Low-Income Families and the Public and Private Safety Net
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A number of studies have documented that low-income families rely on both public and private safety nets (cash/in-kind assistance from friends/family) to make ends meet (e.g. Edin & Lein, 1997). Much of this research pre-dates the welfare reforms of the late 1990’s, which resulted in a dramatic reduction in public cash transfers. Although recent research has investigated the package of public services accessed by low-income families (Garfinkel & Zilanawala, 2015), less is known about packaging public and private safety nets. The goal of the present study is to better understand how low-income families, post-welfare reform, package public and private safety nets to meet their basic needs and to investigate the interplay between the public and private safety net. Are families who have strong private safety nets less likely to access public safety nets? Are low-income households that use public programs less likely to rely on private safety nets? Are there differences by eligibility (say immigrant families who may not be eligible for programs)?

From an economic standpoint, understanding whether the use of public safety nets reduces private safety net access (or amounts) is important as it has implications for policy effectiveness and cost. From a social standpoint, although many traditional public cash safety nets have been reduced over time, it is not clear that need for assistance has declined. Thus, studying how families use private and public safety nets is important for understanding how families make ends meet. Our study focuses on low-income families with young children, a population that may be particularly vulnerable to economic insecurity (e.g. Hair, Hanson, Wolfe & Pollak, 2015), and one that is likely to tap into both public and private safety nets.

Using data from the Fragile Families and Child Wellbeing Study (N~5000) we study the following questions: 1) Who uses public and private support and how do they package those support programs? We examine several public (Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Earned Income Tax Credit, Public Housing/Section 8, Women Infants and Children, Medicaid) and private transfers (doubling up, private cash transfers, kin/kith child care). 2) Do we see any evidence to suggest private safety nets “crowd out” public safety net use or that the use of public safety nets “crowds out” private safety net use? Lastly, 3) are there differences in the associations by eligibility (studying families just above or below eligibility for public programs and nativity) and are those who just fail to meet eligibility requirements able to compensate with private support?

**Literature**

A number of economic studies have investigated whether public transfers crowd out private transfers. These studies generally use cross-state policy variation to try to deal with issues of selection and generally find that the use of public safety net programs (unemployment insurance, aid to families with dependent children) are associated with lower levels of private financial transfers (e.g Cox & Jakubson, 1995), but also fewer transfers of time (Schoeni, 1996). The challenge is that although receipt of public transfers may predict lower use of private transfers, it is equally likely that those who have access to fewer private transfers may make more use of the public safety net. Studies investigating the reverse relationship, whether access or availability of private support networks “crowd out” public transfer use are less common. Research has found associations between higher potential private safety net access and lower public safety net use (Harknett, 2006), that private child care support is predictive of employment (Henly, 2002; Henly, 1999), and that families with more social support are more likely to leave welfare (Blank & Ruggles, 1994). This paper extends earlier research by studying both sides of the equation to provide a descriptive portrait of the interplay between public and private transfers, and by investigating a more extensive set of private transfers than the previous literature.
also consider how eligibility, or availability of public and private transfers, play into the use (or amount used) of each safety net.

Data

We use the Fragile Families and Child Wellbeing Study (FFCWB), a longitudinal birth cohort study of approximately 5,000 children born between 1998 and 2000 (just after welfare reform) in large US cities. The study oversampled non-marital births resulting in a racially diverse, relatively economically disadvantaged sample, ideal for studying low-income families. The data were collected at the time of the birth and again when the child was 1, 3, 5 and 9 years old. We primarily use data from years 1-5 because the year 9 data was collected during the Great Recession, and prior research has found that this influenced both private financial transfers (Gottlieb, Pilkauskas & Garfinkel, 2014) and public transfers in this population (Pilkauskas, Currie & Garfinkel, 2012); however, in extensions we also include year 9.

Measures

For each of the six public transfer variables, we have both binary indicators of use, as well as estimated dollar values (in $2010). Medicaid receipt is a measure of whether the mother was receiving Medicaid at the time of the interview. Earned Income Tax Credit (EITC) receipt is estimated using taxsim v 9.2 and indicates whether the mother is eligible to receive either state or federal EITC, and her estimated EITC value. Supplemental Nutrition Assistance Program (SNAP or Food Stamps) is a measure of whether mothers received SNAP in the prior year and the dollar value of SNAP received. Temporary Aid for Needy Families (TANF) is a binary indicator of receipt in the last year and dollar amount. Mothers are coded as living in public housing if she reports living in a housing project or if she reports receiving federal, state or local assistance to pay for housing – such as Section 8. The dollar value of public housing is estimated using fair housing market prices in each sample city and what mother’s report paying in rent.

For the private transfers, we use indicators of receipt and dollar value for private financial transfers, which ask mothers if they received transfers in the last 12 months. Doubling up, or moving in with others, is a measure of whether the mother is living in a household with an adult who is not the mother, the mother’s partner or an adult child. Future analyses will include measures of kin/kith child care – an indicator that friends or family are used for childcare. Additional analyses will look at kin/kith care that is free (most kin/kith care is not free, but is much less expensive than other child care).

Method

To study the use of public and private support packaging, we will conduct a number of descriptive analyses identifying families’ use of Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Earned Income Tax Credit (using taxsim to estimate potential use), Public Housing/Section 8, Women Infants and Children and Medicaid as well as doubling up, private cash transfers, and kin child care. We will restrict our sample to populations who are eligible for public transfers, for example, restricting the sample to single mothers with incomes below the poverty threshold (or 133% or 185% of poverty). We also use unique data on perceived social support (could you get a loan if you needed it) to tap into whether low-income families have access to social support and how that affects their public and private support use.

To investigate whether use of private safety nets predicts the use of public safety nets and visa versa, a series of regression analyses will be conducted. First, a pooled cross-sectional ordinary least squares (or logistic analysis) will be run to a) study if public program participation predicts private safety net use, and b) investigate whether private safety net use predicts public safety net use, net of an extensive list of covariates. In addition to the inclusion of many
demographic covariates (age, race, education, nativity, income), measures of health, depression, impulsivity and relationship history will also be included. Second, analyses that exploit the longitudinal nature of the data will be conducted. We will lag our independent variable (public or private support depending on the analysis) to study whether it predicts the dependent variable in the next time period. Similarly, we will conduct lagged dependent variable models as well as individual fixed-effects models.

Third, to consider how eligibility or access to safety nets impacts the findings, we will conduct a series of analyses restricting our sample to populations who are eligible for public programs (based on income, nativity and household size). The FFCWB study also collects data on both both actualized private support use (doubling up, child care, financial transfers) and potential private support (questions like do you have someone to co-sign a loan or someone to rely on for child care when necessary). We plan to use these measures of potential support as possible indicators of a household’s access to private support to test whether this influences the use of public and private support.

Preliminary Results

Figure 1 shows the six public programs over time for the full sample of mothers. Many mothers in the FFCWB study receive public assistance, and with the exception of TANF and WIC, many of these programs are stable or increasing over time. Among households with income below 100% of poverty (not shown), rates of public program use are markedly higher (e.g. Medicaid rises to roughly 85%, SNAP nearly doubles).

![Figure 1: Public Assistance Receipt By Child’s Age/Year - Full Sample](image)

Note: Sample statistics are weighted to be representative of the 20 sample cities. Sample is restricted to mothers who participated in all survey waves (N=2986).

Figure 2 shows that doubling up declines over time whereas the trend in private financial transfers is more reflective of economic cycles (downward in better economic times), yet a significant share of families double up and receive private financial transfers. Both private transfers are more common among poor families (dotted lines).
Note: Sample statistics are weighted to be representative of the 20 sample cities. Sample is restricted to mothers who participated in all survey waves (N=2986).

Figure 3 shows the overlap in public and private safety nets (these figures do not include kin/kith child care). A significant share of mothers in large cities use both public and private transfers or only public transfers but few only tap into private transfers. Among poor mothers, these figures are even higher, and more than half of mothers living in poverty access both public and private transfers while 44% only use public transfers.

Preliminary pooled cross-sectional regression models suggest that private safety net use is associated with lower use of public safety nets, like SNAP, and that use of public transfers is associated with somewhat lower use of private safety nets but to a lesser extent. Future analyses will further investigate the multivariate associations between public and private transfer use and differences by subgroups to better understand how low-income families make ends meet.