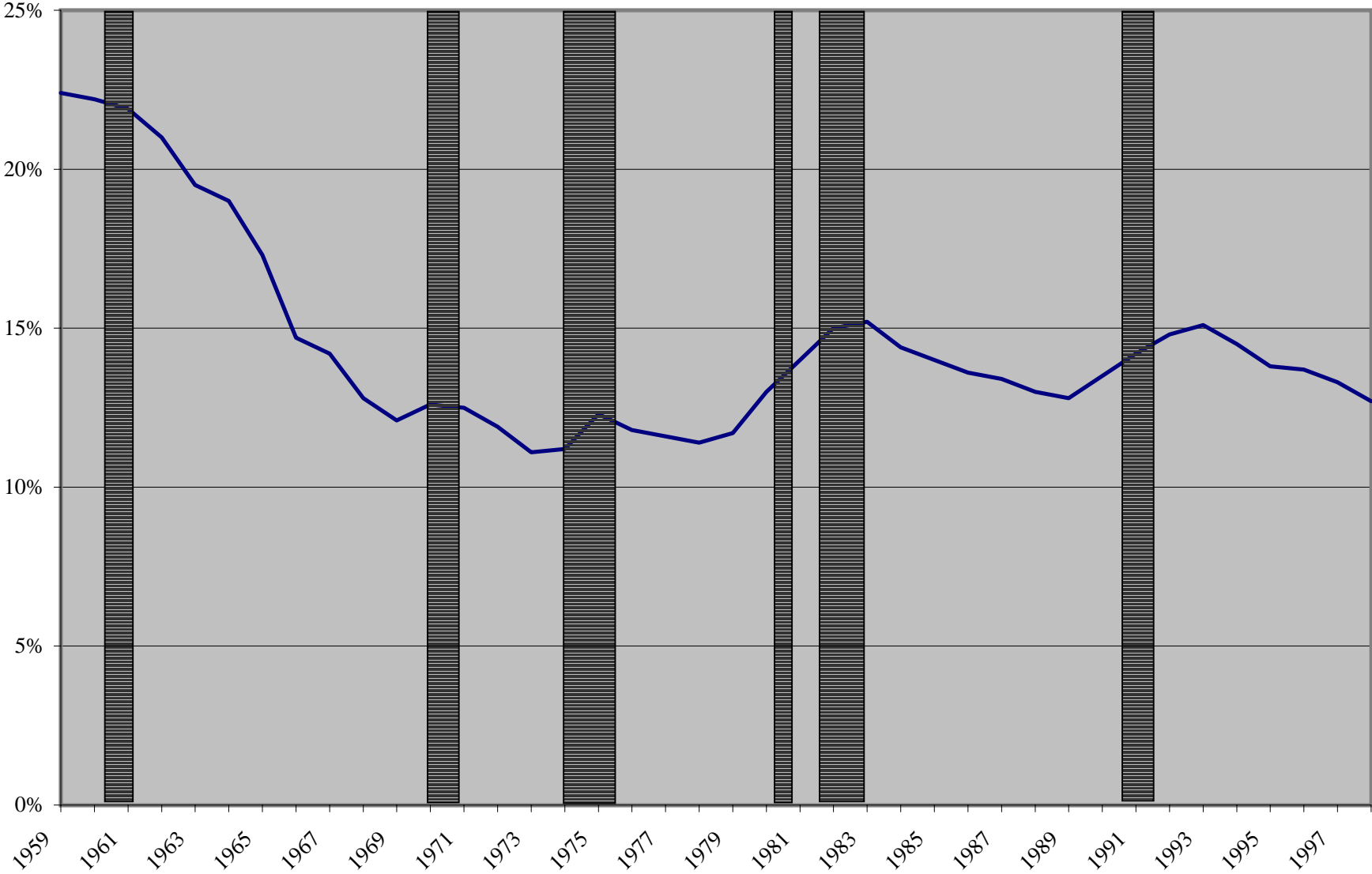


# Chart 1: Percent of Americans in Poverty, 1959-1998

Shaded areas indicate periods of economic recession



Sawhill/Thomas Brookings (2001)

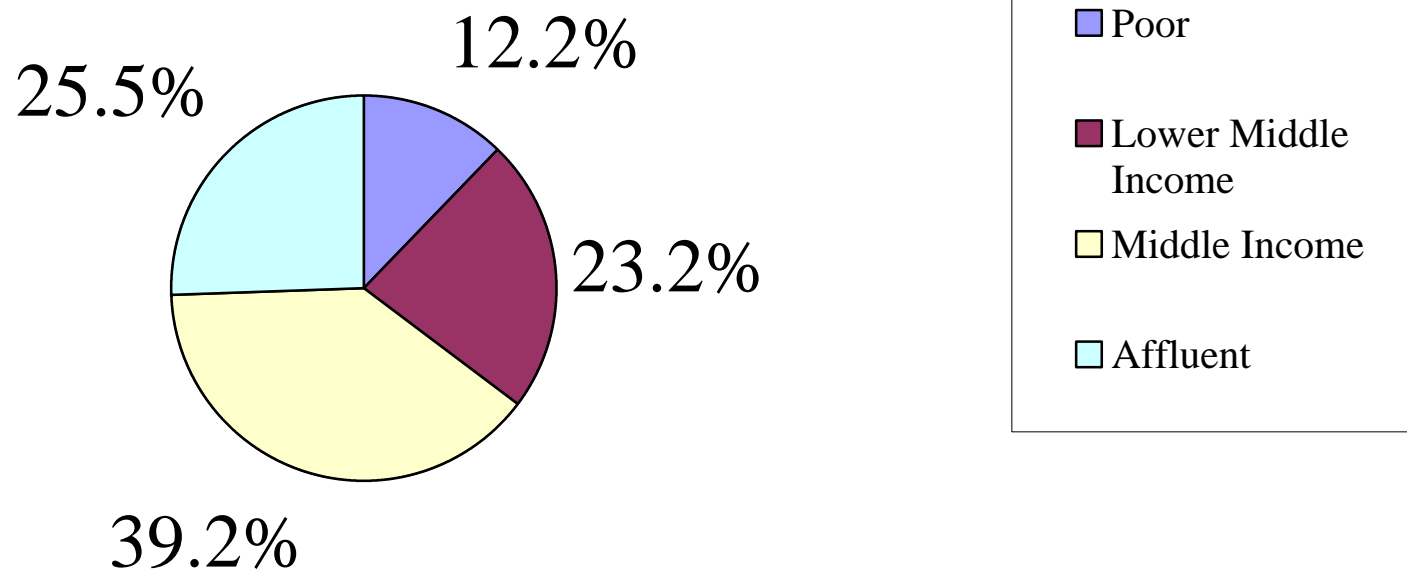
Sources: Plotnick et. al. (1998) and NBER (2000)

## Chart 2: Poverty Rates in 1998

	Total	Families With Children		Families Without Children	Unrelated Individuals
		Single-Parent Families	Two-Parent Families		
<b>Official Rate</b>	12.7%	36.9%	8.4%	3.5%	19.9%
<b>Adjusted Rate</b>	12.2%	35.1%	7.4%	3.5%	20.6%
<b>Child Poverty Rate (Official)</b>	18.9%	41.6%	9.8%	N/A	
<b>Child Poverty Rate (Adjusted)</b>	17.5%	39.5%	8.7%		

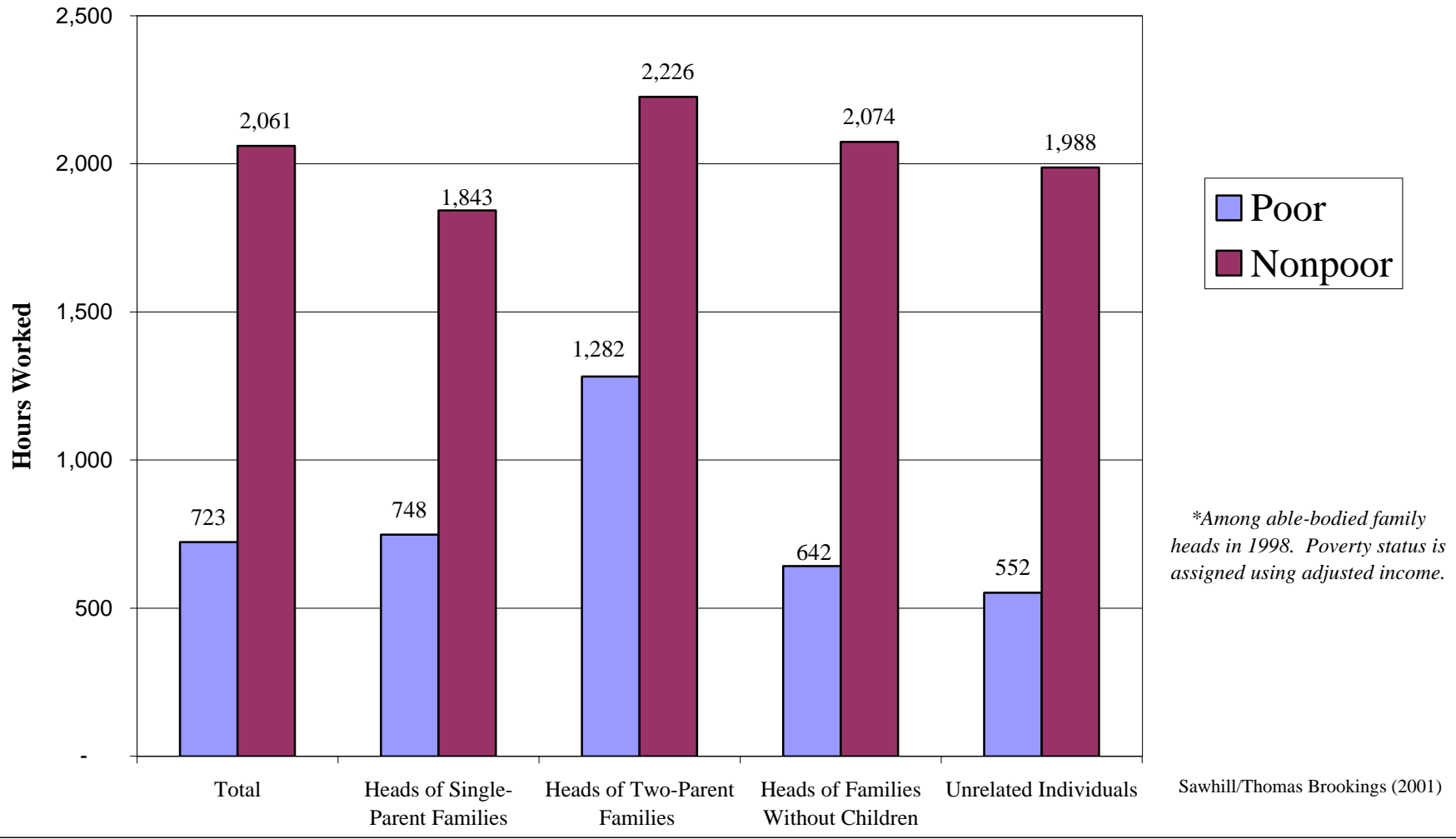
Sawhill/Thomas Brookings (2001)

### Chart 3: Income-to-Needs Distribution of the U.S. Population in 1998\*

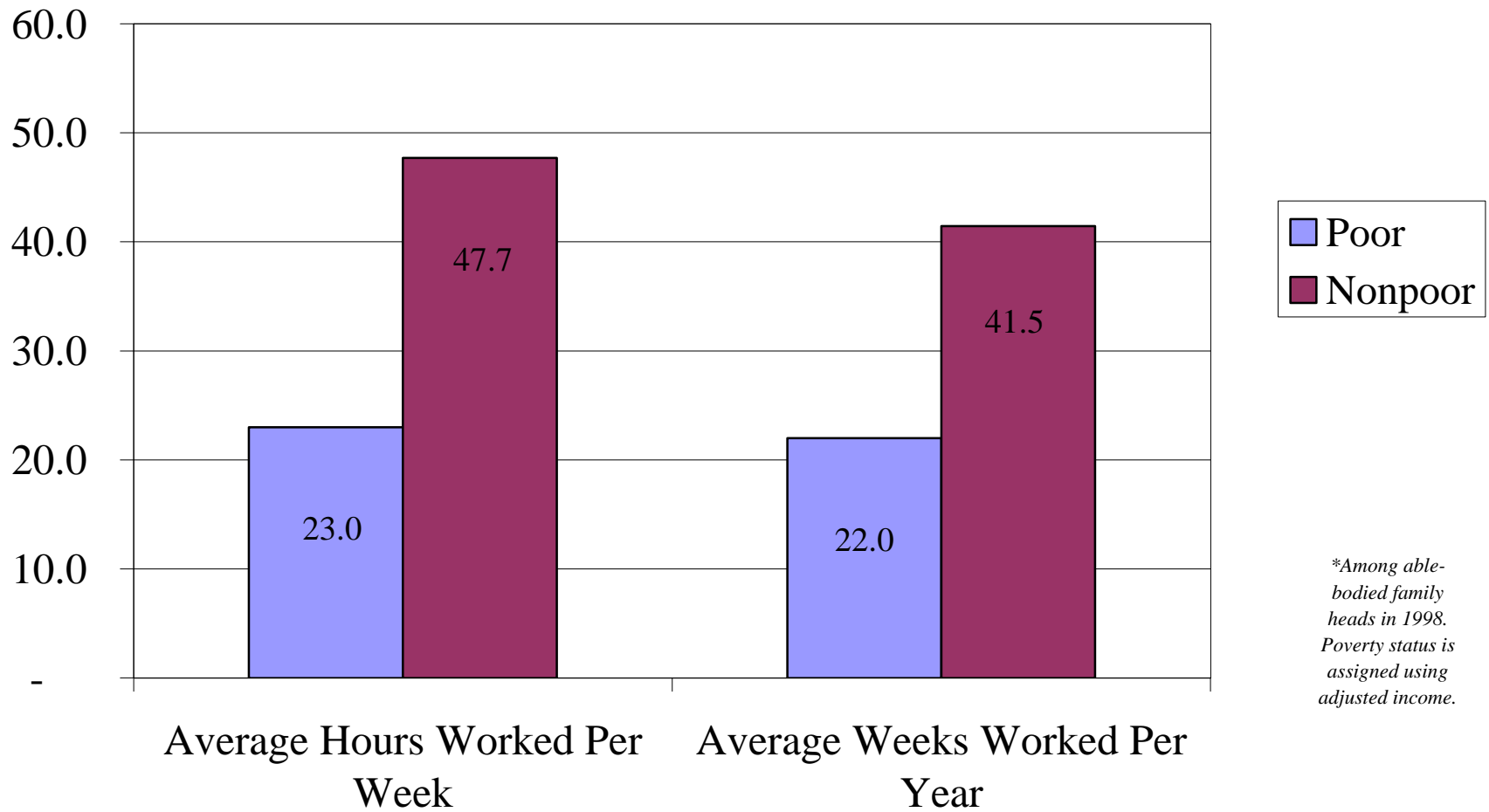


\*Income-to-needs status is assigned using adjusted income.

# Chart 4: Average Annual Hours Worked by Family Heads\*

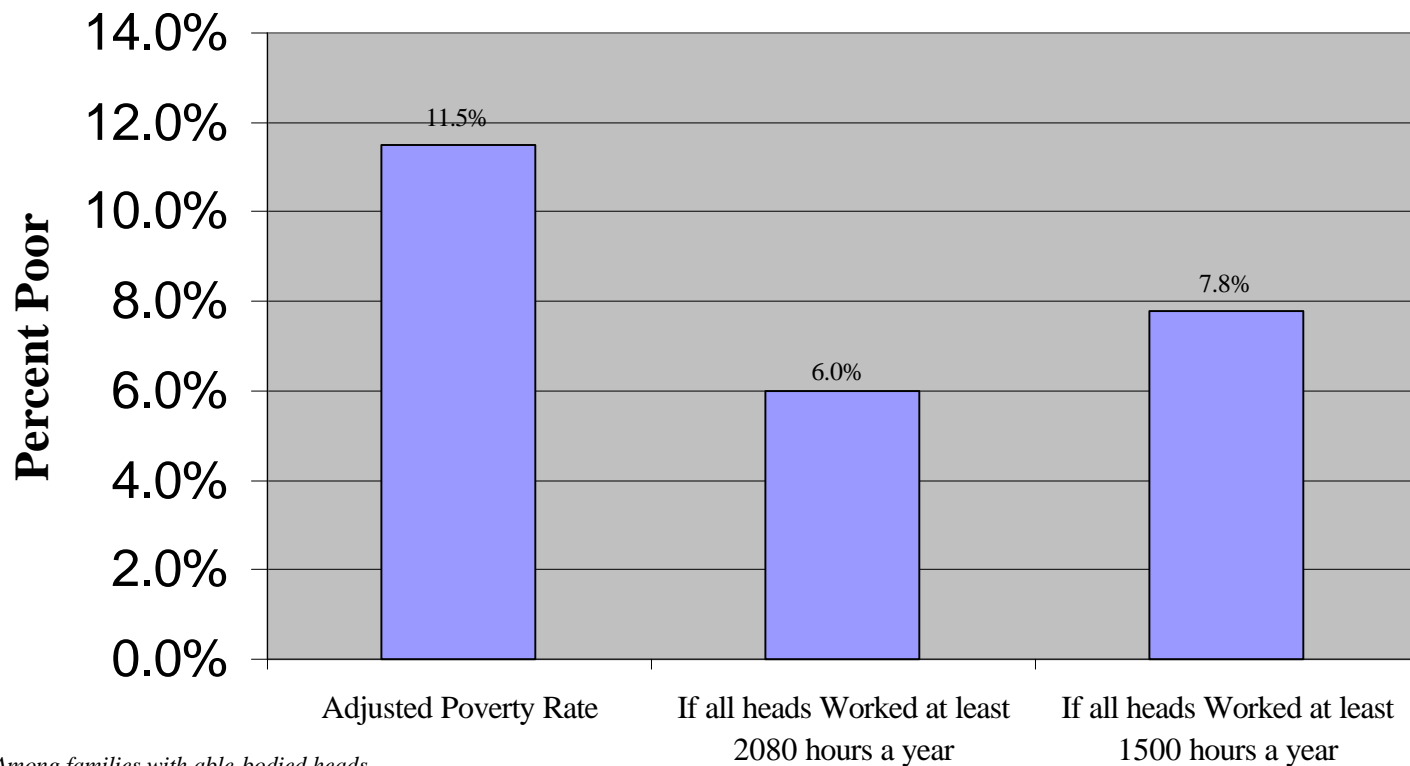


### Chart 5: Work Characteristics of Poor and Nonpoor Family Heads\*



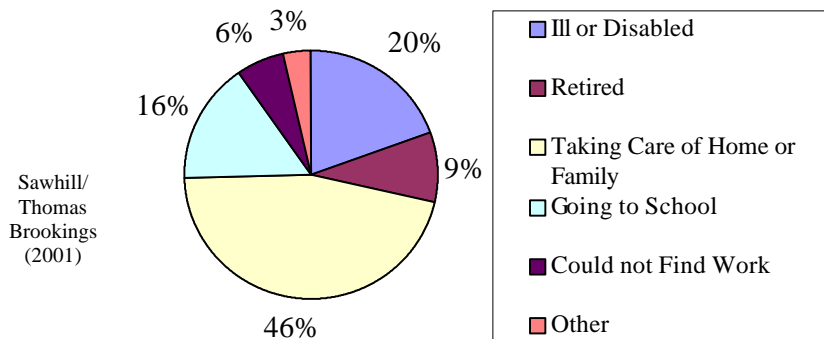
Sawhill/Thomas  
Brookings (2001)

## Chart 6: Adjusted Poverty Rates under a Full-Time Work Simulation\*



# Chart 7: Reasons Cited for Not Working, Among Poor Family Heads

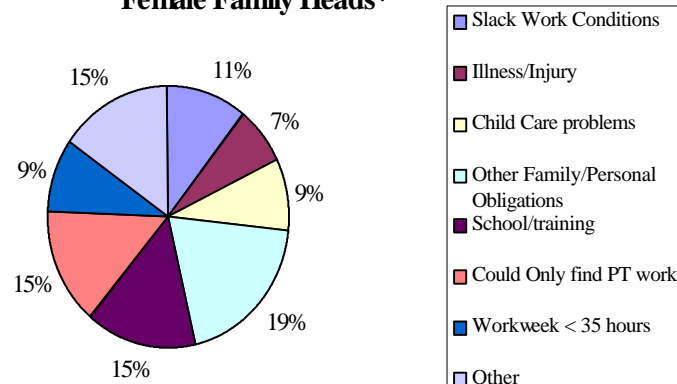
**Reason Given for Not Working Last Year by Poor Female Family Heads\***



\*Among able-bodied family heads.

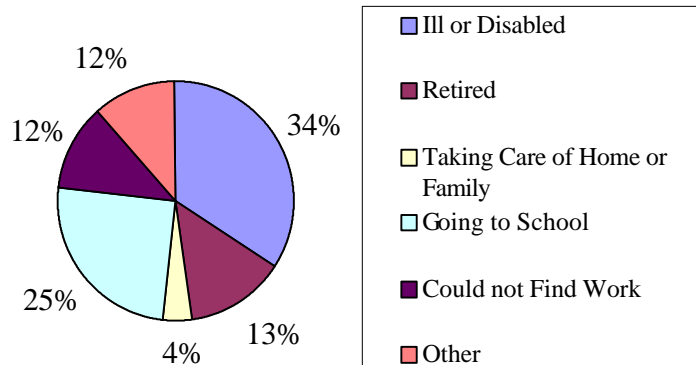
Sawhill/  
Thomas  
Brookings  
(2001)

**Reason Given for Working Only Part-Time by Poor Female Family Heads\***



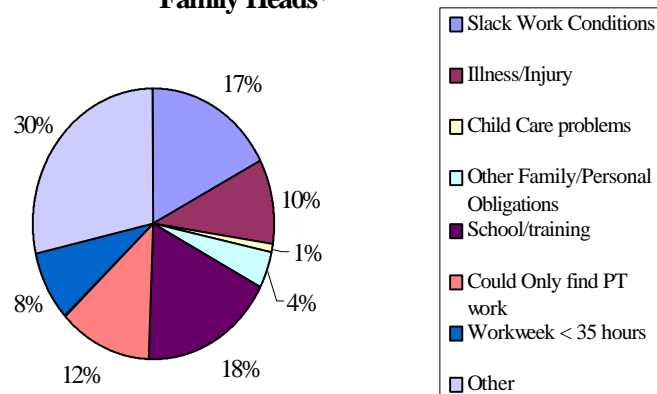
\*Among able-bodied family heads.

**Reason Given for Not Working Last Year by Poor Male Family Heads\***



\*Among able-bodied family heads.

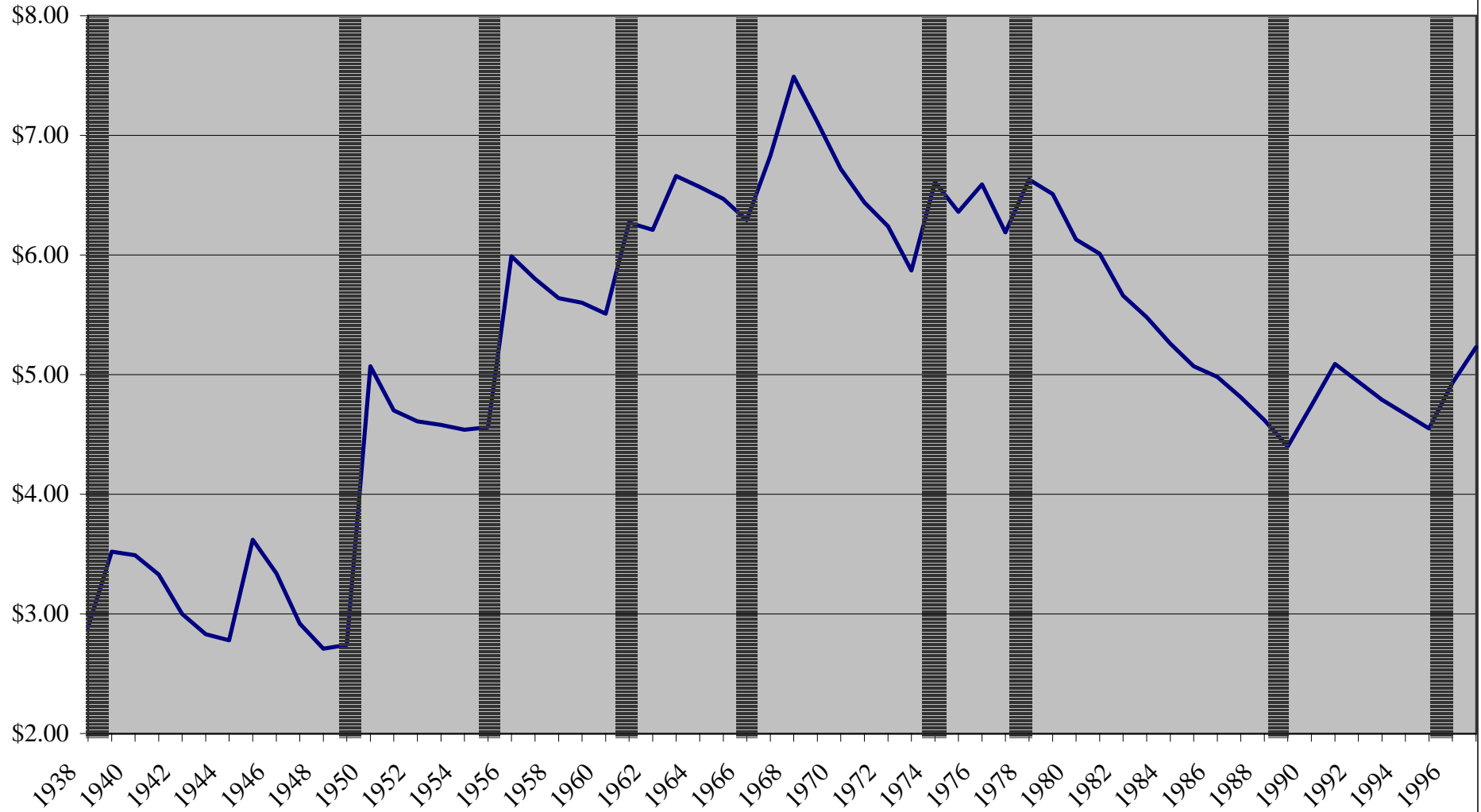
**Reason Given for Working Only Part-Time by Poor Male Family Heads\***



\*Among able-bodied family heads.

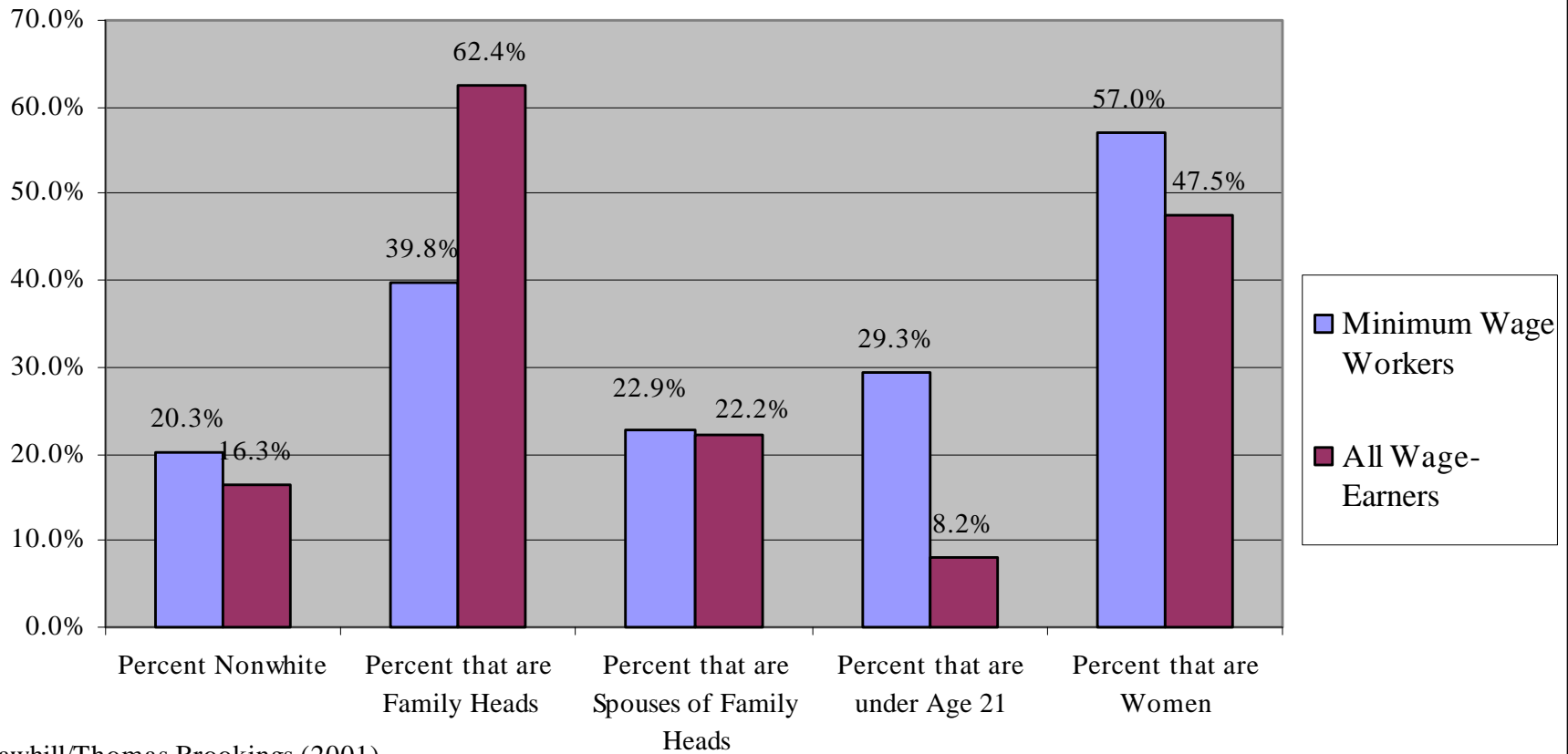
# Chart 8: Real Value of the Federal Minimum Wage, 1938-1997

In Constant 1998 dollars. Shaded areas indicate years in which the minimum wage was increased.



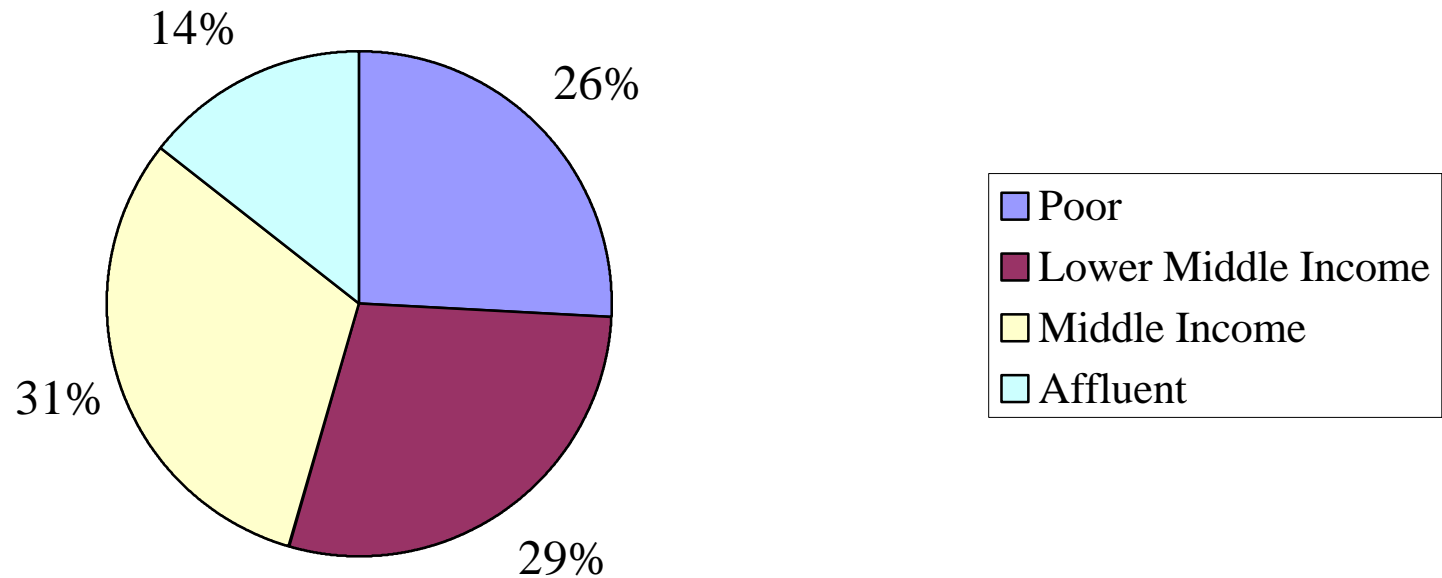
Source: U.S. Department of Labor, Bureau of Labor Statistics

# Chart 9: A Look at the Minimum Wage Population



Sawhill/Thomas Brookings (2001)

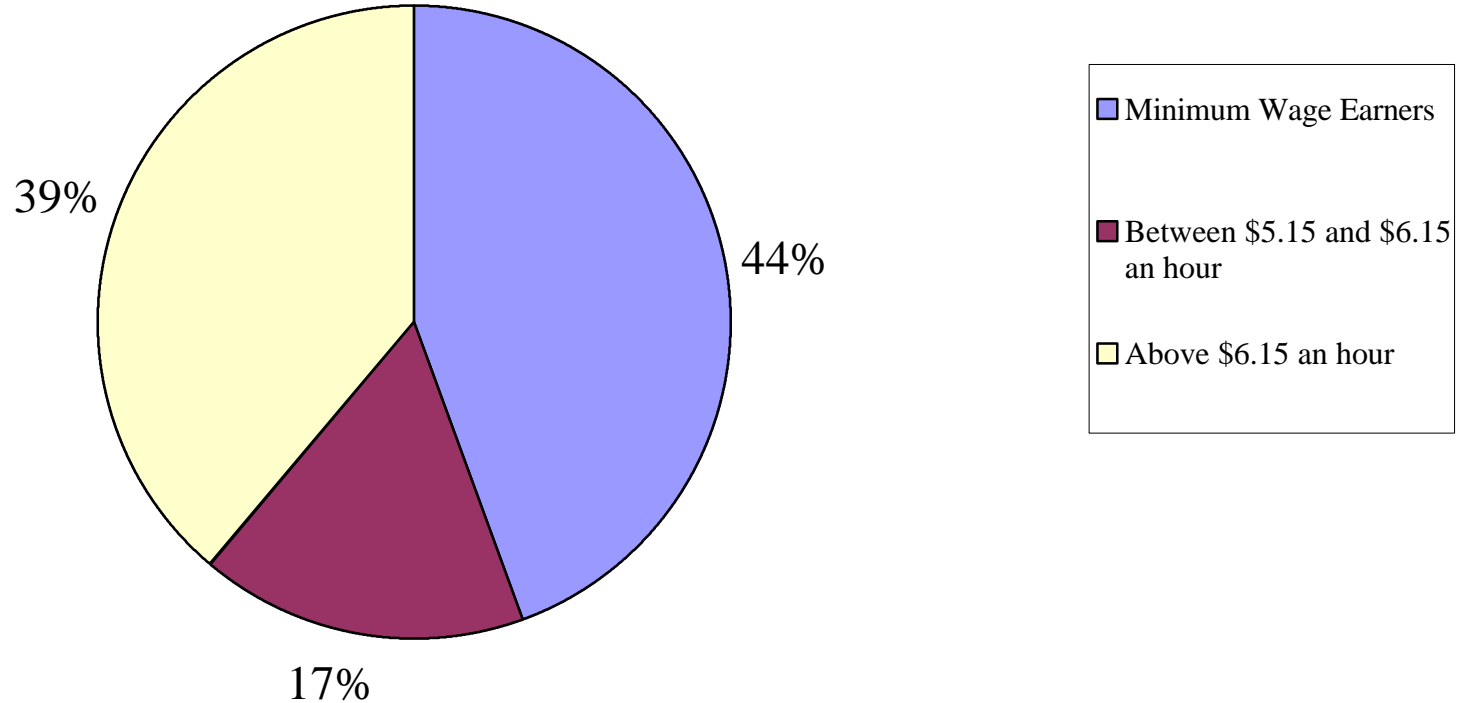
## Chart 10: Income-to-Needs Breakdown of the Minimum Wage Population\*



\*Income-to-Needs status is assigned using adjusted income.

Sawhill/Thomas Brookings (2001)

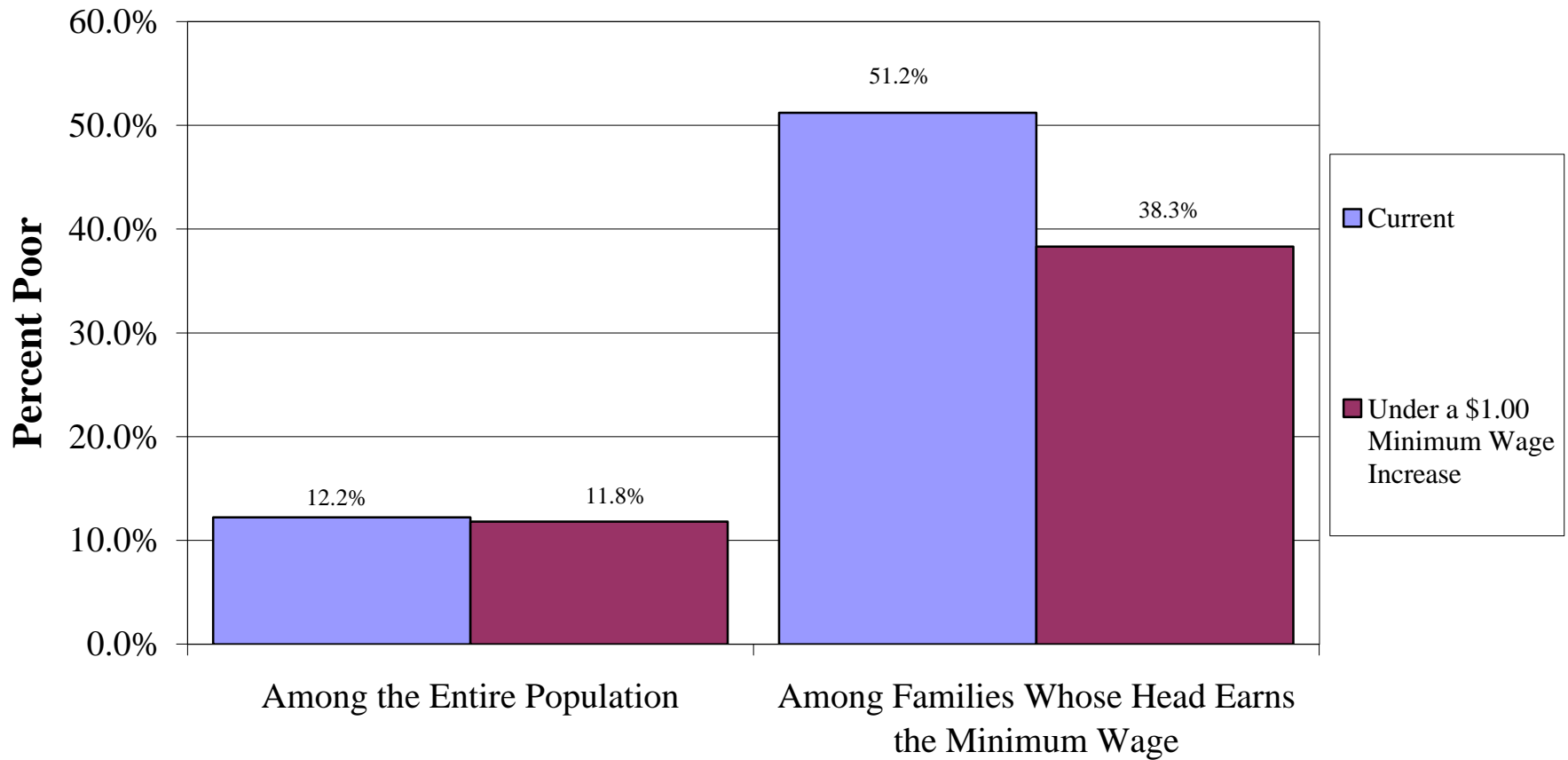
## Chart 11: Hourly Wage Distribution among Poor Wage-Earners\*



\*Poverty status is assigned using adjusted income.

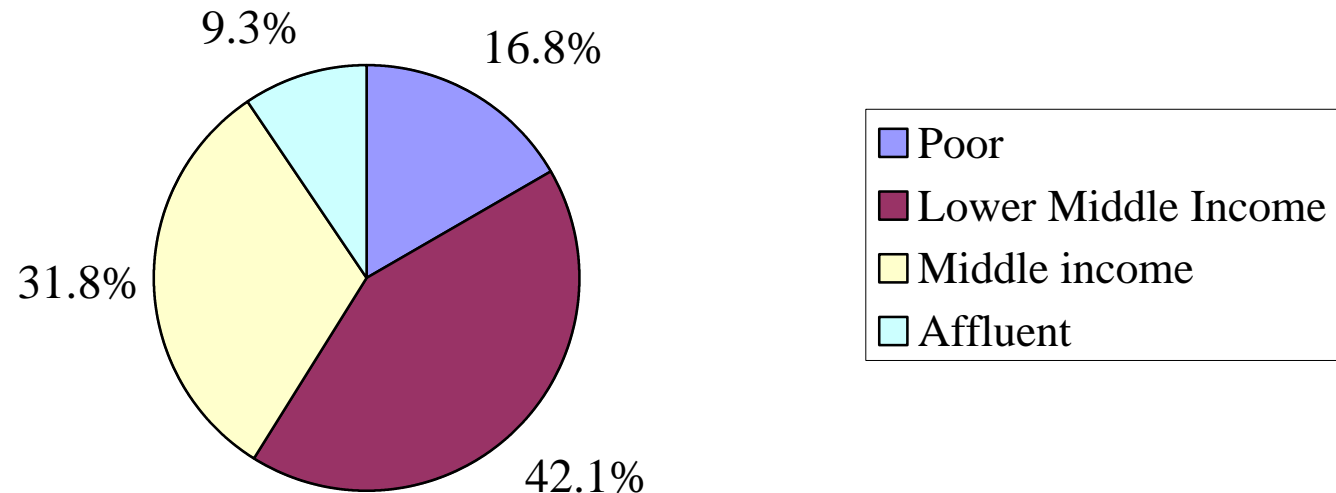
Sawhill/Thomas Brookings (2001)

## Chart 12: The Estimated Impact of a Minimum Wage Increase on the Adjusted Poverty Rate



Sawhill/Thomas Brookings (2001)

## Chart 13: Distribution of Earnings Gains Under a Simulated \$1.00 Increase in the Minimum Wage\*



\*Income-to-Needs status is assigned using adjusted income.

Sawhill/Thomas Brookings (2001)

## Chart 14: The Target Efficiency of the EITC (1998)

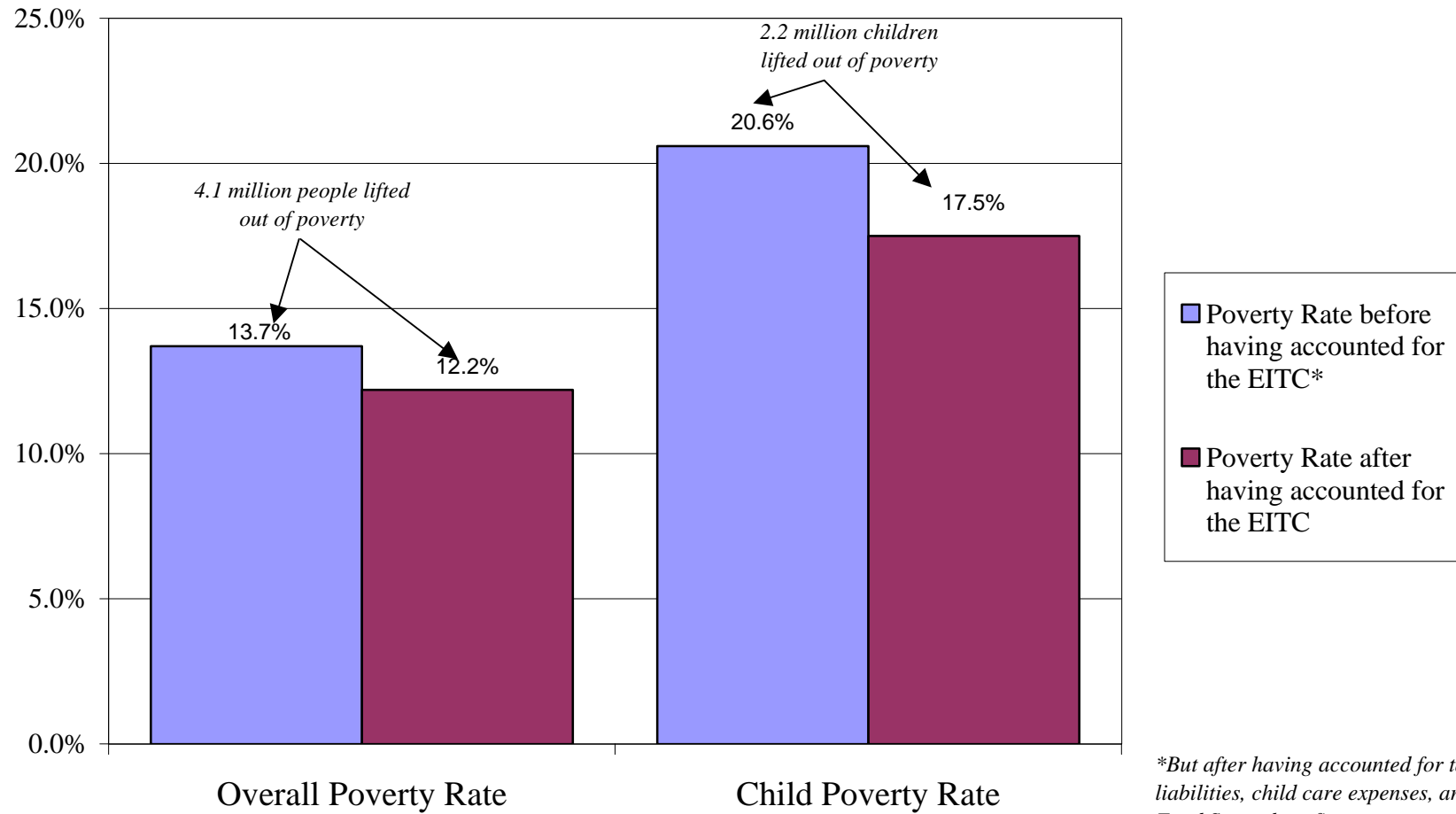
<b>200% Poverty Gap Before Adjusting Income for the EITC:*</b>	\$428 billion
<b>200% Poverty Gap After Adjusting Income for the EITC:</b>	\$409 billion
<b>Reduction in the Poverty Gap Effected by the EITC Income Adjustment:**</b>	\$19.5 billion
<b>Estimated Cost of the EITC:**</b>	\$21.6 billion
<b>Target Efficiency of the EITC:</b>	90%

*\*But after having made adjustments for tax liability, Food Stamp benefits, and child care expenses.*

*\*\*Due to limitations in our data, both our estimates of program cost and of poverty gap reduction are probably lower than is actually is the case.*

Sawhill/Thomas Brookings (2001)

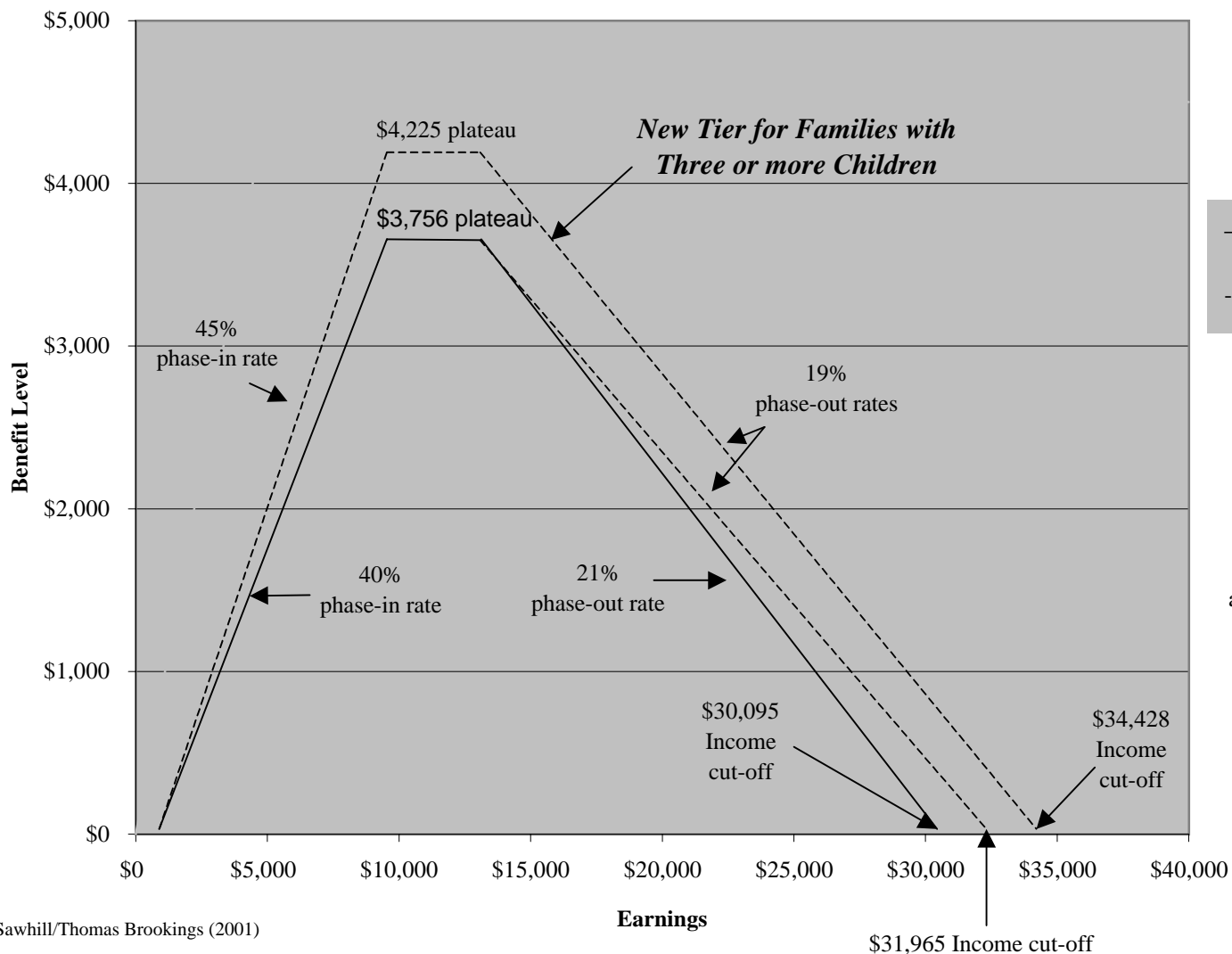
# Chart 15: The Impact of the EITC on the Adjusted Poverty Rate (1998)



## Chart 16: A Quick-Reference Guide to Our EITC Options

		Option Parameters					Treatment of Marriage	
		Phase-in Rate	Phase-in Range	Maximum Benefit	Phase-out Rate	Phase-out Range		
EITC Options	<b>Current Parameters (1998)</b>							
	No Children	7.65%	\$0 - \$4,460	\$341	7.65%	\$5,570 - \$10,030	<i>No Difference</i>	
	One Child	34%	\$0 - \$6,680	\$2,271	15.98%	\$12,260 - \$26,473		
	Two or More Children	40%	\$0 - \$9,390	\$3,756	21.06%	\$12,260 - \$30,095		
	<b>The Fourth-Tier Plan*</b>							
	No Children	7.65%	\$0 - \$4,460	\$341	7.65%	\$5,570 - \$10,030	<i>Extends Plateau for two-earner couples by \$1,360</i>	
	One Child	34%	\$0 - \$6,680	\$2,271	15.98%	\$12,260 - \$26,473		
	Two Children	40%	\$0 - \$9,390	\$3,756	19.06%	\$12,260 - \$31,965		
	Three or More Children	45%	\$0 - \$9,390	\$4,225	19.06%	\$12,260 - \$34,428		
	<b>Marriage Penalty Reduction</b>							
	No Children	7.65%	\$0 - \$4,460	\$341	7.65%	\$11,570 - \$16,030	<i>Extends plateau for all married couples by \$6,000 (parameters shown here are for married couples only)</i>	
	One Child	34%	\$0 - \$6,680	\$2,271	15.98%	\$18,260 - \$32,473		
	Two or More Children	40%	\$0 - \$9,390	\$3,756	21.06%	\$18,260 - \$36,095		
	<b>Single-Tier</b>							
	No Children	0.00%	\$0	\$0	0.00%	0%	<i>No difference</i>	
	One Child	40%	\$0 - \$9,390	\$3,756	21.06%	\$12,260 - \$30,095		
	Two or More Children	40%	\$0 - \$9,390	\$3,756	21.06%	\$12,260 - \$30,095		
	<b>25% Increase</b>							
	No Children	9.56%	\$0 - \$4,460	\$426	9.56%	\$5,570 - \$10,030	<i>No difference</i>	
	One Child	42.5%	\$0 - \$6,680	\$2,839	19.98%	\$12,260 - \$26,473		
	Two or More Children	50%	\$0 - \$9,390	\$4,695	26.33%	\$12,260 - \$30,095		
	<b>Make Work Pay</b>							
	No Children	15%	\$0 - \$10,712	\$1,607	28%	\$12,260 - \$18,000	<i>No difference</i>	
	One Child	34%	\$0 - \$10,712	\$3,642	25.62%	\$12,260 - \$26,473		
	Two or More Children	40%	\$0 - \$10,712	\$4,285	24%	\$12,260 - \$30,095		

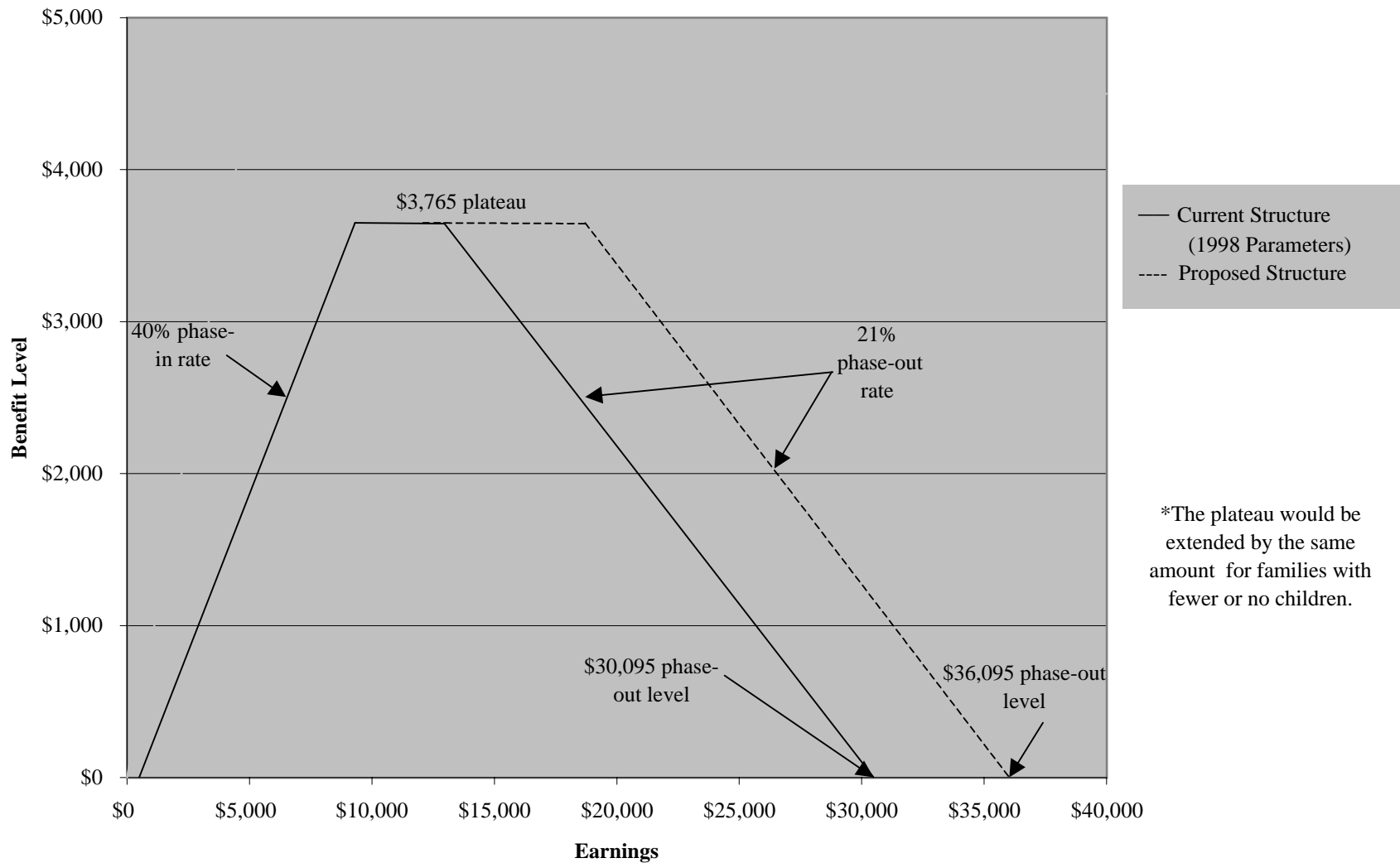
**Chart 17: Proposed Change in EITC Benefits for a Family With More Than One Child: The Fourth-Tier Plan\***



— Current Structure (1998 Parameters)  
 ---- Proposed Structure

\*The plateau for married couples in working families would be extended by \$1,360. No additional changes would be made to the benefit structures for families with fewer or no children.

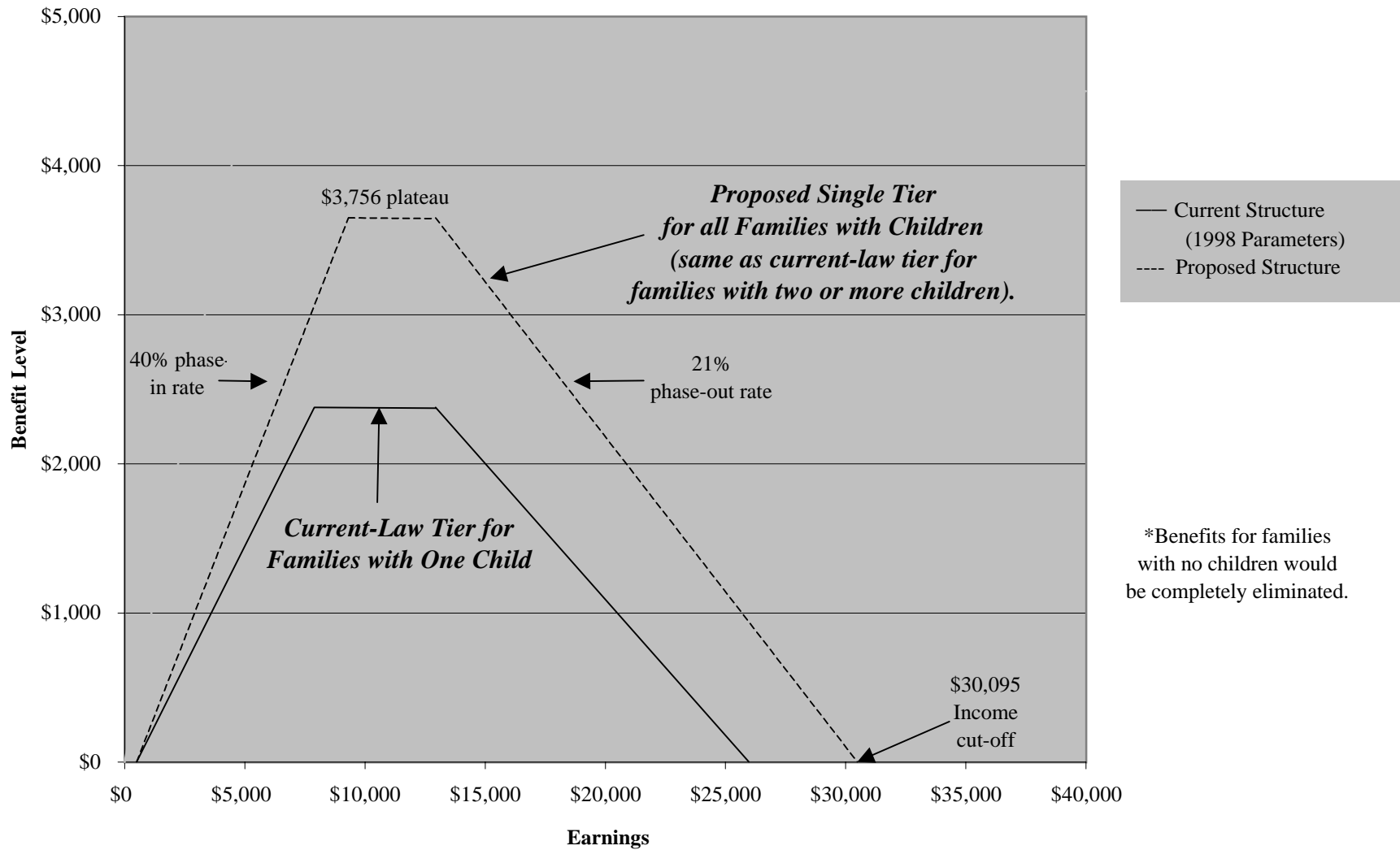
**Chart 18: Proposed Change in EITC Benefits for a Married-Parent Family With More Than One Child: Marriage Penalty Reduction Option\***



\*The plateau would be extended by the same amount for families with fewer or no children.

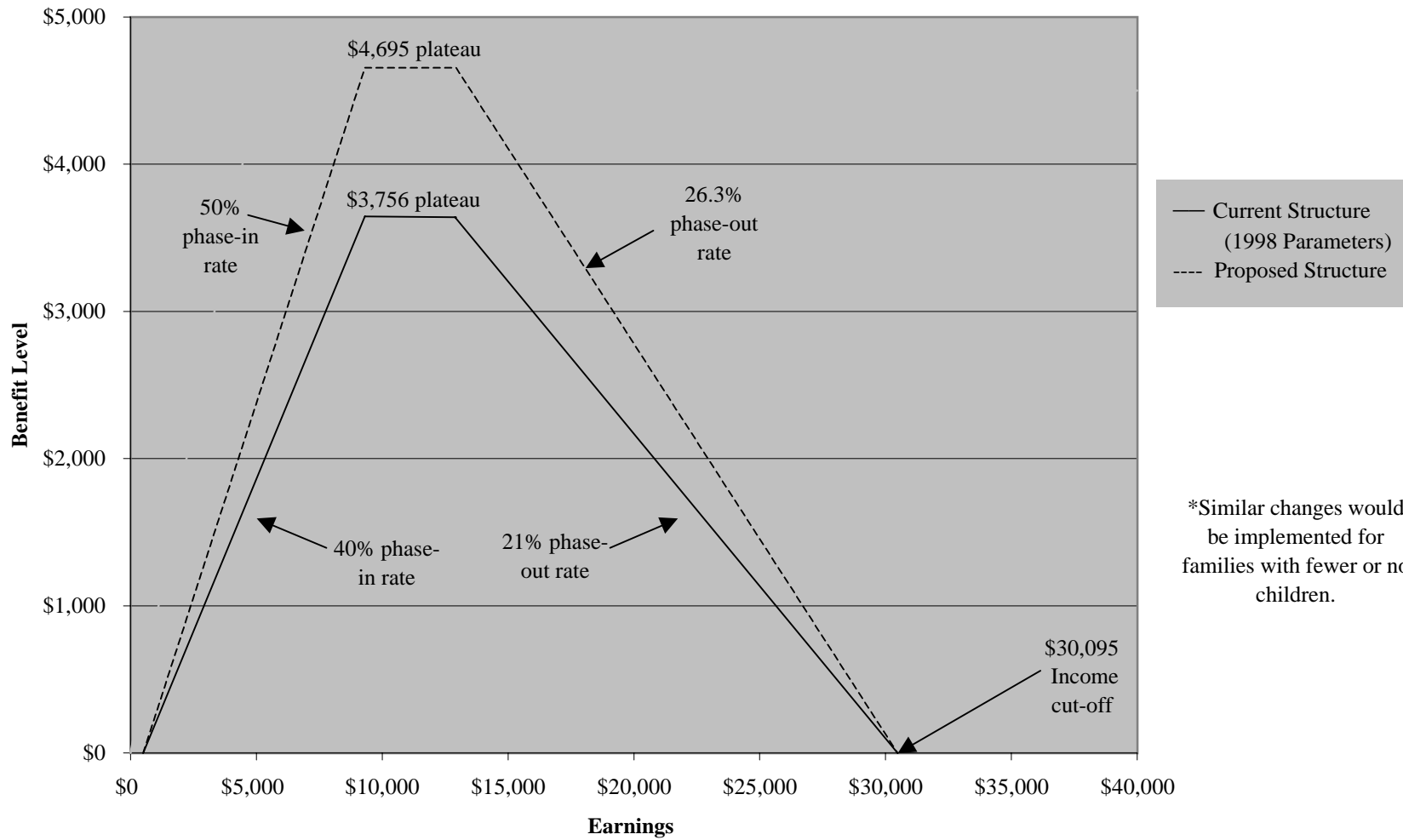
Sawhill/Thomas Brookings (2001)

**Chart 19: Proposed Change in EITC Benefits for Families with Children:  
The Single-Tier Option\***



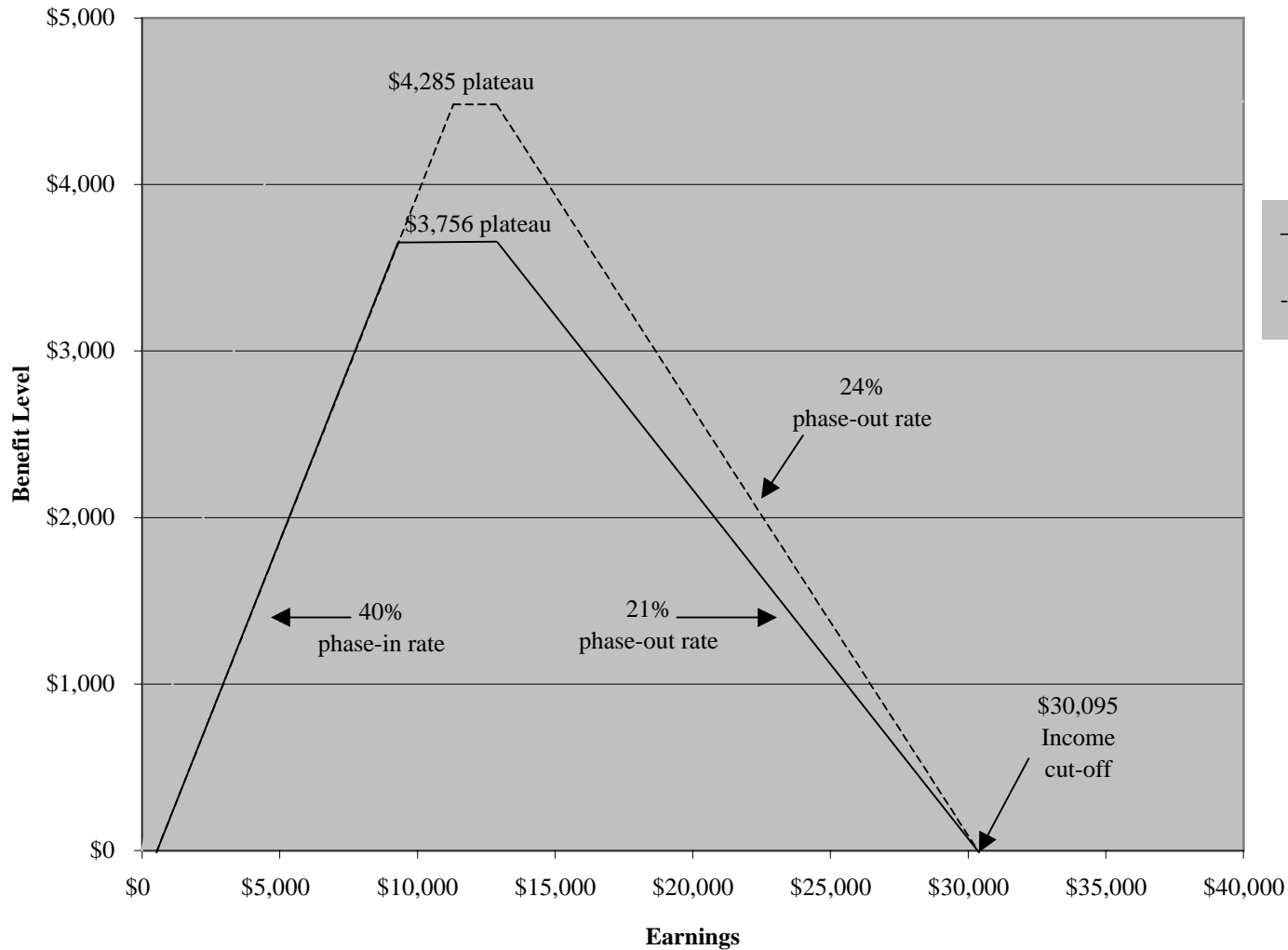
Sawhill/Thomas Brookings (2001)

**Chart 20: Proposed Change in EITC Benefits for a Family With More Than One Child: The 25% Increase\***



\*Similar changes would be implemented for families with fewer or no children.

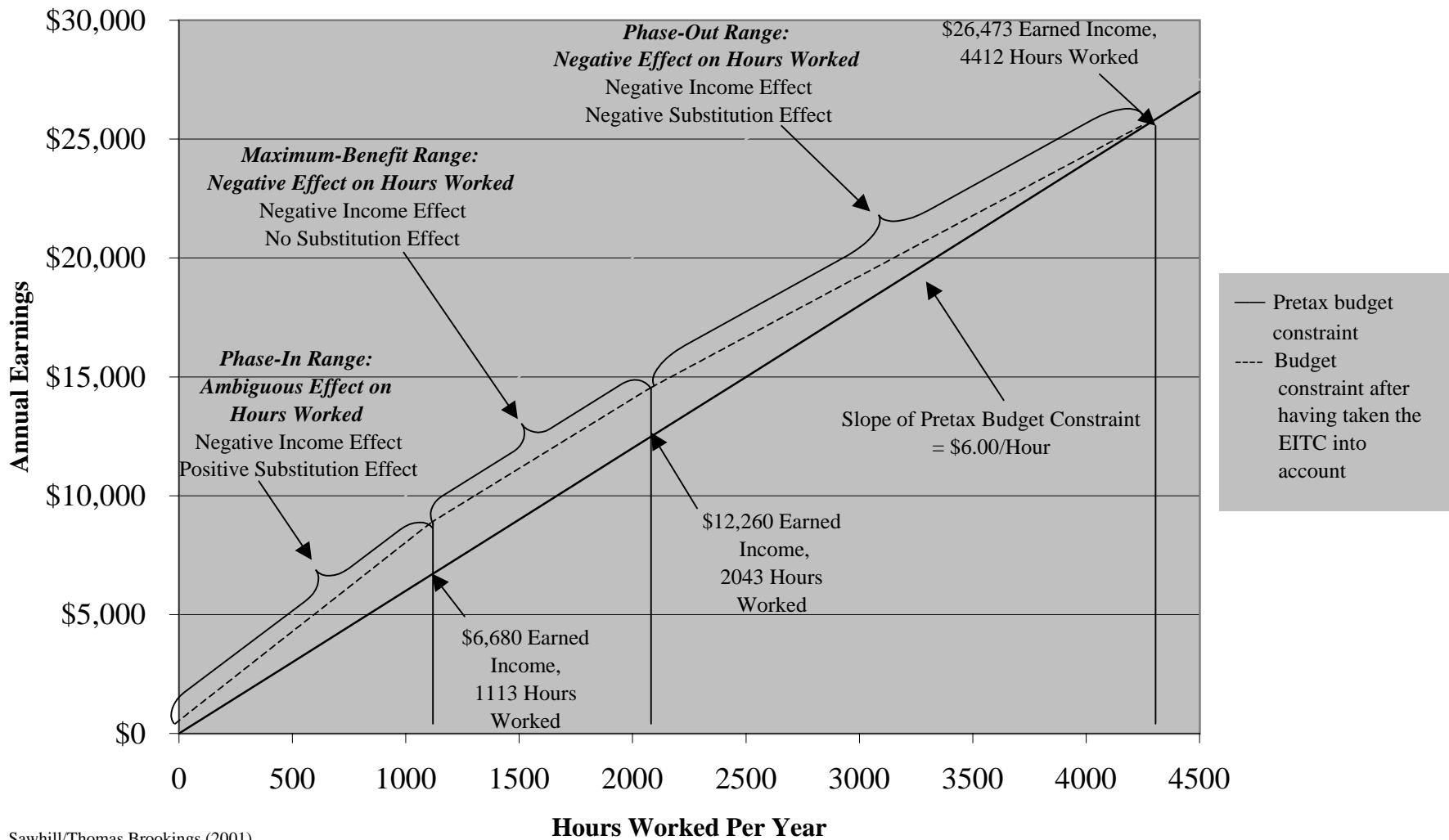
**Chart 21: Proposed Change in EITC Benefits for a Family With More Than One Child: Make Work Pay\***



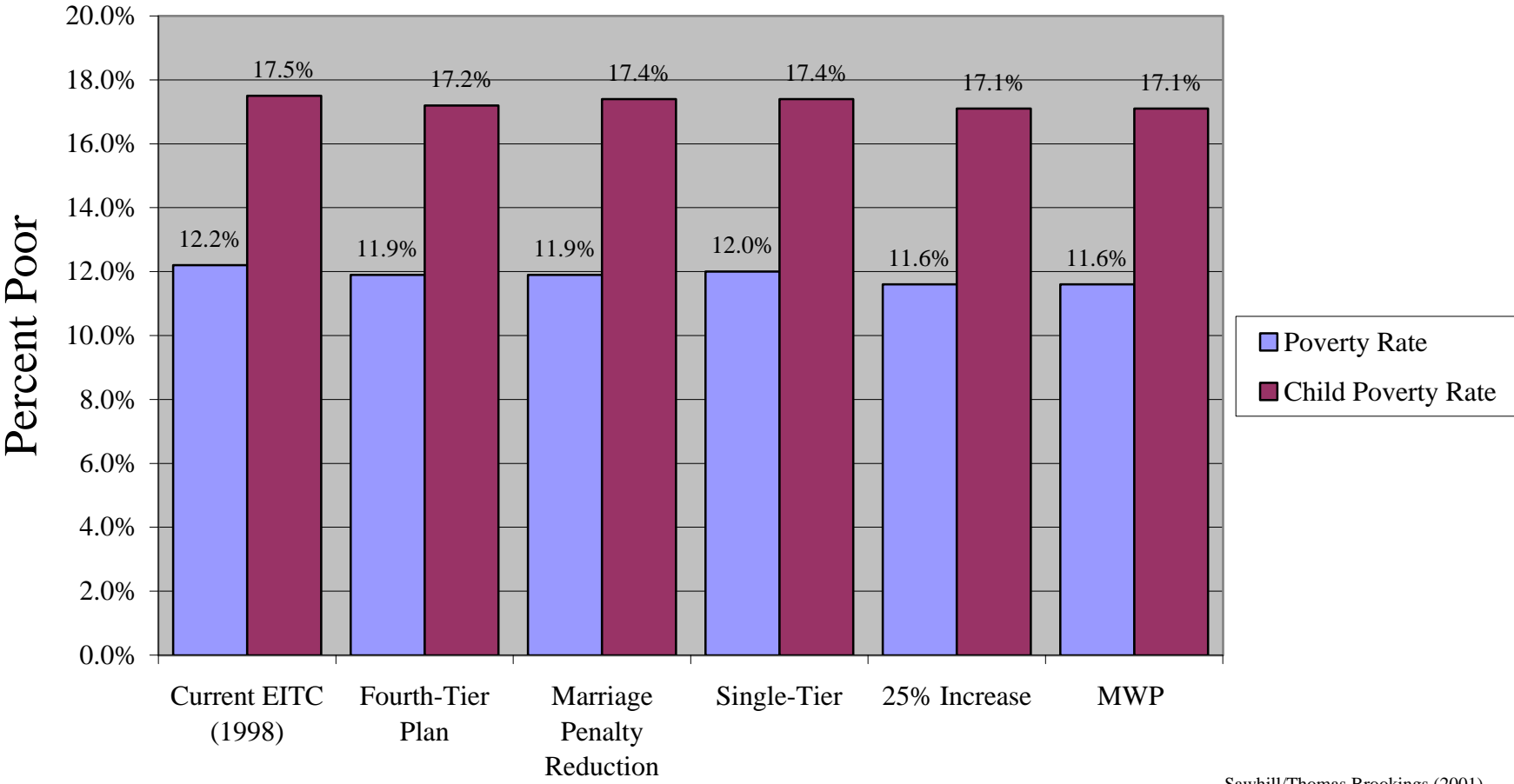
— Current Structure (1998 Parameters)  
 ---- Proposed Structure

\*Similar changes would be implemented for families with fewer or no children.

**Chart 22: Work Incentives Illustrated for a Family Head with One Child Earning \$6.00 an Hour under the Current EITC (1998)**



# Chart 23: Adjusted Poverty Rates under Proposed EITC Options

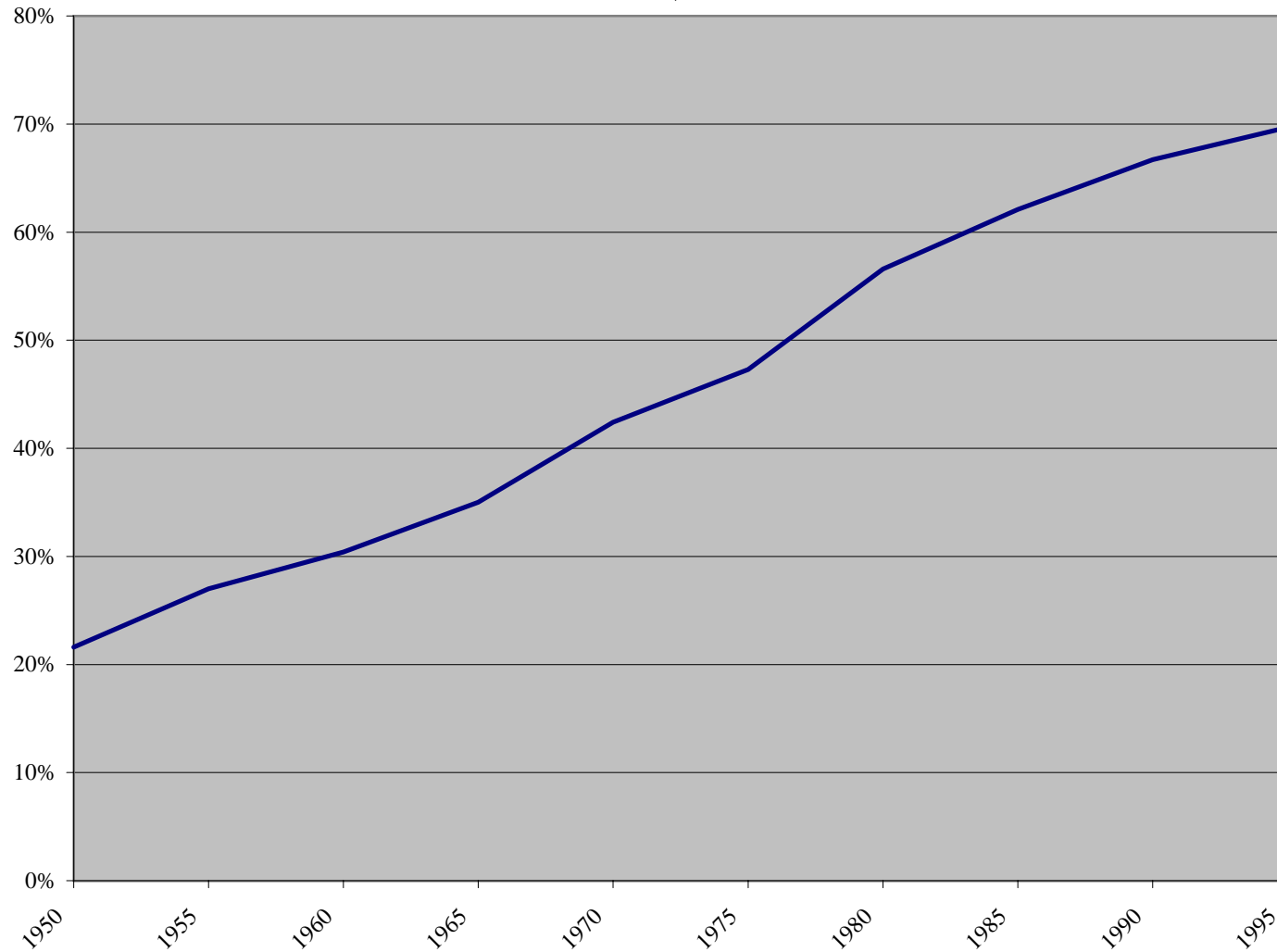


### Chart 24: Cost-Effectiveness of Proposed EITC Options

	Current EITC (1998)	Fourth-Tier Plan	Marriage Penalty Reduction	Single-Tier	25% Increase	MWP
<b>Marginal Adjusted Poverty Gap Reduction (200%)</b>	Initial Poverty Gap Level (200%): \$409 billion	\$3.1 billion	\$4.9 billion	\$4.6 billion	\$7.2 billion	\$13.2 billion
<b>Marginal Cost of Proposal</b>		\$2.7 billion	\$4.6 billion	\$4.8 billion	\$5.9 billion	\$11.2 billion
<b>Initial Cost-Effectiveness Ratio:</b>		114.1%	107.6%	95.9%	123.3%	118.31%
<b>Offsets:</b>		\$290 million	\$220 million	\$710 million	\$950 million	\$1.5 billion
<b>Cost-Effectiveness Ratio with Offsets:</b>		128.2%	113.0%	112.7%	147.2%	136.6%

Sawhill/Thomas Brookings (2001)

## Chart 25: Percent of Mothers Participating in the Workforce, 1950-1995



Source: Green Book, p. 661

## Chart 26: A Breakdown of Child Care Expense Estimates by Selected Family Characteristics

	Percent who pay for care*	Average Amount Paid for care**
<b>All Families</b>	43.1%	\$ 5,044
<b>Families with no children less than six years old</b>	22.3%	\$ 4,782
<b>Families with one child less than six years old</b>	52.6%	\$ 5,047
<b>Families with two or more children less than six years old</b>	77.4%	\$ 5,260
<b>Poor Families***</b>	39.9%	\$ 1,958
<b>Lower Middle Income Families***</b>	40.4%	\$ 4,163
<b>Middle Income Families***</b>	41.2%	\$ 5,346
<b>Affluent Families***</b>	52.8%	\$ 6,587
<b>One-parent families</b>	42.0%	\$ 4,319
<b>Two-parent families</b>	43.7%	\$ 5,395
<b>Families in which the lower-earning spouse or single parent works full-time</b>	45.9%	\$ 6,564
<b>Families in which the lower-earning spouse or single parent works between 1500 and 2080 hours</b>	41.2%	\$ 5,326
<b>Families in which the lower-earning spouse or single parent works between 0 and 1500 hours</b>	40.6%	\$ 2,812

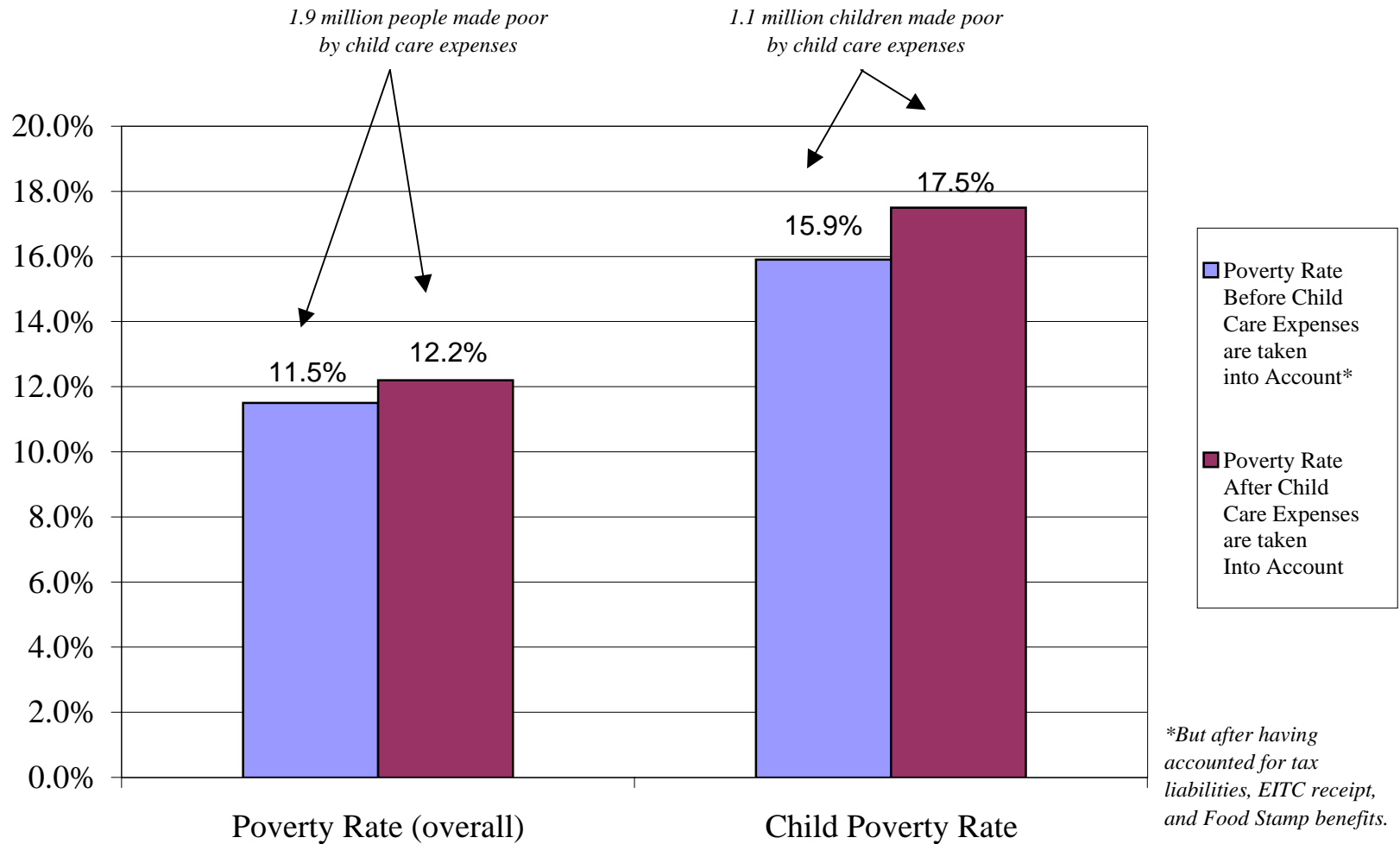
\* Among families in which all parents work, and in which there is at least one child under the age of 12.

\*\* Expense estimates are in 1998 dollars, and are topcoded such that they can not exceed 50% of the earnings of the single parent or lower-earning spouse. Expense estimates are not per-child; rather, they represent total costs for the entire family.

\*\*\*For the purposes of this table, Income-to-Needs status is assigned before family income is adjusted for child care expenses, but after it has been adjusted for tax liability, EITC receipt, and Food Stamp benefits.

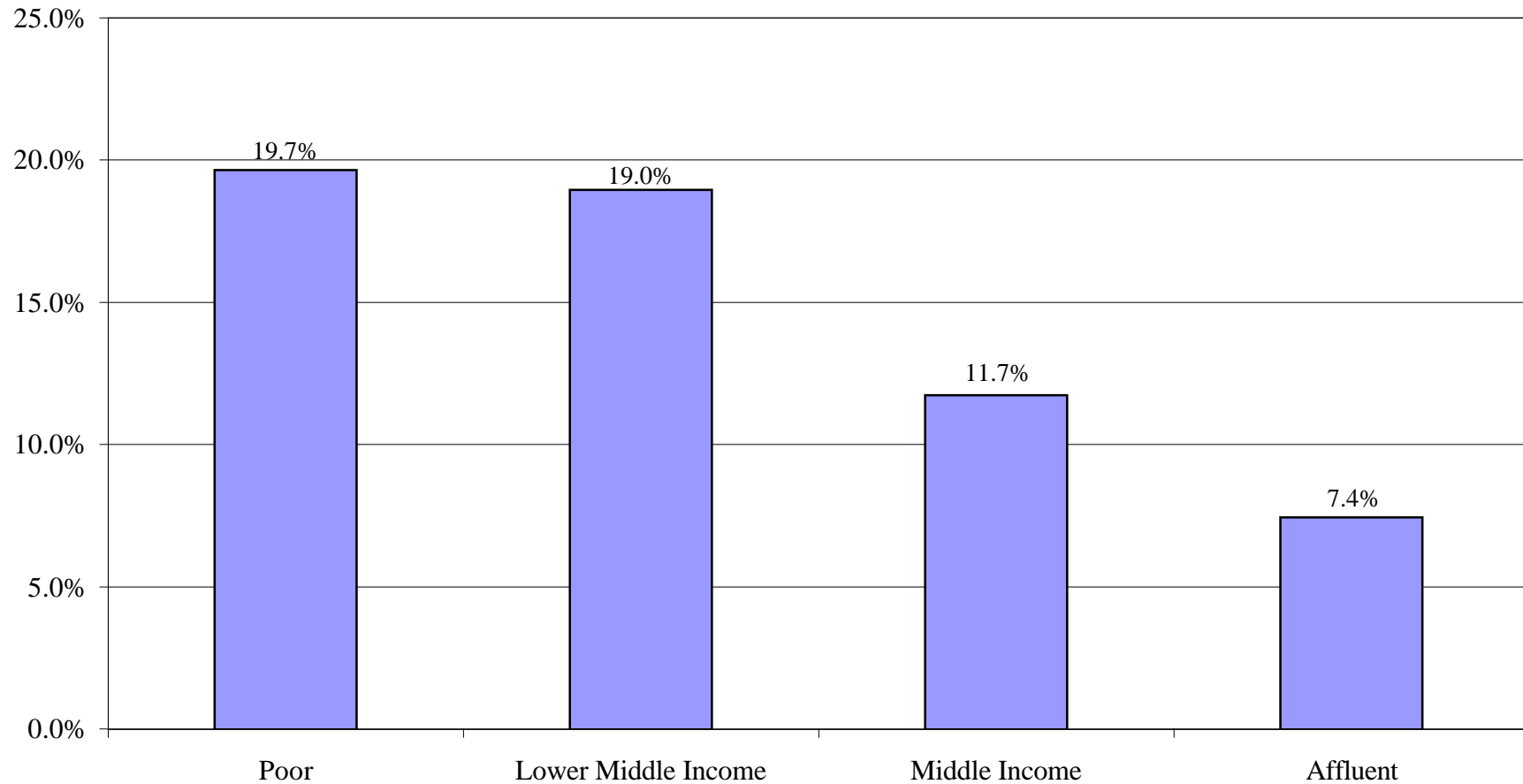
Sawhill/Thomas Brookings (2001)

# Chart 27: The Impact of Child Care Expenses on the Poverty Rate (1998)



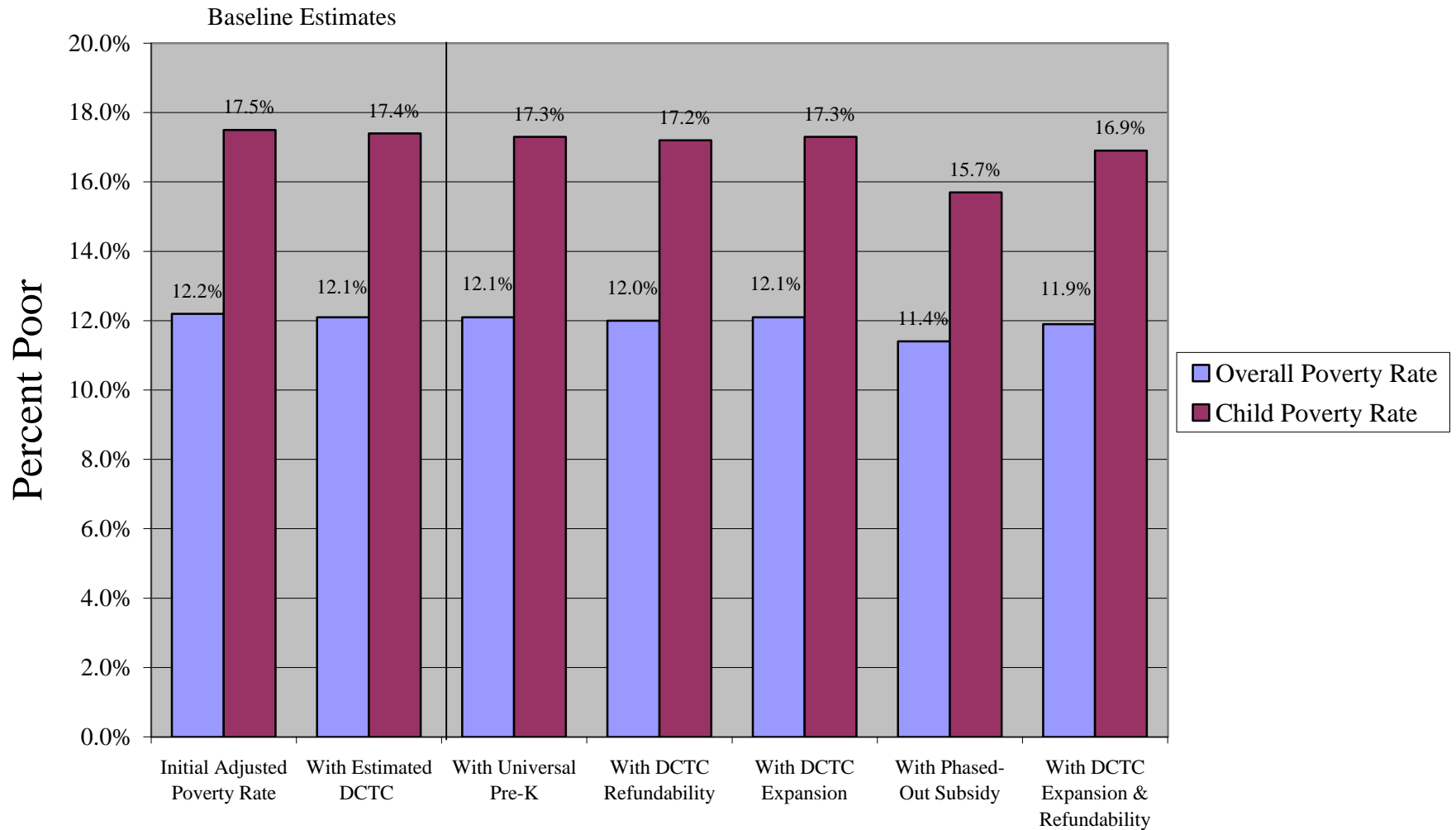
## Chart 28: Average Percent of Family Income Spent on Child Care, by Income-to-Needs Status (1998)\*

Sawhill/Thomas  
Brookings (2001)



\*Among families estimated to have paid for child care. For the purposes of this table, Income-to-Needs status is assigned before family income is adjusted for child care expenses, but after adjustments have been made for tax liability, EITC receipt, and Food Stamp benefits.

## Chart 29: Adjusted Poverty Rates Under Various Child Care Policy Options



### Chart 30: Cost-Effectiveness of Various Child Care Policy Options

	Estimated DCTC	Universal Pre-K	DCTC Refundability	DCTC Expansion	Phased-Out Subsidy	DCTC Expansion & Refundability
<b>Marginal Adjusted Poverty Gap Reduction (200%)</b>	\$950 million	\$1.8 billion	\$1.2 billion	\$1.1 billion	\$11.6 billion	\$3.6 billion
<b>Marginal Cost</b>	\$2.6 billion	\$4.8 billion	\$1 billion	\$1.1 billion	\$14.2 billion	\$3.2 billion
<b>Initial Cost-Effectiveness Ratio:</b>	36.3%	38.2%	119.4%	104.2%	81.4%	112.6%
<b>Offsets:</b>		\$230 million	\$70 million	\$180 million	\$1.1 billion	\$500 million
<b>Cost-Effectiveness Ratio with Offsets:</b>		40.2%	127.9%	125.6%	88.2%	133.2%

Sawhill/Thomas Brookings (2001)

## Chart 31: A Look at the Combined Effect of Three Work Support Policies\*

	<b>Current (1998)</b>	<b>Policy Combination:</b> <i>EITC Expansion (MWP), Minimum Wage Increase, and Phased-Out Child Care Subsidy</i>
<b>Poor</b>	12.2%	10.5%
<b>Lower Middle Income</b>	23.2%	23.9%
<b>Middle Income</b>	39.2%	40.0%
<b>Affluent</b>	25.5%	25.6%
<b>Child Poverty Rate</b>	17.5%	14.9%
<i>Number of people lifted out of poverty:</i>	4.6 million	
<i>Number of children lifted out of poverty:</i>	1.9 million	

\* *Income-to-needs status for this table is assigned using adjusted income.*

Sawhill/Thomas Brookings (2001)

## Chart 32: A Look at the Cost-Effectiveness of Three Work Support Policies

	<b>Policy Combination:</b> <i>EITC Expansion (MWP),          Minimum Wage Increase, and          Phased-Out Child Care Subsidy</i>
<b>Marginal Cost of the MWP EITC Expansion:</b>	\$11.5 billion
<b>Marginal Cost of the Phased-Out Child Care Subsidy</b>	\$14.3 billion
<b>Marginal Cost of the Combined EITC and Child Care Expansions:</b>	<i>\$25.8 billion</i>
<b>Marginal Reduction in Adjusted 200% Poverty Gap (without taking labor supply responses into account):</b>	\$19 billion
<b>Additional Marginal Reduction in Adjusted 200% Poverty Gap after Labor Supply Responses are taken into account:</b>	\$15.1 billion
<b>Overall Marginal Reduction in Adjusted 200% Poverty Gap:</b>	<i>\$34.1 billion</i>
<b>Initial Cost-Effectiveness Ratio:</b>	<i>132%</i>
<b>Offsets:</b>	\$3.3 billion
<b>Cost-Effectiveness Ratio with Offsets:</b>	<i>152%</i>

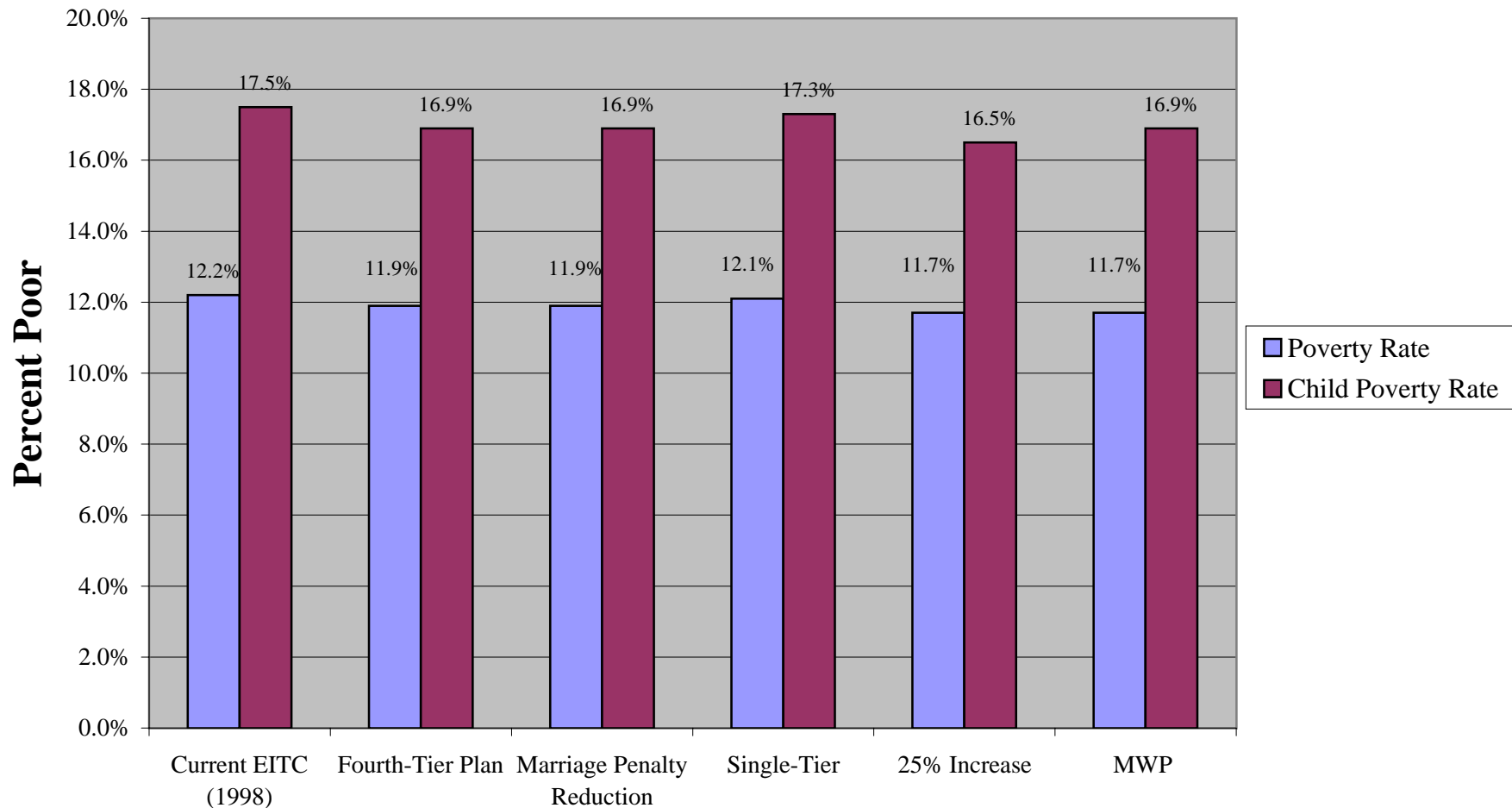
## Chart A-1: Estimated Labor Force Participation Effects from our Labor Supply Simulations:

Policy Option:	Net Increase in Number of Working Family Heads:
<b><i>From EITC Simulations:</i></b>	
Fourth-Tier Plan	<b>85,693</b>
Marriage Penalty Reduction	<b>73,672</b>
Single-Tier	<b>98,990</b>
25% Increase	<b>359,697</b>
MWP	<b>590,208</b>
<b><i>From Child Care Simulations:</i></b>	
DCTC Refundability	<b>66,765</b>
DCTC Expansion	<b>25,647</b>
Universal Pre-K	<b>46,994</b>
Phased-Out Subsidy	<b>273,552</b>
DCTC Expansion & Refundability	<b>136,425</b>
<b><i>Combination (MWP EITC expansion + \$1.00 Minimum Wage Increase + Phased- Out Subsidy child care option)*</i></b>	<b>832,118</b>

*\*Takes into account disemployment effects from the minimum wage increase.*

Sawhill/Thomas Brookings (2001)

### Chart A-2: Adjusted Poverty Rates under Each of our EITC Options (static estimates)



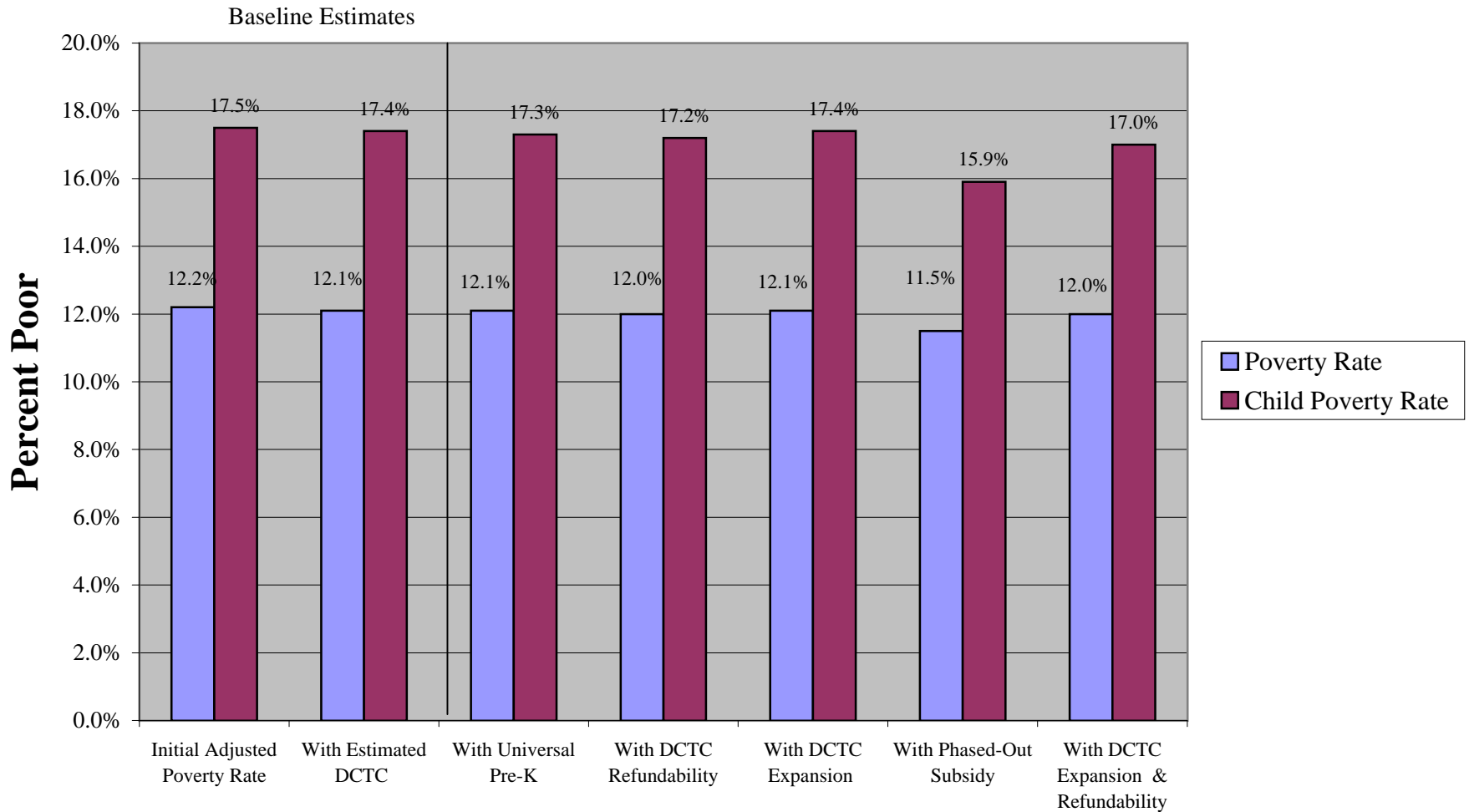
Sawhill/Thomas Brookings (2001)

**Chart A-3: Target-Efficiency of Our EITC Options (static estimates)**

	<b>Current EITC (1998)</b>	<b>Fourth-Tier Plan</b>	<b>Marriage Penalty Reduction</b>	<b>Single-Tier</b>	<b>25% Increase</b>	<b>MWP</b>
<b>Marginal Adjusted Poverty Gap Reduction (200%)</b>	Initial Poverty Gap Level (200%): \$409 billion	\$2.3 billion	\$4.1 billion	\$3.3 billion	\$4.8 billion	\$9.1 billion
<b>Marginal Cost of Proposal</b>		\$2.5 billion	\$4.5 billion	\$4.4 billion	\$5.4 billion	\$10.4 billion
<b>Target-Efficiency Ratio:</b>		92.6%	91.1%	75.0%	88.8%	87.5%

Sawhill/Thomas Brookings (2001)

## Chart A-4: Adjusted Poverty Rates under Each of our Child Care Options (static estimates)



**Chart A-5: Target-Efficiency of Various Child Care Policies (static estimates)**

	<b>Estimated DCTC</b>	<b>Universal Pre-K</b>	<b>DCTC Refundability</b>	<b>DCTC Expansion</b>	<b>Phased-Out Subsidy</b>	<b>DCTC Expansion &amp; Refundability</b>
<b>Marginal Adjusted Poverty Gap Reduction (200%)</b>	\$950 million	\$1.4 billion	\$970 million	\$681million	\$9.1 billion	\$2.7 billion
<b>Marginal Cost</b>	\$2.6 billion	\$4.7 billion	\$984 billion	\$1.1 billion	\$13.4 billion	\$3.1 billion
<b>Target-Efficiency Ratio:</b>	36.3%	30.3%	98.7%	64.6%	68.2%	86.7%

Sawhill/Thomas Brookings (2001)