Rethinking Inequality Policies: Social Safety Net

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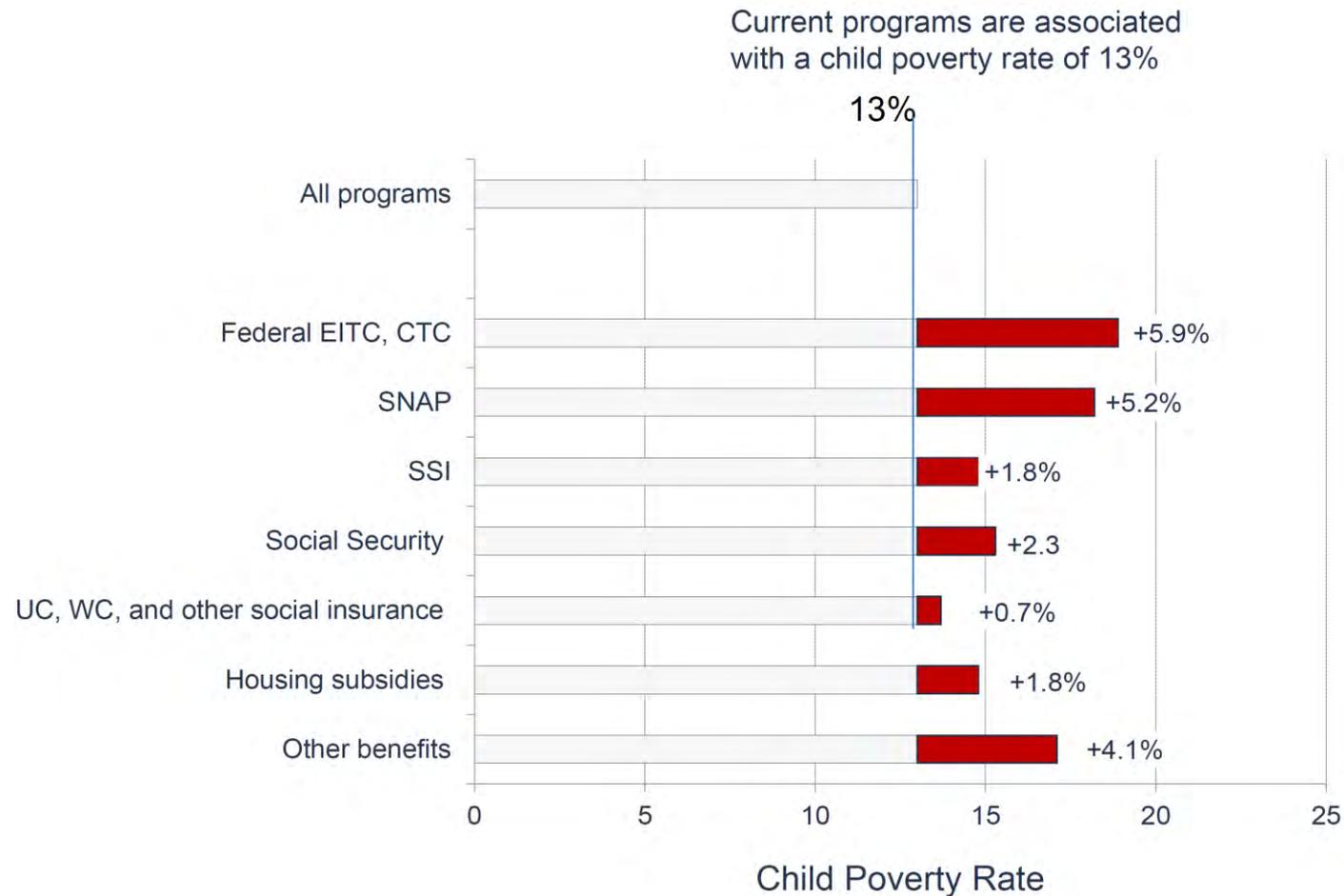University of California, Berkeley

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Current social safety net reduces child poverty
Heavy reliance on tax credits, SNAP

Current programs are associated
with a child poverty rate of 13%

13%

Program	Child Poverty Rate Impact
All programs	
Federal EITC, CTC	+5.9%
SNAP	+5.2%
SSI	+1.8%
Social Security	+2.3
UC, WC, and other social insurance	+0.7%
Housing subsidies	+1.8%
Other benefits	+4.1%

Child Poverty Rate

Source: National Academy of Sciences, A Roadmap for Reducing Child Poverty, 2019

Policy Packages Meeting Goal of 50% Reduction in 100% and 50% Child Poverty

Notes: Adjusts for underreporting, includes behavioral changes in labor supply	Using pre-existing policies only	Introducing Child Allowance
Expand EITC **(40% expansion)**	X	X
Expand Child and Dependent Care Tax Credit	X	X
Increase the minimum wage		X
Expand housing voucher program **(extend to 70% eligible)**	X	
Expand SNAP benefits **(35% expansion)**	X	
Begin a child allowance **($225/mo/child)**		X
Begin child support assurance		X
Eliminate 1996 immigration eligibility restrictions		X
Percent Reduction in the number of poor children	-50.7%	-52.3%
Percent Reduction in the number of children in deep poverty	-51.7%	-55.1%
Change in number of low-income workers	+404,000	+611,000
Annual cost, in billions	$90.7	$108.8

Source: National Academy of Sciences, <u>A Roadmap for Reducing Child Poverty</u>, 2019
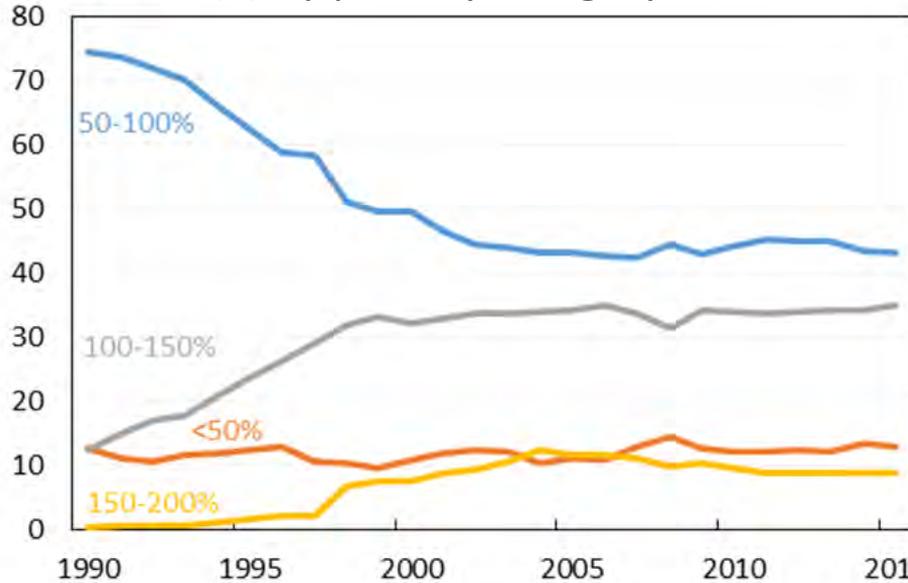
Context: Looking backward

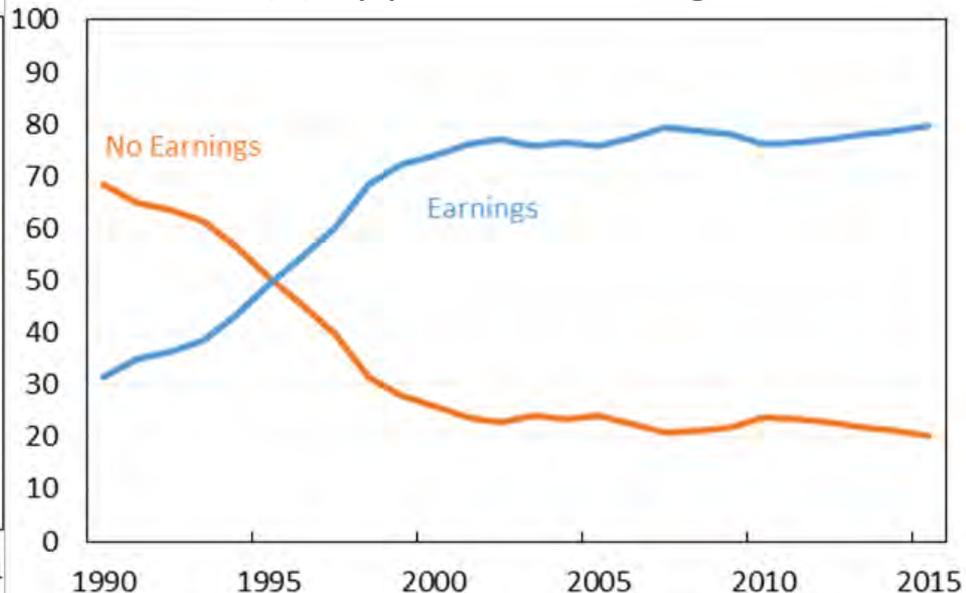Evolution of family/child social safety net is towards work and higher up the income distribution

Need to move toward more out of work protection – child allowance

Trend in Share of State and Federal Spending on Children by Group

(a) By poverty category

(b) By parental earnings

Source: Hoynes and Schanzenbach, Brookings Papers on Economic Activity, 2018.

Social Safety Net as an Investment

- Growing evidence that social safety net spending on children – **Medicaid, SNAP, EITC, cash welfare** – leads to improvements in adult human capital and health (Hoynes and Schanzenbach BPEA 2019)

- It implies that the benefits of safety net are broader than previously thought. Positive external benefits to taxpayers.

- Hendren and Sprung-Keyser (2019) provide welfare analysis for a wide range of policy changes

- Need to recognize that reducing poverty today leads to lower spending for the next generation

- Challenge is that costs are easily measured today but benefits are harder to measure <u>and</u> may not appear until the longer run