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Evaluating welfare reform in an era of transition: Are we looking in the wrong direction?

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Thomas Corbett recently completed his second term as Associate Director of the Institute for Research on Poverty. He was a member of the Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, organized by the National Academy of Sciences.

In February 1996, the Institute for Research on Poverty and the National Center for Children in Poverty organized a national conference on the future of research and evaluation in light of the potential transfer of responsibility for welfare policies and programs to the states.[1] The mood among participants was palpably pessimistic. If the locus of responsibility was shifted from the federal government, would interest in and support for evaluation wane?

Quite to the contrary, passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in August 1996 released a torrent of evaluative activity. The federal government, states, and the philanthropic community encouraged and supported an unprecedented effort to understand the consequences of reform and devolution. By one perhaps conservative estimate, the major foundations invested some $100 million into activities devoted to evaluating and monitoring the effects of Temporary Assistance for Needy Families (TANF).[2] Congress appropriated several million dollars annually to answer a single question, "What happened to those leaving the cash welfare rolls?" and some $10 million annually to develop the Survey of Program Dynamics (SPD), a longitudinal survey explicitly designed to assess devolution. Demetra Nightingale and Kelly Mikelson of the Urban Institute identified some 50 studies, reports, and analyses of Wisconsin's W-2 program alone.[3]

Still, the policy community is uncertain about what we have learned, or about whether we have learned enough, given the size of the investment. In 1998, the National Academy of Sciences established a Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, sponsored by the Office of the Assistant Secretary for Planning and Evaluation (ASPE) in the U.S. Department of Health and Human Services. The panel's charge was to examine the multiple challenges posed to the evaluation community by the sweeping reforms of the mid-1990s. Has welfare reform "worked" and if so, for whom, and why? What have been its effects on families and individuals? In looking to future policies for helping low-income families, which elements of the new welfare system should be changed, which retained?

The panel was, in fact, not asked to answer these questions, but only asked to consider whether and how they might be answered. To do so, panel members agreed, two issues must be addressed. First, what types of studies, what methodologies, are most useful in determining the effects of present policies? Second, what types of data are needed? Are the federal and state data now available adequate, and if not, what infrastructure investments are necessary?

In its final report, released in April 2001, the panel considered both these issues at length. The accompanying article (p. 7) summarizes its analysis, examining in particular an issue to which it gave high priority—the deficiencies in the current design and collection of data—and outlines its recommendations for improvement.

The panel acknowledged that "studies of welfare reform to date have done a reasonable job of monitoring the progress of the low-income and welfare populations . . . although usually only after reform" (p. ES-2), but its ultimate conclusion is quite cautionary:

> Overall . . . the nation has largely failed in one of the most important goals of a mature and advanced society, namely, to be able to measure the effects of the policies it enacts so that these policies can be improved in the future. (p. ES-3)[4]

This article, in contrast, explores an issue that is simultaneously more limited in scope yet much broader in consequence. It asks: What lesson should be drawn from the panel's conclusion that our knowledge-building sector is failing to understand one of the most ambitious policy reforms of the last half-century?

The new face of welfare

Why has such an unprecedented investment in knowledge-building led to this sense of failure? There are several usual suspects. For one thing, those opposed to these reforms find supportive evidence unconvincing or incomplete, and those who support the reforms may well be disposed to believe that the next study will provide the unambiguous evidence of success that they seek. Each faction tends to believe that another study that focuses on different outcomes, uses more sophisticated measures, or taps into a more appropriate target population will be more "convincing"—a word that usually implies "supports our perspectives."

The perceived shortfall might also be attributable to the disproportionate attention given to some issues to the exclusion of others. The early concern about falling caseloads led to an emphasis on "leavers" studies that is reflected in the congressional appropriations: what happened to those exiting the cash assistance rolls? Quickly, dozens of studies emerged, many of dubious quality, yet often producing similar results. Initially this lopsided allocation of evaluation resources to those leaving cash assistance meant that other populations of interest were ignored—for example, those who stayed on welfare, applicants diverted from cash assistance, and low-income families who did not even seek assistance under the new rules.

There is, in addition, some confusion because the standards of success seemed to shift. Reforms focused largely on labor market attachment suddenly were being judged by standards related to reductions in the poverty rate and improvements in child well-being, areas where realistic improvements might only be seen in the longer term. More important, the first reforms implemented under TANF did not address this more ambitious set of social objectives.

Above all, there is a sense of inadequacy, perhaps better thought of as a failure of confidence. The operational world of welfare was changing so quickly that the evaluation community could no longer be sure it was looking at the right questions. The NRC report expresses this sense of uncertainty as follows:

> Welfare reform is a moving target for evaluation because the strategies and policies practiced by states are still evolving. There is some evidence that states, having largely accomplished their caseload-reducing goals, are now turning their attention to the provision of services to poor families, in general, and to women and families who are not receiving welfare. Provision of work supports, such as child care, as well as services meant to address other problems and barriers women experience in attempting to reach self-sufficiency, are widely discussed. Welfare reform is a continuing, dynamic process as states gradually confront new problems and face new challenges. The energy in this evolution is an indication of a system that is constantly trying to improve itself, which is clearly desirable, but it makes the problem of evaluation quite difficult. Estimates of the effect of welfare reform to date are not necessarily applicable to the future, when the nature of the reform may have changed.[5]

Two major transformations suggest that the reality of social assistance for low-income families with children may differ radically from the conventional notion of welfare reform, as represented by TANF.

First, the character of TANF, what might be called the core technology of the program, has changed greatly in the last four years. Cash assistance caseloads have dropped by more than half since 1994, and by an even higher rate if the child-only cases are excluded, thus altering the character of the population served and freeing up resources for investments in new service strategies to assist the remaining families.

One reflection of this is a profound change in the investments that many states are making with TANF dollars. Implicitly recognizing this, the Welfare Peer Assistance Network (WELPAN) of senior welfare officials from the upper Midwest examined the patterns of TANF and matching state expenditures in fiscal years 1996 and 2000.[6] Figure 1 demonstrates that income support, the dominant function of traditional welfare, is rapidly declining in those states participating in WELPAN. In 1996, from 60 to nearly 80 percent of all TANF resources were devoted to the traditional welfare function—providing income assistance to eligible families. Just four years later, that proportion had fallen to between 12 and 45 percent.

If states are not spending most TANF resources on cash assistance, where is the money going? Figure 2 gives us some clues. In 2000, child care was the major expenditure item, outranking even cash assistance. Spending on efforts to move recipients into the labor force had also increased, though perhaps less than might be anticipated. Spending on what the states call *family formation and stability* initiatives had increased dramatically. This category includes initiatives ranging from home visits to newborns in low-income families to housing stabilization programs and efforts to reduce intrafamily violence and conflict, reattach fathers to their children, reduce teen pregnancy, and help youth achieve more in school. The emerging principle guiding state investments of TANF resources appears to be that strong families produce better workers and that work helps stabilize families. A separate analysis of Wisconsin's expenditure patterns (not shown) indicates that the state spent about 4 percent more on family stability issues than on cash assistance.

Second, much of the real action may in fact be outside TANF. Federal supports for the working poor, to take one example, have multiplied some eightfold in real terms since the late 1980s.[7] Whereas cash welfare reaches fewer families, the EITC, the increased minimum wage, and greatly increased support for child care suggest that the cash transfer functions of TANF, per se, may not be the best place to look in assessing the effects of reform. For example, between 1989 and 1999 the minimum wage increased in real terms by 15 percent and the federal EITC for families with two or more children jumped by more than 200 percent.[8]

The shift in the structure of social assistance from cash welfare to other forms of help may be even more profound. Figure 3 summarizes the changing nature of the assistance caseload in the state of Wisconsin. In 1995, there were

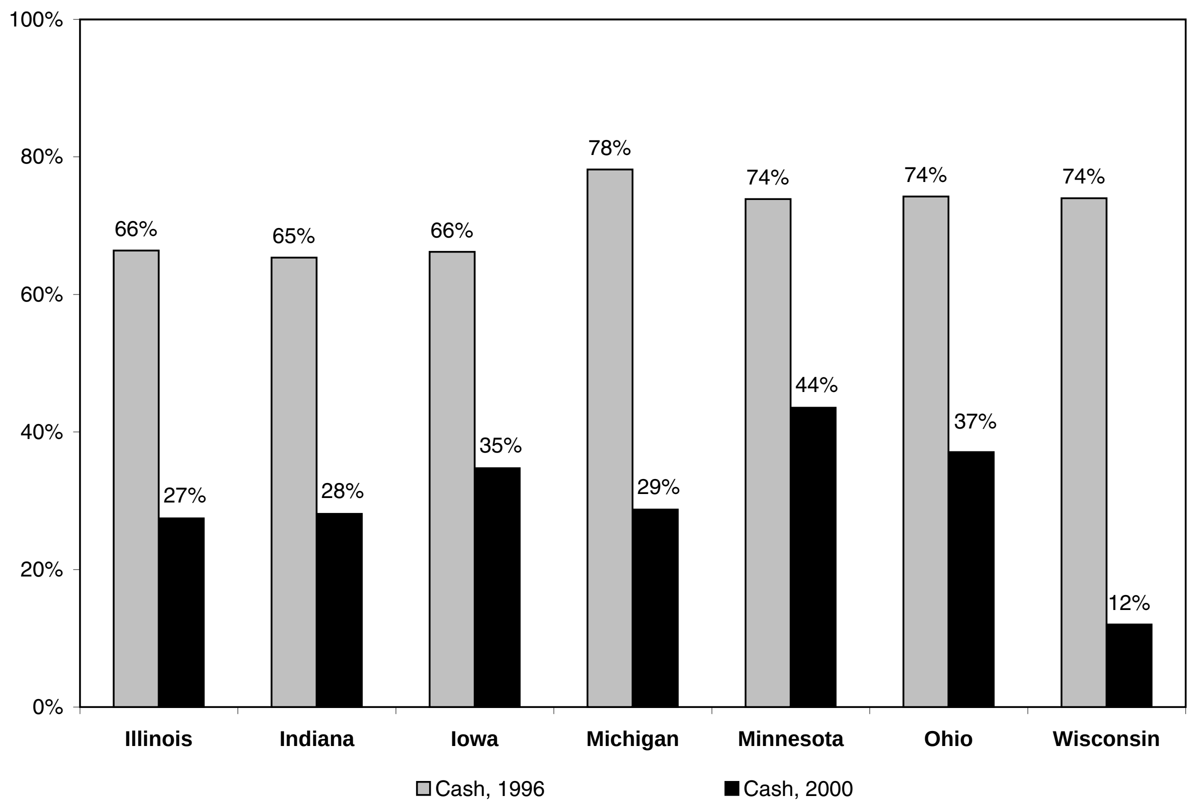

Figure 1. Cash assistance in upper Midwestern states, 1996 and 2000, as a percentage of all TANF expenditures and other child care expenditures.

Source: Data provided by member states of the Welfare Peer Assistance Network.

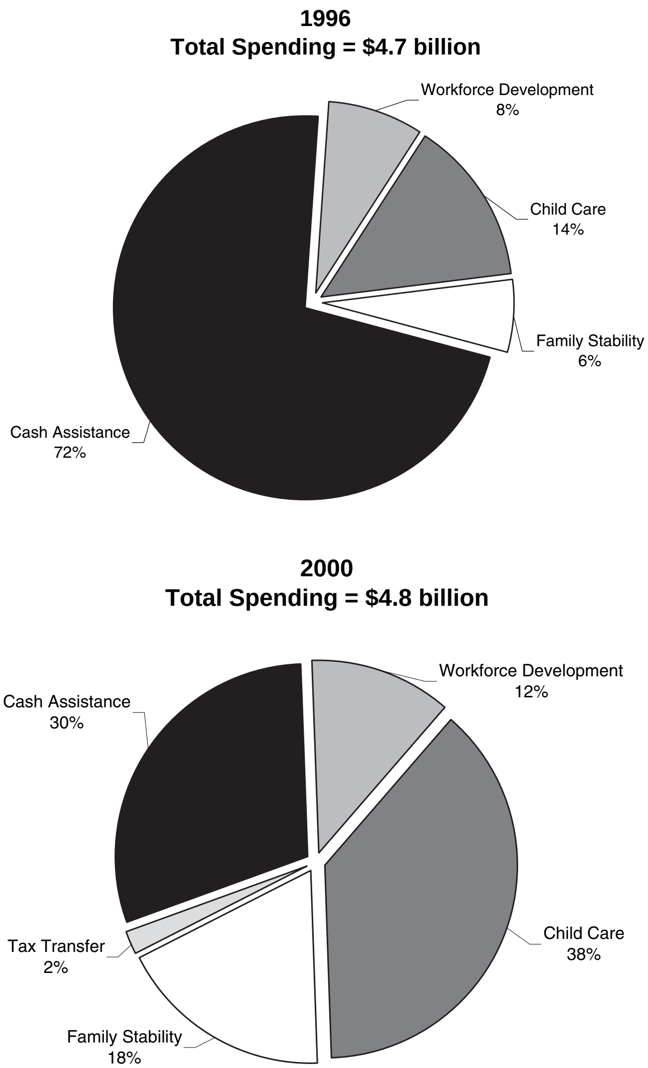

Figure 2. Average distribution of welfare expenditures for a group of upper Midwestern states, 1996 and 2000. Included are Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin.

Source: Data provided by member states of the Welfare Peer Assistance Network.

about 119,000 cases receiving help from one or more major welfare programs (AFDC, Food Stamps, and Medicaid). Of these, 62 percent were getting cash assistance. In 2000, the total caseload had declined marginally, to 112,000 cases, but about 10 percent were enrolled in Wisconsin Works (W-2), the state's TANF program, and just over half of these were receiving cash assistance.[9]

But the shift from cash welfare to broader support for low-income families is even more dramatic. Wisconsin has consciously attempted to decouple what some refer to as transitional supports (child care and health care) from cash welfare status. Through a state program, BadgerCare, health insurance is made available to virtually all low-income families; waiting lists for subsidized child care have disappeared as a result of massive increases in funding both inside and outside TANF; all of child support collected on behalf of children on W-2 is passed through to the family (the state retains nothing); and the state has a refundable earned income tax credit that amounts to 43 percent of the federal credit for families with three or more children. Finally, in most communities help for low-income families is not provided through a welfare agency, but through one-stop workforce development and human service agencies that are intended to provide all members of the community with a set of integrated services.

In short, a researcher looking only at W-2 to assess the well-being of low-income families would be examining one small slice of a large pie.

Future challenges

The transition from income support to job placement under TANF has exceeded the expectations of all but the most demanding critics. Now many states are engaged in extending the program to new purposes—work support, job stability, and career advancement—where they must consider how to serve the working poor, in contrast to the previously dominant focus on the nonworking poor.[10] And with smaller caseloads, states are doing more to provide services to families directly or through networks of local providers, including faith-based organizations. At the same time, they are expanding their focus to implement preventive services to broader segments of the low-income community.

These changes, which are happening to different extents and at different speeds among the various states and substate jurisdictions, raise serious issues for the evaluation community. We have shifting purposes, shifting program technologies (i.e., core program functions), confusing and porous organizational boundaries (where is the welfare agency?), and confusion about the target population. In 2000, the Wisconsin Department of Workforce Development commissioned a "white paper" simply to explore the meaning of a "case" as the new face of welfare comes into view.[11]

Members of the Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, in the opinion of this one member, did an admirable job of assaying the challenges, methods, and data infrastructure associated with understanding the nature and consequences of welfare reform. Its main conclusions and recommendations warrant serious consideration.

That said, it is difficult not to see the panel's work as a snapshot, no matter how perceptive, of a phenomenon undergoing rapid change. The pace, scope, and even locus of change continue unabated. There is no longer a formal and predictable policy apparatus whereby important decisions are made in Washington, or whereby Washington controls the pace and direction of change. In

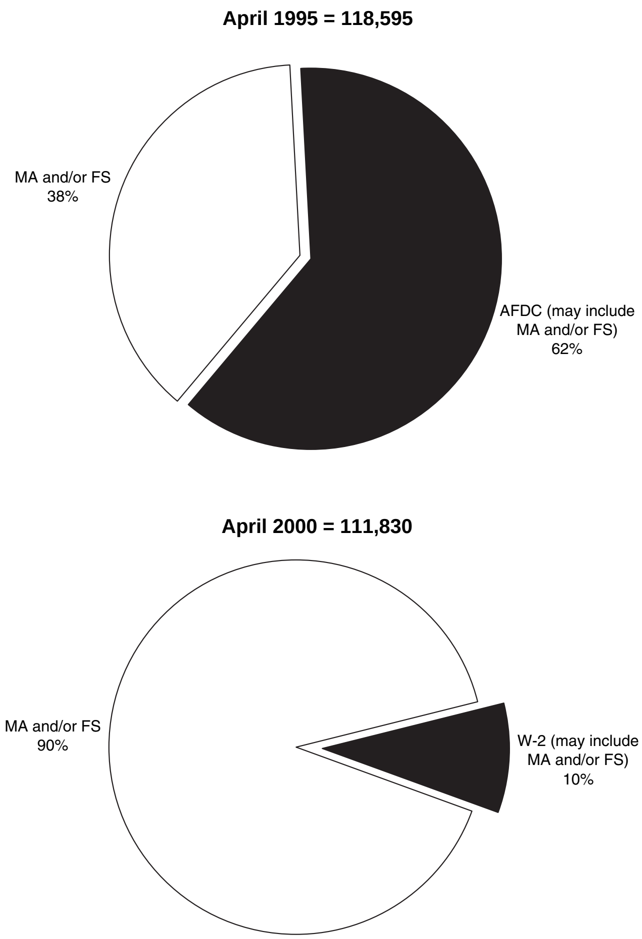

Figure 3. Families receiving Medicaid, food stamps, and W-2 services in Wisconsin, 1995 and 2000 (unduplicated case counts).

Source: R. Swartz, "What Is a Case in Postreform Wisconsin? Reconciling Caseload with Workload," Wisconsin Works (W-2) White Paper prepared for the Wisconsin Department of Workforce Development, available on the DWD World Wide Web site, at <http://www.dwd.state.wi.us/desw2/w2_white_papers.htm>.

many instances, state capitols are no longer the key players; the initiative has passed to local agencies and the networks of nonprofits and for-profits through which they deliver services. This secondary devolution is to be expected as the salient function of TANF agencies shifts from income support, which can be managed by centralized bureaucracies, to social services, which cannot.

At the February 1996 conference on monitoring the effects of the new federalism, two basic models were entertained. Both assumed that the pace and scope of change would increase. One model, in response, would forsake any national dialogue about how to evaluate reform and permit a vigorous market of individual researchers, research firms, and states to develop their own agendas. This assumes that a centralized structure would be inefficient and probably wrong. The second model calls for a continuing national dialogue to keep abreast of the emerging questions and develop methods for addressing those questions.

In many respects, the panel's report addresses that challenge. It suggests that the federal Department of Health and Human Services take a more active role in helping to frame emerging research and evaluation questions and in ensuring that the nation's data and statistical infrastructure is capable of meeting future needs. But it also suggests that *all* stakeholders participate fully in this critical dialogue, to monitor change as it evolves and to articulate new research and management questions as they emerge.

The choice between a market-driven and a centralized planning strategy is, in truth, a false choice. Individual researchers and firms and localities will continue to pursue their agendas. But absent a national dialogue, we may continue to frame our evaluation questions by looking in the rearview mirror. Then, we may wonder why we spend so much and seem to learn so little. ■

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[1]See *Focus* 18, no. 1 (Special Issue 1996), for reports summarizing the conference, Monitoring the Effects of the New Federalism.

[2]Michael Laracy, Senior Associate, Annie E. Casey Foundation, in remarks made to the Welfare Peer Assistance Network (WELPAN) in February 2000.

[3]D. Nightingale and K. Mikelson, "An Overview of Research Related to Wisconsin Works (W-2)," Urban Institute, Washington, DC, March 2000.

[4]R. Moffitt and M. Ver Ploeg, eds., *Evaluating Welfare Reform in an Era of Transition,* Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs (Washington, DC: National Academy Press, 2001), pp. 1-2, 1-3. [Pagination refers to the prepublication draft.]

[5]*Evaluating Welfare Reform*, p. 1–6.

[6]Participating states in WELPAN are Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin.

[7]D. Ellwood, "Anti-Poverty Policy for Families in the Next Century: From Welfare to Work—and Worries," *Journal of Economic Perspectives* 14, no. 1 (Winter 2000): 187–98.

[8]R. Blank and L. Schmidt, "Work and Wages and Welfare Reform," and R. Haskins, "The Second Most Important Issue: The Effects of Reform on Family Income and Poverty," papers presented at the conference, The New World of Welfare: An Agenda for Reauthorization and Beyond, Washington, DC, February 2001.

[9]R. Swartz, "What Is a 'Case' in Postreform Wisconsin? Reconciling Caseload with Workload," Wisconsin Works (W-2) White Paper, Wisconsin Department of Workforce Development, March 2001 <http://www.dwd.state.wi.us/desw2/w2_white_papers.htm>.

[9]T. Corbett and R. Weber, "Toward Work Stability and Career Advancement—The Next Stage of Reform," Wisconsin Works (W-2) White Paper, Wisconsin Department of Workforce Development, March 2001 <http://www.dwd.state.wi.us/desw2/w2_white_papers.htm>.

[11]R. Swartz, "What Is a Case?" The Department of Workforce Development commissioned the Wisconsin Works (W-2) White Papers as a framework through which some of the questions most relevant to the continued success of W-2 could be addressed. Several are available on the DWD World Wide Web site at <http://www.dwd.state.wi.us/desw2/w2_white_papers.htm>.

Evaluating welfare reform in an era of transition: A report of the National Research Council

> From an evaluation point of view... the highest priority now should be to set up data and evaluation mechanisms that are capable of monitoring relevant populations and evaluating the impact of the new and ongoing strategies constantly being adopted.
>
> *Evaluating Welfare Reform*, p. 22

In 1998, the National Academy of Sciences established a Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, sponsored by the Office of the Assistant Secretary for Planning and Evaluation (ASPE) in the U.S. Department of Health and Human Services (DHHS). The panel's charge was to examine the multiple challenges posed to the evaluation community by the sweeping reforms of the mid-1990s.

In its final report, the panel noted that the volume of research on welfare reform has been unprecedented in its scope, volume, and diversity. Both the federal government and private foundations have devoted enormous resources to producing valuable information. But the panel also found serious gaps and weaknesses, which have not been fully recognized, in the data and the methods used for evaluating welfare reform.

This article briefly summarizes the panel's main conclusions regarding the methodologies best suited to monitoring and evaluating the reforms. In greater detail, it reports upon their discussion of the data needed to understand the effects of the reforms—both the deficiencies in current design and collection and suggested remedies.

Framing the evaluation of reform

A serious weakness in developing a broad agenda for evaluating welfare reform has been the failure to articulate the central questions of interest, and to systematically ensure that all of them are given appropriate emphasis. The panel identified three main categories of discussion: the populations of interest, the outcomes of interest, and the formal evaluation questions that ought to be answered.

Populations of interest

In so fundamental a reform as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, the consequences of particular reforms will reverberate throughout low-income communities. All low-income families, and especially the welfare population of low-income mothers with children, are, therefore, the first population of interest. Most studies so far have focused on some fairly narrowly defined subgroups, often to the exclusion of others, and a broader perspective is necessary.

Within the population of low-income families, many subpopulations exist. Families that have left welfare (the "leavers") are only a small subset of the welfare population. Equally important are families still receiving benefits and families who are not receiving benefits because they were diverted, rejected, or discouraged from applying. Families with special needs—mental or physical health problems, for example—constitute the core of the "hard-to-serve" welfare population and require intensive evaluation.

Outcomes of interest

Different audiences—national or state legislators and administrative officials, particular interest groups, and the general public—have focused on different goals for welfare reform: increasing work and self-sufficiency, reducing out-of-wedlock births and promoting marriage, reducing welfare caseloads, improving the general well-being of families and children, and giving states and local governments more control over policies and pro-

Evaluating Welfare Reform in an Era of Transition: A Report of the National Research Council was edited by Robert Moffitt (Johns Hopkins University), chair of the Panel on Data and Methods for Measuring the Effects of Changes in Social Welfare Programs, and Michele Ver Ploeg, staff member of the Committee on National Statistics. Panel members were John L. Adams (RAND), Thomas Corbett (University of Wisconsin–Madison), John L. Czajka (Mathematica Policy Research, Inc.), Kathryn Edin (Northwestern University), Irwin Garfinkel (Columbia University), Robert Goerge (Chapin Hall, University of Chicago), Eric Hanushek (Hoover Institution, Stanford University), V. Joseph Hotz (UCLA), Richard A. Kulka (Research Triangle Institute), Rebecca A. Maynard (University of Pennsylvania), Susanne M. Randolph (University of Maryland), and Werner Schink (State of California, retired). Constance Citro (CNS staff) also helped with the panel's work. The report will be published in July 2001 by the National Academy Press. The text is also available on the World Wide Web site of the National Academy, at <http://books.nap.edu/books/0309072743/html/index.html>.

grams. Thus the outcomes of interest should be defined as broadly as the populations. They include:

1. Traditional measures of well-being for adults and families, among them income, poverty rates, consumption of food, clothing, housing, and other goods, employment, education, and health;
2. Traditional measures of child well-being: physical, cognitive, and behavioral development;
3. Measures of family structure and family formation: marriage, childbearing, and living arrangements;
4. Outcomes for governments: size of caseloads and program expenditures;
5. Changes in organizational structures for administering programs.

Research questions of interest

These fall into three main categories:

1. Monitoring questions: How has the well-being of the low-income population and key subgroups evolved since welfare reform? Which subgroups are doing well, which less well? Which subgroups are in greatest need and deserve concentrated attention?

2. Program and policy questions: What policies, programs, and administrative practices have states and localities actually implemented as part of welfare reform? How wide is the variation among and within states? How has implementation differed from official policy? How has the environment of programs outside Temporary Assistance for Needy Families changed?

3. Impact evaluation questions: What are the effects of the entire bundle of changes in policies, programs, and practices on well-being? What are the effects of broad components of welfare reform (work requirements, sanctions, time limits, family caps, etc.) on outcomes? What are the effects of specific strategies within those broad components (type of work strategy, specific cash assistance level, nature of sanction policy, etc.) on outcomes?

Because research on welfare reform has not been guided by a comprehensive set of questions, the panel concluded that there are large gaps in what is known about its effects. For example, much more research has addressed monitoring questions than impact evaluation questions.

Evaluation methods

Good answers to research questions about program monitoring and actual implementation are primarily a matter of the extent and quality of data collection, a topic discussed later in this article.

Impact evaluation questions are more complex. They require that we estimate two quantities: the actual outcomes of a policy change, and those that would have occurred in the absence of the policy (this is generally called the "counterfactual"). The basic difficulty in all evaluation studies is that the counterfactual cannot be directly observed, because it is impossible to know for

Table 1
Alternative Evaluation Methodologies for Different Questions of Interest

Questions of Interest	Experimental Methods	Nonexperimental Methods
What are the overall effects of the complete bundle of changes?	Poorly suited Problems: contamination of the control group; macro and feedback effects; inability to generalize from only a few areas	Moderately well suited Time-series modeling and comparison-group designs using ineligible populations are the most promising
What are the effects of the individual broad components of welfare reform? (e.g., what is the effect of having any time limit?)	Moderately well suited Need to be complemented with nonexperimental analyses for entry effects and to allow results to be generalized to larger populations	Moderately well suited Cross-area comparison designs, followed over time, are the most promising Problems: Lack of variation in programs across areas; measurement of policies; data limitations
What are the effects of particular strategies? (e.g., what is the effect of Work First vs. a Human Capital employment strategy?)	Well suited Need to be complemented with nonexperimental analyses to allow results to be generalized to larger populations and, possibly, to determine entry effects	Poorly suited Within-area matching designs may be the most appropriate, then cross-area comparison designs Problems: Extreme data limitations and lack of statistical power; uncertain reliability of matching

Source: *Evaluating Welfare Reform*, p. 64.

sure what would have happened in the absence of the policy change.

Evaluation methodologies, therefore, attempt implicitly or explicitly to estimate those counterfactual outcomes. In *experimental methods*, the outcomes are estimated by means of a control group to which individuals have been randomly assigned. In *nonexperimental methods*, the outcomes are estimated by means of a comparison group of individuals who are not randomly assigned but who are considered to be similar to those that actually experienced the policy. Table 1 lists the advantages and disadvantages of these two approaches to the questions of most interest in formal evaluations of the well-being of the low-income population.

The panel criticized the record on the evaluation of the welfare reforms: "For a mature society like the United States, with over 40 years of experience in evaluating social welfare programs, the record of accomplishment for a major piece of social legislation to date is not sufficient" (*Evaluating Welfare Reform*, p. 99). It called for a major new effort to develop a "comprehensive evaluation framework for social welfare programs that considers the major questions of interest and the evaluation methods appropriate for each" (pp. 99–100).

The panel urged that leadership in this effort be taken by ASPE, the agency that is responsible for strategic planning, policy development, and evaluation of all health and human services programs. In addition, the federal government should help states develop their capacity to conduct high-quality evaluations.

Data collection strategies

Successful monitoring and evaluation of welfare reform are impossible without good data, regardless of how clearly the questions of interest are defined and how strong the evaluation methodologies are.

Good data have reasonably good coverage of the population in question. They contain measures of key variables—characteristics of policies, of families, or of individuals. They are reasonably accurate, with few response errors, understatements, or missing values. They are available for a reasonably long period of time, and are comparable over time. The sample sizes are large enough for reliable statistical evaluation, in many cases at state and local levels. And for valid interstate comparisons, the concepts and definitions must be the same.

As responsibility devolved to state and local governments, new programs proliferated and states assembled their own bundles of reform components and strategies, each targeting somewhat different populations. These differences are compounded by the existing interstate variation in Medicaid and other social welfare programs and in labor markets, demographic profiles, and general socioeconomic environment. The demand for state and local data has mushroomed, and the number of state and local surveys, which have historically been quite rare, has also grown.

How good are our data? The panel identified and assessed four major data sources: question-and-answer surveys, administrative data, descriptive data about programs, and qualitative data.

National survey data

A number of national surveys are heavily used for monitoring and evaluating social welfare programs (see Table 2). These surveys, to varying degrees, contain much information relevant to welfare—income, earnings, employment, program participation and benefit receipt, family and individual well-being, and family structure. Except for the SPD, however, the surveys were designed for other purposes, not for evaluating welfare reform. And the decentralized and fluid nature of the new welfare environment has made it more difficult for them to capture the welfare program benefits received by respondents. There is no longer even a common program name for benefits across states, and cash assistance is not the only, perhaps not even the most central service that states offer low-income families.

The panel found that "each of the major national household survey data sets most suitable for monitoring and evaluation has significant limitations in terms of sample size, nonresponse levels, periodicity, response error, population coverage, or survey content." (*Evaluating Welfare Reform*, p. 119)

Most surveys, for example, are not representative of smaller geographic areas, a significant disadvantage for studying welfare policies that have been devolved to state and local jurisdiction. The census, which does cover such areas, is taken only once every ten years, not frequently enough for timely monitoring or evaluation. Because national surveys aim to be representative of the entire population, sample sizes for the low-income populations and subpopulations may be problematic; they can produce reliable estimates of well-being for the nation as a whole, but not for individual states or groups such as immigrants or the disabled. Of the currently available data sets, only the CPS has the sample size and statistical power necessary for such analysis. The ACS, now under development, should have considerable potential for precise estimates for smaller groups, but its future is uncertain.

The timeliness with which data are collected and released is a severe limitation, especially for the two key surveys monitoring welfare program participation, the SIPP and the SPD. For these, only very limited postreform data were available in early 2001, nearly five years after the reforms were enacted.

Table 2
National Survey Data for Monitoring and Evaluating Welfare Reform

Survey	Manager and Funding Source	Purpose	Dates of Administration	Population Covered
The long form of the decennial census	U.S. Bureau of the Census; Federal government	Enumeration of the population; long-form collects additional information	Beginning of each decade; mandatory survey	In 2000, 18 million households
The March supplement to the Current Population Survey	U.S. Bureau of the Census and U.S. Dept. of Labor; Federal government	Asks respondents about income received during previous calendar year, including public assistance income	Annual March addition to a voluntary monthly labor force survey	From 1996 on, 50,000 households; sample is imperfectly proportional to state populations
The American Community Survey (ACS)	U.S. Bureau of the Census; Federal government	Content similar to decennial census long form but also includes questions on income and public assistance receipt	Under development since 1996; will be fully implemented in 2003 as a continuing, mandatory monthly survey	When fully implemented, will be administered monthly to an annual sample of about 3 million households drawn from all counties
The Survey of Income and Program Participation (SIPP)	U.S. Bureau of the Census; Federal government	Detailed information on income, including earnings, public and private transfers, in-kind programs, assets	Monthly and quarterly; voluntary, longitudinal panel survey begun in 1983; households remain in panel for 2–4 years.	Panels have varied in size; current panel is 37,000 households. Successive samples of adults in U.S. population with oversample of poor families
The Survey of Program Dynamics (SPD)	U.S. Bureau of the Census; Federal government	To evaluate the effects of 1996 welfare reforms; jobs, income, and program participation data for all over age 15	Annual, voluntary, longitudinal survey through 2001	18,500 households in 1998, all originally participants in 1992–93 SIPP panels
The National Survey of America's Families (NSAF)	Urban Institute; private funding	To analyze devolution of welfare policy and program responsibility to the states; collects data on adult and child well-being, program participation	Voluntary survey; data collected 1997, 1999, and planned for 2002	Families with children under age 18 in 13 states where case studies will also be conducted, plus a representative national sample
The National Longitudinal Survey of Youth (NLSY)	National Opinion Research Center; U.S. Department of Labor and National Institute for Child Health and Human Development	Life-event data: employment, marital status, program participation	Begun in 1979 with a nationally representative sample of 14–22 year olds; annual survey 1979–94, biennial from 1996	Two main cohorts: 1979 cohort and a new cohort of 9,000 youth aged 12–16 in December 1996
The Panel Study of Income Dynamics (PSID)	University of Michigan Institute for Social Research; NSF and several federal government agencies	Dynamic aspects of economic and demographic behavior; includes questions on program participation	Voluntary, cross-sectional and longitudinal survey begun in 1968. Annual interviews 1968–96, biennial thereafter	Began with national sample of 4,800 families; was 6,434 families in 1999.

Note: These are discussed in Appendix D of the Report.

Some monitoring and evaluation questions require nationally representative longitudinal data to capture the effects of policies on family formation over time, and to separate the effects of policies from differences that may be due to individual characteristics. All of the existing longitudinal surveys either have too short a time frame for such analysis (SIPP, SPD) or are not large enough to allow for precise estimates of outcomes for subpopulations in which we are most interested (NLSY, PSID).

To improve the ability of national-level survey data sets to measure the effects of changes in broad welfare program components across states, the panel recommended expansions or supplements to the CPS or other surveys. It urged that sufficient funds be devoted to fully implement and maintain the ACS at its currently proposed sample sizes.

State and local surveys

The demand for state and local surveys has grown as states now have more of a vested interest in monitoring and evaluating programs that they design and control. However, these surveys face many of the same problems of population coverage, nonresponse, timeliness, and measurement error as do the national surveys.

Most such surveys of the welfare populations so far have limited their sample to program participants or former participants, and their findings cannot be extended to the low-income population as a whole. Very little information has been collected about formally and informally diverted populations. Many early studies of leavers also had low response rates—not surprising, given that the surveys were attempting to reach a very mobile population.

State and local surveys are able to collect more detailed information than national surveys about their own populations and programs, and to match that information to state administrative data. But state governments are handicapped by their relative lack of experience in conducting surveys and by limited resources for enterprises that are very expensive, even at the local level. ASPE has recognized these problems and has been helping some states, mostly those conducting studies of people who leave or are diverted from welfare, to develop their capacity to conduct or manage surveys. Some states have more experience than others, and mechanisms for fostering interstate communication should be developed.

Administrative data

Information collected as part of the administration of programs or services is a crucial source for monitoring and evaluating welfare programs. Most such data are collected locally, but are linked and maintained by the states. For some programs—TANF and child support enforcement among them—states must provide administrative data to the federal government. Data from child protective services, foster care, Medicaid, and Food Stamps are all useful sources for evaluating social welfare programs. Administrative data have been linked with UI wage records to track the status of families that leave welfare, and are being used to assess and improve survey data collection for welfare programs. Other efforts to link administrative data on households, business firms, and government entities to employer and household surveys from the Census Bureau are underway.

Administrative data generally have much larger sample sizes than surveys and are fairly up to date, because they are required for administrative decision-making. They are a relatively inexpensive source of information for monitoring program participants, and provide more reliable data about benefits received than are people's answers to retrospective survey questions.

These data, however, have many shortcomings. They typically include only the information on an individual or family necessary to establish eligibility and benefits, and are missing more general demographic characteristics, information on other household members, indications of health or transportation problems, or child care obstacles, to name only a few. In general, data that are not crucial to administering benefits may be of much lower quality than data that are essential.

Furthermore, administrative data are often not readily available for research purposes. For reasons of confidentiality, agencies are often reluctant to share data with other agencies in the same state, let alone to allow researchers or administrators in other states access. Once access is obtained, checking datasets for errors and linking them with other administrative or survey data may be a complex and lengthy procedure, for quality and content are quite uneven within and across states.

Despite the challenges, these data are a vital component of monitoring and evaluation, both in general and for state officials who now have greater control over and therefore more interest in evaluating their own welfare programs. But full exploitation of the possibilities of administrative data will require the active involvement of the federal government to provide technical assistance—preservation of data over time, improvements in quality and comparability, or balancing confidentiality and access, for example—and to invest in developing common definitions and data formats.

Program description data

It seems obvious that evaluation of the effects of welfare reform must rely on fairly detailed descriptions of the policies and programs adopted by states and local agencies; programs cannot be compared if the rules are not known. Yet good descriptive data on postreform programs have been slow in coming.

Recommendation: [The panel recommends that] an organizational entity be identified or created within the U.S. Department of Health and Human Services, and that this entity be assigned direct administrative responsibility and authority for carrying out statistical functions and data collection in the area of social welfare programs and the populations they serve. The entity would also coordinate data collection and analysis activities between states and the federal government. [*Evaluating Welfare Reform*, p. 156]

States are required to provide the federal government with summaries of their TANF programs every two years in order to receive block grants. States have been given general guidance on what to report, but no specific requirements; as a consequence both the programs reported and the level of detail vary greatly from state to state. Such data were first collected in 1997, and again in 1999, but they are not yet publicly accessible.

The most comprehensive effort so far to document state policies and practices since 1996 has been the Urban Institute project, Assessing the New Federalism, funded by the Annie E. Casey Foundation. Several other projects supported by private organizations and federal agencies do not collect information on a regular basis and do not cover the entire time since 1996. In many states, policies and their implementation have been works in progress. None of the projects, including that of the Urban Institute, collects detailed, continuing information on how programs are actually being implemented in all the states.

The panel recommended that DHHS take active and direct responsibility for documenting and publishing welfare program rules in every state and substate area where needed, and that they should also document changes in these rules.

Qualitative data

The goal in collecting qualitative data is generally to provide detailed and sometimes subjective information on individuals and groups that is not easily acquired from survey or administrative data. The open-ended questions typical of qualitative data collection provide deeper insight into individual outcomes. They can also be used to improve the direction and precision of fixed survey questions that are, for example, targeting populations typically hard to interview, such as the homeless.

Although the value of qualitative and ethnographic data in evaluation settings is becoming more apparent, there are some limitations. Replication of results is rare, and sampling and data collection are rarely coordinated among studies and across multiple locations. Study methodologies are often inadequately documented. Studies are not always designed to statistically represent a population of interest and because these studies are expensive to conduct, even representative samples are often too small for precise statistical analysis. Qualitative data are often most effective when nested within a larger survey or a study using administrative records to complement the information collected from quantitative data. Even there, the expense of conducting such studies has been a serious barrier.

Conclusions

Each of these data sources has limitations that contribute to overall weaknesses in the nation's data infrastructure for welfare program monitoring and evaluation. The panel concluded that at least some of the weaknesses in the current data infrastructure exist because no agency within DHHS has distinct administrative authority and responsibility for collecting and developing data relevant to social welfare and human services policies and programs.

As a start, the panel recommended that ASPE, in its annual report to Congress, should review survey and administrative data at federal and state levels, identify the strengths and weaknesses of existing data, note gaps that need to be filled, and assess priorities for filling those gaps, so that resources can be effectively allocated.

Beyond this, the panel strongly advocated that DHHS assign responsibility for developing social welfare and poverty data and for other statistical functions to an existing or new independent agency that is separate from other program and policy agencies within the department. Other government departments have done so—for example, the Department of Labor has the Bureau of Labor Statistics, the Centers for Disease Control and Prevention have the National Center for Health Statistics, and the Department of Justice has the Bureau of Justice Statistics. The panel did not offer a blueprint for the agency, but it specified that its responsibilities should include national surveys, administrative data, technical assistance, reports, and a data archive.

If welfare programs continue to be operated within a devolved system, the need for such an agency can only grow. But actually building the kind of data infrastructure needed for monitoring and evaluating welfare programs will take a sustained effort and strong leadership from federal and state governments alike. ■

The private food assistance network

Privately sponsored "emergency" programs are becoming an integral component of the food assistance network in virtually every U.S. community. In 1997, the private food assistance network had an estimated value of over $2.3 billion and provided food to about 20 million people. Although it is still very much smaller than the largest public food assistance program, Food Stamps, it has clearly become an important supplemental system.[1] This article describes how it works and whom it serves, and examines some interactions with public food assistance programs.

Until the 1980s, most emergency food relief programs were set up as temporary measures in times of economic hardship. Once the crisis abated, they closed their doors until the next economic downturn. This cyclical trend appears to have changed.

The private food assistance network in its present form emerged from the convergence of two forces, one public, one private. The public initiative was the establishment in 1983 of the Temporary Emergency Food Assistance Program (TEFAP), a commodities distribution program in the U.S. Department of Agriculture.[2] The private initiative was the formation of an entirely new kind of private food assistance network, Second Harvest. Together they provided food banks and pantries, for the first time, with a steady stream of revenue and food from public and private sources.[3]

The Emergency Food Assistance Program

In its origin, TEFAP, like the Food Stamp program, reflected dual policy goals reaching back to experiments with food assistance during the Great Depression: helping farmers and ending hunger among needy families. Depending upon political and economic circumstances, now one, now the other has predominated in federal policy.

The initial impulse underlying TEFAP was to ameliorate food insecurity in a way more acceptable to government and to many public critics than the Food Stamp program, which was in disfavor under the Reagan administration. The willingness of the administration to implement TEFAP was grounded in the recession of the early 1980s and in the existence a large surplus of perishable commodities such as cheese. The program was originally authorized for two years; the federal government paid processing, packaging, and delivery costs and a large proportion of state agency expenses, and much of the food was to be distributed by the states through private food banks and food pantries, in line with the conservative emphasis on private initiatives.

Increased supply was matched by increased demand for free food. One factor was the structural unemployment of the early 1980s, which created a group of newly poor. Substantial cutbacks and other changes in the Food Stamp program also contributed. After the program was revised in 1977, food stamp allotments were no longer intended to last a full month, and this may have increased chronic reliance on food pantries among the poorest.[4] Word of mouth alone created long lines at the pantries, which were not allowed to advertise. In the first few years of TEFAP, over 2.1 billion pounds of surplus foods—primarily dairy products but also wheat flour, cornmeal, and honey—were distributed and as many as 19 million people received assistance each month.

In 1987, TEFAP was expanded to include a wider range of surplus foods and in 1988, the Emergency Hunger Prevention Act authorized the purchase of food to be distributed in addition to surplus commodities. Despite some vicissitudes in funding, it has been regularly renewed by Congress, and in 1990 the word "temporary" was removed from its name.

The provision of funds for purchase in essence rebalanced TEFAP's priorities from price stabilization for farmers toward food assistance for the poor. Using public funds to purchase commodities for distribution also represented a shift away from the approach embedded in the Food Stamp program, which provided assistance in the form of an earmarked income transfer. Anxiety about fraud had dogged the Food Stamp program almost from the beginning, but it was a point of emphasis during the Reagan administration. Distributing commodities through private charities was seen as a more direct way to get the food to the poor, and less subject to fraud.

TEFAP pleased farmers, by providing for price stability; it appeased antihunger activists and organizations, who had strongly criticized Reagan administration cutbacks in food assistance, because it appeared to reach the needy; and it pleased the food industry, which, in addition to donating food out of goodwill, found that it could

This article is based upon two recent IRP discussion papers: Beth Osborne Daponte and Shannon Lee Bade, "The Evolution, Cost, and Operation of the Private Food Assistance Network," IRP DP 1211-00 (2000), and Ann Nichols-Casebolt and Patricia McGrath Morris, "Making Ends Meet: Private Food Assistance and the Working Poor," IRP DP 1222-01 (2001).

use the network to dispose of food for which it might otherwise have had to pay salvage costs.

The new policy institutionalized the private food distribution network. Before TEFAP, food pantries relied mostly on unpredictable donations of food and money from individuals and businesses. TEFAP goods represented a dramatic increase in their responsibilities and provided a regular and substantial supply of nutritious food. TEFAP funding also provided reliable budgets for administration, storage, and distribution.

Getting private donors involved: Second Harvest

The second precipitating element in the growth of the private food assistance network was the formation of a nonprofit organization that provides both a relatively easy way for potential donors of large quantities of food (e.g., the food industry) to give to the private network and an efficient and equitable means for distributing these goods nationwide. This organization is Second Harvest, which began in the 1970s as a small network of food banks based in the Southwest. It is now a network of 185 member food banks (95 percent of U.S. food banks), with some 34,000 affiliated food pantries. In 1998, Second Harvest, with a budget of over $9 million, managed the distribution of 260 million pounds of food.

Second Harvest has no warehouses and never handles food directly. It acts as a liaison between the food industry and the assistance network, soliciting donations from food companies, farmers, and agricultural cooperatives—half a truckload of cereal, two truckloads of apples—and then offering the food to food banks. By certifying that member food banks meet a clear set of standards, it gives potential donors confidence that the food and paperwork will be properly handled and that the act of donation will be trouble-free.

To determine how to allocate food on any given day, Second Harvest maintains a computerized ranking of food banks according to the amount they have already received and the number of people in poverty in their area. It also considers the nearness of the food bank to a particular donor. When a donation is pledged, it is systematically offered to food banks, starting at the top of the list. The food bank has two hours to respond; if it is not interested, the next on the list is queried. Food is not transported to a central location, but goes directly from the donor to the food bank, which usually arranges its own transportation. Second Harvest has, however, developed an ancillary program, Relief Fleet, which allows trucking companies to donate transportation on empty freight runs.

The food assistance network at the street level: Food pantries

In 1997, Second Harvest sponsored a large national survey of food banks, food pantries, and food pantry clients.[5] Almost three-quarters of food pantries were church-affiliated; 23 percent were private nonprofit agencies. Very few had a long history: about three-quarters had been formed after 1981, a third were less than 6 years old.

Most pantries operated on a shoestring—60 percent had incomes of less than $5,000, another 13 percent between $5,000 and $10,000. On average, they had one or two paid staffers and relied heavily on volunteers to assist with operations and food distribution. It is hardly surprising that 18 percent of pantries viewed themselves as threatened or unstable, half because of funding difficulties, almost a quarter because of lack of volunteers.

Food pantries obtained over 60 percent of their food from food banks. The remainder came from food purchases (13 percent), churches (13 percent), government (3 percent), merchants and farmers (4 percent), and other sources (5 percent). In 1997, food pantries distributed about 960.5 million pounds of food, over a quarter of it provided through Second Harvest. Pantries affiliated with Second Harvest served over 19 million persons at least once in that year. Each pantry provided food, on average, to 1,507 individuals living in 545 households.

Who uses private food assistance?

Pantry administrators tend to regard their assistance as emergency aid. But the Second Harvest interviews make it clear that for most clients, using a food pantry is chronic and long-term; 60 percent of those interviewed had been using the pantry for more than a year.

Asked why they had sought aid (respondents could give more than one reason), over half of clients cited recent unemployment, 35 percent long-term unemployment. Other reasons included an illness (23 percent), high fixed expenses (22 percent), and not enough food stamps to last the month (13 percent). Only one-third cited a temporary emergency, even though the system is predicated upon emergency use.

Nationally, about 22 percent of pantry users were disabled, 12 percent retired. One-third of those relying on food pantries were children under 18, and over half of the households with children were headed by single parents. The annual household income of food pantry clients was low: two-thirds had an annual income of less than $10,000.

In all, about a third of food pantry clients were also receiving food from other sources, such as senior nutrition sites or school programs; 19 percent used more than one pantry, a practice generally frowned upon by the pantries.

Working poor families and the food pantries

A significant percentage of users of private food assistance appear to be working poor families. Nearly 60 percent of those interviewed by Second Harvest said that they were working, but needed more money. About half of these claimed to be working full time.

A picture of these families emerges from a study of the users of Virginia food pantries and soup kitchens.[6] Over one-third of participating households had at least one employed member. About 70 percent of those who were currently or recently employed worked at least 20 hours a week. Longer-term unemployed—those in which no household member had worked in the last six months—constituted 30 percent of the food pantry users. Of these, almost a third cited health as a barrier to employment.

Most users had characteristics that, over the long term, would make it difficult for them to earn enough to support themselves and their families. Most were women, many of them single parents. Nearly half had less than a high school education, and more than half earned less than $6.50 an hour. At some time in the last six months, about 10 percent of households in which one or even two adults were working had been homeless, around 20 percent had phone service cut off, and about 11 percent had heat or electricity cut off. Nearly 40 percent of families in which one adult was working or recently unemployed had skipped meals.

The interaction of public and private food assistance

Many food pantry clients surveyed by Second Harvest appeared to be slipping through or not adequately served by the public safety net, whose cornerstone programs are Food Stamps, the Supplemental Nutrition Program for Women, Infants, and Children (WIC), and the School Lunch and Breakfast programs. Among the children in the Second Harvest study, 65 percent were participating in the school breakfast and lunch programs, and 31 percent of age-eligible households were participating in WIC. In the Virginia study, around 10 percent of all clients, whether employed, short-term unemployed, or long-term unemployed, had recently had trouble with public benefits, having lost Medicaid, cash welfare benefits, or food stamps.

Nearly 60 percent of pantry clients in the Second Harvest survey were not receiving food stamps—indeed, almost 40 percent had never even applied. Fewer than one-third in the Virginia study were currently receiving food stamps; about half of those who had recently stopped receiving stamps had become ineligible because they had found work or their income improved, but over 18 percent had not returned for recertification or felt that the benefits were too small to “put up with the hassle.”

Nationally, participation in Food Stamps, the largest program, has declined substantially.[7] The decline began before the 1996 passage of welfare reform legislation tightened eligibility standards and reduced the value of the benefit, but accelerated thereafter. Even as early as 1994, just over half of eligible households in which someone was working appeared to be participating. Much of the decline has occurred among families with incomes below 130 percent of the poverty line. Almost one-third of families at these income levels have been measured as “food insecure”—that is, they do not always or reliably have enough food to feed all family members and are uncertain about whether they will have household resources adequate to acquire enough food to meet their family’s needs.

It seems likely that many are discouraged from applying for food stamps because they lack reliable information about the rules and are daunted by the administrative complexity of the program.[8] Such individuals may be using private food networks as an alternative to the challenges of Food Stamp application and recertification. Others are using these networks to supplement food stamp allotments. Among poor families in an Allegheny County, Pennsylvania, study, 23 percent used both food stamps and private food pantries.

Operation of the private food assistance network

There is much local variation in the way food banks and pantries operate and in how effectively they can respond to need. Some of this is due to political and economic circumstances, some to different state governmental structures. These problems have lessened as the private food network has matured and expanded, but local conditions can strain the resources of small organizations. For example, the closing of three factories in northeastern Connecticut in the 1990s created demand for services that local food pantries were unable to meet. The distribution of federal food aid generally depends on the existence of an effective, local, volunteer-based organization willing to administer the program. Poor people living in urban areas with a large number of charitable resources have a much greater chance of being helped than equally poor people living in rural areas.

The variability becomes clear from a comparison of two major Eastern U.S. food banks, the Connecticut Food Bank (CFB) and the Greater Pittsburgh Community Food Bank (GPCFB), in Pennsylvania.[9] Both began during the early 1980s, and both are now affiliated with Second Harvest. In each service area, about the same number of people are below the poverty line, but the food banks are very different in the size, scope, and intensity of their activities.

In 1996, the CFB distributed 3.5 million pounds of food in six of Connecticut's eight counties to 450 member agencies—soup kitchens, day care and senior citizen centers, emergency shelters, and food pantries. It employed 18 full-time-equivalent staff members; in 1995–96, volunteer workers donated about 3,100 hours to help with operations. In 1997, the GPCFB distributed over 13 million pounds of food in 12 counties in western Pennsylvania through 350 member agencies, 265 of them food pantries. With 45 full-time-equivalent staff members, it has the fourth largest staff of all Second Harvest food banks. In 1997, volunteers donated over 40,000 hours.

Differences in the two states are also important. For example, Pennsylvania provides the GPCFB with twice as much money as Connecticut provides the CFB for the purchase of food. Connecticut does not have county government, but Pennsylvania does. So, in Pennsylvania, food assistance and many other programs are administered from the state to the county level and finally to a charitable organization. In Allegheny County, the primary TEFAP contractor, for historical reasons, is the Lutheran Services Society, which subcontracts with seven food banks, including the GPCFB, to distribute food to local pantries.

In Connecticut, all government food assistance programs are administered by the state and distributed directly to each municipality or to the nearest charitable organization or human service agency. The state Department of Social Services contracts directly with the CFB. The state does not monitor the pantries, soup kitchens, and other agencies that actually distribute food.

These examples point to a general characteristic of the food assistance network. One source of its variability is the flexible rules of the TEFAP program itself. The federal government does not spell out exactly what administrative structures or eligibility criteria should be used. When the program was established, federal administrators felt that stringent eligibility requirements were not necessary or cost effective (the typical distribution to a household was then worth less than $15). Moreover, then and thereafter, food banks and pantries strenuously resisted such record-keeping, both because of the burden on small, largely volunteer organizations and because they felt that collecting such data would be intrusive and inconsistent with their mission. Thus monitoring of clients and agencies is minimal—to be eligible for TEFAP, food pantries generally have clients sign a form in which they self-report that their income is less than 150 percent of poverty.

This simplicity and flexibility stand in sharp contrast with the reporting requirements of the Food Stamp program, which are notoriously extensive and complex, requiring pay stubs, cancelled rent checks, utility bills, etc. TEFAP appears likely to pose a greater risk of noncompliance and inefficiencies in its procedures.

Conclusions

Private food networks have now become an integral part of the nation's food assistance program. Even if the public food assistance programs were easier to access, the very existence of a substantial, reliable source of free food is likely to generate steady demand among poor families with many pressing claims on their limited resources. But beyond that, soup kitchens and food pantries are providing critical assistance to the working poor and the chronically unemployed throughout the United States.

The increases in the use of "emergency" food assistance sites, the persistence of food insecurity and hunger in the United States, and the prospect that these programs may be supplementing the Food Stamp program among an increasing proportion of the poor raise serious questions of equity and social justice. Treating problems as "emergencies" may seem to be a less costly approach for government than establishing policies and programs to guarantee adequate income and services for individuals. But defining hunger as an individual, short-term problem that can be solved through expansion of voluntary emergency programs may divert attention from the underlying problems of unstable employment and inadequate income, and from the government's role in assuring a safety net for vulnerable families. ■

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[1]In FY1997 the Food Stamp budget was $21.5 billion and nearly 23 million people were participants. U.S. Department of Agriculture, Food and Nutrition Service, Food Stamp Program Data. <http://www.fns.usda.gov/pd/fspmain.htm>. The private network data refer to the Second Harvest network, which constitutes about 95 percent of the entire network. Food pantry users likely received a much smaller portion of their monthly food needs than is provided to participants in the Food Stamp program.

[2]The legislation establishing this program was sponsored by Rep. Leon Panetta (D-CA).

[3]Food banks act as middlemen, providing food to food pantries, which distribute food for consumption at home, and to soup kitchens, which serve food on site. Food banks may also provide food to senior centers and other organizations that serve meals.

[4]Under the 1964 act establishing the Food Stamp program, participants had to purchase food stamps; this purchase requirement was heavily criticized on the ground that the very poorest families were simply unable to make the copayment and meet other obligations, such as rent. Counties that switched from commodities distribution to food stamps as their primary means of food assistance found that overall participation in such programs dropped. The purchase requirement was ended in 1977.

[5]*Hunger 1997: The Faces and Facts* (Chicago: Second Harvest, 1998), reported information drawn from 79 of its member food banks and 25,319 agencies operating food programs; 27,771 clients of emergency food programs were interviewed. Two large national surveys of the

Call for Papers

IRP/ERS Conference on Income Volatility and Implications for Food Assistance Programs

The Institute for Research on Poverty and the Economic Research Service, U.S. Department of Agriculture, will sponsor a research conference to be held in Washington, DC, on May 2–3, 2002. The purpose is to present the latest research on the effects of income volatility on participation in food assistance programs. Eight to ten papers will be presented, and it is anticipated that selected conference papers will appear in a conference volume. The conference organizers are John Karl Scholz and James Ziliak on behalf of IRP and Dean Jolliffe and Craig Gundersen on behalf of ERS.

A goal of means testing is to maximize the coverage of benefits to eligible recipients while minimizing the leakage of benefits to those not in the targeted group. As eligibility requirements become more precisely defined or strictly enforced, leakage is reduced but administrative costs and participant burden increase. For programs requiring a large amount of documentation, some eligible recipients may decide that the costs associated with benefit receipt are too high. These trade-offs are present in all means-tested transfer programs. The focus of the conference is on how income volatility affects these trade-offs for domestic food assistance programs. The specific interest is in research on income volatility and the movement in and out of program eligibility, the decision to participate, compliance over time, and program costs.

Emphasis will be placed on food assistance programs, but papers dealing with other income transfer programs, domestic or international, are of potential interest, as are papers dealing with multiple-program interactions or methodological issues related to income measurement. Preference will be given to papers that are empirical in focus, although research with an applied theoretical emphasis is also welcome. Papers will be selected on the basis of an abstract of 500–700 words or a completed manuscript. The title of the proposed research, applicant's name(s), institutional affiliation, and full address and contact information should be included. Deadline for submission is August 31, 2001, and authors of accepted papers will be notified by September 28, 2001. IRP will cover travel and local expenses for authors presenting papers, and anticipates providing a small honorarium. Send papers and abstracts as e-mail attachments or by hard copy to Elizabeth Evanson, IRP, 3412 Social Science Building, 1180 Observatory Drive, Madison WI 53706; evanson@ssc.wisc.edu.

Private Food Assistance Network: Notes, continued

emergency food assistance network, one by Second Harvest and another by the U.S. Department of Agriculture, are now (May 2001) in the field.

[6]Details in this section are drawn from Nichols-Casebolt and Morris, "Making Ends Meet."

[7]Food Stamp participation rates dropped by about 11 percentage points between September 1994 and September 1998. In September 1998, about 59 percent of eligible people in the United States used food stamps (A. Schirm, *State Food Stamp Participation Rates in 1998*, Food and Nutrition Research Report, U.S. Department of Agriculture <http://www.fns.usda.gov/oane/MENU/published/FSP/participation.htm >).

[8]See, e.g., Peter Eisinger, "Food Pantries and Welfare Reform: Estimating the Effect," *Focus* 20, no. 3 (Fall 1999): 23–30. On the issue of food stamp takeup, see B. Daponte, S. Sanders, and L. Taylor, "Why Do Low-Income Households *Not* Use Food Stamps? Evidence from an Experiment," *Journal of Human Resources* 34, no. 3 (Summer 1999): 612–28. The Allegheny County study is reported in B. Daponte, "Private versus Public Relief: Utilization of Food Pantries versus Food Stamps among Poor Households in Allegheny County, Pennsylvania," IRP Discussion Paper 1091-96, University of Wisconsin–Madison, 1996.

[9]The operations of both these agencies are discussed in detail in Daponte and Bade, "Private Food Assistance Network," pp. 44–70.

Medical spending, health insurance, and the measurement of American poverty

Gary Burtless and Sarah Siegel

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In measuring poverty in the United States, perhaps the most vexing question is how to account for the cost of health care.[1] Since the current poverty measure was developed in the 1960s, patterns of medical care use and payment have changed significantly and resources devoted to health care have risen steeply. In 1960 medical spending accounted for just 5 percent of national income; by 1999 it constituted 13 percent. But relatively little of this increase was financed directly out of household budgets (these are generally referred to as "out-of-pocket" payments). Over those decades the fraction of health spending paid out of public budgets more than doubled and that financed through third-party private health insurers rose almost 60 percent. Actual out-of-pocket payments by households to purchase health services fell from 55 percent of health care expenditure to 18 percent.[2] The share of family expenditures devoted to health care consumption actually fell slightly between 1960 and 1999.[3]

The way in which the government measures poverty takes no explicit account of consumer medical spending or of the subsidized health insurance that families receive through their employment or through government programs. Many observers believe that it should do so, but are divided on how exactly that can be accomplished. Neither social scientists nor policymakers have defined a basic set of health care "necessities" as opposed to less essential health care "luxuries." A particular medical procedure, for example, may save one person's life, greatly ease pain for another, and be harmful to a third person.

How we define necessary medical care significantly affects our perception of which groups are vulnerable to poverty, and that perception shapes our decisions about how government resources should be distributed, with clear political implications. It seems probable that if poverty measurement were to take household medical expenditures into account, the poverty rates of the aged and disabled—heavy spenders on medical care—would rise. If the consumer value of subsidized health insurance were to be included in income without any change in the poverty thresholds, poverty rates would fall. These effects on the overall poverty rate and on the relative incidence of poverty in different population groups have the potential to arouse intense political debate. Poverty measurement inspires political controversy because the programs that are directly and indirectly affected by poverty measures are themselves highly controversial.

Our research tries to expand understanding of the impact of medical spending by comparing alternative methods of including such spending in the definition and measurement of poverty. We compare the method of including health care outlays embodied in the official poverty statistics with two other approaches. These are based, directly or indirectly, on the recommendations of the 1995 report of the National Academy of Sciences (NAS) Panel on Poverty and Family Assistance, *Measuring Poverty*.[4]

The NAS panel comprehensively evaluated the official poverty measure, describing its flaws and suggesting methods for reducing or eliminating them. The panel recommended that the official poverty thresholds, which have never been updated to reflect the changing patterns and levels of consumption by American households, should be revised to reflect spending patterns observed in household surveys and then updated every year to reflect society-wide trends in consumption. In addition, the panel recommended that family resources be redefined to include money income from all sources and the value of near-money income such as food stamps. Finally, the panel urged that certain expenses be subtracted from resources, among them a family's out-of-pocket medical costs and spending on health insurance premiums.

Many of the NAS panel's recommendations enjoy wide support among poverty specialists, but those regarding health insurance and medical expenses have not won broad acceptance.

Should health care costs be counted in measuring poverty?

To measure poverty, we must compare some index of household well-being or economic resources with household needs. When command over economic resources falls short of needs, a person or a family is classified as poor. Most Americans would surely include adequate medical care within the core set of basic needs. The architects of the original poverty thresholds and members of the NAS panel might well have agreed on this point, but they chose very different approaches to recognizing medical care expenditures.

The original poverty thresholds were based on the cost of a minimally adequate diet multiplied by a factor of three, considered to be large enough to cover other family needs. Under the official thresholds, some portion of the poverty budget is implicitly set aside for each basic need, with perhaps 7 percent of it set aside for medical spending. This approach made sense when most families paid for almost all their consumption with cash income; it makes less sense when a large fraction of household consumption is financed with in-kind transfers and third-party insurance payments.

The NAS panel's short list of consumer necessities included clothing, shelter, and food. The panel explicitly recognized the importance of in-kind (near-cash) transfers such as food stamps, but did not think that third-party payments for medical care or the insurance value of a health plan could be treated the same way. The panel offered two reasons for its conclusion. First, food stamps, unlike health insurance, directly help to pay for necessary consumption, freeing up part of the household's income to be spent on other basic necessities. Second, households of the same size and composition have similar food requirements but widely varying requirements for medical care. For example, a free insurance policy that has an average value of $6,000 a year may be worth only about $500 to a young, healthy couple. If the young family has only $10,000 in net income aside from the health insurance plan, the way we count the plan as part of their household resources determines whether or not they are classified as poor.

The U.S. Census Bureau, which produces the annual poverty statistics, has tried to resolve these problems by calculating a cash value for Medicare and Medicaid, although the official poverty statistics still do not reflect the cash value of these insurance plans. The NAS panel chose not to place a cash value on the insurance subsidy. Instead, it proposed subtracting actual household spending on medical care from other family resources. Thus medical spending, although not explicitly recognized in the poverty thresholds, was given special priority over spending on other forms of consumption.

There are a number of criticisms of this approach. First, the procedure may treat two families as equally poor if each has an income of, say, $10,000, but one has a free insurance policy and the other does not. This would be the case if the two families spent the same amount—say, $500 in a year—on medical care. Second, out-of-pocket health care expenses provide no clear indication of the adequacy of health care available to families or of the appropriateness of the care they receive. Some uninsured low-income households may spend little on doctors and medicine because they cannot afford to pay for adequate care. Despite their constrained circumstances, the NAS panel's definition may classify them as "not poor." Other households with equivalent income that spend more lavishly on discretionary medical services could be classified as "poor" when their out-of-pocket costs are subtracted from their resources.

This example points to a serious problem with the NAS definition: different groups in the population have different patterns of use and spend widely differing amounts on medical care, even if we take into account their net incomes and insurance coverage.[5] Over time, the systematically greater spending of the higher spenders will almost certainly translate into systematically faster improvements in their health. Under the proposed NAS poverty measure, it will also translate into a relative increase in their poverty rate.

Consider, for example, the elderly population. In 1999, 12 percent of expenditures among families headed by someone over 65 was devoted to medical care. This is more than three times the percentage spent on health care by families headed by someone under 55. Under the official definition, the poverty rate of the elderly fell from 13.8 to 11.7 percent between 1983 and 1994, whereas the overall poverty rate fell only from 15.2 to 14.6 percent. If, however, we use the more comprehensive definition of resources suggested by the NAS panel and subtract medical spending from family resources, the poverty rate of the aged *increased* from 1983 to 1994, although the poverty rate in the total population still fell.[6]

There is evidence that the increases in out-of-pocket medical spending by the elderly (and the far larger increases in third-party expenditures on their behalf) produced tangible benefits. For instance, mortality statistics suggest that older Americans enjoyed relatively rapid gains in life span during the time that their out-of-pocket expenses were rising.[7] If these spending increases produced faster gains in the well-being of the low-income elderly than were enjoyed by younger low-income Americans, a poverty measure showing that destitution among the elderly had grown worse might well meet with skepticism.

In our analysis, we take another approach to medical spending: we generate estimates of "reasonable" medical spending for particular groups in the population and add these estimates to the poverty thresholds proposed by the NAS, rather than subtracting actual spending amounts from household resources. A basic presumption of this approach is that spending on medical care should be treated as a necessity, just like food, clothing, and housing, in constructing the poverty thresholds.

Estimating "reasonable" health care spending

How much medical spending should reasonably be considered necessary? We begin with some health care cost estimates by the U.S. Census Bureau, which has been studying alternative poverty measures. Because the data source used to estimate the official poverty rate, the

Table 1
Upper- and Lower-Bound Estimates of "Reasonable" Medical Spending for Selected Types of Families, 1998

Insurance Status of Family Members	Family with Four or More Members Headed by Person under 65[a]	Family with Two Members Headed by Person Aged 65 or Older[a]
Upper-bound estimate of "reasonable" out-of-pocket spending		
All family members are insured, none are insured by Medicaid	$3,518	$4,421
All family members are insured, some or all are insured by Medicaid	$1,903	$1,230
Some or all family members are *un*insured	$7,104	$5,011
Lower-bound estimate of "reasonable" out-of-pocket spending		
All family members are insured, none are insured by Medicaid	$3,357	$3,916
All family members are insured, some or all are insured by Medicaid	$1,686	$1,110
Some or all family members are uninsured, but some or all are *eligible* for Medicaid	$1,686	$1,110
Some or all family members are uninsured, none are eligible for Medicaid	$3,357	$3,916

Source: Authors' calculations using NMES and March CPS files.

[a]At least one family member has health described as only "fair" or "poor."

March supplement to the Current Population Survey (CPS), contains no questions concerning family medical spending and very limited information about health insurance coverage, the Census Bureau has imputed medical expenditure amounts for families and individuals surveyed in the CPS from another data source, the 1987 National Medical Expenditure Survey (NMES). NMES contains information on family medical spending and health insurance, in addition to income and individual demographic data that are comparable to data for families in the CPS.[8]

The Census Bureau's implementation of the NAS panel's proposal imputes actual amounts spent on medical care to each household. Their estimates reflect the full distribution of health expenditures observed in the NMES sample. But annual medical spending is very unequal, as NMES data show. First, some families have very much higher health care outlays than other families with otherwise identical characteristics. For example, among families without an elderly member, the top 5 percent of spenders account for 22 percent of all medical spending; among elderly individuals who are in "fair" or "poor" health, the top 5 percent of spenders account for 35 percent of spending. Second, family out-of-pocket medical spending among low-income families is actually quite high, amounting to 61 percent of average out-of-pocket expenditure among all people, poor and nonpoor. Yet only 43 percent of people officially classified as poor are insured by Medicaid and another 25 percent are insured under some other plan, suggesting that many uninsured and poorly insured low-income families face large out-of-pocket medical bills.

To calculate an average amount of "reasonable" medical spending for a particular class of family, we restricted our population sample to NMES families that we judged to be neither rich enough to spend on unnecessary or excessively expensive care, nor too poor to purchase the health care that they needed.[9] We then calculated average out-of-pocket expenditures for different classes of families, grouping them according to four characteristics which are likely to affect health care spending: the age of the household head, the number of family members, their health, and their health insurance status. We then derived at a set of upper- and lower-bound values for "reasonable" health care expenditures for families in different circumstances. The gap between upper- and lower-bound values is particularly large in the case of families which lack medical insurance but which appear to be eligible for Medicaid, which provides free and comprehensive insurance to eligible, low-income families. Under the assumption that these families would be eligible for Medicaid if they applied, our (lower-bound) estimate of their "reasonable" out-of-pocket spending is modest. Our (upper-bound) estimate of "reasonable" spending is much higher when we assume these families are not eligible for Medicaid.

Some examples of upper- and lower-bound estimates of "reasonable" spending are displayed in Table 1. We show estimates for two kinds of families. The column on the left contains estimates for a family containing four or more members, each of whom is under 65; the column on the right shows estimates for a family containing exactly two members, at least one of whom is 65 or older. In each of the families there is a member whose health is just "fair" or "poor." In the top panel we show our upper-bound estimates of "reasonable" spending; in the lower panel, our lower-bound estimates. The big difference between these estimates is our assessment of the cost of medical outlays for families that contain uninsured mem-

Table 2
Profile of the Poor, 1998, under Alternative Poverty Definitions

	Percentage of Noninstitutionalized Population That Is Poor under:			
Group or Characteristic	Official Definition (1)	NAS Definition, Ignoring Medical Out-of-Pocket Expenses (2)	NAS Definition, Subtracting Medical Out-of-Pocket Expenses from Family Income (3)	Alternative Definition Adding Fixed Estimate of Medical Expenses to Poverty Threshold (4)
All Persons	12.7	12.0	16.1	16.0
Race and Ethnicity				
White non-Hispanic	8.2	7.9	11.5	11.1
African American	26.1	23.6	28.8	29.4
Asian or Pacific Islander	12.5	12.8	16.3	15.8
Hispanic[a]	25.6	24.0	30.0	31.0
Age Group				
Children under 18	18.9	17.0	21. 2	20.7
Adults Aged 18–64	10.5	10.4	13.5	13.6
Elderly (65 and older)	10.5	8.9	17.7	17.9
Family Structure				
Married-couple families	6.2	6.0	9.3	8.9
Female householder, no spouse present	33.1	31.1	37.4	37.4
Unrelated individuals	19.9	17.4	22.9	23.9
Metropolitan Residence				
Central city	18.7	17.0	21.6	21.7
Suburban	8.6	8.2	11.3	11.2
Nonmetropolitan Residence	14.4	14.0	19.5	19.4
Region				
Northeast	12.3	10.7	14.6	14.2
Midwest	10.3	9.8	13.5	13.4
South	13.7	13.5	17.9	18.1
West	14.0	13.0	17.1	16.8
Head of Family or Spouse Works				
Yes	8.7	8.6	11.9	11.6
No	31.6	28.0	35.9	36.9

Source: U.S. Census Bureau and authors' tabulation of March 1999 CPS file.

[a]Persons of Hispanic origin may be of any race.

bers. Our upper-bound estimates assume it is very costly for uninsured people to obtain adequate care; our lower-bound estimates assume such care is considerably less expensive, especially for those families that are predicted to be eligible for Medicaid.

Estimated poverty rates

We calculated poverty rates for families in 1998 using income data from the March CPS file and several different estimates of "reasonable" spending. Table 2 shows poverty rates for selected groups in the population in 1998, using four different definitions: the official definition, two versions of the NAS definition (one in which out-of-pocket medical spending is ignored and another in which it is subtracted from family resources), and a definition in which our lowest estimate of "reasonable" medical spending is added to the NAS-recommended poverty threshold.

However we choose to incorporate medical spending into the measurement of poverty, the immediate effect is to raise poverty rates and change the composition of the poor. If out-of-pocket medical spending is ignored, the poverty rates under the official definition and the NAS panel's definition are fairly close (Table 2, columns 1 and 2). But if out-of-pocket medical expenses are subtracted from household resources (Table 2, column 3), the national poverty rate rises by 3–4 percentage points. The addition of reasonable medical spending to the NAS poverty threshold (column 4) also yields a high poverty rate, about 3–4 percentage points higher than the official poverty definition. If we use higher estimates of "reasonable" medical spending in calculating the poverty thresholds, the poverty rate can be several percentage points above the estimate produced by the official poverty definition.[10]

The jump in poverty rates occurs because poverty thresholds in all variants of our new definition are substantially higher than the thresholds in the official definition. Even using the lowest estimate of reasonable health spending, the weighted-average poverty threshold in 1998 was 19 percent higher than the official poverty threshold among nonaged families and 44 percent higher than the official threshold for aged families (see Table 3). Yet our new poverty definition, like the NAS definition upon which it is based, includes many more sources of income than the official measure does.

The estimated poverty rate is typically higher when reasonable medical costs are added to the poverty thresholds than when actual medical spending is subtracted from family resources (the NAS proposal). The most important reason for this is that actual spending is unevenly distributed in the population. For example, we estimate that average out-of-pocket medical spending was about $3,400 for a lower-middle-income family of two or three people, headed by someone under 65 and with one member in only fair or poor health. However, the data show that 44 percent of families in this category spent less than half this amount and about 10 percent spent less than $100 on medical care. Thus, compared with the NAS panel's recommended procedure, our alternative approach includes a higher provision for medical spending for a large majority of families.

The NAS panel believed that the new poverty thresholds should provide enough resources to pay for at least 90 percent of median consumer spending on food, clothing, and housing. Our alternative approach includes an extra provision for "reasonable" medical spending. Even if we use our lower-bound estimates of "reasonable" spending and the NAS panel's lower-bound thresholds for spending on food, clothing, and shelter, our alternative method yields a higher estimate of the poverty rate than the official poverty measure. To produce a poverty rate that is equal to the rate produced by the official measure, we would have to reduce the NAS allowance for food, clothing, and shelter by 6 percentage points, to 84 percent of median consumer spending. Is a poverty threshold that cuts back so much on spending for these necessities but specifically includes a medical spending allowance too parsimonious? One's answer depends on philosophical rather than purely economic considerations.

Including an estimate of necessary medical spending in the poverty thresholds changes the relative poverty rate of various groups. The relative poverty of the elderly rises and that of children falls, although the relative rate among adults under 65 remains virtually unchanged. As already noted, older Americans spend larger amounts on medical care; this explains the rise in their relative poverty. Since few families with children also contain elderly members, average health spending is somewhat lower among families with children than in the population as a whole. Moreover, free or low-cost care is available to a large fraction of low-income children through Medicaid. Our alternative poverty measure also has a noticeable impact on the regional distribution of poverty: people in the south face a relatively higher risk of poverty, those in the northeast a significantly lower risk than under the official measure.

Table 3
Weighted Average Poverty Thresholds for 1998 under Alternative Definitions

Threshold Definition	Families Headed by Person under 65	Families Headed by Person Aged 65 or Older
Official Poverty Threshold	$14,840	$10,660
NAS-Recommended Threshold	$14,960	$11,520
NAS Threshold + "Reasonable" Medical Expenses[a]	$17,630	$15,310

Source: Authors' tabulations of March 1999 CPS files.

[a]Based on lowest estimate of "reasonable" medical expenses (see text).

Conclusions

Two conclusions stand out in this analysis. First, the inclusion of medical spending in the poverty definition has a large effect on the level and composition of poverty. Groups which are heavy users of medical care appear to be relatively worse off, and groups whose care is subsidized relatively better off, than the official definition indicates.

This finding has obvious political implications. Policy advocates often welcome analysis that shows their favorite target population is more deserving of public help. They resist evidence that favored target groups have less need for assistance. People who favor government redistribution thus welcome statistical reports showing that the incidence of poverty is higher (or is worsening at a faster pace) than previously believed. People who oppose redistribution are naturally suspicious of such reports. Advocates who favor increased aid targeted on a particular group embrace new evidence that this deserving group suffers worse poverty than previously believed. Lobbyists who support assistance programs for competing groups may profess skepticism of the new evidence. All sides of the debate believe that poverty statistics provide ammunition for their cause or at least for frustrating the ambitions of their political rivals. Poverty measures that capture the differing impacts of medical spending on different classes of Americans will show that poverty is relatively worse among groups expected to spend the most on care.

Our findings suggest a second conclusion. The level and composition of poverty can be comparatively unaffected by how we incorporate medical spending—whether medical out-of-pocket expenses are subtracted from resources or estimates of reasonable expenses are added to the poverty threshold. The two approaches can produce virtually identical pictures of the nation's poor depending on the definition of "reasonable" medical spending. The choice between the two methods thus depends largely on ease of estimation and theoretical preference.

Which procedure gives a better indication of the adequacy of health care available to households or the appropriateness of the actual care they receive? On this score, both methods are deficient. The NAS panel was right in urging government agencies to develop one or more indexes of "medical care risk," which would measure the economic and health risks facing families that have poor medical insurance or no insurance at all. As the panel noted, however, this concept of "risk" is distinct from poverty, so its measurement should be kept separate from the official measure of economic poverty. ■

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[1]This article is based on G. Burtless and S. Siegel, "Medical Spending, Health Insurance, and the Measurement of American Poverty," unpublished paper, Brookings Institution, April 2001. Revising the poverty measure was the topic of a special issue of *Focus* 19, no. 2 (Spring 1998).

[2]Health Care Financing Administration, "1999 National Health Expenditures Tables," Table 4, http://www.hcfa.gov/stats/nhe-oact/tables/Tables.pdf, 2000.

[3]In the 1960–61 Consumer Expenditure Survey, 6.7 percent of household expenditures was devoted to health care consumption; in the 1999 Survey, the share devoted to health care was just 5.3 percent (E. Jacobs and S. Shipp, "How Family Spending Has Changed in the U.S.," *Monthly Labor Review* [March 1990], p. 21; and ftp://ftp.bls.gov/pub/special.requests/ce/standard/y9399/multiyr.txt [downloaded 16 March 2001]).

[4]C. Citro and R. Michael, eds., *Measuring Poverty: A New Approach* (Washington, DC: National Academy Press, 1995).

[5]Citro and Michael, *Measuring Poverty*, pp. 231–32.

[6]D. Betson and J. Warlick, "Reshaping the Historical Record with a Comprehensive Definition of Poverty," unpublished paper, University of Notre Dame, South Bend, 1998.

[7]The death rate of men aged 65–84 fell by about 1.2 percent per year from 1982 to 1994. F. Bell, *Social Security Area Population Projections: 1997*, available on the World Wide Web site of the Social Security Administration <http://www.ssa.gov/OACT/NOTES/AS112/as112cov.html>.

[8]For the Census Bureau's methods and estimates, see K. Short, T. Garner, D. Johnson, and P. Doyle, *Experimental Poverty Measures, 1990–97*, Report P60-205, U.S. Bureau of the Census, Washington, DC, 1999.

[9] That is, we restricted our sample to families whose income-to-needs ratio (the family's money income divided by the official poverty threshold) was no higher than the median for the population and no lower than half the median.

[10]See Table 1 of the full article.

IRP Visiting Minority Scholars Program, 2001–2002

Continuing a program that began in 1998, the Institute for Research on Poverty offers the opportunity for minority scholars in the social sciences to visit IRP, interact with its faculty in residence, and become acquainted with the staff and resources of the Institute. The invitation extends (but is not restricted) to those who are in the beginning years of their academic careers. Applicants must hold a Ph.D. The intent of the program, which is supported by the University of Wisconsin–Madison, is to enhance the skills and research interests of minority scholars and to broaden the corps of poverty researchers.

Visits of one to two weeks duration by three scholars can be supported during the 2001–2002 academic year. The scholars will be invited to give a seminar, to work on their own projects, and to confer with an IRP adviser, who will arrange for interchange with other IRP affiliates.

Applications will be reviewed, and the visitors selected, by the IRP Executive Committee. Interested scholars should send a letter describing their poverty research interests and experience, the proposed dates for a visit, a current curriculum vitae, and two examples of written material to Elizabeth Evanson, Institute for Research on Poverty, 1180 Observatory Drive, Madison WI 53706; fax: 608-265-3119; e-mail: evanson@ssc.wisc.edu. Deadline for applications for the 2001–2002 academic year is September 15, 2001.

IRP Visiting Scholar, 2001: Research Project

An Exploration into the Efficacy of the Job Referral Networks of Low-Income African Americans

Sandra Smith

Over the past twenty years, a growing body of research has examined the social capital and social resources of the urban poor in an effort to better understand the relationship between their presumed social isolation and persistent joblessness.[1] These studies have usually taken one of two forms. Drawing from the literature on job search strategies, the first seeks to determine the extent and efficacy of informal contact use, such as friends, family members, and acquaintances, over more formal methods of job search. The second type of study follows the tradition within the social resources literature and implicates the structure and composition of poor people's networks. From both lines of research, two elements of social capital are documented: (1) the size of one's network of ties; and (2) the network's available resources. To the extent that social capital and social resources play a role in the experience of persistent joblessness among the urban poor, it is because, in absolute and relative terms, they tend to be embedded in networks with too few contacts who are structurally positioned to provide much-needed links to employment.

The research of the past two decades has done much to shed light on the role that social capital, or the lack thereof, has played in persistent joblessness, but an essential element of social capital has often been ignored. Although more members of the networks of urban poor people are weakly attached to the labor market, the poor are hardly isolated from others who have connections to mainstream institutions. Instead, the urban poor are often unable to mobilize job-finding assistance from friends, family members, and acquaintances who *are* endowed with social resources.[2] Thus, a third element of social capital is implicated: the willingness of contacts to aid when given the opportunity. But we know very little about the obligations, expectations, and issues of trust associated with the exchange of job information within poor, urban communities.

To fill this gap, I have collaborated with Alford Young, Jr, Assistant Professor of Sociology at the University of Michigan, to conduct in-depth interviews and to collect survey data relating to a random sample of 100 public housing residents of a predominantly low-income, African-American community in Ypsilanti, Michigan. Although data collection still continues, preliminary analysis is revealing. Consistent with previous research, the majority of residents in our sample thus far who have served as job contacts have reported a disinclination to assist in the job search process beyond telling job-seeking ties about vacancies.[3] Two reasons predominate. Many reported an unwillingness to be more active, for example, by talking to employers on the jobseekers' behalf, because, based on previous experiences, they feared that jobseekers would not follow through upon the information given by applying for the position. However, even if jobseekers succeeded in filling vacancies, contacts worried that jobseekers would prove themselves unreliable soon thereafter. Thus, in an effort to avoid looking bad, job contacts often distanced themselves from the jobseekers by providing a level of assistance that did not closely link them to these prospective employees—a method of assistance least effective at securing employment for referrals. Even when employers offered monetary incentives to their employees in an effort to increase referrals, distrust resulted in job contacts' continued reluctance to recruit jobseekers to whom they were connected.

I stress that these analyses are preliminary. However, these insights are providing a fuller picture of the social processes related to the exchange of job information within low-income African American communities, and a backdrop against which to better understand the relationship between social capital and persistent joblessness within poor, urban communities.

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[1]See, for example, R. Fernandez and D. Harris, "Social Isolation and the Underclass," in *Drugs, Crime, and Social Isolation*, ed. A. Harrell and G. Peterson (Washington, DC: The Urban Institute, 1992); G. Loury, "A Dynamic Theory of Racial Income Differences," in *Women, Minorities, and Employment Discrimination*, edited by P. Wallace and A. LaMond (Lexington, MA: D.C. Heath, 1977); G. Green, L. Tigges, and D Diaz, "Racial and Ethnic Differences in Job-Search Strategies in Atlanta, Boston, and Los Angeles," *Social Science Quarterly* 80, no. 2 (1999): 263–78; P. Kasinitz and J. Rosenberg, "Missing the Connection: Social Isolation and Employment on the Brooklyn Waterfront." *Social Problems* 43 (1996):180–96; W. Wilson, *The Truly Disadvantaged* (Chicago: University of Chicago Press, 1987).

[2]K. Newman, *No Shame in My Game: The Working Poor in the Inner City* (New York: Knopf and Russell Sage, 1999); R. Waldinger, *Still the Promised Land? African-Americans and New Immigrants in Postindustrial New York* (Cambridge, MA: Harvard University Press, 1996).

[3]Green, Tigges, and Diaz, "Racial and Ethnic Differences"; S. Smith, "Mobilizing Social Resources: Race, Ethnic, and Gender Differences in Social Capital and Persisting Wage Inequalities," *Sociological Quarterly* 41, no. 4 (2000): 509–37.

Reconceptualizing "percent black": Explanations of violence among African American youth

Marino Bruce

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Over three decades have passed since the defeat of Jim Crow, yet the United States continues to be a dangerous place to live for many poor and minority citizens. Homicide is the leading cause of death among young African American males. But violent behavior today, unlike the violence inflicted in the past on subordinate racial or ethnic groups, often occurs within the same age, gender, class, and race groupings.[1]

The study of violent crime among African Americans offers a challenge to researchers. The absence of high-quality data and use of inappropriate statistical techniques are one source of difficulty, but I would also argue that difficulties lies in the way the research is conceptualized.[2] Nearly all studies examining the relationship between race and criminality employ an empirical framework that uses a one-dimensional scale of problem behavior affecting African Americans. This scale is racial composition—the percentage of African Americans in an area, "percent black"—which is used as a measure of *cultural context* or simply *race effects*, without much thought about what the measure may actually be capturing.

In this article I suggest a more complex understanding of how the race effects of violence, particularly among youth, are linked to tangible aspects of U.S. society such as unemployment and poverty and to the local and familial context within which most African Americans reside.

Explaining the connection between race and violence

Research examining the connection between race and violence generally draws on one of three paradigms to explain the apparent links between the two. The *biocriminal argument* holds that nonsocial (biological) factors have as much or more to do with violent behavior as do social factors. The *cultural argument* locates the link between race and violence in the normative attitudes prevailing in particular groups; violence is seen as a consequence of a culture in which criminality and physical force are more acceptable forms of behavior. *Structural explanations* locate the source of violence in the high levels of poverty and unemployment that bedevil African American communities.

Biocriminal perspectives

The biocriminal approach is by far the most controversial. Beginning in the later nineteenth century, biocriminal theorists argued that genetically determined characteristics predispose some groups, especially African Americans, toward violent and criminal behavior. Contemporary adherents of these theories do acknowledge the importance of social environment, but a close inspection reveals that the core of the traditional argument remains intact. James Q. Wilson and Richard Herrnstein, for example, argued that differences in African and European American crime rates can be attributed to "constitutional differences" such as body type, personality, and IQ scores, all of them, essentially, physiologically determined.[3]

Biological explanations of racial differences in social phenomena, including violence, are now at the periphery of social science discourse. They have not, however, disappeared—witness the publication, in 1994, of Richard Herrnstein and Charles Murray's book, *The Bell Curve*. The argument that groups exhibiting high levels of violence are genetically or biologically different fails to recognize that race is itself a politically constructed classification scheme. Race, denoted by skin color, is the basis upon which political rights and economic advancement were for centuries denied to African Americans. Despite the changes of the last 30 years, racial profiling and other discriminatory practices against African Americans suggest that race continues to be significant in the distribution of economic and political resources.[4]

Cultural perspectives

The basic premise of this approach is that the value systems of particular groups, including African Americans and other minorities, are qualitatively different from those of the larger society. African American neighborhoods, so this argument runs, contain high numbers of female-headed households and generally inadequate schools that do not sufficiently encourage individuals to abide by the norms of the broader society. As a result, disputes among African Americans are more likely to be resolved by resort to violence rather than more legitimate means, such as verbal negotiation.[5]

This perspective rose to prominence in the 1960s, and for a decade thereafter was the primary explanation for the connection between race and violence. Despite its popularity, however, this school of thought has been criticized for assuming that members of a particular social subgroup create and adhere to a unique subculture. Critics argue that the characteristics that are considered to be "unique cultural tendencies" may instead reflect fundamental structural aspects of a community, such as poverty and unemployment. By directing attention to the alleged problems within African American and other communities—the disintegration of families, churches, and schools—the cultural perspective tends to overlook the significant interactions between the structural and cultural features of those communities.[6]

Structural approaches

From the perspective of structural criminology, the disparate rates of within-group violence are attributable to harsh economic conditions, coupled with very high levels of residential segregation. They are not a result of the pathological or cultural deficiencies of African American or other minority groups.

There are at least two strands of thought within this literature. One, generally known as "strain theory," posits that crime arises when groups lack legitimate means of achieving aspirations endorsed by the dominant culture. If legitimate avenues of opportunity through education and employment are curtailed, some will pursue these ends through illegitimate and violent means.

The second approach stresses social disorganization—the disintegration of social bonds between residents and their community that reduces its ability to guard against crime. Limited structures of opportunity hinder the formation of formal and informal modes of social control or tear down those that exist.[7] Families, for example, can have a considerable impact on delinquent behavior, but families embedded in areas with limited economic or social resources are less able to monitor or restrict behavior or to provide youth with positive experiences, role models, and links to structures of opportunity.[8]

Regardless of the conceptual foundation, most of the empirical research investigating violence among African Americans employs very similar frameworks. By using racial composition ("percent black") as a proxy for race or culture, this research assumes, in effect, that the size of the African American population is equivalent to the size of a subpopulation with different normative characteristics and institutional tendencies.

Racial composition has also been used in conjunction with poverty measures to capture structural disadvantage. This work, however, has done little to present a clear picture of the way that material circumstance factors into high levels of violence among African Americans. In structural criminology, racial composition denotes material disadvantage and inequality, which in turn increase the likelihood that individuals or groups may behave in ways harmful to themselves or others. This approach neglects the dynamic interactions of race and class and more general societal patterns of opportunity and spatial concentration, and it does not specify why African Americans are disadvantaged to begin with.

Exploring the links between race and violence: An expanded framework

A better understanding of the race-violence relationship requires a dynamic framework that puts at its center the processes that produce material inequality and cultural variation among different groups. It also requires us to understand the potentially recursive effects of violence on social structure—how violence, for example, may affect the racial composition of a neighborhood or its level of economic deprivation.

Inequality and deprivation

There have been several different approaches to understanding the sources of persistent inequality and deprivation. Social stratification research argues that the level of inequality facing African Americans in a particular area depends on their relative numbers and rate of increase. Responses to an increasing minority population may include exclusionary hiring policies, discriminatory pay, and relegation to low-status jobs, all of which intensify the economic, political, and social disadvantages of African Americans.[9]

Other schools of thought explain limited opportunities for African Americans as the outcome of a changing economy rather than exclusionary or discriminatory practices. When industries either shut down or relocate outside central cities, where most African Americans live, many of their former employees lack the human capital or financial resources to relocate. They either seek employment in the local, low-paying service sector or abandon the labor market entirely.[10]

Corporate policies of investment and disinvestment that systematically bypass localities with large minority populations contribute to inequality. Redlining of disproportionately African American areas by banks and insurance companies limits the formation of new businesses and contributes to the speed at which an area physically declines. Residential "steering" by realtors, federally sponsored low-income housing, and discriminatory attitudes have kept urban areas segregated, even though federal law prohibits the intentional segregation of races. Schools in residentially segregated, nonwhite neighborhoods have poorer facilities and an environment not conducive to learning. Young people in these areas drop out of school at much higher rates, and those who do graduate are less likely to have the educational or vocational preparation for college or a skilled labor market. These educational disadvantages curtail opportunity even more severely.

These explanations are not mutually exclusive. Racial discrimination, labor market exclusion, and residential segregation combine with investment practices and policies to structure the opportunities available to African Americans, adversely affecting the education and life chances of succeeding generations. By incorporating these dynamics into our analyses, rather than merely blending them into an ambiguous racial-composition statistic, "percent black," we take a step toward giving them substance and achieving fuller understanding of the link between race and violence.

Incorporating normative explanations

It has been argued that individuals who perceive that life has dealt them very few good opportunities tend to become angry and lash out violently at those around them.[11] To portray African Americans as driven to violence by overwhelming structural conditions is problematic. It is also simplistic. Human actors engage in purposeful behavior, within a particular social framework and set of circumstances. They interpret and deal with those circumstances with the help of social norms and guidelines—sometimes described as a kind of cultural "toolset."[12]

Take, for example, violence, which tends to be concentrated among adolescent and young adult males. Adolescent males in general seek the respect given to "men" through public displays of "manhood. " They also tend to acquire information about their own future opportunities by observing the current economic and occupational status of adults they know.[13] Young males in disadvantaged, racially segregated, and often violent neighborhoods face fairly grim prospects of social mobility, and these prospects shape their normative responses and boundaries. Displaying physical superiority to the point of violence is one easy way to gain recognition when legitimate opportunity is limited.[14] It is, in essence, an accommodation to the lack of power associated with poverty.

In two studies, one using data from the National Educational Longitudinal Study (NELS) and the Common Core of Data (CCD) and the other using data from the National Longitudinal Study of Adolescent Health (Add Health), I examined fighting among students in the context of structural factors—family poverty and a racial inequality scale that incorporates poverty, mean income, and unemployment.[15] These structural factors influence delinquent behavior directly and also indirectly, through the mediating factors of family and peers. In both studies, African American and white students inhabited distinct economic and social universes. African American students lived in areas with fewer economic and social resources; they were more likely to live in larger families and single-parent families, to be in families with lower incomes, and to have parents with lower levels of education. They had higher levels of exposure to violence than white students, but lower levels of alcohol and marijuana consumption and of work and athletic participation.[16]

Regression analyses of these data suggest that racial differences in fighting have less to do with racial group membership than with the economic and social resources associated with place, family, and friends, and with individual circumstance. Of the structural factors noted above, only poverty is significantly correlated with fighting. The link between the two is not diminished when we include mediating family influences, suggesting that poor neighborhoods are indeed dangerous places, where family and friends cannot protect an individual from violence. In such a context, fighting may allow an individual to navigate the streets more safely.[17]

Among the family influences, social class plays a clear role. Regardless of race, violent acts are less common among students who belong to families with higher education and income, suggesting that parents with greater resources can provide children access to more socially acceptable activities than fighting. But the interaction of class and race is a complicated one. For example, alcohol use is greater among better-off white teenagers, but less among better-off African American teenagers. We can speculate that the difference is due to social class. Family affluence is more likely to protect white teenagers than African American teenagers from the consequences of delinquent acts; the practice of racial profiling, for example, makes African Americans in an area suspect, regardless of class.

Among individual influences, one of the more interesting is the effect of having been a witness to or a victim of violence. This has a strong correlation with violent delinquency for whites and African Americans alike. But it is a far more important influence on white youth, especially white girls, than it is for African Americans. Since racial minorities are much more likely to be exposed to violent acts, these differences may be a product of desensitization: when violence is a common part of the social landscape, it may have a smaller impact on those exposed to it.

Thus characteristics that are often perceived as unique cultural aspects of a subordinate group may actually reflect the group's economic and social position rather than its race or ethnicity. Comparing European and African Americans in areas with similar disadvantages, we find that the levels of "underclass behaviors" typically thought to reflect African American culture are, in fact, a reflection of the poverty-stricken neighborhoods in which people live.[18]

The reciprocal effects of violence

Just as social structure affects violence, so criminal activity and violence create their own feedback effects. Companies will be reluctant to invest in areas where they may have trouble in obtaining investment capital because of neighborhood redlining and in attracting skilled employees because of the fear of violence, and where their insurance and security costs are higher. So businesses that might provide substantial employment in a community bypass the central cities in favor of safer and less expensive suburban environments.

A high level of violence also intensifies the isolation of communities, causing higher-income residents to seek less dangerous workplaces and residential neighborhoods, further eroding the tax base and the ability to attract state and local funding for community and school improvements. In each case, the violence that results from the community's inability to acquire economic and political resources intensifies those deficits.

Conclusions

By broadening the discourse about violence to include fundamental societal processes, we may hope to achieve not only a better understanding of the origins of violence, but also better solutions.

Increased policing of dangerous areas, mentoring of vulnerable adolescent populations, brokering gang truces, and creating safe zones for the threatened are important but are only temporary fixes. These remedies will remain limited in their effect until policy takes into account the mechanisms that reproduce poor, segregated neighborhoods and disadvantaged populations.

Serious efforts to deal with violence and crime within certain communities must also address the social and economic causes. Policies encouraging economic development and growth have clear consequences for family stability and well-being, the availability and quality of educational resources, and a sense of attachment to and responsibility for the community. Equally important is the intensification of legal efforts to curb discrimination in housing, education, employment, and investment. ■

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[1]The ideas discussed in this article are examined at greater length in M. Bruce, "Violence among African Americans: A Conceptual Assessment of Potential Explanations," *Journal of Contemporary Criminal Justice* 16, no. 2 (May 2000): 171–93.

[2]K. Land, P. McCall, and L. Cohen, "Structural Covariates of Homicide Rates: Are There Any Invariates across Time and Social Space?" *American Journal of Sociology* 95 (1990): 922–63.

[3]J. Wilson and R. Herrnstein, *Crime and Human Nature* (New York: Simon & Schuster, 1985).

[4]See C. Jencks, *Rethinking Social Policy* (Cambridge, MA: Harvard University Press, 1992).

[5]D. Moynihan, *The Negro Family* (Washington, DC: U.S. Department of Labor, 1965); K. Auletta, *The Underclass* (New York: Random House, 1982); J. Gibbs, *Young, Black, and Male in America: An Endangered Species* (New York: Auburn House, 1988).

[6]E. Anderson, *Streetwise: Race, Class, and Change in an Urban Community* (Chicago: University of Chicago Press, 1990); R. Sampson and W. Wilson, "Toward a Theory of Race, Crime, and Urban Inequality," in *Crime and Inequality*, ed. J. Hagan and R. Peterson (Palo Alto, CA: Stanford University Press, 1995.

[7]See, e.g., J. Blau and P. Blau, "The Cost of Inequality: Metropolitan Structure and Violent Crime," *American Sociological Review* 47 (1982): 114–29; R. Sampson, "Urban Black Violence: The Effect of Male Joblessness and Family Disruption," *American Journal of Sociology* 93 (1987): 348–82.

[8]See, for example, V. Roscigno and M. Bruce, "Racial Inequality and Social Control: Historical and Contemporary Patterns in the South," *Sociological Spectrum* 15 (1995): 323–49.

[9]D. Tomaskovic-Devey, *Gender and Racial Inequality at Work* (Ithaca, NY: ILR Press, 1993); M. Tienda and D. Lii, "Minority Concentrations and Earnings Inequality: Blacks, Hispanics, and Asians Compared," *American Journal of Sociology* 93 (1987): 141–65.

[10]W. Wilson, *When Work Disappears: The World of the New Urban Poor* (New York: Knopf, 1996).

[11]J. Gibbs, "Anger in Young Black Males: Victims or Victimizers?" in *The American Black Male*, ed R. Majors and U. Gordon (Chicago: Nelson-Hall, 1994).

[12]See, e.g., A. Swidler, "Culture in Action: Symbols and Strategies," *American Sociological Review* 51(1986): 273–86.

[13]J. Macleod, *Ain't No Making It* (Boulder, CO: Westview, 1995); J. Ogbu, *Minority Education and Caste: The American System in Cross-Cultural Perspective* (New York: Academic Press, 1978); V. Roscigno, "Race, Institutional Linkages, and the Reproduction of Educational Disadvantages," *Social Forces* 76 (1998), 1033–60.

[14]J. Messerschmidt, *Masculinities and Crime* (Lanham, MD: Roman and Littlefield:1993); D. Nicholson, "On Violence," in *Speak My Name*, ed. D. Belton (Boston: Beacon Press, 1995)

[15]NELS is a survey of adolescents, their families and friends, their teachers and the schools they attend; the CCD contains national data on over 87,000 public elementary and secondary schools and some 17,000 school districts. This study is reported in "Inequality and Delinquency: Sorting out Some Class and Race Effects," *Race and Society* 2, no. 2 (2000): 133–48. Add Health surveyed a nationally representative group of seventh through twelfth graders both in school and at home; see M. Bruce, "Inequality, Interactional Complexity, and Violent Delinquency: An Exploration of Structural, Family, and Individual Considerations," IRP Discussion Paper 1216-00, Madison, WI, 2000.

[16]In the Add Health study, statistically significant gender differences were present only at the level of individual behavior; males ranked higher than females in measures of alcohol and drug use but also in work and athletic participation.

[17]Anderson, *Streetwise*.

[18]See also Y. Alex-Assenoh, "Myths about Race and the Underclass: Concentrated Poverty and Underclass Behaviors," *Urban Affairs Review* 31 (1995): 3–19.

Racial disparities in imprisonment: Some basic information

Pamela E. Oliver

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The United States now has the highest incarceration rate in the world, 690 people per 100,000—a rate that is four to six times higher than that of most other nations. Incarceration is, moreover, very unevenly spread across the population, and particularly impinges upon blacks and Hispanics. The imprisonment rate of black American men is over eight times greater than that of European Americans. Young black men are even more severely affected. Federal statisticians at the Bureau of Justice Statistics now estimate that the "lifetime expectancy" that a young black man will spend time in prison is about 29 percent. For Hispanics, the rate of imprisonment is about three times higher than that of European Americans.[1]

These high rates of incarceration among blacks, especially working-age men and women, have a substantial economic and social impact on black families and on communities with large black populations. The consequences are only now becoming more widely understood. The imprisonment of large numbers of males and the lifelong effect on their earnings and employment clearly play a role in the high rates of black female-headed households and in the poverty of largely black communities. It seems possible also that the rates of incarceration may in the long run increase rather than decrease crime rates. For incarceration is a source of economic stress and family disruption, which are themselves major predictors of crime.

The extreme black-white difference in imprisonment rates is a relatively new phenomenon. Racial stratification has long been an element in U.S. society, and blacks have generally had higher official crime and imprisonment rates. But the widening disparity in recent decades (see Figure 1) casts serious doubt on simplistic ideas of "race" either as a causal factor in crime or an unchanging

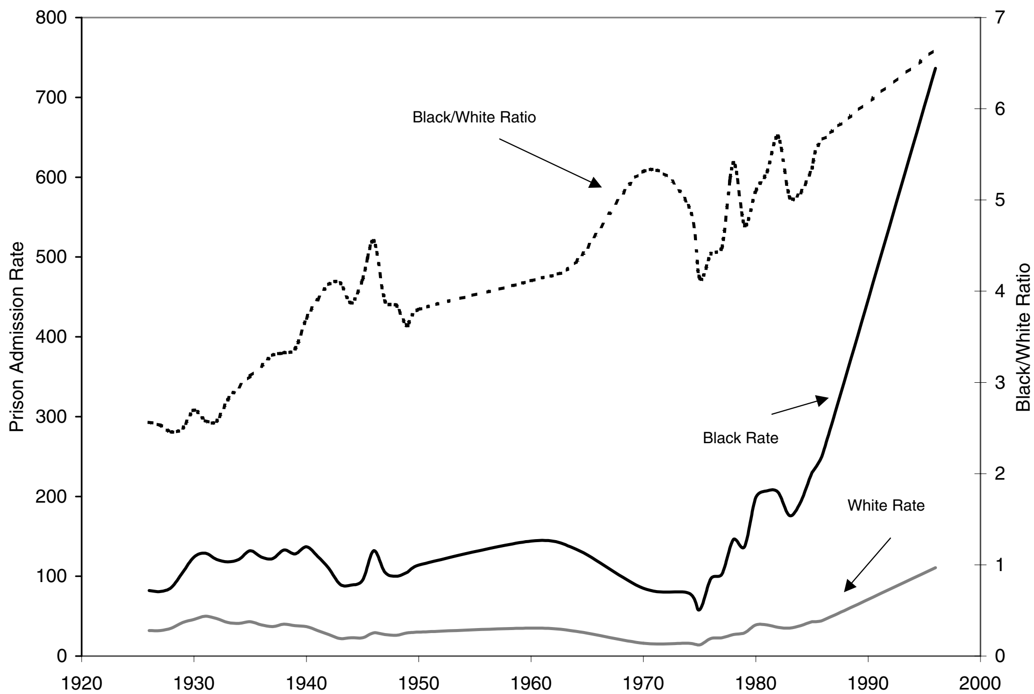

Figure 1. U.S. prison admissions, by race, 1926–96. The prison admission rate is the number of people of each race admitted to state or federal prisons per 100,000 members of the population of that race.

Source: Calculated from a dataset, "Race of Prisoners Admitted to State and Federal Institutions in the United States, 1926–1986," United States Department of Justice, Bureau of Justice Statistics, and Inter-university Consortium for Political and Social Research. The dataset includes prison admission figures by race and state and appropriate census figures. Also published as P. Langan, "Race of Prisoners Admitted to State and Federal Institutions, 1926–86," Bureau of Justice Statistics, U.S. Department of Justice, Washington, DC, May 1991. Calculations for 1996 from the National Corrections Reporting Program dataset, plus U.S. Census Bureau population figures.

source of discrimination. The rates of prison admissions as a proportion of population for both races were relatively stable until about 1975. Thereafter, the imprisonment rates of both races rose very rapidly, but far faster for blacks than for whites.

Although nearly everyone in prison has committed a crime, the rise in imprisonment since the 1970s is not explained by crime rates, but by changes in policies related to crime. Crime rates were high in the 1970s, but have fluctuated several times since then, while the rate of imprisonment has steadily risen. Determinate sentencing, which eliminates judicial discretion, longer sentences for drug offences, increases in funding for police departments and large increases in prison capacity, the exacerbation of racial tensions and fears following the civil rights movement and the riots of the 1970s, and the politicization of crime as an election issue all appear to have played some role.

In attempting to tease apart the reasons for the high racial disparities in imprisonment, the first question one wants to ask is how much of the disparity is due to "real" differences in crime, and how much is due to "bias." There is no easy answer, because of the complexity of crime and imprisonment statistics. We cannot view "crime" as a single entity, to which law enforcement is a simple mechanical response, but as a set of types of crimes that almost certainly have different kinds of relationships to social and economic factors, to political factors, and to law enforcement.

Because the prison population at any one time consists disproportionately of those who have long sentences, the simple numbers of those incarcerated tell a far less interesting story about racial differences in incarceration than do the numbers arrested and admitted to prison for different kinds of crimes.

For the 37 states for which my research team had data, we calculated prison admissions and arrests, by race, for each offense group—murder and manslaughter, robbery, sexual assault, drugs, property crimes, offenses against public order, and so on. For murder and manslaughter, the arrest rate was 26 per 100,000 for blacks, 4 per 100,000 for whites. But although homicide attracts much attention, it is a small part of crime. There were many more arrests among both races for less serious crimes, and arrest rates for blacks were much higher for these crimes also; for example, the black arrest rate for possession or sale of drugs was 1,450 per 100,000, versus 379 for whites; for property crimes the rate was 1,595 versus 512, and for assault, 1,723 versus 481.

Imprisonment rates are also very much higher among blacks: among those arrested for possession or sale of drugs, for example, nearly three times as many blacks as whites were imprisoned, and for property crimes and public order offenses twice as many blacks as whites are imprisoned. Drug crimes and property crimes were by far the biggest contributors to the numbers incarcerated; between them they accounted for 60 percent of the difference in imprisonment rates (Figures 2 and 3).[2] Our calculations suggest that if the rate of imprisonment per arrest were the same for blacks and whites in all offense categories, the black imprisonment rate would be about half of what it is.

Such calculations do not, of course, resolve the questions about the disparities. We have no source of systematic information about those who are not sent to prison. The data do not, for example, permit us to judge variation in the seriousness of crimes within offense categories, nor do they give information about factors such as prior criminal records which may enter into prosecutors' decisions not to prosecute and judges' decisions not to impose a prison sentence.

Complicating the picture still further are the substantial differences in state rates of arrest and imprisonment, by race (Figure 4). The two states with the highest white imprisonment rates, California and Oregon, also had the highest black imprisonment rates, but beyond that there appears to be very little correlation between black and white imprisonment rates, and local trends sometimes depart from national trends.[3] Hawaii had by far the lowest black/white imprisonment ratio, 1.66; it is also the only state where both blacks and whites are minorities and Asians are in the majority. On the mainland, the lowest imprisonment ratio was about 4, in West Virginia. Iowa, Utah, Wisconsin, and Minnesota, with small black populations, had very high rates of imprisonment for blacks; the disparity in prison admissions by race was 25.5 for Minnesota and 20.6 for Wisconsin. In Wisconsin, the black population constitutes only 5.5 percent of the total, yet Wisconsin's incarceration of blacks has historically been higher than the national average (its incarceration of whites is about average or below).

Moreover, state averages mask very large local differences. Within Wisconsin, patterns of incarceration by race differ greatly from county to county. In Milwaukee, with three-quarters of the black population of Wisconsin, the rate of imprisonment of black men as of April 2000 was 13.9 times as great as that of white men. Five counties with significant but still small black populations (i.e., over 1,000 black residents who are not in prison) had much higher rates of black imprisonment than Milwaukee. In Dane County, where white incarceration rates were below average, the black imprisonment rate was 35.5 times the white rate.[4] These data echo findings from North Carolina that counties with smaller black populations jailed blacks at higher rates than did counties with larger black populations.[5]

Regression analyses of the national data suggest that three significant factors contribute to racial disparities in prison admissions:

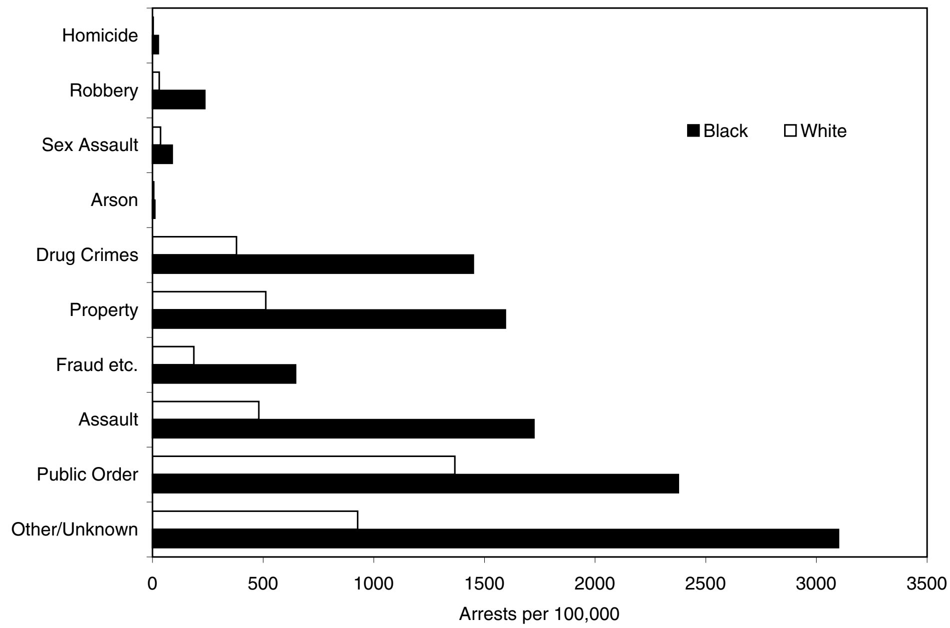

Figure 2. Arrests, 1996, by race and category of offense.

Source: Calculated from the FBI's Uniform Crime Reports data on numbers of arrests by offense, race, and state for 1996, plus U.S. Census Bureau population figures.

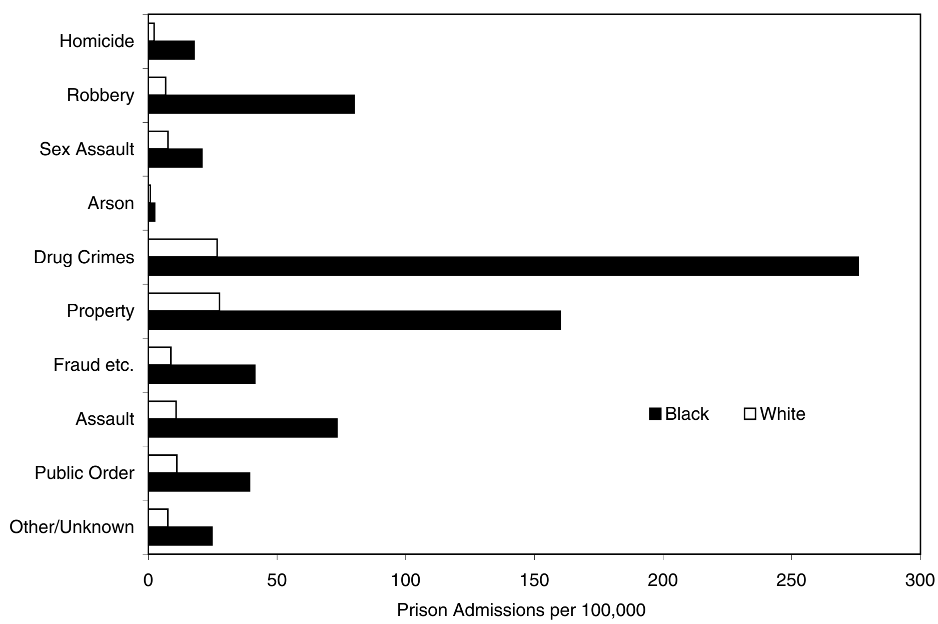

Figure 3. Prison admissions, 1996, by race and category of offense.

Source: Calculated from data on prison admissions available from the National Corrections Reporting Program for 1996, plus U.S. Census Bureau population figures.

1. The white imprisonment rate: states that imprison more whites also imprison more blacks.

2. The percentage of the population that is black: in general, the smaller the percentage, the higher the imprisonment rate of blacks.

3. The ratio of the black poverty rate to the white poverty rate (absolute poverty is not significant, only relative poverty).

It appears that blacks are more likely to be imprisoned where they are a smaller, politically weaker, and economically marginalized population. Whatever the causes, black incarceration levels have now reached crisis proportions, and it is impossible to understand trends in black crime or in black economic well-being without taking specific account of the effects of incarceration. ■

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[1]These figures are from U.S. Department of Justice, Bureau of Justice Statistics, *Prisoners in 1999*, and include only those in prison, not jail (prisons are federal and state institutions, jails are run by local government). The analyses by Pamela Oliver and her colleagues are presented on the World Wide Web site, "Racial Disparities in Criminal Justice," <http://www.ssc.wisc.edu/~oliver/racial.html>. See also the article in this *Focus* by Western.

[2]Author's calculations from the 1996 National Corrections Reporting Program database and Uniform Crime Reports Data for 1996.

[3]There is a chance the "white" imprisonment rate in California and Oregon is inflated by the inclusion of white Hispanics, although both states have "three strikes" laws, which have increased the prison population.

[4]The census counts prisoners where they are imprisoned. Sixty percent of Wisconsin counties have fewer than 100 black residents, and these counties have below average black imprisonment rates. For these Wisconsin statistics, see Pamela Oliver, "Racial Disparities in Imprisonment in Wisconsin," at <http://www.ssc.wisc.edu/~oliver/racial.html#Wisconsin Disparities Project>.

[5]V. Roscigno and M. Bruce, "Racial Inequality and Social Control: Historical and Contemporary Patterns in the South," *Sociological Spectrum* 15 (1995): 323–49.

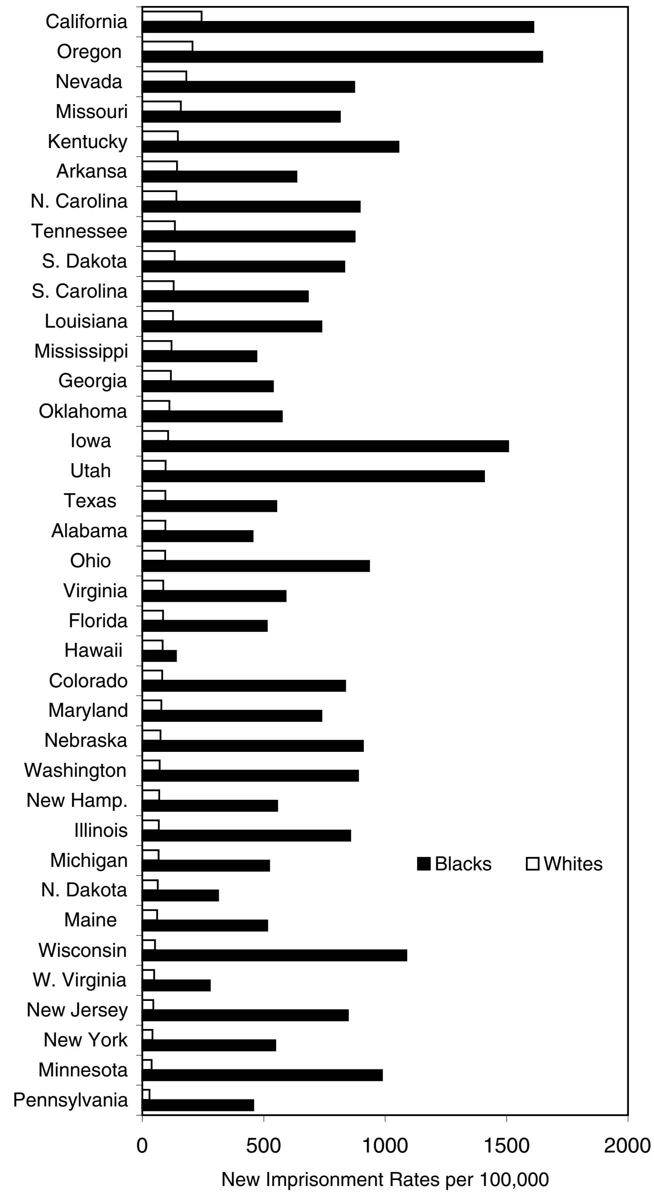

Figure 4. New imprisonment rates by state, 1996. States are listed in order of the white imprisonment rate.

Source: Calculated from data on prison admissions available from the National Corrections Reporting Program for 1996, plus U.S. Census Bureau population figures.

Incarceration, unemployment, and inequality

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In the later 1990s, two remarkable conditions influenced the employment opportunities of young, unskilled men in the United States. First, the unemployment rate fell to its lowest level in 30 years—around 4.5 percent by the summer of 1998. Second, the incarceration rate rose to its highest level in U.S. history. In 1998 1.78 million men were detained in American prisons and jails.

In removing so many from the labor force, U.S. incarceration policy has had significant but largely overlooked effects on unemployment. In the short run, it has lowered conventional measures of unemployment by concealing joblessness among a large group of able-bodied, working-age men. In the long run, it may raise unemployment rates by curtailing the job prospects of ex-convicts and will certainly deepen economic inequality, because its effects are increasingly detrimental to young, black, unskilled men, whose incarceration rates are the highest of all and whose market power is weak. In this article I explore both short- and long-run effects.[1]

The penal system as a labor market institution

In industrial relations and welfare state development, the United States stands apart from other major western nations. Its employment system is far more market-driven: rates of unionization and unemployment insurance coverage are lower than in most other countries in the Organisation for Economic Co-operation and Development (OECD), and social welfare spending accounts for only about 15 percent of gross domestic product (GDP), compared to about a quarter of GDP in the large European countries.

In recent years, the highly regulated European labor market has been burdened with persistent unemployment and apparently stagnant rates of economic growth, whereas the unregulated U.S. labor market has seen unemployment steadily falling in a booming economy. These trends have been used to buttress the argument that un-

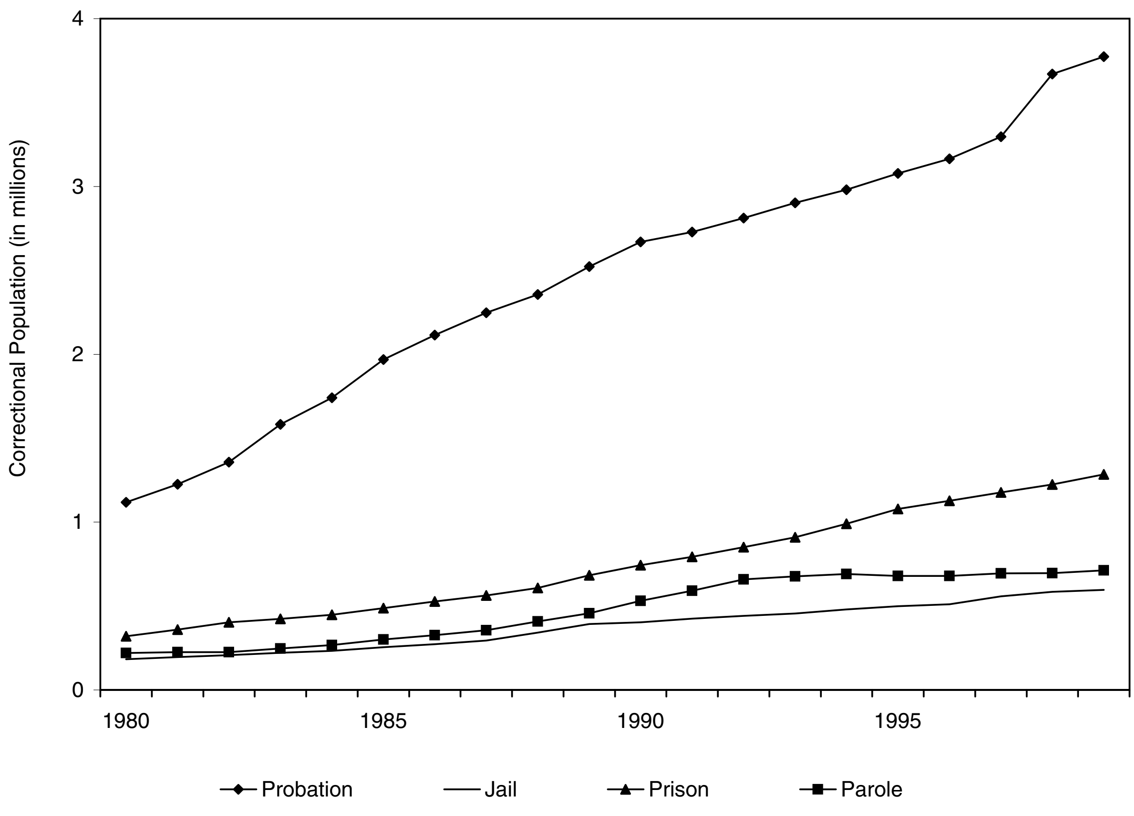

Figure 1. Adult correctional populations, 1980–99.
Source: Bureau of Justice Statistics <http://www.ojp.usdoj.gov/bjs/glance/corr2.txt>.

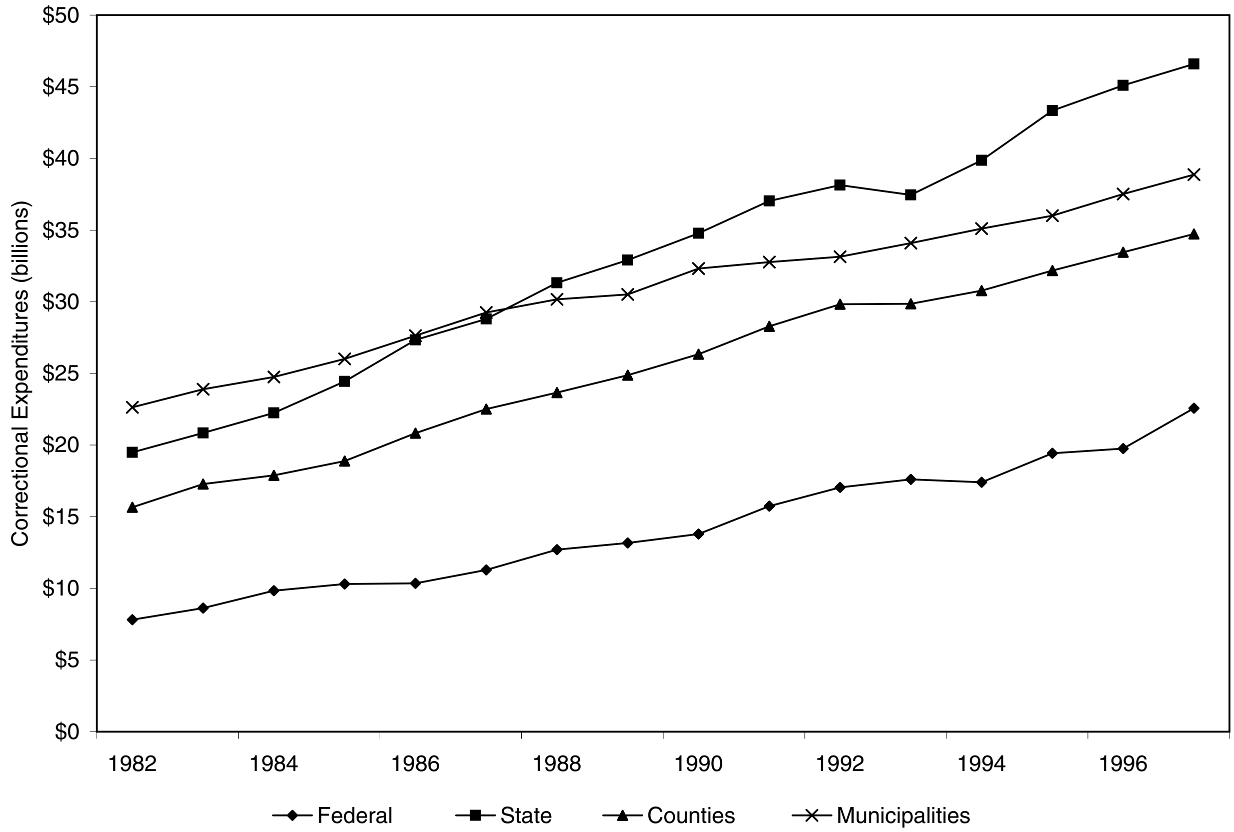

Figure 2. Direct expenditures on criminal justice, by level of government, 1982–97, in constant 2001 dollars.
Source: Bureau of Justice Statistics <http://www.ojp.usdoj.gov/bjs/glance/expgov.txt>

regulated labor markets yield stronger economic performance than highly regulated markets.

But the argument is too narrowly framed. Labor markets are embedded in a wide array of social arrangements that extend beyond the welfare state or industrial relations. The weakness of social protection mechanisms does not alone explain the superior U.S. employment record. In the United States, criminal justice policy constitutes a significant state intervention, providing a sizeable, nonmarket reallocation of labor that has significant effects on employment trends.

The magnitude of this intervention is reflected in incarceration and budget figures. Rates of incarceration began to increase in the early 1970s, but the most rapid growth took place in the 1980s and 1990s (see Figure 1). Between 1980 and 1999, the number of people in prisons and jails in the United States grew from half a million to almost two million. In 1997, combined federal, state, and local expenditures on criminal justice were $129.7 billion (see Figure 2) and unemployment-related expenditures were less than $50 billion.

Incarceration is spread unevenly across the adult population. Men make up more than 90 percent of all inmates. In the mid-1990s, about two-thirds of those inmates were under 35, and about half had not completed high school. The dramatic expansion of the prison population most seriously affected young African Americans. In 1930, blacks accounted for 22 percent of all those in prison. In 1992, over half the prison population was black. By 1995, one out of three black male youths was under some form of state supervision and nearly 7 percent of all black males were incarcerated.

The U.S. incarceration rate—the number incarcerated on a single day per 100,000 of the adult population—is very much greater than incarceration rates in other industrialized democracies. In 1992–93, for instance, the overall U.S. rate was 5–10 times greater than the rate for other OECD countries; among American blacks, the incarceration rate was 20 times greater (Figure 3). These high rates correspond to large absolute numbers. The entire Western European prison population is measured in hundreds of thousands, the prison and jail population in the United States in millions. This disparity does not reflect higher crime rates in the United States. The evidence, indeed, suggests that U.S. crime rates are only slightly above the average among industrialized countries.[2] Thus U.S. incarceration rates appear to result from more aggressive prosecutorial practices, tougher sentencing standards, and intensified criminalization of drug-related activity.

The short-run effect of incarceration

The performance of national labor markets is commonly summarized by the unemployment rate—the percentage

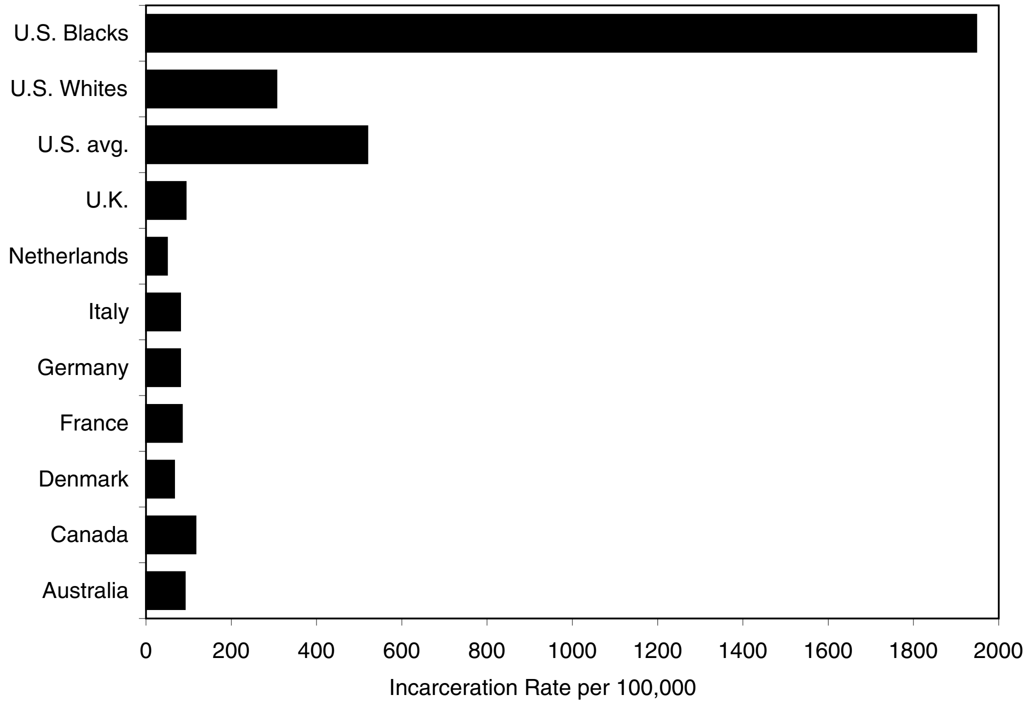

Figure 3. Incarceration rate in selected OECD countries, 1992–93.
Source: B. Western and K. Beckett, "How Unregulated Is the U.S. Labor Market? The Penal System as a Labor Market Institution," *American Journal of Sociology* 104, no. 4 (1999): 1030–60, Table 2.

of unemployed individuals among the civilian labor force. This definition excludes from its calculations those in the military and those in prison and jail, as well as the "discouraged," those no longer looking for work and therefore out of the labor force. A broader concept tries to tap the idleness or economic dependence of a group by extending the definition of "unemployed" to include those incarcerated.

In the short run, incarceration keeps those with a high risk of unemployment out of the labor market. National surveys of prisons and jails from the early 1990s indicate that, on average, more than a third of male inmates were unemployed at the time they were sent to prison. If, for example, we count among the unemployed those inmates who were not working when incarcerated, the adjusted unemployment rate for 1995 was 6.2 percent, versus the conventional rate of 5.6 percent.

If we pursue the calculation further, including all inmates among the unemployed, the adjusted U.S. unemployment rate for 1995 rises to 7.5 percent, an increase of 1.9 percentage points over the conventional rate.[3] According to this adjusted measure, U.S. rates of labor inactivity never fell below 7 percent throughout the 1980s. In the economically buoyant period of the mid-1990s, the rate of inactivity was about 8 percent, higher than any conventional unemployment rate since the recession of the early 1980s.

In Europe, the short-run effect of incarceration is tiny, because incarceration rates are so low. In all European countries, unemployed males outnumber imprisoned males by very large ratios— between 20:1 and 50:1 (in the United States the ratio is 3:1). Including prison inmates in the jobless count, therefore, changes the unemployment rate for most European countries by only a few tenths of a percentage point, a striking contrast with the large U.S. difference.

By the conventional measure, the United States enjoyed consistently lower unemployment than Europe after the mid-1980s. But adjusted figures that count the incarcerated population as unemployed suggest that the U.S. labor market performed worse, not better, than Europe for most of the period between 1976 and 1994.

The long-run effect of incarceration

The long-run effects of incarceration highlight the employment experiences of convicts after they are released. Ex-convicts must reintegrate themselves into mainstream society, surmounting the psychological, social, and financial consequences of imprisonment. In this process, the ability to find stable, legal employment is crucial, yet job prospects for ex-convicts are poorer than the prospects of applicants with no criminal record. Incarceration erodes the value of vocational skills, and the increasingly violent and overcrowded state of prisons and jails produces attitudes and practices that may enhance survival in the prison but are not compatible with success in the conventional job market.[4] Job prospects may be even worse in the current context, because resources for educational and vocational training in prisons have declined.

Such experiences are better observed through survey data than through aggregate labor market statistics; I drew upon the National Longitudinal Survey of Youth (NLSY), which surveys a national sample of Americans aged 14 to 21 in 1979, to follow workers as they moved from prison to the labor market. I examined employment as a function of youth incarceration, jail time, and work experience, controlling also for personal and regional characteristics such as the extent of juvenile contact with the criminal justice system and the local unemployment rate. I included employment status both before and after incarceration, because the same characteristics that place men at risk of unemployment or low wages also raise their chances of criminal conviction.

The regression analysis indicates that youth who spent time in prison worked less four years later than youth who had no prison time. Incarceration, on average, reduced employment by about 5 percentage points, or three weeks a year. The effect is particularly large for black youth, whose employment was reduced by about 9 percentage points (5 weeks) by juvenile jail time. The effect of jail time on adult employment was greater than the effect of dropping out of high school or living in a high-unemployment area. Moreover, these effects did not decay over time. Even after 15 years, men incarcerated as juveniles worked between 5 and 10 percentage points less than their counterparts who never went to prison. The effects of adult incarceration, although large in the short run (5–10 weeks a year), were less persistent, and largely disappeared within four to five years of release.

With nearly two million men now in prison, these effects are not small. The penal system, when viewed as a labor market institution, appears to significantly undermine the productivity and employment chances of the male workforce.

The penal system and racial inequality in employment

A large and growing proportion of young black men has had experience with the penal system; can we estimate the likely effect on their future prospects and on black-white economic inequality?

The short-run effects of incarceration are very much worse for black than for white men. As the prison and jail population grew throughout the 1980s, the labor market effects of incarceration for black men become much larger if all those incarcerated are counted among the unemployed. In 1990–94, the adjusted unemployment rate is only one percentage point higher for white men, but it is seven percentage points higher for black men. During the 1990s almost one in five African American men, on average, was without a job.

Standard labor force data report a persistent gap in joblessness between black and white men that dates at least from the late 1960s.[5] Employment-population ratios calculated from these data show that employment inequality grew most sharply for young high school dropouts.[6] By including the incarcerated in calculating these ratios, we gain a more accurate picture, because marginalized groups at the fringes of the labor market have especially high incarceration rates.[7]

If we include men in prison or jail, employment among black high school dropouts aged 20–35 declines from 46 to 29.3 percent in 1996. Furthermore, the adjusted employment ratios for black high school dropouts show steady decline over time, whereas conventional ratios show black employment as stable or even rising slightly.

The long-run effects are also serious. The incarceration of youth disrupts transitions from school to a career and hinders the acquisition of work experience. Ex-prisoners find it difficult to access jobs in the primary sector that offer opportunities for training, pay schedules that rise strongly with experience and age, and other characteristics of stable employment.[8] Instead, many ex-inmates find themselves stuck in low-wage job trajectories, confined to casual or illegitimate employment in the secondary labor market.

These kinds of disruptions materially affect earnings. In general, black ex-convicts earn about 10 percent less per hour than comparable men who were never incarcerated, after adjusting for such factors as work experience, schooling, youth delinquency, and drug use. They also have generally flat earnings profiles. My estimates suggest that, by 1998, the disproportionate incarceration of black men and the low-wage job trajectory of ex-inmates, taken together, had raised black-white earnings inequality by about 15 percent. Striking as they are, these results only partially capture the extent of disadvantage among young minority men. Incarceration figures alone understate the full reach of the criminal justice system, as Figure 2, which includes parole and probation figures, shows. These forms of supervision do not prevent men from working, but they may still influence employment opportunities. Criminal conviction in itself negatively affects employment and earnings.[9]

By the end of the twentieth century, the prison experience was routinely shaping the working lives of young, less-educated, minority men. Because their incarceration rates are so high, labor market and earnings statistics as conventionally measured may significantly understate the extent of racial inequality in employment. The evidence suggests that the U.S. prison system may be exercising a systematic influence on large-scale patterns of economic inequality. ■

Incarceration, unemployment, and inequality, continued

[1]The issues discussed in this article are explored in B. Western and K. Beckett, "How Unregulated Is the U.S. Labor Market? The Penal System as a Labor Market Institution," *American Journal of Sociology* 104, no. 4 (1999): 1030–60, and B. Western and B. Pettit, "Incarceration and Racial Inequality in Men's Employment," *Industrial and Labor Relations Review* 54, no. 1 (October 2000): 3–16.

[2]See, for example, S. Boggess and J. Bound, "Did Criminal Activity Increase during the 1980s? Comparisons across Data Sources," NBER Working Paper no. 4431, Cambridge, MA 1993. The exception is homicide, for which American rates are very high, but homicide convictions account for fewer than 5 percent of all prison admissions.

[3]The unemployed are usually defined as those without paid employment who are actively seeking work in the month before the survey.

[4]S. Donziger, *The Real War on Crime: The Report of the National Criminal Justice Commission* (New York: Harper Collins, 1996), J. Irwin and J. Austin, *It's About Time: America's Imprisonment Binge* (Belmont, CA: Wadsworth, 1994), and J. Grogger, "The Effect of Arrests on the Employment and Earnings of Young Men," *Quarterly Journal of Economics* 110 (1995): 51–71.

[5]F. Wilson, M. Tienda, and L. Wu, "Race and Unemployment: Labor Market Experiences of Black and White Men, 1968–1988," *Work and Occupations* 22, no. 3 (1995): 245–70.

[6]J. Bound and R. Freeman, "What Went Wrong? The Erosion of Relative Earnings and Employment among Young Black Men in the 1980s," *Quarterly Journal of Economics* 107 (1992): 201–32.

[7]To obtain these estimates, we combine labor force data from the March CPS, 1982–96, with aggregate data on penal populations from the Bureau of Justice Statistics. Microdata from correctional surveys are used to estimate the proportions of individuals in three age-education categories, age 18–65, age 20–35, and age 20–35 with less than 12 years of schooling.

[8]M. Duneier, *Sidewalk* (New York: Farrar, Strauss, and Giroux, 1999), R. Sampson and J. Laub, *Crime in the Making: Pathways and Turning Points Through Life* (Cambridge, MA: Harvard University Press, 1993), J. Waldfogel, "The Effect of Criminal Conviction on Income and the Trust 'Reposed in the Workmen'," *Journal of Human Resources* 29 (1994): 62–81, and "Does Conviction Have a Persistent Effect on Income and Employment?" *International Review of Law and Economics* 14 (1994): 103–19.

[9]B. Western, "The Impact of Incarceration on Earnings and Inequality," unpublished paper, July 2000. See also Waldfogel, "Does Conviction Have a Persistent Effect on Income and Employment?"

Out of Wedlock: Causes and Consequences of Nonmarital Fertility

Papers from a 1999 conference, edited by Lawrence Wu and Barbara Wolfe

Out-of-wedlock childbirth was a major target of the welfare reforms given congressional sanction in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Convinced that the steady rise in the numbers of children born to unmarried mothers was a consequence of previous welfare policies, the framers of the legislation used both stick and carrot, mandating that states act to reduce these numbers, and providing for incentives to do so. The federal government now awards $100 million annually to the five states that achieve the largest reductions in the proportions of births outside of marriage.

Trends in the indicator targeted by the 1996 act contain a number of puzzles. By the time the act passed, the rise in extramarital births had already leveled off. Since passage of the act, there has been little or no trend in the proportion of births outside of marriage, yet the proportion of nonmarital births remains high, and one out of every three births is still to an unmarried mother. Because of the high poverty levels of children living in households headed by never-married parents and because of continuing debate over the extent to which children's cognitive, emotional, and social development is enhanced if both parents are present in their lives, the causes, manifestations, and consequences of nonmarital childbearing demand serious scholarly attention.

In April 1999, the Institute for Research on Poverty sponsored a conference on nonmarital fertility. Its organizers had two goals: to provide a forum in which scientists from the disciplines of demography, economics, and sociology could jointly review the state of basic research on nonmarital fertility, and to offer objective information and analysis to the public and policy discussions of nonmarital childbearing. Papers from the conference have now been published by the Russell Sage Foundation as *Out of Wedlock: Causes and Consequences of Nonmarital Fertility* (see box opposite).

The conflicting trends in nonmarital fertility give rise to a host of vexing theoretical, methodological, and empirical issues. For instance, how do the trends in nonmarital childbearing differ by race or ethnicity, and among women of different ages? Are these patterns peculiar to the United States, or rooted in more widespread social forces? What has been the effect of the increasing time lag between the onset of sexual activity and entry into marriage, if any? How many nonmarital births actually involve births to cohabiting couples? How stable are such cohabiting relationships? To what extent are increases in nonmarital fertility a consequence of declining marital prospects for women, either before or after the birth of a child? What do we know about the fathers of the children born outside of marriage? Might child support payments by these fathers contribute substantially to child economic well-being? What is the importance of economic factors, such as the steady decline in male wages in the United States?

In bringing together the perspectives represented in this volume, the editors hope to show the way to a new, more interdisciplinary research agenda, even as they address questions central to social welfare policy: To what extent has welfare policy affected nonmarital childbearing, and how much is it the product of changed labor market opportunities for men and women? Do children of unmarried mothers face greater life challenges, and if so, what can be done to help them?

Income support for children in the United States

Daniel R. Meyer

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Engaged in major reform of the way it provides financial assistance to families with children, the Canadian government helped finance Canadian scholars and scholars from the United States, the United Kingdom, and Australia to describe benefits for children in their countries and assess how the programs were working. This article, drawn from the report for the United States, briefly describes the various programs that provide assistance to U.S. families with children, considering them in the light of programs for children in the other English-speaking nations.[1]

Although the United States is not currently undertaking comprehensive review of the way benefits are provided to families with children, this is a particularly fitting time for such an examination, because of the radical changes in the U.S. social safety net and the expansions of child-related benefits in the tax code over the last five years. The role of the states in the design and provision of social programs was greatly expanded by the Personal Responsibility and Work Opportunity Reconciliation Act (1996), which gave each state block grants to design its own programs for low-income families under the general title of Temporary Assistance for Needy Families (TANF). Many states have thus begun to review and revise their social assistance policies and their income support programs for children.

In comparative work, the United States has often been called a "reluctant" welfare state, in which self-reliance and individual responsibility are emphasized over communal or corporate obligations. Children are typically seen as the responsibility of their parents, and not necessarily of society. The main role of the state is to provide opportunities through the educational system and to make sure that the labor market "works," for example, by setting and enforcing a minimum wage and regulating labor market practices.

Of course, if parents have great difficulty in the market, the state does come to their aid, but in a residual role that comes into force only when the "normal" systems of the labor market and family cannot function as expected. Thus government has provided cash benefits to families with children when parental disability, unemployment, death, or separation prevent them from relying on earnings. This system, as in many other countries, has two tiers. More generous benefits, through contributory social insurance, are provided to those who have strong previous connections to the labor force. Those who have little or no work history must meet income and asset tests to receive social assistance ("welfare").

The lower tier, welfare, has been far more controversial than social insurance. And among welfare programs, those providing cash assistance to single-parent families, such as the now defunct Aid to Families with Dependent Children (AFDC), have been more controversial than those providing cash to families with a disabled child (Supplemental Security Income, SSI) or than in-kind programs such as medical coverage, food coupons, or housing assistance.[2]

But government also has another role, a role that has not typically been emphasized. For over half a century now, it has provided indirect benefits to families with children through the tax system: families with children have paid lower income taxes than childless families with the same income. The main tax mechanism for this support has been the personal exemption for every individual in a family. Because the exemption is the same for children and adults, it is not generally seen as an explicit provision of benefits for children, but rather as a recognition of the lesser ability of families with children to pay taxes.

Taken together, the personal exemption in the income tax code and two other tax provisions, the Earned Income Tax Credit (EITC) and the federal Child Tax Credit, which was instituted in 1998, have combined to make the tax system the provider of the largest benefits to families with children. This aspect of the tax system will expand even further through several important changes affecting children in the tax cut legislation signed into law in June 2001. Under this legislation, for example, the existing Child Tax Credit will become broadly available to families with incomes below the tax-paying range (that is, it is "refundable").[3]

This article briefly reviews cash benefits and estimates their value to typical families with children, using data from 1999. In keeping with analyses in the other three countries, I take a relatively expansive view of benefits, considering tax expenditures as well as direct benefits. Taken together, these constitute the "child benefit system"—those features of the tax and benefit system that result in higher net incomes for families with children than for childless families.

Universal benefits for children

The United States, unlike the United Kingdom, has no single program that provides income support for all children. This type of children's allowance has periodically been discussed, but it has never been implemented here. Although most families with children receive some benefits beyond those received by families without children, these are delivered through a variety of different programs and tax provisions, with different eligibility rules and purposes.

Tax-linked benefits

Through the income tax code, three programs provide benefits to children in which the amount received depends upon parental income, though not assets.

The *personal exemption* is deducted from income, and is of use only to those who have earned enough to pay taxes, that is, more than about $7,000 in the year. Moreover, since the tax rate is higher for those with higher incomes, the exemption is worth more to those with higher incomes (in higher tax brackets); its maximum cash value is about $1,000 per person.[4]

The *Child Tax Credit*, currently $500 per child, is deducted from taxes due. Under the new tax legislation it is scheduled to rise by stages to $1,000 in 2010.

The combined effect of these two benefits grows as income rises: families in the lowest income category receive nothing, because they are paying no taxes, those in a moderate-income range receive tax savings of up to $1,000 per child each year, and those with family incomes of, say, $100,000 receive about $1,500 in tax savings.

The *EITC* is the only one of the three main programs that was broadly refundable until the new tax bill was signed. The EITC was greatly expanded in the 1990s, and modestly expanded again under the new tax legislation.[5] Families who have no earned income receive nothing. The benefit rises with earnings, reaches a plateau at about $6,800 annual earnings (for a single child) then begins to decline once earnings reach about $12,500. Families with one child receive as much as about $2,000 and families with two or more about $3,500, relative to the credit for a low-income, childless taxpayer. The EITC is administered through the tax system; most families receive a check as part of their annual reconciliation of income taxes.

Social assistance programs

Temporary Assistance for Needy Families

Since the passage of federal welfare legislation in 1996, each state has been responsible for designing its own income support program for families with children, with very few federal constraints other than time limits (a lifetime maximum of five years of federal benefits, with some exemptions) and work requirements. Because of this great flexibility, TANF is more of a funding stream to states than an actual, uniform program. For an example of how it feeds into U.S. child benefits, I briefly explain the program in Wisconsin, where extensive redesign of cash assistance to needy families began before 1996, and programs are well advanced.

Receipt of benefits under the redesigned welfare program, Wisconsin Works (W-2), is conditional upon participation in work or "worklike" activities. Women are exempted from participation only if they have a child less than 13 weeks old. Benefits do not vary by family size. These provisions are intended as far as possible to mimic the "real world" of private-sector employment.

W-2 is built around a "self-sufficiency ladder" of four stages. Individuals at every stage receive case management and assistance in finding and keeping employment, including access to health care and help in securing and paying for child care and transportation. Those identified as most ready for work receive only these basic services from the agency and are expected to work full time at market wages. Those deemed somewhat less job-ready are placed in a subsidized "trial job" at market wage with a private employer (who receives the subsidy).

The only participants in W-2 who receive cash payments from the program, in addition to services, are those who are deemed not ready for employment. They occupy the two lowest rungs of the ladder. They may be placed in a Community Service Job, which pays a subminimum wage and does not qualify the worker for the EITC or other federal work-related supports such as social insurance. Those with the most serious barriers to work are assigned worklike activities that may include working at agencies providing employment to the physically or cognitively disabled, participating in treatment for alcohol or other drug dependency, or caring for their own child if the child is disabled.

Supplemental Security Income

This income- and asset-tested federal program provides benefits to severely disabled adults and also to families with children that have severe disabilities. The federal benefit varies only according to the number of individuals with a disability; it thus provides nothing extra when an adult recipient has children. States can now provide supplements to these families; Wisconsin provides an additional $250 per month for the first child and $150 for each child thereafter.

Social insurance entitlements

A child under 18 whose parent worked but is now disabled or dead is eligible for benefits through the federal Social Security program. The benefit is a percentage of the parent's previous earnings; percentages are higher when earnings were lower. The number of children affects the family's benefit. The benefit is paid monthly and is uniform nationwide; verification procedures are limited and unintrusive.[6]

Taking them all together

I calculated the total amount of child benefits from various sources for prototypical families living in Wisconsin. Figure 1A (p. 42) shows cumulative benefits for a family consisting of a sole parent and a child under age 5, Figure 2A (p. 43) for a two-parent, one-earner family with two children. The amount of benefits shown is not the total net amount received by the family, but the additional amount received by parents compared to nonparents; thus the calculation of the amount of child-related benefits is made by comparing post-tax, post-transfer income of these families with income for a single adult (for Figure 1A) and a childless couple (for Figure 2A) of the same income level.[7] For simplicity, I assumed that the families have no income other than earnings and benefits, file taxes by taking standard deductions, and pay nothing for child care.

I include five types of benefits:

1. Wisconsin Works (W-2). Because cash benefits are paid only to those not earning market wages, I assume the parent receiving W-2 services is working full time in a Community Service Job that pays about $8,000 a year. W-2 is unusual in that it does not have an earnings disregard, and so does not allow families to combine work and cash benefits.
2. The refundable federal EITC. In the one-child family, the child part of this benefit increases with each dollar earned, up to a plateau of about $2,000 at an income of about $6,800. For the two-child family, the child part of the benefit has a plateau of about $3,500 at an income of about $9,500.
3. The exemption for children and other features of the tax code. Single individuals begin owing taxes at about $7,000 of earnings.
4. The federal Child Tax Credit. This is of no value to those earning less than the sum of their relevant standard deductions and exemptions (for example, about $10,000 for a single mother and child).
5. Wisconsin state tax preferences for children. These are very small, reaching a maximum of $220 at $10,000 of earnings.

The figures demonstrate an unusual pattern as income rises. First, in both types of families, there is a very large drop in the amount of benefits for children as earnings increase from zero to $2,000. In the short term, the family would receive more benefits from W-2 than from sporadic, low-wage work.

Second, it is clear that the overall child benefit system is more focused on supporting earnings than meeting needs. For both types of family, benefits rise as earnings increase.

Third, the child benefit system is least generous to middle-income families. Minimum child benefits occur for the single-parent family when income is around $28,000 to $32,000, and for the two-parent family at incomes of $32,000 to $54,000. These families have incomes too high for them to receive benefits targeted at lower-income families but not high enough to give them much assistance from the tax system.

Policy issues

The problems of equity that existed under the earlier program of last resort, AFDC, may intensify under TANF. Since each state may now design its last-resort benefits system, states may differ greatly in the benefits that are made available to similar families. And in some states at least, families with greater needs may receive no more help than families with fewer needs (e.g., the treatment of larger families in Wisconsin under W-2). It is difficult to assess the magnitude of these discrepancies because, under TANF, states are not required to evaluate the effects of the program changes they are introducing. The other, larger segments of the child benefit system have been subject to even less evaluation.

Within the benefits system itself, there are also inequities, as Figures 1a and 2a make clear. Why, for example, should upper-income and lower-income single parents receive benefits per child that are so much greater than those for middle-income single parents?

The United States shares some key policy issues with other developed countries, particularly the other main English-speaking countries (see accompanying article). How to balance work incentives and income support, and how to respond rapidly to changes in family circumstances remain vexatious questions here as elsewhere. But two issues are particularly salient in the U.S. system, with its strong employment emphasis; both relate to the characteristics of the low-wage labor market.

First, the Unemployment Insurance system bases eligibility for benefits on substantial recent employment in the regular employment sector. The system covers a diminishing proportion of the unemployed, in part because part-time and temporary jobs have become more common and employment therefore more sporadic, in part because work opportunities for many low-skilled individuals occur outside the regular sector. How should the social insurance system be adapted to fit this new economy and integrated with other benefits for children?

Second, employers in low-wage sectors rarely offer ancillary benefits that are not even universal among employers in the primary sector—health coverage to employees and their families, sick leave, pensions, and "family-friendly" policies like on-site child care and flexible hours.

In 1999, after years of sustained economic expansion, 16.9 percent of U.S. children remained poor, according to the official poverty measure. This is the highest poverty rate among children in any developed nation. Comparisons with policies in other countries, including those described in the accompanying article, suggest that greater benefits or work supports for low-income families with children would be likely to lower the rate of child poverty. Developing affordable, high-quality services that support working families will be an ongoing challenge to American policymakers. ■

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[1]See D. Meyer, "Benefits for Children: The United States," in *Benefits for Children: A Four Country Study*, ed. M. Mendelson and K. Battle (Ottawa: Caledon Institute of Social Policy, 2001). The Joseph Rowntree Foundation also provided funding for this project. The accompanying article, "Cash for Kids," reviews policies in the other three countries and compares them with U.S. policies.

[2]All of these programs are larger than programs that provide cash. See J. Scholz and K. Levine, "The Evolution of Income Support Policy in Recent Decades," *Focus* 21, no. 2 (Fall 2000): 9–15.

[3]Previously, a family with three or more children received a refundable child credit to the extent that the employee share of Social Security taxes plus individual income taxes exceeded the family's earned income tax credit up to the full amount of the child credit.

[4]Additional amounts of support for children are hidden within other deductions and brackets. One example: single individuals receive a standard deduction of $4,300 (in addition to the exemption); single parents receive $6,350.

[5]The maximum EITC payment is pushed out from about $13,000 in income to about $16,000, according to the *Milwaukee Journal-Sentinel*, June 3, 2001.

[6]Unemployment Compensation, another social insurance program, does not provide different benefits to parents and nonparents in most states, so it is not reviewed here.

[7]Food Stamps (excluded because it is not a cash benefit) is an important part of the safety net for low-income families. At low-income levels, Food Stamps adds a child benefit worth about $1,200 a year.

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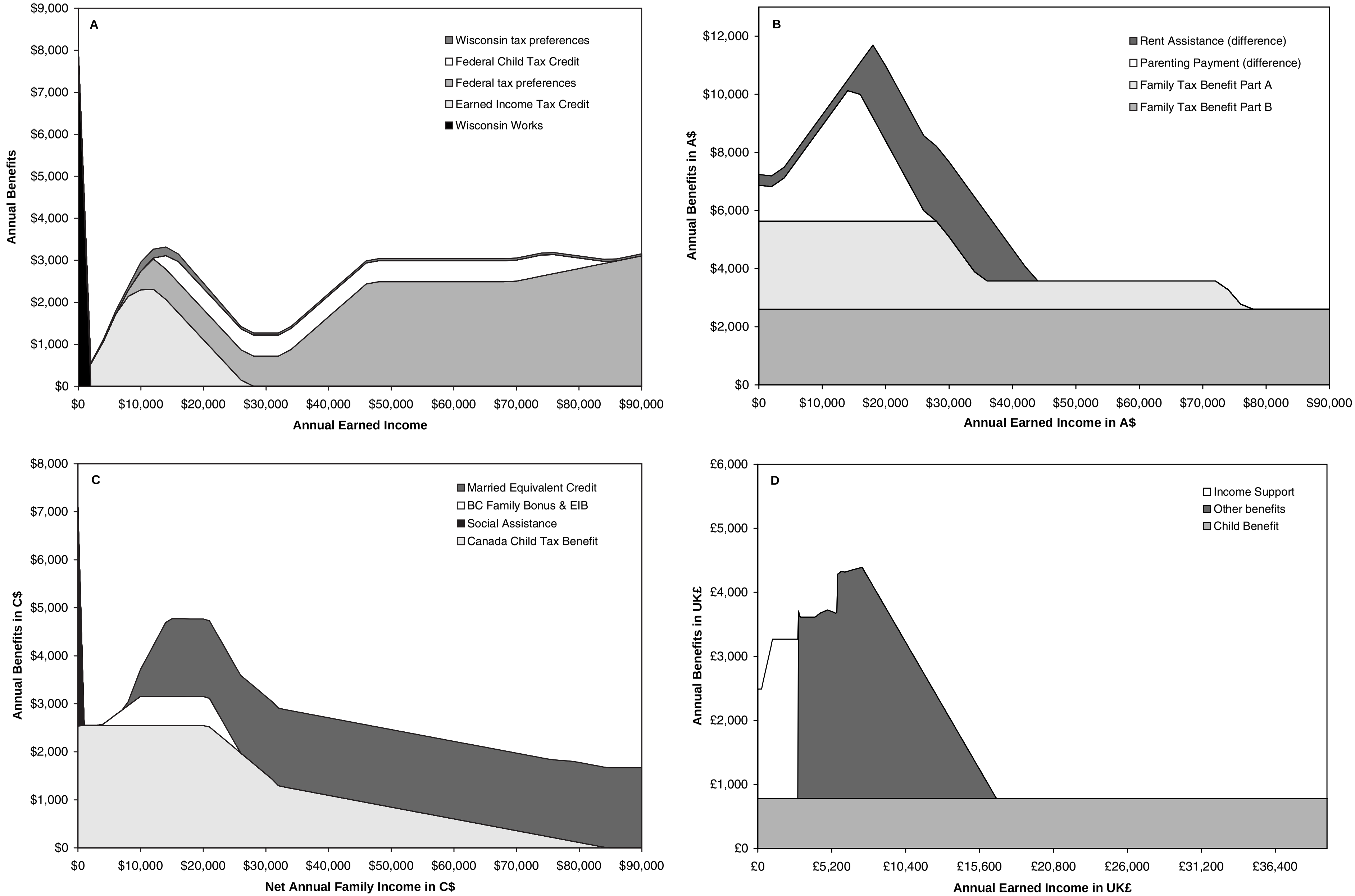

Figure 1. Cumulative child benefits for a single-parent family with one preschool child (difference method): A. United States/Wisconsin. B. Australia, private renter, post July 2000. C. Canada/British Columbia. D. United Kingdom, 2000–01. 1999 OECD Purchasing Power Parity (PPP) equivalences: U.S.$1 was equal to A$1.30, C$1.17, and U.K.£0.67. (PPP is the amount of money in each national currency needed to buy a common basket of goods and services.)

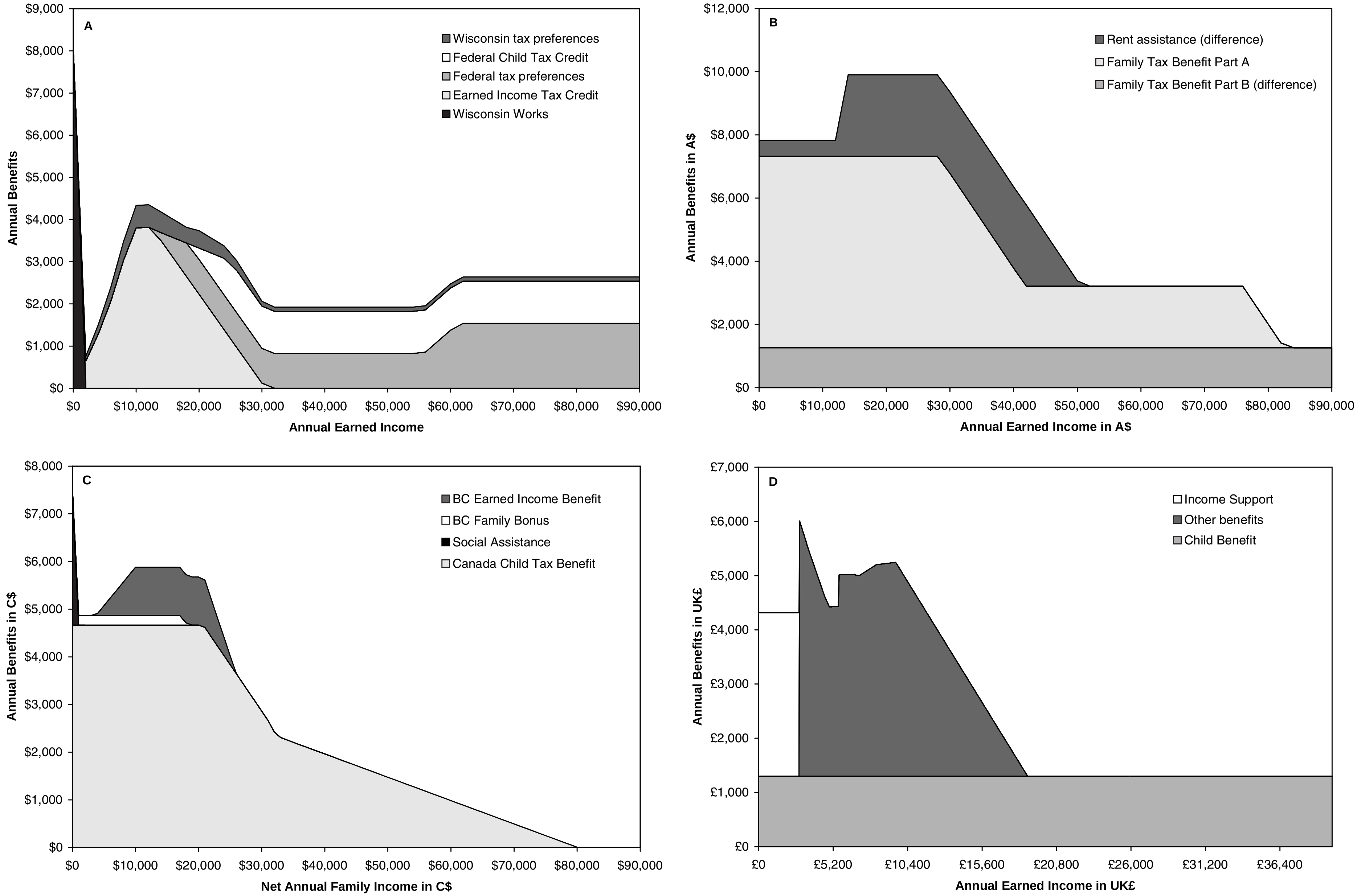

Figure 2. Cumulative child benefits for a single-earner family with two parents, two children, one a preschool child (difference method): A. United States/Wisconsin. B. Australia, private renters, post July 2000. C. Canada/British Columbia. D. United Kingdom, 2000–01. 1999 OECD Purchasing Power Parity (PPP) equivalences: U.S.$1 was equal to A$1.30, C$1.17, and U.K.£0.67. (PPP is the amount of money in each national currency needed to buy a common basket of goods and services.)

Cash for kids in four countries: Child benefits in Australia, Canada, the United Kingdom, and the United States

Child poverty has been persistent and extensive in the four main English-speaking countries, where it is higher than in all other industrialized nations except for Russia and Italy.[1] These four countries also have high percentages of single-parent families, which in general face greater economic hardship than two-parent families. In the later 1990s, about 15 percent of families with children in Canada, 21 percent in Australia, 25 percent in the United Kingdom, and 27 percent in the United States were headed by single parents.[2]

In this article we briefly examine benefit programs for children in Australia, Canada, and Great Britain and compare them with the U.S. benefit structure described by Daniel Meyer in the accompanying article. New benefits specifically for children have been or are being introduced in all four countries. But these programs cannot be discussed in isolation from the rest of each nation's income security system, which may contain substantial additional benefits for children. Our comparisons therefore consider benefits for children delivered either as cash or as income tax reductions. We discuss broader income security and other social programs, such as various in-kind benefits, as necessary to explain the context. These other programs may also materially benefit children; thus we offer here only a partial picture of the *whole* support system for children in each country.[3]

Our purpose in this undertaking was emphatically not to rank systems and judge which is "best." It was to understand what each country was doing about child benefits by focusing on the programs themselves, in sufficient depth and detail to be useful to policymakers and administrators.

Until the 1970s, income benefits paid on behalf of children in all four countries were typically embedded within other programs such as social assistance or unemployment insurance, were universal payments to every family with children, or were hidden as exemptions within the income tax system. Thereafter, new, income-tested programs specifically directed toward families with children began to evolve: the Earned Income Tax Credit (EITC) in the United States, the Family Income Supplement in the United Kingdom, the refundable child tax credit in Canada. In Australia, tax assistance to families was "cashed out" and benefits increased. Child poverty nevertheless remained high in all four countries and benefits for those on social assistance were sometimes much greater than for working parents. In three countries—Great Britain, Canada, and Australia—an attempt to reduce the depth of child poverty and to minimize barriers to work became the prime impetus for comprehensive reforms of child benefits that are now under way.[4] The essence of these reforms is to provide the same child-related benefits for families that are working as for those that are on assistance—in short, to "integrate" child benefits into a single program specifically for families with children, regardless of their work status, rather than to pay differing child-related benefits throughout the whole spectrum of programs.

In marked contrast to these developments in the other English-speaking countries, child benefit programs in the United States, which has the highest child poverty rate, remain unintegrated. For example, eligibility for social assistance ("welfare") in the United States is to a large extent determined by the *existence* of children (childless, able-bodied adults have been increasingly excluded), but

Benefits for Children: A Four Country Study

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the receipt of that assistance is both limited in time (a maximum of five years by federal law) and generally conditioned upon work. The United States is also the only one of the four countries to retain significant tax preferences, as opposed to tax credits, for families with children.

Comparing social programs for children

In attempting to make cross-national comparisons, we encountered a number of difficulties. Even though the four countries share a common linguistic and historical heritage, there are many differences in terminology and structure. For example, the term "welfare" generally means the entire social security system in the United Kingdom and Australia, but has a much narrower meaning (the income security program of last resort) in Canada and the United States. Each country uses somewhat different definitions of net income, and taxes are differently calculated and administered. We were, nonetheless, able to construct a common quantitative model to calculate child benefits; it permits a deeper level of detailed, comparative review across countries than would otherwise be possible.

Even within the limits that we set, it proved surprisingly difficult to develop a consistent working definition of "child benefits," and we ended up using two definitions. The first defined child benefits as income benefits *formally designated* to help pay for children's expenses. The second examined the *difference* between what a household of a given income level receives with and without a child. The "designated benefit" approach may represent more accurately the intentions of the designers of income security programs. The "difference" method may more accurately capture the complex interrelations among programs with varying objectives, designs, and delivery mechanisms, and it is the method used in the construction of Figures 1 and 2, on pages 42–43.

To take an example (the amounts are hypothetical): a single, childless individual in a Canadian province might get $500 a month from social assistance, whereas a lone parent might get an adult benefit of $700 and a benefit of $100 that is designated for the child. Under the first definition, the child's benefit would be $100 per month. Under the second definition, the child's benefit would be the difference between what a single adult gets with a child and what the adult gets without a child—in our hypothetical example, $300.

In comparing the value of benefits across countries, we converted the different currencies to U.S. dollars using the 1999 Purchasing Power Parity (PPP) equivalences established by the OECD. PPP is the amount of money in each national currency needed to buy a common basket of goods and services. In 1999 U.S.$1 was equal to A$1.30, C$1.17, and U.K.£0.67.

What are the major child benefit programs?

In Australia, Canada, and the United Kingdom, programs for children are at the heart of comprehensive reform. The main programs are:

- in Australia, Family Tax Benefit Parts A & B;
- in Canada, the federal Canada Child Tax Benefit;
- in the United Kingdom, the universal Child Benefit and the Integrated Child Credit that is proposed to be introduced in 2003;[5]

Each country acknowledges that society has an interest and obligation to help parents with their children. Each makes different tradeoffs between two interrelated goals: vertical equity (antipoverty measures directed at lower-income families) and horizontal equity (fair treatment of families with children compared to childless families, at all income levels). The first of these goals recognizes that, in a market economy, family earnings may not match family needs, the second that families with children face costs that childless families do not.

Australia

In Australia, responsibility for income support policy rests almost entirely with the federal government, not with the states. Unlike most other countries in the Organisation for Economic Co-operation and Development (OECD), Australia has never had a contributory social security system; all benefits are financed from general tax revenue.[6] In the absence of contributory benefits, the means-tested system must perform functions that in other countries are performed by social insurance. To be politically tenable, it must embrace a majority of the population. Maximum benefits are flat rate rather than earnings-related, and income and asset tests are fairly generous. For example, a single parent with one child under 5 currently receives a benefit package equivalent to around 60 percent of average female earnings, and income support benefits (not including the payments for children) end at around 90 percent of average female earnings. A single parent would have assets of around A$270,000, not including the family home, before she lost entitlement to benefits.

Emphasizing redistribution to low-income families as a function of the benefits system, the federal government over the last quarter-century moved assistance for families out of the tax system, first cashing out general tax assistance, then income-testing this assistance while substantially increasing benefits to low-income families.

This system was effective at reducing child poverty, but exposed families to very high marginal tax rates. Despite explicit efforts to enhance work incentives, Australia in the mid-1990s had one of the highest levels of nonemployment among couples with children of any OECD country. In addition, single parents also had a relatively low level of employment and a comparatively high level of benefit coverage.

In July 2000 the Australian system of assistance for families with children was reformed as part of a broader reform of the taxation system.[7] The changes simplified payments by combining 12 preexisting forms of assistance into three new programs: Family Tax Benefit Part A, which assists with the general costs of raising children, Family Tax Benefit Part B, which is directed to single-income families, and Child Care Benefit.[8] Notably, payments for low-income families not working and for those who are working have been largely integrated, making it possible for families to move from welfare to work with minimal disruption in their receipt of family payments.

Tax Benefit Part A is a two-tier payment to most families with children up to 20 years old; there is a higher rate for lower-income families, both those in work and those receiving income support. The maximum rate is paid to families with an annual family income of A$28,200 or less. The minimum rate for a family with one child under 13 years is reached at an annual income of A$35,050, and the minimum payment is reduced to zero when family income reaches A$73,000.[9] Tax Benefit Part B is universal for single parents; two-earner families receive full benefits only if the secondary earner's income is below A$1,616 per year, and it is thus primarily a benefit for families with one earner.

Canada

In Canada, the system of child benefits outside of social assistance and other income security programs was originally in part universal and in part an exemption built into the tax system. Changes began in the 1980s and culminated in 1993, when a number of child and family allowances and tax credits were collapsed into a single, income-tested Child Tax Benefit that increased payments for working poor families with children, maintained benefits for other low-income families, and reduced or eliminated payments to middle- and higher-income families.

The Child Tax Benefit is changing as a result of reconfigurations introduced in 1998 but at present has a rather complex two-tier structure. As in Australia, it is very broadly targeted, encompassing about 80 percent of families. Beginning in July 2001, the basic benefit will pay a maximum of C$1,117 per year for a child under age 18, plus C$221 for children under age 7. Maximum payments go to families with net incomes under C$32,000; above this income level, payments are reduced by 2.5–5 percent of income, ending when net family income rises above about C$76,000. The definition of net income allows substantial deductions; families with gross incomes thousands of dollars above the maximum still qualify for some benefit.

The National Child Benefit Supplement, for low-income families only, is in addition to this basic benefit. In 2001, the supplement pays a maximum of C$1,255 for the first child, C$1,055 for the second child, and C$980 for each additional child, phasing out above net family income of C$21,744 and ending once income reaches C$32,000.

By increasing the basic Child Tax Benefit, raising the income threshold for maximum payments, and eventually lowering the rates at which payments are reduced, the federal government may boost payments for nonpoor families and extend their reach even higher up the income ladder. The goal of these changes would be to enhance the horizontal equity of the benefit, which had been eroded by earlier changes, and thereby to reinforce the inclusive, nonstigmatizing nature of the program.

In Canada's highly decentralized federation, federal and provincial governments share power almost equally over social policy. Under the National Child Benefit reforms, provincial and territorial governments are expected (though not required) to reduce their existing social assistance expenditures on behalf of children to take into account these increasing federal expenditures. If they do, they must "reinvest" such savings in other programs and services for low-income families with children. Previous provincial social assistance benefits for children were essentially programs of last resort, available only to those who had exhausted all other sources of income—in other words, "welfare" as understood in the United States.

All provinces and territories, except Prince Edward Island, now offer income-tested child benefit programs and/or earnings supplements for families with children that are aimed primarily at reducing poverty. Most were created under the National Child Benefit reforms, and utilize the same model of a diminishing refundable tax credit.

United Kingdom

Confronting the highest rate of child poverty in the European Union, the current Labour government is engaged in major reforms of the structure and level of financial support offered to children. The British welfare state, the government argues, now faces very different conditions from those prevailing in 1945 when the system was designed. It must be reconstructed to support employment rather than replace wages, helping people to obtain work and ensuring that they have adequate incomes when working.

There are currently three main types of support for children in the United Kingdom: universal, income-tested, and a miscellany of contributory and noncontributory benefits.[10]

The United Kingdom is the only one of these four countries that has a universal benefit for children regardless of the income of the parents; its existence is based on the recognition that all parents face additional costs and responsibilities when their children are growing up and that society in general benefits from their efforts. Child Benefit starts at the birth of the child and is higher for the first than for subsequent children.

Income-tested benefits are more complex. Although they potentially serve all families, not just families with children, the amounts paid usually vary with the number and sometimes the age of any children. These benefits are subdivided into three main groups according to the employment status of the claimant: (1) Income Support and Jobseekers Allowance for those not working or working very little (i.e., less than 16 hours per week); (2) Working Families Tax Credit and Disabled Person's Tax Credit (at least one adult in the family must be working more than 16 hours per week); (3) Housing Benefit and Council Tax Benefit, for working or nonworking people.

The amounts received in all these benefits are calculated on the basis of net income, although the definition of income varies among programs in sometimes confusing ways. For example, Child Benefit counts as income for Income Support and Jobseekers Allowances. Amounts received under different benefits vary according to family income, family size, and (for housing benefits) the level of the rent or council tax. Benefits for nonworking people are based on an assessment of current weekly income from interviews and are paid either weekly or every two weeks. Entitlement continues as long as eligibility is maintained. Benefits for working people are designed to be simpler in structure and administration, and are awarded for a fixed period of time, regardless of change in income or circumstances. Working Families Tax Credit, for example, is in effect for a period of 26 weeks.

From the 1970s on, the tax system included no recognition of the cost of raising children, in contrast to tax policies in the other three countries. But in April 2001, the government instituted a Children's Tax Credit, which reduces the tax bill for families with earnings above the tax threshold. About 9 out of 10 taxpaying households with children will ultimately qualify for the benefit, but it is merely an interim measure. In 2003 it is to be replaced with a new Integrated Child Credit, which will bring together the child components of several existing programs, such as Income Support/ Jobseekers Allowance and the Working Families Tax Credit, with the Children's Tax Credit to create a single system of support for children, regardless of the working status of their parents.

The Integrated Child Credit will be paid in addition to the existing universal Child Benefit Allowance. It has a relatively simple profile: single-parent families with one child and gross earnings under about £13,200 will receive about £2,500 in total; a couple with two children and earnings under £12,500 will receive about £4,400. At higher income levels the benefit will be reduced, stepwise, until it runs out completely at gross earnings of about £40,000. These amounts are based on current benefit levels, and so the actual levels of the Integrated Child Credit may be higher or lower, depending on what the government of the day decides. In practice, much of the effect of this new benefit will depend upon the details of its interactions with adult benefits and housing-related benefits, and these are still unclear.

The scope of benefits

Benefits for one-parent families

Figure 1 (p. 42) shows child benefits for a one-parent family with one young child in Australia, Canada, the United Kingdom, and the United States. These figures use the "difference" method, so show the difference in net income (post-tax, post-transfer) for families with children compared to families of the same income level without children. In the two unitary systems, Australia and the United Kingdom, high benefit reduction rates cause rapid declines in benefits as income rises. This results from the need to limit costs in countries that offer relatively generous payments to lower-income families. The maximum benefit for children in Australia is equivalent to about U.S.$5,700, and in the United Kingdom, about U.S.$3,700. In both countries there are fairly long plateaus, where the benefit does not change with income.

The tax preferences built into the U.S. system and into the Canadian system for single parents with children produce a markedly different profile of benefits. The U.S. benefit structure is unique in providing low or no payments to families with low income;[11] in Canada, the Child Tax Benefit pays equal amounts to all low-income families, whether they are on social assistance or in the workforce. When the tax system comes into play (at incomes of around U.S.$7,000–8,000), benefits rise steeply in both countries and then as steeply decline; the decline begins at around $15,000 in the United States and about U.S.$18,800 in Canada. In Canada the increase in benefits at the beginning of the tax system is entirely due to the "Married Equivalent" tax credit, which provides a single parent with the same credit for the child that would be available for a dependent spouse.[12]

Both the United States and Canada have lower benefits than Australia and the United Kingdom; the maximum benefit in the United States is about $3,000 and in Canada it is about U.S.$3,300, including about U.S.$1,370 for the Married Equivalent tax credit.

In both countries, tax-delivered child benefits extend income tax savings to upper-income families. In Canada, benefits continue to decline as income levels increase, with the exception of the Married Equivalent credit. But in the United States, the decline ends when annual income reaches about $32,000; at that point, mostly because of preferences embedded in the tax system, benefits start to increase again. As a consequence, U.S. child benefits for single-parent families with incomes around $80,000 are roughly three times greater than benefits in any of the other countries. Because the median U.S. income for female-headed, single-parent families is about $20,000, most such families will actually receive lower child benefits than comparable families in Australia, Canada, or the United Kingdom.

Benefits for two-parent families

Figure 2 (p. 43) shows benefits for two-parent families. In the United Kingdom and Australia, child benefits extend into the upper income ranges, and the pattern of benefits for two-parent families shows the same steep decline as it did for single-parent families. Australia pays benefits to these families if only one of the adults is working. Canada does not pay benefits to high-earning, two- parent families.[13]

Once again, the American child benefit system is unique. It provides relatively little for the poorest, relatively high benefits for a narrow range of the working poor, less for middle-income groups, and more for high-income families.

State and provincial programs

Income security programs in the United Kingdom and Australia, as earlier noted, are operated exclusively by the national government. In Canada, there are provincial supplements. In the United States, 15 states and the District of Columbia provided supplements to the EITC in 2000.[14]

How significant are these supplements? In British Columbia, for example, provincial programs increase benefits by over 20 percent for single-parent, one-child families with incomes ranging from about C$10,000 to C$20,000. In Wisconsin the state Earned Income Tax Credit adds a small amount to the credit for one-child and two-child families, and more generous amounts to three-child families.[15]

Administering the child benefit programs

In a fully integrated child benefit system, child-related payments are made independently of other social welfare benefits; they are not included in social assistance programs nor in income security programs such as unemployment insurance. In such a system, social assistance programs base their payments on the assumption that families entitled to child benefits are receiving the maximum amount that they are due and that these benefits are paid in a timely and responsive way.

Traditional last-resort assistance programs have handled the need for responsiveness to income change by frequently testing recipients' incomes and by maintaining a delivery system that can respond rapidly to small changes in circumstances, such as reduced hours of work or increases in rent. But the price of this responsiveness has been program administration based on continual detailed reporting and constant checking. In Canada and the United States, the intrusive and investigative nature of social assistance administration has contributed to the high level of stigma attached to such programs.

Integrated child benefits are generally distributed to a much wider group of families than last-resort programs, and frequent income-testing would be expensive, impractical, and politically unacceptable. But if the determination of income is to be simple and nonintrusive, how are integrated child benefits to respond immediately and effectively to changed family needs?

The United States, Canada, and Australia employ the income tax system to test incomes for child benefit purposes. In the United States and Canada, the payment is based upon the income of the tax year being reported, that is, the previous year; it may thus reflect circumstances a year or more out of date. The EITC in the United States is paid retrospectively, usually as a single lump payment.[16] Those who become working poor during the year and thus eligible for the EITC must wait until the next year before receiving the credit. The EITC is not an integrated child benefit, and the responsiveness dilemma is "solved" by not using it to deliver benefits to families with no income.

In Canada, the amount of the tax benefit is determined on the basis of the previous year's income, but then divided by 12 and paid monthly. Midyear change is permitted if family composition changes, for instance, through divorce or the birth of a child. Families whose income drops drastically during the year may receive increased provincial benefits up to the maximum federal Child Tax Benefit—the provinces thereby act as a backup to the federal government. Those with more moderate income losses must wait until they file their next tax return.

Australia has the most fully integrated child benefit system of all countries in the study. In 2000, the nature of the income test for Family Benefit Part A was changed. If the new system works as expected, it will go far toward resolving the issue of responsiveness. Those families that want child benefit payments now estimate income *prospectively*. Payments will be made on the basis of that estimate and reconciled on the tax form at the end of the year, when actual income is reported.[17]

The United Kingdom has still to decide what mechanism to use in income testing for the Integrated Child Credit. Traditionally the government has relied upon frequent reporting of income.

Conclusions

There are several points where the child benefit structures in all four countries converge. For example, all end the first phase of child benefits at annual income of around U.S.$28,000 for sole-parent families with one child and U.S.$30,000 for two-parent families. But the differences are striking, particularly when we compare how the countries reconcile the sometimes competing, fundamental objectives of vertical and horizontal equity.

In the United Kingdom, a central goal of current policy is the elimination of child poverty within 20 years. If implemented as proposed, the new system will pay substantial benefits to low-income families and meaningful, though lower, benefits to families at middle and higher incomes. Yet the structure of the system, with its long plateaus and sharp descents, makes for weaker equity; many families with different incomes will receive similar amounts. This is one of the costs of having a less detailed and responsive income test. Australia faces some of the same issues of equity as the United Kingdom. Canada, less generous in its payments to low-income families than the United Kingdom and Australia, is not so successful in addressing horizontal equity, because it pays relatively less to middle-income families and little or nothing to high-income families.

In its unique design, the U.S. child benefit system reflects a very different philosophy of income security, one focused almost entirely on employment. Its child benefits system is designed mainly to strengthen families' ties to the labor market and to recognize the horizontal equity claims of taxpaying parents. The system is counter-redistributive, with large payments to upper-income families and very little to those with no earned income. Often overlooked in discussion, tax preferences play a very important role in the U.S. child benefits system, as the accompanying article by Meyer shows. This role has been recognized in the other three countries, which publicly debated the regressive effects of their tax preferences and ultimately replaced them with progressive, income-tested benefits for children. ■

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[1]By the criteria used in the Luxembourg Income Study, the industrialized countries with the two highest child poverty rates are Russia (26.6 percent in 1995) and the United States (26.3 percent in 1994). See B. Bradbury and M. Jäntti, "Child Poverty across the Industrialised World: Evidence from the Luxembourg Income Study," in *Child Wellbeing, Child Poverty and Child Policy in Modern Nations*, ed. K. Vleminck and T. Smeeding (Bristol: Policy Press, 2001), pp.11–32.

[2]Figures for Australia are for 2000, for Canada, 1996, for the United Kingdom for 1998, and for the United States, 1999.

[3]For example, the EITC in the United States is less generous than the child benefit programs of the other countries, but the U.S. food stamp program provides significant additional benefits to the low-income population. Australia, Canada, and the United Kingdom, but not the United States, have some form of universal health care.

[4]See, for example, D. Piachaud and H. Sutherland, "How Effective Is the British Government's Attempt to Reduce Child Poverty?" Innocenti Working Paper 77 (Florence: UNICEF Innocenti Research Center, 2000).

[5]Because the final configuration of the Integrated Child Credit has not yet been decided, we show child benefits based on current rates.

[6]A mandatory private retirement scheme introduced in 1992 will take many years to mature.

[7]The July 2000 changes began to reverse earlier trends and once again provide substantial assistance through tax mechanisms rather than through cash, although it remains to be seen how many will choose the tax payment.

[8]The Child Care Benefit is not studied in detail in the report. It provides a maximum level of assistance for 50 hours of approved care per week of A$120. Families with incomes below A$28,200 are eligible for the maximum rate, depending on age and circumstances of the child. Benefits are reduced at higher income levels, although even families with incomes above A$81,000 are eligible for the minimum benefit of A$20.10 per week.

[9]Family income is defined as the combined gross taxable income of both spouses, where there are two.

[10]Those receiving long-term National Insurance benefits, such as widows' benefits, invalidity pensions, and retirement pensions, may receive increases in respect of children.

[11]The figure shows benefits in Wisconsin, where generally families must choose between welfare and work (i.e., there are no earned-income disregards within W-2). This makes the W-2 line fall very steeply. In other states, the decline would be more gradual.

[12]Although the Married Equivalent credit is a child-related benefit according to the strict application of the difference method, it might be argued that it is not truly a child benefit because it is primarily meant to provide tax equity for single parents.

[13]These families are not entitled to the Married Equivalent credit for their children. Single-earner families with a dependent spouse get a spousal credit regardless whether there are children in the family, so this cannot be considered a child-related benefit.

[14]*Untapped Potential: State Earned Income Credits and Child Poverty Reduction*, Research Brief 3, National Center for Children in Poverty, New York, NY, 2001.

[15]The Wisconsin EITC benefit is 4 percent of the federal amount for families with one child, 14 percent for families with two children, and 43 percent for families with three or more children.

[16]Recipients may choose a monthly payment, but fewer than 1 percent do so each year.

[17]Families may receive payments biweekly or as a lump sum on the tax return. Benefits can be adjusted and families can also switch from the lump-sum to the biweekly payment if income changes during the year.

United States poverty in a cross-national context

Timothy Smeeding, Lee Rainwater, and Gary Burtless

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Policymakers in most industrialized countries share common concerns about family well-being and poverty, but *measuring* poverty is an exercise that has been largely confined to the English-speaking countries; few continental European nations routinely do so.[1] The United States in particular has a long tradition of measuring income poverty and weighing the effectiveness of government policies aimed at poverty reduction. Yet U.S. analysis rests on an inherently parochial foundation, for it is based on the experiences of only one nation.

Until fairly recently, it has been extremely difficult to compare U.S. poverty rates and policies with those of other nations. It is still not particularly simple or straightforward, but data being assembled by the Luxembourg Income Study (LIS), an international cooperative research project, make such comparisons more feasible.[2] This article uses LIS data to compare absolute and relative rates of U.S. poverty with those of other industrialized nations, and considers some implications for U.S. antipoverty policy.[3]

For American voters and policymakers, much can be learned about antipoverty policy from cross-national comparisons. Although per capita income in the United States is 30 percent higher than the average for the other nations in our study, its rate of absolute poverty is also very much higher—13.6 percent, compared with the average of 8.1 percent for the other countries considered. The child poverty rates seem particularly troublesome. In most rich countries, that rate is 8 percent or less. In the United States, it was 14.7 percent in 1997, according to the criteria we have established in this article. (The official U.S. poverty rate for children under 18 was 19.9 percent in 1997.)

Measuring poverty across national borders

There is no international consensus on guidelines for measuring poverty, but considerable informal agreement on the way to go about it:

- Poverty is almost always seen as a relative concept, generally set at 50 percent of national median income. In this article we use the 50 percent standard and also use 40 percent of median income as a relative poverty threshold, because it is closest to the ratio of the official U.S. poverty line to median U.S. pretax cash income (about 42–43 percent in 1994 and 1998).
- Poverty measurement is based on the broadest income definition that still preserves international comparability: disposable cash and noncash income—that is, money income including refundable tax credits, all cash transfers, and near-cash transfers such as food stamps and housing allowances; only taxes are deducted.
- The household is the single best unit for income aggregation in international studies, and the person is the unit of analysis; household income is assumed to be equally shared among individuals in the household.

Absolute poverty

Only a handful of cross-national studies have used an "absolute" poverty line. In the United States, a poverty threshold for an absolute measure was established by calculating the minimum resources needed to purchase a basket of goods that were considered "necessary" by an expert panel. The threshold is then adjusted only for changes in aggregate prices over time; thus it remains, in real terms, constant.

To estimate absolute poverty rates in different countries, researchers must convert national currencies into units of equal purchasing power, or "purchasing power parity" (PPP) exchange rates. In principle, the PPP rates permit us to estimate the amount of money needed in country A to purchase the same bundle of consumption goods in country B. Comparison is still problematic, because PPP rates were devised to permit accurate comparison of aggregate national output, rather than the disposable incomes or private consumption of lower-income families. PPP rates are appropriate for comparing market baskets of aggregate consumption, including health care, education, and housing. But these goods are paid for in different ways in different nations. In most countries, health care, some housing, child care, and education are more generously subsidized by government than they are in the United States, and household disposable incomes therefore reflect the fact that those costs have already been subtracted (as taxes). Since the United States provides lower than average amounts of noncash benefits, some might argue that U.S. rates of absolute poverty are understated, whereas poverty rates in Northern European countries which provide high levels of tax-financed health care and education benefits are likely to be always overstated.

"Absolute" poverty measures are always in some sense relative; they must be appropriate to the context in which they are used. For instance, the World Bank defines absolute poverty in Africa and Latin America using an income threshold of $1 or $2 a day; in Central Europe the Bank uses a threshold of $2 or $3 per day. The U.S. poverty line, in contrast, is 6 to 12 times higher. The World Bank poverty thresholds are obviously too low for use in rich countries in the Organisation for Economic Co-operation and Development (OECD). At the other extreme, Scandinavian countries have "minimum income standards" that are set at 60 percent of median national income, roughly 40 percent higher than the official U.S. poverty line.

In Table 1, we compare the U.S. household poverty rate to absolute poverty rates in other nations, using as our threshold the U.S. poverty line. We use PPP rates developed by the OECD for 1994 or 1995, and translate household incomes in countries for which we have reliable data into U.S. dollars. The United States has the third highest poverty rate, 13.6 percent, behind only Australia and the United Kingdom.[4] Since these two countries have much lower per capita incomes, their higher poverty rates are hardly surprising. But nearly all the countries in Table 1 have per capita incomes and absolute poverty rates lower than the United States. This suggests that among rich nations the distribution of income is as important as average income in determining poverty rates. Poor countries can have lower poverty rates than rich ones if their income distribution is compressed; rich countries can have higher poverty rates than poor ones if their incomes are more unequally distributed.

Table 1
Absolute Poverty Rates for OECD Nations in 1994 and 1995, Using the U.S. Poverty Line

Nation	Poverty Rate (%)	GDP per Capita in 1995[a]
Australia	17.6	$21,459
United Kingdom 1995	15.7	18,743
United States	13.6	27,895
France	9.9	20,192
Canada	7.4	22,951
Germany[b]	7.3	21,357
Netherlands	7.1	21,222
Sweden 1995	6.3	19,949
Finland 1995	4.8	18,861
Norway 1995	4.3	23,316
Overall Average	9.4	$21,595

Sources: Authors' calculations from LIS; OECD, "Purchasing Power Parities for OECD Countries, 1970–1999," 2001, <http://www.oecd.org/std/pppoecd.xls>; T. Smeeding and L. Rainwater, "Comparing Living Standards across Nations: Real Incomes at the Top, the Bottom, and the Middle," unpublished paper, prepared for the Levy Institute Conference on the Quality of Life in America and Other Advanced Industrialized Nations, Annandale-on-Hudson, NY, June 6–7, 2001.

Notes: Poverty is measured using the official U.S. poverty line and equivalence scales. All country data are for 1994 unless otherwise indicated. OECD purchasing power parities are used to convert the U.S. poverty line. See OECD, *Social Expenditure Database 1980–96* (Paris: OECD, 1999).

[a]Amount in 1995 U.S. dollars using OECD purchasing power parities.

[b]All of Germany, including western and eastern Länder.

Relative poverty

Relative poverty can be simply enough defined as "having less than others in the society." In our analysis of relative poverty we use the most common threshold for within-country comparisons—50 percent of median income—but we also use a 40 percent threshold because, as noted above, it is comparable to the U.S. poverty line. Figure 1 shows relative poverty rates in 15 nations, using both thresholds. "Deep" poverty in the United States

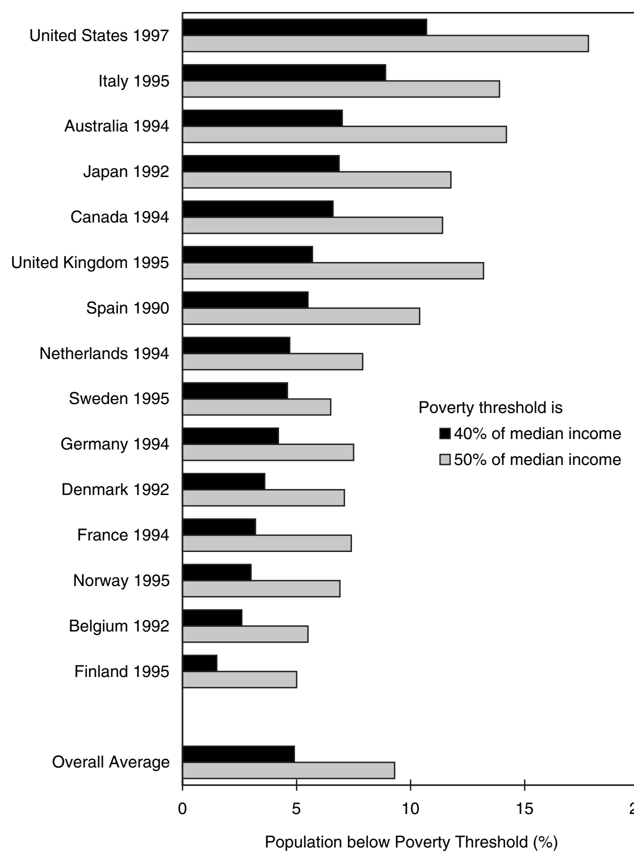

Figure 1. Relative poverty rates of industrialized nations in the 1990s. Poverty is measured as a percentage of median adjusted disposable personal income (DPI) for individuals. Incomes are adjusted for household size (S) by a family size equivalence scale (E=0.5), where adjusted DPI = actual DPI/S^E.

Source: Authors' tabulations of LIS files.

stands out very clearly even when the poverty threshold is set at 40 percent of median income. At this level, over 11 percent of the U.S. population is poor.

Higher poverty rates are found in countries with a high level of overall inequality (the United States, Italy), in geographically large and diverse countries (United States, Canada, Australia), and in countries with poorly developed national welfare states (Spain, Japan). Low poverty rates are more common in smaller, well-developed, and high-spending welfare states (the European Union, Scandinavia) and in countries with more generous unemployment insurance, social policies supporting single mothers and working women, and high minimum social assistance payments.

Poverty rates computed using gross household market income (before taxes and transfers) do not differ among countries so much as those calculated using net income (after taxes and transfers). Higher levels of government spending, as in Northern Europe, and more careful targeting of government transfers on the poor, as in Canada, produce lower post-transfer poverty rates.[5] Countries with an egalitarian wage structure tend to have lower rates of child poverty, in part because the relative poverty rate among working-age adults is lower when wage disparities are small.

Relative poverty rates can vary across age groups within a nation as much as they do across nations (Figure 2). Overall, child poverty rates are about 0.5 of a percentage point higher than the national average, but in the United States and Italy, both high-poverty countries, they are 4–5 percentage points higher. In the low-poverty countries of the European Union and Scandinavia, they are usually equal to or less than adult rates. Using the 40 percent threshold, the child poverty rate is 14.7 percent in the United States versus 1.3 percent in Sweden.

The elderly stand in the greatest contrast to other groups (Figure 2). Using the 40 percent threshold, their rates are in general lower than the average. Among the countries considered, only the United States and Australia have a poverty rate for the elderly higher than 10 percent. Poverty rates for the elderly in Canada, 1.2 percent, are far below the rates for children and working-age adults.

The poverty rate of the elderly is, however, particularly sensitive to the income cutoff used to determine poverty. If we raise the poverty threshold from 40 to 50 percent of median income, the average (unweighted) poverty rate for the elderly rises from 4.5 to 11.6 percent in the countries considered in Figure 2. This increase is the largest for any group. It suggests that social protection systems for the elderly often provide income guarantees that are no more than 40–50 percent of median income and that many elderly fall into the "near-poor" category.

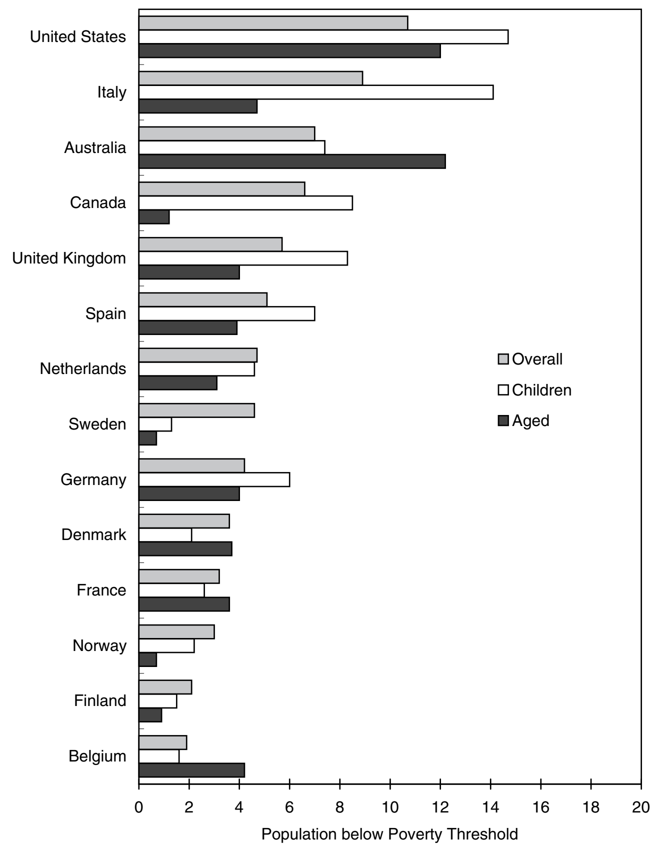

Figure 2. Poverty rates in of industrialized nations, by age, in the 1990s. Poverty is measured at 40 percent median adjusted disposable personal income (DPI) for individuals. Incomes are adjusted for household size (S) by a family size equivalence scale (E=0.5), where adjusted DPI = actual DPI/S^E. Germany includes both the western and the eastern Länder. Japan is not included because it does not have separate rates for children and the elderly.

Source: Authors' tabulations of LIS files.

Some correlates of poverty

Poverty and inequality are higher in the United States than in some countries with similar (and even with much lower) average incomes. An American citizen whose income is in the lowest 10 percent of the U.S. income distribution has an adjusted disposable income that is just 34–38 percent of U.S. median income. This is 5–7 percentage points lower than a similarly placed citizen in any other nation discussed here.

The low-income population is larger in the United States than in these other nations for two main reasons: low market wages for those with few skills and limited public benefits. Figure 3 shows a strong association between low pay and national poverty rates. A substantial fraction of the variation in poverty rates appears to be accounted for by the variation in the incidence of low pay. The United States has the highest proportion of workers in relatively poorly paid full-time jobs; it also has the highest poverty rate. Canada, in contrast, has a lower poverty rate than its unequal wage distribution would lead us to expect.

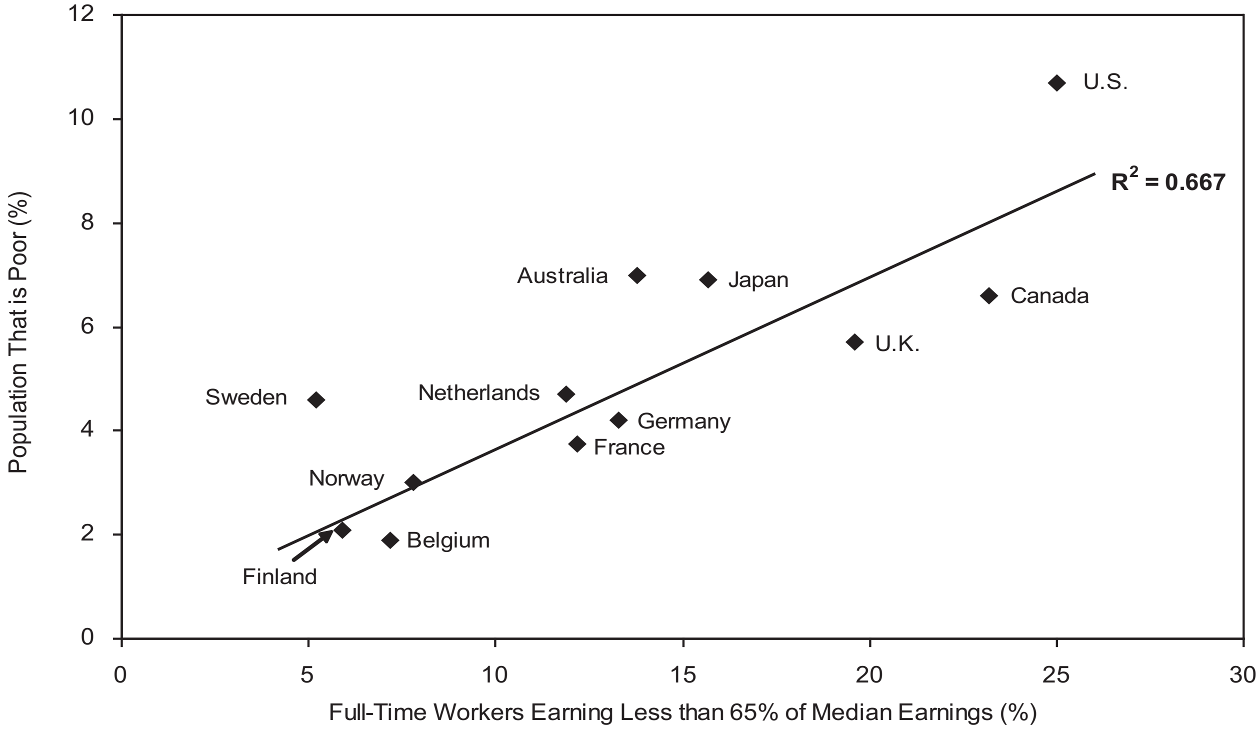

Figure 3. Relationship of low pay and poverty rates in industrialized countries in the 1990s. Countries with values above the diagonal line have higher poverty rates than are predicted by the incidence of low relative wages; countries below the line have lower poverty rates.

Source: OECD, "Employment Outlook 1996," *OECD Employment Outlook* 59 and 60 (June and December 1996) and authors' tabulations of the LIS data files.

Low pay, however, is not the only reliable predictor of poverty rates. Social spending clearly affects the prevalence of poverty. Figure 4 correlates child poverty rates with the fraction of each country's gross domestic product that is spent on cash and near-cash social transfers to the nonaged. Measured in this way, higher social spending is correlated with lower child poverty rates.

Different patterns of social spending can produce different effects—antipoverty and social insurance programs are in many respects unique to each country (see, for example, the article on p. 44 of this *Focus*). The United States differs from most nations that achieve lower poverty rates because of its emphasis on work and self-reliance for working-age adults, regardless of the wages workers must accept.

As long as the United States relies almost exclusively on the labor market to generate incomes for working-age families, changes in the wage distribution that affect the earnings of less-skilled workers will inevitably have a big effect on poverty among children and prime-age adults. For over a decade U.S. unemployment has been well below the OECD average. Continued tight labor markets can help reduce poverty as the wages received by less-skilled workers are bid up. The strong economy, coupled with a few specific antipoverty devices such as the expanded Earned Income Tax Credit and increases in the minimum wage, has produced most of the reduction in U.S. poverty over the last few years.

But there are two important limits to reliance on the labor market only. First, not all of the poor can be expected to earn their way out of poverty. Through low wages alone, single parents with young children, disabled workers, and the unskilled will continue to face significant challenges in earning a comfortable income. Second, in recessions, declines in employment and hourly wages are likely to be particularly severe for low-wage workers. Many single mothers have become breadwinners as a result of the welfare reforms of the last decade, but the same reforms make it possible that those who lose their jobs in the next recession will be ineligible for cash public assistance at the same time that most will be ineligible for unemployment compensation.

The relationship between antipoverty spending and poverty rates is complicated, so these simple correlations are at best suggestive. U.S. poverty rates are high, yet so is U.S. economic performance. Carefully crafted public policy can certainly reduce American poverty, yet it also has costs, among them, perhaps, a higher unemployment rate and slower economic growth. The direct and indirect costs of antipoverty programs are now widely recognized, and sometimes overstated, in public debate. Yet in light

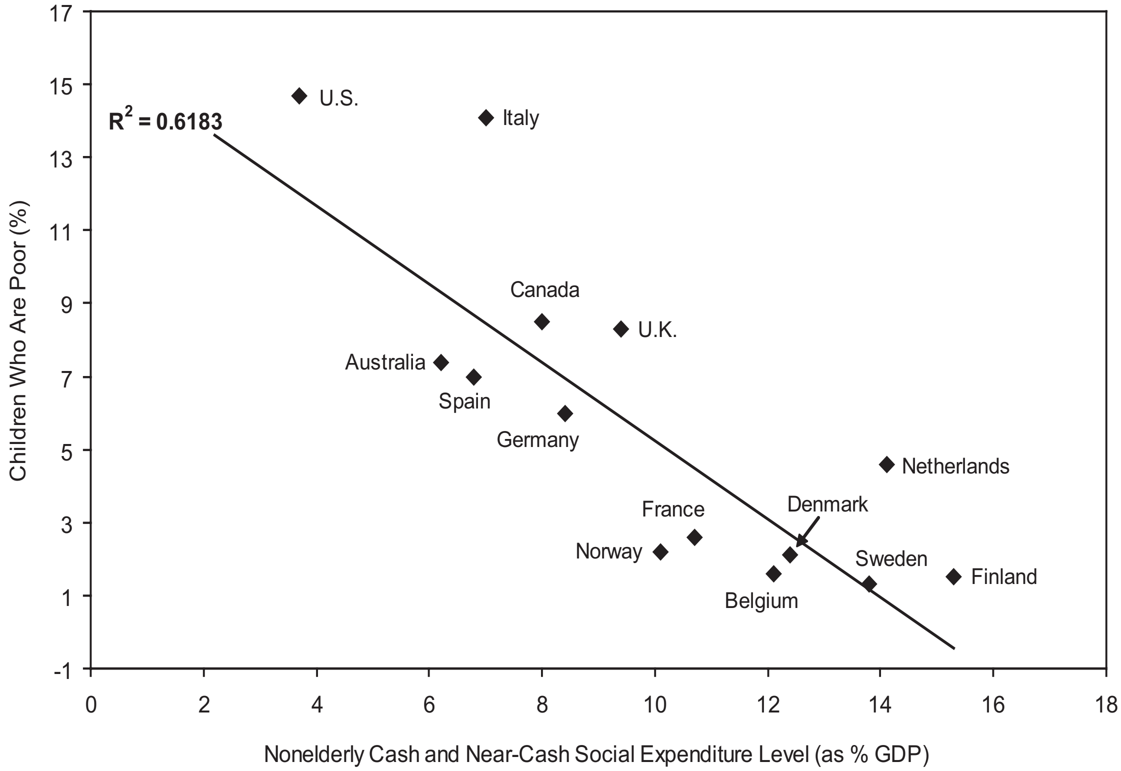

Figure 4. Relationship of cash social expenditures and child poverty rates in industrialized countries in the 1990s. Countries with values above the diagonal line have higher poverty rates than are predicted by social expenditures, countries below the line have lower poverty rates.

Source: OECD, Social Expenditure Database 1980–96 (Paris: OECD, 1999), and authors' tabulations of the LIS data files. Cash and noncash social expenditures exclude health, education, and social services, but include all forms of cash benefits and near-cash housing subsidies, active labor market program subsidies, and other contingent cash and near-cash benefits. Nonelderly benefits include only those accruing to household heads under age 65.

of the low rates of poverty achieved elsewhere it is hard to argue that the prosperous United States could not do more to help the poor, particularly those who are employed. ■

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[1]In most of these countries, social programs would ensure a low rate of poverty under any reasonable set of measurement standards. See A. Björklund and R. Freeman, "Generating Inequality and Eliminating Poverty—The Swedish Way," in *The Welfare State in Transition: Reforming the Swedish Model*, ed. R. Freeman, R. Topel, and B. Swedenborg (Chicago: University of Chicago Press, 1997).

[2]The Luxembourg Income Study is described in detail on the study's World Wide Web site, <http://www.lis.ceps.lu/>. International bodies such as the United Nations Children's Fund, the OECD, and the European Statistical Office have published cross-national studies of poverty in recent years. The large majority of these studies use the LIS database, which now contains almost 100 household income data files for 25 nations covering the period 1967 to 1997.

[3]The article summarizes a section of a chapter, "United States Poverty in Cross-National Context" that will appear in *Understanding Poverty*, ed. S. Danziger and R. Haveman, forthcoming from Harvard University Press and the Russell Sage Foundation, and containing papers presented at the IRP conference, Understanding Poverty: Progress and Problems, Madison, WI, May 2000.

[4]Because the definition of income and income-sharing unit that we use differs from that used by the U.S. Census Bureau, the absolute poverty rate we calculate for the United States in 1994, 13.6 percent, is somewhat below the Bureau's official poverty rate for the year (14.5 percent).

[5]H. Kim, "Anti-Poverty Effectiveness of Taxes and Income Transfers in Welfare States," LIS Working Paper no. 228, Center for Policy Research, Maxwell School, Syracuse, NY, March 2000.

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