

## ES 2.1

**EFFECT OF GOVERNMENT CASH AND NEAR-CASH TRANSFER PROGRAMS ON POVERTY AMONG PERSONS LIVING IN FAMILIES WITH CHILDREN UNDER AGE 18**

Although the federal system of cash and near-cash transfers (including federal income and payroll taxes)<sup>21</sup> plays a substantial role in reducing the poverty rate of children, its collective effect has varied substantially over time. In 1979, federal cash and near-cash transfers produced a 37 percent reduction in poverty among persons in families with related children under age 18 (see Figure ES 2.1); however, by 1983, the same transfer programs produced only a 19 percent reduction in poverty. By 1989 the percentage poverty reduction had recovered to 24 percent, and it rose to 29 percent in 1993 and 34 percent in 1996.

In the absence of any federal transfers and taxes, 20 percent of all persons living in families with children would have been poor in 1996 (see Table ES 2.1). Social insurance programs other than Social Security reduced the poverty rate to 19 percent. The Social Security system reduced the poverty rate further to 18 percent. After inclusion of means-tested cash transfers, the poverty rate fell to 17 percent. Food and housing benefits cut the poverty rate to 14 percent. Finally, the federal tax system reduced the poverty rate of all persons living in families with children to 13 percent.

All of the federal cash and near-cash transfers considered in Table ES 2.1, except federal taxes, reduced poverty among persons in families with related children under age 18 in all years. Until recently, the net impact of the federal tax system was to increase the poverty rate. By 1989, however, the impact of the tax system on the number of such persons in poverty became neutral,<sup>22</sup> and since 1994, the federal tax system has reduced the number of persons in poverty. This is because of the recent expansion of the Earned Income Tax Credit (EITC), which provides refundable tax credits to low-income families with children and at least one working parent whose earnings are low. Because the credit is refundable, many families eligible for the EITC receive a payment from the Treasury instead of paying federal income tax.

<sup>21</sup> Federal cash and near-cash transfers, which transfer income from the government to individuals and families, include Social Security, unemployment compensation, workers' compensation, all means-tested cash transfers, and food and housing benefits. Federal payroll taxes (for Social Security and Medicare) can be thought of as a *negative* transfer (since they always transfer income from individuals to the federal government). Federal income taxes can be either a positive or a negative transfer. Families with children and relatively low taxable income, most of which comes from earnings, can receive a substantial income transfer from the federal government due to the Earned Income Tax Credit.

<sup>22</sup> By "neutral", we mean that the tax system neither increased nor decreased the number of persons in poverty.

Table ES 2.1

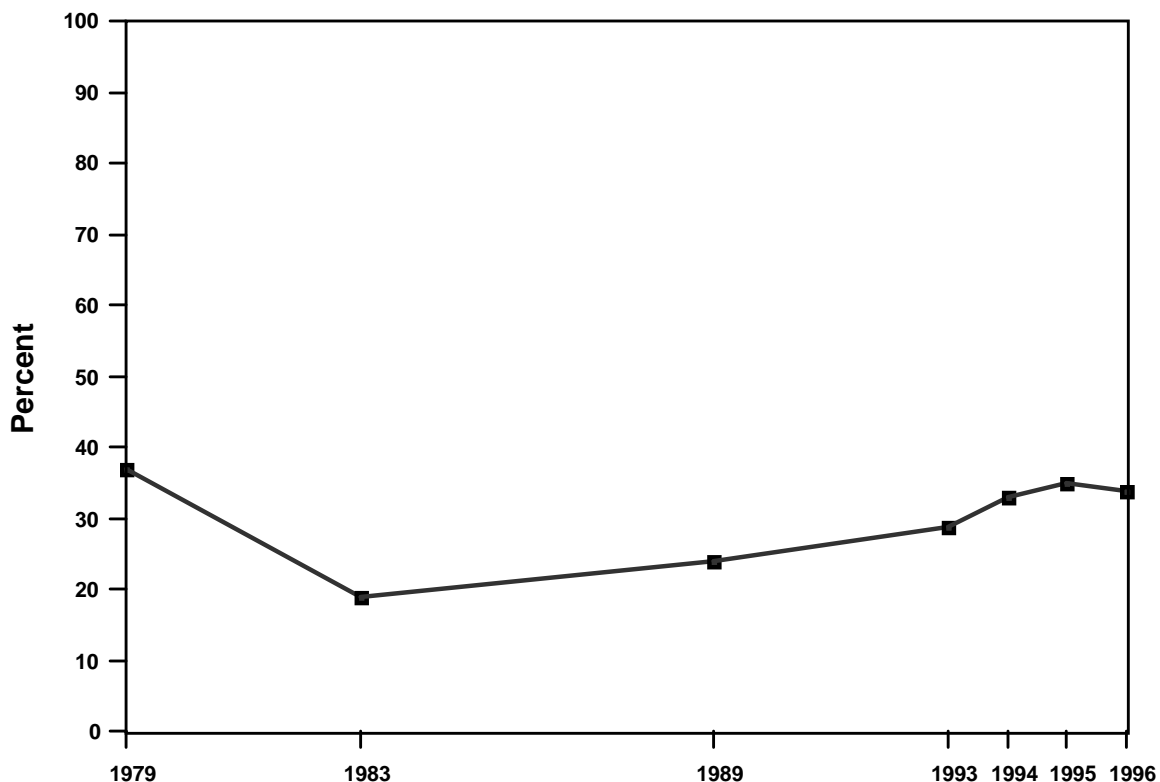
Antipoverty effectiveness of cash and near-cash transfers (including federal income and payroll taxes) for all individuals in the United States in families with related children under age 18: selected years, 1979-1996

	1979	1983	1989	1993	1994	1995	1996
<b>Total population (in thousands)</b>	133,435	132,123	135,430	144,551	145,814	146,227	146,797
Poverty rate (percent):							
Cash income before transfers	17	22	19	22	21	20	20
Plus social insurance (other than Social Security)	16	20	18	21	21	19	19
Plus Social Security	14	19	17	20	19	18	18
Plus means-tested cash transfers	13	18	16	19	18	17	17
Plus food and housing benefits	10	17	14	16	15	14	14
Less federal taxes	11	18	14	16	14	13	13
<b>Total percentage reduction in poverty rate</b>	37	19	24	29	33	35	34

Sources: Congressional Budget Office (CBO) computations using the CBO tax model, with data from the March Current Population Survey, 1980, 1984, 1990, 1994-1997. Table prepared by staff from the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services.

Figure ES 2.1

Antipoverty effectiveness of cash and near-cash transfers (including federal income and payroll taxes) for all individuals in the United States in families with related children under age 18: selected years, 1979-1996



Sources: Congressional Budget Office (CBO) computations using the CBO tax model, with data from the March Current Population Survey, 1980, 1984, 1990, 1994-1997. Table prepared by staff from the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services.



## ES 2.2

**MEANS-TESTED ASSISTANCE: AFDC<sup>23</sup> AND FOOD STAMPS**

Many poor children have depended on Aid to Families with Dependent Children (AFDC) and the Food Stamp program for basic material needs. AFDC was a federal and state cash assistance program targeted at needy children and at certain others in these children's households.<sup>24</sup> As a result of major welfare reform enacted in August 1996, the AFDC program has now been replaced by the Temporary Assistance for Needy Families (TANF) program. TANF provides a block grant to states to design and administer their own welfare and work programs.

The Food Stamp program provides low-income households with vouchers that can be exchanged for food. The welfare reform law included significant new restrictions on Food Stamp eligibility for immigrants who have not become U.S. citizens.

**Children's Receipt of AFDC and Other Welfare Benefits.** Twelve percent of all children lived in families receiving AFDC or General Assistance in 1979, according to survey data (see Figure ES 2.2.A). The rate decreased slightly to 11 percent in 1989 but by 1993 had increased to 14 percent. However, by 1997, the reciprocity rate had dropped to 9 percent.

Somewhat more than 7 million children lived in families receiving welfare in 1979 and 1989 (see Table ES 2.2.A). By 1994, 9.5 million children were living in families receiving welfare. By 1997, the number of children on welfare had dropped sharply to 6.2 million. Administrative data show a similar trend (see Table ES 2.2.C).

**Children's Receipt of Food Stamps.** Food Stamp receipt shows a similar pattern. In both 1979 and 1989, 15 percent of all children lived in households receiving Food Stamps, according to survey data (see Figure ES 2.2.A). The proportion had increased to 20 percent by 1993. In that year 14.2 million children lived in households receiving Food Stamps, up from 9.7 million in 1989 (see Table ES 2.2.B). However, the reciprocity rate had dropped to 15 percent by 1997.

Administrative data for Food Stamps also show a rise in the number of children receiving Food Stamps during the late 1980s and early 1990s, followed by a recent decline (see Table ES 2.2.C). According to these data, the number of children receiving Food Stamps grew from 9.9 million in 1985 to 14.2 million in 1993. By 1996, the number had declined to 13.2 million, or 19 percent of the child population.

**Receipt of AFDC and Food Stamps by Race and Hispanic Origin.** The percentage of children receiving AFDC<sup>25</sup> and Food Stamps varies substantially by race/Hispanic origin. According to 1992 data from a different source (the Panel Study of Income Dynamics<sup>26</sup>), only 5 percent of white non-Hispanic children received AFDC and only 8 percent received Food Stamps (see Figure ES 2.2.B). In contrast, among black non-Hispanic children, 32 percent received AFDC and 42 percent received Food Stamps. Among Hispanic children, 18 percent received AFDC and 30 percent received Food Stamps.

There was also substantial variation among Hispanic children, depending on their descent. Among children of Cuban descent, only 8 percent received AFDC and 18 percent received Food Stamps. In contrast, among children of Puerto Rican descent, 28 percent received AFDC and 48 percent received Food Stamps. Among children of Mexican descent, 15 percent received AFDC and 30 percent received Food Stamps.

<sup>23</sup> Includes General Assistance.

<sup>24</sup> Needy children include those "who have been deprived of parental support or care because their father or mother is absent from the home continuously, is incapacitated, is deceased or is unemployed." See *Overview of Entitlement Programs: 1994 Green Book*. U.S. House of Representatives, Committee on Ways and Means.

<sup>25</sup> Includes General Assistance.

<sup>26</sup> The Panel Study of Income Dynamics excludes children who migrated to the United States after 1990. Consequently, it understates recent migrants' share of the Hispanic population. This is likely to lead to a lower estimate of receipt of transfers for Hispanics than a more representative survey such as the Current Population Survey.

Table ES 2.2.A

Percentage and number (in thousands) of children in the United States under age 18 in families receiving AFDC or General Assistance: selected years, 1979-1997

	1979	1989	1993	1994	1995	1996	1997
Number (in thousands)	7,228	7,116	9,440	9,463	8,656	7,490	6,201
Percent	12	11	14	13	12	11	9

Sources: Estimates for 1979-1994 calculated by Child Trends based on analysis of the March 1980, 1990, 1994, and 1995 Current Population Surveys. Estimates for 1995-1997 provided by U.S. Bureau of the Census.

Table ES 2.2.B

Percentage and number (in thousands) of children in the United States under age 18 in households receiving Food Stamps: selected years, 1979-1997

	1979	1989	1993	1994	1995	1996	1997
Number (in thousands)	9,336	9,696	14,193	13,677	13,115	12,272	10,987
Percent	15	15	20	19	18	17	15

Sources: Estimates for 1979-1994 calculated by Child Trends based on analysis of the March 1980, 1990, 1994, and 1995 Current Population Surveys. Estimates for 1995-1997 provided by U.S. Bureau of the Census.

Table ES 2.2.C

Percentage and number (in thousands) of children in the United States<sup>a</sup> under age 18 receiving AFDC or Food Stamps according to administrative records: selected years, 1985-1996<sup>b</sup>

	1985	1990	1991	1992	1993	1994	1995	1996
<b>AFDC</b>								
Number (in thousands)	7,041	7,620	8,375	9,087	9,402	9,464	9,152	8,559
Percent	11	12	13	14	14	14	13	12
<b>Food Stamps</b>								
Number (in thousands)	9,906	10,127	11,952	13,349	14,196	14,391	13,883	13,200
Percent	16	16	18	20	21	21	20	19

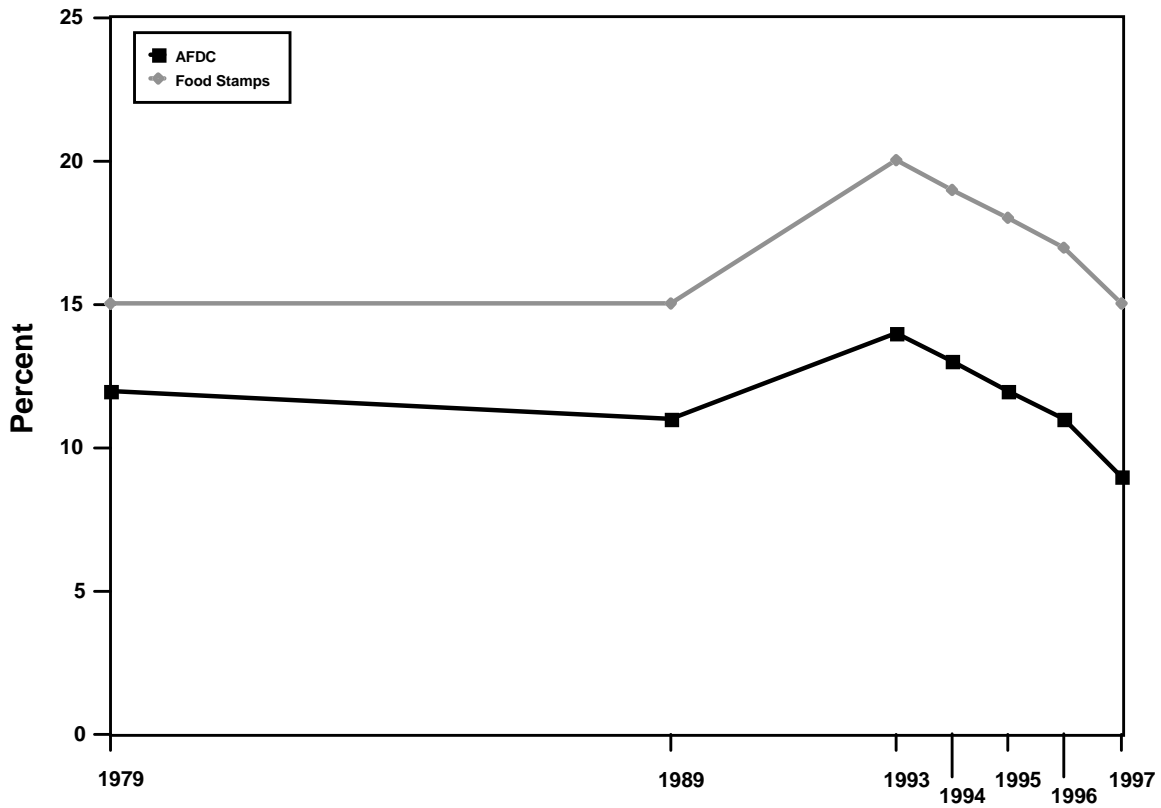
<sup>a</sup>Not including territories.

<sup>b</sup>Data for 1996 are preliminary.

Sources: AFDC statistics calculated by the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, based on unpublished data from the Administration for Children and Families, U.S. Department of Health and Human Services; Food Stamps statistics calculated by the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, based on unpublished data from the Food and Consumer Service, U.S. Department of Agriculture.

Figure ES 2.2.A

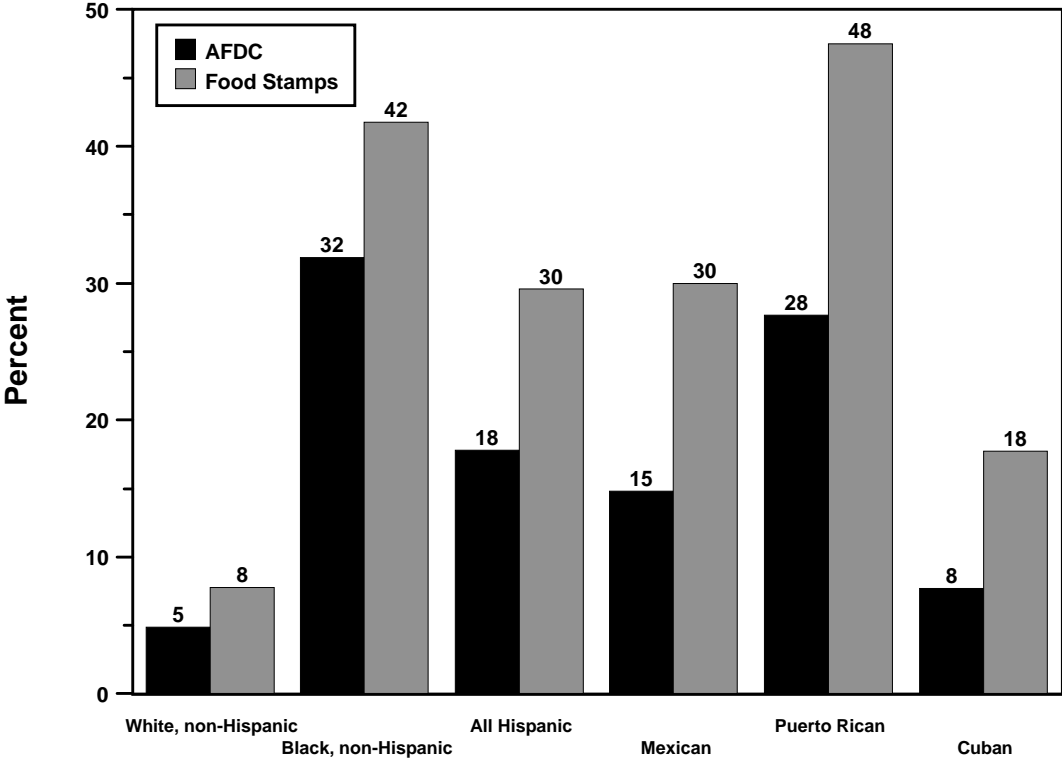
Percentage of children in the United States under age 18 living in families receiving AFDC or General Assistance, and in households receiving Food Stamps: selected years, 1979-1997



Sources: Estimates for 1979-1994 calculated by Child Trends based on analysis of the March 1980, 1990, 1994, and 1995 Current Population Surveys. Estimates for 1995-1997 provided by U.S. Bureau of the Census.

Figure ES 2.2.B

Percentage of children in the United States under age 18 in households receiving AFDC and Food Stamps, by race/ethnicity<sup>a</sup> and by descent: 1992



<sup>a</sup>Estimates for Hispanic children exclude those migrating to the United States after 1990.

Source: Estimates supplied by Sandra Hofferth, University of Michigan, based on data from the Panel Study of Income Dynamics.



## ES 2.3

**LONG-TERM WELFARE DEPENDENCE<sup>27</sup>**

Long-term welfare receipt imposes large costs on taxpayers. Moreover, there is evidence that long-term welfare receipt may have a negative impact on children's completed years of schooling and may increase the likelihood of female children becoming welfare recipients when they reach adulthood.<sup>28</sup>

Living in a family receiving AFDC at some point during childhood is not an uncommon experience. Among all children under age 6 in 1982, 21 percent were on AFDC for at least one year over the next ten years (see Figure ES 2.3.A). Long-term welfare receipt is considerably less common: only 8 percent of all children under age 6 in 1982 were on AFDC at least six of the ten years between 1982 and 1991, and only 4 percent were on AFDC at least nine years.

**Differences by Race.** For black children, however, long-term welfare receipt is considerably more common than for nonblack children (see Figure ES 2.3.A). Among all black children under age 6 in 1982, 26 percent were on AFDC at least six of the next ten years (compared with 5 percent of nonblack children). Similarly, 17 percent were on AFDC for at least nine years (compared with 2 percent of nonblack children). Moreover, a majority of these black children under age 6 were on AFDC at least once between 1982 and 1991.

**Changes over Time.** Table ES 2.3.A compares the ten-year welfare experience of children under age 6 in 1972 with the experience of children under age 6 in 1982. For nonblack children, there is virtually no difference; however, the proportion of black children whose families *never* received welfare increased from 34 percent to 42 percent.

**Welfare Benefits as a Percentage of Total Family Income.** A smaller but still substantial portion of children lived in families who were highly dependent on welfare ("highly dependent" defined as families who received at least half of total income from AFDC and Food Stamps) for some period of time. Among children under age 6 in 1982, 14 percent were in families highly dependent on welfare for at least one year over the next decade (see Figure 2.3.B); 5 percent were highly dependent for six or more years. Nearly 20 percent of black children were highly dependent on welfare for six or more years, compared with 2 percent of nonblack children.

<sup>27</sup> In this section, "welfare" has been defined to include Aid to Families with Dependent Children (AFDC) only or AFDC plus Food Stamps. Supplemental Security Income (SSI) and General Assistance, which are often considered to be "welfare," are *not* analyzed in this section.

<sup>28</sup> G.J. Duncan and W.J. Yeung. 1995. "Extent and Consequences of Welfare Dependence Among America's Children", *Children and Youth Services Review*, 17, No. 1/2, pp. 157-182; P. Gottschalk. 1996. "Is the Correlation in Welfare Participation across Generations Spurious?" *Journal of Public Economics*, vol. 63, pp. 1-25; P. Gottschalk. 1992. "The Intergenerational Transmission of Welfare Participation: Facts and Possible Causes," *Journal of Policy Analysis and Management*, Spring, pp. 224-272. For both the effect on educational attainment and welfare participation, both authors controlled for exposure to poverty. Gottschalk (1995) also controlled for unobservable correlates.

Table ES 2.3.A

Percentage of children in families<sup>a</sup> in the United States receiving any AFDC benefit, by number of years<sup>b</sup> and by race:<sup>c</sup> 1972-1981 and 1982-1991

Decade	Percentage receiving any AFDC benefit				
	<u>Never</u>	<u>One or more</u> <u>years</u>	<u>Three or</u> <u>more years</u>	<u>Six or</u> <u>more years</u>	<u>Nine or</u> <u>more years</u>
<b>1972-1981</b>					
All children under age 6 in 1972	78	22	14	8	4
Black	34	66	51	30	15
Nonblack	85	15	8	4	3
<b>1982-1991</b>					
All children under age 6 in 1982	79	21	14	8	4
Black	42	58	42	26	17
Nonblack	86	14	9	5	2

<sup>a</sup>In the Panel Study of Income Dynamics, the survey used for this table, families include cohabitators and other individuals who are sharing resources with family members and excludes only people such as roomers or employees who have a pure business-type connection to the family.

<sup>b</sup>Receipt of AFDC by families of children who were under age 6 in 1972 was monitored for the decade beginning in 1972 and ending in 1981. Similarly, receipt of AFDC by families of children who were under age 6 in 1982 was monitored for the decade beginning in 1982 and ending in 1991. For these two cohorts of children, the table displays the percentage who participated in AFDC by number of years participating over each 10-year period (minimum is never; maximum is 10 years).

<sup>c</sup>Persons of Hispanic origin may be of any race. Estimates for blacks and nonblacks include persons of Hispanic origin.

Source: Estimates supplied by Greg J. Duncan, Northwestern University, based on data from the Panel Study of Income Dynamics.

Table ES 2.3.B

Percentage of children in the United States for whom AFDC and Food Stamp benefits exceeded 50 percent of family income (including Food Stamps), by number of years<sup>a</sup> and by race:<sup>b</sup> 1972-1981 and 1982-1991

Decade	Number of years in which AFDC and Food Stamp benefits were at least half of family income (including Food Stamp benefits)				
	<u>Never</u>	<u>One or more</u> <u>years</u>	<u>Three or</u> <u>more years</u>	<u>Six or</u> <u>more years</u>	<u>Nine or</u> <u>more years</u>
<b>1972-1981</b>					
All children under age 6 in 1972	87	13	8	3	2
Black	50	50	32	14	8
Nonblack	93	7	4	1	1
<b>1982-1991</b>					
All children under age 6 in 1982	86	14	8	5	2
Black	59	41	29	19	8
Nonblack	91	9	4	2	1

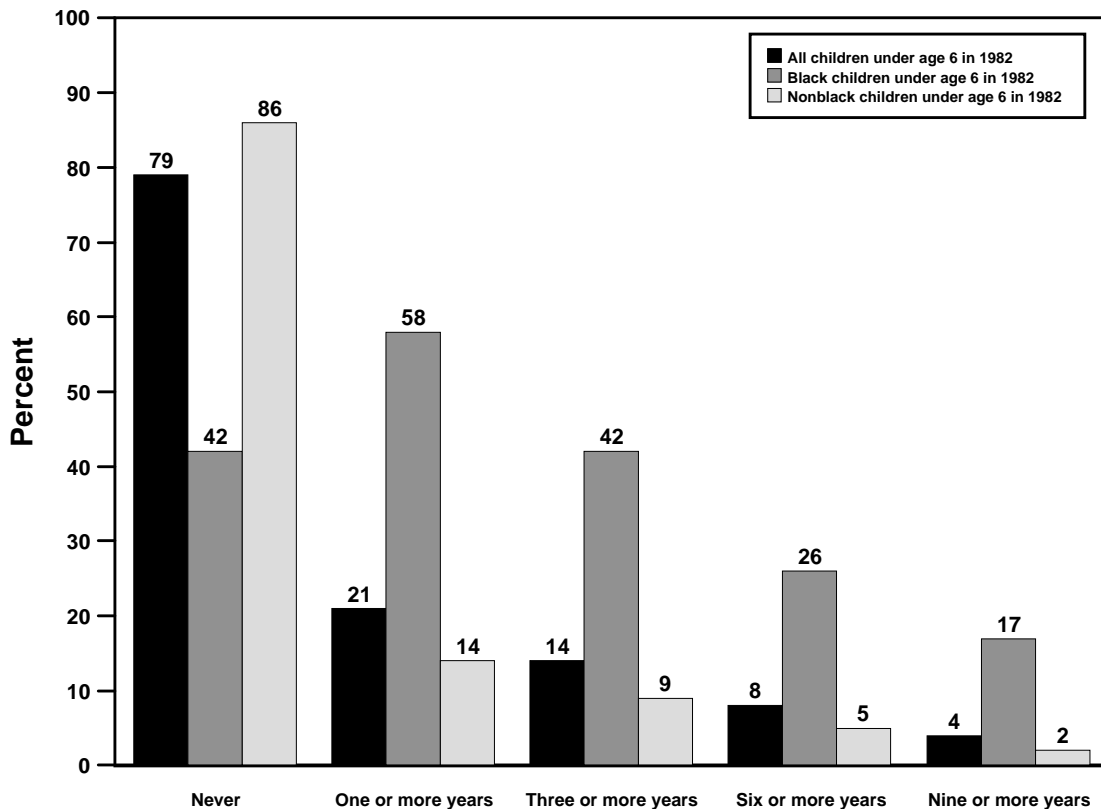
<sup>a</sup>Receipt of AFDC and Food Stamps by families of children who were under age 6 in 1972 was monitored for the decade beginning in 1972 and ending in 1981. Similarly, receipt of AFDC and Food Stamps by families of children who were under age 6 in 1982 was monitored for the decade beginning in 1982 and ending in 1991. For these two cohorts of children, the table displays the percentage of children for whom these benefits exceeded 50 percent of family income by number of years in which this was true over each 10-year period (minimum is never; maximum is 10 years).

<sup>b</sup>Persons of Hispanic origin may be of any race. Estimates for blacks and nonblacks include persons of Hispanic origin.

Source: Estimates supplied by Greg J. Duncan, Northwestern University, based on data from the Panel Study of Income Dynamics.

Figure ES 2.3.A

Percentage of children in the United States receiving any AFDC<sup>a</sup> benefit, by number of years and by race:<sup>b</sup> 1982-1991



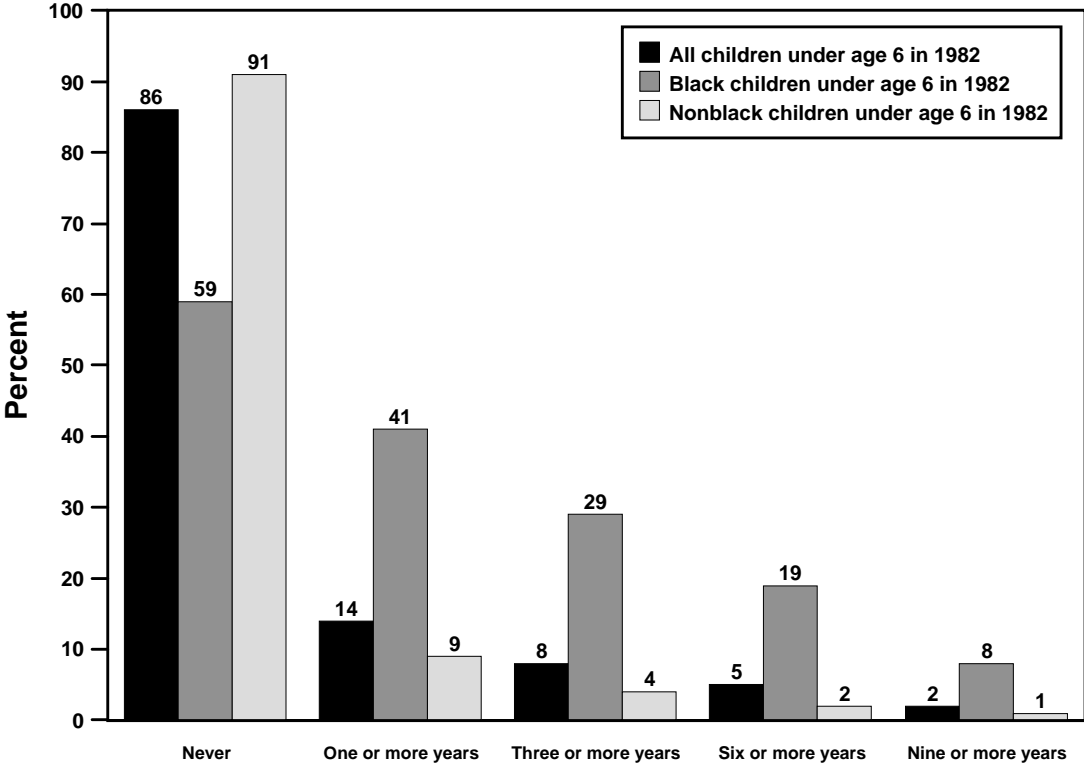
<sup>a</sup>Receipt of AFDC by families of children who were under age 6 in 1982 was monitored for the decade beginning in 1982 and ending in 1991. The figure displays the percentage who participated in AFDC by number of years participating over the 10-year period (minimum is zero; maximum is 10 years).

<sup>b</sup>Persons of Hispanic origin may be of any race. Estimates for blacks and nonblacks include persons of Hispanic origin.

Source: Estimates supplied by Greg J. Duncan, Northwestern University, based on data from the Panel Study of Income Dynamics.

Figure ES 2.3.B

Percentage of children in the United States for whom AFDC and Food Stamp benefits exceeded 50 percent of family income (including Food Stamps), by number of years<sup>a</sup> and by race:<sup>b</sup> 1982-1991



<sup>a</sup>Receipt of AFDC and Food Stamps by families of children who were under age 6 in 1982 was monitored for the decade beginning in 1982 and ending in 1991. The figure displays the percentage of children for whom these benefits exceeded 50 percent of family income by number of years in which this was true over the 10-year period (minimum is zero; maximum is 10 years).

<sup>b</sup>Persons of Hispanic origin may be of any race. Estimates for blacks and nonblacks include persons of Hispanic origin.

Source: Estimates supplied by Greg J. Duncan, Northwestern University, based on data from the Panel Study of Income Dynamics.

## ES 2.4

**SOURCES OF INCOME AND PAYMENT OF FEDERAL TAXES FOR FAMILIES WITH CHILDREN**

Although most families with children receive most of their income from their own earnings and other private sources, federal transfer programs providing both cash and in-kind benefits are an important supplement for many families and the most important source of income for some; thus, many children's standard of living is significantly affected by these programs. Most families with children pay taxes to the federal government to help pay for these programs.

**Federal Cash Benefits.** Many families receive some of their income in the form of government transfers, although the overwhelming majority of families (96 percent in 1995) had other private sources of income as well (see Figure ES 2.4.A).

The most common federal cash benefit in 1995 was the Earned Income Tax Credit (EITC),<sup>29</sup> which the federal government paid to 31 percent of families with children.

The federal government paid cash social insurance benefits (including Social Security, Workers' Compensation, and Unemployment Insurance benefits) to 19 percent of families with children.

Cash benefits from the AFDC program were paid to 16 percent of families with children.

Supplemental Security Income (SSI) benefits were provided to 6 percent of families with children.

A small percentage (2 percent) of families with children received cash benefits from other means-tested cash programs.

Single-parent families with children are less likely than married-couple families with children to have pre-transfer income (see Table ES 2.4.A). While 99 percent of married-couple families with children had pre-transfer income, only 88 percent of single-parent families had income before transfers. It is not surprising, therefore, that single-parent families with children were more likely than married-couple families with children to receive means-tested cash benefits. For example, while only 6 percent of married-couple families received AFDC benefits, 37 percent of single-parent families received these benefits.

**Federal In-Kind Benefits.** Many families also receive in-kind benefits from the federal government (see Figure ES 2.4.A).

The federal government provided Food Stamps to 20 percent of families with children.

Housing benefits were provided to 5 percent of families with children.

Single-parent families with children were much more likely than married-couple families to receive in-kind benefits (see Table ES 2.4.A). For example, while only 9 percent of married-couple families received Food Stamps, 45 percent of single-parent families did so. Similarly, only 1 percent of married-couple families received housing benefits, but 15 percent of single-parent families did so.

**Federal Taxes.** Most families with children pay both Social Security (FICA) taxes<sup>30</sup> and federal income taxes<sup>31</sup> (see Figure ES 2.4.B). In 1995, 92 percent of all families with children paid Social Security taxes, while 78 percent paid federal income taxes. Married-couple families were more likely than single-parent families to pay federal taxes. While 97 percent of married-couple families paid Social Security taxes, only 79 percent of single-parent families did so. Similarly, while 88 percent of married-couple families paid federal income taxes, only 51 percent of single-parent families did so.

<sup>29</sup> This benefit is paid to families with at least one child, one parent with earnings, and relatively low taxable income. If the credit is larger than a family's federal income tax liability, the difference is refunded to the family. The EITC figure presented in Figure ES 2.4.A and Table ES 2.4.A refers only to families that received a refund and not to families whose EITC only partially offset their federal income tax liability.

<sup>30</sup> FICA taxes cover the Old Age, Survivors, and Disability Insurance (OASDI or Social Security) program plus Medicare.

<sup>31</sup> Figure ES 2.4 displays the percentage of families with a federal income tax liability *before* the EITC. Thus, a family with \$500 in tax liability before the EITC, but with a \$1,000 EITC, is still counted as having a federal income tax liability.

Table ES 2.4.A

Percentage of families with children under age 18 in the United States receiving various sources of income, by family structure: 1993 and 1995

	1993	1995
<b>Pre-transfer income</b>		
All family structures	95	96
Unmarried head	85	88
Married couple	98	99
<b>Cash benefits</b>		
<b>Social insurance income</b>		
All family structures	20	19
Unmarried head	21	21
Married couple	20	18
<b>AFDC</b>		
All family structures	16	16
Unmarried head	40	37
Married couple	6	6
<b>SSI</b>		
All family structures	4	6
Unmarried head	6	11
Married couple	2	4
<b>Other means-tested cash benefits</b>		
All family structures	2	2
Unmarried head	3	3
Married couple	1	1
<b>In-kind benefits</b>		
<b>Food Stamps</b>		
All family structures	20	20
Unmarried head	45	45
Married couple	9	9
<b>Housing</b>		
All family structures	6	5
Unmarried head	17	15
Married couple	1	1
<b>Earned Income Tax Credit</b>		
All family structures	29	31
Unmarried head	51	54
Married couple	19	21

Note: The Urban Institute's Transfer Income Model (TRIM) simulates eligibility for and payment of cash and in-kind benefits for a representative sample of the U.S. population based upon the characteristics of the persons, families, and households contained in the sample. TRIM also simulates the payment of federal income and payroll taxes for this same representative sample. The results of TRIM simulations may differ from the results produced by other data sets or models because, for most programs, TRIM uses data corrected for under- and nonreporting. In the case of the Earned Income Tax Credit (EITC), for example, TRIM estimates differ from those of the U.S. Treasury because TRIM assumes that nearly everyone who is eligible for the EITC actually receives it. In reality, some ineligible families receive it and some eligible families do not. The errors do not exactly offset one another.

Source: 1994 and 1996 Current Population Survey, as processed by the Urban Institute's Transfer Income Model.

Table ES 2.4.B

**Percentage of families in the United States with children under age 18 and with federal tax liability (before EITC), by type of tax and family structure: 1993 and 1995**

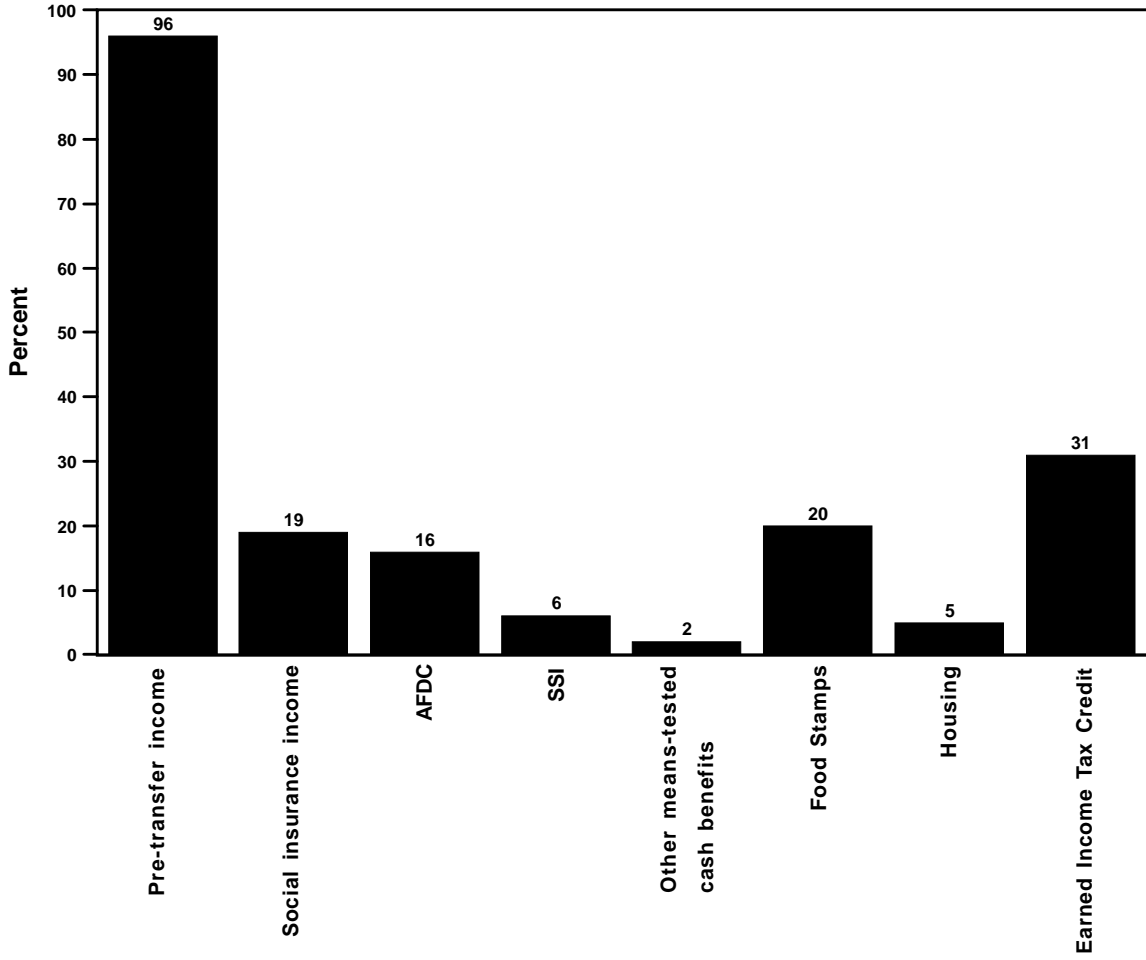
	1993	1995
<b>Social Security (FICA)</b>		
All family structures	91	92
Unmarried head	76	79
Married couple	97	97
<b>Federal income tax</b>		
All family structures	76	78
Unmarried head	48	51
Married couple	88	88

Note: The Urban Institute's Transfer Income Model (TRIM) simulates eligibility for and payment of cash and in-kind benefits for a representative sample of the U.S. population based upon the characteristics of the persons, families, and households contained in the sample. TRIM also simulates the payment of federal income and payroll taxes for this same representative sample. The results of TRIM simulations may differ from the results produced by other data sets or models because, for most programs, TRIM uses data corrected for under- and nonreporting. In the case of the Earned Income Tax Credit (EITC), for example, TRIM estimates differ from those of the U.S. Treasury because TRIM assumes that nearly everyone who is eligible for the EITC actually receives it. In reality, some ineligible families receive it and some eligible families do not. The errors do not exactly offset one another. Table displays federal income tax liability before the EITC. Thus, a family with \$500 in tax liability before the EITC, but with a \$1,000 EITC, is still counted as having a federal income tax liability.

Source: 1994 and 1996 Current Population Survey, as processed by the Urban Institute's Transfer Income Model.

Figure ES 2.4.A

Percentage of families with children under age 18 in the United States receiving various sources of income: 1995

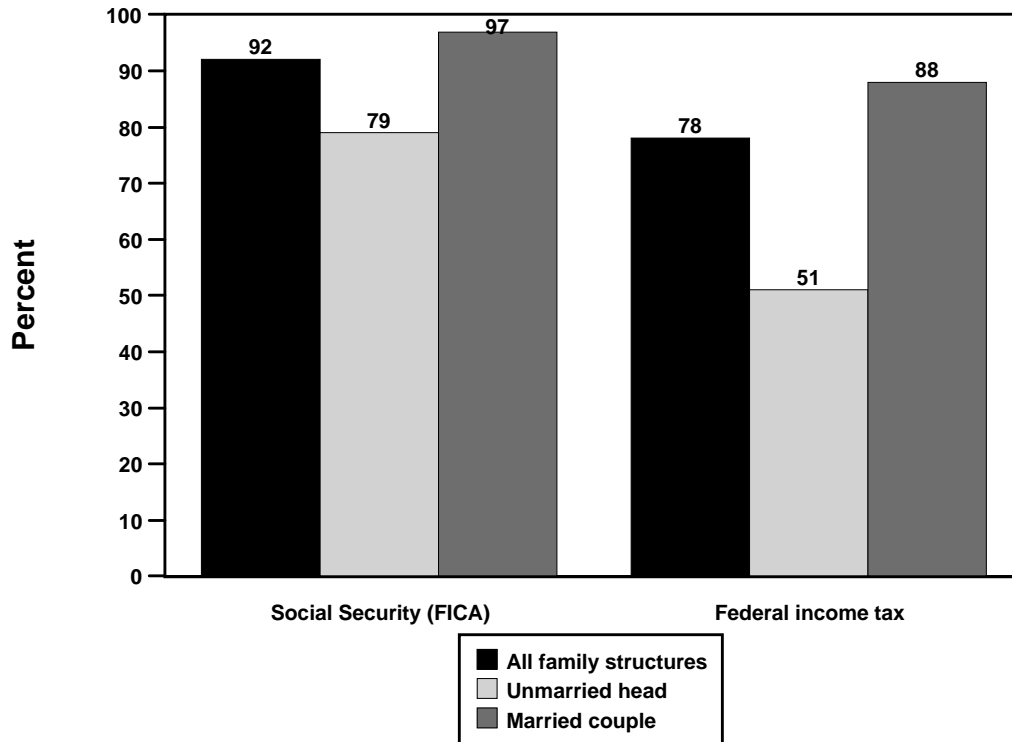


Source: 1994 and 1996 Current Population Survey, as processed by the Urban Institute's Transfer Income Model.



Figure ES 2.4.B

Percentage of families in the United States with children under age 18 and with federal tax liability (before EITC), by type of tax and family structure: 1995



Source: 1994 and 1996 Current Population Survey, as processed by the Urban Institute's Transfer Income Model.



## ES 2.5

**CHILD SUPPORT NONPAYMENT**

The issue of child support has gained in importance in recent years. As rates of divorce and nonmarital births have risen, an increasing proportion of children and their custodial parents depend on this source of income for financial support and suffer correspondingly when it is not forthcoming. In addition, when noncustodial parents do not support their children financially, it is often left to the government to step in and provide support in the form of AFDC/TANF, Food Stamps, and other forms of assistance.

In many cases, and particularly where nonmarital births are concerned, families who should be receiving child support from the noncustodial parent lack a court order establishing how much is owed. In 1995, 42 percent of custodial parents lacked a court order. Among custodial parents with a court order who were owed child support, 39 percent received the full amount.<sup>32</sup>

Table ES 2.5.A shows the proportion of custodial mother families who had court orders for child support but received no support at all for selected years between 1978 and 1991. Table ES 2.5.B shows similar estimates for 1993 and 1995, though changes in child support questions render these estimates incomparable to estimates for earlier years. Between 1978 and 1991 the proportion of all eligible custodial mother families who received no support ranged between 21 and 28 percent. Rates of nonpayment decreased somewhat from 1978 to 1985, from 28 to 21 percent, then rose to about 24 percent by 1991. The estimates for 1993 and 1995, which are not comparable with earlier estimates, are 29 and 30 percent, respectively.

**Differences by Marital Status.** Women who were separated or never married were substantially less likely to have court orders for child support than those who were divorced or who had remarried.<sup>33</sup> In 1995, rates of nonpayment for those who had court orders ranged from 24 percent among divorced women to 44 percent among never-married women.

**Differences by Race and Hispanic Origin.** In most years, eligible white custodial mother families experienced lower rates of nonpayment than either black or Hispanic families. For example, in 1995, the most recent year for which estimates are available, the percentage of eligible custodial mother families receiving no payment was 27 percent for whites, 41 percent for blacks, and 42 percent for Hispanics.

**Differences by Poverty Status.** Women who are poor are less likely to have received child support payments. In 1995, rates of nonpayment for eligible custodial mothers were 38 percent among poor mothers and 27 percent among nonpoor mothers.

**Methods of Payment.** Some custodial parents receive their child support payments directly from the noncustodial parent or that parent's place of employment. Other parents use the Child Support Enforcement program, authorized under Title IV-D of the Social Security Act, to establish and enforce child support orders. Families receiving AFDC and Medicaid benefits are required to cooperate with their state's child support enforcement agency. Other families may request these services. Since fiscal year 1992, collections made by child support enforcement agencies have increased by nearly 80 percent, from \$8 billion in fiscal year 1992 to \$14.4 billion in fiscal year 1998.<sup>34</sup> For the same period, paternity establishments increased more than 40 percent and child support orders increased 16 percent.

<sup>32</sup> Scoon-Rogers, L. 1999. *Child Support for Custodial Mothers and Fathers; 1995*. Current Population Reports, P-60, No. 196, Table 7 (Detailed Tables), at <http://www.census.gov/hhes/www/childsupport/cs95.html>.

<sup>33</sup> Scoon-Rogers, L. 1999. *Child Support for Custodial Mothers and Fathers; 1995*. Current Population Reports, P-60, No. 196, Table 9 (Detailed Tables), at <http://www.census.gov/hhes/www/childsupport/cs95.html>

<sup>34</sup> U.S. Department of Health and Human Services (HHS), Administration on Children and Families. 1998. "Child Support Collections Reach New Records." HHS Press Release.

Table ES 2.5.A

Child support nonpayment: percentage of eligible women<sup>a</sup> in the United States who are not receiving child support, by marital status and by race and Hispanic origin:<sup>b</sup> selected years, 1978-1991

	1978	1981	1983	1985	1987	1989	1991 <sup>c</sup>
<b>Total</b>	28	23	24	21	24	25	24
<b>Marital status</b>							
Married	32	25	28	24	27	28	24
Divorced	27	23	24	21	22	23	22
Separated	27	16	13	12	26	20	26
Never-married	19	27	24	20	17	27	26
<b>Race and Hispanic origin<sup>b</sup></b>							
White	27	23	23	21	23	24	22
Black	37	23	31	22	27	30	30
Hispanic	35	29	38	26	25	30	31

<sup>a</sup>Eligible women are those with court orders for child support.

<sup>b</sup>Persons of Hispanic origin may be of any race. Estimates for whites and blacks include persons of Hispanic origin.

<sup>c</sup>Estimates for 1991 were produced using somewhat different assumptions than in previous years and should not be contrasted with earlier estimates.

Sources: 1978-1987 data from Child Support and Alimony, Series P-23, Nos. 112, 140, 141, 154, and 167 (Table 1 in each); and Current Population Reports, Series P-60, No. 173, Table C. Data for 1991 from Current Population Reports, Series P-60, No. 187, Table 1.

Table ES 2.5.B

Child support nonpayment: percentage of eligible women<sup>a</sup> in the United States who are not receiving child support, by marital status, race and Hispanic origin,<sup>b</sup> and poverty status: 1993 and 1995<sup>c</sup>

	1993	1995
<b>Total</b>	29	30
<b>Marital status</b>		
Married	26	28
Divorced	24	24
Separated	34	31
Never-married	41	44
<b>Race and Hispanic origin<sup>b</sup></b>		
White	25	27
Black	39	41
Hispanic	35	42
<b>Poverty status</b>		
Poor	35	38
Nonpoor	26	27

<sup>a</sup>Eligible women are those with court orders for child support.

<sup>b</sup>Persons of Hispanic origin may be of any race. Estimates for whites and blacks include persons of Hispanic origin.

<sup>c</sup>Starting with the April 1994 CPS questionnaire, revisions were made to the questions surrounding child support awards and the receipt of payments. Therefore, data for 1991 and earlier (Table ES 2.5.A) are not comparable to the data presented in this table.

Sources: U.S. Bureau of the Census. Current Population Reports, Series P60, No. 196; data for 1993 and 1995 can be found at: [www.census.gov/hhes/www/childsupport/chldsu94.html](http://www.census.gov/hhes/www/childsupport/chldsu94.html) (Table 4) and [www.census.gov/hhes/www/childsupport/chldsu96.html](http://www.census.gov/hhes/www/childsupport/chldsu96.html) (Table 4).