

# INSTABILITY, INEQUALITY, AND THE RESPONSE OF THE SAFETY NET

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Role of Social Insurance and Assistance Today*

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# Assessing safety net & well-being

- (1) Assess income smoothing characteristics of safety net programs and taxes
  - Does the safety net dampen income instability?
  - AFDC/TANF, Social Security & Disability insurance, Supplemental Security Income, SNAP, School Lunches, housing assistance value, EITC, UI
- (2) Assess income inequality and the safety net
  - Does the safety net lower inequality?
  - Cash welfare, SNAP, EITC
  - Medicare, Medicaid, Social Security

## Income instability

- Rising from early 1970s until 2000, especially throughout 1990s

Dynan et al. 2008; Hacker & Jacobs 2008; Gottschalk & Moffitt 2009; Winship 2009; Dahl, DeLeire, & Schwabish 2011; Ziliak, Hardy, & Bollinger 2011

- Associated with job loss

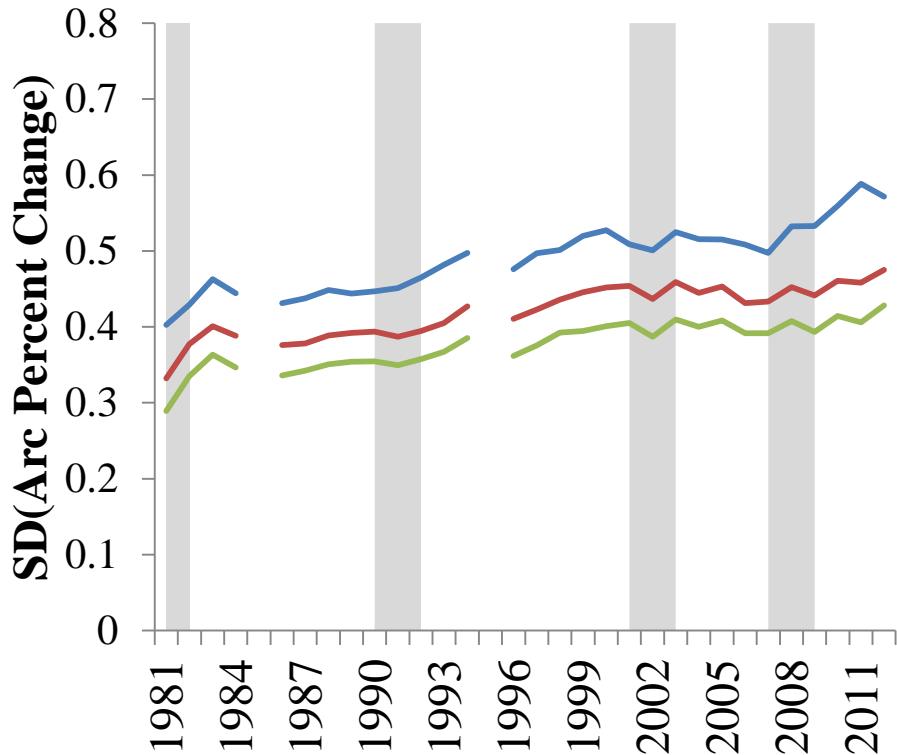
## Income instability: reasons for concern

- Changes to U.S. social safety net may negatively or positively impact response to income shocks, inequality
  - “Work-based” TANF, EITC, & food stamps/SNAP (ABAWD)
  - Structural change in the labor market
- Negative welfare consequences if shocks fall on families facing liquidity constraints
  - Hardy 2014; Hardy & Ziliak 2012; Kniesner and Ziliak 2002; Blundell, et al. 2008; Hacker and Jacobs 2008; Gottschalk and Moffitt 2009; Parker and Vissing-Jorgenson 2009

# Across Family structure

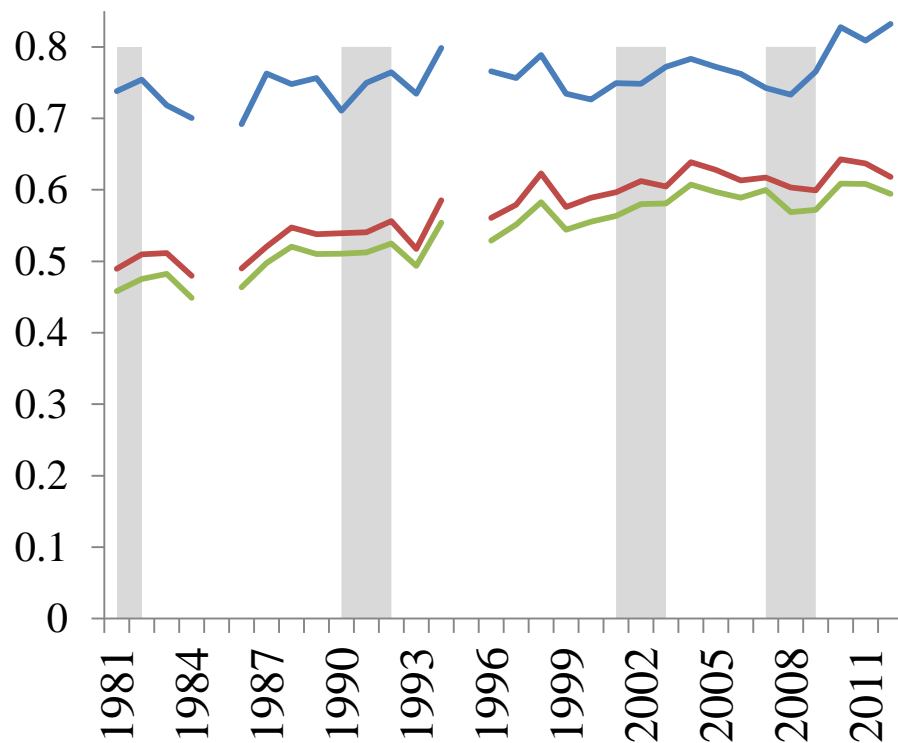
- Married families
  - 15% instability reduction after transfers during the GR
- Single parent female-headed families
  - 19% instability reduction after transfers during the GR

### Married Families



- Recession
- Pre Taxes & Transfers
- After-Transfers
- After Taxes & Transfers

### Single Female-Headed Families

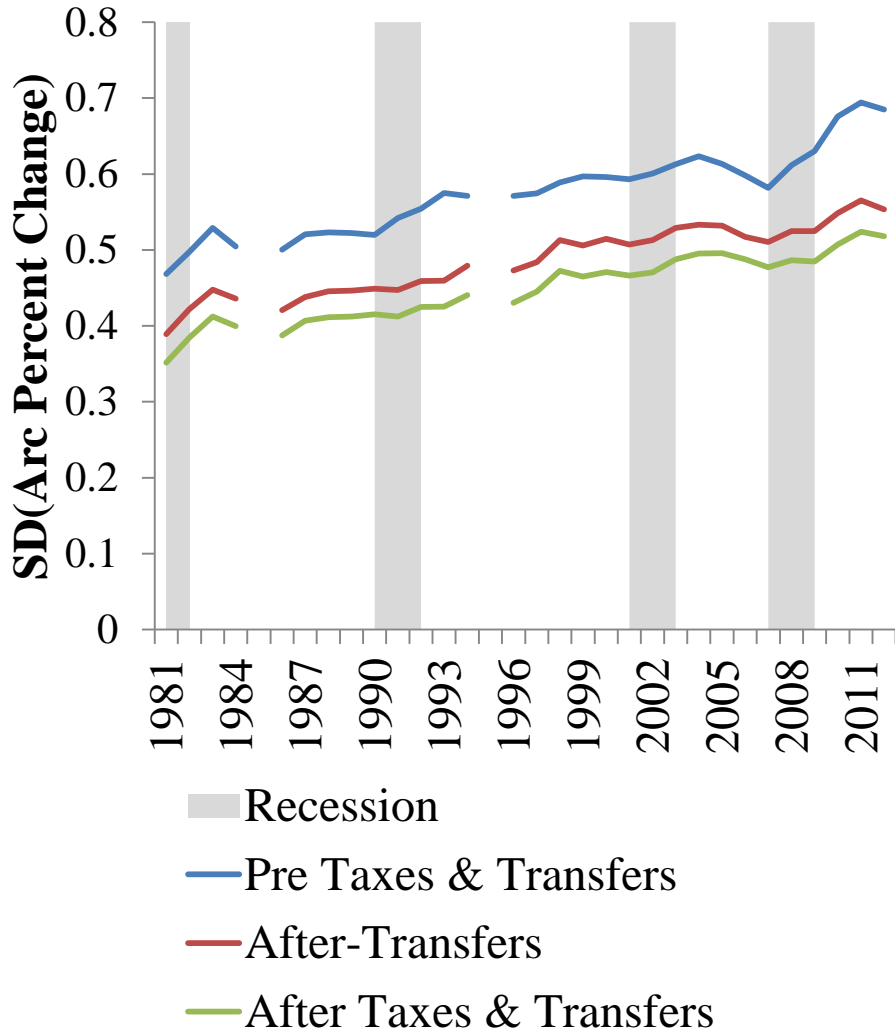


- Recession
- Pre Taxes & Transfers
- After-Transfers
- After Taxes & Transfers

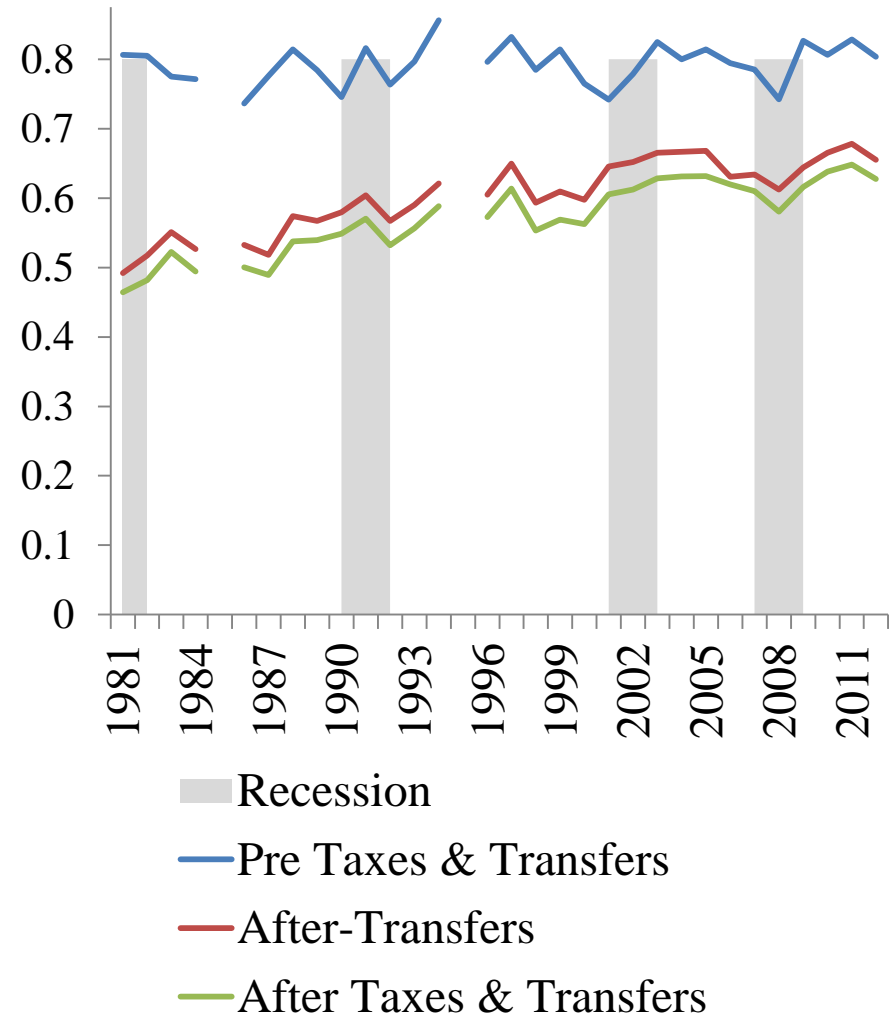
# Families Across Race

- White Families
  - 14% instability reduction after transfers during recessions in 2000s
- Black Families
  - High level and stable trend in pre-transfer and tax instability
  - 0.81(1980) to 0.80(2012)
  - 35% reduction (1981-1983), 16% reduction (2001-2003), and 20% reduction (GR)

### White Families



### Black Families

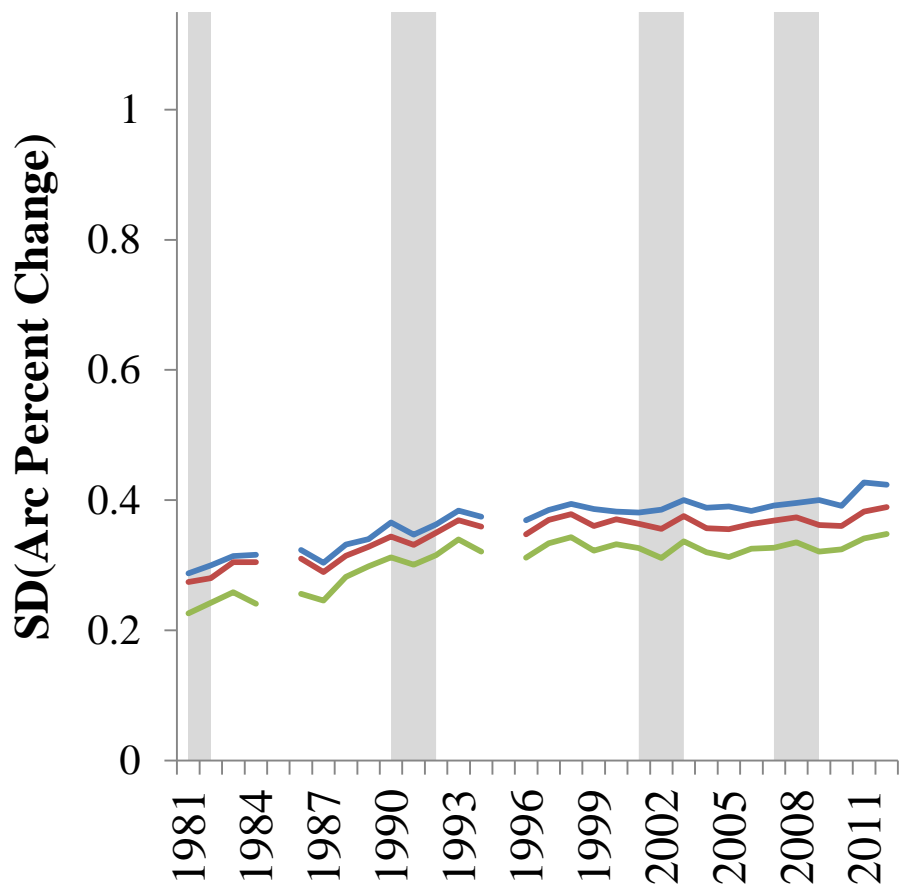




# Families Across the Income Distribution

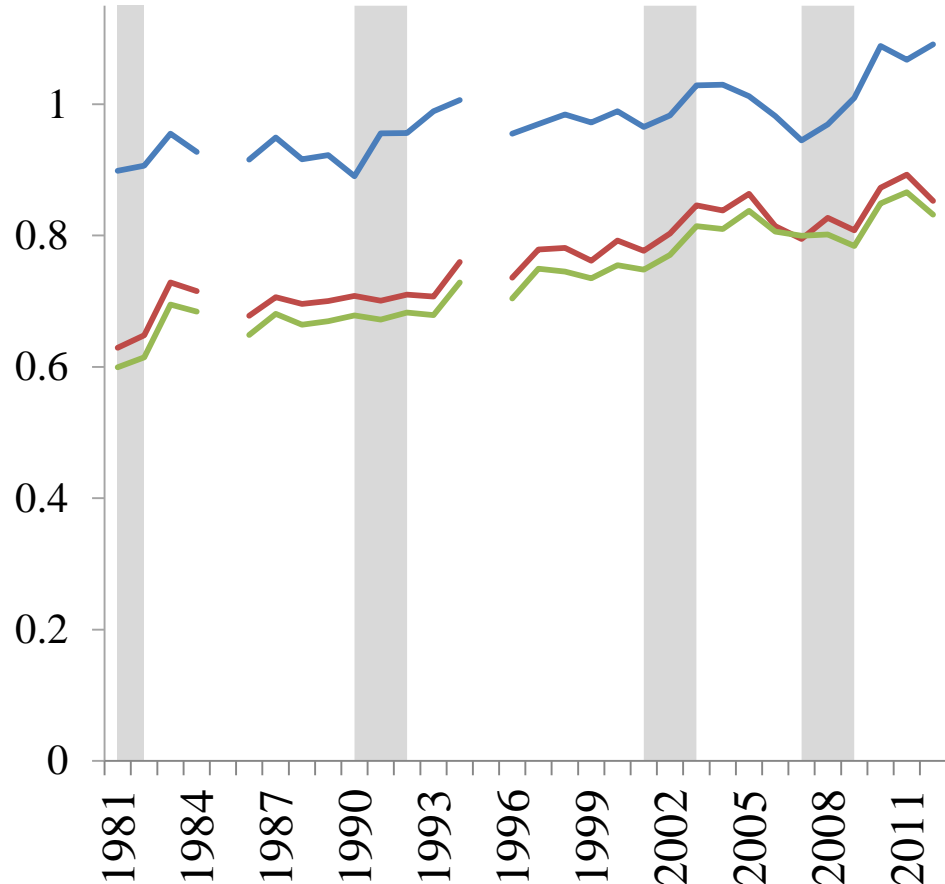
- Bottom quintile
  - Average real disposable family income of \$19,000 (2010\$)
  - **Declining after-transfer instability reduction over time**
  - 27% (1981-1983), 24% (1990-1992), 18.5% (2001-2003), and 17% (GR)
  - 22% reduction (2007-2012)
- Top quintile
  - Average real disposable family income of \$92,000
  - Most instability-reduction derives from the tax system, not transfers
  - 1980-2012 pre-transfer and tax instability rises 42%
  - 19 and 17% reductions after transfers *and* taxes are accounted for in 1981-1983 and the GR, respectively

**Top 20 Percent of Disposable Income**



- Recession
- Pre Taxes & Transfers
- After-Transfers
- After Taxes & Transfers

**Bottom 20 Percent of Disposable income**



- Recession
- Pre Taxes & Transfers
- After-Transfers
- After Taxes & Transfers

# Policy implications

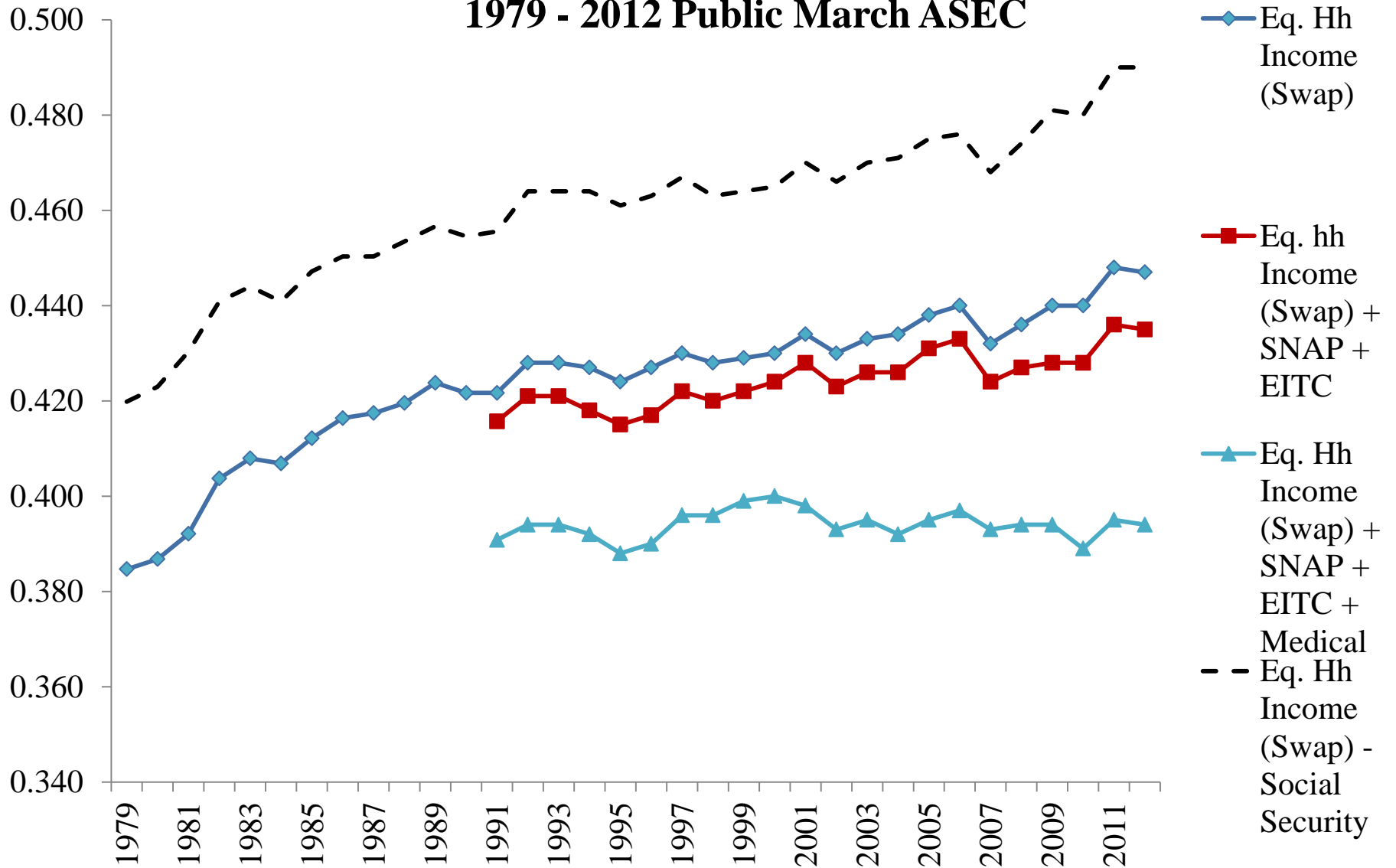
- Safety net transfer and tax programs dampen income instability
  - Especially true for SES disadvantaged groups
  - **Less effective OVER TIME for less-educated, single-parent female head, black, & low income families, respectively**
  - May be linked with TANF reform, transition away from cash assistance

# Income Inequality

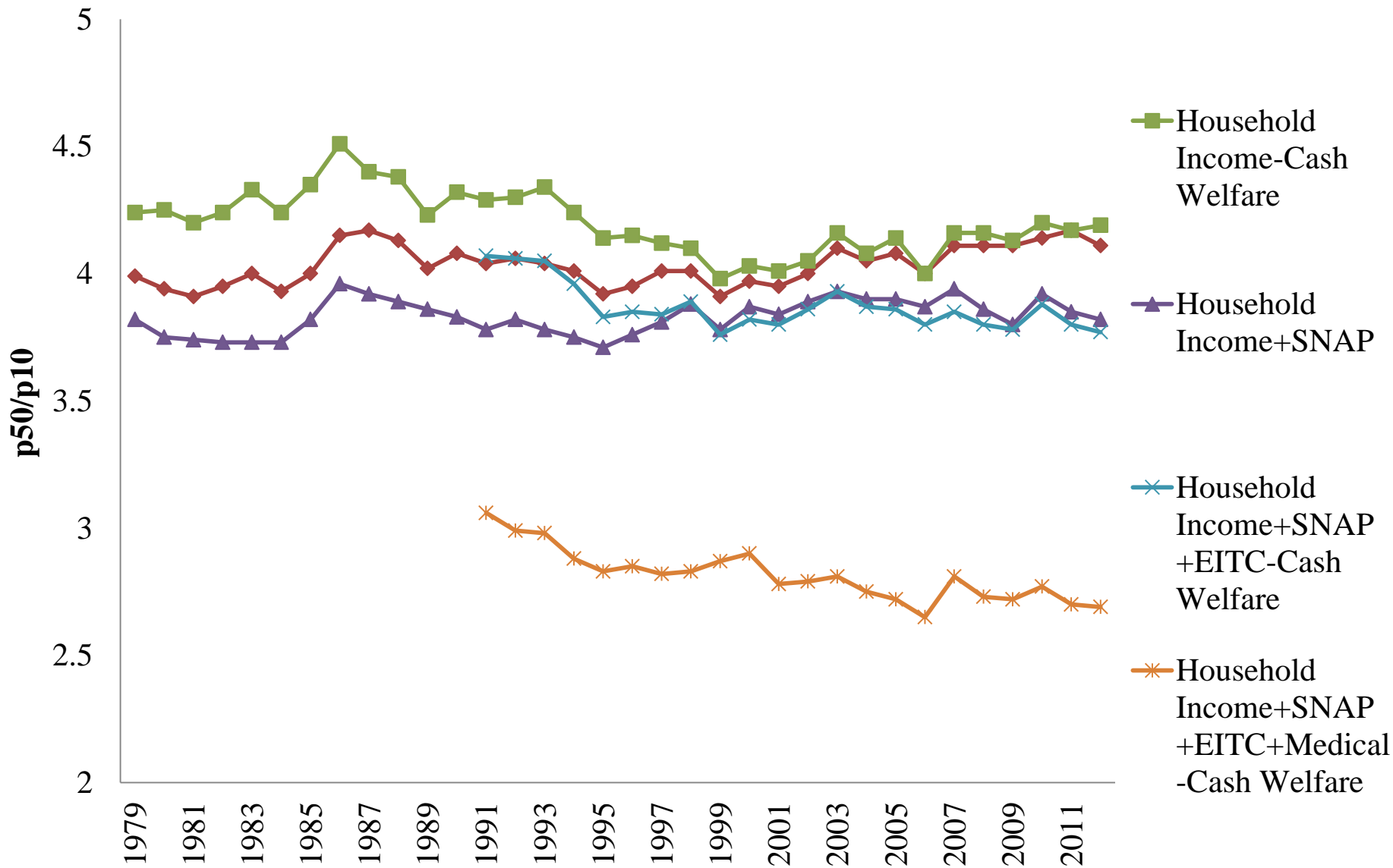
- From Hardy, Gindelsky, Fixler, Johnson (2016)
  - Rising household income inequality since 1980s
- *Household* Income Gini Coefficients, 50/10 ratios
- Adjustments to the income definition show *lowered* inequality
  - Medicare + Medicaid
  - Social Security
  - SNAP
  - EITC
  - AFDC/TANF

# Equivalized Swap Household Income & Welfare Gini Coefficients with Social Security

## 1979 - 2012 Public March ASEC



# Household Income 50/10 Ratio 1979-2012 Public Use March ASEC



# Conclusion: Income Inequality & Instability

- Medical & Social Security have large(r) inequality implications
  - Illiquid nature of medical
- SNAP, EITC, & TANF lower inequality
  - TANF reform appears
- Safety net transfer programs collectively dampen income instability
  - Especially true for SES disadvantaged groups

# Thank you!

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