Twenty years after the War on Poverty was launched, dependency on public support remains widespread. Part 1 of this report summarizes current research concerning the following issues affecting welfare programs: (1) evaluating the economic effects of welfare; (2) dynamics of dependency; (3) welfare and work; (4) welfare and family structure; (5) welfare and child support; (6) welfare and migration; (7) attitudes, the upperclass, and the intergenerational transmission of welfare dependency; and (8) unanswered questions. Data are presented on 12 tables; notes are included. Part 2 consists of a comprehensive bibliography on welfare.
UP FROM DEPENDENCY

A New National Public Assistance Strategy

SUPPLEMENT 4
RESEARCH STUDIES AND BIBLIOGRAPHY

Executive Office of the President
Interagency Low Income Opportunity Advisory Board

April 1988
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UP FROM DEPENDENCY
A NEW NATIONAL PUBLIC ASSISTANCE STRATEGY

SUPPLEMENT 4
RESEARCH STUDIES AND BIBLIOGRAPHY

Part I - Review of Research Studies on Welfare

Part II - Bibliography on Welfare
# Part I

**REVIEW OF RESEARCH STUDIES ON WELFARE**

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Part I

REVIEW OF RESEARCH STUDIES ON WELFARE

INTRODUCTION

Research and Welfare Reform

Twenty years after the War on Poverty was launched, dependency on public support remains widespread. Some argue that many of the poor have fallen into a world of long-term dependency, with behavior and attitudes conditioned by the anti-work and anti-family incentives of the welfare system. Others challenge the idea that welfare programs create or sustain poverty, arguing instead that poverty and dependency are largely short-term phenomena resulting from divorce, separation, widowhood, and/or a temporary decline in earnings or child support. As families adjust to these changes, their dependency ends. The purpose of this report is to present a review of the research on dependency and welfare use among the able-bodied nonelderly.

Past experience indicates the importance of research and rigorous evaluation when considering permanent changes to welfare programs. For example, in the late 1960s and early 1970s, many believed that the negative income tax was a desirable alternative
to the existing system of programs. Under the proposal, cash and in-kind programs would have been replaced with a single guaranteed income payment to all types of families, which would have been gradually reduced with increases in earned income. From 1968 through 1982, a series of income maintenance experiments was conducted to test the effects of various benefit levels and benefit reduction rates upon the work effort of recipients. The demonstrations were also used to assess the impact of income guarantees on family stability and other outcomes.

During the same period, reform proposals were advanced to enact, on a national scale, versions of the programs being tested by these experiments. Common sense and economic theory predicted that a guaranteed income would have important side effects. In particular, opponents were concerned that when a minimum cash income was guaranteed, recipient work effort would decline substantially. Negative income tax proponents urged its passage confident that such effects would be inconsequential.

Careful evaluation of the income maintenance demonstrations showed that the work effort effects were significant -- recipients of a guaranteed income reduced their work effort substantially (SRI International, 1983). Moreover, these payments increased the likelihood of divorce and separation in some experimental sites. In sum, evaluation of the income
maintenance experiments did not confirm the predictions of the proponents of national negative income tax welfare reform. Today, even some of the designers of those proposals acknowledge that their adoption as a national policy would have increased long-term welfare dependency.

Many empirical questions surrounding the impact of welfare and possible reforms remain unresolved. What follows summarizes the current state of our research knowledge concerning these issues, citing an extensive array of studies to which the reader can turn for more detail. The description centers on the Aid to Families with Dependent Children (AFDC) program, and those benefits frequently associated with AFDC receipt, as this has been the major focus of research on the behavioral effects of welfare receipt on able-bodied adults. The research does not support a consensus view about the economic effects of welfare, much less an integrated theory of welfare dependency.

**Plan of the Report**

First, the methodological issues facing researchers are briefly discussed to help the reader differentiate among the studies as to their quality and limitations. Next, patterns of welfare use are examined, along with the determinants of entry to and exit from welfare programs and the social, economic, and psychological factors associated with dependency. This is followed by a
summary of the impact of welfare on work effort and the effectiveness of various "work incentives" and work programs. The next section reviews the research findings on how welfare programs have affected decisions regarding family structure, including marriage and remarriage, divorce, child-bearing (particularly among teenagers), and living arrangements.

The fifth section of the report investigates the importance of child support payments in alleviating dependency and how it affects work and marital decisions. The sixth section examines the impact of differing State welfare benefit levels on migration. The seventh section examines how attitudes affect welfare dependency and whether there is intergenerational transmission of a propensity to rely on welfare within a "culture of poverty." The report concludes with a discussion of major gaps in our research knowledge.
EVALUATING THE ECONOMIC EFFECTS OF WELFARE

To the extent that economic dependency stems from a complex interaction of individual, social, and economic circumstances, isolating the effect of one factor (e.g., welfare benefits) on one aspect of behavior (e.g., teenage pregnancy) may lead to an inadequate understanding of actual relationships, and thus to an overly-simplistic behavioral model that inaccurately characterizes the welfare population. Hopkins (1987) and Ellwood (1987), in summarizing the literature in this area, offer some key insights into this problem. First, a full understanding of behavior requires a consideration of a full set of choices. Too often, the literature focuses on only one choice, such as work or welfare, without considering other alternatives such as marriage, which some research indicates most frequently ends welfare dependency. Second, both perceived choices and actual opportunities guide behavior; thus, it is important to distinguish between these whenever possible. Third, attitudes, preferences, and values may be critical determinants of behavior, causing different people facing identical choices to behave differently.
Methodology

Social scientists have long tried to measure the effects of welfare policies and programs on the behavior of welfare recipients. This section outlines some of the methodological problems researchers face in performing that task.

To determine program effects in an ideal world, one would have to compare, for each individual, the outcome from program participation with the outcome that would have happened in the absence of the program. Since this is not possible, analysts have developed a variety of techniques for estimating the impact of programs and/or program changes, holding constant all other variables that might influence the outcome. Those most commonly used for evaluating welfare programs include: true experimental design, quasi-experimental design, and econometric analyses. As will be described, the most reliable studies are those that use true experimental design, rather than those using comparison groups or other statistical techniques, but even results from the most rigorous evaluations must be interpreted with caution.

One way to measure the impact of a program or policy is to first implement it as a demonstration or experiment, which can be evaluated by randomly assigning eligible participants to separate treatment and control groups. This is referred to as true experimental design. If this random assignment is not
compromised by either the eligible individuals or the program managers, the treatment group will not differ statistically in any systematic way from the control group. After a certain period, the earnings, employment patterns, and welfare receipt of each can be compared, and the differences that emerge can be attributed to the impact of the program.

Even such statistically "pure" experimental evaluations have some limits. First, the limited duration of experiments, generally three to five years, may not produce the same change in behavior a permanent program or program change would, although it is not clear what the degree or direction of the response would be. Further, the experiments are subject to the "Hawthorne" effect, in which participants react not only to the treatment itself, but to the knowledge that they are being studied. Of course, the control group itself may be affected, thereby minimizing or compounding the importance of this factor, depending on the way behavior is affected.

Second, since many programs justify high initial costs on the grounds that they produce long-term savings, a program's long-run value must be predicted, rather than measured, for the period beyond which the experiment was done. Unfortunately, there is little agreement on how to make such predictions. Furthermore, it may not be possible to measure the impact of changes that occur before individuals are ever assigned to either an
experimental or control group. For example, a stringent work requirement may deter individuals from applying for assistance, while generous benefits may increase participation. It may also be difficult to generalize experimental results from a small number of sites to a program if it were implemented nationwide.

Finally, there are a number of other problems associated with designing and maintaining adequate treatment and control groups. While it is true that families or individuals randomly assigned to the experimental and control groups will not differ in terms of theirerved characteristics, differential attrition from the experimental and control groups may lead to invalid impact estimates. For this reason, such evaluations often model the attrition process in an attempt to correct for potential bias. Despite these shortcomings, there is a consensus that experimental design is the best evaluation methodology available to researchers.

Another evaluation method, quasi-experimental design, uses statistical techniques to estimate what would have happened in the absence of the program by using the past behavior and characteristics of program participants, as well as the concurrent activities of a similar group of individuals not enrolled in the program. The behavior of this "comparison group" is used as a basis for approximating the behavior that would have been observed for the program participants had they not entered
the program. The experiences of the two groups can be compared and, after adjusting for any measurable differences between the groups, the difference in behavior is attributed to participation in the program.

Quasi-experimental evaluations have most of the same limitations as experimental evaluation, but a major additional problem is known as selection bias. Unmeasured differences in characteristics, such as the degree of motivation, could explain differential program outcomes, rather than the program itself. Consider the following problem faced by researchers evaluating manpower programs:

Those who enter employment and training programs may do so for a variety of economic reasons and non-economic reasons. However, the decision to enter a program is a result of systematic differences between those who enroll and those who do not, even if both groups have the same observable demographic characteristics and economic histories before enrollment. For example, in the case of women, those who enter the program may have more desire to work in future years than those who do not, and this may mean that in the postprogram period, program completers are likely to choose a job that allows them to work more hours or has a different career potential than those who chose not to enroll. The result will be an overestimation of the impact of the program. [Stromsdorfer et al., 1985, p. 4]

Researchers have developed various ways of compensating for selection bias, but it is not clear how successful such adjustments are (see Stromsdorfer, 1987; Heckman et al., 1987; and LaLonde and Maynard, 1987).
In addition to experimental and quasi-experimental design, researchers often use statistical techniques and various data sources to compare changes in a dependent variable with changes in other variables in the model. This approach can use data at either a given point in time (called a cross-section analysis), over time (called a time-series analysis), or for the same group of individuals over time (called a longitudinal analysis). For example, tests of the impact of welfare on work effort have often made hours of work, the employment rate, or some other measure of work effort a "dependent" variable. A series of "independent" variables is then used to capture the importance of various economic, demographic, and sociological factors on work effort. There are, however, a wide range of problems associated with these econometric techniques, such as the use of simplistic models and disregard of cultural and labor market changes.

One limitation in the area of welfare research is the lack of investigation as to the combined effect of benefit receipt from several welfare programs. For many of those receiving cash welfare, the value of noncash benefits exceeds the cash benefits they receive. In California in 1987, AFDC provided a family of three with no other income a benefit of $617 a month, while in Alabama the same family would receive just $118.\(^2\) The impression given in cross-sectional models is that "welfare" is five times as generous in California as Alabama. However, since two-thirds of all families receiving AFDC also receive noncash benefits from
three or more other welfare programs, a more realistic package of benefits might include AFDC, Food Stamps, Medicaid, and free school lunches.\textsuperscript{3} The value of such a package of benefits would be about $870 in California and $482 in Alabama.\textsuperscript{4} This narrows the difference from five to one to 1.8 to one.

By misspecifying the welfare variable in this way, cross-sectional models understate the economic effects of welfare. Time-series analyses which focus on cash benefits suffer similar problems, since the most dramatic growth in means-tested transfer programs over the last 25 years has been in noncash programs. Researchers face further problems in measuring other program parameters, particularly in valuing the package of benefits, as well as trying to take into account a host of intangible factors, such as State administrative practices. Other problems arise in specifying other relevant variables and the model itself.
Typical research and data provide only a snapshot of welfare use, e.g., the number of women receiving AFDC or the number of school children receiving subsidized school lunches at one point in time. While important, these numbers do not provide an understanding of the interaction of individuals and the welfare system over time. The impact of receiving public assistance on individual recipients can best be understood by focusing on the dynamics of dependency -- the average duration of benefit receipt and the number of times an individual enters and exits the system. It is important to know how welfare program parameters, the characteristics of recipients, and other socioeconomic factors influence these patterns of welfare use, if sound policy options are to be developed.

Although an increasingly important policy issue, "welfare dependency" is not an easily defined concept. Consider a two-parent family with two school-age children where both parents work and the children receive subsidized school lunches for the duration of their school years. Does receipt of this noncash assistance alone over a period of 10 or even 15 years constitute an example of long-term welfare dependency? What about an unwed mother of two children who is totally dependent on public assistance for three years, then marries and moves off the rolls? What if she is on assistance for 10 years before becoming self-
sufficient? What about the mother who moves on and off AFDC depending upon her ability to find part-time employment, and who receives some cash assistance for at least one month of the year for a number of years but never amounting to more than 25 percent of her total income?

Answers to each of these questions are clearly a matter of debate. Hoffman (1987a, p. 11) notes that, "There is no unambiguous and objective way to translate the information on patterns of welfare use into statements about the extent of dependency." Researchers have used various definitions, depending upon the type of welfare received (ranging from AFDC only to any welfare benefit), the amount of welfare received (ranging from any assistance payment to welfare income that constitutes a majority of a family's resources), who in the family receives assistance (the head of household or any family member), and the number of years that welfare is received (either consecutively or in total). Depending on the definitions and methodology used, the pattern of dependency described can differ substantially.

Even if long-term welfare dependency were uniformly defined, there would still be the problem of isolating the factors which influence behavior. Murray (1984) blames programs with high benefit levels and those targeted to certain disadvantaged groups, which combine to make a life of dependency an attractive
alternative to self-support. In contrast, Wilson (1985) emphasizes the prominence of the "underclass," but traces its origins to limited economic opportunity and to the geographic and economic isolation of the poor. Others have different theories. The poor and those receiving welfare are a very heterogeneous population, and no single theory can adequately address the causes and nature of poverty and dependency for all individuals.

The Time Pattern of AFDC Receipt

The most systematic research on the length of welfare use is based on analyses of longitudinal data (data that follow a sample of persons over a period of time) and case record information for AFDC recipients. The principal sources for longitudinal data are: 1) the Panel Study of Income Dynamics (PSID), which provides information from a nationally-representative sample of individuals, recipients and nonrecipients, from 1968 to the present; 2) the now-concluded National Longitudinal Survey (NLS) of Young Women, which provides similar information by following a sample of women aged 14 to 24 in 1968 from that year through 1979; and 3) a new NLS data set (NLS-Youth) restricted to individuals between the ages of 14 and 21 in 1979. In addition, data derived from AFDC case records is available, beginning with cases opened in 1965.

Since much of the research on AFDC receipt relies on data from as
far back as 1965, it is not clear how relevant it is to today's AFDC population. Changes in program rules, the economy, and recipient attitudes and characteristics may not be adequately reflected in estimates of welfare duration. There are also technical imperfections in these data sets. Each suffers from one or more of the following: small sample sizes, excluded years of data, annual observations only, exclusion of "subfamily" welfare experience, limited program coverage, underreporting of welfare and nonwelfare income, failure to adjust for "false exits," etc. Despite these limitations and the variety of research techniques employed, there is a general, though not unanimous, consensus among researchers as to welfare duration.

Initial research, such as that by Boskin and Nold (1975) and Rydell et al. (1974), gave the impression of a highly dynamic welfare population. Average "spells," or continuous periods of AFDC receipt, were judged to be short, and the fraction of recipients who spent a considerable period of time on AFDC was thought to be small.

More recent studies suggest that the extent of long-term recipiency was understated by the methods employed in the earlier studies for two reasons. First, although most persons entering AFDC have a relatively short spell on the rolls, at any given time a large proportion of the rolls are made up of those in the midst of a relatively long spell. Looking only at those
beginning their time on welfare, as the earlier studies did, indicates caseload turnover is high, because it does not capture the build-up over time of long-term recipients. Second, the researchers failed to adjust for the underrepresentation of long spells in the examination of completed spells. In any data set using observations from a fixed period of time, there will inevitably be some whose welfare episodes started or ended outside the sampled period. The observed durations for these truncated spells will be shorter (perhaps considerably) than the actual durations.

Most recent literature recognizes these problems. Using estimates of and assumptions about "exit rates" (the probability of leaving welfare after any given number of years), researchers have calculated the distribution of spell lengths and thereby overcome the problems of using a limited observation period. Three recent analyses employing this methodology are in general agreement about the duration of AFDC spells -- Bane and Ellwood (1983), who analyzed the PSID; O'Neill et al. (1984), who analyzed the NLS, the PSID, and AFDC case records; and Ellwood (1986a), who reanalyzed the PSID. (However, these studies are based on annual data and definitions of dependency which tend to overstate long stays and understate short stays because they count periods as short as one month as a full year's receipt.7) The two key findings that emerge from these studies are:
For those going on AFDC, most spells are short-term, lasting two years or less, while fewer than one-sixth can be thought of as long-term, with recipients spending eight or more continuous years on the program.

At any point in time, half of all AFDC recipients are in the midst of long-term spells.

These findings may seem paradoxical, but an example from Bane and Ellwood (1983, p. 14) using hospitalization spells illustrates the point:

Consider the situation in a hypothetical hospital complex. Most of the persons admitted in any year will require only a very short spell of hospitalization. But a few of the newly admitted patients are chronically ill and will have extended stays in the hospital. If we ask what proportion of all admissions are people who are chronically ill, the answer is relatively few. On the other hand, if we ask what fraction of the hospital's beds or equivalently what proportion of the patients in the hospital at any one time are chronically ill, the answer is much larger. The reason is simple. Although the chronically ill account for only a small fraction of all admissions, because they stay so long they end up being a sizable part of the population in the hospital and they consume a sizable chunk of the hospital's beds and other resources.
The finding that most welfare spells are of a short-term nature is reflected in the figures in the first four columns of Table 1. These "over-time" data samples show that between one-half and two-thirds of AFDC spells lasted two years or less, while less than one-sixth lasted eight or more years. This suggests that long-term welfare dependency is relatively uncommon.

In contrast, the distribution of completed AFDC spell lengths for recipients observed at a given point in time is strikingly different. As can be seen in the fifth column, a "point-in-time" sample shows that only one-sixth of AFDC recipients are expected to have a short spell, while half are in the midst of a long spell, lasting eight or more years.

Thus, while the AFDC population at any point is made up predominantly of long-term users, the typical recipient is a short-term user. Hoffman (1987a, p. 10) argues that the over-time sample provides the most meaningful evaluation of the behavioral impact of welfare on the recipient population, while a "point in time sample is useful primarily for determining what fraction of welfare expenditures are accounted for by short-term and long-term recipients, respectively." In that regard, it is clear that the majority of AFDC program resources go to support long-term recipients.
Table 1

DISTRIBUTION OF LENGTH OF AFDC SPELLS AND TOTAL TIME ON WELFARE

<table>
<thead>
<tr>
<th>Duration</th>
<th>Persons beginning a spell</th>
<th>Persons on AFDC at a point in time</th>
<th>Total Time on Welfare (includes multiple spells)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Persons beginning first AFDC spell</td>
<td>Persons on AFDC at a point in time</td>
<td>Persons on AFDC spell</td>
</tr>
<tr>
<td></td>
<td>PSID</td>
<td>NLS</td>
<td>1965 Cohort</td>
</tr>
<tr>
<td>---------------</td>
<td>------</td>
<td>------</td>
<td>-------------</td>
</tr>
<tr>
<td>1-2 years</td>
<td>48%</td>
<td>61%</td>
<td>59%</td>
</tr>
<tr>
<td>3-7 years</td>
<td>35</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>8 or more years</td>
<td>17</td>
<td>12</td>
<td>16</td>
</tr>
</tbody>
</table>

NOTES: PSID = Panel Study of Income Dynamics  
NLS = National Longitudinal Survey

Table adapted from: Duncan and Hoffman (1986). p. 39.
This body of research focuses on single spells of AFDC, however, and does not take into consideration the fact that many recipients have several spells on AFDC. The research of Bane and Ellwood (1983) and Ellwood (1986a) confirms that multiple spells of AFDC receipt are fairly common. Bane and Ellwood (1983) report that about one-third of AFDC endings are followed by a subsequent return, while Ellwood (1986a) finds that more than 40 percent of recipients have multiple spells. These findings indicate that long-term dependence is understated by earlier studies which focus only on the length of a single spell.

Ellwood (1986a) estimates the total expected time AFDC recipients are on the welfare rolls by estimating the duration of each recipient's first spell, the probability of second and third spells, and the duration of each of those spells. His estimates, shown in the final two columns of Table 1, indicate that about 30 percent of new AFDC recipients can expect to experience only one or two years of total receipt, while a similar proportion will have eight or more total years of receipt. Similarly, the point-in-time estimates are more heavily skewed toward long-term recipients, with slightly less than 7 percent of those on AFDC at a given time having an estimated total time on the program lasting two years or less and 65 percent spending eight or more years on the program. The mean time spent on welfare rises from 4.5 to 6.6 years when recidivism is factored in, and the median grows from two to four years.
A recent study by Murray and Laren (1986) shows more long-term dependency than found by Ellwood. Using the same data base, Murray and Laren find both longer initial welfare spells and longer life-time welfare receipt. Hoffman (1987a) identifies two important differences in the samples used by Murray and Laren and Ellwood. First, Murray and Laren restrict their sample to women under 40 years of age, because in doing so they can weed out cases in which women over 40 were counted as receiving welfare even though in many cases there was an unmarried daughter in the household that was the actual recipient. When the daughter leaves the home to set up her own household, the result would be incorrectly recorded as two short spells of welfare under the Ellwood methodology, rather than one longer one. Of course, restricting the sample in this way also deletes a number of actual short spells. It is not clear in which direction the bias runs. In addition, by eliminating older recipients, they remove many who would only have a short period of eligibility left, and instead focus on those beginning their welfare. Thus, it is not surprising they find more welfare dependency than does Ellwood.

The second major difference between the studies is that Murray and Laren limit their sample to those coming on AFDC between 1968 and 1973, while Ellwood uses data for those beginning AFDC anytime between 1968 and 1983. Data from case records studied by O'Neill et al. (1984, p. 78) indicates that the extent of short-term use of AFDC is considerably greater for cases opened in 1980.
rather than the earlier. (They report that 59 percent of those starting a spell in 1965 remained for at least a year, compared to just 45 percent of those in 1980.) This casts doubt on the representativeness of Murray and Laren sample and its applicability to today's welfare population, tending to bias the results incorrectly toward more long-term welfare dependency. However, Lerman (1987, p. 22) points out that, "More of today's welfare recipients are never-married young mothers, the group most likely to remain on welfare for many years." This change in population characteristics biases Ellwood's sample in the direction of understating long-term welfare dependency.

Table 2 shows the difference in the results of the two studies. Murray and Laren find that 34 percent of spells and 21 percent of "careers" are two years or less, while Ellwood reports more short-term duration, with 47.4 percent of spells and 29.8 percent of careers lasting two years or less. Similarly, Murray and Laren find that 51 percent of spells and 59 percent of careers last more than five years, while Ellwood reports less long-term use, 30.3 percent and 50 percent, respectively. The analyses are the product of much data manipulation and are sensitive to the assumptions made to construct the data, and should be viewed as providing approximate magnitudes of welfare duration.
### Table 2

**DISTRIBUTION OF AFDC SPELLS AND TOTAL TIME**

<table>
<thead>
<tr>
<th>Duration</th>
<th>Murray</th>
<th>Ellwood</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Spell Length</td>
<td>Total Time</td>
</tr>
<tr>
<td>1 Year</td>
<td>17.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2 Years</td>
<td>17.0</td>
<td>14.0</td>
</tr>
<tr>
<td>3-4 Years</td>
<td>15.0</td>
<td>20.0</td>
</tr>
<tr>
<td>5 Years</td>
<td>51.0</td>
<td>59.0</td>
</tr>
</tbody>
</table>

**NOTES:**
- Sample is women less than 40 who began first spells of welfare receipt between 1968 and 1973. Welfare receipt is tabulated from date of first receipt through 1983.

**SOURCES:**
- Ellwood (1986a).

Table adapted from: Hoffman (1987a), p. 28.
Entry and Exit from AFDC

In addition to addressing the link between welfare benefits and welfare duration, it is important to understand the determinants of entry to and exit from AFDC. Bane and Ellwood (1983) report that most AFDC turnover is a result of major changes in family structure. Their results are presented in Table 3. Specifically, they conclude that changes in family structure account for three-quarters of all entries onto AFDC: 45 percent as a result of divorce, separation, or widowhood and 30 percent due to the birth of a child to an unmarried, childless woman. Only 12 percent of entries occur because a single female head's earnings decline.

Exits from AFDC follow a similar, though not identical pattern. Ellwood (1986a) finds that 35 percent of all women exit from AFDC due to marriage, 11 percent due to loss of eligibility when the child leaves home or becomes too old to receive benefits under AFDC, while 21 percent leave due to an increase in their earnings. These research findings are based, however, on a classification hierarchy that understates the importance of earnings changes in AFDC turnover. The reporting technique counts earnings and family structure changes as the latter, if both changed during the interval between interviews. For example, if a single AFDC mother got a job and went off welfare, then subsequently married that same year, the result would be
### Table 3

**EVENTS ASSOCIATED WITH THE BEGINNINGS AND ENDINGS OF AFDC SPELLS**

<table>
<thead>
<tr>
<th>Beginnings (%)</th>
<th>Endings (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Divorce/Separation</strong></td>
<td><strong>Marriage</strong></td>
</tr>
<tr>
<td>45%</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Childless, unmarried woman becomes a female head with children</strong></td>
<td><strong>Children leave parental home</strong></td>
</tr>
<tr>
<td>30</td>
<td>11</td>
</tr>
<tr>
<td><strong>Earnings of female head fell</strong></td>
<td><strong>Earnings of female head increased</strong></td>
</tr>
<tr>
<td>12</td>
<td>21</td>
</tr>
<tr>
<td><strong>Earnings of others in family fell</strong></td>
<td><strong>Earnings of others in family increased</strong></td>
</tr>
<tr>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Other income fell</strong></td>
<td><strong>Transfer income increased</strong></td>
</tr>
<tr>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td><strong>Other (including unidentified)</strong></td>
<td><strong>Other (including unidentified)</strong></td>
</tr>
<tr>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td><strong>All</strong></td>
<td><strong>All</strong></td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**NOTES:** These results are based on a classification hierarchy that counts simultaneous earnings and family structure changes as the latter. Consequently, this approach will underestimate the importance of earnings changes in AFDC turnover.

**SOURCES:**

"Beginnings": Bane and Ellwood (1983).

"Endings": Ellwood (1986a).

Table adapted from: Duncan and Hoffman (1986), p. 41.
reported as a change in marital status as the reason for the AFDC exit. This sort of misclassification arises due to the use of annual data and the classification system. In a separate study, Ellwood (1986b) examines how many former recipients had significant earnings in the first year off AFDC. He finds that 42 percent earn more than $6,000 (in 1981 dollars). As shown in Table 4, many of these were classified as having left for some other reason.

Exits from AFDC because of marriage appear to be as likely to occur later in a spell of welfare receipt as earlier. This is not the pattern, however, for earnings-related exits. Exits because of earnings typically occur early on, with two-thirds of all earnings exits occurring within the first two years after entry (O'Neill et al., 1984; Ellwood, 1986a). Exits due to high earnings appear to be associated with better education and some work experience in the year prior to coming on the rolls. Further, the level of AFDC benefits in a State may have an important influence on the chance of earnings causing an exit from welfare. Aside from the possible work disincentive effects of high benefits, a given job is more likely to result in an exit in a low benefit State precisely because the benefit is low (for example, earnings of $400 per month would make an earner ineligible for AFDC in some States, but not in others).
### Table 4

DISTRIBUTION OF EXITS FROM AFDC BY MOTHER'S EARNINGS DURING THE FIRST YEAR AFTER EXIT AND BY EVENTS ASSOCIATED WITH THE EXIT

[In percent of all exits]a

<table>
<thead>
<tr>
<th>Event associated with exit from AFDCb</th>
<th>None</th>
<th>Some earnings, but not more than $6,000c</th>
<th>More than $6,000c</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female household head became a wife</td>
<td>16</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Family no longer had an eligible child</td>
<td>6</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Female head's income increased</td>
<td>0</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>26</strong></td>
<td><strong>42</strong></td>
</tr>
</tbody>
</table>

**NOTES:**

a Table values differ from those in Table 3 because cases with missing earnings were excluded.

b Events were considered in the order listed. Lower ranked events that occurred at the same time as higher ranked events were not recorded.

c Income measured in 1981 dollars. Inflated by the Consumer Price Index, the corresponding cutoff would be roughly $7,500 in 1987 dollars.

**SOURCES:**

Derived from: Ellwood (1986b).

Table adapted from: U.S. Senate, Committee on Finance (1987), p. 330.
Further, exit from AFDC because of earnings does not always mean that a family no longer has low income. Some 40 percent of those who exit due to earnings continue to earn incomes less than the poverty level in the year after their exit (Bane and Ellwood, 1983). Exit from AFDC does not mean that the individual or the family is no longer receiving benefits from other welfare programs, such as Food Stamps, free school lunches, or even Medicaid.

Correlates Of AFDC Long-Term Receipt

Studies of the correlates of dependency reveal that the probability of receiving welfare, spell length, and recidivism vary markedly according to a number of factors. Bane and Ellwood (1983), O'Neill et al. (1984), and Ellwood (1986a) have conducted extensive analyses of these characteristics, holding all other characteristics constant. (This section focuses on the latter two studies.) This procedure allows estimates of the relative importance of each individual factor to be produced. O'Neill et al. rely primarily on NLS data (though they analyze PSID and caseload statistics as well), while Ellwood uses only PSID data. The studies occasionally arrive at inconsistent results due to differences in data, methodology, and definitions. One significant weakness of these studies, with the exception of Ellwood's, is that they are based on spell length, as opposed to total time on AFDC.
O'Neill et al. identify three broad categories of determinants regarding AFDC duration: 1) external or environmental factors, such as those related to economic and demographic conditions, as well as the structure of the AFDC program itself; 2) individual characteristics, such as education and work experience (which affects employment and earnings), tastes or preferences (e.g., a preference for leisure), and attitudes about welfare itself; and 3) the effect of program participation itself, i.e., being on welfare may lower an individual's self image or desire to work. These studies reveal that the probability of receipt, spell length, and recidivism vary markedly according to a number of such characteristics, holding all other characteristics constant. These relationships are summarized below.

- **Age of Female Head.** While women who receive AFDC are more likely to have had a child as a teenager than the general population, early childbearing does not appear to be associated with longer AFDC spells.

- **Family Effects.** O'Neill et al. suggest that having grown up in a female-headed family is associated with greater AFDC dependency for blacks. They caution, however, that they cannot determine from their data whether this relationship is due to low income, the possibility of past exposure to welfare, or the absence of a father. O'Neill et al. (1984, p. 36) also report that, "Women who start a
spell living with one or both parents also tend to have longer spells. This may reflect a lower family income, or it may simply reflect a more dependent personality."

**Number and Age of Children.** O'Neill et al. find that the greater the number of children in a family, the less likely is an AFDC exit. In particular, having older children (6-17 years of age) reduces the probability that an individual will leave AFDC by marriage more than does having younger ones (under six), but younger children make it less likely that a mother will leave due to earnings. Ellwood also finds that the age of the youngest child has a very small marginal effect, but that a greater number of children lengthens spells and increases recidivism.

**Race.** O'Neill et al. find a significant association between race and duration using NLS data, noting that some 68 percent of blacks, but only 42 percent of whites, remained on AFDC for longer than one year, while 31 percent of blacks and 13 percent of whites remained on for five or more years. Ellwood also finds that race has a modest effect, with nonwhites having longer AFDC spells. Both studies indicate that while blacks are as likely to leave AFDC as whites due to earnings increases, they are much less likely to leave as a result of marriage.
Previous Marital Status. Never-married women are likely to have much longer AFDC spells than divorced, separated, or widowed women.

Education. Education is highly correlated with spell length, with high school dropouts much more likely to experience longer AFDC spells than those who complete high school. O'Neill et al. find that the impact of schooling is particularly strong for marriage exits, suggesting that it is a proxy for socioeconomic status which may be related to the income of prospective husbands. While Ellwood reaches a similar conclusion for first spells, he finds no clear connection between education and either recidivism or the duration of subsequent spells.

Work Experience. Work experience (as measured by years of work experience before receiving AFDC) is strongly associated with AFDC spell length, with little or no prior work experience leading to longer stays.

Earned Income. Women with relatively high earnings prior to receiving AFDC are likely to exit more rapidly, especially for work-related reasons.
Urban Residence. Living in a central city is related to lengthier spells. O'Neill et al. (1987) speculate that this may be because the anonymity found in large cities minimizes the stigma associated with welfare receipt.

Health. A mother's poor health or disability is associated with longer AFDC stays.

AFDC Experience. The probability of leaving AFDC declines sharply after the first year, but the elapsed duration of an AFDC spell is not a good predictor of future time on the rolls because of the prevalence of recidivism.

Social-Psychological Factors. O'Neill et al. use the Rotter scale (a test designed to reveal psychological attitudes related to initiative and competence) to see if social-psychological factors affect spell length. They find no overall statistically significant effect. However, Hoffman (1987a) cautions that this may be due to difficulties inherent in measuring attitudes.

Welfare Program Effects. Higher AFDC benefit levels are generally associated with longer stays. Higher benefits make welfare relatively more attractive than work or marriage. In addition, those who take a job in a high-benefit State must earn a higher amount than otherwise to
get off. In analyzing case records, O'Neill et al. (1984, p. 14) "find some evidence that state administrative practices (as measured by error rates) can affect spell length, with tighter administration reducing duration."

State Economic Conditions. O'Neil et al. find that State economic conditions, as measured by the State manufacturing wage and unemployment rate, appear to affect duration on AFDC, with higher wages and lower unemployment rates associated with shorter stays, though the results are not always consistent.

While these effects are interesting, Ellwood (1986a, p. x) notes that, "These marginal effects (i.e., the effects when all else is held constant) are helpful in assessing the relative significance of one factor versus another, but they are not particularly helpful in terms of making targeting decisions, because all factors other than those used for targeting purposes would not be held fixed." In addition to identifying the independent effect of each characteristic (the effect with all other variables held constant), noted above, he also creates a profile of long- and short-term recipients reflecting the correlation of various characteristics.
Long Stayers. The group that is most likely to spend a long time on AFDC is young (25 or younger), black, never-married women with young children who had their first child as a teenager and dropped out of school and have little or no prior work experience.

Short Stayers. The group most likely to spend a short time on AFDC is older, divorced or separated, white women with older children, a high school education, and some prior work experience.

The findings are generally consistent with the estimated marginal impacts described earlier, but two important variables are different. As Ellwood (1986a, p. 43) reports:

> When all else is held equal, the mother's age and the age of the youngest child seem to have little impact on durations of AFDC receipt. Yet, when all else is not held equal, these two variables are among the most powerful predictors of long-term receipt.

These findings are in agreement with Murray and Laren (1986) who emphasize, in particular, the much longer AFDC dependency experiences of younger (under 25), never-married female heads of household who have not completed high school. Both Ellwood (1986a) and Murray and Laren (1986) suggest that a woman's age is especially important because of the clustering of other correlates.
The Dynamics of Food Stamp Receipt

While the poor participate in many programs other than AFDC, there is little information on the amount of time spent on these programs. The principal exception is Food Stamps, the largest government assistance program available to anyone who meets the income and assets tests, regardless of family type, age, disability, prior work experience, unemployment, or other categorical eligibility requirements. As a result, it serves a diverse population. About 40 percent of all Food Stamp households receive AFDC (although 81 percent of AFDC families receive Food Stamps). Twenty percent include an elderly person, 30 percent are headed by single persons, and about 40 percent contain no children. These statistics illustrate that the characteristics of the Food Stamp caseload differ considerably from that of the AFDC population; therefore, a much different pattern of usage is likely to result.

Two recent studies, Carr et al. (1984) and Lubitz and Carr (1985), examine the short-term dynamics of Food Stamp recipiency. The Carr et al. study uses data from a 1979 national survey to estimate the average duration of a spell by projecting from the rate at which recipients leave the program each month. They find substantial movement of households on and off the Food Stamp program; the number of households receiving benefits from the program over the course of a year was over 70 percent greater.
than the number which received benefits in any given month. Of all households which received Food Stamps in a given month, 7.3 percent left the program within the next month, much larger than the comparable turnover in the AFDC program. Of the households who reported receiving Food Stamps at any time during a year, only about one-third received Food Stamps for the entire year. The average expected duration was 14 months, though this varied significantly depending on the characteristics of the group being examined.

Carr et al. also estimate the impact of particular events on the probabilities of entry to and exit from the program. After controlling for other factors, entry rates were higher and exit rates were lower for nonwhite households, households in which no person was employed, households headed by a single person, households the heads of which had little education, households with elderly or disabled members, and households which received AFDC.

The subsequent study by Lubitz and Carr (1985) extended the earlier research by examining the role of changes in household circumstances on the likelihood that a household would enter or leave the Food Stamp program. Whereas Carr et al. (1984) identify household characteristics that are correlated with transition in and out of the program, Lubitz and Carr identify particular events that precipitate changes in program status.
The most common reasons for entry or exit from the Food Stamp program are changes in pretransfer income and in the number of earners already in the household. Because of this, Lubitz and Carr conclude that labor market phenomena are more important in explaining Food Stamp turnover than less frequently changing demographic phenomena, such as changes in household composition.

It is not clear, however, how relevant these findings are to today's program, since 1979 was an atypical year when major changes stemming from the 1977 Food Stamp Act were being implemented. Further, little is known about total lengths of stay (as opposed to spells) on the Food Stamp program.
WELFARE AND WORK

Economic theory suggests that income transfer programs can create a disincentive to work in two ways. First, the provision of a payment decreases the need to work (the "income effect"): the higher the payment, the greater the effect. Some researchers argue that the presence of such disincentives is strongly suggested by the fact that welfare often compares favorably to low-wage jobs in terms of disposable income. Second, the benefits of income-tested transfer programs are generally reduced as earnings rise. By reducing the reward for increased work (the "substitution effect"), further work effort is discouraged as individuals substitute leisure for work. While it is clear that welfare programs theoretically contain work disincentives, the actual magnitude of these effects can only be estimated by empirical studies.

This section examines how the structure of welfare, principally AFDC, affects the work effort of recipients and how program changes may influence these effects. Over the past 20 years, reformers' efforts have looked for ways to provide adequate income support along with incentives for work and self-sufficiency, and yet keep costs under control. Two principal programmatic approaches to reduce dependency by encouraging welfare recipients to work have been used: financial incentives and a variety of employment and training programs, including work requirements.
The work disincentive effects of the AFDC program have been the focus of substantial research, all relying on non-experimental methods. Econometric estimates have generally measured the impact of benefit levels and benefit reduction rates on work effort, controlling for other factors that may influence work behavior.

Danziger et al. (1981) summarize the research before 1981 and find that most of the literature confirms the existence of work disincentives in the program, but that the size of the estimated effects varies considerably across the different studies. Early studies (e.g., Garfinkel and Orr, 1974; Williams, 1975; and Saks, 1975) generally find that the level of benefits has important labor supply effects. Moreover, Garfinkel and Orr find that a larger benefit increase would have a proportionately larger effect the smaller the initial benefit level. On the other hand, Masters and Garfinkel (1977), find no consistent effect of program parameters on labor supply.

Later, more sophisticated studies included in the review (Levy, 1979; Moffitt, 1980; Hausman, 1981; Barr and Hall, 1981) also find significant work disincentive effects from higher benefit payments. For instance, Barr and Hall (1981) estimate that raising the minimum monthly benefit from $150 to $250 raises the
probability of total dependence on AFDC from 77 to 84 percent. Hausman (1981) reports that raising benefits by $1,000 a year would, on the margin, reduce work by an average of 120 hours per year for all female family heads. Moffitt (1980) estimates a similar, but smaller, response of 90 hours. Based on results from these two studies, Danziger et al. (1981) estimate that the AFDC program as a whole reduces the work effort of recipients by an average of about 600 hours a year (or 180 hours per female household head). They note that if Food Stamps and housing assistance were included, the reduction would be larger.

Studies have also been conducted regarding the impact of changes in the benefit reduction rate. Financial incentives, in the form of earnings disregards, were instituted in AFDC beginning in 1967 as one way to encourage work. Recipients were allowed to keep part (the first $30 plus one-third of the remainder) of their monthly earnings, plus an allowance for work expenses. The effect of these disregards was to lower the effective benefit reduction rate (called a "tax rate" by some) faced by AFDC recipients. Previously, benefits generally were reduced dollar-for-dollar with increases in earnings. By creating a financial gain to work, it was believed that more recipients would work, gain the confidence and experience necessary for self-support, and eventually become independent.

Earlier studies (Garfinkel and Orr, 1974; Williams, 1975) show a
significant inverse relationship between benefit reduction rates and work effort, but the research focuses only on recipients and ignores program changes that affect eligibility. For example, a lower benefit reduction rate may increase the work effort of current recipients, but it also enables those working to remain eligible for benefits by raising the break-even level (the income level beyond which a family becomes ineligible for welfare) and may reduce their work effort. Levy (1979) concludes that lower benefit reduction rates may actually reduce work effort. He finds that the reduction in work from those remaining eligible for benefits more than offsets any increased work effort of those on the rolls. As Moffitt (1986b, p. 220) explains:10

...while a tax rate reduction may induce some initial recipients to increase their hours of work or to join the labor force, it draws some individuals into the program who had not participated initially. Some of these individuals may be made newly eligible automatically, while others may be induced by the increased generosity of the program and the higher break-even level to reduce their hours of work so as to become eligible. The new recipients will reduce their labor supply when joining the program. The net effect of the tax rate reduction on overall labor supply thus depends on the sizes of the reductions of the two groups -- those initially on the program and those newly drawn into it -- and their relative numbers.

Hausman (1981) also shows that lowering the AFDC benefit reduction rate substantially increases the work effort of current recipients, but at the same time lowers it for other female heads. Barr and Hall (1981, p. 120) conclude that "increasing the tax rate on earnings...increases work effort by driving some

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families off welfare altogether." In recent work, including time series estimates, Moffitt (1980, 1983, 1985, 1986) finds somewhat mixed results. Some of his studies show that female heads would, on net, work more from a lowering of the benefit reduction rate, while in others, he finds no effect at all. Further, he estimates that the pre-1981 AFDC program reduced the work effort of recipients by 5 to 7 hours per week (a 30-40 percent reduction). From this evidence Moffitt (1987, pp. 37-38) concludes: "These econometric results, together with the time series evidence, effectively bury the idea of using the benefit reduction rate to achieve significant gains in work effort in the low income population."

While providing interesting insights, these studies are plagued with numerous statistical difficulties. Danziger et al. (1981) note that the studies, particularly the earlier ones, may suffer from any number of the following: use of aggregate data, reliance on statutory instead of effective tax rates, poor or missing measures of unearned non-AFDC income, use of too simplistic estimation methods, and neglect of administrative and local labor market variables. In particular, differences in benefit levels are based on AFDC income only; when in-kind benefits are included, interstate variations in benefits narrow, which implies much larger responses than estimated by these models. Moreover, since the estimates are generally based on relatively small differences in benefits actually provided, the
actual effect of eliminating AFDC entirely is unlikely to be similar to the effects of small differences in benefits. Questions have been raised as to whether behavior might change much more radically at some level of benefits above or below the actual levels which can be observed. In particular, Murray (1985) argues small variations in benefit levels may not be very important, but that the existence of AFDC may "enable" potential recipients to choose nonwork over work. In other words, once benefit levels reach some "threshold" level, marginal differences no longer matter.

Additional information on the impact of the AFDC work incentives is available from several research studies (Research Triangle Institute, 1983; General Accounting Office, 1985; Muscovice and Craig, 1984; Krauskopf and Taylor, 1983; Ginsberg et al., 1984; Cole et al., 1983) examining the impact of changes in the Omnibus Budget Reconciliation Act of 1981 (OBRA), which returned the benefit reduction rate on earnings to 100 percent by eliminating the "$30-and-a-third" earnings disregard after four months and set other limits on deductions and maximum earnings. Each study followed a group of AFDC recipients over time to see if they were still on AFDC after OBRA and if they were, whether or not they worked. The general findings were that working recipients did not stop working and return to AFDC, and that nonworking recipients did not reduce their rate of entrance into the labor force, despite the sharp 1982 recession and arguments that
increases in the benefit reduction rate would induce reduced work effort. (For a review of these studies see: Moffitt, 1986c, and Hutchens, 1986.) Analysts have speculated that the small proportion of AFDC recipients who have jobs have a strong work ethic and are willing to work even in the face of a 100 percent benefit reduction rate after four months.

These OBRA studies, however, shared two basic deficiencies. First, isolating the work disincentive effects of OBRA is difficult due to simultaneous changes in the AFDC program rules (e.g., inclusion of stepparent incomes in benefit calculations), in the economy (e.g., onset of a recession), and in other areas (e.g., long-term labor force participation trends of women). Both Moffitt (1986c) and Hutchens (1986) find that these studies inadequately adjust for these factors. Second, Moffitt argues that they are deficient because they only follow an initial set of AFDC recipients and measure the degree to which they work and leave welfare. He claims that to measure the total impact on labor supply, one must also follow nonrecipients to see how OBRA affects the rate at which they go on welfare and the effect on their work effort. Without an estimate of the latter, it is not possible to measure the total effect of OBRA on labor supply. However, this should presumably strengthen the argument that the 1981 changes did not adversely affect work effort. As Ferrara (1987) points out, by making welfare less attractive, OBRA should reduce the degree to which nonrecipients go on AFDC and,
consequently, total work effort should be higher.

In addition, the studies only examine the short-run effects of OBRA. Moffitt (1986d) argues that over time some unexpected event, such as a job loss, could reverse these findings, if in returning to AFDC, a woman decides it is not worthwhile to begin working anew. On the other hand, Hutchens (1986, p. 369) points out that countervailing forces may be at work as well, as OBRA may deter entry as "some people who would be willing to enter a program with low tax rates may not enter a program with higher tax rates."

One of the major shortcomings of most of the studies is their limited focus on AFDC. Since AFDC families frequently participate in four or more programs, the relevant benefit levels and tax rates are those of the total package, not just AFDC. Further complicating the evaluation task is the fact that most recipients may not understand how the complexities of the system interact reduce benefits as earnings rise, and their responses may not reflect accurate knowledge of the benefit reduction rate. As Ellwood (1987, p. 73) notes:

Rules and regulations are so complex that administrators often report that welfare recipients simply do not understand what their options and rights are. The marginal incentives are even more confusing, particularly with differing rules across many different programs. The experience of welfare may be far more one of dealing with stigmatization, bureaucratic rules, and conflicting signals than income guarantees and marginal tax rates.
With so many possible interactions, the results of evaluations based on AFDC alone may be misleading.

Fraker and Moffitt (1985) partially address the first shortcoming by extending their research to cover the joint effects of AFDC and Food Stamps on the labor supply of female household heads. They estimate that total elimination of the Food Stamp program would increase the mean hours of work of all female household heads from 20.9 to 21.4 hours per week (roughly 26 hours per year) and elimination of AFDC would have only a slightly larger effect on female heads (increasing the mean to 21.5 hours per week), despite its larger benefit amounts. (This is because offsetting increases in Food Stamp benefits would occur if the AFDC program were terminated.) The effect of eliminating both programs would be to increase mean hours worked by female household heads by 73 hours per year (from 20.9 to 22.3 hours per week), more than either program taken individually, and about 146 hours per year per recipient. Small changes in program parameters (such as the benefit reduction rate) were estimated to have only small effects on hours of work. However, it seems likely that a substantially larger response would result from the complete elimination of both programs, since absent substantially more work effort or some other change, such as marriage, most such families would not be able to survive. Further, substantial uncertainty about the reliability of such estimates, as illustrated by the larger Danziger et al. (1981) estimate of the
effect of eliminating AFDC alone (180 hours per year per female household head), suggests that such estimates must be interpreted with a great deal of caution.

The possible effects of Medicaid as a disincentive to work are studied differently than the effects of AFDC and Food Stamps (Blank, 1987). Unlike AFDC and Food Stamps, Medicaid benefits are not reduced gradually as earnings rise. Instead, the effects of Medicaid upon work effort have been conceived in terms of a "notch." A family either is eligible for the full range of Medicaid benefits, or eligible for none. Current regulations require an extension of Medicaid coverage for four months for recipients who leave AFDC because of an increase in earnings and allow up to 15 months for those who leave due to the expiration of the AFDC earned income disregards; additional coverage may be available for certain people with incomes below 185 percent of poverty and/or who "spend down." Whether the Medicaid "notch" provides a disincentive to work is not clear and can only be resolved with further research.

Negative Income Tax Experiments

The results of the impact of welfare on labor supply presented thus far are based on nonexperimental studies. There is much stronger evidence that transfer payments reduce work effort from the negative income tax (also known as income maintenance)
experiments operated between 1968 and 1982 in various parts of the country. The largest and most thoroughly examined was the Seattle and Denver Income Maintenance Experiment (SIME/DIME). Earlier experiments were carried out in New Jersey, Indiana (Gary), and in rural parts of Iowa and North Carolina. The experiments were conducted to test the impact of a guaranteed income on work effort. The studies were based on experimental design, and their findings are the most reliable available in assessing the relationship between welfare and work effort.

A number of versions of the negative income tax (NIT) were tested on different populations, including both two-parent and single-parent families. Families in the experimental group were assigned to various negative income tax plans, while families in the control group remained eligible for AFDC, Food Stamps, and other benefits. Table 5 summarizes the main features of all the plans in the four income maintenance experiments. The basic guaranteed payments ranged from 50 percent to 135 percent of poverty, and the benefit reduction rates varied from 30 percent to 70 percent. By testing behavioral responses to a number of benefit levels and benefit reduction rates, the results are useful for predicting responses to a wide range of transfer plans. However, because these studies, especially SIME/DIME, tested behavioral responses at benefit levels more generous (sometimes considerably so) than those of the current AFDC program (even if combined with Food Stamps), the applicability of
Table 5

DESCRIPTION OF THE NEGATIVE INCOME TAX EXPERIMENTS

<table>
<thead>
<tr>
<th>Experiment</th>
<th>Sample Size</th>
<th>Family Composition</th>
<th>Race</th>
<th>Income Truncation$^a$</th>
<th>Duration</th>
<th>Range of Guarantees$^a$</th>
<th>Range of Tax rates (percent)</th>
<th>Range of Breakeven$^a$</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey (1968-1972)</td>
<td>1,357</td>
<td>Husband-wife (100%)</td>
<td>White (32%) Black (37%) Hispanic (31%)</td>
<td>150</td>
<td>3 years</td>
<td>50 to 125</td>
<td>30 to 70</td>
<td>100 to 250</td>
</tr>
<tr>
<td>Rural (1969-1973)</td>
<td>809</td>
<td>Husband-wife (85%)</td>
<td>White (65%) Black (35%)</td>
<td>150</td>
<td>3 years</td>
<td>50 to 100</td>
<td>30 to 70</td>
<td>100 to 250</td>
</tr>
<tr>
<td>Gary (1971-1974)</td>
<td>1,780</td>
<td>Husband-wife (41%)</td>
<td>Black (100%)</td>
<td>None$^b$</td>
<td>3 years</td>
<td>77 and 101</td>
<td>40 and 60</td>
<td>128 and 253</td>
</tr>
<tr>
<td>Seattle-Denver (1971-1982)</td>
<td>4,800</td>
<td>Husband-wife (6%)</td>
<td>White (39%) Black (43%) Hispanic (18%)</td>
<td>325</td>
<td>3 years (71%)</td>
<td>92 to 135</td>
<td>50 and 70</td>
<td>140 to 300</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Single female parent (39%)</td>
<td>Black (43%) Hispanic (18%)</td>
<td>5 years (25%)</td>
<td>20 years (4%)</td>
<td>70-.0025Y$^c$</td>
<td>80-.0025Y$^c$</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

$^a$ Measured as a percent of the poverty line. Households with income higher than the truncation level were not offered participation. Breakeven is the income level at which the negative income tax payment is reduced to zero. Partial reimbursement of income and payroll taxes was phased out at higher income levels.

$^b$ The Gary sample was initially restricted to families with incomes below 240% of the poverty level, but a small sample with incomes above this limit was subsequently enrolled to minimize truncation bias.

$^c$ Declining marginal tax rate plans. $Y$ is family income, implying that the marginal tax rate declined by 2.5 percentage points with every $1,000 increase in income.

the results to current welfare reform, while important, is limited.

The results of these studies generally show a significant reduction in work effort, though this varies substantially by the characteristics of the group examined (i.e., age, race, sex, etc.). Generally, the reductions are smallest for husbands and largest for youth, while those for wives and single female heads fall in between. For example, in SIME/DIME, the provision of a guaranteed income more generous than regular welfare reduced hours of work by 8.8 percent among husbands, 17.9 percent among wives, and 14.0 percent for single female heads of household (Burtless, 1986). The results show that: 1) a higher payment level reduces work effort; and 2) a higher benefit reduction rate reduces work for those receiving transfers, but increases it for the population as a whole. The one exception to this general rule is female heads, the group most relevant to the AFDC population. Although it is clear that they reduce work effort (U.S. Department of Health and Human Services, 1983 p. 16), a comparison of the plans shows "no obvious pattern of variation between the labor supply response and either the guarantee or the tax rate is found."

It is important to remember that the control group, whose responses were compared to the experimental group, remained eligible for AFDC and the array of other welfare programs.
Thus, the results do not show the full effect of transfers on work, but represent only the incremental effects arising from a somewhat larger and less restrictive benefit package.

Table 6 shows an overview of the results from a number of studies on the reduction of work effort and earnings from the four experiments for a number of groups (Burtless, 1986). When comparing the findings, it is important to bear in mind differences in design, operations, and methodologies. Most of the findings show that the negative income tax plans caused reductions in work effort and earnings for most subsamples in the experiments. The table also shows averages across all four major experiments, with husbands reducing work effort about 7 percent, and wives and female heads 17 percent. Robins (1985, p. 573) points out that "the SIME/DIME estimates are larger than the estimates from the other experiments by a considerable amount, but these responses are consistent with the large differences in the generosity of the treatments." This lends support to the hypothesis that higher welfare benefits reduce work effort. SIME/DIME also tested the effects over different time periods. Robins and West (1980) report that the work reduction got
<table>
<thead>
<tr>
<th>Experiment</th>
<th>Husbands</th>
<th>Wives</th>
<th>Single female heads of families</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hours</td>
<td>Annual</td>
<td>Hours</td>
</tr>
<tr>
<td></td>
<td>per year</td>
<td>earnings$^a$</td>
<td>per year</td>
</tr>
<tr>
<td>New Jersey</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>-99 (-5.6)</td>
<td>+10 (+0.1)</td>
<td>-73 (-30.6)</td>
</tr>
<tr>
<td>Black</td>
<td>+36 (+2.3)</td>
<td>+1,180 (+9.3)</td>
<td>-5 (-2.2)</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-10 (-0.7)</td>
<td>+800 (+6.4)</td>
<td>-99 (-55.4)</td>
</tr>
<tr>
<td>All$^c$</td>
<td>-21 (-1.2)</td>
<td>+690 (+5.3)</td>
<td>-56 (-24.6)</td>
</tr>
<tr>
<td>Rural</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>+40 (+1.8)</td>
<td>-590 (-4.8)</td>
<td>-88 (-21.1)</td>
</tr>
<tr>
<td>Black</td>
<td>-152 (-8.0)</td>
<td>-630 (-6.8)</td>
<td>-268 (-31.3)</td>
</tr>
<tr>
<td>All$^c$</td>
<td>-56 (-2.8)</td>
<td>-610 (-5.7)</td>
<td>-178 (-27.9)</td>
</tr>
<tr>
<td>Gary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td>-114 (-6.5)</td>
<td>-830 (-5.0)</td>
<td>+14 (+5.0)</td>
</tr>
<tr>
<td>Seattle-Denver</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>-144 (-7.6)</td>
<td>-1,310 (-7.5)</td>
<td>-107 (-17.1)</td>
</tr>
<tr>
<td>Black</td>
<td>-169 (-9.5)</td>
<td>-930 (-5.9)</td>
<td>-153 (-16.0)</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-231 (-11.5)</td>
<td>-510 (-3.0)</td>
<td>-147 (-28.7)</td>
</tr>
<tr>
<td>All$^c$</td>
<td>-164 (-8.8)</td>
<td>-1,070 (-6.4)</td>
<td>-128 (-17.9)</td>
</tr>
<tr>
<td>3-year Sample</td>
<td>-133 (-7.1)</td>
<td>-810 (-4.8)</td>
<td>-101 (-14.2)</td>
</tr>
<tr>
<td>Weighted average$^d$</td>
<td>-119 (-7.0)</td>
<td>-650 (-4.0)</td>
<td>-93 (-17.0)</td>
</tr>
</tbody>
</table>

NOTES:  
$^a$ Annual earnings changes are measured in 1985 dollars. Earnings estimates reported in original reports were converted using the personal consumption expenditure deflator.  
$^b$ Results for overall New Jersey response are obtained by weighting responses of separate racial groups.  
$^c$ Results for Rural response are obtained by weighting of separately reported responses for white wage earners in Iowa (25% of sample), white wage earners in North Carolina (25%), and black wage earners in North Carolina (50%).  
$^d$ Separate responses are weighted using reported estimation samples, in four experiments for husbands and wives, New Jersey = 0.20, Rural = 0.07, Gary = 0.17, Seattle-Denver = 0.56. For female heads, Gary = 0.34 and Seattle-Denver = 0.66.  

stronger with time, which has implications for a permanent program. They estimate that "the time periods required for 90 percent adjustment are 2.4 years for husbands, 3.6 years for wives, and 4.5 years for single female heads" (Robins and West, 1980, p. 524). They find that the effect is particularly strong for husbands.

Reductions in annual earnings closely parallel the reductions in hours worked. For example, in SIME/DIME, the average reduction in earnings for husbands and wives in two-parent families was $1,800 (measured in 1985 dollars). Since those participating in the experiment received payments $2,700 higher than the control group, this large reduction in earnings offset two-thirds of the added transfer amount (Burtless, 1986). Some analysts, however, speculate that these "inefficiencies" are somewhat overstated because of relatively greater incentives for recipients of negative income tax payments to underreport their employment and earnings.

While important, these results may not be representative of what would occur in a national program, but rather reflect the geographic areas in which the tests took place. This is because local labor market conditions, regular welfare benefits, and other factors differ from area to area. Moreover, as discussed earlier, even evaluations based on experimental design face numerous difficulties.
In sum, numerous studies based on both AFDC and the income maintenance experiments indicate that the level of benefits has a substantial impact on hours of work, with higher benefits reducing the earnings and self-support of the poor. In addition, there is consistent evidence that varying the benefit reduction rate has no major impact on work effort.

**Employment and Training Programs**

Beginning in the early 1960s, an array of employment and training programs have been created for low-income people. Since 1981, there has been an increasing level of interest in work requirements and other strategies leading to work, due, in part, to the ineffectiveness and cost of financial incentives, as well as other factors such as the general increase in female labor force participation. By making benefits contingent upon meeting a work requirement, the work disincentive effects of welfare are mitigated and at the same time the employability of welfare recipients is increased. The programs implemented over the years have been diverse in terms of program activities, target populations, and participation requirements.

Some of the earlier employment and training programs, primarily those operated under the Manpower Development and Training Act of 1962 (MDTA) and Comprehensive Employment and Training Act of 1973 (CETA), served a broad array of the unemployed and economically
disadvantaged; they were not restricted to AFDC recipients. They offered a variety of services, such as classroom training, on-the-job training, work experience, and public service employment. The Job Training Partnership Act of 1982 (JTPA), which replaced CETA, serves a similar population, offering similar services, but includes no public service employment. JTPA has not yet been evaluated.

The data for CETA evaluations comes from the Continuous Longitudinal Manpower Survey (CLM3), which is a representative survey of individuals enrolled in the program in 1975 or 1976. To estimate what their employment and earnings would have been in the absence of the program, comparison groups (similar in average age, education, employment history, etc.), drawn from the March 1976 Current Population Survey (CPS), have also been used.

A recent review of CETA research (Barnow, 1987) finds that CETA increased the earnings of participants by $200 to $600 per year (measured in late 1970s dollars). In general the findings indicate that these earnings gains are larger for women than men, and principally arise by increasing their hours of work rather than the hourly wage, though the results vary widely from study to study. The impacts seem strongest for women with little previous work experience. Most of the studies did not examine the experience of AFDC women separately, though one that did (Bassi et al., 1984) reports earnings gains of $600 to $900 per
year. The studies suggest that the on-the-job-training and public service employment components had bigger effects on earnings than either classroom training or work experience, though their estimated effects on welfare dependence are more ambiguous.

These findings, however, are of questionable reliability. Since the programs are voluntary, it is hard to tell whether the gains (where they exist) are due to the program or to the fact that the individuals participating are more motivated or have some other unmeasured characteristic that makes them more successful than their counterparts in a comparison group. Reinforcing this potential bias toward success is the tendency for program operators to select the most job-ready applicants to show a higher placement rate. In addition, the estimates appear sensitive to the evaluation methodology employed. A recent expert panel (Stromsdorfer et al., 1985, p. 2) concluded that "the estimates of the net impact of CETA are not reliable and that the true net impacts of CETA are still open to question." LaLonde (1984), Fraker and Maynard (1985), and LaLonde and Maynard (1987) show that employment and training programs based on nonexperimental research design tend to overstate impacts, although Heckman et al. (1987) argue that one can develop adequate nonexperimental evaluation methodologies.

Most evaluations also do not correct for displacement effects.
(jobs going to program participants instead of otherwise qualified nonparticipants) in determining their effectiveness. As the Congressional Budget Office (1987, p. 33) points out:

Suppose for example, that an AFDC recipient's participation in a job search assistance program causes her to find a job and go off welfare. If she was hired instead of someone else, as a result, and the other person goes on, or stays on welfare, the net impact on government expenditures would be much smaller. Moreover, any reduction of job opportunities for individuals who did not participate in a program is a loss that should be considered in assessing the overall value of a program.

There are several work and training programs exclusively for AFDC recipients which have been evaluated. The Work Incentive (WIN) program was established in 1967 and, as of 1971, required able-bodied recipients with children six and older to register for work with the State employment service, participate in required activities and accept employment offers, or face the partial or complete loss of AFDC benefits. The program provides AFDC recipients a mix of services, including job search assistance, basic education, on-the-job-training, and public service employment, as well as supportive services such as counseling and child care.

Most evaluations of WIN have serious methodological shortcomings. For example, while the number of WIN "placements" was reported to be high in a number of pre-1982 evaluations, those studies generally did not take into account that those who participate...
may be more motivated than those who don't and that many recipients find jobs and leave the rolls on their own. If recipients who would have found employment without the program are counted as program "placements," the effectiveness of the program is exaggerated. WIN program administrators were also found to have focused resources on recipients who were more "job-ready" in an attempt to maximize placement rates.

A study by Ketron, Inc. (1980), indicates that AFDC women participating in the WIN program earned nearly $600 (in 1985 dollars) more a year than a comparison group made up of women enrolled in the program, but not receiving services (U.S. Congressional Budget Office, 1987). Women without any prior employment were the largest beneficiaries. Those receiving more intensive treatments (subsidized training and employment) had even greater increases. However, the study did not report significant reductions in welfare payments and even the earnings and employment gains do not appear to hold up over time. Initially, similar but larger impacts were found for men, but these gains did not last. As noted earlier, the methodology employed means there is considerable uncertainty regarding these findings.

Grossman et al. (1985) have reanalyzed the effects of employment and training programs focused on long-term AFDC recipients using several data sources. They confirm a finding of positive
earnings impacts (up to $1,000 per year) for intensive services, but find no lasting welfare savings. The authors also conclude that programs focusing only on intensive job-search can yield positive, but small impacts on earnings ($200-$300 per year) and few welfare savings. They also report that there is little evidence to support specific targeting strategies to improve these impacts.

Hollister et al. (1984) used random assignment to evaluate the National Supported Work Demonstration, a program designed to test the impact of a short-term but intensive program of supervised employment and support services for groups of individuals facing severe employment problems, including long-term AFDC recipients. They report a significant and sustained improvements in both the hours of work and the earnings of the AFDC target group, but not for the other groups. They also find significant welfare savings. The greatest impacts were for relatively older women (36-44) who had not completed high school, had been on welfare a long time, had little training and work experience, and received relatively high welfare benefits.

OBRA allowed States to establish alternatives to WIN, known as "WIN Demonstrations," which authorized state welfare agencies to administer the program independently, rather than jointly with State employment agencies, and gave States greater flexibility in program design. Other allowable work activities enacted between
1981 and 1984 included: 1) Community Work Experience Programs (CWEP), also known as workfare, where recipients may be required to work each month for the number of hours equal to their AFDC grant divided by the minimum wage; 2) "work supplementation" programs (also known as grant diversion), where employers are encouraged to hire AFDC recipients by temporarily using benefit payments as wage subsidies; and 3) job search, where States can require AFDC applicants and recipients to seek employment. As a result of these changes, many States have undertaken a number of new work-related activities.

Since 1982, the Manpower Demonstration Research Corporation (MDRC) has conducted a large-scale, multi-year, multi-State study to measure the effectiveness of innovative State AFDC work programs using random assignment. To provide information of national relevance, as well as to demonstrate a diversity of approaches, the sites chosen by MDRC were representative of national differences in local conditions, AFDC benefit levels, and administrative arrangements.

Gueron (1987, p. 17) points out that their research tests a number of diverse work-related strategies so as to reflect "differences in state philosophy, objectives, and funding." This diversity has been reflected in a number of ways. Some of the programs were limited to one or two activities, while others offered an array of services. Most States required
participation, but a few relied on voluntary programs. The groups targeted for participation also varied from State to State. While most of the programs were aimed at women with school-age children, one site tested the impact of targeting AFDC women (including applicants) with children as young as 3 years of age. Three programs also included recipients from the AFDC-Unemployed Parent (UP) program. All of the programs included applicants and all but one included recipients.

There was also a significant amount of variation in the extent to which States penalized (sanctioned) those who did not comply with program rules. Finally, the programs differed in their objectives: some emphasized immediate job placement, while others emphasized longer-term intensive treatment aimed at raising the skill and educational levels of participants.

In general, the programs implemented have been low-cost and short-term in nature. Several of the MDRC sites (e.g., San Diego and Chicago) offered a program of job-search only. Others (Arkansas, Chicago, San Diego, and Virginia) established a two-stage program: job search, followed by a time-limited work obligation for those unsuccessful in finding employment. Virginia also required universal job search, followed by short-term CWE? (plus education or training services for some). In practice, actual participation in these work experience programs was low. The Baltimore program provided a mix of education and
training services (including job search and work experience) tailored to the needs or preferences of its enrollees. West Virginia was the only State that did not operate a job search program, implementing only a mandatory workfare program, where participants were expected to remain as long as they were on AFDC. New Jersey and Maine implemented voluntary on-the-job training programs with private employers by using recipients' welfare grants as wage subsidies. The average costs of these programs ranged from a low of $130 per enrollee in Chicago to $1,050 in Baltimore. Table 7 summarizes the key characteristics of these programs.

Summary findings from six projects -- San Diego, California; Arkansas; Virginia; West Virginia; Baltimore, Maryland; and Chicago, Illinois -- are reported below (Gueron, 1987). Because the projects were phased in at different times, final findings for two programs are not available (New Jersey and Maine). Table 8 provides an overview of the findings from the completed studies. It is important to bear in mind that these results are averages for the entire group, not just those receiving services. The gains experienced by those actually receiving services would be greater, as would the average costs per participant.
<table>
<thead>
<tr>
<th>State/City</th>
<th>Program Model and Nature of Requirement to Participate</th>
<th>Study Area</th>
<th>Target Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>Mandatory program. Job search workshop followed by individual job search and 12 weeks of work experience in public and private non-profit agencies.</td>
<td>Pulaski South and Jefferson counties</td>
<td>WIN-mandatory AFDC applicants and recipients including women with children aged 3 to 5.</td>
</tr>
<tr>
<td>Chicago, Illinois</td>
<td>Mandatory program. Individual Job search and other activities, excluding work experience. Mandatory program. Individual job search followed by activities, including 13 weeks of work experience.</td>
<td>Cook County</td>
<td>WIN-mandatory AFDC applicants and recipients (incl. recently approved cases).</td>
</tr>
<tr>
<td>Maine</td>
<td>Voluntary program. Prevocational training, 12 weeks of work experience and on-the-job training funded by grant diversion.</td>
<td>Statewide</td>
<td>AFDC recipients on welfare for at least 6 consecutive months.</td>
</tr>
<tr>
<td>Baltimore, Maryland</td>
<td>Mandatory program. Multicomponent, including job search, education, training, on-the-job training and 13 weeks of work experience.</td>
<td>10 out of 18 Income Maintenance Centers</td>
<td>WIN-mandatory AFDC and AFDC-U applicants and recipients.</td>
</tr>
<tr>
<td>New Jersey</td>
<td>Voluntary program. On-the-job training funded by grant diversion.</td>
<td>9 of 21 counties</td>
<td>WIN-mandatory AFDC applicants and recipients.</td>
</tr>
<tr>
<td>Virginia</td>
<td>Mandatory program. Job search followed by 13 weeks of CWEP, education, or training.</td>
<td>11 of 124 agencies (4 urban/7 rural)</td>
<td>WIN-mandatory AFDC applicants and recipients.</td>
</tr>
<tr>
<td>West Virginia</td>
<td>Mandatory program. CWEP-unlimited duration-in public and private nonprofit agencies.</td>
<td>9 of 27 administrative areas</td>
<td>WIN-mandatory AFDC and AFDC-U applicants and recipients.</td>
</tr>
</tbody>
</table>

**NOTES:**

a In Maryland and Arkansas, full evaluations were conducted in reported counties and a process study was done in others.

b In San Diego, Virginia, and Chicago there were two different experimental treatments.

In addition to the study areas, Virginia and West Virginia implemented the program statewide and Arkansas, Maryland and Illinois implemented the program in selected other areas.

**SOURCE:** Gueron (1987), p. 18.
Table 8
SUMMARY OF THE IMPACT OF AFDC WORK PROGRAMS

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Experimental</th>
<th>Controls</th>
<th>Difference</th>
<th>Decrease/ Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Arkansas - Applicants and Recipients</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ever employed during 6 months</td>
<td>18.8%</td>
<td>14.0%</td>
<td>+4.8%**</td>
<td>+34%</td>
</tr>
<tr>
<td>Average total earnings during 6 months</td>
<td>$291</td>
<td>$213</td>
<td>+$78*</td>
<td>+37%</td>
</tr>
<tr>
<td>Ever received AFDC payments during 9 months</td>
<td>72.8%</td>
<td>75.9%</td>
<td>-3.1%</td>
<td>-4%</td>
</tr>
<tr>
<td>Average number of months receiving AFDC payments during 9 months</td>
<td>4.96</td>
<td>5.49</td>
<td>-0.53***</td>
<td>-10%</td>
</tr>
<tr>
<td>Average total AFDC payments received during 9 months</td>
<td>$772</td>
<td>$865</td>
<td>-$93***</td>
<td>-11%</td>
</tr>
<tr>
<td><strong>San Diego - Applicants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ever employed during 15 months</td>
<td>61.0%</td>
<td>55.4%</td>
<td>+5.6%***</td>
<td>+10%</td>
</tr>
<tr>
<td>Average total earnings during 15 months</td>
<td>$3,802</td>
<td>$3,102</td>
<td>+$700***</td>
<td>+23%</td>
</tr>
<tr>
<td>Ever received AFDC payments during 18 months</td>
<td>83.9%</td>
<td>84.3%</td>
<td>-0.4%</td>
<td>0%</td>
</tr>
<tr>
<td>Average number of months receiving AFDC payments during 18 months</td>
<td>14.23</td>
<td>14.45</td>
<td>-0.22**</td>
<td>-2%</td>
</tr>
<tr>
<td>Average total AFDC payments received during 18 months</td>
<td>$3,409</td>
<td>$3,697</td>
<td>-$288**</td>
<td>-8%</td>
</tr>
<tr>
<td><strong>Cook County - Applicants and Recipients</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ever employed during 15 months</td>
<td>36.8%</td>
<td>35.8%</td>
<td>+1.0%***</td>
<td>+3%</td>
</tr>
<tr>
<td>Average total earnings during 15 months</td>
<td>$1,977</td>
<td>$1,921</td>
<td>+$56</td>
<td>+3%</td>
</tr>
<tr>
<td>Ever received AFDC payments during 18 months</td>
<td>99.8%</td>
<td>99.8%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Average number of months receiving AFDC payments during 18 months</td>
<td>14.11</td>
<td>14.09</td>
<td>-0.02</td>
<td>-1%</td>
</tr>
<tr>
<td>Average total AFDC payments received during 18 months</td>
<td>$3,058</td>
<td>$3,064</td>
<td>-$6</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Baltimore - Applicants and Recipients</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ever employed during 12 months</td>
<td>51.2%</td>
<td>44.2%</td>
<td>+7.0%**</td>
<td>+16%</td>
</tr>
<tr>
<td>Average total earnings during 12 months</td>
<td>$1,935</td>
<td>$1,759</td>
<td>+$176</td>
<td>+10%</td>
</tr>
<tr>
<td>Ever received AFDC payments during 15 months</td>
<td>94.9%</td>
<td>95.1%</td>
<td>-0.2%</td>
<td>0%</td>
</tr>
<tr>
<td>Average number of months receiving AFDC payments during 15 months</td>
<td>11.14</td>
<td>11.29</td>
<td>-0.15</td>
<td>-1%</td>
</tr>
<tr>
<td>Average total AFDC payments received during 15 months</td>
<td>$3,058</td>
<td>$3,064</td>
<td>-$6</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Virginia - Applicants and Recipients</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ever employed during 9 months</td>
<td>43.8%</td>
<td>40.5%</td>
<td>+3.3%*</td>
<td>+8%</td>
</tr>
<tr>
<td>Average total earnings during 9 months</td>
<td>$1,119</td>
<td>$1,038</td>
<td>+$81</td>
<td>+8%</td>
</tr>
<tr>
<td>Ever received AFDC payments during 12 months</td>
<td>86.0%</td>
<td>86.1%</td>
<td>-0.1%</td>
<td>0%</td>
</tr>
<tr>
<td>Average number of months receiving AFDC payments during 12 months</td>
<td>7.75</td>
<td>7.90</td>
<td>-0.15</td>
<td>-2%</td>
</tr>
<tr>
<td>Average total AFDC payments received during 12 months</td>
<td>$1,923</td>
<td>$2,007</td>
<td>-$84**</td>
<td>-4%</td>
</tr>
<tr>
<td><strong>West Virginia - Applicants and Recipients</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ever employed during 15 months</td>
<td>22.3%</td>
<td>22.7%</td>
<td>-0.4%</td>
<td>-2%</td>
</tr>
<tr>
<td>Average total earnings during 15 months</td>
<td>$713</td>
<td>$712</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Ever received AFDC payments during 21 months</td>
<td>96.8%</td>
<td>96.0%</td>
<td>+0.8%</td>
<td>+1%</td>
</tr>
<tr>
<td>Average number of months receiving AFDC payments during 21 months</td>
<td>14.26</td>
<td>14.46</td>
<td>-0.21</td>
<td>-1%</td>
</tr>
<tr>
<td>Average total AFDC payments received during 21 months</td>
<td>$2,601</td>
<td>$2,721</td>
<td>-$40</td>
<td>-1%</td>
</tr>
</tbody>
</table>

(For NOTES and SOURCES see next page)
Table 8 (Continued)

**NOTES:**

These data include zero values for sample members not employed and for sample members not receiving welfare payments. The estimates are regression adjusted, using ordinary least squares, controlling for prerandom assignment characteristics of sample members. There may be some discrepancies in calculating differences due to rounding.

* Denotes statistical significance at the .10 level; ** at the .05 level; and *** at the .01 level.

a The length of follow-up varied by outcome and state. Employment and earnings were measured by calendar quarters. To assure that preprogram earnings were excluded from the impact estimates, the follow-up period began after the quarter of random assignment. In contrast, AFDC benefits were tracked for quarters beginning with the actual month of random assignment. As a result, the follow-up period for AFDC benefits was at least three months longer than that for employment and earnings.

**SOURCES:** Gueron (1987), p. 22; and Friedlander et al. (November 1987), p. 81.
In four of the six completed studies, results indicate that the intervention produced employment gains for AFDC women of between 3.3 and 7 percentage points over the period studied (3 to 9 percentage points on an annual basis). In three of these States, earnings increases ranged from $80 to $700 ($110 to $560 on an annual basis). In the fourth, Arkansas, earnings declined somewhat, despite an increase in employment. According to Moffitt (1987, p. 46), the positive effects of the programs may actually be even greater because "the MDRC estimates include some individuals in the experimental group who did not receive services and, in addition, the control group generally received the standard package of WIN services; hence, the MDRC estimates are biased downward to some extent."

In the San Diego demonstration, single-parent applicants for AFDC participated in job search followed by work experience. After 15 months, employment and earnings increased by 10 percent and 23 percent, respectively, compared to a control group. Average AFDC payments per person fell by $288, or 8 percent, in an 18-month follow-up period. The only group that showed little or no improvement in employment was men receiving aid through the AFDC-UP program (though there were more substantial welfare savings). A parallel experiment tested the impact of job search alone. While the results for this group were also positive, they were not as great as those for the group in which job search was followed by short-term CWEP.
Virginia showed similar gains in employment (8 percent) and earnings (8 percent, but not statistically significant) and a small reduction in AFDC payments (4 percent). In Arkansas, where recipients and mothers with children under age six were also included, increases in employment and earnings were even more dramatic, at 34 and 37 percent, respectively (in a six-month follow-up period), and AFDC payments fell by 11 percent (after 9 months). There were similar findings for employment (16 percent) and earnings (10 percent) in Baltimore, though only the employment increase was statistically significant. However, unlike the programs concentrating upon job search and work experience, the Maryland program showed no reduction in welfare recipiency among the treatment group. Some speculate that the relatively weak earnings gains and lack of impact on welfare payments in Maryland may be due mainly to the longer length of the education-oriented intervention chosen by Maryland and the short initial follow-up period analyzed to date. Indeed, there is now some evidence (Friedlander, 1987) that the earnings impacts became stronger over time ($1,043 over quarters 2-12), though these gains do not appear to have reduced the incidence of welfare receipt or welfare expenditures.

The West Virginia work experience program failed to raise either earnings or employment rates, nor was there a reduction in welfare dependency. The rural nature of the State and high unemployment was thought to limit job opportunities and the
success of the program, though the program’s design and characteristics of the participants may also have played a role.

The Chicago program showed no significant effects on employment or earnings during an 18-month follow-up period. Unlike the other programs evaluated by MDRC, the program was aimed at reaching the total non-exempt population, but only about $130 to $160 was spent per registrant, the lowest in the MDRC survey. However, participation was enforced and the program did achieve some welfare savings.

In addition to measuring the net impact of the work programs, the evaluations included benefit-cost analyses. The size of net benefits to participants in the program, taxpayers, government, and society as a whole have been analyzed. Estimates of the net benefit of the work programs from all four of these perspectives are presented in Table 9. For participants, the key question is whether or not increased earnings outweighed the loss in benefits and increase in taxes. The financial gains for participants in San Diego, Baltimore, and Virginia outweighed the losses. However, this was not the case in Arkansas, where the dollar reduction in welfare benefits was not matched by increases in earnings, and in West Virginia and Chicago, where there were no
Table 9

ESTIMATED FIVE-YEAR NET PRESENT VALUE OF AFDC WORK PROGRAMS FROM FOUR PERSPECTIVES (IMPACT PER EXPERIMENTAL, 1984 DOLLARS)

<table>
<thead>
<tr>
<th>Work Program</th>
<th>Participant</th>
<th>Taxpayer</th>
<th>Government Budget</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>-$ 363</td>
<td>$ 711</td>
<td>$ 691</td>
<td>$ 348</td>
</tr>
<tr>
<td>San Diego a,b</td>
<td>831</td>
<td>1,204</td>
<td>663</td>
<td>2,035</td>
</tr>
<tr>
<td>Chicago b</td>
<td>- 34</td>
<td>298</td>
<td>220</td>
<td>264</td>
</tr>
<tr>
<td>Baltimore</td>
<td>1,740</td>
<td>72</td>
<td>- 203</td>
<td>1,812</td>
</tr>
<tr>
<td>Virginia</td>
<td>664</td>
<td>263</td>
<td>159</td>
<td>927</td>
</tr>
<tr>
<td>West Virginia</td>
<td>- 84</td>
<td>734</td>
<td>- 169</td>
<td>650</td>
</tr>
</tbody>
</table>

NOTES: Net present value based on projections assuming modest decay rates. Estimates are averages for all members of the AFDC experimental groups, whether or not they received any services. Positive numbers indicate gains to that group; negative numbers, losses.

a Applicants only. Other programs served applicants and recipients.

b Job search plus work experience.

SOURCES: Friedlander et al. (1985, 1986, 1987); Goldman et al. (1986); Riccio et al. (1986); and Gueron (1988).
gains in earnings. Nonetheless, the majority of participants in all of the work programs were positive about their work assignments; they felt the work requirements were fair and believed they were making a useful contribution.

Whether work programs are cost-effective for taxpayers and government depends on whether the savings associated with reduced AFDC and other transfer program payments along with added tax revenues from increased earnings outweigh the costs of operating the work programs, including the added costs of support services such as child care. Over a five-year period, all programs are estimated to be of net benefit from the taxpayers' perspective (which counts the value of output produced) and the San Diego, Virginia, Chicago, and Arkansas programs are estimated to save the government money.

The fourth perspective is that of society as a whole, which includes both participants and taxpayers. Viewed in this way, if a program provides gains to one group but an equal loss to another, it would be considered as providing no net gain, but simply as a transfer from one to the other. For example, a reduction in welfare payments is a loss to participants, but a gain to taxpayers. Administrative savings, however, would be counted as a net benefit to society since taxpayers reap savings without adversely affecting welfare recipients. All six programs show net benefits to society as a whole.
The measurement of both costs and benefits is a difficult and
imprecise task; therefore, there is still some uncertainty
regarding the results. In addition, the conclusions above were
estimates for a five-year period. Since they involve
projections, the findings are sensitive to assumptions regarding
the persistence of the impact of the programs. Nevertheless, the
results suggest that for most work programs, savings can offset
costs in a relatively short period of time.

While the MDRC studies are certainly the most rigorous
evaluations of work programs, they are not without problems.
Moffitt (1987, p. 48) cautions that the use of random assignment
does not completely eliminate the problem of self-selection.

Because randomization can take place at only one place in
the program, the experimental estimates are valid only for
the types of individuals that have reached that point.
Unfortunately, the types of individuals reaching that point
may change if a workfare program were permanently in place,
thereby possibly changing the average earnings impact. To
take an extreme case, if no recipients were exempt and all
were registered immediately upon acceptance into the AFDC
program, the types of women applying for AFDC would no doubt
change. Depending upon whether those with relatively better
employment prospects or worse employment prospects would
fail to apply, the earnings impact of the program would fall
or rise, respectively.

The MDRC findings provide many useful insights into the
feasibility and characteristics of successful work programs, but
the wide diversity of approaches tested limits generalizations as
to their applicability nationwide and to specific subgroups.
In addition to the MDRC evaluations of AFDC work programs, an evaluation, also using experimental design, has been conducted of a Food Stamp work registration and job search demonstration (Center for Human Resources, 1986). A number of different work registration and job search procedures were tested in 11 sites across the country. The evaluation shows that program participants found employment more rapidly and had larger earnings increases than non-participants. In addition, the number of Food Stamp recipients and program costs fell as well. As a result, the programs were generally cost-effective for participants, taxpayers, and society.
Over the last 30 years, there have been substantial changes in family structure in the U.S. In 1960, only 7 percent of families with children were headed by a woman; by 1985 this had risen to about 20 percent. Moreover, Ellwood (1987) points out that these are only point-in-time percentages and that the majority of children born today are expected to spend at least part of their childhood in a single parent home (see also Bumpass, 1984; and Hofferth, 1985). Increases in divorce, illegitimacy, and the tendency for young mothers to set up their own households (as opposed to living with their parents or other relatives) were the principal forces behind this trend. As noted earlier (Bane and Ellwood, 1983; Ellwood, 1986a), changes in family composition are also the major factors associated with entry into AFDC.

The current welfare system, and AFDC in particular, has been criticized as having perverse "anti-family" incentives. By providing a stable source of income to single mothers, AFDC is alleged to promote marital instability, illegitimacy, and the establishment of independent households, while discouraging marriage and remarriage. The AFDC-UP program does provide benefits for two-parent households, but it is not available in all States and even where it is in place, various restrictions
minimize participation.

There is considerable research on the effects of welfare, particularly AFDC, and family structure decisions. These studies examine the impact of differences in AFDC benefits (either over time or across States) on the marriage, divorce (or separation), and living arrangement decisions of women with dependent children. The hypotheses generally tested are whether higher AFDC benefits increase the propensity of: married women to become divorced or separated; single or previously married women to delay or forego marriage; single women to have a child; and female-headed families to establish their own households rather than living with others. These issues will be examined in this section.

**Marriage and Divorce**

Earlier AFDC studies show some relationship between higher welfare benefits and increased divorce and delayed or discouraged remarriage, but the research is weak in many ways, and the findings are not consistent across studies. Several of these studies use longitudinal data, generally from the PSID. Ross and Sawhill (1975) find no significant welfare effects on the probability of divorce, though they do report a negative effect on marriage or remarriage (only 5 percent of those receiving welfare remarry within four years compared to 15 percent of those
not receiving it). Hoffman and Holmes (1976) report that families living in States with high AFDC benefits are 6 percent more likely than average to dissolve their marriages, while similar families in low benefit States are 6 percent less likely to do so -- a differential of 12 percent between high- and low-benefit States. On the other hand, Duncan (1976) finds that low AFDC benefits reduce the probability of remarriage, but that higher benefits do not. Using data from the NLS, Bahr (1979) finds that low-income whites who received AFDC, Food Stamps, or other public assistance were more likely to have dissolved their marriages than those not receiving welfare and that the remarriage rate of divorced female family heads (regardless of race) was three times greater for non-AFDC than AFDC recipients.

There is also some evidence from cross-sectional studies of family structure to support the view that welfare increases family break-up. Based on data from major U.S. cities, Honig (1974, 1976) estimates that a 10 percent increase in AFDC benefits would increase the number of individuals receiving benefits due to marital break-up by approximately 15 percent among whites and 7 percent among blacks. Further, her research suggests that an increase in AFDC benefits increases the proportion of female-headed families by even greater amounts. This latter finding includes the effects of lower remarriage and higher illegitimacy rates.
Others have found contradictory or statistically insignificant results. Using data from States (rather than metropolitan areas), Minarik and Goldfarb (1976) find no connection between the level of AFDC payments and the proportion of children living in female-headed families. In fact, they conclude that AFDC might actually encourage family stability, though these effects are not statistically significant. Ross and Sawhill (1975) find significant dissolution effects for nonwhites only. Cutright and Madras (1976) conclude that AFDC benefits do not affect marital disruption, but rather increase the likelihood that separated or divorced mothers will head their own households instead of living in subfamilies.

In a careful evaluation of this early research, Hoffman (1987b) concludes that these studies should not be taken too seriously. Among the shortcomings of the research are use of weak theoretical models, inappropriate statistical techniques, and poor measurement of welfare variables. (See Danziger et al. (1979) and Hoffman (1987b) for a critique of these early studies.)

The reliability of more recent studies is somewhat better. Hutchens (1979) finds some evidence that high AFDC benefits reduce the probability of remarriage. Using data from PSID for 1970, he estimates that a 10 percent increase in AFDC benefits would reduce the remarriage rate by 8 percent over a two-year
period. He points out that this is not necessarily bad if AFDC leads women to more suitable husbands and improved marital stability. This proposition, however, has yet to be tested. Danziger et al. (1982) conclude that the complete elimination of welfare would result in a slight decrease in the female headship rate, from 40 to 38 percent for nonwhite women and from 15.6 to 14.2 percent for white women. They do not distinguish the particular marriage decision affected. Darity and Myers (1983) find that AFDC benefits have no effect on the trend over time in black female headship.

The most well-known study of these issues was conducted by Ellwood and Bane (1984 and 1985), who examine the impact of welfare on family structure and living arrangements. They relate the differences in AFDC benefits across States to the incidence of divorce, female headship, and illegitimacy. Using data from the CPS, they compare marital dissolution and living arrangements for: (1) mothers likely and unlikely to be AFDC recipients ("likely vs. unlikely recipients"); (2) women who are or are not mothers in high and low benefit States ("eligibles vs. non-eligibles"); and (3) women over time, to see if changes in family structure correspond to changes in benefit levels. They conclude:

Differences in welfare do not appear to be the primary cause of variation in family structure across states or over time. Largely unmeasurable differences in culture or attitudes or expectations seem to account for a large portion of
differences in birth rates to unmarried women and in divorce or separation patterns among families with children. [Ellwood and Bane, 1984, p. 1]

Specifically, they find that, in 1975, had the average State increased its AFDC benefits by $100 per month (quite a substantial change in most States), there would have been a 10 percent increase in the number of divorced or separated mothers, with a more substantially greater effect for young women, perhaps as much as 50 percent more (although only a relatively small fraction of young women are divorced). This evidence suggests that young women are more susceptible to AFDC effects than their older counterparts.

Hoffman (1987b) notes that the divorce model does not include relevant information such as the husband's income nor the wife's own wage rate, and thus that the full range of alternatives is not delineated. Specifically, divorce and female headship, with and without welfare, are not distinguished. He observes:

...while the effect of AFDC may be to increase the stock of young divorced women or female heads, we do not know whether this finding is a genuine effect or a spurious outcome of the correlation of high benefit levels and high non-welfare related divorce rates (headship decisions). For that matter, the small effects found for older age groups (and the small effects on other decisions, such as illegitimacy) may be equally spurious. [Hoffman, 1987b, p. 33]
Duncan and Hoffman (1986, p. 49), among others, point out a number of methodological problems with this entire body of research, including the newer studies:

...the problem is that researchers have failed to pay adequate attention to the behavior of individuals and the way in which that behavior might be affected by the welfare system. Although individuals are presumed to be choosing among alternatives (for example, marriage vs. single headship vs. AFDC receipt), the actual characteristics of the alternatives available to an individual have not been adequately identified in empirical work. Not only have the details of the welfare system as they affect an individual been crudely specified, but also -- and much more seriously -- the nature of the nonwelfare alternatives available to women has been largely ignored...

McLanahan et al. (1986, p. 7) make a similar argument by pointing out that other factors affect marital decisions and that welfare effects are concentrated on low-income women with little education and few economic opportunities:

Using these studies [Ellwood and Bane (1984) and Danziger et al. (1982)], we estimate that the increase in (AFDC) benefits led to a 9 to 14 percent increase in the prevalence of single motherhood between 1960 and 1975. In view of the fact that the prevalence increased approximately 100 percent during this period, increases in welfare benefits account for no more than one-seventh of the overall growth...It seems reasonable to assume that welfare benefits played little or no role in the marital decisions of those in the top half of the income distribution. If so, welfare must have played a bigger role in the decisions of those in the lower half of the income distribution. Thus, if the growth in benefits accounted for 15 percent of the total growth in single motherhood, it could possibly account for 30 percent of the growth within the bottom part of the income distribution.
They also conclude that increases in economic opportunities for women account for a substantial portion of the increase in single motherhood for whites, with a smaller impact on black women.

Hoffman and Duncan (1986) develop a choice-based model to assess the impact of AFDC, spousal income, wage rates, and other factors that might affect remarriage among divorced or separated women. They estimate that a 25 percent reduction in AFDC benefits would increase the proportion of divorced or separated women who remarry within two years by 6 percent for white women and by 15 percent for black women. They note that an increase in benefits would have similar effects in the opposite direction. On the other hand, Hoffman and Duncan (1987, p. 19) find that "changes in AFDC benefit levels have virtually no impact on cumulative remarriage rates."

While, the evidence suggests that welfare may increase marital instability, the research is not definitive and the magnitude of this effect is debatable. It is possible that some uncontrolled-for variable encourages both welfare receipt and marital dissolution. For instance, individuals with certain characteristics may be more likely to accept welfare and dissolve their marriages.

Most research fails to take into account Food Stamps, Medicaid, and the array of other benefits available to low-income families.
Where research shows that differences in AFDC benefits have behavioral effects, total benefit packages will not vary as much proportionately as AFDC benefits when considered in isolation. Thus, the effects of welfare as a system of programs will be underestimated by attributing behavioral responses of an observed magnitude to relatively greater differences in AFDC benefits when they actually result from relatively smaller differences in total welfare income.

Even if AFDC does increase marital instability, one cannot conclude that providing public assistance to two-parent families will enhance or promote marital stability. An important issue related to welfare and family stability (including family formation) is the impact of the AFDC-UP program. AFDC-UP has been a State option for about a quarter-century and currently about half the States (with 70 percent of the AFDC caseload) offer the program. It provides benefits to families where the main breadwinner is unemployed. It is alleged that the lack of the AFDC-UP program in half the States (and stringent qualifying standards in the States with the program) encourages marital break-up and/or the failure of families to form, because a family's total income may rise substantially if the unemployed father were to desert his family. However, analysis of family structure data shows no evidence that either of these problems is more prevalent in States without the UP program.
Several studies have tried to determine whether or not the existence of an AFDC-UP program reduces marital instability, but the results are inconclusive. Ross and Sawhill (1975) find that the UP program reduces marital disruption for whites, but has no effect on blacks. Minarik and Goldfarb (1976) report that the program leads to greater disruption. Finally, Honig (1976) finds a stabilizing effect for whites, but an opposite one for blacks. The Honig coefficient for blacks, however, is the only one which is statistically significant. More recently, Schram and Wiseman (1988, p. i) find that "in 1980 after adjustment for effects of unemployment, welfare benefit levels, and other factors States with AFDC-UP had significantly higher proportions of children living with single parents than was observed for states without the unemployed parent program." In other words, not only did the program fail to reduce marital instability, they argue that it actually may have increased it. Clearly, more research is needed to resolve this issue.

Perhaps the best evidence on the impact of extending cash welfare to two-parent families comes from the negative income tax SITE/DIME. Intact families, as well as single-parent families, were provided benefits, and benefit levels were set so that an intact family was financially better off remaining together than splitting up. The expectation was that a universal welfare system would lower marital instability. However, the results appear to show the opposite. The availability of benefits to
two-parent families did not generally reduce marital instability; the separation rates for intact families were higher, not lower, than those of comparable low-income families in the control groups. The effects were especially strong for white and black couples in the five-year plan, with reported increases in marital dissolution rates of nearly 60 percent. However, the results were not consistent across income support levels, races, or even experiments. Table 10 shows that the effects for various groups (after the first three years).

Income maintenance payments increased the proportion of families headed by single females. For blacks and whites, the increase was due to the increase in marital dissolution; for Hispanics, the increase was due to a decrease in marital formation (Groeneveld et al., 1980). However, it is not clear whether these findings are due to the universal nature of benefits or reflect the higher benefit levels provided in many of the SIME/DIME plans.

Researchers hypothesize that income maintenance experiments generated two opposing effects on the marital dissolution rate. Increases in family income (such as those arising from a relatively high SIME/DIME grant) reduce financial pressures and tend to stabilize marriages (the income effect). The strength of this effect should be correlated with the generosity of the plan. However, higher benefits (relative to the existing welfare
Table 10

RESULTS OF GROENEVELD, HANNAN, AND TUMA:
ESTIMATED EFFECTS OF THE GUARANTEE LEVELS OF
THE NIT PLANS ON DISSOLUTION RATES OF ORIGINAL MARRIAGES

<table>
<thead>
<tr>
<th>NIT Plan</th>
<th>Whites</th>
<th>Blacks</th>
<th>Hispanics</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Year NIT Plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$3,800 guarantee</td>
<td>1.82**</td>
<td>1.60*</td>
<td>1.30</td>
</tr>
<tr>
<td>$4,800 guarantee</td>
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<td>.66</td>
</tr>
<tr>
<td>3-Year NIT Plan</td>
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</tr>
<tr>
<td>$3,800 guarantee</td>
<td>1.31</td>
<td>1.14</td>
<td>1.36</td>
</tr>
<tr>
<td>$4,800 guarantee</td>
<td>1.07</td>
<td>1.36</td>
<td>1.00</td>
</tr>
<tr>
<td>$5,600 guarantee</td>
<td>.82</td>
<td>.85</td>
<td>.69</td>
</tr>
</tbody>
</table>

NOTES: Original marriages include couples who were married or living together at the beginning of the experiment. The estimated treatment effects are derived from a statistical model that included variables measuring participation in the experimental training programs. The socioeconomic control variables are the following: a constructed preexperimental family income, site (Denver or Seattle), years married at the beginning of the experiment, age of wife, age of husband, the number of children present, the presence of a child under six years of age, and whether the wife had received AFDC benefits in the year preceding the experiment. The NIT Plan combines the "pure" NIT and NITxTR treatment groups. The 20-year duration group was not included.

a Groneveld, Hannan, and Tuma report the 3-year NIT treatment as a constant adjustment factor to the 5-year plans but do not display separate results for the 3-year NIT plans by guarantee levels.

*Significant at the .10 percent (two-tail test).
**Significant at the .05 percent level (two-tail test).

package) also provide financial alternatives to marriage for low income women and therefore may destabilize marriages (the independence effect).

For a female-headed family, the low-support plan was of roughly the same generosity as AFDC and Food Stamps combined (the payment option for controls). For both black and white women, those receiving higher income maintenance payments experienced lower instability rates relative to the control group. This would indicate that the income effect was stronger. Since families on the low-support levels were subject only to income effects (that is, because the NIT payments were comparable to the regular welfare package, the same independence effects were faced by the two groups), it was hypothesized that families on the low-support level plan would have lower marital instability rates than the control group. Unexpectedly, they did not.

Groeneveld et al. (1983) have suggested three reasons why the income maintenance payments may have had a more powerful "independence" effect than the benefits from AFDC and Food Stamps received by the control group: 1) it was easier and less time-consuming to apply for the income maintenance payments when compared to AFDC and Food Stamps; 2) cash payments may be less stigmatizing; and 3) families receiving new cash payments may have been more aware of the availability of aid if they split because of explanations given participants in SIME/DIME. Also,
as husbands were eligible for a small payment, this may have produced a male independence effect. Unfortunately, there is no strong evidence to confirm or deny these effects.

Another theory suggests that the experimental treatment may have led to dissatisfaction with the husband's role as a breadwinner. Marital tension was thought to result from his not supporting the family, as evidenced by its need to receive assistance. Since the experiments did result in reduced work effort, they may in this way have caused the increased marital instability.

In a reanalysis of the SIME/DIME data, Cain (1986) and Cain and Wissoker (1988), reach a different conclusion about the impact of the experiments on marital instability. Cain argues that earlier analyses, principally Groeneveld et al. (1983), failed to distinguish between several types of treatments (training, NIT cash assistance only, and both training and NIT). He also contends that if the SIME/DIME results are to be compared to AFDC, the samples should be restricted to couples with children, since only they would be eligible for AFDC in the event of a marital separation. After making these and other adjustments, such as using five years of data and making adjustments for attrition bias, Cain finds that the impact of NIT payments alone is much smaller; the increase in marital instability is estimated as 16 percent for whites, and 27 percent for blacks, with a decline of 30 percent for Hispanics. He finds for all groups
taken as a whole a combined effect of a 10 percent increase. Moreover, the most destabilizing effects are for those families who received both cash assistance and training.

Cain (1986, p. 61) concludes that "the evidence about the issue of marital stability is not decisive, or even persuasive." However, Tuma (1986) argues that Cain's conclusion is not warranted. She points out that Cain's own findings indicate a sizeable effect and the lack of statistical significance is not surprising given the small sample size.

While these experiments provide the most accurate results, because they rely on experimental design, their conclusions are still mixed, mainly because the experiments were not designed to answer this question. Bishop (1980, p. 311) points to several imperfections:

Ambiguities of interpretation may arise from small sample size, differential attrition of families from the experiment, and imperfect methods of measuring the marital dissolution. The families were promised only three to five years of payments and were studied only for that period of time. Consequently, predictions about the short- and long-term effects of a permanent program are necessarily extrapolations.

Other factors may affect the marriage decisions of women as well, e.g., the employment prospects and potential earnings of young men. Wilson and Neckerman (1985) point to male joblessness as the major determinant of changes in the structure of black
families. Given poor labor market prospects for black men and higher death and incarceration rates, black women are more likely to delay marriage and are less likely to remarry. Wilson and Neckerman construct a "male marriageable pool index" -- the ratio of employed, civilian men to all women of the same race and age group -- and find that black women, especially young black women, face a shrinking pool of marriageable black men. For example, the authors report that the index for non-white 20-24 year olds declined from nearly 65 percent in the mid-1960s to below 50 percent in the early 1980s, while increasing from 65 percent to more than 70 percent for whites. The increase in white women living alone is due chiefly to increased economic independence rather than to the absence of marriageable men. However, low rates of black employment may be responsible for the declines in marriage and increases in divorce and separation in the black community and the increased reliance of black women on welfare. Wilson and Neckerman do not present any further empirical evidence on the subject and their hypothesis remains speculative and unproven, though work is underway. However, it is possible that causation may run in the opposite direction; some fathers may work less and mothers may be less likely to marry because welfare is available as a reliable source of income.

Illegitimacy

Researchers investigating changes in family structure have
puzzled over the link, if any, between out-of-wedlock births and the availability of welfare. Janowitz (1976), Vining (1983), and Gilder (1983) assert that AFDC increases illegitimacy, especially among teenagers, because high benefit levels may encourage women to have their first child and/or induce women already on AFDC to have an additional child. As noted earlier, Bane and Ellwood (1983) find that a birth out-of-wedlock represents the second most common factor for the beginning of an AFDC spell, accounting for 30 percent of all entries. Furthermore, Moore and Caldwell (1976) estimate that 60 percent of all babies born out-of-wedlock will at some point in their lives receive AFDC benefits. Although much of the rise in illegitimacy over the last 25 years, occurred simultaneously with a tremendous increase in cash and noncash transfers, it is not clear whether the rise in benefits actually caused the increase in illegitimacy.

Early studies by Cutright (1970, 1971, 1972), Fechter and Greenfield (1973), Winegarden (1974), Moore and Caldwell (1976, 1977), White (1979), Moore (1980), and Moore and Burt (1982) find no relationship between the level of AFDC benefits and illegitimacy. Keefe (1983) finds that neither the initial level of benefits nor the marginal benefit for an additional child have any effect on reducing fertility, though he cautions that the results apply only to women already receiving AFDC and does not provide information about how women not on the rolls would react to changes in welfare benefits. Janowitz (1976) reports a
positive relationship between AFDC benefits and illegitimacy among nonwhites, although not among whites.

Ellwood and Bane (1985), using the comparison methods discussed above, find no significant effect of AFDC benefit levels on illegitimacy. They argue that, "because the decision to have a child was so consequential, the availability of AFDC for a few years was unlikely to have a substantial influence on the decision."

These and other studies are reviewed by Hopkins (1986b). He concludes that all studies suffer, to varying degrees, from methodological problems, such as poor data quality, welfare measures, inadequate proxies for marriage and employment options, etc. Consequently, he feels that we do not yet know the impact of AFDC on out-of-wedlock births.

Murray (1985, p. 44) postulates that the effect of welfare on illegitimacy may be explained by a threshold effect -- welfare makes it economically viable to keep a baby born out-of-wedlock:

At some very low level, welfare benefits have no causal effect on poor single women having and keeping babies. At some higher level (higher than any existing package), welfare benefits would make having a baby so economically beneficial for a poor person that it would in itself be a "cause" of such behavior. Between these extremes, a break point exists...Once this break point is passed, welfare benefits become an enabling factor: they do not cause single women to decide to have a baby, but they enable women who are pregnant to make the decision to keep the baby. If
in all states the package of benefits is already large enough to have passed the break point for a large proportion of the potential single mothers, then the effects [of] increases in the welfare package...will be very small.

Bernstam and Swan (1986) characterize the welfare system as an alternative to marriage for women. They find that illegitimacy is higher in states where welfare is more attractive relative to male employment opportunities. Unfortunately, Bernstam and Swan characterize the decision for women as a two-way choice (marriage or welfare), whereas it is more correctly a three-way choice (marriage, work, or welfare). As the majority of female household heads work, this omission represents a major misspecification error and may vitiate their findings.

These threads of explanation are woven together by Murray (1986, pp. 6-7), who broadens his model of behavior to include aspects of the "marriageable male" hypothesis:

At the same time that women were becoming enabled to support a child without having to rely on a man, men in poor communities were becoming less reliable...The existence of an extensive welfare system permits the woman to put less pressure on the man to behave responsibly.

He then adds another element:

The changes in welfare and changes in the risks attached to crime and changes in the educational environment reinforced each other. Together, they changed the incentive structure facing young people and they changed status rewards associated with behaviors [in ways] that make escape from
poverty [more difficult]...Beginning in the mid-1960s, a concentrated effort was made by the reformers to keep schools from acting in...punitive ways toward pregnant girls, and these efforts were largely successful...

Murray's model provides one unifying perspective, but the model is simplistic and its hypotheses are largely untestable.

In summary, there is only weak evidence that links AFDC to illegitimacy, but the findings are clearly subject to many interpretations. The debate over the magnitude of the relationship is far from resolved. Not until studies are done using a more complete specification of the welfare package (including non-AFDC benefits), the choices available to poor women (including an accounting for "marriageable males"), the environment (e.g. abortion availability), and attitudes, preferences, and expectations, is a consensus likely to emerge.

Living Arrangements

Slightly over 20 percent of unmarried mothers (including 20 percent of unmarried mothers on AFDC) live in subfamilies, with about a third of black and about half of young unmarried mothers doing so (Hopkins and Newitt, 1987). A number of studies find a positive connection between the level of AFDC benefits and the formation of independent households. In other words, higher AFDC benefits are associated with more young mothers leaving either their husbands or their parents to live independently. For
example, Ellwood and Bane (1985) estimate that a $100 increase in monthly AFDC benefits (in 1975) would lead to a 25 to 30 percent increase in the formation of independent households (reduction in subfamilies), with a more substantial effect (50 to 100 percent) for young mothers. Table 11 provides their detailed estimates, not only of the impact of AFDC on living arrangements, but also on divorce/separation, single parenthood, and female headship. Some researchers hypothesize that higher benefits induce or enable young mothers to establish their own households. The consequences of such living arrangements, however, are not clear. Scheirer (1983, p. 770) points to two conflicting theories:

For the young woman's psychological development, continued residence with her parents might provide either needed psychological support or counterproductive lack of independence. While the recipient children might benefit in their development from the presence of additional adults, the added noise, crowding, and competition for adult attention in a large multigeneration household might be equally likely to harm them.

Scheirer (1983) and Hutchens et al. (1986) confirm the finding that higher AFDC benefits are associated with fewer multigenerational households, i.e., given an adequate economic support from welfare, many mothers prefer to live independently rather than rely on relatives for support. Though the casual link is not clear, both the Scheirer and Hutchens et al. studies also report that living in a subfamily tends to reduce the likelihood
Table 11
ESTIMATED IMPACT OF A $100 PER MONTH INCREASE IN AFDC MAXIMUM BENEFITS IN 1975

RESEARCH METHODOLOGY

<table>
<thead>
<tr>
<th>IMPACT VARIABLE</th>
<th>Likely vs. Unlikely Recipient Comparisons</th>
<th>Eligibles vs. Non-Eligibles Comparisons</th>
<th>Over Time Comparisons</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIVING ARRANGEMENTS OF SINGLE MOTHERS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>30% decrease in sub-families (living with the woman's parents)</td>
<td>N/A</td>
<td>25-30% decrease in sub-families (living with the woman's parents)</td>
</tr>
<tr>
<td>Sub-groups</td>
<td>50-100% increase in % of young single mothers living independently</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>DIVORCE/SEPARATION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>10% increase in divorced/separated mothers</td>
<td>5-10% increase in divorced/separated mothers</td>
<td>10% increase in divorced/separated mothers</td>
</tr>
<tr>
<td>Sub-groups</td>
<td>50% increase in very young divorced/separated mothers</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>SINGLE PARENTHOOD (includes child-bearing and failure to marry or stay married)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>5% increase in single mothers</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Sub-groups</td>
<td>Largest effect for white women over 24; small effect for women under 24</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>FEMALE HEADSHIP (includes child-bearing, failure to marry or stay married, and living independently)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>15% increase in female heads</td>
<td>N/A</td>
<td>No significant impact</td>
</tr>
<tr>
<td>Sub-groups</td>
<td>50-100% increase in female heads under 24</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

NOTES: N/A = not available

of AFDC receipt. For those subfamilies receiving assistance, AFDC is likely to reduce a mother's current employment, but increase somewhat the likelihood of school attendance, especially for young mothers.
Since the program's creation in 1935, AFDC caseloads have shifted from primarily widow-headed families to families headed by divorced, separated, or never-married women, which means that welfare increasingly represents a payment necessitated by the lack of financial support from an absent parent. The growth in single-parent homes reflects a trend in our society in general, not just in the AFDC population.

Society has long taken the view that parents have a responsibility to support their children and has established legal sanctions for parents who fail to provide for their offspring. The primary legal mechanism for assuring that children receive financial support is through a child support order. Though the Federal government plays an important role in the child support system, establishing and enforcing child support obligations is primarily the responsibility of State courts. The first Federal legislation in this area passed in 1950, which required State welfare agencies to notify law enforcement officials when a child receiving AFDC had been abandoned. In 1975, Congress established the Child Support Enforcement Program (Title IV-D of the Social Security Act). The statute authorized Federal matching funds to be used for locating absent parents, establishing paternity, obtaining child and spousal support, and enforcing the support obligations owed by
absent parents. The program requires the provision of child support enforcement services for both welfare and nonwelfare families. In 1984, further legislation required all States to begin withholding child support payments from the wages of any noncompliant absent parent after a one-month delinquency and to establish standards for support obligations.

The literature on the relationship between child support payments and dependency focuses on several key issues: 1) the size of payments by absent parents; 2) the extent to which underpayments are responsible for the low income and welfare status of custodial parents and their children; 3) the determinants of the amounts paid by absent fathers and the amounts received by custodial parents; and 4) the impact of child support payments on custodial parents' (mainly mothers') work effort and marital decisions. Unfortunately, much of this research suffers from limited data on informal (unreported) payments and the characteristics of absent fathers.

Survey data show that the amount of child support underpayments is quite large, though there is evidence of some informal (unreported) support, both cash and in kind. Based on reports from custodial mothers, the Bureau of the Census reports that in 1985, 50 percent, or 4.4 million, of mothers with children under 21 by an absent father, were supposed to receive child support payments. Of those with an award, 74 percent received a full or
partial payment (26 percent received no payment, 26 percent a partial payment, and 48 percent the full amount owed). Low-income mothers were least likely to have obtained an award and/or to receive a payment if awarded child support (Lerman, 1987). The average annual amount paid to AFDC mothers for whom support was collected was about $1,441 in 1985, or nearly $1,000 less than the $2,313 received by non-AFDC mothers. This difference is due in part to the likelihood that the former spouses of AFDC mothers are also poor.

Since underreporting of some types of income is a common problem on Census questionnaires, the reported amounts are likely to be underestimates as they are based on self-reported receipts by mothers heading families. Moreover, the data applies only to mothers with a formal child support order and may miss informal payments that may have been made by fathers to the mothers who lack an agreement.

Robins and Dickinson (1983, p. ii) find that former marital status is strongly associated with the receipt of welfare and child support. According to results from their analysis of CPS data:

...unwed mothers have almost a 50% chance of being on welfare and less than a 10% chance of receiving child support. Divorced mothers, on the other hand, have only a 30% chance of receiving welfare and more than a 50% chance of receiving child support.
When they examine the welfare-child support linkage from another perspective, they find that single mothers receiving child support are significantly less likely to receive welfare than single mothers who receive no child support. Many of the characteristics that determine welfare recipiency, however, also influence (in the opposite direction) whether or not a family receives child support. Robins and Dickinson (1983, p. iii) conclude that "child support alone has a fairly limited impact on welfare recipiency." Part of the reason for such a relatively small impact of child support is the low level of awards. Since their data indicate that the average monthly child support award amount is only about two-thirds the average monthly AFDC benefit, child support alone is not sufficient to cause the average welfare mother to become ineligible for public assistance.

O'Neill (1986) uses 1979 data from the CPS to examine the determinants of the level of child support received by custodial mothers. She finds that the following characteristics are positively related to the probability and size of an award: the duration of the marriage and the number of children; awards that were agreed to voluntarily, rather than court-ordered; the father's income; the mother's education; and strong child support enforcement measures. The following are inversely related to payments: years since the marriage dissolved; the mother's remarriage; the level of AFDC benefits; and whether the mother was separated, black, or Hispanic.
O'Neill (1986, p. 11) reports similar results from an analysis of data on fathers from the June 1980 CPS:

The results of fathers are surprisingly consistent with those found for mothers. The father's age (a proxy for length of the marriage) and the number of children from the disrupted marriage were positively related to payment of support. Years since divorce and remarriage of the father were negatively related to payment. The father's family income had a strong positive effect. In addition, the results confirmed the presumption that fathers who are unemployed or are out of the labor force are less likely to make regular payments. Father's payment performance also seemed to respond to state child support enforcement efforts.

Several other studies, including Cassetty (1978), Jones et al. (1976), and Chambers (1980), indicate that the earnings of absent parents affect the size of their child support payments. In addition, Chambers and Jones et al. (1976) find evidence that enforcement policies increase the payments made by absent parents. Using 1977 AFDC survey data on mothers heading families, Sorenson and MacDonald (1981) show that the presence and size of the child support award has the most significance in explaining the ultimate receipt of a child support payment by welfare recipients. The economic and demographic characteristics of the mothers, considered as indicators of the absent father's ability to make payments, influence the size of the award, but have little impact on payments. However, Beller and Graham (1985b), using data on a national sample of custodial mothers from a 1979 CPS supplement, find that predicted father's income (again based on custodial mother characteristics) influences both
the size of an award and actual payments.

Lerman (1986a) examines the characteristics of those who become young absent fathers and reports that they are more likely to come from a low-income family, have lived in a family that received welfare (for whites and hispanics, but not blacks), have low aptitude (as measured on Armed Forces Qualification Tests of reading and math comprehension), and have more frequent sexual activity at an early age. However, even after taking account of both differences in personal characteristics (employment, sexual activity, etc.) and family background (prior welfare status, etc.), the probability of being an absent or resident father continues to differ by race.

The impact of support payments on work effort of the custodial parent is an important research topic. Lerman (1987) points out that a woman on AFDC and receiving child support can increase her income by the amount of the child support payment by earning enough to get off AFDC, a fairly strong work incentive (though this may be complicated by the loss of Medicaid). In addition, if a woman's child support payments are high enough to take her off of welfare, she would no longer face the high benefit reduction rates associated with the welfare system, but the lower ones of the tax system. However, support payments may also tend to reduce work effort, particularly for mothers not receiving AFDC benefits, because of the presence of an "income effect"
(discussed in the section on work and welfare), which reduces the need to work. Robins (1986) finds that support payments have little effect on work effort. O'Neill (1986, pp. 10-11) finds that "the amount of child support received has an insignificant effect on labor force participation for both married and divorced women."

Child support payments may also affect welfare dependency by influencing marriage rates and/or reducing divorce rates, though it is not clear how they would be affected. For example, the possibility of large child support obligations may deter some men from becoming absent fathers, though it may make it more attractive for mothers to leave bad marriages. Similarly, a single mother receiving support payments may reduce financial pressures to remarry and at the same time increase her attractiveness to a potential spouse. Beller and Graham (1985b) report that women awarded child support are less likely to remarry.
WELFARE AND MIGRATION

The extent to which differences in State welfare benefits may influence migration has been a topic of popular discussion for years. It has often been asserted, for instance, that thousands of poor families moved from the South to the North in the 1960s because of high welfare benefits.

Theoretically, higher welfare payments should tend to induce more in-migration and reduce the rate of out-migration among welfare recipients. Most empirical research, however, suggests that people in general are not induced to move by welfare benefit levels. Gallaway (1967), Gallaway et al. (1967), and Sommers and Suits (1973), all fail to find a significant relationship between migration and welfare payments. Fields (1979) finds no consistent aggregate effect of welfare on migration. A more important reason for migration may have been work opportunities. However, Cebula (1979) notes that a shortcoming common to all of these studies is that they fail to distinguish migrants by race, income class, age, or some other characteristic that would help to separate the migration patterns of welfare recipients from the population in general.

Some scholars report differing results when migration patterns are disaggregated by race. Kaun (1970), Cebula and Schaffer (1975), Glantz (1973), and DaVanzo (1972) find higher migration
rates into areas with higher welfare payments for groups with certain common characteristics, but numerically the effects are not large. "ebula et al. (1973) find that welfare may be an important determinant of black migration, which is confirmed by Ziegler (1976) and Kau and Sirmans (1976). This may be because blacks are more likely to be poor and eligible for welfare; hence, race may be a proxy for income. On the other hand, Pack (1973) finds that higher AFDC levels inhibit white in-migration.

A recent study by Gramlich and Laren (1984) posits the following relationship between AFDC benefit levels and migration: when AFDC recipients move, they are more likely to move to a high-benefit State than a low-benefit one. Since very few AFDC households make an interstate move in any one year, this tendency will manifest itself only over the long run. A forthcoming study by Blank (1988) reinforces this finding:

...locational choices of female household heads are significantly affected by welfare benefit levels, although wage differentials are also important. However, the two effects generally reinforce each other, as wage rates and welfare benefits are positively correlated across most regions. The probability of a typical female household head leaving an area of low welfare payments and low wages can be as much as 12 percentage points higher over a four-year period than the probability of leaving a high welfare, high wage area.

High welfare benefits may have an important corollary effect on the migration patterns of the nonrecipient population that actually swamps any recipient movement. Research suggests that
taxpayers respond to relatively higher welfare benefits by "voting with their feet." Fields (1979, p. 30) explains:

...there is only meager support for the view that higher welfare benefits attract migrants. A more persistent effect is the finding that a higher percentage of welfare recipients leads to greater out-migration. Taken together, these results suggest that welfare benefits influence migration in two somewhat offsetting ways. On the one hand, low income workers may be moving to locations where benefits are higher and easier to obtain. On the other hand, there also seems to be significant "flight from blight" on the part of the non-poor.

Like the effects of differences in AFDC levels on other behavior, measuring migration due to differences in AFDC may understate the impact of welfare. While there may be relatively large differences between States in AFDC benefits, these differences tend to narrow when total benefit packages are calculated. This makes the migration decision for a welfare recipient less attractive than the AFDC variable would lead one to predict. In addition, Glazer (1987) notes that one interview with welfare recipient revealed that the principal factor affecting migration was the presence of relatives or friends, a factor all of the statistical models have ignored.
ATTITUDES, THE UNDERCLASS, AND THE INTERGENERATIONAL TRANSMISSION OF WELFARE DEPENDENCY

Hopkins (1986a) points out that the effects of welfare, to the extent they exist, can come about in one of two ways. The interaction of welfare program characteristics (such as benefit levels or benefit reduction rates) with a recipient's existing attitudes could cause the recipient to choose to rely primarily on welfare for support. Or, welfare could alter the recipient's underlying attitudes toward welfare receipt as dependency lengthens.

The best-known proponents of the "culture of poverty" thesis -- that the poor (or some identifiable subgroup of the poor) have a distinct, separate culture and that this culture keeps them mired in poverty -- are Harrington (1962), Clark (1965), Lewis (1968), Miller (1968), and Banfield (1970). They all argue that poverty is more than lack of income, it is only one feature of a lifestyle the characteristics of which (dependency, illegitimacy, marital instability) are problems as well. For these writers, the poor (or some subgroup) are characterized by psychological inadequacies that lead to behavioral dependence. Most conclusions from these early studies are based on impressionistic evidence, although Moynihan (1965) uses decennial census statistics of changing family structure by race to buttress similar arguments.
The existence of a culture of poverty was strongly contested in the 1960s and later (Patterson, 1981), but the lack of explicit models linking motivation to achievement prevented serious testing. These arguments have resurfaced as descriptions of an "underclass" (Auletta, 1982; Bernstein, 1982). Generally, those in the underclass are characterized as able-bodied individuals with persistently low incomes, little education, limited work experience, socially dysfunctional behavior, and no motivation. In addition, images of the "underclass" are often associated with aberrant behavior and isolation from mainstream society.

Because of the difficulty in defining the "underclass," it is difficult to measure its size. While it may be relatively easy to count the number of poor, unemployed, uneducated, it is not so easy to determine the number of people who share all of these characteristics, especially over a period of several years. For example, Corcoran et al. (1985) examine longitudinal data on individuals and families and conclude that the culture of poverty and "underclass" arguments are inappropriate models for viewing all the poor. They find that for all individuals who have ever been poor, only a small subset remain poor for an extended period and that most of those either are old, disabled, or live outside of large urban areas. Researchers estimate that the "underclass" is only a small proportion of the total (and even the poor) population. Estimates place the size of the "underclass" somewhere between 0.8 percent and 5.3 percent of the nation's
total population and between 2.9 percent and 50 percent of the poverty population. Some of these measures, along with the characteristics used to define the underclass, are presented in Table 12.

The finding that only a small group of welfare recipients account for the majority of total time on welfare is consistent with the notion of an "underclass" characterized by long-term dependency. More research needs to be done to define this long-term dependent population. As Wilson (1985, p. 556) has argued:

Thoughtful explanations of the rise of inner-city social dislocations...should emphasize the dynamic interplay between ghetto-specific cultural characteristics and social and economic opportunities. This would necessitate taking into account the effects not only of changes in American economic organization but also of demographic changes and changes in the laws and policies of the government as well. In this connection, the relationships between joblessness and family structure, joblessness and other social dislocations (crime, teenage pregnancy, welfare dependency, etc.) and joblessness and social orientation among different age groups would receive special attention...(augmented) with empirical data on the ghetto underclass experience and on conditions in the broader society that have shaped and continue to shape that experience. This calls for a number of different research strategies ranging from survey to ethnographic to historical.
Table 12
SELECTED ESTIMATES OF THE SIZE OF THE UNDERCLASS

<table>
<thead>
<tr>
<th>Definition</th>
<th>Date</th>
<th>Number in Millions</th>
<th>Percent of U.S. Poverty Population</th>
<th>Percent of U.S. Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persistently poor who are neither elderly or disabled1. (Ruggles and Marton, 1986).</td>
<td>1985</td>
<td>8.0</td>
<td>23.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Poor living in poverty areas-defined as Census tracts with poverty rates above 40% in the 100 largest SMSAs. (Sawhill, 1987).</td>
<td>1979</td>
<td>1.8</td>
<td>7.1</td>
<td>0.8</td>
</tr>
<tr>
<td>All persons living in poverty areas -- upper bound (Gottschalk and Danziger, 1986)</td>
<td>1979</td>
<td>3.7</td>
<td>11.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Long-term AFDC recipients living in poverty areas -- lower bound (Gottschalk and Danziger, 1986).</td>
<td>1984</td>
<td>1.0</td>
<td>2.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Black and Hispanic poor living in poverty areas. (Nathan, 1986).</td>
<td>1979</td>
<td>4.1</td>
<td>15.1</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Recently, Wilson (1985, 1987) and Lemann (1986) have argued that the movement of middle-class blacks from ghettos into the suburbs has left an isolated black "underclass" behind, one without role models to demonstrate the ways out of poverty and dependency. As Wilson (1985, p. 546) describes:

Accompanying the black middle-class exodus has been a growing movement of stable working-class blacks from ghetto neighborhoods to higher-income neighborhoods in other parts of the city and to the suburbs. Today's ghetto neighborhoods are populated almost exclusively by the most disadvantaged segments of the black urban community, [those] who are outside the mainstream of the American occupational system. Included in this group are individuals who lack training and skills and either experience long-term unemployment or are not part of the labor force, individuals who are engaged in street criminal activity and other forms of aberrant behavior, and families who experience long-term spells of poverty and/or welfare dependency.

Wilson argues that low-income blacks in these areas rarely come into contact with middle-class blacks who had earlier influenced the community. He hypothesizes that the outmigration of these former role models has had an adverse impact on the labor force and family behaviors of poor blacks, and has thereby reduced the chances for those remaining to escape poverty. This hypothesis, however, has not been fully tested. For example, Danziger and Gottschalk (1987, pp. 214-215) point out that measured changes in behavior in poverty areas may not have been caused by the outmigration, but are a statistical artifact:

An alternative explanation is that the observed change in behavior simply resulted from changes in the composition of
the community. Suppose that people have always differed in their attachment to work and that those most prone to work were the first to leave ghettos. The result would be that the average labor force attachment of the remaining ghetto residents would decline, even if those left behind did not change their behavior at all in response to the selective outmigration. A similar argument would apply to other behaviors, such as the out-of-wedlock birth rate or the crime rate.

The hypothesized existence and persistence of a culture of poverty has major implications for welfare policy. If poverty and dependency are culturally- and psychologically-based, then poverty cannot be eliminated solely by providing either additional resources (transfer payments) or opportunities (jobs). The first required step would be a change of attitudes by those in this culture of poverty to resemble more closely those of mainstream America. If the attitudes and values of this subset of the poor could not be changed, then there would be little hope that anti-poverty policy could be fully effective. However, Duncan et al. (1988, p. 468) point out that determining the effects of welfare on attitudes and values is no simple task:

In assessing the effects of welfare on adults, it is not enough to observe that the attitudes and values on long-term welfare recipients are somehow "worse" than those of other people. Although such attitudinal differences may indeed have been caused by welfare receipt, they may instead have preceded and caused the welfare receipt. Or it may be that the psychological traits and the welfare receipt are caused by some other factor such as a disability or living in a high unemployment area.

There is no statistical evidence to support the view that welfare
itself changes attitudes. Duncan and Hoffman (1986) note that events such as wage or employment changes generally lead to changes in one's perception of control over environment (see also Andrisani, 1978; Hill et al., 1985). On the other hand, O'Neill et al. (1984) and Hill et al. (1985) find little effect of welfare receipt on recipients' perceptions of efficacy and feeling of control. Similarly, Goodwin (1972) finds no effect of welfare receipt on attitudes toward work. Unfortunately, most measures of attitudes are poor predictors of behavior, casting doubt on the reliability of these studies.

Further, while there is no consistent evidence that welfare has intergenerational effects on welfare receipt, i.e., that welfare use is transmitted from one to the next because children take on values of their parents, this is a difficult issue for researchers to explore, because most data sets do not cover individuals over long periods of time. Levy (1980) finds some evidence of intergenerational transmission of welfare dependency using the first nine years of PSID data, but Rainwater and Rein (1978) reach contrary findings. Duncan et al. (1988) use 19 years of PSID data on young adults and their parents and find that only a relatively small proportion (20 percent) of women growing up in heavily welfare-dependent homes themselves become heavily dependent on welfare as adults. While the 20 percent of daughters from highly dependent homes who became heavily dependent on welfare themselves is much higher than the 3 percent...
of daughters from nonwelfare backgrounds, other factors may affect welfare use.

Hill and Ponza (1986) report similar findings, but they also note that there was no clear association between the level of dependency and intergenerational welfare use among blacks. In fact, they show that black women from homes highly dependent on AFDC were less likely to be dependent on welfare than those who came from families only slightly dependent on welfare. After statistically adjusting for socioeconomic and geographic background characteristics, they find no significant link for black women between the welfare dependency of a parent and child. Similarly, they find no significant effect of parental welfare dependency on the hours worked by black men. For white women and men, they report that parental welfare dependency may have some effect. McLanahan (1986) also using the PSID, finds that those who come from homes that received welfare had a higher probability of becoming AFDC household heads.

Aside from the relatively short periods for which such data are available, there are several other problems with the research in this area. First, the sample sizes from PSID are small, especially when subgroups are analyzed. In addition, while the studies attempt to correct for a number of factors, others, such
as community factors, may be difficult to control for. Duncan et al. (1988, p. 469) note:

An obvious problem in using these figures to draw inferences about intergenerational transmission of welfare dependence is that they fail to adjust for other aspects of parental background and environment that may also affect the likelihood of AFDC receipt. Children from AFDC-dependent homes generally have fewer parental resources available to them, live in worse neighborhoods, go to lower quality schools, and so forth. Any of these factors could have an effect on their chance of receiving AFDC that is independent of the effect of their parents' AFDC receipt.

Antel (1986) analyzes the effects of parental welfare participation on the subsequent fertility and schooling decisions (both considered factors determining welfare recipiency) of young women from welfare families. Using the 1979-1983 National Longitudinal Survey of Youth and correcting for other observed and unobserved factors, he finds that parental participation in welfare has no effect on young girls' fertility or high school completion. Unfortunately, when he adds two more years of data, Antel (1987, p. 21) reaches different conclusions:

Family welfare participation encourages the fertility and discourages the high school completion of daughters. According to these two indicators of future welfare dependency, children exposed to welfare at home, after controlling for observed and unobserved factors, are more likely to become dependent on welfare.
UNANSWERED QUESTIONS

The previous sections have highlighted the state of our knowledge regarding the effects of welfare on our society. This section focuses on what remains to be studied.

**Dynamics of Dependency.** More needs to be learned about the characteristics of the long-term dependent. Are the long-term dependent generally homogeneous in behavior and attitudes or are there many subgroups? If there are subgroups, what are their distinguishing features? Can they be characterized as an "underclass"? Are they concentrated in inner cities or rural areas? Is there any trend over time in the number or demographic characteristics of the long-term dependent? Can any government program affect their lengths of stay on welfare? Have changes in the AFDC program affected duration in any significant way? What do we know about the causes of such dependency?

While the majority of AFDC spells are short-term, not much is known about them, particularly those lasting less than a year, because most data bases provide information on an annual basis. However, annual data may not uncover many of the relevant changes during the course of a year. For this monthly data is needed. For example, are AFDC spell changes a reflection of real long-term need, a temporary change in circumstances, or administrative "churning" (erroneous apparent changes in eligibility)? Do those
going through short spells of dependency go through many or only a few spells before returning to self-support? What are the reasons for recidivism? These kinds of questions are beginning to be addressed with recently-available longitudinal data from the Survey of Income and Program Participation (SIPP), covering 32 consecutive months, though the sample of AFDC recipients is small.

Not enough is known about the total lengths of stay on the Food Stamp program. Indeed, multiple benefit receipt and long-term dependency on more than one program has been little studied. For example, Weinberg (1985, 1987) has characterized multiple transfer program participation in one month using SIPP and its precursor, but until the longitudinal file is widely used, little can be done to analyze multiple benefit receipt over time. Other longitudinal data sets have only limited information on multiple transfer program receipt.

Correlates of Dependency. Quite a lot is known about the correlates of AFDC dependency. It would be useful to know more about what leads to long-term Food Stamp recipiency and how it relates to long-term AFDC recipiency. It would also be valuable to understand more about the role of neighborhood on the use of welfare. For example, is there any evidence that living in an area where there is a substantial concentration of welfare recipients leads children in these areas to be more likely to
Welfare and Work. More research is also needed on the effects of the Medicaid and other notches in the welfare system. Unanswered questions include: What is the impact of the Medicaid notch on work effort? Do families use AFDC as a way to get Medicaid because of poor health? Do families stay on AFDC because they don't want to lose their Medicaid status? Little is known about the effects on work effort of the whole welfare system.

Currently, there are no studies that incorporate the whole array of food, housing, social service, etc., programs in establishing total benefit levels and benefit reduction rates.

Along with the analysis of work incentives, more evaluation of work programs is needed. Further analysis is needed of the programs now operating. For example, more intensive interventions may take longer to show results, but even the full impact of other programs may not be apparent for a number of years as potential recipients become more aware of their obligations. Also needed is an assessment of the relative effectiveness of voluntary vs. mandatory programs. Especially important is further analysis of mandatory participation by mothers with young children. Expanding the population subject to a work requirement this would permit testing of the feasibility of operating mandatory work programs for a large share of the AFDC caseload. Further subgroup analysis would also be helpful.
in developing targeting strategies, such as examining the effectiveness not just for young mothers with young children, but using other criteria as well, such as prior time on welfare, prior work experience, educational attainment, etc. Research is also needed to see if the availability or cost of supportive services (e.g., day care and transportation) alters the effectiveness of work programs for such recipients.

Better research is needed on how changes in payment levels, benefit reduction rates, and work programs affect potential welfare recipients, both independently and in various combinations. For example, some work programs may deter employable potential recipients from applying for aid, while others may induce an increase in participation if the program offers services not available elsewhere. Measuring displacement is also something currently lacking in any work program evaluation. It is important to know if the graduates from work programs simply take the jobs of others, resulting in no net gain in employment.

Welfare and Family Structure. Most important of the unanswered questions in this topic area is the role of the full package of welfare benefits on divorce/separation, remarriage, and the formation of intact families. To date, the major studies of this issue have focused on the effects of differences between States in the level of AFDC benefits, a difference mitigated by the
provision of other transfers such as Medicaid and Food Stamps. Even if differences in benefits have no effect, welfare may enable different choices to be made.

**Welfare and Child Support.** Not enough is known about absent parents (primarily fathers) -- their incomes, family circumstances, their geographic proximity to their children, their ability to pay child support, etc. The impact of the child support system on the work effort and earnings of absent fathers as well as custodial mothers is not well understood. For example, fathers may be motivated to work harder to meet their child support obligations, or they may find that the effective reduction in their earnings makes work less attractive and, as a result, they reduce their work effort or move into the underground economy.

Additional information is also needed on the effectiveness of certain child support enforcement activities in reducing welfare dependency, such as paternity establishment procedures and wage withholding for delinquent payments authorized by the 1984 amendments. In this regard, the responses of employers is also important, since they may be reluctant to employ workers that impose additional paperwork burdens. Reischauer also warns of the possibility of other unintended consequences, such as more intense custody struggles and increased pressure on women to have abortions (see Margolis, 1987). It is therefore also important
to evaluate carefully other approaches, such as more visitation and more joint custody. Additional insights into the role of child support will come from the Wisconsin Child Support Assurance Project (Corbett et al., 1986).

Migration and Welfare. Though it seems clear that welfare benefit levels are not a major determinant of migration flows, the definitive impact of welfare on migration is not known. As with other unanswered questions, one way to resolve the inconsistencies may be to study the effects of multiple transfer benefits and to study information from other sources, such as interviews.

Attitudes, The Underclass, and the Intergenerational Transmission of Welfare Dependency. More needs to be done on understanding the values and attitudes of the poor — how they are formed and how they change. Is there an "underclass?" Is there intergenerational transmission of dependency, that is, is chronic welfare dependency a culture (set of values) that is transmitted from parent to child? There is not much statistical evidence to suggest that there is, but the image of a three-generation welfare family is too persistent to ignore. Has middle and upper-class black migration out of central cities contributed to "underclass" culture? If so, is there any way of reversing the trend?
Further, substantial additional research is needed on the causes of dependency and the process by which women choose the welfare alternative. What role do attitudes play in dependent behavior and how might public policy affect them?
1. Welfare, as used here, refers to programs with individual means tests. Total welfare spending on 59 major programs in 1985 was over $150 billion. See Office of Policy Development (1986a) for a description of the welfare system.


6. Case record data count individuals off AFDC if they are removed for failing to comply completely with procedures, even though such exits are often followed by renewed participation shortly after the problem is rectified, or if they move from one jurisdiction to another. These are referred to as "false" exits.


10. The $30 and one-third earned income disregards are not used in determining eligibility for AFDC; therefore, a tax rate change would not automatically make some individuals eligible for AFDC. However, the change would allow some individuals to remain eligible for assistance longer than otherwise and could induce others to make themselves eligible for the program. Thus, the general thrust of Moffitt's argument is correct.


17. Some material in this section draws on Glazer (1987).

Part II

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