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Evaluating the Performance of the U.S. Social Safety Net in the Great Recession

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CENTER FOR SOCIAL POLICY WORKING PAPER

EVALUATING THE PERFORMANCE OF THE U.S. SOCIAL SAFETY NET IN THE GREAT RECESSION

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Abstract

The following provides an assessment of the performance of both individual safety net programs and the cumulative impact of all safety net benefits and tax credits on household incomes in the early years during and following the 2007-09 recession. Specifically, I examine the extent to which various benefits and tax credits have moderated the impact of earnings losses for households in different positions in the income distribution, with special attention to the experiences of low-income households. In addition, I examine whether these moderating impacts differ for households of various racial/ethnic compositions, female-headed households, and residents of states with more and less accessible safety net programs. Overall, safety net programs have very significantly mitigated what would otherwise have been substantial, and in the case of lower income households, severe losses in income. This has been especially true for many working poor and lower middle class households who have benefited from their eligibility for a range of benefits and credits that are conditional on employment or earnings. However, heavy reliance on employment conditional benefits has reduced access to this income support for households with barriers to labor force participation, such as very poor female-headed households. In addition, across the income distribution non-white households have experienced both disproportionately large earnings losses and less receipt of compensating benefits and credits. Finally, the availability, accessibility, and generosity of benefits and credits varies so substantially across states that very poor households have experienced both the largest and the smallest declines in total household income depending on state of residence. In closing, I stress that many of the programs that have done the most to mitigate earnings losses were either temporary (tax credits) or exhaustible (Unemployment Insurance, TANF) and are not structured to accommodate a prolonged employment crisis such as that we are currently experiencing. Given the dramatic erosion of labor force participation among low-income households and the exhaustibility of the programs that have expanded the most since 2007, I expect the capacity of current safety net programs to mitigate income losses to falter substantially and potentially disastrously in coming years.

Introduction and Summary of Findings

The prolonged period of high unemployment and weak economic growth during and in the years following the 2007–2009 recession constitute both a human tragedy and a rather extreme test of the responsiveness of safety net programs in the United States. For decades, various scholars, researchers, and politicians have remarked on the manner in which the U.S. social safety net has become increasingly frayed. The following provides an assessment of the performance of both individual safety net programs, such as Unemployment Insurance and the Earned Income Tax Credit, and the cumulative impact of all safety net benefits and credits on household incomes in the early years during and following the recession. Specifically, I examine the extent to which various benefits and tax credits have moderated the impacts of earnings losses for households in different positions in the income distribution, with special attention to the experiences of low-income households. Additionally, I examine whether these moderating impacts differ for households of various racial/ethnic compositions, female-headed households, and residents of states with more and less accessible safety net programs. Along the way, I identify the primary programs and credits supporting household incomes and evaluate program responsiveness in the context of the deepest recession since the Great Depression. Central findings including the following:

- On average, it appears that in light of the dramatic declines in earnings for low-income households U.S. safety net programs have very significantly mitigated income losses during the first two years of the recession.
- For lower income households (the bottom 20% of households in terms of income), Unemployment Insurance and SNAP are the programs that have most substantially replaced earnings lost between 2007 and 2009. Importantly, for these same households receipt of income by way of the Earned Income Tax Credit has fallen and benefits received via Temporary Assistance for Needy Families has remained essentially unchanged.
- Both the magnitude of earnings losses and the extent to which benefits and credits have moderated these losses differ significantly across households of different racial/ethnic compositions. In brief, poorer non-white households have experienced a dramatic collapse in earnings and non-white households, in general, have had less of their earnings losses replaced by benefits or credits than either white or Hispanic households. As a consequence of both larger earnings losses and lower receipt of benefits and credits, *middle class* non-white households have experienced larger reductions in total income than poor non-white, Hispanic, or white households.
- Despite substantial earnings losses, working poor and middle class female-headed households have experience a remarkable stability of incomes over the first two years of the recession as a result of increases in income received via both benefits and tax credits. In contrast, very poor female-headed households experienced reductions in income from the EITC as labor force participation declined. Additionally, total income received by poor single mothers from TANF actually *declined*, albeit slightly, between 2007 and 2009.
- Substantial differences in the generosity and accessibility of a small number of programs (SSI, UI, and especially TANF) appear to drive the significantly different degrees to which state safety net programs have mitigated earnings losses for very poor households. This divergence is most striking for households at the 10th percentile where total income losses were roughly 7%, between 2007 and 2009, in the states characterized by low safety net accessibility as compared to losses of just over 1% in states with more accessible programs.

Falling Household Incomes and Rising Poverty

The national poverty rate rose to 15.1 percent in 2010 from 12.5 percent in 2007. This poverty rate indicates that 46.2 million Americans were below the official poverty line in 2010. This spike in poverty is a direct result of dramatic reductions in household earnings, an experience that hit lower income households especially hard. Figure 1 displays the percentage change in total adjusted household incomes for households at various percentiles between 2007 and 2009.[1] All of the following figures, including Figure 1, are restricted to households in which the household head is older than 24 and younger than 60 years of age. I focus on these "working age" households to remove the low household incomes that might be experienced by the very elderly or college students as such individuals may not be participating (or participating only marginally) in the labor market. Figure 1 indicates that total household incomes have fallen more substantially for working age households in the lower end of the income distribution[2]. In just two years household incomes fell over 5% for households at the 10th percentile as compared with losses of less than 2% at the 70th and 80th percentiles.

While informative, figures displaying percent changes in household incomes obscure the actual value of household incomes we are examining here. Table 1 presents the dollar values of household incomes that underlay the percent change contained in Figures 1, 2, & 3 in the form of household income for a family of three. Total annual income for a working-age household of three at the 10th percentile fell from $20,528 to $19,385 between 2007 and 2009 while income for a family at the 80th percentile fell from $103,611 to $102,065. Even if income losses were proportional across households, which they were decidedly not, the qualitative impacts of such losses are more acute for lower-income households.

The Impact of Social Welfare Benefits and Tax Credits

One way of measuring the impact of various welfare benefits and tax credits is to examine household income in the absence of such benefits. Table 1 presents these hypothetical household income figures and an estimate of household income with benefits. For comparison, Table 1 also contains the value of the actual total household income (from all sources including benefits) taking into account the impact of taxes and tax credits. This table makes clear the relative contributions of earnings, benefits, and tax credits to total household incomes and provides a sense of how these contributions vary across lower-income to wealthy households. It should be mentioned that the intent of these estimates is not to assert that household incomes would have actually been some specific value in the absence of government benefits and tax credits[3]. Rather, the intent of such estimates is to illustrate, roughly, both the magnitude of earnings losses experienced by households and the extent to which these losses have been buffered by safety net programs over the course of the recession.

Figure 2 captures both of these phenomena well, displaying the degree of change in household income

Figure 1. Percent Change in Total Adjusted Household Income: 2007–2009 (Householder Age 25-59)

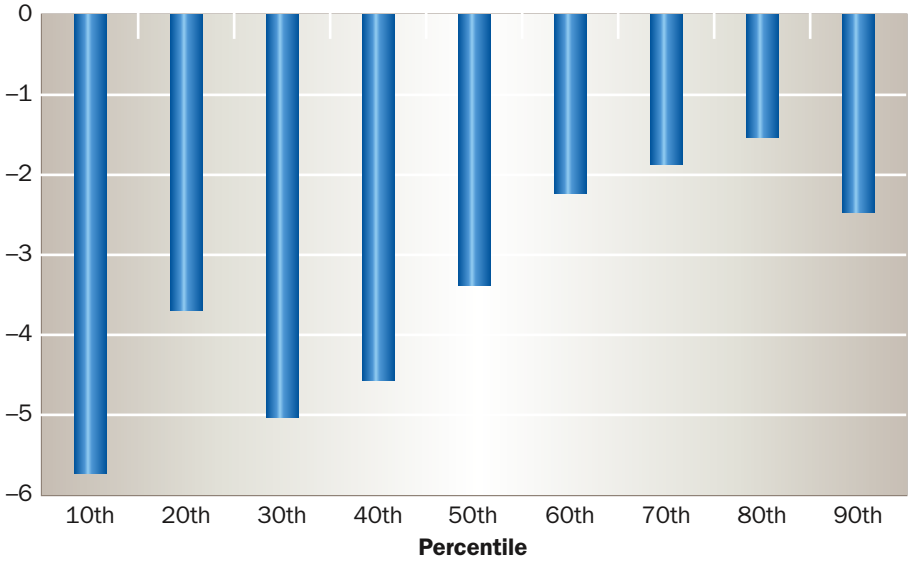
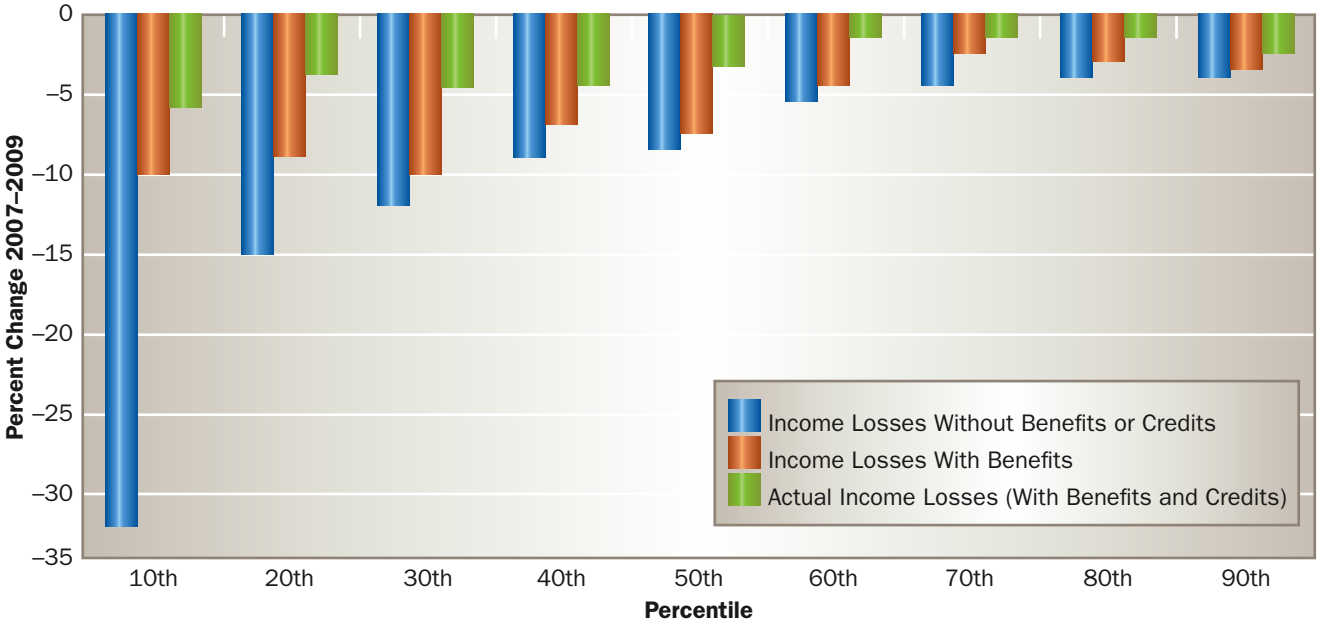


TABLE 1 Total Income for a Household of Three (2010 dollars; Householder Age 25–59)

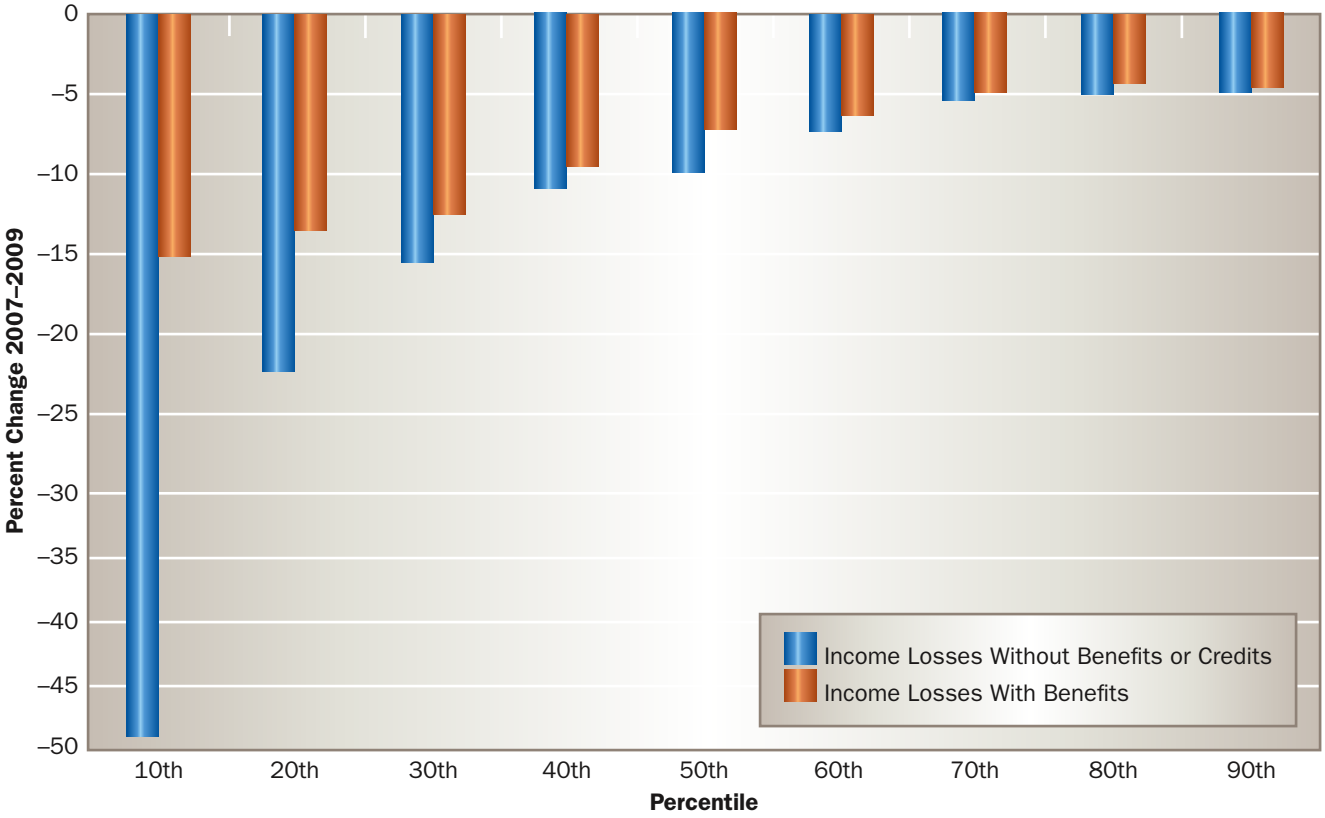
Percentile	Year	Income Without Benefits/ Credits	Income With Benefits	Total Income (With Benefits/ Credits)
10th	2007	$13,100	$18,958	$20,528
	2008	$11,347	$17,934	$19,939
	2009	$8,814	$17,099	$19,385
	2010	$6,743	$16,115	
20th	2007	$29,044	$32,365	$32,460
	2008	$26,861	$30,955	$31,368
	2009	$24,638	$29,516	$31,292
	2010	22,690	$28,169	
30th	2007	$42,567	$45,605	$42,531
	2008	$39,972	$43,135	$40,774
	2009	$37,404	$41,280	$40,448
	2010	$35,943	$40,000	
40th	2007	$54,753	$57,296	$52,454
	2008	$52,463	$54,762	$50,508
	2009	$49,862	$52,904	$50,127
	2010	$48,801	$51,962	
50th	2007	$67,931	$69,732	$62,588
	2008	$64,915	$67,155	$60,706
	2009	$62,327	$65,794	$60,527
	2010	$61,440	$64,841	
60th	2007	$82,089	$83,486	$73,496
	2008	$79,142	$81,123	$71,748
	2009	$77,286	$79,632	$71,911
	2010	$76,210	$78,386	
70th	2007	$98,507	$100,303	$86,438
	2008	$95,436	$97,327	$84,624
	2009	$93,714	$96,362	$84,858
	2010	$93,081	$95,280	
80th	2007	$121,947	$123,254	$103,611
	2008	$118,677	$120,318	$101,348
	2009	$117,556	$119,876	$102,065
	2010	$116,351	$118,317	
90th	2007	$164,178	$165,637	$134,520
	2008	$160,579	$162,386	$131,895
	2009	$158,258	$160,00	$131,275
	2010	$156,314	$158,421	

Figure 2. Household Income Losses With and Without Benefits or Credits: 2007–2009 (Householder Age 25-59)



between 2007 and 2009 both with and in the absence of benefits and credits. The majority of non-benefit/credit income for most families is garnered through their labor market earnings, but may be supplemented by income from child support, alimony, gifts, loans, and so on. However, for convenience, this non-benefit/credit income will be referred to as either "market income" or simply "earnings" in the following. Figure 3 displays change in both household income without benefits or credits and change in income with benefits between 2007 and 2010. The data required to account for the

Figure 3. Household Income Losses With and Without Benefits: 2007–2010 (Householder Age 25-59)



impact of taxes and tax credits in 2010 have not yet been released.

These two figures indicate clearly that while all households have experienced losses in *earnings* since the onset of the recession, the magnitude of these losses as a proportion of total earnings have been significantly larger in the lower end of the income distribution. Households at the 10th and 20th percentiles experienced losses of 49% and 22% in market income between 2007 and 2010, respectively, while households at the 80th and 90th percentiles lost roughly 5% over the same period. The receipt of both benefits and tax credits has very significantly moderated these rather dramatic losses in earnings for lower-income households. Between 2007 and 2009 market income losses of 33%, 15%, and 12% percent at the 10th, 20th, and 30th percentiles translated in into total income losses of only 5.6%, 3.6%, and 4.9%, respectively, as a result of the receipt of benefits and credits. Figures 4 and 5 display these impacts in actual dollars, presenting the composition of total annual households incomes for a household of three at the 10th percentile and the 20th percentiles respectively. For a household of three at the 10th percentile estimated annual labor market earnings fell from $13,100 in 2007 to $8,814 in 2009, a significant loss. However, due to a compensating expansion of income from benefits and credits total household income only fell by $1,143 over these same years. On average, it appears that *in light of the dramatic declines in earnings for low-income households* U.S. safety net programs have very substantially mitigated income losses. Whether this is true for all types of households and whether we can expect this to continue are two important issues that will be addressed below.

What Constitutes the Contemporary Safety Net?

We have seen the significant impacts of benefits and credits on total household income for low-income households, but through what programs are households receiving these benefits? Figure 6 displays the percentage of total income received via benefits and tax credits by working-age households in the bottom quintile of the income distribution in both 2007 and 2009. In 2007, of all the income received by households in the bottom 20% roughly a quarter came from benefits and credits and 69% of their income was earned through wages and salaries[4]. I provide 2007 proportions both for comparison and to illustrate the composition of the benefit/credit mix for low-income families in a peak business cycle year (the average unemployment rate in 2007 was 4.6%). The actual combination of benefits or credits received by any particular household will vary dramatically depending on the composition and circumstances of the household. The main goal here is to get a sense of the relative magnitude of the contribution of various safety net programs to the incomes of poorer households.

Figure 4. Composition of Total Annual Income for a Household of Three at the 10th Percentile (2010 dollars)

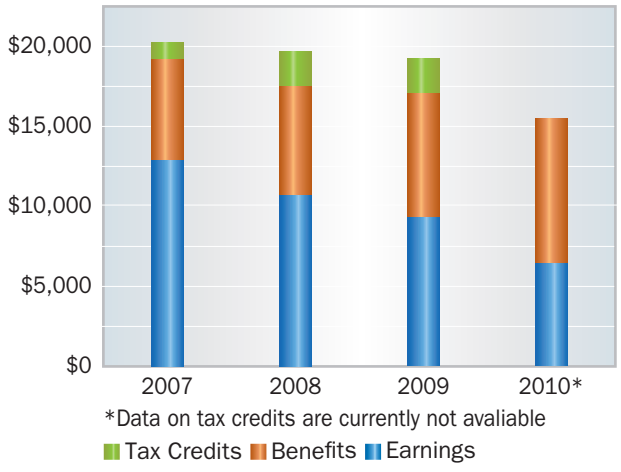
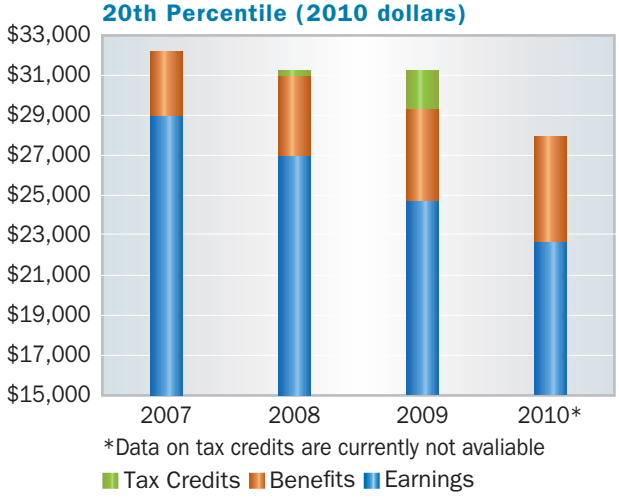


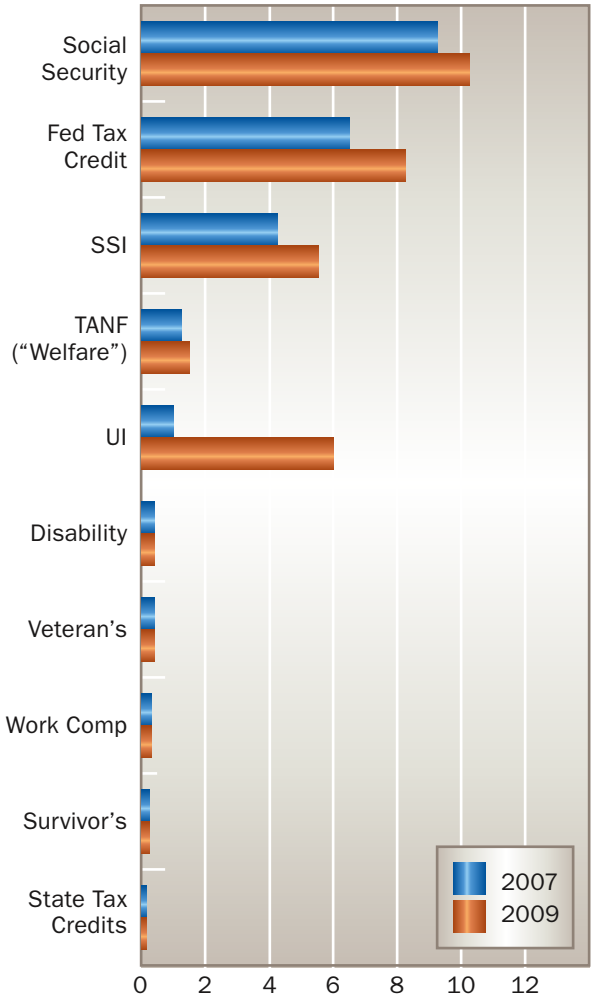
Figure 5. Composition of Total Annual Income for a Household of Three at the 20th Percentile (2010 dollars)



In 2007, the program that makes the largest contribution to low-income household incomes is Social Security. This is presumably a situation where an elderly individual or relative is a member of a household with a working age head and their Social Security benefits contribute to (or is here counted as part of) total household income. Next, roughly 6.5% of income was received by way of the federal tax code with nearly 90% of that income received by way of the Earned Income Tax Credit (EITC). The third largest contribution is from SSI, comprising 4.6% of total income in the lowest quintile in 2007. Temporary Assistance for Needy Families (TANF), Unemployment Insurance, and Disability benefits each comprised roughly 1% of total income. While no doubt important to their respective recipients, the remaining benefits and credits (Veterans, Survivors, Workers' Compensation, and state tax credits) comprise a very small share of all transfers received by the bottom 20% of households.

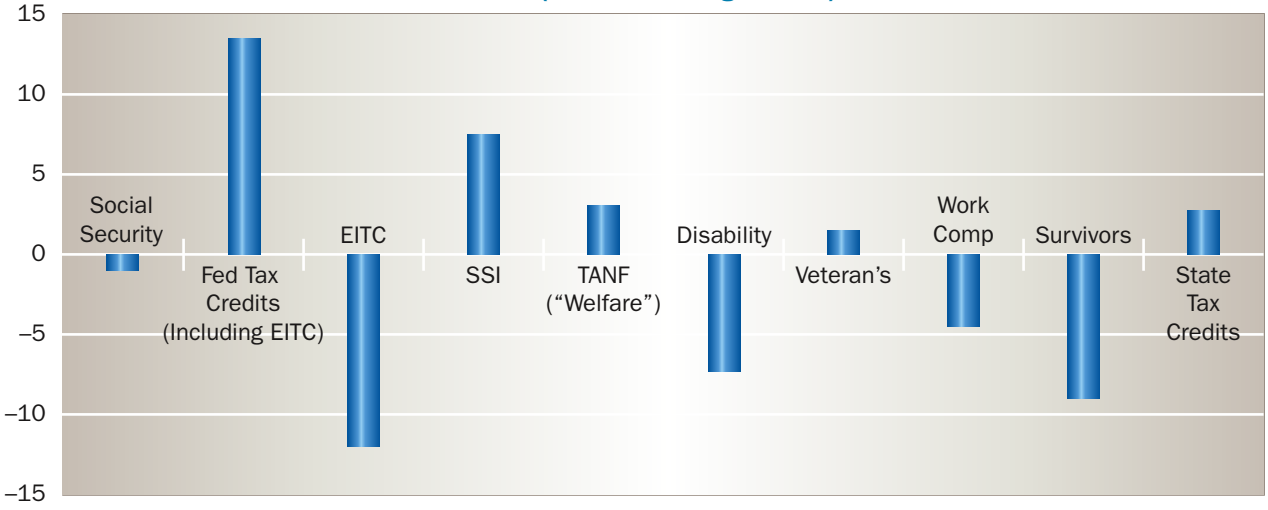
Figure 6 also provides the proportions of income from various programs in 2009. While this gives us a sense of the contribution of various programs in 2009, Figure 6 is an imperfect guide to understanding changes in program use and expenditures between 2007 and 2009. As earnings have fallen substantially the *proportion* of income from benefits consequently increases even if the amount of income received via a particular program remained constant year-to-year. In 2009 households in the bottom quintile received roughly a third of their income from benefits and credits and 59% of their income from wages and salaries. In terms of changes in program utilization, the only firm conclusion that we can draw from Figure 6 is that income received from Unemployment Insurance payments has increased dramatically. It also appears that income from federal tax credits has increased, although to much less of an extent. For the remaining programs it is not possible to discern whether the proportion of income received has increased as a result of increased receipt of that benefit or as a consequence of the proportion of benefits increasing mechanically as earnings fell.

Figure 6. Percent of Total Income From Benefits and Credits: Bottom 20% of Households 2007 and 2009 (Householder Age 25-59)



In order to address this, Figure 7 presents the percent change, between 2007 and 2009, in total income received through various programs by the bottom 20% of households. In this case we are looking at the change in raw (constant) dollars to get a sense of how much the total expenditures received by the bottom 20% of households within these various programs has changed since the onset of the recession. Figure 7 does not include UI as the total income received through this program by the bottom quintile increased 386% between 2007 and 2009. Otherwise, we see increases only in total income received through federal and state tax credits, SSI, TANF, and Veterans' benefits.

Figure 7. Percent Change in Total Value of Transfers Received via Benefits and Credits between 2007-2009: Bottom 20% of Households (Householder Age 25-59)



Federal and State Tax Credits

As mentioned above, in 2007 nearly 90% of the income received via federal tax credits by households in the bottom quintile was received through the Earned Income Tax Credit. The number of taxpayers claiming the EITC increased from 24.6 million in 2007 to just over 27 million in 2009 as more individuals became eligible as a result of reduced earnings (Bryan 2009; Bryan 2011). Correspondingly, the total value of the national tax expenditure on the EITC increased from $48.5 to $59.2 billion over the same years. However, Figure 7 indicates that the total value of income reaching the bottom 20% of households via this specific tax credit has fallen by over 10%. Presumably, this is a consequence of a significant proportion of lower-income households losing eligibility for this credit due to a lack of earnings. While income received via the EITC has fallen, households in the bottom quintile did experience an increase in income received through federal tax credits between 2007 and 2009. This is due to the creation of a number of temporary tax credits and cuts, primarily the 2009 Economic Recovery Payments and the Making Work Pay credit that was made available to working individuals in 2009 and 2010.

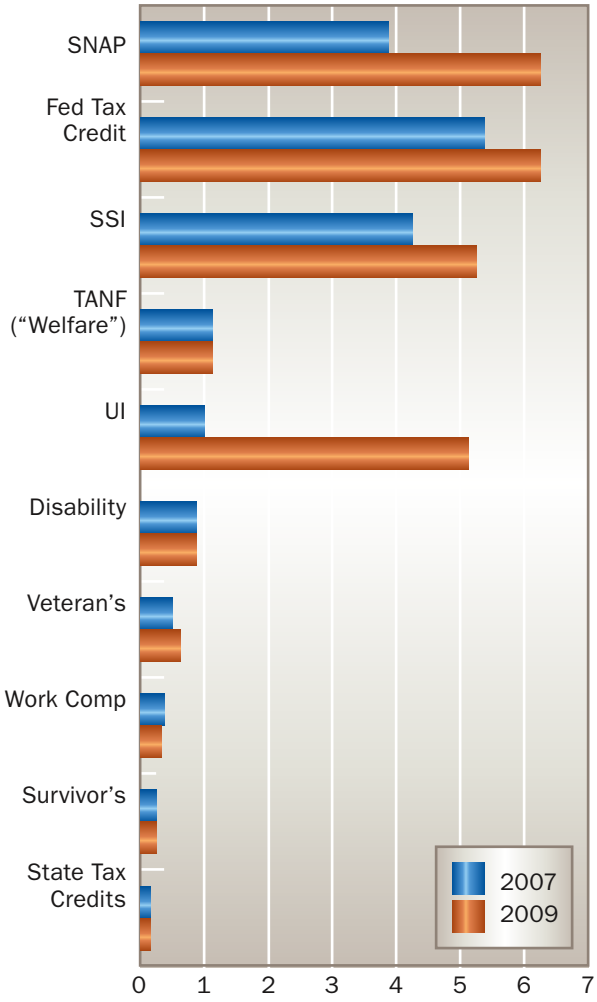
The fact that income received by way of the EITC has fallen for low-income households is not surprising given widespread job losses. This specific development highlights a major shortcoming inherent in the ability of earnings conditional subsidies to reach the poorest households during recessions. For households at the very bottom of the income distribution the impact of the EITC is pro-cyclical in contrast to the counter-cyclical nature of traditional welfare programs. This is not a critique of the EITC itself, as it constitutes a major source of support for low-income working households and is a highly desirable program in many regards. Rather, the point is simply that safety net programs which are earnings or employment conditional will be less effective at reaching poor households in the context of very high unemployment, especially unemployment of significant duration such as we are currently experiencing.

Finally, a quick note on state tax credits. While the total value of income received through state tax credits is rather small, Figure 7 understates the impact for households that live in one of the 23 states that provide a state earned income tax credit. Overall however, the amount of income received by households in the bottom 20% by way of state tax credit is both very minimal and has expanded only modesty. We will return to the impact of state tax credits below.

SSI and TANF

Increased expenditures through SSI are not surprising, as the population of eligible disabled individuals has undoubtedly increased as earnings have fallen over the course of the recession.

Figure 8. Percent of Total Income from Various Benefits and Credits: Bottom 20% of Households, 2007 and 2009 (Householder Age 25-59)



However, more surprising is the incredibly small increase in the total value of TANF benefits received by households in the bottom 20%: roughly 2.5% between 2007 and 2009. This underlines how radically welfare reform reshaped the nature of AFDC a traditional counter-cyclical anti-poverty program. This is not to say that TANF has become completely unresponsive, the number of TANF recipients increased 6.6% between 2007 and 2009 and another 5.3% between 2009 and 2010. However, the relatively minor role this program now plays as a component of the U.S. safety net is a direct result of major changes in the late-1990s and beyond including: the erosion of benefit values, lifetime limits, and changes in eligibility requirements (Danziger 2010). In the case of new eligibility requirements, the widespread use of work requirements further undermines the accessibility of these benefits especially in the context of an employment crisis.

The Role of SNAP

So far we have not mentioned Supplement Nutrition Assistance Program (SNAP) benefits, often referred to as food stamps. A relatively under recognized aspect of social assistance in the current downturn is the dramatic expansion of both expenditures on, and the number of recipients of, SNAP benefits. The number of SNAP recipients more than doubled between 2007 and 2010. In 2010, 40.3 million program participants received $64.7 billion in benefits, an average of $134 in benefits a month per person (USDA 2011). Technically, SNAP benefits are "in-kind" (can only be used to purchase food) and do not constitute income per se. However, in practice SNAP payments are income-like and free actual income for other uses. Figure 8 presents the same information on the composition of benefits received by the bottom 20% of households as Figure 6, but considers SNAP payments as a source of income (In addition, Social Security payment are removed from the graph, but not the estimates). SNAP payments represent a major source of financial support for households in the bottom quintile with these benefits comprising 6.4% of total household income, if considered income, in 2009. This is nearly identical to the share of income received through all federal tax credits and larger than the share received by the bottom 20% through Unemployment Insurance.

Holes in the Net? Safety Net Access by Race/Ethnicity, Family Structure, and Location

Above it was demonstrated that transfers and credits combined have very significantly moderated the impact of earnings losses on total household incomes. So far, the figures examined have characterized the experiences of all working-age households. However, it is the case that an individual's race, ethnicity, family structure, and state of residence may all impact both labor market experiences and the accessibility of particular benefits or credits.

Race & Ethnicity

Beginning with differences in experiences along racial and ethnic lines, Figure 9 displays the percent change in total household income between 2007 and 2009 for working-age households where the household head is either white and not Hispanic, Hispanic regardless of race, or simply non-white[5]. The percentiles in this figure indicate the position of the household among all households of the same racial or ethnic category; for example, the percentiles for white households indicate the value of household incomes for white households at various positions in the distribution of all white households. Consequently, the percent changes in Figures 9-12 are changes relative to different income levels in 2007. Table 2 provides examples of these different income levels for a household of three in each of the three racial/ethnic categories. As with Figure 1 the changes captured in Figure 9 are changes in total income from all sources.

The experience of the recession, economically speaking, has differed substantially along racial and ethnic lines. Among white households the proportion of income lost between 2007 and 2009 tends to decline the higher one is in the income distribution (with the exception of households at the 80th and 90th percentiles). Curiously, for non-white households this pattern is largely reversed with the size of income losses, as a proportion of total income, increasing up to the 60th percentile. In contrast, Hispanic households, with the exception of households at the 10th percentile, have overall experienced a remarkable *stability* in earnings between 2007 and 2009.

In order to understand these different patterns of income losses, let's begin by examining households at the 10th percentile of their respective racial or ethic categories. Figure 9 indicates that relative to household incomes in 2007 both white and Hispanic households experienced a nearly identical 5.4% decline in total income, while non-white households experienced a 3% decline. Table 2 helps us decompose the contributions of changes in earnings and benefits/credits to these developments. First, we should note that total household income for white working-age households at the 10th percentile was nearly twice the income received by non-white households in 2007: $25,878 and $13,522 respectively for a household of three. A Hispanic household of three at the 10th percentile earned $15,734 in 2007. The fact that total income fell by a smaller proportion among non-white households

Figure 9. Change in Total Household Income by Race/Ethnicity: 2007-2009 (Householder Age 25-59)

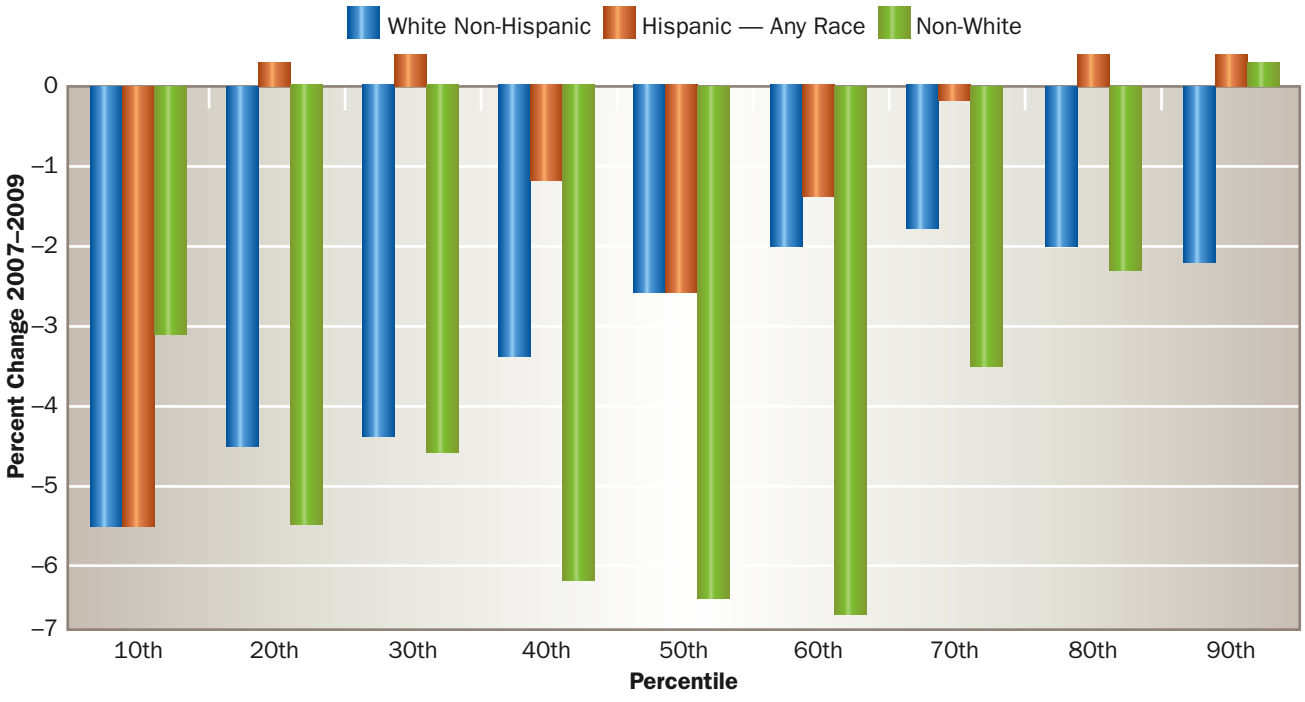


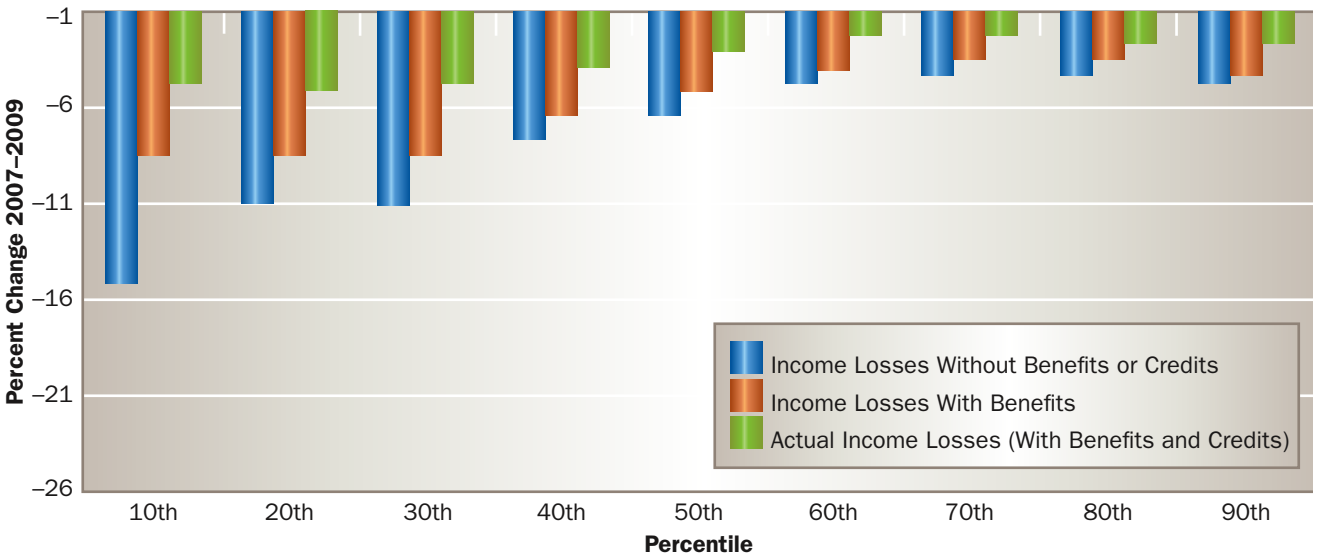
TABLE 2 Total Household Income for a Family of Three by Race & Ethnicity (2010 dollars; Householder Age 25–59)

Percentile	Year	White & Not Hispanic	Hispanic (Any Race)	Non-White
		Income Without Benefits/Credits		
10th	2007	$19,154	$10,342	$3,652
	2008	$17,665	$7,955	$1,499
	2009	$14,103	$6,663	$88
	2010	$12,000	$6,032	$0
20th	2007	$38,308	$19,349	$18,431
	2008	$35,369	$17,488	$16,239
	2009	$32,613	$16,205	$13,797
	2010	$30,900	$15,309	$11,284
30th	2007	$51,780	$26,065	$29,789
	2008	$49,553	$24,983	$27,381
	2009	$46,188	$23,653	$25,030
	2010	$45,040	$22,517	$23,500
40th	2007	$64,495	$33,748	$41,060
	2008	$61,848	$32,637	$38,273
	2009	$59,375	$30,870	$36,051
	2010	$58,788	$30,000	$34,639
50th	2007	$77,394	$42,549	$53,070
	2008	$74,603	$40,607	$49,463
	2009	$72,335	$38,995	$47,369
	2010	$72,000	$38,665	$45,033
60th	2007	$91,219	$52,660	$66,352
	2008	$88,331	$50,348	$61,864
	2009	$87,258	$49,037	$59,834
	2010	$86,603	$48,497	$58,870
70th	2007	$108,690	$63,847	$82,100
	2008	$105,903	$61,829	$79,062
	2009	$104,340	$61,300	$75,831
	2010	$103,582	$60,150	$74,000
80th	2007	$132,482	$80,893	$103,981
	2008	$128,874	$78,054	$100,290
	2009	$127,377	$79,153	$97,375
	2010	$126,462	$77,649	$95,460
90th	2007	$177,978	$109,701	$140,780
	2008	$175,377	$109,525	$137,836
	2009	$170,014	$107,887	$137,481
	2010	$168,962	$106,553	$132,456

TABLE 2 Total Household Income for a Family of Three by Race & Ethnicity (2010 dollars; Householder Age 25–59) ***continued***

White & Not Hispanic	Hispanic (Any Race)	Non-White	White & Not Hispanic	Hispanic (Any Race)	Non-White
Income With Benefits			Total Income (With Benefits/Credits)		
$25,539	$13,692	$12,667	$25,878	$15,734	$13,522
$24,490	$12,366	$11,850	$25,334	$14,501	$13,083
$22,595	$12,220	$11,473	$24,482	$14,888	$13,116
$21,334	$11,758	$10,288			
$41,318	$20,852	$21,928	$39,269	$23,463	$23,988
$39,419	$19,625	$21,076	$37,875	$22,422	$22,733
$37,726	$19,392	$20,213	$37,495	$23,553	$22,691
$36,157	$18,590	$18,881			
$54,726	$27,363	$32,515	$49,802	$29,141	$32,586
$52,423	$26,940	$31,294	$48,344	$28,662	$31,534
$50,242	$26,259	$29,458	$47,625	$29,606	$31,087
$49,198	$25,115	$28,019			
$66,583	$35,747	$43,813	$59,861	$35,319	$41,377
$64,152	$34,447	$40,796	$58,302	$34,354	$38,965
$62,534	$33,495	$39,665	$57,858	$34,889	$38,870
$61,565	$32,258	$37,974			
$79,161	$44,129	$54,821	$69,986	$42,366	$50,720
$76,530	$42,397	$52,113	$68,244	$40,838	$47,675
$75,434	$41,385	$50,418	$68,271	$41,317	$47,528
$74,478	$40,800	$48,990			
$92,873	$54,176	$68,458	$80,727	$50,460	$61,598
$90,301	$52,152	$63,864	$79,123	$48,795	$58,119
$89,069	$52,308	$62,282	$79,180	$49,788	$57,410
$88,329	$50,349	$61,237			
$109,769	$64,499	$83,844	$93,749	$59,749	$73,407
$107,009	$63,441	$80,740	$91,718	$58,678	$71,474
$106,158	$63,299	$79,330	$92,240	$59,662	$70,931
$105,175	$61,969	$76,943			
$134,113	$82,089	$105,383	$111,712	$73,455	$89,722
$131,158	$80,101	$102,411	$108,679	$71,910	$87,610
$129,720	$81,092	$100,111	$109,417	$73,975	$87,546
$128,677	$79,400	$97,980			
$180,088	$111,276	$141,982	$143,553	$96,522	$115,482
$176,653	$110,585	$139,902	$141,905	$96,280	$114,985
$172,526	$110,118	$140,261	$140,392	$97,068	$115,839
$171,544	$109,503	$134,544			

Figure 10. Change in White Household Income: 2007-2009 (Householder Age 25-59)



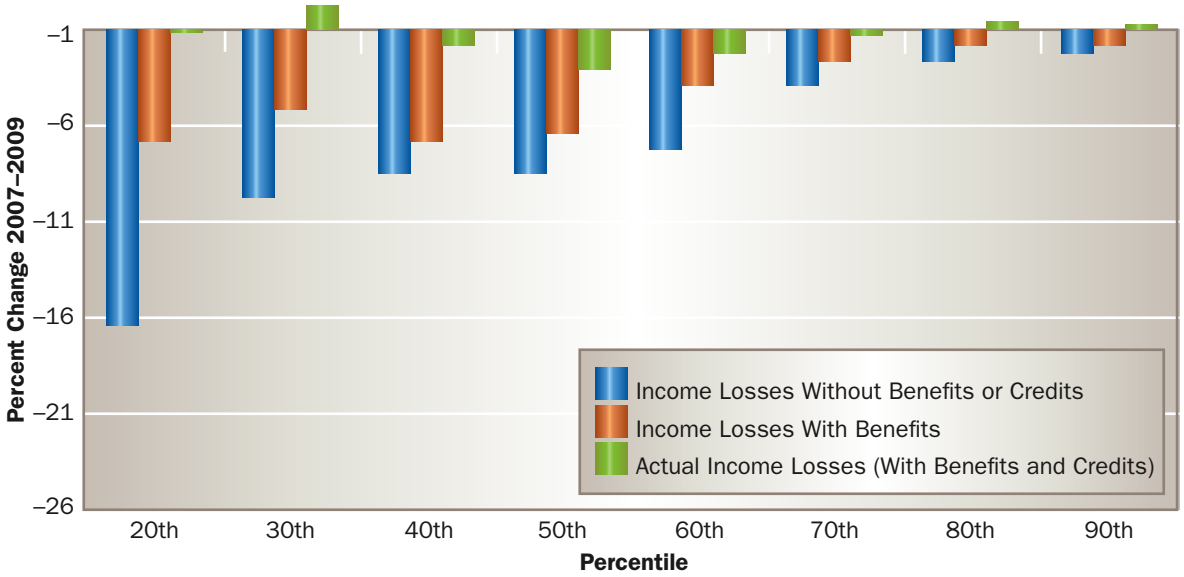
is not surprising given that these households had significantly less income to lose.

Less expected are the dramatic differences in changes in earnings that have occurred along racial/ethnic lines, changes that are nearly completely obscured by the countervailing impacts of benefits and transfers. Market income for white households at the 10th percentile fell 26% between 2007 and 2009 (for a family of three from $19,154 to $14,103). Hispanic households at the same percentile experienced a 36% reduction in earnings ($10,342 to $6,663 for a family of three). Finally, non-white households at the 10th percentile started at a much lower market income level in 2007 and saw those earnings fall 97% over this two-year period. For a non-white family of three, the value of annual market income fell from $3,652 in 2007 to $88 in 2009; by 2010 earnings for non-white households at the 10th percentile fell to zero. Given this shocking collapse in earnings, it is rather incredible that we observe such mild decreases in total incomes for these households.

Moving beyond these extremely poor households, Figures 10-12 characterize these impacts in percent changes for households within these three racial/ethnic categories at the 20th percentile and above (The 10th percentile is omitted from these figures due to that fact that changes at the 10th percentile are so large that it makes it difficult to examine patterns at other points in the income distribution.). Earnings losses for both white and Hispanic households are very similar across the income distribution. With the sole exception of households at the 90th percentile, it is consistently the case that non-white households experienced significantly larger proportional reductions in earnings than white or Hispanic households. These larger losses in earnings help explain the trend, noted in Figure 9, in which total income losses for non-white households were largest around the median and the 60th percentile. To illustrate, let us focus for a moment on a point of extreme contrast. At the 60th percentile white households experienced total income losses on the order of 1.9% between 2007 and 2009, while non-white households at the same percentile experienced a 6.8% loss in total household income. Driving these developments was a 4.3% decline in total market income (earnings) for white households, while earning fell more than twice as much, 9.8%, within non-white households. Earnings did fall more for non-white households, but it is also clear that the impact of benefits and transfers buffered those losses less substantially than was the case for white households.

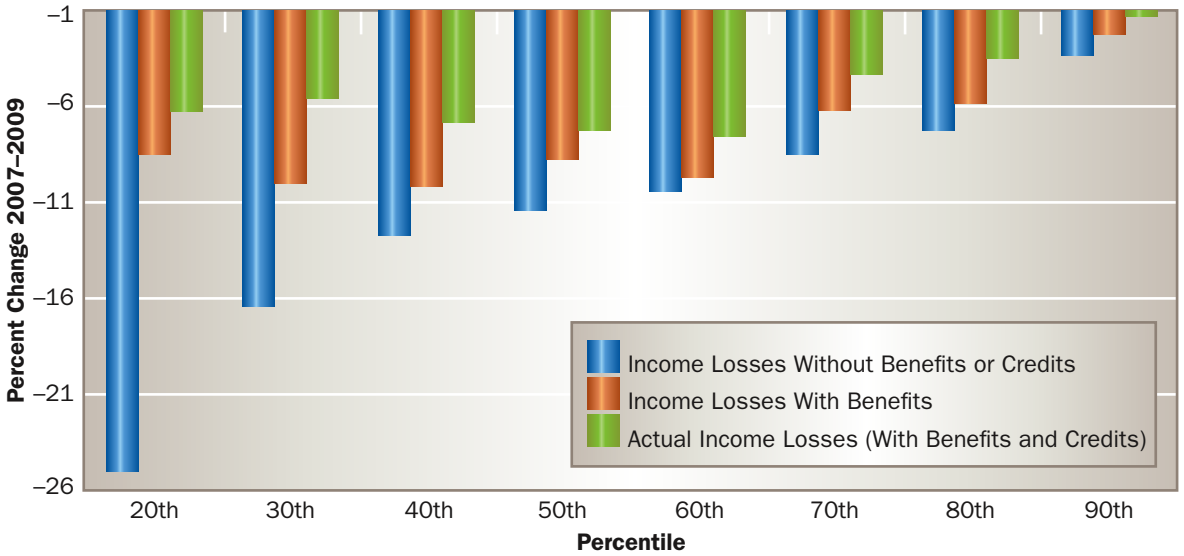
However, this example is something of an apples-to-oranges comparison, as we are comparing the income of a non-white household at the 60th percentile of the distribution of non-white households with a white household at the 60th

Figure 11. Change in Hispanic Household Income: 2007-2009 (Householder Age 25-59)



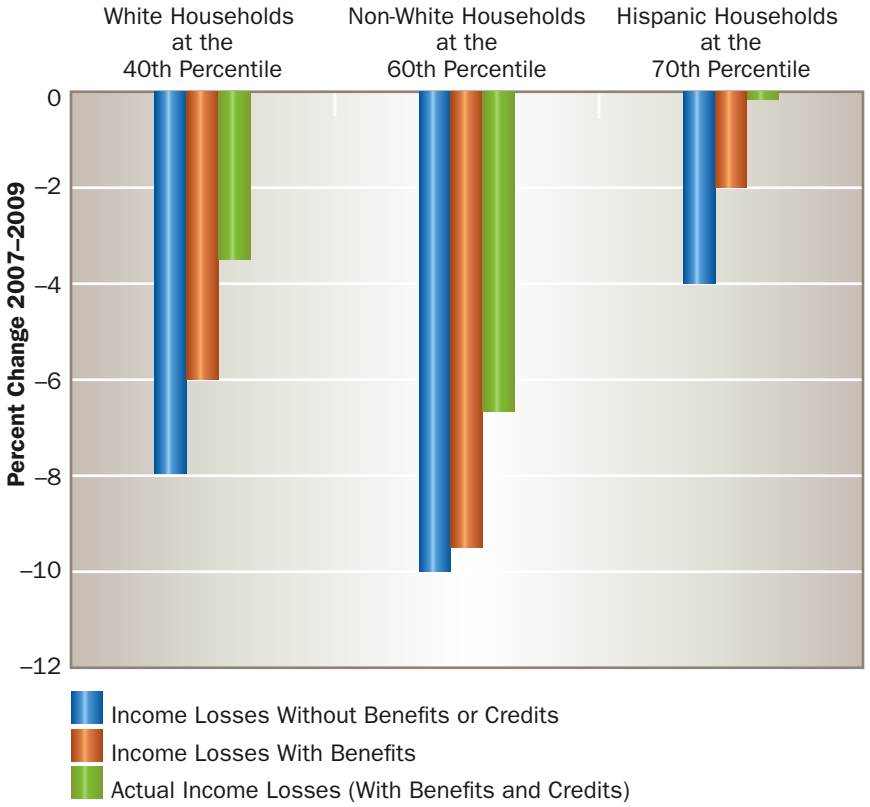
percentile of all white households. A household of three with a non-white household head at the 60th percentile of all working age non-white households earned approximately $66,352 in 2007. The equivalent white household at the same percentile within the distribution of working age white households earned roughly $91,219 in 2007. Given these differences in earnings levels, a more appropriate comparison is between a white household at the 40th percentile, earning $64,495 in 2007, and a non-white household at the 60th percentile (earning $66,352). Figure 13 does just this comparing the percent change in income absent benefits or credits, income with benefits, and total income from all sources including benefits and credits for a white household at the 40th percentile of earnings, a non-white household at the 60th percentile, and a Hispanic household at the 70th percentile. A Hispanic household of three at the 70th percentile earned $63,847 in 2007.

Figure 12. Change in Non-White Household Income: 2007-2009 (Householder Age 25–59)



Focusing first on the comparison between white and non-white households, while earnings losses are similar, 7.9% and 9.8% respectively, the impacts of transfer and credits are more substantial for white households. For example, receipt of benefits reduced total income losses between 2007 and 2009 by 23% in white households as compared to 8.2% in non-white households. A detailed examination of shifts in the shares of income received through various benefits indicates that this development is almost entirely due to differences in the amount of income received through Unemployment Insurance. The total share of income received from UI by the middle quintile[6] of non-white households more than doubled, increasing by 222%, between 2007 and 2009. However, for white households in an identical income range this share increased 370%. There are many factors that are likely contributing to these differences. For one, the fact that (up until a threshold) UI benefits are proportional to earnings means that racial differences in earnings will be reflected in the size of UI benefits. Further, unemployment benefits are often inaccessible to individuals with part-time jobs, inconsistent work, or unstable employment histories. For a wide variety of reasons, such characteristics disproportionately characterize the labor market experiences of minority workers.

Figure 13. Change in Household Income With and Without Benefits or Credit by Race/Ethnicity (Householder Age 25–59)



Continuing with our comparison in Figure 13 and turning to the impact of tax credits, we see that tax policy further reduces the extent of income losses by 45% for white households and 25% for non-white households. Compared to 2007, in 2009 the proportion of income lost to taxes, especially federal taxes, has been reduced substantially for all households. Within this middle-income quintile, the reduction in the tax burden has been larger for white households than for minority households. While it is not possible here to disaggregate the specific tax deductions and credits driving this development, it is likely that the use of earnings conditional tax credits have contributed substantially to this development. Minority unemployment rates are consistently higher than that of whites and 2009 was not an exception; average unemployment rates for whites, Hispanics, and African-Americans were 7.2%, 11.3%, and 13.9% respectively.

Finally, we turn to the surprising finding of the remarkable stability in the incomes of many Hispanic households. Figure 13 indicates that the size of earnings losses for Hispanic households at the 70th percentile were roughly half those experienced by white households with comparable earnings. Given that earnings losses were smaller, this dramatically increased the capacity of benefits and credits to replace this lost income. In part, this same dynamic helps explain the stability of incomes for lower-income Hispanic households observed

in Figure 9. For example, both white and Hispanic households at their respective 20th percentiles lost a similar proportion of market income between 2007 and 2009: 15% and 16% declines. However, given the significant differences in income levels in 2007, the raw dollar values of these earnings losses are substantially different. Specifically, for a white working-age household of three a 15% decline in a 2007 income of $38,308 is a loss of $5,695. For a comparable Hispanic family at the 20th percentile a 16% loss on a 2007 income of $19,349 is $3,143.

In addition to income losses for Hispanic households being smaller in raw dollars, lower income *levels* increase both eligibility for means-tested benefits and the value of the credit received via the EITC. Figure 11 shows clearly that in addition to a significant impact of benefits, Hispanic households at the 20th and 30th percentiles appear to receive a significantly larger boost from tax credits then either white or non-white households. The contrast with white households is simply a function of many white households, even those near the 20th percentile, having incomes that put them above the threshold of eligibility for the EITC. The contrast with non-white households is more troubling. Despite having similar income levels at the 20th and 30th percentiles, Hispanic households received substantially larger benefits by way of tax credits. While it is not possible here to disentangle the various potential contributions of unemployment, family size, and household composition to these differences, it likely that the significantly higher rates of unemployment among African-Americans contributes substantially to this difference (by reducing receipt of earning conditional tax credits).

Overall, in terms of total income losses, non-white households with middling incomes have been hit the hardest even more than very poor households. These households, those between the 40th and 60th percentiles in the distribution of non-white households, experienced these losses as the combined result of both larger proportional losses in earnings and the receipt of less relief from benefits and tax credits. These lower-to-middle class minority households have found themselves both disproportionately impacted by poor labor market conditions and less able to access income supports via safety-net programs than either white or Hispanic households. In addition, regardless of race or ethnicity, very poor households also experienced substantial reductions in total household incomes. However, the receipt of benefits and transfers obscures the fact that *earnings* losses were dramatically larger as a proportion of total income for very poor non-white households. In the context of nearly unprecedented levels of both under and unemployment among lower income households, it is important to underline the disproportionate intensity of this experience among poor minority households.

Family Structure

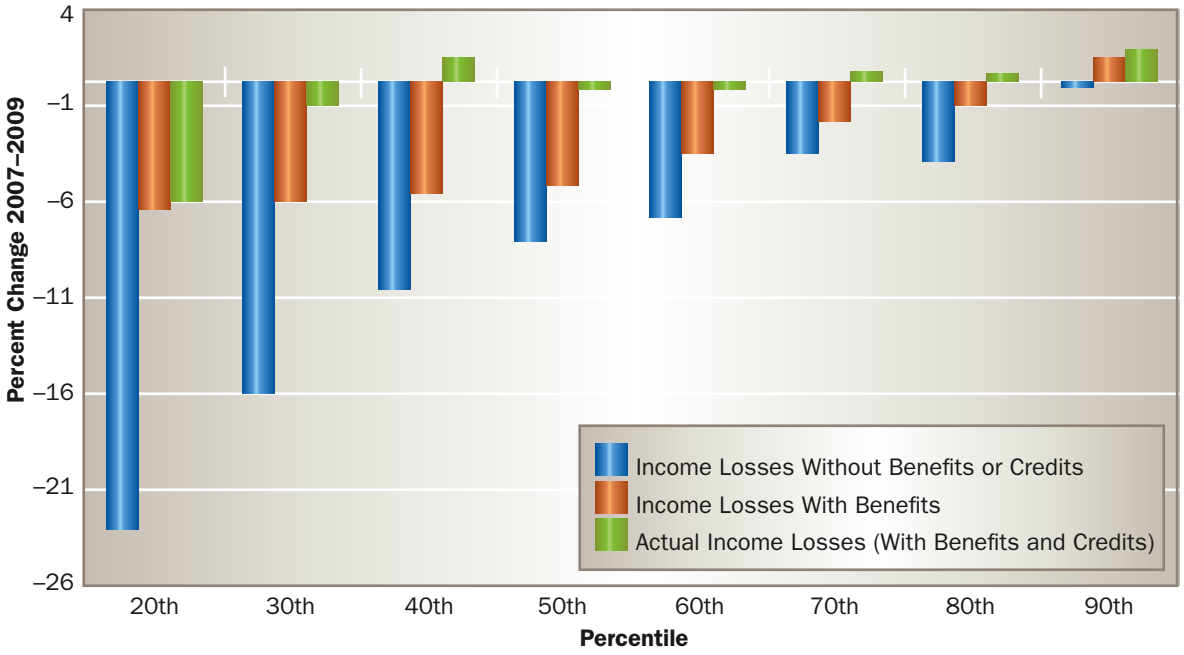
Single-mothers often face multiple barriers to labor force participation and, consequently, are more likely to reply upon benefits and transfers to supplement their earnings. In order to examine both the impact of the recession and benefits/credits for these households, Figure 14 displays the changes in income with and in the absence of benefits and credits for female-headed households with children. The estimated incomes for a female-headed household of three at various percentiles are available in Table 3. As with the previous figures presenting changes in income along racial/ethnic lines, the 10th percentile is omitted due to the fact that earnings losses at the 10th percentile dwarf those at higher percentiles. A female-headed household of three at the 10th percentile earned roughly $1400 in market income in 2007; by 2009 this had fallen to about $75 *for the entire year*. With benefits and credits the same household's total income was $8171 in 2007 and $7675 in 2009. This constitutes a 5.9% decrease in total income, as compared to a 95% decrease in market income. Similarly, a household at the 20th percentile experienced a 23% decrease in earnings, but only a 5.6% decline in total household income. Above the 20th percentile it appears that the overall impact of benefits and credits has been to create a remarkable degree of economic stability for female-headed households between the 30th and 80th percentiles with incomes remaining essentially unchanged between 2007 and 2009.

Let's examine the experiences of the poorest of these

TABLE 3 Total Income for a Female-Headed Household of Three with Children (2010 dollars; Householder Age 25–59)

Percentile	Year	Income Without Benefits/ Credits	Income With Benefits	Total Income (With Benefits/ Credits)
10th	2007	$1,400	$7,297	$8,171
	2008	$848	$7,245	$8,218
	2009	$75	$6,992	$7,685
	2010	$122	$6,041	
20th	2007	$9,212	$13,165	$15,574
	2008	$8,268	$12,640	$14,790
	2009	$7,095	$12,362	$14,689
	2010	$6,000	$11,329	
30th	2007	$15,688	$18,447	$21,507
	2008	$14,964	$18,130	$21,089
	2009	$13,231	$17,344	$21,350
	2010	$12,350	$16,896	
40th	2007	$21,789	$24,203	$27,226
	2008	$20,739	$23,815	$26,550
	2009	$19,542	$22,917	$27,441
	2010	$19,053	$22,413	
50th	2007	$28,120	$30,190	$32,501
	2008	$26,758	$29,725	$31,829
	2009	$25,852	$29,319	$32,500
	2010	$25,400	$28,276	
60th	2007	$36,027	$37,915	$38,317
	2008	$34,819	$37,164	$37,251
	2009	$33,626	$36,659	$38,264
	2010	$32,840	$35,421	
70th	2007	$44,869	$46,341	$45,341
	2008	$43,728	$45,896	$44,478
	2009	$43,172	$46,122	$45,758
	2010	$41,643	$44,301	
80th	2007	$57,371	$58,769	$55,332
	2008	$56,229	$58,445	$54,790
	2009	$55,002	$58,152	$55,669
	2010	$54,121	$56,426	
90th	2007	$77,465	$79,588	$72,290
	2008	$78,421	$81,269	$73,101
	2009	$77,504	$80,707	$73,903
	2010	$75,000	$78,389	

Figure 14. Change in Income for Female-Headed Households with Children: 2007–2009 (Householder Age 25-59)



households first. Figure 15 presents the percent of total income received from various programs and credits by the bottom 20% of working-age female-headed households with children in 2007 and 2009. Programs omitted from Figure 15 contributed less than 1% of total income received. The first thing to note is that total income from earnings in these lower-income female-headed households fell from over a third to just over a quarter of total income in 2009. Over the same years the total proportion of income received through benefits and transfers grew from roughly 55% to 60%. As the majority of income was already comprised of benefits/credits rather small increases in the share of income from benefits compensated heavily for decreases in earnings, which constitute a relatively small proportion of all income. A household at the ten percentile may have lost the majority of its earnings, but this impact is muted, given that earnings comprised only 17% of all income in 2007.

Figure 15 indicates that for these female-headed households the vast majority of benefits (and the majority of all income) were received through five sources: Social Security, TANF, SSI, UI, and federal tax credits, primarily the EITC. Despite the substantial reductions in earnings experienced by these households essentially the only program for which benefits have expanded significantly is Unemployment Insurance, which increased more than five-fold. Income received from the EITC fell 22% as labor force participation has declined. However, total income from federal tax credits was stable as a number of temporary tax credits filled the gap. Total income from TANF actually *declined* slightly between 2007 and 2009. Not to belabor the point, but it is rather incredible that in the context of a recession of this magnitude this program has been so unresponsive to the economic conditions of the program's target population, poor women with children. This is consistent with work that has argued that the counter cyclical nature of "welfare" funding was fundamentally altered as a result of the 1996 welfare reform (Bentele & Nicoli forthcoming; Soss et al. 2011; Danzinger 2010). Multiple features of TANF, especially lifetime limits and work requirements, constrain the responsiveness of this program to increased need.

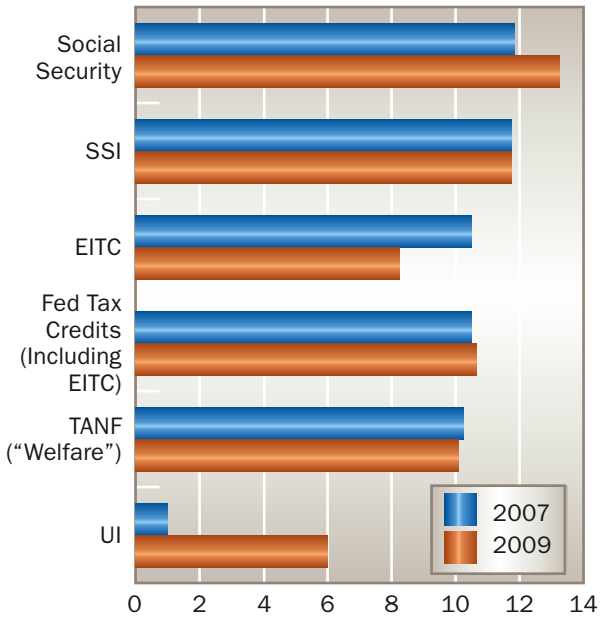
Finally, focusing on sources of income alone ignores the contribution of a program that is increasingly critical to the economic well being of lower-income families, SNAP. Figure 16 examines the contribution of various benefits and transfer to the bottom 20%

of female-headed households and is identical to Figure 15 except that it considers SNAP benefits as income. SNAP benefits comprised 20% of household income in 2007 and 26% by 2009. As stated earlier it is difficult to overemphasize how substantial a role SNAP has come to play in supplementing the budgets of lower-income households, especially those of single mothers.

Looking back for a moment at Figure 14, what about those middle-income female-headed households that experienced such stable incomes over the initial years of the recession? How was that accomplished? Figure 17 presents the percentage of income received via benefits and transfers for female-headed households within the middle quintile of female-headed households. For a family of three this includes households where household incomes fall between the 40th and 60th percentiles, ranging from roughly $27,000 to $38,000 year. Within these households, UI benefits have expanded the most, more than doubling between 2007 and 2009. That said, UI benefits comprised only 2% of total income in 2009. The largest source of support for these households came from federal tax credits, which comprised 12% of total income in 2009. The total share from this source increased 36% between 2007 and 2009. Roughly half of this increase is attributable to increases in the receipt of funds via the EITC, presumably as more household incomes either fell into the range of eligibility for the credit or received a larger credit as earnings fell. Less than 1% of all income received by these households comes from TANF, but it is noteworthy that this small proportion of income did increase 45% between 2007 and 2009. Finally, we stressed the role of SNAP for lower income households. Use of SNAP has increased among these lower-middle class households as well. SNAP benefits comprised 3.8% of total household income in 2009 double the share in 2007 (not shown).

The experiences of female-headed households present a mixed picture in terms of the accessibility and responsiveness of the contemporary safety net. For working-age female-headed households with children at the 30th percentile and above, safety-net programs and tax credits have very successfully provided stability in household incomes during the first two years of the recession. A female-headed family of three at the 30th percentile earned $15,688 in 2007 and $13,231 in 2009. For these poor households and for much better off middle and upper-middle class female-headed families, it appears that income supports have very effectively replaced lost earnings between 2007 and 2009. On the other hand, the only female-headed households for which this is not the case are extremely poor female-headed households at or below the 20th percentile. A female-headed household of three at the 20th percentile in 2007 earned $9,212; a household at the 10th percentile earned only $1,400. As a result of low labor force participation and earnings, these households were heavily reliant on benefits and credits in both 2007 and 2009. These benefits and credits *have* significantly buffered earnings losses for these very poor households, however these income supports did not expand enough to completely offset substantial losses.

Figure 15. Percent of Total Income from Various Benefits and Credits: Bottom 20% of Female-Headed Households with Children, 2007 and 2009 (Householder Age 25-59)



The primary reason for this specific divergence in the experiences of working poor female-headed households, versus that of very poor female-headed households, is attributable primarily to differential

Figure 16. Percent of Total Income from Various Benefits and Credits: Bottom 20% of Female-Headed Households with Children, 2007 and 2009 (Householder Age 25-59)

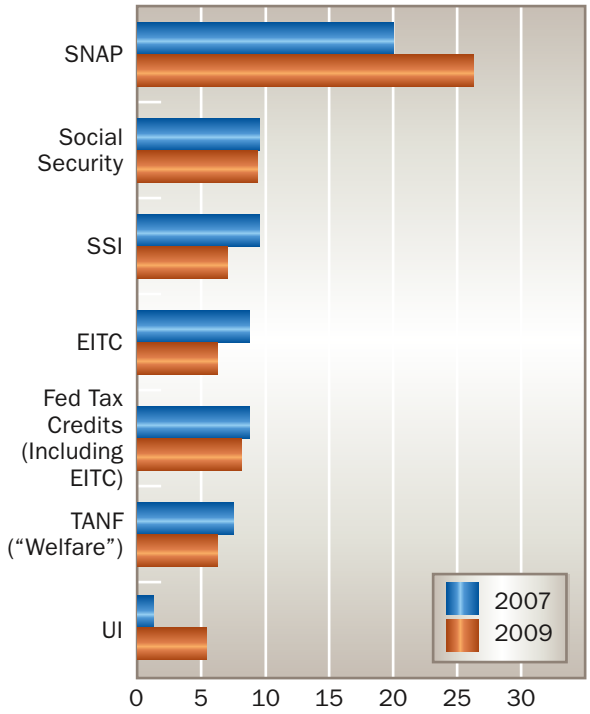
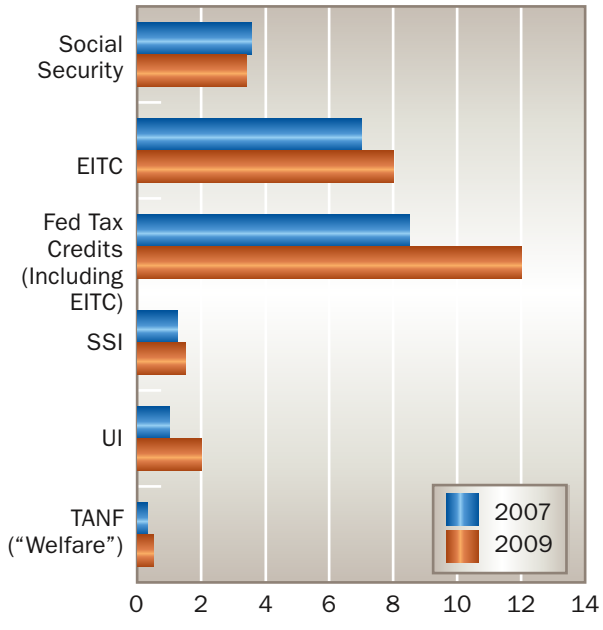


Figure 17. Percent of Total Income from Various Benefits and Credits: Middle Quintile of Female-Headed Households with Children, 2007 and 2009 (Householder Age 25-59)

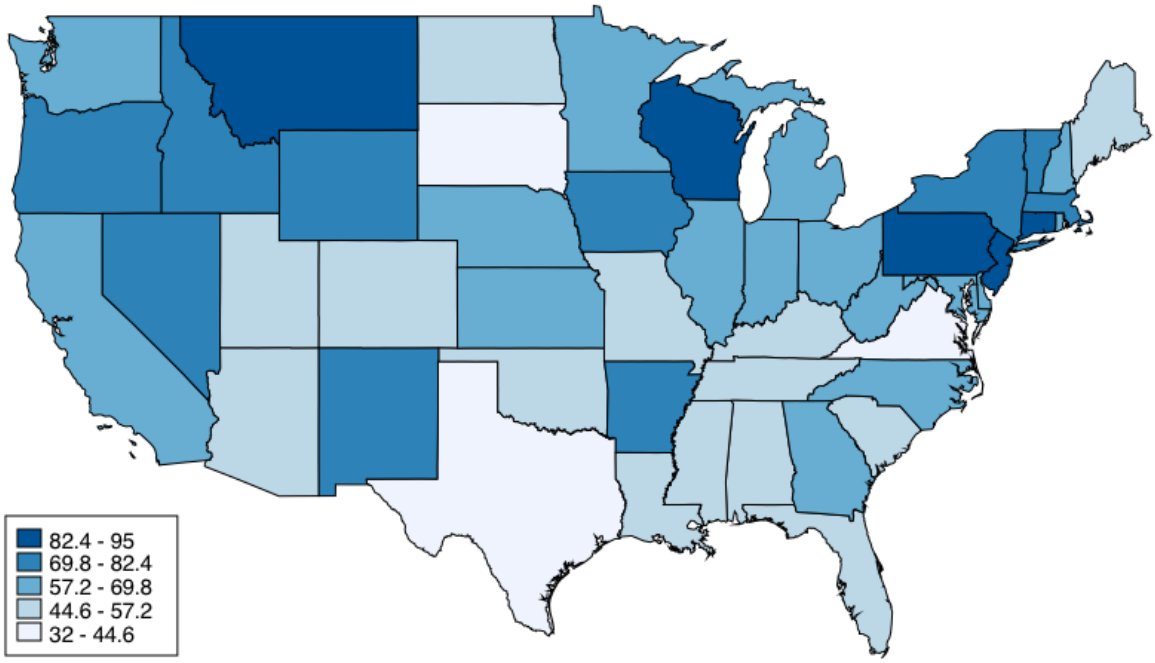


receipt of earnings conditional tax credits. A comparison of the impact of tax credits on total earnings losses for female-headed households at the 30th and 20th percentile in Figure 14, illustrates these differences clearly. For working class and middle class female-headed households, a combination of benefits and tax credits have largely filled the gap created by earnings losses, in some cases in roughly equal proportions. On the other hand, very poor female-headed households have, on average, experienced declining access to employment conditional subsidies, such as the EITC, and no increases in cash assistance via TANF. For these households, increases in income support since the onset of the recession have been received largely through SNAP and UI benefits for those who were eligible. However, these analyses do not adequately convey the depth of poverty currently experienced by many poor single mothers. Loprest & Nichols (2011) estimate that one in four single mothers below 200% of the poverty line received both no earnings and no cash assistance (that is, no TANF or SSI benefits) in 2009. Such households fall below the 10th percentile in these analyses, and their extreme levels of deprivation offer a sobering contrast to the effectiveness of safety net programs in stabilizing the incomes of more economically fortunate female-headed households.

Location

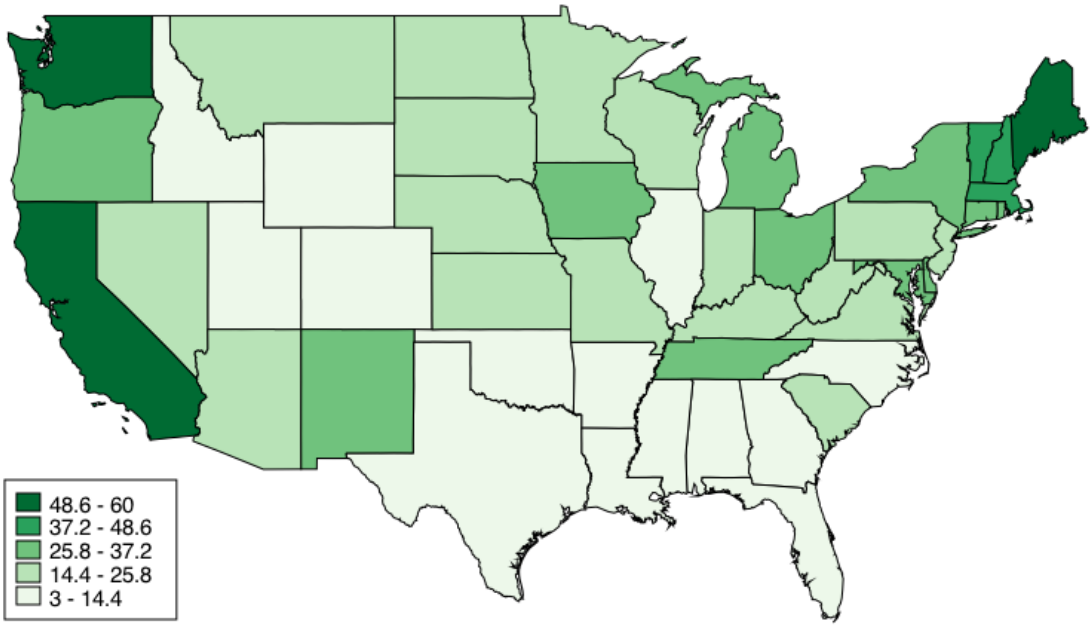
Benefits and credits received through the federal tax code or through federal programs such as Social Security or SSI generally have uniform benefits structures and eligibility requirements. Consequently, both the impact and accessibility of these programs for eligible individuals tend to be relatively consistent across the country. In contrast, a number of programs vary significantly in both their eligibility standards and benefit amounts at the state level. This is especially the case for state TANF and UI programs. Further, most states supplement the value of federal SSI benefits to varying degrees. In addition, 23 states and D.C. provide a state earned income tax credit. As UI and TANF are the two safety net programs that exhibit the strongest degree of variation in accessibility, Figures 18 and 19 illustrate state-level variation in UI and TANF coverage. UI coverage refers

Figure 18. Percent of Unemployed Receiving UI Benefits: 2009



Percentages for Alaska and Hawaii were 70% and 65% respectively.

Figure 19. State Welfare Coverage 2009
Ratio: # TANF or SSP Child Cases/# Poor Children



Percentages for Alaska and Hawaii were 33% and 48% respectively.

Figure 20. Household Income Losses by Safety-Net Accessibility in State of Residence (Householder Age 25-59)

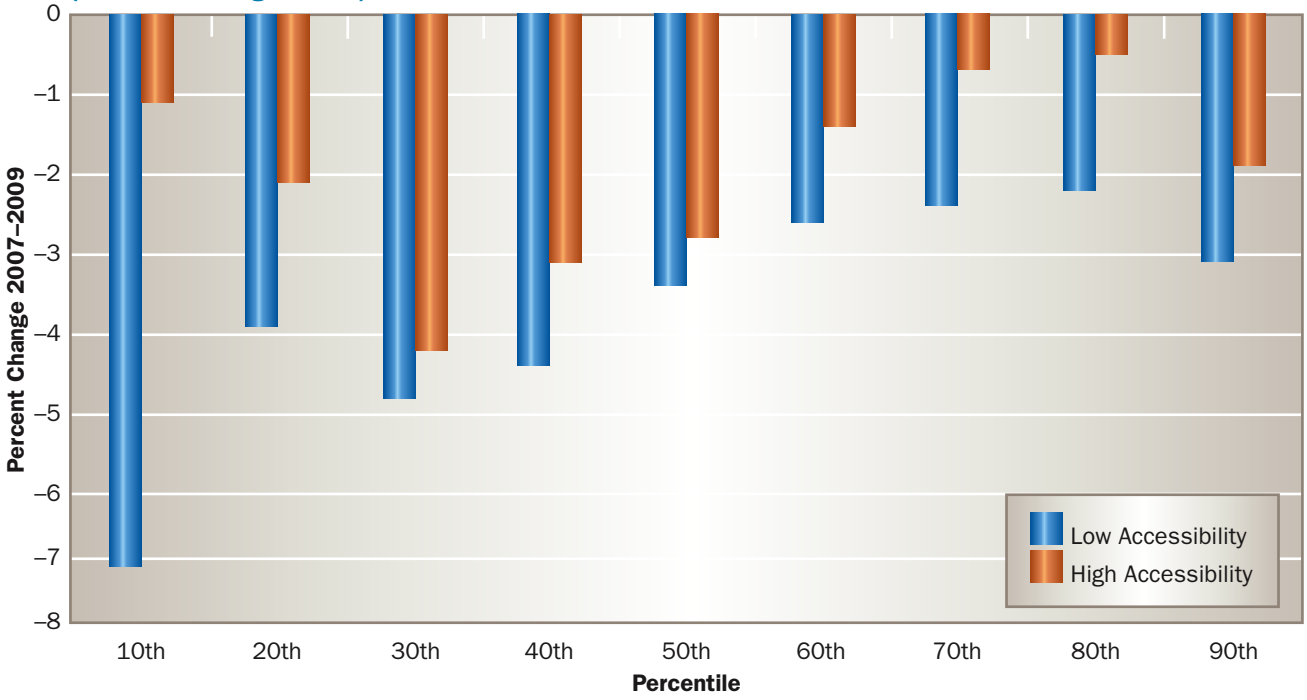
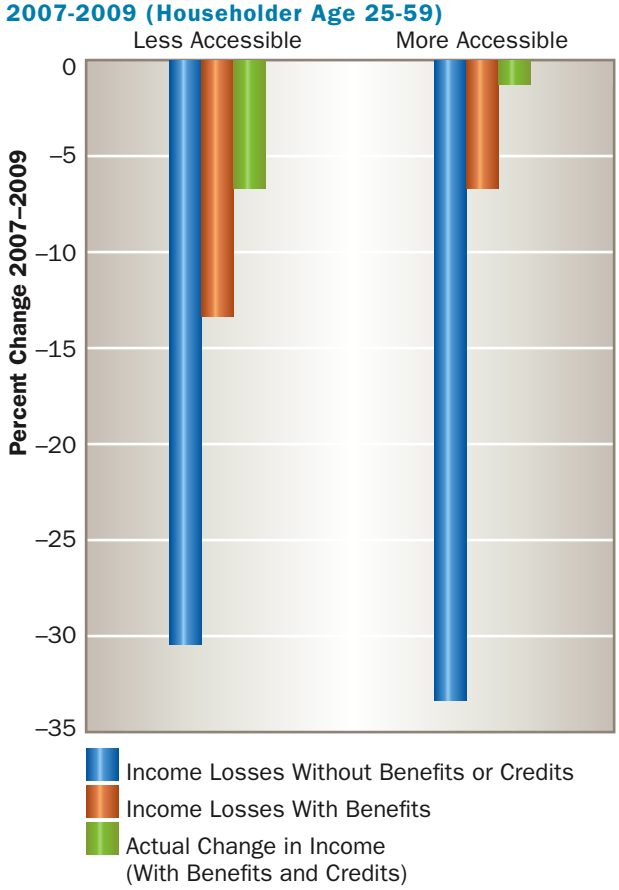


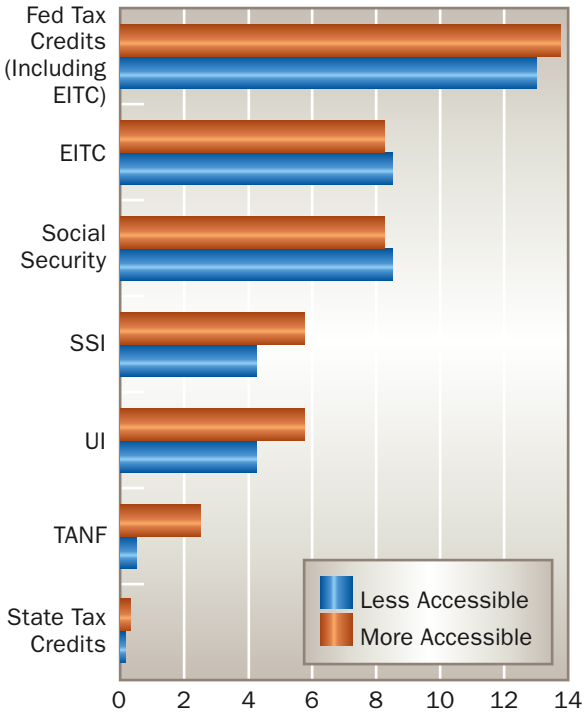
Figure 21. Change in Income for 10th Percentile Households in Less & More Accessible States: 2007-2009 (Householder Age 25-59)



to the percentage of the unemployed who were receiving UI payments in 2009. Nationally 63% of the unemployed were receiving UI benefits in 2009, but at the state level coverage ranged from the low thirties to the mid-90s. The TANF coverage measure provided in Figure 19 is a ratio of the number of child TANF cases over the number of poor children in the state. The variability in TANF coverage is extreme, ranging from under 5% to 60%.

In order to roughly characterize state safety net accessibility I average UI and TANF coverage rates. Grouping states using this index, Figure 20 displays the change in total income for households in the 20 least accessible states[7] and households in the 20 most accessible states[8]. Households at the median and below in both groups of states experienced very similar proportional losses in market incomes between 2007 and 2009. However, despite very similar declines in earnings the experiences of lower-income and poor households were dramatically different depending on the degree of safety net accessibility in their state of residence. This divergence is most striking for households at the 10th percentile where total income losses were roughly 7% in the states characterized by low safety

Figure 22. Percent of Total Income from Various Benefits and Credits: Bottom 20% of Household by State Safety Net Accessibility (Householder Age 25-59)



net accessibility as compared to losses of just over 1% in state with more accessible programs. Between the 30th and 60th percentiles income losses are larger in less accessible states, but the differences at some points, such as the 30th and 50th percentiles, are minor. Overall, with the sole exception of the 90th percentile, these smaller losses in states with more accessible safety nets are attributable to the impacts of benefits and credits. Although it should be noted that, at the 70th percentile and above, the fact that total losses are smaller in states with more accessible programs is attributable to both smaller declines in earnings and a larger impact of benefits and credits. Returning to the surprisingly large difference in the magnitude of change in household incomes for very poor households at the 10th percentile, Figure 21 displays the contribution of benefits and credits to these divergent outcomes. Despite slightly larger declines in earnings experienced by poor households in more accessible states, the generosity and accessibility of both benefits and credits in these states compensate for *nearly all* lost earnings.

This raises the question: what programs or credits are most responsible for these observed cross-state differences? Figure 22 compares the contributions of various programs and credits to total incomes in households below the national 20th percentile within either the 20 states with the most accessible safety net programs or the 20 states with the least accessible programs. Lower-income households in states with more accessible programs received more income from SSI, UI, TANF, and state tax credits. In the case of SSI this is likely a result of larger state supplements to SSI payments; the average per recipient expenditure on SSI is higher in more accessible states. However, it should be stated that this is a rough comparison and some portion of the difference between these sets of states is attributable to differences in the size of the population of non-elderly state residents eligible for SSI. Otherwise, the share of income from UI received in more accessible states was 30% larger and the share of income from TANF was over three times larger than that in states with less accessible programs. Shares of income from SNAP were essentially the same within the two sets of states (not shown). Substantial differences in the generosity and accessibility of a small number of programs (SSI, UI, and especially TANF) appear to drive the significantly different degrees to which state safety net programs have mitigated earnings losses for very poor households.

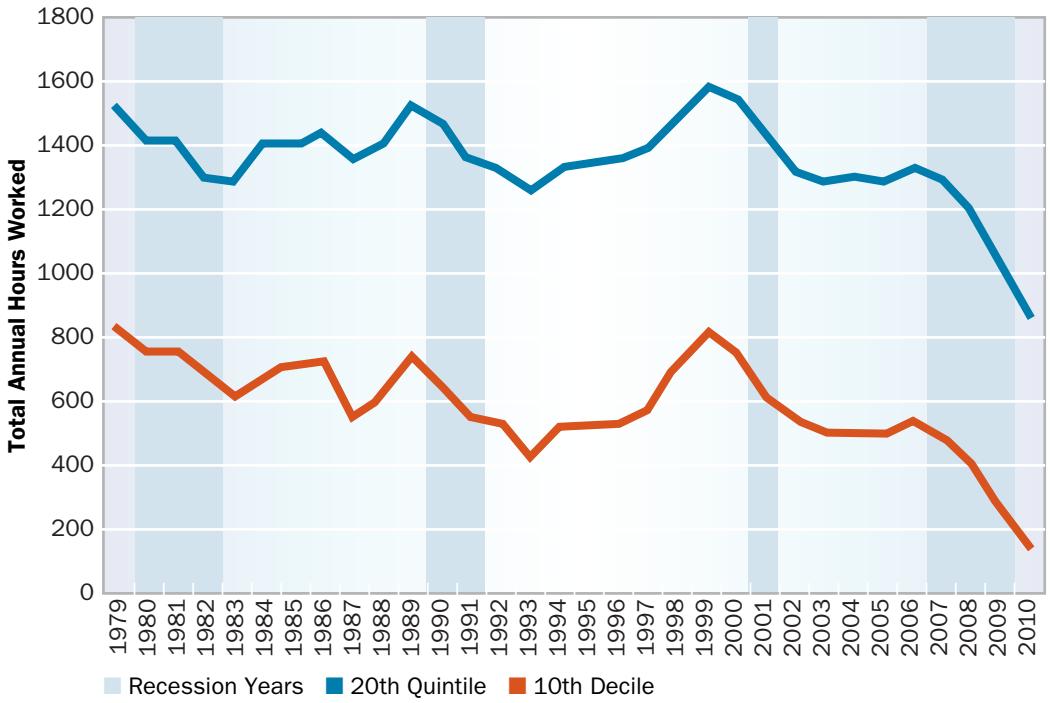
Summary

Overall, the primary programs that have bolstered the incomes of poorer households in the initial years of the recession are Unemployment Insurance, a number of temporary federal tax cuts and credits, and in some states (to a much lesser extent) TANF. Additionally, considering SNAP benefits income, these benefits have become a major source of income support. Repeatedly, the experiences of particular types of households has highlighted the limits on the extent to which employment conditional benefits, such as the EITC and in some cases TANF, can reach very poor households in the context of a prolonged employment crisis. This problem is especially acute for very poor female-headed households and for non-white households. Finally, it is clear that access to the support

provided by safety net programs, especially UI and TANF, is not uniform across states.

With these important qualifiers in mind, looking back at Figures 1 & 2 it is clear that while the total income losses experienced by very poor households are undoubtedly painful, these losses pale in comparison to the losses that would have occurred in the absence of benefits and credits. While access is uneven and benefits are often extremely meager, it remains the case that the combined impact of various safety net programs have substantially reduce the volatility of household incomes during the recession. However, I also expect the capacity of existing programs to mitigate income losses to falter substantially and potentially disastrously in coming years. My pessimism is based on two factors: the dramatic erosion of labor force participation among low-income households and the exhaustibility of the programs that have expanded the most between 2007 and 2009.

Figure 23. Average Annual Hours Worked: Bottom 20% & Bottom 10% of Households: 1979-2010 (Householder Age 25-59)

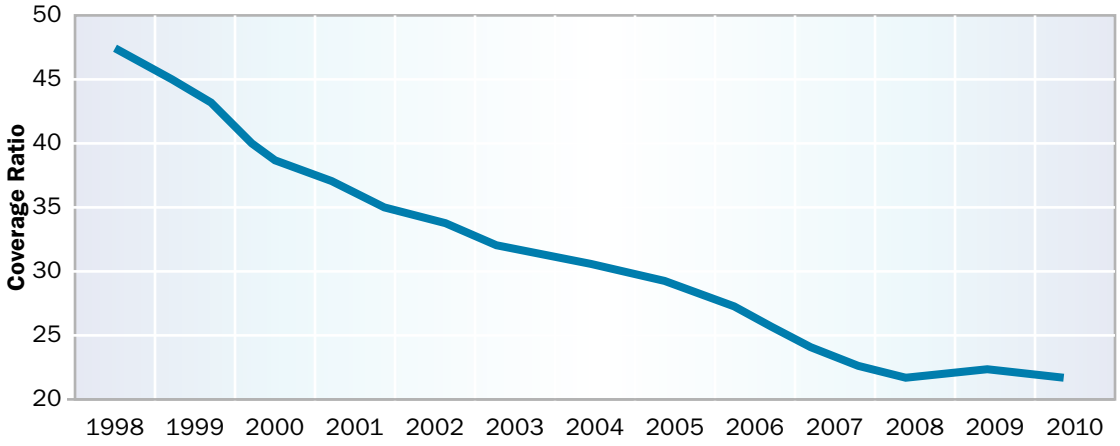


Reduced Labor Force Participation in Lower-Income Households

This first development requires some elaboration. In addition to the unemployment rate, many observers have urged more attention be paid to the significant declines in the employment-to-population ratio which has fallen to levels not see since the early 1980s. The employment-to-population ratio captures changes in labor force participation that may not be reflected in the unemployment rate, due to the manner in which workers who have dropped out of the labor force are not counted as unemployed in the most widely used unemployment measure. In addition, I would stress that reductions in labor force participation have been the most severe among lower-income households. Figure 23 displays the average annual hours worked for working-age households in the bottom 20% of households and the bottom 10% of households (in terms of adjusted incomes) between 1979 and 2010. The average work hours among these households are significantly lower than households at higher points in the income distribution. For comparison, one person working full-time generally logs roughly 2,000 hours in a year. As Kenworthy (2011) emphasizes, following the recessions in the early 1980s and 1990s it took essentially the entire business cycle for work hours for lower income households to recover to their pre-recession levels. In the "jobless recovery" following the 2001 recession, work hours for lower-income households were essentially flat and then reduced further when hit by the 2007-2009 recession.

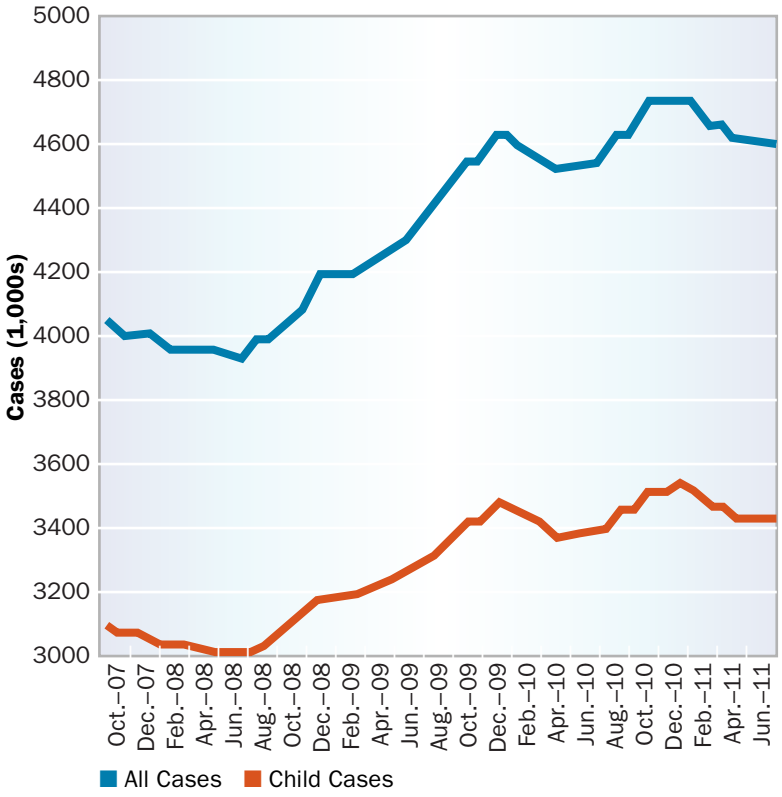
It is hard to exaggerate how devastating this recession has been for the employment prospects of low-income households. In 2010 average annual hours in the bottom 10% of working-age households

Figure 24. "Welfare" Coverage: Ratio of Number of Children Receiving TANF or SSP/Number of Poor Children, 1998-2010



fell to *139 hours for the entire year*, while the average within the bottom 20% of households fell to 864 hours. This is a result of both reduced working hours and a dramatic expansion of the share of households in the bottom 10% with zero working hours all year, which jumped from 46% to 63% between 2007 and 2009. Such reductions in labor force participation among poor households are unprecedented in recent historical memory. Further, as of 2010 the decline in working hours continued a year after the official end of the recession. Even in the context of traditional "V-shaped" recessions the recovery of work hours among lower-income households is often extremely slow. As of 2010, losses in work hours for lower-income households have not even plateaued, let alone begun to recover. This suggests that recovery of lost earnings will be many years off for a large segment of lower-income households. Worse, the most recent recessions, which Paul Krugman has referred to as "post-modern" recessions, have been characterized by trends of brutally slow recovery of both employment and work hours, especially for less educated workers. If the current recovery is anything like the recovery from the 2001 recession (and all indications so far suggest that it is) then the employment prospects for lower-income households will be bleak for many years to come.

Figure 25. Total Monthy TANF/SSP Cases, October 2007 – June 2011



Exhaustibility of Primary Income Supports

This economic outlook is troubling in and of itself, however the situation looks alarming when considering that the primary programs that have compensated for earnings losses in recent years are ill-suited to the both the magnitude and the long-term nature of the current employment crisis. As

we saw above, income received through the EITC has fallen for lower-income households as they have fallen out of the labor market. In the short-term a number of temporary federal tax cuts have filled the gap, especially the 2008/9 Economic Stimulus Payments and the 2009/10 Making Work Pay Tax Credit. However, these credits have now expired. The payroll tax cut (which was passed in late 2010, received over the course of 2011, and recently extended through 2012) is helpful but provides more assistance to those with more earnings and, importantly, only to those who actually have earnings.

Temporary Assistance for Needy Families

While total income received from TANF by lower-income female-headed households has not *expanded* in response to the recession, income from this program remains a significant source of income for many of these households, especially in states with more accessible TANF programs. Figure 24 displays a measure of national TANF coverage, the ratio of the number of child TANF or SSP[9] cases over the number of poor children, between 1998 and 2010. There has been a steady decline in TANF coverage since the 1996 reform and coverage has remained essentially flat since the onset of the recession. TANF has not been completely unresponsive, cases have increased, but not at a rate sufficient to increase the percentage of poor children covered as more children have fallen into poverty. Figure 25 illustrates this increase in cases for all recipients and child cases, but also indicates that the total number of cases has essentially plateaued since late-2009. Figures for the first half of 2011 indicate that the national caseload has remained stable, but poverty rates will undoubtedly have continued to increase in 2011.

While there is a great deal of variation in the implementation of TANF programs at the state-level, an important feature of the 1996 reform was a lifetime limit of five years of benefit receipt. In 2008, 17 states had lifetime limits shorter than this federal maximum and a couple of states have shortened their time limits in 2011. Additionally, six states reduced the value of their TANF benefits in 2011 (Schott & Pavetti 2011). These features and trends do not bode well for either the accessibility and adequacy of TANF benefits in coming years, or the poor single mothers in these particular states.

Unemployment Insurance

In terms of compensating for lost earnings, UI has, by far, done the most heavy lifting since the onset of the recession. This fact alone is concerning given that state UI systems are simply not designed to handle an employment crisis of this magnitude. As of early 2011, 30 states had exhausted their UI funds and have been borrowing from the federal government to pay UI claims (Prah 2011). In 2011, 10 states introduced new UI eligibility restrictions and reduced benefits; another 6 states reduced the length of benefit receipt below the long-standing 26-week period (Kahan & Wentworth 2011). Federal extensions of UI claims from the usual 26-weeks of benefits to 99-weeks have been critical to maintaining income support through UI. Figure 26 displays the national UI coverage, or recipiency, rates for UI Regular programs (the normal state 26-week programs) and "all programs" which includes federally funded UI extensions. Since mid-2010 the share of the unemployed receiving UI benefits

Figure 26. Percent of Unemployed Receiving Unemployment Insurance, First Quarter of 2007 – Third Quarter 2011

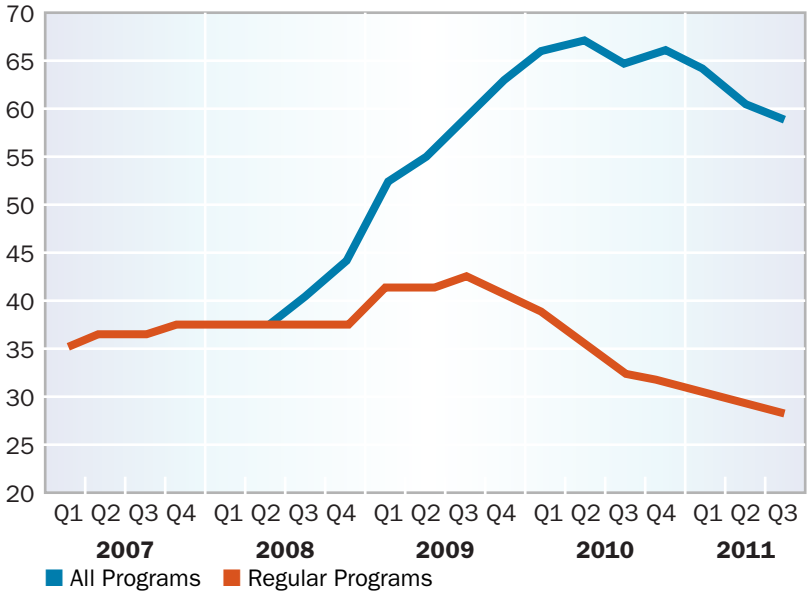
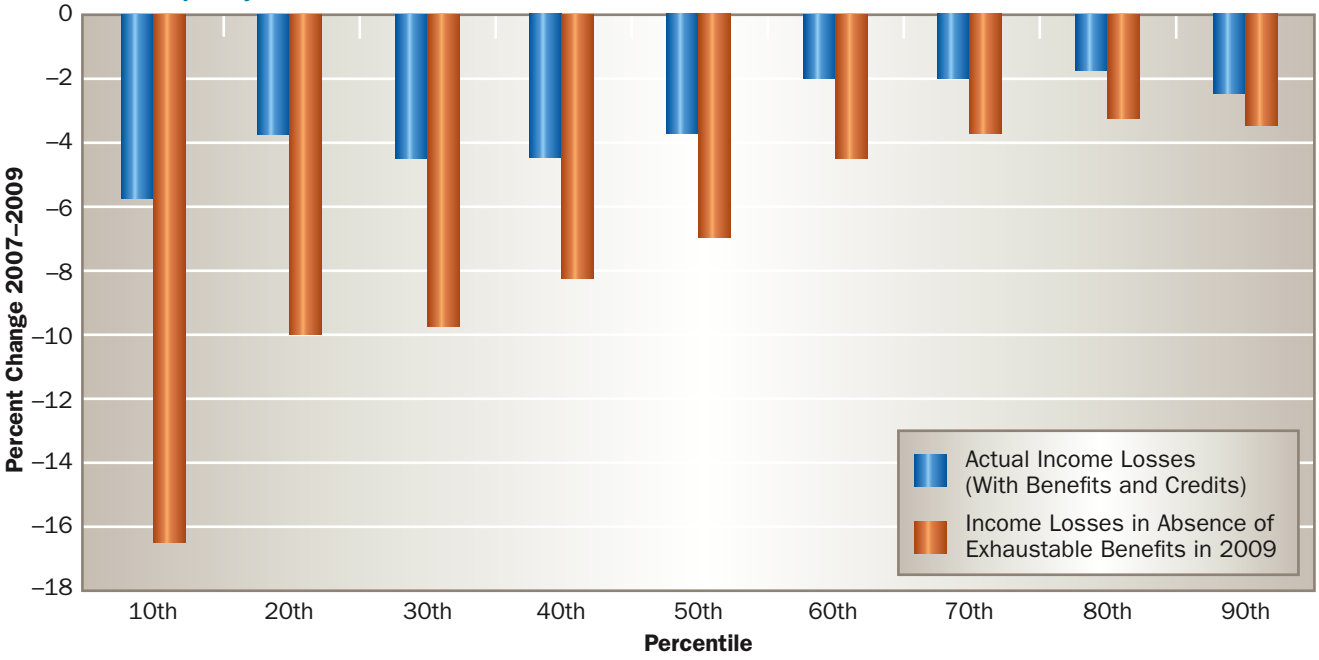


Figure 27. Actual Household Income Losses and Losses in the Absence of UI, TANF, and Temporary Tax Credits in 2009



has been declining. This is likely primarily due to recipients exhausting benefits, but a portion is also attributable to individuals joining the ranks of the unemployed who do not qualify for UI, such as individuals with unstable work arrangements or individuals entering the labor market who were not previously employed, such as graduating students.

Given the structure of UI systems, there is no mechanism by which this program can reach the unemployed who did not qualify for benefits upon losing their job or those who have exhausted their benefits. UI benefits are often inaccessible to individuals who have lost part-time jobs, lost jobs in a manner that disqualifies them from receipt of benefits, or lost a job that was not held long enough to gain eligibility for benefits. Additionally, unlike many means-tested benefits, once exhausted UI benefits cannot be received again until the individual in question has found employment for a considerable period. All of these features limit the ability of UI systems to expand to meet the current level of need for income support. Further, the exhaustibility of UI benefits ensures that the very significant buffering of earnings losses that has been accomplished via UI programs will continue to erode over time.

The Years Ahead

Looking back at Figure 23 for a moment, it is not far-fetched to expect that the employment and earnings situation of many very low-income households will not have recovered *at all* in the next two and possibly three years, six to seven years after the onset of the recession. Many of these families have long since spend down their assets, if they had any to begin with, and rely heavily on the various income supports for which they are eligible. We are currently in the early years of a slow rolling crisis in which a significant fraction of American households will either fall into, or fall deeper, into poverty as they exhaust various benefits. In the absence of these more exhaustible benefits, specifically UI, TANF, and temporary tax credits, the national poverty rate in 2009 would have been roughly 2 percentage points higher, just over 16%. In 2010, ignoring the role of tax credits, the poverty rate would have been nearly 17% (as opposed to

15.1%) in the absence of UI and TANF benefits. Of course, these rough estimates overstate the actual degree of poverty we might expect in coming years as changes in who is unemployed and who is eligible for benefits will ensure that some lower income households will be receiving benefits at any future date. Regardless, it is safe to say that in the absence of a dramatic improvement in the unemployment rate many low-income households will fall into poverty or near poverty as their exhaustible benefits expire.

Further, simply looking at the proportion of households that slip under the poverty line misses both the broad impacts of benefit expiration for a wide swath of the population and the increased intensity of poverty for households already below the poverty line. Figure 27 compares the actual change in household incomes at various percentiles with the change that would have occurred in a hypothetical absence of all exhaustible benefits (again, UI, TANF, and temporary tax credits) in 2009. Total income for a family of three at the 10th percentile would have been $17,170 as opposed to $19,385. At the 20th percentile, incomes would have been $29,256 as compared to $31,292. The degree to which these programs have mitigated income losses is substantial and the loss of these benefits in coming years will significantly impact household incomes. Finally, attention to the poverty rate alone obscures the severity of the economic conditions experienced by families below the poverty line. Measures of the depth of poverty, which characterize how far households fall below the poverty line during a spell of poverty, have been rising steadily for decades. The recession has exacerbated this trend and in 2010 44.3% of the poor had incomes below half of the poverty line (EPI 2011). That's an incredible 20.5 million Americans. To put such deprivation in perspective, a family of three below half of the poverty line in 2010 had an annual income of less than $8,687.

It is true that as families exhaust benefits such as UI or TANF that they may become (or remain) eligible for particular means-tested benefits such as SNAP, Medicaid, or programs such as SSI if they qualify. Overall however, the decreasing accessibility of support in the form of direct income in combination with increases in the proportion of benefits that are "in-kind" presents multiple challenges for poor and near poor families as you cannot, for example, pay the rent or utilities with an EBT card. Further, the shift in recent decades to heavier reliance on employment conditional programs also creates problems of safety net access for very poor families, again, especially in the context of a period of enduring high unemployment. In an odd way, the focus on earnings conditional supports in recent decades has made the U.S. safety net more robust for the working poor, but has simultaneously substantially reduced the accessibility of safety net benefits for the very poor. The severity and duration of the current employment crisis has exacerbated this rather critical shortcoming of the contemporary American safety net.

End Notes

1. All household income figures are adjusted for household size using an adjustment called an equivalence scale in which total household income is divided by the square root of household members (Kenworthy 2004; Atkinson, Rainwater, and Smeeding 1995). Given that households of different sizes will have different income needs, total income is divided by this transformation of the number of household members. The reason for transforming the denominator in this manner is based on the assumption that a household of four, for example, is not expected to need four times as much income as a household of one (due to economies of scale). Consequently, the changes in household incomes reported are changes in household income per (equivalent) person. Data for these figures is drawn from the 2008-2011 March Current Population Survey data via the IPUMS project (King et al. 2011).
2. It is important to keep in mind that these figures are not based on changes in the incomes of the same households over time. Rather changes displayed are in the value of income received by households at various fixed positions in the overall income distribution. For example, the change in household income at the 50th percentile provides the percent change in the value of the median household income between 2007 and 2009.
3. It is clearly the case that in a real life absence of benefits individual behavior would likely change. Elderly individuals might continue working or move in with their children in the absence of Social Security payments; disabled individuals might attempt the same in the absence of support; or lacking unemployment insurance a jobless individual might take any job available, as opposed to waiting to land a job in their field.
4. The remainder is from child support, loans, alimony, gifts and etc.
5. For convenience I will refer to these as "non-white households" instead of "households where the household head is non-white". Additionally, to reduce confusion white non-Hispanic households will be referred to as "white households".
6. Households between the 40th and 60th percentile.
7. In order from least to more accessible, these 20 states were: Texas, South Dakota, Louisiana, Oklahoma, Mississippi, Alabama, Utah, Colorado, Virginia, Georgia, Florida, North Dakota, South Carolina, Arizona, Kentucky, Illinois, Missouri, North Carolina, Wyoming, and Idaho.
8. In order from less to most accessible, these 20 states were: Indiana, Michigan, Delaware, Montana, New Mexico, New York, Alaska, New Hampshire, Iowa, Pennsylvania, Connecticut, Vermont, New Jersey, Wisconsin, Hawaii, Maine, Oregon, Massachusetts, California, and Washington.
9. SSP refers to Separate State Programs, which are TANF-like state programs which states may funds on their own initiative.

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