The EITC and Dignity for the Working Poor

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Means-tested government programs can stigmatize their beneficiaries, carrying social and psychological costs alongside their economic benefits (Edin and Lein 1997; Rogers-Dillon 1995; Rosier and Corasaro 1993). Temporary Assistance for Needy Families (TANF), which was until recently America's core welfare program, has this effect (Stuber and Kronebusch 2004; Stuber and Schlesinger 2006). However, there is now one relatively generous, wide-reaching, means-tested government assistance program that instead creates feelings of social inclusion, in part by fueling recipients' hopes and plans for future upward mobility. This program is the Earned Income Tax Credit (EITC), a refundable federal tax credit for lower-income workers that today lifts more children out of poverty than any other government program (Greenstein 2005; Greenstein and Shapiro 1998; Holt 2006, 2011). The way in which the EITC is distributed—via a universal system, to working parents, in an annual lump sum—imbues this money with a social meaning, namely a reward for work and a chance to mimic, to some degree, a middle-class lifestyle. This meaning encourages spending patterns that create feelings of social inclusion and citizenship.

We argue that the EITC avoids the pitfalls typical of means-tested programs in three principal ways. First, it is delivered via a universal system—the Internal Revenue Service (IRS)—as opposed to one reserved for stigmatized groups like the welfare office. Second, it is restricted to members of two highly valued groups—those who are both workers and parents. Third, it comes in a once-a-year lump sum at tax time, enabling large-scale spending that is not possible at other times of year. Following Zelizer's work (1989, 1997), we find that this combination of factors gives these dollars a particular social meaning, shaping recipients' allocations of the money. The incorporating effect of the EITC—in contrast with TANF—is visible in the narratives of dignity and dreams recipients offer to explain how they allocate their tax refund checks.

Citizenship is more than the formal rights that a state grants to those within its territory through legislation and social policy. Citizenship is actualized in interactions with representatives of the state and in social processes, in which people can gain "substantive citizenship" (Nakano Glenn 2010: 2; see also Haney 1996, 2002; Korteweg 2006). Conversely, it is through these interactions that feelings of incorporation or citizenship may be denied to people who have the legal rights of citizens but behave in ways that are at odds with community norms. For example, stigmatized means-tested programs can create social exclusion, withdrawing a central element of citizenship (with social rights standing alongside civic and political rights; Marshall, 1950). Marshall explains that this may arise as a consequence of the "psychological class discrimination" accompanying some government sources of economic support. Programs targeted at marginalized groups, as opposed to universalist policies, are most likely to result in exclusion from shared citizenship.

Cultural sociologists have long argued that one dollar is not necessarily equivalent to another; rather, they carry social meanings that shape their uses and social significance. "Multiple monies matter; they [are] powerful, visible symbols of particular types of social relations and meanings. But they are more than that; they directly affect social practices. People not only think or feel differently about their various monies, but they spend them, save them, or give them for different purposes and to different people," Zelizer argues (1997: 211). Our analysis extends this framework to the major cash income streams on which low-income families with children typically rely (Edin and Lein 1997): wages, TANF, and the EITC.

Although the EITC has become the largest cash transfer to the working poor, we know little about how the money is perceived. In the present study, we draw on 115 in-depth interviews with an ethnically and racially diverse pool of lower-income household heads who received a substantial EITC refund (at least $1,000) in the late 2000s. We examine how recipients view the EITC, how they discuss their allocations, and what meanings they attach to this money. We find that program beneficiaries prize the EITC for providing substantial relief from the financial stress of unpaid bills and debt, both longstanding credit card debt and shorter-term financial obligations that have accumulated throughout the past year. But recipients also believe that the EITC is a just reward for their labor as workers, which justifies a temporary increase in consumption among households whose spending is highly constrained during the rest of the year.

These allocation decisions, we discover, are about much more than dollars and cents; rather, they are evidence of the feelings of social inclusion that have been fueled by the refund check. The meaning of EITC dollars is unique in the budgets of lower-income families. Wages and welfare dollars are slotted for necessary daily spending, as opposed to long-term dreams and special treats. Parents see paying down debt as the first step on the path toward upward mobility, and indulging their children's wants makes them feel, as one mother says, like "real Americans". The meaning of the EITC permits this sort of spending. As a result, the Earned Income Tax Credit is a means-tested government assistance program that buys its beneficiaries partial access to the social rights of citizenship.

Policy Background

The phrase "If you work, you should not be poor," was a hallmark of President Clinton's antipoverty policy. In 1993, he persuaded Congress to make that promise a reality for millions of Americans, by roughly tripling the Earned Income Tax Credit. A small EITC, championed by

Senator Russell Long, had been initiated in 1975 to offer modest tax relief to low-wage workers with dependent children. During the 1980s, the credit was modified several times to more fully compensate for a series of regressive state sales tax hikes. After a further expansion in 1991, President Clinton used the budget reconciliation process to expand the EITC dramatically in 1993. The new credit was constructed so that full-time, year-round workers with dependent children would rise above the poverty threshold. A further temporary expansion for large families was enacted in the American Recovery and Reinvestment Act of 2009 and was extended through at least the 2013 tax year.[1]

By 2011 (the most recent tax year on which data is available), this fully refundable credit offered $55 billion in reduced taxes and refunds to 26 million taxpaying households (Internal Revenue Service (IRS) 2012a). The take-up rate of the EITC among those eligible is notably high—more than 75 percent (Plueger 2009).[2] The amount of the credit varies by household income and family size, but averages just over $2000 and can provide as much as $5,751 annually to a single parent of three who works full time, full year and earns between $12,780 and $16,690 per year. Benefits increase gradually as earnings rise from $1 to $12,780 and decline as earnings rise from $16691 to $43,998.[3] Families often get additional refundable tax credits on top of their EITC, including the federal Child Tax Credit (worth up to $1,000 per child) and, in some states, a modest state EITC.[4] [5]

By contrast, the main cash welfare program in place today, TANF, provided less than $10 billion of direct assistance in 2009,[6] and 1.85 million families were on the rolls at any given time (US Department of Health and Human Services 2010).[7] While TANF benefits are typically so low that recipients remain below the poverty line, the EITC currently lifts nearly seven million individuals out of poverty, including 3.3 million children (IRS 2011a).[8]

The EITC is designed to promote and support work, particularly among adults with dependent children. Millions of single mothers have been drawn into the workforce because of its work-conditioned benefits (Hotz and Scholz 2003; Eissa and Hoynes 2006; Eissa and Liebman 1996; Chyi 2012; Meyer and Rosenbaum 2001). Workers without children can claim only a small credit, with a maximum of $464 in 2011 (IRS 2011b); and only 5 percent of EITC dollars go to adults without children (Meyer 2010).

Most past research on the EITC focuses on recipients' plans for the allocation of EITC dollars (Rhine, Su, Osaki, and Lee 2006; Smeeding 2002; Smeeding, Phillips, and O'Connor 2000; Spader, Ratcliffe, and Stegman 2005). Some have focused on actual allocations, either directly via surveys (Barr and Dokko 2006; Robles 2007; Spader, et al. 2005; Shaefer, Song and Shanks 2011) or indirectly via the Consumer Expenditure Survey data (Goodman-Bacon and McGranahan 2008). Others have compared low-income working mothers' spending before and after the early-1990s expansions (Gao, Kaushal, and Waldfogel 2009). Although these studies do not offer a full accounting of the EITC dollars devoted to various ends, as we do, they do show that EITC dollars are used for multiple purposes, including current consumption, back bills and debt, savings, and investments in assets and education. To our knowledge, our study of the EITC is the first to examine the underlying motivation and meaning tied to these allocations among recipients.

Literature Review

No study we know of examines in detail how the meanings recipients assign to money from the EITC differ from the meanings of money from other sources, or how these meanings shape allocation patterns. We know that only two studies address these issues. In the mid-1990s, Romich and Weisner (2000) interviewed 42 low-income single-parent families who were participating in a welfare-to-work program about how they used their EITC and what benefits they felt they derived from it. Most respondents said the refund offered substantial financial relief: “Generally, [our respondents] view tax time as a time when they can get caught up on their bills and feel a little ahead for a while,” the authors reported. They also found that many recipients aspired to save some of their refund, and those who did usually had a major financial goal in mind, such as a home purchase (Romich and Weisner 2000:15).

Another analysis of data gleaned from these same 42 respondents, conducted by Duncan, Huston, and Weisner (2007), focused on how the respondents used non-EITC wage supplements and other in-kind benefits provided by a welfare-to-work program. Participants felt that these supplements and benefits enhanced their efforts to parent their children responsibly. For example, they felt more financial freedom to choose the type of school (parochial instead of public) that they thought would be best for their children. In addition, the authors found that “parents and children [who received these benefits] generally took great pride in being typical consumers—going to the mall or a fast-food restaurant, buying new clothes instead of thrift store specials, buying furniture, or purchasing a reliable used car” (2007: 86-87).

Given the policy focus of these analyses, however, we can glean only hints about what meanings these low-income workers ascribed to this money and how these meanings may have shaped their allocations. Nor do these studies tell us whether respondents viewed the EITC similarly or differently from the other monies coming into their household—specifically, TANF and earnings. As outlined above, we contend that particular features of the EITC—its delivery through a universal system, its connection to worker and parent identities, and its form as a lump sum—shape the social meaning of this money, recipients’ allocations, and their resulting feelings of citizenship. Previous research across the fields of economics and sociology provides a foundation for this argument.

Studies in behavioral economics explore how people's financial thinking is dramatically altered by the mode in which they receive money (Thaler 1980, Shefrin and Thaler 1988). That is, someone may conceive of and allocate $12,000 quite differently depending on whether they receive it as a one-time windfall or in regular monthly increments of $1,000 throughout the year. Research in this area challenged the traditional economic assumption that, as a fungible resource, every dollar was interchangeable. Even though the person receives $12,000 in both instances, the way it is delivered affects how people think about the money – whether they consider it current income, future income, or wealth (Shefrin and Thaler 1988). Arkes et al. (1994), for example, have shown that windfall money is more likely to be spent quickly than regular earned income (see also Hodge and Mason 1995). People's propensity to spend rather than save a windfall depends on whether the money is viewed as a boost over and above their regular financial situation or a rebate that lifts them back to their normal economic position (Epley and Gneezy 2007; Epley, Mak, and Idson 2006; see also Kahneman and Tversky 1979; Thaler and Johnson 1990). In addition, the spending of windfall dollars is contingent on whether households are operating under conditions of constraint. Although households across income levels tend to spend rather than save such money, households with lower incomes and assets save a lower proportion of windfall dollars than the more financially comfortable (Johnson, Parker, and Souleles 2004).

Sociological research has brought additional nuance to the work in behavioral economics. Zelizer argues that it is more than the delivery method – lump sum or incremental payments – that shapes people's allocation decisions. Money has a "social meaning" that is determined by broader cultural forces, activated, for example, by who provides the money and whether or not the money is seen as a gift, an entitlement, or compensation (Zelizer 1979, 1989, 1994, 1996). If the $12,000 is received as part of an annual alimony payment, it is likely to be seen and spent quite differently than if it is inherited from a beloved grandmother or won in a slot machine.

The EITC is received in a lump sum at tax time, delivered through a universal (non-stigmatized) system, and tied to social roles with a positive valence. This gives the tax refund check a social meaning as a reward for work and an opportunity to live aspirationally—spending and saving toward an upwardly mobile future. This represents a radical transformation in the American welfare state, which has largely escaped notice in the welfare state literature.

Today's largest means-tested cash assistance program for families with children (the EITC) serves not to exclude, but to incorporate needy households into the fabric of mainstream society. Although it serves the economically disadvantaged, it is less like TANF and more like Social Security, which is also a reward for work (Edin and Lein 1997; Ellwood 1988; Lieberman 1995; Watkins-Hayes 2009). Esping-Andersen writes, "The welfare state is not just a mechanism that intervenes in, and possibly corrects, the structure of inequality; it is, in its own right, a system of stratification. It is an active force in the ordering of social relations" (1990: 23). While he argues that means-tested programs reify or even exacerbate market-created stratification, the EITC works in a more positive and unexpected way, providing an opportunity for incorporative consumption. Below we detail recipients' allocation patterns, revealing the logic behind their spending and saving, and its psychosocial consequences.

Research Methods

This analysis draws on in-depth, semi-structured interviews with 115 EITC recipients with at least one qualifying child. Interviews occurred in 2007, focusing on respondents 2006 tax filings. A team of trained and experienced qualitative researchers, including the authors, conducted the interviews.

We sought to construct a diverse sample in terms of race (white, black, and Hispanic), filing status (married and single), and filing method (for-profit preparer, nonprofit preparer, or self-filed). We used a two-stage process to identify a group of EITC recipients with minor children in the Boston area that would vary along these dimensions. First, we fielded a short survey at random sampling intervals during tax season at two H&R Block facilities in different sections of the city (a large regional facility in Dorchester and a smaller facility in East Boston) and two nonprofit tax preparations sites in the same neighborhoods, and at eight Head Start centers across the city during and after tax season. We chose our sites based on the racial and ethnic composition of their clientele, seeking a balance of sites located in lower-income white, black, and Latino areas of the city. Those who said they had filed an Earned Income Credit schedule had often just filed their taxes at the time of the survey, and so could double-check against the paperwork they had in hand. They were invited to participate in a short survey inquiring about their refund amounts and how they anticipated spending those refunds.[9] Respondents with dependent children whose federal and state refunds totaled more than $1,000 were also asked to give their consent to be contacted for an intensive interview scheduled approximately six months after they filed their taxes.

To draw an in-depth interview sample, we stratified the survey sample (N=322) by race/ethnicity and marital status to obtain a sample of 120 households, about evenly divided between blacks, whites, and Hispanics, with about two-thirds of each racial group filing their taxes as single and one-third filing as married. We intentionally selected more single than married tax filers to account for the fact that approximately three-quarters of EITC recipients file as single or head of household (Eissa and Hoynes 2011).

(Tables 1 and 2 about here)

We did not explicitly stratify the sample by tax filing method. Instead, we relied on our diverse modes of survey sample collection to generate sufficient variety. Nationally, about two thirds of EITC filers used for-profit preparers (Annie E. Casey Foundation 2005) and our sampling strategy yielded 70 percent for-profit users. Only a tiny proportion of filers nation-wide use a nonprofit preparer, and our sample is over-representative in that regard (22 percent of our respondents used a nonprofit compared to 1.6 percent of EITC claimants nationwide) (Holt 2011).

Response rates for both the initial surveys and the intensive interviews were high. Precise response rates for the initial survey phase are difficult to calculate and interpret, because potential respondents approached at tax preparation sites could refuse to participate either because they did not receive the credit or because they did not want to participate in the study. However, the offer of $10 for taking a two-minute survey generated great enthusiasm at the sites. The handful of potential respondents who said they received the credit but declined to participate in the survey explained, for example, that they were at the tax preparation offices only to pick up their refund check and could not participate because they were double-parked or had a taxi waiting outside. Among those we surveyed and asked for permission to contact them again for participation in the intensive interview, only nine refused.

We conducted semi-structured interviews with a stratified random sample of initial survey respondents roughly six months after they received their refund checks. All but five of those selected for the in-depth interview agreed to participate. All interviews were in-person and over 90 percent took place in respondents' homes. The remainder took place in public locations such as a restaurant, park, or library. Study participants received an honorarium of $60 for participation. Interviews averaged 2.5 hours, ranging from 1.5 to 4.5 hours. All interviews were audio-recorded, transcribed, coded, and systematically analyzed for common patterns and themes.

The in-depth interviews elicited both quantitative and qualitative data. We collected detailed monthly income, expenditure, savings, and asset information from the past year. We used this information to construct a "9-month budget" for the months they were not receiving or typically spending their EITC, as well as for information about the receipt and allocation of the tax refund and their "3-month budget" during the period in which the refund was received and usually fully allocated. We also asked open-ended questions exploring how families managed their complex financial lives, how and in what circumstances they prioritized some expenditures over others. We also asked about their attitudes and beliefs about savings, asset building, and debt; we asked questions that gauged their general financial knowledge, future goals, aspirations, and questions that elicited rich descriptions of home and work life, housing and neighborhood, and family background.

Thus, respondents not only reported their refund amounts and allocations, but also reflected on the meaning of the credit and the social significance of its uses. In our analyses, we probed both respondents' refund narratives and their descriptions of their larger financial lives to better understand the meanings they attributed to the tax credit and to other money streams, especially cash welfare. Emergent themes about the value recipients ascribed to the refund were identified through inductive analysis of respondents' narratives regarding their tax refund. We restrict our analysis here to the four themes that were frequently discussed. We identified each of the four themes (described below) in at least half of the cases.

Although not queried directly, since it was not the focus of the research project, we were able to glean data on respondents' perceptions of acceptable uses for TANF dollars as well; fully half of our respondents were former recipients of the program, and nearly all respondents had strong views about the program even if they had no first hand experience. In addition, we were able to compare how the EITC was allocated (the 3-month budget) against how earned income was allocated in the absence of the EITC (the 9-month budget).

Findings

We talked with respondents at length about both their planned and actual allocations of the refund. Inductive analysis of their open-ended responses revealed that they saw the refund as a special income stream. Our analyses further found four major themes in how it was experienced: relief from financial stress, enhanced consumption, the possibility of upward mobility, and an overarching theme of social inclusion.

The EITC is a powerful force in the lives of low-income working families with children. For our typical respondent, the lump-sum refund was the equivalent to roughly three months of earnings, and one-fifth of total annual income. For most, it was by far the largest single check they receive in a given year. Although paid out at tax time, the EITC's reach extends over a far wider timeframe. Respondents often anticipated the refund throughout the year and thoughtfully earmarked portions of it for specific purposes. Some said that the EITC was like "hitting the lottery", an unexpected windfall. Some used terms suggesting that they considered the refund "special money", "found money," or "treat money". Still others, aware that their dependent children had made them eligible for the credit, referring to it as “the kids’ money” or “family money.” It also became clear from their larger financial narratives that the EITC, because of its lump sum feature, was often considered a form of savings.

Most families we interviewed spent a portion of their refund paying bills or paying debt. Twenty-five percent of refund dollars went to such purposes. (We discuss the theme of “relief” in detail below.) Nonetheless, even in the face of keen financial pressure, nearly all households in the study managed to reserve some of the refund for discretionary expenditures – often referred to as “rewards” or “treats.” They often emphasized that it was important to do this. They relished the experience of making these purchases – splurges they rarely indulged during the rest of the year – and they delighted in the experience of picking out Disney-brand clothing for the kids, taking the family on a much anticipated albeit modest vacation, or eating out at a sit-down restaurant like TGI Friday’s. Although spending on such “treats” seemed to confer vital social-psychological rewards, it consumed only 11 percent of the refund on average.[10] Much of the spending and saving behavior around the refund is related to respondents’ mobility aspirations; on average, 17 percent of the refund was saved. Annual receipt of the refund laid the foundation for larger, long-term financial goals; accordingly, many recipients formulated concrete plans to build assets and enhance their educational credentials via their EITC, and many invested a portion of their refund to do so even at the expense of other pressing financial needs. Spending for these purposes constituted nearly 40 percent of total allocations.

Like their investments, respondents saw paying down debts (and thus cleaning up their credit) as a first step toward a brighter financial future. Spending on treats, for themselves, their children, or their whole families, was an equally important part of the equation; such spending was a chance to live the more comfortable lifestyle in the present that they were aiming to secure in the long term through paying down debts, saving, and investing in assets. These present-day indulgences and future-oriented financial planning gave parents a feeling of inclusion—social citizenship—that living month-to-month in the red did not.

Relief from Financial Stress

When asked what they valued most about the EITC, the first thing that participants usually mentioned was the palpable relief they felt when they could finally make progress paying down debts and catching up on the bills. The theme of financial relief emerged spontaneously from 82 of 115 respondents. The impulse to meet their financial obligations was so strong that 61 percent of those who filed at H&R Block took advantage of a rapid refund loan – a high interest advance against the credit provided by the for-profit tax preparer – usually for the expressed purposes of paying off bills and debts or making a badly needed purchase just a few days sooner. In our study, two percent of refund dollars went to such fees.[11]

Most respondents described living with immense financial challenges – struggling mightily to stretch their meager paychecks to cover their monthly bills. Another analysis of these data shows that for the average recipient in our study, wages covered only 67.9 percent of monthly expenditures; the rest had to come from SNAP (Supplemental Nutritional Assistance Program), cash contributions from relatives and friends, child support and, of course, the EITC itself and other refundable tax credits (Authors forthcoming; see also Edin and Lein 1997). Ninety percent of those interviewed for this study had some form of debt, with 60 percent carrying credit card debt (Tach and Greene n.d.; Authors forthcoming). Not surprisingly, our analysis of both their 9-month and 3-month budgets show that few were able to make real progress paying down back bills or outstanding debts, except at tax time. Many had a strong desire to get ahead financially, and pointed to debt as the key barrier that prevented them from making progress. Thus, though we code these allocations as “back bills/debt” some might also be thought of as having a mobility purpose.

Debts weighed heavily on respondents, who described the psychological stress of being hounded by bill collectors, the strain of worrying about the risk that utilities, heat, or other services might be shut off, and fear than an emergency would occur with which they could not cope financially. Respondents not only said they felt anxious about their back bills and debt, reported feeling ashamed when bill collectors called, often avoiding the phone calls and resenting the constant reminders of their financial shortcomings. Most had some long-term debt, but almost all also accumulated additional debt throughout the year (such as falling several months behind on a heating bill).[12]

The tax refund allowed some to pay off certain debts in full—a feat that was especially prized. Sharon Ingram, a 47 year-old black clerical worker with a 21-year-old daughter and a 15-year-old son, paid off her credit card debt in full with her refund. When asked how she decided to spend her refund check, Sharon responded that she prioritized paying off three credit cards,

> …just get a little ahead of the game. Just get a little ahead of myself. Just breathe a little better. So that way when my checks were coming into deposit, three out of four of my bills were already paid. What a feeling! And now I could sit on that. It made it a lot easier.

In other cases, respondents paid off just enough debt to keep their creditors at bay, spreading the remaining refund money among other allocations, including savings. Our average respondent spent 25 percent of her tax refund paying down back bills and debt.[13]

Given their financial situations, it is hard to overstate the sense of financial relief afforded by the ability to pay down debt. Carla Daniels, a 53-year-old black mother of two stepchildren (who had both been living with her full time), was working at a temp agency and in the process of getting a divorce when we interviewed her. She told us,

> All I was thinking about was survival. All I was thinking about was, "What do I need to do to save this family from eviction?" And we were eligible for the Earned Income Tax Credit. I said, "Thank you, God!" To be honest, I was so thankful that we were eligible because I knew that that was going to keep us out of eviction court.

The refund allowed this family to avoid being evicted for unpaid rent, a debt created by Carla's husband's drug addiction. Others were able to use the refund to resolve debt accumulated in other ways, such as traffic and parking tickets or past-due utilities.[14] Lizann Moretti, a 42-year-old, white mother of two, did not have a job when we interviewed her; the family had to rely on her husband's job installing insulation. She described how the refund allowed them to hold onto a major asset—their home:

> I paid five years worth of taxes [with the refund]. It was almost – it was close to $4,000…. Yes! Do you know how I *felt* after I paid 'em? I was like *Oh my God*! It felt so good. Cause [I said to myself], "Oh my God, if I wait any longer...we're not going to own the house anymore. They're going to [take it from us]." I felt like, "Oh my God, the more I wait, we're going to have a serious problem."

The Morettis spent most of their refund solving a "serious problem" and preserving a key family asset—and they were not alone. Sandra Rose is a 43-year-old Hispanic single mother of two and works as a home health aide. She fell behind in paying her utilities, leaving her worried that her gas and electricity might be shut off. The refund allowed her to pay $2,000 toward these overdue bills. When asked what might have happened without the tax refund, Sandra replied, “Uf! I’d have to go live down [under] the bridge.”

Many shared this relief of “catching up” on outstanding bills. Michelle Tavares, a 25-year-old black mother, cares for her 19-month-old son while her husband works as a cable installer. Recently, the family had fallen behind on several household expenses, so the refund offered a reprieve from the normal financial press.

> Well, what I was excited about [when I received our tax credit], I was like, okay, I calculated everything…. I was behind on my cell phone. [I said,] “I can pay my cell phone! I can pay my electricity! I can pay little things. I owe money on my son’s insurance. I can pay that….” And then I wanted to have leftover money to save. So we were thinking we could put a thousand in the bank and save it. But [all but $300] ended up going towards paying bills…. We had to do stuff [so] that we knew [they] wouldn’t get shut off. I mean, you…have to think of basic needs for your kid. I have to think about his shelter and stuff.

For Lizann, Sandra, Michelle, and so many others, the tax refund check offered a chance to make major strides in emerging from under a cloud of debt. Such payments brought a sense of relief. It would have been nearly impossible for these parents to pay down debts and back bills in these ways without their refunds.

Consumption

Most EITC recipients we interviewed worked at service-sector jobs. Typical occupations included waitress, personal care attendant, salesperson at Radio Shack, child care worker, bus monitor, disability van driver, maintenance crew, and cashier at Dunkin' Donuts. Others worked low-level jobs in nursing homes, hospitals, and home health care. These jobs paid poorly, and respondents seldom found them intrinsically rewarding. Many also worried about job security, losing hours, or the limited career ladders within their organization. For many, it was the tax refund that seemed to provide the sense that their labor was rewarded—a feeling not conferred by their wages or the nature of their work. They experienced this reward by spending a modest portion of the refund, for "treats"—enhanced consumption of particular goods that satisfied their "wants" and not just their "needs." These were often items they associated with a more comfortable life.[15]

Many times, in accordance with the view that the EITC was "the kids' money" or "family money," their children's "wants" were what parents were most eager to satisfy. Small "splurges" for a Dora the Explorer bedspread or the Bob the Builder lamp added considerably to their feelings of adequacy as parents. A white, single, 23-year-old food service worker and mother of three, Claire Haynes, told us,

> I was able to buy the kids something that they were wanting. You know, I can't do that often. [My daughter] is like big into Dora. Yeah, Dora is big in her life. So I was able to get her the little wooden Dora table and chairs. She sits there and eats dinner.

It is notable that purchasing the table and chair set was not just a highlight for Claire's daughter, but for Claire herself. Being this kind of parent—one who can buy special items her children relish—was a special treat for Claire and one that she "can't do that often."

Respondents often emphasized they felt justified in allocating a portion of their refund to treats because they worked hard and felt, that they had earned the right to splurge in these modest ways. Treats include both consumer *goods*—name-brand sneakers, cartoon character bedspreads, a sought-after item of clothing, a special toy, or a designer pocketbook—and *experiences*—treating the kids to dinner at TGI Friday's, going to the movies, spending the day at an amusement park, traveling to visit friends or relatives who lived some distance away, or taking an overnight trip to Cape Cod or New Hampshire's Lake Winnipesaukee.

The dollars spent on treats for children offer powerful validation to parents' identity as providers. Parents particularly reveled in those special expenditures that made their children feel that they were "ordinary American kids" (see also Pugh 2004, Pugh 2009). For example, Claire Haynes, the mother of three quoted above, told us that under normal circumstances,

> Sometimes the kids get what they need, but it's not what they want. It's what they need, but they may not like it. So with this [refund] money, I was able to take them to [T.J. Maxx] and let them pick their clothes. It might have been a couple of dollars more expensive, or it might have been even double the price, but the point was they got what they needed and at the same time they felt like a million bucks. Because they got actually what they *wanted*. My kids felt like a million dollars.

Debra McKinley is 28-year-old single, white mother of two daughters who worked at her sister's restaurant. As a reward for passing the 4th grade, Debra had promised her daughter a chance to indulge in her favorite foods on a trip to the "best seafood restaurant in America" on her birthday. Despite the fact that the family lives in Boston, a city with many excellent seafood restaurants, she felt that only the Red Lobster chain qualified as the "best in America." Unfortunately, the nearest Red Lobster was in Connecticut, several hours away. Thus, fulfilling her promise required an overnight trip for the entire extended family. This is how Debra described the experience:

> For her birthday we went to…Red Lobster. The hotel was $140, the Red Lobster bill—there was so many of us—we spent over $500 in Red Lobster. [But the] only price I [care about] is [that] my nine-year-old spent $68 on her meal and ate every bit of it.

Lisa Benson, who is white and engaged to be married, has been raising her 14-year-old daughter on her own. Lisa works two jobs, as a waitress and an airport luggage transporter. She cuts her expenses to the bone for most of the year but when tax time comes, she uses a portion of her refund to share experiences with her daughter that she associates with a more comfortable lifestyle:

> Well, [when the refund came,] me and my daughter, we went out to a little lunch. We went out to lunch a couple of times. Once to Uno's and once to Friday's because we wanted to try it out.… That's what we did a couple of times—go places that you don't go on a regular basis.

Just as for so many others, Lisa's indulgences were small, but they offered a chance to "try out" a more affluent way of life that she couldn't enjoy "on a regular basis."

Beyond giving one's kids a chance to have special experiences like these, modest spending on treats can also stand as a symbol that one is not living totally on the edge. One white married couple with two children, Johanna and Mack Clark are a case in point.

> Johanna: What we normally do…with tax money, we try to take like at least $500 and get ourselves things, like sneakers and clothes for the year.
>
> Mack: Yeah, we stock up for the year.

> Johanna: The rest of the [year] it's all about the kids' [needs].
>
> Mack: Because sometimes I need a pair of sneakers or something, and I don't got the $80 [ones]. [But at tax time], I go buy myself something nice. I mean, we're not poverty stricken.

Mack's last comment reveals that for him, purchasing something "nice" – in this case a pair of $80, name-brand sneakers – is a treat that is unattainable most of the year. Setting aside a portion of the refund to buy nicer sneakers is one way in which Mack signifies, to himself and others, that he's "not poverty stricken." This is a clear example of how the refund makes respondents feel that their work is rewarded. What is Johanna killing herself for at her job as a medical assistant, this stay-at-home dad reasons, if they can't splurge a little at tax time?

Many others also emphasized the importance of spending at least a little of the refund at tax time on "something nice" (as opposed to "needs"). Karen Lewis, is a single, black mother of four, who works as a clerk at a utility company. Karen relished the fact that the tax refund allowed her to briefly spend money as if she lived "comfortably," which she felt she deserved:

> Just be able to look in the [news]paper [ads] and say, "All right, I need that right now. I'm going to get it!" Just having that money, extra money like that, it's a good thing! Just going into the store and just basically buying what you like, you know, not necessarily what you *need*…. I'm 43 now. What have I done [for myself]? I want to live comfortably!

For Karen, "living comfortably" means being able to make purchases based on her preferences, not just her finances. Like many in our study, Karen seems to draw significant social-psychological benefits from the brief period of elevated consumption she enjoys each year. And the value is not just in the utility of the consumer items themselves; it lies in the relief of not having to watch every penny or carefully scrutinize each potential purchase, as well as the thrill that comes with occasionally being able to do something for herself. These purchases are justified by the special meaning the refund check carries, which permits families to relax their normal penny pinching. Parents associate this sort of spending behavior with being a full participant in American society. These allocations make people feel mainstream, instead of just watching from the sidelines.

It is important to emphasize, however, that less than one in ten from the tax refund was spent on treats. The value of this spending is largely of symbolic rather than substantive importance. For example, Latrice Morris, a 28-year-old, married black woman whose husband works at a food cart, refers to the money she earmarks for treats as “crackers and chips,” but she, like others, emphasizes that she spends most of her refund “responsibly”:

> [With this year’s refund we bought] a new mattress. [Ours] was just old and it was giving my husband a lot of back problems…. [Then, at] tax time, I always try to put money in my kids’ [bank] accounts so they can have them some little [savings]. In the past, my husband always [needed] to do something with his car. So [most of it is] usually [spent on] something for the house, like some furniture or something, and the car…. And then, from there on it’s what I like to call crackers and chips…: hair, nails [and] “Oooh, [how about] this new wig!”

Although the portion earmarked as “fun money” or “crackers and chips” is relatively modest dollar-wise, these allocations nonetheless seem to confer significant emotional benefits for the lower-income families we interviewed.

This, and not just the opportunity to relieve financial stress, is why many respondents so eagerly anticipated tax time. One respondent exclaimed that “February, oh February!” was her favorite time of year—better than Christmas, even—for this reason. Tracy Sherman, a white 28-year-old single mother of two who works as a medical coder, extolled,

> I think about [the refund] *all year long*, you know what I mean? It's like "Oh, I can't wait until I get my tax money so I can do this and that…." You're thinking of all crazy things that you can spend it on: "Oh, I can get a bigger TV!" or "I should go get a laptop!" or stuff like this. But I mean realistically, it comes at a good time at that point where "Okay, I need to pay bills," and everything comes in perspective of what is a priority and what you really need.

Like most of those we interviewed, Tracy does not actually engage in much self-indulgent spending with her refund. Yet she dreams of the few frivolous purchases she'll allow herself at tax time "all year long." The lump sum refund check means that she could actually make these purchases—lending a necessary sheen of realism to her dreams—even if she ends up making more sensible decisions. Beyond any actual consumption, indulging spending fantasies offers a way of feeling more financially comfortable.

Although respondents often proudly describe themselves as *workers*, their 9-month budgets often reveal a complete lack of wiggle room, leaving them with little or no choice over how to spend their money. Therefore, a primary reason why recipients feel it is acceptable to engage in such spending is the often-strong notion that they *deserve* to exercise some discretion with their refund because they work hard all year. When describing the portion of the refund they allocate for treats, many were quick to point out, "I work hard! I've earned it." Recall Mack Clark, whose designer sneakers purchase was justified in the following way: "It's not like I'm poverty stricken!" Latrice Morris, the mother who spent about a quarter of her refund on "crackers and chips" last year, noted that during the rest of the year, her paycheck is entirely devoted to the monthly grind of bills. But even in the face of pressing financial needs, she ensures that some of the refund is set aside for treats. In short, for Latrice, the tax refund money is special money:

> Tax time is the only time we know we'll come in with a lump sum. You know, enjoy it! We always gonna pay the bills. There's always [going to be needs. But] I *work*! There's always gonna be a check coming to pay bills. You know, [tax time] is the time to get stuff that we normally *can't* get all year round!

Latrice's story illustrates the theories economists and sociologists have offered—the form of money deeply affects its perceived function (c.f., Arkes et al. 1994; Shefrin and Thaler 1988; Thaler 1980; Zelizer 1979, 1989, 1994, 1996).

What some may deem profligate spending of refund dollars did occur among families in our study. One respondent did purchase a Coach purse at an outlet mall, another bought her children a Wii, and one couple spent the money on a destination wedding in Florida. But these flashy forms of consumption are the exception, not the rule. In addition, the "treats" that respondents purchase often are not for themselves but for their children, upon whom they wish to bestow the experiences of "ordinary American kids," to make them feel "like a million dollars." This speaks to the broader impact of the credit—one of social inclusion—and how parents work to extend it to their children by satisfying some of their "wants" and not just their "needs" at tax time.

Mobility Dreams

Respondents' aspirations and plans regarding social mobility are intimately tied to the refund.[16] While other money can rarely be earmarked for such purposes during the rest of the year, parents commonly view their refund as offering this potential. Almost all respondents described hopes that they would be upwardly mobile. Many described their hope of owning a home or saving enough for their children's college tuition. Longer term, they hoped to have enough discretionary income each year to take their families on vacation (including the pinnacle of American family vacations—Disney), and retire comfortably—forms of leisure that are rare among the working poor.[17] Although we didn't ask specific questions in this regard, half of our respondents linked such aspirations to their tax refund.

For most parents substantial savings was unattainable most of the year—we observed little savings behavior except at tax time. Some respondents intended to save a portion of their earnings each month, but bills usually made that impossible. One black, 40-year-old preschool aide and mother of two, Devonne Jefferson, described how hard it was for her to save from month to month. "Some people [say you should save every month], they call [it saving] for a rainy day. And you have to say, 'What is a rainy day when you're poor?' … Every day I get up to go to work it's a rainy day!"

Yet in spite of living "check to check" most of the year, many recipients see the EITC as their one real chance to save, purchase cars or durable goods (usually major appliances but sometimes furniture), invest in tuition, or make home purchases or home repairs over the course of the year.[18] Such pursuits were often explicitly tied to narratives about what it meant to "get ahead." Respondents often fantasized aloud about the progress that saving one year's refund – or possibly several years of refunds – would allow them to make toward their larger financial goals–$15,000 or $20,000 over just a handful of years. A substantial minority had turned these dreams into concrete plans, and had made considerable financial sacrifices in order to fulfill them. However, unrealized dreams were more common.

As indicated above, families' mobility plans often centered around home ownership. One Hispanic married couple, Pedro and Agustin Rios, explained:

> Agustin: We [are] planning to get a house. It's our dream…. I be planning it every year. But the problem is when that [refund] money get home, you are so tied up in bills that, what I'll do is pay bills.
>
> Pedro: Well, we're trying to save [next year's refund].
>
> Agustin: I want to get a house.
>
> Pedro: And we would like to get a house. *In order to be a family*, we want to get a house. [emphasis added]
>
> Agustin: Yeah, make some barbeque [and get] a swimming pool.

The Rios family says it hopes "every year" that the refund's lump sum will allow them to start saving toward their dream of homeownership. Note that Pedro believes that buying a house would finally allow them "to be a family." Agustin also imagines the ordinary American pastimes that the family would engage in while living in a home of their own: having a cookout next to the swimming pool.

Jacinta Estrada, a 26-year-old Hispanic mother of four who works as a payroll coordinator and lives with the father of her children, has similar dreams:

> I live basically from check [to check] – and I rarely make it till [the end of the month with my earnings] so I don't have nothing saved. And I told myself, I was looking at this [refund] for the next five years so we could get a house…. I mean, maybe I'll spend my little state [refund] check but I don't want to touch my federal, I want to save it. I read this article on…how to retire a millionaire if you're 26 right now and you have zero saved…. It said if you save from right now

$148 a month, by the time you're sixty-five you'll have a million dollars.

Jacinta says she doesn't have the discipline to cut that $148 from their already-tight monthly budget, so her plan is to put away her federal EITC check instead. Because she receives the money in a lump sum, with the federal check being by far the larger of the two, it feels possible to build assets with this money, unlike her monthly income.

As we indicated earlier, mobility goals sometimes prompt repayment of debt as a necessary step prior to saving. One respondent, who plans to buy both a car and a house some day, said that first she has to use her refund to pay off debt so she can improve her credit score – "just pay it off and be done with it." This is part of why being able to pay off a debt in full is so valued – it feels like clear progress toward longer-term financial goals.[19]

The tantalizing possibility of using the tax refund to make substantial progress towards savings goals each year nourishes a future orientation. We refer to these as "mobility dreams" because, while not always realized, they represent strong hope that an upward trajectory is possible, prompt some degree of future planning and orientation, and lead to significant allocations toward savings (17 percent of the refund is saved initially) and other investments (e.g., cars, educational expenses, etc.).[20] The form, and therefore the meaning, of the tax refund check, validates its allocation to mobility efforts. Such allocations are proof that the American credo is alive: hard work can, and will, buy a brighter future.

Social Inclusion

That the annual tax refund check creates feelings of social inclusion is evident in in virtually every respondent's narrative. Our data show that certain features of the EITC create a meaning and utility that may well be unique among means-tested cash assistance programs in the

U.S. Many noted that their increased consumption right after receiving the refund was evidence that their family is not at the social or economic margins, or as one mother noted, "I mean, I don't consider us poor. We're just like right there in the middle. Like I never run out of pampers. Cause when I have the money, I stock up on everything so that when I am broke, I don't need anything." Being "in the middle" and "not poor" was mentioned by many respondents, even as they described living with financial uncertainty during the year.

People understand the credit is available to them as workers and parents, two identities that they and other Americans see as deserving.[21] Most respondents in this study believe that they deserve the refund because they work. The method of delivery—through the IRS—is also vital. The universal nature of the tax system renders this form of government assistance nearly invisible. Americans across the entire income spectrum receive refund checks from the government at tax time. The system through which the EITC is delivered does not designate beneficiaries as being 'on the dole.' Furthermore, the credit is included in one's tax refund check and is not a separate disbursement from the government, muddling respondents' sense of whether it represents a transfer or is merely wages that have been over-withheld. While welfare recipients are outside the bounds of social acceptability looking in, EITC recipients are sitting comfortably in the waiting rooms of H&R Block and Jackson Hewitt, side by side with all the other hardworking taxpayers. And when refund checks come, there is no "scarlet letter" on those checks distinguishing those who merely overpaid from those who are receiving a government "handout."

Finally, the refund's lump sum nature is a key part of the meaning respondents give it and why they hope to allocate it to aspirational purposes, like savings. Many respondents' biggest dreams for the future center on home ownership, which is clearly a powerful symbol. Becoming a home owner is a claim to social inclusion with unparalleled allure for many of these workers. As one respondent notes, this is the way to become “a real American” (Authors, forthcoming). Recall, for example, that Pedro Rios feels that it is only in owning a home that he, Agustin, and their children can be a “real family.”

These basic features of the EITC confer a meaning on these dollars that encourages recipients to use the money for special purposes like buying treats and trying to invest in the future. Perhaps that is why the EITC has the ability to confer “dignity and dreams” that go beyond its dollar value. No other means-tested cash assistance program in the U.S. has this array of features – features that simultaneously activate feelings of social inclusion, substantive citizenship, and future orientation. Even though parents often end up spending most of their refund digging out from under debt, there is a hopefulness associated even with that act. First, with the slate wiped clean, one can begin to build credit and save, which families know are essential to their dreams of upward mobility. Second, even if the money ends up being diverted to paying bills each year, the thought of next year’s refund offers what many see as a realistic hope of living the life they desire. Therefore, receiving a means-tested transfer as a refundable tax credit may lead people to meet their pressing financial needs, and to feel both justified in increasing their current consumption and hopeful about leveraging their tax refund into an investment leading to upward mobility. But does more than this, since it creates feelings of being mainstream and possessing the social rights of citizenship.

Meanings Ascribed to the EITC Versus Earnings and Welfare

Contrasting respondents’ narratives around their refund checks to their discussions of welfare and wages magnifies the unique character of the refund in their financial portfolios. For our typical respondent, earnings are dedicated to monthly bills – simply keeping up with monthly expenses – and are not described as allowing for trips, treats, or savings possibilities. Many noted that they could not "splurge" with their earnings money throughout the year, which is why "tax time" was special in their financial lives. One mother of three noted that between paying rent, utilities, childcare, and some of what she owed on her credit card, "my paycheck, it's gone before it gets here!" Welfare money was also discussed. While only ten percent of our EITC respondents reported receiving TANF during the 12 months for which we collected income data, 51 percent described having been on welfare at some point,[22] and even those without such experience often had strong opinions about the program. All the past welfare recipients felt they had to offer an excuse for their time on welfare even though we didn't ask for any such explanation. They proffered detailed descriptions of the unusual circumstances that had made them temporarily deserving of welfare—a justification for why they "really needed it." In this way they distanced themselves from other welfare claimants whom they repeatedly characterized as "lazy"—people who didn't really need the money as much as they themselves had. Respondents sometimes gave examples of profligate spending on the part of other welfare users as proof that the "typical" welfare recipient's was undeserving. Welfare, in short, connoted dependency and shame to our respondents. These sentiments were shared by both past recipients and those who had never claimed welfare benefits (Authors forthcoming; see also Hays 2004; Watkins-Hayes 2009). That is, the meaning of welfare dollars—money that must only be requested in a dire situation—required allocating it to only one's most immediate needs. Spending a bit of the EITC check on special treats, like a dinner out, was okay. Spending a welfare check that way was not okay.

Marissa Lopez, a 31-year-old Hispanic single mother of three, is thankful her mother helped her take care of her kids so she could get her life together and get off welfare. "I didn't want to end up like everybody else just sitting on welfare, getting welfare; it can be addictive. You can get used to not doing nothing and getting money…. I just didn't have the luxury of being able to sit on my ass." In Marissa's words we see the highly stigmatizing view that welfare recipients "just sit on welfare." That view is common even among those who have benefited from the program. Pedro Rios, whom we met above, also had experience with the welfare system when his then-girlfriend (now wife) was receiving benefits after they had their first child. He pushed for her to get off the program because of how he viewed it: "I don't want my kid [supported by welfare]…. I would like to be clean. I like to be honest. I like to be the way my father and my mother bring me up…" Strongly implied here is that receiving welfare is not "clean," "honest," or the way his parents raised him.

Parents' stories about welfare tended to emphasize their desire and effort to leave the program as soon as possible, in stark contrast to their descriptions of looking forward to future EITC checks year after year. Welfare, then, withdraws the social rights of citizenship twice over—first, benefits are distributed via a stigmatized system in which clients are, by definition, violating social norms of work and self-sufficiency, and second, the meaning ascribed to welfare dollars precludes the types of consumption (treats and upward mobility dreams) that bring feelings of social inclusion.

In contrast, the EITC is a just reward for hard work, respondents say. While some of their tax refund might have to be used for urgent financial needs, a portion could be devoted to the "wants" that are not generally satisfied by earned income. While successfully saving might be an unfulfilled aspiration during the rest of the year, when wages just won't stretch beyond monthly expenses, the EITC forces one to "save", and the amount one can claim at tax time is often large enough to inspire real confidence that larger financial goals might actually be met. In stark contrast to TANF, despite proffering cash benefits to claimants who struggle to make ends meet on their wages, the EITC connotes self-sufficiency and pride.

Respondents often described stigmatizing visits to the welfare office. Visits to for-profit tax preparers, in contrast, offer EITC claimants a pleasant “customer” experience. In fact, H&R Block’s advertising slogan, “you’ve got people,” was referred to with enthusiasm (e.g., “Hey! I’ve got people!”) in interviews. By disbursing benefits through the tax system, which every working American must access to meet tax obligations or claim refunds, our respondents’ status as beneficiaries of government assistance is rendered invisible and their identities as workers are affirmed (Currie 2008). They are among legions of ordinary citizens who support their families with their labor. What they receive from the government at tax time is not a handout, it is a just reward for their upstanding behavior. The program is thus fully consistent with American values, because work is proof of good citizenship.[23]

Discussion and Conclusions

The nature of the social safety net in the United States has fundamentally changed over the past twenty years, as we have increasingly focused on expanding work-contingent benefits. In the present study we examine how beneficiaries understand the largest program in this new public provision system, the EITC. Drawing on existing research in behavioral economics and cultural sociology (c.f., Arkes et al. 1994; Zelizer 1979, 1989, 1994, 1996), we go beyond simply accounting of EITC dollar allocations to examining the impact of the form and social meaning of this benefit money, to how having savings and spending decisions flow from these factors.

Our findings contribute to several areas of existing research. First, we examine a way in which the social meaning of money can be created via government policy; we see how a government assistance program’s structural features can give social meanings to particular dollars. Second, they show how the design of government programs can generate particular economic and psychological reactions, thus shape the program's impact. The EITC would likely be perceived and used differently if it were distributed in small monthly increments or via more traditional welfare channels (like Electronic Benefit Transfer cards). Our findings show that government assistance programs do not need to be universal to avoid stigma as long as they target those whom most Americans view as "deserving," like workers in low-wage jobs.

We identify four themes to describe how recipients perceive the EITC—we call these relief, enhanced consumption, upward mobility, and the overarching theme of social inclusion. Consistent with previous research, we find that recipients describe great financial relief from their refund (Romich and Weisner 2000). However, we also find that beyond its value in providing relief from economic stress, the refund is defined as a just reward for work, and as such, is used for a period of increased consumption. While the extra consumption for "wants," not just "needs," is relatively modest, these purchases appear to bolster recipients' feelings of dignity and self-worth. Our work builds on previous research that highlights how consumption is a social – not just economic – process that is important in shaping identity (see Zukin and Maguire 2004; Pugh 2009). Our study finds strong evidence that the EITC and the allocation of EITC dollars yield important social-psychological benefits for its recipients. We show that the refund not only gives low-income households some relief from financial stress, but also allows them to temporarily elevate their consumer status so that they can enjoy privileges usually available only to those who are somewhat more affluent. For those whose budgets are usually inhibiting, being freed from the regular pressure to pinch pennies—even if only briefly—offers the chance to make needed purchases, escape stress, and feel better about one's social status, buoyed by consumption that would otherwise be impossible (e.g., a coveted toy for a child).

Even though a quarter of the refund typically goes toward satisfying unmet financial obligations, allocations reflect recipients' perceptions of the EITC as special money: about a tenth is reserved for extra consumption – or "treats" – while nearly 40 percent is deployed for mobility purposes, broadly defined. For recipients, the EITC is a unique vehicle for upward mobility. We show that claims to dignity and one's sense of self-worth are also strengthened when families can formulate concrete plans for upward mobility and allocate some portion of their EITC dollars toward realizing their mobility dreams. But even the possibility of reserving a *subsequent* year's credit for such purchases seems to confer some benefit on families that are too constrained to do so at present: the EITC represents a *hope* of future savings and mobility, which families feel would be near impossible without this large annual windfall.

By comparing the meanings respondents ascribe to the EITC and welfare, the other main cash government benefit available to low-income families, the link between the credit and social inclusion comes into sharp relief. We find that receiving and spending the EITC enhances feelings of social inclusion via consumption and mobility goals, whereas cash welfare confers stigma. According to our results, as well as the work of Hays (2004) and Watkins-Hayes (2009), welfare creates social exclusion and seems to detract from well-being. As Edin and Lein (1997) have shown, welfare recipients cannot make ends meet on their benefits and must "cheat" in order to survive—hiding cash contributions from friends or family and off-the-books earnings from the welfare system. Presumably, having to cheat the system to pay the bills does not foster a sense of good citizenship, offering shame instead. Conversely, the EITC seems to bolster one's sense of being part of the American mainstream—EITC recipients in our study sometimes spoke directly about how claiming the credit, and making purchases with their EITC dollars, made them feel like they were "not poverty stricken," "in the middle," or like "real Americans."

Despite conventional wisdom about welfare "cheats" (echoed by our respondents), there has never been any strong evidence that welfare recipients waste much of the meager benefits they claim—indeed, research has shown that welfare dollars are typically spent quite responsibly, usually on necessities (Edin and Lein 1997). This is in keeping with the meaning our respondents attach to this form of money: it ought to be deployed only for what is genuinely needed; anyone who spends it in a profligate manner is seen as a moral degenerate. The wages of low-income workers with dependent children, both in this study and others (Edin and Lein 1997) are also quite carefully deployed—but the very care our respondents find they must employ in order to make ends meet each month flies in the face of the meaning they apply to earned income—what *ought* to accrue from conscientious wage labor[24] should be enough to get by plus a bit of discretionary income and a chance to get ahead through saving and building assets. With their earned income not adequate to fulfill these purposes, the EITC fosters both dignity and dreams.

These findings have several limitations. First, by necessity, there is a trade-off between the depth of the data we gathered through qualitative interviews and generalizability; our respondents' experiences with the EITC may differ from those of program beneficiaries in another part of the country or those who receive a very small refund check. Second, there may be variation in program perceptions and allocations within the population of EITC recipients that are not obvious in a sample of only 115. Third, because our sample is not representative of welfare recipients or all wage earners, our conclusions may not speak to the meaning of welfare or wage income among those who do not receive the EITC. Perceptions and allocations of wages, for example, may differ among more affluent wage earners who can engage in more discretionary spending.

These data suggests that the transition America has made from a need-based entitlement to a work-based safety net has transformed this part of its welfare state, in ways that may benefit poor working families with children. In describing how feelings of dignity and social inclusion flow from modest spending on treats, and how the EITC fuels recipients' mobility dreams, parents are emphasizing elements of social citizenship that few other government transfers provide. The EITC helps create key elements of social citizenship, which T.H. Marshall describes as running from "the right to a modicum of economic welfare and security to the right to share to the full in the social heritage and to live the life of a civilized being according to the standards prevailing in the society" (1950: 72). We argue that the EITC's impact on these feelings of social inclusion derives from four key features of the credit. The programs, then, help to designate one as fulfilling or violating the highly valued tenet of self-sufficiency. First, while in reality both EITC and TANF recipients are relying government assistance, the identities that accompany the two programs differ: worker rather than the dependent. Workers are seen to be holding up their end of the social bargain. Dependents are not.

Second, the method of delivery for the EITC and TANF differ. Respondents describe a visit to the for-profit tax preparer, where most EITC refunds are processed, as a positive experience. They describe visits to the welfare office as a negative experience. Third the credit is not received as a separate check from the government, but rather as part of a tax refund, which disguises its true nature as a cash assistance program.

Fourth, the fact that the EITC is paid out once a year in a lump sum changes its meaning for recipients (Arkes, et al. 1994; Epley and Gneezy 2007; Epley, Mak, and Idson 2006; Hodge and Mason 1995; Johnson, Parker, and Souleles 2004), opening up possibilities for both profligate spending but also opportunities to build assets and save. The arrival of a big check does allow (and, in parents' minds, justify) a modest temporary elevation in the household's consumption of "treats." But the lump sum nature of the credit and the high value recipients attach to this feature reinforces the notion that unlike earned income, which recipients typically devote almost entirely to current consumption, the refund can be *primarily* earmarked for long-term financial goals, *not* short-term spending.

In sum, the EITC seems to bolster recipients' self-respect by emphasizing their role as *worker*. By allowing a modest elevation in consumption of "wants," it gives a poorly remunerated job more social value. Workers take pride in the fact that, even if only for a few months, they feel they can afford to buy a few extras – a powerful signal to themselves and to others that they are not "poverty stricken." The credit also stokes dreams for the future. The typical respondent's refund constituted roughly a fifth of their annual income. This sum was large enough to create the perception that over several years, a family could make significant financial progress, such as saving for a child's college tuition or for a down payment on a home. Both kinds of expenditures enhance recipients' feelings as consumers and of social inclusion in the present and hope for the future.

However, it is also true that families with children whose parents *don't* work are doubly disadvantaged (and even further excluded) by the shift from AFDC/TANF to the EITC as the main income supplement for the poor. In addition to those who are unemployed, those without dependent children (including noncustodial parents) and single parents involved in unpaid care of children are excluded from the EITC's benefits. Today, only a minority of the non-working poor claim anything from the government, even amidst the Great Recession and jobless recovery, suggesting deep flaws in our safety net that must be addressed (Shaefer and Edin 2013). Indeed, the new work-based safety net has redrawn the line between the deserving and undeserving poor. Rather than economic need, it is work (and the presence of dependent children) that defines someone as worthy of assistance.

Our findings also raises important questions about the EITC and emphasize the need for future research, especially studies that follow families over time to evaluate the long-term impacts of receiving the tax refund.[25] First, future research should consider how the meaning of the EITC may change over time for recipients. For many, the financial relief of paying off bills and paying down debt is short-lived. The rewards of spending on oneself or one's children and briefly becoming a less-constrained consumer are fleeting, and the larger hope of finding more stable financial footing in the future is not often realized. Will recipients gradually become disenchanted with the refund if, over the long term, the EITC does not live up to the dreams it fosters? Second, to what degree does the EITC allow families to make headway on their debt over time—do they pay it off at tax time only to accrue more? Relatedly, when and in what ways does the practice of setting aside some of the money for treats—which appear to be important in creating work incentives and in solidifying recipients' identities as good providers, come into conflict with recipients' mobility dreams? Future research should assess whether the self-worth and sense of social inclusion and citizenship the credit seems to provide translate into other prosocial behaviors: better parenting, more law-abiding behavior, higher levels of trust and social cohesion, or more civic engagement.[26] Finally, in the current political climate, there is some backlash against the ETIC, along with most other social programs. How the EITC will fare, especially vis-a-vis other social programs, should be a subject of future scholarly attention.[27]

Table 1. Sample demographics of study's 115 EITC recipients

Sample Characteristics	**Number** *n=115*	**Percent***
Race/Ethnicity		
Black	40	35
White	40	35
Hispanic	35	30
Marital Status (tax filing status)		
Married	40	35
Single	75	65
Mean Number of Children	2.46	N/A
Housing Status		
Own	11	10
Rent-to-Own	2	2
Rent	21	18
Subsidized/Public Housing	69	60
Shared	12	10
Work Status		
Full Time	49	47
Part Time	37	36
Combined Full and Part Time	18	17
Education		
Less than High School	16	14
High School/GED	16	14
Some College	39	35
Associate's Degree	28	25
Bachelor's Degree	12	11
Post-Bachelor's Degree	1	<1
Welfare Status		
Currently On	11	10
Ever On	59	51
Not reported	45	39
Immigrant	40	35

* May not total 100% due to rounding.

Table 2. Annual household earnings brackets, by marital status

Annual Earnings	Single (%)	Married (%)**	All
n	*75*	*40*	*115*
Less than $15,000	32%	10%	24%
$15,001 - $20,000	33	8	24
$20,001 - $25,000	12	15	13
$25,001 - $30,000	7	10	8
$30,001 - $35,000	13	28	18
More than $35,000	3	30	12

* Marital status refers to respondents' filing status with IRS.
** Total percentages do not equal 100 due to rounding.

Notes

[1] The ARRA (the American Recovery and Reinvestment Act of 2009) temporarily expanded the EITC in significant ways, increasing the credit for families with three or more children and increasing the income eligibility thresholds for married couples (IRS 2011c; Meyer 2010).

[2] Plueger (2009) notes that the rate increases to 81 percent take-up among those workers who live with children and receive a much larger credit. See also Leftin, Eslami, and Strayer (2011).

[3] The maximum refund for a single parent with two children is $5,112, and the "plateau" range in which maximum benefits can be claimed is the same as for a parent with three children. Benefits, however, phase out entirely at $40,964 for a parent with two children (Tax Policy Center 2012).

[4] Fully 24 states now have their own EITC (Tax Policy Center 2012).

[5] Until 2010, EITC recipients were eligible to receive a portion of this tax credit spread out over the course of the year (IRS 2010a); however, nearly all recipients (97 percent) elected to receive their entire EITC payment as a lump sum at tax time (United States Government Accountability Office 2007). Barr and Dokko (2006) found recipients have a strong preference for receiving the EITC as a single tax refund payment rather than in monthly installments, in part due to the additional effort involved in requesting the advance EITC.

[6] States diverted the rest of federal TANF allocations to other uses (US Department of Health and Human Services 2010).

[7] See Eissa and Hoynes (2008) for information on trends.

[8] The Center on Budget and Policy Priorities (2011) reports that for a family of four (a two-parent family with two children) in which one parent is working full-time and earning the federal minimum wage and the other is not employed, the EITC and SNAP benefits both are needed to lift a family above the federal poverty line.

[9] The survey was similar to the one used by Smeeding and his collaborators (Smeeding, Ross Phillips, and O'Conner 2000).

[10] Another 23 percent of refund dollars are devoted to current consumption. Some of this spending might prevent the accumulation of more unmet financial obligations (i.e., the EITC may arrive in a month during which earnings fall short of income). But some substitution presumably occurs, which may mean that families elevate consumption through their re-allocation of earned income in months where they use the EITC to pay their regular bills.

[11] We believe this is an underestimate. Some clients did not have their paperwork on hand, and found it hard to identify their total refund amount—they merely recalled the amount of the check that the for-profit tax preparer had issued. One study in Washington DC found that over 10 percent of refund dollars were spent on fees and rapid refunds—more than $150 per filing unit (Berube et al. 2002).

[12] Critics have noted that this is one shortcoming of the EITC: it does little to alleviate routine budget strains (Holt 2009).

[13] For a detailed discussion of refund allocations, see Authors (2012).

[14] Debts such as federal taxes and child support are garnished directly from EITC refunds.

[15] Note that nearly all families in this sample had a cable TV subscription and at least one cell phone. Many also had at least intermittent internet access at home. While some would consider these items a luxury, our respondents deemed them necessities.

[16] We use a broad definition of "mobility purposes" borrowed from Smeeding et. al (2000). This would including the money recipients save as well as the spending on education, other durable goods, and debt reduction. If we include all of these, 52 percent of the refund is spent this way.

[17] For further information see Authors (2012).

[18] Interviews took place prior to the Great Recession and the housing bubble bursting; it is possible that respondents' views of home ownership would be different now, although public opinion has continued to strongly endorse home ownership despite the recent financial crisis (Pew Research 2009; Taylor et al. 2011). One might well question whether home purchase is a wise goal, given the recent turbulence in the American housing market. Yet, saving for a home, or the purchase of cars, durable goods, and educational expenses were often explicitly, and strongly, tied in respondent narratives to notions of what it meant to "get ahead."

[19] Note that some may not consider debt payoff as a mobility purpose. We do not include such items as internet subscriptions or cell phones as mobility spending, though both may be critical to securing and maintaining a job. Thus, our estimates of the portion of the refund devoted to mobility is conservative.

[20] Another analysis of these data, plus parallel data drawn from another city, showed that during the Time 1 (survey) 57% said they planned to save at least some money. By the time we interviewed these households in depth six months later, 39% said they had saved some money initially (Authors 2012).

[21] For further discussion, see Gilens (1999) for an explanation of under what conditions people are perceived as deserving of assistance; such perceptions are not uniquely higher-income people's perceptions of lower-income people, but rather they hold across socioeconomic strata.

[22] This is likely an undercounting of the prevalence of welfare receipt in our sample. Because welfare receipt was not the focus of the study, getting a complete account of families' experiences with welfare were not pursued in interviews. For example, in instances in which we only interviewed one member of a couple, we did not seek information about the welfare receipt history of the other partner.

[23] See Korteweg (2006) for a detailed discussion on the construction of gendered citizenship in light of welfare reform and Korteweg (2003) for more on welfare reform's advancement of the (masculine) worker-citizen model.

[24] Indeed, some criticize the EITC as it may encourage employers to pay very low wages, knowing they will be subsidized by taxpayers.

[25] For example, EITC receipt has been tied to improvements in maternal and infant health (Evans and Garthwaite 2010; Hoynes, Miller, and Simon 2012; Strully et al., 2010) and children's academic performance (Dahl and Lochner, 2012).

[26] For further information about the potential of social and welfare policies to affect civic behavior, see Bruch, Marx Ferree, and Soss (2010), Campbell (2012), and Swartz, Blackstone, Uggen, and McLaughlin (2009).

[26] See also Authors (2013) that discusses in greater detail how the EITC has largely escaped the scrutiny that welfare received because it is buried in the tax code, is claimed via a process that all working Americans, not just EITC claimants, complete (filing one's taxes), and is explicitly conditioned on work.

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