



Rethinking the Safety Net for Low-Income Americans

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As the United States recovers slowly from the Great Recession, one in four Americans lives below or just above the federal poverty line (defined in 2010 as an income of \$17,569 or less for a family of three). Prolonged unemployment has hurt those already poor and caused many formerly middle class families to struggle with need for the first time.

As poverty grows, many Americans continue to think about our nation's safety-net programs in outmoded ways. Cash welfare benefits are angrily debated by politicians and pundits – even though such assistance is just a small part of U.S. welfare provision today. Emergency food and housing assistance, job search programs, help with child care and health care – such services are the principal supports offered to millions of low-income families. With a better understanding of how the safety net really works, we can re-focus public discussions on needed improvements.

How the U.S. Safety Net Really Works

America's safety net for the economically needy includes governmental and nonprofit programs that help people cope with job loss and low incomes while obtaining basics for their families. Assistance is usually provided only for short periods of time.

Before 1996, monthly cash grants were regularly dispensed to impoverished female-headed households with children. Cash welfare caseloads expanded substantially in the last few decades of the 20th century, and controversies ensued. In 1996, major welfare reforms were enacted to change the emphasis toward getting poor people into jobs and giving them services that help them search for work and tide their families over in the meantime. Although cash welfare remains controversial, such assistance through today's Temporary Assistance for Needy Families program occupies a very limited place in America's overall safety net. Welfare caseloads are down 50% since 1997. Fewer than two million poor families received cash benefits in 2011, at a cost of less one-half of one percent of the total federal budget.

Far more important are social service programs that help millions of low-income families – not just those eligible for welfare cash assistance but many others as well. Services such as employment training and assistance with job searches, adult education, child care, and programs to treat substance abuse or mental health problems – all can be short-term sources of material aid and critical supports for low-income adults trying to find and keep jobs.

Services are mainly funded by government grants and contracts, but typically delivered to millions of people through local community-based nonprofit organizations. Programs for low-income Americans currently spend somewhere between \$150 and \$200 billion annually from both public and private sources. For every dollar

spent on cash assistance, the United States spends about \$15 to \$20 on social service programs. Americans prefer to help the poor this way – through community-based nonprofit organizations that stress personal contact.

Big Challenges to Address

America's service-based safety net is a work in progress. The system has emerged piecemeal in recent decades and still has gaps and challenges to overcome.

- **Nonprofit providers are not always in the right places.** The safety net is highly dependent on local nonprofit organizations to deliver specific services vitally needed by particular people. Consequently, there can be serious mismatches between the locations of nonprofits and the presence of people who need services. Cash assistance can be mailed or electronically transferred directly to individuals who live anywhere, but we cannot mail job training or counseling programs. People have to go to program offices, which may or may not be located in convenient places. Poor persons are much more likely to receive help from programs located nearby and in trusted community-based organizations. Yet all too often, such providers are not at hand and people go without. Gaps in access to social services are most acute in high-poverty urban neighborhoods, as well as in many suburbs now experiencing rapid increases in poverty. Access is also difficult in predominantly African-American or Hispanic neighborhoods.
- **Program funding is unpredictable and volatile.** Needs for services to support low-income people naturally shoot up when the regional or national economic turns down – yet economic hard times also cut into tax revenues and cause governments, especially at the state and local level, to reduce funding. Because poor people lack political clout, social service programs are among the first places governments look to cut spending. Private philanthropic giving also declines during economic downturns. A dysfunctional rollercoaster results. Just when nonprofits serving the poor need to ramp up, they are forced to cut program offerings, lay off staffers, and shrink the number of clients served each month. Overwhelmed providers and overflowing waiting rooms are the result.

What Can be Done?

Several steps can be taken to improve the service programs now at the core of the safety net:

- Public funding needs to be more consistent. Automatic increases should kick in during economic downturns. When social needs skyrocket, federal and state cutbacks not only hurt the poor; they destabilize the nonprofit organizations upon which the safety net depends.
- Private giving needs to reach the poor. Right now, less than one of every ten charitable dollars goes to nonprofits serving the poor, and that level has stayed flat for the last decade.
- Nonprofits serving the poor need to target new facilities and increases in capacity to the neighborhoods and suburbs where needs are growing or currently unmet. Technical assistance from foundations and government can facilitate outreach to new locations.

Enhancing the social services that sustain and assist low-income Americans is an important priority for government and private charity. Tough economic times make improvements in the location and funding of

vital programs especially pressing. New investments made today will also strengthen the foundations of our nation's safety net for years to come.

Read more in Scott W. Allard, *Out of Reach: Place, Poverty, and the New American Welfare State* (Yale University Press, 2009).