

Title:

Income Packaging among Unwed Families: Variation across 20 Large U.S. Cities

Authors:

Qin Gao

Doctoral Candidate, Columbia University

500 West 122nd St., #5B

New York, NY 10027

Phone: (212)851-2381 (office)

Email: qg2002@columbia.edu

Irwin Garfinkel

Mitchell I. Ginsberg Professor of Contemporary Urban Problems, Columbia University

1255 Amsterdam Avenue

New York, NY 10027

Phone: (212)851-2383 (office)

Email: ig3@columbia.edu

Brief Abstract:

Literature on income packaging mostly focuses on cross-national variations and largely ignores the specific patterns among disadvantaged groups. Using data from the Fragile Families and Child Well-Being Study, we explore whether there exists true variation in income packaging among unwed families across 20 large U.S. cities, and what state/city economic and social policy characteristics explain such variation. Descriptive and regression results show that huge variation in income packaging does exist even after accounting for local cost of living. Presence of a cohabitor ameliorates unwed families' economic well-being. In-kind social benefits compose a significant portion while cash benefits maintain its residual role. City variations in various benefit programs persist. Stricter state welfare policies are associated with lower benefit levels. Local economic indicators show ambiguous impacts. The results reveal the importance of seeking for means of improving the well-being of benefit recipients across geographic areas given the extensive decentralization in the U.S..

Extended abstract:

The increasing literature on income packaging mostly treats a nation's overall population as a whole. Very few examine the specific patterns among disadvantaged groups, such as single-parent families. Further, from a comparative perspective, literature mostly compares the U.S. with other advanced industrialized nations, but ignores the variation across U.S. states and cities. In this paper, we examine variation in income packaging and particularly social benefit packaging across large American cities amongst new parents. We focus on unwed parents because they are the fastest growing family form in the U.S. and now account for 1/3 of all American births. They are also disproportionately poor and recipients of public programs.

Using data from the first year follow-up of Fragile Families and Child Well-Being Study, we explore the variation of social benefit packaging across 20 U.S. large cities in 15 different states. We explore two research questions: 1) Whether there exists true variation in overall income packaging and social benefits among unwed families after accounting for cost of living across cities, and if so, how big? and 2) To what degree do state/city economic and social policy characteristics explain such variation after controlling for individual and families demographics?

We first present the descriptive comparisons of overall income packaging with and without accounting for local cost of living. Administrative data are used to impute social benefit values missing from self-report. Further, we use OLS regression models to calibrate whether the observed variation persists after controlling for demographics, local economic conditions, and state welfare policies. We add in different sets of controls cumulatively, to isolate the effects of different level policy factors from individual effects and to identify the variance explained by each set of explanatory variables.

The results indicate that the variation in income packaging across cities is huge, even after adjusting for cost of living, which may be mostly due to variations in cohabitation rate and state social policy generosity (see Figure 1 & 2). Figure 3 and 4 reveal the striking variation in both cash and in-kind benefits among unwed families across cities. Among cash benefits, EITC appears to function as a supplement of TANF. Child support—both informal and formal—contributes an important part of the cash benefit package. The overall cash benefit packages range about \$2,000 from the lowest in San Jose to the highest in Milwaukee. Toledo has a high value of over \$10,000 on in-kind benefits, while San Jose less than \$3,000. The three non-age specific programs—Medicaid, housing, and Food Stamps—dominate in-kind benefits across cities.

Preliminary regression results show that stricter state welfare policies are associated with lower value of overall income packaging as well as social benefit levels. Local labor market indicators show ambiguous impacts. In addition, individual demographic characteristics continue to play very important roles in household income and benefit packaging.

The results indicate that where people live matters greatly concerning income packaging and economic well-being, especially for unwed fragile families. Given the extensive decentralization in the U.S., it is important to seek for means of improving the well-being of benefit recipients across geographic areas while taking local economic conditions and policy environments into consideration. Race/ethnicity minority groups and mothers with less human and social capital are still deemed in most need of public support interventions.

Figure 1: Income Packaging Variation with and without Accounting for Cost of Living

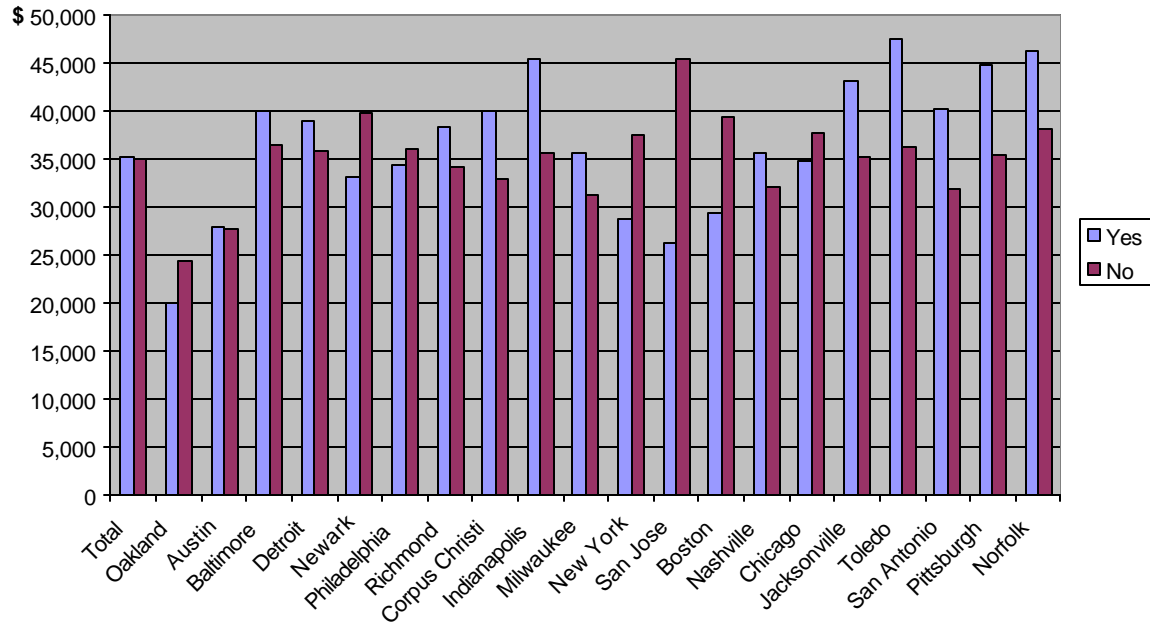


Figure 2: Values of Income Packaging among Unwed Families

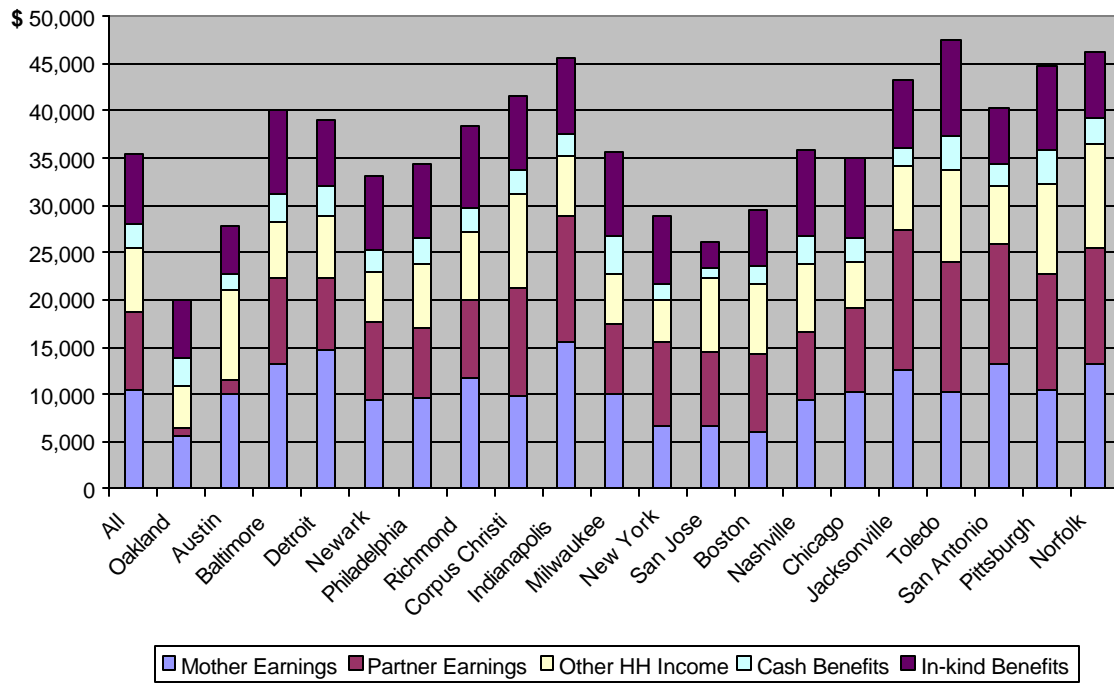


Figure 3: Value of Cash Benefits among Unwed Families

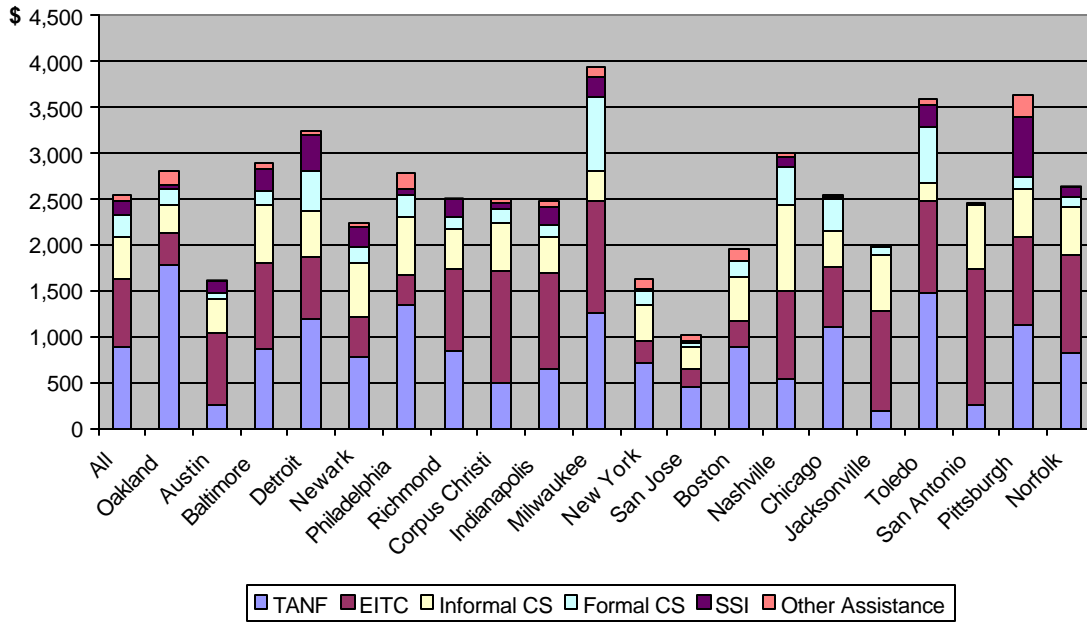
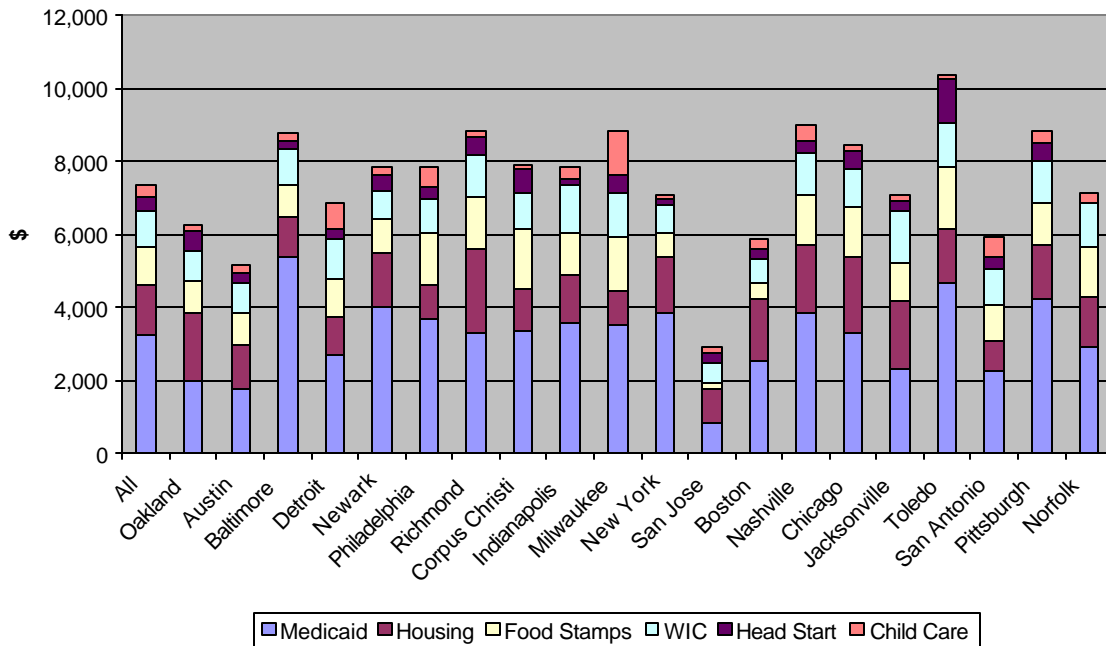


Figure 4: Value of In-kind Benefits among Unwed Families



Appendix Table 1: City Cost of Living Indexes

City	Fair Market Rent	Cost of living index
Oakland	\$861	1.22
Austin	699	0.99
Baltimore	643	0.91
Detroit	650	0.92
Newark	846	1.20
Philadelphia	738	1.05
Richmond	625	0.89
Corpus Christi	553	0.79
Indianapolis	552	0.79
Milwaukee	619	0.88
New York	920	1.31
San Jose	1,221	1.74
Boston	942	1.34
Nashville	630	0.90
Chicago	762	1.08
Jacksonville	572	0.81
Toledo	535	0.76
San Antonio	555	0.79
Pittsburgh	558	0.79
Norfolk	580	0.82
Mean	703	1.00