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The Effects of the Safety Net on Child Poverty in Three States

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Government safety net policies substantially reduce child poverty. These policies include direct cash and noncash benefit programs, tax credits, and programs designed to reduce family expenses on necessities. Any assessment of the effects of the safety net on poverty must take into account these policies. The Supplemental Poverty Measure (SPM) provides such an evaluation (box 1). The SPM also uses current measures of family needs ("thresholds") that capture recent spending and differences in housing costs across the country. The SPM thresholds that determine poverty are lower in states with low housing costs and higher in high–housing cost states.

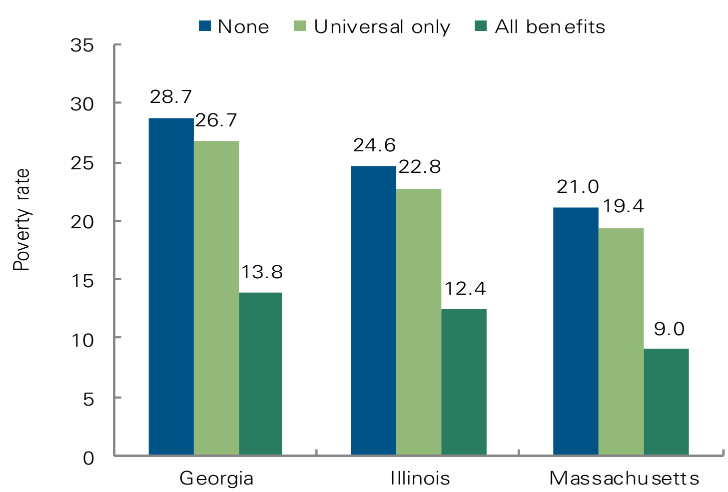
Box 1.

The Supplemental Poverty Measure (SPM) was developed by the Interagency Technical Working Group and based on principles developed by the National Research Council's Panel on Poverty and Family Assistance. The SPM defines family resources to include cash and noncash government assistance and federal and state tax credits, less necessary expenses (taxes and work expenses). The SPM uses thresholds based on five years of recent expenditure data and adjusts those thresholds for geographic variation in housing costs, whether a family rents or owns a home (with and without a mortgage), and family size (Garner 2011).

The Total Effect of Policies on Poverty

Government safety net policies cut child poverty rates in half in Georgia, Illinois, and Massachusetts (figure 1). Social Security and unemployment insurance, universal programs that pay benefits regardless of other income or assets, have relatively small effects on child poverty. Most poverty reduction results from means-tested programs such as Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance (SNAP), housing assistance, and tax credits (the earned income tax credit and child tax credit). Means-tested programs reduced child poverty from 26.7 to 13.8 percent in Georgia, from 22.8 to 12.4 percent in Illinois, and from 19.4 to 9.0 percent in Massachusetts.

Figure 1. Effects of Safety Net on SPM Poverty, Children under 18, 2008

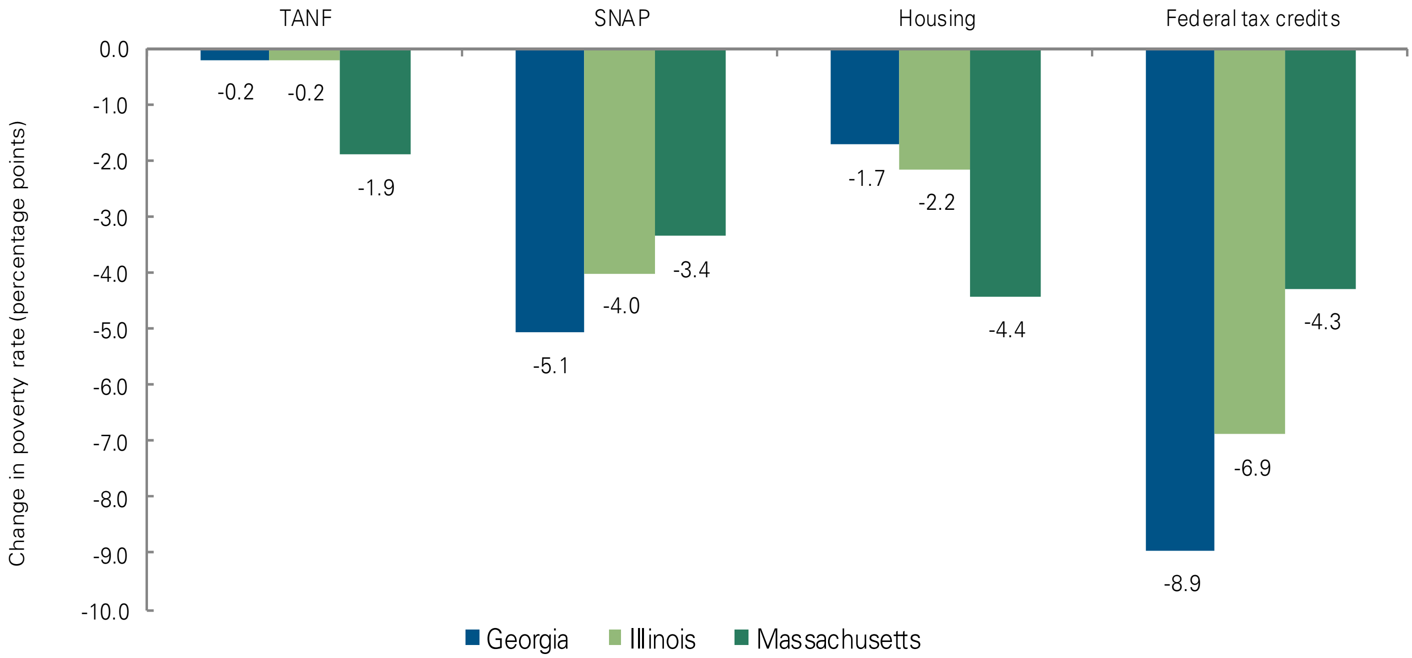


Source: Wheaton et al. (2011).

Individual Safety Net Program Effects

The poverty-reduction effect of individual safety net programs depends on states' program rules, families' program participation, and families' needs. Generous program rules and higher family participation rates provide more poverty reduction, and higher needs (i.e., lower incomes) generally produce higher benefit levels. Also, federal programs that provide the same benefit across the country reduce poverty more in states with lower housing costs than in states with higher costs.

Figure 2. Effects of Selected Safety Net Programs on SPM Poverty Rates, Children under 18, 2008



Source: Wheaton et al. (2011).

Refundable federal tax credits (including the EITC and the refundable portion of the child tax credit) produce the largest decrease in child poverty, but the effect is twice as high in Georgia as in Massachusetts (figure 2). Families living in Georgia tend to qualify for higher credits (since their earnings are lower than in the other states), and they qualify for these credits more often than families living in Massachusetts. Similarly, the federal SNAP benefit reduces poverty more in Georgia than in Illinois or Massachusetts. In contrast, the generous TANF policies in Massachusetts reduce child poverty by 1.9 percentage points compared with very small reductions in the other states. Housing assistance reduces child poverty more in Massachusetts than in Georgia or Illinois because this assistance is available to more families and its value varies with housing costs.

The safety net has powerful child poverty-reduction effects. Children especially benefit when their families have SNAP, housing assistance, and federal tax credits. The antipoverty effects of safety net programs depend on numerous factors, including families' characteristics, states' benefit policies, and the cost of living in the state.

Note

This fact sheet is drawn from findings in Wheaton and coauthors (2011).

References

Garner, Thesia I. 2011. "Preliminary 2008 Supplementary Poverty Measurement FCSUM Thresholds for Consumer Units with Two Adults and Two Children." Washington, DC: Division of Price and Index Number Research, Office of Prices and Living Conditions, Bureau of Labor Statistics, U.S. Department of Labor.

Wheaton, Laura, Linda Giannarelli, Michael Martinez-Schiferl, and Sheila Zedlewski. 2011. "How Do States' Safety Net Policies Affect Poverty?" Washington, DC: The Urban Institute.

The Low-Income Working Families project investigates the risks faced by millions of families and their children, whose household earnings are insufficient to meet their basic needs. The project applies rigorous research methods and cross-cutting expertise, from housing to health care, to identify private and public strategies that can improve these families' well-being. The Low-Income Working Families project is supported by the Annie E. Casey Foundation.