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## Receipt of Public Benefits and Private Support among Low-income Households with Children after the Great Recession

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### Key Findings

Using data from the Michigan Recession and Recovery Study (MRRS) collected between October 2009 and April 2010 in the Detroit Metropolitan Area, we examine benefit receipt from public safety net programs, formal social support from charities, and informal private assistance from family or friends among poor and near-poor families. We find:

- About 1 in 7 households (14.2%) report 2008 income at or below the federal poverty line. Another 14.3% report income between 100% and 200% of the federal poverty line. Combined, 28.5% of all households were near or below the poverty line.
- Nearly 8 in 10 low-income households with children (78.8%) received cash or in-kind benefits from at least one government program within the previous year<sup>1</sup>.
- Receipt of several public safety net benefits often is more likely among low-income households with respondents

who experienced more than 6 months of unemployment in the year prior to the interview than among those in which respondents reported no job loss or experienced fewer months of unemployment during the previous year.

- Among low-income households with children, receipt of public safety net benefits is more likely among black than white households, in part because the former have much lower incomes than the latter. Nine in ten (90%) low-income black households with children received at least one public benefit compared to two out of three (67%) similar white households.
- Private sources of support are important to most low-income families — 75.4% of respondents received private supports in the year prior to the interview. Low-income households are most likely to receive this help from families and friends or from a nonprofit charity.

- Similar proportions of black and white respondents (57.5% and 55.8% respectively) report receiving informal help from family and friends.
- Almost 3 in 5 low-income households with children combined public and private sources of support (59.7%). Households where respondents experienced more than 6 months of unemployment in the past 12 months were more likely to mix public benefits and private assistance than those households where respondents did not experience unemployment over this period.

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1. Government programs include the Earned Income Tax Credit (EITC); Supplemental Nutrition Assistance Program (SNAP, formerly food stamps); Social Security Disability (SSDI) or Supplemental Security Income (SSI); public health insurance; Unemployment Insurance (UI); Temporary Assistance for Needy Families (TANF, cash welfare); or public housing assistance.

## Introduction

The Great Recession has led to record job losses, persistently high rates of unemployment, and lower earnings for many households, all of which have led to increased poverty. A number of public and private sources of support may help low-income families cope with the effects of the recession. Cash and in-kind safety net programs such as Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), the Earned Income Tax Credit (EITC), public health insurance programs, such as Medicaid, and Unemployment Insurance (UI) delivered more than \$300 billion in benefits to tens of millions of low-income households in 2009.<sup>2</sup>

In addition, private charitable nonprofit organizations and informal private social support provide assistance both to households that receive public benefits and to those not eligible for public benefits. Private supports help families cope with job loss, diminished earnings, and related hardships. Some nonprofit charities provide programs that address barriers to employment and promote greater self-sufficiency, including job search, education and skill development, literacy, housing assistance, emergency cash, temporary food assistance, and health-related services.<sup>3</sup> Similarly, families, friends, and social networks often provide informal social

support for finding a job, paying bills, addressing food or shelter needs, childcare, or otherwise reducing hardship.<sup>4</sup>

Although some public programs such as SNAP, UI and Medicaid have greatly expanded caseloads and expenditures in response to rising need following the Great Recession, few studies have explored how low-income families have drawn on help from both formal and informal sources of private social support during this period.

This policy brief examines the sources of support received by households with children and with income near or below the federal poverty line in the Detroit Metropolitan Area during the wake of the Great Recession. We compare use of public and private programs by race and by respondents' experiences of unemployment during the prior year. We focus on supports potentially available to low-income families through public programs, assistance from charitable nonprofits, and informal sources of private support. Roughly three-quarters of poor and near-poor households with children in the Detroit Metropolitan Area have received some type of public safety net benefit in the previous year and a comparable share reported drawing upon private sources of support during that time. Slightly more than half of all low-income households combined public and private sources. Receipt of public and private sources of support is most prevalent among

households with respondents experiencing prolonged periods of unemployment.

## Data and Measures<sup>5</sup>

This policy brief draws on data from the first wave of the Michigan Recession and Recovery Study (MRRS). A stratified random sample panel survey of working age adults in the Detroit Metropolitan Area, MRRS data provide an accurate snapshot of the metro area. The MRRS completed hour-long, in-person interviews between October 2009 and April 2010 with 914 adults between the ages of 19 and 64 (response rate of 82.8%). The survey gathered detailed information about employment history, income sources, education and training, safety net program participation, material hardships, health and mental health, marital and relationship status, and basic household demographics. The MRRS contains measures of public program participation and social support received in the year prior to the interview that enable us to examine how respondents from households in or near poverty draw on public and private supports.

There are advantages to examining receipt of public and private sources of support in a single metropolitan area, even though each metropolitan area is unique. First, we hold constant factors such as public program eligibility standards, benefit generosity, and the strength of the local philanthropic community that vary from place to

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- Roughly 6% of the MRRS sample self-identified as non-black and non-white. We include these respondents in all analyses, except those comparing differences between whites and blacks. The share of the sample in non-black, non-white race/ethnicity categories is as follows: Asian or South Asian - 1.53%; American Indian or Alaska Native - 0.55%; Native Hawaiian or other Pacific Islander - 0.11%; Hispanic/Latino/Chicano/Of Spanish Origin 1.09%; Arab/Arab-American/Chaldean/Middle Eastern 1.75%; and Other 1.31%.

place. Also, because the Detroit area has experienced difficult economic conditions longer than most other metro areas, the lessons from Detroit may portend what can be expected in other cities as the labor market slowly recovers. Finally, even though Detroit's local labor market conditions may differ from those of other areas, we believe the manner in which low-income households draw upon federal safety net programs because of job loss and lost earnings should be generalizable to other settings.

### **Defining Poor and Near-Poor Households.**

The MRRS asked each respondent, "Now thinking about you and your household, what do you estimate was the total income in 2008 for you and all other people living here from all sources, including earnings from work, any business, plus food stamp payments, child support, any government benefits, retirement income and any interest or investment income, before taxes?"

Households are classified as poor if annual income falls at or below the 2008 U.S. Census Bureau poverty thresholds based on household size and number of children under 18 in the household. For example, a single parent household with two children in 2008 is considered poor if annual income falls at or below \$17,600, or near-poor if income was between 100% and 200% of the federal poverty line, for example, between \$17,600 and \$35,200.

In our analysis, sample household and individual weights are applied to address selection probability as appropriate. When survey weights are applied, the MRRS sample is representative of households with adults aged 19 to 64 years living in the three-county Detroit Metropolitan Area.<sup>6</sup>

### **Unemployment.**

During the interview, respondents indicated whether they were working or unemployed for each of the 12 months prior to the survey. Below, we examine households in which the survey respondent reported no months of unemployment, one to six months of unemployment, or more than six months of unemployment in the 12 months prior to the interview.

### **Public Safety Net Programs.**

We examine self-reported receipt of multiple public safety net programs: Temporary Assistance for Needy Families (TANF); Supplemental Nutrition Assistance Program (SNAP); Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI); public health insurance (Medicaid or other programs); Unemployment Insurance (UI); Earned Income Tax Credit (EITC); and public housing assistance.<sup>7</sup>

In the case of TANF, SNAP, UI, and SSI, households are defined as receiving assistance if anyone in the household reported income from a given program in the month prior to the survey, or if the

respondent received assistance from that program in the 12 months prior to the survey. Receipt of the EITC is based on reported household tax filings in 2008. Receipt of public health insurance and public housing assistance were obtained at the time of the survey.<sup>8</sup>

### **Formal and Informal Private Support.**

The MRRS contains four self-reported measures of private formal support in the previous 12 months: whether a respondent received food or shelter assistance from a private charity; whether a respondent had received free medical care; and whether a respondent had participated in any type of job training or educational program. In addition, our measure of informal social support reflects whether a respondent had borrowed money from family and friends in the previous 12 months.<sup>9</sup>

Eligibility for many public safety net programs (the major exceptions being UI, Social Security, SSDI, and Medicare) is means- or income-tested and assistance is available only to households with income near or below the federal poverty line. Many public programs also are only available to low-income households with children. Accordingly, we report receipt of public safety net benefits and receipt of private support only for respondents in households with children who reported 2008 annual income below 200% of the federal poverty line.<sup>10</sup>

6. When survey weights are applied, the MRRS sums to the American Community survey (ACS) estimated total population count for Macomb, Oakland, and Wayne counties of metropolitan Detroit, see Adams, Terry K., Jim Lepkowski, Mahmoud Elkasabi, and Danielle Battle. (2011). "Michigan Recession and Recovery Study (MRRS): Sampling and Weights Documentation." University of Michigan, Institute for Social Research.

7. Respondents indicated whether they were receiving public health insurance and housing assistance at the time of the survey. Measures of TANF, SNAP, UI, and EITC receipt are based on whether respondents received such assistance in the past 12 months. The MRRS does not allow us to assess in which months households are eligible for programs and in which months they receive program assistance. Rates of public program receipt have been benchmarked against 2009 Current Population Survey data for the three-county Metropolitan Detroit area. We find reported rates of program participation to be very similar between the MRRS and the March 2010 CPS.

8. All measures of public benefit receipt are weighted using household survey weights, with the exception of public health insurance receipt. The MRRS asks individual respondents about their participation in public health insurance programs, rather than household participation, so we use individual survey weights when reporting rates of public health insurance receipt.

9. Individual weights are applied to analyses of formal and informal private support, as survey questions ask about receipt of charity, informal support, free medical care, and participation in a training program by the respondent only. Because the MRRS does not specifically ask about whether other household members apart from the respondent receive private formal or informal support, we view our measures of formal and informal private support as underestimates of the extent to which low-income households draw upon these private sources of assistance.

10. For example, single parent households with two children are eligible to receive benefits from Michigan's TANF program, the Family Independence Program (FIP), if household earnings are less than \$815 per month. See Kassabian, David, Vericker, T., Searle, D. & Murphy, M. 2010, August. Welfare Rules Databook: State TANF Policies as of July 2010. The Urban Institute, p. 72. [anfdata.urban.org/Databook2010Final.pdf](http://anfdata.urban.org/Databook2010Final.pdf)

## Results

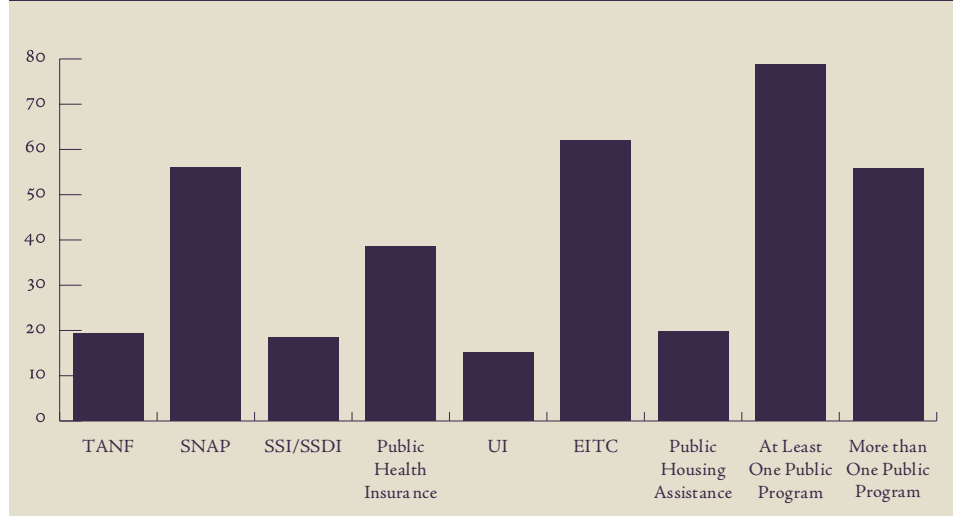
### I. About 1 in 7 households surveyed in Metropolitan Detroit (14.2%) report income below the federal poverty line.

An additional 14.3% of households were near-poor with income between 100% and 200% of the federal poverty line. Combined, 28.5% of households reported income at or below 200% of the federal poverty line.

More than two in five respondents (45.3%) from these low-income households with children experienced at least one month of unemployment in the 12 months prior to the interview. One-quarter of respondents (28.9%) were unemployed in more than 6 of these months. However, employment is also common among these respondents, with 72.5% working in at least one month in the 12 months prior to the interview, 58.2% working 6 or more months, and 40.2% working in all 12 months.

Important racial differences in household income and unemployment are apparent.<sup>11</sup> For all black households with children, the median household income in 2008 was \$25,800. Thirty-eight percent of black households report income below the federal poverty line and an additional 18.3% had incomes between 100% and 200% of the poverty line. By comparison, the median household income for all white households with children was \$65,000. A smaller portion of white households with children is poor (5.9%) or near-poor (12.7%). In addition, slightly more than one-third of respondents from low-income black households with children reported being unemployed at least 9 of the previous 12 months, (35.5%), compared to only 7.1% of respondents from similar white households.

Figure 1: Receipt of Public Benefits for Respondents in Households with Children and Income at or below 200% of Poverty



**II. Public safety net programs provide benefits to most low-income households with children.** More than three-quarters of low-income households with children in the Detroit Metropolitan Area (78.8%) received benefits from at least one public safety net program: TANF; SNAP; SSI/SSDI; public health insurance; EITC; UI; public housing assistance. Slightly more than half of all poor and near-poor households with children (55.9%) received more than one public benefit (See Figure 1).

Figure 1 indicates that rates of receipt vary across different public programs. More than three out of every five low-income households with children received the EITC (61.9%). About half report receiving SNAP benefits (56.1%). Only 19.3% received TANF and 38.5% participated in a public health insurance program. Disability insurance or assistance is received by 18.4% percent of these households.

Rates of receipt vary across these programs in part because they have different levels

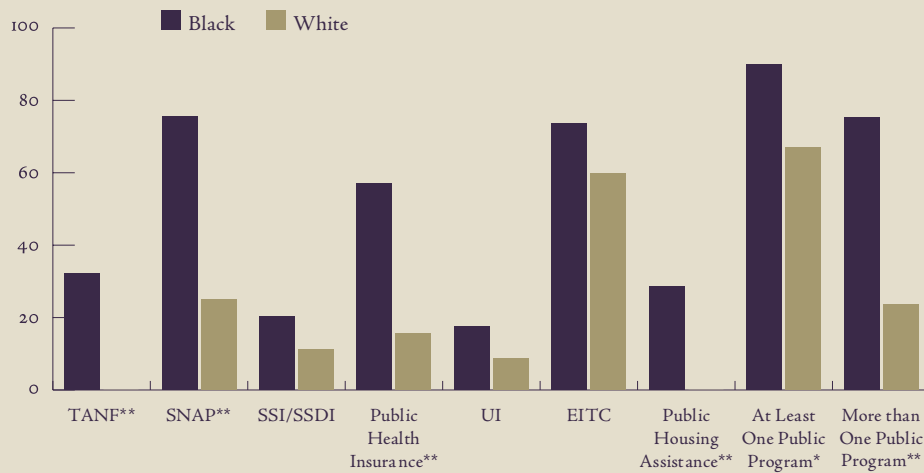
of income eligibility. For example, while households with income at or above the poverty line are not eligible for TANF in Michigan, adults in households with income up to 130% of the poverty line are eligible for SNAP, and the State Child Health Insurance Program covers children up to 200% of the poverty line.<sup>12</sup>

Figure 2 compares receipt of public benefits between low-income white and black households. Nine in ten low-income black households with children received at least one public benefit (90.0%) compared to 67% for similar white households. Similarly, three-quarters of black households (75.3%) received assistance from more than one public program compared to 23.6% for similar white households. Poor and near-poor black households are more than twice as likely to receive SNAP benefits, relative to white households (75.5% vs. 24.9% respectively). Rates of public health insurance receipt also are much higher among these black low-income households

11. Figures for black and white household incomes use household survey weights.

12. See Michigan League for Human Services. 2010. "Survival Toolkit." <http://www.milhs.org/wp-content/uploads/2010/07/brochure85.pdf>. Moreover, in addition to reaching households above the federal poverty line, programs like the EITC, SNAP, and SSI are federally funded and have uniform eligibility rules across local jurisdictions. Such programs are less affected by state or local administrative discretion and fiscal constraints. In contrast, TANF, Medicaid, CHIP, and public housing assistance remain jointly financed and administered by federal, state, and county or local government, which can lead to greater local variation in program take-up.

**Figure 2: Receipt of Public Benefits by Race among Households with Children and Income at or below 200% of Poverty**



\* Mean differences between race groups are significant at the .05 level or below.

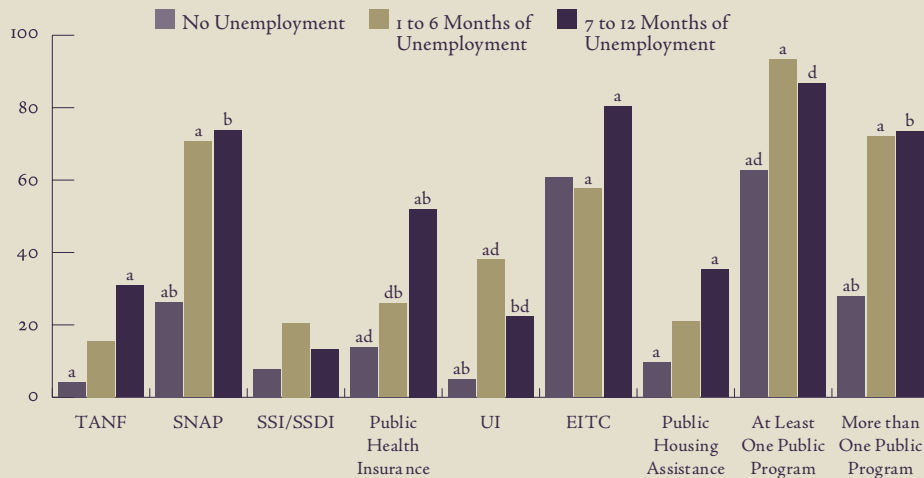
\*\* Mean differences between race groups are significant at the .01 level or below.

compared to their white counterparts (57.0% vs. 15.7% respectively). There are no significant race differences in receipt of disability benefits, Unemployment Insurance, or the EITC.

Observed race differences in public benefit receipt in large part reflect race differences in poverty. For example, of black households with children and income below 200% of the federal poverty line, 72.9% have income below the federal poverty line. In contrast, only 14.1% of similar white households fall below the federal poverty line. Given that many public benefits are not available to those with incomes above the poverty line, we would expect a larger share of low-income black households to qualify for public benefits than white households.<sup>13</sup>

**III. Receipt of several public safety net benefits often is more likely among low-income households with respondents who experienced more than 6 months of unemployment in the year prior to the interview than among those in which respondents reported no job loss or experienced fewer months of unemployment during the previous year.** Figure 3 compares public program participation for respondents who experienced no months of unemployment, 6 or fewer months of unemployment, and unemployment in more than 6 months in the previous year. Two-thirds of households containing a respondent who did not experience unemployment received help from at least one public program (64.2%). By comparison, nearly nine in ten households where the respondent experienced any period of unemployment received benefits from at least one public

**Figure 3: Receipt of Public Benefits by Unemployment among Households with Children and Income at or below 200% of Poverty**



a,b Notations identify pairs of columns within each type of public program receipt, where the mean difference between the two columns is significant at the .05 level or below.

d Notation identifies pairs of columns within each type of public program receipt, where the mean difference between the two columns is significant at the .10 level or below.

13. Although sample sizes are small in the MRRS, blacks and whites with children in the household and income below the poverty line have comparable rates of public program take-up. For blacks, N=161; for whites, N=33.



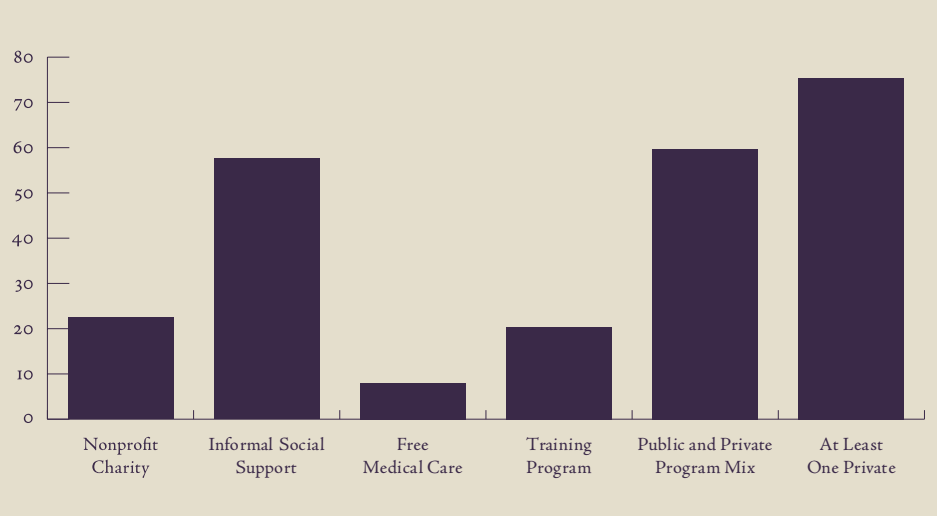
program. Respondents who experienced any unemployment also are 2.5 times more likely to live in households that draw upon multiple programs than respondents with no months of unemployment.

Respondents experiencing unemployment are more likely to live in households that receive certain public benefits. For example, those reporting 7 or more months of unemployment were significantly more likely to receive TANF (37.7%) than respondents with no unemployment (5.6%). Similar differences are present for receipt of SNAP, public health and public housing assistance. Receipt of SNAP, public health and unemployment insurance also differed between households where respondents were not unemployed compared to those with 1-6 months of unemployment over the year.

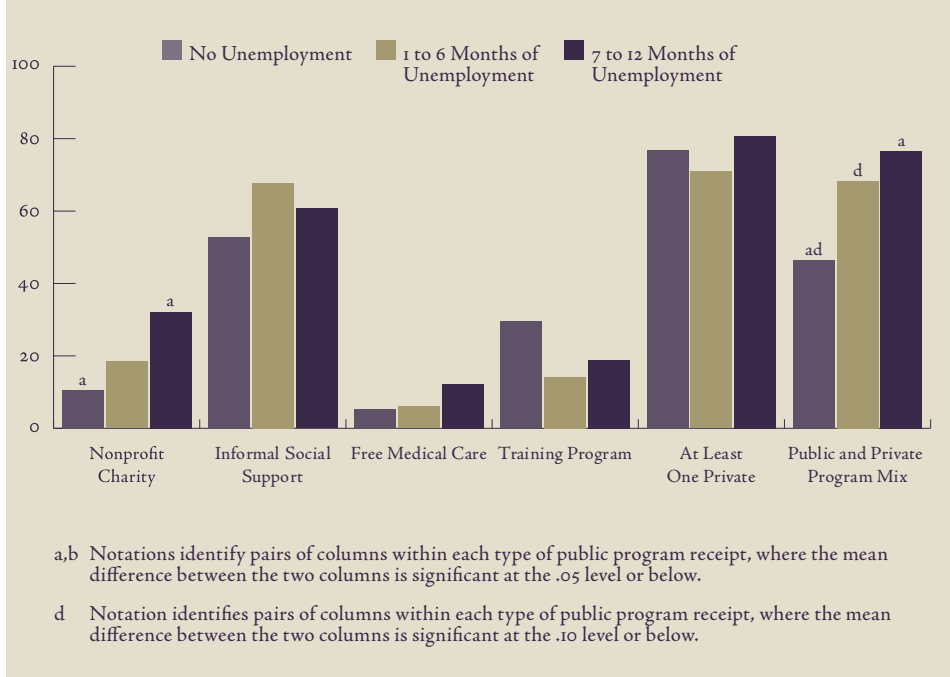
Given the extent of unemployment after the Great Recession, receipt of UI is not as common as might be expected. Consistent with findings that UI does not cover many low-wage workers who lose their jobs, only 38.2% of low-income households where respondents were unemployed for 1 to 6 months report receiving UI in the previous year.<sup>14</sup> Also consistent with evidence that individuals who were unemployed for longer periods of time were less likely to receive assistance from UI, less than one-quarter (22.4%) of respondents who were unemployed for more than 6 months in the previous year reported receiving UI during that year.

**IV. Private sources of support are important to most low-income families. Low-income households are most likely to receive this help from families and friends or from a nonprofit charity. Nonprofit emergency assistance, employment, and education service**

**Figure 4: Receipt of Private Supports for Respondents in Households with Children and Income at or below 200% of Poverty**

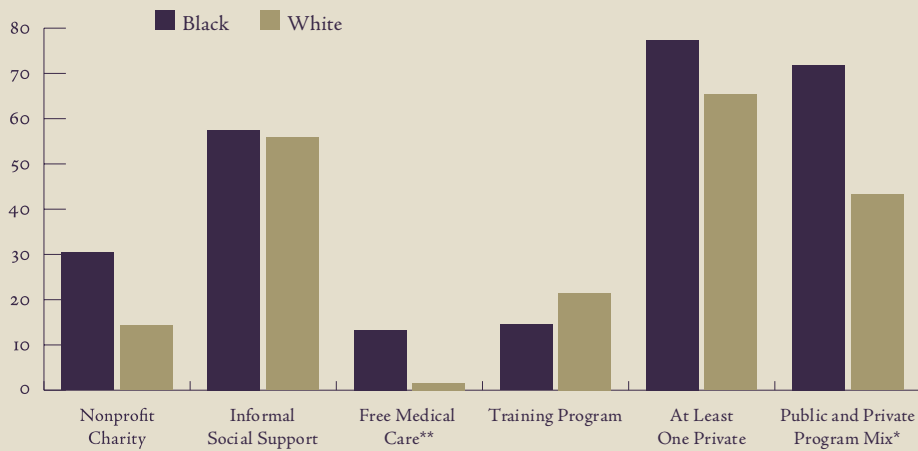


**Figure 5: Receipt of Private Supports by Unemployment among Respondents in Households with Children and Income at or below 200% of Poverty**



14. In 2006, just 22 percent of unemployed workers in low-income households received UI, see Margaret C. Simms, "Weathering Job Loss: Unemployment Insurance" (Washington: Urban Institute, 2008).

**Figure 6: Receipt of Private Supports by Race among Respondents in Households with Children and Income at or below 200% of Poverty**



\* Mean differences between race groups are significant at the .05 level or below.

\*\* Mean differences between race groups are significant at the .01 level or below.

providers are important elements of the private safety net. Three-quarters of respondents in poor and near-poor households with children (75.4%) report support from at least one formal or informal private source (see Figure 4). Slightly less than one-quarter received help from charities for food or shelter needs (22.5%), although help from charities was more prevalent than receipt of TANF, SSI/SSDI, and housing assistance. Roughly 20% of respondents in low-income households with children participated in job training or education programs in the prior year (20.4%).<sup>15</sup> A smaller share of respondents (8.0%) living in poor or near-poor households with children received free medical care.

Underscoring the importance of familial and social networks, receipt of informal social support is very common. Nearly six in ten respondents in low-income

households (57.6%, see Figure 4) report receiving help from friends or family in the year prior to the survey, second only to receipt of the EITC.

Respondents who experienced longer periods of unemployment were significantly more likely to receive help from charities than those experiencing no unemployment (Figure 5). For example, 32.2% of respondents in low-income households with children who experienced at least 7 months of unemployment received assistance from a charity, compared to 10.5% of respondents who were not unemployed in the previous year (see Figure 5).

Black and white respondents in low-income households with children are equally likely to receive help from family and social networks (57.5% vs. 55.8% respectively, see Figure 6). However, blacks were about twice as likely to receive help from charities as whites (30.4% vs. 14.3% respectively).<sup>16</sup>

**V. Most low-income households rely on both public and private sources of assistance when coping with job loss, lost earnings, and poverty.** As shown in Figure 4, three-fifths of low-income households received both public and private sources of support (59.7%). Respondents who were unemployed, regardless of the number of months, were significantly more likely to use both public and private sources of support than those with no unemployment (Figure 5). More than three-quarters of low-income households with children where respondents were unemployed for more than 7 months drew upon public and private sources of support. As shown in Figure 6, low-income black households with children were more likely to report a mix of public and private support than white households (71.9% vs. 43.3%).

## Conclusion

Understanding take-up rates of public programs and their use in combination with private supports is important for policymakers, advocates, and community leaders considering alternative ways to address unemployment, poverty, and low earnings. We find that almost 8 in 10 low-income households with children in the Detroit Metropolitan Area received some type of public benefit in the wake of the Great Recession. Most often this assistance came from government programs such as the EITC or SNAP. By contrast, most unemployed low-income respondents did not receive UI. Furthermore, TANF and public housing assistance only reach a small fraction of low-income households.

We also found that private and informal supports are common sources of assistance. These are critical sources of support for families not eligible for public programs.

15. Some of these services are provided through community colleges and some through local private agencies. Evidence from other cities finds that many such programs are implemented through community-based nonprofit organizations (Allard 2009).

16. Race differences in receipt of assistance from nonprofit charities fall just outside of conventional levels of statistical significance (F-test p-value of .11).

A majority of low-income households with children receive both public and private supports. This is not surprising given that public benefits are often not large enough to alleviate all of the material needs of recipients. For example, private supports can fill critical gaps at the end of the month when SNAP benefits may have run out, or they may provide one-time assistance for material needs that public programs do not cover (for example, an emergency car repair). Charities and personal networks may also help the needy learn about public benefits for which they may be eligible.

Our results suggest that both government programs and community-based organizations are crucial sources of help for low-income households, but that neither reaches all of the needy. Such findings should bolster efforts by policymakers and community leaders to ensure that eligible families receive public food assistance and health benefits to which they are entitled, and that all eligible low-income families are filing for the EITC.

We also found that many low-income households did not draw on private supports. Research is only beginning to understand how low-income families make decisions regarding whether and when to draw upon public versus private sources of support. Access to these different types of resources reflect not just their choices, but the availability of support and how community-based organizations work with the public sector to respond to changing needs. A better understanding of who our public institutions and private organizations reach (or do not reach) is critical if we are to fill gaps in the safety net and help families cope with hardships during the slow recovery from the Great Recession.

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