



Focus

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Where we are in the evaluation of federal social welfare programs

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It may seem self-evident that social welfare programs should regularly be assessed and refined in the light of lessons drawn from experience. Nevertheless, systematic program evaluation is a recent development. Modern evaluation practice is generally agreed to have begun in the middle 1960s, when initial attempts were made to evaluate programs enacted or proposed as part of the War on Poverty.¹ Evaluation has since spread rapidly; today, almost every substantial social program is subjected to some form of evaluation.² At the same time, evaluation has evolved into both a professional discipline and an industry.³

There now exists a consensus that program evaluation is important and should be an integral part of the policy process. But there is no consensus on the manner in which evaluations should be performed and the way their findings should be interpreted. At the moment, the most heated controversy concerns the relative merits of statistical analysis of controlled social experiments and econometric analysis of actual program outcomes. A less visible, but simmering, dispute questions the logic of the traditional distinction between "process" and "impact" evaluations.

Enactment of the Family Support Act of 1988 makes it timely to ask where we are in the evaluation of federal social welfare programs. The Family Support Act will be the focus of evaluation efforts in the next several years. Under Title II, the Job Opportunities and Basic Skills Training program (JOBS), Congress mandated separate "implementation" and "effectiveness" studies of training programs initiated by the states under the Act.⁴ Taking unusually specific action,

Congress even stipulated the mode of data collection for the effectiveness study: “a demonstration project conducted under this subparagraph shall use experimental and control groups that are composed of a random sample of participants in the program.”⁵

Concern with the Family Support Act in particular and with program evaluation in general led the Institute for Research on Poverty and the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, to jointly organize a major conference, “Evaluation Design for Welfare and Training Programs,” held in April 1990. The proceedings of the conference are summarized later in this issue of *Focus*. The papers commissioned for and delivered at the conference will be published in a forthcoming book, *Evaluating Welfare and Training Programs*, edited by Charles F. Manski and Irwin Garfinkel (Harvard University Press, 1991).

The present article offers one person’s perspective on the evaluation of federal social welfare programs. To focus the discussion, I first present a flowchart describing an important class of federal programs. I then describe and critically assess current practice in evaluating such programs. The article concludes with recommendations for improving evaluation practice.

Schematic of a federal social welfare program

Figure 1 outlines a typical federal social welfare program. Three existing programs, Aid to Families with Dependent Children (AFDC), the Job Training Partnership Act (JTPA), and Unemployment Insurance (UI), share this structure.

Arrows 1, 2, and 3b trace the process by which a program is fleshed out. Federal statutes and regulations sketch the program, leaving a state with substantial discretion in the way it will comply with the federal mandate. Negotiations between the state and the federal government yield an accepted state program. The state-federal agreement specifies major program provisions but inevitably leaves many details to be tied down by the state as it administers the program. Program administration may itself be a multi-tiered process, involving state, county, and local agencies as well as private service providers; this subprocess is omitted from the figure for the sake of simplicity.⁶ In the end, decisions about program eligibility and specification of treatments may be made by individual caseworkers in local welfare offices and by service providers operating under government contract.

Arrows 3a, 3b, and 3c describe the determination of program participation. A participant emerges from the population when a potentially eligible person applies for entry into the program. Eligibility is not determined solely by the program’s formal rules; in practice, the rules are interpreted by local officials. Moreover, in many cases, initially ineligible persons may become eligible by modifying their be-

havior appropriately.⁷ The participation process takes place in an environment shaped by the local economy and social norms. In particular, a person’s economic options and the social stigma associated with program participation will be influential as a person decides whether to become eligible and to apply to the program.

Arrows 4, 5a, 5b, and 5c show the program’s potential impacts. The term “impact” is sometimes applied only to the program’s direct effect on participants. But attention must also be given to feedback effects, shown in the dotted arrows. For example, a training program may have effects on the operation of the labor market; a program for the homeless may affect the housing market. The social stigma associated with a program may change with the number of persons who participate. A state may revise the way it administers a program as it observes how the program affects participants. A program may even alter the composition of the population of an area; for example, it is often asserted that a relatively liberal AFDC program makes a state a “welfare magnet.”

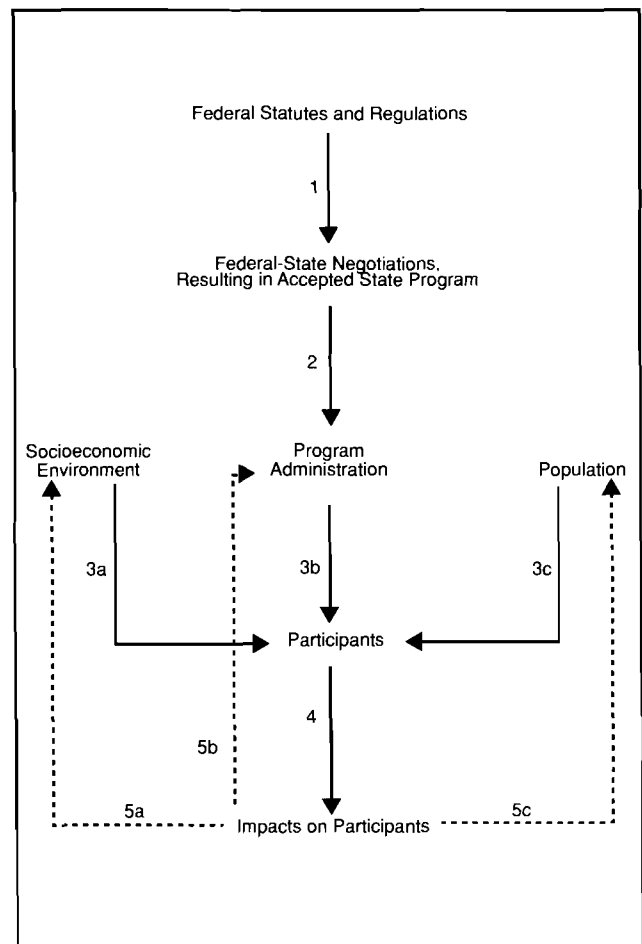


Figure 1: A Federal Social Welfare Program

Note: Dotted lines indicate feedback effects.

Evaluation practice

In principle, an evaluation of a federal social welfare program should seek to illuminate the entire complex process depicted in Figure 1. To be useful in policy formation, an evaluation should seek to answer *counterfactual* questions: what would change if some aspect of a program were altered? In practice, evaluators inevitably simplify this daunting task. Three major simplifying features of current evaluation practice follow.

- Restriction of the domain of counterfactual analysis

Of all the processes shown in Figure 1, the only ones regularly subjected to counterfactual analysis are program participation (arrows 3a, 3b, and 3c) and the direct impact of a program on participants (arrow 4). The federal-state negotiation of an agreed program (arrow 1) is generally ignored entirely.⁸ Program administration (arrows 2 and 5b) is subjected only to process evaluation, traditionally a descriptive exercise rather than a systematic comparison of the existing program administration with alternatives. Feedbacks to the socioeconomic environment and to the population (arrows 5a and 5c) are sometimes noted as possibilities, but are almost always ignored in actual evaluations.

A striking feature of evaluation practice is its disciplinary specialization. Process evaluation of program administration is the province of qualitatively trained political scientists. Program participation and impacts are analyzed primarily by economists, almost always using some quantitative approach.

- Separation of impact analysis from participation analysis

Many analyses of program participation and impacts seek to interpret “natural variation” across programs: either cross-sectional variation in outcomes across states with different versions of the program or time-series variation within a state that alters its program. It is by now widely recognized that the analysis of natural variation requires the evaluator to analyze program participation and impact jointly. The people who choose to become eligible and apply to a program are presumably those who expect the program to have a favorable impact on them. Provided only that expected impacts are related to actual ones, program participation and impacts are jointly determined outcomes.⁹

The use of natural-variation data to jointly analyze program participation and impact is generally agreed to pose a difficult scientific task.¹⁰ As a consequence, evaluators who wish to analyze impacts and are not concerned with participation per se have often turned to “controlled social experimentation” as a mode of data collection. In the typical controlled social experiment, persons who apply to a program are randomly assigned to different versions of the program, perhaps including “non-treatment.” Random assignment ostensibly breaks the tie between participation and impact that is inherent in natural-variation data. Hence, the evaluator can study impacts without having to jointly analyze partici-

pation. Thus, controlled social experimentation promises a substantial simplification of the evaluation problem.

- Industrialization and standardization of program evaluation

The major program evaluations of the 1960s and early 1970s were designed and performed by academic researchers, in collaboration with early evaluation professionals. While small-scale analysis continues to take place in universities, large-scale program evaluation has increasingly become the domain of private firms specializing in such endeavors.

The emergence of an evaluation industry has been accompanied by increased standardization in the design, performance, and presentation of findings from evaluations. Standardization is most notable in the analysis of direct program impacts, as the evaluators of social welfare programs have sought to emulate the routinized controlled-experimentation procedures of the physical and biological sciences.

Weaknesses in current practice

The inherent complexity of program evaluation makes efforts at simplification essential. At the same time, we must be careful not to simplify away essential aspects of the evaluation task. I believe that current evaluation practice sacrifices too much in the name of simplification. Several weaknesses now limit the usefulness of our evaluations.

Failure to recognize that process is part of treatment

The distinction between process and impact evaluation, albeit long-standing, is untenable. A federal social welfare program is not a complete set of procedures whose implementation can be monitored and controlled perfectly. In reality, a federal “mandate” to the states only establishes a set of rules and incentives intended to influence the behavior of the states. Similarly, a state cannot perfectly monitor and control the administration of a program; it can only establish a set of rules and incentives intended to influence the behavior of the local agencies and service providers that ultimately carry out the program. The lesson is that, from the perspective of federal policymaking, a program is not defined solely by its treatment of participants; it is defined as well by its treatment of state governments, local agencies, and service providers. Hence process is part of treatment.

The established practice of separating process and impact evaluation has adverse consequences. Process evaluations only describe program administration, but policy formation requires answers to counterfactual questions. We need to know how program outcomes would change if the rules and incentives given to states, local agencies, and service providers were altered. For example, how would states change

their existing programs under JTPA if the federal government were to alter the performance standards now in place?¹¹ How will states change their JOBS programs when, as expected, performance standards for this program are eventually enacted?¹² How do the job training and basic education services provided by private contractors under JTPA and JOBS change as a function of the prevailing payment formula?

The failure to recognize that process is part of treatment also has troubling implications for the interpretation of findings from controlled social experiments. Findings from an experiment are useful only if program administration under the experiment does not systematically differ from administration in a full implementation of the program. There are many reasons to question this premise. Small-scale experiments typically do not produce the same local caseloads as do full program implementations. Nor do they provide caseworkers and program participants with the same information about program features and impacts. Particularly problematic is the fact that social experiments cannot be performed using the double-blind protocols of medical trials, in which neither experimenter nor subjects know who is in each treatment group. Caseworkers and service providers necessarily know who is in each treatment group and cannot be prevented from using this information to influence outcomes.

Inappropriate extrapolation from controlled social experiments

The assumption that the program administration observed in a controlled experiment will remain unchanged when the program is implemented fully is one of several common but inappropriate extrapolations from experiments to the real world. Another is the widespread assumption that the pool of applicants to an experimental version of a program will remain unchanged when the full-scale version of the program is implemented. This is not plausible, because the private value of applying to a program with randomized treatments is not the same as that of applying to a program with known treatment.¹³ A third improper extrapolation arises from the practice in social experiments of ignoring feedbacks from the program to the socioeconomic environment and population. The scale of the typical social experiment may be too small to discern feedback effects that become prominent when the program is implemented fully.¹⁴

The difficulty of extrapolating from an experiment to the real world has long been known. Extrapolation problems arising in the social experiments of the 1970s led evaluation researchers of that period to become cautious in interpreting experimental evidence.¹⁵ Unfortunately, the lessons of the 1970s seem not to have been learned by today's social experimenters. Among this group, a proper awareness of the difficulty of natural-variation analysis has often been accompanied by an overly sanguine view of experimentation. Some have gone so far as to assert that only experimental

evidence should be used to evaluate social welfare programs.¹⁶ It is important to recognize that deep problems hinder the interpretation of both experimental and natural-variation data.

Lack of balance between applications and basic research

From the mid-1960s through the late 1970s, evaluations of social welfare programs nicely blended applications and basic research. Specific programs were analyzed and policy implications drawn. At the same time, innovation in evaluation methods took place and a base of empirical knowledge guiding future evaluations was established. Social scientists, evaluation professionals, and public officials not only worked together but sometimes traded hats.

In the past decade, funding for basic evaluation research has substantially diminished. Simultaneously, the public has increasingly demanded proof of the effectiveness of existing and proposed social programs. The consequence is that evaluation today is dominated by tightly focused applications with short horizons. Government and foundation funding is allocated largely through contracts calling on the evaluator to provide specified deliverables on a fixed schedule. The contractor's task is usually to compare the short-run direct impact of a given program with that of a particular alternative.

Restoration of the balance between applications and basic research is sorely needed. The existing environment has clear negative implications for the long-term health of evaluation practice. Present contractual funding promotes unimaginative evaluations, executed using conventional procedures, reported in a standardized format. It discourages innovation in methods, stifles efforts to understand the complex set of processes that define a program, prevents evaluation of long-term program impacts, and inhibits creative thinking about the design of new programs.

Recommendations

These weaknesses in current evaluation practice indicate the need for changes:

1. The conventional separation of process and impact evaluation should end. The operational definition of program treatment should be expanded to include not only the treatment of participants but also the treatment of state governments, local agencies, and service providers. Evaluations should seek to answer counterfactual questions about all the dimensions of treatment.
2. The assertion that evidence from controlled social experiments is qualitatively superior to natural-variation data should be dismissed, as it is not supportable. Program evaluations should employ both experimental and natural-variation data, in all cases with due caution.

3. The present funding imbalance between applications and basic evaluation research should be corrected. Effective collaboration of social scientists, evaluation professionals, and public officials once made the evaluation of federal social welfare programs a creative enterprise with both immediate and long-term benefits to society. This collaboration must be renewed. ■

¹See, for example, Henry Aaron, *Politics and the Professors* (Washington, D.C.: The Brookings Institution, 1978), p. 30; Robert Haveman, *Poverty Policy and Poverty Research* (Madison, Wis.: University of Wisconsin Press, 1987), chap. 8; and Robert Lampman, "The Decision to Undertake the New Jersey Experiment," Foreword to David Kershaw and Jerilyn Fair, *The New Jersey Income-Maintenance Experiment* (New York: Academic Press, 1976). Earlier evaluation efforts were largely limited to "process" evaluations, describing the administration of a program. Modern evaluation practice does, however, have some historical precursors. For example, the Children's Bureau of the U.S. Department of Labor studied the impact on infant mortality of the Sheppard-Towner Act, a 1921 statute establishing infant nutrition programs (see *Report of the Committee on Public Health Organization, Section II: Public Health Service and Administration* [New York: Century Co., 1932] and U.S. Department of Labor, Children's Bureau, *The Seven Years of the Maternity and Infancy Act* [1931]). I am grateful to Linda Gordon for bringing this early evaluation to my attention.

²The recent activity of the federal Interagency Low Income Opportunity Advisory Board is revealing. The Board, created by Executive Order of President Reagan on July 20, 1987, was established in part to review state proposals for welfare reform demonstrations under AFDC, Food Stamps, and other federal social welfare programs. Once constituted, the Board decided to require that every state demonstration proposal be accompanied by an evaluation plan designed to measure the net effects on dependency and the cost-effectiveness of the demonstration. Acceptance of the evaluation plan became part of the approval process for a demonstration (see Michael Fishman and Daniel Weinberg, "The Role of Evaluation in State Welfare Reform 'Waiver' Demonstrations," in *Evaluating Welfare and Training Programs*, ed. Charles F. Manski and Irwin Garfinkel, forthcoming, Harvard University Press).

³There now exist professional journals devoted to evaluation, including *Evaluation Review* and *Evaluation Forum*, as well as a professional society, the American Evaluation Society. Courses in evaluation are offered routinely in the public policy schools of universities throughout the country. The evaluation industry includes such large firms as Abt Associates, Lewin/ICF, the Manpower Demonstration Research Corporation, and Mathematica Policy Research, among others.

⁴The terms "implementation" and "process" are roughly synonymous, as are "effectiveness" and "impact."

⁵Public Law 100-485, October 13, 1988, Section 203, 102 Stat. 2380. A contract to perform the mandated effectiveness study has been awarded to the Manpower Demonstration Research Corporation. The Secretary of the U.S. Department of Health and Human Services has also appointed an Advisory Panel for the Evaluation of the JOBS Program, composed of public officials and academic experts.

⁶JTPA gives states and localities an especially large degree of latitude in program design. This is discussed by V. Joseph Hotz in "Recent Experience in Designing Evaluations of Social Programs: The Case of the National JTPA Study," in Manski and Garfinkel, *Evaluating Welfare*.

⁷For example, a woman can choose to become eligible for AFDC through her marriage, childbearing, and labor supply decisions. A worker can choose to become eligible for UI by not accepting an employer's offer of an out-of-state transfer following a plant closing.

⁸Fishman and Weinberg, in "The Role of Evaluation in State Welfare Reform 'Waiver' Demonstrations," provide an informative description of a set of recent federal-state negotiations.

⁹See James Heckman and Richard Robb, "Alternative Methods for Evaluating the Impact of Interventions," in *Longitudinal Analysis of Labor Market Data*, ed. Heckman and Burton Singer (New York: Cambridge University Press, 1985); and Robert Moffitt, "Evaluation Methods for Program Entry Effects," in Manski and Garfinkel, *Evaluating Welfare*.

¹⁰There is, however, considerable debate concerning the seriousness of this difficulty. For two opposing views, see Robert LaLonde, "Evaluating the Econometric Evaluations of Training Programs with Experimental Data," *American Economic Review*, 76 (1986), 604-620; and James Heckman and V. Joseph Hotz, "Choosing among Alternative Nonexperimental Methods for Estimating the Impact of Social Programs: The Case of Manpower Training," *Journal of the American Statistical Association*, 84, no. 408 (1989), 862-874.

¹¹Burt Barnow, "The Effects of Performance Standards on State and Local Programs: Lessons for the JOBS Program," in Manski and Garfinkel, *Evaluating Welfare*, describes in detail the existing JTPA standards and speculates on their effects on state and local behavior.

¹²Section 203 of the Family Support Act requires that the Secretary of the U.S. Department of Health and Human Services submit recommendations for performance standards to Congress by October 1, 1993.

¹³This point is developed forcefully in James Heckman, "Randomization and Social Policy Evaluation," in Manski and Garfinkel, *Evaluating Welfare*. In principle, the problem can be avoided by offering treatment to a random sample of the general population rather than to a random sample of program applicants. In practice, cost considerations have always led experimenters to randomize applicants.

¹⁴This problem is discussed in detail in Irwin Garfinkel, Charles F. Manski, and Charles Michalopoulos, "Micro Experiments and Macro Effects," in Manski and Garfinkel, *Evaluating Welfare*.

¹⁵See *Social Experimentation*, ed. Jerry Hausman and David Wise (Chicago: University of Chicago Press, 1985).

¹⁶See, for example, Laurie J. Bassi and Orley Ashenfelter, "The Effect of Direct Job Creation and Training Programs on Low-Skilled Workers," in *Fighting Poverty: What Works and What Doesn't*, ed. Sheldon H. Danziger and Daniel H. Weinberg (Cambridge, Mass.: Harvard University Press, 1986) and LaLonde, "Evaluating the Econometric Evaluations of Training Programs with Experimental Data." It is worth noting that similar assertions have been made in the health field. For example, a recent National Research Council study of AIDS prevention programs, citing the difficulty of interpreting natural-variation data, has asserted that only evidence from controlled experiments should be used to evaluate such programs (see *Evaluating AIDS Prevention Programs*, ed. Susan L. Coyle, Robert F. Boruch, and Charles F. Turner [Washington, D.C.: National Academy Press, 1989]).

Conference on evaluation design

The purpose of the Institute for Research on Poverty since its establishment in 1966 has been both to perform basic research on the causes and consequences of poverty and to provide government agencies with counsel concerning the merits of social policy alternatives and methods to evaluate them. The second component of that purpose motivated a conference, "Evaluation Design for Welfare and Training Programs," held April 19–21, 1990, at Airlie, Virginia, sponsored jointly by IRP and the Office of the Assistant Secretary for Planning and Evaluation (ASPE) in the U.S. Department of Health and Human Services.

The conference evolved from an IRP-ASPE workshop held in 1989 to weigh approaches to evaluating programs under the Family Support Act of 1988, notably the Job Opportunities and Basic Skills Training programs (JOBS) that states must operate to assure that needy families with children obtain the education, training, and employment necessary to avoid long-term welfare dependence. Evaluation of the JOBS program is required under the terms of the Act.

The seventy-five conference participants included members of federal departments (Agriculture, Commerce-Census Bureau, Education, Health and Human Services, Housing and Urban Development, and Labor), executive agencies (the General Accounting Office and the Office of Management and Budget), congressional staff, academic researchers, and evaluation professionals. The sessions were marked by lively interchanges among these diverse groups. Vigorous and often intense dialogue followed each paper presentation; knots of conversants could be seen during coffee breaks and meals, intently pursuing lines of argument.

The conference was divided into three parts. The first looked at recent developments in evaluation research; the second examined issues being raised concerning the effectiveness of current evaluation techniques; the third turned attention to the institutions carrying out the programs.

I. EVALUATION TODAY

A provision of the Omnibus Budget and Reconciliation Act (OBRA) of 1981 authorized states to devise and operate demonstration programs to experiment with methods of providing employment and training for recipients of Aid to Families with Dependent Children. OBRA and subsequent legislative developments, from the Job Training Partnership

Act of 1982 to the Family Support Act of 1988, signaled increased emphasis of welfare policy on work and training as a condition for receipt of public assistance and a shift in authority over social programs from the federal government to the states, which were given considerable flexibility in designing and administering the new programs. Their innovative approaches stimulated new thinking about methods to evaluate policies of this nature.

"What Did the OBRA Demonstrations Do?" by David Greenberg, University of Maryland, Baltimore County, and Michael Wiseman, University of Wisconsin-Madison

David Greenberg and Michael Wiseman reviewed 23 separate evaluations of OBRA demonstrations, surveying three types of analyses concerning effectiveness of the programs: process analyses, which examined the operation of particular programs; impact analyses, which measured results in terms of effects on employment, earnings, and welfare dependency of participants; and cost-benefit analyses, which estimated investments and returns to clients, taxpayers, and society.

In their review of process analyses, the authors found that assignment to a program did not necessarily mean that a client obtained its services: across all the programs studied,¹ within a year after assignment only about half of the clients had received any form of service. Assistance in job search was the most common service provided. Over half of the clients assigned to a program "deregistered," or dropped out, for a variety of reasons. Sanctioning accounted for a small but significant portion of these departures. This is a finding of interest, since an important feature of most of the OBRA demonstrations was that they were mandatory, carrying sanctions for noncompliance.

In their review of impact analyses,² Greenberg and Wiseman found that almost all of the evaluated programs increased earnings and reduced welfare rolls. These effects were generally small, however. Average earnings increases were rarely over \$100 per calendar quarter, and in only four of twenty-three studies did the caseload decline by more than five percentage points.

Net gains and losses to program participants and to taxpayers were estimated in terms of earnings and fringe benefits

gained by clients, work-related costs of clients, changes in taxes paid, decreased use of transfer payments, and the costs of operating the programs. Of the nineteen sets of program results examined, eight indicated that taxpayers gained while clients lost; in one program the opposite was true; nine programs made both clients and taxpayers better off; and one made both groups worse off. The actual amounts of gains and losses were found to be small: "A [national] program that resulted in a net client or taxpayer gain of \$1,000 per treatment group member (a figure larger than most [found in the reviewed studies]) would produce a total annual gain of \$1 billion, a gain that may be usefully compared to the budgetary cost of AFDC, which is currently around \$16 billion per year" (p. 88).

Robinson Hollister (Swarthmore College), discussant of the paper, pointed out that the widespread use of job search as a program strategy confirmed previous evidence that this effort is effective in a variety of settings. He then noted what we cannot learn from the OBRA demonstrations but now need to know: What is the role of remedial education in promoting employability of welfare recipients? What are the deeper educational factors that influence the success or failure of welfare reform? What is the role of day care in promoting effectiveness of work and training programs? What types of labor market conditions help make programs work?

"Recent Experience in Designing Evaluations of Social Programs: The Case of the National JTPA Study," by V. Joseph Hotz, University of Chicago

The program established by the Job Training Partnership Act (JTPA) of 1982, in keeping with the aims of the Reagan administration, broke precedent with previous employment programs for the disadvantaged in (1) granting to states more latitude in design and operation, (2) requiring involvement of the private sector, and (3) removing government from creating jobs or subsidizing employment. The program is administered by the Department of Labor and serves persons of very low income, including AFDC recipients. The 1982 act also mandated an evaluative component, stipulating that the effectiveness of the program must be assessed in terms of employment and earnings of its graduates, reduced income support costs, and increased tax revenues. An advisory panel recommended that the evaluation follow an experimental design and that quasi-experimental design methods be explored as well. The Department has implemented both recommendations, and the two assessment efforts are now under way.

The experimental component of the JTPA study using random assignment of eligible applicants to either a treatment group (program participation) or a control group (no program) confronted unprecedented problems because it dealt with a national program already in place, not a pilot demonstration. Whereas the negative income tax experiments had avoided the practical and ethical dilemmas of denying bene-

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fits to a control group, since that group would continue to receive benefits under the existing program, denial to a control group under JTPA meant that qualified applicants could not be given something they were eligible to receive. This put local program administrators in a difficult position. Other difficulties stem from the character of the JTPA system, which is unusually complex and diverse.³

Implementation of the experimental study encountered a succession of problems that resulted in considerable alteration of the original design. The goal of obtaining a nationally representative sample of twenty sites proved impossible as one after another declined to participate. Sixteen ultimately joined the study. Among the 228 sites that refused, 62 percent expressed concern with the ethical and/or public relations difficulties that would ensue from random assignment, 54 percent stated that they did not want to deny services to a group of controls, and 25 percent also admitted that assigning applicants to a control group might hinder

their ability to meet the performance standards set as their goals. (The effect of performance standards is examined in the paper by Burt Barnow, described below.)

In the effort to recruit sites, resources originally allocated to data collection and to evaluation of nonexperimental methods were diverted to the cash payments that sites were given in return for participation. This lump-sum, up-front payment was planned to be about \$40,000 per site; it ended by averaging \$170,000. Also in the interests of recruitment, the plan for handling control groups was considerably softened. Rather than assign an equal number of applicants to treatment and control groups, the ratio rose to 2 to 1; in some cases, when reluctance was especially strong, a proportion of 5 to 1 prevailed temporarily. And controls were informed of alternative training programs for which they were eligible.

As a consequence of these and other design changes, the results of the JTPA evaluation will be valid for each site but cannot be generalized to the nation. Hotz nevertheless felt that the study will yield valuable lessons for those interested in evaluation methodology. If it cannot tell us whether training programs for the economically disadvantaged will improve the labor market experiences of the trained under general circumstances, it can at least provide answers conditioned by the circumstances that prevailed at a particular site.

Rebecca Maynard (Mathematica Policy Research, Inc.), discussant of the paper, emphasized the need to think of experimental and nonexperimental evaluation methods as complementary rather than as alternative approaches. She underscored the inevitable constraints on the experimental-design evaluations, illustrated by the JTPA experience: (1) the sites self-selected into the evaluation, resulting in a nonrepresentative sample of JTPA providers and, hence, participants; (2) sample size requirements and the need to generate a control group led to evaluation-induced changes in recruitment activities and selection criteria; (3) random assignment was conducted after applicants had been assessed, which means that controls received some service, albeit a modest one. While none of these factors affects the internal validity of the findings, they do affect their generalizability and policy significance. Because of these limitations and the ethical considerations that inhibit experimentation, she urged investment in nonexperimental research methods.

“The Role of Evaluation in State Welfare Reform ‘Waiver’ Demonstrations,” by Michael Fishman, U.S. Department of Health and Human Services, and Daniel Weinberg, U.S. Bureau of the Census

President Reagan’s 1986 State of the Union address emphasized the need to overhaul the nation’s welfare system and provide incentives for self-reliance on the part of recipients.

One result was a flurry of applications by the states for federal waivers permitting them to test program innovations. An advisory group representing a number of federal agencies, the Interagency Low Income Opportunity Advisory Board, was created in 1987 for the purpose of reviewing the state applications. Michael Fishman and Daniel Weinberg offered an inside view of the role that evaluation played in gaining approval for the waivers.⁴

The board included high-level representatives of major federal domestic departments and the Office of Management and Budget and was chaired by a member of the White House Office of Policy Development. From July 1987 through October 1988, sixteen of the twenty-six states that submitted proposals received approval. The authorized programs were diverse, including work training for welfare recipients, transition benefits for those leaving welfare with jobs, cash in place of food stamps, and requirements that welfare recipients attend school.

From the federal point of view, allowing state experimentation with multiple alternatives created testing grounds for possible national program changes and required special attention to the costs and outcomes of those changes. The board settled on three criteria for approval of a demonstration: it must conform to the president’s stated policy goals; it must be “cost neutral,” i.e., not require additional federal expenditure; and it must include an evaluation component to measure effects on dependency and cost-effectiveness.

Debates took place among and within the federal departments and agencies on the merits of evaluation plans in the proposals. Concerned especially with control of federal outlays, the Office of Management and Budget viewed cost-benefit evaluation as an effective mechanism for enforcing fiscal restraint. The Food and Nutrition Service within the Department of Agriculture insisted on the most rigorous evaluation possible because, food stamps being a federal program without state variation, any change permitted under the waivers opened up the possibility of changes in the entire Food Stamp program. The separate organizations within Health and Human Services had differing points of view, ranging from intense to moderate interest in an evaluation design. The White House staff was interested to the extent that evaluation might facilitate approval by the other agencies of the demonstrations, and it wanted to encourage state innovation. In the end, agreement by members of the board and their staff on the validity of a program’s evaluation component was closely related to the success of a waiver application. The authors illustrate this process, and the complicated negotiations with state officials over plans for evaluation, in five case studies.

Isabel Sawhill (Urban Institute), in discussing this paper, stressed that new sources of support for evaluation research have emerged: In the waiver process, federal representatives insisted on evaluation as assurance that the demonstrations would be cost-effective; and the states accepted evaluation as the price for gaining freedom from federal regulation to

conduct their experiments. "Under fiscal duress and with a boost from a more conservative ideology that stressed the devolution of authority to lower levels of government, the constituency for good evaluation seems to have grown." Sawhill felt that this growth enhances sound policymaking. She speculated that it might lead to cooperative efforts between Congress and the executive branch to require an evaluation component in other areas where program reform is desirable.

"Are High-Cost Services More Effective than Low-Cost Services? Evidence from Experimental Evaluations of Welfare-to-Work Programs," by Daniel Friedlander and Judith Gueron, Manpower Demonstration Research Corporation

Under JOBS, limited resources will force program planners to choose among three general approaches: operating a large-scale program providing relatively low-cost activities; operating a small-scale program providing higher-cost activities; and using a mixed approach, with low-cost components for certain groups and higher-cost services for others. Daniel Friedlander and Judith Gueron drew on the evidence from thirteen experimental studies of welfare employment programs to determine what we can conclude about the relative merits of these alternatives.

The authors first described the differences in program goals, services, environment, and target groups that make comparisons across experiments difficult. Most important, low-cost activities such as job search assistance have been evaluated in the context of broad-coverage programs (some of which also included higher-cost components), which are complete service delivery systems intended to reach as much of an eligible population as possible, usually with a participation requirement backed by the threat of monetary sanction. In contrast, more intensive, higher-cost activities such as job training and subsidized employment have been tested only in selective-voluntary demonstrations of specific components, which have limited and selective enrollment, encourage but do not require participation, and are usually a small-scale piece or potential piece of a much larger service delivery system. The different programmatic objectives and service structures distinguishing these two categories of study have necessitated different research designs, further complicating comparisons.

Friedlander and Gueron identified four dimensions for comparison of impacts: average impact per experimental sample member, aggregate impact across the eligible caseload, savings for taxpayers, and impact on household income and poverty. Viewed across all the broad-coverage studies, the average impacts suggest that the programs that included some more expensive components seem to have produced the largest earnings gains. For welfare savings, the results were less clear. When costs are considered, however, the lower-cost programs produced larger aggregate impacts for a given budget and yielded quicker and more consistent

savings for taxpayers than the programs that included more costly services.

Striving for broad coverage with low-cost services entails risks. Resources may be spread so thin that the service content is excessively diluted, precluding any program impact. Also, employed graduates of low-cost programs, despite their demonstrated earnings increases, for the most part remain at levels of earnings below the poverty line. Further, low-cost services do not appear to consistently produce earnings gains for the most disadvantaged clients, e.g., those with weak work records, long welfare histories, and poor basic skills.

Higher-cost services may better achieve some of these policy goals. The selective-voluntary demonstrations examined in the paper produced relatively large earnings gains and welfare savings per experimental sample member. Higher-cost services may have greater ability to raise a family's earnings above a minimum target level and to produce earnings increases for the most disadvantaged welfare recipients. The cost of this potentially greater individual effectiveness is a great reduction in the number of individuals who can be served. Indeed, planners in all but quite richly endowed programs may face a choice between maximizing aggregate impacts on earnings and welfare savings and focusing on obtaining greater increases in the living standards of a relatively small number of AFDC recipients. One way to reduce the starkness of this trade-off is to adopt the mixed strategy for resource allocation, using a JOBS system that combines a broad-coverage, low-cost approach with carefully targeted higher-cost components.

A great deal has been learned from past experiments, but major questions remain. Sounding a theme heard throughout the conference, the authors stated that one critical unknown is the effect of providing remedial education to persons with poor skills in the context of broad-coverage systems. They recommended experimental net-impact studies of broad-coverage programs providing high-cost activities for significant numbers of long-term and potential long-term AFDC subgroups, especially those named in the JOBS legislation. They also recommended differential impact studies that directly compare low- and higher-cost service regimes or alternative high-cost regimes in head-to-head experimental trials. They stipulated that follow-up should cover at least five years to capture the full potential impact of human capital development and, when possible, should examine data on wage rates, work hours, fringe benefits, on-the-job training and promotion opportunities, and other aspects of job quality.

David Wise (Harvard University) commented that the lesson of the paper for program planners is that they must determine the level of service at which costs outweigh benefits for particular target groups. They must also assess the quality of services to be delivered and must be sure that a particular treatment can be replicated at a range of sites under varying conditions.

The Institute for Research on Poverty has begun publishing an occasional newsletter, *INSIGHTS*, to highlight recent research findings.

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“Evaluation Research and Policy Practice,” a panel discussion by Paul Offner, Ohio Department of Human Services, and Joseph Wholey, University of Southern California

Paul Offner addressed the question of how research findings and policymaking influence one another in the welfare reform area by sketching a “life-cycle theory.” When a reform is being launched, the parties involved are caught up in the excitement and resist research considerations. State governors want quick action. Administrators are wary of the mysteries of evaluation methodologies and in any case feel sure of what works and what doesn’t. Advocates are by definition convinced that they know what needs to be done; moreover, they are likely to object to experimental designs that require different treatments for similar recipients. Later, when the results almost invariably fall short of heady expectations, research questions are asked: Even if caseloads decreased very little, would there have been marked growth in the absence of the intervention? Even though the reforms had modest effects overall, did certain groups benefit more than others?

Thus, although research findings may not play a crucial role in the design of state projects, they later take on considerable importance. When it becomes apparent that welfare reform will be quite costly, prudence dictates the necessity of firm knowledge of what course is more likely to succeed. And in time administrators learn that rigorous evaluation methods are not as daunting as they first thought.

Offner finds us now in a stage of growing recognition of the value of and need for evaluations under the Family Support Act. The states must make hard choices: which subgroups to target, what services to emphasize with which clients, whether to put their money into school improvement or

expansion of adult basic education, or on expansion of day care, or on more sophisticated training programs. State legislators will want to know what they get for their investment. Congress will want to know what pays off, particularly since the Family Support Act will be due for reauthorization in a few years. Welfare departments need careful evaluations to guide them in allocating millions of both federal and state dollars. This is a promising foundation for concerted efforts to build evaluation into project planning from the beginning.

Joseph Wholey described the state-federal “programs for excellence” that are being developed in the areas of education, public health, and job training, and urged that a similar program be developed for JOBS.

A program of this nature would consist of cooperative local-state and state-federal efforts to (1) develop agreement between policy and operating levels on realistic goals and specific indicators of JOBS program quality, outcomes, and value; (2) monitor and evaluate JOBS program performance, and variations from expected performance, in terms of the agreed-on goals and performance indicators; and (3) use the resulting information to stimulate improved performance, identify promising approaches, and enhance public confidence in government.

Wholey placed his recommendation in global perspective, pointing out that throughout the world there is growing interest in decentralizing public authority and in improving public performance by using markets and quasi-market forces to stimulate the productive use of resources.

II. ISSUES IN THE DESIGN OF EVALUATIONS

The Family Support Act specified that the JOBS program be evaluated by social experiments in which participants are randomly assigned to experimental and control groups. A set of papers examined substantive and methodological issues involved in this method of evaluation and alternatives to it.

“Micro Experiments and Macro Effects,” by Irwin Garfinkel, Charles F. Manski, and Charles Michalopoulos, University of Wisconsin-Madison

Micro experiments are those that devote attention to changes in individual behavior that may result from program participation. This paper argued that micro experiments are inherently flawed by their inability to capture the “macro” effects emanating from the community within which an experiment is performed. In other words, an experimental test of a program intervention cannot tell us what would actually happen if the program should be adopted on a large scale, because the experimental envi-

ronment differs qualitatively from the larger environment. Illustrations follow.

Charles F. Manski, Charles Michalopoulos, and Irwin Garfinkel identified several types of “macro” effects that cause the results of an experimental treatment to differ from the results of a universal application of the treatment: market equilibrium effects, information-diffusion effects, and norm-formation effects.

Market equilibrium concerns local job conditions and displacement. A job-counseling experiment conducted within a tight labor market, where the total number of jobs available in a community is limited, may detect positive employment effects on experimental subjects but would miss the consequent reduction in employment opportunities available to members of the larger community.

Information diffusion concerns the way in which potential program participants learn about a program. In a child support reform experiment, the experimenter explains the advantages of the new system to the mother in the experimental group, and she can then choose to enter the program. In the real world, people learn from the experience of others; mothers are likely to find out about the system from friends and relatives who experience the new system. Behavior over time is likely to change as a result of the cumulation of knowledge, an effect that a micro experiment cannot detect.

Norm-formation concerns the way in which the value placed by an individual on a particular behavior is influenced by the proportion of peers that engage in that behavior. For example, when a reform of the child support system increases the number of awards given to mothers, each additional mother who secures an award increases the normative value of securing awards—a cumulative effect that will escape a micro experiment, in which only the experimentals and controls are observed.

Another example concerns the possible effects of a reform in welfare that reduces AFDC usage by increasing employment of single mothers. If mothers’ decisions to accept welfare depend upon how common welfare use is, the initial decline in use owing to the reform is reinforced by a feedback effect—as the proportion of mothers dependent on AFDC declines, the acceptability of being a welfare recipient may decrease, and the stigma of AFDC may increase. A micro experiment concerning the reform cannot capture this macro effect.

The authors offered recommendations for designing evaluations of macro effects. Randomized experimentation over sites is one method: rather than randomly assigning individuals to treatment or control groups, matched sites (cities or counties) could be selected; at one the treatment would be administered to all eligible persons, and at the other no treatment would be introduced. A comparison of results should reflect macro conditions. Or natural variation in policy across states may be observed, taking advantage of

the natural social laboratory offered by our federal system. Micro- and macro-experimental methods could be combined through a gradual implementation of a program throughout one community, matched with a similar community where no program was introduced. The program could use random assignment of a few individuals into treatment and control groups, periodically assessing these micro results and increasing the number of individuals receiving treatment until eventually all eligible applicants were in the program. The two communities would then be compared; any differences that could not be explained by the micro-experimental results would provide a measure of the extent of macro effects.

Robert Willis (University of Chicago) cautioned that much hard work and highly creative thinking would be required to recast the existing speculative models of these effects into a form suitable for empirical testing.

“Randomization and Social Policy Evaluation,” by James J. Heckman, Yale University

James J. Heckman argued strongly that the rationale for randomized social experiments is based on misapplication of the methods developed in the 1930s by R. A. Fisher, whose model of agricultural production has become a paradigm for experimentation in the natural sciences. Heckman contended that methods appropriate to study crop production cannot yield meaningful information concerning the effect of social policies on human beings. Persons randomly assigned to treatment and control groups are not analogous to crops randomly fertilized and unfertilized: “Plots of ground do not respond to anticipated treatments of fertilizer, nor can they excuse themselves from being treated with fertilizer” (pp. 2-3). Human beings have their own purposes, and the act of randomization may itself alter the behavior and the composition of the population being studied.

An additional reason for discounting the value of experimental methods, in Heckman’s view, is that social programs are usually administered in a complex sequence of stages, each involving purposive decisions. In the case of job training, the sequence consists of application to the program, enrollment in the program, assignment to treatment, receipt of treatment—which can itself involve successive stages—and, finally, job choice after program completion. Social experiments fail to take account of these behavioral complexities within a dynamic context.

This is not to say that experimentation is valueless. Heckman presented an econometric analysis demonstrating that experiments can provide useful data to supplement, but not substitute for, data from such other sources as administrative records to aid in developing fairly precise models of behavior during program participation. These models could then be used to simulate the results of alternative social policies—a method that the author felt would provide more reliable information than would experimentation alone.

Bruce Meyer (Northwestern University) seconded the recommendation that experimental methods be used to complement other types of analyses and urged that states and local agencies be encouraged to make administrative data available for evaluation research.

**“Evaluation Methods for Program Entry Effects,”
by Robert Moffitt, Brown University**

Robert Moffitt’s thesis was that experimental tests of employment programs for welfare recipients have failed to take account of a program’s effect on entry into AFDC. Most welfare policy interventions have intended both to improve participants’ earnings *and* reduce welfare dependency. If training increases participants’ earnings it may encourage people to join the welfare rolls in order to be eligible for the training, thus swelling the caseload rather than reducing it. He outlined nonexperimental evaluation methods for estimating entry effects.

The ideal data set to evaluate entry effects with such methods would contain information on a representative sample drawn from the population already participating in a program—say, AFDC—at the time of an intervention—say, JOBS—and on a sample drawn from those eligible but not participating at that time. Drawing the samples would continue over an extended period, to learn how entry rates into the program changed, if at all. The information to be obtained on these people would consist of welfare participation histories extending from a time prior to the startup of the intervention to some time after program completion. The histories preceding the study would control for differences in participation propensities among welfare recipients and nonrecipients. Data at the other end of the study would show the extent to which the effects of the program endure. Personal characteristics such as age, race/ethnicity, education, and gender should also be known, to control for group differences. Finally, geographic information concerning the program site would permit assessment of the economic and community conditions under which the program operated.

This ideal being unattainable, Moffitt outlined what might be done in the real world. The next-best data set would utilize AFDC administrative records for information on the recipient population. Similar information on the nonrecipient population would have to come from surveys. New, detailed household surveys would be preferable, but prohibitive costs would probably compel the next-next-best source: publicly available national surveys, such as the Current Population Survey or the Survey of Income and Program Participation. The drawback to their use is that sample sizes can become quite small for specific subgroups. Moffitt then outlined methods that required only AFDC administrative records.

Estimation of entry effects using experimental methods is more difficult, for practical reasons emanating from the nature of the comparison groups. Because the outcome of interest is the effect of the *offer* of a program, the offer must

be universally available in the community from which the treatment group is drawn; effects on participation over time are then compared with the experience within a comparable community where no offer is available. Thus, randomization must be performed over sites rather than individuals, and the sites must be matched as closely as possible. Not an easy task, made more difficult because the number of sites must be fairly large to ensure statistical strength in analysis, and the experiment must last long enough to capture duration effects.

Thomas MaCurdy (Stanford University) felt that use of nonexperimental data was almost imperative to gain the needed knowledge of the nature of the populations potentially affected by a new policy. Members of the audience suggested that advantage could be taken of the natural variation that will occur in implementation of provisions of the Family Support Act: since states have considerable authority over implementation, caseloads in states that delay program startup could be compared with those in states that moved more quickly.

III. INSTITUTIONAL BEHAVIOR

Standard practice in social policy evaluation has been to model formally and analyze quantitatively the effects of programs on participants. On the other hand, the behavior of the institutions that initiate and implement welfare and training programs has been treated informally—often anecdotally—and qualitatively. The final set of papers sought to develop ways to enhance our understanding of the effects of institutional behavior.

“Implementation Research: Studying the Institutional Challenge of the JOBS Programs,” by Richard P. Nathan, State University of New York, Albany

Implementation studies have often had low standing in academic eyes, because the changeable and complex nature of the administrative process can cause them to become bogged down in hard-to-follow descriptions of agency relationships and managerial processes. As a consequence Richard Nathan urged development of analytical structures that would permit stronger generalizations to guide practitioners in the field. He described a ten-state implementation study of JOBS, to be conducted by his university, intended to fulfill this purpose.

Four types of data will be collected: field observations based on interviews with administrators, visits to local welfare offices, and reviews of relevant program records; surveys of social workers providing JOBS services; surveys of participants; and focus-group discussions—in which the researchers use an open-ended discussion outline—with workers and with participants. Information will be sought on a wide range of program elements, including educational services, skills-training, child care, transportation and work-related

expenses, leadership displayed by state and local officials, attitudes of workers and clients toward the opportunities and obligations associated with JOBS, and management information systems.

The researchers will rate local agency performance by means of a conventional scaling technique, presenting a narrative and supporting data for their ratings. The purpose is to identify local offices that appear to have implemented the program in a manner consistent with state and national intent.

Robert Haveman (University of Wisconsin-Madison) considered that the research proposed might be hampered by three limitations: it lacked the guidance of an adequate theoretical framework; it did not sufficiently specify desired outcomes and therefore could not provide information on the extent to which objectives were achieved; and it would be difficult if not impossible to distill the voluminous information obtained into the reliable and replicable conclusions required of social scientific research.

“The Effects of Performance Standards on State and Local Programs: Lessons for the JOBS Program,” by Burt S. Barnow, Lewin/ICF

Performance standards are designed to measure a program’s progress toward certain goals. The goals are specified; performance measures are developed for each goal; and a standard is established for each measure, as a benchmark against which to gauge progress. Rewards and sanctions are offered when the standards are and are not met. Performance standards not only urge a program toward particular goals, but also make it possible to hold managers accountable for what takes place under their direction.

Although performance standards have recently been widely applied in public programs, they remain controversial; indeed, Edward Gramlich, this paper’s discussant (see below), recommended that they be altogether abolished. They nevertheless appear here to stay for a while, evidenced by the requirement of the Family Support Act that performance standards for JOBS be developed from the federal and state evaluations now under way and that the Secretary of Health and Human Services make recommendations concerning them to Congress by October 1993.

Because performance standards are now well established in the Job Training Partnership Act program, and because that program also covers welfare recipients, Barnow described the development of that system and drew its lessons for JOBS.

A section of the 1982 act specified that JTPA program performance was to be measured in terms of placement and retention in unsubsidized employment; increases in wage rates and earnings; and reductions in both the number of families receiving welfare and the amounts received. (Other

outcomes, not discussed here, were specified for youth groups.) The Department of Labor accordingly developed a set of measures related to these goals, and it yearly issues national standards that governors may adopt as the performance expected at each local program site.

To illustrate: in 1989, one of the outcome measures was the proportion of clients who obtained jobs, and the standard for that measure was 68 percent.⁵ Sites failing to place at least 68 percent of their clients can be sanctioned by reduced funding, and those that exceed the percentage can be financially rewarded. The states establish their own sanctions and rewards.

To make allowance for differences in the types of clients served in different locales—e.g., higher proportions of those with more disadvantages—and for variations in local market conditions, states have the option of using “adjustment models” that modify the national standards to more accurately reflect local circumstances. The models are based on regression analyses conducted annually on administrative data available for the locale. Most states now make use of the models, despite the complicated statistical procedures that must be followed, not all of which are fully understood by local program managers.

The system encountered considerable criticism in early years and has been modified to correct some deficiencies. Initially, the performance measures included the cost of operating a program and dealt mainly with client status at program completion. These two types of measures, it was charged, encouraged “creaming”—avoiding hard-to-place clients in favor of those already close to employability—and cheaper, short-term approaches such as job search assistance rather than more expensive, longer-term vocational and educational training. The Department now uses measures based on status in a postprogram period and has encouraged states to serve more disadvantaged clients.

What does this experience indicate for the development of performance standards in JOBS? Barnow recommended that the planned federal data-collection effort for JOBS be expanded to permit gathering as much information as possible on participants and outcomes in all of the states, so that there would be accurate, national data on which to base appropriate performance measures when the time came. He further suggested that rewards and sanctions be held to a minimum initially, to assess their effect, and that creaming be explicitly discouraged.

Barnow’s general conclusion was that the JTPA experience has demonstrated that it is possible to develop reasonable performance standards for welfare training and employment programs, and that an acceptable system can be developed for JOBS.

Gramlich (University of Michigan) disagreed, arguing that performance standards are not only punitive and outmoded but also unnecessary for JOBS, because the states are al-

ready sufficiently motivated toward achievement of the program's goals, have proved quite inventive in devising the programs that are now in place, and do not require rewards and incentives to urge them on. Moreover, for the federal government to obligate adherence to performance standards well after the programs began would seem to fly in the face of the trend toward fiscal federalism. Gramlich's own recommendation was that in 1993 the Secretary recommend that there be no performance standards. Failing that, a second-best option would be to promulgate standards but apply them unevenly, obligating them in some states but not in others, so that the effect of the standards could be evaluated by comparing outcomes in their presence and in their absence.

“Case Management in Welfare Employment Programs,” by Fred Doolittle and James Riccio, Manpower Demonstration Research Corporation

Case managers are social agency staff members with responsibility for determining the needs of clients and ensuring that they receive appropriate services. The Family Support Act specifies that under the JOBS program “the State agency may assign a case manager to each participant and the participant's family. The case manager so assigned must be responsible for assisting the family to obtain any services which may be needed to assure effective participation in the program.” The act offers federal matching funds to support case management systems, but neither it nor its implementing regulations define what form they must take, and many options are possible. Fred Doolittle and James Riccio examined the social work literature and experience of the welfare-to-employment programs already in place to offer guidance in the complex choices facing JOBS planners.

The authors framed their discussion with the reasons for which evaluators of welfare employment programs should be concerned with case management: (1) to understand how a program's treatment is operationalized; (2) to learn the most efficient and effective ways of providing that treatment; and (3) to obtain the cooperation of case managers in research objectives—a cooperative relationship that is crucial for successful evaluations.

Doolittle and Riccio then addressed specific questions. What do case managers do? How do they do it? What is their role in program evaluation? What types of people make the best managers?

Managers generally perform four basic functions: (1) assessment of a client's needs; (2) development of a plan to meet the needs; (3) arrangement and coordination of the services required; (4) monitoring the use of services and gauging the continuing appropriateness of the plan.

Assessment procedures can vary widely, and the choices made are related to the overall model of the program. In California's GAIN program, where participation is manda-

tory, clients begin with a basic reading and math test and progress through a sequence of service stages; usually, only individuals who do not find a job after receiving either basic education (for those least prepared) or job search assistance (for those already prepared) are given a full career assessment of skills and service needs to plan for further education and training. In the ET-Choices program in Massachusetts, where participation is voluntary and service plans are individually determined, a full-scale assessment is conducted at the outset. Because comprehensive assessments are costly and may not be needed in every case, one line of argument is that it is simpler (and cheaper) to limit assessment and other case management activities to those who do not find employment after receiving job search assistance.

For each JOBS participant the states must develop an employability plan specifying a client's employment goal, the activities to be undertaken to achieve that goal, and the services, such as child care, to be provided. JOBS regulations require that client needs and preferences be taken into account, but final determination of the plan rests with the agency. The managers can be expected to play a strong role in helping clients make informed choices.

Opinions differ on the extent to which case managers should themselves arrange for services or require clients to assume all or some of these responsibilities. Options range from simply giving clients the information on service providers and leaving the rest up to them to taking an active role in being the client's advocate or even providing counseling for personal or family problems.

The fourth function, continued monitoring of the client's experience and making adjustments as needed, has proved particularly difficult in programs with many components, such as GAIN. Available research indicates that managers exercise this function in a variety of ways, reflecting differences in their personal philosophies, the size of their caseload, and the program design.

Doolittle and Riccio described three principal styles of case management: the generalist model, in which a single manager works with a client throughout the program; the specialist model, in which a client proceeds through program stages with a different manager in each; and the team-of-specialists model, in which one person serves as general coordinator for a client, and specialists are involved in particular aspects of a program as need arises. Available research does not indicate that one model is more effective than the others.

Case managers can be key actors in the process of program evaluation, for their cooperation is usually essential for its success. Researchers thus must be sensitive to managers' concerns, must ensure that managers understand and are sympathetic to the goals of the evaluation, and must closely monitor the manager's role in implementation of the evaluation.

What should be the qualifications for case managers? The American Public Welfare Association recommends at least some college education for JOBS case managers but recognizes that persons lacking even a high school diploma, including former AFDC recipients, can be effective. Of interest is whether income maintenance workers, a likely source for case management performed in-house (as opposed to that contracted out, which is another option), can move from their relatively routine functions to the challenge of managing cases. The experience of welfare employment programs in California, Massachusetts, and New Jersey indicates that the workers were often able to make this switch. The most important qualifications for a good manager were found to be a problem-solving attitude, commitment to the goal of client self-sufficiency, communication skills, and a willingness to find ways to serve the best interests of the client.

In discussing the paper, Irving Piliavin (University of Wisconsin-Madison) stressed the need for more systematic study of case management activities so that we may gain a clearer understanding of their role in making programs work. He suggested two bodies of research as resources for constructing the variables of interest: studies by clinical psychologists of the impact of therapists' attributes on intervention effectiveness, and studies by vocational counselors of the personal factors that influence program success. ■

¹The data were from evaluation reports prepared by the Manpower Demonstration Research Corporation on demonstrations in Arkansas, California, Maryland, Pennsylvania, Virginia, Washington, and West Virginia.

²The authors summarized impact analyses of programs in Arkansas, California, Illinois, Maine, Maryland, Massachusetts, New Jersey, Virginia, Washington, and West Virginia.

³Hotz identified four aspects of the JTPA system that distinguish it from other federal social programs and complicate its evaluation: (1) under its decentralized structure, the governors of each state establish relatively independent local units (Service Delivery Areas), designed to correspond to local labor markets, which are given latitude to develop programs tailored to the local population and labor force needs; (2) the local programs are run by a complex cast of decision makers, including the Private Industry Councils that serve as governing boards and which must include representatives from the private sector (required to constitute a majority of the members), economic development agencies, labor and educational organizations, and community-based organizations, as well as by a chief elected official who shares with the Council authority over operation of the local unit; (3) eligible participants include AFDC recipients, Food Stamp recipients, and individuals with very low incomes, but each unit must spend at least 40 percent of its funds on youths aged 16-21; and (4) local programs are monitored and regulated by contractually based performance standards. The thorny issues involved in performance standards form the subject of a separate conference paper, by Burt Barnow, described elsewhere in this article.

⁴Governors of states could submit their requests for waivers directly to the board or to a federal agency, which could refer the request to the board. The chair of the board determined whether a request would be reviewed; if so, the state was invited to make a presentation of its proposal. The board then made a recommendation to the appropriate department secretary. Although the recommendation was advisory only, it was followed in all cases.

⁵The national standards are based on experience in previous years and are set so that at least 75 percent of the local sites will exceed the standards. They are thus based on relative rather than absolute levels of performance.

Notes on Institute researchers

Larry Bumpass is President and Program Chair, Population Association of America. He has been appointed to the Population Research Committee of the National Institutes of Health and has been named N. B. Ryder Professor of Sociology at the University of Wisconsin-Madison. He briefed Senator Moynihan and his staff in July 1989 on children's experience in single-parent families, and he briefed the Northeast Congressional Coalition in September 1989 on family trends in the United States. With **Sara McLanahan**, he received the Rubin Hill Award of the National Council on Family Relations for an outstanding research-and-theory article in 1988.

Thomas J. Corbett testified before the Subcommittee on Social Security and Family Policy, Finance Committee, U.S. Senate, June 1990, on the Wisconsin Learnfare program.

Sheldon Danziger presented a paper on the causes and consequences of child poverty at a conference sponsored by UNICEF's International Child Development Center in Florence, Italy. As part of the American Participants Program sponsored by the United States Information Agency, he lectured at universities, research institutes, and government agencies in Moscow, Frankfurt, Bonn, and Berlin. He was also the keynote speaker at a conference on income distribution sponsored by the University of Gothenburg (Sweden). Danziger, **Marta Tienda**, IRP National Advisory Committee member **Christopher Jencks**, and former National Advisory Committee member **William Julius Wilson** all serve on the Committee for Research on the Urban Underclass of the Social Science Research Council.

Martin David is adviser to the West German Socio-Economic Panel Study. He serves on the Committee on National Statistics, National Research Council.

Irwin Garfinkel is a professor of social work at Columbia University.

Arthur Goldberg was a visiting professor of economics at Stanford University, January-June 1990.

Linda Gordon has been appointed Florence Kelley Professor of History at the University of Wisconsin-Madison. She was named to the editorial board of the *American Historical Review*, and was invited by the University of Warsaw to deliver the keynote address at the first conference on women's studies in Poland. Her history of family violence, *Heroes of Their Own Lives*, won the Joan Kelly prize of the American Historical Association.

W. Lee Hansen is serving as executive secretary of the Commission on Graduate Education in Economics of the American Economic Association.

Robert M. Hauser has been elected to the Board of Overseers of the General Social Survey and to the Committee on National Statistics of the Commission on Behavioral and Social Sciences and Education, National Research Council.

Robert Haveman was elected to membership in the National Academy of Social Insurance. He continues to serve as director of the Robert M. La Follette Institute of Public Affairs, University of Wisconsin-Madison, and as co-editor of the *American Economic Review*.

Karen Holden is an assistant professor in the Department of Consumer Science and at the La Follette Institute of Public Affairs, University of Wisconsin-Madison. She has been elected to the U.W. Committee on Faculty Compensation and Fringe Benefits. She was appointed to the Board of Editors, *Journal of Gerontology*.

Charles F. Manski has been appointed to the Advisory Panel for the Evaluation of the Job Opportunities and Basic Skills Training program (JOBS) of the U.S. Department of Health and Human Services.

Robert Mare became director of the Center for Demography and Ecology, University of Wisconsin-Madison, September 1989.

Margo Melli has been appointed by the American Law Institute as a reporter for its project on the Principles of the Law of Family Dissolution. She was elected to the executive committee of the International Society on Family Law and is chair of the National Conference of Bar Examiners.

Robert H. Meyer, who has recently joined the Institute, the Economics Department, and the La Follette Institute of Public Affairs, University of Wisconsin-Madison, served as senior economist at the National Assessment of Vocational Education from 1986 to 1989.

Robert Moffitt has been serving on the Committee on Microsimulation of the National Academy of Sciences.

Robert Plotnick is associate dean of the Graduate School of Public Affairs, University of Washington. From January to June 1990 he was a visiting scholar at the Russell Sage Foundation.

Joel Rogers was recently promoted to professor of Law and Sociology at the University of Wisconsin-Madison. He re-

ceived an H. I. Romnes faculty fellowship and was named a Vilas associate. Rogers is director of the Disputes Processing Research Program, co-director of the Center for Wisconsin Strategy, associate director of the A. E. Havens Center for the Study of Social Structure and Social Change, and a participating faculty member of the Industrial Relations Research Institute.

Gary Sandefur is director of the American Indian Studies Program, University of Wisconsin-Madison.

John Karl Scholz has accepted a one-year appointment as a member of the senior staff, Council of Economic Advisers, Washington, D.C.

C. Matthew Snipp was a fellow at the Center for Advanced Study in the Behavioral Sciences, Stanford, 1989–90.

Karl Taeuber took sabbatical leave at the London School of Economics, January–May 1989. He co-directed the conference New Perspectives on Racial Issues: Middle-Sized Metropolitan Areas, held in Madison, May 30–June 1, 1990. He was chair of the Council of the Inter-University Consortium for Political and Social Research, 1988–90, and continues as ex-officio member of the Council.

Marta Tienda is spending the 1990–91 academic year at the Center for Advanced Studies in the Social and Behavioral Sciences, Stanford University. She was elected a fellow of the American Association for the Advancement of Science in February 1990, and has been asked to serve on the Research Advisory Board of Public/Private Ventures. She is a member of the MacArthur Foundation's Committee on Successful Adolescent Development in High Risk Settings.

Burton Weisbrod has accepted an appointment at Northwestern University as John Evans Professor of Economics and director of the Center for Urban Affairs and Policy Research. He is on the board of directors of the American Pharmaceutical Institute and the National Bureau of Economic Research. In 1989 he was elected fellow of the American Academy for the Advancement of Science.

Barbara Wolfe is a member of the Committee on the Status of Women in the Economics Profession of the American Economic Association, convener of the Consortium for Health Services and Health Policy Research at the University of Wisconsin-Madison, and director of a training program in health and mental health economics in the Economics Department of the University of Wisconsin-Madison, sponsored by the National Institute of Mental Health.

IRP workshops

Labor Market Prospects for the Disadvantaged

Organized by Robert Moffitt, Brown University, Charles F. Manski, IRP Director, and Robert Mare, University of Wisconsin-Madison, the workshop "Labor Market Prospects for the Disadvantaged" was held June 25–29, 1990. The workshop focused on the application of new methods of empirical analysis. (This workshop was the first in a series on the same topic. An announcement of the second workshop will appear in the next issue of *Focus*.) The following presentations were made:

Joseph Altonji, Northwestern University, "Intergenerational Linkages between Earnings, Hours, and Wages."

Stephen Bell, Abt Associates, "Frontiers of Experimental Research on Job Training and Employment Programs."

John Conlon, Samson Kimenyi, and Lewis Smith, University of Mississippi, "Effects of Mandatory Employer-Provided Health Benefits on the Labor Market Prospects of Low-Wage Workers."

Mark Gritz, University of Washington, and Thomas MaCurdy, Stanford University, "The Influence of Unemployment Insurance on the Unemployment Experiences of Young Workers."

Eric Hanushek, University of Rochester, "Family Background and School Achievement: Exploring the Linkages."

Robert Hauser, University of Wisconsin-Madison, "Trends in Intergenerational Mobility in Men's Occupation and Earnings from the Early 1970s to the Late 1980s."

James Heckman and Steve Cameron, Yale University, "The Determinants and Consequences of School Dropout, High School Graduation, and the GED."

Joseph Hotz and Seth Sanders, University of Chicago, "Modeling Welfare Dependence and the Role of Local Labor Market Conditions."

Michael Keane, University of Minnesota, and Robert Moffitt, Brown University, "A Structural Model of Multiple Welfare Program Participation and Labor Supply."

Daniel Lichter, Pennsylvania State University, "Labor Force Transitions and Underemployment in the Late 1980s."

Charles F. Manski, Sara McLanahan, Dan Powers, and Gary Sandefur, University of Wisconsin-Madison, "Alternative Estimates of the Effects of Family Structure during Childhood on the Probability of High School Graduation."

Bruce Meyer, Northwestern University, "Black-White Differences in Self-Employment."

Robert Meyer, University of Wisconsin-Madison, "Math-Oriented Vocational Education in High School: Determining What Works for the Non-College-Bound Student."

Charles Michalopoulos, University of Wisconsin-Madison, Philip Robins, University of Miami, and Irwin Garfinkel, Columbia University, "A Structural Model of Labor Supply and Child Care Demand."

James Montgomery, Northwestern University, "Is Underclass Behavior Contagious? A Rational-Choice Analysis."

James Walker, University of Wisconsin-Madison, "Government Regulation and Rationing in the Child Care Market."

IRP-ASPE research workshop

The annual research workshop sponsored by the Institute and the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, was held May 9–10, 1990. The following research projects, supported under the Small Grants Program, were presented and discussed. They will be printed in the IRP Discussion Paper Series.

Rachel Connelly, Bowdoin College, "The Cost of Child Care and Single Mothers: Its Effect on Labor Force Participation and AFDC Recipients."

David Greenberg, University of Maryland, "Research Utilization in Policymaking: A Tale of Two Series (of Social Experiments)."

Tony Lancaster, Brown University, "Investigating Homelessness: A Renewal Theory Approach."

Paul Menchik, Michigan State University, "Permanent and Transitory Economic Status as Determinants of Mortality among Nonwhite and White Older Males: Does Poverty Kill?"

Edgar Olsen, University of Virginia, "Bias in Estimating the Benefits of Government Programs Due to Misapplication of Composite Commodity Theorems: Estimates for Major U.S. Housing Programs."

Karen Ringheim, University of Michigan, "The Structural Determinants of Homelessness: The Roles of Income and Rent in Eight Cities."

Terry Rosenberg, Community Service Society of New York, "Changes in Household Composition and Income Strategies of Poor Women in New York City."

Announcements

The Institute for Research on Poverty at the University of Wisconsin-Madison and the U.S. Department of Health and Human Services will sponsor the tenth competition under the Small Grants program for research on poverty-related topics during the period July 1991 through June 1992. Two programs are offered: (1) several grants of up to \$15,000 each are available for work during the summer of 1991 and do not require residence in Madison or Washington, D.C.; (2) a smaller number of grants of up to \$30,000 each are available for visitors in residence for a period of up to 4.5 months at either IRP or the Department of Health and Human Services during the 1991-92 academic year. Researchers must hold the Ph.D. To obtain guidelines, address the request to Small Grants Program, Institute for Research on Poverty, 1180 Observatory Drive, Madison, WI 53706.

Application deadline: February 15, 1991.

The Social Science Research Council offers four fellowship and grant programs in 1991 to support research on the urban underclass. The purpose of the programs is to advance research on the structures and processes that generate, maintain, and overcome the conditions and consequences of persistent and concentrated urban poverty in the United States. Undergraduate research assistantships offer financial support of up to \$5,000 per student to support research conducted by undergraduate students in collaboration with faculty and/or advanced graduate students. (Up to five undergraduates may receive support in connection with a single project.) Dissertation fellowships provide financial support of up to \$22,000 for full-time research directed toward the completion of the doctoral dissertation. The Summer Dissertation Workshop for Minority Students provides training in research design and analysis to assist students in developing a dissertation proposal. Postdoctoral grants provide up to \$37,500 to support research by scholars with a Ph.D. or comparable research experience.

Application deadline: January 10, 1991.

For further information and application materials please contact Social Science Research Council, Research on the Urban Underclass, 605 Third Avenue, New York, NY 10158 (212) 661-0280.

The University of Michigan's Research and Training Program on Poverty, the Underclass, and Public Policy offers one-year postdoctoral fellowships to American minority scholars to expand knowledge in all the social sciences. Fellows will conduct their own research and participate in a year-long seminar on Poverty, the Underclass, and Public Policy under the direction of Sheldon Danziger, Professor of Social Work and Public Policy, and Mary Corcoran, Professor of Political Science, Public Policy, and Social Work. Funds are provided by the Rockefeller Foundation. Applicants must have completed their Ph.D. by August 1, 1991.

Application deadline: January 10, 1991.

For an application packet, contact the Program on Poverty, the Underclass, and Public Policy, School of Social Work, 1065 Frieze Building, University of Michigan, Ann Arbor, MI 48109-1285.

Panel on Confidentiality and Data Access: Request for comments

Many users of federal statistics are aware of the balance that must be struck between protecting the confidentiality of information provided by persons and businesses for statistical purposes and the need to make publicly collected data widely available for legitimate research and statistical uses.

The Committee on National Statistics and the Social Science Research Council, with support from several federal agencies, have convened a Panel on Confidentiality and Data Access. As part of its two-year study, the Panel is compiling relevant information from both producers and users of federal statistics.

(Continued on p. 26)

IRP Reprints

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Are lotteries harmful?

In 1987 the State of Wisconsin, in authorizing a state lottery, required the Wisconsin Lottery Board to contract with IRP to undertake a study of the impact of the lottery on Wisconsin residents of various income levels. Titled “Who Plays the Lottery? A Comparison of Patterns in Wisconsin and the Nation,” the study was carried out by Irving Piliavin and Michael Polakowski and is available as IRP Special Report No. 50. Most of the material in this article is taken from the Special Report.

Although as recently as 1964 lotteries were illegal in every state, state-sponsored lotteries have become extremely popular over the past decade and the enormous attendant publicity when huge prizes are won continues to fuel their popularity. By 1989 lotteries were operating in thirty-one states and the District of Columbia.¹ State governments apparently see lotteries as a relatively painless way to raise revenue—painless compared to raising taxes. And they hasten to climb on the bandwagon in fear that if they do not, they will lose revenue to neighboring states where lottery tickets are available. Although there is some variation from state to state, on average, for each dollar spent by a player on the lottery, approximately 50 cents is returned in prizes (compared to a payout rate of over 97 percent in many commercial gambling casinos), 12 cents is spent on operations, including commissions to retailers, and 38 cents goes to the state treasury.² Lotteries bring in about 3 percent of state-raised revenues.³ Often they are earmarked for special purposes, such as education or property tax relief. They are costly to administer compared to sales taxes and especially to income taxes, and, in terms of per capita expenditures (including both state government expenditures and customer expenditures on state products), now rank fourth, below education, public welfare, and highways.⁴

History of the lottery

Choosing by lot is as old as recorded history, and the first known lottery—in that it offered money prizes for purchased tickets—was held in Florence in 1530.⁵ Most countries have capitalized on the propensity of individuals to gamble, and America is no exception.⁶ During the colonial

and postrevolutionary periods lotteries often served as instruments of public finance and were sponsored by prominent citizens. Roads were paved, bridges built, and buildings constructed with the aid of lotteries. Harvard, Yale, Princeton, and Columbia benefited from lotteries, and during the Revolution lotteries were a means of raising money to support the troops.

There were always those who objected to lotteries, who considered any sort of gambling immoral—the Quakers, for example—but these groups had little influence as long as the lotteries were in the hands of important public figures and charitable organizations. In the nineteenth century, however, the rather benign attitude toward lotteries changed. Much of the management of lotteries was contracted out to private firms, on the assumption that entrepreneurs could run the lotteries more efficiently than volunteers. Since these professionals were often more interested in personal gain than the public good, the private management of lotteries led to serious problems. Drawings were delayed and sometimes failed to take place at all. Special stores opened to sell lottery tickets and many more tickets were sold than were authorized for sale. Lottery directors were found to be receiving enormous amounts in expenses—almost the total amount collected. Eventually lotteries gained such a bad reputation that by 1894 they were prohibited in every state, and seventy years passed before the state of New Hampshire reintroduced a legal lottery.

Current lotteries

Twentieth-century lotteries are state-sponsored and subject to strict control—if not actually run by state agencies—and are therefore unlikely to become corrupt. Furthermore, technological advances have made possible fast payoffs (such as instant scratch-off games), widely accessible computerized numbers games, and now lotto—a lottery distinguished by long odds (typically the probability of winning is one in 7 million) and huge jackpots (some of over \$100 million) that continue to build until someone draws a winning series of numbers. The computerized system even makes locating winners relatively easy by recording the location at which every number combination is purchased.

It has been suggested that state-sponsored lotteries are socially beneficial because in addition to raising money for

good causes, they offer an alternative to illegal gambling, which is tied to organized crime.⁷ And they clearly offer some immeasurable satisfaction to consumers. Yet uneasiness persists. Should state governments, whose responsibility it is to look after the well-being of the populace, provide the opportunity to gamble and in many instances encourage citizens to spend increasing amounts of money on this unsubstantial product? Does lottery play entail expenses that some citizens cannot afford? Do lotteries capitalize on the naivete of citizens regarding the probabilities of winning and strategies of play? Does playing the lottery lead to habitual gambling? Does it undercut the work ethic? And is the lottery a regressive means of raising revenue? Some of these questions were addressed in the study mandated by the Wisconsin Legislature.

The IRP study

A telephone survey to explore attitudes and characteristics of lottery players was designed and analyzed by Irving Piliavin and Michael Polakowski and conducted by the Letters and Science Survey Center of the University of Wisconsin-Madison. The survey made use of representative samples of currently working residential numbers in the United States and in Wisconsin, purchased from Nielsen Media Research. It was conducted June 1–August 6, 1989.

The demographic characteristics of those in the national sample corresponded closely to the characteristics of the U.S. population as measured by the Census Bureau, and the Wisconsin sample mirrored the national sample in most respects. The major differences were in the proportion of white players (94.3 percent in Wisconsin and 87 percent in the national sample) and in the percentage that had completed college (19.5 in Wisconsin and 27.8 in the national sample). The racial difference can be attributed to the proportion of nonwhites in Wisconsin (5.8 percent) compared to the nation as a whole (12.2).

How many people play the lottery?

A summary of the responses to the National Survey is presented in Table 1. A corresponding summary for the Wisconsin sample is presented in Table 2. In the national sample only 69 percent of the sample members lived in a state that had a lottery, which explains why only 62.5 percent had played the lottery at some time in their lives, compared to 67.8 percent in Wisconsin. Sixty percent of the residents of states with lotteries had played during the year preceding the survey. Of these, 23 percent had played once a week or more over the past year and 40 percent had played at least once a month.

Who are the players?

A relatively large proportion of the low-income population eschews the lottery: 54 percent of those with incomes below

Table 1
Gambling, Lottery Play, and Opinions: National Sample
(N = 733)

Response	Value
Ever played a lottery	62.5%
Resides in a state offering a lottery	69.2%
Play the lottery at least once a month in home state	39.9%
Play the lottery at least once a week in home state	23.1%
Percentage who played in home state that reside in lottery state (306 of 507)	60.4%
Median monthly lottery expenditure (players only)	\$4.60
Mean monthly lottery expenditure (players only)	\$14.14
Median percentage of monthly income spent on lottery (players only)	.2%
Participates in other forms of gambling	39.2%
In favor or strongly in favor of state lotteries	72.5%
For those residing in states with lotteries (N = 507)	75.8%
Agree or strongly agree:	
Lotteries are harmless forms of recreation	56.2%
Lottery play reduces money for household expenses (players only)	3.1%
Gambling is a problem for self	3.3%
Gambling is a problem for partner (married or cohabiting only)	1.9%
Believe a system can be devised to improve one's chances to win at lotto	30.3%
Percentage of money wagered on lottery that is returned as winnings:	
0-25%	60.9%
26-50%	29.9%
51% and above	9.2%

Note: "Players only" refers to respondents who reported that they had played a lottery within the past year.

\$10,000 had never played, compared to only 38 percent of those with incomes between \$10,000 and \$50,000. Widowers and widows are less likely to play than others, and older people are less likely to play than younger people. Women are significantly less likely to play than are men,⁸ and those without a high school education are less likely to play than those with more education. As might be expected, people who disapprove of the lottery are the least likely to play. No racial differences in lottery play were found.

Lottery play is found to be significantly related to other forms of gambling. Those who had engaged in some other form of gambling over the past year were much more likely to have ever purchased a lottery ticket than nongamblers (78 percent vs. 52 percent).

How much do they spend?

Expenditures on the lottery tend to be modest. The median monthly expenditure on lottery play—among those who

Table 2
Gambling, Lottery Play, and Opinions: Wisconsin Sample
(N = 527)

Response	Value
Ever played a lottery	67.8%
Ever played the Wisconsin lottery	58.1%
Play Wisconsin lottery at least once a month	35.6%
Play Wisconsin lottery at least once a week	18.0%
Median monthly lottery expenditure (players only)	\$4.60
Mean monthly lottery expenditure (players only)	\$10.57
Median percentage of monthly income spent by players on lottery	.3%
Participates in other forms of gambling	49.7%
In favor or strongly in favor of state lotteries	72.8%
Agree or strongly agree:	
Lotteries are harmless forms of recreation	57.5%
Lottery play reduces money for household expenses (players only)	3.9%
Gambling is a problem for self	2.9%
Gambling is a problem for partner (married or cohabitating only)	2.5%
Believe a system can be devised to improve one's chances to win at lotto	34.3%
Percentage of money wagered on lottery that is returned as winnings:	
0-25%	60.1%
26-50%	31.7%
51% and above	8.2%

Note: "Players only" refers to those respondents who reported that they had played the Wisconsin lottery.

played at all—was \$4.60 in both the national and the Wisconsin samples, and the mean in the national sample was \$14.14 (\$10.57 in Wisconsin). About 12 percent of the national sample lottery players reported spending more than \$20 a month on play, and 4 percent stated that they spent more than \$50 a month. Yet over half of those who played a lottery in the year preceding the survey spent less than 0.2 percent of their income on the lottery, and 88 percent spent less than 1 percent.

The relationship of income to amount spent

The average amount of money spent per month on the lottery was not found to differ significantly by age, family income, gender, race, education, or marital status. That being the case, the percentage of income spent on the lottery is significantly higher for players with low family incomes and low educational levels. Because poor families have been found to spend approximately the same amount on the lottery as wealthier families, this amount translates into a much higher proportion of their income (see Table 3). So the lottery is clearly regressive, having a greater impact on poor

players than on the wealthy. Nevertheless even poor players spend, on average, less than 2 percent of their income on the lottery, and since only about 3 percent of respondents suggest that lottery play reduces money for household expenses, it would appear that, at least at the time of the study, expenditures on the lottery were not perceived to cause material hardship.

Approval rating of the lottery

Although the study revealed overwhelming support for the lottery (72.5 percent of the national sample), a much smaller proportion considered it a harmless form of recreation. This

Table 3
Percentage of Players' Income Spent on the Lottery,
by Demographic Characteristics: National Sample

	% Income Spent (Mean)	N
Age		
18-25	.88	30
26-30	.41	48
31-35	.42	47
36-40	.78	36
41-45	.68	30
46-50	.61	23
51-60	.46	41
61-70	.70	35
71+	1.10	9
Annual Family Income*		
Less than \$10,000	1.33	24
\$10,000 to \$19,999	.88	41
\$20,000 to \$29,999	.66	60
\$30,000 to \$39,999	.48	68
\$40,000 to \$49,999	.43	42
\$50,000 to \$59,999	.69 ^a	26
\$60,000 or more	.13	38
Gender		
Male	.63	148
Female	.59	151
Race		
White	.58	265
Nonwhite	.79	34
Education*		
Less than high school	1.52	26
High school graduate	.86	63
Some college	.34	69
2-year degree	.54	54 *
College degree	.41	87
Marital Status		
Single	.72	55
Married	.56	182
Widowed	.79	16
Divorced/separated	.57	46

*This value was affected by an individual who spend \$600 a month on the lottery. Without him the percentage of income spent is under .22.

*Differences across groups are statistically significant.

paradox suggests that people may feel that the lottery is harmful for others, though it hasn't harmed them. Or it may simply be a last gasp of the Puritan ethic. Only 3.3 percent of the national sample considered gambling a personal problem.

Public understanding of how lotteries work

Several questions revealed some lack of understanding on the part of players of how the lottery works. A fifth of the respondents felt that the lottery was an easy way to make money. And almost a third of the respondents believed that a "system" could improve one's chances of winning. Interestingly, despite the very low payback rate of the state lotteries, most respondents assumed the proportion returned as prizes is even lower than it actually is. The vast majority assumed that something under 25 percent of the money is returned to participants. The great enthusiasm for the new games with huge jackpots suggests that the likelihood of winning has nothing to do with playing the lottery. That someone somewhere wins is inducement enough.

Conclusion

Lotteries pose a dilemma for state governments. They are a tempting source of funds, and to the extent that a state should provide what the citizens desire, they can hardly be resisted. The survey reported here suggests that they do little or no harm. Yet even their most enthusiastic supporters harbor qualms about their effects.

Since this study was carried out, Wisconsin has joined a number of other states in Megabucks, a multi-million-dollar lotto game with astronomical jackpots to a very few lucky winners, who, overnight, join the ranks of the rich and famous. The game has become the state's most popular lottery, with sales dictated almost completely by the size of the jackpot. Will the enthusiasm for lotto drive otherwise rational beings to invest more than they can afford in the longest of long shots? Should a state-supported agency encourage the gullible to spend their hard-earned money on a venture that provides the vast majority of participants with only a fleeting hope of wealth? The relationship between state governments and the lotteries they have established continues to be an uneasy one.⁹ ■

¹Charles T. Clotfelter and Philip J. Cook, "On the Economics of State Lotteries," *Journal of Economic Perspectives*, forthcoming.

²Charles T. Clotfelter and Philip J. Cook, *Selling Hope: State Lotteries in America* (Cambridge, Mass.: Harvard University Press, 1989), p. 25.

³Ibid., p. 29.

⁴Ibid., p. 30.

⁵Ibid., p. 34.

⁶In 1986, of the 140 countries permitting gambling, 100 had legalized lotteries (ibid., p. 21).

⁷Some argue that legal gambling has no effect on the illegal numbers game, since the illegal game provides credit and home delivery (especially important to shut-ins, such as those in penitentiaries), and is tax-free. Others point out that to all intents and purposes legal winnings of up to \$600 are tax-free, since the states do not report them to federal authorities. And it has been argued that the heavy promotion of legal games results in an increase in illegal play. See a discussion of this point by Clotfelter and Cook, *Selling Hope*, pp. 130-133.

⁸This was one of the few points on which the Wisconsin and the national sample differed. Although past literature consistently reports that men play the lottery more frequently than do women, no gender difference was found in the Wisconsin sample. It was further found in Wisconsin (but not in the national sample) that mean gross expenditure per month on the lottery rises with approval of the lottery. The authors suggest that these and other minor discrepancies may be owing to the newness of the Wisconsin lottery. (The study was carried out in the first year of the lottery.) Women may have been responding to the novelty of betting opportunities.

⁹When a jackpot of over \$100 million in Florida (September 1990) drew much media attention, long lines at ticket counters, and multiple purchases of tickets, the governor of the state felt obligated to issue a statement warning citizens not to spend more than they could afford.

Institute Visitors

Jerzy Kropiwnicki, from the University of Lodz, Poland, will be a Visiting Scholar at the Institute for the 1990-91 academic year. His research on the U.S. social security and welfare systems is being supported by the American Council of Learned Societies. Dr. Kropiwnicki previously visited the Institute in 1977-78.

Peter Schwendener, who recently received a doctorate in labor economics at the University of Basel, will spend the year working on topics related to applied microeconomics. Of particular interest to him are structural models of household behavior. His work is being supported by the Swiss National Foundation.

Small grants: New awards

The Institute and the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, jointly sponsor competitions for grants to researchers who wish to do work related to poverty and its amelioration. See p. 18 for an announcement of the Round X competition. The following proposals were funded under Round IX competition for July 1990–June 1991.

The Effects of U.S. Trade Laws on Poverty in America

The use of U.S. trade laws in recent years has taken the form of “administered protection,” whereby industries are able to seek protection from imports on the grounds that they are being injured by them or that they are subject to unfair competition from abroad. This study will draw upon a Trade Action Inventory that has been compiled on the actions filed under these laws, including information on the industries that sought protection and whether they received it. By correlating these industries with industry wage levels, rates of unemployment, and rates of poverty associated with these industries, the study will seek to determine whether this protection has served to raise or to lower wages in low-wage industries and to reduce or to raise levels of unemployment in depressed industries. The project will also survey recent literature on protection to determine what has been learned about the political and economic determinants of administered protection. When the factors that cause protection to be granted have been ascertained, they will be correlated with indicators of poverty across industries and regions as an additional test of whether these trade policies alleviate or exacerbate poverty. Principal investigator: Alan Deardorff, University of Michigan.

The Role of Geographical Location, Nativity, and Migration Cohort in the Socioeconomic Status of Puerto Ricans

Puerto Ricans in the United States have experienced a sharp deterioration in socioeconomic status in the last twenty years. This project will analyze socioeconomic outcomes of Puerto Ricans by geography, nativity, and migration cohort, with the objective of identifying the role of regional macrostructures and individual attributes in the determination of socioeconomic outcomes, and to investigate the contribution of recent migrant cohorts and mainland-born Puerto Ricans to the pattern of deterioration that has been observed. The analysis will be based on U.S. Census microfiles from 1960 to 1980, microfiles of the Census of Puerto Rico for

the same years, and 1985 Current Population Survey data. Principal investigator: Maria Enchautegui, University of Michigan.

The Relationship between Homelessness and Labor Market Conditions

Although unemployment is consistently cited as one of the most significant causes of homelessness, no empirical evidence demonstrates the relationship between labor market conditions and homelessness. This study will relate the incidence of homelessness (estimated by the Department of Housing and Urban Development in a national cross-section of urban areas) to measures of local labor market conditions such as the unemployment rate, the duration of unemployment, recent growth in employment, net migration of workers, and recent changes in the skill composition of workers in the local labor pool. These measures will be calculated from the 5% Public Use Microdata Sample of the 1980 Census. The study will control for other factors likely to influence homelessness, such as local housing market conditions, poverty rates, and public assistance policies. Principal investigators: Marjorie Honig and Randall Filer, Hunter College.

Native Sons and Daughters: Culture, Society, and the Black Poor in Birmingham, 1914–1990

This project, part of a larger study in comparative social history of the black urban poor in Birmingham and Chicago from World War I to the present, seeks to add a historical dimension to the growing body of research on the underclass. Source material such as oral history, archives, newspapers, organization records, records of government agencies, and ethnographic and photographic data will be used to focus on the relationship between culture, consciousness, and human agency (the ways in which individuals have resisted, survived, and accommodated to their circumstances) in Birmingham between 1914 and 1990. Among the questions addressed will be the following, related to crime: Has crime been a viable means of improving one’s social and economic conditions? What percentage of the black urban poor have participated in the informal economy and to what degree? How critical has the informal economy been for the survival of the black urban poor? How have gender, culture, region, and space shaped specific strategies for survival? Have these strategies changed over time? Principal investigator: Robin Kelley, Emory University.

Minimum Wages, Women, and Minorities: Who Benefits?

Until now, most studies of the effects of the minimum wage on the labor market have made use of aggregative data. Microlevel panel data are needed to identify those workers who are directly affected by changes in the minimum wage—those who are either displaced or receive a raise when the minimum rises. This project will use microdata from the Panel Study of Income Dynamics to determine the effects that a raise in the minimum wage has on blacks and on women. Principal investigator: Michael A. Leeds, Temple University.

State-Level Policymaking in AFDC

Although the federal government determines the basic structure of the Aid to Families with Dependent Children program, states set their own benefit levels. This study seeks to understand how states make their AFDC policy decisions. Time-series analyses over the period 1968–1987 will examine the effects of such factors as inflation, states' per capita income, state revenues, state expenditures, the AFDC caseload, and political competition on AFDC benefit levels. This work will be supplemented by a series of case studies in six to nine states to determine what factors influence the AFDC decisions of state policymakers. Principal investigator: Jack Tweedie, State University of New York at Binghamton.

Poverty, Health Insurance, and Medical Indigency

An empirical model will be used to explore the causes of medical indigency. The data consist of almost 11,000 patients admitted to hospitals in Florida in 1985. Empirical results will indicate the importance of such factors as income, family size, marital status, employment, and private or public health insurance, on the amount of a patient's hospital bill that has been paid six months after discharge. These results will then be applied in simulations to predict the effects of several alternative policies intended to resolve the problem of medical indigency. Principal investigator: Virginia L. Wilcox-Gök, Rutgers University.

Effects of State Funding Strategies on Instructional and Curricular Opportunities for the Disadvantaged

This study will examine how state fiscal strategies affect instructional and curricular opportunities for the disadvantaged at the school and classroom level. Data will be collected at selected elementary schools in major urban districts of four Midwestern states, each operating under a different state funding arrangement. Teacher interviews, reviews of lesson plans, and classroom visits will provide information on grouping practices, instructional methods, the amount of remedial work students do, the pace of introducing new materials, and the use of time in the classroom. This information will be used to compare the various programs for disadvantaged students under different funding arrangements. Principal investigator: Kenneth Wong, University of Chicago.

Announcements

(Continued from p. 18)

The scope of this panel study includes publicly supported statistical data collection activities on individuals and establishments, such as censuses, surveys, administrative record data (when used for statistical purposes), and epidemiological studies. Data from clinical trials, while very important, will not be considered in this study.

Readers of this notice are invited to submit short statements on any or all of the following subjects:

Access problems. Specific examples of instances where federal agency confidentiality laws or policies have made it impossible for you or your colleagues to obtain data needed in your work or caused excessive delays in arranging for access to the data. Please indicate the sources and specific kinds of data desired and the purposes for which the data were needed.

Suggestions for improving access. Have you had any experience in obtaining access to data not disclosed for general public use? How was this arranged? Do you have suggestions for improving data access with appropriate safeguards to maintain confidentiality and without undue risk of adverse effects on public cooperation with censuses and surveys?

Persons or businesses harmed by disclosure. Do you know of any instances in which persons or businesses were harmed by unlawful or unintended disclosure of information they provided to the government under the condition that the information was to be used only for statistical purposes? How did this happen? What were the consequences? (This category differs from the first two in that statements need not be based on your own personal experience.)

Please submit your statements to George T. Duncan, Chair, Panel on Confidentiality and Data Access, c/o Committee on National Statistics, National Research Council, 2101 Constitution Avenue, N.W., Washington, DC 20418. Direct any questions to Virginia de Wolf, Study Director (202) 334-2550.

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