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WELFARE POLICY AND THE EMPLOYMENT
RATE OF AFDC MOTHERS

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Welfare Policy and the Employment
Rate of AFDC Mothers

by

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ABSTRACT

The paper analyzes the effect of economic incentives in the AFDC program on the employment of AFDC mothers. Multiple regression analysis is applied to cross-sectional aggregate state program data for 1967. Our estimates indicate that the level of guarantees, tax rates and set-asides affect AFDC employment rates in the direction predicted by economic theory. Short of a drastic reduction in guarantees, however, manipulation of any of these program parameters is not likely to induce most AFDC mothers to work.

I. Introduction

Concern for the employment of welfare beneficiaries has been a continuing theme of national public assistance policy over the past decade. Primary attention has focused on the Aid to Families with Dependent Children (AFDC) program comprised mainly of single mothers of minor children.

Prior to 1962, working mothers in the program were likely to be worse off, in terms of net disposable income, than non-working mothers, because gross earnings were offset dollar-for-dollar against AFDC benefits. In 1962, deductions for work-related expenses were introduced in an effort to encourage employment (and thereby reduce governmental transfer costs), but a 100% tax on net earnings remained in force in most states. The 1967 Amendments to the Social Security Act, aimed at fostering "independence and self-support" of AFDC mothers, further liberalized the treatment of earnings by exempting the first \$30 of monthly earnings and one-third of the remainder, in addition to work-related expenses.¹ The 1967 Amendments also reorganized and expanded existing work training programs under the new "Work Incentive Program" (WIN), and provided for prompt reinstatement of welfare benefits to former AFDC mothers who became involuntarily unemployed. Finally, these Amendments provided that the federal government would not provide matching grants for beneficiaries in excess of the number who were on the rolls as of July 1968, a provision which was subsequently repealed.

In 1971, in response to rapidly rising costs and caseloads under the program, national policy took a more purely coercive tack. Congress enacted the Talmadge Amendment, which required that able-bodied AFDC mothers with no preschool children register for, and accept, work or training. This measure, slated to take effect July 1, 1972, puts into force essentially the same work requirement as is embodied in the Administration's pending welfare reform legislation.

In view of these repeated legislative attempts to get AFDC mothers "off the welfare rolls and onto payrolls," it seems surprising that there have been very few rigorous attempts to evaluate the efficacy of the various program features and incentives designed to further this goal. Governmental evaluations have been scattered and inconclusive, while, for the most part, academic researchers have tended to ignore the existing welfare programs, concentrating their efforts instead on the labor supply of the currently ineligible "working poor" who would be newly covered by a universal income maintenance program.² But the labor supply of female heads of households like that of married women may be far more elastic with respects to wage rates and income from nonemployment sources than that of able-bodied males heads of households because for women with children, the opportunity cost of working is so high. It would be inappropriate therefore to generalize from studies of able-bodied males to the AFDC population or vice versa. Thus, given the wide variation in state AFDC policies toward employment of welfare mothers, it seems worthwhile to carefully analyze whatever impact these policies have had upon the labor market behavior of AFDC beneficiaries. That is the central purpose of this paper.

This study provides--for the first time, to our knowledge--a comprehensive analysis of virtually all of the employment-relevant features of AFDC. This

is possible only through the use of program data, since many of the AFDC program parameters have no counterparts in the private sector, or even in the income maintenance experiments now in the field. The use of program data also allows us to evaluate these features in the context of real world program administration, thereby enhancing the applicability of the results to future policy decisions and program modifications.

II. Policy Parameters of the AFDC Program

The study reported here was designed to estimate the effects of the various AFDC policy parameters on the employment rate of AFDC mothers. The technique employed is multiple regression analysis of cross-sectional state aggregates for November and December 1967.

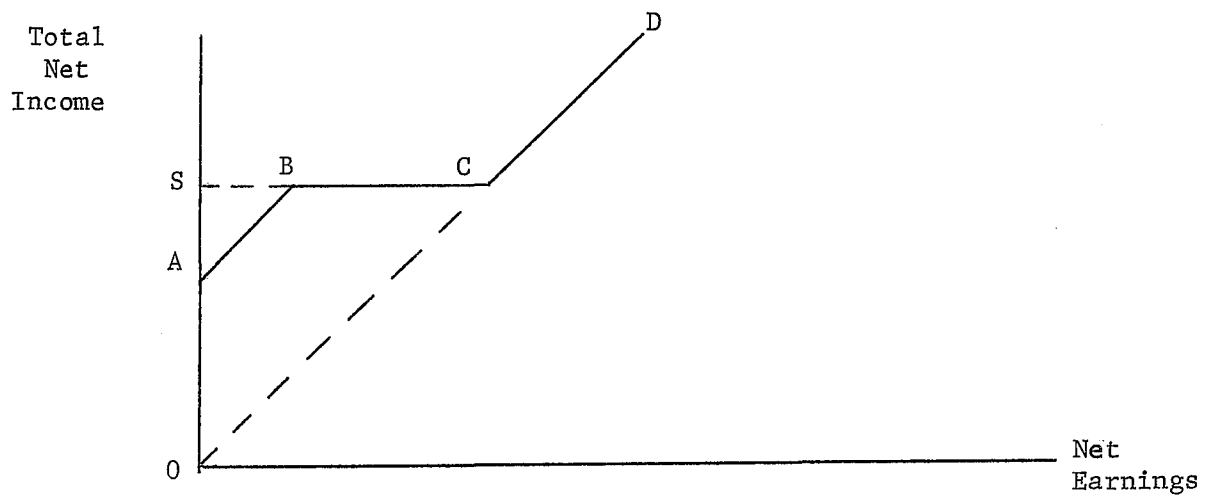
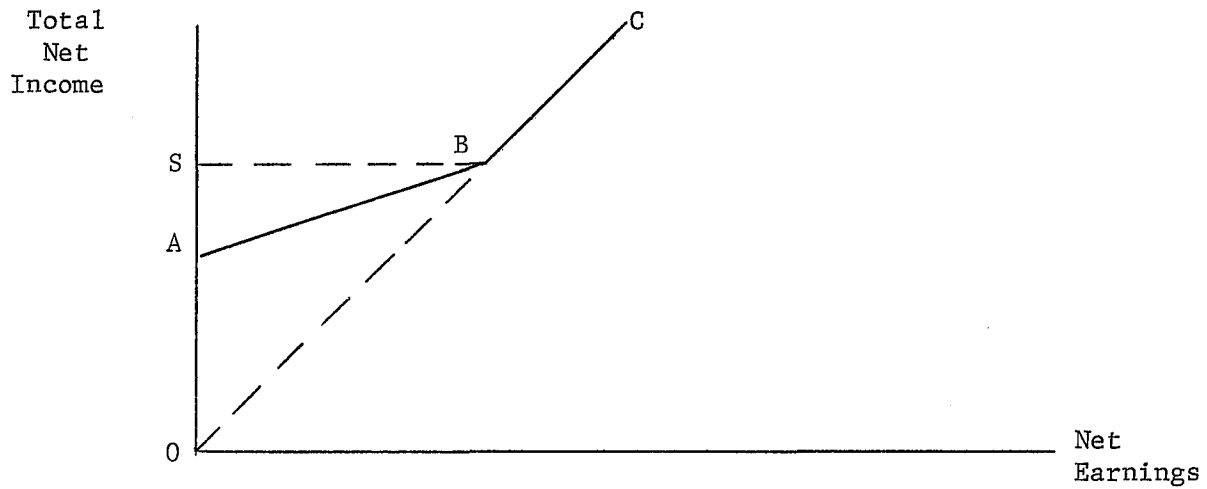
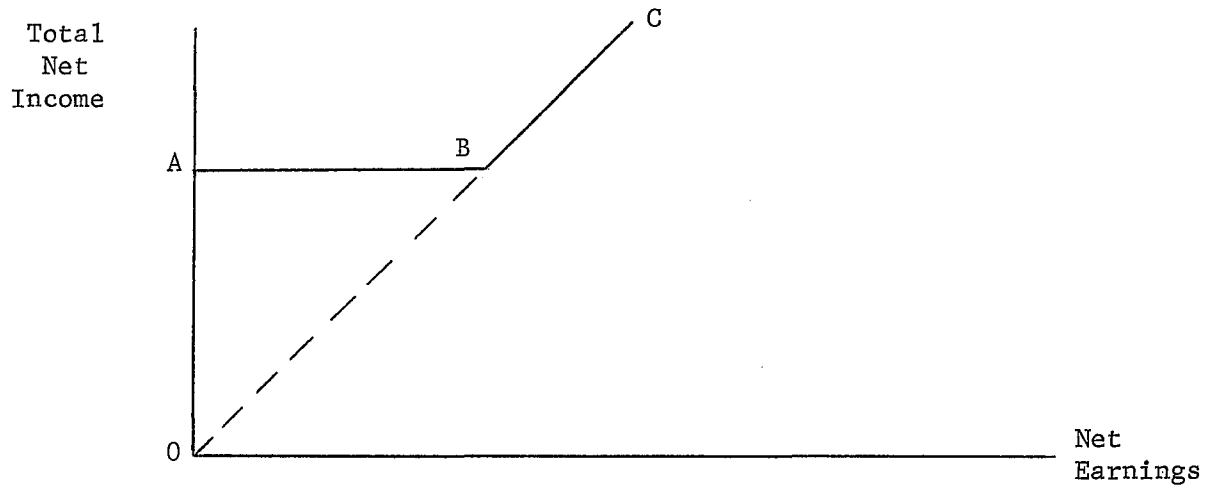
The employment rate (i.e., the ratio of working mothers to all mothers in the program) was selected as the sole dependent variable primarily because other desirable measures of labor supply, such as hours of work, were unavailable.³ In any case, there appears to be sufficient policy interest in this variable to justify its analysis.

The year 1967 was chosen because it is the most recent period for which reliable state data for all of the variables of interest are available. In addition, 1967 is more likely to represent a period of relative equilibrium in the AFDC program than more recent years, because it preceded the effective date of the fundamental changes enacted under the Social Security Amendments of 1967 and the rapid caseload increases which have occurred since.

In all states, mothers with incomes below the state AFDC need standard, or break-even level of net income, were eligible for assistance. Benefit schedules in 1967 all conformed to one of the three structures shown graphically in Figure 1:

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Figure 1

State AFDC Benefit Schedules in 1967



- Case 1. In twenty-four states, earnings net of work-related expenses were offset in full against AFDC benefits. As shown in Figure 1, the state standard OA was equal to the guarantee, the payment to a family with no other income. Thus, net income of working AFDC mothers in these states was invariant with net earnings up to the breakeven point (B) where welfare benefits fell to zero and the mother left the AFDC rolls.
- Case 2. In nine states, AFDC benefits were computed as a fraction of the difference between net non-assistance income and the state need standard. The effect of these so-called "reduction formulas" was to produce a negative tax-like transfer schedule with the guarantee (OA) equal to some fraction of the state standard or break-even level of income (OS) and with a constant marginal tax rate (slope AB) equal to the fraction of the deficit filled by benefits.
- Case 3. In the remaining seventeen states, the Case 1-type transfer schedule was modified since the maximum payment allowed (OA) was less than the state need standard (OS). In this case the guarantee (OA) was equal to the maximum payment. So long as net earnings plus the maximum payment was less than the state standard, payments were not reduced. This produced an initial "set-aside" range of zero marginal tax rate, up to the point (B) where net earnings plus the maximum benefits was equal to the state need standard. Additional net earnings beyond this point were fully offset against AFDC benefits, with a breakeven point (C) at the state need standard.

The basic transfer schedules of all states in 1967, then, can be uniquely defined by three parameters: the guarantee (payment to a family with no other income), the set-aside and the marginal tax rate beyond the set-aside.⁴

The effect of these program parameters on the labor supply of any given recipient can be readily derived by superimposing the recipient's indifference map between net income and hours of work (or, given a wage rate, earnings) on the transfer schedules of Figure 1. Corner solutions at zero hours would indicate a decision not to work; tangencies elsewhere along the transfer schedule would lead to a decision to work.

Clearly, if leisure is a normal good for AFDC mothers, no recipients in Case 1 states should work. In these states, the AFDC tax rate was uniformly 100%. In fact, however, some mothers in these states did work. The primary reason would seem to be that AFDC benefits were computed on the basis of earnings net of work-related expenses. To the extent that the allowance for work-related expenses exceeded the actual costs of working, the effective tax rate on earnings in these states was really less than 100%. Thus, it is important to take account of the level of deductions for work expenses allowed in each state. Whether such deductions should be treated as a reduction in the marginal tax rate (i.e., as proportional to earnings at the margin) or as a de facto set-aside (i.e., as invariant with earnings), however, is not clear. Consequently we tried both formulations.

The existence of statutory marginal tax rates of less than 100% in Case 2 states introduces the possibility of equilibrium at positive earnings levels, even aside from the further allowance of deductions for work-related expenses. And, of course, the lower the tax rate, the more likely is the recipient to work.

In Case 3 states, marginal tax rates were zero over the initial set-aside range of earnings, further increasing the probability of equilibrium at non-zero earnings. In theory, however, if AFDC mothers were free to vary their hours of work continuously, then given the existence of a set-aside, the decision to work should be invariant with the size of that set-aside (although equilibrium hours and earnings would not be). Under the more reasonable assumption that recipients must work a certain minimum amount or not at all, though, the size of the set-aside becomes relevant. In that case, the relevant parameter for the employment decision is the average tax rate over the minimum earnings range, which depends inversely upon the size of the set-aside.

If leisure is a superior good, one would expect, ceteris paribus, the employment rate to be inversely related to the size of the guarantee among the states where effective average tax rates are less than 100%. Within the group of states which have 100 percent tax rates and no set-asides, there should be an inverse relationship between guarantees and employment rates if work related expense allowances exceed the actual cost of working.

Theory suggests, then, that at least four financial parameters of state AFDC programs will affect the employment rate of recipients: guarantees, tax rates, deductions for work-related expenses, and set-asides. In addition, there are several non-financial features of state plans which may have a significant effect upon the employment rate of AFDC mothers; these include work requirements, vocational rehabilitation and training, and general administrative attitudes. Finally, both the labor supply of AFDC mothers and the demand for their services may be affected by such demographic variables as age, education, race, and place of residence, as well as local labor market conditions. It is therefore

important to control for these variables as well as possible in attempting to estimate the effects of program policy variables.

III. Empirical Estimates of Effects on the AFDC Employment Rate

The estimated coefficients and tests of significance for several alternative regression models are shown in Table 1. The dependent variable in all of the models is the state AFDC employment rate. Each model is discussed in turn below.

Model 1. As a first test of the hypotheses advanced in Section II, the employment rate was regressed on only the four financial parameters of the program: the guarantee (GUAR), tax rate (TAX), set-aside (SA), and average deductions from gross income (AVDED). Due to data limitations, AVDED is defined as average total deductions for all reasons (for those mothers with deductions) rather than only work-related deductions. Nationally, work-related expenses accounted for 59% of total deductions in 1967. The three variables GUAR, SA, and AVDED are measured in dollars per month.

In this simple model, all of the coefficients have the theoretically anticipated signs, and GUAR and SA are significantly different from zero at the .01 level. The TAX coefficient is insignificant in this model. While the standard error of the AVDED variable is larger than that of SA, the magnitudes of the two coefficients are extremely close. An alternative form of the deduction variables was used in several of the models presented here to test the hypothesis that deductions acted like a tax variable, rather than a set-aside. The variable used was the ratio of average total deductions for those with deductions (AVDED) to average earnings of working mothers. This variable was invariably much less significant than AVDED. These findings support the hypotheses that allowances for work related

Table 1

Alternative Regression Models: Estimated Coefficients
(and t-statistics)

Independent Variables	Model 1	Model 2	Model 3	Model 4	Mean of Independent Variables
Constant	.37	.76	.75	.67	
AVDED	.000762 (1.47)	.000942 (2.41)	.000985 (2.59)	.001067 (2.83)	60.45
GUAR	-.000958 (-3.35)	-.000502 (-2.18)	-.000493 (-2.28)	-.000564 (-2.69)	194.48
SA	.000743 (3.06)	.001167 (5.94)	.001161 (6.12)	.001070 (6.28)	34.84
TAX	-.088829 (-.94)	-.206461 (-3.07)	-.235599 (-3.38)	-.204482 (-3.15)	.96
LSMSA		-.001053 (-2.56)	-.001117 (-2.83)	-.001373 (-3.79)	15.61
NEGRO		.000956 (3.05)	.000837 (2.73)	.000916 (3.07)	35.22
ED8		-.001377 (-1.50)	-.001779 (-2.01)	-.001283 (-1.54)	35.89
KIDS6		-.002601 (-1.74)	-.002113 (-1.47)	-.002652 (-1.88)	58.18
UNEMP		-.029709 (-3.30)	-.026232 (-3.02)	-.033573 (-4.62)	3.93
WAGE		-.032674 (-1.19)	-.029891 (-1.14)		2.77
VOC R			.003317 (1.96)	.002657 (1.62)	9.01
TRAIN			-.001396 (-.93)		21.12
WTEST			.018079 (1.13)	.023058 (1.47)	.40
R ²	.567	.810	.833	.830	
SEE	.071	.047	.044	.044	

Data Sources:

- U.S. Department of Health, Education, and Welfare, 1967 AFDC Survey [9]:
--AVDED, LSMSA, NEGRO ED8, KIDS6, VOC R, TRAIN
- U.S. Department of Health, Education, and Welfare, NCSS Report D-2 [19]:
--GUAR, SA, TAX
- U.S. Department of Health, Education, and Welfare, Characteristics of State Public Assistance Plans Under the Social Security Act [11]:
--WTEST
- U.S. Department of Labor, Employment and Earnings [12]:
--WAGE
- U.S. Department of Labor, Manpower Report of the President, 1970 [13]:
--UNEMP

expenses exceed the costs of working and that these allowances work like a set-aside.

Model 2. In order to control for other factors such as attributes of the state AFDC beneficiary population and state labor market conditions which may affect the AFDC employment rate we added the following variables to our model: (1) percentage of AFDC families who lived in SMSA central cities with populations greater than 400,000 (LSMSA), (2) percent Negro (NEGRO), (3) percent who had eight years of education or less (ED8), (4) percent who had children under the age of 6 (KIDS6), (5) the state unemployment rate (UNEMP), and (6) the state average hourly earnings of production workers in manufacturing (WAGE).⁵ The expected signs of ED8, KIDS6 and UNEMP are all clearly negative. Given the greater labor force participation of married Negro women, we also expect a positive sign for the NEGRO coefficient. The expected signs of LSMSA and WAGE are, however, not so clearcut. The LSMSA variable could measure differences in local labor market conditions or urban-rural differences in the administration of the AFDC program, or differences in the beneficiary population. The WAGE variable may capture one or both of two countervailing effects. First, average wage differentials may represent differentials in the demand price of labor, in which case one expects high average wages to have a positive effect on the employment rate. On the other hand, however, high wage levels could have a negative effect on the employment rate of women on the welfare rolls via a compositional effect. Given the break-even point of the state program (which is determined by the financial parameters of the program), the higher the wage rate the more likely a working woman is to earn an income above the breakeven point, and therefore be ineligible for assistance. Thus, high wage rates could result in a lower employment rate among those women left in the program.

As expected the addition of these variables substantially increases the explanatory power of the regression. The signs of ED8, KIDS6, UNEMP, and NEGRO are also consistent with our expectations, though the first two are not significant at the .05 level. The LSMSA coefficient is negative and significant. The WAGE variable is negative but is the least significant of all of our variables. This may indicate that the two opposing wage effects discussed above cancel one another out, or it may simply indicate that WAGE is not an adequate proxy for the wage rates available to AFDC mothers.

More important, the addition of these variables has a noteworthy effect on all four program policy coefficients. The coefficients of AVDED and SA become larger and much more significant. The most dramatic changes, however, are in the GUAR and TAX coefficients.⁶ The former shrinks by one-half while the latter doubles! All four policy coefficients are now highly significant. The difference between the magnitude and significance of these coefficients in Models 1 and 2 is an indication of how sensitive the results are to a misspecification in the models. This suggests that caution should be exercised both in the interpretation of these results and in any further analysis of this type of data.

Model 3. In this model, three additional policy variables were included along with the variables of Model 2.⁷ These were: the percentages of the AFDC population which had received vocational rehabilitation or work training services in the past two years (VOC R and TRAIN, respectively) and a dummy variable for states which had a work requirement (WTEST). While the exact form of work requirements varied from state to state, in general they specified that AFDC mothers must accept suitable employment if adequate provisions for child care could be arranged.⁸

As indicated in Table 1, of these three variables only VOC R had a significant effect on the employment rate in Model 4. The coefficient of TRAIN is not only insignificant, but is also of the wrong sign. Addition of these policy variables had little effect upon the coefficients of the four financial program parameters, with the exception of a slight increase in the size and significance of the TAX coefficient.

A word of caution is in order with regard to the interpretation of these results. Unlike the financial parameters of the AFDC program, the work requirement, training, and vocational rehabilitation components are not easily measured by the simple quantitative variables employed here. Training and rehabilitation are themselves complex social programs whose content and efficacy undoubtedly vary greatly from state to state. Similarly, there is a great deal of administrative discretion in the application of the work requirement, and its efficacy is also probably highly variable, depending upon the selection procedures employed and the quality of the supportive services (counseling, placement, child care, etc.) made available. Thus, it is difficult to extrapolate these results to any new policy proposals in these areas. All we can say is that these results reflect the overall effects of the state-run programs as they existed in 1967.

Model 4. A final model was estimated in order to eliminate the effects of insignificant variables on the coefficients of the policy variables of interest. In this regression, TRAIN and WAGE were deleted from the set of independent variables in Model 3. WTEST, though insignificant in Model 4, was retained because there is substantial policy interest in this variable and because its coefficient attained a marginal significance level once these

two variables were eliminated.⁹ Similarly, KIDS6, which was insignificant in Model 4, becomes more significant after deletion of these variables, and was therefore retained. In general, with the exception of WTEST, the coefficients of the policy variables do not change substantially from their values in Model 4, although most now have substantially higher t-statistics.

IV. Policy Implications

Before discussing the policy implications of our empirical results, at least two limitations of the analysis should be stressed. First, our analysis has dealt with only one aspect of the labor supply of AFDC beneficiary mothers--the employment decision. We have not obtained estimates of the effect of program parameters on the hours worked by AFDC beneficiaries. Nor have we attempted to estimate the effects of these policy variables on the decision to become an AFDC beneficiary. Clearly, program policy may also have an important effect on these other dimensions of labor supply. Thus our analysis is only partial.

Second, while the explanatory power of the regression model is quite good and most of the coefficients of the policy-relevant variables are highly significant, we have noted a marked sensitivity of some of these coefficients to the specification of the regression model. In particular, the estimated effect of the guarantee and tax rate are very sensitive to the inclusion of demographic and labor market variables. We have attempted to control for as many of the relevant non-policy variables as possible. But there is no way of being certain that the inclusion of other, omitted, factors (or better measures of those which are included) would not change our results somewhat. Even these estimates, therefore, must be viewed with a certain degree of caution.

Still we believe our results should be of interest to academic economists and to policy makers. On the one hand, the results indicate that the economic parameters in the AFDC program have a significant influence on the labor supply of AFDC beneficiary mothers which is consistent with economic theory. The coefficients in Model 4 for example, indicate that a 10 percent increase in the set-aside, or a 10 percent decrease in either the tax rate or the guarantee, would lead, respectively, to a 2 percent, an 11 percent, or a 6 percent increase in employment rates.¹⁰ Alternatively, a 10 percent increase in either the level of deductions from income or the level of vocational rehabilitation activities would result in a 4 percent or a 1 percent increase in the employment rate, respectively. The results also indicate that changes in other factors such as the unemployment rate or the existence of a work test will have an impact upon the fraction of AFDC mothers who work. The coefficients in Model 4 suggest that imposition of a work test would lead to a 13 percent increase in the state AFDC employment rate, while a 1 percentage point decline in the aggregate unemployment rate would lead to a 19 percent increase in AFDC employment rates.¹¹

On the other hand our results indicate something of much greater importance. If these estimates are at all realistic, manipulation of the policy parameters studied here is not likely to result in getting most AFDC mothers "off the welfare rolls and onto payrolls." Imposition of a work requirement similar to those now in force in some states, for example, would increase the employment rate in a typical state from 18 to a little more than 20 percent. Because the existing employment base, 18 percent, is so small, this is a relatively large percentage increase, but in terms of all AFDC beneficiaries the effect is quite small. Similarly, even though

our estimates suggest that a 100 percent reduction in tax rates would more than double the employment rate of AFDC mothers, even this drastic overhaul of the program would fail to induce well over fifty percent of AFDC mothers to work. Even if one were to simultaneously increase by 50 percent the levels of the set-aside, deductions, and rehabilitation activities, while halving the guarantee and tax rate and imposing a work test, our estimates imply that nearly 60 percent of the AFDC mothers in a typical state would still not work.

Moreover, if the objective of getting AFDC mothers to work is a reduction in program costs, manipulation of any of the financial program parameters considered here (except the guarantee) is likely to be ineffective. For employment-inducing changes in all of the program parameters except the guarantee would themselves entail additional costs, either in terms of administration or in terms of higher benefits for those mothers who already work.¹² Consider, for example, a reduction in the AFDC tax rate from the current level of 67 percent to 50 percent. Such a change would entail additional AFDC benefits equal to 17 percent of net earnings of mothers currently working, while saving the program 50 percent of net earnings of mothers induced to work by the change. Thus, if average net earnings of the two groups are the same, the tax reduction would have to result in at least a 34 percent increase in the employment rate in order to reduce program costs at all. Our estimates imply that the employment effect would be less than 20 percent. Similar calculations for changes in the set-aside or deductions yield similar conclusions.

Our estimates, then, indicate that short of a drastic reduction in guarantees, or the elimination of the AFDC program, or perhaps the imposition

and successful enforcement of a radically different kind of work test (e.g., that employment be a condition for the receipt of aid),¹³ we are unlikely to either voluntarily induce the vast majority of AFDC mothers to go to work or to effect any reductions in program cost. If we provide the financial security to enable deserted, divorced, and unwed mothers the opportunity to devote most of their time and energy to rearing their children, most of them will do precisely that.

NOTES

¹The following excerpt from the Report of the House Ways and Means Committee on the 1967 Amendments [8] is very revealing of the motivation for this legislation:

"Your committee is very deeply concerned that a large number of (AFDC) families have not achieved independence and self-support, and is very greatly concerned over the rapidly increasing costs to the taxpayers. Moreover, your committee is aware that growth in this program has received increasingly critical public attention."

²The two most notable exceptions are a series of studies [2, 3, 4 and 7] analyzing state General Assistance Program (GAP) beneficiary rates as a function of average GAP payments in the state and Hausman's [6] study of the labor supply of AFDC beneficiary mothers. The studies relating average GAP benefit levels to GAP beneficiary rates cannot by themselves provide reliable estimates of the effect of benefit levels on labor supply. For *ceteris paribus*, the higher the benefit level, the larger the proportion of a state's population that will be eligible for general assistance payments. Thus GAP benefit levels and beneficiary rates will be positively correlated even if benefit levels have no effect on the labor supply decisions of potential beneficiaries. While the data base and methodology of Hausman's study is much closer to ours, the restriction of his sample to three states, Alabama, Mississippi, and Kentucky, severely limits the variation in program features represented and the degree to which his results can be generalized to the rest of the AFDC population. For a collection of the most recent studies on the labor supply of able-bodied males, see [5].

³There are two other available measures of labor supply which unfortunately are not very useful. They are: (1) average earnings of mothers who worked (AEW) and (2) average earnings of all mothers (AE). The higher the guarantee and set-aside, and the lower the tax rate, the higher will be the break-even level of income in a state. And, the higher the breakeven level of income, the more a working mother can earn and still be eligible for AFDC benefits. If either AEW or AE is the dependent variable, this compositional effect will impart a positive bias to the guarantee and set-aside coefficients and a negative bias to the tax rate coefficients. In addition, since there is a positive correlation between state guarantees and state wage levels, to the extent that we do not adequately control, for inter-state differences in wage rates of AFDC mothers, the positive bias in the guarantee coefficient will be reinforced. In fact, we found that the biases were so strong that the guarantee coefficient was actually significantly positive in the AEW regressions. Not surprisingly, since AE is simply the product of AEW and the employment rate, the guarantee coefficient in the AE regressions was not significantly different from zero.

⁴Guarantees and maximum payments in all states were adjusted for family size. Here we shall use the values for a family of four as an index of the entire family size-adjusted transfer schedule.

⁵Other demographic variables which were tried, but rejected as insignificant included: a set of regional dummies, the average age of AFDC mothers, and the percentages of AFDC families who were Indian, were Latin American, lived on farms, or lived in SMSA central cities of less than 400,000 population.

⁶Experimentation with the independent variables indicated that UNEMP was most responsible for the changes in the GUAR and TAX coefficients.

⁷An additional policy variable which was tried, but dropped as insignificant, was the proportion of new applications for assistance which were denied for non-financial reasons. This was constructed as a measure of administrative stringency in the state, on the hypothesis that more stringent states would either screen out a higher proportion of potentially employable applicants (resulting in a negative sign) or be more insistent upon beneficiaries finding employment (resulting in a positive sign). It is possible that both of these effects are operative, and cancel one another out.

A further test for the type of compositional bias described in connection with Model 3 was also undertaken with this model. For a given wage rate, working women are more likely to be ineligible for AFDC the lower is the state breakeven level. The breakeven level is determined by the state's guarantee, set-aside, and tax rate. If the level of the breakeven point has a significant compositional effect on the employment rate of AFDC mothers, then the estimated coefficient of TAX is negatively biased and those of SA and GUAR are positively biased. To test for such biases, Model 3 was estimated with the addition of a dummy variable for states with breakeven levels above the mean for all states. The breakeven dummy coefficient though positive was not significant. Nor did the addition of the variable change the policy coefficients substantially. The hypothesis of compositional bias in these coefficients was therefore rejected.

⁸The District of Columbia, unlike any other jurisdiction, had a regulation that any woman who worked full-time or was capable of working full-time was ineligible for receipt of AFDC benefits. The extremely low employment rate in D.C. (.02) indicates that this regulation was stringently enforced. For this reason, D.C. was excluded from all the regressions reported here.

⁹If only VOC R is eliminated from Model 4, the t-statistic of WTEST is 1.95. It appears that both of these variables may measure the general orientation of state AFDC officials toward encouraging employment of welfare mothers. The simple correlation between the two variables is .30.

¹⁰All percentages are based on the 1967 means of the relevant variables.

¹¹It should be noted, however, that since many states already have a work requirement (twenty states in 1967), the effect of such a national work requirement on the national AFDC employment rate would be markedly less than 13 percent.

¹²See [1] where the effect of the 1967 tax rate reductions on employment of AFDC mothers and program costs in Michigan is estimated.

¹³The Senate Finance Committee has proposed just such a work requirement for AFDC mothers with no children under six years of age. In a real sense this amounts to elimination of the AFDC program for these mothers.

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