



The Facts About Americans Who Receive Public Benefits

Misperceptions About Poverty in Our Country Complicate Effective Policymaking

By Joy Moses December 2011

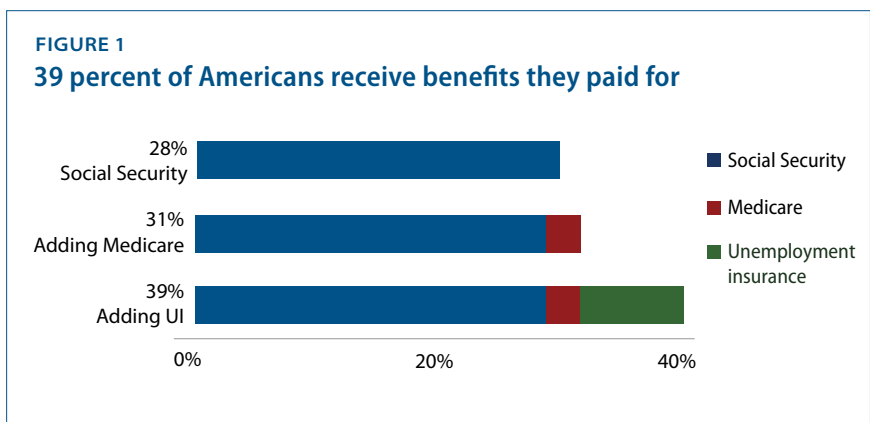
Introduction

Gross misperceptions about who receives public benefits and for what purposes are leading the nation toward debates that distract from the real problems facing middle-class and low-income Americans. Most public benefits spending is for participants, largely senior citizens, who have paid for the services via a lifetime of work. This is far different from the picture painted by many conservatives of public benefits being for lazy poor people who do not want to work. These misperceptions put all public benefits programs at risk, including those that reach the middle class. They also derail benefits programs that specifically target people living in poverty and help them to join the middle class.

The facts about public benefits detailed in this issue brief help shape the real debate Americans should be engaged in—how to fund and shape public benefits programs that largely serve the middle class and those living in poverty for the long haul.

Fact: Most Americans receiving public benefits paid for them

For many, the phrase “public benefits” implies money handed out to poor people—but that’s not the case. Recipients who benefit from the nation’s major social insurance programs—Social Security, Medicare, and unemployment insurance—include middle-class and low income Americans. In 2010, 39 percent of households had at least one person participating in at least one of these programs. (See Figure 1) Within the fiscal year 2011 budget, those three programs accounted for an estimated 60 percent of the dollars going



Source: U.S. Census Bureau (March Supplement 2011).

out to individuals (See Figure 2). Within these social insurance programs, most of the participants have paid into them, through payroll taxes taken out of their own paychecks and through contributions paid on their behalf by their employers. Like private life or property insurance, everyone makes regular contributions with the expectation that when a certain event occurs (in the case of public benefits, that event could be retirement, disability, or temporary job loss), they will be protected and able to collect benefits they have paid for.

Conservatives focus on how the costs of these programs have grown over the past several decades, but so too have the public's payments into them. Currently payments into social insurance programs represent an estimated 37 percent (or \$807 billion) of federal receipts in 2011, compared to 17 percent (or \$124 billion) in 1961 and 31 percent (or \$455 billion) in 1981, including federal employees' payments into their retirement accounts (the historical numbers are adjusted for inflation).

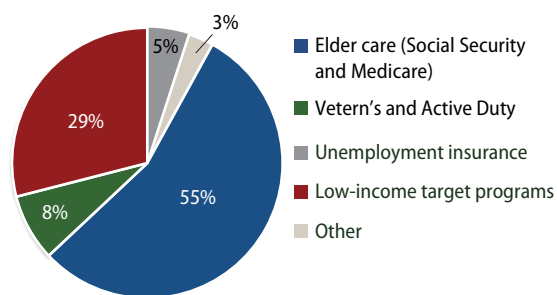
These programs reflect what Americans value. Clearly our nation believes there should be programs that ensure senior citizens who work throughout their lives and contribute to these programs should have a minimum level of security and care safe from the ups and downs of the stock market. Social Security and Medicare account for 55 percent of federal benefits dollars. When we hear about how so many Americans are living off the government, this myth is often used to perpetuate a stereotype of poor adults unwilling to work. In fact, it reflects the many Americans who have paid into programs such as Social Security and Medicare and no longer work due to age and disability.

Fact: Most public benefits targeting low-income Americans are not paid in cash

Only about 10 percent of all federal dollars devoted to public benefits programs for low-income Americans are paid in cash. And of that 10 percent, more than two out of every three dollars are for Social Security disability benefits for individuals who have demonstrated to the government that they have a disability that interferes with their ability to work. The remaining cash payments go to needy Americans under the Temporary Assistance for Needy Families program. Participation in this program is low due to changes made in the 1990s that promoted work and created a five-year lifetime limit on participation.

The bottom line: Conservative rhetoric that the federal government routinely hands out checks to people who are too lazy to work is grossly inaccurate. Today federal cash assistance programs primarily focus on those unable to work. (see Figure 3)

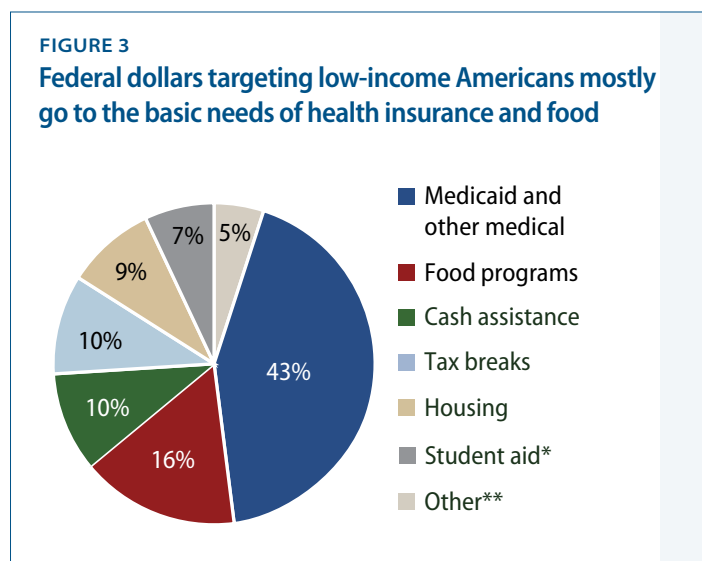
FIGURE 2
Seniors followed by low-income Americans account for most federal money going to individuals



Source: Office of Management and Budget, Fiscal Year 2012 Budget of the U.S. Government (Historical Tables).

What's more, the noncash benefits programs are each targeted toward a singular basic need. The largest ones, Medicaid and the Supplemental Nutrition Assistance Program, are entitlements (meaning services are guaranteed to those who meet program criteria) targeting health care and food needs. Many Medicaid beneficiaries live in deep poverty, with 38 percent of participating children falling well below the current poverty line in many states. And low-income families receiving food stamps through the Supplemental Nutrition Assistance Program desperately need the additional help for food purchases. Case in point: Additional food assistance provided by the Recovery Act in 2010 kept 1 million people out of poverty.

Conservatives decry spending increases on these entitlement programs. Yet upswings in Americans falling into poverty through no fault of their own during certain periods such as the Great Recession of 2007-2009 as well as growing income inequality in the long term are at the root of more spending on basic public benefits programs. Moreover, most other forms of targeted, noncash benefits programs such as low-income housing and energy assistance as well as higher education assistance are not entitlements. Their funding, decided on a yearly basis, tends to help only a small portion of those who qualify.



* Student aid money mostly goes to low-income students, but some dollars do not.
 **Other programs include LIHEAP (Heating and Cooling Assistance), daycare assistance, foster care and adoption payments, and other items.
 Source: Office of Management and Budget, Fiscal Year 2012 Budget of the U.S. Government (Historical Tables).

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 Fact: Many beneficiaries of low-income public benefits programs are elderly and disabled

As noted above, Social Security and Medicare account for much of our nation's spending on public benefits. But other programs not specifically designated for the elderly reach a significant number of them as well as Americans with disabilities. The biggest programs demonstrate this point. Among those Americans receiving food assistance under the Supplemental Nutrition Assistance Program, 36 percent of households have an elderly or disabled person. When it comes to Medicaid, in 2008, 65 percent of payments were for those 65 and over, blind, or disabled.

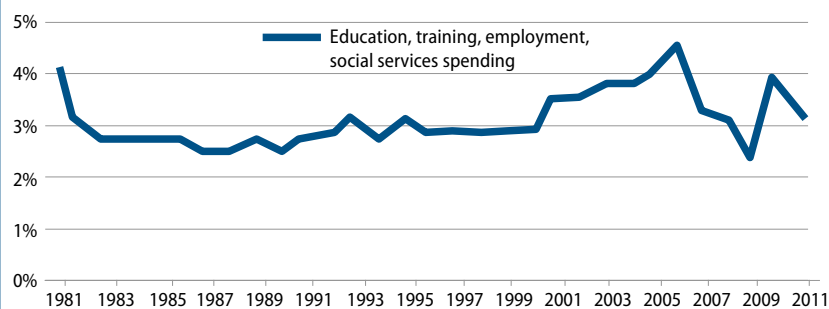
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 Fact: Investments in programs that offer a hand up to Americans in poverty are consistently small

To minimize spending on poverty-related entitlement programs, we could let more people go hungry or deprive them of life-sustaining medical insurance—steps that some conservatives fully embrace. Republican members of Congress, for example, regularly proposed cuts to Medicaid and federal food assistance as a part of this year's deficit reduction efforts. Many of these efforts fortunately have been fruitless.

Alternatively, we could aggressively act to reduce poverty, which in turn would reduce the number of people in need of basic needs assistance. This would require a dramatic shift in priorities. Over the past 30 years, spending on education, training, employment, and social services programs remained a consistently small part of the overall federal budget, hovering around 3 percent. In fiscal year 2011, which closed at the end of September, it is estimated that spending on these programs amounted to a little more than \$120 billion. By way of comparison, defense spending is more than six times that amount, at an estimated \$768 billion in FY 2011. (see Figure 4)

The hard facts are that more federal money is being spent on basic-needs entitlements, while the share of spending going toward programs that would best reduce poverty (education, training, employment, and social services) have largely remained the same from one year to the next. In the real world this means that quality programs serving children, youth, students, and workers must water down their services and/or reach only a fraction of those people that stand to benefit. Because dramatic poverty reduction and growth in the middle class fails to occur, those needing help with basic needs such as food continues to grow.

FIGURE 4
The small share of the federal budget devoted to poverty reduction efforts, 1981-2011



Source: Office of Management and Budget, Fiscal Year 2012 Budget of the U.S. Government (Historical Tables).

What needs to be done

Many Americans don't understand the basic facts about public benefits programs because conservatives so effectively peddle their myths. To combat these distortions, progressives not only need to present accurate information about these programs but also must focus more attention on issues that should be at the heart of our national conversation. This will help align good policy decisions with bedrock American values.

As noted above, current federal spending on public benefits programs is significantly directed toward those Americans who are retired or disabled and who often face subtle-yet-insidious workplace discrimination due to their age or disabilities. Further, when it comes to seniors, most have already completed a lifetime's worth of work and are simply drawing down on programs that they significantly paid into.

Simply put, elderly and disabled Americans should receive public support from the federal government. Can we agree that in America we should at least be providing these minimal resources for the elderly and disabled? Recent Census data suggest that seniors aren't living as well as official poverty numbers suggest due to out-of-pocket medical expenses and other factors. Should we be doing even more to assist seniors? The answer is yes.

This also means we need to support the social insurance programs such as Social Security and unemployment insurance programs that have served Americans well for decades. These programs aren't perfect but that is hardly an argument for destroying them. Experts at CAP and elsewhere argue that we can find progressive ways of reforming Social Security and unemployment insurance so that they better serve participants and the needs of our nation.

Similarly, we should be investing more in our children, our youth, and our young workers. Twenty-two percent of Americans under the age of 18 live in poverty, and young workers have the highest rates of unemployment—with lifelong implications for their earning potential. Yet federal funding for programs to give a leg up to our next generation of workers is dismally low. Federal student aid accounts for about 2 percent of the federal budget. And federal support for child care, which opens up better employment opportunities for young workers and has the potential to improve children's school readiness, accounts for only 0.2 percent of the federal budget.

The share of the federal budget spent on education, training, employment, and social services hasn't changed much over the past couple of decades. If we reduced poverty, we could reduce spending on basic-needs entitlements while having more citizens who are earning incomes that allow them to contribute more to our economy and contribute more tax revenue to our government.

Education, training, and employment services are needed to improve our nation's economic competitiveness, too. Our children and workers won't be able to properly compete with other nations with just 3 percent of the budget going to investments. For those Americans living in poverty, struggling to enter the middle class, federal spending should be devoted to programs that give them opportunities to prosper on their own. That means federal assistance with health insurance, food, housing, home energy, and education so these Americans can concentrate on opportunities to join the middle class.

Today's misplaced debate about how much to cut from federal benefits programs needs to become an honest debate about who receives public benefits and for what purposes so that we can retool benefits programs to better help all Americans, including those living in poverty, to have a piece of the American Dream. Federal programs that help reduce poverty and grow the middle class help our national economy and our nation remain strong and competitive. This is the debate we should be having today.

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