

Study finds EITC bolsters recipients' self-respect while helping them financially

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America's welfare state is quietly evolving from needs-based to an employment-based safety net that rewards working families and fuels dreams of a better life, indicates a new study led by a Michigan State University (MSU) scholar.

The major reason: the little-known Earned Income Tax Credit (EITC), a \$65 billion federal tax-relief program for poor, [working families](#). The program has been expanded dramatically during the past 25 years, while cash welfare has been sharply curtailed.

Reporting in the April issue of the *American Sociological Review*, Jennifer Sykes and colleagues find the [tax-credit](#) program seems to bolster recipients' self-respect by emphasizing their role as working parents and providers. Cash welfare recipients, on the other hand, often feel like others see them as outcasts or freeloaders since they're not required to work to receive the benefit.

"The Earned Income Tax Credit is one of the most successful poverty-alleviating social policies to date," said Sykes, an assistant professor of social relations and policy in MSU's James Madison College. "It takes a poor-paying job and makes it a decent job. It also removes the stigma and enhances feelings of upward mobility and social inclusion."

The average tax credit for a family with children is almost \$3,000 annually. A single parent of three who works full time can get as much as \$6,143. Typically, the lump-sum refund constitutes about one-fifth of

a family's annual income. The program lifts some 7 million people out of poverty every year, about half of those children.

The researchers conducted in-depth interviews with 115 EITC recipients in Boston about how they spent the money and what it meant to them. About 25 percent of the money went to pay off bills or reduce debt; another 17 percent went into savings; and about 40 percent went to needed items such as furniture or to fund "upward mobility" goals such as schooling.

Only 10 percent of the money was spent on "treats" such as special clothing for the children, dinner at a restaurant, or a modest weekend vacation. "These are things middle-class families take for granted," Sykes said.

About half of U.S. states have their own Earned Income Tax Credit to supplement the federal credit, although in some cases the state-level programs have been stripped down. In Michigan, for example, the program was scaled back in 2011, but would be expanded if voters approve a May ballot measure dealing with road funding.

Critics have called the tax credit "welfare by another name." But Sykes considers it a highly effective assistance program worthy of expansion.

"Millions of low-income, working-class folks in America are making ends meet by living in the red. They are working, but they are not earning a livable wage," Sykes said. "The EITC is a powerful force in the lives of these families."

More information: "Dignity and Dreams: What the Earned Income Tax Credit (EITC) Means to Low-Income Families," *American Sociological Review*, 2015.

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