The EITC and Population Growth

Section 2

The EITC originated as an income supplement for low-income workers. Somewhere along the line, its purpose seems to have changed. Today it is a program whose benefits are heavily contingent on parenthood.

EITC payments rise sharply as the number of children in the taxpayer's household rises. In 2008, a family with no children received a maximum EITC payment of $438; a family with one child received up to $2,917; two or more children bumps the maxim credit to $4,824.

Children thus trigger a hefty increase in the EITC payment.

That is an irresistible windfall for low-income workers, a big incentive to procreate—or at least claim to. The IRS estimates that roughly half of the incorrect filing claims under the EITC involve fraudulent child custodial claims.[1] Yet, the tax collection agency does little to verify the existence of children claimed on tax returns.

But most children claimed on EITC tax returns are real—and therein lies the problem. The decision to have children may often be influenced, at least in part, by the generous tax credit.

The perverse childbearing incentives are far more acute among immigrant households—as evidenced by their above-average eligibility rates:

Immigrant households with children under age 18 are about 50 percent more likely to be eligible for the EITC than similar households headed by natives. This reflects the lower average income of immigrant households with children.

While it is impossible to determine how many births are directly related to the EITC or similar pro-parenthood programs, circumstantial evidence that such a linkage exists is easily obtained. Since the introduction of the EITC in the 1970s, for example, births to immigrant mothers have quadrupled:

- 228,486 in 1970 (6.1 percent of all births)
- 339,662 in 1980 (9.4 percent of all births)
- 621,442 in 1990 (14.9 percent of all births)
- 915,800 in 2002 (22.7 percent of all births)

In 1970, immigrant mothers accounted for about 6 percent of U.S. births. By 2002, their share rose to 22.7 percent. Even in 1910—the peak of the Great Wave—only 21.9 percent of births were to foreign-born mothers.[2]

EITC and Immigrant Fertility

Three mega-trends explain the record-shattering rise of immigrant births.

First is simply the increase in the number of immigrants and their share of the overall popula-

EITC Eligibility Rates (%), 2007

All immigrants	**31.1%**
Immigrant households with children under 18	**47.6%**
All natives	**17.8%**
Native households with children under 18	**32.4%**

Source:
Center for Immigration Studies, "Immigrants in the United States, 2007," November 2007, table 13.

tion. Between 1970 and 2002, the foreign-born population of the U.S. increased from 9.6 million to 32.5 million—an increase of 225 percent. Over the same period, however, the number of children born in the U.S. to immigrant mothers rose even faster:

Births to Immigrant Mothers Rise Faster than Immigrant Population

	Births to Immigrant Mothers		Immigrant Population	
	Number	All Births (%)	Number (millions)	Total Population (%)
1970	228,486	6.1	9.7	4.7
1980	339,662	9.4	14.1	6.2
1990	621,442	14.9	19.8	7.9
2002	915,800	22.7	32.5	11.5
% increase, 1970-2002	300.1		225.1	

Source:
Steven Camarota, "Births to Immigrants in America, 1970 to 2002," Center for Immigration Studies, July 2005, figure 2.[3]

The second mega-trend is the change in the age distribution of the foreign-born and native-born populations. In 1970, the current wave of immigration had just begun; a significant fraction of foreign-born residents were older, pre-WWII arrivals, well past their primary reproductive years. Only 36 percent of female immigrants were 15 to 44 years of age, much less than the 41 percent of natives, according to the 1970 Census. By 1980, the female groups had changed places: 46 percent of immigrant women were in the prime childbearing years versus 45 percent of native women.

Since then, the age distribution has tilted further in favor of young immigrant mothers. Specifically, the share of immigrant females in their childbearing years increased from 53 percent in 1990 to 56 percent in 1992, while for natives it fell from 45 percent to 41 percent.[4]

Third mega-trend—and the one most directly influenced by the EITC—is the average number of children immigrant women will have during their prime reproductive years. This is best measured by what demographers call a Total Fertility Rate (TFR): the expected number of children a woman will have over the course of her lifetime, based on current birth rate trends.

TFR comparisons are particularly useful when large age differences exist among groups. If, say, female immigrants are much younger than female natives, the TFRs of the two groups will not be affected. By contrast, birth rates—calculated as births per 100,000 population—will generally be larger in the group with the younger population.

Put differently, the TFR reflects the desire of women in various groups to have children. The prospect of a generous child benefit such as EITC can certainly affect that decision.

The relevant TFRs in 2002 were as follows:

- Immigrant females: 2.86 children
- Native-born females: 1.65 children[5]

On average, a foreign-born female will give birth to nearly three children during her lifetime versus less than two for a native-born female.

And if history is any guide, the immigrant/native fertility gap will remain intact in future generations. Fertility rates of the U.S.-born descendants of today's immigrants will exceed by a similar margin those of the descendants of today's natives.

Note: A TFR of 2.1 is considered the "replacement" rate—i.e., the value at which a group can exactly replace itself over the course of a generation. If fertility stays below replacement for an extended period of time, the population will eventually

shrink. This is the prospect facing non-Hispanic whites in the years following 2030, as seen in the table below.

U.S. Population: Total, Native-born, and Foreign-born, 1960-2050 (population in thousands)

	Total	Native-born	Foreign-born	Foreign-born % of Total
1960	179,980	170,242	9,738	5.4%
1970	204,401	194,788	9,613	4.7%
1980	227,537	213,864	13,673	6.0%
1990	248,623	229,023	19,600	7.9%
2000	281,646	250,478	31,168	11.1%
2005	295,709	260,180	35,529	12.0%
	Projections			
2010	309,653	269,666	39,987	12.9%
2020	340,219	290,694	49,525	14.6%
2030	371,822	312,152	59,670	16.0%
2040	403,648	333,422	70,226	17.4%
2050	438,153	356,854	81,299	18.6%
	Increase, 2005-2050			
Persons	142,444	96,674	45,770	
%	48.2%	37.2%	128.8%	

Source:
Jeffrey Passel and D'Vera Cohen, "U.S. Population Projections: 2005-2050," Pew Hispanic Center, February 11, 2008, table 2.[7]

Even small differences in fertility rates can produce enormous differences in population growth if they persist over a long period of time. They are the demographic equivalent of compound interest rates.

In this way, immigrants influence future population growth by more than their numbers might suggest. Over time, the immigrants die, but their U.S.-born offspring will have children themselves, followed by grandchildren and subsequent generations. A sophisticated population projection methodology is required to measure the impact of future immigrants on future population growth.

The Pew Research Center published the best of these forecasts in 2008.[6] The main projections of the total, foreign-born, and native-born populations for the period to 2050 are noted in the table above.

The total U.S. population is expected to increase by 142.4 million from 2005 to 2050, an increase of 48 percent. The foreign-born population will increase by 45.8 million, more than doubling its 2005 count, while the U.S.-born population will rise by 37 percent over the same 45-year period.

Based on these figures, the foreign born population will account for 32 percent of total population growth between 2005 to 205—45.8 million of the total 142.4 million increase. But the Pew Research population model shows that if there had been no immigration after 2005, the foreign-born population would have actually *declined* by approximately 21 million, as the pre-2005 immigrant cohorts die out. Thus, the net contribution of new (post 2005) immigrants to population change over the 2005 to 2050 period is actually 67 million (45.8 million plus 21 million).

While the new immigrants themselves boost population growth by 67 million, their U.S.-born children are projected to add another 47 million and their grandchildren an additional 3 million. Summing it up, immigration will add 117 million (67 million plus 47 million plus 3 million) to U.S. population growth between 2005 and mid-century.

Bottom-line: Full 82 percent of the U.S. population growth to mid-century will be due to immigrants arriving after 2005 and their descendants.

As things stand, immigration is on course to be the key driver of population growth in the coming half century. The Pew Research study assumes that

current immigration policy remains unchanged. Future policy changes—tightened border security and rigorous enforcement of current immigration laws, for example—could substantially alter the projected totals.

Restructuring of the EITC to reduce the financial rewards to parenthood could have an equally strong impact on future population change.

EITC and Immigrant Fertility

The pro-childbearing incentives of the EITC could also explain why immigrant fertility rates are higher in the U.S. than home countries:

Is the EITC Responsible?
Immigrant Fertility Rates Higher in U.S. than in Home Country

Country of origin	TFR in Home Country	TFR in U.S.
Mexico	2.40	3.51
Philippines	3.22	2.30
China	1.70	2.26
India	3.07	2.23
Vietnam	2.32	1.70
Korea	1.23	1.57
Cuba	1.61	1.79
El Salvador	2.88	2.97
Canada	1.51	1.86
United Kingdom	1.66	2.84

Note:
Total Fertility Rate (TFR) is the number of children a woman can be expected to have in her reproductive years. Estimates are based on analysis of 2002 American Community Survey data.

Source:
Steven Camarota, "Birth Rates Among Immigrants in America," Center for Immigration Studies, October 2005, table 1.[8]

Immigrant mothers from most countries have more children in the U.S. than in their home country. Throughout the world, a woman's educational level is a key determinant of her fertility, with more educated women generally having fewer children than less educated women. Yet even after controlling for education differences, immigrant fertility is higher here than in the home country.

Clearly, something happens here that does not happen there. The availability of EITC and other pro-child public benefits to low-income, poorly educated immigrants, is surely one factor.

EITC and Illegal Aliens

The EITC may well be the most illegal-immigrant-friendly of all welfare programs. Nearly 40 percent of households headed by illegals from Mexico are eligible for the EITC, versus 26 percent of all immigrant households and 13 percent of households headed by U.S. natives.[9]

If the EITC's pro-parenthood incentives are as powerful as we think, TFRs should be significantly higher for illegals than the other groups. Drum roll, please: fertility rates for illegal alien females is estimated at 3.06 children, compared to 2.61 children for legal immigrants, and 1.65 for natives.[10]

Births to illegal alien mothers—aka "anchor babies"—accounted for a whopping 42 percent of all immigrant births in 2002. That may sound high until you consider that illegals account for at least 25 percent of foreign-born females who are in the prime childbearing years, ages 18 to 39.[11]

The illegal alien baby boom is also linked to the Constitutional misinterpretation of the 14th Amendment, which confers citizenship on anyone born in the U.S.—no matter what the legal status of the parents. Many Mexican mothers-to-be have their babies in U.S.-border hospitals for one reason: to give birth to a U.S. citizen.

EITC Is Anti-Marriage: The Nexus of Race, Ethnicity, and the EITC

Minorities qualify for the EITC at higher rates than whites because their incomes are lower. Their average credit payment is also larger due to the presence of children. The latter difference is

especially pronounced for Hispanic households. The Hispanic TFR in 2005 was 2.5 children per woman. This value is higher than for any of the other racial groups; white and Asian TFRs are about 1.8, and the black TFR is about 2.2. The higher rate for Hispanic women is, in large part, due to the relatively high fertility of Hispanic immigrants who have a TFR of about 2.8.[12]

Although fertility rates overall are expected to decrease by 2050, Hispanic, black, and Asian TFRs will remain above the white TFR. The inevitable result: minorities will displace whites as the majority population group. The tipping point is a little more than a generation away, according to Census Bureau projections released in 2008:

439 million in 2050.

Whites were an 87 percent majority in 1950. In 2008, they accounted for 64 percent of the population. The census calculates that around 2030 the non-Hispanic white population will start to decline. By 2042 non-Hispanic whites will be in the minority—outnumbered by individuals who identify themselves as Hispanic, black, Asian, American Indian, Native Hawaiian, and Pacific Islander.

Four years ago, Census officials projected the white minority would come in 2050**.**

By 2050, the number of Hispanic people will nearly triple, to 133 million from 47 million in 2008, to account for 30 percent of Americans, compared with 15 percent today.

The Coming White Minority: Projected Population by Race and Hispanic Origin, 2010-2050

	Total	White, non-Hispanic	Hispanic	Black, non-Hispanic	Asian, non-Hispanic	Other
	Population in thousands:					
2010	310,233	200,853	49,726	37,985	14,083	7,586
2025	357,452	206,662	75,772	43,703	20,591	10,724
2030	373,504	207,217	85,931	45,461	22,991	11,904
2040	405,655	206,065	108,223	48,780	28,064	14,523
2045	422,059	204,772	120,231	50,380	30,704	15,972
2050	439,010	203,347	132,792	51,949	33,418	17,504
	Total (%):					
2010	100.0%	64.7%	16.0%	12.2%	4.5%	2.4%
2025	100.0%	57.8%	21.2%	12.2%	5.8%	3.0%
2030	100.0%	55.5%	23.0%	12.2%	6.2%	3.2%
2040	100.0%	50.8%	26.7%	12.0%	6.9%	3.6%
2045	100.0%	48.5%	28.5%	11.9%	7.3%	3.8%
2050	100.0%	46.3%	30.2%	11.8%	7.6%	4.0%

Source:
Census Bureau, National Population Projections, August 2008.[13]

A decade ago, census demographers estimated that the nation's population, which topped 300 million in 2006, would not surpass 400 million until after mid-century. Now, they are projecting that the population will top 400 million in 2039 and reach

People who identify themselves as Asian, with their ranks soaring to 39 million from 16 million, will make up nearly 9 percent of the population, up from 5 percent.

The main reason for the accelerating change

is significantly higher fertility rates among immigrants. Indeed, the U.S.-born children of Hispanic immigrants are replacing their parents as the fastest-growing segment of the Latino population. The children will likely surpass their parents in earnings and education, but they will not close the gap with white, non-Hispanics.

A mother's culture, education, and earnings potential are probably more important than the prospect of higher EITC payments when she decides to have another child. But the credit surely is a factor for some. Even a tiny change in average fertility rates, when compounded over time, will have enormous consequences.

The role of the EITC in America's demographic transition cannot be denied. ■

ENDNOTES

1. "Earned Income Tax Credit: The Compliance Challenge," Century Foundation Issue Brief.
2. http://www.cis.org/articles/2005/back805.html.
3. Ibid.
4. Data source: Steven Camarota, "Births to Immigrants in America, 1970 to 2002," Center for Immigration Studies, July 2005. http://www.cis.org/articles/2005/back805.html.
5. http://www.cis.org/articles/2005/back805.html.
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Pro-Child, but Anti-Marriage

EITC payments ramp up dramatically when children are born. But married parents often receive a far smaller benefit than single or cohabiting parents with similar incomes. The marriage penalty occurs when the combined earnings of husband and wife push them into the EITC's "phase-out" range—currently from $15,752 to $38,646. Every additional dollar of income within that range reduces EITC payments by 21 cents.

If a childless full-time minimum wage worker marries a minimum-wage worker with two children, they suffer an EITC marriage penalty of nearly $2,000 compared to what they could have if they remained single. If they each have two children, they stand to lose nearly $6,000 in EITC payments upon tying the knot.

In 1979, 73 percent of children lived in married couple households; by 2003, only 62 percent did. Obviously, cultural and demographic factors play roles in this trend. But the fraction of children living with married parents declines most dramatically during economic downturns, or exactly when EITC eligibility is on the rise.[14]

The financial benefits of the EITC could well be obliterated by its deleterious impact on child living arrangements.