

PUBLIC POLICY ADVISOR

Welfare Dependency: Questioning Common Assumptions

by Michael French Smith, Ph.D.

There is wide agreement that the welfare system (means-tested cash and in-kind assistance programs, chiefly Aid to Families with Dependent Children) is replete with problems.¹ Mainstream periodicals – such as *Time*, *Newsweek*, *Business Week*, the *New Republic*, and *The Atlantic Monthly* – routinely refer to the problems of “welfare dependency,” the “culture of poverty,” or the “culture of welfare dependency.” The subject of this paper is the commonly held assumption that a large percentage of welfare recipients become dependent on public assistance. Related assumptions are that welfare recipients are seduced by the system into a self-perpetuating culture of dependence, and that the system inadvertently increases poverty by swelling the ranks of the idle and fostering families headed by single women unable to provide for their children. A review of research on welfare dependency and related questions, however, finds little support for these contentions.

SHIFTING ATTITUDES ABOUT POVERTY

Before the 1930s, assistance to the needy in the United States was largely the province of private charity, with some help from local governments. The current system of public assistance began with passage of the Social Security Act of 1935. This act initiated Aid to Families with Dependent Children (AFDC), Unemployment Insurance, and the Old Age Assistance program sub-

¹Means-tested cash assistance programs for the poor make up only a small portion of all federally financed transfer payment programs – that is, programs that redistribute income by paying out federal revenues to particular categories of persons. Nonmeans-tested transfer payments that go in large part to the nonpoor – for example, Social Security, Medicare, and agricultural subsidies – make up most of federal transfer payments. Sar Levitan of George Washington University's Center for Social Policy points out that means-tested aid makes up only about one-sixth of federal transfer payments and AFDC alone accounts for only about 2 percent of all federal transfer payments (see “The Evolving Welfare System,” *Society*, vol. 23, no. 2, Jan./Feb. 1986, p. 5). Nevertheless, people seldom refer to nonmeans-tested transfer payments as welfare. That term is usually reserved for means-tested programs for the poor.

sumed by the Supplemental Security Income (SSI) program in the 1970s. The Social Security Act was a response to political unrest and a burgeoning need for assistance caused by the Great Depression. It was made politically possible, in part, because prevailing attitudes toward poverty changed as a result of the widespread hardship caused by the Depression. The economist Bradley Schiller writes:

It was not until the depression of the 1890s that many people seriously began to question the proposition that poverty resulted from sin and slovenliness....But it was not until 15 million Americans simultaneously experienced unemployment in the depths of the Great Depression that a really new perspective on poverty took hold. Only as millions of otherwise responsible and industrious individuals fell abruptly into joblessness and poverty did the American public begin to speak of poverty as being outside the control of the individual. Awareness grew that poverty might be the consequence of social and economic forces rather than of immorality and vice.²

Seeing themselves and others like them plunged into poverty or near poverty, middle-class Americans could understand that poverty was not the fault of the poor but of larger, uncontrollable economic circumstances. They could then accept, even welcome, the use of public funds to assist the poor. However, Schiller also notes that as economic conditions improved there was a tendency to return to explaining poverty in terms of “the ambitions, motivations, ability, and the entire cultural orientation of [the] poor.”³

The welfare system that grew out of a feeling that poverty can happen to anybody is still with us. As many as 25 percent of the U.S. population are estimated to live in families that receive or have received food stamps or benefits from AFDC, SSI, General Assistance (GA), or

²Bradley R. Schiller, *The Economics of Poverty and Discrimination* (Englewood Cliffs, N.J.: Prentice-Hall, 1973), pp. 3-4.

³*Ibid.*, p. 4.

other cash assistance programs.⁴ Some remain on the welfare rolls for long periods; much of the criticism of the welfare system centers on these long-term welfare recipients.

In times of relative prosperity, it is commonly argued that persisting poverty is not caused by the nature of the economy or the structure of society, but by the poor themselves; that long-term welfare recipients are different from the rest of society in their mores, values, and ethics. Some argue that recipients of welfare become dependent on it, unable or unwilling to break free and become self-reliant. Others contend that welfare programs themselves are at fault, that they increase the incidence of poverty and help create dependence by making idleness attractive, undermining the desire for self-reliance, and encouraging or facilitating the formation of single-parent, female-headed families. More generous than branding the poor as inherently shiftless and lazy, this suggests that the poor are victims of the welfare system, not of their own nature. All such assumptions, however, should be examined.

DOES WELFARE ENCOURAGE DEPENDENCY?

Listening to much of the public debate on the pressing need for welfare reform, one could come to believe that a large percentage of those who receive welfare benefits end up relying heavily on them for many years. The facts, however, belie the rhetoric.

Some pertinent data can be found in the Panel Study of Income Dynamics (PSID), conducted by the University of Michigan Survey Research Center.⁵ The ongoing study has been following members of 5,000 U.S. families for almost twenty years. Published findings for ten years of the study reveal patterns of movement into and out of welfare programs and poverty.⁶ Approximately 25 percent of the individuals in the study lived in families that received some of their income from welfare programs from 1969 through 1978. (See Exhibit 1.) A much smaller percentage, 4.4 percent, lived in families that received some welfare assistance in eight or more years of the

study.⁷ Only 2 percent received more than half their family income from welfare for eight or more years.⁸ It is this last group – 2 percent of the total population, making up about 8 percent of all welfare recipients – who should be called “dependent.”⁹ The PSID finds that for most welfare recipients welfare is a temporary expedient that supplements income from other sources and accounts for less than half of total household income. Further, welfare is usually used primarily to supplement income from employment, rather than from other sources such as alimony or child support.¹⁰ (Detailed data on welfare recipients like that collected by the PSID are not available for Michigan alone.)

IS THERE A CULTURE OF POVERTY?

The idea that there is a “culture of poverty” – a distinctive way of life and set of values and attitudes that give poverty its own self-perpetuating momentum, irrespective of the structure or condition of the economy – has been around for many years. It has attracted diverse adherents. In 1962, the socialist Michael Harrington wrote in his well-known book on poverty, *The Other America*, that “poverty in the United States is a culture – a culture that is radically different from the one that dominates society.” More recently, Republican Ronald Reagan warned of the creation of “a permanent culture of poverty – a second and separate America.” Many speak of welfare dependency as both a product and a breeding ground of a distinct culture. A 1986 article in *The New Republic*, for example, calls compulsory work programs for welfare recipients “the only way to break the culture of poverty,”¹¹ and *Newsweek* speaks of “the widely shared assumption that the current welfare sys-

⁷ This 4.4 percent of the total population amounts to about 18 percent of all those who received any welfare benefits. Ellwood has used the PSID data as the basis for estimating the incidence of AFDC receipt alone over a 25-year period. He concludes that about 25 percent of those who receive any AFDC benefits will receive at least some benefits in 10 or more years over 25 years. Ellwood does not, however, distinguish those who receive the greater portion of household income from AFDC. See David T. Ellwood, “Targeting ‘Would-Be’ Long Term Recipients of AFDC.” Prepared for the U.S. Department of Health and Human Services (Princeton, N.J.: Mathematica Policy Research, Inc.).

⁸ Duncan et al., *Years of Poverty*, pp. 73-76.

⁹ The PSID defines welfare dependence as receipt of more than half the combined incomes of the heads of a household from welfare. Receiving any welfare income for eight years or more is called “persistent” welfare receipt. The combination of these two factors – receiving the larger share of income from welfare for eight years or more – comes closer to the sense in which the term “welfare dependence” is usually used. The PSID definitions, however, refer only to source of income and not psychological or cultural characteristics.

¹⁰ Duncan et al., *Years of Poverty*, p. 78.

¹¹ Mickey Kaus, “The Work Ethic State,” *The New Republic*, July 7, 1986, p. 22.

⁴Greg J. Duncan et al., *Years of Poverty, Years of Plenty: The Changing Economic Fortunes of American Workers and Families* (Ann Arbor, Mich.: Institute for Social Research, University of Michigan, 1984), p. 75.

⁵Ibid.

⁶ In this study, welfare income is defined as payments from AFDC, GA, SSI, and other cash assistance programs, including a number that were consolidated under SSI in 1974. Food stamps are also included, although other in-kind assistance programs – such as Medicaid and housing assistance – are not.

EXHIBIT 1

Incidence of Short- and Long-Run Welfare Receipt and Dependence, 1969-1978

	Percent U.S. Population:	
	Receiving Any Welfare Income	Dependent on Welfare for More than 50% of Family Income
Welfare in 1978	8.1%	3.5%
Welfare in 1 or more years, 1969-78	25.2	8.7
Welfare in 5 or more years, 1969-78	8.3	3.5
Welfare in all 10 years, 1969-78	2.0	0.7
"Persistent welfare" (welfare in 8 or more years, 1969-78)	4.4	2.0

SOURCE: Reprinted from Greg J. Duncan et al., *Years of Poverty, Years of Plenty: The Changing Economic Fortunes of American Workers and Families* (Ann Arbor, Mich.: Institute for Social Research, University of Michigan, 1984), p. 75.

NOTE: Duncan et al. define "welfare" as AFDC, General Assistance, and other welfare, Supplemental Security Income, and food stamps received by the head of household or wife. "Welfare dependence" is defined as welfare income received by the head of household or wife amounting to more than half of their combined income.

tem...has slowly spawned an American subculture of more or less permanent welfare dependency."¹²

The phrase "culture of poverty" found its way into political and journalistic discourse from the works of anthropologist Oscar Lewis, who from the 1950s until his death in 1970 published numerous books and articles on the poor in Mexico and Puerto Rico. Some recent proponents of a similar explanation of persisting poverty and dependence on public assistance – such as Nicholas Lemann, author of a much-cited article on "The Origins of the Underclass" in *The Atlantic Monthly* – still invoke Lewis's authority.

The culture of poverty thesis, however, has never been accepted by many of Lewis's fellow anthropologists; in fact, it has been widely criticized.¹³ In 1969, Lewis himself contradicted the position taken by many who would explain poverty in terms of the culture of the poor. He wrote:

The crucial question from both the scientific and the political point of view is: How much weight is to be given to the internal, self-perpetuating factors in the subculture of poverty as compared to the external, societal factors? My own position is that in the long run the self-perpetuating factors are relatively minor and unimportant as compared to the basic structure of the larger society.¹⁴

¹² "Welfare: A New Drive to Clean Up the Mess," *Newsweek*, February 2, 1987, p. 25.

¹³ Eleanor Burke Leacock, ed., *The Culture of Poverty: A Critique* (New York: Simon and Schuster, 1971); Charles A. Valentine, *Culture and Poverty: Critique and Counter Proposals* (Chicago and London: The University of Chicago Press, 1968).

¹⁴ Oscar Lewis, Review of Charles A. Valentine, *Culture and Poverty: Critique and Counter Proposals*, *Current Anthropology*, vol. 10, no. 2-3, 1969, p. 192, cited in Leacock, *Culture of Poverty*, pp. 35-36.

PSID data cast doubt on the idea that there is a self-perpetuating culture of poverty or welfare dependence. PSID data indicate that the welfare status of parents – that is, whether or not they receive welfare benefits – is not a good predictor of the welfare status of children. In other words, **for the most part, welfare is not a habit passed down from generation to generation, as would be the case if welfare were closely associated with a distinct culture.**¹⁵

Studies of the attitudes and behavior of welfare recipients and other poor people are also relevant here. PSID data suggest that attitudes toward work and achievement have relatively little to do with movement into and out of poverty. Researchers using PSID data find "almost no evidence that initial attitudes affect subsequent economic success."¹⁶ Similarly, social psychologist Leonard Goodwin finds among a sample of AFDC recipients that "preferences [for income from welfare vs. income from work] have no statistically significant effect on welfare recipients' actions...."¹⁷

Such research suggests that opportunity may be more important than attitude in determining who works and who succeeds. In fact, the rich and the poor, the self-sufficient and those who receive welfare, may have more in common than we generally assume. For exam-

¹⁵ Duncan et al., *Years of Poverty*, pp. 73, 82-83; cf. Greg J. Duncan and Saul D. Hoffman, "The Use and Effects of Welfare: A Survey of Recent Evidence," January 14, 1987, paper presented in draft form at the Association of Public Policy Analysis and Management Meetings, Washington, D.C., October 1985, and at the conference "The Political Economy of the Transfer Society," Tallahassee, Florida, March 1986, pp. 20-22.

¹⁶ Duncan et al., *Years of Poverty*, p. 25.

¹⁷ Leonard Goodwin, *Causes and Cures of Welfare: New Evidence on the Social Psychology of the Poor* (Lexington, Mass.: Lexington Books, 1983), pp. 133-134.

ple, in a 1972 study Goodwin found that "poor people – males and females, blacks and whites, youths and adults – identify their self-esteem with work as strongly as do the nonpoor."¹⁸ It has already been noted that for the majority of welfare recipients, welfare is a supplement to employment income. In a 1982 study of work programs for welfare recipients, Mildred Rein finds that even for female heads of households receiving AFDC, among whose ranks are found a large portion of long-term welfare recipients, employment is often important. Many work sporadically for low hourly wages so total employment incomes are small. But, concludes Rein, "in looking at the kind of attachment that AFDC female heads [of households] have to the labor force, we observe that although it is tenuous and sporadic, it is nevertheless substantial."¹⁹

Admittedly, the desire to work is difficult to measure. Some skeptics argue that there is a difference between wanting to work and being willing to work for a low wage. This, however, does not necessarily distinguish the poor from the better-off. The same amount of raw work ethic probably goes further in a prestigious and well-paid job than it does in a low-wage job offering no prestige and few prospects for advancement.

Exhibit 2 presents a detailed comparison of different income combinations for families with very low or no employment income; the most significant points of comparison are in boldface. The exhibit shows that for a mother with two children receiving AFDC and food stamps, the decision to work – given that she has an opportunity – can be difficult. If day care is not needed or can be obtained free from friends or relatives, full-time employment even at the minimum wage of \$3.35 per hour raises net family income above that available solely from AFDC and food stamps. This is so, however, only because at the minimum wage such a three-person family may still receive AFDC and food stamp grants. If, however, a mother has to pay for day care, even employment at the higher wage of almost \$5 per hour does not raise net family income to the level of AFDC and food stamps alone nor to the poverty threshold for a family of three.

Many welfare recipients have a strong attachment to work, even in the absence of immediate economic incentives, as can be seen in studies of reactions to changes in AFDC rules made by the Omnibus Budget Reconciliation Act (OBRA) of 1981. The OBRA reduced the amount of earned income that could be disregarded when determining welfare eligibility and grant levels. This caused some working recipients to lose their bene-

fits and reduced the benefits of others. Yet several studies find that, in general, those who lost benefits continued to work rather than leave their jobs in order to regain benefits, and recipients who were not working continued to enter the labor force at the same rate. According to some observers, recipients – and former recipients – acted as they did to improve their prospects of future employment, even though immediate net financial gains had been eliminated or sharply curtailed and many lost Medicaid benefits as well.²⁰

In a review of recent research on the effects of welfare receipt, Greg Duncan of the University of Michigan Institute for Social Research and co-author Saul Hoffman find little support for the argument that welfare itself fosters attitudes or behavior patterns that decrease the capacity to fend for oneself.²¹ Leonard Goodwin, however, suggests an indirect effect of long-term reliance on welfare that may be significant. Goodwin finds that the primary reason women receiving AFDC stay on the rolls is that they cannot earn a living wage in the job market. He also finds another "subsidiary" reason: the effect of the welfare experience itself on opportunities to move off the rolls through employment or marriage. Goodwin summarizes:

Welfare isolates a mother from contact with others and hence social opportunities. When a single-parent mother is home all the time with her children, she is not exposed to situations that might lead to jobs or marriage. In addition, employers may hesitate to hire mothers who have been on welfare, adding to the negative effect....²²

Goodwin's findings also support the conclusion that "failure in the work world erodes one's expectations of ever achieving independence and hence leads to lack of ambition."²³ Many receiving AFDC, of course, have had little experience of success in the work world prior to their days on welfare. But, to the extent that long-term reliance on AFDC diminishes employment opportunities, it also contributes to low expectations that may inhibit efforts to succeed in the job market.

Such unintended consequences of the welfare system as social isolation, stigma, and low expectations born of

¹⁸ Leonard Goodwin, *Do the Poor Want to Work?: A Social-Psychological Study of Work Orientations* (Washington, D.C.: The Brookings Institution, 1972), p. 112.

¹⁹ Mildred Rein, *Dilemmas of Welfare Policy: Why Work Strategies Haven't Worked* (New York: Praeger, 1982) p. 150.

²⁰ United States General Accounting Office, *An Evaluation of the 1981 AFDC Changes: Final Report*, GAO/PEMD-85-4 (Washington, D.C.: U.S. General Accounting Office, July 1985), pp. ii-v; Hutchens, "The Effects of OBRA on AFDC Recipients: A Review," Institute for Research on Poverty Discussion Paper #764 (Madison, Wis.: Institute for Research on Poverty), cited in Sheldon Danziger and Peter Gottschalk, "Social Programs, a Partial Solution to, But Not a Cause of Poverty: An Alternative to Charles Murray's View" (Madison, Wis.: Institute on Poverty, University of Wisconsin-Madison unpublished manuscript), pp. 13-14.

²¹ Duncan and Hoffman, "The Use and Effects of Welfare," pp. 18-20.

²² Goodwin, *Do the Poor Want to Work?*, p. 40.

²³ *Ibid.*, p. 61.

EXHIBIT 2
Components of Monthly Net Family Incomes and Their Relation
to the Poverty Threshold for Average Ingham County
AFDC and Food Stamp Recipient Families, 1987^{a,b}

	Income With Full-Time Employment at \$4.93 per Hour ^{c,d}					Income With Full-Time Employment at \$3.35 per Hour ^{c,e}			
	Income With No Employment	First 4 Months of Employment ^f		Next 8 Months of Employment ^f		First 4 Months of Employment ^f		Next 8 Months of Employment ^f	
		Pays For Day Care	Does Not Pay For Day Care ^g	Pays For Day Care	Does Not Pay For Day Care ^g	Pays For Day Care	Does Not Pay For Day Care ^g	Pays For Day Care	Does Not Pay For Day Care ^g
Monthly AFDC Grant	\$457	\$306	\$ 0	\$185	\$ 0	\$456	\$260	\$411	\$117
Monthly Food Stamps Grant	151	19	85	67	85	42	58	62	123
Monthly Earnings	0	664	664	664	664	476	476	476	476
Monthly Day Care Expense ^h	0	-396	0	-396	0	-396	0	-396	0
Monthly Net Family Income	608	593	749	520	749	578	794	553	716
Poverty Threshold ⁱ	746	746	746	746	746	746	746	746	746
Difference Between Income and Poverty Threshold	-138	-153	+ 3	-226	+ 3	-168	+ 48	-193	-30

SOURCE: Ingham County Department of Social Services, Lansing, Mich., Sept. 1987.

^aAll AFDC recipient families on this table also are eligible for Medicaid. If an AFDC case is closed due to employment, the former client usually has about 15 months of continued Medicaid eligibility, in some cases more, depending on income. Adults (from 21-65 years) not eligible for AFDC and not disabled are not eligible for Medicaid. Children (less than 21) not receiving AFDC may be eligible for Medicaid, depending on family income and assets.

^bThe average Ingham County AFDC client family contains 3.1 people, a mother and 2.1 children. The mean age of the children is 7.1 years.

^cEarnings have been adjusted for federal, state, and local taxes, social security deductions, and the earned income tax credit.

^dThe average hourly wage for former adult welfare recipients in the Lansing area who get jobs through the Job Training Partnership Act program is \$4.93.

^eThe legal minimum hourly wage is \$3.35.

^fThis refers to the first 4 months/next 8 months of employment after a period of primary reliance on welfare. Welfare benefits are decreased as months of employment increase. After a full 12 months of employment, AFDC benefits are further reduced by \$30. Food stamp grants may also be changed, depending on income at that time.

^gSome clients are able to obtain day care from relatives or other noncommercial caretakers or children may be old enough to take responsibility for themselves and their siblings. Persons earning \$4.93/hour without day care expenses may not be eligible for AFDC, depending on family size.

^hAFDC grants include allowances for day care if needed; but day care allowances do not cover the full market cost of day care services. The average cost for day care provided in a family home in Lansing for two children is \$99 per week. Other out-of-pocket expenses of employment – such as transportation – are not accounted for in this table.

ⁱThe poverty threshold for 1987 is calculated by the Michigan Department of Social Services by projecting from the 1985 national poverty threshold calculated by the U.S. Census Bureau.

personal experience of failure are real and serious problems. However, these problems do not indicate that long-term welfare recipients have a distinct culture that places fundamentally different values on work and self-reliance than does the culture of the majority – they indicate only that long-term welfare recipients face greater obstacles in realizing these values.

Some who speak of a culture of poverty do state clearly that they are referring to only a minority of the poor and a minority even of those receiving welfare.²⁴ This makes their argument more credible, since only a few of those who receive welfare come to rely heavily on it for years at a time. Nevertheless, although experts acknowledge the need for further research,²⁵ **the evidence to date neither confirms the existence of a culture of poverty or welfare dependence nor does it support the idea that welfare recipients and the poor in general are radically different from the self-sufficient and the well-to-do in the value they place on work and self-reliance.** Leonard Goodwin's research finds a link between welfare receipt and diminished expectations that may affect behavior in the labor market. But a respectable body of research finds little evidence that welfare receipt significantly affects social-psychological factors related to self-sufficiency and even casts doubt on the importance of attitudes in determining who works and who succeeds.

DOES WELFARE SPENDING INCREASE POVERTY?

The conservative writer Charles Murray, in his book *Losing Ground*, charges that

we tried to provide more for the poor and produced more poor instead. We tried to remove the barriers to escape from poverty and inadvertently built a trap.²⁶

Similar charges have been leveled at public poor relief and private charity for centuries. Consider a fourteenth century English statute prohibiting giving alms:

Because that many valiant beggars, as long as they may live of begging, do refuse to labour, giving themselves to idleness and vice, and sometimes to theft and other abominations; it is ordained, that none, upon pain of imprisonment shall, under the colour of pity or alms, give anything to such which may labour, or presume to

favor them toward their desires; so that thereby they may be compelled to labour for their necessary living.²⁷

The contention that welfare programs increase poverty is based in large part on the hypothesis that as welfare benefits increase, people find welfare more attractive than employment, so they become poor – by giving up their jobs or working less – in order to qualify for welfare. A variation on this theme is the argument that being on welfare itself destroys the desire for self-reliance, creating a growing mass of dispirited poor. The lack of evidence to support these points of view was shown in the previous section. Much of the debate about the effect of welfare on the incidence of poverty, however, leaves the cultural and psychological factors discussed above aside and focuses on trends in government spending, official poverty counts, and certain economic indicators.

According to some, the counterproductive effect of welfare programs is demonstrated by comparing the trend in government welfare spending with the trend in the incidence of poverty. Spending on cash assistance and in-kind aid of all kinds, measured in constant dollars, increased substantially during the 1960s and the 1970s.²⁸ However, posttransfer poverty – the tally of those in poverty after receipt of cash welfare benefits – among the nonelderly, leveled off in the 1970s after sharp declines in the 1960s.²⁹ This may suggest that after benefits rise past a certain point, recipients decrease their own income-producing efforts proportionately, resulting in no net gain in incomes and no further reduction in the incidence of poverty.

Ellwood and Summers counter by pointing out that the largest part of the growth in government spending on cash assistance and in-kind aid during this period was in programs other than those focused on the able-bodied, nonelderly poor; the big spending was in Social Security, Old Age, and Survivors' benefits; Supplemental Security Income; and Social Security Disability and other programs for the disabled.³⁰ Spending on Social Security, Old Age, and Survivors' benefits alone rose by more than \$75 billion in constant dollars during the 1960s and 1970s while spending on the major cash benefit programs for the nonelderly poor – Aid to Families with Dependent Children (AFDC) and General Assistance (GA) – rose by only about \$10 billion. (See Exhibit 3.) In-kind benefits to all groups, such as Medicare and

²⁷ William J. Chambliss, "A Sociological Analysis of the Law of Vagrancy," *Social Problems*, vol. 12, no. 1, Summer 1964, p. 68, cited in Francis Fox Piven and Richard A. Cloward, *The New Class War: Reagan's Attack on the Welfare State and its Consequences* (New York: Pantheon Books, 1982), p. 59.

²⁸ David T. Ellwood and Lawrence H. Summers, "Is Welfare Really the Problem?" *The Public Interest*, no. 83, Spring 1986, p. 63.

²⁹ *Ibid.*, p. 59.

³⁰ *Ibid.*, pp. 63-65.

²⁴ Kaus, "The Work Ethic State," p. 22.

²⁵ Duncan and Hoffman, "The Use and Effects of Welfare," p. 23.

²⁶ Charles Murray, *Losing Ground: American Social Policy, 1950-1980* (New York: Basic Books, 1984), p. 9.

EXHIBIT 3

Increase in Costs of Major Public Assistance and Social Insurance Programs for the Elderly, Totally Disabled, and All Others from 1960 to 1980 (billions of constant 1980 dollars)

PROGRAMS FOR THE ELDERLY

Social insurance	
Social Security, Old Age, and Survivor's Public Employee and Railroad Retirement	\$75.5
Medicare ^a	34.6
Cash assistance	29.1
Supplemental Security Income (and Old Age Assistance)	1.8
In-kind benefits	
Medicaid ^d	8.5
Food stamps	.5
Housing ^b	2.4

PROGRAMS FOR THE TOTALLY DISABLED

Social insurance	
Social Security Disability ^c	13.8
Medicare ^d	4.5
Cash assistance	
Supplemental Security Income (and Aid to the Disabled)	4.3
In-kind benefits	
Medicaid ^d	7.0

PROGRAMS FOR OTHERS

Social insurance	
Unemployment Insurance	10.5
Worker's Compensation	10.0
Cash assistance	
Aid to Families with Dependent Children (AFDC)	9.7
General Assistance (GA)	.5
In-kind benefits	
Medicaid ^d	7.5
Food stamps	8.7
Housing ^b	4.3

SOURCES: *Social Security Bulletin, Annual Statistical Supplement 1982* (Washington: U.S. Government Printing Office), tables 2, 18, 19, 154, 155, 160, 172, 192, 200. Also *Statistical Abstract 1984*, tables 640, 643; and *Statistical Abstract 1978*, Table 549. Adapted from David T. Ellwood and Lawrence H. Summers, "Is Welfare Really the Problem?" *The Public Interest*, no. 83, Spring 1986, p. 63.

^aMedicare and Medicaid began in 1966.

^bEstimate based on fraction of persons receiving housing assistance who are elderly.

^cSocial Security Disability Insurance program began in 1956.

^dMedicare was extended to the disabled in 1974.

Medicaid, did increase substantially, but these are not counted in incomes and thus do not influence the poverty count.⁵¹ This does not tell us about the level of per capita benefits, but a number of observers point out that the real or inflation-adjusted value of benefits available to a poor family from the major cash and in-kind assistance programs actually fell during the 1970s and the first half of the 1980s.⁵²

To explain the trend in the incidence of poverty during the decade from 1970 to 1980, Ellwood and Summers draw attention to the fact that real median family income – an indicator of the general population's economic well-being – was no higher in 1980 than in 1969.⁵³ This suggests that the rate of decline in the incidence of poverty leveled off in part because the economic fortunes of the population as a whole were not improving. Further, they find that fluctuations in the poverty rate mirror closely fluctuations in the general level of economic well-being as indicated by the poverty threshold as a fraction of median family income. (See Exhibit 4.) Similarly, Danziger and Gottschalk find that **the incidence of poverty was much more strongly correlated with the unemployment rate than with spending on all cash assistance programs** during the 1960s and the 1970s. They find evidence that cash assistance programs have helped to offset the effects of rising unemployment on the incidence of poverty.⁵⁴ Like Ellwood and Summers, they find no evidence that government spending has exacerbated poverty by discouraging self-reliance and encouraging greater reliance on public assistance.

DOES WELFARE FOSTER SINGLE-PARENTHOOD?

PSID data show that of the families that derive more than half of their income from welfare for long periods, 55 percent are urban, 52 percent are black, 33 percent are headed by disabled persons, and a striking 78 percent are headed by women.⁵⁵ (See Exhibit 5.) This last figure contrasts starkly with the 19 percent of families in the

⁵¹ *Ibid.*, p. 63.

⁵² Ellen Hume, "A Book Attacking Welfare System Stirs Furor in Washington," *Wall Street Journal*, September 17, 1985, p. 1; Danziger and Gottschalk, "Social Programs," p. 11; Joe Davidson, "More States Now Ask Recipients to Aid to Train and Take Jobs," *Wall Street Journal*, July 23, 1986, p. 1.

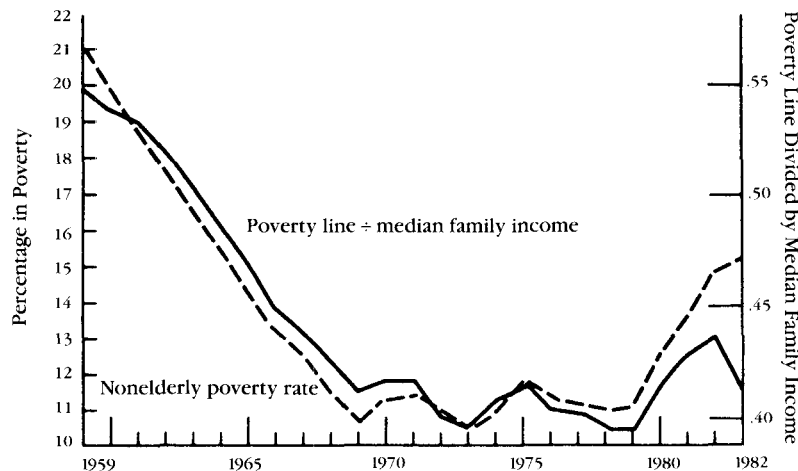
⁵³ Ellwood and Summers, "Is Welfare Really the Problem?" p. 60.

⁵⁴ Danziger and Gottschalk, "Social Programs," pp. 4-6.

⁵⁵ Conversely, 45 percent of those who rely heavily on welfare for long periods live outside urban areas and 48 percent are white. This puts in perspective depictions of the welfare dependent as predominantly black and urban in Ken Auletta's 1982 book *The Underclass* and Nicholas Lemann's 1986 *Atlantic Monthly* article "The Origins of the Underclass."

EXHIBIT 4

Relationship of Official Poverty Rate Among Nonelderly Persons to Poverty Line as a Fraction of Median Family Income, 1959-1983



SOURCE: Poverty rate data from U.S. Bureau of the Census (*Current Population Reports*, series P-160); median family income data from U.S. House of Representatives Subcommittee on Oversight and Subcommittee on Public Assistance and Unemployment Compensation, "Background material on poverty" (1983, p. 64). Reprinted from David T. Ellwood and Lawrence H. Summers, "Is Welfare Really the Problem?" *The Public Interest*, no. 83, Spring 1986, p. 59.

general population that are headed by women.³⁶ The PSID also found that "the single most important factor accounting for changes in family well-being was a fundamental change in family structure: divorce, death, marriage, birth, or a child leaving home."³⁷ Family composition changes often have a more severe economic effect on women than on men, since women typically earn less than men and usually keep the children after a divorce or separation.³⁸ It is therefore not surprising that we find so many female-headed households among the ranks of the welfare dependent.

But is there more to it than this? The charge is often made that welfare actually contributes to the formation of female-headed households because in some states AFDC benefits are denied to two-parent families and because receiving welfare benefits makes it easier for a woman to dissolve or postpone marriage. In this view, welfare not only fails to encourage self-sufficiency among some recipients, it actually reinforces behavior that exacerbates economic hardship and leads to dependence. It is also charged that the availability of AFDC encourages young poor women to bear illegitimate chil-

dren or, more moderately, removes a significant deterrent to unwed motherhood.³⁹

Much evidence, however, suggests that welfare does not have a significant effect on rates of divorce, separation, or illegitimate births, all of which contribute to the number of female-headed households. Ellwood and Summers point out that from 1960 through 1982 the increase in the percentage of children in households receiving AFDC was much smaller than the increase in the percentage of all U.S. children living in female-headed households. (See Exhibit 6.) From 1972 to 1982, the number of U.S. children in households receiving AFDC stayed at or around 12 percent, while the percentage of children in female-headed households rose sharply from 14 percent to 20 percent. From 1972 to 1980, the number of black children in households receiving AFDC fell by 5 percent while the number of black children in female-headed families rose by 20 percent.⁴⁰ This clearly shows a **lack of positive correlation between welfare and the formation of female-headed households**. Further, Ellwood and Summers compare state AFDC benefit levels with numbers of children not living in two-parent families, rates of

³⁶ Duncan et al., *Years of Poverty*, p. 80.

³⁷ *Ibid.*, p. 10.

³⁸ *Ibid.*, p. 18.

³⁹ Charles Murray, "No, Welfare Isn't Really the Problem," *The Public Interest*, no. 84, Summer 1986; Mickey Kaus, "The Work Ethic State," *The New Republic*, July 7, 1986.

⁴⁰ Ellwood and Summers, "Is Welfare Really the Problem?" pp. 68-69.

EXHIBIT 5
**Demographic Characteristics of One-Year Welfare Recipients,
 Persistent Welfare Recipients, Persistent Welfare Dependents,
 and Temporary Welfare Recipients, 1969-1978**

Characteristics of 1978 Household Head	Welfare Recipient in 1978	Persistent Recipients		Temporary Recipients	Entire U.S. Population
		Received Any Welfare 8 or More Years, 1969-1978	Dependent on Welfare in 8 or More Years, 1969-1978	Received Welfare in 1 or 2 Years, 1969-1978	
All Females	57%	67%	78%	19%	19%
Elderly	9	10	7	4	5
Nonelderly					
White	24	21	27	10	10
Black	24	37	44	4	4
All Males	43	33	21	81	81
Elderly	6	7	0	6	8
Nonelderly					
White	29	15	16	66	66
Black	8	11	5	9	7
Rural (town of 10,000 or less)	15	13	7	15	15
Urban (city of 500,000 or more)	34	44	55	31	32
Southern U.S.	34	34	28	38	30
Disabled	29	42	33	14	10
Black	38	55	52	15	12
Number of observations	2,709	1,426	700	1,771	15,753
Estimated fraction of entire population in group	8.1%	4.4%	2.0%	12.3%	100.0%

SOURCE: Reprinted from Greg J. Duncan et al., *Years of Poverty, Years of Plenty: The Changing Economic Fortunes of American Workers and Families* (Ann Arbor, Mich.: Institute for Social Research, University of Michigan, 1984), p. 80.

NOTE: Duncan et al. define "welfare" as AFDC, General Assistance, and other welfare, Supplemental Security Income, and food stamps received by the head of household or wife. "Welfare dependence" is defined as welfare income received by the head of household or wife amounting to more than half of their combined income.

divorce, and rates of illegitimate birth and find no significant relationships.⁴¹ Danziger and Gottschalk compare the trend in the value of AFDC and food stamp benefits with the trend in the number of nonelderly, female-headed households with children and also find no strong evidence of a causal relation. For example, the real value of benefits fell throughout the 1970s and early 1980s, yet the percentage of nonelderly, female-headed families with children continued to rise.⁴²

Charles Murray has replied to some of these conclusions. He contends, for example, that conclusions drawn from comparisons between states are questionable because while AFDC benefits vary from state to state, a 1978 U.S. General Accounting Office study found that total welfare packages – including in-kind as well as cash benefits – vary much less. He also has disputed the signif-

icance of the falling real value of welfare benefits. He speculates that as long as benefits remain above a certain threshold, which he does not specify, they will make single-parenthood look less forbidding; thus, the erosion of the real value of benefits is not necessarily important.⁴³ These arguments are worthy of consideration, but remain unsubstantiated.

Leonard Goodwin does find that welfare is among several factors that contribute to marital disruption through its effect on husbands. This is not because husbands lack commitment to the traditional role of family bread-winner, but rather because the "loss of self-worth at being unemployed and experiencing the humiliation of accepting welfare" is added to other sources of marital strain. In short, receiving welfare can strain marriages because husbands *are* committed to a self-reliant role.⁴⁴

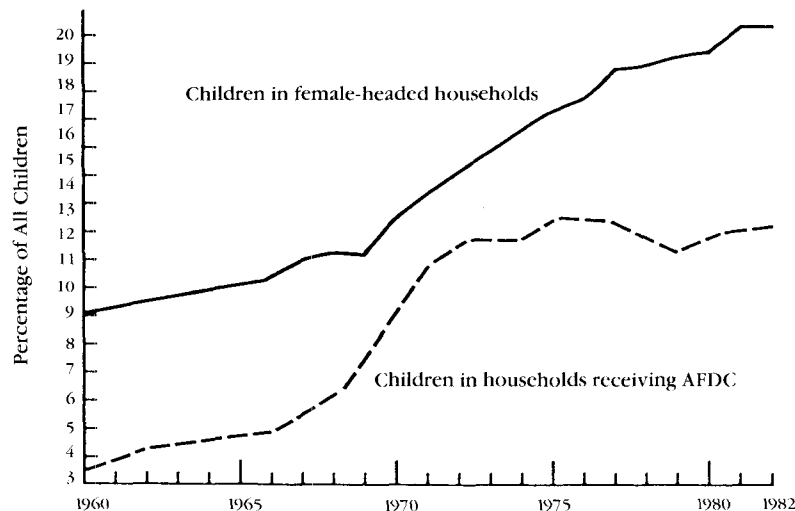
⁴¹ Ibid., p. 70; cf. Duncan and Hoffman, "The Use and Effects of Welfare," pp. 16-18.

⁴² Danziger and Gottschalk, "Social Programs," pp. 9-12.

⁴³ Murray, "No, Welfare Isn't Really the Problem," pp. 5-6.

⁴⁴ Goodwin, *Causes and Cures of Welfare*, pp. 103-104.

EXHIBIT 6
Comparative Percentages of Children in Female-Headed
and AFDC Households, 1960-1982



SOURCE: U.S. Bureau of the Census (*Current Population Reports*, series P-20), "Household and Family Characteristics," various years; "Social Security Bulletin," "Annual Statistical Supplement," various years. Reprinted from David T. Ellwood and Lawrence H. Summers, "Is Welfare Really the Problem?" *The Public Interest*, no. 85, Spring 1986, p. 69.

CONCLUSION

There are good reasons to question much of the conventional wisdom about the welfare system. Recent research indicates that only a small percentage of those who receive welfare benefits depend on them for the larger share of their household incomes for long periods. Further, there is little evidence, and much reason to doubt, that long-term reliance on welfare either fosters or perpetuates a distinct culture that places little value on work and self-reliance. Ironically, if we were indeed faced with the problem of a distinct culture of poverty or welfare dependence, the employment programs being offered as alternatives to conventional assistance programs would have little hope of success. If we wish to help those who have come to rely on welfare to become successful and self-reliant participants in the labor force we must assume, as David Kirp puts it in *The Public Interest*, that they "already share the basic values of the polity."⁴⁵ That is, we must assume that although they have not succeeded in supporting themselves and their families by working, that they desire to do so. Fortunately, we have reasons to make that assumption.

Given the findings about the goals and values of the poor, it is not surprising that there is little evidence that welfare spending has increased poverty. This is not to

say that there are no problems with the system. If, as the PSID indicates, two percent of the population live in families that rely heavily on welfare for long periods, this means nearly five million people – including, of course, many children – are in such straits. And those who remain on welfare rolls for a long time account for a large proportion of those on the rolls at any one time and a large percentage of welfare expenditures.⁴⁶ The traditional welfare system has done little to help these people participate more successfully in the labor force. This should not be surprising since the welfare system was not begun as an employment and training program. It makes sense then to consider new approaches that combine welfare benefits with employment and training initiatives. Such experiments are called for, however, not because the welfare system has created widespread dependence, not because we must "break the culture of poverty," and not because traditional welfare programs have increased the incidence of poverty or have played a major role in the genesis of single-parent, female-headed families. The evidence does not support any of these common criticisms. Experiments with employment and training initiatives are in order simply because programs that truly enhance opportunity for the poor would help salvage lives and talent.

⁴⁵ David L. Kirp, "The California Work/Welfare Scheme," *The Public Interest*, no. 38, Spring 1986.

⁴⁶ Ellwood and Summers, "Is Welfare Really the Problem?" pp. 71-72; cf. Kirp, "The California Work/Welfare Scheme," p. 45.

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