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ABSTRACT

The anti-poverty impact of government benefit programs has decreased since 1979 due to budget cuts during the Reagan Administration and the failure of states to keep benefits up with inflation. Since 1979, 30 percent of the increase in poverty has been among families with children, and half of the increase since 1981 is due to the declining ability of those programs to alleviate family poverty. The analysis focuses on the following three programs: (1) cash benefit programs; (2) food and housing benefits; and (3) social security. Their impact on families with children is discussed. The group hit most severely by the decline in anti-poverty effectiveness has been female-headed families with children. If programs had lifted the same percentage out of poverty as they did in 1979, 281,000 fewer female-headed families would have been poor. (PS)

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IMPACT OF GOVERNMENT ANTI-POVERTY PROGRAMS DECLINES:
BENEFIT CUTS INCREASE POVERTY AMONG FAMILIES WITH CHILDREN

CENTER ON BUDGET AND POLICY PRIORITIES

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IMPACT OF GOVERNMENT ANTI-POVERTY PROGRAMS DECLINES; BENEFIT CUTS INCREASE POVERTY AMONG FAMILIES WITH CHILDREN

Thirty percent of the increase in poverty among families with children since 1979 -- and half of the increase since 1981 -- is due to the declining impact of government programs in removing families from poverty, according to a new analysis issued today by the Center on Budget and Policy Priorities.

"Based on hard data from recent Census reports, the analysis demonstrates that the failure of most states to keep benefits up with inflation and the budget reductions made during the Reagan Administration have been a major factor in the large increase in poverty since 1979," Center Director Robert Greenstein said.

The analysis finds that in 1979, nearly one of every five families with children who would otherwise have been poor was lifted out of poverty by cash benefits such as Social Security, unemployment insurance, or public assistance. In 1985, however, only one of every nine families with children was lifted out of poverty by these programs.

"Had the programs continued to lift out of poverty the same proportion of families with children as in 1979, some 458,000 fewer such families would have been poor in 1985," the analysis finds.

Earlier analyses by researchers at the Urban Institute and the Institute for Research on Poverty at the University of Wisconsin have also found reductions in benefit programs to be one of the two principal factors in the large increase in poverty since the late 1970's, with the other major factor being the performance of the economy.

The Center's analysis, the first to use Census data through 1985, finds that if a broader measure of poverty is used that includes non-cash benefits, the impact of the declining anti-poverty effectiveness of government programs is even greater. If non-cash benefits are counted, then half of the increase in poverty since 1979 among families with children results from the declining impact of these programs.

Census data show that under the non-cash measures of poverty, between 650,000 and 865,000 fewer families with children would have been poor last year if government programs had lifted the same proportion of these families out of poverty in 1985 as in 1979.

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Thirty-eight percent of families with children who would otherwise have been poor were lifted out of poverty by cash and non-cash programs in 1979. Only 24 percent of these families were lifted out of poverty by the programs in 1985.

"The decline in the anti-poverty impact of government benefits programs is even sharper when non-cash programs are included primarily because the non-cash programs were among the programs that were cut significantly," the analysis notes.

The Census data analyzed in the report show that in nearly every program area, the anti-poverty effectiveness of government programs has diminished in recent years:

- o In 1979, cash benefit programs other than Social Security (including AFDC, SSI, and unemployment insurance) lifted out of poverty 9.6 percent of the families with children who would have been poor without these benefits. In 1985, these programs lifted only 4.7 percent of these families out of poverty.
- o In 1979, food and housing benefits (food stamps, school lunches, and subsidized housing) lifted out of poverty 20.1 percent of the families with children who would have been poor without them. In 1985, only 13.1 percent of these families were lifted out of poverty by food and housing programs.
- o In 1979, Social Security lifted out of poverty 10.3 percent of the families with children who would otherwise have been poor. Only 7.0 percent of these families were lifted out of poverty by Social Security in 1985.

The decline in the anti-poverty impact of these programs has been especially sharp for female-headed families with children, the Center analysis reported. Nearly 40 percent of the increase in poverty since 1979 in the number of female-headed households in poverty (and more than 60 percent of the increase in poverty if non-cash benefits are counted) results from the declining impact of government benefit programs.

The data show especially marked reductions in the impact of the programs both from 1979 to 1980 -- when inflation substantially outdistanced benefits -- and from 1981 to 1982 -- following the first round of Reagan budget cuts, when programs for low income families were subject to a disproportionate share of the cuts and when unemployment insurance coverage and Social Security benefits for several categories of families with children were also reduced.

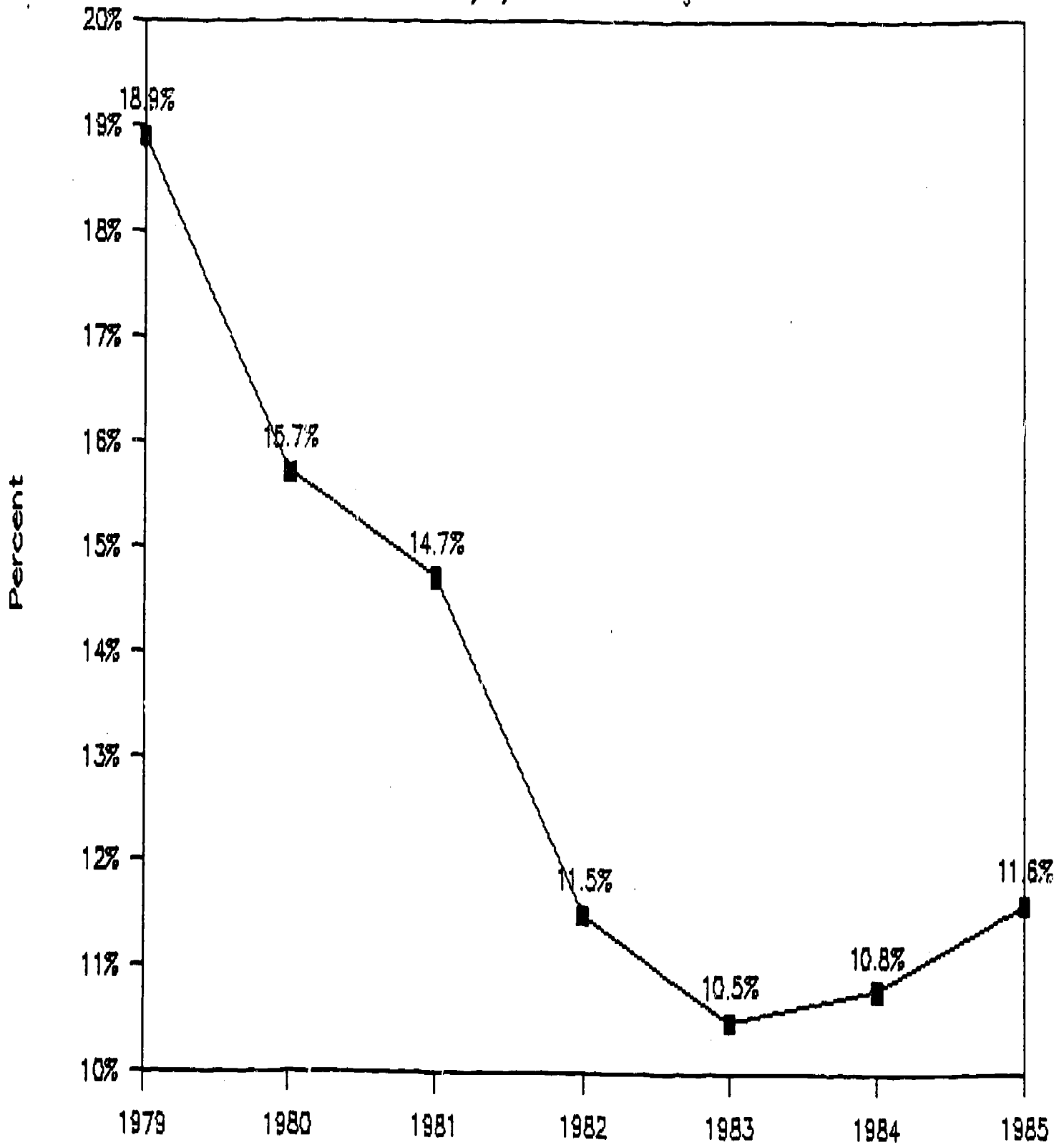
The analysis covers the 1979 to 1985 period since this is the full span of years for which these Census data are available.

The Center on Budget and Policy Priorities is a non-profit research-and-analysis organization that specializes in public policy issues affecting low income Americans.

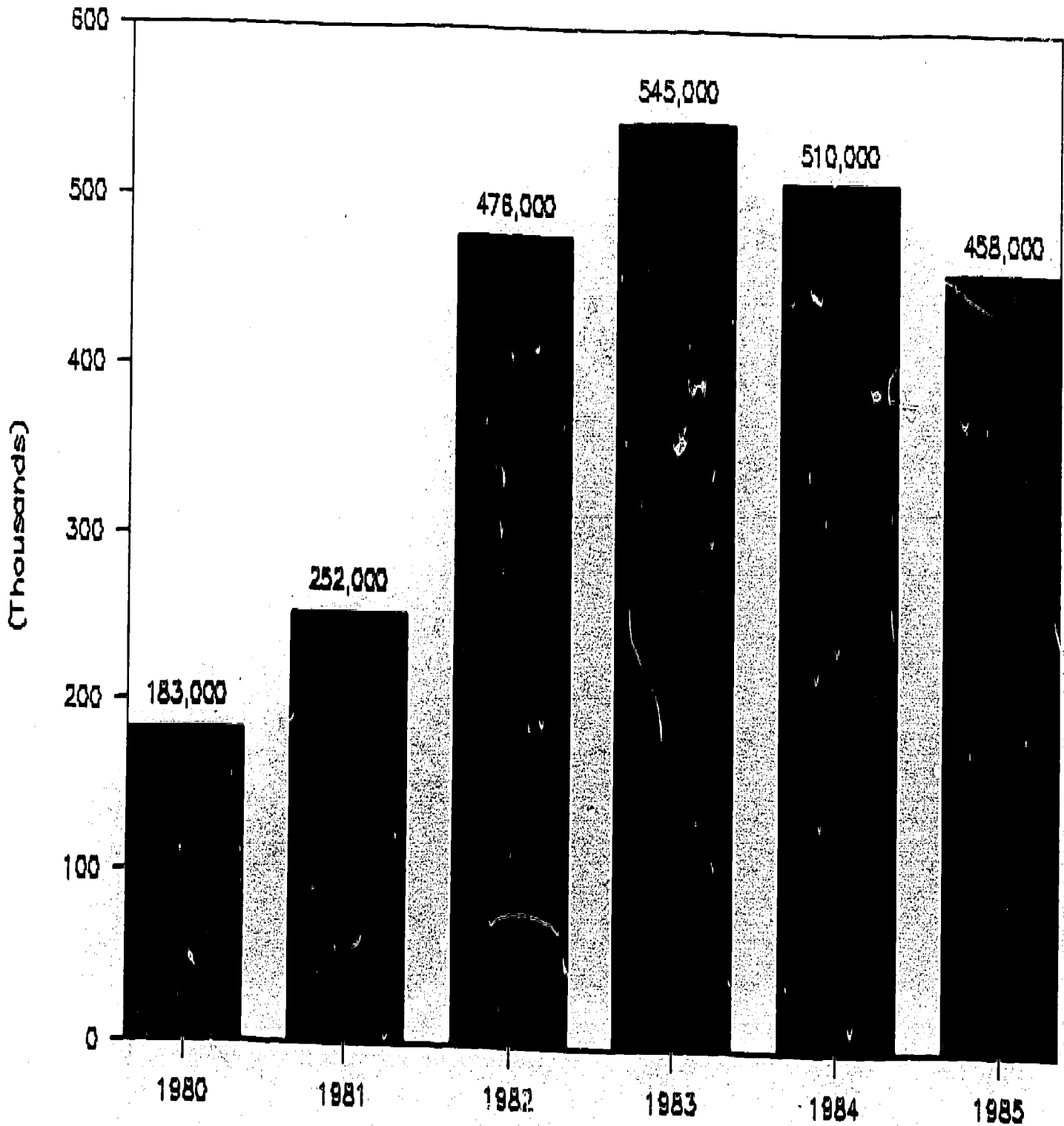
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Poor Families with Children Removed

from Poverty by Cash Benefit Programs



NUMBER OF PCOR FAMILIES WITH CHILDREN WHO WOULD NOT BE POOR IF PROGRAMS WERE AS EFFECTIVE AS IN 1979*



*Based on official definition of poverty (i.e., all cash income); figures show the number of poor families with children who would not be in poverty if the cash benefit programs removed from poverty the same percentage of otherwise poor families with children as in 1979.

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THE DECREASING EFFECTIVENESS OF ANTI-POVERTY PROGRAMS 1979-1985

Methodology

Census data published for each year since 1979 indicate how many families would be below the poverty line if various types of government benefits were not received. The Census tables contain:

- the number of families for each year whose cash income -- before any government benefits -- is below the poverty line;
- the number of families whose income from non-government sources and from Social Security -- but before any other government benefits -- falls below the poverty line;
- the number of families whose total cash income, including all government cash benefits, is below the poverty line (this is the Census Bureau's "official" definition of poverty)
- the number of families whose income falls below the poverty line if all cash income (including cash benefits) is counted and if the value of food and housing benefits is also counted; and
- the number of families whose income falls below the poverty line if all cash benefits as well as food, housing, and medical benefits are counted as income.

From these data, a straightforward analysis can be conducted of the anti-poverty effectiveness of various benefit programs and how the effectiveness of the programs has changed since 1979. For example, the impact of Social Security on poverty can be seen by comparing the number of families who would be below the poverty line if they did not receive Social Security with the number who are poor after Social Security benefits are received. The difference between these two numbers represents the number of families lifted out of poverty by Social Security. Similarly, the percentage of families who would have been poor without Social Security, but who are lifted out of poverty by Social Security, can also be computed.

This analysis examines the anti-poverty effectiveness of cash and non-cash benefit programs from 1979 to 1985. The analysis focuses on the impacts of these programs on families with children, the group whose poverty rate has risen most rapidly since 1979 and on which the upcoming debate on welfare reform is expected to concentrate.

All data used in the analysis are from the Census Bureau's non-cash benefit reports for these years. These data are reflected in Tables 1, 2, and 3.

Poverty under five different income concepts is shown in these tables. The "Number of Poor Families Before Transfers" represents the number of families whose total cash income, except for governmental benefits, falls below the poverty line. The "Number of Poor Families After Social Security" represents the number of families whose total cash income from non-government sources, plus their Social Security income, leaves them below the poverty line. The next entry on the table -- "Number of Poor Families After All Cash Transfers" -- shows the number who are poor after all cash benefits -- Social Security, AFDC, SSI, unemployment insurance, etc. -- are counted, which is identical to the official Census definition of poverty. The fourth entry -- "The Number of Poor Families After Food and Housing Benefits" -- shows the number of poor families after all government cash benefits and government food and housing benefits (such as food stamps, school lunches and subsidized housing programs) are counted. The final entry shows the number of families who are poor if all cash and non-cash benefits, including medical benefits, are valued and counted as income.

Findings

The data show that in 1979, some 5,030,000 families with children had incomes below the poverty line, before government benefits are counted. The data further show that cash benefits (from programs such as Social Security, unemployment insurance, and public assistance) lifted 949,000 of these families out of poverty -- or 18.9 percent of the families who would otherwise have been poor.

By 1985, as Table 1 indicates, the number of families with children who had incomes (before cash benefits) that fell below the poverty line had risen to 6,321,000. Yet while the number of families with below-poverty level incomes was rising, the number of these families lifted out of poverty by government benefit programs was falling. Only 735,000 families, or only 11.6 percent of the families who would otherwise have been poor, were removed from poverty by the programs in 1985.

In short, the anti-poverty impact of the programs diminished just as poverty became more severe. Had the programs had the same anti-poverty impact in 1985 as in 1979 -- and had they continued to remove 18.9 percent of these families from poverty -- then 458,000 fewer families with children would have been poor last year.

Moreover, the data indicate that the declining anti-poverty impact of government programs accounts for 30 percent of the increase in poverty since 1979 among families with children.

There were 1,505,000 more families with children living in poverty (after all cash benefits are counted) in 1985 than in 1979. The decline in the anti-poverty effectiveness of the benefit programs since 1979 accounts for 458,000 more families living in poverty -- or 30 percent of the total increase in poverty among families with children during this period.

For the period from 1981 to 1985, when Reagan Administration policies were in effect, the declining anti-poverty impact of the programs is even greater. Fifty percent of the increase in families with children living in poverty since 1981 is attributable to the declining effectiveness of the programs. If the benefit programs lifted out of poverty in 1985 the same percentage of families with children that they removed from poverty in 1981, half of the increase in poverty among such families since 1981 would not have occurred.

Non-Cash Benefits

The data discussed so far cover cash benefits only: the official definition of poverty is based on cash benefits. If a broader definition of poverty is used that includes non-cash benefits, the results are even more striking. These results show that the basic findings in this report cannot be "explained away" through arguments that the official poverty data are incomplete because they do not include non-cash benefits.

The Census Bureau uses three alternative approaches to measuring poverty if non-cash benefits are counted -- the "recipient value" method, the "market value" method, and the "poverty budget share" method. All three are experimental methods, which have been subject to some criticism and the Census Bureau has been analyzing for several years and is likely to refine in the future.

Under the recipient value method, 37.7 percent of families with children who would otherwise have been poor were removed from poverty by cash and non-cash benefits (including food, housing, and medical benefits) in 1979. In 1985, however, only 24.1 percent of such families were removed from poverty by these programs. If the programs had removed the same percentage of these families from poverty as in 1979, some 864,000 fewer families with children would have been poor in 1985.

Of particular interest is the fact that more than half of the increase in poverty since 1979 among families with children (51.8 percent) is attributable to the declining anti-poverty impact of these programs, when the recipient value method is used.

Under the market value approach, the percentage of families with children that are removed from poverty by government benefits programs was 52.3 percent in 1979, but only 41.9 percent in 1985. Under this method of measuring poverty, the number of families with children living in poverty was 657,000 greater in 1985 than it would have been if the programs had the same impact as in 1979. Here, too, more than half of the increase in poverty since 1979 (51.6 percent) stems from the programs' declining anti-poverty impact of the programs.

Finally, under the "poverty budget share" method, the percentage of families with children removed from poverty by the benefit programs drops from 31.6 percent in 1979 to 21.8 percent in 1985. Under this method of measuring poverty, an additional 720,000 families with children were poor in 1985 because of the lessened impact of the programs. This represents 48

percent of the increase in poverty since 1979 among families with children, as measured under this method.

Thus, under all three Census Bureau approaches to counting non-cash benefits when measuring poverty, approximately half of the increase in poverty since 1979 among families with children is due to the sharp decline in the effectiveness of government programs in lifting families from poverty.

Why Has This Occurred?

An examination of year-to-year changes in the programs' anti-poverty impacts provides a good indication of the two factors most responsible for the programs' declining impact: the failure of states to keep benefits up with inflation and budget cuts during the Reagan Administration.

During the 1979-1985 period, benefit levels set by states in both the Aid to Dependent Children program (AFDC) and the unemployment insurance program have lagged well behind inflation. The greatest benefit lags appear to have occurred during the period of highest inflation in 1979 and 1980. Not surprisingly, the data show that one of the two largest year-to-year drops in the anti-poverty effectiveness of the programs came from 1979 to 1980.

The other largest year-to-year drop came from 1981 to 1982, precisely the period when the large budget cuts enacted in 1981 took effect. Significant reductions in the anti-poverty effectiveness of all categories of programs -- from Social Security to non-cash benefits -- are reflected in the 1981 to 1982 period (Note: among the cuts enacted in 1981 were reductions in Social Security benefits for certain categories of families with children).

From 1982 to 1983, there was an additional reduction in the anti-poverty impact of cash benefits programs (other than Social Security) and of food and housing benefits. The anti-poverty impact of Social Security remained unchanged from 1982 to 1983.

During this period, additional reductions were made in AFDC, food stamps, and unemployment insurance programs, among others, but not in Social Security.

Since 1983, few if any further reductions have been made in low income benefit programs, and modest restorations have been made in several of the programs such as AFDC. In addition, AFDC benefits rose in real dollars (i.e., after being adjusted for inflation) for the first time in a decade in 1985. Not surprisingly, the data show a slight increase in the anti-poverty effectiveness of the programs from 1983 to 1985, with the level of anti-poverty effectiveness in 1985 being about the same as in 1982.

The data also provide an explanation of why the declines in the anti-poverty effectiveness of the programs are greater when non-cash benefits are counted. First, non-cash benefit programs were subject to budget reductions, along with most of the cash benefits programs. Second,

the shrinkage of both cash and non-cash benefits meant that families who had been lifted above poverty by a combination of cash and non-cash benefits were now significantly less likely to be boosted over the poverty line by the combined benefit package.

Changes in Individual Programs

The data reveal that in nearly every program area, the anti-poverty effectiveness of government benefit programs has diminished:

- o In 1979, cash benefit programs other than Social Security lifted out of poverty 9.6 percent of the families with children who would have been poor without these benefits. In 1985, these programs lifted only 4.7 percent of these families out of poverty.
- o In 1979, food and housing benefits (food stamps, school lunches, subsidized housing) lifted out of poverty 20.1 percent of the families with children who would have been poor without them. In 1985, only 13.1 percent of these families were lifted out of poverty by food and housing programs.
- o In 1979, Social Security lifted out of poverty 10.3 percent of the families with children who would otherwise have been poor. Only seven percent of these families were lifted out of poverty by Social Security in 1985.

Female-Headed Families Especially Hard Hit

The group hit most severely by the decline in the anti-poverty effectiveness of government programs has been female-headed families with children. The anti-poverty impact of both cash and non-cash benefit programs declined more for female-headed families with children in the 1979 to 1985 period than for other families with children.

Thirty-eight percent of the increase in poverty since 1979 among female-headed families with children (and approximately 60 percent of the increase in poverty under measures of poverty that include non-cash benefits) is attributable to declines in the anti-poverty impact of these programs.

Some 281,000 fewer female-headed families with children would have been poor last year if cash benefit programs had lifted the same percentage of these families out of poverty as in 1979.

Note: in examining the number of families added to poverty due to the declines in the anti-poverty impacts of government benefits, this analysis assumes that there would not have been significant behavioral changes by these families (for example, that there would not have been significant reductions in hours worked) if the program had remained as effective as in 1979. While some reduction in work hours might have occurred if benefits had remained at higher levels, research on the impact of benefits on labor supply indicates that this effect would have been small and would not have resulted in large differences from the numbers presented here.

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Table 1
ANTI-POVERTY EFFECTIVENESS OF CASH AND NONCASH TRANSFERS
FOR ALL FAMILIES WITH RELATED CHILDREN UNDER 18
1979 TO 1985

Number of poor families	1979	1980	1981	1982	1983	1984	1985
	(in thousands of families)						
Before Transfers...	5,030	5,717	6,088	6,455	6,538	6,350	6,321
After Social Security...	4,513	5,214	5,580	6,008	6,092	5,939	5,881
After all cash transfers...	4,081	4,821	5,191	5,713	5,849	5,662	5,586
After food and housing benefits... <u>1/</u>	3,242	4,000	4,439	4,977	5,178	4,960	4,857
After both cash and noncash transfers... <u>2/</u>	3,132	3,908	4,373	4,903	5,095	4,877	4,800
Number of families removed from poverty due to:							
Social Security... Percent...	517 10.3%	503 8.8%	508 8.3%	447 6.9%	446 6.8%	411 6.5%	440 7.0%
All cash transfers other than Social Security Percent...	432 9.6%	393 7.5%	389 7.0%	295 4.9%	243 4.0%	277 4.7%	295 4.7%
All cash transfers Percent...	949 18.9%	896 15.7%	897 14.7%	742 11.8%	689 10.5%	688 10.8%	735 11.6%
Food and housing benefits... <u>1/</u> Percent...	839 20.1%	821 17.0%	752 14.5%	736 12.9%	671 11.5%	702 12.4%	729 13.1%
Cash, food and housing benefits other than Social Security... <u>1/</u> Percent...	1,271 28.2%	1,214 23.3%	1,141 20.4%	1,031 17.2%	914 15.0%	979 16.5%	1,024 17.4%
All cash and non-cash benefits other than Social Security... <u>2/</u> Percent...	1,381 30.6%	1,306 25.0%	1,206 21.6%	1,105 18.4%	997 16.4%	1,062 17.9%	1,081 18.4%
All cash and non-cash benefits including Social Security... <u>2/</u> Percent...	1,898 37.7%	1,809 31.6%	1,714 28.2%	1,552 24.0%	1,443 22.1%	1,473 23.2%	1,521 24.1%

1/ Food and housing transfers valued under the market value approach.
2/ Noncash transfer valued under the recipient value approach.

Source: Bureau of the Census; Technical Paper 51, Tables 2,4,5,7,8,10,11, and 13; Technical Paper 52, Tables 2 and 4; Technical Paper 55, Tables 2 and 4.

Table 2
ANTI-POVERTY EFFECTIVENESS OF CASH AND NONCASH TRANSFERS
FOR FEMALE-HEADED FAMILIES WITH CHILDREN,
1979 TO 1985

Number of poor families	1979	1980	1981	1982	1983	1984	1985
	(in thousands of families)						
Before Transfers...	2,938	3,168	3,329	3,423	3,492	3,475	3,501
After Social Security...	2,693	2,922	3,109	3,234	3,255	3,298	3,303
After all cash transfers...	2,392	2,703	2,877	3,059	3,118	3,124	3,131
After food and housing benefits... <u>1/</u>	1,801	2,178	2,385	2,599	2,672	2,648	2,651
After both cash and noncash transfers... <u>2/</u>	1,746	2,128	2,387	2,585	2,676	2,653	2,637
Number of families removed from poverty due to:							
Social Security... Percent...	245 8.3%	246 7.8%	220 6.6%	189 5.5%	237 6.8%	177 5.1%	198 5.7%
All cash transfers other than Social Security Percent...	301 11.2%	219 7.5%	232 7.5%	175 5.4%	137 4.2%	174 5.3%	172 5.2%
All cash transfers Percent...	546 18.6%	465 14.7%	452 13.6%	364 10.6%	374 10.7%	351 10.1%	370 10.6%
Food and housing benefits... <u>1/</u> Percent...	591 24.7%	525 19.4%	492 17.1%	460 15.0%	446 14.3%	476 15.2%	480 15.3%
Cash, food and housing benefits other than Social Security... <u>1/</u> Percent...	892 33.1%	744 25.5%	724 23.3%	635 19.6%	583 17.9%	650 19.7%	652 19.7%
All cash and non-cash benefits other than Social Security... <u>2/</u> Percent...	947 35.2%	794 27.2%	722 23.2%	649 20.1%	579 17.8%	645 19.6%	666 20.2%
All cash and non-cash benefits including Social Security... <u>2/</u> Percent...	1,192 40.6%	1,040 32.8%	942 28.3%	838 24.5%	816 23.4%	822 23.7%	864 24.7%

1/ Food and housing transfers valued under the market value approach.

2/ Noncash transfer valued under the recipient value approach.

Source: Bureau of the Census; Technical Paper 51, Tables 2,4,5,7,8,10,11, and 13; Technical Paper 52, Tables 2 and 4; Technical Paper 55, Tables 2 and 4.

Table 3

ANTI-POVERTY EFFECTIVENESS OF CASH AND NON-CASH TRANSFERS
FOR ALL FAMILIES WITH RELATED CHILDREN UNDER 18, UNDER ALTERNATIVE WAYS
OF MEASURING NON-CASH BENEFITS

	1979	1980	1981	1982	1983	1984	1985
	<u>(in thousands of families)</u>						
Number of poor families after cash and non-cash benefits							
Poverty Budget Share Approach	3,085	3,782	4,242	4,722	4,936	4,697	4,597
Market Value Approach	2,400	2,959	3,437	3,908	4,043	3,888	3,673
Recipient Value Approach	3,132	3,908	4,374	4,903	5,095	4,877	4,800
Number of families removed from poverty due to cash and non-cash benefits other than Social Security							
Poverty Budget Share Percent...	1,428 31.6%	1,432 27.5%	1,338 24.0%	1,286 21.4%	1,156 19.0%	1,242 20.9%	1,284 21.8%
Market Value Percent...	2,113 46.8%	2,255 43.2%	2,143 38.4%	2,100 35.0%	2,049 33.6%	2,051 34.5%	2,208 37.5%
Recipient Value Percent...	1,381 30.6%	1,306 25.0%	1,206 21.6%	1,105 18.4%	997 16.4%	1,062 17.9%	1,081 18.4%
Number of poor families removed from poverty due to all cash and non-cash benefits including Social Security							
Poverty Budget Share Percent...	1,945 38.7%	1,935 33.8%	1,846 30.3%	1,733 26.8%	1,602 24.5%	1,653 26.0%	1,724 27.3%
Market Value Percent...	2,630 52.3%	2,758 48.2%	2,651 43.5%	2,547 39.5%	2,495 38.2%	2,462 38.8%	2,648 41.9%
Recipient Value Percent...	1,898 37.7%	1,809 31.6%	1,714 28.2%	1,552 24.0%	1,443 22.1%	1,473 23.2%	1,521 24.1%

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