



INSTITUTE *for*
RESEARCH *on*
POVERTY

UNIVERSITY OF WISCONSIN-MADISON

Impact of Anti-Poverty Programs in the United States

John Karl Scholz

UW-Madison Economics Department

"Poverty 101," June 4, 2013

My Agenda

- I want to tackle four questions today.
 - 1) How much does the government spend on the safety net?
 - 2) Have these expenditures gone up or down over time?
 - 3) How much do these expenditures reduce poverty?
 - 4) Have the “anti-poverty” effectiveness of expenditures become better or worse and for whom?

Background

- The talk is based on collaborative work with Robert Moffitt and some of our graduate students.
 - “Trends in Income Support,” with Robert Moffitt and Benjamin Cowan, in Changing Poverty, Changing Policies, M. Cancian and S. Danziger, editors, Russell Sage Foundation, New York: New York, 2009, 203-241
 - “Trends in the Level and Distribution of Income Support,” with Robert Moffitt, in Tax Policy and the Economy, J. Brown (ed.), MIT Press and NBER, 24, 2010, 111-152
 - “An Assessment of the Effectiveness of Anti-Poverty Programs in the United States,” with Yonatan Ben-Shalom and Robert Moffitt, in Oxford Handbook of Economics of Poverty, P. Jefferson, editor, Oxford University Press, 2012, 709-749
- Robert has kindly shared some additional material he has developed.

Safety Net Spending

(Means Tested, 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

Additional Spending

(Social Insurance, 2007, pre-recession)

	No.Recips(ooo)	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

How Much Do We Spend?

- The previous two slides answers the question (in 2007).
 - It is difficult to understand (or interpret) the answer without some context. I want to take two approaches to this.
 - What is spending relative to what we did in the past?
 - What does the spending do to reduce poverty?

How Has Spending Changed Over Time? (It's gone up)

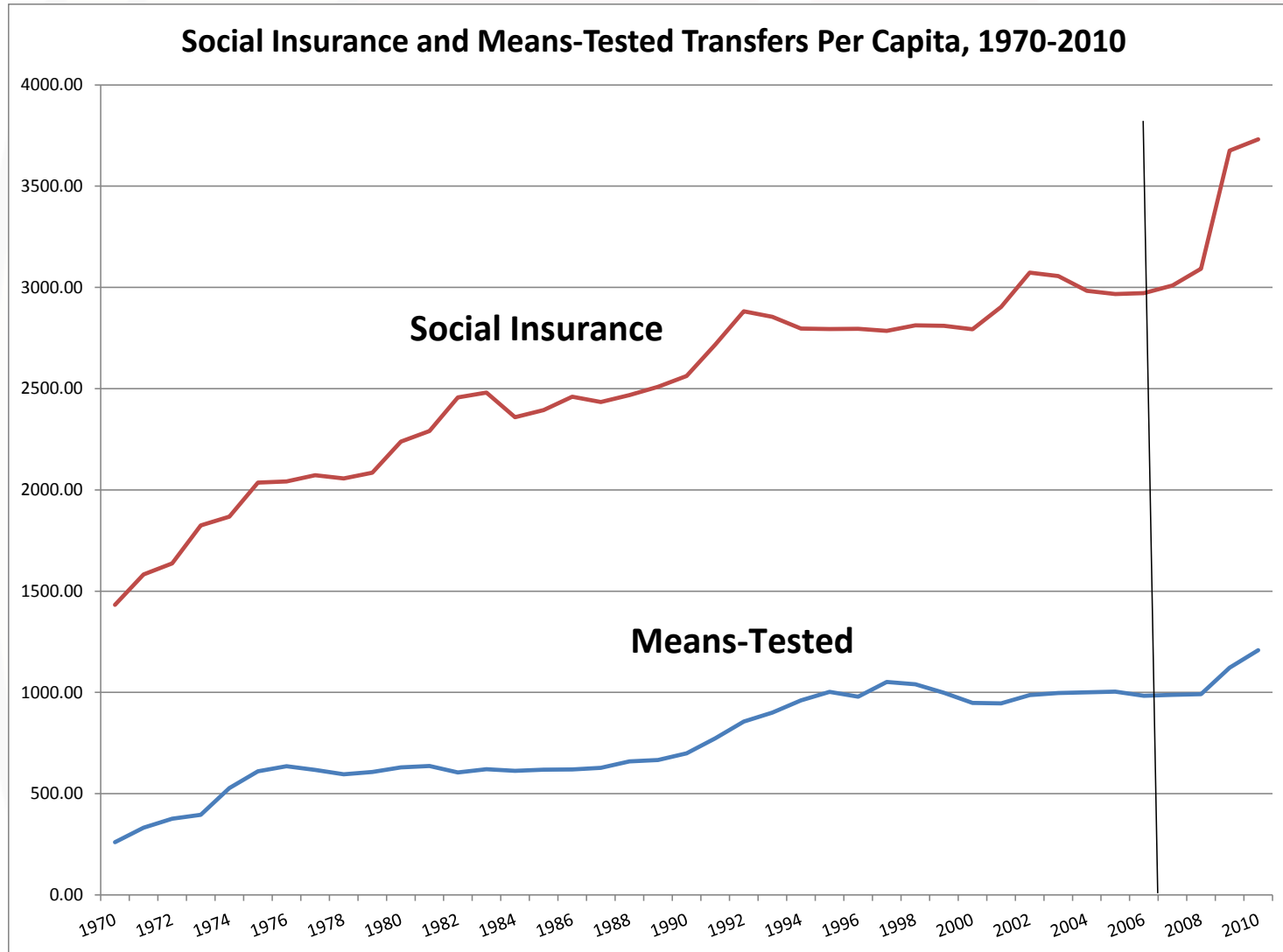
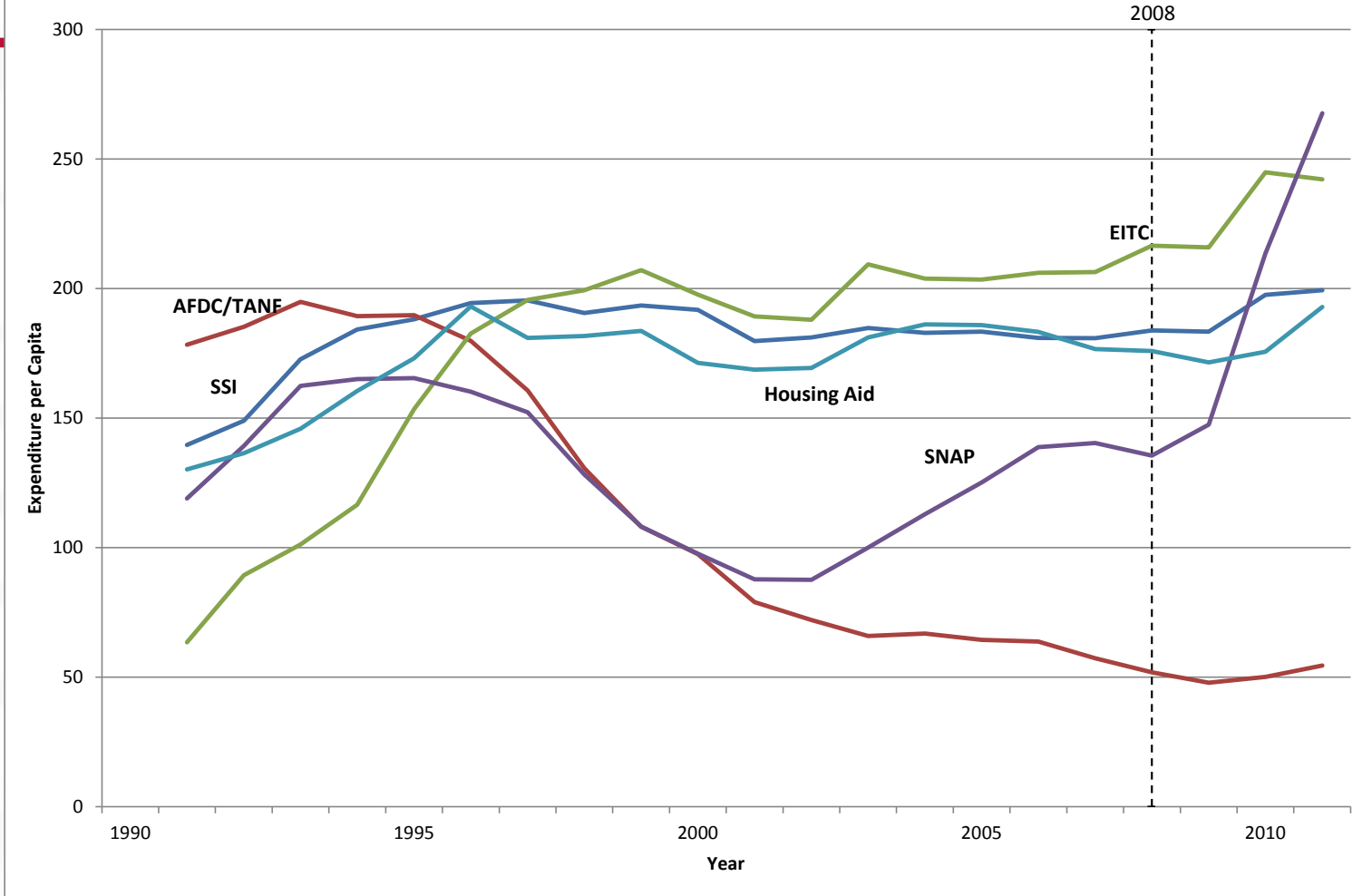
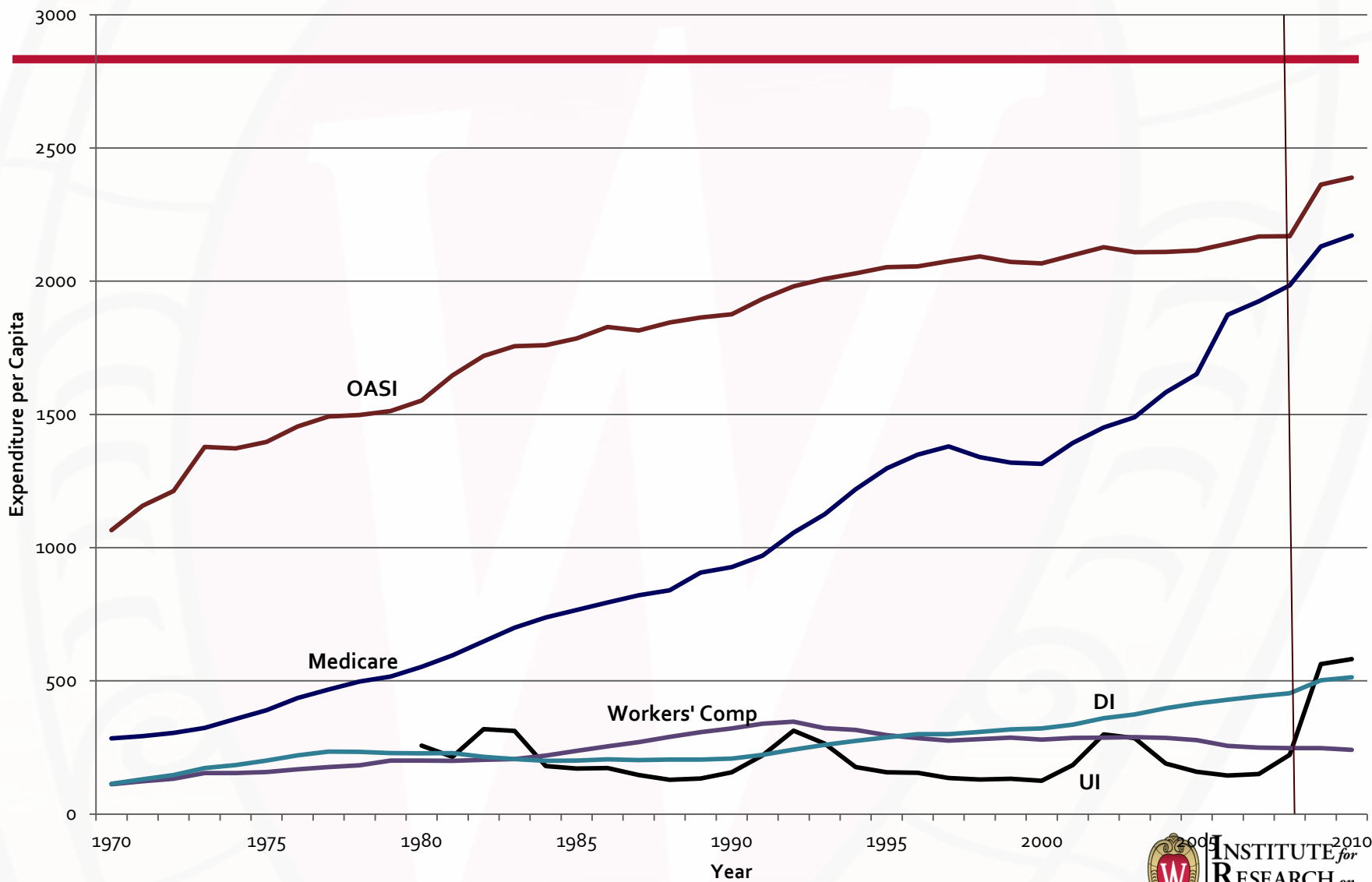


Figure 2: Expenditure per Capita, Non-Medicaid Means Tested Programs, 1990-2010 (real 2009 dollars)



Expenditure per Capita, Social Insurance Programs, 1970-2010 (real 2009 dollars)



How Much Do These Expenditures Reduce Poverty?

- Although aggregate expenditure has increased, the uneven increases in different programs, coupled with their different types of recipients, suggest there have been winners and losers.
 - Can't make any more progress on this question with published aggregates; need micro data. We use the SIPP.
- Pre-transfer ("market") income: for each family in the U.S. add up all private income; take out income and payroll taxes (so post-tax)
- Post-transfer income: add in all the major benefits that each family receives (excluding Medicaid and Medicare).

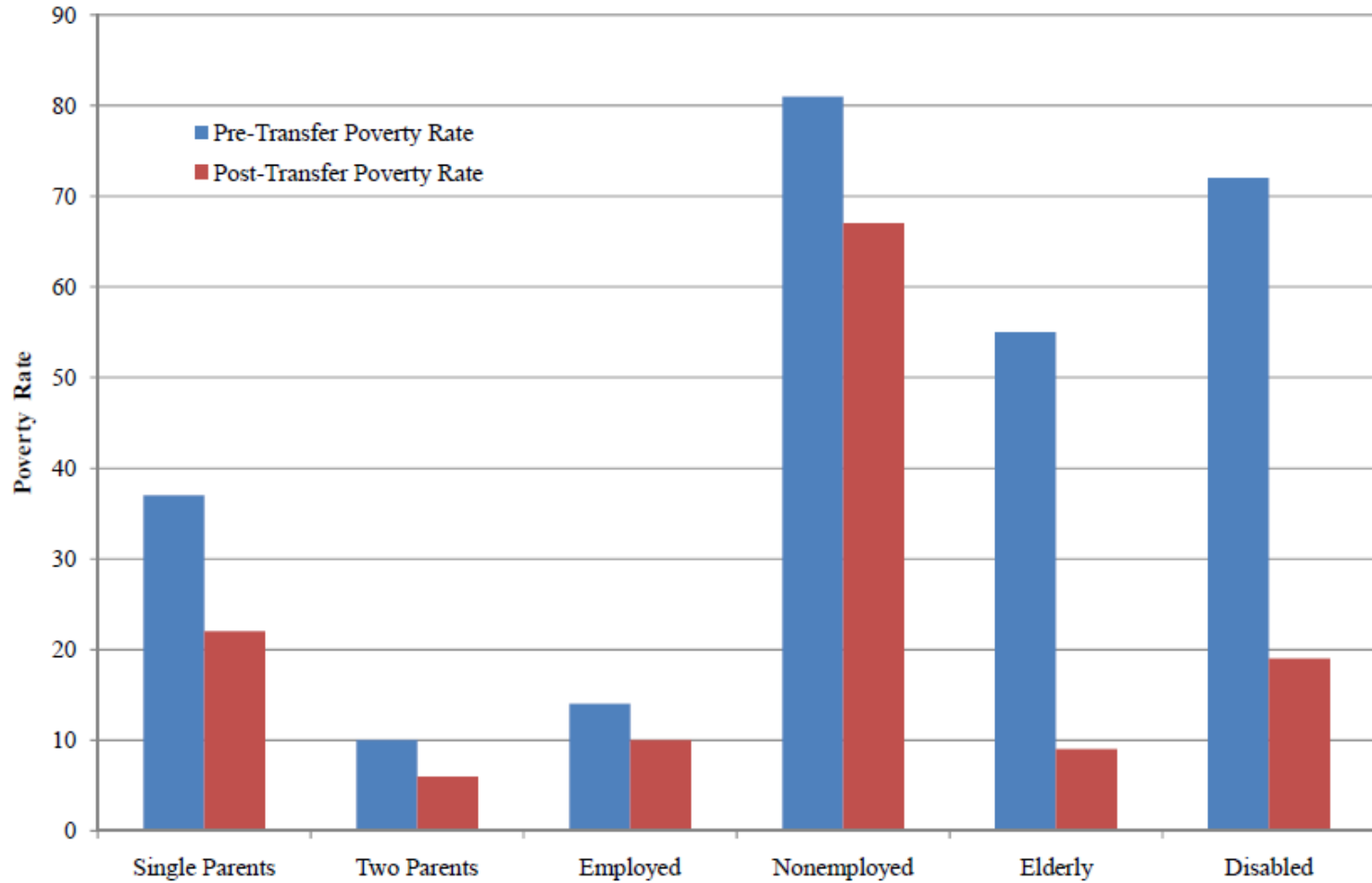
Table 3: Pre- and Post-Transfers Income Distributions (excluding Medicare and Medicaid), 1984, 1993, and 2004

	Pre-Transfer				Post-Transfer			
	Percent Poor (below the Poverty Line)	Poverty Gap (\$ million)	Percent of Families under 50% of the Poverty Line	Percent of Families under 150% of the Poverty Line	Percent Poor (below the Poverty Line)	Poverty Gap (\$ million)	Percent of Families under 50% of the Poverty Line	Percent of Families under 150% of the Poverty Line
2004	29.0	28,334	21.3	39.6	13.5	9,690	6.6	25.3
1993	30.3	25,303	20.8	43.7	13.1	6,530	4.5	29.4
1984	32.1	21,339	20.4	49.7	15.3	6,105	4.5	36.3

Some Methodological Issues (I will spare you details)

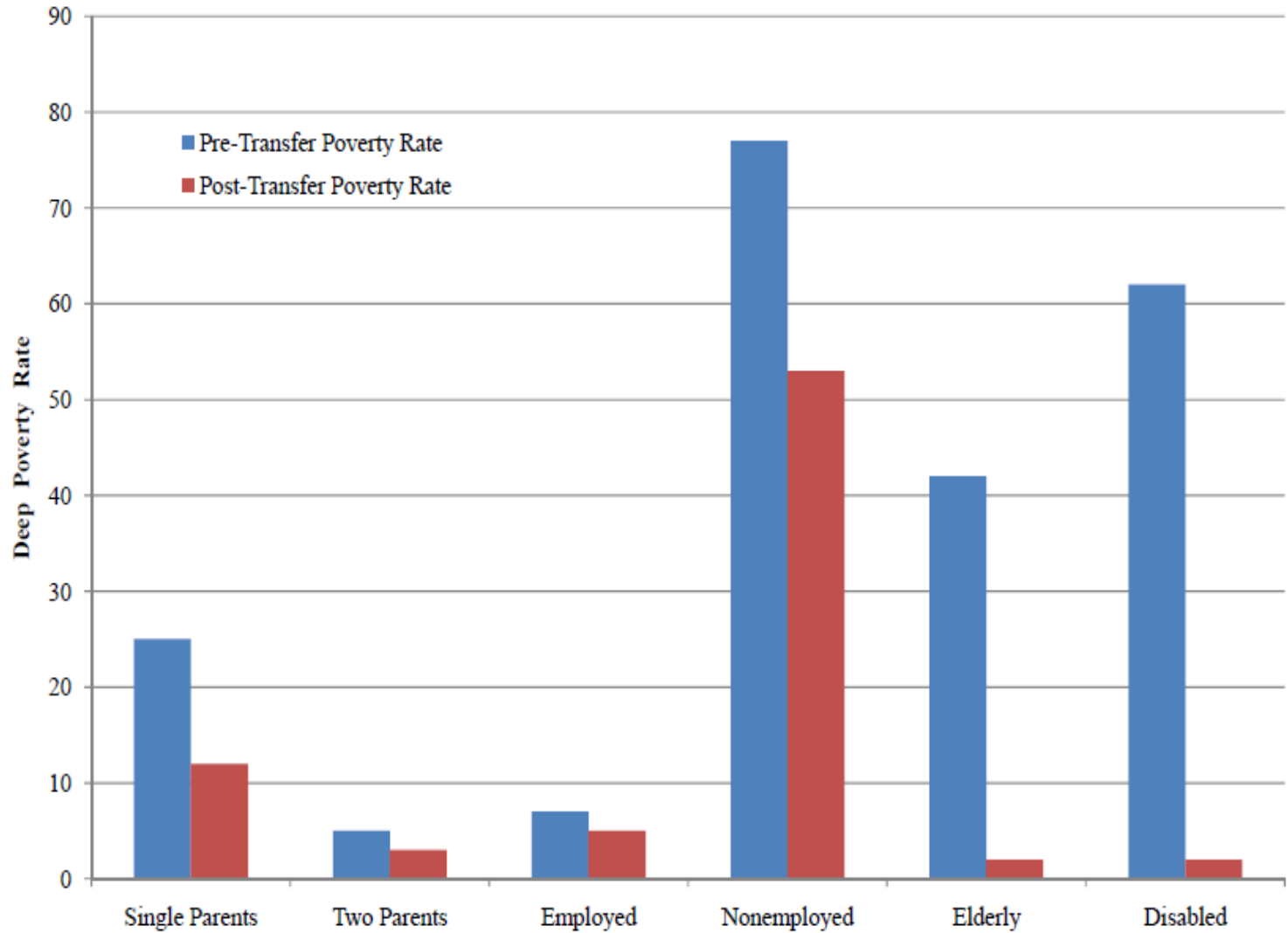
- We adjust the SIPP data for underreporting of program participants and misreporting of dollars received.
- Our results are similar if we use the NAS poverty measure.
- Accounting for the best estimates of behavioral responses (an emphasis in our most recent work) also does not change our results substantially.

Poverty Rates By Demographic Group 2004



Deep Poverty Rates

By Demographic Group
2004



Government Spending Reduces Poverty

- This is particularly true for the elderly and for persons with disabilities.
- Safety net expenditures also reduce poverty for the other groups we look at: the employed and the “nonemployed”; and one-parent and two-parent families, but the reductions for these groups are not as substantial.
 - Incentive effects exist everywhere, but they are a bigger issue for the latter groups.

Has the Anti-poverty Effectiveness of the Safety Net Changed?

- Expenditures have risen, but has the increase gone to the poor?
- We use the 1984 SIPP; adopt the same procedures as for the 2004; those two years were at approximately the same stage of the business cycle (a year or so after the last trough).

Table 3: Pre- and Post-Transfers Income Distributions (excluding Medicare and Medicaid), 1984, 1993, and 2004

	Pre-Transfer				Post-Transfer			
	Percent Poor (below the Poverty Line)	Poverty Gap (\$ million)	Percent of Families under 50% of the Poverty Line	Percent of Families under 150% of the Poverty Line	Percent Poor (below the Poverty Line)	Poverty Gap (\$ million)	Percent of Families under 50% of the Poverty Line	Percent of Families under 150% of the Poverty Line
2004	29.0	28,334	21.3	39.6	13.5	9,690	6.6	25.3
1993	30.3	25,303	20.8	43.7	13.1	6,530	4.5	29.4
1984	32.1	21,339	20.4	49.7	15.3	6,105	4.5	36.3

Average Monthly Expenditures (per family, 2007\$)

	<u>1984</u>	<u>2004</u>
Single parent	\$600	\$500
Two parent	200	300
Childless	140	150
Employed	100	200
Nonemployed	700	540
Elderly	1,200	1,300
Disabled	1,250	1,450

Elderly and disabled groups classified by head status; employed have one person 15+ who worked in last four months; disabled are SSI or DI recipients

*Means-Tested + Social Insurance

Difference Between Pre- and Post-Transfer Poverty Rates, 1984 and 2004

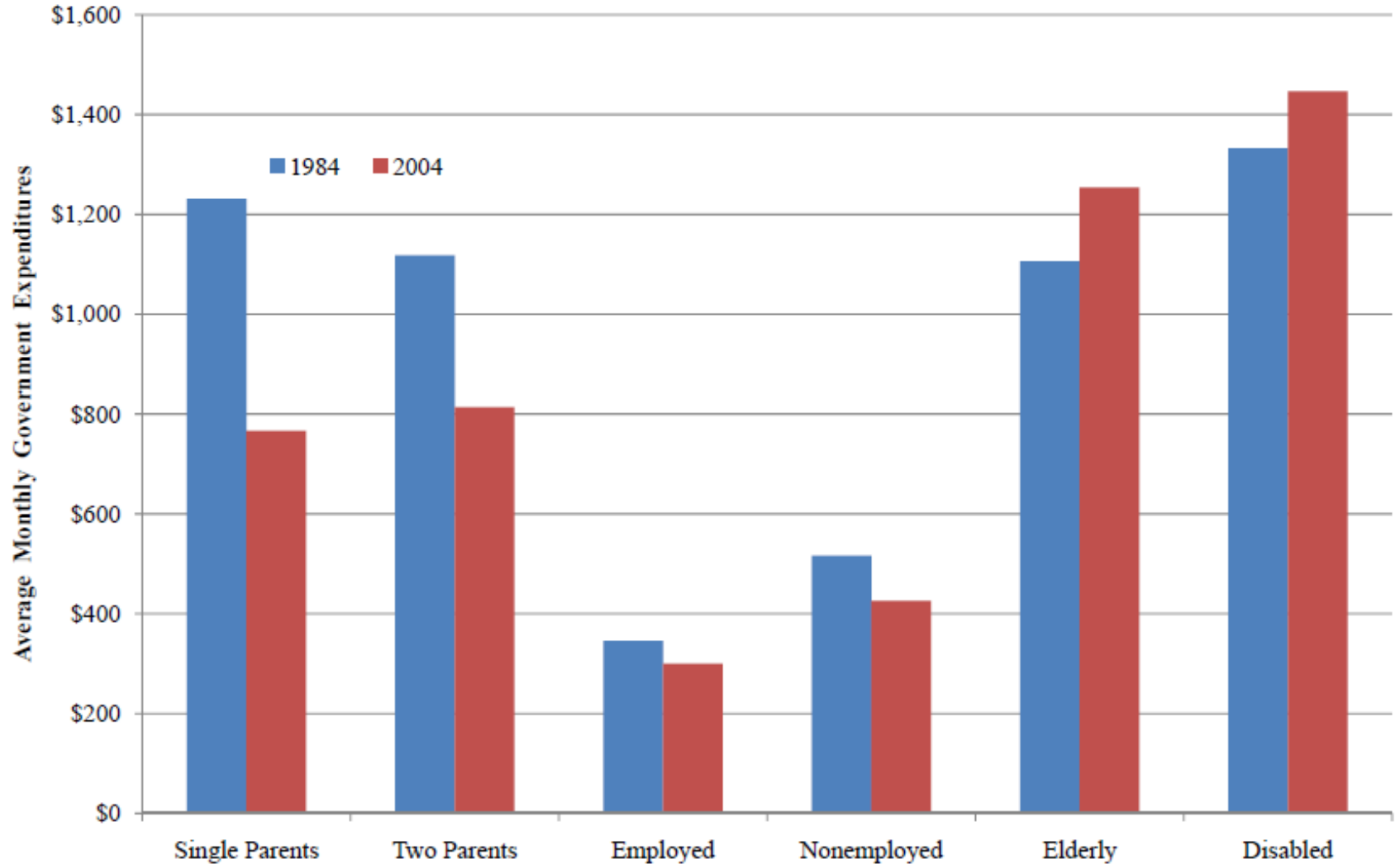
	1984	2004
Nonelderly, nondisabled		
Single-Parent	25.2 percentage points	15.0 percentage points
Two-Parent	6.6	4.1
Employed	4.1	4.0
Nonemployed	24.4	13.8
Elderly families and individuals	47.8	45.8
Disabled families and individuals	50.4	52.8
Full Population	16.8	15.5

Average Monthly Government Expenditures:

By Demographic Group & Poverty Level

1984 & 2004

Pre-Transfer Income Less than 50% of Poverty Level

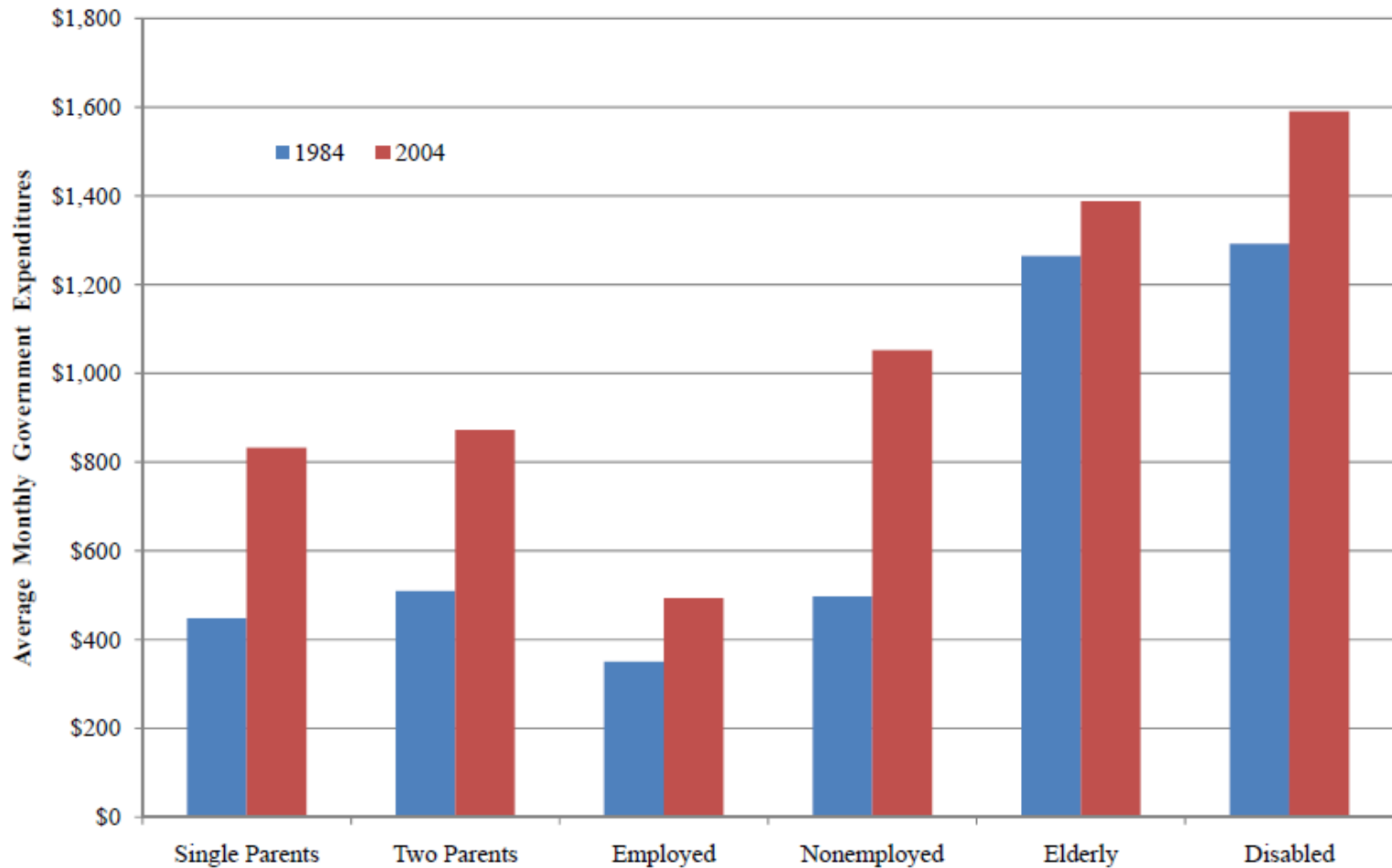


Average Monthly Government Expenditures:

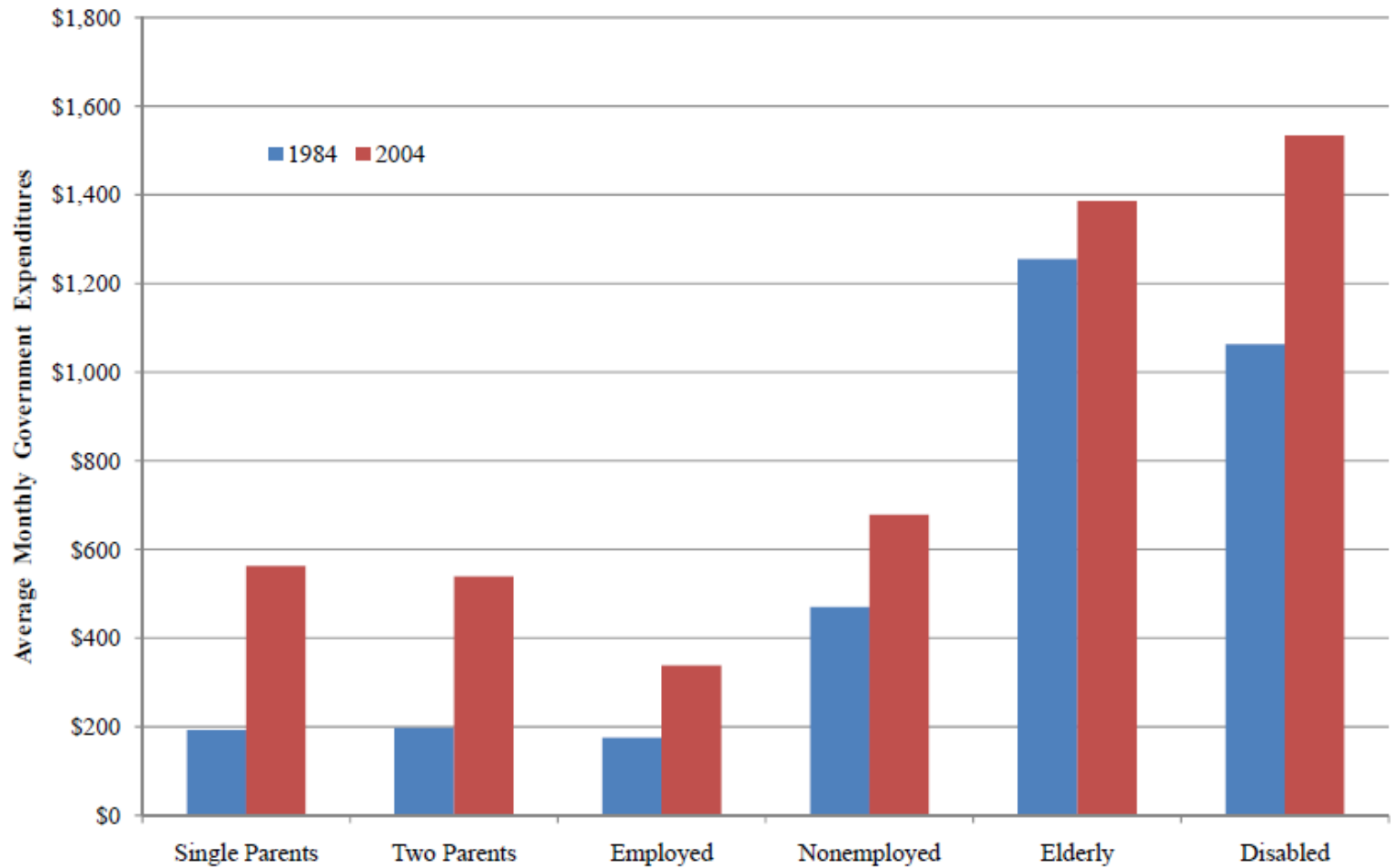
By Demographic Group & Poverty Level

1984 & 2004

Pre-Transfer Income Greater than 50% of Poverty Level and Less than Poverty Line



**Average Monthly Government Expenditures:
By Demographic Group & Poverty Level
1984 & 2004
Pre-Transfer Income Less than 150% of Poverty Level**



There Have Been Changes in the Safety Net Over Time

- Total expenditures have gone up, but there has been a redistribution away from non-elderly, non-disabled to the elderly and to persons with disabilities.
- Among the non-elderly, non-disabled population, there has been redistribution from those at the bottom to those somewhat higher up the income distribution

Thank You

- Thank you for inviting me to participate in the IRP Poverty 101 workshop.
- Bonus item: the following clip on disability assistance comes highly recommended.

<http://www.thisamericanlife.org/radio-archives/episode/490/trends-with-benefits>

Some Methodological Issues (I will spare you details)

- Use 4 months prior to interview (conventional Census poverty measure).
- Adjust for underreporting.
 - Compare weighted totals to published aggregates.
 - Adjust TANF, UI, SSI, SSDI, Housing, and SNAP. First adjust number of recipients (based on likelihood of receiving benefits). Then adjust amounts to meet aggregates.
- Similar results if we use the NAS poverty measure.
- Accounting for the best estimates of behavioral responses (an emphasis in our most recent work) also does not change our results substantially.