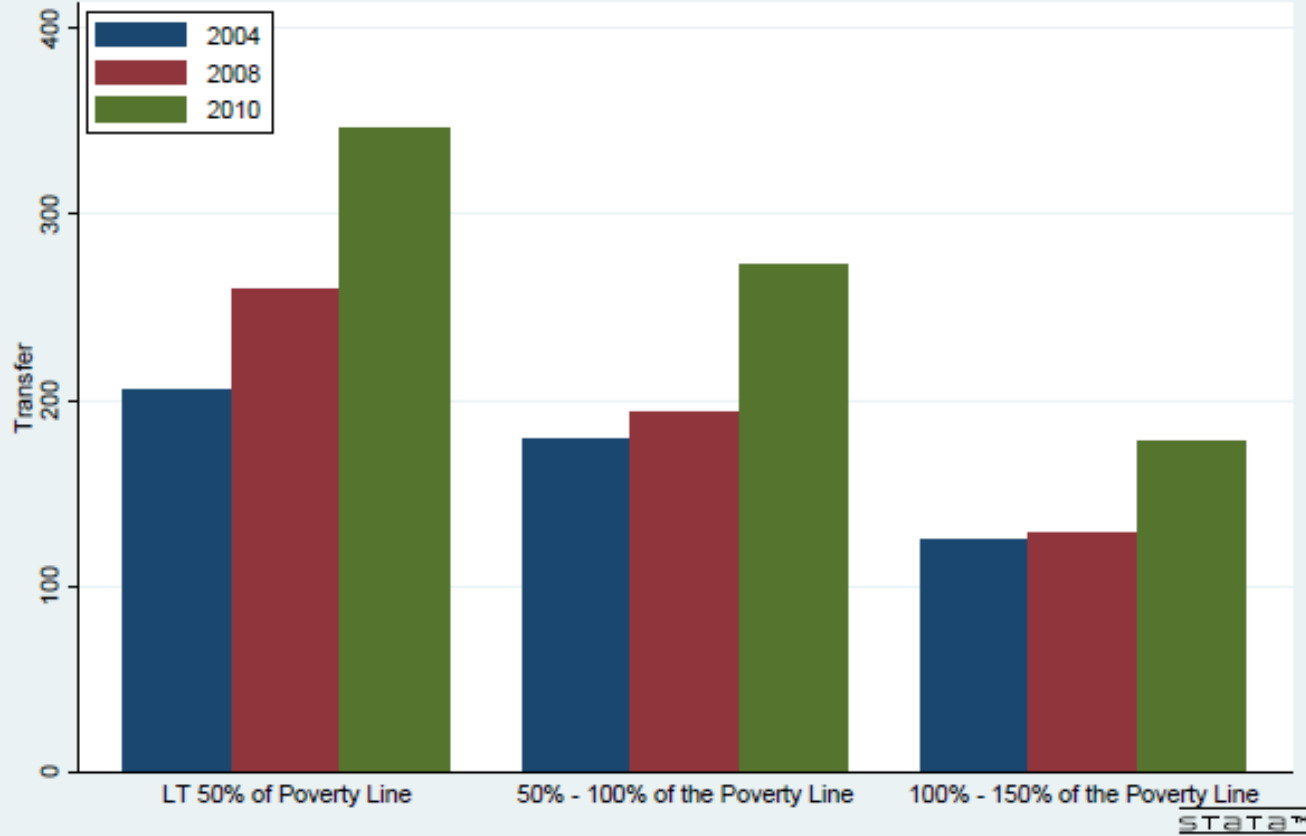


Figure 7: Average Monthly Government Expenditures
by Year and Poverty Level
Non-elderly Non-disabled Employed Families

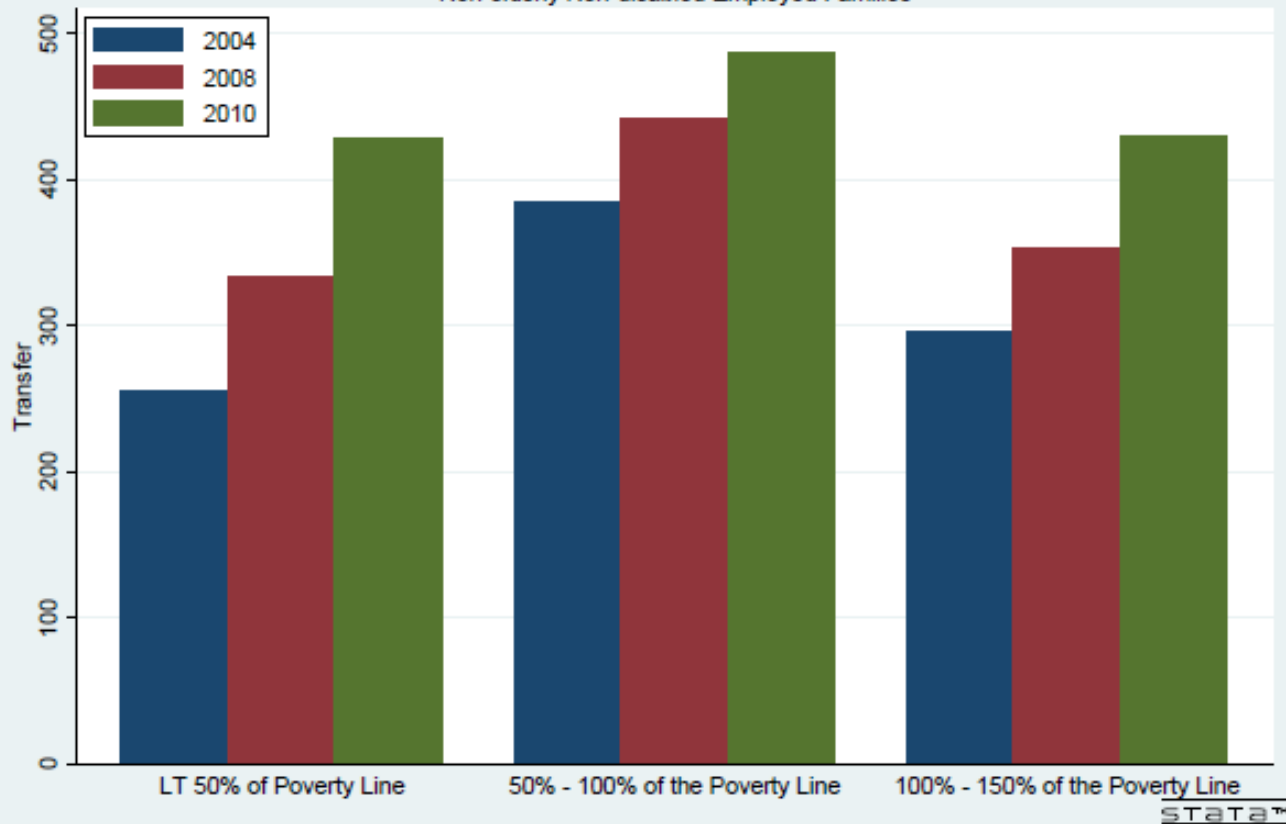
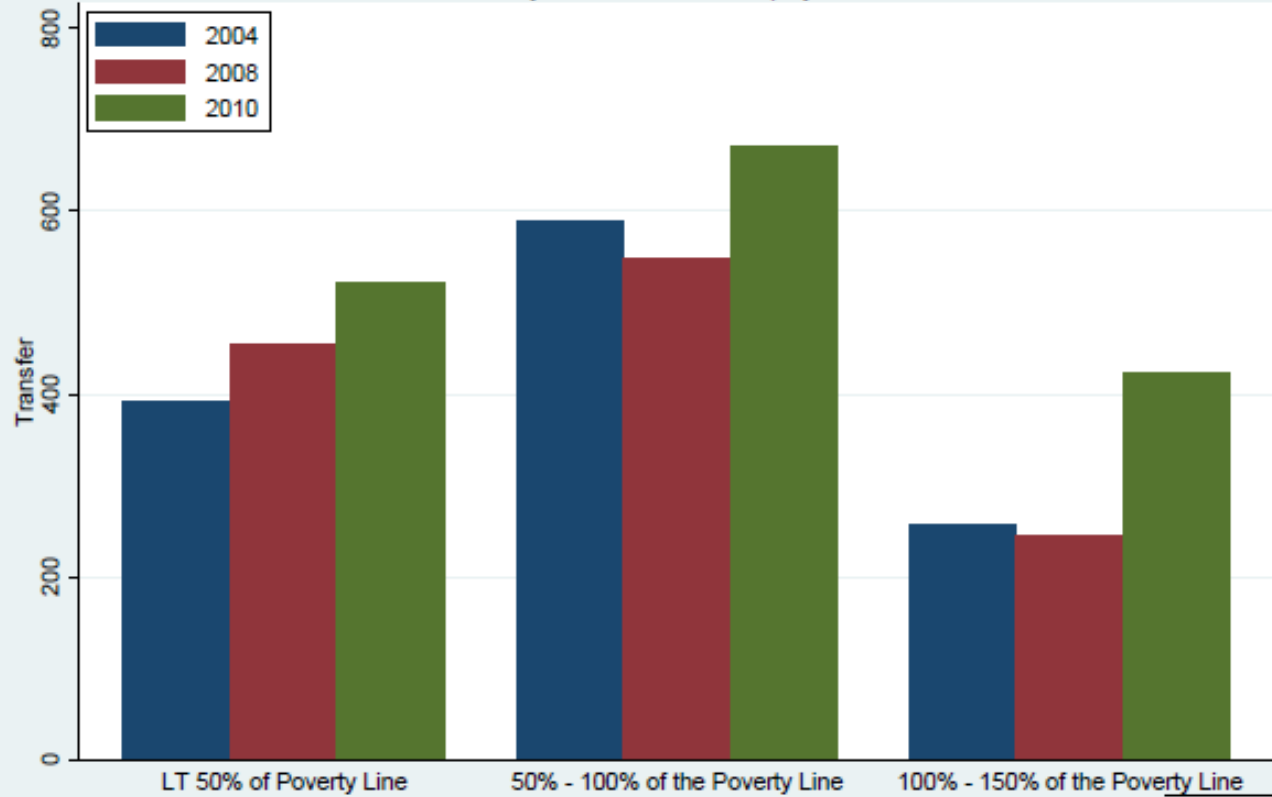
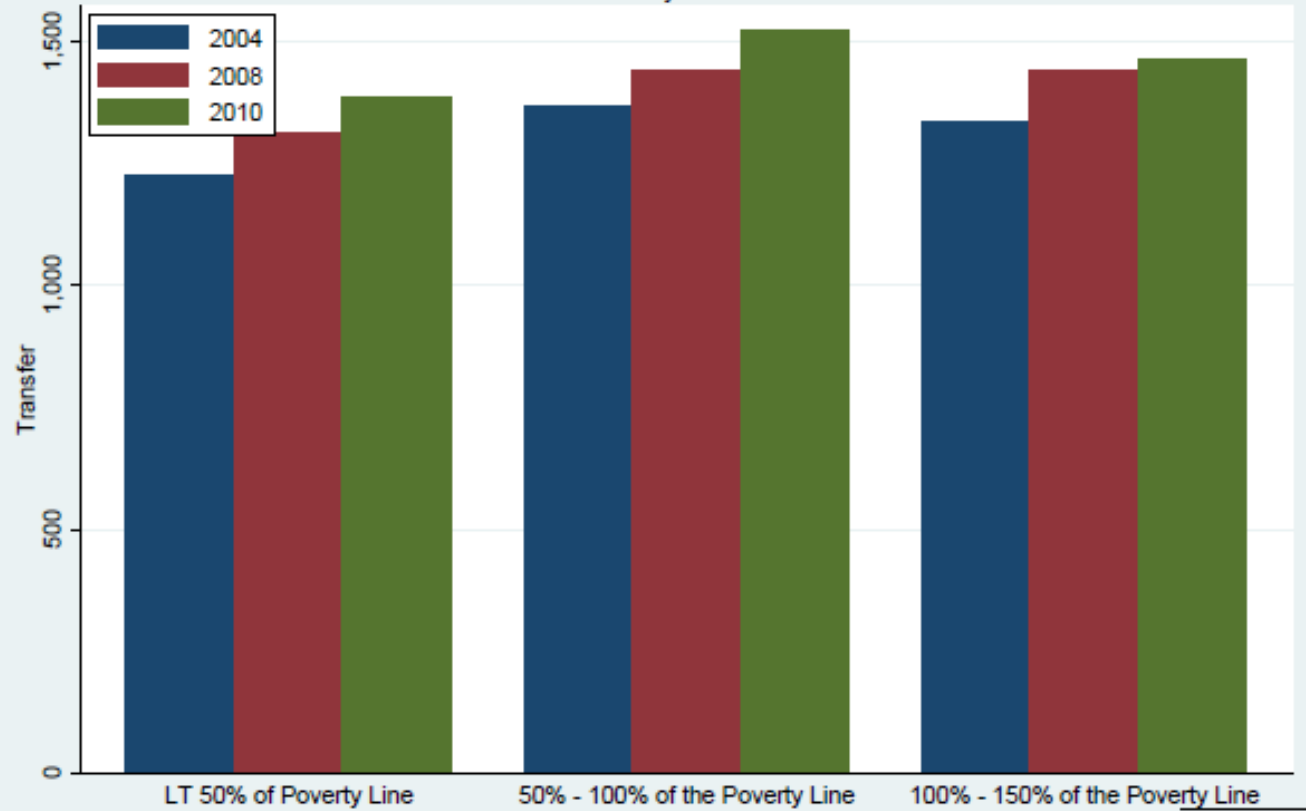


Figure 8: Average Monthly Government Expenditures
by Year and Poverty Level
Non-elderly Non-disabled Nonemployed Families



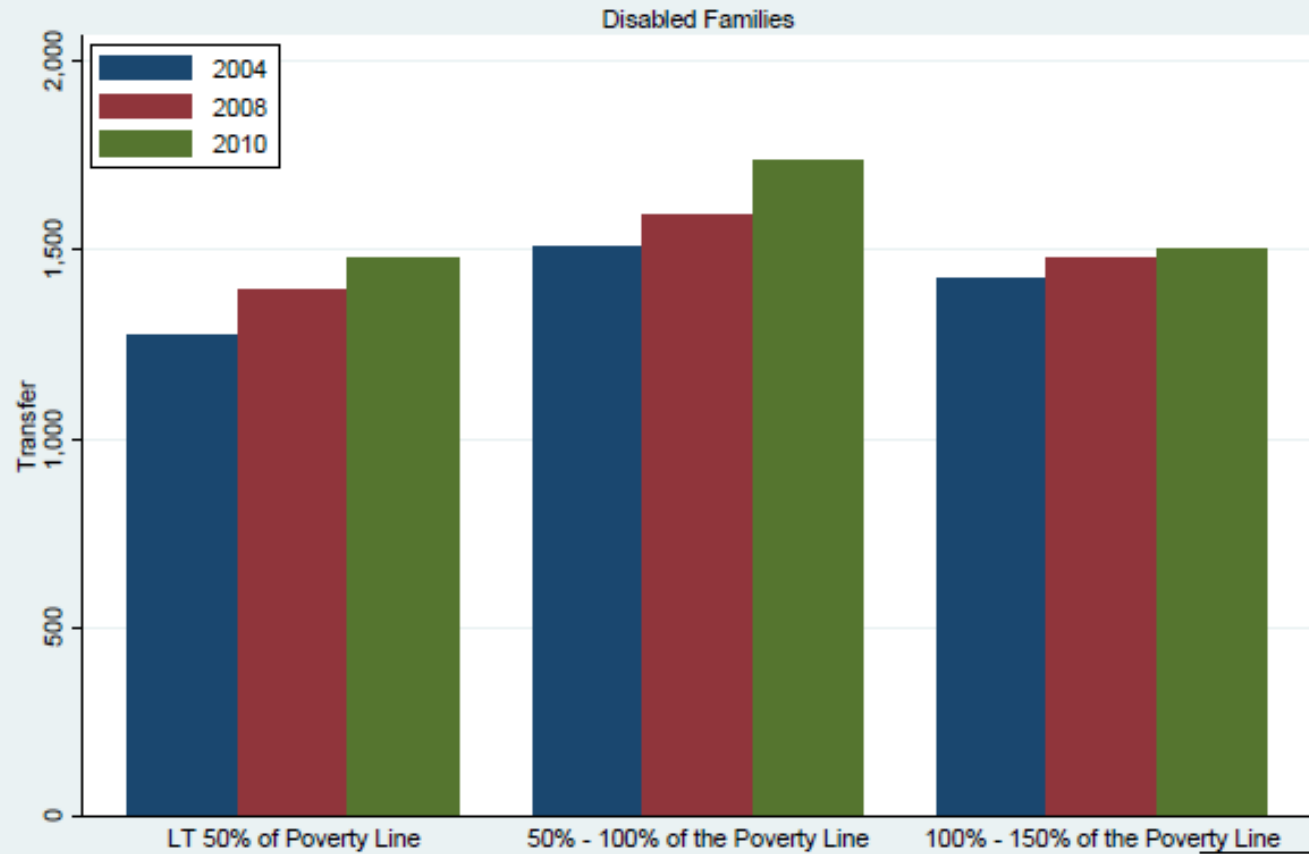
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Figure 9: Average Monthly Government Expenditures
by Year and Poverty Level
Elderly Families



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Figure 10: Average Monthly Government Expenditures
by Year and Poverty Level



Conclusions

- Safety net exhibited pretty good performance
- Increases in benefits were widespread across almost all demographic groups
- Increases went more to those at the bottom of the income distribution than those higher up
- The lion's share of the increases were in UI, SNAP, and EITC



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