

The Under-Reporting of Transfers in Household Surveys: Its Nature and Consequences

BRUCE D. MEYER, WALLACE K.C. MOK AND JAMES X. SULLIVAN

Information on income and receipt of benefits is widely used for analytical and public policy purposes. Accurate information on benefit receipt, as a component of economic wellbeing, is essential to both research and policy applications. Among many uses, these data inform our understanding of income distribution, the incremental effect of government transfer programs on wellbeing, and the proportion of those eligible for a program that are successful in securing benefits. The compilation of statistical information, or the evaluation of government programs and policies, or the analytical exploration of any of these issues could be severely biased if the data we are using are inaccurately reported. So to what extent is there underreporting of transfers in our major datasets?

This paper provides information on the quality of individual reports of receipt of program benefits for the major transfer programs in the major household surveys. By comparing survey results with administrative totals, we can determine the reporting rates for each program in each survey. We then relate the degree of under-reporting to survey and program characteristics, such as form of interview and type of questionnaire. We also consider methods that might be applied to correct for these biases, and to make under-reporting adjustments to the survey estimates. The programs we examine are Unemployment Insurance (UI), Workers' Compensation (WC), Social Security Retirement (OASI) and Disability (SSDI), Supplemental Security Income (SSI), Food Stamps, the Earned Income Tax Credit (EITC), Aid to Families with Dependent Children (AFDC)/Temporary Assistance for Needy Families (TANF), and the Women, Infants and Children (WIC) program.

The datasets that we analyze are among the most important for social science research and government policy: the Current Population Survey (CPS), the Survey of Income and Program Participation (SIPP), the Panel Study of Income Dynamics (PSID), the American Community Survey (ACS), and the Consumer Expenditure (CE) Interview Survey. Income numbers from the CPS are the source of the official U.S. poverty rate and income distribution statistics. The SIPP was specifically designed to determine eligibility and receipt of government transfers. The PSID is the main source for information on changes in income and poverty over a lifetime and for changes in income and inequality across generations. The PSID is also the only survey dataset that allows the longitudinal analysis of the income and consumption of a random sample of the disabled. The ACS is the replacement for the Census Long Form data and is the largest basic economic survey. The CE Survey is the main source of consumption information in the U.S. These datasets are among our most important for analyzing incomes and their distribution as well as transfer receipt. Thus, the understatement of transfers in these data would have major implications for our understanding of the economic circumstances of the population and the working of government programs.

The results indicate substantial under-reporting of benefit receipt in nearly all years for all data sources and programs. Reporting rates are especially low for certain programs. For example, only about forty percent of Workers' Compensation benefits are reported in the SIPP and CPS and an even smaller share is reported in the PSID. Reporting rates for Aid to Families with Dependent Children (AFDC) and its replacement Temporary Assistance for Needy Families (TANF) average about seventy percent as do reporting rates for Unemployment Insurance and Food Stamps. The reporting rates for Supplemental Security Income differs sharply across surveys with over 85 percent reported in the SIPP, but typically under half in the PSID. The SIPP seems to have the highest reporting rates for most programs.

Over time, the reporting of many programs has deteriorated. The pattern of under-reporting does not seem to be consistent with a simple story of stigma or the sensitivity of income reporting. Our own preferred explanations are that the ease of reporting determines how well a program is reported and that a desire to reduce the length of interviews is often responsible for under-reporting.

The full working paper is available on our website, www.nber.org/programs/ag/rrc/books&papers.html as paper NB08-12.

BRUCE MEYER is the McCormick Tribune Professor in the Harris School at the University of Chicago and an NBER Research Associate.

WALLACE MOK is a graduate student in Economics at Northwestern University.

JAMES X. SULLIVAN is Assistant Professor of Economics at the University of Notre Dame.