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WELFARE DYNAMICS AND THE 1996 WELFARE REFORM

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I. INTRODUCTION

On August 22, 1996, President Bill Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.¹ The Act was, in fact, the third welfare reform bill that the 104th Congress had passed and sent to the President for his signature. Clinton vetoed the first two proposals on the grounds that they were “too harsh on children.”² Political pressure to reform welfare stems from the unpopularity of Aid to Families with Dependent Children (AFDC),³ the federal program most frequently referred to as “welfare.” Efforts to change or even dismantle AFDC, such as those outlined in the Contract with America,⁴ have generally been met with enthusiasm by the

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1. Pub. L. No. 104-193, 110 Stat. 2105, 2113 (1996).
2. Todd S. Purdum, *Clinton Seeks New Welfare Bill, Saying G.O.P. Plan is too Harsh*, N.Y. TIMES, Apr. 19, 1995, at 4. On January 9, 1996, Clinton vetoed H.R. 4, 104th Cong. (1995), the welfare reform conference committee bill, saying that the bill’s budget cuts “would fall hardest on children and undermine states’ ability to move people from welfare to work.” Robert Pear, *Clinton Vetoes G.O.P. Plan to Change the Welfare System*, N.Y. TIMES, Jan. 10, 1996, at 5.
3. Social Security Act, ch. 531, §§ 401-006, 42 U.S.C.A. §§ 601-615 (West 1988 & Supp. 1996).
4. The Contract with America was composed of ten “Acts” or bills, each of which the Republican members of the House of Representatives of the 104th Congress intended to turn into law. The third of these Acts, the “Personal Responsibility Act,” had the greatest potential bearing on AFDC. On March 8, 1995, the House passed a version of this Act, H.R. 1157, 104th Cong. (1995), described as “a bill to restore families, promote work, protect endangered children, increase personal responsibility, attack welfare dependency, reduce welfare fraud, and improve child support collections.” However, the Personal Responsibility Act did not pass the Senate. See GPO (Government Printing Office) Access 141, *History of Bills On-line*, (visited Feb. 14, 1997) <<http://www.access.gpo.gov>>.

public. Three-quarters of American adults favor limiting welfare receipt to two years, and over half advocate a decrease in federal welfare spending, according to the 1994 American National Election Study.⁵

The widespread disdain for AFDC is based on many assumptions about both the use and perceived abuse of the program by its recipients and the characteristics of these welfare recipients and their children. Media accounts of welfare dependence often reinforce the stereotype of three-generation black welfare families languishing in dilapidated public housing projects and raising sons who are destined to live (and perhaps die from) a life of crime and daughters who will soon become welfare-dependent mothers themselves.⁶ The purpose of this Article is to provide

5. The questions asked of survey respondents were: "Another proposal is to put a two-year limit on how long someone can receive welfare benefits. Do you favor or oppose this two-year limit? If you had a say in making up the federal budget this year, for which of the following programs would you like to see spending increased and for which would you like to see spending decreased? Should federal spending on welfare programs be increased, decreased, or kept about the same?" Steven J. Rosenstone et al., *American National Election Study, 1994: Post-Election Survey* (Computer file by National Election Study, enhanced with 1992-93 data, ICPSR 2d. Ann Arbor, Michigan).

6. Negative media stereotyping of blacks in general and poor blacks in particular, combined with the widely held but inaccurate public perception of welfare recipients as being primarily black, may be one cause for the lack of support for welfare among the majority of American adults. Several empirical studies have attested to the negative images of blacks as portrayed in the media. See Robert M. Entman, *Blacks in the News: Television, Modern Racism and Cultural Change*, 69 JOURNALISM Q. 341 (1992) (a discussion of modern racism and the portrayal of blacks on local television news). Entman's analysis suggests that exposure to local television news over time provides viewers with a cumulative image of blacks as "threatening, demanding, and undeserving of accommodation by government." *Id.* at 359. Studies on attitudes toward welfare recipients have found that the word "welfare" is often used and perceived as a code word for "poor blacks." For a recent research example, see Martin Gilens, *Race Coding and White Opposition to Welfare*, 90 AM. POL. SCI. REV. 593 (1996). Gilens examined the large extent to which white Americans' racial attitudes shape the position they hold on welfare; he found that "welfare" tends to be a "race-coded" term among whites, and that "racial considerations are the single most important factor shaping whites' views of welfare." *Id.* at 601. In an earlier paper, Gilens examined the way in which three major newsmagazines (*Time*, *Newsweek*, and *U.S. News and World Report*) illustrated stories on poverty. Martin Gilens, *Race and Poverty in America: Public Misperceptions and the American News Media* (Sept. 1995) (unpublished paper prepared for the Annual Meetings of the American Political Science Association). He found that these magazines used a mixture of photographs that would imply to the reader that African Americans constitute the majority of America's poor, when in fact only 29% of poor Americans are black. Furthermore, in stories on the "least sympathetic poor," i.e., nonworking able-bodied adults in the "underclass," every one of the photographs were of blacks. On the other hand, blacks were severely

perspective on these accounts by describing what we know about the nature of welfare dynamics, both within and across generations. We will concentrate on research findings from studies focused on the Aid to Families with Dependent Children program, which, at the time of the 1996 reform legislation, was the largest cash-assistance program directed at single-parent families.⁷

underrepresented in photographs of the "most sympathetic" poor, the elderly. Gilens concludes that this imbalance may pose the danger that "whites will continue to harbor negative stereotypes of blacks as mired in poverty and unwilling to make the effort needed to work their way out. By implicitly identifying poverty with race, the news media perpetuate stereotypes that work against the interests of both poor people and African Americans." See also Ishmael Reed, *It's Racist*, 15 AM. JOURNALISM REV. 22-23 (1993). Reed notes that "[t]he media constantly portray blacks as the victims of social problems that are more evident among whites. For example, only 39% of welfare recipients are black . . . [y]et when reporting about such issues, local television news will usually air tape of blacks." *Id.* at 22.

7. AFDC is the only cash-assistance program (as opposed to in-kind benefit programs, such as the Special Supplemental Food Program for Women, Infants and Children (WIC) or Medicaid) primarily directed at single-parent families. See *infra* note 21 and accompanying text for a description of the AFDC-Unemployed Parent Program. However, single-parent families may be eligible for Supplementary Security Income (SSI) under certain circumstances. The 1996 *Green Book* describes relevant SSI eligibility as follows: Individuals cannot receive both SSI payments and AFDC benefits and, if eligible for both, must choose which benefit to receive. Therefore, SSI participation in a family that is receiving AFDC is limited to receipt through the children. Children may qualify for SSI if they are under age 18 (or under age 22 if a full-time student), unmarried, and meet the applicable SSI disability or blindness, income, and resource requirements. The child's impairment must be of severity comparable to that of an adult whose disability prevents him from working. The Supreme Court ruled in *Sullivan v. Zebley*, 493 U.S. 521 (1990), that in determining the severity of a child's impairment, the Social Security Administration must consider whether the limitations caused by the impairment substantially reduce the child's ability to do the things and behave in the ways that children of a similar age normally do. To be found disabled, children must have a medically determinable physical or mental impairment that substantially reduces their ability to function independently, and effectively engage in 'age-appropriate' activities. This impairment must be expected to result in death or to last for a continuous period of not less than 12 months. Children represent the fastest growing segment of the SSI population; in 1974, children made up less than 2% of the SSI caseload, but by December, 1995, children accounted for 15% of SSI recipients. Eighty percent of these children live in their parents' home. A General Accounting Office study found that the number of children receiving SSI disability benefits more than doubled between 1989 and 1992, from almost 300,000 to 770,500. The report indicated that the huge increases in the diagnosis of mental impairments—including mental retardation and attention deficit hyperactivity disorder—accounted for more than two-thirds of the growth in awards. The study found little evidence, however, that parents' coaching their children to act out in disruptive behaviors to improve chances of

By "welfare dynamics" we mean the temporal patterns of welfare receipt and the extent to which recipient families mix income from welfare programs with income from other sources, most notably paid employment. Patterns of welfare receipt are complicated by the fact that recipients often have a number of distinct episodes of receipt, which are interspersed with paid employment and either marriage or less formal partnerships. The intergenerational component of welfare dynamics centers on the issue of the extent to which children growing up in welfare-dependent homes will themselves become recipients when they reach adulthood.

Our discussion of welfare dynamics is framed within the context of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.⁸ The Act abolishes the open-ended federal entitlement program Aid to Families with Dependent Children (AFDC), and replaces it with a block grant of federal funds to the states. This block grant program, known as Temporary Assistance to Needy Families (TANF), differs substantially from the former AFDC program in its provisions.

The first major difference between the two programs is that, as an entitlement, funding for the AFDC program increased in response to increased demand, whereas the TANF block grant amounts are fixed. Under AFDC, everyone who met the program's requirements was guaranteed assistance. There is no such provision for TANF; once a state's block grant and federal supplementary and contingency funds are depleted, no additional federal funds are available to additional qualified applicants.

The Act allocates a fixed total block grant amount of \$16.38 billion per year for the years 1997 to 2002. State-by-state TANF funding levels are tied to previous AFDC funding in that the amount each state receives is determined by a complex calculation that includes previous state expenditures on AFDC benefits and administration, Emergency Assistance (EA), and the Job Opportunities and Basic Skills Training (JOBS) Program. States

obtaining SSI was widespread, but could not rule out its existence. To compare the size of these programs, in 1995, AFDC paid out over \$22 billion to 13.6 million recipients, while SSI paid approximately \$4.1 billion to 906,000 recipients under 18 years of age. See COMM. ON WAYS AND MEANS, 104th Cong., 20 Sess., *1996 Green Book* (visited Feb. 19, 1997) <<http://www.access.gpo.gov/congress>> (hereinafter *1996 Green Book*).

8. A summary of the history and content of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is available on-line, and is the basis for our description of the Act's provisions. *American Public Welfare Association* (visited Feb. 19, 1997) <<http://www.apwa.org/reform/reform.htm>>.

experiencing high population growth and/or with historically low grant amounts per low-income person may be eligible for supplemental grants as well. As of October, 1996, twenty states were determined to be eligible for the supplemental grant.⁹ A contingency fund exists to assist states experiencing economic downturns, and contingency fund eligibility is triggered by either high unemployment or an increase in food stamp demand.¹⁰ States may also qualify for loans¹¹ and performance bonuses.¹² In addition to these funding sources, states can obtain bonuses as a reward for a decrease in out-of-wedlock births.¹³ The Act does provide a relative floor below which state welfare spending cannot fall: the Maintenance-of-Effort (MOE) clause requires states to maintain yearly spending at a level of 80% of the fiscal year (FY) 1994 welfare expenditures.¹⁴ The MOE rate can be lowered to 75% for states that meet the work-participation requirement.¹⁵ While the MOE clause obligates states to spend at least a certain

9. According to the Library of Congress' Congressional Research Service, eligible states are: Alabama, Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Louisiana, Mississippi, Montana, Nevada, New Mexico, North Carolina, South Carolina, Tennessee, Texas, Utah, Virginia, and Wyoming. *Id.*

10. High unemployment is defined in the Act as being at least 6.5%, and at least 10% higher than the same quarter in either of the two preceding years. Food Stamp demand can serve as a trigger if the number of recipients, for the most recent three months for which data is available, is 10% greater than the monthly average number of individuals that participated in the Food Stamp program in FY 1994 or FY 1995 (whichever is lower) in the corresponding three-month period. *Id.*

11. The Rainy Day Loan Fund provides a \$1.7 billion federal revolving loan fund. Eligible states may not have incurred any penalties under the cash block grant, and the maximum loan is 10% of a state's grant, for up to three years. *Id.*

12. The Performance Bonus provides \$1 billion over five years (\$200 million per year) for cash bonuses to "high performing states" that meet the goals of the program in fiscal years 1998 to 2002. The formula to be used for determining state performance and award amounts is currently under development by the Secretary of Health and Human Services, with the National Governor's Association and the American Public Welfare Association. *Id.*

13. For each of fiscal years 1999 to 2002, the Illegitimacy Reduction Bonus Fund provides \$20 million annually to each of the five states with the greatest success in reducing out-of-wedlock births without increasing abortions, compared with the previous two-year period. If there are fewer than five states eligible for the bonus, the grant will be \$25 million each. *Id.*

14. Includes FY 1994 spending on AFDC, Job Opportunities and Basic Skills Training Program, AFDC-related child care, and Emergency Assistance. *Id.*

15. Qualified expenditures include: cash assistance; child care; educational activities (except most incidences of public education); administrative costs (which are limited to not more than 15% of the total spending); spending on families ineligible due to the sixty-month benefit eligibility limit; and any other spending allowed under the grant. *Id.*

amount of money on poor mothers and children, they are given extensive leeway in their implementation of this mandate.¹⁶

There is a second major difference between the AFDC and TANF programs: whereas AFDC allowed qualified families¹⁷ to receive cash assistance for an unlimited duration of time, TANF limits recipients to cumulative lifetime benefits of sixty months (five years).¹⁸ Additionally, recipients¹⁹ must be employed²⁰ by the time they have accumulated twenty-four months (two years) of benefits.

How will these policy changes affect low-income mothers and their children?²¹ To answer this question, it is important to understand some aspects of the dynamics of welfare receipt.

16. For example, states may choose to provide only non-cash assistance, such as vouchers or services; they are given the option of carrying over unspent funds from one year to the next; they may make payments or vouchers for employment placement programs; or they may implement an electronic benefits transfer program. *Id.*

17. In order to qualify for AFDC receipt, families had to: have a gross income below 150% of the state's "standard of need," an amount which varied substantially from one state to another; have at least one child in the house under the age of 18; be headed either by a single parent or by an unemployed parent with a history of work; and have assets of under \$1000 (excluding the home and one automobile valued at under \$1500). See 1996 Green Book, *supra* note 7.

18. States may opt for a more conservative time limit; for example, Florida is limiting lifetime benefits to two years. States are not precluded from using their own funds to provide benefits for more than five years. For families currently receiving AFDC benefits, their five-year eligibility will begin to be timed starting on the first day of their state's implementation of federal block grant funds. If a state chooses to provide benefits only to children (i.e., with no allowance made for any adult in the household), that state will not be subject to the sixty-month limit on benefit receipt. A greater than sixty-month allowance can be made to up to 20% of a state's caseload under circumstances of hardship, including for victims of battery or extreme cruelty.

19. Mothers with children less than one year old may be exempted from the work requirement.

20. In addition to paid public or private work, allowable work also includes community service work, limited-time job readiness/job search assistance, limited time vocational education, and in some cases schooling (e.g., high school completion).

21. In 1995, 90% of AFDC benefit expenditures went to single-parent families through AFDC-Basic. The remaining 10% was distributed to two-parent families in which the principal wage-earner was unemployed through the AFDC-Unemployed Parent program (AFDC-UP). However, only 6.8% of all AFDC-participant families received AFDC-UP. The reason that AFDC-UP accounts for a disproportionate percentage of the total expenditures is that the national average monthly benefits per family is 51% greater for families receiving AFDC-UP (\$550) compared to AFDC-Basic (\$364). Because the vast majority of AFDC recipients are single female-headed households, in this Article we refer to recipients as "women." See 1996 Green Book, *supra* note 7.

How long do recipients stay on welfare? Does the "typical" recipient stay on the program for one extended period, or does she go on and off the welfare rolls? What causes women to go on and off welfare? Which recipients are most likely to stay on for longer periods? To what extent is welfare dependence handed down from mother to child? Might a change in welfare benefits lower the rate of non-marital childbearing among poor women? This Article addresses these questions by reviewing what we know about the heterogeneity of patterns of receipt, intergenerational welfare receipt, and the effect of welfare benefits on the non-marital birth rate.

II. THE DEMOGRAPHY AND DYNAMICS OF WELFARE CASELOADS²²

In this section we examine the changing demographic composition of the AFDC caseload, the varied duration and on-off patterns of spells of receipt, and the events that are most likely to prompt entry onto and exit from the welfare rolls. The better able we are to identify families with likely long-term experiences, the more efficient and effective it will be to target resources in order to reduce the problem of long-term dependence.

A. *Snapshots of the AFDC Caseload*

Who are welfare recipients? Information gleaned from AFDC caseload records and published in the U.S. House of Representatives Ways and Means Committee's *Green Book* provides the snapshot pictures of welfare recipients shown in Table 1.²³

22. See Greg J. Duncan and Wei-Jun J. Yeung, *Extent and Consequences of Welfare Dependence Among America's Children*, 17 CHILDREN & YOUTH SERVICES REV. 157 (1995).

23. See 1996 *Green Book*, *supra* note 7.

TABLE 1: VARIOUS CHARACTERISTICS OF THE AFDC CASELOAD
ACROSS TIME²⁴

	<u>1969</u>	<u>1975</u>	<u>1979</u>	<u>1986</u>	<u>1990</u>	<u>1994</u>	<u>1995</u>
% of all U.S. children who live in AFDC families	8.8 ^a	11.8	11.0	11.5	12.3	14.1	13.2
# of child recipients, in millions	6.1 ^a	8.0	7.1	7.2	7.8	9.4	9.3
% of AFDC cases with mothers under age 20	7	8	—	—	8	6	—
% of children in AFDC families under age 3	15	17	19	22	24	24	—
% of AFDC recipients who are black	45	44	43	41	40	36	—
% of AFDC recipients living in public housing	13	15	14	10	10	8	—

^a1970 figure

There was a marked increase in the prevalence of receipt around 1970 and then little change until the early 1990s. In 1970, 8.8% of U.S. children, 6.1 million in all, lived in families in which AFDC was received (Table 1, rows 1 and 2). This increased to nearly 12% in the early 1970s, but it was not until the early 1990s that the fraction of American children living in recipient families again changed significantly. By 1994, the recession of 1990-1991 had helped to drive the caseload to 14.1% of all children—some 9.4 million children in all. The upward trend may, however, have begun to reverse itself—in 1995, the number of children in AFDC-receiving families fell to 9.3 million, or 13.2% of all American children.

The sustained growth in AFDC caseloads during the 1990s through 1994 is puzzling.²⁵ The decade began with a recession which, not surprisingly, often pushes up caseloads. But the caseload increase was sharper in the recession years of the early 1990s than the increase associated with the recessions of either the middle 1970s or the early 1980s. Just as it is difficult to

24. *Id.* at tables 8-25, 8-27, 8-28. Table reads: "In 1970, 8.8% of all children lived in families that received income from the AFDC program." *Id.*

25. Congressional Budget Office Staff Memorandum, Forecasting AFDC Caseloads, with an Emphasis on Economic Factors 42 (July 1993).

discern from the economic data readily available the reason for this growth in the number of AFDC participants, it is hard to understand why participation then fell in 1995. The smaller caseload in 1995 may indicate a delayed effect of the post-recession economic recovery on the poor, but it is too soon to know if the trend reversal seen in 1995 has continued through 1996. With the state-level implementation of the TANF program required by July, 1997, any continued decrease in the AFDC caseload that might have come about as a natural result of the post-recession economic recovery will be confounded with the smaller number of families who will be eligible under the new, more restrictive program. This fact will complicate research now underway to sort out the extent to which demographic factors, macro-economic forces, program rules and potential recipients' willingness to enroll in the AFDC program account for the caseload growth that was seen through 1994.

The characteristics of recipient families have changed somewhat over these years. Fewer than one in ten welfare recipients is under age twenty (row 3), although a substantial number of older recipients (roughly one-third, according to Bane and Ellwood)²⁶ were under age twenty when they first started receiving welfare. Somewhat more recipient families (cases) involve very young children now than before (row 4), although such cases still constitute only about one-quarter of the total caseload. The fraction of cases involving blacks (row 5) or families living in public housing (row 6) has declined somewhat. Blacks are persistently overrepresented among AFDC recipients throughout this period, although they never constitute a majority of the caseload. Only one in ten welfare recipients lives in public housing.

A recent report from the Census Bureau provides complementary evidence on the characteristics of AFDC mothers as of the summer of 1993.²⁷ It shows that nearly half (43%) had not completed high school and only 13% had worked at all in the month prior to the survey that gathered the information.²⁸

26. MARY JO BANE & DAVID ELLWOOD, *WELFARE REALITIES: FROM RHETORIC TO REFORM* 54 (1994).

27. U.S. BUREAU OF THE CENSUS, *STATISTICAL BRIEF, MOTHERS WHO RECEIVE AFDC PAYMENTS - FERTILITY AND SOCIOECONOMIC CHARACTERISTICS* (1995).

28. See Kathryn Edin & Christopher Jencks, *Reforming Welfare, in RETHINKING SOCIAL POLICY: RACE POVERTY AND THE UNDERCLASS* (Christopher Jencks ed., 1992). Although not showing up in surveys conducted by the Census Bureau, ethnographic evidence gathered in Chicago and presented in Edin and Jencks suggests that work in the formal or informal economy is nearly universal among AFDC recipients. Edin conducted in-depth interviews with 50

Although usually not living in public housing, a majority (56%) of AFDC recipients did live in the central cities of the nation's metropolitan areas. Almost nine in ten recipient mothers (89%) were born in the United States.

B. *The Duration of Welfare Experiences*

A much more useful picture of recipients' experiences is provided by information on the total length of welfare receipt, from beginning to end, that adds together all of the individual episodes that welfare "cyclers" may have. Data on the duration of welfare experiences reveals the extent of short-term receipt—for example, how many and which individuals complete their spell of receipt within, say, one or two years. These kinds of data also address the more important question of long-term receipt—how many and which recipients receive assistance for total periods of five or ten years. This is particularly important in contemplating policies that would limit benefits or impose other conditions according to the amount of time a recipient spends on welfare.

Much of the research on the duration of welfare has been based on information gathered in large, nationally-representative surveys, including the National Longitudinal Survey of Youth (NLSY) and the Panel Study of Income Dynamics (PSID).²⁹ Each of these data sets has certain advantages and disadvantages. The NLSY uses a larger sample size, but the sample is composed of women who were between the ages of fourteen and twenty-one in 1979. This means that findings taken from the NLSY sample cannot be said to be representative of *all* American women; rather they are just representative of this age cohort of women. The PSID uses a smaller sample than does the NLSY, but because the sample is not limited to a particular age group, findings from the PSID are more reliably representative of all American women.

LaDonna Pavetti takes a comprehensive look at the welfare experiences of young, first-time AFDC recipients by estimating the total number of years—regardless of the on-off patterns—first-time recipients can expect to receive welfare over the ten-

welfare mothers in Cook County in 1988 and found that not a single one of them lived exclusively on their welfare checks and only two of them came close to doing so.

29. Center for Human Resource Research, *National Longitudinal Survey of Youth* (visited Feb. 25, 1997) <<http://www.bls.gov/nlshome.htm>>; Institute for Social Research, *Panel Study of Income Dynamics* (visited Feb. 25, 1997) <<http://www.umich.edu/~psid>>.

year period following the point of first receipt.³⁰ Although Pavetti takes her annual data from a national survey (the NLSY) rather than from caseload records, the correspondence is quite close between the characteristics of the recipients in her sample and those of official caseload data. Her estimates show that 42% of first-time recipients can expect to receive welfare for only one or two years and thus would not be affected by a two-year (or five-year) time limit on benefits; 35% of first-time recipients can expect to receive it for a total of five years or more and thus would be affected by a five-year limit; if ten years is taken as the definition of very long-term receipt, then only about one in four (23%) first-time recipients fits the long-term stereotype.

In another study, Mary Jo Bane and David Ellwood use nationally representative PSID data and find a somewhat lower proportion of first-time recipients (36%; see the first column in Table 2) who will receive welfare benefits for less than two years than what Pavetti determined using NLSY data.³¹ Nevertheless, the difference between the two studies is small, and, in either case, the conclusion that some two in five first-time recipients have quite short-term experiences runs contrary to stereotypes. It suggests that for a substantial minority of recipients, AFDC functions as a kind of income insurance, providing transitory protection against income losses arising from a divorce, job loss, or other income-threatening event. These recipients use welfare benefits for a short period of time, get back on their feet, and then leave the welfare system, never to return.

30. LaDonna Pavetti, *The Number and Characteristics of Families Who Will Potentially be Affected by Policies to Time-Limit AFDC Benefits* (Aug. 5, 1996) (unpublished manuscript for The Urban Institute).

31. BANE & ELLWOOD, *supra* note 26.

TABLE 2: TOTAL AMOUNT OF TIME SPENT ON AFDC FOR:
 1) WOMEN FIRST STARTING TO RECEIVE AFDC AND 2)
 FOR THE CURRENT CASELOAD³²

Expected Total Time on AFDC	For Women First Starting to Receive AFDC	For the Current Caseload
Less than 2 years	36%	9%
3-5 years	25%	15%
6-9 years	17%	19%
10 years or more	22%	57%
Total	100%	100%

These data on the short-term duration of many welfare experiences also have implications for the design of welfare-to-work programs.³³ Even in the absence of such programs, a substantial share of recipients will permanently end their receipt of welfare by marriage, work, or other means within a fairly short time. This means that policies may be inefficient if they focus interventions providing education or job search and training assistance on recipients who have just begun to receive welfare, since more than two-fifths of first-time recipients can be expected to leave the welfare rolls permanently within two years, even without the benefit of such programs.

On the other hand, most first-time recipients will receive welfare for more than two years, and, in the absence of effective programs to help facilitate exits from welfare,³⁴ more than one-

32. *Id.* at 39. Table reads: "36% of all women *first starting to receive AFDC* can expect to receive AFDC for a total of less than 2 years. However, of women who are *currently* receiving AFDC, only 9% can expect to receive AFDC for a total of less than 2 years." *Id.*

33. See David Ellwood, *Targeting 'Would-Be' Long Term Recipients of AFDC* (1986) (unpublished report prepared for the Department of Health and Human Services).

34. Several evaluations of welfare-to-work programs indicate the difficulty inherent in preparing large numbers of welfare recipients for stable, gainful employment. A seminal publication in this field is JUDITH M. GUERON & EDWARD PAULY, *FROM WELFARE TO WORK* (1991). See also REBECCA M. BLANK, *IT TAKES A NATION: A NEW AGENDA FOR FIGHTING POVERTY* (1997) (a non-technical summary of evaluations of the effectiveness of welfare-to-work programs for AFDC recipients). Blank notes that even minimal job search assistance appears to increase both work and earnings, especially for women who are not at either extreme of job-preparedness, i.e., neither those with job skills and work experience who would be likely to find a job on their own without intervention, nor those who have the least amount of job skills and education and need-intensive training and assistance. Cost-benefit analyses indicate that the government more than recovers the cost of such programs due to the savings in

third of all new recipients will receive welfare for at least five years. Thus, there are more than enough longer-term recipients to warrant concern about who they are and what might be done to shorten the likely length of their welfare spells.

It is important to note that about three-quarters of first-time recipients will have more than one "spell" of AFDC receipt (data not shown in Table 2). In other words, among the women first starting to receive benefits, three-quarters will stop for periods lasting between several months and several years, but then return to the AFDC rolls for at least one more episode of receipt. (The figures in Table 2 lump together all of the individual spells in calculations of total receipt periods.) The beginnings and endings of these welfare experiences are often associated with movements out of and into the labor force. And while work-related exits from welfare are somewhat more likely to be permanent, most women (65%) leaving welfare for work will return to welfare at least once within the next five years.³⁵

Bane and Ellwood, using annual data from the PSID, stress the importance of these "cyclers" among the long-term recipients, pointing out that they constitute the majority of long-term recipients.³⁶ Here again, the data on welfare dynamics challenge conventional wisdom in showing that most long-term recipients are not continuous recipients. Rather, the dynamics of welfare receipt produce an important subgroup of long-term recipients who do indeed leave the welfare rolls for work but then return.

welfare benefits. However, the increased earnings of these women are seldom enough to lift them out of poverty, due to both the loss of welfare benefits and the typically low-paying nature of these jobs. See also Manpower Demonstration Research Corporation, *The JOBS Evaluation: Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs*, (visited July 1995) <<http://aspe.os.dhhs.gov/hsp/isphome.htm>>. This evaluation found that "early random assignment-based findings show that the three sites appear to have produced large reductions in the numbers of individuals receiving AFDC and to have resulted in more people becoming employed during a two-year follow-up period," yet also warns that "[s]ince the current welfare reform bills all specify monthly participation rates that start lower but steadily increase to 50% by the year 2003, this estimate suggests that the sites examined for this report all of which had substantial experience and ran strict, mandatory, and successful JOBS programs would need to experience dramatic changes in program rules and practices, welfare recipients' behavior, or funding in order to reach the ultimate standards contained in those bills." *Id.*

35. LaDonna Pavetti, *The Dynamics of Welfare and Work: Exploring the Process by Which Women Work Their Way Off Welfare* (1993) (unpublished Ph.D. dissertation, Harvard University).

36. BANE & ELLWOOD, *supra* note 26.

Boisjoly et al. examined the question of the implications of TANF time limits given what is known about welfare dynamics.³⁷ Using monthly (rather than annual) data from the PSID, these researchers distinguish between time spent on welfare while also employed, time spent on welfare while not employed, and time off the welfare rolls. As we have just seen, the majority of long-term welfare recipients cycle to some extent between public assistance and work. Therefore, this research has important implications for the work mandates included in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. If we were to observe the *total* caseload of recipients (not just new, first-time recipients) beginning on Day One of TANF implementation — July 1, 1997 — we would see that some 38% of those women will reach the twenty-four month/no work time limit in two years of continuous receipt. However, because of the common off-and-on cycling phenomenon of welfare receipt, fully two-thirds (66%) of the original total caseload on day one will have accumulated twenty-four months of non-working receipt in five years. In other words, two out of three of all the women who are receiving TANF on Day One will, by July 1, 2002, legally only be able to receive further assistance if they are concurrently working. Furthermore, by July 1, 2005, two out of five (41%) of the women in the original sample will face the loss of benefits due to the cumulative five-year time limit on receipt.

It is unclear whether the cycling in and out of jobs and on and off welfare is due to the unstable nature of the jobs available to these women, to a lack of skills and preparation on the part of the women themselves, or a combination of the two. In any case, the work of Boisjoly et al. underscores the fact that, despite welfare recipients' efforts at getting work soon after beginning welfare, finding steady employment is the exception rather than the rule.

Meyer and Cancian's analysis of the poverty status of women in the five years following their first observed exit from welfare further illustrates the tenuous financial situation of former welfare recipients, including both those who stay off the rolls permanently and those who eventually cycle back on.³⁸ Their study, based on the NLSY, found that over half (55%) of former

37. Boisjoly et al., *Time Limits and Welfare Reform: New Estimates of the Number and Characteristics of Affected Families*, (1997) (unpublished paper prepared for the Population Association of America Annual Meeting, Mar. 27-29, 1997, Wash., D.C.).

38. Daniel L. Meyer & Maria Cancian, *Economic Well-Being Following an Exit from AFDC* (1996) (paper prepared for the Association for Public Policy Analysis and Management Annual Research Conference, Oct. 31, 1996).

recipients were still living below the poverty line one year after exiting from the welfare rolls. The percentage of these women in poverty fell, steadily but slowly, to 41% by the time they had been off welfare for five years. Almost one in five (18%) were poor in *each* of the five years following their first exit. In all five years examined, three-fifths of the women (58%) never reached even modest levels of financial success.³⁹ According to this analysis, women most likely to achieve economic well-being are those with higher education, fewer or older children, and those who were working, married, or partnered when they exited. Women of color, as a group, did worse financially after a welfare exit than did white women.

C. "Ever-received" Versus "Point-in-time" Views of Welfare Recipients

One subtle but very important distinction in understanding welfare dynamics is between the nature of individuals who *ever* receive welfare and individuals who are receiving welfare at *any given point*.⁴⁰ Since long-term recipients are much more likely to show up as recipients at any given point in time, the welfare caseload at any point contains many more long-term recipients than the figures in the first column of Table 2 would suggest.⁴¹

Estimates of the duration of the "point-in-time" caseload are given in the second column of Table 2. As the present discussion suggests, long-term recipients dominate the caseload at any given time. Fewer than 10% of current welfare recipients will have a total period of receipt (including multiple episodes as well as both past and future periods of receipt) lasting fewer than two years, while more than three-quarters will have periods of receipt of at least five years. In fact, more than half (57%) of the

39. *Id.* "Financial success" is defined here as having a family income that is at least 200% of the poverty rate.

40. Mary Jo Bane & David Ellwood, *The Dynamics of Dependence and the Routes to Self-Sufficiency* (1983) (final unpublished report to the U.S. Department of Health and Human Services).

41. *Id.* Bane and Ellwood illustrate this point in the following way. Suppose that a hospital has 100 beds, 99 of which contain very long-term patients. The 100th bed is used by short-term patients, each of whom stays in the hospital for only one day. Over the course of one year, there will be 464 patients in these beds—99 long-term patients and 365 short-term patients. Thus, the fraction of patients ever in the hospital over the course of the year who are short-term is very high—79% ($=365/464$). On the other hand, at any point during the year, 99% of all beds will house long-term patients. Thus, because the longer-term patients are much more likely to show up in a patient count at any point during the year, they dominate the hospital "caseload" at any point.

caseload can expect (or could have expected, under AFDC) to be on the rolls for a decade or longer.

Which view of welfare recipients—"ever-received" or "point-in-time"—is the "best" one? The answer to that question depends on the issue under discussion. For policies directed at families just starting to receive welfare, the "ever-received" view, with its large numbers of short-term recipients, is the more relevant one. Most importantly, a substantial minority of the clients of a program begun at the point of enrollment of first-time welfare recipients would have made permanent exits from the program even without the program.

Suppose, on the other hand, that the contemplated program would be targeted on people currently receiving welfare benefits. In this case, the "point-in-time" view, with its over-representation of long-term recipients, is the more useful. "Point-in-time" caseload policies are directed at the more difficult set of welfare families with longer-term experience.

D. *Events That Begin and End Welfare Spells*

A conscious element of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is an attempt to reduce the number of welfare spells associated with out-of-wedlock childbearing and to increase the number of work-related exits.⁴² Only by tracking these kinds of events can the success of welfare-reform efforts be established. At the same time, the implementation of the 1996 welfare reform creates an important new category of exits—an end to welfare receipt as a result of time limits or sanctions for failing to work.

Boisjoly et al. examine trends in the frequency with which spells can be linked to the various events, as well as information on the duration of the AFDC spells according to the event that was associated with the spell in the first place.⁴³ As shown in the

42. Pub. L. No. 104-193, § 401, 110 Stat. 2105, 2113 (1996). Section 401, *Block Grants to States for Temporary Assistance for Needy Families*, reads in part: "(a) In general . . . the purpose of this part is to increase the flexibility of States in operating a program designed to . . . (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families."

43. Boisjoly, *supra* note 37. The researchers use monthly PSID data and consider a month in which any AFDC benefits are received as the beginning or continuation of an AFDC spell. They require that a recipient not receive AFDC for one month for a spell of receipt to be considered ended.

first row of Table 3, they find that between 21% and 27% of first welfare spells are associated with a first birth to a never-married mother. Periods of receipt for these kinds of spells are particularly long—71% of them are continuing after two years, and half after five years.

TABLE 3: EVENTS ASSOCIATED WITH WELFARE SPELL BEGINNINGS:
TRENDS AND DURATIONS OF RECEIPT⁴⁴

Event associated with beginnings of first spells of AFDC	Percentage of all beginnings associated with the event		Fraction of spells lasting at least:	
	1973-1982	1983-1991	2 years	5 years
First birth to never- married mother	27%	21%	71%	51%
First birth to other circumstances	14	14	53	28
Second + birth	18	17	60	39
Divorce/separation	23	20	48	26
Mother left parental nest	5	7	68	na
Fall in mother's work hours	26	23	65	30
Fall of work hours of others in family	32	24	52	33

Although a divorce or separation is almost as frequently associated with first welfare spells, the duration of divorce-induced spells is considerably shorter—only half (48%) are still in progress after two years and barely one-quarter (26%) last at least five years. Employment-related AFDC spells are quite common, and are associated with middle-length durations.

44. Johanne Boisjoly et al., *Initial Welfare Spells: Trends, Events, and Duration, With Implications for Welfare Reform (1996)* (paper prepared for the Association for Public Policy Analysis and Management Annual Research Conference, October 31 - November 2, 1996, Pittsburgh, Pennsylvania. The researchers used data from the Panel Study of Income Dynamics). Table reads: "27% of first welfare spells beginning between 1973 and 1982 were associated with a first birth to a never-married woman. 71% of first welfare spells that were associated with a first birth to a never-married woman were still in progress after two years." *Id.*

E. Characteristics of Short- and Long-term Recipients

We have seen that a key feature of welfare receipt is its heterogeneous mixture of short- and long-term experiences. We turn now to the question of whether certain characteristics of recipients—for example, teen births or little schooling—enable us to make sharp distinctions between short- and longer-term recipients.

Pavetti contrasts the characteristics of recipients with short- and longer-term periods of receipt.⁴⁵ Table 4 reproduces some key figures from Pavetti's analysis, showing various characteristics of both short-term (twenty-four months or less) and long-term (sixty months or more) recipients. For purposes of comparison, the third column of Table 4 shows the characteristics of all first-time recipients taken together.⁴⁶

TABLE 4: CHARACTERISTICS OF AFDC RECIPIENTS BY TOTAL TIME ON WELFARE⁴⁷

Characteristics at start of first AFDC spell	Percent of Short- and Long-Term Recipients With Given Characteristic		
	Short-term: 24 months or less	Long-term: 60 months or more	All recipients
High school dropout —no GED	35%	63%	47%
No prior work experience	30%	50%	39%
Under age 25 when began to receive benefits	44%	64%	53%
Never-married when began to receive benefits	48%	72%	58%

45. LaDonna Pavetti, *Policies to Time-Limit AFDC Benefits: What Can We Learn from Welfare Dynamics?* (1994) (unpublished manuscript). See also LaDonna Pavetti, *Who Is Affected by Time Limits?* WELFARE REFORM BRIEFS (Urban Institute, D.C.), May, 1995, at 1-3.

46. In contrast to the "point-in-time" caseload data of Table 1, the "all recipient" information of Table 4 is drawn from the "ever-on" group of recipients who first started to receive AFDC at some point between the late 1970s and late 1980s. As we saw in the previous discussion, "ever-on" samples have many more short-term recipients than "point-in-time" samples.

47. Pavetti, *supra* note 35, at 3. Table reads: "35% of women whose total period of receipt last less than two years are high-school dropouts." *Id.*

Race/Ethnicity:

Black	23%	34%	28%
Hispanic	13%	23%	16%

Not surprisingly, completed schooling, prior work experience, age, marital status, and race and ethnicity are all predictive of the likely duration of welfare receipt. Nearly two-thirds (63%) of long-term recipients failed to graduate from high school or earn a GED. In contrast, only about one-third of short-term recipients lacked such educational credentials. Except for race and ethnicity, similar strong differences show up across all of the other demographic measures. In the case of race and ethnicity, there is some tendency for blacks and Hispanics to be overrepresented among the longer-term recipients, but the differences are less pronounced than for the other measures.

A look at the "Long-Term" column of Table 4 shows how few of the longer-term recipients have job-related skills. At the beginning of their first welfare receipt, nearly two-thirds of longer-term recipients had neither a high-school diploma nor a GED; half had no work experience; and two-thirds were under the age of twenty-five. Nearly three-quarters of long-term recipients had never been married, which suggests a limited payoff to this group from more aggressive child-support enforcement measures.⁴⁸

III. IS THERE AN INTERGENERATIONAL COMPONENT TO WELFARE RECEIPT?

Dependence and deprivation have important intergenerational dimensions, since children's success as adults is affected by the family, neighborhood, and school environments in which they are raised. To help frame the issues, consider the intergenerational linkages in welfare receipt shown in Table 5. The table is based on data from the Panel Study of Income Dynamics on daughters whose parents' welfare receipt was observed when the daughters were between the ages of fourteen and sixteen and whose own welfare status was observed when the daughters were between twenty-one and twenty-three years of age.⁴⁹ It is clear from the table that the majority of daughters

48. See also Gary Burtless, *Employment Prospects of Welfare Recipients*, in *THE WORK ALTERNATIVE: WELFARE REFORM AND THE REALITIES OF THE JOB MARKET*. (Demetra Smith Nightengale & Robert H. Haveman eds., 1995) (details on the job readiness of welfare recipients).

49. Greg J. Duncan et al., *Welfare Dependence Within and Across Generations*, 239 *SCIENCE* 467 (1988).

from highly-dependent parental families did not share the fate of their parents: only 20% of daughters from heavily dependent homes were themselves heavily dependent in early adulthood, and an additional 16% received welfare in some but not all of the three years between ages twenty-one and twenty-three. Nearly two-thirds (64%) of the daughters from heavily dependent homes were receiving no welfare at all during this three-year period.⁵⁰

TABLE 5: INTERGENERATIONAL PATTERNS OF AFDC RECEIPT⁵¹

Dependence of parents when daughters are 14-16	Dependence of daughters when they are 21-23 years old			
	No	Moderate	High	Total
No	91%	6%	3%	100%
Moderate	62%	22%	16%	100%
High	64%	16%	20%	100%

50. All research on intergenerational welfare receipt to date involves mothers and daughters, rather than mothers (or parents) and sons. This is because, as noted in footnote 21, 93% of all AFDC recipient families are headed by single mothers. The remaining 7% are two-parent families receiving AFDC-UP. States were not required to provide AFDC-UP until 1990. While it may be possible that welfare receipt is passed from parents to sons, because AFDC-UP recipient families represent a small proportion of all AFDC participant families, and because not all states offered AFDC-UP until 1990, the sample sizes of participant families in longitudinal data sets (such as the PSID or the NLSY) are too small to study. However, some research has been done on the effects of parental welfare receipt on sons' outcomes. See, e.g., Mary Corcoran et al., *The Association Between Men's Economic Status and Their Family and Community Origins*, 27 J. HUM. RESOURCES 575 (1992) (finding that men who were raised in welfare-dependent families or communities are at a substantial disadvantage as far as economic status in adulthood).

51. Duncan, *supra* note 49, at 469. Table reads: "91% of daughters whose parents were not dependent on welfare when the daughters were ages 14-16 were not receiving welfare themselves when they were 21-23 years old." "No" parental dependence means that no income from AFDC was reported by the parent(s) of the daughters when the daughter was between ages 14 and 16. "Moderate" parental dependence means that AFDC income was reported in one or two of the three years when the daughter was between 14 and 16. "High" dependence means that AFDC income was reported in all three years when the daughter was between 14 and 16. "No" daughter dependence means that no income from AFDC was reported by the daughter when the daughter was between ages 21 and 23. "Moderate" daughter dependence means that AFDC income was reported in one or two of the three years when the daughter was between 21 and 23. "High" daughter dependence means that AFDC income was reported in all three years when the daughter was between 21 and 23.

At the same time, however, the fraction of daughters from highly dependent homes who themselves become highly dependent (20%) is several times as high as the fraction of daughters from nonrecipient families who become highly dependent (only 3%). So while the stereotype of lock-step intergenerational welfare dependence is clearly inaccurate, it still may be true that the environment of a welfare-dependent home increases, perhaps substantially, the chance of welfare dependence in the next generation.

The question of whether the tendency toward welfare receipt is somehow passed from one generation to the next is of keen interest to researchers, policymakers, and the public alike. Intergenerational receipt is therefore one of the most-studied areas of welfare research, and the literature on the subject is correspondingly large. However, because there are so many forces both within and outside of the family that can influence a daughter's decision to receive welfare, many of which are difficult or impossible to measure, the question of welfare heritability is a very difficult one to determine.

One of the more sophisticated studies was done by Gottschalk.⁵² Gottschalk examined the question of whether the observed higher rate of welfare dependence among those who have grown up in families receiving welfare is truly a direct causal relationship, or simply a correlation based on other, unobserved factors, such as residence in neighborhoods with poor schools or few available jobs. He contends that if there is a causal intergenerational link, then the daughter of a mother who does receive welfare should be more likely to receive welfare herself than would be a daughter whose mother did not receive welfare, and vice versa. His findings suggest that there does appear to be a causal link between a mother's welfare receipt and her daughter's welfare participation later in life. The evidence for a causal link was stronger for non-blacks than for blacks, however. This may be due to the fact that blacks are more likely than other racial groups to live in neighborhoods with concentrated poverty and a lack of goods and services necessary for job-preparedness, which would also tend to increase a daughter's likelihood of welfare receipt, independent of her mother's behavior.

IV. WELFARE RECEIPT AND NON-MARITAL CHILDBEARING

The Census Bureau estimates that 6.3 million children, some 27% of all children under age 18, lived with a never-mar-

52. Peter Gottschalk, *Is the Correlation in Welfare Participation Across Generations Spurious?* (1995) (unpublished manuscript).

ried mother in 1993. The 6.3 million figure is 70% higher than in 1973.⁵³ Rates of non-marital childbearing have increased dramatically at all age levels over the past twenty years.⁵⁴ Family incomes of children in never-married families averaged \$9272, as compared with \$43,578 for children living in households in which two parents were present and \$17,014 for children living in families with a divorced mother.⁵⁵

Many people suspect that the nature of welfare programs—the generosity of benefits, restricting payments to lone-parent families, increasing benefits when women bear additional children while receiving welfare—influences behavior, especially bearing children out of wedlock, and thereby promotes welfare dependence.⁵⁶ Such suspicions are rooted in a belief that fertility and other decisions are affected by the larger economic and social environment in which families live. But while a great deal of attention has focused on the welfare-related “benefits” of fer-

53. U.S. BUREAU OF THE CENSUS, *supra* note 27.

54. Trends in *teenage* childbearing are somewhat different from trends in *non-marital* childbearing, and trends differ by race. Declining rates of marriage for women of all ages have led to a steady increase in the fraction of all births that are to unmarried women. Rates of teenage childbearing among non-white women aged 15 to 19, while remaining higher than among white teenagers, decreased steadily throughout the 1970s and through the middle of the 1980s and have risen only in the past decade. The non-marital birth rate among white women aged 15 to 19 has risen steadily since 1950, with the exception of a slight decrease in the years 1970 to 1975, after which the rate increased sharply. Because the white population is much larger than the minority population, the overall rate of teenage non-marital childbearing has increased since 1950. See DEPARTMENT OF HEALTH & HUMAN SERV., PUB. NO. 95-1257, REPORT TO CONGRESS ON OUT-OF-WEDLOCK CHILDBEARING (1995). See also DEPARTMENT OF EDUC., TRENDS IN THE WELL-BEING OF AMERICAN YOUTH (1993).

55. U.S. BUREAU OF THE CENSUS, *supra* note 27.

56. Perhaps the best known example of a social scientist who makes this argument is Charles Murray. See CHARLES MURRAY, LOSING GROUND (1986). Murray blames the presence of social welfare programs for many social ills, including “increasing unemployment among the young, increased dropout from the labor force, higher rates of illegitimacy and welfare dependency.” *Id.* at 154. He contends that an increase in non-marital births is one of the “rational responses to changes in the rules of the game of surviving and getting ahead.” *Id.* at 155. Murray’s recommendation is that the major source of these social problems—means tested social welfare programs, including AFDC—be eliminated. In the absence of these programs, Murray predicts that “[t]eenaged mothers have to rely on support from their parents or the father of the child and perhaps work as well.” *Id.* at 228. “Parents tend to become upset at the prospect of a daughter’s bringing home a baby that must be entirely supported on an already inadequate income. Some become so upset that they spend considerable parental energy avoiding such an eventuality. Potential fathers of such babies find themselves under more pressure not to cause such a problem, or to help with its solution if it occurs.” *Id.*

tility, divorce, and withdrawal from the labor force,⁵⁷ the environmental aspects of the "costs" of such decisions have been all but ignored. What are these costs? What opportunities are forgone if someone opts to engage in behavior that often leads to welfare dependence? Certain career paths may be rendered impossible or at least much more difficult if a woman becomes a lone parent. Potential marriage partners may be less attracted to a woman who has a child fathered by another man. The perilous economic situation of lone parents, which limits their residential options to low-income neighborhoods, means that they and their children are less likely to benefit from neighborhood amenities such as good schools, positive role models, safe, drug-free streets, and perhaps a positive neighborhood "culture." As welfare benefits differ from state to state, these various costs will also differ from place to place. But they will vary from person to person as well. A woman without job-related skills or abilities sacrifices few career opportunities in the event of a non-marital birth. Furthermore, these costs have changed in recent years. The declining labor-market prospects of low-skilled workers,⁵⁸ particularly black men, have no doubt reduced the marriage-related "costs" of non-marital births.⁵⁹ And neighborhood conditions have deterio-

57. The body of research in this area is enormous. See, e.g., Greg Duncan & Saul Hoffman, *Welfare Benefits, Economic Opportunities, and Out-of-Wedlock Births Among Teenage Black Girls*, 27 *DEMOGRAPHY* 519 (1990) (welfare and fertility); Charles Murray, *Welfare and the Family: The U.S. Experience*, 11 *J. LAB. ECON.* 224 (1993) (same); Shelly Lundberg & Robert D. Plotnick, *Adolescent Premarital Childbearing: Do Economic Incentives Matter?* 13 *J. LAB. ECON.* 177 (1995) (same); Gregory Acs, *The Impact of Welfare on Young Mother's Subsequent Childbearing Decisions*, 31 *J. HUM. RESOURCES* 898 (1996) (same). See also John H. Bishop, *Jobs, Cash Transfers, and Marital Instability: A Review and Synthesis of the Evidence*, 15 *J. MARRIAGE & FAM.* 301 (1980) (welfare and marriage/divorce); David Ellwood & Mary Jo Bane, *The Impact of AFDC on Family Structure and Living Arrangements*, 7 *RES. LAB. ECON.* 137 (1985) (same); Michael T. Hannan & Nancy Brandon Tuma, *A Reassessment of the Effect of Income Maintenance on Marital Dissolution in the Seattle-Denver Experiment*, 95 *AM. J. SOC.* 1270 (1990) (same); Irwin Garfinkel & Larry L. Orr, *Welfare Policy and the Employment Rate of AFDC Mothers*, 27 *NAT. TAX J.* 275 (1974) (welfare and labor market participation); F. Levy, *The Labor Supply of Female Heads, or AFDC Work Incentives Don't Work Too Well*, 14 *J. HUM. RESOURCES* 76 (1979) (same); John F. Ermisch & Robert E. Wright, *Welfare Benefits and Lone Parents' Employment in Great Britain*, 26 *J. HUM. RESOURCES* 424 (1991) (same); Robert A. Moffitt & Anuradha Rangarajan, *The Work Incentives of AFDC Tax Rates*, 26 *J. HUM. RESOURCES* 165 (1991) (same).

58. F. Levy & R. J. Murnane, *U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Proposed Explanations*, 30 *J. ECON. LITERATURE* 1333 (1992).

59. See WILLIAM JULIUS WILSON, *THE TRULY DISADVANTAGED: THE INNER CITY, THE UNDERCLASS, AND PUBLIC POLICY*, 63-106 (1987).

rated in many urban areas; as of 1990, one-quarter of all urban blacks and nearly half of poor urban blacks lived in neighborhoods with poverty rates in excess of 40%—a threshold commonly employed to delineate “ghetto poverty.”⁶⁰ Considerable research has been devoted to the effects of the welfare system itself on fertility and labor-market decisions. Less is known about the role of neighborhood conditions and of marital and labor-market opportunities.

A. *The Role of Welfare Benefit Levels*

Much of the research on the effects of welfare programs has been devoted to the areas of employment and out-of-wedlock childbearing. The extent to which income transfers in fact influence the labor-market behavior of adults is a matter of relatively little debate. The most comprehensive assessments conclude that disincentive effects are indeed present, particularly for the labor supply of female household heads.⁶¹ The disincentives are such that the typical AFDC recipient who is currently working about nine hours per week would work about fifteen hours per week in the absence of an AFDC program.⁶²

Much more controversial are the effects of benefit levels on demographic behavior, in particular out-of-wedlock fertility. If benefit levels were to influence non-marital birth rates, one would logically expect non-marital births to increase or decrease with corresponding changes in benefits. However, a look at simple descriptive data does not support such a relationship. For example, since 1975 the rate of out-of-wedlock childbearing among teens has nearly doubled, while the inflation-adjusted value of AFDC, Food Stamps, and Medicaid benefits has fallen. Meanwhile, states with the largest decreases in the inflation-adjusted value of AFDC benefits have *not* experienced decreases or smaller increases in out-of-wedlock childbearing. Conversely, nearly all Western European countries have much more generous welfare programs for single mothers, and yet much lower

60. P. A. Jargowsky, *Ghetto Poverty Among Blacks in the 1980s*, 13 J. POL'Y ANALYSIS 288 (1994). The author documents the extent to which “[g]hetto poverty among blacks increased, both in terms of the number of blacks living in ghettos and as a percentage of the black population. The black poor became increasingly isolated in ghettos, with nearly half of the black poor in metropolitan areas living in a ghetto neighborhood. The physical size of ghettos expanded rapidly, even in some metropolitan areas where the percentage of blacks living in ghettos declined.” *Id.* at 288.

61. See, e.g., Robert Moffitt, *Incentive Effects of the U.S. Welfare System, A Review*, 30 J. ECON. LITERATURE 1 (1992).

62. *Id.* at 16.

teen birth rates, than the United States. Most empirical analyses likewise fail to demonstrate convincingly a significant causal relationship, or even a consistent correlation, between welfare benefits and non-marital childbearing.⁶³ Moffitt's recent review of twenty-four published studies points to little consensus.⁶⁴ Some studies have found evidence that higher welfare benefit levels are associated with higher out-of-wedlock birth rates among white females. Almost none of the studies have found such effects for black females. As Moffitt puts it: "The studies are not conclusive . . . , so we are left with only the suggestion of an effect at present."⁶⁵

The indications are that the circumstances and influences surrounding the decision to bear a child outside of marriage are far too complex to be dominated by the level of available welfare benefits. Thus, taken as a whole, the scientific evidence does not support the idea that welfare reform by itself will solve the problem of out-of-wedlock childbearing.

63. Some researchers have attempted to study the impact of recent welfare reforms in New Jersey as an indicator of the incentive effects of AFDC benefit levels on non-marital childbearing. In 1992, the New Jersey legislature passed a welfare reform plan which included a "family cap" as one aspect of a comprehensive, far-reaching reform package that also included training programs, placement tests, money for college tuition, and increased attention and guidance from caseworkers. A family cap provision denies additional cash benefits to a woman who conceives an additional child which receiving AFDC. Efforts to determine the effects, if any, of the family cap on the non-marital fertility of AFDC recipients in New Jersey have been inconclusive, both because the non-marital birth rate following the announcement of this welfare reform policy fell among both AFDC recipients *and* non-recipients, and because of the difficulty inherent in separating the effect of the family cap from other aspects of the welfare reform. For a brief discussion of research on the New Jersey welfare reform and possible alternative explanations for the decrease in non-marital fertility, see Ted G. Goertzel & Gary S. Young, *New Jersey's Experiment in Welfare Reform*, 125 PUB. INTEREST 72 (1996).

64. Robert Moffitt, *The Effect of the Welfare System on Non-Marital Childbearing*, in DEPARTMENT OF HEALTH & HUMAN SERVICES, REPORT TO CONGRESS ON OUT-OF-WEDLOCK CHILDBEARING (1995). Moffitt reviewed 24 studies, each of which employed one of four different methods of analysis to examine the effects of welfare on non-marital childbearing. Of these studies, 17 showed mixed or no effect of welfare on non-marital childbearing. One study found a negative effect and one study had contradictory findings. Of the five studies that did suggest positive effects, only three had consistently positive effects; one found positive effects only for whites, and the other found positive effects only for blacks. See also WILLIAM JULIUS WILSON, WHEN WORK DISAPPEARS: THE WORLD OF THE NEW URBAN POOR (1996) (providing a non-technical summary of empirical studies of the effects – or lack thereof – by race, of the level of welfare benefits on the non-marital birth rate among teenage girls).

65. Moffitt, *supra* note 61, at 172.

V. CONCLUSION

The vast differences in welfare experiences demonstrate that there is no single "typical" pattern of receipt. Heterogeneity of experiences—a mixture of long- and short-term receipt—is indisputable and any policy discussion must be based on an understanding of this heterogeneity.

The heterogeneity of welfare experiences has important implications for the likely impact of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, given its five-year lifetime benefit limit.⁶⁶ Only a minority of first-time welfare recipients accumulate as many as five years of experience. Most of them fall into the "cycler" category, with no single episode lasting very long but with enough repeated episodes to accumulate a total of sixty months or more. Furthermore, welfare recipients reaching a sixty-month limit are much less employable than the average recipient. Nearly two-thirds lack a high school degree and half had no work experience prior to beginning to receive AFDC.

Because of the dynamics of welfare experiences, there are also stark differences in the characteristics of first-time ("ever-on") recipients and the population of the welfare caseload at any given point ("point-in-time"). Only a minority of women first beginning to receive AFDC will become long-term recipients. But because long-term recipients are much more likely than short-term recipients to show up in the caseload at any given point, the rolls are always dominated by longer-term recipients. This has important implications for welfare-to-work interventions. If directed at recipients when they first start to receive welfare, these programs will be serving a largely employable group, many of whom will leave the welfare rolls even without assistance. If directed at the existing welfare caseload, these programs will be serving a group that, by and large, lacks job skills and experience. While they are expensive, interventions have proved cost-effective for long-term recipients.⁶⁷

The Act incorporates time limits and work requirements but offers little money to fund the training programs needed to facilitate welfare-to-work transitions. Here the demographics of welfare receipt lead to the discouraging conclusion that most of the mothers running up against a five-year limit will not be at all attractive as potential employees. It is hard to see how most of these mothers will make successful transitions into the labor market without substantial job-search and training interventions.

66. Pavetti, *supra* note 30.

67. JUDITH M. GUERON & EDWARD PAULY, FROM WELFARE TO WORK (1991).

Whether growing up in a welfare-recipient family adversely affects the life chances of children is an important and as yet unresolved research question.⁶⁸ It is clear that the association between the welfare experiences of parents and children is far from perfect; in fact most daughters growing up in welfare-dependent homes are not themselves dependent on welfare when they are young adults.

The more subtle question is whether there are any significant intergenerational linkages after adjusting for all of the conditions—low income, single-parent family structure, etc.—associated with welfare-recipient families. While it is not definitive, the evidence on this question does indeed suggest an intergenerational linkage. In other words, a welfare reform that, everything else the same, reduces the number of recipient families is likely to improve the life chances of the children growing up in recipient families.

Of course, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 does not keep “everything else the same.” In all likelihood, time limits and work requirements will: i) increase the amount of time mothers spend in the labor force and reduce their time at home with their children; ii) for a minority of recipients, reduce further the below-poverty living standards of families who are unable to find jobs after reaching the time limits on receipt; iii) also for a minority of recipients, launch mothers into successful labor-market careers; and iv) for some recipients losing their benefits, increase multi-generational living arrangements of mothers and children.

We do not presume to understand all of the ways in which these changes will affect welfare recipients and the life chances of their children. It is clear, however, that discussions of the implementation of this welfare reform law should first address the issue of the families likely to run up against such limits. With little money for training and no provision of fall-back subsidized employment, the Act will eventually cut off benefits for substantial numbers of families headed by hard-to-employ mothers. Of course, in the block-grant, few-strings-attached policy world of the future, states may elect to provide as much training and fall-back employment as they want. However, these are costly features of welfare reform and will not be feasible if states use only the resources provided in the block grants.

68. “Life chances” in this context refers to what is commonly thought of as “success” in American culture: a child’s likelihood of growing up to become an independent adult, able to adequately support himself or herself and his or her dependents.

Finally, the rationale of "sending a message" to prospective teen mothers often accompanies proposals to limit welfare benefits, either by time or demographic status. However, research on links between welfare benefits and teen out-of-wedlock childbearing provides little reason to believe that the message will have a measurable effect on the number of teenagers, especially black teenagers, who bear children out of wedlock.