Research

Employment, the Retail Sector, and Usage of the Social Safety Net

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Executive Summary

U.S. businesses, retailers in particular, are frequently accused of being "subsidized" because some of their workers receive social safety net benefits. If so, we should expect businesses to take advantage of this subsidy by increasingly moving workers onto the safety net.

Using recent labor market data we find exactly the opposite:

- Between 2012 and 2013, the fraction of those who were employed and used social safety net programs fell 0.9 percentage points, compared to the 0.1 percentage point decline among non-workers.

- That is, employers *diminish* usage of the social safety net instead of taking advantage of it.

- The results for retailers are even more striking; their 1.3 percentage point decline exceeded employers as a whole, despite the fact that retail sales workers typically have less education and skills than other workers.

Introduction

It is frequently asserted[1] that U.S. businesses – especially retailers like Wal-Mart and fast food franchises like McDonalds – are "subsidized" by the taxpayer because some of their workers receive social safety net assistance like food stamps, Medicaid, or other support. This notion has tenuous logical foundations, at best.[2] Indeed, a more rigorous analysis suggests that the social safety net forces employers to pay *higher* – not lower – wages to their workers.[3]

Still, the urban legend persists. In this short paper, we approach the debate from another angle. We examine labor market data to see if retailers, and employers more generally, "take advantage" of the taxpayer-funded social safety net by shifting increasing number of workers onto it.

To anticipate the results, we find exactly the opposite. Between 2012 and 2013, the fraction of those who were employed and used social safety net programs fell 0.9 percentage points, compared to the 0.1 percentage point decline among non-workers. In general, employers *diminish* usage of the social safety net. The results for retailers are even more striking; their 1.3 percentage point decline exceeded employers as a whole.

Methodology

The focus of our analysis are data for 2012 and 2013 contained within the 2008 Panel of the Survey of Income and Program Participation[4] (SIPP).[5] We focus on the most recent data because as the recovery matures, it is

more likely that the data reveal “typical” usage of the social safety net compared to the elevated levels in the Great Recession.

It is important to note that in this sample the same individuals were interviewed in 2012 as well as 2013. As a result, we are able to examine how safety net assistance among the same individuals changed over time. The qualifications for a person to be considered receiving social safety net assistance is someone receiving any sort of family public assistance payments as well as noncash benefits including food stamps, WIC, Medicaid, rent for public housing, lower rent due to government subsidy, government energy assistance, free or reduced-price lunches, and free or reduced-price breakfasts.

Furthermore, individuals were only included if they were in the same category for both periods. For example, when examining retail sales workers, individuals would only be included if they worked in retail sales in both periods but would not be if they worked in only one period. The same goes for the all workers and all non-workers’ categories. This helps determine the effect of working in retail sales on receiving public assistance over time and how it compares to other workers and non-workers.

Results

The basic results are shown in Table 1 (below). As shown, 32 percent of retail sales workers used some sort of social safety net assistance in 2012, somewhat above the rate (23.9 percent) for workers as a whole. This is roughly consistent with the common accusation of retail being subsidized. Note, however, that this is still well below the 37.8 percent rate for non-workers.

A more important issue is whether employers *increased* their workers’ usage of social safety net assistance. We can determine this by comparing how these numbers evolve over time. Among non-workers, the fraction of those receiving assistance fell by 0.1 percentage point between 2012 and 2013, just what one might expect as the economy improved. However, employers did not “take advantage” of the social safety net and shift toward greater reliance on it through benefit cuts, poor raises, or other methods. Instead, social safety net usage among all workers *fell* by 0.9 percentage point – more than for non-workers.

Table 1

Percentage of Individuals Using the Social Safety Net

Year	Retail Sales Workers	All Workers	Non-workers
2012	32.0%	23.9%	37.8%
2013	30.7%	23.0%	37.7%
Percentage Point Decrease	1.3	0.9	0.1