

**Marginal Tax Rates and Work Disincentives: Family Perceptions and Labor Force
Decisions**

ASPE Generic Information Collection Request
OMB No. 0990-0421

Supporting Statement – Section A

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Program Official/Project Officer

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Section A – Justification

1. Circumstances Making the Collection of Information Necessary


Background

Means-tested benefit programs targeting working families can have the effect of producing work incentives (as benefits phase in) and work disincentives (as benefits phase out at higher levels of income). Economists have used sophisticated quantitative methodology to examine the relationship between various assistance programs (e.g., Supplemental Nutrition Assistance Program [SNAP, formerly known as food stamps]), Earned Income Tax Credit [EITC]) and labor force participation. One potential influence on work effort is *effective marginal taxes*. Given an earnings increase, effective marginal tax rates quantify the portion of new earnings not retained by families after factoring in taxes on those new earnings and reduction of government benefits resulting from those new earnings.

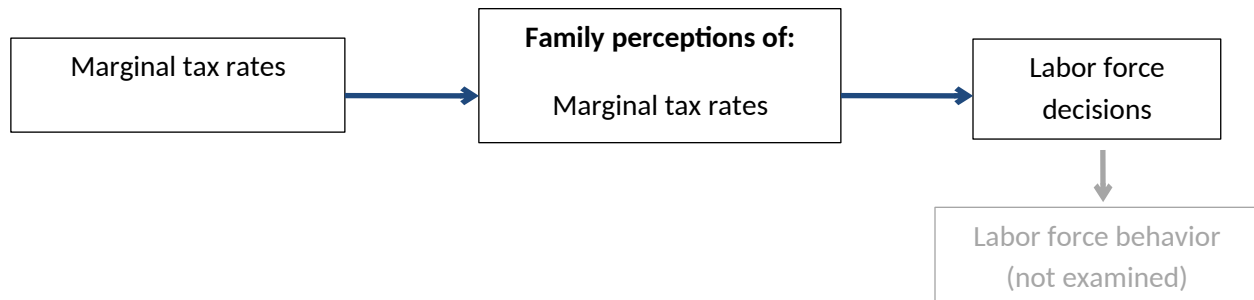
Quantitative (econometric) studies that evaluate the relationship between marginal tax rates and labor force participation were reviewed, and suggest only a modest relationship: higher marginal tax rates were associated with only modest reductions in labor force participation (see literature review included at the end of this document). Researchers have speculated why this might be, for example, imperfect knowledge of marginal tax rates, or a lack of control (particularly by low-income population) over work hours. A qualitative investigation would fill this gap by shedding light on potential reasons why marginal tax rates might not be as closely linked to labor force participation as might be expected.

Little is known about families' own perceptions and understanding of how program benefits would change as a result of additional earnings.¹ Therefore, in 2017 the Office of the Assistant Secretary for Planning and Evaluation (ASPE) funded a new project, ***Marginal Tax Rates and Work Disincentives: Family Perceptions and Labor Force Decisions***. The purpose of this study is to explore whether benefit programs create perceived work disincentives for recipients and the potential effect of perceived disincentives on subsequent labor force decisions. To address these questions, the study will use focus groups to explore ***family perceptions*** of the potential change in household resources from additional earnings. The figure below shows how ***perceptions*** of marginal tax rates among low-income families may mediate their subsequent labor force decisions.

Path in economic literature



¹ For an exception, see: Romich, J.L. (2006). Difficult Calculations: Low-Income Workers and Marginal Tax Rates. *Social Science Review*, 80.



The study will use a convenience sample of families with children in three states to conduct focus groups to learn more about the perspectives and experiences of families who receive one or more federal benefit programs in three states. We are seeking approval through the generic mechanism for this data collection.

This project builds on and complements (and does not duplicate) other federal and non-federal efforts that explored marginal tax rates experienced by low-income families with children, largely using quantitative methods. ASPE itself has been conducting quantitative analysis, using Transfer Income Model (TRIM) microsimulation methodology, to estimate marginal tax rates for different subpopulations of U.S. households. The TRIM microsimulation model is built using Census data (Current Population Survey–Annual Social and Economic Supplement). We recently published a series of five briefs describing marginal tax rates for households with and without children; households receiving child care assistance; households receiving TANF cash assistance; and a technical appendix focused on our microsimulation methodology using TRIM (see <https://aspe.hhs.gov/marginal-tax-rate-series>).

While other federally funded research has examined marginal tax rates, this new project is the only research that we know of that focuses on the *perceptions and experiences* of the families themselves. It is relevant to HHS because of the emphasis on the experiences and perspectives of low-income working parents receiving one or more federal benefits.

2. Purpose and Use of the Information Collection

The aims of the study are to begin to understand better low-income parents’ experiences with and perspectives on resources changes as a result of earnings increases, and how these perceptions may link to their labor force decision-making.

We are seeking approval through this mechanism for nine 90-minute focus groups conducted with parents who have received at least one federal benefit program out of the following: SNAP, TANF (Temporary Assistance for Needy Families), housing assistance, EITC, child care subsidies, Medicaid, or CHIP (Children Health Insurance Program). Of particular interest are: their expectation of benefit changes following a hypothetical earning increase, and as such their

inclination to increase labor force participation. All participation is strictly voluntary and focus group participants will use pseudonyms for the group discussion itself to ensure confidentiality.

This work is not intended to inform policy decisions; it is exploratory in nature. The findings from the focus group discussions will not be generalizable—they are based on a convenience sample. The method of data collection was chosen due to the exploratory nature of this inquiry, and this study should be considered hypothesis-generating. Through the focus group discussions, the federal contractor will be able to collect more nuanced and detailed information about the on-the-ground experiences and perspectives of a sample of parents receiving government assistance.

3. Use of Improved Information Technology and Burden Reduction

Data will be collected via in-person focus groups at community organizations with which the participants already have a relationship. The sample for this data collection will be one of convenience. Where possible, focus groups will take place adjacent to activities in which participants may already plan to engage in order to limit their travel time and other aspects of burden. A laptop computer will be used to take notes during the discussions. The discussions will also be audiotaped to ensure key themes are captured accurately.

4. Efforts to Identify Duplication and Use of Similar Information

To our knowledge, there is no information that has been or is currently being collected similar to this. This is an exploratory study to allow us to better understand the perspectives of working parents about benefit changes following earnings increases. ASPE staff has scanned the literature, and this information-gathering confirms the lack of similar existing data.

5. Impact on Small Businesses or Other Small Entities

No small businesses will be impacted or involved in this data collection.

6. Consequences of Collecting the Information Less Frequently

This request is for a one-time data collection where the data have not previously been collected elsewhere.

7. Special Circumstances Relating to the Guidelines of 5 CFR 1320.5

There are no special circumstances with this information collection package. This request fully complies with the regulation 5 CFR 1320.5 and will be voluntary.

8. Comments in Response to the Federal Register Notice and Efforts to Consult Outside the Agency

This data collection is being conducted using the Generic Information Collection mechanism through ASPE – OMB No. 0990-0421.

9. Explanation of Any Payment or Gift to Respondents

The contractor will provide participants with \$50 to help to compensate for participants' time while participating in the focus groups. They are low-income working parents, and most will have hourly jobs, as well as childcare and transportation expenses. Evidence shows that monetary remuneration bolsters recruitment and focus group attendance. Working parents are busy people, and low-income status places additional barriers to focus group participation. The amount requested—\$50 for a 90-minute focus group—is consistent with what research suggests² and other Federal agencies offer.

10. Assurance of Confidentiality Provided to Respondents

The Privacy Act does not apply to this data collection. Participants will not be asked about, nor will they provide, individually identifiable information. The agency will not be including a pledge of confidentiality; therefore, it is unnecessary to include a citation for the statute or regulation supporting a pledge. Most of the information collections under this mechanism have not collected personally identifiable information or information of a personal or sensitive nature.

11. Justification for Sensitive Questions

No information will be collected that are of personal or sensitive nature.

12. Estimates of Annualized Burden Hours and Costs

The estimate for burden hours is based on:

- (1) a 10-minute screener to be administered to a total of approximately 135 potential focus group participants (we expect about 15 people to be screened for each of nine groups) (Attachment A); and
- (2) nine 90-minute focus group discussions with a total of 72 participating individuals (we expect an average of eight participants per group); about 75 minutes will be used for the

² See Richard A. Krueger & Mary A. Casey. 2014. "Participants in a Focus Group." In *Focus Groups: A Practical Guide for Applied Research* (5th ed. pp. 78). Thousand Oaks, CA: SAGE Publications, Inc.

discussion (Attachment B), and about 15 minutes will be used for completion of an anonymous demographic questionnaire (Attachment C).

Estimates for hourly burden are calculated as 80 percent of the Department of Labor (DOL) Bureau of Labor Statistics (BLS) 2017 mean hourly wage in the Oakland-Hayward-Berkeley Metropolitan Division (\$30.20), retrieved from:

http://www.bls.gov/regions/west/news-release/occupationalemploymentandwages_oakland.htm#

. Based on these data and calculations, the mean hourly wage for participants would be \$24.16.

Table A-1 shows estimated burden and cost information.

Table A-1: Estimated Annualized Burden Hours and Costs to Respondents

Type of Respondent	No. of Respondents	No. of Responses per Respondent	Average Burden per Response	Total Burden Hours	Hourly Wage Rate	Total Respondent Costs
Potential working parents receiving 1+ federal benefit: screener	135	1	10 minutes (.167 hours)	22.5	\$24.16	\$543.60
working parents receiving 1+ federal benefit: discussion	72	1	75 minutes (1.25 hours)	90	\$24.16	\$2174.40
working parents receiving 1+ federal benefit: anonymous demographics questionnaire	72	1	15 minutes (.25 hours)	18	\$24.16	\$434.88
TOTALS*	135			130.5		\$3,152.88

*The total of 135 includes participating persons that are screened but are not included in the focus groups, as well as those who are. Therefore, the total includes parents who are screened but ultimately will not participate in a focus group and parents who are screened and do participate in a focus group.

13. Estimates of Other Total Annual Cost Burden to Respondents or Record Keepers

There will be no direct costs to the respondents; indirect costs include their time to participate in the data collection.

14. Annualized Cost to the Government

Table A-2: Estimated Annualized Cost to the Federal Government

Staff (FTE)	Average Hours per Collection	Average Hourly Rate	Average Cost
Social Science Analyst, GS 14	40	69.78	\$2,791
Social Science Analyst, GS 13	40	52.66	\$2,106
Estimated Total Cost of Information Collection			\$4,897

15. Explanation for Program Changes or Adjustments

This is a new data collection.

16. Plans for Tabulation and Publication and Project Time Schedule

The qualitative information shared by focus group participants will be collected in written form and audiotaped. After each focus group is complete, contractor staff will review the written notes within 24 hours, and audiotapes will be transcribed. Contractor staff will analyze the data by reviewing the session notes and summarizing the main themes from the discussion in a memo to be submitted to federal staff. All reporting will use participants' pseudonyms; no actual names or other personal data will be reported.

Federal staff will also read the focus group transcripts and listen to the tapes. To the extent additional data analysis is warranted by the emerging themes identified by the contractor and federal project officer, the project officer may code the transcripts either manually or with a qualitative analysis software package in order to further analyze key themes.

We expect the analysis to be used internally within HHS; we do not plan on dissemination of external products. We may present on the study to researchers and stakeholders outside of government. However, we are fully aware that the findings cannot be generalized to the population at large, given the methodology, and will take pains to stress this fact in any information we provide at briefings or other meetings.

Timeline:

Completion Date	Major Tasks/Milestones
February 2019	Seek commitments from partner community organizations to assist in focus group recruitment and logistics Submit request for OMB approval under existing generic PRA clearance
March 2019	Finalize recruitment plans Plan for focus groups Receive OMB approval under existing generic PRA clearance
March – July 2019	Recruit participants Finalize planning for focus groups Conduct focus groups
August 2019	Preliminary focus group reporting
September 2019	Complete possible supplementary qualitative analysis Finalize results

17. Reason(s) Display of OMB Expiration Date is Inappropriate

We are requesting no exemption.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

There are no exceptions to the certification. These activities comply with the requirements in 5 CFR 1320.9.

LIST OF ATTACHMENTS – Section A

Note: Attachments are included as separate files as instructed.

- A. Focus Group Eligibility Screen
- B. Focus Group Discussion Guide
- C. Anonymous Demographics Questionnaire

Resources on Marginal Tax Rates

Acs, G., Coe, N., Lerman, R., & Watson, K. (1998). Does Work Pay? A Summary of the Work Incentives under TANF.

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