Research Grants Studies

Sections 702 and 1110 of the Social Security Act authorize extramural research projects in the broad areas of social security. The Social Security Administration provides funding through grants to nonprofit organizations and through contracts with both nonprofit and profitmaking organizations. From time to time, as projects are completed, the Bulletin publishes summaries of research findings. Summaries of two completed projects (Grants No. 90482 and 90313) are presented below.

Centralizing Welfare Program Data in Canada and the U.S.

Christopher Leman of the Department of Politics at Brandeis University investigated “Problems of Centralizing Data in Federal Systems: Welfare Programs in Canada and the United States.” This work was conducted under Social Security Administration Research Grant No. 90482.

Research data from subnational welfare departments in Canada and the United States were examined to determine the implications of the availability and analysis of data for national policymaking on welfare programs. Extensive correspondence, interviews, and phone contacts were used, with particular emphasis on Canada. In the United States a special effort was made to examine the forms used by the Department of Health, Education, and Welfare to obtain data from the States to learn how compliance was sought as well as to estimate the utility of the data generated.

The research focused specifically on the collection of data for cash welfare assistance programs at the provincial level. These programs are federally shared in the Canada Assistance Plan (CAP)—similar to the U.S. program of aid to families with dependent children (AFDC), except that CAP also shares the cost of social services and cash benefits to persons with no children. Basic similarities in the administration of both programs create similar challenges to Federal authorities in obtaining detailed research data from the States or Provinces. At the same time, these problems and their solutions in the two countries differ in ways that are instructive and a possible source of inspiration for the cross-national diffusion of innovations.

Impact of Data and Analysis on Debates

Federal authorities generally have difficulty obtaining cooperation with requests for data in both countries unless the requests are clearly related to monitoring compliance with national standards in the programs—a criterion that research data often fail to meet, so far as the States or Provinces are concerned. This problem is especially acute in Canada, where provincial resistance has prevented the compilation of adequate national data of almost every kind. In the United States, Federal authorities have learned to request only data that the States already have at their disposal. Such data are often not as useful for research purposes as characterizing—and sometimes caricaturing—gross fluctuations in the caseload and its costs.

The author attempts to estimate how recent welfare debates have been influenced by the nature of the available data. Criticisms of the currently published monthly AFDC data are given and some suggestions are made for improving the biennial AFDC Characteristics Study.

The Canadian comparison is especially interesting on the question of how the data affect debates because less data are available on the Canadian welfare rolls than on the U.S. rolls. The author suggests that this paucity of data has influenced welfare reform debates in Canada, and not always for the worse. It is pointed out that one can know too much about an issue if the best evidence is inconclusive or not well-balanced with equally detailed data on different points of view. Some comparisons are made of how data are used in policy debates in the two countries. In the United States, the data are used by many inside and outside government, and they become a major vehicle for debate. In Canada, the data that exist are more the monopoly of central policy staffs, a fact that discourages misuse but also prevents infusing external debates with much substance or meaning.

Crossnational Applications

The most useful result of the research is, perhaps, the discussion of techniques by which the Federal Government in each country obtains data from the operating programs. The United States, for example, has had success with a cooperative State-Federal biennial sample survey in which each State draws a sample from its files and the Federal Government analyzes and publishes the results. This approach might work well in Canada, where the Provinces are not eager to open their files to Federal researchers and would prefer to sample their files themselves. A Canadian innovation that might work in the United States is ANS-SIR, a nationwide computer network that makes provincial data available to Federal authorities without onerous reporting requirements. The research suggests that the compromises necessary to induce the provinces to cooperate are reducing the nationwide compatibility of these data.

A number of other areas for crossfertilization of the two countries’ welfare administration were indicated by the research. Canada has instituted conferences of welfare analysts, a positive step that parallels a longstanding history of such conferences in the United States. A special newsletter has been initiated to encourage communication among the analysts, an innovation recommended for consideration in...
the United States. The author was impressed by the spirit of informal cooperation and camaraderie that has developed in Canada, similar to but more complete and effective than informal exchange in the United States. The larger number of participants in the United States might prohibit informal links from being quite so successful, but further study of the Canadian approach might be merited.

**Opportunities for Cooperation**

A number of opportunities for cooperation between welfare analysts in the two countries present themselves. At the State and provincial levels, research has uncovered a number of innovations in each country that are worth spreading across the border. Even at the Federal level, moreover, important lessons are to be learned, and too little contact exists. Exchange could yield, on the practical level, administrative innovations such as those suggested in the current research.

Research activities themselves should be better coordinated. Designers of income-maintenance experiments in the United States have cooperated with the Canadians running the Manitoba experiment. Such cooperation should be duplicated in other areas. Since Canada is too small a country to fund major studies such as the panel study of income dynamics funded by the Department of Health, Education, and Welfare, cooperative design and funding between the two countries might be arranged. Existing aggregate data in both countries could be better coordinated, also. Census studies of the poor conducted by the U.S. Bureau of the Census and by Statistics Canada are made incompatible by small differences that could easily be corrected by the two agencies. Such cooperation would significantly expand the available research data on poverty and other fields in each country.

### Two Studies in the Shifting of Taxes on Labor

Daniel S. Hamermesh of Michigan State University received Social Security Administration Research Grant No. 90313 to conduct two studies about the shifting of taxes on labor. The first study, *New Estimates of the Incidence of the Payroll Tax*, has a fresh approach to the empirical examination of tax incidence: The empirical work is based on equations describing individuals' earnings as determined by the demand and supply factors that affect them and by the payroll taxes paid by their employers. The data are for 1973 from the HEW panel study of income dynamics and include information on 587 men workers. The availability of data about these men for the 1967-72 period makes it possible to estimate the time path of the shift in the employer's tax share back onto labor, as well as the amount that is shifted.

Two results appear: First, the shifting process is fairly rapid—nearly 80 percent of the tax shift is made within one year of its imposition. Second, and more important, little more than one-third of the employer's social security contribution at most is shifted back to labor. The remainder must either be passed on to consumers (owners of capital and labor services) in the form of higher product prices or be borne entirely by owners of capital.

Numerous studies have derived the incidence of the payroll tax, but only recently under the assumption that factor supplies increase with factor prices. The second Hamermesh study, *Labor Market Dynamics and Tax Incidence*, extends this work in several ways. Since payroll tax revenues are used to finance benefits that themselves affect the labor supply, the author feels the role of benefits should be taken into account in calculating tax incidence. It was found that if benefits induce greater labor supply, the incidence of a tax increase to finance those benefits falls more on labor. If higher benefits reduce the overall supply of labor, the incidence of the tax falls relatively more heavily on owners of capital.

Labor markets adjust slowly because it takes time for both labor demand and supply to adjust to their equilibrium values. The basic model of the incidence of payroll taxes was modified with variable factor supply to include dynamic adjustments of labor supply and demand. When this model is simulated to find the effects of changes in the payroll tax rate (under reasonable assumptions about the magnitudes of the lags in adjustment), it is found that it takes several years before half the distance to a new equilibrium in wages and employment is reached. This finding suggests that, even if payroll taxes are borne by labor in the long run, a large part of any increase in the tax will be borne by capital for some time. For purposes of policy, then, the effects of payroll tax increases on the macro economy must be analyzed as if part of their effect is on profits, regardless of the long-run distribution of the burden.

Copies of the final report of this completed research project are in the Social Security Administration Library, 571 Altmeier Building, 6401 Security Blvd., Baltimore, Md. 21235, and in the Library of the Office of Research and Statistics, Room 320-0, Universal North Building, 1875 Connecticut Ave., NW., Washington, D.C. 20009. Copies of the report may be obtained through interlibrary loan. (Also in these libraries are copies of more than 50 other project reports that have been completed since 1963. Most of these reports were listed in the May 1974 Bulletin.)