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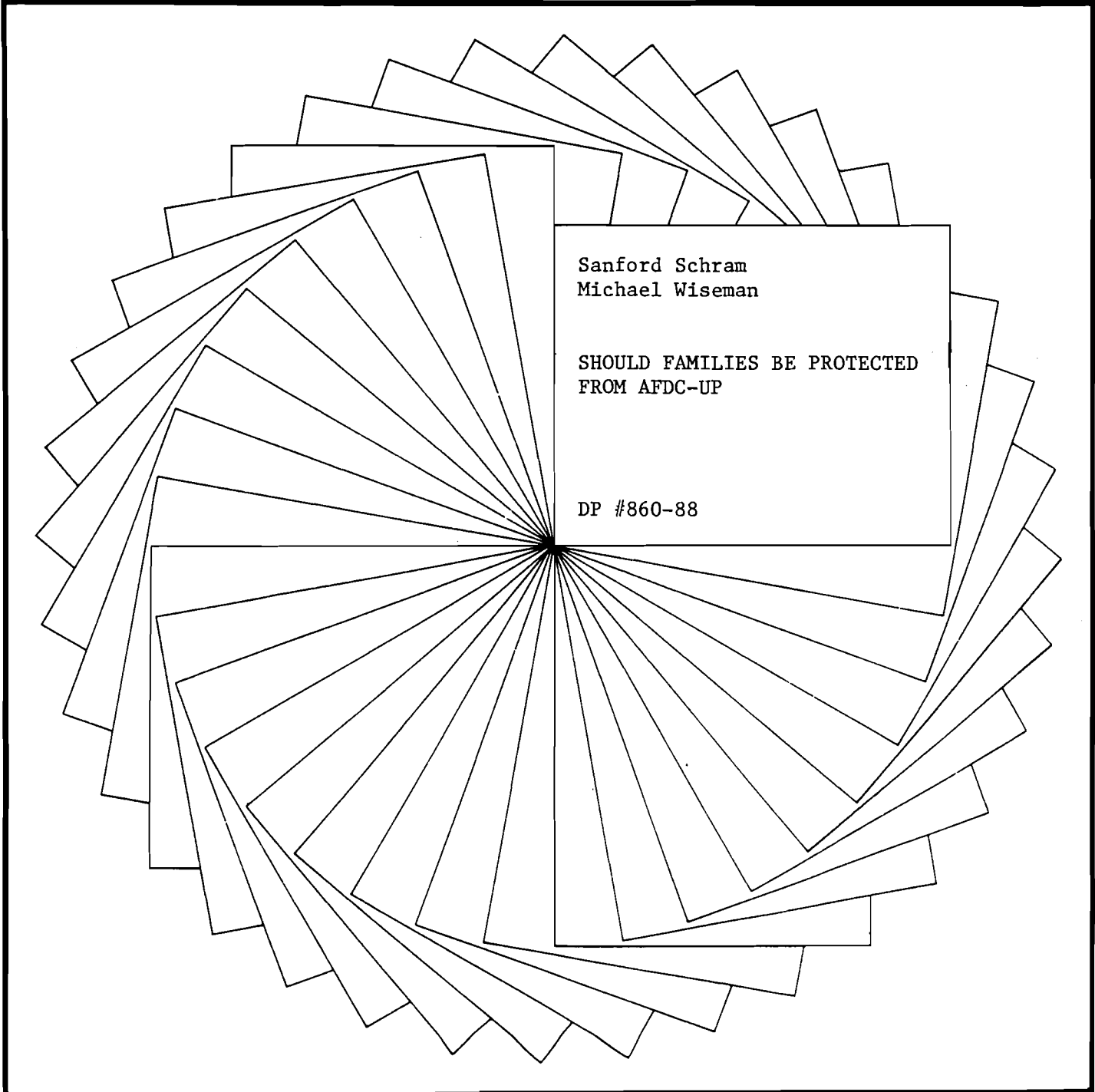
Discussion Papers

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SHOULD FAMILIES BE PROTECTED
FROM AFDC-UP

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SHOULD FAMILIES BE PROTECTED FROM AFDC-UP

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Abstract

Federal law currently permits states to provide assistance through the Aid to Families with Dependent Children program to two-parent households made needy by unemployment of the principal earner. This is the AFDC-UP (unemployed parent) program. Reform proposals regularly call for making such assistance mandatory. Opponents have claimed that providing assistance to intact families raises separation rates and have cited evidence from the Seattle-Denver Income Maintenance Experiment, studies of AFDC-UP in California, and analysis of dependency in states with and without AFDC-UP in support of this contention. This paper considers evidence from all three of these sources. While in two of the three cases research results seem to have been misinterpreted, we confirm the surprising association of AFDC-UP with dependence created by parental desertion. We find that in 1980 after adjustment for effects of unemployment, welfare benefit levels, and other factors, states with AFDC-UP had significantly higher proportions of children living with single parents than was observed in states without the unemployed parent program. We argue, however, that the programs envisioned by recent welfare reform proposals are substantially different from either AFDC-UP as it now exists or the programs implemented in the Seattle-Denver experiment. As a result it is doubtful that the research results cited by opponents to such innovations are applicable.

SHOULD FAMILIES BE PROTECTED FROM AFDC-UP?

For years it has been an article of faith among proponents of an expanded national program of income support that making income assistance available to needy two-parent families should help to keep them together. The argument is simple. All states provide income assistance to needy one-parent families with children through Aid to Families with Dependent Children (AFDC). In states which do not aid two-parent families as well, AFDC ostensibly creates an incentive for caring but destitute fathers (or mothers) to abandon their spouses and offspring in order to make them eligible for income assistance. Furthermore, mothers with children might be more likely to choose to live independently when cohabiting with the children's father leads to a reduction in income. In testimony before the Senate Finance Committee in 1970 Secretary of HEW Robert Finch and his associates used such arguments to demonstrate "how the present system provides a father with an incentive to leave his home." The next HEW secretary, Elliot Richardson, cited the "prima facie incentive for breakup" in the welfare system.[1]

In 1962 this incentive was reduced for some poor families when Congress amended the Social Security Act to give states the option of making two-parent families eligible for AFDC when their poverty was attributable to the involuntary unemployment of the father. This is the AFDC-UP (for unemployed parent) option. As times have changed, the definition of unemployment used by the program has been amended, and we now talk in terms of involuntary joblessness of the family's "principal

earner" (rather than specifying the father) as the qualifying charac-
teristic that makes a two-parent family eligible for payments in AFDC-UP
states.[2] The number of states exercising the AFDC-UP option has varied
during the recent past from 23 (December 1982) to 29 (September 1979).
Twenty-six states and the District of Columbia adopted the program in
the latest fiscal year (Committee on Ways and Means, 1987, p. 401).
These jurisdictions account for 62 percent of the national population.
Proposals are regularly heard for requiring the remaining states to
accept it.

Despite what Richardson termed the "prima facie case," Gilbert Y.
Steiner (1971, pp. 82-84) could find in his early review of the litera-
ture no clear evidence that state initiation of AFDC-UP led to reduction
in the incidence of AFDC case openings attributable to desertion. Bishop
(1980, p. 311) concurs: "There is . . no evidence that this program
[AFDC-UP] has reduced marital instability." Absent evidence of benefi-
cial consequences for family stability, the case for AFDC-UP is a matter
of need and equity: there exist many poor two-parent families, and to
make relief of a family's poverty conditional on its structure or state
of residence is inequitable. Of course, denying aid to the working poor,
as AFDC-UP does, also seems inequitable. Nevertheless, mandating
AFDC-UP nationwide has been for most welfare reformers a worthwhile half
loaf, an appropriate incremental step toward a more uniform and generous
national welfare system.

Both the House and Senate versions of the federal budget for fiscal
year 1987 mandated extension of AFDC-UP to all states. This provision
was eventually deleted, both because of messages that the President would

sign no budget that included such a requirement and because questions

were raised about the reliability of the proposition that AFDC-UP reduces

family fragmentation. Indeed, some argued that AFDC-UP might raise,

rather than lower, separation rates. This was the position of Senator

Russell Long, then chairman of the Senate Finance Committee. On

September 27, 1986, Senator Long argued in budget hearings that the

AFDC-UP mandate should be dropped because, "Contrary to the arguments

advanced in support of the proposal, providing welfare to intact families

seems to <u>increase</u> family breakup, possibly because it undermines the role

of parents in providing support."[3]

The Senator cited three research findings in support of this conten-

tion:

(1) [A] controlled experiment in Seattle showed a significantly higher
    rate of family breakup for two-parent families getting income support
    than for similar families without such support.

(2) [A] study in California showed that two-parent families getting
    assistance broke up more often than low-income families not getting
    assistance.

(3) Between 1961 (before there was an optional unemployed parent program)
    and 1979, the proportion of children getting AFDC because the father
    left the home grew by 160 percent in States which opted into the
    unemployed father program. The growth in those States which did not
    opt into the program was much smaller (79 percent).

Faced with this list, the reader is tempted to believe that denying

aid to needy two-parent families is good for them! In this paper we

review each of Senator Long's three propositions. Our conclusion is that

the evidence cited only weakly supports the policy implication that Long

wished to draw and that most of it is of limited relevance for judging

the desirability of offering AFDC-UP nationwide in the context of current

welfare reform proposals. Nevertheless, we agree that the evidence on the consequences of income support systems for household formation and dissolution is disturbing, and we consider the issue to be worthy of continued investigation.

The Seattle-Denver Results

Senator Long's first point relates to the well-known and alarming reports from the Seattle-Denver Income Maintenance Experiment (SIME-DIME)(SRI International, 1983). In this experiment a group of married couples were enrolled in a variety of negative tax schemes and their behavior was compared over time to the behavior of comparable families in a control group without benefits. The NIT treatments varied in the size of the payment guaranteed households without other income, the rate at which payments declined as household income increased, and the planned duration of the program. According to the final report of the project, "the negative income tax (NIT) plans tested in SIME-DIME dramatically increased the rates at which marriages dissolved among white and black couples" (Groeneveld, Hannan, and Tuma, 1983, p. 259). The authors report differences in separation rates between experimental and control groups of 40 to 60 percent (pp. 287, 291). Initial reports from the experiments created a storm of controversy.

These Seattle-Denver results have recently been critically reviewed by Glen Cain.[4] On the basis of both a review of methodology of the experiment and his own econometric evaluation of the results, Cain concludes "that the evidence [of positive effects of the NIT plans on family separation rates] is not decisive, or even persuasive" (Cain,

1986, p. 61). Given that Cain's work seems to contradict completely Senator Long's statement and the conclusions of the original SIME-DIME investigators, it is important to understand the basis of the reinterpretation. We shall argue that, while justified, the Cain conclusion may not be as relevant to the current welfare reform debate as it first appears.

According to Cain, SIME-DIME had several shortcomings when considered as a test of the consequences of a negative tax for family stability. One design problem is that the experimental negative tax "treatments" were in many cases combined with opportunities for counseling and training. While assignment of households to experimental and control groups for the counseling and training programs was independent of assignment to NIT treatments, the two were intended to interact; according to the SIME-DIME final report "[t]he rationale for including these counseling and training programs was to determine whether increased labor market information and increased education could offset the decline in work effort that was expected to result from an income maintenance program" (Dickinson and West, 1983, p. 201). Cain argues that regardless of interest for other purposes, neither the received literature nor the SIME-DIME research report provides justification for believing that the case for positive effects of an NIT on family dissolution extends to a situation in which the NIT is combined with a program to enhance the employability of one of the partners. In the context of study of the consequences of pure income support systems for family fragility, such treatments muddy the water.

Cain also claims that the experiment was excessively elaborate for the purpose of measuring marital breakups. SIME-DIME included eleven different NIT plans, three durations (3, 5, and 20 years), two sites, and oversampling of minority households in order to isolate differences among ethnic groups in NIT response. All of these dimensions seem to have affected outcomes, but when the data are cross-classified by the various dimensions of the design, cell sizes, especially cell sizes for the NIT treatment uncomplicated by training, become so small that treatment effects are estimated very unreliably. As a result, SIME-DIME researchers are not justified in making sweeping claims for the consequences of a negative income tax program, taken alone, on marital stability.

A third point is that differences in attrition exaggerated the consequences of the experiment for dissolution. It appears likely that families at risk of separation dropped out of the control group at a higher rate than from the experimental group.[5] The reason seems clear enough: SIME-DIME reporting was just one more annoyance for control group couples with marital problems, but for couples in the experimental group, maintaining participation was like keeping up payments on an insurance policy. When a father with earnings left a SIME-DIME treatment group household, the mother could apply for a revised NIT payment which reflected the family's reduced income and change in composition. The father, on the other hand, could keep his take-home pay. Thus taken as a whole, the original household would experience an income increase as a result of the separation, with the difference in payments reflecting the presumption that the father ceased to contribute to the support of wife

and children. This payoff seems to have produced more reliable reporting of separations--especially short-term ones--for the experimentals than for the controls. Without adjustment, this effect would bias upward estimates of the program's effects on family dissolution.

Finally, SIME-DIME evaluators focused on data for families enrolled in the three-year version of the experiment, despite the fact that data were collected for families guaranteed five years of support and one small group for which payments were to endure for twenty years. Cain argues that dissolutions are exaggerated in the three-year data, possibly because of a tendency for families in that treatment group to accelerate breakups in order to take advantage of the transitional support the system provided (Cain, 1986, p. 89).

The original analyses of separation effects of the NIT treatments in the Seattle-Denver experiment include some couples without children. Cain eliminated couples without children from the analysis, merged data from each duration group, separately identified families assigned combination training-NIT plans from those getting NIT only, and incorporated data on separations among control families who attrited in order to reestimate the experiment's effects on dissolutions. Space and deference to the author do not permit review of all the results here, but the author's conclusion seems amply justified: "The pure NIT plan had neither a practical nor statistically significant destabilizing effect on the marriages of already-married couples with children" (Cain, 1986, p. 90).

Cain's work provides an important clarification of what occurred in the SIME-DIME negative tax experiment. However, we think Cain's

reemphasis of interpretation of SIME-DIME as an income maintenance experiment should not be allowed to distract attention from the important findings of SIME-DIME as a training experiment. SIME-DIME offered subgroups of participants various combinations of employment counseling and vouchers for training programs selected, after counseling, by participants. Contrary to expectations, the opportunity to be counseled and to buy training appears to have reduced the earnings of husbands and wives in two-parent families, both while counseling and training were under way and afterwards.[6]

While the reasons for the SIME-DIME training effects are uncertain, Dickinson and West suggest that the experiment's nondirective counseling program may have led participants to seek overly ambitious goals and to forgo accumulating experience in jobs already available for advice and formal training that proved, in the longer run, to produce less employment and less income. Ironically, it is these factors--low income and reduced employment--that a substantial body of literature associates with family breakup (Bishop, 1980, pp. 302-8). Perhaps for this reason, when site groups and duration experimental groups are merged and dissolution probabilities are computed, the results imply that being in a combined training and NIT treatment group raised the likelihood of dissolution over any time period by 31 percent for white couples and 88 percent for black ones relative to dissolution rates observed within the control group.[7]

While the evidence Cain marshals seems overwhelming, the fact that SIME-DIME failed to identify an NIT effect on family stability may be politically unimportant. No one in Washington is currently proposing a

negative income tax as a poverty solution. However, as we discuss later,
considerable attention is being paid welfare enhancements that move
AFDC-UP in the direction of a negative income tax and combine the
transfer system with counseling and employment programs. Nonpartisan
observers of the debate between Cain and SIME-DIME analysts may reason-
ably be disconcerted by the similarity between various features of the
SIME-DIME counseling and training component and what is done for welfare
recipients in the new nonobligatory work-welfare programs such as
ET-Choices in Massachusetts (Massachusetts Department of Public Welfare,
1986; Behn, 1987). For better or worse, it is these programs that are
the models for recent national efforts at reform.

Senator Long conveniently followed the original SIME-DIME research
team in referring to the dissolution results as the product of the income
support component of the experiment. This is the claim Cain has cast
doubt upon. We conclude that while what the Senator actually said was
wrong, he could with some justification have made an equally provocative
and more accurate statement: "Current proposals for AFDC-UP extension
call for providing income support and training programs for these fami-
lies. A controlled experiment in Seattle and Denver showed a signifi-
cantly higher rate of family breakup for black two-parent families
receiving a combination of income support, counseling, and training than
occurred for similar families without such support."

The "California Study"

Senator Long seems to have also misinterpreted the results of the
"the California study," which was conducted by one of the authors

(Wiseman, 1984a). Since the results have not been published and reveal something about the nature of AFDC-UP in a large urban area, they are usefully summarized here.

The object of this work was to learn more about welfare turnover: the frequency with which families take up welfare dependence and leave it. At the time the study was initiated (in the early 1970s) the extent of turnover on welfare--and the larger issue of the amount of movement of families into and out of poverty--was not widely appreciated. To find out more about the dynamics of dependency, a survey of welfare case records was undertaken in Alameda County, California. Cases to be studied were selected at random from the monthly AFDC payment records for the years 1967, 1968, 1970, 1972, 1975, and 1978. Records for each case were read and data assembled on case status for the month selected, for the entire calendar year, and for the twelve months following the month of sample.

While the focus of the Alameda study was on movement to and from welfare, it quickly became apparent that substantial movement occurred between the AFDC-Basic (the term we shall use for cases qualifying for assistance on grounds other than the unemployment of the principal earner) and AFDC-UP groups. Table 1 shows for each of six years the total number of families ever receiving assistance in AFDC-Basic, AFDC-UP, and AFDC of both types. The difference between the sum of families in each of the programs taken separately and total families served without distinction--512 families in 1978--is accounted for by cases that appear in both programs during the year. As the last column indicates, such a transition was evident, in one direction or the other, for an average of almost one quarter of the UP cases.

Table 1

Estimated Proportion of AFDC-UP Cases
with Spell on AFDC-Basic during Calendar Year
Alameda County Welfare System
(Numbers in Parentheses are Estimated Standard Errors)

Year	Estimated Total Cases Receiving Assistance			Estimated Proportion of UP Cases Which Appear in AFDC-Basic Lists in Same Year
	in AFDC-BASIC	in AFDC-UP	in AFDC	
1967	13,508 (435)	2,314 (113)	15,201 (405)	0.27
1968	15,831 (581)	2,677 (137)	17,866 (571)	0.24
1970	26,157 (870)	5,906 (276)	31,001 (875)	0.18
1972	26,859 (707)	4,236 (180)	30,325 (717)	0.18
1975	28,199 (662)	3,094 (119)	30,254 (640)	0.34
1978	29,326 (774)	1,993 (71)	30,807 (774)	0.26

Source: Wiseman (1984b).

It is common to think of the AFDC-Basic and AFDC-UP segments as serving basically different populations. The rate of commingling evident in Table 1 suggests that such a view is misleading. This interaction has policy implications to which we return later.

The data permit investigation of interprogram movement in more detail. Table 2 looks at transitions not for a calendar year but for the first three months after a sample case is selected at random from the AFDC-UP rolls. For the years covered by this sample about one in four AFDC-UP cases observed on the caseload at any given month would be closed --from AFDC-UP--within a quarter. But of these closures approximately one in five was the result of a desertion.[8]

One last step is useful. Table 3 shows the results of a detailed investigation of each case in the sample for 1975. Several things were revealed by this examination. One is that at any date some AFDC-UP cases do not include fathers--10 of the 387 in this sample. The reason is administrative; the county finds that fathers who leave often return, and paperwork is saved if the administrative redesignation of the case is delayed for approximately two months. Another insight is that a significant number of those fathers who leave come back. Within the case records there was evidence that 15 of the 50 fathers who were gone at the end of the year eventually returned. This is certainly an understatement of the actual return rates, since in cases in which the father leaves and the mother closes the case herself and, say, rejoins him in another county, information on the reunion rarely reaches Alameda County.

Table 3 is superficially consistent with Senator Long's claim. Cain reports an annual dissolution rate of about 6 percent for white control

Table 2

AFDC-UP Closures and Transitions to AFDC-Basic
Alameda County Welfare System
(numbers in parentheses express column entry
as proportion of overall sample)

Year	Sample Size	Total	AFDC-UP Case Terminated 3 Months Past Sample Date			
			Transfer to AFDC-Basic			
			Total	Male Present	Male Absent	Off Aid*
1967	255	65 (.25)	21	13	8	44 (.17)
1968	270	72 (.27)	22	12	10	50 (.19)
1970	305	79 (.26)	19	4	15	60 (.20)
1972	310	83 (.27)	29	9	20	54 (.17)
1975	387	86 (.22)	25	7	18	61 (.16)
1978	411	91 (.22)	35	6	29	56 (.14)
Totals	1,938	476 (.25)	151	51	100	325 (.17)

*In Alameda County and no report of reopening elsewhere.

Source: Unpublished tabulations from the Alameda County
Welfare Sample.

Table 3

Detail on Separations, 1975 AFDC-UP Sample

	Number of Observations	Proportion of Initially Intact Families
1. Total observations	387	--
2. Total observations with father present at sample month	377	1.00
3. Father absent at end of quarter	21	0.06
4. Father absent at end of quarter, no evidence of successful reconciliation or continued interaction with family in future	12	0.03
5. Father absent at end of year	50	0.13
6. Father absent at end of year, no evidence of successful reconciliation or continued interaction in future	35	0.09

Source: Evaluation by author of case data from Alameda
County Welfare Sample.

group couples and 8 percent for blacks in the Seattle-Denver experiment.[9] The race composition of the 1975 Alameda County sample was 43.1 percent white, 32.7 percent black, and 24.2 percent other. Distributing the other group proportionately between white and black, this implies that if the SIME-DIME control group had had the same race proportions as did the Alameda County AFDC-UP caseload in 1975, the aggregate dissolution rate would have been about 7 percent. Cain counts a dissolution whether or not a reconciliation occurs, so this number is appropriately compared to the 13 percent parent absent rate reported for Alameda County in line 5 of Table 3.[10]

Thus, compared to the control group in the Seattle-Denver Income Maintenance Experiment, certainly a group of "low-income families not getting assistance," the dissolution rate of the Alameda County AFDC-UP group is worse. But the difference need not be a consequence of income support. Unemployment destabilizes marriages. As a consequence, AFDC-UP families are likely to be at greater risk of separation than are poor two-parent families in general because all principal earners in AFDC-UP are unemployed, but this was not true for fathers or mothers in SIME-DIME control families. Senator Long's use of these data to claim that AFDC-UP raises separation rates is therefore unjustified.

There are possible effects of AFDC-UP provision that might lead to an increase in rates of marital dissolution. One involves selection: the likelihood that women will form unions with men who have unstable work histories may go up if AFDC-UP is available. This is not as unrealistic as it might seem. All of the transitions recorded in Table 1 are not the product of movements from AFDC-UP to AFDC-Basic. Some reverse changes

occur when mothers in AFDC-Basic marry, or begin to cohabit with, the unemployed fathers of their children. The outlook for unions that begin with unemployment and welfare dependence would seem less than auspicious; it is doubtful that they would occur at all in states in which the price of cohabitation would be loss of AFDC altogether. Even if the presence of AFDC-UP enhances the stability of such families once established, the frequency of breakups among all couples may go up because unions established under such circumstances may be inherently less stable.

In addition to the selection effect, family stability may be affected by the information AFDC-UP provides. Two kinds of information are involved, one involving appropriate standards for employment and the other concerning the nature of the welfare system.

To understand the employment effect, it is necessary to consider what happens if the AFDC-UP principal earner takes a job. If the family is large and potential wages are low, jobs occupying 100 hours or more per month (the administrative definition of full-time) will reduce income for an AFDC-UP household because full-time employment eliminates categorical eligibility for AFDC-UP and, in general, for Medicaid. The law says that unemployed principal earners must take suitable employment if it can be found. But the definition of "suitable employment" includes a wage rate that leads to no loss of income. For large families, this provision can create an exceptionally high principal earner reservation wage that may exceed what was earned before unemployment (and, in consequence, AFDC-UP eligibility) occurred. If the principal earner takes the new standard to heart, the result is a long period of joblessness as

he or she searches for a job that satisfies it. Again, joblessness is likely to have perverse consequences for family stability. If, as in most cases, the principal earner is the father, the father's status as breadwinner is further diminished by the fact that in some states (Wisconsin, for example), welfare checks come only in the name of the mother.

On the other hand, if the father leaves a family already receiving AFDC-UP, the transition to AFDC-Basic is seamless. There is no new application for welfare and no interruption of the flow of checks. It seems possible that the knowledge of the ease of transition raises the likelihood that separations will occur. Our earlier inspection of one year's case records in Alameda County indicates (see Table 3) that movement of fathers back and forth under this circumstance is not uncommon; this experience is consistent with the evidence from Seattle-Denver. If AFDC-UP facilitates intermittent cohabitation or reduces the perceived cost of separation to mother and children, the positive effects of income assistance for family stability may be offset. Whether or not they are enhanced by welfare or are just a characteristic of some low-income families, such changes present significant administrative problems. Incentives for intermittent residence arise under any system in which a separation leads to elimination of the absent parent's financial responsibility for children and does not materially alter the circumstances of the parent who remains.

The high incidence of separations in the Alameda County data provides some perspective on the consequences of AFDC-UP elimination. During the 1981-82 recession four states--Iowa, Missouri, Utah, and Washington--

eliminated the unemployed parent component of the AFDC program.[11] The

Washington decision was particularly draconian: program dependents were

provided only two weeks' notice before benefits were terminated (Nelson

and Fiedler, 1984, p. 173). In addition to condemning the cruelty

involved, opponents of cessation of AFDC-UP in all four states argued

that the budgetary saving expected from the change was illusory because

loss of income would cause many of the families to break up so that

mothers and children would return to AFDC-Basic. Some evidence has been

produced to confirm this forecast. In Washington 15.4 percent of the

families receiving aid in AFDC-UP at the time the program closed were

receiving assistance in AFDC-Basic 7 months later because the parents had

separated (Fiedler, Nelson, and Thompson, 1982, p. 3). Iowa authorities

report that 21.6 percent of the families denied assistance by elimination

of AFDC-UP in that state were receiving assistance in AFDC-Basic 7 months

later as a result of separation (Iowa Department of Social Services,

1982). Six months after elimination of Utah's AFDC-UP program, 12.8 per-

cent of the cases terminated due to the program change were in the

AFDC-Basic rolls because a parent had left.[12]

It is difficult to to determine how many of these transfers and

separations would have occurred in the absence of elimination of AFDC-UP.

The Alameda County data in Table 3 would lead us to expect no father to

be present in 10-15 percent of cases by the end of a year; Washington's

separation rate at the end of seven months (15.4 percent) is already

above this; Iowa's (21.6 percent) is substantially so. The traumatic

nature of the policy change possibly accelerated separations that would

have occurred anyway; in both the Iowa and Washington cases it appears

that the majority of these separations occurred in the first two months
following abolition of AFDC-UP. If this is the case, then it seems to us
that the surprising thing about these separation rates is not that they
are so high but that they are really not that much greater than the rate
observed in Alameda County. Our intention is not to imply that such
changes do not generate great hardship for the families involved. They
surely do. The point is that more information is needed on the stability
of AFDC-UP under normal circumstances before we can assess the consequen-
ces of changes such as these for separation rates.

AFDC-UP and Desertion

Long's third contention is that provision of AFDC-UP has led to
increases in the incidence of child desertion. This proposition is par-
ticularly interesting because it appears to break new ground. The
problem with the claim is that the calculation used for testing it
(comparing the rate of increase in children rendered dependent on AFDC
because of absence of father from the home in states with and without
AFDC-UP) ignores the association of state provision of AFDC-UP with other
general AFDC program features. In particular, on average, states with
AFDC-UP have higher benefits than do states without, and over the 1970s
the difference in benefits between states with and without UP increased.
If, as Cain argues, the more generous the AFDC-Basic program the greater
the likely impact on separations, result three could be attributable to
the general level of benefits, and not to the presence of AFDC-UP alone.
And of course, higher benefits generally mean a higher income standard
for family eligibility; this too will increase the incidence of welfare
receipt.

It is possible to investigate this issue more directly. If AFDC-UP does somehow have an independent effect on family breakup, then, other things equal, states with AFDC-UP should have a higher proportion of children under age 18 residing in families receiving AFDC-Basic. This may be tested by regressing the proportion of children under 18 in AFDC-Basic families in a state on a series of exogenous variables believed to be determinants of rates of state welfare dependency plus a dummy variable identifying states with an AFDC-UP program. Note that the dependent variable does not include children actually on welfare in AFDC-UP families. Obviously, if children in such families are included in the outcome, the presence of AFDC-UP is likely to raise the children's welfare dependency rate. That's the object of the program. But Long's third point is something different and mysterious: He claims that the presence of AFDC-UP raises the number of children living in dependent families that are missing an adult and therefore are not eligible for AFDC-UP.

To perform this test we use data for 1980, since this year is close to the last year of the interval studied by Long and the best population data are available for census years. For control variables it seems appropriate to include the state's monthly payment standard for a family of four.[13] We also control for whether the state extends aid to childless women who are in the first or second trimester of pregnancy on the grounds that this is a good indication of how generous a state is in trying to aid needy families. We include the percentage of the state's population that is black because of the higher separation and poverty rates experienced by black households. An unemployment rate (for 1979)

is added to the model to account for long-term economic conditions which can affect family stability and the need for assistance.

The regression results are reported in Table 4.[14] Coefficients for the variables representing factors other than the presence or absence of AFDC-UP are generally consistent with expectations. And Senator Long's contention (as we have restated it) is confirmed. The point estimate of the coefficient of the AFDC-UP dummy, .02, indicates that, all other things equal, the rate of children's welfare dependency in single-parent families goes up by two percentage points in states with an AFDC-UP program. The regression implies that the AFDC-UP option put 776,000 more children into single-parent AFDC-dependent families in 1980 than would have been the case had AFDC-UP been eliminated from all states. That is about 16 percent of the all children in AFDC-Basic cases in states which have the AFDC-UP program. Those same states had only about 350,000 children in AFDC-UP families,[15] so if the regression is to be believed, for every one child aided through AFDC-UP, more than two were added to AFDC-Basic. Stretching further, the regression implies that had AFDC-UP been available in all states in 1980, the number of children on AFDC-Basic nationwide would have been about 500,000 greater, an increase of 7 percent.

What else might account for these results? The econometric equivalent of "rounding up the usual suspects" is to murmur something about "missing variables" or "simultaneity problems." Cultural or other environmental factors may be at work: A review of states without UP indicates that most (but not all) are in the South and West, and few are heavily urbanized. One might tell a story about states responding to

Table 4

Regression Results
(Dependent variable is ratio of children
in AFDC in state to all children
resident in 1980; mean = .099)

	Mean	Estimated Coefficient	t- Statistic
Constant	1.00	-0.0851	-4.17
State aids children age 18-20	0.80	0.0249	2.99
State aids women in early pregnancy	0.65	-0.0087	-1.19
Proportion of state population which is black	0.10	0.3971	11.33
State unemployment rate, 1979	5.56	0.0101	3.99
Maximum benefit, family of 4	$330	0.0002	4.18
State has AFDC-UP program	0.51	0.0200	2.36
Sample size	51		

R^2 (Adjusted for Degrees of Freedom) = .827
Standard Error = .023

Source: See Appendix.

high AFDC-Basic dependency rates by adding the AFDC-UP option. This would reverse the direction of causality assumed by the regression. Also, this regression treats the benefit level and other program characteristics as exogenous. A more sophisticated model would treat benefit levels and program coverage as endogenous, partly determined by expected levels of welfare dependence and taxpayer costs (Orr, 1976). Whatever is going on, we think this "Long's Paradox"--the association of AFDC-<u>Basic</u> dependency with provision of AFDC-UP--deserves more attention. At the same time the significance of the state unemployment rate should not be overlooked; a two-percentage-point reduction in a state's unemployment rate in 1979 would completely offset the estimated impact on dependency of AFDC-UP.

The New Welfare Reform Proposals

In a famous passage in <u>The General Theory</u>, John Maynard Keynes referred to politicians whose frenzy was distilled from the work of "some academic scribblers of a few years back." In the halcyon days of poverty experimentation those scribblers enjoyed the comfort of well-funded research centers, but the consequence seems to be the same. In this paper we have attempted to clarify and correct some of the distillations of Senator Long. On two out of three points we believe him wrong, but we do not wish to dismiss the results of the SIME-DIME experiment as irrelevant, we think it important not to ignore the consequences of methods of welfare administration for family stability, and we confirm the troubling association of AFDC-UP with dependence created by parental desertion.

At the time we were completing this research, a number of welfare reform bills were under consideration by Congress. A House bill, the

"Family Welfare Reform Act of 1987" authored by Congressman Harold Ford, and Senator Moynihan's "Family Security Act of 1987" are representative of such proposals.[16] Both bills mandated AFDC-UP for all states; the House bill listed the extension as a "Pro-Family Welfare Policy." Both bills retained the "100-hour" rule for defining unemployment, but the Senate proposal granted states the option of eliminating it. Both bills increased resources available to states for provision of employment and training services to adult AFDC recipients. Of what relevance are Senator Long's observations, even as we have amended them, to the ongoing debate over proposals such as these?

If nothing else, the ambiguity that surrounds interpretation of almost all the evidence on the relation between income maintenance and family composition should lead to caution in declaring any policy as "pro-family" in the sense of having a certain consequence for the frequency of family dissolution. The case for reforming welfare is probably better made on grounds of need and equity. At the same time it should be emphasized that the new programs have the potential to be fundamentally different from AFDC-UP as previously operated, from a pure negative income tax, or from the negative income tax/training policy incorporated in SIME-DIME. In our opinion the most important differences between what is generally proposed in the new legislation and both SIME-DIME and AFDC-UP as currently operated have to do with collection of child support, the option provided in the Moynihan bill for elimination of the 100-hour rule, and the nature of the employment and training component.

Unless child support is enforced, any income support system creates incentives for the household earner to separate from the rest of the

family during periods of exceptional earnings. While we do not fully
understand the motivation for the frequent separations observed among
low-income families in Alameda County, anecdotal evidence suggests that
some of this fluctuation in living circumstances is the product of
attempts to circumvent welfare regulations. In all the cases covered in
Table 4 the parents who left managed to avoid contributing to support of
their families during their absence. This is not surprising. At least
until recently, the AFDC system has had little success in collecting sup-
port from absent parents. As Bishop (1980) points out, SIME-DIME could
not enforce child support. The new legislative proposals expand efforts
at collection of child support obligations and the Senate bill provides
for employer withholding of child support obligations from wages. To the
extent that the new mechanisms are effective, the payoff from separation
as an income shelter is reduced.

In some instances such temporary separations may be attributable to
the restrictive requirements of the arbitrary rule used in defining
unemployment for purposes of determining AFDC-UP eligibility. The Senate
bill provides states with the option of eliminating the 100 hours rule
and providing AFDC support for all families solely on the basis of need.
Taken alone this change, if adopted, would convert AFDC plus food stamps
for two-parent families to a negative income tax with a high marginal tax
rate--close to 100 percent on income net of expenses and a small deduc-
tion after the first four months of job holding. With no other policy,
this treatment will of course reduce work effort. All of the negative
tax experiments that have included two-parent families tell us this
(Burtless, 1986). But at least the new policy would mean that no family

would necessarily lose income when the principal earner takes a full-time job. This change, which would make the program fundamentally different from AFDC-UP as currently operated, would seem to be an essential requirement of a support package for getting people back into the labor force and back to contributing to the support of themselves and their families.

Potentially, the employment and training programs incorporated in the Moynihan and Ford proposals differ from what was offered in SIME-DIME in four ways. First, participation in such programs is obligatory for one of the parents in two-parent families. In some cases actual public service employment is called for, but more often it is the process of preparing for, and searching out, employment that is treated as the reciprocal obligation of the welfare recipient (Wiseman, 1987). Second, to the extent the programs emphasize early placement, loss of on-the-job experience is minimized. Presumably goals and schedules selected for training plans developed for adults in current work/welfare schemes are likely to be more realistic and more authoritative than practices followed in Seattle-Denver. Third, participation in the programs is conditional on continuing in the household.[17] This was not true in SIME-DIME. Fourth, except for families with very small children, under the new proposals abandonment of the family by one parent makes the other a mandatory work program participant. This would seem to change significantly the environment surrounding decisions of fathers to stay or go. While the SIME-DIME training program included none of these features, all are nominally characteristic of WIN, the Work Incentive Program originally created by Congress twenty years ago for adults in AFDC cases.

Much of the new welfare reform movement really involves the creation of a

new and more effective WIN program that is genuinely a part of the

welfare process for all eligible recipients. Whether this can be done--

both at the congressional and local welfare office levels--is a matter of

controversy. If it can be accomplished the effects on family stability

of the various incentives created by these changes are hard to predict.

But we do know that employment helps.

However, it would be easy to transform Ford/Moynihan into SIME-DIME

or old-style AFDC-UP. The necessary steps for recreating SIME-DIME would

be (a) to encourage ambitious goal-setting and long-duration training for

participants; (b) to provide insufficient funding for involvement of all

eligible recipients in work-related programs so that in actual operation

participation becomes voluntary; and (c) to deemphasize child support.

Add the 100-hour rule and the provision that no recipient can be required

to take a job that reduces family income and you have AFDC-UP and,

perhaps, in the long run more children without fathers at home. But if

emphasis is placed in such programs on child support and movement to

work, and AFDC, food stamps, and other resources such as the Earned

Income Tax Credit are used to assure that work produces adequate family

income, it is doubtful that any of the evidence of the consequences of

earlier programs for family stability is relevant to judging the effects

of the new.

Appendix: Data Sources

Data for the regression calculated for Table 4 were obtained from the following sources:

State support for children age 18-20. States were coded "1" for this
   item if under any circumstances they provided AFDC payments for
   children in this age group. From U.S. Department of Health and Human
   Services, Social Security Administration, Office of Family
   Assistance, Characteristics of State Plans for Aid to Families with
   Dependent Children: Need, Eligibility, Administration. Research
   Tables, 1980 edition, p. 17.

State support for AFDC payments on behalf of unborn children. States
   were coded "1" for this item if the AFDC plan provided for any sup-
   port for a mother with no other children in the first two trimesters
   of a medically verified pregnancy. From Characteristics of State
   Plans, p. 18.

Race composition of population. From 1980 Census of Population, Vol. 1,
   Characteristics of the Population, Chapter C: General Social and
   Economic Characteristics, Part 1, United States Summary, PC80-1-C1,
   Tables 230, 232.

State unemployment rate, 1979. From U.S. Department of Labor, Employment
   and Training Administration, Employment and Training Report of the
   President, 1982, Table D-4.

Maximum benefit, family of 4. From Characteristics of State Plans, p.
   59. The family is assumed to include one adult and three children.

State has AFDC-UP program. From Characteristics of State Plans, p. 61.

Child dependency rate. The dependent variable is the ratio of children
   in AFDC-Basic to all children in the state. From U.S. Department of
   Health and Human Services, Social Security Administration, Office of
   Policy, Office of Research and Statistics, Public Assistance
   Statistics, March 1980, Tables 6 and 7 (AFDC-Basic children) and 1980
   Census, Table 237.

Notes

[1]Both quotes are from Steiner (1981), p. 101.

[2]The family's principal earner was defined by Congress in 1981 as the parent who earned the greater amount of income during the 24 months preceding welfare application.

[3]This paragraph and the quoted materials that follow are taken from a broadside entitled "Arguments Against Unemployed Parent Provision in House Bill," distributed by Senator Long's office.

[4]See Cain (1986) and Cain and Wissoker (1988).

[5]See Bishop (1980), pp. 312-14 for an early discussion of the consequences of differential attrition. The SIME-DIME final report includes a detailed discussion of the problem (Groeneveld, et al., 1983, pp. 305-13). The approach taken in the report is, however, to examine the sensitivity of the general findings to alternative assumptions regarding the relation between attrition and dissolution. Cain focuses on incorporation of adjustments for attrition in the econometric evaluation of the experimental outcomes.

[6]The counseling and training experiment is described and analyzed in Dickinson and West (1983). We say "appears" because when viewed with the wisdom of hindsight the SIME-DIME counseling and training experiment suffers from the same excessive elaboration as the NIT experiment.

[7]Cain and Wissoker (1988), Table 4. This estimate is derived from a continuous-time hazard model which includes controls for site and (evaluated at the beginning of the experiment) expected earnings, duration of cohabitation, the wife's age, education, and previous welfare experience, and family composition. The treatment effects calculated for

whites are not statistically significant at the 10 percent level; those for blacks and for all families taken together are. Cain and Wissoker also provide estimates of an alternative discrete-time model and a model in which the probability of dissolution is a function of time, and they also offer estimates of experimental effects on dissolution rates corrected for attrition. The adjusted estimates are smaller than the unadjusted ones (for blacks the decline is from 88 percent to 74 percent), since the authors assume that the breakup rate for families in the control group who dropped out of the experiment is higher than for those who stayed in, while the breakup rate for families in the experimental groups who dropped out is assumed to be 50 percent less than that reported by families who stayed in the experiment. Given the necessarily ad hoc character of these adjustments, we ignore the results here. As in the original SRI analysis, no treatment effects were detected for Hispanic families.

[8]About one-third of the families making the transfer from AFDC-UP to AFDC-Basic in Table 2 still included a male after the change. In these cases the mother deserted or, more commonly, the father was declared disabled (AFDC-Basic families can include two adults if one is disabled).

[9]Cain (1986), pp. 80-81.

[10]Cain counts a family as dissolving when a separation is reported at any time within a twelve-month interval following the point of initial observation of the family. Table 3 counts such separations as dissolutions only if they endure to the end of the observation period. If measured on the same basis as the separation rate recorded for the Alameda data, Cain's separation rate would probably be smaller, since some separations may be reversed by the end of the 12-month period.

[11]We are grateful to Ted Wagner of the U.S. General Accounting Office for providing information on AFDC-UP policy experience in the early 1980s. AFDC-UP was subsequently restored in all of these states except Utah.

[12]Utah Department of Social Services (1982). No comparable data are available for Missouri.

[13]Sources for all the data are listed in the appendix. We would prefer the standard for families of three, but this is not reported in standard sources. State payment standards for families of various sizes are highly correlated. In principle each state's standard of welfare eligibility should be in the regression along with the maximum aid payment. However, in recent years the two variables are so closely related that separate inclusion is pointless.

[14]The model presented in Table 4 is, with the exception of the specification of the unemployment rate, the first regression we estimated. Our original model utilized a five-year average of unemployment rates, but subsequent experimentation indicated that inclusion of only the jobless rate for the previous (full employment) year produced the highest adjusted R^2. A Box-Cox(1964) analysis of potential power transformations for the dependent variable indicates that it would be preferable to use the square root of the dependency rate as dependent variable in order to assure consistency of the residuals from the equation with properties assumed by the tests of significance (i.e., the disturbance is additive, has constant variance over the range of the dependent variable, and is symmetric and possibly normally distributed). However, the qualitative results obtained with use of this transformation are the same as those

obtained with the linear model. For expositional purposes we have reported the linear equation. The other estimates are available on request.

[15]U.S. Department of Health and Human Services (1980), Table 5.

[16]Our comments on the House bill are based upon information in U.S. House of Representatives (1987). Our comments on the Moynihan bill are based upon a "Discussion Draft" and notes provided by Senator Moynihan's office. Both the House and Senate versions of welfare reform continue to change, but the Ford and Moynihan bills provide a good representation of the congressional consensus on the requirements of welfare reform.

[17]The original Moynihan bill included provision for states to require that unemployed nonsupporting parents participate in welfare work and training programs, even if they are no longer in the AFDC household. This proposal creates special problems of enforcement, since such parents are not receiving AFDC payments and therefore cannot be denied benefits for refusing an employment program assignment. The alternative would be criminal penalties. Given the political difficulty of building support for mandatory withholding of support payments from wages, the problems posed by gathering support for putting people in jail for refusing to work would appear to be overwhelming.

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