Is SNAP a Helping Hand?

by Sally Wallace and Noah Cohen

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In this viewpoint, the authors review the Supplemental Nutrition Assistance Program (SNAP), noting its benefits and calling for further empirical research to understand its impact on outcomes, including welfare.

There is a great deal of interest and concern regarding income inequality in the United States. Even with encouraging news in September 2017 from the U.S. Census Bureau regarding increases in median income from 2015 to 2016, the rich have gotten richer as a share of the population in the United States. In 2016 more than 50 percent of money income was held by the top 20 percent of households and 3.1 percent was held by the lowest 20 percent of households.

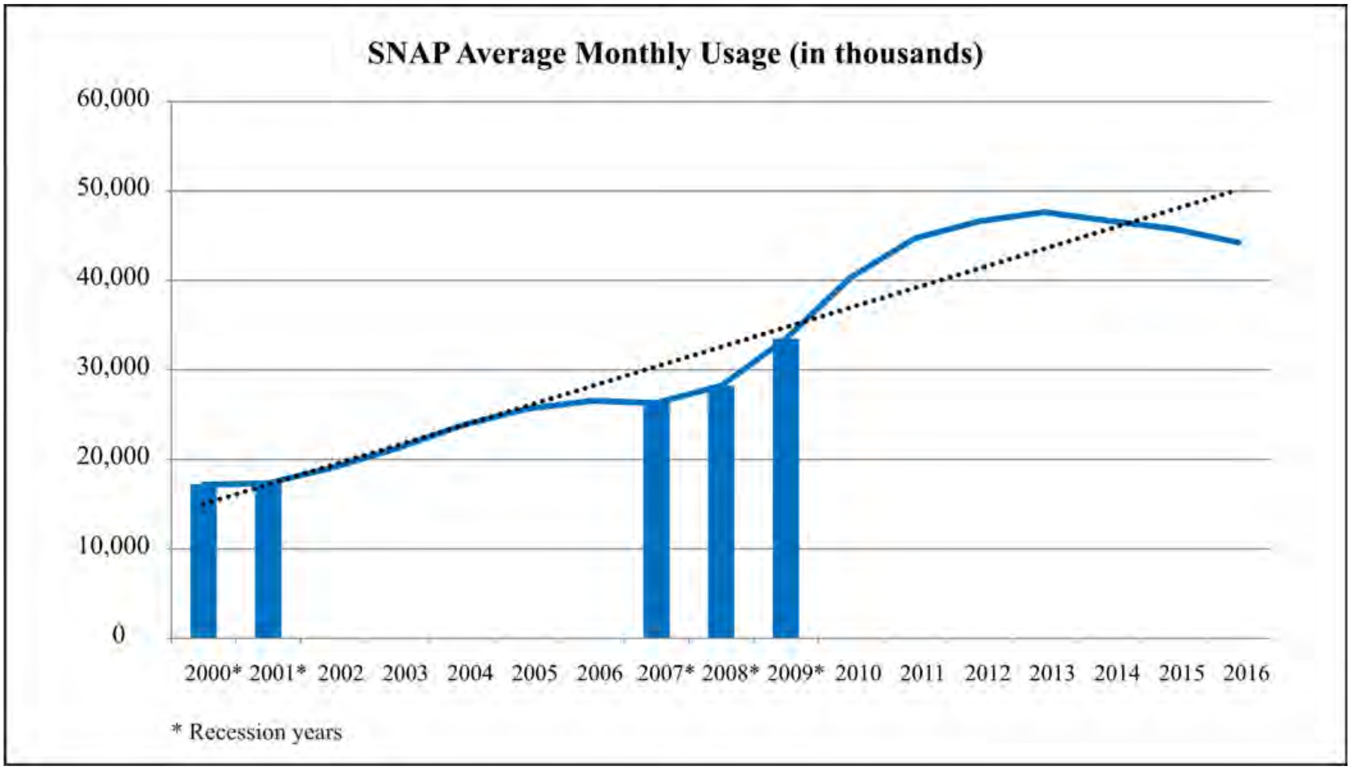
There are several possible explanations for increased income disparity: the effects of globalization, which may drive more competitive factor pricing; growth of capital income among a portion of the population through the dot-com era to the recent run-up in stock values; and the loss of jobs in some sectors — including manufacturing — as we become an economy of consumers of services. The advancement of robots and other forms of artificial intelligence may also play a role in a softening labor market in some industries and occupations. Whatever the reasons, the divide between the rich and the poor has become larger.

Given the income disparity, it is no surprise that in the United States, 13.5 percent of individuals were under the poverty line in 2015 — accounting for over 43 million people. In 2016 the poverty threshold was $11,770 per year for a family of one and $24,250 for a family of four. Federal, state, and local governments offer various programs that target lessening the hardships associated with poverty. Those programs include the Supplemental Nutrition Assistance Program (SNAP), an important government safety net providing low-income individuals and families with food stamps. SNAP eligibility is largely determined by a household's income, which must be lower than 130 percent of the federal poverty line.[1]

SNAP as a Safety Net

SNAP has a long history as part of the safety net for the poor in the United States. And it is a big program: In 2016 its total costs were over $70 billion and served over 44 million people. The average benefit to individuals in 2016 was $125.40 per month. When the economy turns down, like in the Great Recession, many individuals and families turn to SNAP for assistance. The figure presents the average monthly usage of SNAP in the U.S. In the figure, the dotted line estimates a simple linear trend. The solid line is the actual average number of beneficiaries. The impact of the Great Recession is obvious in the sharp increase in the solid line after 2007. Before the Great Recession, the growth in beneficiaries was smaller than in the previous

[1]Actual eligibility is a function of gross monthly income; net income; household size; presence of an elderly (60 or older) or disabled member of the household; or the presence of some benefits, including Supplement Security Income, the Temporary Assistance for Needy Families program, and retirement income.



decade. The growth in actual SNAP usage did not begin receding until 2010, and the number of beneficiaries stood at record-high levels until 2013. That is exactly the trend one would expect from a safety net program.

SNAP benefits target households with low levels of income. Under a simplified calculation, a family of four (two adults and two children) making less than $31,980 per year (average of $2,665 per month) is eligible for up to $640 per month as the maximum allowable benefit.[2] The maximum benefit is reduced by 30 percent of the household's net income (gross income minus living allowances). In fiscal 2016, the USDA reported an average monthly household benefit of $252.55.[3]

Impact of SNAP

SNAP is evidence of a public safety net, albeit for low-income households. Given that SNAP allows households to supplement their food budget, it is useful to understand whether there is evidence of more lasting effects from the program. Intuitively, one could argue that a decent diet is important for health, which may affect labor market outcomes. Also, a food support program could provide households some extra time in the job search (by reducing a complete budget meltdown), which may also yield better employment outcomes. And is there evidence that SNAP helps families for more than the immediate benefit period?

Using national-level data, researchers have found mixed results regarding the impacts of SNAP. Laura Tiehen, Dean Jolliffe, and Timothy Smeeding[4] provided evidence that SNAP alleviates poverty while Robert Moffett,[5] among others, found that SNAP has small positive impacts on labor supply. Bradley Hardy[6] found that SNAP and other safety net programs (the Temporary Assistance for Needy Families

[2]U.S. Department of Agriculture, Food and Nutrition Services (2017).

[3]*Id.*

[4]Laura Tiehen, Dean Jolliffe, and Timothy Smeeding, "The Effect of SNAP on Poverty," University of Kentucky Center for Poverty Research Discussion Paper Series, DP2013-06 (2013).

[5]Robert Moffitt, "SNAP, Employment, and the Non-Food Safety Net," presentation made to the conference, "Five Decades of Food Stamps," The Brookings Institution (Sept. 20, 2013).

[6]Bradley Hardy, "Income Instability and the Response of the Safety Net," *Contemporary Economic Policy* (2016).

program and the earned income tax credit) reduce income instability for low-income individuals. Those rigorous analyses were done with relatively small samples of the SNAP population, but do provide evidence of benefits of SNAP that run contrary to some of the stigma associated with individuals receiving public assistance.

Another way to look at the impact of SNAP is to question whether SNAP is associated with chronic poverty — or individuals being stuck in low-income situations. While causality is difficult to prove, a recent study by Brett Mullins, et al.[7] examined a population of low-income SNAP recipients over time. Administrative data from Georgia were used to classify SNAP recipients in a base year (2000) and in 2006 and 2013 based on income. There are over 3.5 million observations in the origin group (individuals receiving SNAP at some point in 2000). The pattern of SNAP usage in Georgia is like those in the United States with a record high single-month enrollment of over 914,000 in 2013.

Mullins et al. find evidence that important subsets of individuals who receive SNAP move from the lowest levels of income to higher (albeit still relatively low) levels of income at some point over the period of 2000 to 2013.[8] Using administrative data from Georgia, which provides a much larger set of data than the national samples used by others, we sort SNAP recipients by income in a starting year (2000) and evaluate what happens to their income in 2006 and 2013, relative to their income in 2000. It is difficult to evaluate these detailed changes with small national samples of data.

The study finds that there is a heavier concentration of males, whites, and disabled individuals with zero earnings in 2000, 2006, and 2013 than in the overall SNAP sample. Not surprisingly, the disabled represent the majority of those who remain in the no earnings category. Perhaps the most interesting finding is that single mothers with zero earnings in 2000 have a greater probability — in some cases much greater — of escaping the zero earnings category than the general population of SNAP recipients when we look at them in 2006 and 2013. Also, if a SNAP family has some level of earnings in 2000 — even small earnings — the study finds that they are the most likely to be in higher earnings categories in 2006 and 2013. According to that data, families receiving SNAP assistance are more likely to move from the zero earnings category to higher earnings categories. A specific path and causal impact are not identified in the study.

The results of the Mullins, et al. study demonstrate the complicated story of families close to or below the poverty line. As seen in the data, some families on SNAP assistance cannot work. Others — in this case, disproportionately single mothers — are income mobile at a relatively low level of income. SNAP likely affords those families assistance when needed and could possibly help them move further into employment, resulting in increased income.

Conclusions

In fiscal 2016, approximately $71 billion was spent on SNAP payments. The complete U.S. social safety net is a fragmented system of support at the federal, state, and local levels. Among federal programs, there is evidence that SNAP is associated with slightly improved labor market outcomes. It is difficult to determine the impact of any one program like SNAP in isolation of the myriad federal, state, and local benefits programs. Research should be encouraged in identifying those impacts through additional program interventions and controlled experiments. For example, the Rhode Island Innovative Policy Lab is testing how altering the timing of SNAP payments from once per month to twice a month affects healthy food decisions. In turn, a longitudinal study of that intervention may provide important information on how SNAP affects labor market outcomes.

More of that policy-oriented, rigorous empirical research is needed to understand the impact of SNAP and other safety net programs on outcomes, including welfare. Doing that research is no easy task but is critical to making correctly informed decisions regarding public finances at all levels of government. ■

[7] Brett Mullins, et al., "Long Run Earns Mobility among Low-Income Individuals," *J. Econ. & Pub. Fin.*, Vol. 2(1) (2016).

[8] The comparison periods are discrete, so it is possible for an individual to move up or down or remain stable in the intervening periods.