

I. INTRODUCTION AND SUMMARY

The family is the basic unit of social organization in our society-- performing economic as well as sociological, psychological, and biological functions. The effects of public policies on the family, therefore, are of great concern.

The effects of welfare reform on the family are of particular public policy interest because it is generally assumed (1) that the number of female-headed families is increasing in relation to the number of families as a whole; (2) that children, as well as the other members of society, will be better off if their parents remain married; and (3) that the existing welfare system contains incentives for families to split up and for female-headed families with children to be created.

The Demographic Situation. The first assumption is indeed correct. The percentage of children who live with both parents has declined, for whites, from 92 percent in 1960 to 87 percent in 1973. For blacks the decline has been from 75 percent in 1960 to 52 percent in 1973.

The Effects of Family Breakup. There is no reliable evidence currently available regarding the effects of marital instability on children or on society at large. There is some evidence that children from split homes complete fewer grades in school and learn less than children from intact homes. There are also studies which show, however, that children from split homes do not get worse grades in school and are no more likely to become delinquents than children from intact homes. Both sets of findings are suspect because there are many other (as yet inadequately measured) differences between intact families and split families besides the number of parents present. In any case, the only group relevant to public policy

are those families whose stability is already tenuous enough to be open to outside policy influences.

The Effects of Current Public Policy. There are numerous incentives in existing income maintenance programs for families to split. (This is also true of the federal income tax for certain income combinations.) By providing an alternative source of income to women with dependent children, the AFDC program has reduced the economic pressure for women either to remain married or to remarry. In addition, because AFDC benefits in some states are available only to single-parent families, the benefits to be gained from splitting or the costs entailed in getting married may be as high as \$6200. AFDC incentives to split in the range of \$600 to \$1600 per year are quite common. In the Food Stamp program, incentives to split range from \$100 to \$400.

How much effect on marital stability has the existing incentive structure had? The best guess is that the AFDC program has had a relatively small effect on marital instability. Some studies of the AFDC program indicate that states with higher AFDC benefits also have higher rates of female headship. But methodological weaknesses suggest that reliance on their quantitative estimates would be unwise. It is also the case that, despite the increasing generosity of AFDC payments, remarriage rates have until recently been increasing--to the point where as many as 80 percent of all divorced women eventually remarry. Furthermore, between 1960 and 1974 the number of nonpoor female heads with children has increased two and one-half times (from 1.0 to 2.6 million), whereas the number of poor female heads with children has only increased by one-third (from 1.5 to 2.0 million). The evidence shows, therefore, that--although

the demographic trends are correlated with increases in AFDC generosity-- the program itself is at most contributing to a pervasive social trend attributable to other social factors such as increasing incomes, increasing independence of women, and increasing liberalization of social attitudes and the law concerning divorce.

The Probable Effects of Welfare Reform Proposals. Most welfare reform proposals would also create incentives for family splitting. For example, the Income Supplement Program (essentially a negative income tax proposal developed under former HEW Secretary Weinberger, and referred to in this report as the ISP plan) in some cases leads to reductions in income of up to \$1200 if two adults marry. The ABLE program proposed by the Martha Griffiths subcommittee of the Joint Economic Committee (a negative income tax and tax credit proposal) entails somewhat smaller splitting incentives. In certain circumstances, JOIN (guaranteed jobs, wage subsidies, and cash benefits for single-parent families) creates severe reductions in income from marriage. And the Three Track proposal (earnings subsidies, special unemployment benefits, and cash benefits for single-parent families) contains both incentives and disincentives to marry.

What Should the Public Policy Stance Be? In the absence of reliable conclusions about the effects of marital disruption on children and on society, it is difficult to know whether public policy should actively discourage family breakup or whether it should be neutral. Clearly, few would take the position that government should pursue, as a primary objective, policies which encourage marital instability. However, there are policy objectives

in addition to preserving the family--such as providing aid to the poor. In pursuit of such other important objectives it may well be appropriate to design policies which contain, as a necessary byproduct, an incentive structure that increases the freedom of beneficiaries to split up.