

Employment Effects of the EITC

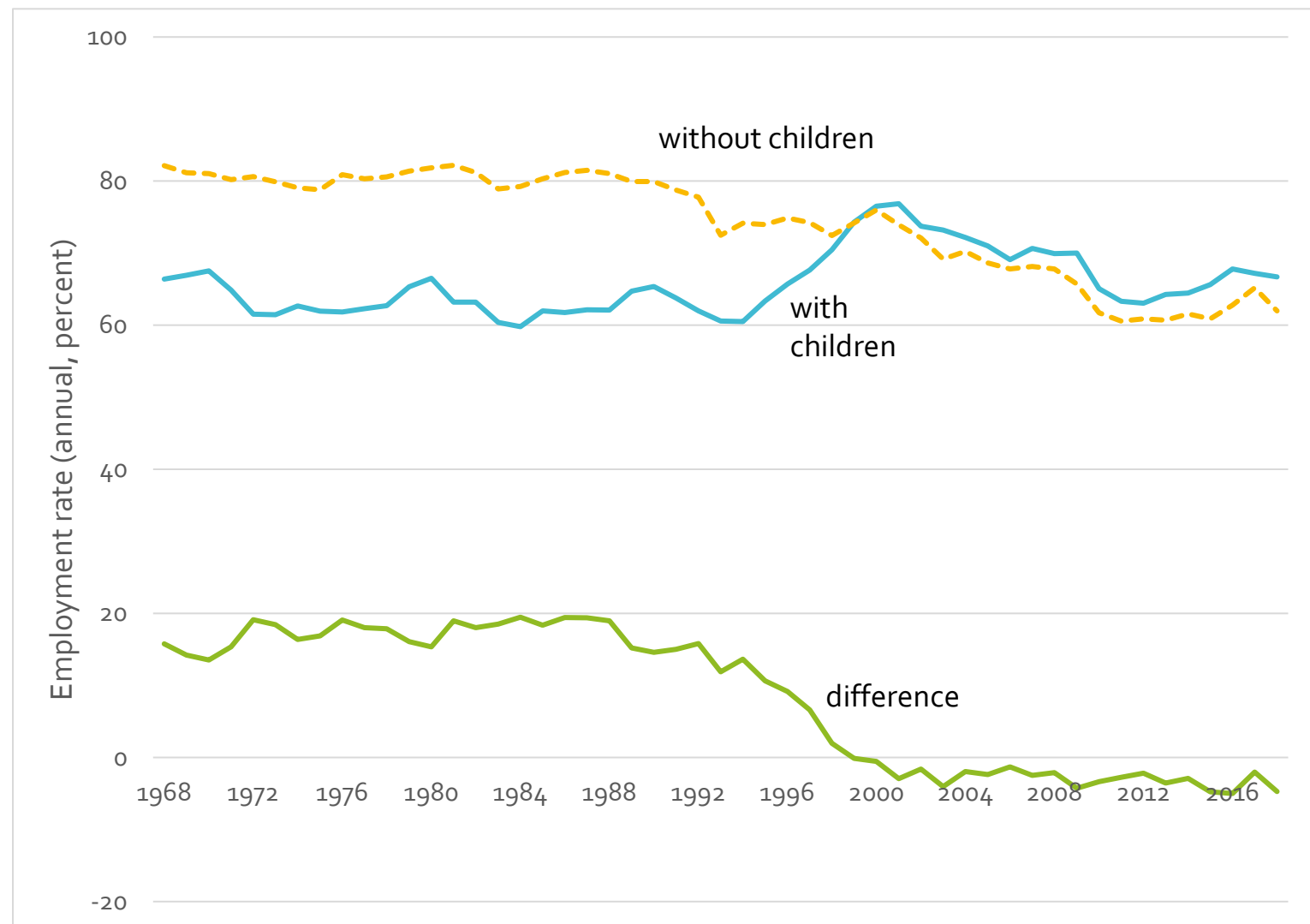
Diane Whitmore Schanzenbach
Northwestern University, NBER & Brookings

Annual employment rates: Unmarried women w/HS or less education

Backdrop:

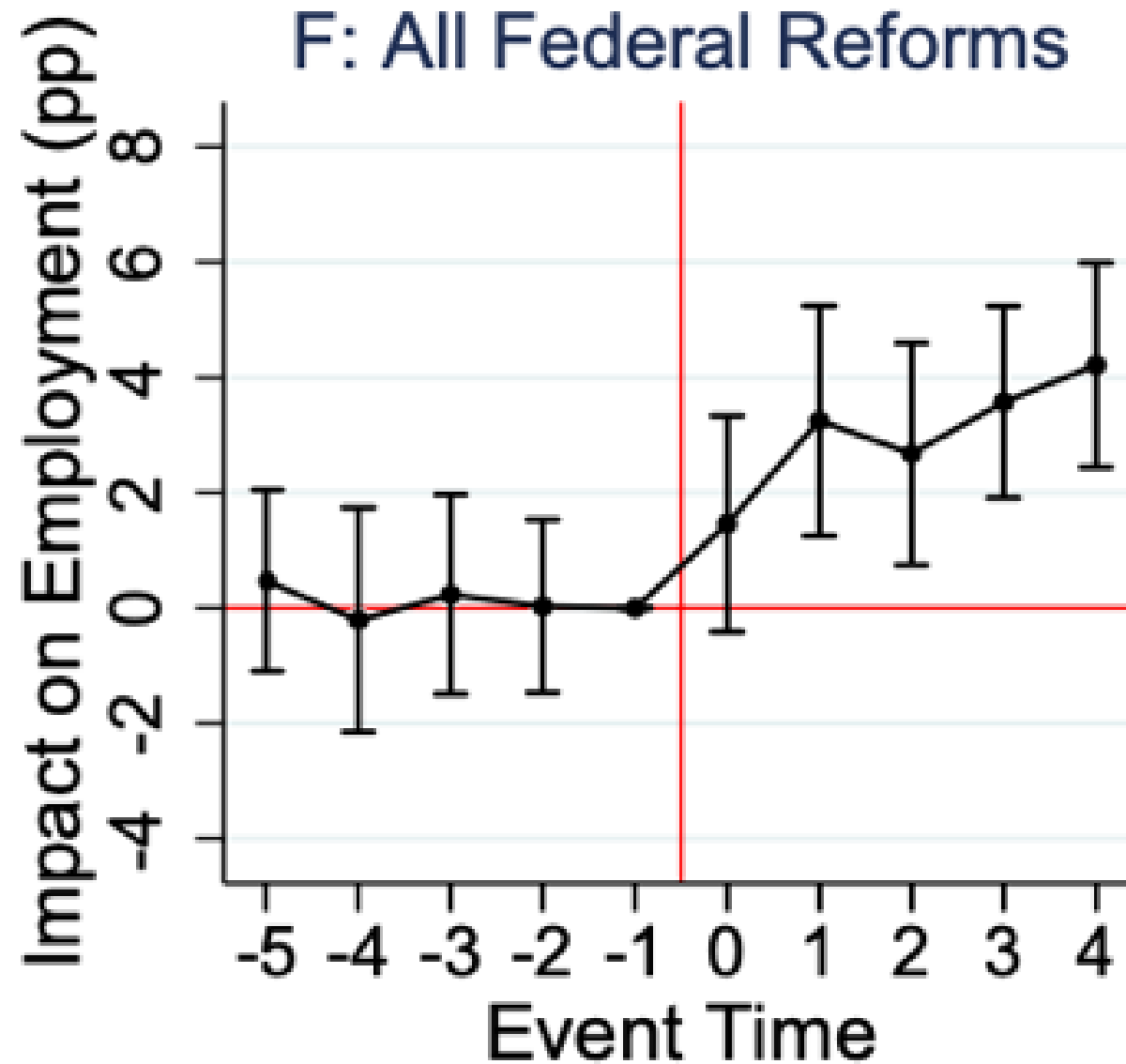
Difference between mothers, childless women narrowed, reversed in late 1980s- early 2000s

How much due to EITC?



Pooled event-
study: 5 EITC
expansions

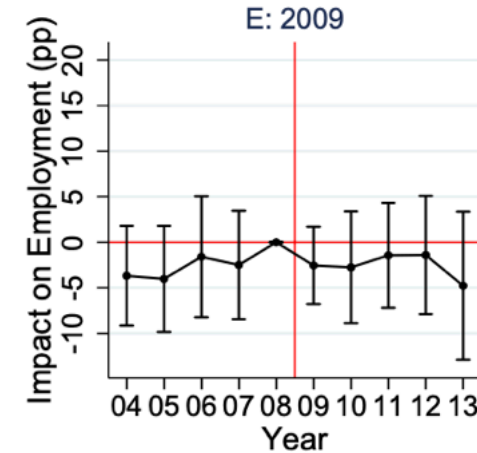
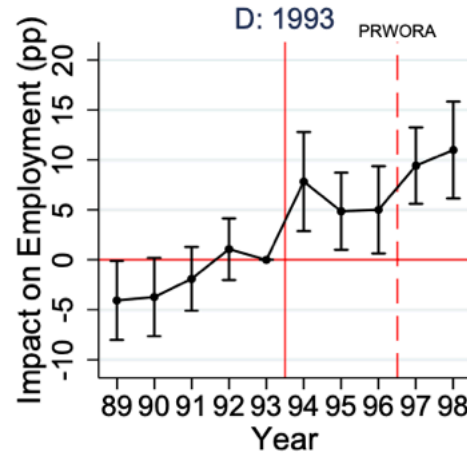
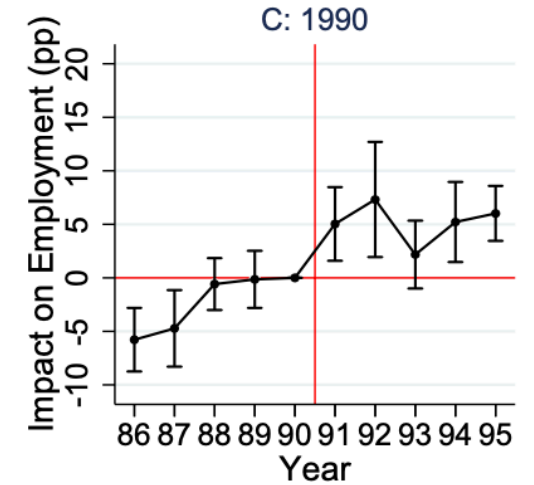
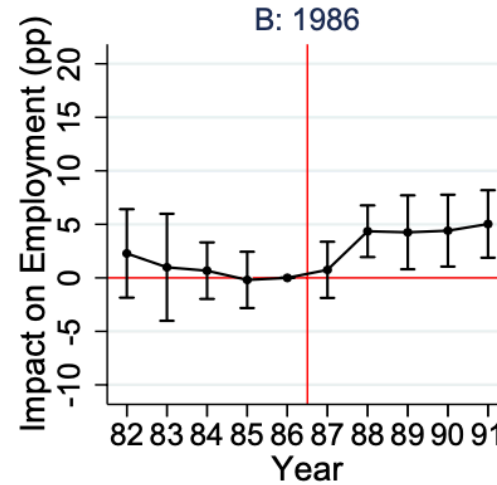
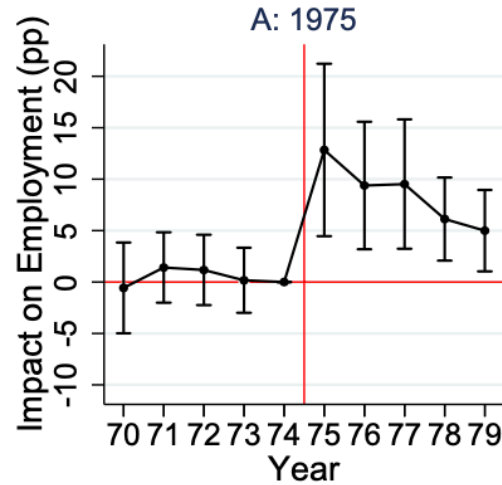
Schanzenbach & Strain
2022



Event studies: Annual employment, low-education sample

4 of 5 positive,
significant;
Generally few pre-
trends

Sensitive to
measurement, sample,
and controls



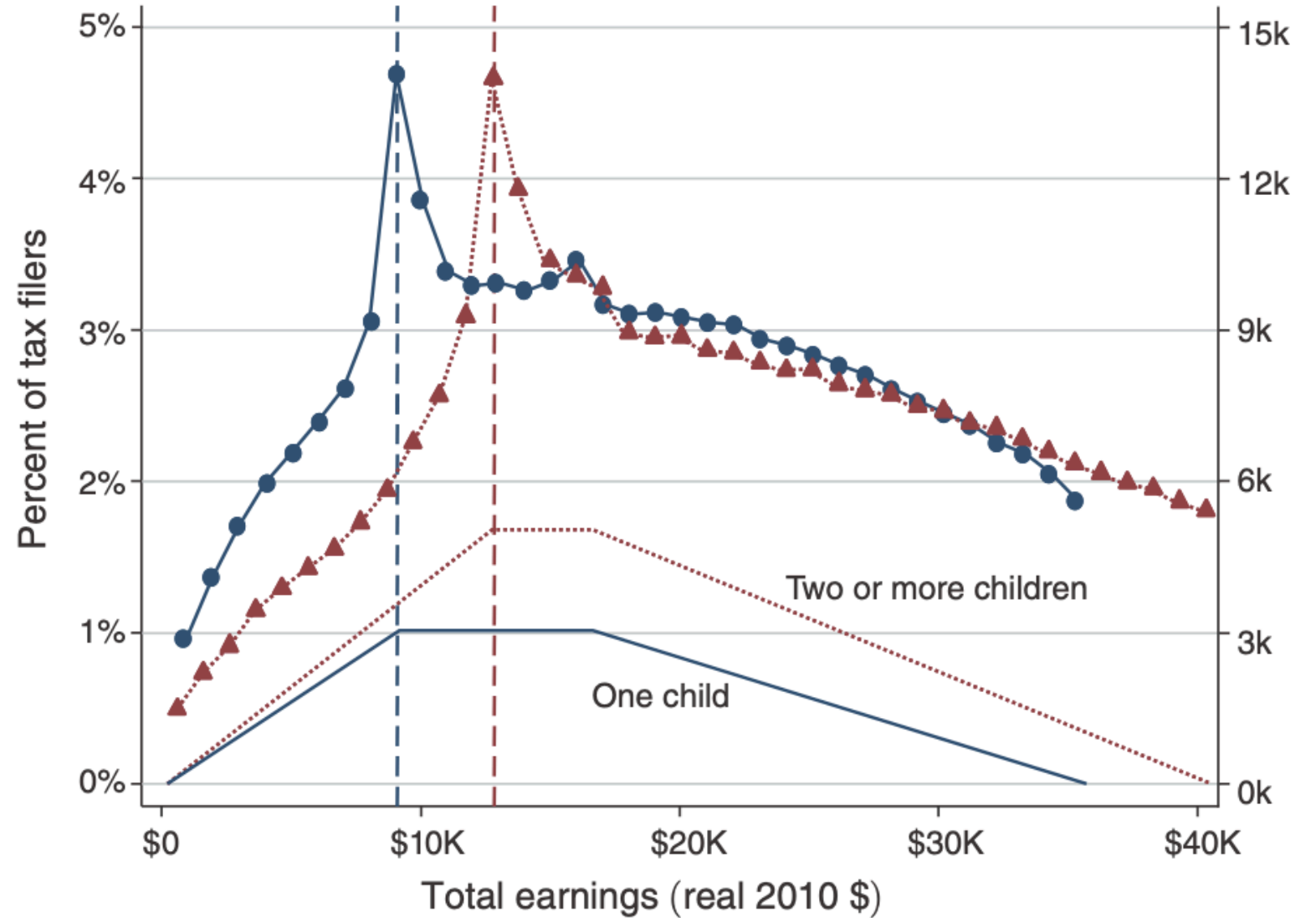
\$1000 Increase in Maximum EITC credit →
3.2-3.7 ppt increase in employment

Table 5. Effects of Pooled EITC Reforms on Annual Employment of Unmarried Mothers

Panel A: Low Education Sample						
	<u>Federal Credit Only</u>			<u>Federal + State Credit</u>		
	(1)	(2)	(3)	(4)	(5)	(6)
Maximum EITC Credit (Thousands)	0.032*** (0.003)	0.032*** (0.004)	0.037*** (0.004)	0.029*** (0.003)	0.029*** (0.003)	0.033*** (0.003)
Observations	297,800	189,954	266,260	297,800	189,954	266,260
Drop Welfare Waiver States	No	Yes	No	No	Yes	No
Drop Years 1994 - 1999	No	No	Yes	No	No	Yes

Leaving for the room: Impacts on hours, earnings

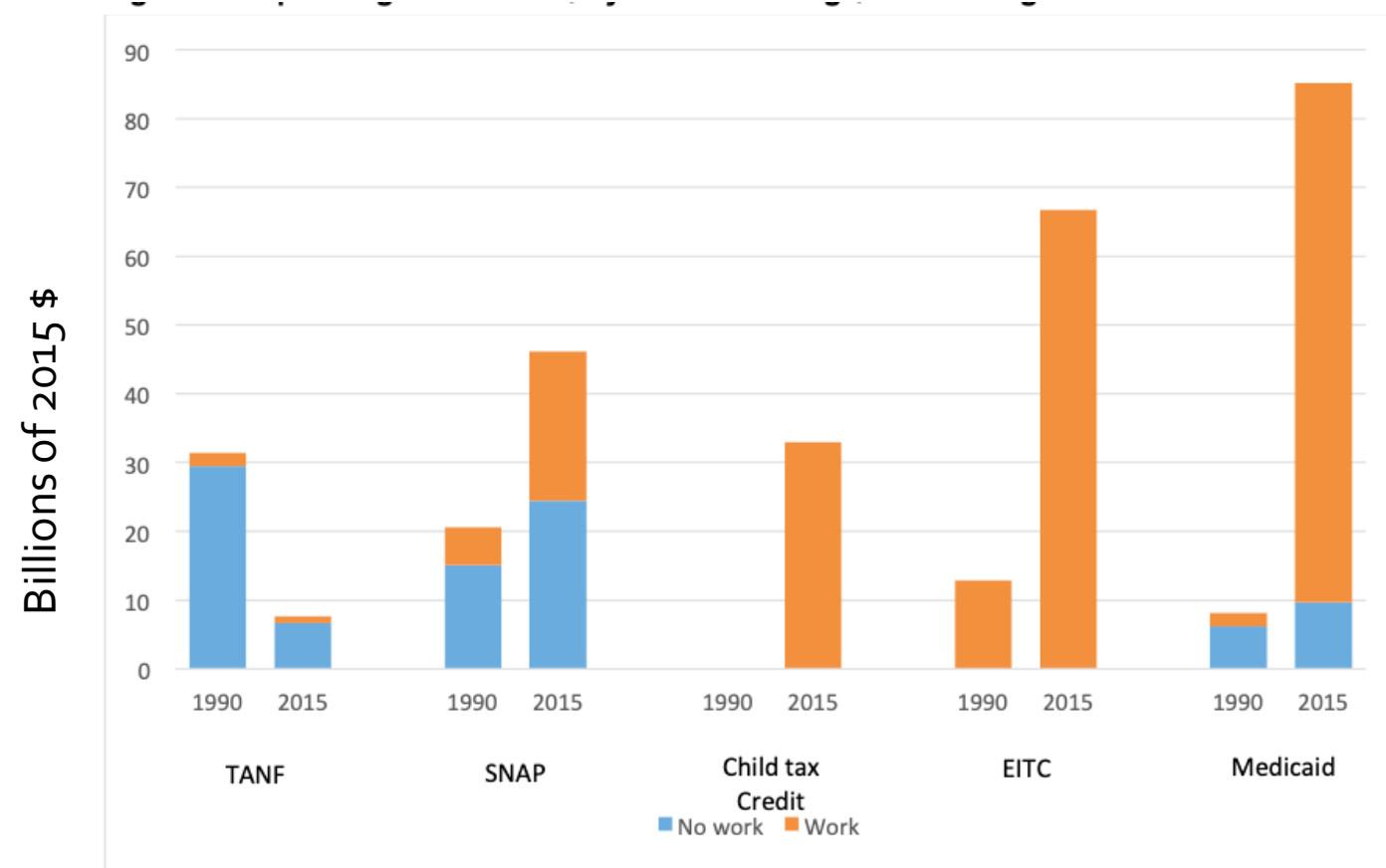
Bunching at kinks,
driven by self-
employment



Looking back/looking forward

- To what extent is the science settled?
- What else do we need to know about EITC impacts?
- What else can we learn from EITC impacts?
- How is today's context different/same?
 - Changing counterfactual: work-based safety net
 - Different expectations about work, marriage market
 - Would we expect similar impacts for next increment of expansion? (over what range do we think it's linear? Positive?)
 - Do we learn anything about work requirements?

More of the
safety net is
tied to work or
goes to
employed



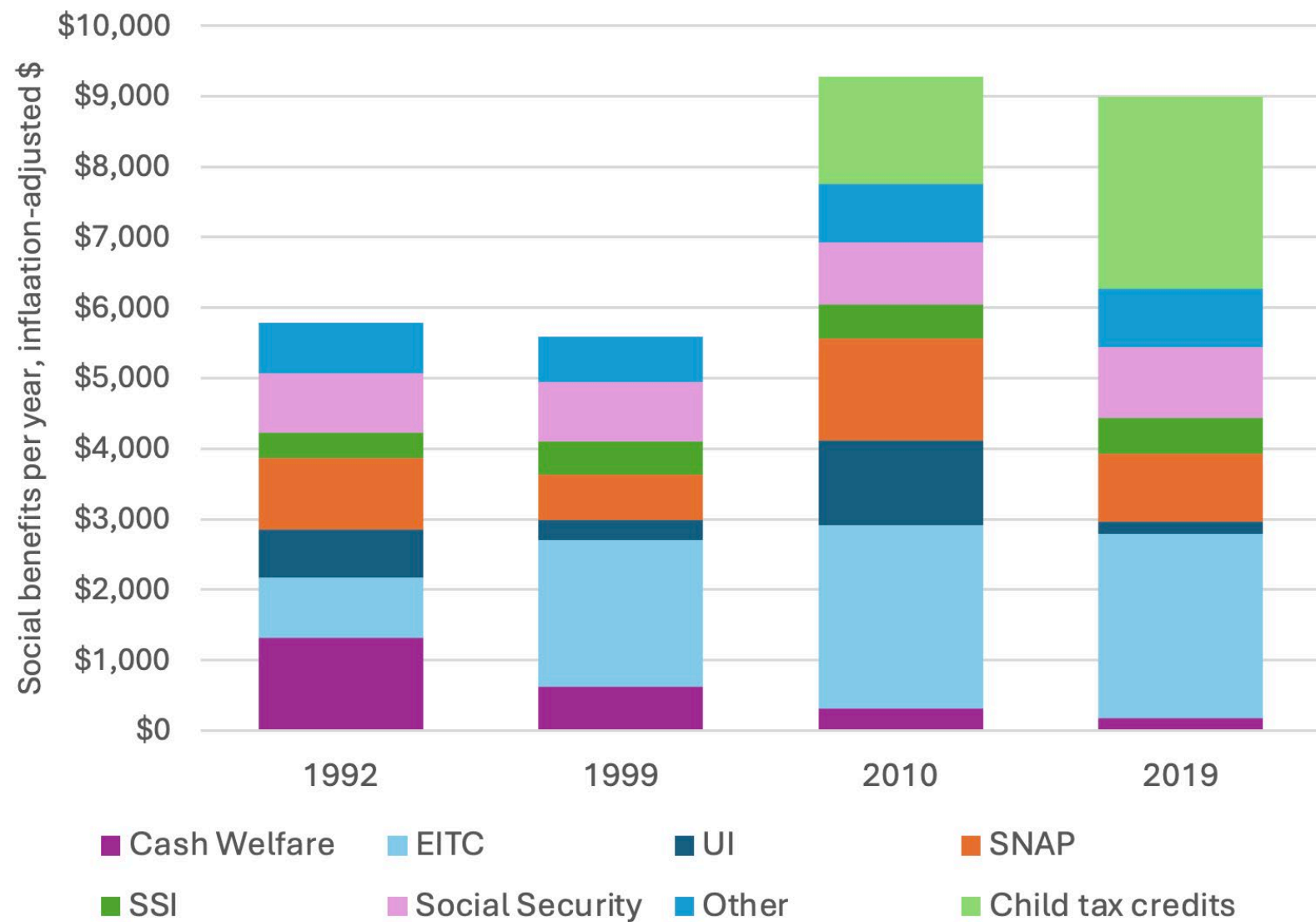
Source: Authors' calculations based on various administrative sources and (for Medicaid) the Annual Social and Economic Supplement to the Current Population Survey. See appendix for details.

From Hoynes & Schanzenbach, BPEA, 2018

Income from social benefits: Low-income people with children

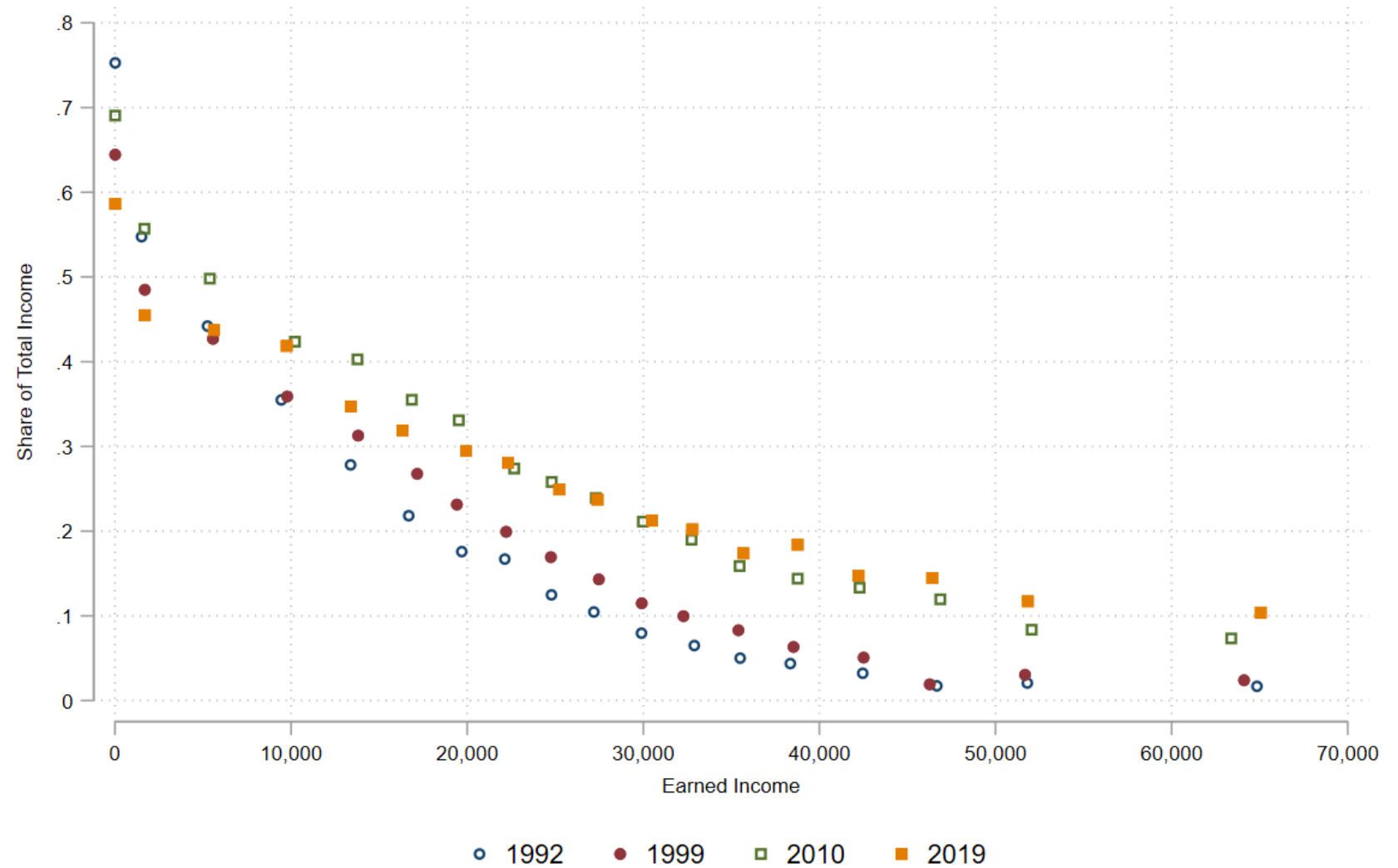
*obligatory disclaimer about CPS data quality

From Barrow, Schanzenbach & Rivera (2024)



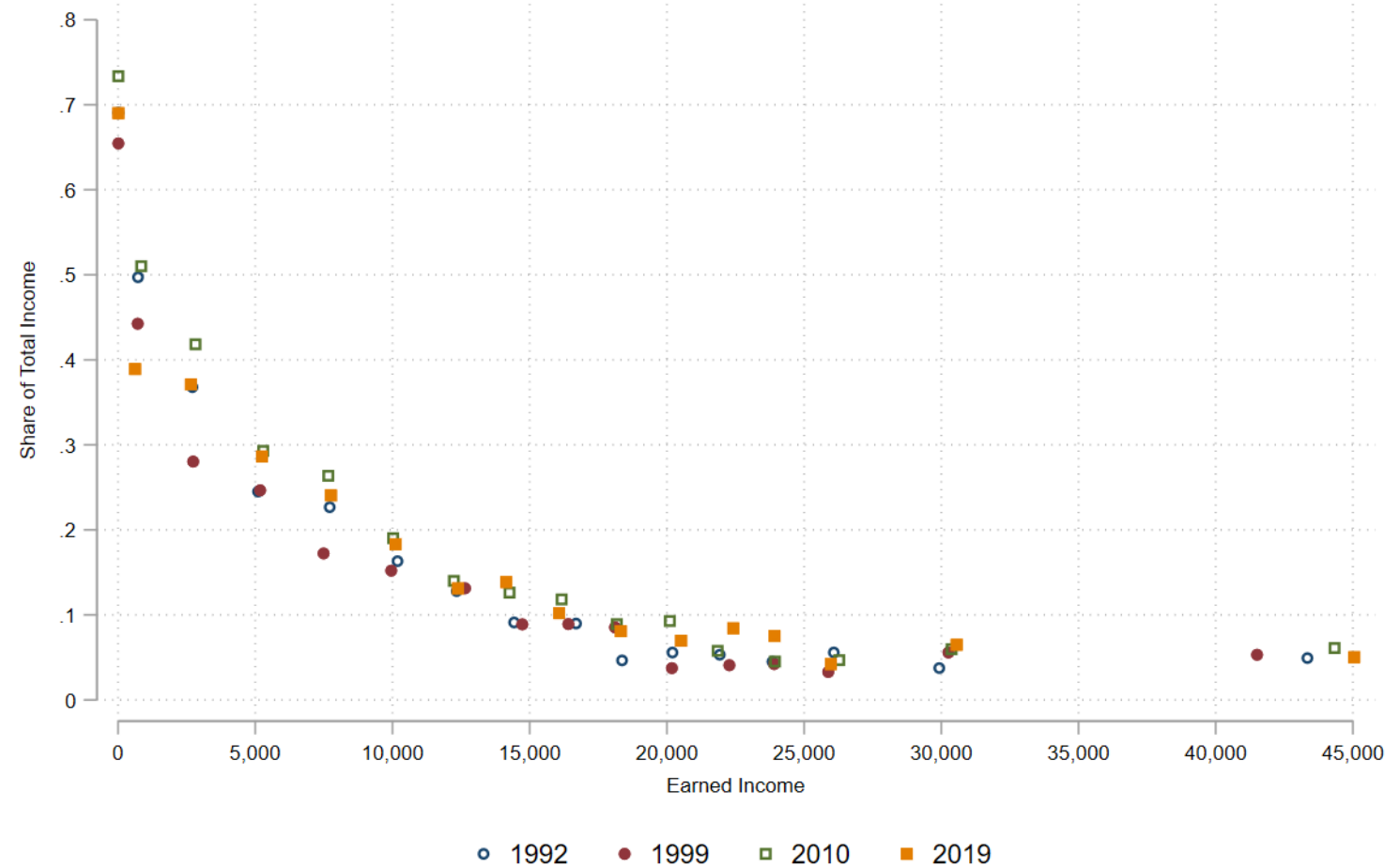
Share of income from benefits over time: Low-income adults with children

Over time, up distribution increasing share from nonlabor (not just 1992 vs. 1999)



Share of income
from benefits
over time:
Low-income
adults without
children

Little change, few
benefits



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