FOCUS

Institute for Research on Poverty Newsletter

Volume 2, Number 1: Fall 1977

PUBLICATION OF THE NEW JERSEY EXPERIMENT RESULTS

The final volume of the three-volume series on *The New Jersey Income Maintenance Experiment* will be out in early December, and Volumes I and II have already been published. It thus seems appropriate to include in this issue of FOCUS an overview of the experiment and its results.

Background and History

The New Jersey Income-Maintenance Experiment was the first largescale social experiment in the United States. It involved the systematic variation of certain economic influences (the "treatment") on a group of persons as they went about their everyday lives, and a comparison of their resulting behavior with the behavior of a control group that was similar to the first group in every way except that its members did not receive the treatment. Today, there are in operation several similar federally funded, controlled social experiments,[1] but in 1966 and 1967, testing economic hypotheses in this manner was a new idea.

The treatment consisted of the negative income tax. This is a cash transfer system of income supplementation in which the benefit depends on two attributes of the system—the guarantee (the benefit level when other income is zero) and the tax rate (the rate at which benefits are reduced as other income increases), and two attributes of the family—the level of other income and the size of the family.

The experiment was in operation from August 1968 through September 1972. It was conducted by the Institute for Research on Poverty and Mathematica Policy Research, Inc., a research firm based in Princeton, New Jersey.

Originally enrolled were 1216 families with incomes below 150 percent of the poverty line—725 in the various experimental groups and 491 in the control group. (An additional 141 families were added to the control group

FOCUS is an occasional Newsletter put out by the

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The purpose of FOCUS is to acquaint a wide audience with the work of the Institute for Research on Poverty, by means of short essays on selected pieces of research.

The material in any one issue is, of course, just a small sample of what is being done at the Institute. It is our hope that these summaries will whet the appetite of the reader to learn more about the research itself, and more about other research on poverty—an area of vital social concern—by Institute staff.

The views expressed are those of individual members of the Institute; they do not represent the position of the Institute for Research on Poverty, the University of Wisconsin, the Department of Health, Education, and Welfare, or other funding agencies.

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THE NEW JERSEY INCOME-MAINTENANCE EXPERIMENT, volume 1: *Operations, Surveys, and Administration.* David Kershaw and Jerilyn Fair, editors.
Academic Press, $15.00

THE NEW JERSEY INCOME-MAINTENANCE EXPERIMENT, volume 2: *Labor-Supply Responses.* Harold W. Watts and Albert Rees, editors.
Academic Press, $28.50

THE NEW JERSEY INCOME-MAINTENANCE EXPERIMENT, volume 3: *Expenditures, Health, and Social Behavior; and the Quality of the Evidence.* Harold W. Watts and Albert Rees, editors.
Academic Press, forthcoming in December 1977

later.) The families were enrolled sequentially in four sites, as follows:

August 1968	Trenton, New Jersey
January 1969	Paterson-Passaic, New Jersey
June 1969	Jersey City, New Jersey
September 1969	Scranton, Pennsylvania

Each site was in operation for three years.

The families were selected for participation according to an income-stratified, random sample design. To be eligible, families had to consist of at least two persons, of whom one was an able-bodied man of working age. Obviously, this intentionally restricted the sample almost entirely to the so-called intact working poor and near-poor families. Eight negative income tax plans were tested; they comprised various combinations of four guarantee (maximum benefit) levels and three tax (benefit reduction) rates, as shown in Table 1.

Table 1

The Negative Income Tax Plans
Used in the New Jersey Experiment

	Tax Rate (percent)		
Guarantee (percent of poverty line)	30	50	70
50	x	x	
75	x	x	x
100		x	x
125		x	

Volume I

The first volume begins with a foreword to the three-volume series by Robert J. Lampman, an Institute economist who participated in the initial planning of the war on poverty. He describes the sequence of events leading up to the decision by the Office of Economic Opportunity (OEO) to fund such an experiment. Briefly, OEO had advocated a national negative income tax as early as 1965, had been unable to persuade the President to introduce the legislation and, as a fallback position, had decided to fund a project that would produce hard evidence as to its feasibility. This evidence, it was too confidently presumed, could then persuade politicians and the American public that a negative income tax would be good social policy.

Volume I is the nontechnical volume in the series. It contains a general description of the experimental design and results, and the specifics of the operations, surveys, and administrative rules and procedures of the experiment. It also includes anecdotal evidence that the "experimentals," the "controls," and the interviewers were, indeed, human beings. Representative examples:

Reasons for refusal:

"He's a proud young man who finally insisted he didn't believe in taking money for nothing."

"He (Puerto Rican) does not like America—has gotten into too much trouble signing things. His wife got him into this and he wants out."

"Too tired to sign."

Tracking down families:

"The warmest clue we got came from a very alert elderly woman who is now living at the address we have for Mr. ____. She told us that quite a few months ago a guy walked by and shouted up to her how could she stand it up there with all those roaches. The woman seems to think that was Mr. ____. For a lack of anything better to think we think it was too."

"Refused. Dark stairwell and vicious dog did not allow interviewer to make notes on dwelling or occupants."

"After verbally sparring with some of Mrs. _____ 's neighbors and having them scrutinize me with deft feline caution, I was directed to the candy store on the corner. While talking with the woman at the candy store it became quite apparent that she wasn't going to say anything until I whispered, 'I'll take care of you if Mrs. _____ calls me.' Ten minutes later Mrs. _____ called. Shopkeepers are in it for the money."

Final letters

"I miss our little get-togethers once a month by mail. I trust our reports will help somehow in the future of our government. I expect to have a larger knitting class next month and the tupperware will pick up in the fall. So for now and always, every blessing to you and yours."

"I got the report this week. And, I did not get the check. Is this the last report I will have to fill out? I enjoyed every cent I got. Thank you very kindly."

Volume I also recounts major occasions when the experiment collided with political reality.

County welfare authorities alleged that certain experimental families had received payments from the experiment and welfare payments simultaneously, thus defrauding the welfare system. Resulting difficulties included a subpoena served on the field director of the experiment ordering him to produce family records the experiment had pledged to keep confidential, and a payment to county officials to compensate local welfare authorities for the overlapping payments that did occur.

Federal politics in the form of Nixon's Family Assistance plan impinged on the experiment between 1969 and 1972. Experiment staff testified before Congress. The General Accounting Office issued an analysis very critical of our early results, and undertook their own investigation of the data despite strong protests from the experiment's staff and OEO. The Senate Finance Committee requested individual family records, which again plunged the experiment into the issue of confidentiality.

Volume I, in addition, includes discussion of why the families who dropped out of the experiment chose to do so; how well the income reports submitted to the experiment by the families matched their income tax returns

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Welfare Reform Alternatives

Recent Institute Special Reports Prepared for the HEW Office of Income Security

SR 12 *Welfare Reform Alternatives: Employment Subsidy Proposals versus the Negative Income Tax,* by Robert Lerman

The employment subsidy approach to welfare reform is to provide jobs to poor people who are able to work and to provide income to those unable to work. The negative income tax approach is to extend to all types of families the principle that government grants should be conditioned only on family size and family income. One difficulty in comparing the two approaches is that employment subsidy plans differ among themselves almost as much as they differ from the negative income tax concept.

This report describes four different employment subsidy proposals and a negative income tax proposal. Essential differences in the philosophies underlying these proposals are highlighted. Detailed consideration is given to comparing how well each of the five would achieve several objectives—reducing poverty, maximizing equity, maximizing work incentives and work by recipients, and maximizing aggregate employment and aggregate production, to name but a few.

SR 13 *The Effects of Welfare Reform Alternatives on the Family*

The effects of welfare reform on the family are of great public policy interest. The number of female-headed families is increasing in relation to the total number of families in the U.S. Existing income maintenance programs, such as AFDC, incorporate numerous incentives for families to split, and most welfare reform proposals would also create such incentives.

This report explores the demography of female headship and reviews alternative theories of the effects of income on marital stability. The effects of income maintenance program provisions on family composition are discussed in terms of eligibility rules, unit definition, and benefit schedule; and various programs are compared. The report concludes with a review of the available evidence of program effects on marital stability, and the effects of marital stability on children.

Institute researchers Katharine Bradbury, Irv Garfinkel, Felicity Skidmore, James Sweet, Russell Middleton, Elaine Walster, Patricia Burdett, and John Bishop are the joint authors.

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as submitted to the Internal Revenue Service; and how the families reacted to the cessation of payments at the end of the experiment.

Volume II

Volume II provides technical analyses of the central findings of the experiment—the labor supply responses of the husbands, wives, teenagers, and the family as a whole. It also includes methodological expositions of the major statistical techniques used to deal with the time series and intermittent data problems inherent in this kind of data source.

Perhaps the most important result was that there was no widespread withdrawal from work on the part of the experimental group.

The payment levels over the three years show a mildly rising trend. In the first year, for example, the average four-week payment was $91. In the third year this had increased to $97. When it is remembered, however, that a cost-of-living correction was made to the payment levels every year—amounting to increases in the guarantee levels of 5.5 percent in September 1969, 5.9 percent in October 1970, and 4.1 percent in September 1971—and that, further, the experimental period was one of rising unemployment, the small extent of the increase in payments is evidence that there was no sharp decline in work effort nor substantial falsification of income reports.

Husbands' labor supply. The most important group for any national income maintenance policy, and the group the experiment was specifically designed to examine, is nonaged, able-bodied men with family responsibilities. These are the people with the most solid attachment to the labor force, and, therefore, the most labor to withdraw. These are the people about whom there is the most widespread fear that, given an income alternative, they will decide not to work.

As it turned out, the effect for this group was almost undetectable. Over the central two years of the experiment (the period least contaminated by start-up and end effects), the employment rate for male family heads in the experimental group was only 1.5 percent less than that for the controls. For the number of hours worked per week, the difference amounted to just over 2 percent.

Wives' labor supply. The group second in terms of policy interest is the wives. The average family size in the sample was six, so the wives in the experiment were, on average, mothers of four children. For this group, the differential between experimentals and controls was substantial, with experimental wives working 23 percent fewer hours per week than the controls, and their employment rate 24 percent lower. It should be noted that although this relative reduction is large, it is based on an average figure of only 4.4 hours a week for wives in the control group. So, from the point of view of family labor supply and national costs it is not a great absolute change, and may be offset by important additions to work in the home.

Family labor supply. This brings us to total family labor supply—a composite of market work by the husband, the wife, and other adult family members. Predictably, these estimates lie between those for husbands and wives. Over the central two years, the number employed per family was 9.5 percent less for experimental families than for controls. The hours worked per week per family were 8.7 percent less for experimentals than for controls. This disincentive was almost entirely made up of relative work withdrawal by the wives, by teenagers who may have been enabled by the payments to stay in school longer, and by older workers who were able to take it a bit easier. These components of the disincentive effect may well be considered social benefits rather than costs.

The results showed a persistent difference in response according to ethnic group—white, black, and Spanish-speaking. Such disincentive as was found for husbands was restricted mainly to whites. The substantial disincentive for wives was also largely due to white wives. For both males and females, the Spanish-speaking group showed more disincentive than the blacks, who showed none. No satisfactory explanation has yet been found for this difference. It is apparent that black controls had an unusually bad labor market experience in the last year of the experiment, compared both with black experimentals and with the controls from the other two ethnic groups. Further analysis also shows some suggestion that blacks and whites were treated differently from each other by the local welfare authorities and that this is related to differences in their labor supply behavior.

Volume III

The final volume comprises technical analyses of the behavioral responses to the experiment other than work effort—responses in the areas of expenditures, health, and social behavior. It also includes discussion of how the introduction of AFDC-UP into New Jersey part way through the experiment may have affected the way the results should be interpreted. It contains a methodological exposition of the statistical design underlying the experiment. It discusses differences among the three series of income data that were collected. And it concludes with a comprehensive discussion of how the site selection process, attrition pattern, and geographical area chosen for the experiment may have placed constraints on the generalizability of the results.

In the area of psychological and sociological responses, the effects were generally negligible. Cash assistance at the levels involved in this study does not appear to have a systematic effect on the recipients' self-esteem, social integration, or perceived quality of life, among many other variables. Nor does it appear to have an adverse effect on family composition, marital stability, or fertility rates. It does appear to affect the use of health care, causing somewhat greater utilization of private doctors in contrast to clinics—in other words, inducing more "middle-class" patterns of use.

What we can say with certainty is that the antipoverty effectiveness of the payments was not seriously vitiated by offsetting reductions in earnings due to reduced work effort. The benefits, therefore, represented a net increase in income, allowing these families greater command over material goods and services, and enhancing their economic well-being.

* * *

The availability of this three-volume series coincides with consideration of new initiatives for welfare reform at the federal level. The findings and experiences of this study have already informed and influenced the welfare reform "community." These volumes now make the results accessible to those who will be joining the debate.

The basic data from the experiment are also available for further analysis,[2] and these volumes provide documentation and evaluative information for researchers who wish to extend or challenge the basic results presented in them.

[1]These consist of three other income maintenance experiments; a health insurance experiment; two housing allowance (demand and supply) experiments; and a special job creation demonstration (Supported Work).

[2]For information on how to obtain data tapes write to Michael Watts, Institute for Research on Poverty, University of Wisconsin, Madison, Wisconsin 53706.

In case of change of address, please send your old mailing label along with the new address.

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