The earned income tax credit

by Eugene Steuerle and Paul Wilson

Eugene Steuerle, Director of Finance and Taxation Projects at the American Enterprise Institute, was the Economic Staff Coordinator in charge of the original coordination and design of the Treasury’s recent tax reform effort. The government’s top-ranking tax policy official has stated, “Frankly, I think it fair to say that Treasury I [the reform] would not have moved forward had it not been for [his] early leadership.” Paul Wilson, Professor of Economics at Bethel College, was the principal economic analyst for many parts of that effort, including provisions affecting the poor and elderly.

Introduction

Within the tax and welfare systems in the United States, the earned income tax credit (EITC) plays an important, but ambiguous, role. The credit has several purposes, and while it serves each well, it serves none perfectly. Perhaps more than any other governmental provision, the EITC displays the overlap between tax and transfer programs: even in budget accounting, the cost of the credit is counted in part as an offset to the individual income tax (a tax expenditure for the amount of the credit that offsets income taxes otherwise due) and in part as an outlay (the refundable portion). In addition, although Congress and the executive branch have usually treated the tax and welfare systems as separable, almost every major welfare or tax reform initiative since 1975 has sought to modify the EITC.
A brief history of the earned income tax credit

The EITC is a relative newcomer to the fiscal scene. When begun in 1975, the credit was 10 percent of earned income up to $4,000, yielding a maximum credit of $400. The credit was reduced by 10 cents for each dollar by which adjusted gross income (AGI) exceeded $4,000, so no credit was available for anyone whose income exceeded $8,000. Only taxpayers with dependent children have been eligible for the EITC.

The credit has always been “refundable”: an eligible individual can receive a payment from the Internal Revenue Service (IRS) if the credit exceeds the amount of tax due. By one method of accounting, such an individual faces a negative income tax rate. This refundability feature is unique in the tax code. The Treasury Department traditionally has opposed hiding expenditures in the code, while the Internal Revenue Service has fought against administering expenditure-equivalent programs. The Congress in turn has used a minimum tax of zero as a mechanism to limit its generosity in providing tax incentives or tax relief. This combination of opposing forces is one reason why no other major credit or deduction—investment credit, child-care credit, charitable deduction, and so forth—is refundable.¹

Outside of dollar amounts and rates, the only significant structural changes to the EITC were made in the Revenue Act of 1978. At that time, two of us at the Treasury Department worked with the Ways and Means Subcommittee on Oversight to make minor modifications to simplify the credit and, more important, to permit calculation of both eligibility for and amount of the credit through information that was already reported on the tax return.² In 1985 the IRS was able to use the information on tax returns to pay a credit to approximately 620,000 filers who failed to claim the credit themselves.

Changes in actual dollar amounts and rates, on the other hand, have occurred frequently and are summarized in Table 1. While each change has resulted in a higher maximum credit, prices and incomes were often increasing at an even faster rate. Consequently, from 1975 to 1984 the maximum credit fell by 35 percent in real terms. The Tax Reform Act of 1986 has offset almost all of this decline and restored the maximum credit to the real level first set in 1975 (see Table 2). This latest increase in the maximum credit is due mainly to a higher rate of credit (14 percent) and only slightly to a greater amount of income eligible for the credit, which has fallen from three-fourths of the poverty level (for a family of four) in 1975 to about one-half of the poverty level by 1988.

For some purposes, comparison to a constant real measure of poverty can be misleading. The maximum credit has clearly declined in value relative to the growth in average income, as measured by per capita personal income. While the maximum credit will have almost doubled between 1975 and 1990, per capita personal income will have more than tripled. A family of four at one-half the median income has never qualified for the credit.

Because of the income levels at which the credit phases out, it has been especially important to part-time or part-year workers. The recent expansion of the phase-out range (see last column of Table 1) should shift a greater proportion of the credit to full-time workers. Still, many full-time workers, even those with modest wage rates, earn enough to be in (or just beyond) the phase-out range of the credit.

### Table 1

The Earned Income Tax Credit
1975-1990

<table>
<thead>
<tr>
<th>Year(s)</th>
<th>Maximum Amount Eligible</th>
<th>Phase-in Rate</th>
<th>Maximum Credit</th>
<th>Phase-out Rate</th>
<th>Phase-out Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-78</td>
<td>$4,000</td>
<td>0.10</td>
<td>$400</td>
<td>0.10</td>
<td>$4,000-8,000</td>
</tr>
<tr>
<td>1979-84</td>
<td>5,000</td>
<td>0.10</td>
<td>500</td>
<td>0.10</td>
<td>6,000-10,000</td>
</tr>
<tr>
<td>1985-86</td>
<td>5,000</td>
<td>0.11</td>
<td>550</td>
<td>0.12</td>
<td>6,500-11,000</td>
</tr>
<tr>
<td>1987</td>
<td>6,000</td>
<td>0.14</td>
<td>840</td>
<td>0.10</td>
<td>6,830-15,230</td>
</tr>
<tr>
<td>1988</td>
<td>6,214</td>
<td>0.14</td>
<td>870</td>
<td>0.10</td>
<td>9,840-18,540</td>
</tr>
<tr>
<td>1989</td>
<td>6,500</td>
<td>0.14</td>
<td>910</td>
<td>0.10</td>
<td>10,240-19,340</td>
</tr>
<tr>
<td>1990</td>
<td>6,786</td>
<td>0.14</td>
<td>950</td>
<td>0.10</td>
<td>10,640-20,140</td>
</tr>
</tbody>
</table>

Note: Estimated for years after 1986, when the EITC is indexed for inflation. All figures are in current dollars.
A tax credit on earnings was supported as a way to reduce the work disincentives faced by welfare recipients.

Considered as part of the welfare system, the EITC has several problems. Eligibility for the EITC does not depend on a recipient's assets or on other criteria common to welfare programs. Eligibility is also unaffected by the receipt of nontaxable income. Thus, a few recipients of the credit are millionaires with large amounts of tax-shelter income. Other recipients may have significant amounts of Workers' Compensation or other transfer payments excluded from AGI. Although the tax system has advantages as a means for promoting welfare policy goals—no new administrative apparatus is necessary and participants can be identified easily on the basis of tax data already filed—one major disadvantage is that not all relevant information is reported on tax forms. Moreover, the definition of a household for tax purposes may differ from that which is most appropriate for a welfare program. The latter, for example, may count several tax units as a single household.

Whereas the EITC uses an annual accounting period, welfare programs normally use monthly or quarterly accounting periods. The EITC is thus not usually available to help meet emergency needs. Although the credit can be received during the year through adjustments in income tax withholding rates, few taxpayers have taken advantage of that option. The IRS estimates that in 1983, for instance, over 5 million filers received an earned income tax credit, but advanced credit payments were received by only about 5,700 of these.

Despite this difference from normal welfare programs, longer accounting periods are a useful mechanism for targeting a greater proportion of assistance to the longer-term poor. A longer accounting period also targets benefits in a manner similar to an assets test in a welfare program, especially when comparisons are made across a nonelderly, nonretired population. This comparison is appropriate in the case of the EITC, since other requirements—dependents must be present and the credit is based on earnings, not income—generally exclude most elderly and retired persons.

The material in this article is an expansion of the authors' section on the earned income tax credit in their chapter, "The Taxation of Poor and Lower Income Workers," Chapter 4 in Jack A. Meyer, ed., Ladders Out of Poverty (Washington, D.C.: American Horizons Foundation, 1986). Sandra Danziger (see "Teenaged Childbearing and Welfare Policy" in this issue) also has a chapter in the book. Ladders Out of Poverty is the report of the Project on the Welfare of Families, chaired by Bruce Babbitt and Arthur Fleming.

### Table 2
(Family of four)

<table>
<thead>
<tr>
<th>Year</th>
<th>Maximum Credit</th>
<th>Maximum Eligible Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In 1986</td>
<td>% of 1975 Amount</td>
</tr>
<tr>
<td>1975</td>
<td>$816</td>
<td>100%</td>
</tr>
<tr>
<td>1978</td>
<td>673</td>
<td>83%</td>
</tr>
<tr>
<td>1979</td>
<td>757</td>
<td>93%</td>
</tr>
<tr>
<td>1981</td>
<td>604</td>
<td>74%</td>
</tr>
<tr>
<td>1984</td>
<td>599</td>
<td>65%</td>
</tr>
<tr>
<td>1986</td>
<td>550</td>
<td>67%</td>
</tr>
<tr>
<td>1988</td>
<td>805</td>
<td>99%</td>
</tr>
<tr>
<td>1990</td>
<td>813</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note also the important interaction with other tax provisions. Under current law, those who work part year, but receive Unemployment Compensation in other parts of the year, are less likely to be eligible for the credit than are other part-year workers with the same amount of earnings from employment. As explained above, the credit is phased out on the basis of adjusted gross income. Since three recent tax acts together have resulted in the full inclusion of Unemployment Compensation in adjusted gross income, receipt of such compensation is likely to result in the phase-out of EITC benefits.

### Rationales for the EITC

Recent and proposed changes in the EITC can be evaluated only if its basic goals are understood. Unfortunately, the purpose of the EITC is subject to debate, and the legislative history offers only mixed guidance. Is it part of the welfare system? Is it simply a way to reduce taxes for certain low-income families? Or is it an offset to social security taxes for low-income workers? We shall consider each of these rationales in turn.

#### The EITC as a welfare program

In its early years, the EITC was considered by many as part of an overall welfare system. An expansion in the EITC, for instance, was an important component of President Carter's welfare reform effort. The EITC was viewed as a means of increasing work incentives, particularly for households with dependent children. Many of these households are likely to be subject to high implicit tax rates owing to participation or potential participation in welfare programs such as AFDC.
For those with incomes below $6,214 (in 1988), the amount of the credit will rise as income increases. The EITC is closer to an earnings subsidy than to a welfare benefit, which usually declines with rising income. The annual accounting period, however, means that working part time (or for only part of the year) may increase and cannot decrease the effective rate of credit per hour. Thus, someone earning $3.50 per hour full time receives the same credit as someone earning $10.50 per hour one-third time. The subsidy per hour is higher for the higher-wage worker—$1.25 per hour in contrast to $0.42 per hour for the lower-wage worker.

As a work incentive for low-wage workers, the credit also is imperfect. Although it will provide a 14 percent subsidy for each of the first $6,214 of earned income in 1988, thus increasing the payoff from working, it actually provides no marginal incentive to any full-time, full-year worker, since the annual minimum wage ($6,968) is in excess of the $6,214 cap.

Moreover, the credit creates marginal work disincentives over the phase-out range. In 1988, the credit phases out over the range from $9,840 to $18,540. Consider the incentives facing a family of four with income of $13,000—just above the poverty level (estimated to be $12,127 in 1988). By earning one more dollar, the family’s income tax rises by 15 cents and their tax credit falls by 10 cents. The effective marginal income tax rate is therefore 25 percent. Thus the credit raises the effective marginal tax rate on earned income by 10 percentage points over the phase-out range. The net effect of the credit on work incentives—in particular, the choice to work or not work—is likely to be positive, but a trade-off is inevitably created. Greater work incentives for the first $6,214 of earnings result in reduced work incentives for earnings at the poverty level and slightly above it. Such trade-offs are a familiar feature of welfare programs, and the tax system unfortunately has no magic wand to make them disappear.

The EITC as a low-cost way to raise tax thresholds and lower taxes for the poorest income classes

In describing major tax reform proposals, two items of information are almost invariably presented: (1) a table displaying tax thresholds for various types of households, and (2) a table showing the distribution of tax cuts (or tax increases) by income class. Higher tax thresholds are obviously good, but attempts to raise the thresholds encounter a problem: significant revenues could be lost to the Treasury, thereby requiring higher tax rates on other income classes. There are two traditional ways to raise tax thresholds: increase the personal exemption or raise the standard deduction. But if tax schedules remain unchanged, each of these reduces taxes for the wealthy as well as the poor unless it is phased out once middle-income levels are reached. (Actually, for most purposes a phase-out is simply a backdoor way of raising rates.) Because it is phased out at relatively low levels of income, the EITC is a less expensive way to raise tax thresholds. Moreover, it can substantially lower taxes for the poorest income groups. Thus it both makes distributional tables more progressive and involves only modest costs to the Treasury. The recent changes in the EITC are best viewed as satisfying tax reform goals rather than welfare system goals.

Table 3 demonstrates the increases in tax thresholds achieved in the Tax Reform Act of 1986. These changes generally were successful at moving tax thresholds beyond the federal government’s measure of the poverty level. While the increases were due primarily to increases in the size of the personal exemption and (to a lesser extent) the standard deduction, the EITC gave an additional, significant boost for families with dependents. The second column of the table shows how high the tax threshold would be if all changes except an increase in the EITC had been enacted. A comparison with the other columns then demonstrates that the expanded EITC was responsible for 44 percent of the total increase in tax threshold for a married couple with two children and 60 percent of the increase for a single parent with two children.

As a means to raise tax thresholds, the EITC in its present form is handicapped by the fact that, while taxpayers with

<table>
<thead>
<tr>
<th>Taxpayer Description</th>
<th>Pre-1986 Law</th>
<th>Current Law with Old EITC</th>
<th>Current Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married couple</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>no dependents</td>
<td>77%</td>
<td>112%</td>
<td>112%</td>
</tr>
<tr>
<td>2 dependents</td>
<td>81%</td>
<td>105%</td>
<td>124%</td>
</tr>
<tr>
<td>4 dependents</td>
<td>67%</td>
<td>103%</td>
<td>107%</td>
</tr>
<tr>
<td>Head of household</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 dependents</td>
<td>91%</td>
<td>112%</td>
<td>143%</td>
</tr>
<tr>
<td>4 dependents</td>
<td>68%</td>
<td>98%</td>
<td>111%</td>
</tr>
<tr>
<td>Single</td>
<td>61%</td>
<td>81%</td>
<td>81%</td>
</tr>
</tbody>
</table>

Note: Assumes full use of the EITC for those with dependents. Second column assumes current rates and standard deduction but no change in pre-1986 EITC.
dependents are eligible, the size and rate of credit are independent of the number of dependents. Thus, the EITC is inferior to the personal exemption in accommodating family size or to welfare programs that use equivalency scales to try to measure the needs of families of different size. Making either the income level at which the credit phases out, or the amount of the credit, increase with family size would further the goals of both the tax and welfare systems.

The EITC as an offset to social security taxes for low-income workers

A third rationale for the earned income tax credit is that it represents an offset to social security taxes. We believe that this view is in many ways compelling. The EITC largely eliminates the burden of social security taxes for many low-income workers. Since the credit is refundable, it offsets more than income tax liability for some households. No other credit generates a negative income tax liability. The rate of earned income credit, however, has always remained near the combined (employer plus employee) social security tax rate, and one could argue that there still are few taxpayers with negative taxes within the combined income/social security tax systems.

Expanding the EITC by raising the credit rate above the social security tax rate would run counter to the tendency to avoid negative tax rates. To be fully consistent with the social security offset rationale, the credit rate (now 14 percent) should be increased slightly once the social security tax rate (employer plus employee) rises (to 15.02 percent) in 1988. On the basis of this rationale, it is also somewhat difficult to justify limiting eligibility for the credit to those with dependent children (as in current law) or making the credit vary by family size (a recent proposal, as noted above). However, limiting the credit to earnings subject to social security taxes (which is not true in current law) would be consistent with this interpretation.

Note that while the credit increases over the first $6,214 of earnings in 1988, the EITC should not be viewed as providing a zero rate of social security taxation on the first $6,214 of social security earnings. Because the credit is phased out at modest income levels, it provides no such “zero bracket” to most workers. Also, eligibility is limited to those with dependents, so single workers, most teenage workers, and many young married couples fail to qualify for the credit. Even for someone with dependents, a low wage is insufficient to guarantee eligibility. A secondary worker with low wage rates will seldom benefit from the credit unless both spouses work a very short period of time at low wage rates. A couple with two earners at the minimum wage ($6,968 per year) would receive a smaller credit ($460 in 1988) than a couple with only one earner at the minimum wage ($870). Note also that two single parents, each with one child and working full time at the minimum wage, would lose $1,280 in credits if they married. Their tax “bill” would rise by $1,450, from -$1,740 to - $290. This results from a loss in total earned income credits and from the difference between the standard deduction for a married couple ($5,000) and the standard deductions for two single heads of households (2 x $4,400). So their after-tax income would fall by 9 percent—a hefty marriage penalty, particularly for a family at only 117 percent of the poverty level.

Toward a consensus

Which perspective should guide policy regarding the EITC? We believe the emphasis should be on understanding the competing perspectives and looking for areas of agreement among them. Proposals to increase with household size the amount of earned income eligible for the credit, as well as the income level at which the credit begins to phase out, would be largely consistent with two of the three perspectives. The income level at which phase-out begins should be coordinated with welfare programs so as to avoid creating combined implicit marginal tax rates that are unreasonable. Such coordination would probably require variations in the phase-out of the EITC according to family size. Solutions should also be sought for the marriage penalty problems introduced by the credit, and, again, adjustment by family size suggests itself as a mechanism.

Another useful reform of the credit would be to target better its availability. We would prefer that the credit apply at least to earnings slightly in excess of the full-time minimum wage level. The credit might also be phased out on the basis of adjusted gross income less any negative statements of income from businesses and partnerships. The addition of certain excluded forms of income to adjusted gross income would also better target the credit, although this type of tax reform has additional far-reaching implications.

There are several features that we would not change. At the present time we would not raise the rate of credit beyond the combined (employer plus employee) social security tax rate. That is, if a true wage credit is desired, the EITC may be an inadequate mechanism: at a minimum, a full analysis of alternatives is necessary. Other features of the EITC—its availability to two-parent families, its bias toward the lower-term poor through an annual accounting period, and its basic orientation toward workers—are valuable because they help ameliorate some of the adverse tendencies of other welfare programs. Finally, the IRS should be allowed to maintain its ability to calculate eligibility from data on tax returns, as a desirable feature of any tax or transfer program should be a low-cost mechanism to find the targeted population.

Combined marginal tax rates for lower-income families

In order to better assess the impact of the earned income tax credit on incentives, this section presents data on combined marginal tax rates from all direct taxes. Any future welfare reform should consider how these direct marginal tax rates integrate with the implicit rates in the phase-out ranges of welfare programs. We believe that our successful efforts to
expand the EITC, to move its phase-out range beyond poverty and full-time minimum wage levels, and to index the phase-out range for the future, may provide a reasonable, although imperfect, level of integration with existing welfare programs. Reform of the entire welfare system, however, will require a much more thorough examination of this issue.

We have also expressed some concern about the extent to which low-income workers just beyond the range of both welfare programs and the EITC—for example, working families with earnings at one-half median income—over time have paid higher and higher average and marginal tax rates. Perhaps one difficulty is that this group often receives little attention in either tax or welfare debates. Nonetheless, advocates of tax and welfare changes should be aware of how various trade-offs have affected and will affect this group.

Combined marginal tax rates are shown for two different types of taxpayers in Figures 1 and 2. These figures also contrast the combined marginal rates of taxation faced by poor and near-poor households under the old and new law. The combined marginal tax rates are found by summing the
effective tax rates for the federal income tax, social security
tax, earned income tax credit, and a representative state
income tax (Virginia) in 1988. Note that while there are
some increases in the "marginal" tax rates—the tax on an
additional dollar of earned income—the average tax rate
decreases at all points in the income distribution.

Figure la presents the combined marginal tax rate for a
family of four under current law and under the pre-1986 law.
The tax rate under current law starts out close to zero. No
federal income taxes are paid, and the earned income tax
credit largely offsets the social security tax on the first
$6,214 of earnings. Only state, not federal, income taxes
begin at income levels well below poverty. At the poverty
level ($12,127), the family is paying social security taxes (at
15.02 percent), state income taxes (at 3 percent), and is
already in the phase-out range for the earned income tax
credit, thus losing 10 cents of credit for each additional
dollar earned. The poverty-level family therefore faces a
combined marginal tax rate of 28 percent. This tax rate
jumps abruptly by 15 percentage points (to 43 percent) when
income exceeds $12,800 (106 percent of the poverty level).
At this point the family begins paying federal income taxes,
exclusive of the EITC. Soon thereafter, the state tax rate

Figure 2. Combined Marginal Tax Rates from Direct Taxation in 1988 for a Single Head of Household with Two Dependents
climbs to 5 percent and the maximum marginal tax rate of 45 percent is reached. The rate stays approximately unchanged until income reaches $18,540, at which time the EITC is fully phased out and the combined tax rate falls by 10 percentage points. The next abrupt change in the tax rate (not shown in Figure 1) occurs when the family enters the 28 percent federal income tax bracket at an income of $42,550.

The rates under the old law would have had a similar pattern, with increased marginal rates during the phase-out of the lower EITC. This would have occurred at a lower rate of income, however—between $6,500 and $11,000 rather than between $9,840 and $18,540.

Figure 1b shows the change in marginal tax rates as a result of the Tax Reform Act of 1986. Note that marginal tax rates fell at all levels of income up to and very slightly beyond the poverty threshold. For those with marginally higher incomes, the marginal tax rate rose by more than 10 percent. The expansion of the EITC is responsible for the net increase in this range. 14

Figure 2 shows similar data for a single head of household with two dependents. The effective rate structure and the changes in that structure follow a pattern similar to that for the family of four. The change from Figure 1 reflects primarily a different number of personal exemptions.

For single workers with no dependents, of course, no EITC is available, and their combined marginal tax rates follow a more normal step-like function (not shown on a graph). Single workers begin paying the federal income tax at income levels below the poverty level, but there is no 10 percentage point rise in the combined tax rate due to the phase-out of the EITC, as with households with dependents.

The figures show combined marginal tax rates of 45 percent for families only slightly above the poverty level and of about 35 percent for families at one-half the median family income. Although a marginal tax rate of 45 percent may not seem especially high, note that it exceeds the rate that applies to the highest income households (whose incomes also exceed the social security cap). More important, when these marginal tax rates are combined with the implicit tax rates in welfare programs, the sum of the implicit plus explicit tax rates could become quite large. Given the costs of working, including transportation, meals, and child care, many of the poor and near-poor may find that additional work provides only limited financial benefit. A comprehensive examination of this important issue, however, is beyond the purview of this article. 13

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1 Lack of refundability, of course, limits the marginal incentive effect of many tax provisions. It raises as well equity issues between those who benefit and those who do not benefit from the incentives.


5 Note that this 25 percent marginal tax rate occurs even though this family will receive a tax credit of $554 and pay an average income tax rate of negative 4.0 percent.

6 The tax threshold (assuming full use of the EITC) was raised above the poverty threshold for a family of four filing jointly in 1975-80. By 1984, however, as a result of inflation and an unindexed tax system, a family of four at the poverty level paid 3.43 percent of its income in federal income taxes. As also shown in Table 3, however, the tax threshold for single taxpayers continually remains below the poverty threshold.

7 The percentages are computed as follows: 100 x (col. 3 - col. 2/col. 3 - col. 1).

8 One interesting aspect of the tax/welfare debate is that many analysts, including economists, support the notion of equivalency scales when dealing with welfare programs, but not when dealing with tax provisions such as the personal exemption. This inconsistency is noted in Steuerle, "The Tax Treatment of Households of Different Size," in Taxing the Family, Rudolph G. Penner, ed. (Washington, D.C.: American Enterprise Institute, 1983). This article has been acknowledged as the source of the so-called Presidential "family initiative" to increase the size of the personal exemption, as well as behind the successful effort to give an additional, separate adjustment in the standard deduction for heads of households whose household size affects their ability to pay taxes.

9 One concern has been raised that the EITC could weaken support for the social security system by increasing the portion of social security paid out of general revenues. See Colin D. Campbell and William L. Peirce, "The Earned Income Tax Credit," Special Analysis (Washington, D.C.: American Enterprise Institute, 1980).

10 Among the most recent advocates of adjusting by family size is Robert D. Reischauer. See "Tax Reform: The Nitty Gritty; It Can Help the Poor Even More," Washington Post, Outlook Section, June 1, 1986.


12 It is assumed that the incidence of the social security tax falls entirely on the employee. In calculating the effective tax rates under this assumption, income should include the employer's 7.51 percent social security contribution. If income is defined correctly, the effective tax rates at all levels of income (up to the social security cap) would equal \((1/(1.0751)) = 0.93\) times the reported tax rates. To simplify the explanation of the figures, we have not made this adjustment.

13 See footnote 12.

14 Note that average tax rates fall at all income levels; the reduction in marginal tax rates at incomes below the poverty level outweighs the impact of higher marginal rates on income just above the poverty level.
Reprints

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Poverty and Social Policy: The Minority Experience

A special issue of Focus to appear later this spring will be devoted to the conference "Poverty and Social Policy: The Minority Experience." Held at Airlie House, Airlie, Virginia, in November 1986, the conference was sponsored by the Institute and funded by the Ford Foundation and the Rockefeller Foundation.

The papers presented at the conference, listed below, are undergoing final revision in response to comments received. Meanwhile a summary of the conference papers and proceedings, including formal comments and discussion from the floor, is available as IRP Special Report no. 43 (see order form, inside back cover; the cost is $4.00).

1. "Poverty and Minorities: A Quarter Century Profile of Color and Socioeconomic Disadvantage." by Marta Tienda (Institute for Research on Poverty) and Leif Jensen (University of Wisconsin–Madison).
   Comment by Frank Furstenberg (University of Pennsylvania) and Lillian Hernandez (Staff, U.S. House of Representatives).

2. "Transfer Programs and the Economic Well-Being of Minorities," by William Darity, Jr. (University of North Carolina, Chapel Hill) and Samuel Myers, Jr. (University of Maryland).
   Comment by Margaret Simms (Joint Center for Political Studies) and Daniel Weinberg (U.S. Department of Health and Human Services).

   Comment by Heidi Hartmann (National Research Council) and Walter Allen (University of Michigan).

4. "Ethnic and Racial Patterns of Educational Attainment and School Enrollment," by Robert Mare (University of Wisconsin–Madison) and Christopher Winship (Northwestern University).
   Comment by Sara McLanahan (Institute for Research on Poverty) and Larry Bumpass (University of Wisconsin–Madison).

   Comment by Douglas Massey (University of Pennsylvania) and John Henretta (University of Florida).

   Comment by Cesar Perales (Commissioner of New York Department of Social Services) and Michael Sosin (Institute for Research on Poverty).

   Comment by Jonathan Leonard (University of California-Berkeley) and Edward Lazear (University of Chicago).

   Comment by Russell Thornton (University of Minnesota) and Milton Morris (Joint Center for Political Studies).

   Comment by Sar A. Levitan (George Washington University), Lawrence Mead (New York University), and Robert Hill (Bureau of Social Science Research).
Food stamps and food need

by Maurice MacDonald

Maurice MacDonald is a professor of Family Resources and an affiliate of the Institute for Research on Poverty. Among his published works is a monograph on the Food Stamp program, _Food, Stamps, and Income Maintenance_ (New York: Academic Press, 1977).

The United States will soon be celebrating the two-hundredth anniversary of its Constitution. Pundits with different points of view will assay the document's impact on our way of life today and how we will fare in the future. A predictable and entirely valid theme will be that the Constitution has served well for developing forms of government which meet the majority of our public needs. Those same forms, however, may need to evolve further to yield better performance in a variety of sectors.

The topic examined here is America's performance with respect to sufficiency in meeting the basic need for food—i.e., the problem of persistent hunger. I believe that most of the recent politics of hunger are produced by the tension between federalism and state and local government sovereignty that was intended by our Constitution, a tension that means we can expect future episodes in which the public is challenged by the paradox of rising economic well-being accompanied by hunger for some people during normal times and shocking unmet need for food during severe recessions.

The importance of this theme for managing the welfare system is that signs of increased hunger do not necessarily mean that food assistance programs are designed inadequately, but that their management and control as federal programs are strictly limited by implementation practices at the subnational level.

The Food Stamp program

The largest federal welfare program designed to address the problem of hunger is the Food Stamp program, which was initiated on a small scale in 1964 and expanded in the 1970s. Food stamps originated from farm surpluses that produced overflowing granaries alongside persistent hunger. As a result, the program was placed under the control of the U.S. Department of Agriculture (USDA). Regardless of whether the underlying motive for the program was to provide income maintenance or agricultural relief, or a combination of both, the stamps were designed to provide food to the needy. Households of all types are eligible, reflecting the view that food is a basic right. Consistent with the consensus that public aid should be income tested, the benefit formula targets more stamps to those whose incomes, net of adjustments for taxes and other designated expenses, fall furthest below the federal poverty guidelines. The maximum benefit for a family of four with no other income is $268 per month. Families with incomes below 130 percent of the poverty line are eligible. Liquid assets below $1,500, or $3,000 for elderly persons, are also required. In this fashion, the program serves 19 million persons at a cost of $11 billion in FY 1987. Benefits are indexed to changes in the Consumer Price Index.

Since 1974 the program has operated at the county level nationwide, under state administration, with federal funds covering all of the benefits and half of all administrative costs. States have taken advantage of the indexation of benefit funds to alleviate budgetary pressures for them to raise cash welfare assistance levels. As a result, food stamp benefits have increased relative to Aid to Families with Dependent Children (AFDC) and have reduced interstate inequality in total public assistance payments (see Table 1). Despite the declining value of AFDC payments, it is generally agreed that there is less hunger today than existed before the Food Stamp program became national, thirteen years ago.

The main contention over food stamps now centers on whether the program accomplishes all that it could. Controversy surrounds the benefit amounts, eligibility rules, and the extent to which the program is responsive on a timely basis to all the types of eligibles it was designed to serve.

One issue of concern to program critics has been the extent to which it is targeted on the most needy households. This concern stems from the fact that program eligibility is based on income after deductions for certain expenditures, whereas the official poverty line refers to gross income before deductions. Given an expectation that food assistance
Table 1
Comparison of AFDC and Food Stamps, 1976, 1980, 1984
(In constant 1984 dollars, for a mother with two children with earnings equal to three-quarters of the poverty line)

<table>
<thead>
<tr>
<th>Year</th>
<th>AFDC No. of Beneficiaries (average monthly)</th>
<th>Payment Size (annual)</th>
<th>Food Stamps No. of Beneficiaries (average monthly)</th>
<th>Payment Size (annual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>11,339,000</td>
<td>$3,004</td>
<td>18,500,000</td>
<td>$3,937</td>
</tr>
<tr>
<td>1980</td>
<td>10,597,000</td>
<td>1,857</td>
<td>21,100,000</td>
<td>997</td>
</tr>
<tr>
<td>1984</td>
<td>10,868,000</td>
<td>135$</td>
<td>22,300,000</td>
<td>1,364</td>
</tr>
</tbody>
</table>


Notes: Food stamp benefits are adjusted for receipt of AFDC. No household, therefore, receives the sum of the two benefits. The rise in food stamp benefits for this population is directly related to the loss of AFDC.
* Reflects the loss of AFDC as an income supplement to earnings due to 1981 legislative change.

should be provided only for those who are officially poor, it has been argued that the eligibility rules for food stamps are too lenient. In 1979 Congress limited the program to households with gross incomes below 130 percent of the poverty line—restricting the extent to which unusually high deductions could permit access to the program.\(^1\) Analyzing evidence for 1979,\(^2\) I found that 13 percent of food stamp recipients had gross incomes above the poverty line but below 130 percent of that line. And at that time another 9 percent of recipient households had incomes exceeding 130 percent of poverty on a pretax transfer basis. Because those above 130 percent are no longer eligible, it follows that the program now mainly serves officially poor households.

How well do food stamps work?

Can food stamp recipients meet their dietary needs by relying on the stamps? Two types of evidence suggest two different conclusions.

Anecdotal testimony taken by the 1983 President’s Task Force on Food Assistance\(^3\) clearly established that traffic at emergency food pantries and meal programs increases dramatically at the end of the month. Workers who provide such emergency assistance testified specifically that families they believed capable of wisely managing their budgets ran out of food each month. Unfortunately there is no data base which can be used to determine systematically food expenditure and usage patterns within periods as short as a month.

The federal government does conduct exceedingly careful Health and Nutrition Examination surveys (HANES), and those data have been used both to support and to refute the claim that food stamps provide too little. Hunger advocacy groups have pointed to HANES results showing that substantial percentages of low-income persons do not ingest the minimum daily requirements of important nutrients.\(^4\) But these claims have been countered by the President’s Task Force, which cited the fact that those minimum standards were set high enough to ensure that even individuals with greater needs for certain nutrients would achieve sufficiency.\(^5\)

Unfortunately, there is a high degree of subjectivity about both hunger and our expectations concerning how others should or could manage their food shopping and usage better. To me it seems we could afford to raise benefits 5 to 10 percent without encouraging waste or raising the incidence of luxury food stamp purchases at the checkout counter.

Whatever their level, benefit amounts are much easier to change than the extent to which the stamps reach eligibles across localities. Congress can raise benefits, and state agencies have no incentive to protest because “the feds” pick up the tab. But whenever allegations of delivery problems surface, state and local officials get concerned about the rules and sanctions that may follow. Federal officials may also have a stake in maintaining the status quo if they wish to avoid struggling with the implementation of unpopular new requirements.
Currently the main pressure on the administration of food stamps is the federal regulation that enforces sanctions against overpayment through a quality-control sampling scheme. Underpayments and failure to serve all types of applicants on a timely basis are not penalized. Advocates concerned about hunger have argued that the federal government does little to see that hunger is prevented in all areas of the country. Their argument is primarily based on estimates of program participation rates, which show substantial variation both across and within states. At the national level the participation rate may be as low as 60 percent, compared to estimates of 80 percent or higher for most other federally funded public assistance.

There are, however, a number of problems in the data and procedures used to estimate food stamp participation rates, especially at the local level. Counts of income eligibles are imprecise because they are based on projections from the decennial census for intercensal years; asset data are usually unavailable; and the income data refer to an entire year, whereas program eligibility is determined on a monthly basis. The first two of these data problems are less important, and they lead to some downward bias in participation rates (a bias that can be evaluated from across-the-board corrections based on more comprehensive but infrequently available data bases such as the 1979 Income Survey Development Program, ISDP). The accounting-period problem is less easily corrected and also commonly misunderstood. As compared to the static picture of income eligibility provided by annual data, the USDA has repeatedly emphasized that the numbers of monthly participants used in the rate estimates fail to reflect the fact that there is substantial turnover in the recipient population within a year. (USDA counts from the ISDP have established that 1.7 times more households received the stamps at some time in 1979 than in any particular month that year.) The USDA therefore claims that the national participation rate may be as high as 80 percent. Yet to my knowledge this claim fails to account for the fact that the ISDP data show even greater turnover in eligibles than among participants. Hence it may well be that there is a national food stamp participation problem.

The need for administrative change

Subnationally, the problem in estimating participation is that the variation over time in incomes, assets, and recipiency differs from area to area. Nevertheless my own observation of the range in estimated participation rates among states convinces me that some states in the southern, central, and mountain-west areas do have lower participation rates than are consistent with a policy of uniform treatment within a federally mandated program. On the other hand, it is mistaken to claim that the local estimates we can produce are valid enough to identify “hunger counties.” This is not to say that no such counties exist, but only that the estimates may not be reliable.

FOCUS is a Newsletter put out three times a year by the
Institute for Research on Poverty
1180 Observatory Drive
3412 Social Science Building
University of Wisconsin
Madison, Wisconsin 53706

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Edited by E. Uhr. Unsigned articles written by Elizabeth Evanson and E. Uhr.

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States in which the food stamp participation rate is far below average certainly need to be encouraged to improve their performance by providing more aid and expertise at the county level, with federal sanctions if they fail to attempt this in a serious manner. More federal administrative funds are also needed to demonstrate and evaluate procedures to find what works best in various locales. Furthermore, citizen involvement may be required in the form of local boards to review practices intended to facilitate participation.

These suggestions are intended to address the essential management problem—state control but federal funding. Evidence that hunger persists in some states necessarily forces the search for a solution to the federal level because the history of welfare funding reveals that some states have been unable or unwilling to provide for basic food needs on an entitlement basis. The unfinished business lies in creating incentives and sanctions for more states to manage food stamps as well as those who do it best. This requires con-
gressional leadership for the long haul—beyond mere periodic protests over hunger for partisan gain, and with recognition of the fact that the economic cycle will eventually generate embarrassing reports of hunger for whatever party is in power.

The impact of the most recent recession (1982–83) on food stamp usage is unclear. According to the U.S. House of Representatives, Committee on Ways and Means (see Table 1), the number of beneficiaries has not dropped since then. The continuing high level may be due to persistent unemployment and low wages among households who entered the program because of the recession.

James Madison knew we would require federal leadership when he included in the Constitution provision for state autonomy to protect local options. Such leadership should certainly be forthcoming to encourage states and counties to make full use of the Food Stamp program. Continued hunger does not promote the general welfare. And the blessings of liberty may seem hollow to those with empty stomachs.

1 These deductions are for costs of dependent care, excess shelter costs, and 20 percent of gross income to cover costs of earning income (including taxes). Since 1979 there has been a cap on combined dependent care and shelter costs which limits the total deduction for them to $115 per month.


4 The relationship between the poverty line definition and the minimum nutrient standards is that the poverty line is based on three times the costs of a USDA diet plan for foods that contain the nutrients required to meet those standards.

5 Report of the President’s Task Force, pp. 242–249.

6 For example, see Physician Task Force on Hunger in America. Hunger Counties: 1986—The Distribution of America’s High-Risk Areas (Cambridge: Harvard School of Public Health, 1986); p. 7; and a critique by the U.S. General Accounting Office. Hunger Counties: Methodological Review of a Report by the Physician Task Force on Hunger, March 1986 (Gaithersburg, Md.: GAO. P.O. Box 6015).


8 According to the Physician Task Force, hunger counties are those in which at least 20 percent of the population was poor in 1979 and which also had an estimated food stamp participation rate of 33 percent or lower. The 33 percent cutoff was chosen by finding the 150 counties with the lowest food stamp participation rates. A summary of the methodological problems pointed out by the General Accounting Office in the selection of hunger counties is available in U.S. House of Representatives, Safety Net Programs: Are They Reaching Poor Children? a report of the Select Committee on Children, Youth, and Families (Washington, D.C.: GPO, 1986), pp. 327–328.
New book: *Poverty Policy and Poverty Research*

Lyndon Johnson's declaration of "unconditional war on poverty" in his State of the Union message in 1964 promoted a series of legislative actions designed to create a Great Society. The fate of those antipoverty programs and the social and political changes that ensued have been well documented. What has not been recounted up to now is the way in which those developments affected the progress of the social sciences. A new volume by Robert Haveman, the Institute's second director (1971-75) and John Bascom Professor of Economics at the University of Wisconsin-Madison, describes and assesses the research that resulted from the political initiatives intended to eradicate poverty in America (see box, facing page).

Poverty research was launched in 1965, found an institutional home when IRP was established in 1966, and mushroomed throughout the country over subsequent years until 1980, when it underwent first retrenchment and then, following resurgence in the numbers of the poor, a renaissance. The first of the book's three parts measures the growth, from 1965 to 1980, in federal expenditures on poverty research studies as compared with spending in other research areas and with aggregate spending on federal antipoverty programs and social welfare activity in general.

Haveman evaluates the contribution of this research effort to basic knowledge and to research methods. He emphasizes three subject areas on which poverty studies have had a major impact: (1) the measurement of economic well-being, poverty, and inequality; (2) the nature and effects of public income transfer programs; and (3) the process of status attainment and social mobility. He also examines other social science research areas to which antipoverty efforts have contributed: discrimination, education and human capital, the operation of the labor market.

Poverty research also influenced the practice and methods of the social sciences. Development of the field of policy analysis and evaluation research drew government, academic, and members of the interested public into closer communication, and it opened new career possibilities for those concerned with application of research findings. Social experimentation and econometric advances involving selectivity bias and microsimulation modeling advanced the disciplines along new paths.

The book's main focus is the period from 1965 to 1980. Its Epilogue reviews the years since, puts the entire story in perspective, and asks what lies ahead for poverty-related social science. Haveman's thoughts are represented by these excerpts from the Epilogue:

- First, the 1965-80 period was unique. Social scientists living now are not likely to again witness a burst of policy interest and support matching that which came with the Great Society initiatives.

- Second, it seems inevitable that a good deal of the next generation of research on the nature and causes of poverty and on the behavior of the poor will be more narrow and more focused than that of the earlier period. The next stage is likely to consist of a deeper and more careful sifting out of the issues and of the application of more reliable and sophisticated methods to the estimation of the relationships of interest.

- Finally, the next generation of social research on the poverty problem is also likely to contain an increased emphasis on directly understanding the condition of poverty and the attitudes and motivations of the poor. This research will be less narrow and measurement-oriented than much past poverty research—less dominated by economics and the estimation of formal causal models.

- The research gains attributable to the War on Poverty are large and impressive. But they do not answer all the questions. Future poverty research should build on these past advances, but do so recognizing both the ultimate limits of social research and its competition with ideology and politics in the making of antipoverty policy.

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1 This section of the book was summarized in Haveman's essay, "Poverty Research and the Social Sciences," in the twentieth-anniversary issue of *Focus* (9:2, pp. 8-11).
Teenaged childbearing and welfare policy

I am not suggesting that the problems of teen pregnancy or welfare recipiency are caused only by the women themselves. The social and economic environments of adolescents, the choices of their parents and those of the fathers of their children also play a role. Teen pregnancy, birth, and welfare rates are affected by what happens in families, in schools, in the health care adolescents obtain, and in employment policies for women, low-income families, and for youth in general.

Sandra Danziger, “Breaking the Chains” (see box), p. 4

In the 1970s the birthrate among teenagers in the United States was one of the highest in the Western world. The U.S. rate—52 births per thousand women under 20—contrasted with 5 for Japan, 18 for West Germany, 23 for Denmark, France, and Ireland. It was higher than the teen birthrate in such nations as the Philippines, Greece, and Italy. Yet even this high rate represents a decline. For black teenagers births have dropped from a high of 156.1 per thousand in 1960 to 97.0 in 1982 while the drop for whites has been from 79.4 in 1960 to 44.6 in 1982. The number of births to teenagers has dropped as well, in part because of the declining birthrate, but also because the number of teenagers—the tail end of the baby boom—has been declining.

Why then, one may ask, is there continued—indeed increasing—alarm over the problem? The reason for the concern is that those teenagers who are bearing children are more and more likely to become single mothers. In 1982, 87 percent of births to black teenagers and 37 percent of births to white teenagers were to unwed mothers, whereas in 1970, the percentages were 44 for blacks and 17.5 for whites. Teenaged mothers are both more likely than in the past to be unmarried and to choose to keep their children, whether or not they have adequate incomes.

The connection between single parenthood and poverty has been well documented. Teenage women who become single parents face even bleaker prospects than older single parents. Those who start childbearing at an early age tend to have larger families, fewer years of education, and less experience in the work force than women who have children after the age of 20. They are therefore more likely than others to require welfare. In 1975, 70 percent of all women under age 30 receiving Aid to Families with Dependent Children (AFDC) had borne their first child as teenagers.

Teenage mothers-to-be are at greater risk physically than older women. They are more likely to have pregnancy complications and poor prenatal health care.

The prospects for the children of teen single mothers are dismal. Such babies are more likely than others to have low birth weight—an indication of serious health problems throughout childhood—to receive inadequate medical care and nutrition, to grow up in poverty, and to continue the cycle of bearing children at an early age out of wedlock. While most of the children do not experience all of these consequences, many do not escape the circumstances of their birth to a young mother.

Featured Publication

Dealing with the problem

In a paper titled "Breaking the Chains," Institute affiliate Sandra Danziger examines the chain of events that leads teenagers to become single mothers dependent on welfare. She analyzes the effects of current programs and policies on the behavior of adolescents and assesses what can be done at each "decision point" faced by teenagers to provide alternatives to poverty for mother and child. The four decision points discussed by Danziger, whose multistage analysis of the problem is in line with the conceptualization of other researchers, are

1. The decision to engage in sexual intercourse.
2. The decision not to use contraception.
3. The decision to resolve a pregnancy through keeping the child.
4. The decision to depend on welfare for income maintenance.

Sexual activity

In 1980, 33 percent of girls aged 15–17 and 70 percent of those who had reached age 19 were sexually active. Early sexual initiation is more likely among girls who are black, who come from low-income families, and whose parents have little education. Factors such as being raised by a single parent in a nonreligious atmosphere and having permissive sexual standards are also thought to be related to early sexual behavior. Low grades in school, few educational expectations, and early physical maturity also evidently play a part. Yet many of these distinctions are beginning to weaken as premarital sexual activity increases among all elements of the teenage population. A survey of United Methodist teens in the North Central United States, for example, showed rates of reported premarital sexual activity among church-going youths that were similar to those for teenagers generally.

Contraception

Among teenage girls who were sexually active in 1980, 33 percent used some form of contraception regularly, 42 percent sometimes used contraception, and 25 percent never used contraception. Of those who engage in premarital sex, the pregnancy rate is one in five. "In fact, 29 percent of sexually active whites and 45 percent of experienced blacks aged 15–19 report becoming pregnant before marriage."9

Failure to use adequate birth control seems to be related to individual characteristics. The older a person is at first intercourse, the more likely she or he is to use contraception at that time. Older teen women are also more likely to use a more effective method such as the pill or a diaphragm. Unfortunately there is at present no method of birth control that is suited to the typical patterns of teen sexual relationships, when intercourse is seldom planned and infrequently and erratically performed. Misinformation abounds. Ignorance about the risks of pregnancy and the facts of fertility and lack of awareness that low-cost contraception is available from clinics may all play a role in the high rate of teenage pregnancy.

The resolution of pregnancy

The 1.1 million pregnancies of teenagers in 1980 were resolved in the following fashion: 13 percent miscarried, 38 percent were aborted, 4 percent resulted in adoptions, 27 percent resulted in marriages, and 18 percent resulted in single motherhood. The proportion of these pregnancies that eventually lead to single parenthood is higher than these numbers indicate, because teenage mothers are more likely than older women to become separated or divorced.

Although abortion is no longer funded by Medicaid, it remains a significant means for reducing out-of-wedlock births to teenagers, who obtain more than 450,000 abortions annually. Nonetheless, it is assumed that many more teenagers would have abortions if they could obtain them.

Formal adoption as an alternative to child rearing has declined among white teenagers since the 1970s. It has never been a significant option for black women. Even at the peak period of formal adoption, 1969, when 65–70 percent of unmarried white women resolved their pregnancies this way, only between 5 and 6 percent of black single mothers did so. Informal adoption into an extended family is thought to occur much more frequently among blacks.
Welfare

Approximately 30 percent of teen mothers (including both those who are married and those who are single at the birth of their child) received some form of public assistance in 1984–85. Table 1 presents the proportions receiving public assistance by race and marital status. The table includes not only single parents who live independently, but those who live in subfamilies, usually with their parents or other relatives. It is for this reason that the percentage in poverty (which is based on the income of the entire household) is smaller in some instances than the percentage receiving public assistance. As the table shows, about half of nonwhite and a fifth of white teen mothers received some sort of public assistance.

Table 1

<table>
<thead>
<tr>
<th></th>
<th>Percentage in Poverty, 1984</th>
<th>Percentage At or Below Poverty, 1985</th>
<th>Percentage Who Received Public Assistance, 1984–1985</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>at each marital status, 1985</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total: 559,926</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never married</td>
<td>32.0%</td>
<td>30.0%</td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divorced or separated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whites: 374,943</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never married</td>
<td>30.3%</td>
<td>27.5%</td>
<td>35.7%</td>
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<tr>
<td>Married</td>
<td>62.1%</td>
<td>26.2%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Divorced or separated</td>
<td>7.7%</td>
<td>24.7%</td>
<td>43.1%</td>
</tr>
<tr>
<td>Nonwhites: 184,983</td>
<td></td>
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<td></td>
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<tr>
<td>Never married</td>
<td>89.7%</td>
<td>39.4%</td>
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</tr>
<tr>
<td>Married</td>
<td>8.2%</td>
<td>83.5%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Divorced or separated</td>
<td>2.0%</td>
<td>53.8%</td>
<td>72.5%</td>
</tr>
</tbody>
</table>


Note: Public assistance includes AFDC, Supplemental Security Income, and General Assistance.

* Hispanics are included in the white and nonwhite categories. Blacks comprise 97 percent of nonwhites.

Programs and policies

Programs, whether public or private, that deal with the cluster of problems leading to teenage mothers on welfare include sex education, family planning and counseling—for adoption or abortion—before the child is born, and child support and numerous counseling and training programs as well as income maintenance (welfare) after the fact. Many of these programs are highly controversial. It has been argued that not only do they not alleviate the problems they are designed to handle, but that they may make matters worse. Danziger reviews the available evidence.

Sex education and family planning

No evidence conclusively links government programs and policies with early onset of sexual activity. Although some studies have found a slight increase in the probability of first intercourse among girls aged 15 and 16 who obtained sex education, and no effect for older teens, another study reported that those who were exposed to sex education classes were less likely to report being sexually active than those who were not.12 What is evident from the data is that most teenagers engage in premarital sexual activity eventually, whether or not they receive sex education.

Nor is there much evidence to link access to family planning services with onset of sexual activity, since the typical pattern for young women is to delay any visit to a clinic until a year after they become sexually active. Only 14 percent of teens who come to family planning clinics have not yet become sexually active.

If there is doubt as to the effects of such programs on initial sexual activity, the effects of sex education and family planning on increased contraceptive use are unequivocal. One study indicates that there would have been 21 percent more teenage births and about 150,000 more abortions per year in the late 1970s in the absence of publicly funded family planning services.13 It is estimated that for every dollar spent on family planning services to teens, three dollars were saved in health and welfare costs.14

Experimental school-based comprehensive health care programs appear to be particularly effective, since attendance at such clinics evidently does not stigmatize a teenager. A study of such a program in some Baltimore schools found that pregnancy rates in the experimental schools dropped at the same time that pregnancy rates in the other schools continued to rise.15

It has been suggested that lack of Medicaid funding for abortion and lack of funding for prenatal care and delivery in the case of a planned adoption provide incentives for young women to keep their babies and obtain AFDC. It has also been suggested that the availability of AFDC benefits may encourage childbearing. But studies comparing AFDC benefit levels in different states with birthrates among teens found no connection between the two.16 It does appear, how-
ever, that welfare enables some single mothers to live in separate households rather than as subfamilies with their parents.15 Living on their own, these teenagers may be less likely to continue their schooling, and thus the length of their welfare dependency may be extended. These effects, however, have been found to be quite small.

Child support

In 1968 the Supreme Court ruled that children born to unmarried parents had the right to paternal support. Over the years, especially since the 1984 federal child support enforcement amendments, enforcement measures have become more stringent. At present, however, the advantages of child support enforcement for teen mothers and their children appear to be quite small, since paternity is adjudicated in only a small number of births to teens and teen fathers are seldom in a position to contribute in any meaningful way to the economic well-being of their children. Data from Wisconsin suggest that less than one-fifth of teen single mothers get paternity adjudicated in court. Although three-quarters of these obtain court orders for support, the absent fathers pay only about one-third of what they owe in child support. Greater efforts to legally establish paternity should benefit the children of teen mothers in time, as their fathers become wage earners. Under the Child Support Assurance Program, now being developed in Wisconsin, a public subsidy will be provided to the child if the contribution of the father falls below a minimum level.16

Teen parent programs

Many projects have been directed at the needs of teen parents and their children: counseling and family planning, pediatric care and general health care, education in parenting, and job training. Most such programs are short term, and few studies of their effectiveness have been carried out. Some initial results, however, are consistent with expectations: prenatal care produces healthier babies, as do nutritional services and pediatric care. Child care services enable teen mothers to return to school. Children benefit from the education in parenting that their parents receive. Yet none of the programs seem to have succeeded in lowering subsequent pregnancy rates of teen mothers. Several experimental projects are under way that emphasize employability, training, and education so as to reduce long-term welfare dependency.

Recommendations to increase the options

Using her review as a base, Danziger offers several suggestions for dealing with the problems of teen pregnancy and welfare dependence.

Before pregnancy

Physical sexual maturity is occurring at increasingly younger ages while social maturity is more and more delayed. Furthermore, teenagers are greatly influenced by their peers and are not very receptive to advice from their parents. Developmental psychologists are proposing, therefore, that young adolescents should be taught rational thinking to enable them to make thoughtful decisions about their sexual behavior and relationships. Such programs have the potential for reducing pregnancy without teaching or promoting activities (such as birth control) that are objectionable to some segments of the population.

Programs that increase the aspirations of youth can also be expected to encourage them to postpone parenthood. Vocational education as well as better educational and employment opportunities generally for both teen women and teen men will provide attractive alternatives to welfare recipiency.

Birth control clinics and contraceptive devices, if readily available to all who require them, in a setting (such as a school clinic) that does not single out the sexually active, also seem promising.

Though still controversial, sex education is likely to expand. In October 1986 the Surgeon General endorsed sex education courses starting at the earliest possible grade to prevent children from exposure to AIDS. We may expect, as a result of the response to this incipient disaster, to see some diminution in the birthrate to unmarried teenaged girls.

After conception

All options, including adoption and abortion, should be available to a pregnant teenager. Information should be provided on the father's legal and financial responsibilities and obligations, regardless of marital status. When mothers choose to keep their children, more paternities should be adjudicated and more child support orders sought—early in the child's life. Fathers should be encouraged to become involved in rearing their children.

Possibilities for teenagers on welfare

Efforts should be made to reduce the length of time teenaged mothers require public assistance. Education and training should be promoted by providing child care and by encouraging teenaged mothers to remain with their families of origin rather than choosing to live on their own. Welfare-type training programs should be offered to mothers of very young children. Family planning should be available to reduce subsequent pregnancies. Fathers who live with and/or contribute to the support of their children should be extended remedial education and job training.
Conclusion

Historically the birth of a child has been a statement of affirmation—a belief in the future. Teenagers who have children through ignorance, carelessness, or passivity, in a society in which they have few opportunities, deprive not only themselves but their children of a future. Because it is more difficult and more expensive for society to remedy the problems of teenaged mothers than it is to prevent teenagers from becoming parents before they have had a chance to grow up, Danziger puts great stress on means of prevention. Teenagers should be encouraged to value their own capabilities as well as the futures of their children enough to postpone motherhood until they are mature. To do this they require better alternatives in terms of employment opportunities, motivation, sex education, contraception, health care, and counseling.

3 Ibid., pp. 11, 14.
6 Sandra Danziger; see box. Unless otherwise noted, the data in this article are from the Danziger report. The page numbers refer to the IRP Discussion Paper.
10 Moore, Simms, and Betsey, p. 59.
11 Ibid., p. 62.

Recent Institute Publications on Single-Parent Families


Recent books by IRP researchers

Fighting Poverty: What Works and What Doesn't
Edited by Sheldon H. Danziger and Daniel H. Weinberg
Harvard University Press, 79 Garden Street, Cambridge, MA 02138, 1986 ($27.50)

Two decades after President Johnson initiated the War on Poverty, it is time for an assessment of its effects. In this book a distinguished group of economists, sociologists, political scientists, and social policy analysts provide that assessment. The numbers tell us that spending on social programs has greatly increased, yet poverty has declined only slightly. Do the numbers alone give an accurate picture? Have the government's efforts, as some critics claim, done more harm than good?

The evidence shows that simple comparisons of spending levels and poverty trends do not tell the whole story: many complex issues are involved in an evaluation of antipoverty policy. This volume provides a balanced and multifaceted analysis of antipoverty policies since the 1960s, including both successes and failures. An agenda for the future shows that much can be done.

Social Welfare Spending: Accounting for Changes from 1950 to 1978
by Robert J. Lampman
Academic Press, Inc., Orlando, FL 32887-0016, 1984 ($29.50)

Social Welfare Spending provides a social accounting framework for viewing the social welfare system in the United States, making it possible for the first time to compare the benefits and costs associated with changes in the system. It reviews what has happened to social welfare since 1950—its remarkable growth, who has been receiving more and who less from it. And it sketches out the alternative choices that will determine the future direction of income redistribution. A "Guide to Reading" directs the reader to supplementary literature.

Single Mothers and Their Children: A New American Dilemma
by Irwin Garfinkel and Sara S. McLanahan
Urban Institute Press, 2100 M Street, N.W., Washington, DC 20037, 1986 (cloth, $24.95; paper, $12.95)

The new American dilemma with which this book deals is how best to alleviate the economic hardship faced by poor mothers who are heads of families. Should the aim of government policy be simply to increase the economic well-being of these women and their children by providing benefits such as Aid to Families with Dependent Children? Or does this make matters worse in the long run by increasing the prevalence of single-mother households and their dependence on government?

The authors first look at the size of the problem. What proportion of single mothers are poor and for how long? Why are these families poor? And what are the long-term consequences for children growing up in such circumstances? They then examine the effects of public policy toward mother-only families from the colonial era to the present, with special emphasis on the programs of the Reagan administration.
They conclude that the most important factor underlying the growth of these families has been the change in marriage behavior: among whites, disrupted marriages; among blacks, a decline in marriage.

The authors suggest that it is reasonable to expect work from welfare mothers to promote independence. But because work relief programs are successful only if jobs are available, they advocate the provision of jobs paying the minimum wage to all welfare recipients capable of working. They further suggest services, such as education and training programs, to facilitate economic advancement for these women. And because even full-time work will not always lift these families out of poverty, Garfinkel and McLanahan suggest a number of other ways to supplement the incomes of single mothers with little or no cost to the taxpayers.

Private Benefits: Material Assistance in the Private Sector
by Michael Sosin

This monograph describes the complex history, present efforts, and likely future of private not-for-profit agencies that distribute material aid to the needy. It reports results of quantitative research as well as intensive case studies of the goals, structures, and operating procedures of numerous private agencies. While noting severe limits to private provision at present, Sosin envisions a division of services between the private and public sectors that will utilize the strengths of each in assisting the poor.

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Martin Anderson
Hoover Institution
Stanford University

Alfred J. Kahn
School of Social Work
Columbia University

William Morrill
Mathtech, Inc.

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Department of Economics
University of Rochester

James T. Patterson
Department of History
Brown University

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The Brookings Institution

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William Julius Wilson
Department of Sociology
University of Chicago