

# WELFARE DEPENDENCY

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HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON  
SOCIAL SECURITY AND FAMILY POLICY  
OF THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
ONE HUNDRED SECOND CONGRESS  
FIRST SESSION

—————  
MARCH 4 AND 8, 1991  
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# WELFARE DEPENDENCY

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MONDAY, MARCH 4, 1991

U.S. SENATE,  
SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY,  
COMMITTEE ON FINANCE,  
Washington, DC.

The hearing was convened, pursuant to notice, at 10:03 a.m. in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the subcommittee) presiding.

Also present: Senator Durenberger.

[The press release announcing the hearing follows:]

[Press Release No. H-5, February 27, 1991]

**SOCIAL SECURITY SUBCOMMITTEE TO HOLD HEARING ON WELFARE DEPENDENCY; FOCUS TO BE ON DEVELOPMENT OF INDICATORS TO MEASURE SHIFTS IN DEPENDENCY**

WASHINGTON, DC—Senator Daniel Patrick Moynihan (D., New York), Chairman, announced Wednesday that the Subcommittee on Social Security and Family Policy will hold two hearings on welfare dependency and the need for indicators to help measure increases or decreases in welfare dependency.

The hearings are scheduled for *Monday, March 4, and Friday, March 8, 1991 at 10 a.m.*, in Room SD-215 of the Dirksen Senate Office Building.

"We tried to do something about child poverty and welfare dependence when we enacted the Family Support Act in 1988. But to determine whether this legislation is successful, we must be able to measure its effects," Moynihan said.

"These hearings will help us develop a set of indicators that will tell us whether we are succeeding, whether child poverty is going down or up, whether welfare dependency is increasing or decreasing," Moynihan said.

## **OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK, CHAIRMAN OF THE SUBCOMMITTEE**

Senator MOYNIHAN. A very good morning to our distinguished speakers and guests.

This is a regular meeting of the Subcommittee on Social Security and Family Policy. We can be sure that we are discussing family policy and not tariff policy because there is nobody in "Gucci Gulch." You can as usual shoot deer in the hallways anytime the condition of children is discussed in this or any other committee.

We have today a new subject: the question of how to develop a system of social indicators that measures the condition of children in our society. I have a statement on this subject which I will place in the record if I may do so, Mr. Reporter, and then speak *ex tempore* for a moment on a series of observations.

[The prepared statement of Senator Moynihan appears in the appendix.]

Senator MOYNIHAN. For the first time in American history the largest proportion of persons in poverty will be found among children, not among adults or among the aged. This is new. We began to notice it in the 1960's as a result of a very respectable bit of social science work. And it was confirmed in the 1970's and 1980's—good morning, Senator. I have just begun.

Senator DURENBERGER. Good morning, Mr. Chairman.

Senator MOYNIHAN. For a bit there it appeared to us that we had discovered something uniquely American. Then we began to notice—I think from the Luxembourg income studies—this phenomenon seemed to be happening in other countries as well.

We found that what is true in the United States is true in Canada. It is true in Sweden. Now there are only eight poor people in Sweden but six are children. And we began to ask ourselves, do we have something post-industrial?

You can know something about poverty in any industrial nation by looking at its pension system. A nation will have a greater or lesser number of elderly in poverty, depending on how much it pays in old age pensions. If it were not for Social Security, there would be more poor elderly in the United States.

The condition of children used to be about the same as that of adults. Now it is different. The biggest measure of this change is increased dependency on our one program that provides for children in poverty—Aid to Families of Dependent Children, or AFDC.

We wanted to get a sense of the incidence of dependency, so we asked Secretary Barnhart and Secretary Gerry to see what they could learn from the PSID studies at Michigan, a panel study of family income which was set up during OEO days and has been running for over 25 years. And they came up with some pretty important numbers. I think you know this, but about one-quarter of the children born in the late 1960's were on welfare before age 18; 72 percent of black children. And the incidence of welfare dependency among children aged zero to 7 is even higher. So there you are. It is a general rule that you never do much about something in a society until you learn to measure it, or, the reverse, you never measure anything until you decide to do something about it. I think you could argue it either way.

One of the great roles of American government has been to measure the economy—I speak of the Census, which Mr. Butz so ably represents this morning. We kind of built social science into our Constitution when we require that everybody be counted every 10 years. Soon we started doing more than counting. We started describing where people lived and how long they lived and things like that.

And then in the late 19th century, basically through the Bureau of Labor Statistics—and we will hear from Janet Norwood, the Director of the Bureau—we began to measure those indices of well-being that are associated with an industrial society.

We measured unemployment—that great phenomenon of industrialism. The Bureau of Labor Statistics put out its first monthly figures on employment in 1959. I can recall in 1961 when I was Assistant Secretary of Labor for Policy, Planning and Research, that the unemployment number was a disputed number. There was lots

of argument about it. It was either too high, or too low. But, finally we learned to measure it.

We learned to measure wages. We learned to measure labor force participation. We learned about a lot of things that were permanent that turned out not to be permanent. I remember being told about labor force participation. One of the great ratios, 56.2 percent or something like that of the population, was always in the workforce. Well, that great ratio just collapsed in the face of family concerns in the 1970's when women entered the workforce.

It is because of the BLS that we know that average weekly earnings today are lower than when Dwight Eisenhower was President. Family earnings have continued to rise only because women have entered the work force. But family earnings peaked in 1973 and have not since gotten back to their 1973 levels.

What we are asking today is: do we need to develop a system of indices that measures the post-industrial condition of children, families, and individuals, and that over the next 25 to 30 years will help us get a hold of something which obviously mystifies us now?

This week we will introduce legislation to set a minimum national standard for welfare payments. If it is reported out of this committee, I will be surprised. I will tell you this, it will never become law because it concerns children. In a time when we have doubled the levels of benefits for retirees, we have cut benefits for children by one-third.

But the point of these hearings is to ask your advice. Secretary Barnhart, who is in charge of the Family Support Act, Secretary Gerry, who is responsible for evaluation generally in the Department, and you, Mr. Butz, who are with the Census, we would ask you to tell us what we ought to find out. Having said that, we want to hear from you. I have already talked for 15 minutes.

Senator Durenberger, my dear friend, colleague in so much of this, good morning, Senator.

**OPENING STATEMENT OF HON. DAVE DURENBERGER, A U.S.  
SENATOR FROM MINNESOTA**

Senator DURENBERGER. Thank you, Mr. Chairman.

Senator MOYNIHAN. We started a little late.

Senator DURENBERGER. Yes. I was going to say that is about average, Mr. Chairman, and we are always indebted, all of us who participate in your hearings. Those of us who sit up here with you and I think the witnesses are grateful to you for taking that time to put 5 minute statements and other things in perspective. So I hope you do not concern yourself with the fact that it was 15 minutes.

I regret, Mr. Chairman, that a conflict at 10:30 is going to take me away from this hearing. I will try to come back and I know I will be back here for the entire hearing on Friday because the subject is a very, very important one.

As I heard you phrase the question, I noticed that all three of the witnesses made a note of the question that you raised and that is, do we need a new set of definers or indicators in this post-industrial society? I am happy to have it phrased that way and I think we do. But I have not the foggiest idea where to start. All of my approaches to this are experiential.

We had a couple of days of hearings in the Labor and Human Resources Committee, not on the question you raised but on the subject of children and the family in the current context. And we got some very good testimony from some excellent witnesses. I don't remember that anyone raised the issue that you are raising now and that is, have we a way in which to measure these issues because public policy, at least at this level, cannot respond to each individual situation.

—It is responsive to the way in which what is going on in our society is represented to us by those who measure it best in 1,000 different places or 10,000 different places or 1,000,000 different families or whatever the case may be.

I have been struck just in the last few years with the amount and the proportion of income that is going into housing in Minneapolis and St. Paul, MN. One of our best foundations took a survey last year just in St. Paul—of what percentage of their income went to housing, and it came out to 46 percent—and that was across the board. That is not as we see it nationally where in black families or Hispanic families it is larger. This was across the board in good old St. Paul, MN, population 300,000 or something like that. Forty-six percent is going into housing.

So I went and I looked at some of the housing and it is difficult to imagine people living in some of that housing. And so that takes another indicator or another measurement to measure the status or the quality or whatever. Then you cannot just say you have got a roof over your head or you have got X number of square feet per child or so many rooms per whatever it is. There are conditions in housing as well that are difficult of measurement.

So I would just say to you, Mr. Chairman, that you are on the right track. And I have a statement which is in perspective of which I would be pleased to be part of the Senator record.

[The prepared statement of Senator Durenberger appears in the appendix.]

Senator MOYNIHAN. Without objection. Thank you. No one is more faithful nor committed to this subject than you, sir.

May I say to our witnesses that the Senate is not in session today. So you have the two of us. But it is the record we are trying to build here, the case we are trying to make.

I see we have staff members from all parts of the committee. Any questions you have, just pass them to us.

And Ms. Barnhart, as befits the subject matter you are first, and good morning.

**STATEMENT OF JO ANNE B. BARNHART, ASSISTANT SECRETARY  
FOR FAMILY SUPPORT, U.S. DEPARTMENT OF HEALTH AND  
HUMAN SERVICES**

Ms. BARNHART. Thank you, Mr. Chairman. I appreciate the—

Senator MOYNIHAN. We will put your statement in the record and you can read, talk, do whatever you want as long as you want. There is no hurry of any kind.

[The prepared statement of Ms. Barnhart appears in the appendix.]

Ms. BARNHART. All right. Well, I appreciate that, Mr. Chairman. And I appreciate the opportunity that you and members of the committee have afforded me to be here today to appear before you to discuss measures of dependency.

I appreciate your offer to place our written statement in the record. Assistant Secretary, Martin Gerry and I have—

Senator MOYNIHAN. You are testifying jointly, right?

Ms. BARNHART. Yes. We have submitted a joint written statement, and what we would like to do, Mr. Chairman, is to submit that statement which includes the current efforts underway within the Department on measurement as well as our suggestions for future action. And then I would like to make a brief statement at this point and Martin will follow to make a brief oral statement.

Senator MOYNIHAN. As you desire.

Ms. BARNHART. All right. At the Family Support Administration our goals are to help needy families move from poverty and dependency to self-sufficiency, to reduce welfare dependency where it already exists and to prevent it where we can, and to provide families with timely and targeted support or other assistance that can help them beyond their current circumstances.

To do this we need the best information available on the nature of the problems they face. Yet we all understand the difficulties involved in measuring social problems and programs.

Social problems are moving targets. They are shaped by an ever-shifting combination of influences and factors. There are difficulties in projecting economic conditions, birth rates or changes in family structure, yet these things greatly affect the people we serve and our ability to serve them.

Our programs are successful if the people they serve are successful. And the successes we are looking for are not easy to measure. In the JOBS program, for example, the centerpiece of our efforts are at changing the face of welfare. It is a success if we help a single mother leave the welfare roles able to support her family with a job and the child support her family deserves. It is continued success when the children of that family grow up in an environment of self-sufficiency and all the correlates that go along with it.

We know that welfare dependency has many facets or correlates. For example, various studies suggest that daughters living in AFDC families are more likely to drop out of high school and to have early births more so than their peers who are not in AFDC families. As adults they are more—

Senator MOYNIHAN. That is good work and you are satisfied with the study?

Ms. BARNHART. Well, it certainly is some information, Senator. I think that—

Senator MOYNIHAN. But it is a panel of 200.

Ms. BARNHART. It is not a longitudinal—

Senator MOYNIHAN. Yes.

Ms. BARNHART. Extensive longitudinal work that I think is the kind of thing that you are talking about. It is a beginning step.

Senator MOYNIHAN. Yes.

Ms. BARNHART. And it is one indicator.

Senator MOYNIHAN. Oh, yes.

Ms. BARNHART. And I think that is one of the things that—

Senator MOYNIHAN. One of the themes—and I am just going to interrupt you and I hope you do not mind—is that we have gone as far as we can with one-time studies. Now longitudinal work is necessary.

Ms. BARNHART. Yes. I think you are making a very important point, Mr. Chairman. I think that cross-sectional studies and looks at programs and so forth are important in terms of giving us timely data that described the situation at that particular point in time. But in no way should we confuse those kinds of survey results and studies with the more in depth measurement that you are talking about, looking longitudinally at how peoples' lives evolve over time and the kinds of factors that could affect their life over a long time.

We know that the same daughters that I spoke of living in AFDC families, we know that as adults they are more likely to receive AFDC. So among a host of other problems, dependency appears to contribute to future dependency.

Mr. Chairman, you and I have discussed this issue many times during this past year and I am pleased that you have chosen a subject that affects the lives of more than 8,000,000 children on AFDC each month as the subject for your first hearing this Congress. And I look forward to the dialogue and discussion that will follow my other panelists' testimony. Thank you.

Senator MOYNIHAN. Thank you. Just to emphasize the point you made in your testimony—and Senator Durenberger this will strike you, I know—that 22 percent of all children born in the late 1960's were on welfare by age 18; 72 percent of black children. Now these numbers have never been published. I do not know why we cannot get them into the press, but we will.

What do you say we take that group of children who were on welfare before age 7? I think they are a special group because they correspond to what we think of as the welfare dependency problem. They are the children of very young mothers who will be on welfare for a long time rather than the children of older mothers who are divorced or abandoned or whatever and will probably be on welfare only temporarily.

In the 1960's we found that 16 percent of children aged zero to 7 were on welfare. In the 1970's, 22 percent; and in the late 1970's, 23 percent of all children born, sir. So already by the late 1970's we have for this population a rate of welfare dependency of 23 percent.

Ms. BARNHART. Yes, that is correct, Mr. Chairman. And as you and I have discussed, that is one of the reasons that we are interested in continuing our work with the University of Michigan and PSID to look at problems like the under-counting that may exist in terms of AFDC.

Senator MOYNIHAN. Anybody here from Michigan?

[No response.]

Senator MOYNIHAN. Well, if you see anybody from Michigan, thank them. [Laughter.]

Do you want to comment, Senator Durenberger?

Senator DURENBERGER. No, I do not, Mr. Chairman.

Senator MOYNIHAN. Secretary Gerry?

**STATEMENT OF MARTIN H. GERRY, ASSISTANT SECRETARY,  
PLANNING AND EVALUATION, U.S. DEPARTMENT OF HEALTH  
AND HUMAN SERVICES**

Mr. GERRY. Thank you, Mr. Chairman. Mr. Chairman, Senator Durenberger and other members of the subcommittee, I want to thank you for the opportunity to appear before the subcommittee this morning to discuss the identification and measurement of factors relating to individual children which best predict their subsequent entry into long-term income support programs.

Mr. Chairman, your concern for the well-being of America's families and children is long standing and well recognized. You certainly have been an ardent supporter of efforts to sharpen our understanding of the factors which shape family life and have sponsored numerous measures including the Family Support Act of 1988, designed to strengthen the social and economic foundations of the American family.

Your interest in shaping a set of measures which will help us to better understand the social and economic status of children and families and ultimately better target our leadership and our program resources, I believe, reflects your keen grasp of the dynamics of social policy development in the United States.

As you know, my office has recently responded to your interest in one dimension of this issue. The results of the work of the University of Michigan researchers to update your earlier estimate of the number of children who received AFDC before their 18th birthday are included in our joint written testimony and, of course, you have just summarized the key findings of that study.

With your indulgence I would like to focus my brief remarks on the broader issues related to the value of measures of child and family well-being. In my view, the development and regular utilization of a set of commonly recognized measures of child and family well-being which are linked to both predictors and correlates of future welfare dependency would assist both the Congress and the Executive Branch in several important ways.

First, the development and use of such measures would focus the attention of policy makers, researchers and practitioners on the relationships among the economic, social, health, and educational status of children and their families and those children's future life path.

A clear policy link would be established between the status of today's children and the social and economic independence or dependence of tomorrow's families. Such a link would assist greatly in rejecting the disempowering notions, both of pathologizing the poor and of routinely professionalizing the solutions to the problems of the poor which have dominated much of the social policy discussion of the last two decades.

During my comparatively short 22 years in Washington, a variety of university and think-tank based pundits have adopted one or more of a combination of four rationales to justify the failure of voluntary and Government programs to end welfare dependency among children. All of them I think can be described in one or the other as pathologizing children.

Senator MOYNIHAN. Pathologizing children.

Mr. GERRY. Yes. And I think there are four different ways in which that is done. But, I think that is what it amounts to, Senator.

Second, the development of measures of child and family well-being would focus debate among different communities of interest, and if successful, foster a broad consensus around both a set of measures and a research agenda to help us better understand the relationships we are trying to measure. Our information and collection efforts will be sharpened as well by such an enterprise.

Finally and perhaps most importantly, regular tracking and reporting against a set of measures of child and family well-being will help us to assess our progress as a nation in reducing welfare dependency. Are some States making more progress than others and if so, why? Which kinds of interventions appear to be more successful and which are not? Are we doing enough as a nation for our most vulnerable children and families or do we need to do more in order to fend off future dependency on public assistance? These are the kinds of questions which we could better answer if we had a set of agreed upon measures.

Targeted evaluations such as the JOBS evaluation the Department is currently conducting could also investigate the impact of program interventions on these factors as well as the more traditional measures of welfare receipt and family earnings. We have, in fact, taken a step in this direction by including a child and family study in the current JOBS evaluation.

In closing, Mr. Chairman, the development of measures of child and family well-being which predict future welfare dependency presents an exciting opportunity. I would caution that it will not be easy to develop such measures which are grounded in research and which capture the multi-dimensional quality of child and family life, lend themselves to regular data collection, and prove acceptable to many communities with interest in American families.

But, Mr. Chairman, you have taught several generations of social policy makers that difficulties such as these should not be recited to justify intellectual timidity but rather should be embraced as a measure of the challenge. So I very much look forward to working with you and other members of the subcommittee on this exciting enterprise and appreciate the opportunity to appear before the subcommittee.

[The prepared statement of Mr. Gerry appears in the appendix.]

Senator MOYNIHAN. We thank you very much. That was a very generous remark. Let me make a point and ask a question before we get to you, sir. But I very much hope that we pursue this question of State performance and disaggregate, or as the youth say—get it down—to city performance. And why do I say that? It is very simple.

I go back to the study we made in 1963 of persons rejected for selective service. I was then Assistant Secretary of Labor for Policy, Planning and Research, a position that you, Secretary Gerry, have today in your Department.

We had done all the policy planning we could think to do and Congress did not seem interested in it anyway. So I had spent a fair amount of my morning reading the Washington Post. And on July 2, I noticed an item that was 3 inches in length if that, way in



the back—an article you could get to if you did not have much to do. And it said that General Hershey had once again reported to the Congress and the President of the United States on the state of the selective service system, and that once again, roughly half of the population called up for the draft had been rejected because of failure to pass the mental test or the physical test or both.

That's a lot of people who failed to pass a test requiring only an eighth grade education level.

And that's the way we got started measuring social issues. We came out with a report. President Kennedy approved it and established a group. It was to report by January and it did. Labor Secretary Wirtz took the study down to President Johnson at the White House—sorry, at the ranch—and it got to be important to him. He would talk about the issue. It was one of the things that focused his mind. If you are not up to serving in the Army, well, you know, there are things you cannot do.

And the thing that was stunning was the differences between the States. We found that you take the same test, the same armed forces qualification test, and you give it to people in Minnesota and 2.8 percent of them fail it. That would be the incidence you would expect in the normal curve of low and high IQ's. Then you go to New York State and the failure rate is about 36 percent. That ranks 46th in the Nation. Minnesota ranks first with a 2.8 percent failure rate, and we rank 46th with 36 percent failure rate.

We have a border with Rhode Island in Long Island Sound. And it is a place very much like ours. Yet they had half our failure rate. In that great span of Northern States that goes from Wisconsin all the way over to Washington, the failure rate is low—4 percent, 5 percent, 2 percent. And down in the Carolinas and up in New York it is 30 and 40 percent. Well, do not tell me that social policy does not make a difference. It is not the water they drink. Is that right, Mr. Gerry?

Mr. GERRY. No. I think that is absolutely right, Senator.

Senator MOYNIHAN. I mean somebody teaches people better than other people do. And it is not just a North/South difference. I mean what about New York? Why does New York have twice the failure rate of Rhode Island? Something is different. All right, you got that. On the other side, is that dread proposition that social policy does not change anything. The evaluations of social programs have been a calamity and have reduced an awful lot of people to what are called—you know, I do not want to say they lie—but they say a awful lot of things that are not so in order to find the general manifesto of social action. You could say of these evaluators, as Huck Finn said of Mark Twain in "The Adventures of Huckleberry Finn," "he told the truth, mainly. There was many things that he stretched, but mainly he told the truth." Peter Rossi, now at the University of Massachusetts in Amherst, has Rossi's iron law, as he calls it, which is that if there is any empirical law that is emerging from the past decade of wide-spread evaluation research activities, it is that the expected value for any measured effect of a social program is zero.

Now I think that is an enigma that needs to be worked on. Expected value of any measured effect of a social program is zero. And so between our finding that there are no observed differences

in evaluated programs and finding big differences in performance in the selective service examination, I say that there is a conundrum for you all to look into.

Ms. BARNHART. May I comment on that as well, Mr. Chairman?

Senator MOYNIHAN. Would you make a comment?

Ms. BARNHART. When we look at this issue of comparing performance across States—and I know that is of great interest to you—so we have begun to try and take a look at what some of the difficulties or issues might be in doing those kinds of comparisons.

And I would point out as you know, it is a pretty dynamic atmosphere because there are many things that can affect dependency rates in States; things like the wage levels that are typical in a particular State, what employment is like. And right now we are seeing tremendous variations in unemployment regionally across the country, with New England experiencing extraordinarily high rates of unemployment relative to other parts of the country. Things like the amount of the AFDC payment can affect it, as well as, you know, educational levels in one State.

Senator MOYNIHAN. That was when we knew that people migrated in response to levels of welfare payments, right? When we measured that effect it turned out to be zero as well.

Ms. BARNHART. Those are some of the factors, Mr. Chairman, that we have identified that could cause variation from State-to-State. If I could give a practical example of something that I know you have great interest in, and that is the JOBS program.

Recognizing that in that legislation you put in provisions requiring 55 percent of funds be targeted to the so-called long-term dependent or those that would have the greatest chance to become long-term dependent—teen mothers—and people that have been on AFDC the longest, and that you put in participation rates in an attempt to get the States to help larger numbers of their caseload, there still is the possibility that depending on the attitude in one State versus another, a particular State could adopt a social policy saying that they want to deal with the absolute, most disadvantaged, most apt to become long term, almost exclusively.

Another State could opt to meet the 55 percent target and with the other 45 percent of their dollars focus on people who were easier to get employed and to help find financial self-sufficiency and go off the welfare rolls.

I know this is an issue that you are sensitive to because you put the safeguards in legislation. Still I think, depending on what a State would choose to do, there is the possibility for so-called “creaming” that we have experienced in the past in the WIN program and, I think, in the early days of JTPA. Not to suggest that is currently the case, but there are those kinds of problems as well, Mr. Chairman.

Senator MOYNIHAN. All right. But now I want to do put a proposition to you and I really plead with you to hear me. You will defeat your purpose if you let it be thought that developing a system of social indicators will be easy to do. You will only engage the people you need if you let it be known that this is something that is not understood and that we do not know how to do it. Then the first rate people will show up.

We can go through many examples of that. The Bureau of Labor Statistics did not know how to measure unemployment. They had to invent their sampling and probability techniques.

And the people who began to make it first professionally were at the Bureau of Census. And William P. Butz is the Associate Director for Demographic Programs of the Bureau.

Sir, we welcome you. It is always a distinction to have a witness from the Bureau before this subcommittee. Would you proceed? We will put your statement in the record and you can speak as long as you would like about as many things as you think interesting.

[The prepared statement of Mr. Butz appears in the appendix.]

#### STATEMENT OF WILLIAM P. BUTZ, ASSOCIATE DIRECTOR FOR DEMOGRAPHIC PROGRAM, BUREAU OF THE CENSUS

Mr. BUTZ. Well, thank you, Mr. Chairman. That is an invitation that I do not get very often, particularly at home with my wife.

It really is a pleasure to be here, for me personally, and for the Census Bureau, and especially to hear this discourse that I have heard because as you all know, the Census Bureau one of our major functions is to serve as staff to the rest of the Government: to the Senate; to the House; to the Secretaries and their agencies and to others. And so it is important for us to be where these issues are being discussed so that we can try to look forward, try to understand the issues that are emerging so that we can with some foresight do the questionnaire development, the pre-testing and the other things that have to take place so that when legislation does occur or is about ready to occur, you will not look around and say, where are the base line data? We would hope to be able to keep up.

So it is a great pleasure to be here and to hear this discussion. Particularly I must say I appreciated your historical prologue because I think in an important sense policy concerns do tend to lead data collection efforts. So it was good to hear your prologue of the early wage series and BLS studies. Around the same time, of course, in the early part of the century there was the Decennial Census which was one of the few data sources that was available at that time for making any kind of evaluation, particularly at low levels of geography.

Then as you suggested, BLS and the Census Bureau celebrated our 50th anniversary of the CPS just a month or so ago. And, of course, that survey came out of the policy concerns of the 1930's as you suggest with unemployment.

Then in 1947 as you know, the Census Bureau began its annual income series, and you and I both have analyzed that—

Senator MOYNIHAN. Yes.

Mr. BUTZ [continuing]. In earlier careers and in your case even in your current one, but I do not seem to find time in mine. That was a series that was used from the late 1940's right on through, and I think it is fair to say the major source of information about the well-being of the American people until the late 1960's came along. And during the 1960's—

Senator MOYNIHAN. Could I just interrupt to say that you might want to repeat some of those very nice things you were saying

about the Bureau of Labor Statistics because Dr. Norwood has just entered. [Laughter.]

Mr. BUTZ. Well, I say nice things about the Bureau of Labor Statistics whether or not Dr. Norwood is present. But I will probably have another nice thing or two to say about it, Commissioner, as I go on.

In the 1960's these same policy concerns that led to legislation, to social concerns, led to the initiation of two major data collection efforts, at least one of which has been referred to already, and those were the Panel Survey of Income Dynamics that was placed at the University of Michigan and the National Longitudinal Survey which was placed at Ohio State University. And these two were distinguished, in my opinion, from the earlier efforts, that is, from the wage series and other series at BLS, from the unemployment series and annual income series from the CPS and the Decennial Census, primarily because they took the longitudinal approach to data collection that you are emphasizing here today.

And I think the policy emphasis was that we had the cross sectional snapshots but we as American citizens and their elected representative did not have the dynamics, did not have the possibility of getting inside that and seeing what happened to people themselves.

So those two surveys began in the late 1960's and quickly became major vehicles for social science and demographic and economic research. Then the reason why I am extending your remarks a bit is I want to give a little background——

Senator MOYNIHAN. Take your time.

Mr. BUTZ. All right. Thank you, sir.

I want to give a little background on how the survey of income and program participation came into being because it was shortly after that in the mid 1970's that the concerns began to be expressed that these existing data, including those two surveys, still were not all that one could wish. And let me just enumerate four difficulties that analysts and program evaluators and policy people found with the existing data.

The one, longitudinality, was thought to be in hand with those two surveys but there were four others. A second was that these two surveys as well as the annual CPS series on income, measured income and some other measures of well-being only annually.

This was a problem because if one wants to analyze the performance of public programs, of transfer programs, simulate them, evaluate how well they are targeted, are the right people getting benefits, the incidence of the programs, one would like data focused on the same time period that program eligibility is focused on, which is generally monthly and sometimes quarterly.

So that was one deficit of the existing data. It was thought that the income and program participation were not measured close enough together at a small enough time interval to be as useful as it might be. And similarly, it was thought that these annual measures were not able to distinguish, therefore, characteristics of short-term versus long-term reciprocity or short-term versus long-term program participation, and therefore, not able with much precision to measure and evaluate the characteristics of people as they enter and leave programs. Hence, one could not distinguish what it

was about a person or a family or a community or a job or a public program that led to dependency or led out of dependency or might lead back to recidivism. So for all of those reasons a shorter time period of measurement was deemed to be valuable.

A second difficulty with those existing data collection programs was that they were not comprehensively covering all the important public programs, from AFDC to reduced price and free school lunches, housing subsidy programs and the like. And it was thought that a mechanism that would gather together in one survey program information on participation and reciprocity across the board on these programs would enable policy evaluators, program managers and policy makers to understand something about the inter-dependencies among these programs: What kinds of people are on multiple programs? Do people tend usually to go on one of them first and then the others follow? When difficulty comes about, what is the strategy that families use? And indeed, are there people that are on multiple programs that should not be? So these issues I think also led to a concern with a new data collection effort.

A third difficulty has to do with underreporting on those surveys, underreporting by recipients of both income sources and of program participation. And it was known even at that time by comparison with administrative records—with the participation lists from Social Security, food stamps and the like—that these surveys were not picking up nearly all of the program participation. And from comparisons with administrative income records, it was known that these sources were also not picking up all of the income sources and amounts. So it was thought that perhaps with a survey focusing on income and on program participation one could do a better job of reducing the amount of underreporting and, therefore, get better data for policy analysis purposes.

And the fourth difficulty was the collection of a body of data that would be complete enough and explicit enough to enable modeling of participation and eligibility. Such a data set, for example, would have to include information on families' assets and liabilities because those go into the formulae for many of these programs.

Senator MOYNIHAN. Property as against income.

Mr. BUTZ. Yes, sir.

Senator MOYNIHAN. Yes.

Mr. BUTZ. So all of those things together led to an effort in the mid 1970's to begin to design a program that could fill some of these gaps. And that research program was called the Income Survey Development Program, and it was organized at the Census Bureau with extensive HHES participation and participation by other agencies. To move on in the story, it became then the Survey of Income and Program Participation which had its first interview in October of 1983 and its first data release in December of 1984.

The SIPP indeed is designed to cover those gaps in the existing survey programs, the Federal programs and the federally sponsored programs at Michigan and Ohio State. By this time the survey is 6 years old perhaps from when the data first came out. Its data have been used for a wide variety of purposes. It is far from perfect, but it does document program participation, income and other eligibility criteria in the time period for which programs

make their eligibility decisions. And therefore, the survey has proven to be useful for purposes of simulating and modeling programs and in the program agencies and in the Congressional Budget Office for trying to analyze the incidence of reciprocity: who benefits and who does not; who is eligible that does not get on the program; who gets on who is not eligible always, of course, using Census Bureau data not from an individual point of view but from a statistical point of view.

I just want to point out to you three very recent reports, just illustrative, which I imagine you are familiar with. One is a report on characteristics of persons receiving benefits from major assistance programs. This report which will come out periodically from the SIPP takes advantage of the SIPP data in the sense—

Senator MOYNIHAN. Characteristic.

Mr. BUTZ. Yes, sir, that is it.

In the sense that the SIPP data combine program participation data with information on the characteristics of people who are in or are not in those programs which, of course, program administration data usually do not do. For example, the food stamps data tell who is in the program and who is not but not much about them. But from a survey, one can garner information in some detail, for example, about the characteristics of children in families that are on major assistance programs. And this report attempts to do that.

A second one that I would mention is this report, Family Disruption and Economic Hardship: the Short Run Picture for Children. It was just released last Friday, and there have been articles, I think, in the Post and the Times and other places about it. I think it is a very exciting report partially because of its contents but principally because it is a type of analysis which really uses the comparative advantages of SIPP.

It is looking at families at the beginning of a 2½-year panel and looking at their characteristics and then what happens to them over the 2½ years. Some of them suffer marital disruption and some of them do not. And it asks the question, what happens to the children in families that suffer marital disruption compared with the children in families that do not. And it finds large effects. There are two—

Senator MOYNIHAN. Large economic effects?

Mr. BUTZ. Yes, sir, large economic effects and large program participation effects as well. For example, it reveals that the family income of children declined by 37 percent within 4 months of their parents' separation. The proportion of children in poverty increased from 19 percent to 36 percent by the fourth month after the families disruption, and that AFDC participation more than doubled within a year of the separation.

So these kinds of statistics obviously require a data set in which you can follow individual families, and in this case for short periods of time which gives this survey one of its comparative advantages with the PSID and the NLS, both of which have very strong comparative advantages as well vis-a-vis the SIPP.

I might mention another finding from this and that is as one might expect, but I do not believe we have seen documented before, that the children in the families that ended up with a marital disruption were worse off to begin with. So it is not like all of these

families were the same and all of the differences after the disruption were due to the disruption. There was a substantial decrement in welfare as measured in the survey for the families that went on to suffer marital separation or divorce. So I think that is an interesting finding as well.

Senator MOYNIHAN. That is one of the few solaces of the lower orders in our society—the belief that things are worse for people who are better off. They are not, as you know.

Mr. BUTZ. Yes. The third one, just to mention, is a report on transitions in income and poverty status. This is also in a series that the SIPP will be putting out every couple of years. And the point there is basically to try to get inside the annual snapshots that are provided by the March supplement data from the Current Population Survey and look at what one might call, gross flows in measures. That is, in the March survey, one can say well, the medium family income this year was this and that year was that. But one might like to know what proportion of the families actually increased their income; what proportion of the families decreased their income over that period of time; and similarly beyond income, what proportion of the families and of what kinds entered a particular public program; or left a particular public program; or demographically entered a particular state of family composition; or left a particular state of family composition.

And this, as you have emphasized already, sir, really requires the longitudinal data and is something the PSID has also been very important in revealing in a longer time scale and with less frequent observations.

Senator MOYNIHAN. Well, you are building up a file, are you not?

Mr. BUTZ. I am sorry?

Senator MOYNIHAN. You are building up a file.

Mr. BUTZ. A file, yes, sir.

Senator MOYNIHAN. I mean year by year by year.

Mr. BUTZ. That is correct. Although the panels themselves only last 2½ years, they overlap, so a new panel is introduced every January. The thought is that the overlapping panels will give us more power to statistically estimate year-to-year effects and the 2½ years will allow us to get this fine structure, this month-to-month change, and give this survey its comparative advantage relative to the surveys that track people for now 21 or 22 years, but without so much fine structure.

Senator MOYNIHAN. This is very striking to me. It just happens I was asked to give the Godkin lectures in 1985. And I took for my theme a statement from the 1984 Presidential address of Samuel Preston to the American Population Association. Preston, who is a demographer, stood up and said, "Has anybody noticed the earthquake that has shuddered through American family in the last two decades?" We record it but does it matter to anybody? And the interesting thing is that this "earthquake" appears to be happening elsewhere. Now it is happening in Australia; it is happening in Britain; it is happening in France. A post-industrial phenomenon, if I may use an honorable term of Daniel Bell's.

But could I ask you this? That lady next to you, Secretary Barnhart, had to ask Michigan for the longitudinal data on participation in AFDC and those new numbers are striking. By age 7, about

one-quarter of the American children have been on welfare. And it is moving up.

Mr. BUTZ. Yes.

Senator MOYNIHAN. And that is 59 percent of all black children. Welfare is a condition of being a pauper. Is that right, Secretary Gerry?

Mr. GERRY. Yes, that is right.

Senator MOYNIHAN. Yes, being a pauper, penniless. The property of the average welfare family would value in the low three figures or negative as it were. A quarter of all children have been paupers before they reached the first grade and we ask why do they not perform well. And we think if we improve the salaries of school administrators that will somehow change it. I do not think so. Poor school performance results from a combination of many things.

I wanted to ask you to take note, if I can, Secretary Barnhart, that under the Family Support Act, the Department was supposed to contract with the National Academy of Sciences—you are already nodding your head—to discuss a minimum benefit proposal. Would you get back to us on this or could you tell us what you know now?

Ms. BARNHART. Well, I can tell you that we have begun to have discussions with NAS about that particular activity, Senator, and we would be happy to provide more up-to-date information for the record. But yes, I am aware of that requirement and we are working on it.

[The information requested follows:]

Funds to conduct the minimum benefit study were first appropriated in fiscal year 1990. HHS held initial discussions with the National Academy of Science (NAS) in February of 1990, and in early March we submitted a list of priority areas. In the summer the NAS told us that they could not conduct a study that recommended policy choices or social programs, but rather could provide assessments of methods, concepts, and information needed for making policy choices. They asked if they could enter into discussions with us and other interested parties on a study of this sort. HHS agreed to this, and when it became apparent that the contract would not be awarded in fiscal year 1990, we agreed to put aside funds in fiscal year 1991. We are currently exploring with the NAS the possibility of a study that would be conducted in conjunction with a Congressionally-mandated study of the poverty level. We expect that a description of the study should be available to be discussed with the Congress shortly.

Senator MOYNIHAN. All right, let us do it. We are going to introduce a bill on minimum welfare benefits and we would like to have some data before we discuss it, if we can.

I just have to say it has been extremely encouraging hearing from you. You do not know how forthcoming you are, you see, because you are youths. Bide your time——

Mr. GERRY. Thank you very much, Mr. Chairman. [Laughter.]

Senator MOYNIHAN. Thirty years ago the Childrens Bureau, if it ever got anywhere near this place, would deny there was any problem to talk about. We denied this subject for a generation. It took 25 years from the onset of the problem before there was any real willingness to say, "Is that true?" Finally, we are trying to think about what to do.

We thank you not just for your testimony and your comments, but for your involvement in this. Sir, I hope you would take back to



the Bureau the understanding that we think of you as essential to this effort.

So we again thank you.

Mr. BUTZ. Thank you, sir.

Senator MOYNIHAN. We thank you all and we look forward to this collaboration. We are going to design legislation that leaves you with the largest amount of flexibility to develop a system of social indicators, but at the same time gives you a piece of paper to show the Office of Management and Budget so you can say "sorry about this chief, we have got to do it, otherwise we go to jail."

Thank you very much.

Mr. BUTZ. Thank you, sir.

Mr. GERRY. Thank you.

Ms. BARNHART. Thank you, Senator.

Senator MOYNIHAN. Well, now our second panel, equally distinguished and equally welcome, consists of Dr. Richard Schmalensee who is a member of the Council of Economic Advisers and Dr. Janet Norwood who is the Commissioner of Labor Statistics, and Paul Barton who is the Director of the Policy Information Center of the Educational Testing Service of Princeton University.

I am very happy to acknowledge a personal relationship. Dr. Norwood and I were graduate students together a while ago, and Paul Barton and I worked together in the Office of Policy, Planning and Research at the Department of Labor 30 years ago. And we have been admiring friends ever since.

You will have to forgive me, sir. Have I pronounced Schmalensee to your satisfaction? You must have a preference in the matter and you are entitled to pronounce your name any way you want in this country—

Mr. SCHMALENSSEE. Well, it is a German name, Mr. Chairman, originally Schmalensee anglicized to Schmalensee.

Senator MOYNIHAN. Schmalensee. Dr. Schmalensee, in the spirit of the age we welcome you, sir, and in the proper German. Again, we will put your statements in the record and we would then ask you to speak to them, or read them, or do whatever you like. We have all the time that you would wish. We know that you, sir, and Dr. Norwood do not have as much time as this committee has, but more the reason, then, to proceed.

The committee is interested in the subject of whether or not we need a set of social indicators about the problems of dependency and family structure that would respond to what seems to be a post-industrial phenomenon of family disintegration and child dependency. It is as baffling now as unemployment was baffling in 1873. What is it and how would you measure it and how did it happen?

Our whole political life for a century turned around the issues of industrialization—a baffling experience. And then gradually we learned to measure it. I used to have a little axiom that you never do anything about a subject until you learn how to measure it. The real truth is, you never measure a subject until you have decided to do something about it.

But in any event, we would like to hear your views and, of course, get some historical perspective, if we can, from Dr. Norwood.

Good morning, Dr. Schmalensee. You are first, sir, just as it says on the witness list.

**STATEMENT OF DR. RICHARD SCHMALENSEE, MEMBER,  
COUNCIL OF ECONOMIC ADVISERS**

Dr. SCHMALENSEE. Mr. Chairman, thank you very much. I am happy to be able to appear before you and I appreciate your courtesy in allowing me to appear without a written statement.

The Council of Economic Advisers has repeatedly stressed the importance of adopting policies that will enhance the economy's long run performance. And nothing is more important in this regard than improving the status of children. I thus share your concern.

Senator MOYNIHAN. I mean you know that now?

Dr. SCHMALENSEE. That nothing is more important than the status of children?

Senator MOYNIHAN. In improving the economy.

Dr. SCHMALENSEE. In the long run—

Senator MOYNIHAN. Yes.

Dr. SCHMALENSEE [continuing]. I think that is a fair statement, that human capital is a—

Senator MOYNIHAN. Who found that out?

Dr. SCHMALENSEE. Who found that out? I guess that would be the growth accounting that was done in the 1960's, which pointed to the importance of education and human capital in accounting for the long run growth of the economy. I do not have numbers or authors off the top of my head, but I have in mind work done at Brookings and elsewhere.

Senator MOYNIHAN. We do look for footnotes around here.

Dr. SCHMALENSEE. Right. I had hoped to get away with a little rhetoric, Mr. Chairman.

Senator MOYNIHAN. But the work in human capital marks a new chapter in economic understanding, does it not? And in the 1960's it begins and you can associate it with Solow and people like that.

Dr. SCHMALENSEE. Yes, indeed.

Senator MOYNIHAN. Yes.

Dr. SCHMALENSEE. It seems to me that today's topic raises three broad questions all of which I would like to address briefly, but none of which I will pretend to be able to answer.

The first of these is, what is it most important to measure—keeping in mind that sound policy requires understanding causes as well as tracking outcomes. Second, to what extent can key measures be readily constructed from existing data sets or survey instruments? And third, if additional resources were to be devoted to measurement, how would they be most effectively allocated?

There are two reasons why I cannot answer these questions. The first is that I must defer to the expertise of the statistical agencies, particularly BLS and Census, as regards the characteristics of existing data sets and the constraints and costs that would be encountered in gathering additional information.

Second, and I think more important, my second and third question about measurement from existing data sets and from new data

sets are logically subsequent to my first question, what is it most important to measure, and I cannot answer that question.

It is, of course, relatively easy to come up with a long list of things one would like to know about children in the U.S. at any point in time and over time. But I think it is less clear what is most important to measure or what as a technical matter the best measures are.

Parenthetically, Mr. Chairman, I would suggest that both of your assertions about the relationship between measurement and action are correct. It is difficult to act unless one understands how to measure well. The impetus to improve measurement and definition is not unrelated to the desire to act. I think both factors are operative.

One can easily come up with a list of things one would like to know about children. Of course, one would be interested in the average as well as the lower tail, just as we look at average income as well as poverty. And one would be interested, as you have stressed, in histories as well as in snapshots. But what strikes me is that without a good working model—and I guess perhaps unemployment in 1887 might not be a bad analog here—of what factors have the largest affect on adult health and productivity or on health and productivity in key stages on the way, such as entering school, it is hard to be precise about what is most important to know and how best to measure it.

To try to work this thought a little bit, let me turn as an example to the statistic that you have discussed, the fraction of children ever on welfare by age 7. As I thought about that statistic and the changes in it, one hypothesis and one observation occurred to me. The hypothesis—and it is no more than that—is that short stays on welfare are likely to have a much less profound effect on the outcome of a childhood than long stays. That is to say, I would doubt that effects are proportional to duration. And the observation is that most stays on welfare are indeed relatively short as David L. Elwood and others, and the work with the PSID have indicated.

Thus, while the statistic that you have discussed is a valuable and interesting one, the question arises, would considerable additional value be gained by breaking down by looking at duration of stay by age 7? That is an intuition. I do not have an answer to it.

Senator MOYNIHAN. You do not mind my interrupting at this point?

Dr. SCHMALENSEE. But of course not.

Senator MOYNIHAN. Yes. Our hunch is that welfare dependency is bimodal. There are the short stays caused by a family disruption after which the family gets itself back together. Something works out. There are also the long stays—a permanent condition suffered by a family that was never in any good shape in the first place. These are families with young mothers and young children and that is why the zero to 7 number is so powerful.

Dr. SCHMALENSEE. I would not want to bet against you but it would be interesting to know.

Senator MOYNIHAN. It is about that.

Dr. SCHMALENSEE. Yes. I think just as the nation's economic statistics reflect a good deal of conceptual work over many decades, there may be a high payoff to basic research on the dimensions of a

successful childhood, on what existing data can tell us about those dimensions and about how measurement of those dimensions can be improved.

I would suggest that the payoff to that sort of research could go well beyond the production of better statistics—just as, if you will permit me a small bit of professional arrogance, basic research in economics and improvements in the quality of economic statistics have, I would argue, improved the quality of economic policy analysis over time.

Now having failed to answer the first of my three questions, let me if I may turn briefly to the second and third. Those are, to what extent can existing data sources provide answers to key questions, and how might incremental resources be best allocated?

Here I will try to be very brief, since I can obviously add nothing to the information and expertise available from the statistical agencies. My impression is that the available data sets, the PSID and SIPP and so forth, contain an enormous amount of information on various dimensions of the status of children at any point in time as well as a fair bit of longitudinal information. And now I will add qualifications.

The first is that one can argue whether that information is well exploited for the purposes you have in mind. Perhaps some key statistics such as the ever-on-welfare statistic are not computed regularly. Perhaps some that are computed are scattered.

Senator MOYNIHAN. Curious, that they had never been computed. We had to ask for it.

Dr. SCHMALENSEE. There it is. Yes.

And one can certainly imagine gathering data from multiple agencies or data sets to produce a report on children. As it happens, the Economic Report of the President has data from a large number of agencies in its statistical tables. There is, of course, no free lunch in this regard and doing something of that kind would take incremental resources.

I will also note that there is no single data set that provides information on what one might think of as all or many of the key dimensions of the status of children. This makes investigating cause and effects a little difficult. To study the influence say of neighborhood conditions on high school drop out rates or on the incidents of teenage pregnancy or that sort of thing, investigators often have to use some elaborate matching schemes across data sets.

It seems to me that it is as important to develop understanding of the changes in the American family as it is to measure them. Now I do not have any particular wisdom to offer on how serious the coverage problem is or how one might best deal with it, whether by new data sets or by extending additional data sets if it is indeed that serious. But as I think about that issue, as a once and perhaps future academic, it brings me back again to the importance of research on what is happening and how best to measure it.

Finally, I will offer a quick observation. A good deal of information that is clearly relevant to this issue can be gathered by the sort of household or family-based surveys that we are used to. But as a father of school-aged children, it strikes me that one potentially important source of data on children is the administrative

records in schools. I recognize the difficulty of linking or of using those records, but I must tell you I have filled out and seen filled out so many forms on my children that I offer their value as a layman's hypothesis of something that might be worth exploring.

To summarize, very briefly, I am sympathetic to the thrust of these hearings. I appreciate the opportunity to participate. I think there is a good deal more to be learned. And I would hope that where we might go from here would include both thinking about measurement and about causes as well as perhaps additional measurement and computation.

Thank you.

Senator MOYNIHAN. We thank you, Doctor.

And perhaps you would agree with me. I did not know if you were here earlier when I was repeating Peter Rossi's remark. It is Rossi's iron law that if there is any empirical law that is emerging from the past decade of wide-spread evaluation research activities, it is that the expected value for any measured effect of a social program is zero.

Now, is that because we do not measure well or because our programs are not very relevant? But you mentioned the school records. The one great school record we had was data on the AFQT test.

We gave more than half the male population above a certain age this test, and the results were published once a year in a journal called "The Health of the Army." Nobody paid any heed to it. And the difference in performance among States was astounding. So something is going on in Minnesota that is not going on in Mississippi and it is not going on in New York.

Dr. SCHMALENSEE. Mr. Chairman, I listened with interest to that conundrum: enormous cross-sectional variation but hard-to-detect effects of social programs. One thought is that we may not be measuring all interstate differences. That is, Minnesota and Mississippi differ in many ways, not all of which are easily measured and not all of which are directly related either to economic conditions or visible social programs.

Senator MOYNIHAN. But that is why I like my New York-Rhode Island example. The two States border each other.

Dr. SCHMALENSEE. Yes.

Senator MOYNIHAN. If you like a sense of stability, consider this: in AFQT test performance, Minnesota was first in 1962 and New York was 46th. A generation goes by and if you will let high school graduation be the surrogate—and I earlier made a mistake. I said 8th grade. No, the AFQT was to measure high school performance, right, Paul?

Mr. BARTON. The cut-point used in 1962 was around the 8th grade, sir; earlier it had been the sixth grade. The test itself can cover high school level abilities.

Senator MOYNIHAN. That is right. But if you take high school graduation rate as a surrogate for AFQT achievement, Minnesota is first and New York is 46th. And all of those social programs that happened in between changed nothing. This is an interesting subject.

And the other interesting question is whether we have an international phenomenon here? It is my personal prejudice in these

matters that you always learn something about this country if you ask what is going on in Canada.

And on that subject, Dr. Norwood, we welcome you. This is not the first occasion you have testified before the Finance Committee.

Dr. NORWOOD. No, sir.

Senator MOYNIHAN. No, I knew it was not. And it ought not I hope to have been. We welcome you.

STATEMENT OF DR. JANET L. NORWOOD, COMMISSIONER,  
BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR

Dr. NORWOOD. Thank you very much.

First, I would like to ask that my statement be made a part of the record.

Senator MOYNIHAN. Exactly so.

[The prepared statement of Dr. Norwood appears in the appendix.]

Dr. NORWOOD. Let me say that I was very interested in your comments about how we decide to develop data and your reference to unemployment. If you go back to the 19th century and Kasar spoke about the Boston area that you and I know so well—what you find really is that at that point unemployment was really considered a private issue. It was not a matter of public policy and, therefore, there was really no interest in any of the developments. You had itinerant tramps who went from area to area to try to get whatever help they could from individual families and then there were private charities which helped them.

It was really not until the depression days of the 1930's when unemployment became such a tremendous issue that there was really a great deal of interest in the development of unemployment data. And by that point even in the censuses, a series of definitional problems had developed so that it was a time of development of definition of unemployment. And I think in many ways that experience leads us into much of the discussion that you have been having today and much of your thinking.

Senator MOYNIHAN. Would I be right in remembering that we used to take the unemployment data and the census in the spring of 1930 and the spring of 1940? And except for some experimental work in BLS, the depression never happened.

Dr. NORWOOD. Well, there were certainly no good estimates of the amount of unemployment at that time.

Senator MOYNIHAN. Yes. So we kept thinking we did not know anything about this.

Dr. NORWOOD. Well, but part of the problem, of course, was that there were not any definitions of unemployment. And I believe rather strongly that one of our problems in this country is that we try to collect data before we figure out what we are trying to do and how to define it and that is really impossible.

Senator MOYNIHAN. All right.

Dr. NORWOOD. I think as we move into the area of welfare and of children and of family structure and the relationships of these activities, we have to look at what we have now. And what we have clearly are, as you well now, snapshots in time which we can get from the current population survey. We have retrospective 1-year

estimates of what people are telling us happened to them and the March supplement to the current population survey.

My hope is that as we move toward the re-design of the CPS, we have in the plans for that a longitudinal aspect to the CPS itself so that we will be able to look more fully at issues of duration of unemployment and some of those relationships in that particular framework with the same kind of questionnaire. That is in the current plans for the re-design over the next few years.

Senator MOYNIHAN. I see Martin Gerry taking notes. That is good.

Dr. NORWOOD. Now the difficulty, of course, is that we can find out about people now from these surveys, but that if we really want to understand what is happening and what the causes of any of this are, you really have to look at people over a lifetime, over a life cycle, and particularly for children as they are growing. For that clearly, one needs longitudinal data. And we have as Bill Butz described, a really monumental effort at the Census Bureau to develop a survey of income and program participation which will follow people for about 2½ years and I believe that is very important.

But we need, in addition to that, the longer longitudinal surveys which we have now in the PSID and in the National Longitudinal Survey. And I have much more familiarity obviously with the National Longitudinal Survey because we at BLS now bear that responsibility. That was started some 25 years ago, 20 years ago, by the then manpower administration of the Department of Labor. It was a very elaborate survey with extensive research funding so that people could really use the data.

Over the years, a good bit of the funding for that survey was cut away. My personal view is that these data constitute a very important national resource, and for that reason I agreed to accept responsibility a few years ago for maintaining the national longitudinal survey. It has 22 years of history in following women who were considered young women, now somewhat older. Twenty-two years later we still have that cohort. This is a survey, as you know, which takes 5-year cohorts essentially and develops data for re-interviewing every couple of years—every year. And beginning now we are trying to do this every other year.

We have begun about 10 years ago a new youth cohort and that was a larger survey. That is about 10,000 households. And we followed those now for 11 years. And as a matter of fact, for this testimony—you know, it takes a long time to do research in a longitudinal survey because of the need to work with micro data. But I asked the staff to develop some special tabulations, looking at a few of these issues from the NLS and we did that.

The NLS really obtains a great deal of exhaustive information on work histories; on marital relationships; family relationships; fertility questions. And when funds have been available, the NLS has been used on three occasions every couple of years to collect a great deal of information on the evaluation really of young people; of children; of their cognitive abilities; of their abilities to reason. And much of that work was sponsored by the National Institute of Child Health and Human Development.

So there is a whole body of data that is there on those children basically in 1986, 1988 and 1990. The surveys included this extensive battery of assessment instruments related to children. We would hope that in the future it could be continued because the point of having a survey like the National Longitudinal Survey it seems to me, is that when issues come up they can be over a period of time. We can add questions; we can develop approaches to it; we can follow people who are already in the survey. If you have got young people who grow up and they have children, you can follow the children as well. So the capability is there and I think that that is an extremely important source of information.

We did select some records on all the young women who were in the survey in 1988 when they were 23 to 30 years old who had children. And we looked at those to see what we could find out about the duration of their participation in the AFDC program and we found that over a quarter of those women had participated at some time during the 1980 to 1987 period. And that represents about 2.5 million women in this age group in the United States, nearly 300,000 of them receiving—

Senator MOYNIHAN. Can I ask you to hold on a second—

Dr. NORWOOD. Yes, surely.

Senator MOYNIHAN [continuing]. Just to see if we are learning something here? Your panel is a sample.

Dr. NORWOOD. Yes.

Senator MOYNIHAN. It is not skewed in any one direction?

Dr. NORWOOD. No. That is correct. It is selected to be representative of the total of that age cohort.

Senator MOYNIHAN. Yes. So when the PSID data says 23 percent, we know we are talking about a quarter of the population, do we not?

Dr. NORWOOD. It is very close. But quite apart from that, of course, what we are doing is looking in the NLS at a particular age group of the population.

Senator MOYNIHAN. Sure.

Dr. NORWOOD. And that is what I would like to point out as one of the benefits of the NLS.

Senator MOYNIHAN. Got you.

Dr. NORWOOD. Particularly if over a period of years we could find the resources to develop say every 10 years or so a new youth cohort, we could then follow each decade and what is happening to those young people as they grow older and to their children and to their family circumstances.

Senator MOYNIHAN. Janet, Janet, Janet, pause a minute to be excited. You have seen too many interesting things. Nobody knew this 4 months ago. It was in our data and it was in our machines and so forth. You know, we knew there were a lot of people on welfare—but how many? Now the number jumped at you.

Dr. NORWOOD. Well, that is why we have you.

Senator MOYNIHAN. Yes. [Laughter.]

You know, you just found—

Dr. NORWOOD. You prod us into doing many of the things that we ought to be doing.

Senator MOYNIHAN. I do not think these numbers have been absorbed in national economic policy.



Dr. NORWOOD. I would agree with that.

Senator MOYNIHAN. And I see Dr. Schmalensee agreeing as well. Thank you.

Secretary Gerry, you were out of the room, but the national longitudinal survey found that 26.5 percent of the women in that panel had participated in the AFDC program at sometime during the 1930-1987 period. We are talking about a quarter of the population. That is a new idea.

Dr. NORWOOD. And we also looked at spells of welfare reciprocity and we found many of the same kinds of things that the research has done where many of the spells, for example—

Senator MOYNIHAN. Wait, wait, wait, wait. Yes. Well, there again, is that the bimodal thing I was talking about?

Dr. NORWOOD. Yes.

Senator MOYNIHAN. Here it is. Nearly 300,000 received AFDC in two or more years. Approximately 140,000 received it in all 8 years. And that suggests to me that you have long-termers and short-termers.

Dr. NORWOOD. Yes, exactly.

Senator MOYNIHAN. It is bimodal.

Dr. NORWOOD. Yes.

Senator MOYNIHAN. And my bet would be the short-termers are in their 30's, late 20's.

Dr. NORWOOD. Yes.

Senator MOYNIHAN. And the long-termers are starting their teens? I do not know, but I mean you can find out.

Dr. NORWOOD. And we also looked at the employment history. Since after all, we are the Bureau of Labor Statistics, we are particularly interested in that. So we looked at the employment histories for these women with children and we found that obviously, as you would expect, those who never received any AFDC benefits worked nearly 33 weeks per year for the 8-year period. Those who had received AFDC in only 1 year worked an average of 24 weeks. Those who had received it in all 8 years worked an average of only 4½ weeks.

Now the reason that I wanted to focus on that, Mr. Chairman, is because we have a very special interest in data on the working poor. We tend to think in the United States about people who are on welfare as being the poor. There are people who are just a shade above that who are working but who work at low wages or work less than a full year. And many of their families are in poverty and many of them are just a shade above it. And we do issue a report each year at the Bureau on the working poor.

Now using data from the March supplement to the CPS, we have defined the working poor because that is the first thing you have to do. And we defined them as those people who are working or looking for work at least half of the previous year. You could have a different definition obviously. But we needed to have a working one, therefore, who had been in the labor force really for at least half of the previous year and who lived in families with incomes below the Federal poverty level.

When we looked at those working poor families who received government assistance or transfer payments, we found that most of

them used food stamps and Medicaid. And we have some tabling and testimony about that.

Senator MOYNIHAN. Now wait. You would have to be on AFDC to get Medicaid in that period, would you not?

Dr. NORWOOD. Yes. And many of them also were on AFDC.

Senator MOYNIHAN. All right. And so this was one parent?

Dr. NORWOOD. 39.6 percent. No, these are not necessarily one-parent families.

Senator MOYNIHAN. Not necessarily.

Dr. NORWOOD. Many of them had two parents.

Senator MOYNIHAN. There was a mix.

Dr. NORWOOD. Yes.

Senator MOYNIHAN. Yes.

Dr. NORWOOD. Now it is true, of course, that only a portion of all welfare recipients were in the labor force and we know about those. And I will not go into that information.

But, you know, we asked ourselves for purposes of this hearing, how many families could possibly fall below the poverty level if no income had been received from welfare programs or other assistance programs. And we used the data from the CPS March supplement to make an estimate. It is obviously a guess and I think a fairly reasonable one. And we estimated that during 1989, had they not received payments from Welfare or from social insurance, the type we have discussed, up to 421,000 of this group of families with some work would have been added to the poverty count. About two-thirds of these families received incomes from means tested programs rather than from unemployment or workers' compensation.

I am presenting those calculations mainly to provide some information about the number of working families who are close to the margin of poverty. And we need to be aware of them and the children who are in those families as well it seems to me.

Now you mentioned before an interest in some discussion about income on the one hand and assets on the other.

Senator MOYNIHAN. Yes.

Dr. NORWOOD. We do have in the Bureau of Labor Statistics a program on consumer expenditure surveys which is done for us by the Census Bureau.

Senator MOYNIHAN. Right.

Dr. NORWOOD. The consumer expenditure survey is a fairly small sample. It is about 5,000 households but it can be pooled over several years if you want to get into great detail.

And in that survey we can find out about the expenditures of families at different income levels and different types of families and, in fact, we ran some tabulations. There is a table attached to my statement which looks at the low income elderly and at the single parent families. And it is just an average, of course, but you can see clearly that the single parent families are larger families and that they have less income and that they spend a much larger proportion of their income on food and housing. One can go into greater detail, of course, with that. Also there is further information in those surveys about assets and income and different sources of income, including food stamps and AFDC and other benefits.

So there are I believe a great deal of sources of information. I think what is most lacking is the analysis of those data in a manner which can be related to the kinds of issues that you raised.

In trying to summarize this, I have tried to develop a little table, a hand-out which I will leave with you which goes down some of these issues and tries to look at the kinds of issues: welfare incidents, duration, recidivism, inter-generational welfare reciprocity, the importance of income derived from welfare, the well-being of children and family trends in a general with a listing of the kinds of surveys that are in place from which data of this kind can be gotten. And I will leave that for you. I brought a number of copies of that which I thought would be useful.

Now I would like to make a comment or two about some of the previous discussion that I heard and the statements that I read. I think it is clear that one of the things that we need to do is to make better use of the administrative data base. And I was pleased to see in the testimony from Health and Human Services that there are steps being taken there.

I understand fully the difficulties in working with data from 50 states. We at the Bureau of Labor Statistics have an extremely well-developed program of Federal and State cooperation in the employment area and a little less well developed one in the occupational safety and health area but we are working on it. And I know how difficult it can be. Programs of this kind take time and they take money and they take a lot of hard work. But I think progress can be made in standardization of those administrative records and improved quality will result.

It is also true that we in the survey business I believe have a great deal to learn still about longitudinal surveys. There are special problems in the development of longitudinal surveys that we are beginning to understand.

In fact, I had a discussion at a working party that I chair of the OECD on employment and unemployment statistics about longitudinal surveys that are done in other countries, other OECD countries as well as our own. And there are special problems of waiting, of collection, of processing of the data in ways that will make it available, not only to researchers who have 3 years or so to do their work, but also to others of us who need to have answers much more quickly. And I think we need to work harder on issues of that kind.

Obviously, the welfare population is somewhat harder to enumerate than the rest of the population is and there are problems of undercount, not just of the total population but of the population within the household itself. There is greater non-response on certain kinds of questions. I think we are learning a lot more about that and because the data are imperfect, I do not think we should despair of them. My own view is that the income data on the current population survey which probably has about a—oh, some researchers feel about a 10 percent understatement. It is still pretty good.

Senator MOYNIHAN. And you have been at it for 50 years.

Dr. NORWOOD. Yes.

Senator MOYNIHAN. And you are getting pretty good because you have only had a 10 percent understatement.

Dr. NORWOOD. I think we are doing pretty well with that.

Senator MOYNIHAN. Yes. It is only 10 percent.

Dr. NORWOOD. And finally, let me say that I believe very strongly that numerical studies, social indicator projects where you have lists of numbers, are really only useful if they are accompanied by a full analysis and interpretation. And I would hope that in any development in this area you really put emphasis on a report which really analyzes the data rather than just on numbers themselves.

Senator MOYNIHAN. Oh, good. Thank you for that.

Dr. NORWOOD. Thank you.

Senator MOYNIHAN. Because that is what has not happened. We have avoided analyzing the data.

I saw Dr. Schmalensee nodding with great pleasure. You know, people who work in the EOB and that close to OMB are happy. You know, we are already spending that money. We do not have to spend it a second time. And now——

Dr. NORWOOD. Well, I am not quite saying that.

Dr. SCHMALENSEE. No, that was not why I was nodding actually.

Senator MOYNIHAN. Now to conclude. It is our very great pleasure, I think the first time before the committee, Paul Barton of the Educational Testing Service. Good morning, sir.

**STATEMENT OF PAUL E. BARTON, DIRECTOR, POLICY INFORMATION CENTER, EDUCATIONAL TESTING SERVICE, PRINCETON, NJ**

Mr. BARTON. Good morning, Mr. Chairman. May I submit a corrected copy of my testimony?

Senator MOYNIHAN. Corrected copy?

Mr. BARTON. I came up here with more than my usual number of typos and mistakes. Maybe I have corrected a few of them.

[The prepared statement of Mr. Barton appears in the appendix.]

Mr. BARTON. Mr. Chairman, I think that a regular report on social indicators that are connected to dependency could be a real turning point in our resolve to confront and combat the forces and conditions which create and sustain dependency. And I say that for four reasons.

One is that the regularity of it would represent a commitment to collect the data after it has been identified and will keep the public watching it. Even though I have been encouraged by what I have heard this morning about the advances in our income data from witnesses it still seems to me that if you go back in time we have had periods where fine work has sort of been washed out and we have had to rebuild it.

For instance, I was engaged in the late 1950's and the early 1960's in rebuilding the wash-outs of the 1950's in the Bureau of Labor Statistics when I was in the Office of Management and Budget.

I think we probably had some erosion in the 1980's in our base of social statistics and I do not know quite where it all occurred, but we ought to look to see where we have lost good statistics, and need to restore them.

Senator MOYNIHAN. Could I just interrupt? Let everybody in this room be on notice. This data is not value neutral and anybody who thinks that collecting it will be universally welcome is wrong.

There is a great remark by Hannah Arent that the tactical of the totalitarians in Europe during the 1920's and 1930's lay in their ability to turn every statement of fact into a question of motive.

Mr. BARTON. The second reason for its importance is that I think if it were done well, it could help point for social science what its social uses are. I think that focus is important if we are going to harness the social sciences. They increasingly become fragmented and specialized and more interested in methods, functioning as technicians in academe rather than focusing on the needs of public policy work.

Senator MOYNIHAN. You could become more interested in methods if you find that the discussion of policy becomes more hazardous.

Mr. BARTON. That is right.

The third would be that this report would regularly confront the policy community and legislatures with good information which would have to be responded to. And people could ask well, what are you going to do about this, just as you have hearings on the economic report with the Joint Economic Committee——

Senator MOYNIHAN. Yes.

Mr. BARTON. And fourth, it would focus attention regularly on the inadequacy of the present measures and knowledge. So you would constantly be having to confront what you do not know and what you need to do about it.

In my testimony perhaps I have been somewhat more expansive than you had in mind or than some of the discussion I have heard. I have set forth the proposition that such a report might consist of five sets of indicators. The first and perhaps most important set, and most expansive, is what I call a counterpart in social indicators to the leading economic indicators developed by Geoffrey Moore at the National Bureau of Economic Research in the late 1950's. This was a very exciting development.

I think that while we will never have that kind of precision and predictiveness, at least we can start to find those trends and identify those that are critical. And as we watch them, we may begin to see whether or not they point to a tendency toward a future problem or if they are in fact well correlated with dependency. They might also be called correlates of dependency. Of course we cannot "model" the society and we cannot determine its social weave, but we perhaps can move forward to where we can identify a tear in the social fabric.

Senator MOYNIHAN. Yes.

Mr. BARTON. Some of my examples, and they are just examples, are trends on literacy. We are just beginning to be able to have a series on literacy in the United States. We began in 1985. In 1992 we will go into the field to a national household sample of adults and actually access literacy.

Senator MOYNIHAN. Is that the ETS?

Mr. BARTON. That is the Department of Education. ETS has a contract to carry it out. But it is a mandate of Federal law. The first comparison over time will be for young adults between 1985

and 1992. And in 1992 there will be information for all adults, age 16 and over.

There is now a prospect that this will be done regularly as the National Education Goals Panel chaired by Governor Ray Romer calls for an indicator on a regular basis because to track progress toward one of the education goals for the year 2000, that every American will be literate. I think it will also be important to measure the inter-generational transfer of literacy as a key in the link in inter-generational transfer of dependency.

And in literacy you will find in my testimony that I brought out that the AFQT study—

Senator MOYNIHAN. Yes.

Mr. BARTON [continuing]. Was normed in 1980 using the NLS—is that the National Labor Force survey at Ohio State?

Dr. NORWOOD. National longitudinal survey.

Mr. BARTON. National longitudinal survey. And there they identified the relationships of scores on that test to characteristics of the test takers. They found that 59 percent of unwed mothers, for instance, and it was given to both males and females—were in the lower fifth, the lower 20 percent of scores on the AFQT. It is sort of an updating of the AFQT data in one-third of a Nation, but on a national sample.

A number of us have been working with the National Goals Panel, chaired by Governor Romer. We have recommended that the Defense Department to re-norm that every 10 years as one means of tracking these abilities. I also have done some work on those differences back in the 1960's and I have some preliminary findings which I can talk to you about.

Senator MOYNIHAN. Dr. Schmalensee and Dr. Norwood, you might be interested if you look at page 7 on Paul Barton's testimony. Can we get that down to them?

You will see where we first picked up the problem we are talking about today. We were working in the Bureau of Labor Statistics in the Office of Policy, Planning and Research to demonstrate the link between the unemployment rate and family dysfunction. And we had a correlation of about 0.73 as I recall and then suddenly, in the late 1950's, it began to weaken and then in 1963 it just disappeared completely. And you see the way they went in the opposite direction? Dependency went up while unemployment went down. Well, that is when we went to the President of the United States and said, "you have a problem here."

We do not know what the problem is. And we are just now resuming this discussion which was begun 30 years ago.

Mr. BARTON. On page 9, sir, you will see 20 years later a counterpart to that in the relationship between the business cycle and the prison incarceration rate—the rate at which prisoners are turned over by the Courts to State penal institutions. I had followed that in the 1960's.

Senator MOYNIHAN. Well, you get that same scissors phenomenon around 1982.

Mr. BARTON. It is the next generation of the same cohort.

Senator MOYNIHAN. It is the same curve for 30 years and then suddenly it—

Mr. BARTON. Right. The year-to-year variation broke down in the 1970's but the trends remained the same. The relationship had been very close until 1972 according, around a 0.9 correlation as a matter of fact. Nobody has been very interested in my table on this, and I have never been able to explain the relationship very well either, but it is the kind of indicator I am talking about.

Senator MOYNIHAN. But we look up and we have more people in prison than any nation on earth. And I think you had some predictors here. I do not know. That is striking—the pattern of that scissors phenomenon.

Mr. BARTON. Well, there are a few more examples I have here of leading indicators or correlates. Now just to numerate the other four sets of indicators I have discussed in my testimony. I think we need to get indicators that everybody is confronted on the health of our dependency prevention programs, the social insurance system. One example is unemployment insurance.

If you look on page 21, you will find that looking at experienced, wage and salary workers who are unemployed, the proportion who are drawing unemployment insurance has fallen in 1975 from 57 percent down to 42 percent. That is fairly widely known.

Senator MOYNIHAN. We are going to have hearings in the Finance Committee on that subject. Perhaps legislation also—

Mr. BARTON. Also, I suggest indicators of those risks that the social insurance system has not yet begun to handle such, as temporary disability insurance. While there is social insurance after 6 months if you are disabled, there are only four states in the country that will give you a benefit, like an unemployment insurance benefit, for the first 6 months if you are temporarily ill. New Jersey, the State I now live in, is one of those four.

Senator MOYNIHAN. Oh, is that right?

Mr. BARTON. Now, of course, there is the slack taken up by sick leave provided by employers, but as usual there are large numbers who get left out of adequate protection.

The third set of measures are of the flows into dependency, the proximate cause of those flows into dependency. An example would be the loss of child support or alimony.

The fourth set I call flows out of dependency, to keep track of the proximate causes and reasons why people are moving from dependency status. And then fifth and finally, the condition of dependency. These last three categories I think of as the dynamics of dependency. In the 1960's we made the mistake I think of looking mainly at the characteristics of the stocks of people who were poor—the people who were poor at a point in time, and how to get them out, rather than looking at poverty and dependency as a dynamic situation. We need to look at the tributaries that are constantly carrying people into dependency and trying to find out what we can do to stem the flows, as well as move people out of dependency who are already there.

As for the flows out of dependency, an example indicator is obtaining an educational credential that results in employment. An indicator of the condition of dependency is tracking over time. The self-confidence and self-esteem of recipients, a key measure of whether or not we are going to be able to move people out of dependency in the future.

And last, you raise, in your letter, the issue of location—where such an activity would be located. And I do not know but I do think that that how well it starts out in its first couple of years will probably pretty much determine how well it ends up. Once such things get started off badly in this town, as near as I can tell, you pass them by and do not recover from it. So where this gets located and who is enthusiastically behind it right from the beginning would be very important. There are a lot of possibilities. The Office of Technology Assessment does beautiful work. HHS, of course, is a logical place. The whole NAEP system started as a quasi-governmental activity and fairly successful so.

Senator MOYNIHAN. What did you call them?

Mr. BARTON. I am sorry. NAEP, the National Assessment of Educational Progress that I have been involved in; the "Nations' Report Card" as it is called. The Congress in that case said to the Department of Education, this will be mandated. You will do it and you will do it through a grant—later a contract—to some national educational organization. So it has been a joint activity between the government and whoever happens to have the contract, Education Commission of the States for many years and ETS right now. That is a quick summary, sir.

Senator MOYNIHAN. That is perfect. And we are reaching the hour where we have to adjourn. But I see that the Secretaries are still here and I want them to listen very closely to what Paul Barton just said about where to locate a system of social indicators.

I wrote the presidential message in 1970 that proposed the establishment of a National Institute of Education to continue the work of Coleman's study on equality of educational opportunity. And Edith Green of Oregon said, "sure, we will do this for you." And I was the first witness in the hearing that John Bradamus held. And the hearings were a disaster I can tell you. I mean one after another of the members of the House said, I do not care about this stuff. My people need answers now. And you say well, you are not going to get them now, you know. It will take a little while. It might take 20 years. Then it went over to the Department of Health, Education and Welfare and it was moribund. It continued to live and consume monies for another 20 years and never produced an ounce of information, a disastrous failure, and killed in its crib by jealous wicked, wicked witches and things like that. [Laughter.]

So that is a very big question—where to locate a project. I mean I have seen it happen. If the audience will raise their hands. Anybody here ever heard of the National Institute of Education?

[Show of hands.]

Senator MOYNIHAN. Two, three.

All right. Now I am going to put the three of you to a severe test. Anybody ever read anything from the National Institute of Education?

-[Show of hands.]

Senator MOYNIHAN. Well, there are two. All right. You are an overachiever or you are underworked. I do not know which.

Paul, as usual you have come up with brilliant ideas. Could I just ask as we do close—because we are under an obligation to be out by noon as a courtesy to our witnesses.



Could I ask Dr. Norwood and Dr. Schmalensee, if the idea of leading indicators is an intriguing idea?

Mr. SCHMALENSSEE. It is, Mr. Chairman. I was reflecting on the corresponding history in economics. The leading indicators developed in the 1950's, of course, grew out of the National Bureau of Economic Research business cycle work begun early this century and carried on by Wesley Clair Mitchell, Arthur Burns, and many others.

Senator MOYNIHAN. Right, Mr. Burns and Mitchell.

Mr. SCHMALENSSEE. And also, by the time those indicators were produced in the 1950's, we had the national income and product accounts on a fairly secure basis. So it was fairly clear what it is we wanted the leading indicators to lead.

Senator MOYNIHAN. Right.

Mr. SCHMALENSSEE. Thus historically the leading indicators series came into being as a consequence of a lot of research. And, consistent with my earlier theme, I think leading indicators are interesting to pursue in this context, but I would be nervous about rushing to produce a series until we were sure we had the right one.

Senator MOYNIHAN. That is what we are not doing here. We are not rushing. Well, we are saying that we want to put in place something. None of us here is Carroll Wright. There are not many Arthur Burns; very few. But lesser persons have their role.

Dr. Norwood?

Dr. NORWOOD. Well, I would hope as I said before that we not develop a set of leading indicators that are only numbers or graphs or tables. My personal view is that numbers are very useful but only if they are understood. It is what is behind the numbers that are important.

Senator MOYNIHAN. Yes.

Dr. NORWOOD. And it would seem to me that the people who are expert in this field ought to be taking data and issuing a report which analyzes the data. And that is why I guess when I think of the leading indicators which are really just numbers that come out on a regular basis I get a bit concerned.

Senator MOYNIHAN. But there is a community of interpretation and analysis that, you know, waits a new announcement. Who announces them, you?

Dr. NORWOOD. No, the Commerce Department.

Senator MOYNIHAN. The Commerce Department. You know, people rush to their typewriters and the next thing you know it has happened.

Dr. NORWOOD. Just to get revised.

Senator MOYNIHAN. Until they get revised.

Well, I would just like to call great interest to that table of yours, Paul Barton. If that is not a leading indicator, I do not know what is. We saw something happening which we had seen happening earlier that said look out, you are going to have more people in jail than the Soviet Union by the end of this decade.

Mr. BARTON. Mr. Chairman, can I say that there is research. There is a body of social research having to do with that table. It reaches back to at least Dirkheim in terms of this relationship to the business cycle and Henry and Short at Harvard in the 1950's on homicide and suicide and a series of research efforts that have

to do with the link between aggression and economic opportunity. So I think——

Senator MOYNIHAN. There is——

Mr. BARTON. It has to be more than a matter of an interesting set of numbers.

Senator MOYNIHAN. This data will be sent Federal Express to James Q. Wilson to say: "All right, Wilson, explain this one." Or we will send it up to Hernstein and says, "Okay, explain this one." We have numbers now and all you have is theories.

I want to thank you all. It is very generous of Secretary Barnhart and Secretary Gerry to hear out their successors.

Thank you very much. There will be questions we will send you. We are started here. I kind of wish I had done this 15 years ago when I got on this committee but I did not. But I am very happy that we are started. We want your advice and if I had one thing to say it would be Paul's last question, "where do you put this?"

You can send us the answer in a plain, unmarked envelope or you can come back and testify. With great gratitude to all our staff, to Paul. And to Mr. Reporter, we thank you sir. And when we close, we will be resuming on Friday, for the second of hearings.

[Whereupon, the meeting was recessed at 12:18 p.m. to reconvene at 10:00 a.m. on Friday, March 8, 1991.]

## WELFARE DEPENDENCY

FRIDAY, MARCH 8, 1991

U.S. SENATE,  
SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY,  
COMMITTEE ON FINANCE,  
Washington, DC.

The hearing was convened, pursuant to notice, at 10:04 a.m. in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the subcommittee) presiding.

Also present: Senators Durenberger and Grassley.

### OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK, CHAIRMAN OF THE SUBCOMMITTEE

Senator MOYNIHAN. The purpose of these hearings concerns the welfare of children, and in consequence, they do not attract much interest. Thanks to my faithful friend Senator Durenberger. He and I are here alone on these mornings but that is all right.

We are trying to approach this from a different perspective and that is to ask the question, are we dealing with a post-industrial phenomenon that does not have the correlates of earlier social difficulties, the kinds of things that we associate with unemployment; recession; income declines; world trade ups and downs; and agricultural prices?

It took us a century to learn to measure those things—the baffling experience of industrialization. The world did not know anything about it. And as we learned last week when Janet Norwood very generously came over to speak with us about the experience of the Bureau of Labor Statistics, it took BLS 60 years to learn to measure unemployment—1885 to 1946. That is 60 years until they learned the mathematics of the matter.

We began to see great problems in family structure in this country 30 years ago. They have since appeared in Canada; in Sweden; in Germany; in Australia. We made the point that children have become the poorest group in the population in this country. They seem to be the poorest group in the population all over the industrial world. Now in Sweden as we said last week, there are only eight poor people, but six of them are children. [Laughter.]

And so this suggests that maybe we need new indices and we are getting a lot of support for that. Dr. Schmalensee from the Council of Economic Advisors said, yes. Both Secretary Barnhart and Secretary Gerry from HHS testified together saying, yes.

There is a rule that you never do anything about a problem until you learn to measure it. I suppose there is also a rule that you

never learn to measure a problem until you decide to do something about it.

Last week we had a particularly good paper from Paul Barton of the Educational Testing Service. Paul Barton was a member of the Policy Planning staff of the Department of Labor in 1962 and 1963. And he did the analysis which showed that there was an extraordinary correlation between male unemployment and new welfare cases from the period starting in 1946 up to about 1958-1959. Then the correlation began to get weak and then the lines crossed and the relationship became negative. The lower the unemployment the higher the number of cases.

And on the basis of that information, we made the judgment that we were approaching a crisis of welfare dependency which is an entirely different thing from unemployment. And nobody ever paid any attention to that work at all. I say this as a sometime academic—I thought it was the neatest thing ever done and it never got a minute's attention. Bill Wilson made an effort to see whether the correlation continued with persons not in the workforce. But all that research was rejected and the subject was suppressed, and so a generation later we have what we have.

Last Monday Paul came in with a new chart in which he measured incarceration rates against unemployment rates and the exact same pattern emerged for the period 1946 to about 1979—a correlation of about 0.9. Then a sudden weakening and then the same cross-switch—the scissors it has been called. And so the first scissors appeared in 1962, involving the relationship between new welfare cases and unemployment, and the second, involving incarceration, 20 years later. That is eerie but I predict that nobody will inquire into it any further.

My dear friend and colleague, good morning.

**OPENING STATEMENT OF HON. DAVE DURENBERGER, A U.S.  
SENATOR FROM MINNESOTA**

Senator DURENBERGER. Mr. Chairman, I have a statement that I would like to be made part of the record. I would just like to compliment you on what has happened between Monday and today. I am also very pleased that you have taken time to hold hearings on what some may say is a sort of an arcane subject, and yet it is a subject that has a tremendous human dimension. You have actually converted it at my last count, that at least three to five major newspaper articles—I do not know if anybody has done anything in other media. I do not know how you accomplished that.

I suspect it is the respect that a lot of the people in the media have for your foresight, coincident with the time in this Nation's history when there may now be some value in foresight as we try to capture this new spirit and convert it into doing something about the problems before us today.

I heard you say before I had to leave on Monday that you hoped that the media can help the cause. I have just been amazed that in some major publications people have picked up on this issue within a matter of a few days.

So on behalf of a State of 4.2 million people, which because of Loretta Young's contributions to early television is presumed to be

of Scandinavian heritage, I want you to know we have more than eight poor people in Minnesota. Even though the proportion of children is probably the same as Sweden.

For example, looking at some statistics about Minnesota, our poverty rate among children is in excess of 20 percent. There was a 181 percent increase in child abuse reported in our State since 1980.

We have the highest per capita level of teenage birth in Minnesota of any State in the country. Thirty-five percent of the mothers do not receive anywhere near adequate prenatal health services.

So while we are a mix of cultural origin in our State, we have become very Americanized and there is not that much that distinguishes us from the rest of the country as you explore this issue of welfare indicators. It is just that we are probably more willing than most to develop the kinds of indicators that are necessary to come up with the kinds of policies that are essential to deal with this problem.

So there are two reasons why I continue to come to these hearings. The first is my respect for you and your foresight and secondly, the fact that if anybody in this country at the State level is going to find a way to help you accomplish this end of converting information into policy, it is going to be the people in Minnesota. Thank you.

[The prepared statement of Senator Durenberger appears in the appendix.]

Senator MOYNIHAN. As befits that great progressive tradition. And let us not hear a word against Scandinavians.

Our first panel, a very distinguished one of two, is comprised of Doug Besharov of the American Enterprise Institute; Dr. Judith Jones who is Director of the National Center for Children in Poverty and a Professor, School of Public Health, Columbia University; and William Gorham, who for a quarter of a century has been head of the Urban Institute, an institution set up in very difficult times in the 1960's. It was a great act of generosity for Bill Gorham to take that job when he did at the request of President Johnson and that he has stayed with it for a quarter of a century is more than remarkable. It sets a standard of public service. I would like the record to show that.

We start with you, Mr. Besharov. All papers will be put in the record as read. You take your time and say as much as you want and then we will have questions for the panel afterwards.

Mr. BESHAROV. Do you want me to start?

Senator MOYNIHAN. You are first, sir, yes.

**STATEMENT OF DOUGLAS J. BESHAROV, RESIDENT SCHOLAR,  
AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC**

Mr. BESHAROV. Senator Moynihan, Senator Durenberger, thank you very much for having me here. I do not think any living American knows more than you, Senator Moynihan, about the importance of data-informing public policy. But I think also you know how unimportant it can be sometimes and it is that inconsistency which I am going to try to address this morning.

I have read the prepared statements from earlier this week. So I have tried to move into a slightly different direction. I am going to talk about social indicators both to predict dependency and then to plan social responses.

In my prepared statement I have listed some of the major consequences of what I think is probably our most important sign of dependency: out-of-wedlock births, especially to teenagers.

I will not trouble you with those statistics but I do want to draw your attention to one table which is on page 3. What that table portrays is that within 5 years, 77 percent of all unwed mothers are on AFDC.

Senator MOYNIHAN. Yes.

Mr. BESHAROV. It is quite a striking statistic. You know, we always have this problem in social policy when we see a large percentage and we do not know whether that is explanatory or not, and I am the last one to say this is explanatory. But an out-of-wedlock birth is an unambiguous social marker and it is a very potent social indicator of what is going to happen.

When there is a birth to an unwed mother, especially a teenager, we ought to be getting our act together and engaging the energies of government.

Senator MOYNIHAN. You might be interested in this. We talked a bit last week about leading indicators. And Dr. Schmalensee was very encouraging but also cautionary, and he spoke of the experience of the National Bureau of Economic Research, which initially was just number crunching, number crunching before there were numbers. And little by little, theory began to emerge, and pretty soon they starting finding things and said, well, if you see that, you are probably going to find this a little bit later on. And there you are on table three.

Mr. BESHAROV. That is right. And we can take that one step further in graphs one and two which start on page 6.

Graph one portrays birth rates to unmarried women, and this is the way we tend to look at these data. If you were looking at these data between 1970 and say 1980, you would say, "Well, we seem to have stabilized, things are looking okay." As you can see, it is almost a flat line between 1970 and 1980. We happen to take a look at the same—

Senator MOYNIHAN. Now this is graph one?

Mr. BESHAROV. This is graph one.

Senator MOYNIHAN. And this is birth rates, of course.

Mr. BESHAROV. This is birth rates.

Senator MOYNIHAN. In 1970 to 1980, it is closer to flat and then it was going down for a while. Yes, sure. But then it goes up.

Mr. BESHAROV. Then it goes up. But let us ignore for a moment that it goes up, because if we were standing in 1970 or 1975 and even 1980, we might say, you know, it does not look as if we are going to have a growing problem of birth to unwed mothers.

Take a look at the next page. I think we have a possible leading indicator here. This is rates again. This is birth rates for unmarried women, this time by age.

Senator MOYNIHAN. Oh, yes.

Mr. BESHAROV. And what you see—

Senator MOYNIHAN. No, no. The Chair means to be as indulgent as possible, but what you see——

Mr. BESHAROV. What I see, sir. Excuse me. Well, I would be glad to find out what you see.

Senator MOYNIHAN. You are trained at this but walk us through it.

Mr. BESHAROV. What I see here is first of all, that between 1940 and 1965 there was a steady increase in birth out-of-wedlock basically to older women.

Senator MOYNIHAN. Right, 35 to 39, the highest rate.

Mr. BESHAROV. And then peaking and going down, probably connected to the availability of new contraceptive devices around then.

Senator MOYNIHAN. To mature women who would——

Mr. BESHAROV. Take advantage.

Senator MOYNIHAN [continuing]. Take advantage.

Mr. BESHAROV. Between 1940 and 1980—let us not look beyond 1980. Between that period you see this sharp increase and then a decline for all but one group, the teenagers, the 15 to 19-year-olds.

I am sorry, we are not experts at preparing these graphs but you can see that line which is the line with the little filled in boxes. There is a steady ascent from 1940 to 1988. It hardly changes its acceleration.

Senator MOYNIHAN. Is this the one I am——

Mr. BESHAROV. Yes, sir.

Senator MOYNIHAN. Your key is not as clear. This went down from below 10 to over 30.

Mr. BESHAROV. Right, to about 33.

Senator MOYNIHAN. To about 38. All right, got you.

Mr. BESHAROV. Now if I were standing in 1970 looking at this, and remember these are cohorts, I would say, I see a change taking place in the behavior of our teenagers—our teenagers who in 10 years time are going to be 25. And, at that time, there is going to be another group of teenagers who in another 10 years time are going to be 25. And what I would see here is a new group of people, and it is not just one group. It is a whole generation coming through whose behavior was very different from those just 5 and 10 years older than them. I think you see it on this chart.

Senator MOYNIHAN. Or whose behavior continues a trend of their predecessors?

Mr. BESHAROV. It actually does not continue a trend of their predecessors. If you remember how cohorts work, when we look in 1980 or in 1985 to the group that is labeled 25 to 29 and we see their birth rate going up, those are actually our teenagers from 1970.

Senator MOYNIHAN. Oh, wait, wait, wait, wait. I see. Down there, there is a trend that is very steady but then that cohort grows up a bit and it changes the direction altogether.

Mr. BESHAROV. That is right because they are the older ones. They are now the older ones.

Senator MOYNIHAN. Right.

Mr. BESHAROV. I know a little bit about lagging indicators and leading indicators.

Senator MOYNIHAN. Yes.

Mr. BESHAROV. We may have a leading indicator here. I do not want to press this too far, but this well may be one of those leading indicators you are looking for.

Mr. GORHAM. What has happened, if you convert this to a longitudinal set, you have people jumping from line to line.

Mr. BESHAROV. That is a succession of cohorts.

Mr. GORHAM. It clarifies exactly what you are saying and it does make for a very interesting indicator that may be a lead.

Senator MOYNIHAN. That is very nice. Yes, sir.

Mr. BESHAROV. Now I assume, sir, that people would have a great deal to say about these kind of data. I wanted to take a few minutes to talk about a different kind of data, and that is the data that our public agencies collect, whether through AFDC, Child Welfare or whatever, because those data are just as powerful and just as important.

We should remember that when the BLS collects data, it does not collect it just from workers. It goes and samples businesses as well. It tries to find out something about the shape of the institutions in society and who they are dealing with.

So let me share with you some very interesting work examining data from within public agencies to see what they tell about trends. And these data come from two very fine researches: one from the New York Department of Social Services, Fred Wulczyn. I think your staff has some of these papers already; and the other, Bob Goergi, from the University of Chicago.

They have taken, for example, in New York State, the data collected today, every day, on every child in foster care that is put into a machine in Albany and never used, never used, never used. It is up there.

Senator MOYNIHAN. Yes. I know where that machine is as a matter of fact.

Mr. BESHAROV. They have gotten some foundation money and some money from ASPE and HHS to analyze those data and they have come up with a series of reports. I just wanted to show you one set of analyses they have done and that is geographic within the borough of Manhattan, as we New Yorkers say. That starts on page 11.

They have located where in Manhattan infants are being taken from their parents and placed in foster care. They can do this by zip code; they can do this by census tract; they can start measuring this and making the associations between child welfare placement and poverty and employment rates and so forth. And what they see from this and what I see from this is an ability, in the long-term, not only to understand the relationship between various social problems that confront our children, but also to build and plan social responses. You would know where to locate your services. You would not locate them down on Foley Square. Just looking at this map would tell you that New York's Family Court is in the wrong place.

Senator DURENBERGER. We knew that.

Senator MOYNIHAN. Hey, there is a nice specific. Right.

Mr. BESHAROV. But it is nice to show it with a picture.

Senator MOYNIHAN. Right. Family Court should be on 125th Street or 145th Street or down on Avenue B.



Mr. BESHAROV. That is right.

Senator MOYNIHAN. Yes.

Mr. BESHAROV. It would sure make it a lot easier for those mothers who have to take a day off from work if they did not have to get down to Foley Square, which is where the Family Court is now located.

Senator MOYNIHAN. Right. Yes. But to get from 145th Street to Foley Square, and bringing a couple of kids with you, it is an hour and one-half. It is several trains and buses, you know—otherwise, a very good system. And that seems to work fine if you are just going to work. If you are a lawyer in the Family Court, it does not bother you at all, but if you are a client, you know, yes.

Mr. BESHAROV. I will burden you with one more of these things because I think they are so fascinating. And I am trying to show you what we can do with data that we already possess.

The second thing that those of us in the service provision want to do is to understand the flow of people, of children, through our various systems. This week it is child welfare; next week it is AFDC; and the next week it is mental health. The fact of the matter is, these are the same people needing our help.

And for this, what they have done in Illinois is really very impressive. First, figure 8, on page 17, portrays how, up to now, the only way we have been able to present these data which is guesses. We know there is an overlap. Some number of children in special education are also in foster care programs and are also in juvenile justice programs, but we do not really know how many. We do not know the relationships. We cannot say, "Here is the number."

Well, if you turn to page 19, you will see the second stage of a multi-stage project. They have combined the foster care records with the mental health records in the State of Illinois. And what they show here is that if you watch the flow of children, the careers of children who go through their systems, you see that of the 1969 birth cohort of 196,000 children, about 5,500 were placed in some kind of substitute care, whether it is congregate care which is like a group home or foster care, which is a family foster home. For those placed in congregate care, they are 50 times more likely to end up in in-patient mental health facility—50 times.

Well, I share these statistics with you because, as you are thinking about social indicators, I hope that you will think beyond these very important longitudinal surveys—which I use all the time and which I used in the first set of leading indicators. There are within the States—in those machines and in the machines to come—a rich load of data that we ought to be mining.

And that leads me to my last point. I am going to skip over the recommendations that I make about surveys. They are in my prepared testimony and I think they are in accord with what most other people are going to recommend.

Senator MOYNIHAN. No, just hold it. Just do not go too fast.

Mr. BESHAROV. Sure.

Senator MOYNIHAN. What is congregate care? It reminds me of congregational ministers who are very able, congenial people.

Mr. BESHAROV. It is Newspeak, sir. We cannot—

Senator MOYNIHAN. Oh, Newspeak. Good, good, good. We need more of that.

Mr. BESHAROV. It is institutions and group homes. It is anything more than six or seven children.

Senator MOYNIHAN. It is an orphan asylum.

Mr. BESHAROV. [Sh].

Senator MOYNIHAN. Congregate care. All right, as in the first congregational data. Are you saying to us, sir, half of them ended up in-patient mental health?

Mr. BESHAROV. No, no, no, no, no, no, no. It is 12 percent of them. These figures are 12 percent.

Senator MOYNIHAN. Twelve, all right. Twelve percent. All right, as against three—that is four times the rate of foster care.

Mr. BESHAROV. That is right. But it is 50 times the rate of children who were not placed in foster care. That is the number. If you look at the far right which is children not placed in substitute care, that 190,000 children are the children who are home with their parents doing basically all right. Their mental health placement rate is very low, 0.26, which is a quarter of 1 percent.

Senator MOYNIHAN. Can you just help me? Why are these 190,000 children more or less, listed at all? You mean these are just children that are born and went home?

Mr. BESHAROV. Yes. This is because what they are able to do in Illinois now using government information systems, is the equivalent of a PSID.

Senator MOYNIHAN. I see.

Mr. BESHAROV. They are able to do it from within the system.

Senator MOYNIHAN. I see.

Mr. BESHAROV. They are able to say, we know the size of the birth cohort in 1969. It was 196,000 children.

Senator MOYNIHAN. Right. So what you are saying here is that—God, congregate care. I have written some rather casual remarks to the effect that we are going to have to go back to the asylum. The foster care system is overwhelmed.

And for all those who wish to know, the Moynihans have just had a grandson and we are now in the condition of ancestors. But that grandson just went home, you know, with his mother and his father. Those are the children who we now define as not placed in substitute care. I mean, y u know, the normal expectation, the normal experience. It is curious how quickly you begin to define people by the pathologies they do not have or the awful things that did not happen—children not killed in automobile accidents. But anyway, these are just the kids that went home.

Mr. BESHAROV. That is right.

Senator MOYNIHAN. And a very low degree of in-patient mental institutionalization. Mind you, the overall level of institutionalization is down anyway. So you have to be in pretty bad mental health to be in a mental institution.

Mr. BESHAROV. Yes, especially the child.

Senator MOYNIHAN. Yes.

Mr. BESHAROV. And what this would say is that as we are thinking about congregate care as well as foster care, we should be focusing on the mental health needs of those children as well as the need to give them a roof over their heads.

Senator MOYNIHAN. Thank you. Thank you.

Mr. BESHAROV. After talking to many people, but especially Nick Zill, I am of the conclusion that we need both more and better surveys of children and of families. And I am indebted to his advice on the list that I am about to share with you.

The first, and I think this is something we should consider—the U.K. has had I think two major ones, and this is a periodic survey of the nation's children—a longitudinal study maybe every 5 years if we had enough money but certainly every decade because the truth be told, as valuable as the PSID is and I know Greg Duncan is here—

Senator MOYNIHAN. Yes.

Mr. BESHAROV [continuing]. Those 5,000 families are carrying an awful lot of water for us and it would be nice to have another group of families. And I know there are other surveys as well, but I just want to make the point, it would be nice to have some new surveys out there in the field with modern techniques of both interview and data collection.

We should certainly augment current information in surveys. I am always surprised at how difficult it is to get information about welfare status or marital status. Whether it is NIDA, drug abuse, child abuse, whatever it is, it is not a question asked. It is hard information to get. It is very hard to get. It is considered dirty. You know, there are empty cells—

Senator MOYNIHAN. Stop right there. I will use Lee Rainwater's term, and I began to encounter as did Bill Gorham in the early 1960's, it is called protecting the good name of the clan. Do not let it be known how bad off things are. That came from inside the profession. If there is any one place in Washington where the officialdom did not want you to know how bad off children were, how badly children were getting to be in the 1960's, it was in the Childrens Bureau. Anyone who wishes to say otherwise is welcome to come and we will have a special session of this committee.

The Childrens Bureau did not want you to know how bad children were doing. And part of the data problem—

Mr. BESHAROV. Yes, it is. And in this regard, there is something else which is, a failure to distinguish between poverty and welfare reciprocity. As you have read, there is a tendency in one paragraph to talk about poverty and the next paragraph to talk about welfare reciprocity as if the two were equivalent. And that also obscures all this.

So my suggestion would be that when these people do this research, that they get both income level, and whether the family is on welfare because being on welfare is a different kind of social marker from just being poor.

Senator MOYNIHAN. To Senator Durenberger, let me say that this is so powerful. I wrote a book on this subject 25 years ago, which began simply by saying, the issue of welfare is the issue of dependency. Whereas, normal people stand on their own two feet, welfare people hang, as the buried image of the word denotes.

And the difference between poverty and dependency is an enormous difference. You can be affluent in conditions of dependency.

Mr. BESHAROV. Yes, sir. And then, of course, we all feel that a better use of the existing data we have would be very helpful. I was struck by the last passage in Janet Norwood's statement where in

effect she said, preparing for this hearing made me realize how much we have and that we do not use. I think I am not being too unfair in paraphrasing what she said, and that is striking.

There are some efforts in the government now to do a little better here and I hope that you can encourage them along. There is a Federal inter-agency forum on aging where they come together and among other things, share information and data about the elderly. And I think it is worth considering the creation of a Federal inter-agency forum. These are not bureaucratic. They just get together over coffee, and I hope or bun or something, to share what they have. A non-bureaucratic response in this situation might be very, very helpful.

Senator MOYNIHAN. Very good. Thank you, thank you, thank you.

Mr. BESHAROV. Actually, I would like to make one more set of points.

Senator MOYNIHAN. Please, please, please.

Mr. BESHAROV. And this goes back to those data in public agencies and what it will take to get them out. You mentioned old HHS and the Childrens Bureau. There used to be a National Center for Social Statistics. Am I the oldest one in this room? It was a Federal agency and it had a client. Its client was the SRS, the Social and Rehabilitative Service. That is right. Just as the National Center for Health Statistics has a client, PHS, the National Center for Social Statistics had a client, SRS.

When SRS was dismantled, I think in the 1970's—the process started under Nixon but culminated under Carter. Not only were its programmatic responsibilities spread throughout the government, but since they were so small to start with, its data collection capacity was dissipated as it was spread all over the government.

I would say the reason we do not now have a National Center for Social Statistics is it would not have a client. We spread responsibility for dependency-type activities across so many elements of the government, there is no natural place for this activity. I know you have been thinking about this question: should it be the Labor Department; should it be Census; should it be ASPE? One of the reasons that becomes such a difficult question is that there is no obvious client for these data. I do not say there should be a client. I just identify what I think is the one problem.

The last point I want to make relates to another question: Why is it that thoughtful people at the State level do not want these data? Why is that when we turn to the State systems they are so weak? It seems to me that part of the problem is Federal reimbursement formulas and that is why I am so glad to be here before the Senate Finance Committee. We pay States for what they spend and not for what they do. And here I am borrowing from a recent article in the public interest by Senator Moynihan.

We are not even at the level of measuring wing flaps—to use the old evaluator's concept of measuring wing flaps on a duck as opposed to whether it flies. We are not even at that. All we ask from a State is: How much did you spend? As a result, we have relatively good data about expenditures. We audit expenditures. If we paid States for what they did as opposed to what they spent, the States

would have real data systems and we would automatically have data systems.

This issue it seems to me is going to come up four square as you consider S. 4 and changes in the foster care program, because as we see the expansion of funding there as we see the Federal Government seriously considering 90 percent reimbursement for State information systems, we are going to have to ask whether we should be structuring those information systems so that people need the data. And one way to do that would be to have information about programs relate to Federal reimbursement.

Thank you very much.

[The prepared statement of Mr. Besharov appears in the appendix.]

Senator MOYNIHAN. Ms. Jones.

**STATEMENT OF JUDITH JONES, DIRECTOR, NATIONAL CENTER FOR CHILDREN IN POVERTY AND ASSOCIATE CLINICAL PROFESSOR OF PUBLIC HEALTH, SCHOOL OF PUBLIC HEALTH, COLUMBIA UNIVERSITY, NY**

Ms. JONES. Thank you, Senator Moynihan and I am delighted to see Senator Durenberger again this morning. The last time I saw him we were talking about the aging and since they are both disenfranchised groups in America, this seems particular appropriate.

Senator MOYNIHAN. The aging are disenfranchised?

Ms. JONES. The aging, yes. The National Center for Children in Poverty is—

Senator MOYNIHAN. I have to press you.

Ms. JONES. Oh, you have to press me.

Senator MOYNIHAN. Just so I hear you right. The aging?

Ms. JONES. Aging, yes.

Senator MOYNIHAN. Are disenfranchised, that cast one-third of the vote?

Ms. JONES. Within the category of the elderly there are serious deficits that I think are little known, for example, the extreme poverty rates among minorities. It sounds as if you—

Senator MOYNIHAN. Oh, well, that is all right.

Ms. JONES. All right.

Senator MOYNIHAN. But do not call a cohort that casts one-third of the vote at presidential elections disenfranchised.

Ms. JONES. I would agree with you on that.

Senator MOYNIHAN. All right.

Ms. JONES. I am thinking of poor and minority.

Senator MOYNIHAN. All right.

Ms. JONES. That is my perspective and that is my perspective this morning.

Senator MOYNIHAN. Terminological rigor. That is the only rule we have. Go ahead.

Ms. JONES. I thought Senator Durenberger would come to my aid, but I see he is not. He is letting me hang out there on the wind with your verbal riposte, as it were.

The National Center of Children in Poverty is a very new institution. It is only 2 years old and I want to just take a moment to tell you about it. It was established with major support by the Ford

Foundation and the Carnegie Corporation of New York, because of a felt need that there was a major gap between policy development and program implementation. My own background, Senator, is as a program operator.

I think I may have told you at an earlier meeting that I am from New York and there was a time in which I would say, if you can do it anywhere, you can do it in New York. I would now say you can do it anywhere but in New York. And the reason for that statement is because of the rising numbers of children in poverty and their families in New York. As you know, 60 percent of the children in our city are poor or near poor.

My remarks this morning are really remarks that have been developed by a program person. As you may recall, we published "Five Million Children" last spring.

Senator MOYNIHAN. Yes.

Ms. JONES. And it was surprising to me when I took over the Center that there was so little information on children under six and their families, given the range of program and policy debates in the United States about young children. All I could get was one single number, 5,000,000. We called around and asked all of the experts, economists, et cetera, and no one could give us more information.

We ought to think about this in the context of the work of this committee. If you do not have any data, then maybe you do not have to pay attention to some of the issues involved.

Senator MOYNIHAN. And you have a report coming out now.

Ms. JONES. Another one called, "Alive and Well," which will be out in about 2 weeks showing the relationship between poverty and poor health status among children. Again, we had very little data with which we could clearly demonstrate the relationship between poverty and ill health and it is something that is important that I believe is one of the indicators that has been largely ignored. As you know, in vital statistics, we do not have any socio-economic data so, therefore, we are not really sure what is going on there.

I want to focus my remarks on the need for data much more at the State and local levels. I was interested in Doug's comment about who would be the recipients of this data. We do not serve States very well, nor localities for that matter to allow people to develop programs in a more robust manner, because while it is important to have national statistics on social and economic conditions of children for the purpose of monitoring change and developing policy, that is not sufficient. But at the State level, where the programs are really received, we have very, very little data. And we have received a large volume of requests as a follow-on to "Five Million Children," for this State and local data.

In fact, the Center is currently exploring the feasibility of conducting special analyses of the Decennial Census from 1970 to 1990 to provide statistics on child and family poverty for State and local areas. Although there is considerable demand for more refined area analysis by county and neighborhood, not even the Decennial Census provides an adequate basis for reliable estimates.

One of the other things that I think we have been very remiss about, and maybe this is something that we do not feel is important at the national level—although as I will mention in the

Family Support Act you certainly get at it—is information on program coverage, program implementation—

Senator MOYNIHAN. Yes.

Ms. JONES [continuing]. Participant outcomes and program impacts. Did you want to comment on that?

Senator MOYNIHAN. No. I was just agreeing.

Ms. JONES. Oh, all right. I could not tell from the sound of that whether that was for a pause or whether you were saying, right on, Judy Jones.

Also we feel that policymakers should have better information about the relative cost-effectiveness of programs, which admittedly is pretty thorny. I am going to summarize each of the points I have just made because they are presented in much greater detail in the written testimony and you can look at them with your staff at your leisure.

Participant data should be available from programs as a matter of routine administrative reporting though this is often not the case. Data on the number and characteristics of eligible persons in the population, however, must be obtained by population surveys like the PSID, the CPS, et cetera, and the National Health Interview Survey. But they rarely provide a reliable basis for estimating eligible populations below the national level.

An example may help to illustrate our concerns in this regard. OBRA 1989, required States to extend Medicaid coverage to all children under the age of 6 with incomes below 133 percent of poverty. In order to determine program coverage, it is necessary to estimate the number of children under 6 living in families under that poverty line who are not covered by health insurance from private sources and compare this number with the number of children under 6 enrolled in Medicaid during the same period.

National participation can be determined on an annual basis from data contained in Medicaid administrative reports, and the number of eligible children can be estimated from the data collected in the National Health Interview survey. Unfortunately, the small size of this sample does not permit reliable estimates of the number or characteristics of eligible children by State which could be used to develop strategies for increasing participation, and there are numerous other examples of deficits of program-related data.

The basic point is that policymakers and program administrators frequently have very little information with which to work, particularly at that State and local level. In fact, it is interesting to me that most program operators know more about what is going on and where policy has failed than the people that have actually spent many, many hours up here developing it. I think that that is a very, very important point to keep in mind that policy on the ground rarely looks like policy as it is conceived.

Program implementation data which describes the benefits and services offered and actually received by individual participants provide the basis for monitoring program quality. And the implementation data routinely collected as part of Federal administrative reporting, typically provide little more than point in time estimates of enrollment of numbers. In short, we need more than head accounts to assess the quality of a program.

Senator MOYNIHAN. Yes.

Ms. JONES. Let me just turn for a second to the Family Support Act in which you were so important. For example, the Family Support Act of 1988 requires extensive reporting by State-implementing agencies. However, the regulations do not currently require reporting of outcomes for job participants. I have been told that by 1993 something is supposed to happen to track that data. But that seems to be too far into the future. Such data are going to be really essential if we are going to be able to monitor how well and in what ways the program is working.

In developing outcome reporting requirements, it is important to remember that we not hang everything on a unitary measure, such as job placement or the numbers of participants leaving the welfare rolls. I believe that we should consider a broad range of possible outcomes for participants including completion of educational and training programs, initial employment, maintenance of employment over time, job placement and earnings.

Among participants leaving AFDC for employment, it is particularly important to know whether they are able to earn their way out of poverty, for unless they do, the real promise of welfare reform, clearly goes down the tubes.

We certainly do not want to expand the numbers of the working poor in this way. In fact, you and I both know that poverty is a relative condition and that the near poor look alot like those that are below the poverty line in terms of their needs to take care of their children and their families.

And finally, estimates of program impact are derived from experimental or quasi-experimental research, rather than routine program-related data collection. We rely on the major foundations and others to fund research aimed at program impact, less so than the Federal Government. However, the current commitment to evaluate the impact of the jobs program on the children of participants in some sites, we believe is very important, for it is the fate of these children that will determine whether welfare reform can break the vicious cycle of poverty and dependency.

All the work of the Center is guided by two thoughts. One is that all poor families are not alike and secondly, the children are not poor; their parents are poor. And once you look at the issue of poverty from that perspective, it obviously drives a very different social policy response.

My feeling is we should not expect the addition of the many new legislative initiatives to the existing array of programs to make a major difference because they are still so grossly imbedded in the inequities in this Nation. And while the various new policy and program initiatives certainly embody the potential to more effectively address the diverse and multiple needs of poor children and their families, I would like to urge a two-generational approach to addressing the needs of family and their children. I can stop here and go on.

Senator MOYNIHAN. Very, very sensible.

Ms. JONES. I would like to also respond to what Doug said about the need for some group to come together and look at we have got and what we need to do. I would urge something more formal than a bun over coffee. I think we need to create a national study commission that is going to look at this. Lack of data is really con-



straining the development of issues and policies that are truly relevant to moving families out of poverty and dependency. And I would hope that this committee might seriously consider the formal creation of something like that.

Senator MOYNIHAN. We will give prayerful consideration to that Democratic thought of creating more government even though the American Enterprise Institute says let us do it informally and on our own.

Ms. JONES. I fear informality—that is what has been constraining some rational policy development.

Senator MOYNIHAN. No, the—

Ms. JONES. Excuse me, Senator, but I am not suggesting that we have something that goes on and on and on. I think we need some short-term, good heads put together in a very formal way, not out of our back pocket.

Senator MOYNIHAN. Just observing styles in public administration.

Mr. BESHAROV. There is actually a middle ground, as usual, there is a middle path. Theodora Ooms is in the back of the room and she and a group of other people have—

Senator MOYNIHAN. Catholic University.

Mr. BESHAROV. Now the National Association of Marital and Family Therapists? Yes. And actually the—

Senator MOYNIHAN. Where, Dr. Ooms?

Dr. OOMS. I am still with the Family Impact Services.

Senator MOYNIHAN. Family Impact. That is what I thought. Yes. I just wanted to welcome you to our hearing.

Dr. OOMS. Thank you.

Mr. BESHAROV. They do have a proposal going through the government to collect some of this information in a systematic way.

Senator MOYNIHAN. Oh, and Dr. Gorham?

[The prepared statement of Ms. Jones appears in the appendix.]

#### STATEMENT OF WILLIAM GORHAM, PRESIDENT, THE URBAN INSTITUTE, WASHINGTON, DC

Mr. GORHAM. Thank you. I was going to be the fourth of five New Yorkers and be so pleased that Senator Durenberger was here as well so that we did not have a complete plurality.

Senator DURENBERGER. I will be right back.

Mr. GORHAM. Yes, all right. [Laughter.]

Bob Solow, who is a friend of yours and mine, has had for many years a map of Brooklyn in his inner office at MIT. Every time a new person from anywhere arrived in his office, he would take them to the map and ask "where were you born?" And they would say, most of the time, Brooklyn. He would then take one of those little map flags, write out their name, and put it on the address they remember.

I saw Bob, 2 weeks ago on a subject not dissimilar from this. I asked "where is the map?" He said, "shredded." [Laughter.]

There was no room for any more pins. New Yorkers have a way of spreading themselves around throughout the Nation and fortunately, they take on some of the coloration of other places. I grew up on the west side.

Senator MOYNIHAN. I went to school at Holy Name at 97th Street and Amsterdam Avenue. So we were—

Mr. GORHAM. I know. I went to school across the street from Holy Name.

Senator MOYNIHAN. Yes. We were never far away.

Mr. GORHAM. Twenty-five years ago, Mr. Chairman, you and I turned the pages of data that was at that time my responsibility—the Armed Forces Qualifying Test. At that time I was Deputy Assistant Secretary of Defense and you were Assistant Secretary of Labor.

And we poured over these AFQT results to try to understand what they were all about. At the time, you were asking the right questions and struggling to make some sense of the third of the males of the Nation that was failing the test. At the time we had personal struggles which I remind you of. Mainly, you wanted to say more than I felt we could with these data.

Senator MOYNIHAN. Yes.

Mr. GORHAM. And you said to me at the time, Bill, you know I decided some time ago whether I would be either useful or academically respectable, and I decided I wanted to be useful. I just wanted to tell you, Mr. Chairman, that you have shown over these past 25 years that it really is possible to be both.

Senator MOYNIHAN. You are very generous.

Mr. GORHAM. And it is a pleasure to be before you. The question of social indicators and we may be reaching a time when there is a wider willingness to support social indicators, at least children's indicators.

I was the co-chairman of the panel on social indicators that President Johnson appointed and Dan Bell was the co-chairman in 1964. The fight then, and it remains a concern, is that indicators are thought of as evaluative tools; they are not that—they are markers; they are signs.

How changes in inputs change indicators is barely known as you stated so eloquently in your letter inviting us. Indicators mark condition and they should be understood to be that. While we will be able to correlate many things in with them, and these correlations are important to note, we must be cautious with mistaking these correlations as guides for or against policy.

However, to mirror a remark that my colleague, Doug Besharov made, they are going to have to find a congenial home. The Council of Economic Advisers was a very salubrious environment for the evolution of some of the important economic indicators. The BLS was another for another set of indicators.

It is very easy to imagine that the wrong home will be found because indicators can be, as you well know, very politically uncomfortable. Run under the demise of the annual report to Congress on urban condition.

Senator MOYNIHAN. Yes.

Can I just interject, Dr. Gorham?

Mr. GORHAM. Sure.

Senator MOYNIHAN. Last Monday we had this testimony repeatedly. Where you put it is profoundly important and Paul Barton mentioned it, for example.

Mr. GORHAM. Yes.

Senator MOYNIHAN. I related the experience of the National Institute of Education which was a great idea I thought, having thought it up and got a president to propose it. And it was to continue the Coleman work with that paradigm shift about inputs as against outputs.

Mr. GORHAM. Right.

Senator MOYNIHAN. And we got it established in the Department of Health, Education and Welfare. John Brademas did that and Edith Green did that and it disappeared without a trace, was never heard from again. But everything it found, if it found anything in that paradigm shift of Coleman that says that what goes in does not necessarily come out, it was threatening to all the people around it and it died.

Mr. GORHAM. Absolutely.

Senator MOYNIHAN. And the chance we had 20 years ago to know something today may be gone—just to confirm you in what you are saying.

Mr. GORHAM. In spite of my caution about social indicators. I really think that, as you state in your letter, the time to have them has come. They have to be thought of as a decade/generational thing. The time for benign surveillance is here, if I may coin the expression. It really is here and it has to be done on a regular basis. And I think starting them on children is appropriate.

But I would like to make the leap and say that we have done it; that your call to arms is accomplished; that we have a set of indicators and that we have located them in the right place.

By the way, I have a suggestion as to place which will surprise anybody and I will come to it toward the end. [Laughter.]

I would like to suggest the next leap forward—an agenda, Mr. Chairman, going beyond our tracking needs.

That agenda would be addressed to learning the things that have a compelling relationship to children becoming productive adults. It is those things that we should track but we only know some of them. And some of the things we think are most important may not be.

Income—for example. If you asked members of this panel or this group what one factor would be most persuasively related to the well-being of children over time, people would step forward and nominate income.

We know that income is a proxy for many things, some of which work to aid the development of kids and some of which do not work. We know that very poor families sometimes produce splendid parents and those parents produce splendid children.

Senator MOYNIHAN. That map of Brooklyn did not get tattered for nothing.

Mr. GORHAM. That is true.

Senator MOYNIHAN. All those kids were the sons or grandsons of pant pressers, and they were in Solow's inner office at MIT on their way to their Noble Laureate.

Mr. GORHAM. Well, a lot of that Brooklyn bunch grew up in families which are a thing of the past. As much as it would be wonderful to go back to such families that led the way out of poverty, we are not going back to those families. But we have to learn much

more about those families that still provide that same degree of fiber and value and have the same behavioral impact.

We need to know much more about what is going on behaviorally. This is a plea for more of the research sponsored by the National Institute of Child Health and Human Development devoted among other things to an understanding of what it is that promotes well-being in children.

My dream would be to understand what we can understand, about the things that parents can do, that administrators can do, that governments can do to promote good outcomes and retard bad——

Senator MOYNIHAN. Do you really think we can?

Mr. GORHAM. Oh, I think we can learn much more about them—absolutely. I think we can learn about the kind of interaction that is promising with respect to teachers and pupils in general, teachers and tough pupils. In my prepared remarks I have a few examples of knowledge that would provide an awful lot of insight to spread around to the community of people who influence children.

Such research of course, requires longitudinal data. My colleagues at the Urban Institute sent me away with a must-list: longitudinal data, State data, local data. That is the stuff of analysis. The behaviorists need longitudinal data. It is crucial. Do not be satisfied with national indicators.

It think we also have to talk about building a better establishment of behavioral scientists—not that there are not wonderful ones there. Jim Shannon created a bio-medical miracle in the period when I was in government. He started with a frail thing, pre 1960 bio-medical science, and created a major bio-medical science industry. He did so by persuading the Congress that there was a link between basic bio-medical research and disease prevention and cure. Jim Shannon built a science.

He had very little demonstrable proof that there was much connection between basic bio-medical science and disease prevention and cure. He just said it. And he did another brilliant thing. He named the institutes of the National Institute of Health after diseases: The National Institute of Cancer, the National Institute of Lung Disease. Everybody identified the research that went on in the centers with the diseases, right?

Senator MOYNIHAN. Yes.

Mr. GORHAM. But the research was basic cellular research. He built a cadre of cellular scientists. We have never had a Jim Shannon in the behavioral and social sciences. It seems to me at least as arguable that understanding behavior and human interaction—admittedly decades, perhaps a generation off—will lead to improved human outcomes. That is your next challenge, Mr. Chairman.

Senator MOYNIHAN. I see some youth behind us here and out there. Sure. In order for Senator Durenberger to hear this, Dr. Gorham was mentioning that back in 1963, he was Assistant Secretary of Defense and we were groping with the returns from the selective service system and the results on the armed forces qualification test and the physical test.

Mr. GORHAM. And the physical test, reversed.

Senator MOYNIHAN. If anything has been disagreed with, that has been disagreed with, you know. But the higher the AFQT the lower the physical.

Mr. GORHAM. It was at that time, Mr. Chairman, that we lost interest in Minnesota because in Minnesota—

Senator MOYNIHAN. Minnesota.

Mr. GORHAM [continuing]. You will remember that both physical and AFQT tests were incredibly high.

Senator MOYNIHAN. He has heard that.

Mr. GORHAM. Everybody passed.

Senator MOYNIHAN. He has heard that from me. It seemed to me we learned in 1963 that in Minnesota and that, you know, luminous tier of states that goes over—maybe it is the Canadian influence, I do not know—that goes over to Washington, the levels of failure on the mental test were about the levels of low performance on any education test on any normal curve. If the scores were any lower, it would not be an education test or qualification test.

Then you go from Minnesota to New York. Minnesota was first and New York was 46th. We have a little known boundary in Long Island Sound and on the other side is Rhode Island which was half-way between, about 18th or 20th, something like that.

Now Rossi's iron law says that with respect to any social program, the value of any measured effect will be zero. I say yes, that seems to be the case, but you cannot tell me that there is not something different that goes on in Minnesota then goes on in New York.

Mr. GORHAM. Right.

Senator MOYNIHAN. These are not tiny differences. They are huge differences. So something happens to you in New York that does not happen to you in Minnesota or vice versa. Those are real differences.

Mr. GORHAM. And they are learnable differences.

Senator MOYNIHAN. And they are learnable. And do not say to me social policy does not make a difference because people learn more in the State of Washington than they do in the State of Alabama or the State of New York. I have a piece in the current public interest on this subject.

If you will take high school graduation rates as a surrogate for AFQT performance, and it is not the worst assumption for comparative purposes, 30 years go by, a quarter of the century goes by, and guess who is number one? Minnesota. And guess who is number 46? New York. So whatever these changes are, they are lethargic. That is why I did not say we will be around to take care of that next stage you are talking about. But we know that something makes a difference.

I interrupted you.

Mr. GORHAM. I just do want to underline that cellular biology has been the great science story of the past 25 years—cellular biology and genetics. And it is not impossible to conceive that the next leap forward is going to be in behavioral understanding. Much of the equipment to do it is in place now. What remains is for the Jim Shannon of human behavior to step forward and to say it can be done and to ask that it be done.

A generation from now we can look back at this time and believe that with understanding and effort in the next 30 years Minnesota might be made into number three and New York, 39. And that change could take place because we have learned something about what parents do, and what schools do, and what governments promote.

Senator MOYNIHAN. That is the way to end this panel, with a measure of hope.

Mr. GORHAM. A measure of hope.

Senator DURENBERGER. Now I will just begin by thanking all three of you. The thought that Minnesota would drop from one to three is very frightening. [Laughter.]

Mr. GORHAM. Sorry.

Senator DURENBERGER. All these challenges can be defined as a second Jim Shannon—only his name will be Swanson or Peterson or Hanson or something like that.

I am intrigued by two things you said. First is the challenge to move from—I am going to quote Doug—“paying States for what they spend and not for what they do,” which is the beginning of the thesis of outcomes.

I have sat here on the Finance Committee for the past 8 years. I was also chair of the Inter-Governmental Subcommittee over in Governmental Affairs. And it is either a testimony to the futility of what I did in that 6-year period or to something else, that there no longer is an Inter-Governmental Subcommittee in the U.S. Senate.

Senator MOYNIHAN. You have solved all the—

Senator DURENBERGER. Well, I think we have chosen one way or another to take our sense of federalism and so distort it that we really do not see that there is an important role in the U.S. Senate in the area of inter-governmental affairs.

I raise it in the context of trying to find, not the Jim Shannon, but to try to find the answer to the question about is our role here in making public policy, and appropriately using government to help us find the answers to some of the questions that you have been raising.

I struggle with this business of measuring outcomes rather than rewarding inputs in practically everything I myself am doing, and whether it is the area of health, education or some other issue. For example, we have held in the Labor and Human Resources Committee this year a half a dozen hearings on children and education and all the inter-relationships between the two. People tell us much the same thing that you are telling us, and that is, we ought to start measuring outcomes rather than rewarding inputs.

Yet the best we have been able to come up with is a proposal from our former colleague, Governor Lawton Chiles, who said, why not take your 160 Federal programs that relate to children and add up the money and write me a check once a year and let me figure out how to improve the outcomes. And in effect what he is saying is what former Senator and current Governor of California, Pete Wilson, and I have been saying in a bill we have introduced for the last 10 years, which says if the Federal Government is going to establish Federal mandated requirements and mandate performance by input standards, then we ought to pay for it at the Federal level.

Since we are telling people what to do—or not so much telling them what to do as how to do it, then we ought to pay it. If we want them to do it our way, then we ought to give them the money to do it. Otherwise, we ought to come up with a measurement of expectation and put a value against that—a societal value which is measured in dollars and then figure out what part of that dollar should be spread across all people of this country and whether it should be spread by a direct payment, a tax subsidy or something else and then find out where everybody else fits in the system.

Every year in this committee, I have dealt with the issue of reimbursement formulas for Medicaid and Medicare and I find that the lowest reimbursement formula is for the District of Columbia, because the District of Columbia has the highest per capita income. What an incredible irony.

I see Mississippi next to Texas. If you measure the taxing capacity of Mississippi at the property income or transaction level, the capacity of Mississippi is half that per capita of Texas. If you rely on Mississippi to meet the needs of its own people, from its own sources Mississippi will always lag behind. Yet I look at the Federal level and we are rewarding Texas rather than Mississippi or we are rewarding some other State rather than the District of Columbia.

So I have come to the conclusion that you all are absolutely right, that somehow or other as a nation we need to deal with the issue of outcomes. In the medical area in which I spent a lot of time—another word for outcomes is quality—and we have not figured out how to measure that either. So we are turning to things like practice guidelines and again, this is just another way to tell people how to do it.

I am persuaded that what has been said about behavioral research will lead us in that direction. But what I am not persuaded of is whether or not the components of quality in adults or children as they reach adulthood can be expressed in positive terms or if they have to be expressed in the absence of negative qualities. It seems to me that as I listen to you speak and as I think back in time, we tend to express it terms of the absence of negative qualities rather than in terms of positive—

Mr. GORHAM. Disease. We have a disease analogy, really.

Senator DURENBERGER. Yes. That is the one—

Mr. GORHAM. Yes. As contrasted to health in that, you do not have the health measures. We have the disease measures. Absence of disease is health.

Senator MOYNIHAN. You want to help with that Dr. Gorham? The disease analogy, he understands and I do not.

Mr. GORHAM. Well, the disease analogy means we measure health by the absence of disease generally.

Senator MOYNIHAN. Right.

Mr. GORHAM. Just as we measure the other set of things. What we are striving for is the absence of out-of-wedlock birth, of dependency—

Senator MOYNIHAN. Is there an alternative—

Mr. GORHAM [continuing]. Out of jail.

Senator MOYNIHAN. Right. Is there an alternative definition of health?

Mr. GORHAM. Certainly not.

Senator MOYNIHAN. So you are skeptical?

Mr. GORHAM. Oh, yes, that is. And I am willing to go with it—out of jail, safe streets.

Senator DURENBERGER. I think the direction I was headed besides trying to express this to make sure that I have been following what my Chairman and all of you have been saying, is that if we buy the conclusion that we have to start moving in the direction of quality measurements and outcomes and trace these as we look at the tie between this Welfare Reform Act, JOBS and all the other programs affecting poverty—that you really do want to trace not only the mom, but the kids, and did it work when we combined child care with the vocational training and all the rest of that sort of thing.

Do we institute at the national level a bio-medical/behavioral social science research center—which sort of keeps track of these things—but then also have an institute at the community level with the involvement in one way or another of State governments. Is it at the community level that we have to begin the process of changing the way in which we deal with the outcomes and measurements that we want because every community is going to be different. It is at the community level that you can do these sort of things better. Are you following my question?

Mr. GORHAM. It is only at the community level that they are done and there is no substitute for doing them and bringing them together as was suggested by both of the other panelists. There is no substitute for that. They must be done at the community level. But the learning can be done anywhere. It can be done at the community level, nationally, different—

Senator DURENBERGER. Doug talked about the Inter-Agency Forum on Aging and I immediately turned to the smarter people behind me and they have not heard of it. What is the Inter-Agency Forum on Aging and what did you have in mind when you were talking about something here at the national level that would start collecting smarts?

Mr. BESHAROV. Well, I am not sure how to answer your question. I think the first thing I am supposed to do is play my role as someone from AEI, and say I am a federalist from way back. It is of great importance that decisions be made at the local level. When we create programs, they should not establish incredibly tight straight jackets on not just what local administrators can do, but as I say in my statement, in what they see. They see categorical programs. They do not see people and they do not see problems and I am afraid that is a natural consequence of the way the Congress is organized as much as anything else—and we do not have to talk about that.

Senator DURENBERGER. Right.

Mr. BESHAROV. I also see a change that I am not sure that the Members of Congress have noticed. Even before Ronald Reagan's 8 years, much of the social service action in this country ceased being Federal.

That is to say, for example, in Title 20, the States spend four times as much on Title 20 eligible activities than you all provide. That means that Title 20 becomes not much more than a form of



revenue sharing. But it is not viewed that way here, and when you try to attach requirements onto Title 20, the States say, wait a second, you are not giving us anything in this; you are just reimbursing some of our on-going social service expenditures. I see that in some programs and not in others. Thus, it is a mistake to think of all Federal grant and aid programs as the same.

For example, the Federal Government still is the major player in income support. On the other hand, in social services, in the delivery of human services, the Federal Government is—I bite my tongue and say this before this committee—almost irrelevant. It is sometimes obsolete. This is really what the problem is. The States are going their way. They are ahead of the Congress.

I am not sure how relevant the Federal Government can be. Martha Durthick, in her book "Uncontrolled Spending," made a distinction between Federal spending for income support and for social services. She said it is easy to see the Federal engine of reimbursement for State spending and income support. It is an easily measured thing, with national standards and approaches. Social services vary. There is a difference between providing social services in Queens, my home country, my home borough, gentleman, and in Manhattan. The map of foster care placements from Queens is very different from Manhattan.

There are differences at the borough level that are not captured in Federal programs for social service delivery. So I think that is where to look—to look at that difference between income support, mental health, social services, and so forth. And I would begin to look at something like a fee schedule. I hate to use word DRG, but if you want some control and some ability to give guidance to States about what they should be doing with Federal dollars, you should consider reimbursing those activities that are specified as important to the Congress.

For example, S. 4, contains a series of what are, in effect, new categorical entitlements for drug treatment, courts, and so forth. If, instead, there were a fee schedule already built in to what public social service agencies do, the more natural proposal would be to say, we will provide X amount of reimbursement—up to a capped amount, of course—for drug treatment, or court work, and so forth. And it would slide into a process where the Congress would have the ability to provide oversight to those activities.

Mr. GORHAM. With a cap? I mean would it be—

Mr. BESHAROV. Well, that is a political question. You know, I am supposed to say capped—

Mr. GORHAM. In other words, Title 20 was going great guns until it was capped—great guns in the sense that it is very basically supplanted.

Mr. BESHAROV. It is supplanted in many ways. I think as Martha would say the answer is, you have got to cap something like that, just as we cap Medicaid and Medicare when you get right down to it. We cap it by—capping not the total expenditure. We cap the expenditure per client by specifying the services which are reimbursable.

Mr. GORHAM. Right.

Senator MOYNIHAN. To carry on this conversation—

Mr. GORHAM. We are sorry.

Senator MOYNIHAN. Thank you very much. You have to know how much Senator Durenberger and I have enjoyed this, and we like to hear about fee schedules.

We have S. 4 coming up. All parties should know that supporters of that proposal are going to have to demonstrate what is known about what is proposed. Another set of categorical programs of which we have very little knowledge is not very attractive.

Dr. Jones, gentlemen, thank you very much. We are halfway through our hearing this morning and I just cannot tell you how much we have learned and how much we have yet to learn.

Mr. BESHAROV. Thank you.

Mr. GORHAM. Thank you.

Senator MOYNIHAN. In the effort to learn more, we now have a panel of prodigious learners. Let us see. We are going to have a little shifting here of glasses. Dr. Duncan, Dr. Olsen, Dr. Manski and Dr. Smeeding—that is not the rank order. That is the random order in which you are going to be testifying, but very important to the committee is the randomness.

And it starts with Dr. Duncan, whose work has proved so important in learning what it is we might know if we just ask the right questions of the people who have the data, which is to say the term I am calling tentatively, the dependency rate, which is that proportion of children who were born in a given cohort who will be on AFDC before they are age 18.

And I think it begins to look like 30 percent in the most recent data—but, sir, I am interrupting you. Welcome. Welcome, all, and we will be here until 1:00. And your statements will be put in the record.

Now if you all want to leave, anybody can leave. But proceed, sir.

**STATEMENT OF DR. GREG J. DUNCAN, PROGRAM DIRECTOR,  
SURVEY RESEARCH CENTER, INSTITUTE FOR SOCIAL RE-  
SEARCH, UNIVERSITY OF MICHIGAN, ANN ARBOR, MI**

Dr. DUNCAN. Thank you very much. If you could pass on to your colleague the information that I was not born in Brooklyn, but rather St. Paul, MN, I would appreciate that.

Senator MOYNIHAN. He will find out.

Dr. DUNCAN. All right. It need not be now.

Senator MOYNIHAN. I am not surprised.

Dr. DUNCAN. I am delighted to be here. As you know, I have worked for nearly 20 years on the Panel Study of Income Dynamics, a data collection project launched in 1968 with your help by the Office of Economic Opportunity.

Senator MOYNIHAN. Yes. May I just say for the record here and for anyone who is listening, that there came a time in the mid 1960's when young social scientists said, we have done just about all we are going to be able to do with one-time studies and we are going to start doing longitudinal work. It is an awful commitment, you know. It is a big bet, but only big people make big bets. You have made one.

Dr. DUNCAN. The case for longitudinal studies has been made by all the previous witnesses, I think. Let me give you two more ex-

amples of useful childhood indicators from the PSID. There are two charts in the testimony that I submitted.

The first figure, figure 1, describes patterns of poverty of children during their first 15 years of life. It distinguishes six patterns. The two left hand bars are fractions of white and black children who were never close to poverty.

Senator MOYNIHAN. Excuse me, Doctor. Senator Durenberger, may I introduce Dr. Greg J. Duncan of St. Paul, Minnesota?

Senator DURENBERGER. Certainly.

Senator MOYNIHAN. So you will know that. Sir?

Senator DURENBERGER. The soda was slipping out before I could—

Dr. DUNCAN. In figure 1, children who were under the age of four in 1968 in the PSID are shown according to the number of years of poverty that they experienced during their first 15 years of life. The left hand bars show fractions of black of white children who were never close to poverty in the whole 15 years of childhood.

The second set show fractions of black and white children who were near poverty at least once, but never actually poor. The third set show those poor in fewer than 5 years during childhood; then poor for between 5 and 10 years; poor for between 10 and 14 years, and finally, poor all 15 years.

Senator MOYNIHAN. Yes.

Dr. DUNCAN. It shows much, much sharper racial differences in exposure to poverty than are revealed in single year census figures. The majority of all white children live comfortably above the poverty line throughout their childhoods and poverty is short-lived for all but a small fraction of the one-quarter of white children who spend at least some time in poverty.

In contrast, fewer than one in seven black children live securely above the poverty line throughout their 15 year childhoods, and more than one-quarter were poor for at least 10 of 15 years. All in all, blacks accounted for nearly 90 percent of the children who were poor during at least 10 of 15 years.

A second example on figure 2 comes from the very exciting development in the last decade, the launching of household panel studies like the PSID in a number of European countries.

Figure 2 shows the duration of social assistance experiences of lone parent families from poor countries: Canada, the Federal Republic of Germany, the United Kingdom and the United States with its AFDC program. This is figure 2.

Senator MOYNIHAN. Yes. Where did you get this?

Dr. DUNCAN. With great effort, I am collaborating with a set of European scholars on a joint project on poverty dynamics and social assistance dynamics.

Senator MOYNIHAN. Yes.

Dr. DUNCAN. And there is a conference coming up soon.

Senator MOYNIHAN. How is this related to the LIS?

Dr. DUNCAN. We have met in Luxembourg.

Senator MOYNIHAN. You have met in Luxembourg.

Dr. DUNCAN. Right. But in contrast to LIS, where the data sets are sitting nicely organized after great effort on the Luxembourg computer, these data sets are sitting not nicely organized in the

various countries. And so we have had to gather together researchers associated with these different data sets to do the calculations.

But the data show very, very different patterns of social assistance receipt across the countries. Receipt tends to be relatively short term in the United States and Germany, somewhat longer term in Canada and much longer term in the United Kingdom. The proportion of lone parents still receiving social assistance 4 years after first starting was roughly 40 percent in the United States, 50 percent in German, 60 percent in Canada and 85 percent in the U.K.

Why are these patterns so different? The long durations of spells in the U.K. can probably be explained by a combination of circumstances: very high rates of unemployment in the U.K., employment norms that lead far fewer British single mothers with young children to be employed than their counterparts in the other countries and relatively high benefit levels.

Why social assistance recipients in Germany, with its high benefit levels should exit from the program almost as quickly as recipients in the United States is an important and as yet unanswered question. We are just starting to try to make sense out of these figures.

Senator MOYNIHAN. Yes.

Dr. DUNCAN. If continued, data sets such as the PSID can provide a great deal of useful information about the well-being of children well into the 21st century.

Senator MOYNIHAN. Do you want to tell us something about Canada? Do not ever leave out Canada. When you ask what they do in Canada or what it is like in Canada, you almost always learn something.

Dr. DUNCAN. Canada has considerably higher benefit levels than we do relative to typical wages and they had somewhat worse employment conditions during this time.

Senator MOYNIHAN. Well, you have not figured that out either yet?

Dr. DUNCAN. Right. One cannot point to one single thing. Employment conditions correlate most strongly with the differences but not as strongly as to be the sole determinate of these spell lengths. So it is a combination of ingredients. I think it is the case that U.K. had unfavorable counts on all four of the factors that we looked at, but among the others it is not going to be a simple story.

But the point I am trying to make is that these comparative data have a lot of promise and it is interesting to note that in an international context, the duration of AFDC receipt in the United States is really rather short-term relative to the duration of social assistance in these other countries.

Senator MOYNIHAN. All right. This is one of the subjects we are beginning to pick up from the LIS that whatever happened here may have happened first, but we are not the only place to be seeing a huge increase in illegitimacy ratios and this kind of thing.

Dr. DUNCAN. That is right.

Senator MOYNIHAN. Yes.

Dr. DUNCAN. If continued, data sets such as the PSID can provide a great deal of useful information about the well-being of children well into the 21st century. Important to that end was the ad-

dition in 1990 of a representative sample of 2,000 Latino households to the PSID. We were able to capitalize on the fact that the Ford Foundation had put out money to draw a high quality sample for a study of political participation. And we took 2,000 of those households nationally represented and folded them into the PSID and now are beginning to produce PSID type statistics for these Latino households as well as the core sample that you helped begin in 1968.

Much more could be learned from data sets such as the PSID with additional financial support. What do we need to know? Figure 1 showed very different patterns of childhood poverty for black and white children, but we know precious little about the effects of economic deprivation and dependence on child development. How long must poverty persist in childhood to adversely affect a child's development?

You know from the AFDC figures that I gave to you, that while 30 percent of children may be living in a family that receives AFDC for at least some point in their childhood, two-thirds of them have relatively short experiences, less than 5 years.

How long does it take for an AFDC experience to have a negative impact on a child's development?

Senator MOYNIHAN. Right now there is almost no real study about it, is that right?

Dr. DUNCAN. That is right. Randy Olsen will talk about—

Senator MOYNIHAN. Come to the subject when you get to him.

Dr. DUNCAN. He has measures of child development for his sample of children born to young mothers—we would love to be able to gather child development measures, cognitive test scores, patterns of time use, interactions between parents and children, behavior problem measures for PSID children and then be able to link those outcomes to the long time series of information that we have about poverty use, welfare and family structure. And I would argue that that should be a very important item for the agenda if we are to try to understand the effects of poverty and dependence on children.

Senator MOYNIHAN. Yes.

Dr. DUNCAN. I would add to that list, neighborhood effects. We know next to nothing about the effects of growing up in a bad neighborhood, vis-a-vis, growing up in a poor family. The presumption is that neighborhood effects are very strong. That is the popular stereotype. But there is almost no evidence about that because none of these data sets have gone to the expense of combining the family information with the neighborhood information.

Senator MOYNIHAN. Right.

Dr. DUNCAN. We have actually just completed with some Ford Foundation money again and Rockefeller Foundation money the task of taking our 36,000 PSID addresses in which PSID families have lived over the 22 years of the study and geo-coding them, assigning them to a census tract, a enumeration district, and have merged in now census data on poverty rates; rates of single parent families in the tract; unemployment rates in the tract. And this is done in order to enable the researchers to simultaneously investigate the effects of family and neighborhood on child development.

Although widely used and very highly regarded by social scientists, the PSID faces a very uncertain future. 1991 is the last year of its current 5-year funding cycle and the primary potential sponsors of the study for the next 5 years, the economics and sociology divisions of the National Science Foundation, are able to cover only a little over half of the \$3.2 million dollar annual cost of the original and Latino samples. Budget cuts in ASPE limits its contribution to one-tenth of the total cost. ASPE was the major funder during the 1970's after the OEO went out of business. And sporadic support from other sources are unlikely to close the gap.

Thus while continuing and enriching the PSID constitutes a prudent investment to insure that policymakers can access the economic status of children in future years, current budgetary constraints on the potential sources of PSID support may well mean the untimely demise of this crucial data source.

Senator MOYNIHAN. Point well taken. You have got 22 years in the field and it takes 22 years to do that. Statistics prove that you cannot get 22 years of data in 22 months. We will pursue that.

Can I just ask you to say so the group will know, we had asked earlier, 5 months ago, would the PSID look into the question, what proportion of youth born in 1967-1969 have been on AFDC before age 18. And they came up with a very powerful 22 percent all told, and I think for black children, 72.

Dr. DUNCAN. That is right.

Senator MOYNIHAN. And then we said, can you look at age zero to 7 so you can see something in the 1960's, something in the 1970's, something in the 1980's. And you see a sharp increase from the 1960's to the 1970's, but then it sort of levels out. Dave, hear me on this: it kind of levels out. You get about 22, 23 percent of children who will have been on welfare before the age of 7.

Dr. DUNCAN. That is right.

Senator MOYNIHAN. And if you say, well, we will inflate these rates by about 40 percent to estimate the percentage that are welfare before they reach age 18, you end up with about 30.4 percent. Is there some evidence of stability in that number would you say?

Dr. DUNCAN. That is right.

Senator MOYNIHAN. If we thought there was something going wrong in the early 1960's, we turned out to be right. Got you. Thank you.

[The prepared statement of Dr. Duncan appears in the appendix.]

Senator MOYNIHAN. And now it is Dr. Randall Olsen, who next will speak to perhaps some of the behavioral aspects, but you will speak to what you choose. Tell us what you think we ought to know.

**STATEMENT OF DR. RANDALL J. OLSEN, PROFESSOR OF ECONOMICS AND DIRECTOR, CENTER FOR HUMAN RESOURCE RESEARCH, OHIO STATE UNIVERSITY, COLUMBUS, OH**

Dr. OLSEN. Thank you very much.

It is a honor to be here today to speak on the topic of social indicators to track dependency. I will speak primarily in regard to measuring dependency for children and how this relates to the persistence of poverty across generations.

As we look at the available data on the dependency and deprivation of children, we see an array of numbers collected primarily to describe the situation of adults and their households. The situation of an adult is fairly well described by net family income, wealth, health, household composition, and employment characteristics. For children, data of these sorts on the parents or parent-figures in the household provide important information about the economic circumstances of the child.

But if our objective is to develop or monitor cross-generational poverty-reduction policies, we need more relevant indicators to measure the dependence and the deprivation of children. We need a broader range of information to determine how to influence the ability of our children to develop into well-adjusted and successful adults.

In order to measure deprivation and dependency for children, we need to understand which factors are important in shaping a child's social, emotional, cognitive, and educational development. Now I cannot claim exact knowledge of what determines child development, but there are the usual suspects. The presence of the parents in the household, the education of the parents, substance abuse within a household, and how the parents and the children interact community characteristics, the sorts of things that Greg mentioned, are also important.

And just in passing, I note that when one attempts to match neighborhood level characteristics to these data sets, inevitably confidentiality problems arise. If the survey research industry in the United States is to provide you with the sorts of relevant and necessary data on the characteristics of neighborhoods and how they relate to subsequent outcomes, we need a little bit of help in terms of Privacy Act considerations, ability to match data to records and things of that sort. I believe there is a panel at the National Academy studying this issue, and I think it is worthy of attention.

The list of factors that we suspect influence the social, emotional, educational and psychological development of children and adolescents goes far beyond what the government currently collects to track dependency and its impact on children. We need to measure all these data elements for a nationally representative sample of children, following them over the course of their lives and the lives of their children.

In addition, we must constantly reexamine the data we collect to learn which aspects of a child's upbringing and environment are most crucial to development and, therefore, in which areas deprivation is most likely to lead to a perpetuation of dependency across generations. These sensitive aspects of background must then be weighted more heavily in any social indicator of dependency among the children.

This is a very demanding program of data collection. The government is already supporting a modest program containing many of these necessary elements. Not surprisingly, once more we mention your name, Senator Moynihan, and your tenure at the Department of Labor where you were also instrumental in starting the National Longitudinal Surveys of Labor Market Experience. That is a project currently conducted under the aegis of the Bureau of Labor

Statistics. Commissioner Norwood used some of that data earlier this week.

One of the cohorts being studied is a group of persons who were 14 to 21 in 1979 and who have been interviewed yearly since then. This longitudinal data collection effort has evolved over the years and currently collects many of the data elements necessary to study the antecedents of dependency.

Considerable credit is due to the National Institute of Child Health and Human Development, NICHD and BLS, for cooperatively supporting research in this area. Since 1986, NICHD has funded the systematic assessment of the developmental progress of the children of the female respondents in this group with the goal of determining which aspects of the home and social environment are important influences on child development.

A battery of child assessments was administered in 1986 and the current plan is to repeat this every 2 years. These are the assessments to which Greg referred earlier. Greg would like to have those done on the PSID and I think that would really be a great idea.

Senator MOYNIHAN. I do not want to interrupt, but just to say that if the NICHD has done that, it is a mystery to this committee. We never heard it. Are they keeping it a secret?

Dr. OLSEN. Well, it is a poorly kept secret in the research community. Perhaps it does not get as much attention in the press and so forth that it deserves.

Senator MOYNIHAN. Pass the word.

Dr. OLSEN. It is an extraordinarily powerful data set. Now the data allows—

Senator MOYNIHAN. I mean if the committee of Finance which supplies all this money has never heard of the data, it is only semi-extraordinary and powerful. [Laughter.]

Dr. OLSEN. The data allow us to look at three generations. When you look at the youths at the beginning of the survey, they were primarily in their parents' households and one, of course, is measuring the dependency of the parents. In 1988 we see them 9 years later and now their poverty status primarily reflects their own circumstances. But in addition, because we are assessing the children of the female respondents, we are looking at outcomes for a third generation as well.

For example, some of the assessments we provide are the Peabody Individual Achievement Tests of reading and mathematical ability. These are called PIAT tests. And for purposes here, I will be referring to children who score in the bottom 20 percent in these scales. And we also examined children who have the most severe behavioral problems using the Behavior Problem Index and that was constructed by Nick Zill. I believe his name was mentioned earlier this morning.

Senator MOYNIHAN. Yes.

Dr. OLSEN. Adverse outcomes on these PIAT tests and the Behavior Problems Index presage additional problems in adolescence and adulthood and may be taken as indicators a child is at risk for future dependency. For children whose mothers came from poor families in 1979 and the mothers are still in poverty in 1988, ad-



verse PIAT or behavior problem scores suggest these children are at risk of being in a third generation of welfare dependency.

Let me turn to a few empirical regularities. The most important predictor of whether one of our respondents was in poverty in 1988 is whether that same respondent was in poverty as an adolescent in 1979. There are a number of factors that mediate that effect and I would like to give a few examples of some of these factors.

For example, when we look at the education of the youth's mother, we find that a more educated mother is associated with a greater probability that the child will transit out of poverty as an adolescent and become more self-sustaining as a young adult. Likewise, and not surprising at all, the presence of two parents in the household reduces the rate of which adolescents persist in poverty.

The presence of the father in the household has an especially strong effect on the transition of daughters out of poverty. This is consistent with other work showing the presence of the natural father in the household has an important effect in reducing adolescent fertility, which as you know, is one of the most severe markers of continued dependency.

The high school environment also has an effect on the rate at which adolescents move out of poverty, and I mentioned some of those in a little bit more detail. Now some of the clear markers that our youth is headed for trouble are certain actions that the youth takes in adolescence, for example, simply dropping out of school. It is obvious that that is going to be a powerful marker for continued dependency, and especially being an unwed mother and likewise, heavy use of alcohol. We collect data on alcohol usage, and alcohol usage by adolescents, indicates that they are headed for trouble.

The basic point is that there are a lot of factors that influence the development of children, and we have to look at those factors that influence their development in order to figure out which children are really at risk of continuing in dependency. This notion of social indicators of dependency—it is like the index number problem in economics. There has to be some aggregation of a number of measures and the way you weight those factors has to be related to the importance of the factors. This requires very sophisticated statistical analysis which a lot of the simple tables in here do not reflect.

[The prepared statement of Dr. Olsen appears in the appendix.]

Senator MOYNIHAN. Thank you. We will get back to that and perhaps we would just like to leave this as a question for you. Why have things deteriorated so? And I will just leave that to you and I want to ask the whole panel to discuss that after all of you present your papers. I think you, Dr. Manski, are next.

I mean if anybody has an airplane problem—I see you are looking at your watch, Dr. Olsen.

Dr. Manski, welcome, sir.

**STATEMENT OF DR. CHARLES F. MANSKI, DIRECTOR, INSTITUTE FOR RESEARCH ON POVERTY, AND PROFESSOR OF ECONOMICS, UNIVERSITY OF WISCONSIN, MADISON, WI**

Dr. MANSKI. Thank you very much, Senator Moynihan—

Senator MOYNIHAN. Now where were you born?

Dr. MANSKI [continuing]. And Senator Durenberger.

Dr. MANSKI. These hearings begin from recognition that the way we perceive social problems depends critically on the information that we possess. In the absence of hard data and in the absence of good analysis, all that we can do is form impressions from personal observations, from anecdotes. Some social problems are particularly difficult to assess in these ways, and dependency and persistent poverty are among them.

Now until the late 1960's, as we know, the data sources that we had available for the study of social problems were essentially limited to cross-sectional surveys—to the Decennial Censuses and to the Current Population Surveys. And these sources of data are extremely valuable for many purposes, but they only describe the status of the population at a point in time. They are not suitable for the study of dependency and persistent poverty as we know. Dependency and persistent poverty are both longitudinal concepts, concerned with the length of time that people receive public assistance in the case of dependency, or remain in poverty in the case of persistent poverty.

Whatever systematic understanding of dependency and persistent poverty that we now have derives from the work of people we have just heard from, basically—

Senator MOYNIHAN. Yes.

Dr. MANSKI [continuing]. From the PSID and from the NLS over the past 25 years, and also from the Survey of Income and Program Participation of the Bureau of the Census, the SIPP survey which is more recent—

Senator MOYNIHAN. Yes.

Dr. MANSKI [continuing]. And I think will be increasingly important in the future.

These data sets have proved enormously valuable resources for the study of dependency, persistent poverty, and many other aspects of economic and social behavior.

Now it seems to me, Senators, that given this 25 years of experience, that the time is now ripe to move beyond the research and to begin the development of a set of regularly issued official indicators measuring the magnitude of dependency and persistent poverty.

At present, we do have regularly issued social indicators, but they are all cross-sectional indicators, with one small exception. We have unemployment rates that come out of the Bureau of Labor Statistics. We have poverty statistics that come out of the Bureau of Census. We have all sorts of AFDC and food stamp data come out of HHS and the Department of Agriculture.

But all of those statistics measure the number of people in a given condition at a point in time. In looking through the official indicators that exist now, I was able to find only one that has a longitudinal dimension and those are the unemployment duration statistics that are published by the BLS, and those are very, you know, short durations: what fraction of the unemployed have been unemployed more than 27 weeks.

Senator MOYNIHAN. Yes.

Dr. MANSKI. I took a look at the Green Book, which many of you are familiar with. It is put out by the House Ways and Means Committee—

Senator MOYNIHAN. It is the House Ways and Means document.

Dr. MANSKI [continuing]. Which is more and more becoming a bible for Federal statistics in this area. And I was able to find there, at this point, only a few pages of out-of-date indicators of AFDC dependency. And these were drawn from the research literature studies that were done in the early 1980's and from special tabulations from the PSID, and they have not been updated. The same few pages on AFDC dependency that are in the 1990 Green Book were in the 1989 Green Book.

Senator MOYNIHAN. Yes.

Dr. MANSKI. We have nothing that comes out on a regular basis.

Now it seems to me that regular publication, in the way that we do now publish unemployment and poverty statistics, of dependency and persistent poverty statistics would change the way the public perceives social problems. For example, it would make it abundantly clear to the public that AFDC is serving a heterogeneous population, that in many respects AFDC is serving its original social insurance functions. There are people who have short spells and go off AFDC, but that there is the other population that remains on for a long period.

Now I want to get practical. Besides saying we should have these indicators, what should we actually do? We need to define how the indicators would be set up and we need to ask how we would collect the data.

There are various views about the meaning and proper measurement of dependency and persistent poverty. But I expect that we might settle on statistics of the following form:

The number of persons or families who for so many, say X of the past Y years, have been in some condition, as condition Z.

Senator MOYNIHAN. Yes.

Dr. MANSKI. Now I do not think we now need to propose specific years and specific values. It will be most informative to publish statistics for time periods of varying length, applied to particular age, sex, and racial/ethnic groups. In the case of dependency indicators, the condition of interest would be defined by the presence of specified forms of public assistance, whether it would be AFDC, Food Stamps or the earned income tax credit and we would probably want indicators of multiple program participation, not simply program-by-program.

Senator MOYNIHAN. Sure, sure, sure.

Dr. MANSKI. In the case of persistent poverty, the condition might be the absence of specified levels of income and so on.

Now the hard question is how to get the data to start regular publication of these indicators, and I would like to spend the rest of my time talking about that and talking about three possible sources. These are not mutually exclusive. We could go down all three of these routes because each of these data collection strategies has a mix of advantages and disadvantages.

First of all, one possible source would be administrative records of the public assistance programs which we have heard discussed previously.

Senator MOYNIHAN. Yes.

Dr. MANSKI. And one can get dependency statistics out of this. Obviously, one cannot get persistent poverty statistics because people who are not on these programs do not show up. But let us ask about that.

Obtaining dependency data from administrative records would be relatively straightforward if our programs were administered at the Federal level, but, of course, that is not the case. It is the States that administer the major programs.

But what does this mean? What this means is that if we would like to implement a national strategy of data collection based on administrative records, the first thing we have to do is to standardize and automate the State recordkeeping systems. This would clearly require a very major effort and a lot of time to accomplish, and once the system was in place, it would take an additional long time for the data base to build up.

Senator MOYNIHAN. Do you want to give us a number for a long time?

Dr. MANSKI. Well, I was just about to do that. It is just pure speculation, but I think that it would probably take 15 years, 20 years for the meaningful reports to come out. But you in your letter to us said that we should think decades and generations ahead and we need to begin doing that.

Senator MOYNIHAN. It took the BLS 60 years to learn to measure unemployment.

Dr. SMEEDING. We still do not know what it means.

Senator MOYNIHAN. Sir?

Dr. SMEEDING. We still do not know what it means..

Senator MOYNIHAN. Well, we have a number that comes out once a month.

Dr. MANSKI. Now the payoff from investing in standardizing our administrative record systems would be huge and it makes this worth thinking about very seriously. The resulting data base would do much, much more than provide a basis for producing dependency statistics. It would provide a resource for management of public assistance programs in a way that we now just cannot do.

Now there is some precedent. In Wisconsin, in particular, since 1980 there has been something called the Computer Reporting Network for Income Maintenance Programs. And this is a management information system that has automated all the AFDC and Food Stamp statistics and also is used to determine eligibility. When someone comes in and applies for AFDC, you find out whether the person is also eligible for Food Stamps, for example.

Several studies done at my institute, the Institute for Research on Poverty, have already used the Wisconsin data.

Senator MOYNIHAN. I challenge you to pronounce the acronym CRNIMP.

Dr. MANSKI. Well, we usually just call it CRN and forget the IMP at the end.

Senator MOYNIHAN. You do not try—

Dr. MANSKI. No. We are not imaginative.

But the CRN system in Wisconsin has been on-going for 10 years. It may not be the one that you want to take over and put in the Federal level but it shows this can be done. It is being used for re-

search purposes right now. We have several published papers out of our institute that have used the data.

Senator MOYNIHAN. Yes.

Dr. MANSKI. So that is one possibility. The second possibility for data collection is to go a retrospective route. One could in principle measure dependency and persistent poverty by adding retrospective questions to the current population survey.

Senator MOYNIHAN. Just now 50 years old and they had a little party.

Dr. MANSKI. The great advantage of this route is that it is not very expensive and this could be implemented speedily, within 5 years.

Senator MOYNIHAN. Yes.

Dr. MANSKI. Retrospective questions could be designed, tested and put in place, and then they would provide data immediately.

The primary disadvantage of retrospective questions, of course, is that they rely on fallible human memory. And I think there is a possible danger in going this route.

Senator MOYNIHAN. A very generous term, fallible.

Dr. MANSKI. Well, all of our surveys rely on human numbers.

Senator MOYNIHAN. They rely on human figures.

Dr. MANSKI. It is a question of how far back you go. The danger in going this route is that because of the memory problems, we would likely wind up with a short-run definition of dependency and persistent poverty.

Senator MOYNIHAN. Memory problems and just, you know, not telling what happened. This data is latent with hostility. I mean finding out these things puts you in jeopardy, right?

Dr. MANSKI. That is right.

Senator MOYNIHAN. But I have argued for what it is worth that the training of social scientists ought to provide a short course from the medical school on how do you deal with hostility, you know. Psychiatrists learn to deal with hostility, right?

What do you do with people that say, I hate you for what you found? I mean you typically want to say, well, I am sorry, maybe I was wrong, instead of saying that is all right or whatever they teach you to say. I do not know, but I give you that thought.

Dr. MANSKI. I think Greg and Randy deal routinely in designing questions for the PSID and the NLS surveys. They, I know, have to worry quite a bit about how respondents will react to particular questions.

Senator MOYNIHAN. Or then write a paper on what you found and see what you do. I mean the subject of family was effectively banned from the campus for 20 years, right?

Dr. MANSKI. Yes.

Senator MOYNIHAN. Yes. It was verboten. I mean any studies into the subject are, you know—

Dr. MANSKI. Well, you have been vindicated. This topic is back on the agenda.

Senator MOYNIHAN. Because if you do these things to make people like you and you find that they will not like you, you will not do them. I just offer this to the panel at the next—I do not think the American Economic Association would have that panel, but the Sociological Association may do it. But, sorry, Doctor.

Dr. MANSKI. The final data collection strategy is to institute a continuing longitudinal survey. Longitudinal surveys can overcome these memory problems because you just do not ask people to go back so far. Using the experience of the PSID and the National Longitudinal Surveys and other surveys, it seems to me we are now at a point where we could well design and implement a continuing longitudinal survey.

And a continuing longitudinal survey would be different from what we now have. What I mean by that is one that would regularly add new cohorts to the data base and that is something we do not have with either the PSID or the NLS.

Now one major issue to face in proceeding along this route is cost. Establishment of a continuing longitudinal survey would be expensive. To date, I think we have to say the national will to support such surveys has been limited. We heard just a few minutes ago Greg plead for refunding of PSID. I know about that. I was on the NSF Economics Advisory Panel a few years back when the last time around we had to recommend refunding of the PSID. And I know what both of these people go through every few years in trying to get these data sets continued and luckily so far, they have been successful. There are other cases that have not been successful and we have had some very good longitudinal data sets that have been stopped.

Senator MOYNIHAN. The High School Class of 1972.

Dr. MANSKI. Well, that is right. These are two that I mentioned here: The National Longitudinal Study of the High School Class of 1972 and the High School and Beyond surveys are both out of the Department of Education, were funded in fits and starts and they have been terminated, restarted. I now hear that there may be one more round on the NLS 1972, but some of these things which are very well designed and executed just disappear. And that is because there has not been any long-term Federal commitment to support these surveys. They are done a couple of years at a time. And with longitudinal surveys that just does not make a lot of sense.

Now the other issue finally, is timing. Establishing a continuing longitudinal survey, like establishing a standardized administrative record system, would take a good deal of time to institute. I think it would be worth taking that time but again, it would be no less than 15 years, 20 years before we had anything from this.

There is one other possibility which would take less time, and that is to use the existing SIPP Survey, the Survey of Income and Program Participation with the Census Bureau.

Senator MOYNIHAN. Yes.

Dr. MANSKI. Now the SIPP survey is a continuing longitudinal survey started in 1984 by the Census Bureau. There are new cohorts added all the time. The problem is that at present the panel length is under 3 years and obviously that is much too short for studying dependency problems. What one could do is to take the SIPP panels and extend them, say to, I would think, a minimum of 10 years, but build on the base that already exists in the Census Bureau and the FRA-structure that we have in the Federal Government that is running SIPP, and use that as the basis for our continuing longitudinal survey.

I just conclude by saying that what we need to do is to set in motion a process for moving further on this. And we at the Poverty Institute would be pleased to help out in any way we can.

[The prepared statement of Dr. Manski appears in the appendix.]

Senator MOYNIHAN. Well, you could not have been more helpful already. I am sure Senator Durenberger would share with me the desire to see the PSID go forward. And let us hear from you informally regarding who we should write at NSF to recommend continued funding.

May I say to you again, on the threatening nature of information, the purpose of the National Institute of Education was to begin longitudinal studies. We had learned all you are going to learn from the Coleman data. We had tried to convert the Coleman into cohort data, you know. The fellows up at Cambridge tried that and it was not bad, but we have done all you can do with a one-time survey. What about over time? But over time, we threatened to learn things that were not politically correct. Before we knew they were not politically correct, the bureaucracy knew and it died—it disappeared. I mean if you ask where is the National Institute of Education today, it is missing.

Dr. Smeeding, you sir, represent the world view of this matter—

Dr. Smeeding. Yes, sir.

Senator MOYNIHAN [continuing]. As seen from Syracuse University.

Dr. SMEEDING. Seen from Syracuse; born in Buffalo; my B.A. is from Minnesota; I went to school in Wisconsin; I am on the PSID board of overseers. And as long as they are not playing Syracuse, I like the Ohio State basketball team. [Laughter.]

Senator MOYNIHAN. You are, I told you, a man of perspective.

Dr. SMEEDING. I cover my bases.

Senator MOYNIHAN. All that and the Maxwell School.

Dr. SMEEDING. Yes, sir. Dean Palmer brings his greeting and also our colleague, Lee Rainwater who is in Luxembourg grinding out some of our little cross tabs.

Senator MOYNIHAN. Is he in Luxembourg?

Dr. SMEEDING. Sure. He is my partner in all this.

Senator MOYNIHAN. Yes.

Dr. SMEEDING. He could not fill in table 1, but he is working on it.

Senator MOYNIHAN. He is usually studying hard in the South of France, but I—[Laughter.]

Dr. SMEEDING. Yes. He is in Paris, but this week he is in Luxembourg.

**STATEMENT OF DR. TIMOTHY M. SMEEDING, PROFESSOR OF ECONOMICS AND PUBLIC ADMINISTRATION, THE MAXWELL SCHOOL AND PROJECT DIRECTOR, LUXEMBOURG INCOME STUDY, SYRACUSE UNIVERSITY, SYRACUSE, NY**

Dr. SMEEDING. Anyway, I wrote three messages but I want to be brief because a lot of what I would say, of course, being last, has already been said. But let me underline a few things.

The first thing I bring you, is the first time anybody has looked beyond the numbers that were in your book, Family and Nation, on child poverty across the world from the Luxembourg Income Study.

Senator MOYNIHAN. Yes.

Dr. SMEEDING. It is the first time I have presented this formally. I had a trial run last week but told nobody to quote it. I just brought one table for you. And what it says is that things have been getting worse in the United States.

Senator MOYNIHAN. Sir?

Dr. SMEEDING. Things have been getting worse in the United States.

Senator MOYNIHAN. No, I did not hear you. Things are what?

Dr. SMEEDING. Getting much worse.

Senator MOYNIHAN. Are getting much worse.

Dr. SMEEDING. Certainly. Look at Table 1. We know that child poverty in the United States increased in the 1980's. We all know that. But what happened in these other countries?

Senator MOYNIHAN. Yes.

Dr. SMEEDING. For instance, Canada where the beer is better and the heating bills are a little higher, but otherwise pretty much the same—well, if you look at Table 1 at Canada, you see that Canada had a 10 percent poverty rate in 1981 among its children. Now it is down to 9.3. Ours went from 14.7 to 20.4. And Canada is the country closest to us.

Senator MOYNIHAN. Hold it.

Dr. SMEEDING. All right.

Senator MOYNIHAN. Your Table 1 is a Luxembourg Table.

Dr. SMEEDING. You got it.

Senator MOYNIHAN. You have got to be part of an elite to read it. We are not elites. We are seeing here in period 1—

Dr. SMEEDING. Yes.

Senator MOYNIHAN. What does that tell me? I am looking at this one with all those boxes.

Dr. SMEEDING. Look at the United States over in the left.

Senator MOYNIHAN. I can only follow simple columns. The United States goes from—

Dr. SMEEDING. 14.7 in period 1.

Senator MOYNIHAN. Oh, oh, we go across here.

Dr. SMEEDING. You can go across at a point in time. Then you have to—

Senator MOYNIHAN. Oh, no, column goes down, 1976 to 1986—

Dr. SMEEDING. Yes.

Senator MOYNIHAN [continuing]. 14.7 to 24.

Dr. SMEEDING. Right.

Senator MOYNIHAN. Got you.

Dr. SMEEDING. All right.

Senator MOYNIHAN. I made a break through. But in Canada it does, in fact, go down a 10 percent drop?

Dr. SMEEDING. Yes. But they are a little bit—

Senator MOYNIHAN. West Germany—good God, it doubles, but only 1.3 to 2.8.

Dr. SMEEDING. Yes.



Senator MOYNIHAN. As I said earlier, Sweden had—Jesus. All right, proceed.

Dr. SMEEDING. You got the message.

Senator MOYNIHAN. We thought we had learned from the LIS— [Laughter.]

Senator DURENBERGER. How did they react last week?

Dr. SMEEDING. Last week I would not let them say anything. I was hoping to have the others ones filled in, but my colleague and I have yet to tabulate the missing values.

Senator MOYNIHAN. Yes, he keeps staying there. It is a love nest that he and his wife maintain in Provence and frequently they are said to be in Luxembourg, thought to be in Paris and, in fact, are in Provence. Oh, leave it on the record, Mr. Reporter. [Laughter.]

Dr. SMEEDING. I will be sure and send Lee a copy of our discussions.

Senator MOYNIHAN. Because we had been using the LIS data which show the phenomena that we talked about a decade ago, you know, that children are the poorest group in our population. We find that it is true in Canada and it is true in Sweden and it is true in Australia. And we are reading that as something post-industrial. They are the poorest group in States that have decent pension systems and not, say, in Australia which does not. But children are poorer than adults. That is a common condition. You are not sure.

Dr. SMEEDING. In the United States that is true. In other countries it is not quite true. What I can tell you is that the poverty rates of children in the other countries are much closer to the poverty rates of adults than—

Senator MOYNIHAN. Yes.

Dr. SMEEDING [continuing]. They are in the United States.

Senator MOYNIHAN. Than they are in the United States.

Dr. SMEEDING. And as you pointed out when you looked at Germany, a doubling or more than doubling from 1.3 to 2.8.

Senator MOYNIHAN. Yes.

Dr. SMEEDING. Yes, right.

Senator MOYNIHAN. And we are at 20.

Dr. SMEEDING. We are at 20 and counting.

Senator MOYNIHAN. Yes, 20 and counting. Now I made the suggestion to Dr. Duncan that it looks like it may have stabilized. You do not think so?

Dr. SMEEDING. Well, from this 20 we know in this country from our most recent numbers it only went down to 19 and we are in a recession now and it has got to go up next year. It has got to get worse. It is not going to get better.

Senator MOYNIHAN. And poverty rates will be associated with single parent families always. Single parent families went from 46 to 54.

Dr. SMEEDING. Yes. Hardly any of the countries that we study in Luxembourg do well with single parent families—only the Swedes and the Dutch probably. The French do a little bit better.

Senator MOYNIHAN. French do—

Dr. SMEEDING. See we are just beginning to study this now under a grant from the Russell Sage foundation.

Senator MOYNIHAN. Yes. But are not illegitimacy ratios going up everywhere?

Dr. SMEEDING. Everywhere.

Senator MOYNIHAN. Yes. I mean the British have gone to 25 per cent, have they not?

Dr. SMEEDING. Yes.

Senator MOYNIHAN. As we have done.

Dr. SMEEDING. We are the leader in that statistic. We are the world leader in that category at the moment. The other countries are catching up though, if you want to call it that.

Senator MOYNIHAN. Yes. And there is a piece in the Public Interest that says consensual unions in Sweden went from one percent in 1960 to 25 percent—

Dr. SMEEDING. Yes. When you see two parent families here in this table for Sweden or for the Netherlands, this includes couples living together as married.

Senator MOYNIHAN. Right

Dr. SMEEDING. But the thing is there are only two adults in that household with those children. When we talk about lone parent here, it is one adult in the household with the kids.

Senator MOYNIHAN. Well, the Swedes are a pre-Christian society and they do not necessarily happen to believe those things.

Dr. SMEEDING. Is it that way in Minnesota too, Senator Durenberger? [Laughter.]

Senator MOYNIHAN. Well, you know how long that night is.

Dr. SMEEDING. It is cold up there too, is it not?

Senator MOYNIHAN. Smeeding and LIS say take care of Duncan's tables that suggest maybe welfare dependency is getting stable. Of course, poverty is not welfare dependency.

Dr. SMEEDING. Yes, sir.

Senator MOYNIHAN. And, for example, it might sharpen in a recession time pretty quickly without—

Dr. SMEEDING. And you know we are only looking—I must say that the LIS data is only cross-section data. It is for a wide number of countries—a wider number.

Senator MOYNIHAN. Right, right, right.

Dr. SMEEDING. It is very comparable but it is still—right now our National Science Foundation kicks in \$60,000 and I will take you up on one of those letters when we need it next time.

Senator MOYNIHAN. Sure.

Dr. SMEEDING. But every other country kicks in too to our project.

Senator MOYNIHAN. Yes.

Dr. SMEEDING. From there I move on to talk about the topics that have been talked about here. One, is to develop, in fact, more meaningful indicators of dependency. We need to do that. I have other suggestions for insecurity and vulnerability which I think are also very important.

But I think the final point that I make in the paper and I think it is the one that we have been hearing up here, is that if we want to tell how these sorts of experiences, whether it is insecurity or poverty or dependency or vulnerability affect children, we need to gather data on children. You are talking to four economists up here. For most economists, childrens' well-being stops at family income divided by N, where N is the number of people in the family.

Senator MOYNIHAN. Yes.

Dr. SMEEDING. We need to get together with the pediatricians, who we have not heard from here today, to find out about actual health in young children along with the behavioral psychologists who put together the PIAT in the home and the other indices so we can really tell how bad experiences of income and dependency among adults affect children, but also, and this is incredibly important for policy I think, how giving money to parents affects children.

In this country today, I fear that we are afraid to let parents have a decent standard of living. The earned income tax credit is a step in that direction, but it is a small one.

We have this fear and I think it is unwritten, that by giving some money to parents on behalf of children it will not affect children. We do not know that. In the same way that Bill Gorham and Senator Durenberger were talking about negative and positive, we talk about periods of dependency and how they negatively affect children. And Randy's data brings it out very clearly.

Suppose we had a decent income support system like these other countries for parents, how would that affect their children? How much of that amount of money that you give to those parents goes through to those children and in which cases does it and does it not work?

Senator MOYNIHAN. Yes.

Dr. SMEEDING. That is the policy question for the 1990's, and I think we ought to move ahead and ask it. I am not going to say any more. I agree we should lengthen SIPP.

These two guys right here on either side of me are the places where you ought to go to start spending money on finding out what happens to children in the output measure, and with them teams of developmental psychologists and educators and pediatricians, so that 4 or 5 years from now we can capitalize more on this investment that we have in their panels and we can tell what happens to children exactly, directly, not just what happened to their parents.

Senator MOYNIHAN. Right, sounds good. But do not stop quite there. Could you give us your point too about economic security or vulnerability, when you say both Confucius and Robert Lampman claim that economic insecurity is worse than poverty?

Dr. SMEEDING. Chuck Manski gave me a hard time because I did not say what year Confucius said it in—probably about 852.

Dr. MANSKI. There is no citation for Confucius.

Dr. SMEEDING. No citation for Confucius. It is from Bartlett's quotation. So I have to put the year in. It will be there when this goes to print.

Part of the problem, and I discovered this looking at the elderly but I think also with children, is being in a precarious position. People who are already in the means tested safety net—if you have gotten Medicaid and you are getting child care supported and you have food stamps or maybe you live in public housing, you cannot fall much further. And at least you know where the bottom is from there—it is up. But there an awful lot of unemployed people who do not have unemployment insurance who are not covered.

Senator MOYNIHAN. Yes.

Dr. SMEEDING. People without health insurance coverage; families who are in debt; families who cannot put enough food on the table to feed their kids.

We had a meeting actually sponsored by the Poverty Institute to begin to talk about this last fall and we have not moved too much beyond it. That is why it is so hazy here. But I do think insecurity or vulnerability is a terribly important notion when you talk about well-being, not just dependency. And it is fuzzy because we have not really studied it yet.

Senator MOYNIHAN. But dependency we do have a measure of, and there is a distinction between poverty and dependency.

Dr. SMEEDING. No doubt about that, sir.

[The prepared statement of Dr. Smeeding appears in the appendix.]

Senator MOYNIHAN. And that is about as far as we have gotten in a quarter of a century.

Could I ask you just one last little service to the committee? We had, as I think I mentioned, this testimony on the 4th of March which included two charts. The first chart shows an effort which we had begun in the Office of Policy Planning of the Department of Labor to relate the unemployment rate to the number of new AFDC cases and other indices of that kind. And we found a whole batch of them and they were highly correlated. The correlation between 48 and 59, as I recall, was 0.9. Then it got loose, and then it went to hell.

We could only see the crossing in 1963. These curves are not the best, but the crossing took place in 1962, and you know, the correlation disappeared.

Now Paul Barton was here Monday and he turned to page two and he produced a much longer relationship between the rate of incarceration in State prisons and the unemployment rate, and again, he found very high correlations. I think he called them 0.9, and then again that sudden weakening and then the scissors. The crossing of the lines for incarceration—the disappearance of the correlation—comes 20 years to the date after the disappearance of the correlation between AFDC cases and unemployment.

I think Senator Durenberger would like to say thank you, and you have got to get somewhere.

Senator DURENBERGER. Yes. Thank you, Mr. Chairman.

I just want to express my appreciation to what the Chairman in private characterizes the four smartest people in America, or the four smartest in America I think is what he said. And I pass that on to you for whatever it is worth of your appraisal of each other. And I express my gratitude to all of you.

And I would just leave you with a question which I hope that by way of my own personal follow-up, I can in a letter write to each of you. I told the Chairman that I am struggling with a way in which to frame the answer to the question, how does this Nation provide universal access on an equitable basis for every American to an adequate level of health care.

And my struggle is simply this: that most Americans define health care as access to medical services. I would like to define it in a much broader context—the well-being that we have been talking about here today, because it has been my experience as I sup-

pose it has been everyone's experience, that the lack of well-being leads to a variety of injury, accident, disease and a whole lot of other things in our society that causes a lot of problems. Over a period we have structured the access for our citizens to this system in a gerry-built financial system by which some buy into doctors and hospitals. Others are provided with health, social and educational services.

And I do not want to belabor the point, but my question of you will be, as we struggle to frame the issue of universal access to health care and medical services in this country, what is the impact on health status and the susceptibility to injury, disease, lifestyle, chemical and other dependencies and mental illness of all of these things that we have been talking about here, and our failure to deal with them more logically in this country? And if we were to propose a change in the future, sort of a re-integration of the services available from income security to the specific social and educational and health services, where in effect should we start?

And that is a rough way to state a question, which I will try to be more precise in raising with each of you. And with that, I thank the Chairman for bringing us all together today.

Senator MOYNIHAN. Thank you, sir. And perhaps after a while we can ask our friends back to respond to the question if you think that would be useful.

Senator DURENBERGER. I would be pleased.

Senator MOYNIHAN. Yes. Thank you very much. We are trying. We are not getting anywhere but we are trying.

My question to you about this is those curves look remarkably alike, do they not? I have never been able to get anybody interested in those correlations. In a very short period, the relationship between the unemployment rate and the number of new AFDC cases wobbled, and then disappeared. And that is not a statistically normal thing, that such a close relationship between big numbers vanishes—you know, these are 3 million unemployed, and 800,000 new cases.

I mean I have heard statisticians say that this is a very interesting thing, that you do not see many things like that. Between sun spots and the soy bean crop, you know, if it works out well for a long period, it continues that way.

Then 20 years later the same cross-over takes place. Does anybody find that interesting? Dr. Olsen?

Dr. OLSEN. In looking at our data, one of the regularities that we found, and I am not sure that it explains this or is simply a parallel finding, is that when we assess the children for the presence of serious behavior problems, what really matters is poverty.

In a household where the mother is poor, the children at young ages show pathologies indicating behavior problems. So I think your relationship that you are suggesting between AFDC cases open and, therefore, dependency and then ultimately an incarceration rate—I think there is a connection. And we do see signs that the relationship between poverty and behavior problems is being manifested not just amongst adolescents and young adults. But, in fact, we see those same sorts of relationships amongst younger children.

Senator MOYNIHAN. Yes.

Dr. OLSEN. Obviously not criminal behavior but signs of that same—

Senator MOYNIHAN. I mean you are getting started. Yes. So if the great increase in welfare was a problem in the 1960's, a great increase in incarceration became the problem of the 1980's. And we have now the honor and distinction of being in a country with the largest proportion of its population—the largest number of people in jail of any country in the world.

Dr. Smeeding?

Dr. SMEEDING. Unfortunately, another way to read this is black men are in jail and black women are on welfare.

Senator MOYNIHAN. Yes. Well, of course, that.

Dr. SMEEDING. Black women and black children.

Senator MOYNIHAN. Yes. But the 20 year relationship is suggestive. We have to say that, is it not?

Dr. SMEEDING. Well, certainly things are different in the 1980's for unemployment and incarceration.

Senator MOYNIHAN. Yes.

Dr. DUNCAN. May I?

Senator MOYNIHAN. Yes.

Dr. DUNCAN. I have spent about 7 or 8 years now working with a colleague, Saul Hoffman, trying to understand decisions such as out-of-wedlock births, marriages, re-marriages, divorces with welfare youths as a consequence.

And I think what you have done is put together in these graphs two of the more than two crucial elements that are going to tell the story. One needs to put simultaneously the AFDC benefit levels, what is happening to young men, these potential spouses of the young women who are making these decisions. One needs to look at the wage rates and the labor market opportunities of the women themselves and look simultaneously at the whole set of factors. And we have had some success in trying to account for the patterns once you lay out the whole set of factors and look at the trends in those factors.

Senator MOYNIHAN. You know, there are such things as signals, as warnings, you know, where you are looking up and everybody is in jail. And the Governors say, how am I going to afford all these jails? Well, you could have thought about that a quarter of a century ago, and chose not to.

What does Manski over there think?

Dr. MANSKI. Well, I usually can think of too many possible explanations and so I keep my mouth shut because I do not know which one is right.

Senator MOYNIHAN. You are not under oath. [Laughter.]

You may have noticed, no economist is under oath before this committee.

Dr. MANSKI. I do not know what to make of this to be honest. The other thing on incarceration, of course, is that the increase in the 1980's, I believe, is as a result to some extent of changes in—

Senator MOYNIHAN. Statute.

Dr. MANSKI. In statutes and policies of putting people away. So you have here a, you know, response of the system rather than necessarily a change in behavior. So I just do not know.

Senator MOYNIHAN. But it does remain the fact that 20 years after the one set of curves crossed, the other curves crossed—only they did not cross, they went whoop.

Might I say to the one member of the committee staff available, we are going to be talking about S. 4. Anybody know anything about this subject? I think we may be in a period of renewed interest. I mean there was, you know, some great social science done in the 1930's and then we went through a bad half century and now we are back I think. But I look at all these social scientists and they all turn out to be economists.

You are an impressive group and if it does not work out, we are going to blame it on you. So we will be back to social anthropology. So just be careful.

I mean there will be no grants for economics in the third decade of the next millennium unless you produce, Duncan. And you have been at it for 25 years, and as the public never says its thanks very well, this Senator would like to. And I am very serious, and I think that probably your colleagues agree, the capacity to take a subject and stay with it for a quarter of a century takes endurance. It is just admirable, that is all.

And what Senator Durenberger said about what I said happens to be so and I might as well leave those remarks about the Rainwaters on the record. What the hell.

Thank you very much. I thank Dr. Ooms for listening to it all. And with that, we have concluded our 2 days of hearings and we will see what we can produce in the way of legislation. I thank our reporter. Thank you again, sir.

[Whereupon, the meeting was adjourned at 12:50 p.m.]





# APPENDIX

## ADDITIONAL MATERIAL SUBMITTED

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### PREPARED JOINT STATEMENT OF JO ANNE BARNHART AND MARTIN GERRY

Mr. Chairman and members of the subcommittee. Thank you for the opportunity to appear before the subcommittee to discuss the measurement of welfare dependency and its correlates, and its potential as a social indicator of the well-being of families and children. Welfare dependency is a multi-faceted story. We know that it is related to other problems. For example, various studies suggest that daughters living in AFDC families are more likely to drop out of high school, have early births, receive AFDC as adults, and have lower non-transfer income. Thus, among other problems, dependency, in turn, appears to contribute to future dependency.

Mr. Chairman, your long interest in this subject is well known. We share that interest. Just ten years ago you published a paper with one dependency measure, your estimate of the proportion of children born in various years who would receive AFDC at some time before their eighteenth birthday. More recently, you have expressed your interest in developing a periodic report on the demographics of current welfare dependency and the status of children based on a variety of indicators of future welfare dependency.

A periodic report on the ongoing measurement of dependency and its correlates could provide both Congress and the Executive Branch with an understanding of the complex nature and severity of the problem. This information could give direction to our joint efforts to address the various social and economic factors which contribute to welfare dependency. In conjunction with formal evaluation activities, analysis of trends could allow us to assess the contribution of various programs and strategies toward our goal of reducing dependency.

As part of your interest in a report on welfare dependency as a social indicator of the well-being of children and families, you asked us to update your earlier estimate of the proportion of children who receive AFDC before their eighteenth birthday. Under our guidance, researchers at the University of Michigan's Institute for Social Research used the Panel Study of Income Dynamics (PSID) to prepare an estimate of the percentage of children born in 1967-69 who received AFDC during their childhood. The PSID is a longitudinal survey of a cohort of about 5,000 U.S. households selected to be nationally representative in 1968.

The estimates that came out of this effort were striking. Twenty-two percent of all children and seventy-two percent of black children in this birth cohort received AFDC during childhood. Further work by the Michigan researchers suggests that these percentages may be higher for children born after the 1960's. Sixteen percent of children born in 1967-69 received AFDC or other welfare income before age seven. This compares with twenty-two percent of children born in 1970-72 and twenty-three percent of children born in 1979-80.

Currently, the Department is working with the University of Michigan to verify and refine these preliminary estimates. One problem with the PSID data, and surveys in general, is that respondents often underreport their income, particularly welfare income. This comes about through either a general understatement of family's income, or through misreporting the income source. Either way, dependency is understated. For example, the aggregate amount of AFDC income reported in the PSID in 1980 was only about seventy-seven percent of the amount of benefits paid, as reflected in official program statistics. We are currently trying to measure whether, and to what extent, underreporting of AFDC income is also reflected in PSID recipient counts.

This is somewhat complicated, for several reasons. First, we are interested in separate estimates for whites and blacks, and the sample-based Federal reporting on AFDC recipients by race needs to be extrapolated to state aggregate reporting of total recipients. Second, the PSID collects data annually for most years, so its recipient count is of persons who receive AFDC at some time during the year, whereas AFDC administrative reports show monthly recipient counts. Because there is considerable turnover in the AFDC caseload during the year, reconciliation of the two counts is indirect and requires manipulation of data from several sources. Finally, the PSID significantly undercounts Hispanics because the original panels were not augmented to include new immigrants. A new sample of Hispanics was recently added to the PSID, but this will not correct the undercount for previous years.

These issues illustrate the kind of careful data analysis necessary in developing measures of dependency. In the remainder of this testimony, we would like to explore with you considerations relevant to the design and development of a system for measuring and reporting the incidence of welfare dependency, its potential as a social indicator of the well-being of families and children, and factors which predict future dependency.

Although our testimony focuses primarily on receipt of AFDC, it is important to keep in mind that AFDC represents only a small portion of total means-tested Federal benefits. Thus, a fuller discussion of measures of dependency would have to consider receipt of benefits from other programs, such as SSI, Food stamps, Medicaid, housing assistance and many others. These programs have not been studied as extensively as AFDC despite their size and the fact that multiple benefit receipt is common. The existence and variety of these programs has been one factor leading researchers to use various definitions of dependency. For example, definitions have varied based on the type of welfare received (ranging from AFDC only to any welfare benefit), the amount of welfare received (ranging from any assistance to welfare income that constitutes a majority of a family's resources), who in the family receives assistance (the head of the household or any family member), and the number of years that welfare is received (either consecutively or in total). Depending on the definitions and methodology used, the pattern of dependency can differ substantially.

Whatever the various definitions that would be developed for a periodic report on welfare dependency, the information necessary would take different forms and derive from a variety of sources. One type of information, such as AFDC caseload, would simply measure program receipt. Other information would go beyond this and measure participation as a rate, for example, AFDC children as a percent of children at a point in time or over time. Another indicator might look at child health as a predictor of future dependency upon public assistance. A refinement of such measures, which might be feasible after more study, would be to adjust dependency measures for the influence of environmental factors. The ability to make such adjustments to disentangle the impact of policies and programs from changing economic and demographic conditions would be particularly valuable when it came to comparing states.

A primary source of information on dependency derives from AFDC administrative records and reporting. Our richest data base comes from the AFDC Recipient characteristics files. Biennial studies were conducted through the 1960's and 1970's, and beginning in October 1982 data have been collected continuously from monthly samples of AFDC recipients. These samples collect case record information on many variables including: number and ages of children, reason for deprivation, earnings and employment status, household structure, race, and many others. The existence of these data has allowed us to track such trends as the sharp decline in average AFDC family size in the 1970's, and the increase in the 1970's and 1980's in the percent of children deprived of support because their parents were never married. Data from the Recipient Characteristics files are currently compiled annually and have been a primary source of information on AFDC families to researchers.

Longitudinal data are a critical source of data on dependency. Cross-sectional data provide only a snapshot of welfare use, such as the number of women receiving AFDC in a given month. While important, these numbers do not provide an understanding of the interaction of individuals in the welfare system over time. However, by using longitudinal data, researchers can examine average duration of benefit receipt, the number of times a family enters and exits the welfare system, the reason for program entry or exit, and the correlates of dependency.

A critical use of longitudinal data would be to make distinctions between those whose life has been touched by welfare and those for whom welfare has become a way of life. As you know, research sponsored by the Department has shown that for those going on AFDC, most spells (stays on AFDC) are short-term, lasting two years

or less. Fewer than one-sixth are long-term, spending eight or more continuous years on the program. However, at any point in time, half of all recipients are in the midst of a long-term spell that when completed will have lasted eight or more years. Analysis of spell length understates dependency because it ignores the fact that many recipients have several spells on AFDC. Research, also sponsored by the Department, that examined total time, rather than single spells, on welfare indicates that about 30 percent of new AFDC recipients can expect to experience only one or two years of total receipt, while a similar proportion will have eight or more total years of receipt.

There are several important sources of longitudinal data. The PSID provides information from a nationally representative sample (in 1968) of the nation's total population, including welfare recipients, from 1967 to the present. The now-concluded National Longitudinal Survey of Young Women (NLS) provides information similar to the PSID by following a sample of young women from 1968 through 1979. A new NLS data set (NLS-Y) begun in 1979 follows youth who were between ages 14 and 21 in that year. The survey of Income and Program Participation (SIPP) is a representative survey of the total population, which collects more detailed information on benefit receipt, but only follows individuals and families for a two and a half year period.

Each of these data bases has its strengths and weaknesses. Each of them suffers from one or more of the following problems: small sample sizes, excluded years of data, annual observations only, exclusion of "subfamily" welfare experience, limited welfare coverage, underreporting or misreporting of welfare and nonwelfare income, and others. Despite these limitations, each has been helpful in increasing our understanding of dependency.

Based on the sources of data described above, we would offer the following suggestions concerning some of the possible contents of a report on welfare dependency.

Measures of the events and characteristics associated with either dependency or long-term dependency, such as those identified by the Department through its sponsorship of research on welfare dynamics including the Bane and Ellwood study, *The Dynamics of Dependency*, could be tracked. We know, for example, that teen births are closely associated with welfare receipt. Tracking birth rates and births to teens, therefore, could help our understanding of trends in program dependency. Differences among states in birth rates and differences in the associations between teen births and dependency could indicate the existence of intervening programmatic or environmental influences. Further work to refine our knowledge of dependency correlates might be part of this effort.

State-by-state measures of dependency and dependency correlates will be available in many cases. Rankings and comparisons of states according to such measures could be useful. Development of an ability to control for outside factors, such as differences in benefit levels, demographics and economies, would be necessary to validate such comparisons. Comparisons then could help discern and highlight differences in severity in the dependency problem. In addition, national surveys are generally not applicable for state level information because the state level sample sizes are too small.

A more difficult question is the extent to which it is possible to obtain reliable comparisons in state effectiveness in combatting dependency. Unbiased comparisons in this area, as you know, are very difficult, especially with respect to employment and training programs such as JOBS. Badly designed performance measures for JOBS could provide incentives to states to "cream" the most employable simply to get "good" numbers. It was for this reason, the Family Support Act provided that the secretary would have five years to make recommendations to Congress on outcome-based performance standards for JOBS. similar, although perhaps not as serious, problems exist with respect to child support enforcement.

We believe that the development of periodic reports on welfare dependency and its correlates would require a comprehensive examination and a broad consensus across a number of communities of interest. We could begin this process by reviewing existing systems of goals and indicators such as those in *Healthy Children 2000*, as well as the leading economic indicators in order to develop an overall approach. We could then bring interested parties together from the research community, Federal agencies and the Congress to draft a set of candidate measures. Based on an analysis of existing data, we would then be in a position to assess what would be achieved with existing data and if additional data collection would be desirable. We anticipate that this process would take from one to two years. However, we believe that such an effort would greatly increase the value of a report on the demographics and welfare dependency of children and families.

As an interim measure, we could also assemble a report on measures of dependency by using existing data. In HHS we have a large amount of program data which could be valuable in a dependency report. In addition, the National Center for Health statistics has data on teen births and health which would be valuable. Finally, in addition to program data, population surveys such as the SIPP and PSID are a very rich source of dependency related information which could be thoroughly explored, as are the current Population survey and the National Longitudinal Survey of Youth.

In closing, we would like to thank you again for your longstanding interest in gaining a better understanding of welfare dependency, its correlates, and its impact on children and families in the United states. We look forward to working with you on the development and utilization of better measures of dependency in the hope that we can work more effectively, as a nation, to reduce welfare dependency.

Possible Data Components  
for an  
Annual Report  
on  
Welfare Dependency

Assessment of the linkage of welfare dependency with family and economic circumstances can benefit from the analysis of several data sources. In addition to the administrative counts of those participating in specific public support programs, household survey results can compare participating and nonparticipating families; some surveys provide data on shorter specific periods of time (CPS, SIPP) while others follow specific individuals or households over entire life cycles (NLS, PSID). Following are sources of data on various topics which could be analyzed to produce a regular report assessing the state of the family. (Explanation of acronyms for data sources are provided in concluding notes.)

<u>Subject</u>	<u>Data Source</u>
1. Welfare Incidence How many receive benefits? Characteristics of Beneficiaries and their families How many have multiple sources of welfare?	Administrative Program Data, SIPP
2. Welfare Duration How long are benefits received? Frequency and range of spells Estimates of Probabilities of program participation By family type By changes of family or economic circumstance	NLS PSID
3. Recidivism How many current welfare recipients have returned to welfare after having left welfare rolls? Factors related to the return to welfare rolls	NLS, PSID

- |    |   |   |
|----|---|---|
| 4. | Intergenerational welfare reciprocity<br>Estimated probability of welfare dependency<br>by program participation of parents   | NLS, PSID   |
| 5. | Importance of income derived from welfare<br>programs compared to other sources of<br>income  | CPS, CE, SIPP   |
| 6. | Well-being of children<br>How many children live in welfare homes?<br>What are sources of income?<br>How affected by changes in family structure?<br>How affected by labor force participation<br>of family member?<br>What are child care arrangements?<br>[These changes over the life cycle]<br>Evaluation of children's capabilities<br>and relationship to environment | CPS, SIPP<br><br><br><br><br><br>PSID, NLS<br>NLSY-NICHD Supplement |
| 7. | Family Trends<br>Marriage Patterns, Fertility, Labor Force<br>Participation, Earnings   | CPS, PSID, NLS, SIPP  |

Notes

CPS-Current Population Survey, especially March Supplement (U.S. Bureau of Labor  
Statistics and Bureau of Census)

SIPP-Survey of Income and Program Participation (U.S. Bureau of Census)

NLS-National Longitudinal Surveys of Labor Market Experience, especially the original 1968  
Young Women's Cohort and women in the 1979 Youth Cohort (U.S. Bureau of Labor  
Statistics)

NLSY-NICHD Supplement Child Supplement to the National Longitudinal Survey of Youth-1979  
Youth Cohort (U.S. Bureau of Labor Statistics and National Institute of Child Health  
and Human Development)

PSID-Panel Survey on Income Dynamics (National Science Foundation)

U.S. Bureau of Labor Statistics; March 4, 1991

**BEST AVAILABLE COPY**

PREPARED STATEMENT OF PAUL E. BARTON <sup>1</sup>

Mr. Chairman and members of the committee, am pleased to have an opportunity to discuss the important matter the Chairman described in his letter inviting me to testify—the matter of developing a set of indicators to keep better track of tendencies, trends, and forces that result in dependency. I assume such an enterprise would result in the preparation of a periodic report to the Congress, that would assist it in an examination of the nation's social health.

In the late 1960's, Senator Walter Mondale proposed, as I recall, a "Social Report," in parallel to the "Economic Report," to be prepared by a "Council of Social Advisors." But it wasn't done, and a number of serious and promising efforts at the creation of social indicators fell by the wayside.

But the effort to measure such "social conditions" has long gone forward in fits and starts, and is not a matter which easily comes to closure. Carroll Wright measured unemployment in Massachusetts in 1877, as chief of that state's Bureau of the Statistics of Labor, but it was not until the 1940's that we had a reliable, periodic measure. Beginning in the late 1890's Charles Booth created detailed maps of the degree of wealth and poverty in London, and by 1913 the information filled 17 volumes. The U.S. began to measure the rate of poverty on a regular basis in the mid 1960's.

A reading of history with regard to the existence of dependency and its remedy leaves one both dismayed by its persistence and at the same time surprised that the remedies talked about in the last few decades have been largely used in one place or another throughout the centuries. John Garraty (in *Unemployment in History*, Harper and Row, 1978) reports speculation (he calls it persuasive) that the pyramids in Egypt may have been public work-relief projects, using peasants idled by the floods of the Nile and paying them in kind. Steady progress has not been the history of either measuring or abolishing dependency; If we are "to get ourselves organized for the century to come," it is compelling that we start now, and with considerable resolve and vigor.

I have suggested, in the pages that follow, what kinds of indicators might be developed, or refined, and used in a regular report to those in the nation who wish to—and ought to—be watching for shifts in conditions and relationships that sound warning bells for action, or give clues as to fruitful courses of action. The indicators I have discussed are of five kinds.

A. *Leading Indicators of Dependency.* Borrowing somewhat wishfully from the economists' Leading Economic Indicators; these might also be termed correlates of dependency, both suspected and established.

B. *Dependency Prevention Program Indicators.* The components of our broad social insurance system put in place to prevent people from falling into dependency, such as Unemployment Insurance. Indicators would track their well being and effectiveness in meeting their agreed upon objectives.

C. *Indicators of the Condition of Dependency.* The population dependent at a point in time, and what we should know about them in an indicator system.

D. *Indicators of Flows Into Dependency.* The proximate causes of entry into dependency status (such as loss of a spouse).

E. *Indicators of Flows Out of Dependency.* The proximate routes of escape from dependency (such as attainment of an educational certificate that results in employment).

I mean to imply no model here about the functioning of the social system. The five categories of indicators are, to me, only a way of organizing information. What I propose is not necessarily precisely the product of "social science," which emulates the physical sciences in a search for "cause and effect." An indicator system, while drawing on the results of science, will remain dependent on judgment, professional experience, and common sense.

But we should strive, I believe, to at least be able to spot a tear in the social fabric, even if we cannot fully trace its weave. With sustained effort and attention, I believe that is a goal that is reasonably attainable.

## A. LEADING INDICATORS OF DEPENDENCY

A report on Indicators Dependency could allow us to identify those trends that create conditions favorable to dependency and those that tend to foster independ-

<sup>1</sup> Director of the Policy Information Center, Educational Testing Service, and formerly President of the National Institute for Work and Learning. The views here expressed do not necessarily represent those of Educational Testing Service.

ence. While I think this is a worthwhile venture I could not say that we can reach any *sureness* in predicting trends in dependency. We should expect of indicators no more than indications; even with sustained effort over time they will not yield certainty, and will be just one factor among many to look at. Neither do the leading economic indicators yield certainty.

My models of course, are these leading economic indicators, developed after years of research, an effort led by Jeffery Moore at the National Bureau of Economic Research. Their unveiling was an exciting time, and I attended a briefing held by Jeffery Moore late in the 1950's, emerging sure that we now knew in advance when a recession was coming and could plan for it.<sup>2</sup>

To do so was important to my work, for in my first job in Washington, DC I held down the labor and unemployment desk at the U.S. Bureau of the Budget, now the Office of Management and Budget. I had my initial in the rather deep recession of 1958, when I had some responsibility for the adequacy of unemployment insurance funds and employment measures during recessions. In 1960 announced to my superiors that one was coming and began to prepare for it; the leading indicators had turned down. But no recession followed, and tracing back through the research I found that while recessions had been preceded by declines in these indicators, we knew little yet about declines in the indicators that had not been succeeded by recessions. But knowledge increased with experience and refinement.

As my professional attention turned to social conditions and programs (now in the U.S. Department of Labor) I occasionally thought about a counterpart and saw fledgling attempts at "social indicators" in academe, led by Russell Baurer, Bertram Gross, and Mancur Olsen. By the early 1970's the Office of Management and Budget was publishing a thick book of "social indicators," under the able direction of Dennis Johnston. In these ashes there are still glowing coals, and I suggest the committee stir a bit among these embers. It is out of this decade of effort to develop "social indicators" that my own thinking was shaped about counterparts to economic indicators.

Abstractions such as "social indicators" will not serve well in the absence of specific possibilities. While the specifics will be developed and improved only over a sizable stretch of time, as were economic indicators, there are possibilities that are at least illustrative.

#### *The Economic Opportunity Connection*

A key to a system of social indicators that tells something worthwhile will be to establish the connection between what happens in the economic system and what happens in the social system. The interactions are many, and critical, but it is a matter of interest to few economists or social scientists. I have two examples to illustrate the possibilities. One is the trend in economic opportunity (as measured by the unemployment rate) and the rate of incarcerations in state prisons. The other is this same measure of economic activity and the number of cases opened in the Aid to Families with Dependent Children (AFDC) program (a relationship with which the Chairman is very familiar).

##### • *Dependency*

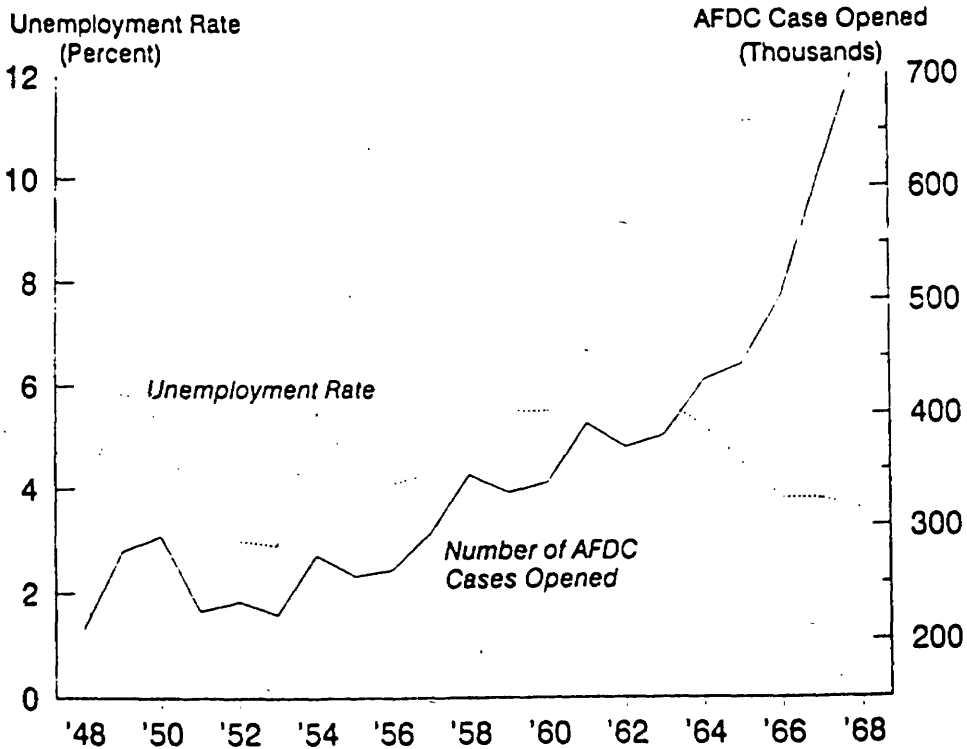
Had we been issuing a report on indicators after World War II, we would have seen that the ups and downs of economic opportunity, the business cycle, as measured say, by the unemployment rate,<sup>3</sup> almost *exactly* matched the ups and downs in the number of new cases opened under the AFDC program. While we would have been concerned to find that plunging into recession would result in a sharp rise in new AFDC cases, we would have been reassured that coming out of the recession would cause these case openings to recede as fast as they had advanced. And if had made this point to you in 1962, with data through 1962, your reaction might have been, "of course, the widespread loss of jobs causes people to go on welfare and providing jobs makes it unnecessary." These AFDC cases were of women with children, and do not include the separate program for unemployed fathers, so they were not usually reflecting the loss of jobs of the mothers. Note this parallel movement in Figure 1.

<sup>2</sup> Actually, there are three sets of indicators that came out of this work of the National Bureau of Economic Research, called Leading Indicators, Coincident Indicators, and Lagging Indicators.

<sup>3</sup> Other measures would have also served, such as changes in Gross National Product or the Federal Reserve Board's Production Index.



Figure 1: Cases Opened under AFDC Compared with National Unemployment Rate, 1948 to 1968



Source: See Appendix Table 1.

The value in checking this indicator would have been seen a couple of years later, when the two numbers began to move in *opposite* directions, with the unemployment rate beginning to *fall* and AFDC case openings continuing to *rise*. If this relationship was being widely observed, the alarm bells should have rung, and newspapers might have carried stories with headlines such as "welfare rising rapidly despite declining unemployment rates." A new force, or set of forces, came into play at that time, and should have touched off a search for the new roots from which welfare dependency was growing.<sup>4</sup> I have not had occasion to dig out data for the 1970's and 1980's on these relationships.

• *The Prison Commitment Rate*

While some years ago it might have seemed strange to use an indicator of the rate of incarceration in a report about welfare dependency, Professor Julius Wilson has called our attention to it, particularly in inner city areas. These rates have been rising steadily.

Young adults who are in prison cannot support children. Further, their chances of having the stable employment that would enable them to form families are drastically reduced once they have been incarcerated.

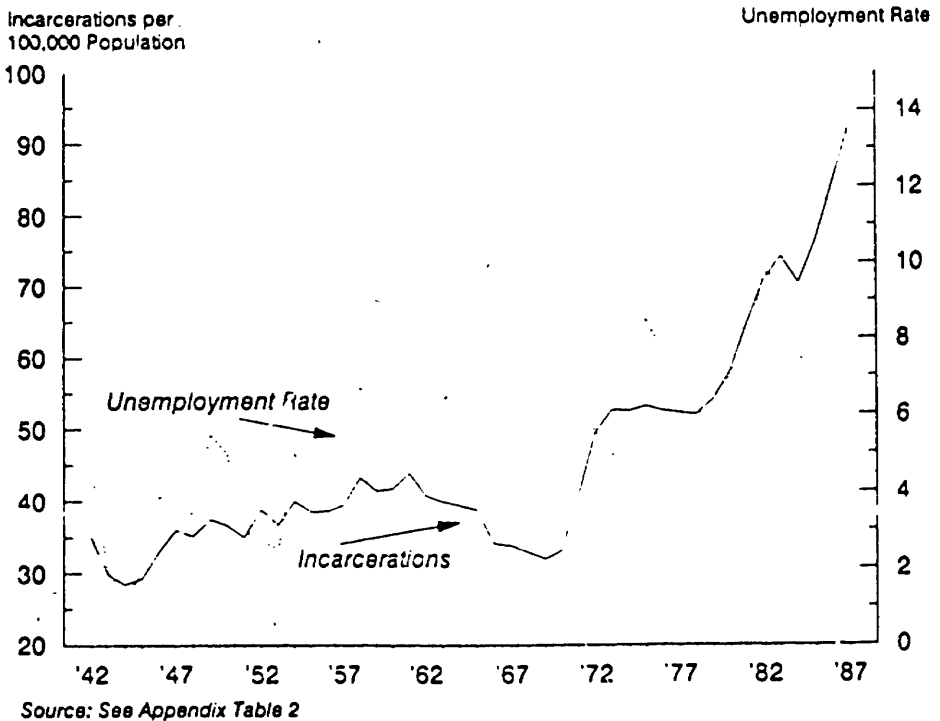
From the standpoint of social indicators there was, from the early 1940's through 1971, a very close relationship between the business cycle, as measured by the national unemployment rate, and annual rate of incarcerations in state prisons (as measured by the number of prisoners received from the courts per 100,000 population). This was published in a section prepared for the 1968 *Manpower Report of the*

<sup>4</sup> These trends were contained in two reports emanating from the Labor Department, the first being *The Negro Family Report, The Case For National Action* (1965), but an emerging national debate at that time over the role of "family structure" in welfare dependency overshadowed this particular relationship.

*President*, called "Toward Manpower Indicators." The question of the "why" of such a close relationship has no simple answer (I dealt with this relationship in more detail in a report called *Juvenile Delinquency, Work, and Education*, commissioned by the U.S. Department of Health, Education and Welfare, and published by the National Manpower Institute in August, 1976).

I have now brought these two series up to date in Figure 2. By 1972 this relationship began to disappear, and the rate of incarceration in state prisons began to grow rapidly. By 1987 it was almost three times what it had been in 1971, when the unemployment rate was little different.

Figure 2: Relationship between the Rate of Incarceration in State Prisons and the Unemployment Rate, 1942 to 1987



### Literacy and Dependency

#### • Young Adult Literacy

In America there are great disparities in educational achievement and levels of literacy. In such a highly developed country, ever more dependent on technology, these disparities are bound to be reflected in the economy. This is of course, not unobserved; the concentration on wiping out illiteracy has been intense over a good share of the last decade.

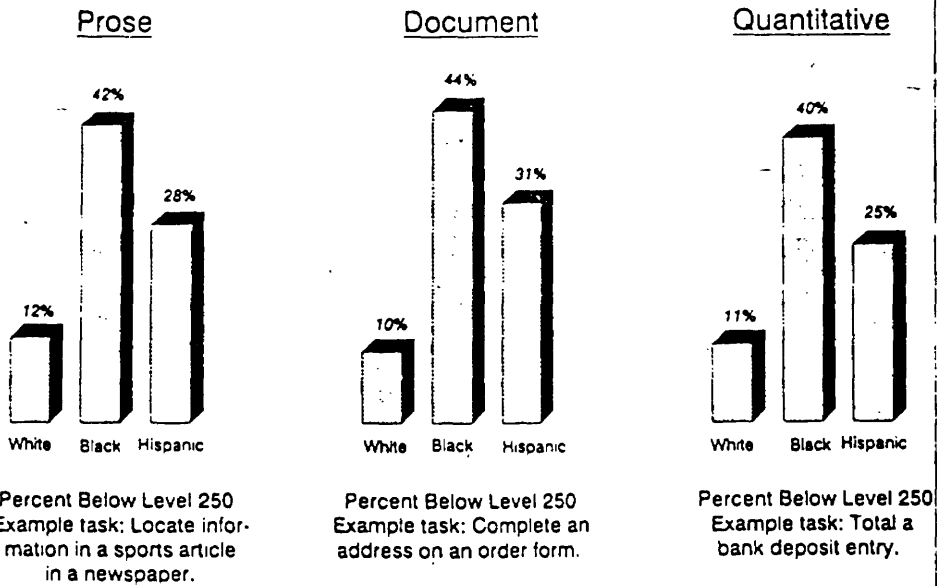
Of course, while we can be sure that levels of literacy are related to degrees of success in the labor market, relationship is the product of changes both on the side of individual literacy proficiency and the changing literacy requirements of the structure of employment. Tracking these two sides of the equation is no simple task. We have had no good periodic measure of levels of literacy; years of school completed have been shown to be an unreliable guide. Only once has literacy been adequately assessed, and that was in 1985 among young adults age 21 to 25, by Educational Testing Service as part of its administration of the National Assessment of Educational Progress.<sup>5</sup>

<sup>5</sup> *Literacy: Profiles of American's Young Adults*, Educational Testing Service, National Assessment of Educational Progress, Irwin S. Kirsch and Ann Jungeblut, 1986.

The second such literacy assessment will take place in 1992, and will be representative of all adults over 16. It will also compare literacy among young adults in 1985 and 1992—the first such comparison possible. One of the National Education Goals, set by President Bush and the nation's governors, is that by the year 2000, "every American will be literate." It is therefore likely that these literacy assessments will be carried out periodically, and that we will therefore have a literacy indicator.

Literacy is a continuum and there is no single point on a scale that separates the literate from the illiterate. In Figure 3 I have shown the percent of young adults who are below the 250 level on the three literacy scales, which range from 0 to 500, and given example tasks of what they can do at this level. This level of 250 compares to an average score level of 277 on the document scale among young adults who worked full time, for a full year, as laborers, in 1985.<sup>6</sup>

Figure 3: Prose, Document, and Quantitative Literacy of 21-25 Year-Olds, by Race/Ethnicity, 1985



Source: "Literacy: Profiles of America's Young Adults," National Assessment of Education Progress, Educational Testing Service, 1986.

#### • Intergenerational Transfer

While it will be useful to have an indicator of young adult literacy (and older adults as well), it will also be desirable to measure the intergenerational transfer of low-level literacy. In *Making the Nation Smarter: The Intergenerational Transfer of Cognitive Ability*, cognitive scientists Thomas Sticht and Barbara McDonald draw on this science and its recent findings to make a case for interventions that affect this transfer. They state:

"—research in the cognitive sciences more and more supports the idea that *the cognitive abilities of a new generation are formed in social interactions first with the preceding generations, and later with contemporaries and younger generations, as well as with preceding generations.*"

Breaking into this chain in the transfer of literacy (and the lack of it) will likely be a link in the chain through which dependency is transferred among the generations. I would put a measure of "the rate of intergenerational transfer of low level

<sup>6</sup> Workplace Competencies: *The Need to Improve Literacy and Employment Readiness*, Paul Barton and Irwin Kirsch, U.S. Department of Education, July, 1990, p. 14.

literacy" on the agenda for a report on indicators of dependency. Irwin Kirsch and Ann Jungeblut, directors of the 1985 Young Adult Literacy Study previously cited, have a proposal for adding "An Intergenerational Study of Literacy" to the \$7.8 million dollar project to assess literacy in 1992 (the National Adult Literacy Survey-NALS), at a modest cost of about \$150,000. Among others, the study would provide answers to questions such as:

"What are the relationships among demonstrated literacy skills of in-school students and other family members, e.g., grandparents, parents, and older siblings? Do these relationships differ for various subgroups of interest—that is, race/ethnicity, education level, occupation, and so forth?"

• *The Armed Forces Qualification Test*

Back tracking a bit, the first study of literacy in the United States and its relationship to unemployment was, I believe, the 1964 *One Third of a Nation* report referred to in the Chairman's letter, which used the results of the Armed Forces Qualification Test (AFQT), as well as the results of a special national study of Armed Forces rejectees. Data were available state-by-state in that study and I recently looked at the factors which might be related to the large variations among the states in rejection rates on the "mental test," ranging from 3 percent in Washington state to 47 percent in Mississippi.

The two variables I examined were state educational effort (as measured by per capita expenditures per pupil on elementary and secondary education) and the dependency rate (as measured by AFDC recipients per 100 18-year-olds). The former carries with it the variation in state per capita income (although some states spent more than this would suggest, and some less). The latter carries with it, to some degree I did not measure, the concentration of minority populations and poverty. The correlation with the rejection rate is .54, fairly high considering that the state rejection rates were not based upon representative samples of young men. A few states had rejection rates much higher, or lower, than predicted by these variables. The high ones were Louisiana, New Jersey, New York, and South Carolina. The low ones were Idaho, Oklahoma, South Dakota, and West Virginia.

As state-by-state data begin to emerge (beginning this summer) from the National Assessment of Educational Progress we will increasingly have the means of identifying the correlates of low educational performance.

A recent use of the AFQT is suggestive of the kind of data that may be available for analysis as NAEP gets more data. In 1980 the AFQT was given to a nationally representative sample of 12,000 American youth, age 15 to 23. Andrew Sum and Gordon Berlin summed up some of the results of their analysis in the table below.

Table 1.—AFQT TEST SCORE POSITION OF 19–23 YEAR-OLDS BY POVERTY AND SOCIAL/ECONOMIC PROBLEM GROUP, UNITED STATES: 1981

Socioeconomic characteristics	Percent in lowest fifth of basic skills	Percent below average in basic skills
Poor.....	46	77
One or more social/economic problems.....	41	75
Jobless.....	40	72
Dropout.....	52	85
Public assistance recipient.....	53	79
Unwed parent.....	59	85
Arrested in past year.....	37	68

Source: Gordon Berlin and Andrew Sum, *Toward a More Perfect Union: Basic Skills, Poor Families, and Our Economic Future*, Ford Foundation, 1988, p. 29.

This table, in my mind, makes a strong case for tracking literacy skills as an indicator, and in getting the information state-by-state.

*Employment and Earning*

Being able to form families and support children depends on a successful transition from the school room to the work place, and earnings from employment sufficient to avoid dependency. Indicators of employment and earnings of young adults will be important in a report on social indicators and dependency. They hardly need comment or elaboration.

By the simple measure of unemployment rates, the position of high school graduates who do not enroll in college has been deteriorating, as can be seen in table 2 (and of course, the position of high school dropouts is much worse).

Table 2.—UNEMPLOYMENT RATE OF RECENT HIGH SCHOOL GRADUATES NOT ENROLLED IN COLLEGE, 1965 TO 1985

Year	Rate
1965 .....	12.4
1970 .....	18.1
1975 .....	19.9
1980 .....	18.9
1985 .....	24.6

Source *Youth Indicators, 1988*, National Center for Educational Statistics

In addition to a labor market that is increasingly unfriendly to these non-college bound youth, the wages they do make are declining. Table 3, below, is based on calculations made by Andrew Sum at Northeastern University (they are from 1973 to 1984, and need to be updated).

Table 3.—PERCENT CHANGE IN REAL EARNINGS OF 20 TO 24 YEAR OLD MALES, 1973-84

Level of Education	Percent Change in Earnings
No diploma .....	-41.6
High School Graduate .....	-30.1
Some College .....	-26.1
College Graduate .....	-11.0

Source *Toward a More Perfect Union: Basic Skills, Poor Families, and our Economic Future*, Gordon Berlin and Andrew Sum, Ford Foundation, 1988 p 9 [This report by Berlin and Sum is an excellent source document for the kind of data and analysis that could be used in an indicators report.]

The change in real earnings of youth who do not have a college education was more than a drop, it was a plunge downward. We have yet to see the full effects of this deterioration in the ability to form and raise families—as the children of these men develop and mature in a climate less favorable than their predecessors. The W.T. Grant Commission made an extensive analysis of this half of young Americans who do not go on to college, and gave its report the appropriate title of *The Forgotten Half*.

#### Family Support

Children are still reared in families and we are dependent on that institution for their care and development. Whether they will be equipped to achieve their potential and become independent will be heavily determined by the success of the institution of the family in carrying out this primary assignment, supported by our system of public education.

A basic place to start is with whether the children, in fact, have parents caring for them, whether two, or one, or none. It is now widely known that a growing proportion of children are raised by one parent, and that the rates of poverty and dependency among them are high; the Chairman has, of course, contributed much to this knowledge over the last 25 years.

Beyond this one-parent family situation are other critical factors, and I have broadened this category to "family support." Our statistics are not very good at disclosing how well children are cared for, and how well the family as primary educational institution is functioning. Filling out the data needs would encompass questions such as: How many adults, in extended families, are actually caring for children? How equipped are these families and extended families to provide at least a basic level of care? How well is the home equipped as a place for cognitive and social growth and development (availability of proper food, educational toys, reading materials, literate adults from whom to learn to speak, etc.).

The importance of the family in enabling children to develop and become independent is so basic that it suffers from being ignored in the national consciousness. Giving it more attention is made more difficult because of changing roles among the sexes, and somewhat different (on average) practices and attitudes among racial and

ethnic groups. This simply means that we must proceed with care and sensitivity in developing measures and statistics as we develop indicators of national well-being.

#### *Concentration of Poverty/Dependency*

An important question for an indicators report is the degree to which poverty and dependency are concentrated in one place, for example, in an area of an inner city. Dependency that is dispersed is likely to be more yielding, as recipients and their children are pulled toward the norms of behavior that surround them, and the likelihood of the greater availability of opportunity.

On the other hand, as poverty and dependency become the norm in an entire neighborhood, the rate of escape is likely reduced. Residents will have few successful role models, schools that are not functioning well, exposure to streets with drugs and crime, and limited opportunities for economic development.

Professor Richard Nathan has developed a thesis regarding the effect of this concentration and measured the change in concentration in large cities. This measure is a good candidate for an indicator report.

### B. DEPENDENCY PREVENTION PROGRAM INDICATORS

We rely, as we should, on the workings of a free economy, a democracy, and a system of public education to enable citizens to be self supporting, to form families, and to support children. And by and large, it works that way. Social insurance, developed in America in the 1930's,<sup>7</sup> is the last line of defense, and the health and comprehensiveness of this system are key indicators of the current and coming extent of welfare dependency. The key components of a social insurance system are candidates for the construction of indicators for a report on welfare dependency.

#### *Old Age and Survivors Disability Insurance (OASDI)*

This is probably our largest success story in using social insurance to prevent welfare dependency. What was left of "old age assistance" was folded into the social security program in the early 1970's as Supplemental Social Insurance. Indicators of the health of this system get regular scrutiny. The survivors feature is an important line of defense for spouses and children against the death of an insured worker.

#### *Disability Insurance*

This "D" in OASDI is highly developed for those who develop long term disabilities. However, there is a large gap in the social insurance system for "temporary disabilities." This condition was never reached by Federal law and only a handful of states have covered such disability. For example, New Jersey uses a small employee tax to cover such disability, administered as part of its Unemployment Insurance system. The loss of a paycheck for even several months can force a family into dependency; the percent of workers protected from disability for periods of less than six months could be an indicator.

#### *Unemployment Insurance*

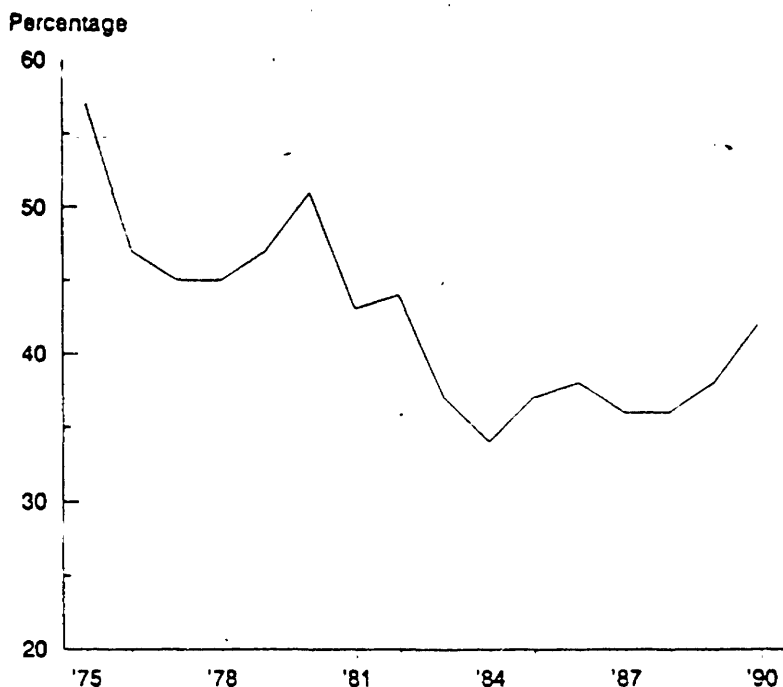
The insurance against wage loss due to involuntary unemployment is a key defense against sliding into dependency. It is a system that, while entrenched in the American system of social insurance, varies in its degree of protection from time to time, and is not in peak health at the present time. As can be seen in Figure 4, the proportion of unemployed wage and salary workers who receive unemployment insurance is in decline. The indicators for a report, I believe, are:

- the ratio of the insured employed to the total unemployment of experienced workers.

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<sup>7</sup> But introduced in Germany by Bismarck in the 1880's.

Figure 4: Insured Unemployed as a Percent of Unemployed Experienced Wage and Salary Workers, 1975 - 1990



Source: See Appendix Table 3.

- the ratio of benefits to prior earnings, and whether benefit maximums are regularly adjusted.
- the maximum duration of benefits.<sup>8</sup>

#### *Workmen's Compensation*

One of the oldest programs is still basic, and its health should be subject to continued review.

#### *Other*

Social insurance can be as broad as the society wants to make it. The more risks covered, the less the need for welfare dependency paid for from general funds. I have advanced, for example, what I have called Retraining Risk Protection.<sup>9</sup> Using the administrative mechanisms of the Unemployment Insurance System, workers would be protected against situations where they were displaced from jobs and could not be re-employed without being retrained. In a rapidly changing, high technology economy workers often find themselves left behind after unemployment if they need new skills, and have to support their families while they acquire these. An indicator of future dependency is how many people this is happening to.

#### C. INDICATORS OF THE CONDITION OF DEPENDENCY

Measures of people actually in dependency status is what we have mostly done in the past. I have not acquainted myself recently with the current state of such measures, and I will not dwell on them here. I assume that dependency would include food stamps as well as the older welfare programs. For an indicators report, I suggest:

- the *rate* of dependency among

<sup>8</sup> Although the system is only designed to cover temporary wage loss, not long term, the system has had extended benefits during recessions, in various forms since the 1958 recession.

<sup>9</sup> *A Better Fit Between Unemployment Insurance and Retraining*, Paul E. Barton, National Institute for Work and Learning, 1986.

- children
- teenagers
- young adults
- older adults
- the length of time dependent for the above populations
- the ratio of benefits to the poverty line
- the adequacy of the level of education and training opportunities relative to need
- the estimated ratio of persons eligible for dependency status relative to the number applying for and receiving benefits (a lot of the increase in dependency status in the early 1970's was due to a growing number of eligible persons applying for benefits)
- measures of the confidence and self-image of persons in dependency status (maintaining it is a necessary condition for achieving independence).

#### D. INDICATORS OF FLOWS INTO DEPENDENCY

As stated at the outset, the record keeping and discussion of welfare dependency has usually been of the people actually on welfare at a point in time. But the critical matters are identifying the *flows* into dependency status, as well as the flows out of dependency. As has often been observed, the welfare population is largely a dynamic one; only a relatively small proportion are the same people year after year. The productive approach is to stem these flows in, at the same time that exits are encouraged.<sup>10</sup>

The following indicators of the *proximate* reasons for becoming dependent are offered for illustration: People entering dependency during a month—or a year—from

- loss of employment
- loss of a spouse
- birth of a child parent(s) are unable to support
- loss of child support or alimony
- wages/earnings not keeping pace with inflation or family growth, in "working-poor" families
- illness
- curtailment of a non-needs based transfer payment
- death of a spouse (the original presumption for "mothers aid," the forerunner of AFDC)
- inability to enter employment among teenagers

#### E. INDICATORS OF FLOWS OUT OF DEPENDENCY

This set of indicators would track the proximate means of escape from dependency. Over time, we would see where we are gaining, and where we are falling behind.

Examples of indicators of exits from dependency include leaving welfare status from:

- entry into employment
- successful training/education which resulted in employment
- obtaining child support/alimony
- marriage
- eligibility for a non-needs based transfer payment (OASDI, for example)
- change in eligibility criteria, making someone ineligible.

We should, I think, aim high in creating a set of indicators to help us with reducing dependency and advancing the goal of more fully realizing the human potential, in all places and among all population groups. The best of the efforts of social scientists and statisticians will be called for. At the same time, the effort must recognize what is realistically possible, skirt only theoretical formulations, and avoid arcane social science language and the constraints of any single social science discipline.

Thank you for the invitation to express these views.

<sup>10</sup> I always thought this was a deficiency of the poverty programs that began in the mid-1960's; they tended to concentrate on people in poverty rather than the measures that would stem the flows into it. The dynamics of poverty were little examined.



Appendix Table 1  
AFDC Cases Opened and the Unemployment Rate,  
1948 to 1968

	AFDC Cases Opened*	Unemployment Rate (Percent)
'48	210,193	3.8
'49	278,252	5.9
'50	291,273	5.3
'51	225,957	3.3
'52	234,074	3.0
'53	222,498	2.9
'54	275,054	5.5
'55	256,881	4.4
'56	261,663	4.1
'57	294,032	4.3
'58	345,950	6.8
'59	329,815	5.5
'60	338,730	5.5
'61	391,238	6.7
'62	370,008	5.5
'63	380,985	5.7
'64	429,048	5.2
'65	443,267	4.5
'66	503,587	3.8
'67	615,400	3.8
'68	721,000	3.6

\*Does not include cases opened under program for assistance to children whose fathers are present but unemployed, commencing in some states in 1961.

Source: AFDC information from "The Relationship of Employment to Welfare Dependency," Paul E. Barton, Urban Affairs Council, The White House, 1969. Unemployment rates are from "The Manpower Report of the President," 1968, p.221.

Appendix Table 3  
Relationship between Insured Unemployment and Unemployment of  
Experienced Wage and Salary Workers

	(1) Unemployed Experienced Wage & Salary Workers*	(2) Insured Unemployed**	(2) as a Percent of (1)
'75	6,970,000	3,974,000	57%
'76	6,387,000	2,991,000	47%
'77	5,915,000	2,647,000	45%
'78	5,220,000	2,359,000	45%
'79	5,217,000	2,433,000	47%
'80	6,634,000	3,356,000	51%
'81	7,129,000	3,045,000	43%
'82	9,275,000	4,059,000	44%
'83	9,276,000	3,395,000	37%
'84	7,236,000	2,475,000	34%
'85	7,074,000	2,610,000	37%
'86	7,019,000	2,649,000	38%
'87	6,313,000	2,300,000	36%
'88	5,718,000	2,081,000	36%
'89	5,616,000	2,158,000	38%
'90	5,970,000	2,522,000	42%

\*By telephone, Feb. 20, 1991, from Julia Stanak, Division of Actuarial Services, Unemployment Insurance Service, U.S. Department of Labor. Average weekly insured unemployment.

\*\*By telephone, Feb. 20, 1991, from John Stinson, Bureau of Labor Statistics, U.S. Department of Labor. Average monthly unemployed experienced wage and salary workers.

**Appendix Table 2**  
**The Rate of Incarceration in State Prisons and the**  
**Unemployment Rate, 1942 to 1987**

	Incarceration Rate	Unemployment Rate
'42	35.0	4.7
'43	29.6	1.9
'44	28.4	1.2
'45	29.2	1.9
'46	32.9	3.9
'47	36.0	3.6
'48	35.1	3.4
'49	37.5	5.5
'50	36.7	5.0
'51	34.9	3.0
'52	38.9	2.7
'53	36.7	2.5
'54	40.0	5.0
'55	38.5	4.0
'56	38.6	3.8
'57	39.5	4.3
'58	43.3	6.8
'59	41.5	5.5
'60	41.7	5.6
'61	43.9	6.7
'62	40.8	5.6
'63	39.9	5.7
'64	39.4	5.2
'65	38.8	4.5
'66	34.1	
'67	33.8	3.9
'68	NA	3.6
'69	31.9	3.5
'70	33.1	4.9
'71	40.9	5.9
'72	49.4	5.6
'73	52.5	4.9
'74	52.4	5.6
'75	53.1	8.5
'76	52.4	7.7
'77	NA	7.0
'78	51.9	6.1
'79	53.9	5.8
'80	57.9	7.1
'81	64.7	7.6
'82	70.7	9.7
'83	74.1	9.6
'84	70.3	7.5
'85	76.3	7.2
'86	84.0	7.0
'87	92.0	6.2

Sources: Rate (per 100,000 populations) of prisons received from State Courts, "National Prisoner Statistics Bulletins" and "Statistical Abstracts."  
 Unemployment Rate, "Historical Statistics of the United States," Manpower Report of the President, 1968\* and "Statistical Abstracts."

## PREPARED STATEMENT OF DOUGLAS J. BESHAROV

Senator Moynihan, members of the subcommittee, thank you for inviting me to come before you to discuss what you have aptly called "post-industrial social indicators."

No living American knows better than you, Senator Moynihan, the importance of social data in forming public policy. But I think that you also know better than most about data's unimportance. And it is this apparent inconsistency that forms the core of what I would like to discuss today.

In accord with your invitation, I am going to describe how social statistics might be used (1) to predict changes in dependency and (2) to plan societal responses. I will then discuss why we don't use such statistics more frequently—and what could be done to encourage their greater use.

## UNWED TEEN MOTHERS

As the testimony before this subcommittee illustrates, there are many indicators of dependency. One of the most important, in my opinion, is the rate of out-of-wedlock births, especially to unwed teenagers. Each day, we seem to learn more about the devastating effects of out-of-wedlock births on both the children and their young mothers:

- By 1988, over a quarter of all births in America were to unmarried women.<sup>1</sup>
- Teenage mothers are increasingly likely to be unmarried. The fraction of adolescent mothers who were not married when first giving birth rose from under 15% in 1950, to 30% by 1970, and to 65% in 1988.<sup>2</sup> Total unwed teen births were 56,000 in 1950, 312,000 in 1988.
- Nearly 90% of AFDC recipients are single mothers.<sup>3</sup> More than half of all welfare children were born out of wedlock.<sup>4</sup> Fifteen years ago, less than a third of AFDC children were born out of wedlock.<sup>5</sup>
- 59% of AFDC recipients in 1988 were 19 or younger at the birth of their first child, compared to a quarter of non-poor mothers.<sup>6</sup>
- Only 13% of AFDC mothers were more than 23 years old when they had their first child, compared to 41% of non-poor mothers.<sup>7</sup>
- 43% of long-term AFDC recipients were age 17 or younger when their first child was born, compared with a quarter of shorter-term recipients and poor non-recipients.<sup>8</sup>
- 14% of the babies born to mothers under age 15 and 10% of babies born to 15-19 year olds are born with low birth weight. This is compared to 7% of all births. These percentages are higher for teenage mothers who are unmarried than for their married counterparts. For instance, for married black mothers under age 15, the percentage of babies born with low birth weight is under 11% but it is over 16% for their unmarried counterparts.<sup>9</sup>
- In fact, the impact of out-of-wedlock births is so great that a teenage mother who is married and black is less likely to have a low-birth-weight baby than a teenage mother who is unmarried and white.<sup>10</sup>
- Infant mortality rates are more than twice as high for unmarried women as for married women.<sup>11</sup>
- Illegitimacy is a predictor of infant mortality independent of education. Infant mortality rates for white mothers over age 20 are higher for unmarried, college-educated women than for married, grade-school dropouts. This pattern holds true for black mothers also.<sup>12</sup>
- Data from the National Longitudinal Survey of Youth (1979-1985) show that 14% of single teen mothers married within 12 months of giving birth, and nearly 1/3 married within 3 years. 56% of white teen mothers married within four years, compared to 17% of blacks.<sup>13</sup>
- A recent study estimates that just over 50% of women aged 14 to 22 in 1979, who had their first child before age 18, had graduated from high school by the mid-1980s, compared with 3/4 of those who had a first child at age 18 or 19, and over 90% of those who delayed childbearing into their 20s.<sup>14</sup>
- The higher dropout rate seems to result in part from preexisting differences between adolescent mothers and their peers. Between 25% and 33% of the young mothers in one study had dropped out of high school before becoming pregnant.<sup>15</sup>
- Many teen mothers do eventually obtain diplomas or alternative accreditation such as the GED. The educational attainment of young mothers varies with marital status and childrearing. School-age women who marry—especially those who have children—are most likely to drop out of high school. In one study, 75% of married adolescent mothers dropped out, compared with 60% of married childless teenage

women. Half of single teen mothers left school, compared with 8% of childless single teens.<sup>16</sup>

- In 1985 and 1986, over 40% of all young mothers who first had children as teenagers in the previous five years were in families below the Federal poverty line. Young mothers who delayed their childbirths to their 20s had a poverty rate of 24%.<sup>17</sup>

- Poverty persists for teen parents: 33% of mothers ages 25 to 29 whose first birth came as teenagers were poor in 1985 and 1986, compared to 15% of same-aged mothers who had delayed childbearing.<sup>18</sup>

- In 1986, over ½ of all AFDC mothers were in their 20s, and about 7% were teenagers. Roughly 60% of AFDC mothers age 30 or under had first given birth as teenagers.<sup>19</sup>

- 3,189,000 mothers are on AFDC, of which 212,000 (or 6.6%) are adolescent mothers, (aged 13-19). 53% of teen AFDC mothers were aged 19; 46% of the total mothers on AFDC were aged 22 to 30.

Table 1.—PERCENT OF ADOLESCENT MOTHERS ON AFDC, BY TIME OF FIRST BIRTH

	By 1st birth	Within 1 year of birth	Within 5 years of birth
All.....	7	28	49
Married.....	2	7	24
Unmarried.....	13	50	77
White.....	7	22	39
White, unmarried.....	17	53	72
Black.....	9	44	76
Black, unmarried.....	10	49	84

\* All figures in percentages. [Table 13, "Cumulative AFDC Entrance Rates for Adolescent Mothers, By Mother's Marital Status and Age at First Birth, and Race" CBO tabulations of data from the National Longitudinal Survey of Youth (1979-1985), in Congressional Budget Office, *Sources of Support for Adolescent Mothers* (September 1990), p. 52.]

\* Marital status is at birth of first child

Table 2.—PERCENT OF ADOLESCENT MOTHERS ON AFDC, BY TIME AFTER FIRST BIRTH

	0-1 year	1-2 years	2-3 years	3-4 years
All.....	27	28	29	30
Married.....	7	8	12	14
Unmarried.....	48	49	50	49
White.....	21	21	22	23
White, unmarried.....	52	49	45	47
Black.....	42	46	50	47
Black, unmarried.....	46	51	56	52

\* Marital status is at birth of first child. [Table 16, "Adolescent Mothers Receiving AFDC," CBO tabulations of data from the National Longitudinal Survey of Youth (1979-1985), in Congressional Budget Office, *Sources of Support for Adolescent Mothers* (September 1990), p. 59.]

To me, one of the most striking facts is the high level of AFDC dependency among unwed mothers who had their first children as teenagers. As table 1 portrays, *within five years, 77 percent of all unwed teen mothers are on AFDC.* This one fact, I think, demonstrates that the rate of out-of-wedlock births is a potent social indicator of long-term dependency.

#### PREDICTIONS

I believe that policy makers might have been able to *predict* these catastrophic changes in our social fiber. I don't think it's very complicated.

Graphs 1 and 2 tell the story. Graph 1 portrays the birth rate for all unmarried women, ages 15 to 44, over the period from 1940 to 1988. Looking at the Graph, as late as 1975, one would conclude that the problem of out-of-wedlock births was declining. Not until 1984 do we see the beginning of the uptrend that now engulfs social agencies.

But, looking at the statistics by age, a very different picture emerges. On Graph 2, the continuing rise of *teen* out-of-wedlock births is apparent. From 7.4 births per thousand in 1940, unwed motherhood by teens ages 15-19 rose steadily to 36.8 births

per thousand by 1988. As of 1965, the birth rates of all age groups were in marked decline—except for teenage mothers.

Since the teenagers of the early 1960s are the 24–29 year olds of the early 1970s, and the teenagers of the early 1970s are the 24–29 year olds of the early 1980s, and so forth, it should have been easy to predict that, unless the behavior and attitudes of these teenagers changed, we were in for a sea change in out-of-wedlock birth rates. The rising teen out-of-wedlock birth rates of the 1960s were the harbinger of future out-of-wedlock births by these and other women in the same cohort, as they aged.

My point is: We could have seen what was coming—if we were looking.

#### PLANNING

Patriot missiles, smart bombs, and spy satellites are just some of the amazing new weapons that helped US forces to rout the numerically larger Iraqi forces. A visit to any social agency demonstrates how little the technological revolution of the past twenty years has affected social programs.

Beyond photocopiers and a handful of PCs and fax machines, most social agencies operate in the same way they did during the Great Depression. More than twenty years after the first computerized airline reservation systems were put in place, few public agencies have computerized management information systems that actually work. Most states, for example, do not even know how many foster children are in their care or for what reasons.

To give you a sense of what is possible today, I would like to share with you some of the work being jointly conducted by Robert Goerge and Fred Wulczyn, at the University of Chicago and the New York State Department of Social Services, respectively. Using the computerized information systems *already* maintained by Illinois and New York, they have prepared a number of impressive reports about the character and processes of both states' foster care systems. (I believe that members of your staff have copies of their reports. If not, I would be happy to provide them.)

Figures 1–7, prepared by Fred Wulczyn, portray the geographic distribution of infants placed in foster care in Manhattan (1984–1989). This snapshot of one social indicator should be invaluable to anyone wanting to understand the relationship between foster care placements and inner-city poverty—and to anyone planning the location of family services.

Integrating various program databases is also on the horizon. We all assume that there is substantial overlap among the various caseloads in human services agencies, as portrayed in Figure 8.

Robert Goerge is moving ahead with a project that will be able to analyze the careers of children through time and across human service agencies. (See Figures 9.) In effect, he is developing a multidimensional parallel to the information about "welfare spells" that helped shape the Family Support Act.

Just look at how you can trace the flow of the 1969 Illinois birth cohort through foster care placements and thence to mental health facilities. (See Figure 10.)

A combination of geographic and interagency data, like that which I have described, should allow social planners to develop an integrated strategy for meeting the needs of disadvantaged children and their families, if they want to. And that brings me to the inconsistency that I mentioned in opening.

#### RECOMMENDATIONS

My recommendations are divided into two parts. The first four relate to survey data, and here I am indebted to Nicholas Zill of Child Trends:

*National survey of children*—It is time for us to consider instituting a series of longitudinal surveys of children, to be repeated at regular intervals. (Every five years would be ideal.) To be frank, we rely on the Panel Study on Income Dynamics (PSID) and other fine surveys not because they are the best sources of the information we seek, but because they are the only sources. Such surveys should follow children in all major economic and social groups, oversampling both low income and minority children.

*Argument current surveys*—As other witnesses have pointed out, there are many important surveys already in the field. And others are being developed. Whenever appropriate, components should be added about various aspects of dependency, including marital status, welfare reciprocity, etc. It is amazing how many don't have this critical information.

*Add modules to Current Population Survey*—The Census Bureau might be asked to add a series of questions about welfare families or about single parent households headed by never-married mothers, much like the National Health

Interview Survey. Consideration should also be given to increasing the sample size of the CPS so that state level data would be available to guide local planners.

*Make better use of existing data*—As I think should be clear from the testimony before this committee, we actually know a great deal about many social indicators. We just do not use the information very well.

Right now, one might describe Federal efforts in this area as an uncoordinated cacophony. To encourage a better orchestration of efforts, there might be a Federal interagency forum on the subject, much like the apparently successful Federal Interagency Forum on Aging.

My second set of recommendations relate to state and local program data. As you can see, I think that the case records of public agencies contain a wealth of information that could help shape and improve service interventions.

It is hard enough to remedy deepseated social problems without trying to do so in the absence of reliable data about their nature and scope. Why, then, do data needs seem so far down on the agenda of program administrators?

The simple fact is that—beyond you, Senator, and a small group of policy mavens—we do not have these data because no one feels that they need them to do their jobs. There are a number of explanations.

First, despite the pervading interest Americans have in numerical data (witness *USA TODAY*), I think that the interest—and understanding—of complex statistical data is really quite limited.

Second, through the growth of categorical programs, we have so atomized responsibility for various social welfare programs that no one has sufficient interest in the overall problem of social dependency. There is a National Institute of Health Statistics—closely associated with the Public Health Service. There used to be a National Center for Social Statistics—closely associated with the old HEW Social and Rehabilitative Service. The fact that there is no obvious candidate for this responsibility illustrates the degree of fragmentation that has occurred.

Finally, and of special importance to the Finance Committee, is the impact of current Federal funding formulas. We have a relatively good idea of what states spend on services, because that's what they have to tell the Federal government about in order to get reimbursed. We have little program information because it does not enter into the reimbursement formulas.

But it is not simply that Federal reimbursement formulas provide no incentive for collecting program data. I am increasingly convinced that current formulas actually discourage state and local officials from collecting such data. *First*, categorical programs narrow an administrator's field of vision; the focus is on the symptom that brought the client to the program, not the underlying problem of dependency. *Second*, reimbursement for funds spent rather than for services rendered shortens an administrator's time horizon; the cost of serving the client is judged only in terms of the effect on the program's own budget, not on the costs to society that are likely to follow.

Perhaps current Federal reimbursement formulas may give us tight budgetary control (I am not so sure), but they certainly skew social bookkeeping.\*

This leads me to ask—not recommend, mind you—but certainly ask: What would happen if we tied Federal funding to state (and local) activities rather than merely expenditures? There may be good reasons for not doing so. But I think that there can be no doubt about its effect on program data systems: They would get better.

This concludes my prepared remarks. I would be happy to answer any questions that you might have.

Thank you.

#### ENDNOTES

1. N. Eberstadt, "The American Infant Mortality Rate in International Perspective," in American Enterprise Institute Conference Seminar Report, *Raising Children for the Twenty-First Century* (1990), p. 174.

2. Congressional Budget Office, *Sources of Support for Adolescent Mothers* (September 1990), 1970 figure: p. 5; 1950, 1988, p. 1.—See also: "Summary Figure: Births to Women Ages 15-19, By Marital Status, 1950-1988," CBO tabulations of data from National Center for Health Statistics, *Vital Statistics of the United States*, various years, in Congressional Budget Office, *Sources of Support for Adolescent Mothers* (September 1990), p. xii.

\* Here, I am borrowing and slightly modifying a point made by Senator Moynihan in his recent article in the *Public Interest* "Educational goals and political plans."

3. National Center for Children in Poverty, "Five Million Children: A Statistical Profile of Our Poorest Young Citizens," (New York: Columbia University, 1990), p. 42.

4. N. Zill et al. "Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data," (Washington, D.C.: Child Trends, Inc. 1991), p. 7.

5. N. Zill et al. "Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data," (Washington, D.C.: Child Trends, Inc. 1991), p. 7.

6. N. Zill et al. "Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data," (Washington, D.C.: Child Trends, Inc. 1991), p. 6.

7. N. Zill et al. "Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data," (Washington, D.C.: Child Trends, Inc. 1991), p. 6.

8. Long-term recipient is defined as a mother aged 22-30 who received AFDC for three or more of the last five years. N. Zill et al. "Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data," (Washington, D.C.: Child Trends, Inc. 1991), p. 32.

9. N. Eberstadt, "The American Infant Mortality Rate in International Perspective," in American Enterprise Institute Conference Seminar Report, *Raising Children for the Twenty-First Century*, (1990), p. 168.

10. N. Eberstadt, "The American Infant Mortality Rate in International Perspective," in American Enterprise Institute Conference Seminar Report, *Raising Children for the Twenty-First Century*, (1990), p. 168.

11. In eight pilot states: Illinois, Indiana, Massachusetts, Michigan, Missouri, New Hampshire, Vermont, and Wisconsin. N. Eberstadt, "The American Infant Mortality Rate in International Perspective," in American Enterprise Institute Conference Seminar Report, *Raising Children for the Twenty-First Century*, (1990), p. 170.

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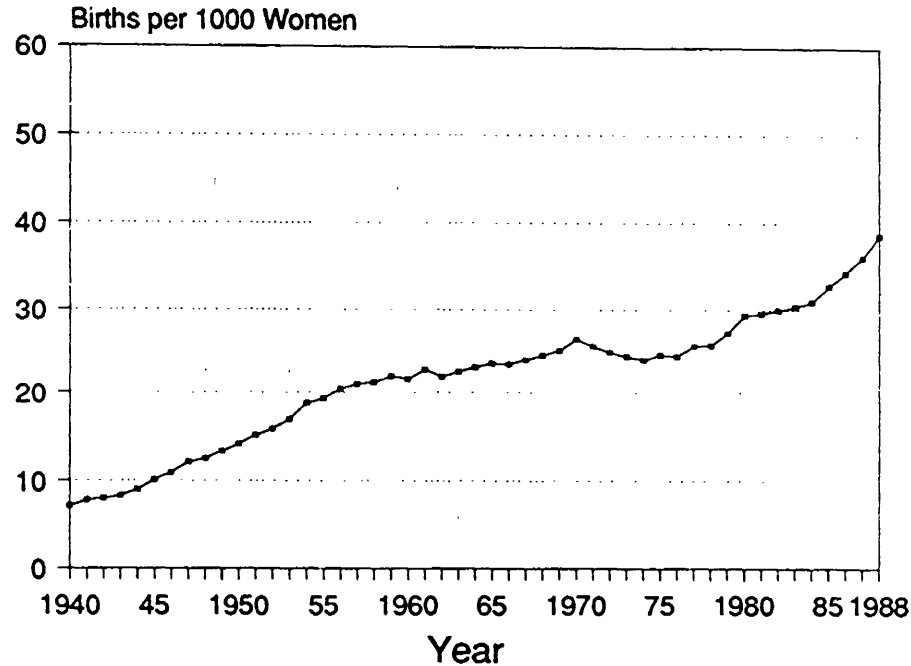
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17. Congressional Budget Office, *Sources of Support for Adolescent Mothers* (September 1990), pp. 12-13.

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19. Congressional Budget Office, *Sources of Support for Adolescent Mothers* (September 1990), p. 45.

# Birth Rates for Unmarried Women Aged 15-44, 1940-1988



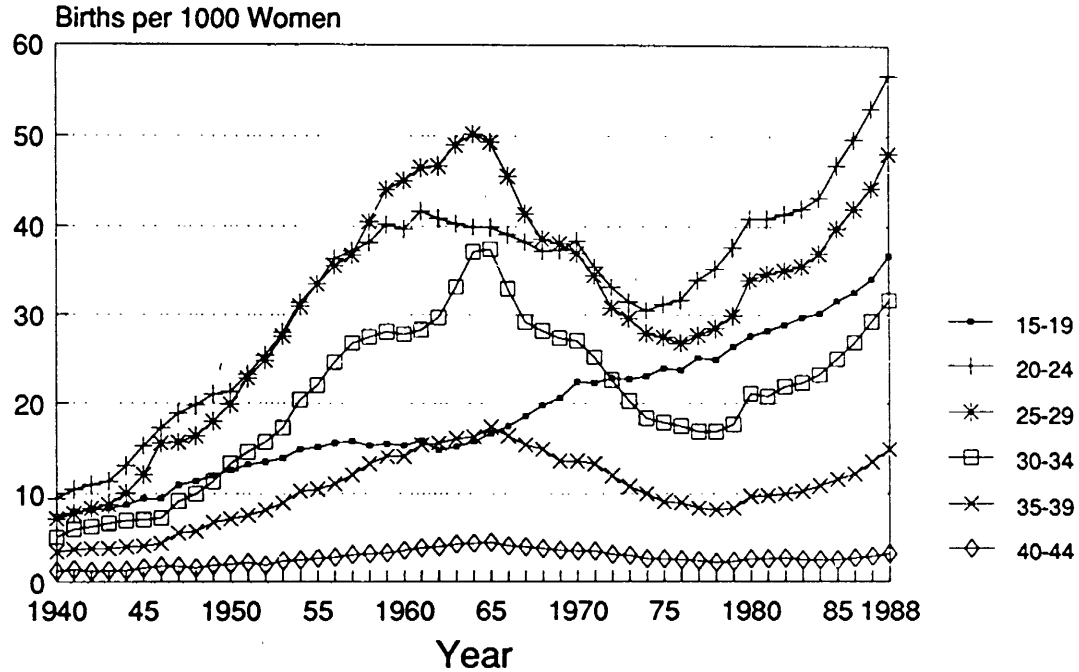
GRAPH 1

D. Besharov March 8, 1991

Source: For 1940-1969 data, National Center for Health Statistics, "Vital Statistics of the United States, 1975," (Hyattsville, Md.: DHEW, 1978), p. 1-46. For 1970-88 data, National Center for Health Statistics, "Monthly Vital Statistics Report," (Hyattsville, Md.: HHS, August 15, 1990), p. 33.



# Birth Rates for Unmarried Women by Age, 1940-1988

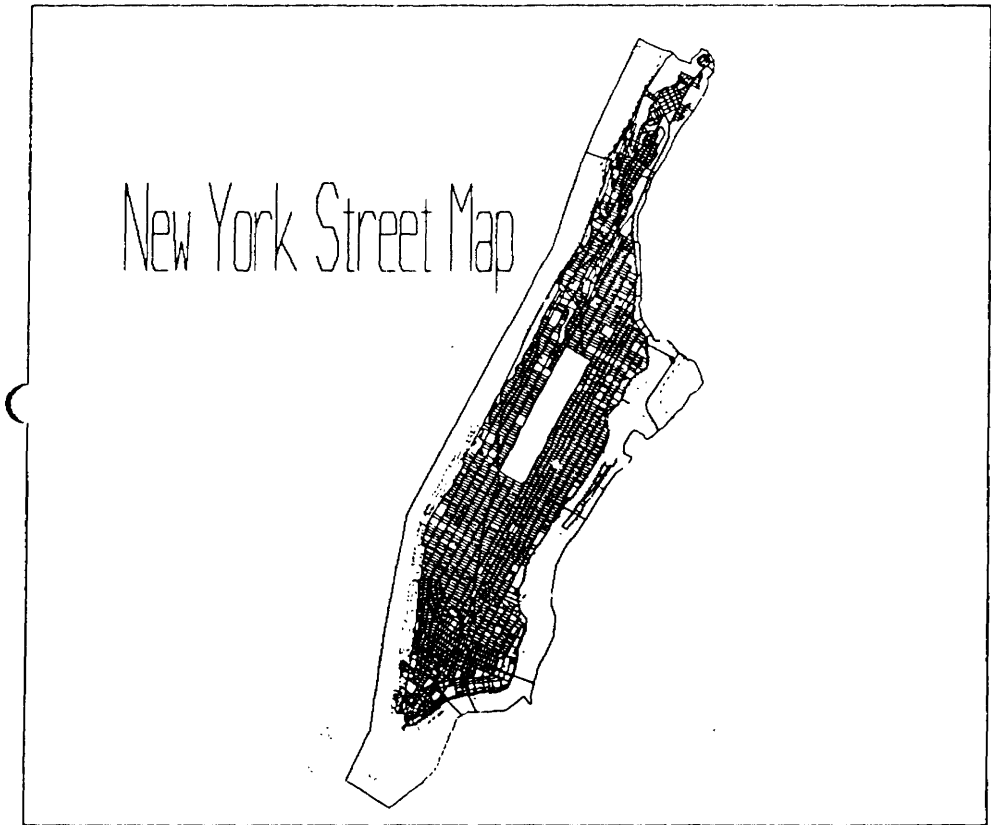


GRAPH 2

D. Besharov March 8, 1991

Source: For 1940-1969 data, National Center for Health Statistics, "Vital Statistics of the United States, 1975," (Hyattsville, Md.: DHEW, 1978), p. 1-46. For 1970-88 data, National Center for Health Statistics, "Monthly Vital Statistics Report," (Hyattsville, Md.: HHS, August 15, 1990), p. 33.

FIGURE 1



Source: F.H. Wulczyn, "The Concentration of Infant Foster Care Children in New York's Boroughs," New York State Department of Social Services, January 3, 1991.

FIGURE 2

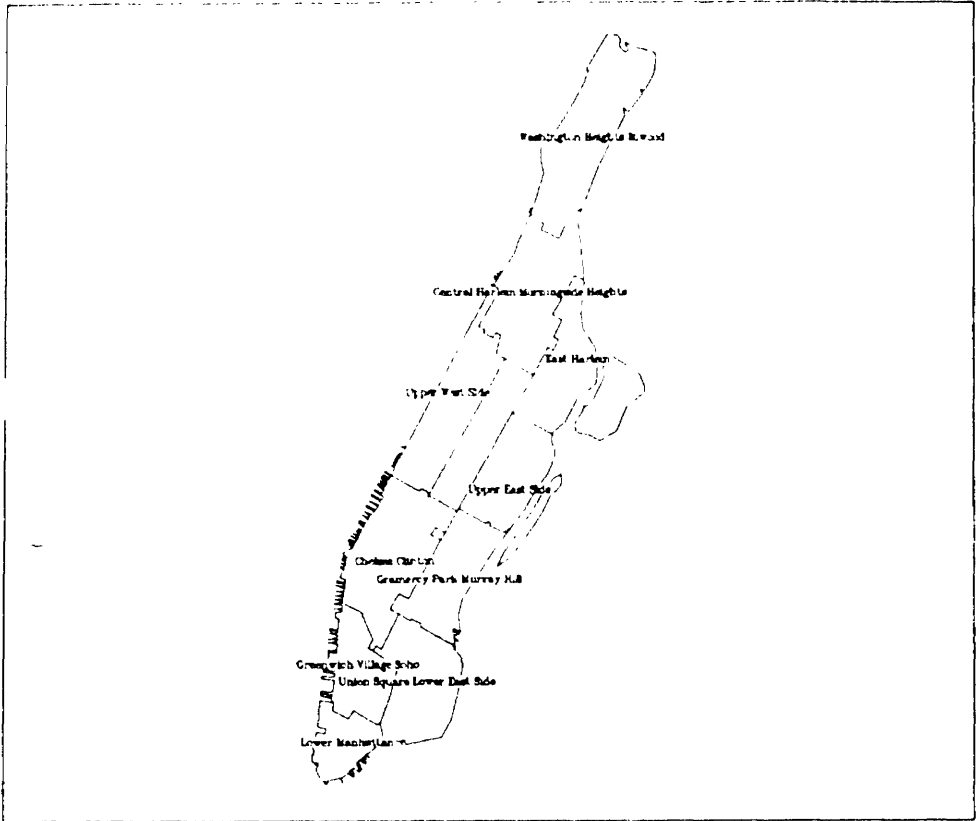


FIGURE 3

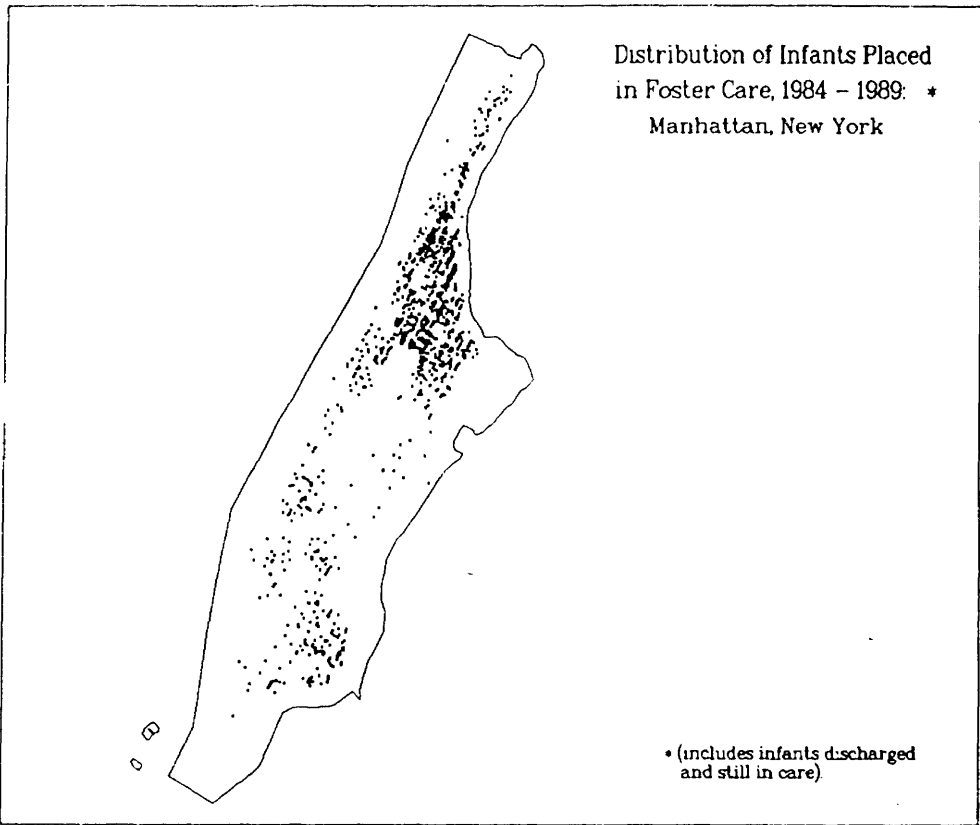


FIGURE 4

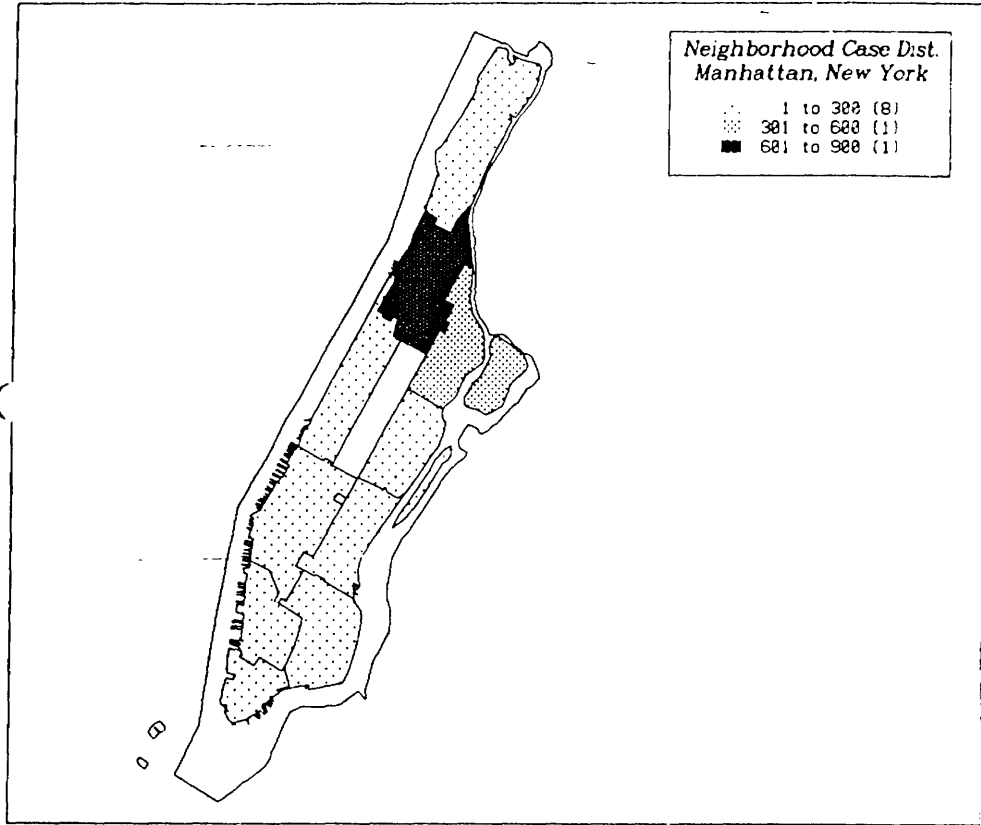


FIGURE 5

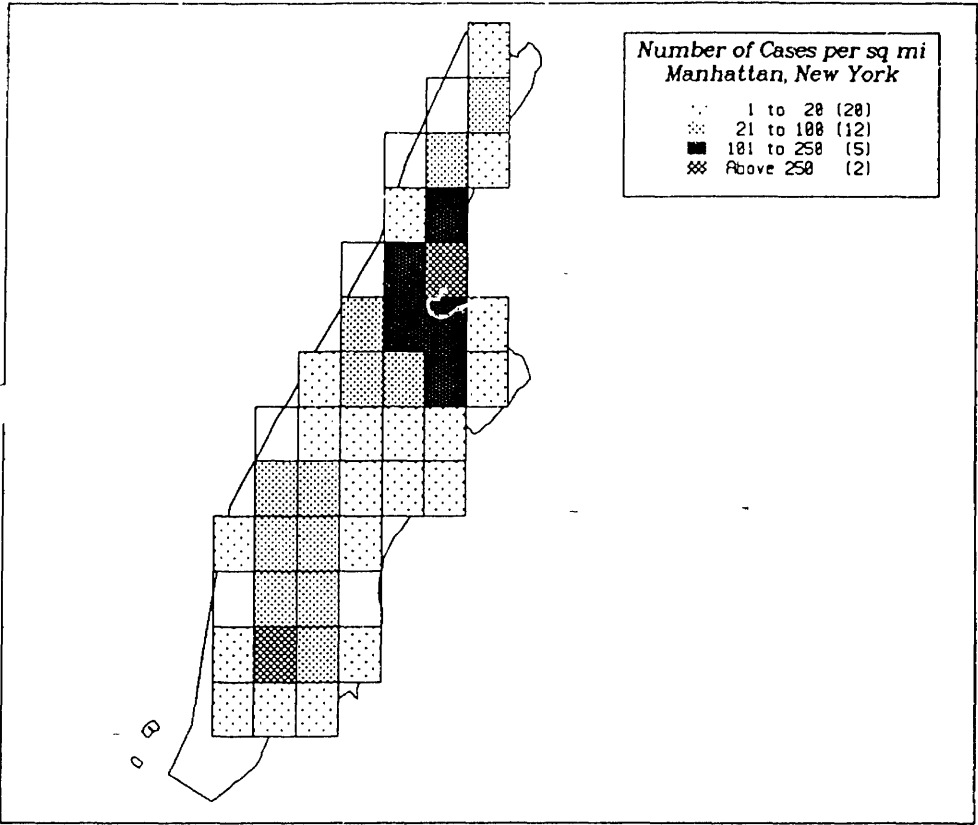


FIGURE 6

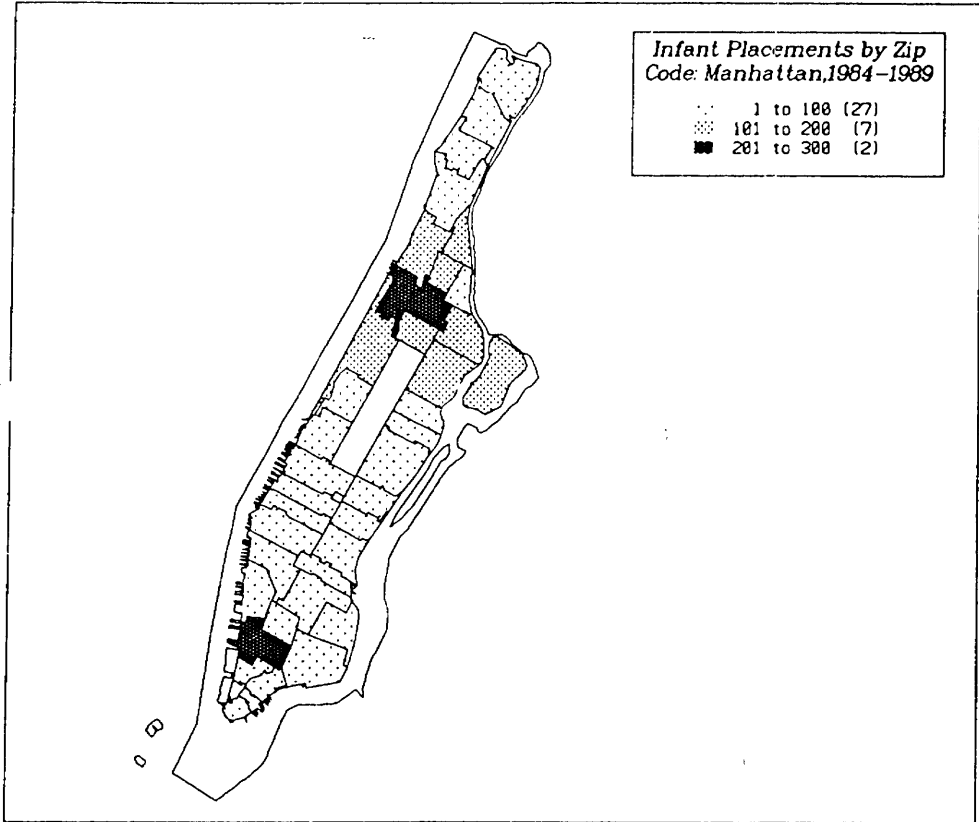


FIGURE 7

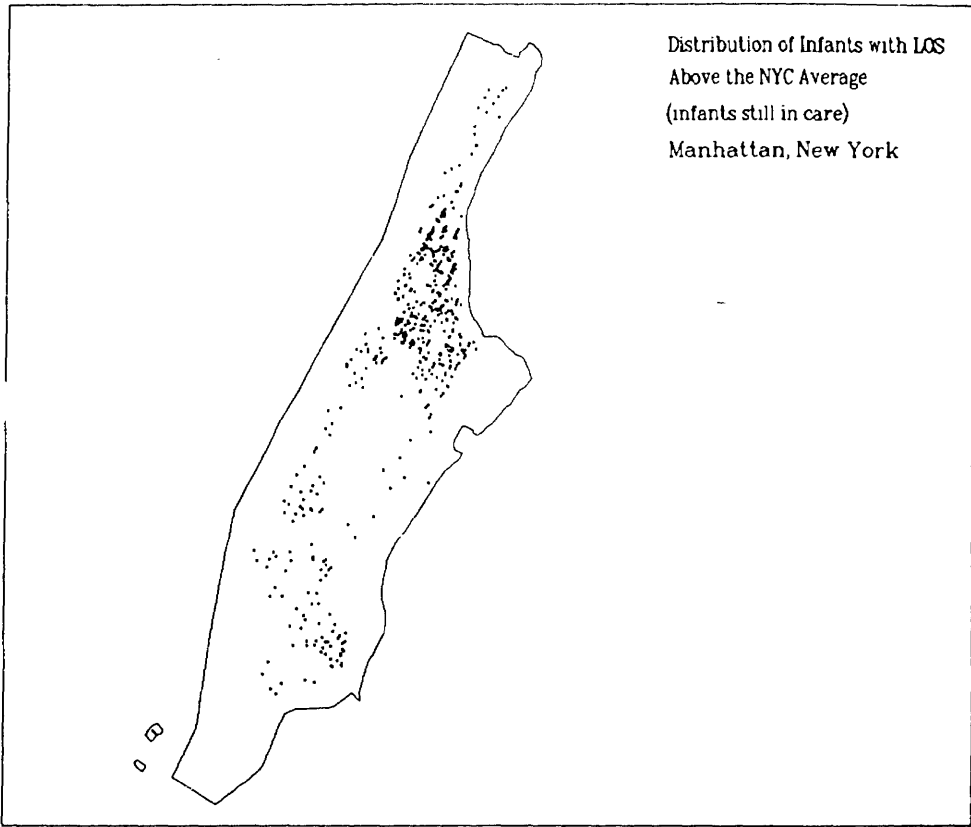
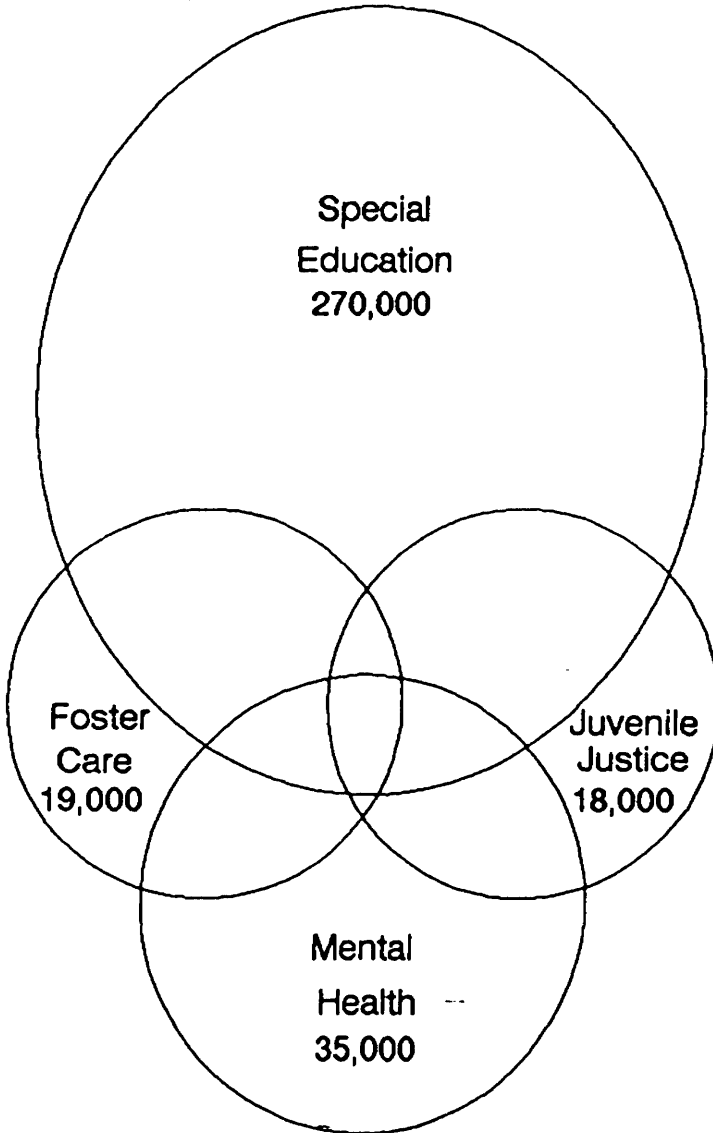




FIGURE 8

CHILD HUMAN SERVICE SYSTEM OVERLAP



# AN EXAMPLE OF A HUMAN SERVICE SYSTEM CAREER (SEVERE)

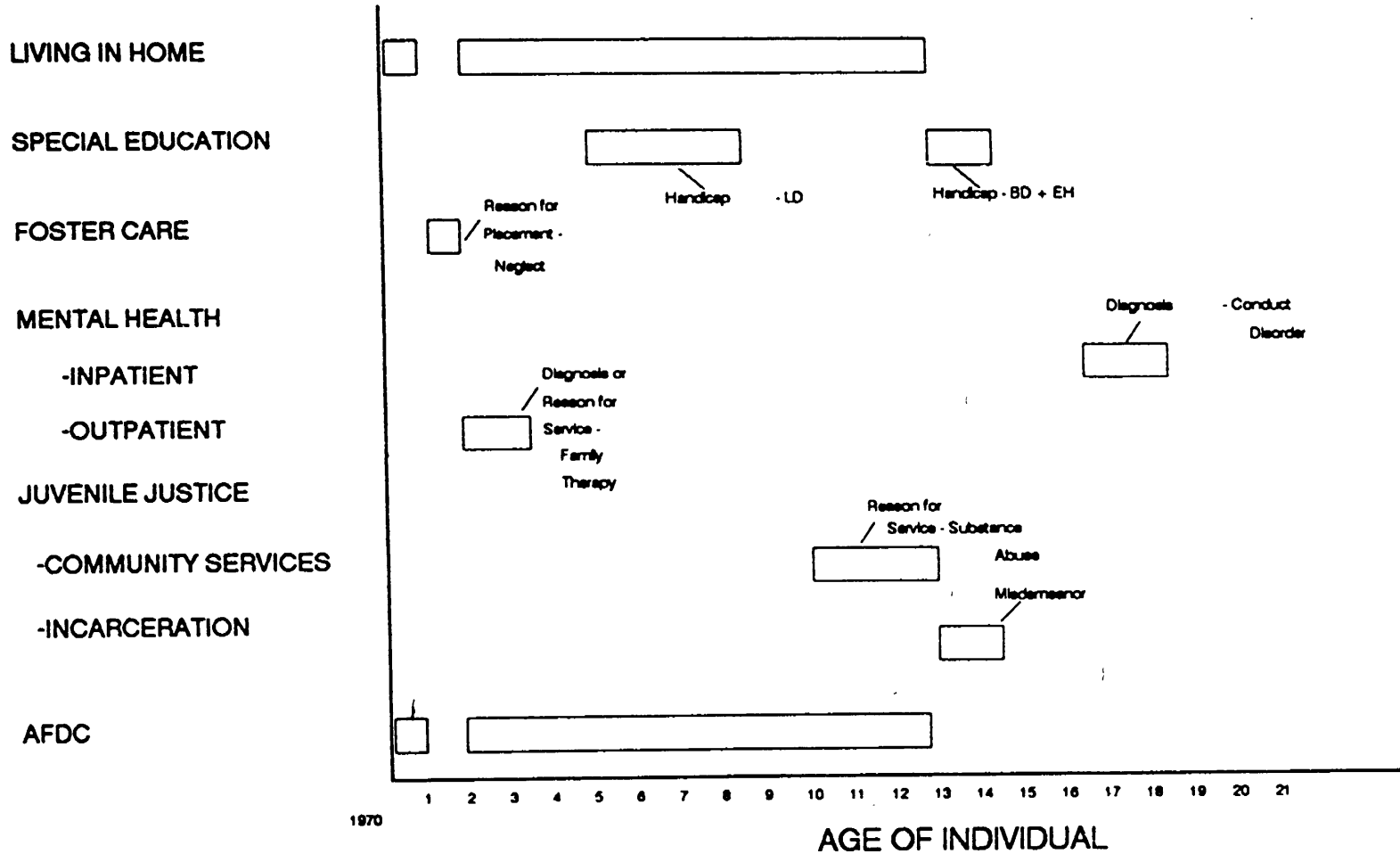


FIGURE 9

# Illinois State Adolescent Psychiatric Hospitalization For Birth Cohort FY 1969

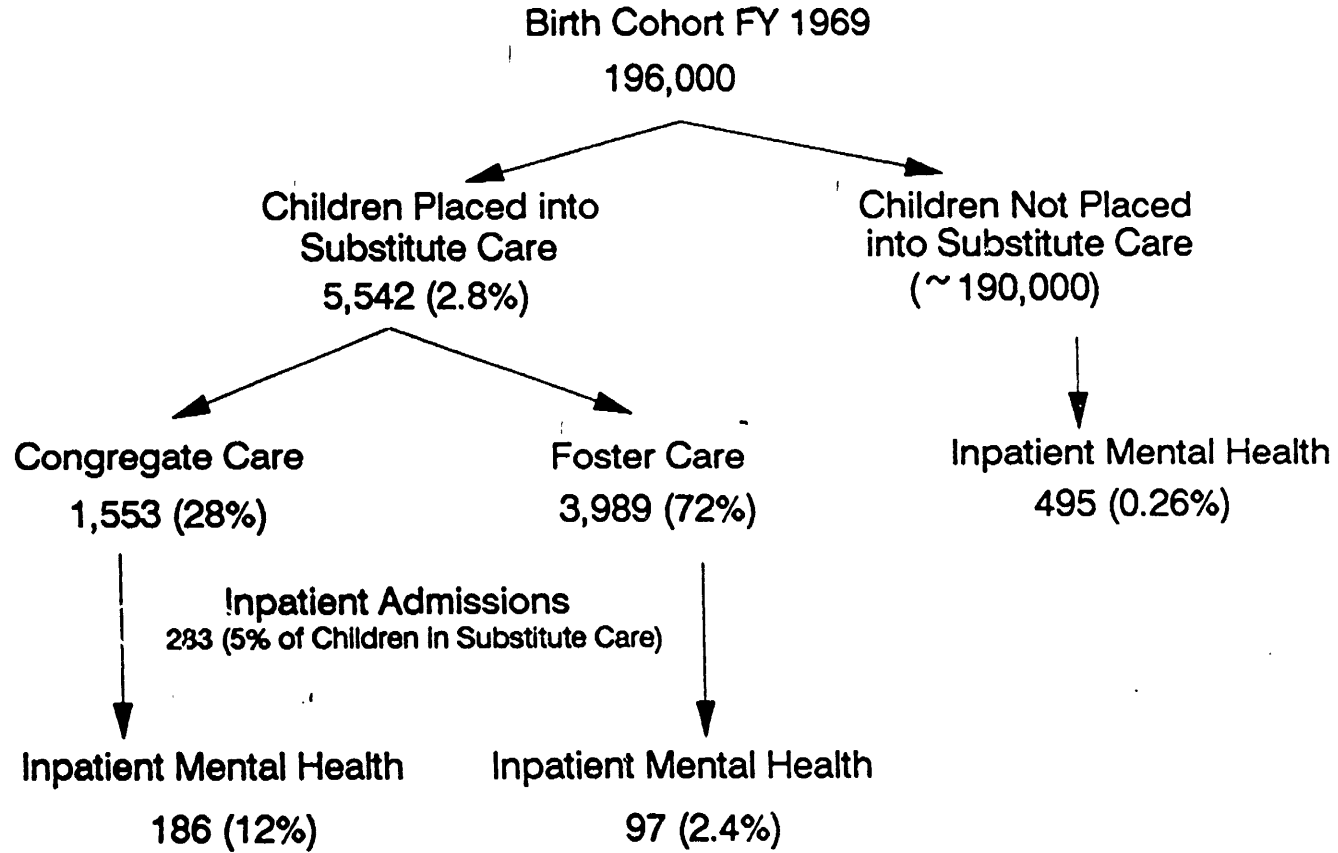


FIGURE 10

## PREPARED STATEMENT OF WILLIAM P. BUTZ

Mr. Chairman, thank you for this opportunity to participate with the Subcommittee in discussions on social indicators needed into the next century to gauge dependency.

As you know, Mr. Chairman, Census Bureau staff were involved in data gathering efforts for use in the Nation's War on Poverty from its inception, and we continue to play a major role today. Since the late 1960's through our Current Population Survey (CPS for short), the Bureau has collected and annually published reports on the social and economic characteristics of persons classified as poor using the index developed at the Social Security Administration (SSA) in 1964.

A directive from the Office of Management and Budget, originally issued in 1969, established the Census Bureau's statistics on poverty using the SSA poverty definition as the standard data series to be used by all Federal agencies for statistical purposes. Over the three decades for which such figures are available from the March CPS they have proved quite useful as a snapshot profile of the poor in a given year, or to gauge changes in the poverty rate or number of poor with certain characteristics over time. Similarly, we have program participation data from the CPS that can give us characteristics of persons in households that received benefits from certain programs, either noncash, such as food stamps or Medicaid, or cash assistance such as from AFDC or SSI. What we are unable to determine from CPS data is how long families with various characteristics receive a particular transfer benefit. Nor can we readily identify the characteristics of persons who were short-term recipients versus those who were long-term, and what attributes of those individuals who used welfare for a short-time only enabled them to better their economic situation if in fact they did.

A relatively new survey conducted by the Census Bureau since 1983 will help address some of these unanswered questions about poverty and dependency. This survey is called SIPP, short for the Survey of Income and Program Participation. Unlike the poverty and program participation data collected in the CPS, SIPP tracks the same persons for a 32-month period, making it possible to measure changes in program participation or in poverty status over a roughly two-and-a-half year period. Respondents are interviewed once every four months, and reciprocity data (as well as earnings and employment data) are requested for each month in that period. This enables us to make comparisons between the characteristics of persons who received benefits from a particular program for a short spell versus those who received benefits the entire period or not at all. It also enables us to account for characteristics associated with ending attachment to the welfare system.

Reciprocity history questions are also asked so that we can study long-term dependency as well as the respondent's current situation. In addition, SIPP has questions on child support, as well as on receipt of assistance from individuals who do not live in the respondent's household, another SIPP innovation. SIPP also collects information about assets and liabilities, making it possible to estimate the number of persons who are eligible to participate in various transfer programs but are currently not receiving such benefits.

The Census Bureau has published several reports relevant to the Subcommittee's work, copies of which I have brought for your information. They include a report on characteristics of persons receiving benefits from major assistance programs, a report which shows the short-run economic effects of family disruption on children and a report on movements among income groups and into and out of poverty. For example, the report on family disruption and its effects on children, which was just released last Friday, reveals that the family income of children declined by 37 percent within four months of their parents' separation, that the proportion of children in poverty increased from 19 percent to 36 percent by the fourth month after the family disruption, and that AFDC participation more than doubled (from 9 percent to 22 percent) within a year of the separation. Many other scholarly papers have been written pertaining to dependency using SIPP data. We also have brought a bibliography of such work for the record.

We have, as you might know, been working closely with the Department of Health and Human Services, the Bureau of Labor Statistics, the Food and Nutrition Service, the Office of Management and Budget and other executive agencies as well as the Congressional Budget Office on the content and design of the SIPP survey. We have also elicited specific comments on the content of our program participation reports from the National Academy of Sciences, as well as from all users. We would be happy to consider the Subcommittee's suggestions on our data collection efforts pertaining to dependency.

As a final note I would be remiss if I did not mention that data will be available in 1992 from the long-form questionnaire of the 1990 census. This will make available data on receipt of cash assistance in 1989 as well as poverty status data for every county, city and town in the Nation (as well as even smaller areas), something that none of our surveys can do. These data do not provide information on long-term dependency. They can give insight into the location and geographic concentration of persons in households currently receiving cash assistance, as well as characteristics of those persons and households.

Mr. Chairman, that concludes my testimony and I will be happy to answer any questions you might have.

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#### PREPARED STATEMENT OF GREG J. DUNCAN

I am pleased to have this opportunity to discuss with you the need for indicators to shed light on the well-being of our country's children. I have worked for nearly twenty years on the Panel Study of Income Dynamics—a data collection project launched in 1968, with the help of Senator Moynihan, by the Office of Economic Opportunity. Its annual interviews have yielded a wealth of information about the economic well-being of families, including the data on welfare receipt throughout childhood mentioned in your letter of invitation.

Surveys conducted by the Census Bureau as well have much to tell us about the well-being of children. Annual snapshots of poverty from the Current Population Survey are the most widely used sources. In contrast, the Bureau's new Survey of Income and Program Participation is a relatively untapped resource that could be extremely helpful for these purposes. For example, it could provide reliable and timely estimates of: (i) eligibility and monthly participation in major transfer programs; (ii) poverty statistics that combine information on low income and low assets; (iii) children who lack health insurance coverage; and (iv) childcare arrangements.

If we are to arrive at a more complete understanding of the dynamics of children's well-being, Census Bureau surveys must be supplemented with special-purpose, longer-run studies such as the National Longitudinal Studies and the Panel Study of Income Dynamics. The PSID estimates of the 17-year exposure of children to the Aid to Families With Dependent Children program, which you mention in your letter of invitation, could not have been calculated using any other data source.

#### TWO EXAMPLES

Long-term household panel data provide a rich set of measures of the well-being of children. Let me describe two examples from the Panel Study of Income Dynamics.

*Poverty throughout childhood.* Rates of poverty revealed at different times by Census Bureau "snapshots" show the extent of childhood poverty at a given moment. However, they fail to measure the persistence of poverty across an individual's childhood.

Duncan and Rodgers (1988) use data from the Panel Study of Income Dynamics to describe patterns of poverty of children during their first 15 years of life. They distinguish six patterns: (i) never close to poverty; (ii) near poverty at least once, but never actually poor; (iii) poor in fewer than five years during childhood; (iv) poor for between five and ten years; (v) poor for between 10 and 14 years; and (vi) poor all 15 years.

They find much sharper racial differences in exposure to poverty than are revealed in single-year Census figures. The majority (56%) of all white children live comfortably above the poverty line throughout their childhoods. And poverty is short-lived for all but a small fraction of the one-quarter of white children who spend at least some time in poverty.

In contrast, fewer than one in seven black children lived securely above the poverty line throughout the fifteen-year period; more than one-quarter were poor for at least ten of the fifteen years. Blacks accounted for nearly ninety percent of the children who were poor during at least ten out of fifteen years.

*International evidence on the duration of welfare.* An exciting development in the past decade is the launching of household panel studies like the PSID in a number of European countries. Duncan et al. (1991) assemble roughly comparable data on the duration of social-assistance experiences of lone-parent families from four countries—Canada (Province of Quebec), with the Social Assistance program; the Federal Republic of Germany (city of Bremen), with the Sozialhilfe program; the United Kingdom, with Supplementary Income (changed to Income Support in 1988); and the

United States, with the Aid to Families With Dependent Children program. All of these programs shared similar characteristics—benefits are means-tested and highly “taxed” in the sense that families receiving some income from other sources, such as employment, find social assistance payments cut by a roughly equal amount.

The data show very different patterns of social-assistance receipt across countries (Figure 2). Receipt tends to be relatively short-term in the United States and Germany, somewhat longer-term in Canada and much longer-term in the United Kingdom. The proportion of lone parents still receiving social assistance four years after first starting was roughly 40 percent in the United States, 50 percent in Germany, 60 percent in Canada and 85 percent in the United Kingdom.

Why are the patterns of social-assistance receipt so different? The long duration of spells in the United Kingdom can probably be explained by a combination of circumstances—high rates of unemployment, employment norms that lead far fewer British single mothers with young children to be employed than their counterparts in Germany, Canada and the United States and relatively high benefit levels. Why social assistance recipients in Germany, with its high benefit levels, should exit from the program almost as quickly as recipients in the United States is an important and, as yet, unanswered question.

#### FUTURE PROSPECTS

If continued, data sets such as the Panel Study of Income Dynamics can provide a great deal of useful information about the well-being of children well into the 21st century. Important to that end was the addition, in 1990, of a representative sample of 2000 Latino households to the PSID. We were able to capitalize on the fact that the Ford Foundation had funded the drawing of a large and high-quality national sample of Latinos as part of a study of political participation. We interviewed those households and will soon be able to produce PSID statistics for Latino households as a whole as well as major Latino subgroups.

PSID core data on income, employment, and family structure have proved enormously useful in understanding the dynamics of children's dependence and well-being. Much more could be learned from data sets such as the PSID with additional financial support.

What do we need to know? Figure 1 showed very different patterns of childhood poverty for black and white children. We know precious little about the effects of economic deprivation and dependence on child development. How long must poverty persist in childhood to adversely affect a child's development? Transfer programs like AFDC provide needed income, but apparently at the cost of dependence on the part of the mother, which may be transmitted to her children. How important are these costs and how can they be minimized? Low-income families often live in bad neighborhoods and attend low-quality schools. Sorting out the detrimental effects of low family income *as such* from the effects of correlated factors is an obvious priority for future research.

To help understand these issues, we have proposed gathering information on developmental outcomes (e.g., early grade failure, cognitive and emotional development, behavior problems) as well as explanatory information on the amount and nature of time parents spend with their children on over 5000 children (including Latino children) living in PSID families. The information, gathered from the children themselves, their mothers and teachers, could then be combined with extensive “core” information on the family and neighborhoods in which the children live to address crucial questions of how family poverty, welfare use, neighborhood conditions, parental divorce, maternal employment and fertility affect children's well-being and development. Unfortunately, these supplemental data are costly to collect—requiring an additional \$2.8 million. Without supplementary research funding to the National Science Foundation, the National Institute for Child Health and Human Development or HHS-APSE, it seems unlikely that any consortium of funders will be able to cover the costs.

Although widely used and very highly regarded by social scientists, the Panel Study of Income Dynamics faces a very uncertain future. 1991 is the last year of its current 5-year funding cycle. The primary sponsors of the study for the next five years, the economics and sociology divisions of the National Science Foundation, are able to cover only a little over half of the \$3.2 million annual cost of the original and Latino samples. Budget cuts in the Office of the Assistant Secretary for Planning and Evaluation of DHHS limit its contribution to about one-tenth of the total cost. Sporadic support from the Labor Department, the National Institute on Aging and the Institute on Child Health and Human Development is unlikely to close the gap.

Thus while continuing and enriching the PSID constitutes a prudent investment to insure that policy-makers can assess the economic status of children in future years, current budgetary constraints on the potential sources of PSID support may mean the untimely demise of this crucial data source.

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- Greg J. Duncan et al., "Poverty and Social Assistance Dynamics in Eight Countries" Prepared for the conference "Poverty and Public Policy," Paris, January, 1991.

Figure 1  
Fifteen-year Poverty Experiences of Children  
under the Age of Four in 1968, by Race

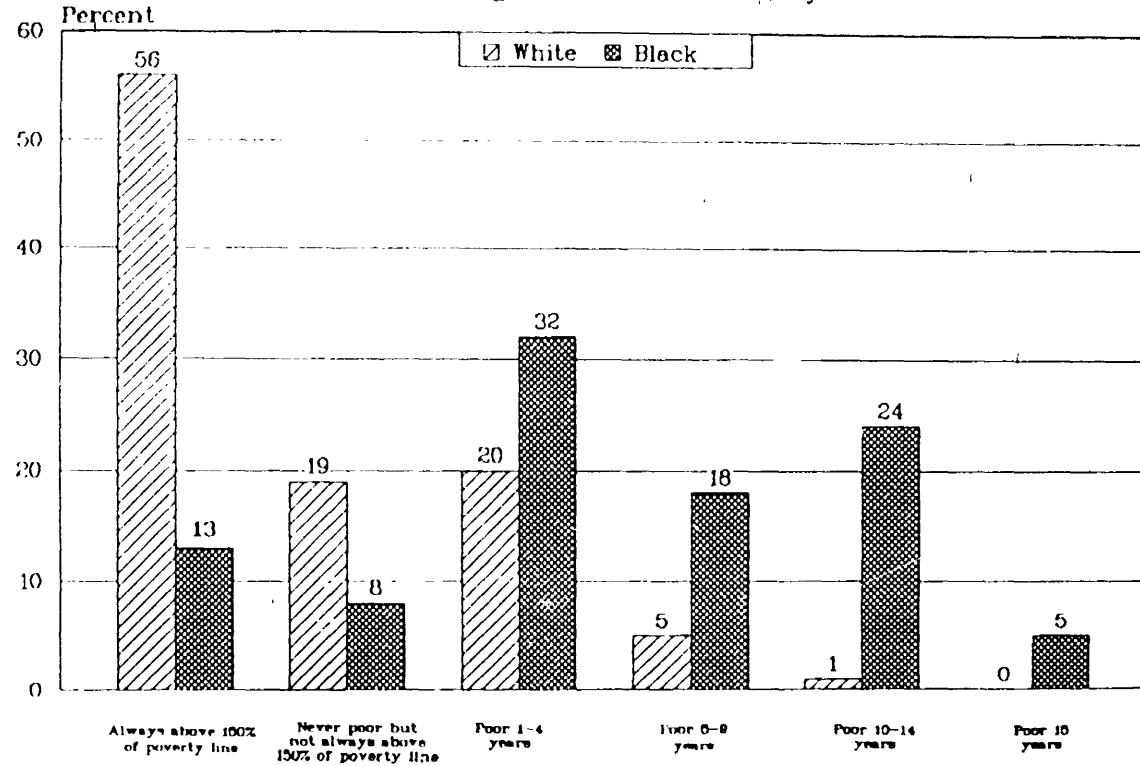


Figure reads: 56 percent of white children were above 150% of the poverty line throughout the 15 years of childhood.



Figure 2  
Percent of Social Assistance Spells Lasting at Least Four Years,  
for Single-Parent Families

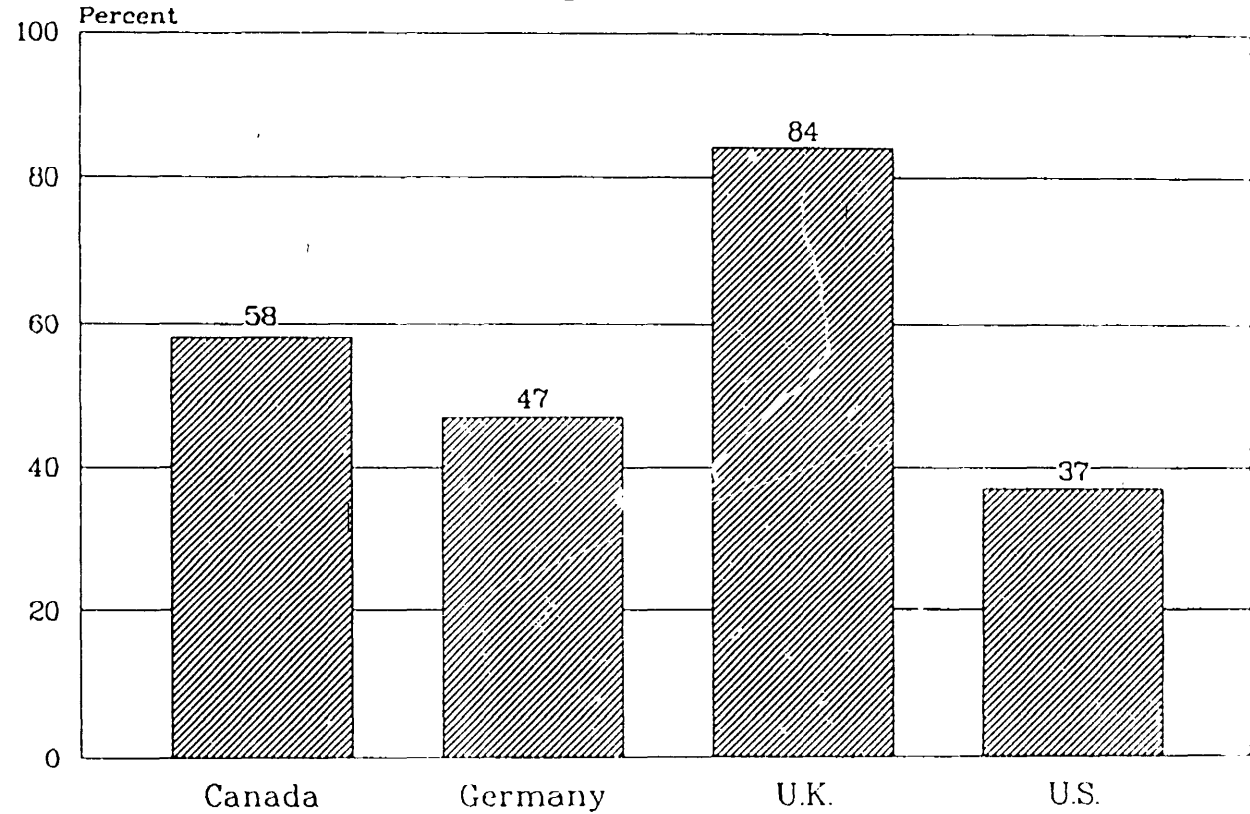


Figure reads: 58 percent of social assistance spells in  
Canada last at least 4 years.

## PREPARED STATEMENT OF SENATOR DAVE DURENBERGER

[March 4, 1991]

Mr. Chairman, I want to thank you for holding this hearing today. While understandably our nation's focus has been on the events in the Persian Gulf, it is important that we do not forget the needs of the people here in the United States. In preparing for this hearing, I was reminded about a statement by President Woodrow Wilson near the end of World War I when he said,

"Next to the duty of doing everything possible for the soldiers at the front, there could be . . . no more patriotic duty than that of protecting the children."

I hope that we can keep the spirit of this statement alive as we move forward in addressing the domestic agenda ahead of us.

I recently became a member of the Subcommittee on Children, Family, Drugs and Alcoholism over on the Labor and Human Resources Committee where we have just held two hearing that looked at the state of children and the state of the American Family in the 1990's. What we heard was not encouraging. Child poverty has steadily increased since 1970. Children living with only one parent has increased from 9.1 percent in 1960 to 24.3 percent in 1987. Between 1979 and 1987, the average share of a family's gross income devoted to housing expenditures rose from 24 percent to 28 percent. Families headed by blacks or hispanics devoted about 36 percent, while single parent families devoted 46 percent to housing costs.

The news is disheartening. And the answers are not easy. The cultural and economic changes in this country are happening so quickly that it is difficult to keep the state of the art up with the state of practice. The Family Support Act was an important and a long overdue step in the process to update Federal policy with current practice. And I thank you Mr. Chairman for recognition of this and for your tireless work to make it a reality.

I am also intrigued, Mr. Chairman, of your efforts to rethink the way we finance our social insurance in this country. But I also believe it is time to examine the entire social insurance and income security system in this country in the wake of cultural and economic changes in the United States. How this system interacts with the larger issues of earnings, savings, investment as well as how it interacts with other human service and social welfare programs that fall under the jurisdiction of the Labor and Human Resources Committee. I believe this is the challenge of the 21st century. And I look forward to the testimony today that will help us better define the current state of affairs and issues facing us in the future.

## PREPARED STATEMENT OF SENATOR DAVE DURENBERGER

[March 8, 1991]

Mr. Chairman, I want to thank you for holding this the second of two hearings on the development of indicators of welfare dependency. On Monday we heard valuable testimony about the need for a better long-term approach to study not only the "condition of the low-income population . . . but the reasons for persistence in poverty" as Dr. Norwood so eloquently described in her testimony.

I think that the testimony we heard at Monday's hearing, shows convincingly that there is a need for a comprehensive and longitudinal approach to help us understand not only the what but also the why and to use this information to begin to formulate the policy changes that we need to address the needs of a post-industrialized society.

Everyday I hear the statistics: that the poverty rate amongst children in Minnesota is 20%; that there was a 181% increase in child abuse reported in Minnesota since 1980; that Minnesota had the highest level of teenage births and that 35% of these individuals did not receive adequate prenatal services. These figure are tragic. But for me as a legislator—from the policy prospective, anyway—they mean little unless, I can understand the reasons behind figures. To understand, for example, who is at risk at becoming another statistic so that the policies we pass here in this committee and also on the Labor Committee address these needs and act in a preventative manner.

The very successful WIC program is an example of public policy understanding the reasons behind a need—that inadequate nutrition leads to low birth weight and increased medical problems. The Family Support Act is also an example of trying to frame policy to address the underlying problems and reasons of dependency rather than continuing policy in a sort of band-aid approach. But more often that not, our policies not not match underlying reasons behind the needs that the one-time studies point out so clearly. So I want to compliment you on your continued efforts to

reduce the prevalence of poverty by reducing the factors of poverty and to thank you again for holding this hearing here today.

#### PREPARED STATEMENT OF JUDITH JONES

Senator Moynihan and members of the Committee, my name is Judith Jones. I am Associate Clinical Professor of Public Health and Director of the National Center for Children in Poverty at Columbia University in New York. I am pleased to provide testimony this morning on issues that are fundamental to the Center's mandate and responsive to the Subcommittee's Agenda.

The National Center for Children in Poverty was established in 1989 at Columbia University with support from the Ford Foundation and the Carnegie Corporation of New York. The Center's goal is to strengthen policies and programs for poor children under six and their families. To achieve this goal the Center collects, synthesizes, and actively disseminates information about poor children and families, and about public policies and programs designed to address their needs. The Center is also developing a set of initiatives through which we will directly assist state and local agencies to implement improved policies and promising program approaches in the fields of maternal and child health, family day care, and services integration.

We at the National Center for Children in Poverty agree emphatically with you Mr. Chairman that the nation must have an improved system of indicators for measuring the well-being of children and their families. In particular, it is critical that those responsible for making and implementing social policy have better information than is currently available about the extent of poverty, its causes, its consequences, and its remedies. Only with better information can policy-makers and implementors choose effective courses of action, set reasonable goals, and measure progress toward these goals.

My testimony this morning is organized into three parts: (1) comments on the need for improved social and economic indicators; (2) discussion of needs for better information about program implementation and impact; and (3) closing remarks and recommendations. Because of the Center's focus on children under six living in poverty, my comments will emphasize the needs for information about poor young children—both those who live in welfare-dependent families and the very large number whose families are poor despite parental employment.

#### I. NEED FOR IMPROVED SOCIAL AND ECONOMIC INDICATORS

By *social and economic indicators* we mean population statistics of various sorts that allow us to monitor the well-being of children, families, communities, states, and the nation.

*National Statistics.* During the Center's planning phase, it became apparent that basic national statistics about poverty among young children were not regularly analyzed and reported by any organization—despite growing public concern about child poverty and growing public investment in early interventions and other services to prevent and alleviate the negative effects of poverty on children's health and development.

While some of the relevant economic and social data are collected annually by the U.S. Bureau of the Census as part of its Current Population Survey (CPS), these data are not made available in a way that facilitates monitoring the incidence, distribution, and character of child poverty in the United States. In fact, little more than poverty rates and the overall number of poor children, broken down by age, are published in the Census Bureau's annual poverty report. Other needed data are available only when a concerned organization or individual analyst makes special efforts to assemble and analyze it, and some vital data are simply not collected at all.

To describe more fully the distribution and character of child poverty in the United States, the Center commissioned special analyses of the Current Population Survey. The findings of these analyses and a broad review of the literature on the causes and consequences of poverty were presented in the Center's first publication—*Five Million Children: A Statistical Profile of Our Poorest Young Citizens* (April 1990). The high level of interest in this report expressed by policymakers, program administrators, researchers, advocates, and the media confirmed our belief that there are significant unmet needs for basic statistics on child and family poverty.

Later this month, the National Center for Children in Poverty will release a comprehensive study of the relationship between poverty and the health status of young children. That report, entitled *Alive and Well?*, was prepared by Dr. Lorraine Kler-

man, a member of the Center's Council of Advisors and professor of public health at Yale University. The report is replete with references to data shortcomings that prevent us from having adequate knowledge of the relationships between poverty and the health status of children. Surprisingly, we do not even know definitively the relationship between infant mortality and poverty, since death certificates do not contain the necessary socio-economic data. Likewise, other major health indicators such as birthweight, immunizations, and primary health care utilization are not typically associated with child/family socioeconomic status in the course of routine data collection. Thus, the relationship between poverty and these factors can only be estimated from special small-scale studies.

Regarding child development and participation in early childhood care and education programs, the situation is somewhat better. Recently expanded data collection as part of the National Longitudinal Study of Youth now allow population estimates of the developmental status and progress of young children from poor families. Analysis and reporting of this information, however, depends on the initiative of individual researchers, and it is neither assured nor routine. Although the Bureau of the Census routinely collects data about school enrollments—including participation in preprimary education programs—as part of the October Supplement to the Current Population Survey, these data are not routinely analyzed and reported.

As a result of these and other concerns about the availability of national statistics on poor children under six, the Center has committed itself to preparing annual updates of major indicators initially published in our report *Five Million Children*. While not addressing the full range of information needs, the routine availability of these major indicators will allow policymakers, program administrators, researchers, and advocates to monitor important national and regional trends. Financial support for this effort has come from private foundations, and data acquisition has been facilitated by the Office of the Assistant Secretary for Planning and Evaluation within DHHS.

*State and Local Statistics.* While it is important to have national statistics on the social and economic conditions of children and their families for the purpose of monitoring change and developing policy at the national level, this information is of limited use in state and local policymaking and program planning. It is at these levels that the main responsibilities for implementing benefit and service programs for poor children and families now reside. At present, state and local statistics on poor families and their children are extremely limited.

Following the Center's publication of national statistics on child and family poverty, we have received a high volume of requests for relevant state and local statistics from public officials, public commissions charged with developing policy recommendations and implementation strategies, child and family advocates, and the media. Some of these requests—such as those from the largest states—could be answered by special analyses of data routinely collected on an annual basis as part of the Current Population Survey. Given limitations related to CPS sample size, however, the information needs of smaller states (as well as most cities) require either analyses of pooled data from several Current Population Surveys or analysis of data from the Decennial Census in order to obtain reliable population estimates.

The National Center for Children in Poverty is currently exploring the feasibility of conducting special analyses of the Decennial Censuses from 1970 through 1990 to provide statistics on child and family poverty for states and local areas (defined as county groups or smaller areas of 250,000 or more inhabitants). Although there is considerable demand for more refined area analyses by county and neighborhood, not even the Decennial Census provides an adequate basis for reliable estimates for areas of less than 250,000 population, given the small sample for which household economic data is available.

## II. THE NEED FOR BETTER INFORMATION ABOUT PROGRAM IMPLEMENTATION AND IMPACT

While population statistics are useful in describing and monitoring the various social and economic conditions of poor children and their families at the national, regional, state or local levels, they do not provide an adequate basis for identifying the causes of poverty or the effects of poverty on child health and development, nor do they provide adequate reference points for evaluating the effectiveness of strategies designed to alleviate poverty. It is clear that significant refinements are needed in data reporting requirements for many programs that provide services to poor families and their children, and there are pressing needs for applied research on the effects of both operational programs and demonstration projects.

In order to determine how effectively our policies and programs address the problems of child and family poverty, it is vital to have better information than is currently available about

*Program Coverage:* the number and characteristics of persons eligible to participate in various programs in relation to the number and characteristics of persons who ultimately do participate.

*Program Implementation:* what services are actually provided to and received by participants.

*Participant Outcomes:* the extent to which desired outcomes are realized by/for participants.

*Program Impacts:* the extent to which participant outcomes can be attributed to the program.

In addition, policymakers should have better information about the relative cost-effectiveness of different programmatic approaches.

*Program Coverage.* Even this most fundamental program-related information is surprisingly hard to come by. Program coverage is determined by comparing the number and characteristics of program participants with the number and characteristics of eligible persons in the population. Participant data should be available from programs as a matter of routine administrative reporting, though this is often not the case. Data on the number and characteristics of eligible persons in the population, however, must be obtained from population surveys—such as the Current Population Survey (CPS), Survey of Income and Program Participation (SIPP), Panel Study of Income Dynamics (PSID), or National Health Interview Survey (NHIS)—which seldom provide a reliable basis for estimating eligible populations below the national level.

Given the currently diverse and complicated eligibility rules for different Federal programs, even precise national estimates of the number of persons eligible for particular benefits or services are difficult to make based on the limited data that can be collected in large-scale surveys.

An example may help to illustrate our concerns about current data limitations: The Omnibus Budget Reconciliation Act of 1989 required states to extend Medicaid coverage to all children under age six with incomes below 133% of poverty. In order to determine program coverage, which is a measure of the success of outreach efforts by state Medicaid programs, it is necessary to estimate the number of children under six living in families below 133% of the poverty line who are not covered by health insurance from private sources, and then compare this number with the number of children under six enrolled in Medicaid during the same period.

National participation can be determined on an annual basis from data contained in Medicaid administrative reports, and the number of eligible children can be estimated from data collected in the National Health Interview Survey (NHIS). Unfortunately, however, the small size of the NHIS sample does not permit reliable estimates of the number of eligible children by state, which would be necessary to monitor the effectiveness of state outreach efforts. Moreover, these data sources provide relatively little information about characteristics of participating versus nonparticipating children and their families. If such information were available, it could be used to develop strategies for increasing participation.

Numerous other examples of shortcomings in program-related data might be given; however, our basic point is that policymakers and program administrators frequently have very little information with which to work, particularly at state and local levels. As a result, program planning and program outreach to serve those children and families who are eligible for and in need of assistance are less effective than they could be.

*Program Implementation.* Program implementation data, which describe the benefits and services offered and actually received by individual participants, provide the basis for monitoring program quality and determining whether policy goals are likely to be achieved. Detailed implementation data are not routinely available for most federally funded programs that involve the delivery of a complex array of services.

The implementation data routinely collected as part of administrative reporting typically provide little more than point-in-time estimates of enrollment numbers or counts of service units delivered during some period in time to the eligible population. Longitudinal data about individual participation is almost always more useful than cross-sectional enrollment data for purposes of evaluating program quality. For example: It matters little that WIC enrollments increase by 1,000 in a program serving less than 50% of the eligible, nutritionally at-risk population, *unless* there is also evidence that a high percentage of women enroll prenatally and participate consistently until their children age out of the program or until risk subsides. Similarly, given very low coverage, it matters less that the number of Early and Period Screening, Diagnosis, and Treatment (EPSDT) visits increases than that there is

growth over time in the proportion of children receiving the full EPSDT services. In short, we need more than "head counts" to assess program quality.

*Participant Outcomes.* In the case of programs seeking to promote particular outcomes—such as adequate nutrition, immunization, improved health status, school-readiness, avoidance of repeat pregnancies, functional literacy, and employment—it is important to document participant outcomes. Although the occurrence of desired outcomes is not by itself evidence that a program is effective, the absence of desired outcomes can be interpreted as evidence that a program has not been effective. Relatively little participant outcome data is routinely available to policymakers, although it appears that somewhat more data are routinely collected by frontline practitioners who want to know how well they are doing. Expanding routine measurement of participant outcomes, and devising systems for routine data analysis and reporting to appropriate administrative and policymaking levels, would provide invaluable information for monitoring progress and shaping future program strategies.

Although the Family Support Act of 1988 requires extensive reporting by state implementing agencies, the regulations do not currently require reporting of outcomes for JOBS participants. Such data are essential if we are to monitor how well and in what ways the program is working. In developing outcome reporting requirements, it is essential that we not hang everything on a unitary measure such as initial job placement or the number of participants leaving the welfare rolls. Rather, as the Center for Law and Social Policy has suggested, we should consider a broad range of possible outcomes for participants, including completion of educational and training programs, initial employment, maintenance of employment over time, job advancement, and earnings. Among participants leaving AFDC for employment, it is particularly important to know whether they are able to earn their way out of poverty—for unless they do, the real promise of welfare reform will not be realized, and the children of participants will remain at risk of poverty's many ill effects.

*Program Impact:* Estimates of program impact—that is, the attribution of particular outcomes to participation in a particular program—are derived from experimental or quasi-experimental research, rather than from routine program-related data collection. Therefore, investment in special program evaluation projects related to major public policy initiatives is essential for sound policy formation. Current commitment to evaluate, at selected sites, the impact of the JOBS program reflects an understanding of this issue at the Federal level. Especially commendable is the commitment to evaluate the impact of the JOBS program on the children of participants in some sites—for it is the fate of these children that will determine whether welfare reform can break the vicious cycle of poverty and dependency. Of course, findings from special evaluation projects at selected sites are most useful when complemented by program coverage, program implementation, and participant outcome data routinely collected for the entire program.

### III. CLOSING REMARKS AND RECOMMENDATION

In all of its work the National Center for Children in Poverty is guided by two important perspectives on child and family poverty:

1. All poor families and their children are not alike. They have diverse needs and problems that require different responses, and many have multiple, interdependent needs.

2. Children are not poor; rather, their parents are poor, lacking the economic resources and, sometimes, the personal and social resources to provide adequately for their children's needs.

The implications are clear. Social policy and programs that are unresponsive to individual differences among poor children and families, or that address single needs or problems without attending to the whole constellation of needs and problems, will have limited success. Similarly, policies and programs that address only the needs of poor children or only the needs of poor parents, rather than the needs of both generations, will have limited impact.

The 100th and 101st Congresses enacted substantial new legislation addressing the needs of poor children and families in this country. The goals of this legislation—such as the Family Support Act of 1988, enlarged Earned Income Tax Credits, Medicaid expansions, the Child Care and Development Block Grant, and Head Start expansions—hold the promise of a brighter future for at least some of this nation's children and families.

However, we should not expect the addition of these initiatives to the existing array of programs to completely eliminate poverty and its associated risks and costs.

Moreover, while various new policy and program initiatives certainly embody the potential to more effectively address the diverse, multiple, and two-generational needs of poor families, without careful monitoring, evaluation, and continuous refinement, maximum impact will not be achieved.

The Family Support Act (FSA) offers a good example of such potential in its provisions for the JOBS program. Although children are treated mainly as a constraint on parental employment in the formal requirements of the Act, JOBS creates significant opportunities for states to address the needs of children as well as their parents. The potential benefits and risks for children under JOBS and how JOBS might be implemented to maximize two-generation benefits are discussed at length in a joint publication of the Foundation for Child Development and the National Center for Children in Poverty entitled *One Program, Two Generations: A Report of the Forum on Children and the Family Support Act*. This report also addresses the pressing needs for information about program implementation, participant outcomes, child outcomes, and two-generation impacts to guide incremental improvement of policy and implementation. Much of this information is not currently provided for in either administrative reporting requirements or special research projects. Without this information policymakers and implementors must operate in the dark.

The *One Program, Two Generations* report also considers how the Family Support Act will or might involve the fathers, as well as the mothers, of AFDC children. The Child Support provisions of the ACT make explicit the expectation that absent fathers will assume their fair share of financial responsibility for their children. In addition, special demonstration projects will seek to help absent fathers improve their job skills and earnings so that they are more able to assume these responsibilities. Finally, the mandated extension of AFDC benefits and JOBS services to unemployed two-parent families provides a safety net to support family stability. How these aspects of the program affect children, and whether they foster family formation and stability, merit close attention through well-designed studies as well as routine collection of data on participant outcomes.

We, like the Committee, are *not* interested in research for research's sake. Rather, we are interested in promoting more effective data collection, analysis, and reporting to support more effective policy formation and implementation to meet the needs of children and families.

*Recommendation.* While we strongly believe that more and better information is needed to guide public policy formation and implementation, we also believe that decisions to significantly expand routine data collection, analysis, and reporting should be based upon a systematic review of information needs, current data availability, and careful consideration of benefits versus costs. Enlarging survey samples or the amount of data collected have clear financial costs that should be weighed against the value of having additional information. Likewise, while present computer technology would allow much more linkage of data on individuals and families from different sources and across time, the potential costs to privacy should be weighed against how much we really need to know.

It seems to us that there is need for a national study commission (1) to conduct a careful review and analysis of information needs, availability, access, costs, and benefits, and (2) to recommend specific modifications in current publicly funded data collection, analysis, and reporting efforts. Members of such a commission should include the end users of information—Federal, state, and local policy makers and program administrators—as well as representatives of agencies responsible for data collection and researchers who bring to bear the appropriate technical and theoretical perspectives.

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#### PREPARED STATEMENT OF CHARLES F. MANSKI

##### "OFFICIAL" INDICATORS OF DEPENDENCY AND PERSISTENT POVERTY

Our perception of social problems depends on the information we possess. In the absence of hard data and good analysis, we must form impressions from personal observations and anecdotes. Complex phenomena such as dependency and persistent poverty are particularly difficult to assess in this way.

Until the late 1960s, our data sources for the study of social problems were essentially limited to the cross-sectional Decennial Censuses and Current Population Surveys (CPS). These sources are valuable for many purposes but only describe the status of the population at a *point in time*. They are not suitable for the study of dependency and persistent poverty. Dependency and persistent poverty are longitu-

dinal concepts, concerned with the *length of time* that persons receive public assistance or remain in poverty.

Whatever systematic understanding of dependency and persistent poverty we presently have would not have been possible without the various longitudinal data collection efforts of the past twenty-five years. Analyses can now draw on the Panel Study of Income Dynamics (PSID), the series of National Longitudinal Studies of Labor Market Experience (NLS), the Survey of Income and Program Participation (SIPP), and other longitudinal surveys. These diverse datasets have proved enormously valuable resources for the study of dependency, persistent poverty, and many other aspects of economic and social behavior.

Given this experience, the time is ripe to develop a set of regularly issued "official" indicators measuring the magnitude of dependency and persistent poverty. At present, almost all of the regularly issued social indicators, which include unemployment rates (Bureau of Labor Statistics), poverty statistics (Bureau of the Census), and AFDC data (Family Support Administration), measure the number of persons in a given condition at a point in time. Perhaps the only regularly issued longitudinal indicator is the set of unemployment duration statistics published by the Bureau of Labor Statistics. Dependency and persistent poverty indicators are not now regularly issued. The *1990 Green Book* is only able to offer some out-of-date indicators of AFDC dependency drawn from the research literature and from special tabulations of the PSID.

#### DEFINING THE INDICATORS

How should indicators of dependency and persistent poverty be defined in operation? Although there have been various views about the meaning and proper measurement of dependency and persistent poverty, I expect that we might settle on statistics of the following form:

Number of persons (or families) who, for X of the past Y years, have been in condition Z.

I shall not here propose specific values for X and Y. It would be most informative to publish statistics for time periods of varying length, applied to particular age, sex, and racial/ethnic groups. In the case of dependency indicators, the condition Z would be defined by the presence of specified forms of public assistance; for example, AFDC, Food Stamps, or the EITC. In the case of persistent-poverty indicators, the condition might be defined by the absence of specified levels of income.

#### OBTAINING THE DATA

How might the data to form the indicators be obtained? Data for dependency indicators could potentially be gathered from three sources:

- A. administrative records of public assistance programs
- B. retrospective questions placed in the CPS
- C. initiation of a continuing longitudinal survey

Data for persistent-poverty indicators might be gathered from source B or C.

Each of these data-collection strategies has a mix of advantages and disadvantages. In the remainder of this testimony, I describe what I perceive the major issues to be. It would be premature to recommend a course of action now, and I refrain from doing so.

##### A. Administrative Records

Obtaining dependency data from administrative records would be relatively straightforward if our major Federal public assistance programs were administered by the Federal Government. As it is, however, the states administer the major programs. Hence, to implement the administrative-record strategy, we must first standardize and automate the state record-keeping systems. This would require a major effort and substantial time to accomplish. Once a system was in place, substantial additional time would be required for the longitudinal database to build up. I speculate that, if all goes well, meaningful reports of dependency indicators might commence fifteen years from now.

The payoff from standardizing and automating state public assistance records would be huge. The resulting database would do far more than permit generation of timely, high-quality dependency statistics. It would also provide an immensely valuable resource for management of public assistance programs and for policy research.

A precedent is Wisconsin's Computer Reporting Network for Income Maintenance Programs (CRNIMP), instituted in 1980. This management information system has automated the determination of eligibility for and reporting of AFDC and Food



Stamp benefits. Several studies undertaken at the Institute for Research on Poverty have already shown the usefulness of CRNIMP in research on welfare dependency.

### *B. Retrospective CPS Questions*

Measuring dependency and persistent poverty through retrospective questions posed to CPS respondents has two substantial advantages relative to other data collection strategies: it would be inexpensive and could be implemented speedily. Retrospective questions could be designed, tested, and implemented in five years or less. Once in place, these questions would immediately provide the data needed to construct indicators of dependency and persistent poverty.

The primary disadvantage of retrospective questions is the questionable quality of the data obtained in this manner. Retrospective reporting relies on fallible human memory. If this data-collection strategy is adopted, concern with memory problems would likely lead us to choose relatively short-run definitions of dependency and persistent poverty.

### *C. A Continuing Longitudinal Survey*

Longitudinal surveys, which interview respondents periodically, can overcome the memory problems associated with retrospective questionnaires. Using the experience of the PSID, NLS, and other such surveys, we are well prepared to design and implement a continuing longitudinal survey, regularly adding new cohorts to its database. The result would be an invaluable resource for the study of economic and social behavior.

One major issue to be faced in proceeding along this route is cost. Establishment of a continuing longitudinal survey would be expensive. To date, the national will to support such surveys has been limited. Some surveys, such as the PSID and NLS, limp along from year to year, with no long-term funding commitment. Other well-planned and well-executed surveys have been allowed to lapse. Such was the fate of the National Longitudinal Study of the High School Class of 1972 and the High School and Beyond surveys of the U.S. Department of Education. Development of a continuing longitudinal survey makes sense only if a long-term government commitment to support the effort can be achieved.

A second issue is timing. As with an administrative record system, the buildup of data from a longitudinal survey system would take substantial time. Even if all goes well, meaningful regular reports of indicators of dependency and persistent poverty would likely commence no sooner than fifteen years from now if an entirely new survey must be designed. A more attractive option would be to extend the length of the SIPP panels.

SIPP already is a continuing longitudinal survey, offering high-quality data on public assistance receipt and private income. At present, SIPP panels are interviewed intensively for the relatively short period of under three years. SIPP would become a viable instrument for the construction of regular indicators of dependency and persistent poverty if the interview schedules were extended to, say, a ten-year period. Costs could be kept down by lengthening somewhat the period between interviews. The value of SIPP for the study of longitudinal issues would be further enhanced if carefully chosen retrospective questions were added to the base-year questionnaire.

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### PREPARED STATEMENT OF SENATOR DANIEL PATRICK MOYNIHAN

There are some sixty-four million children in the United States. At current dependency rates, sixteen million, or one-quarter, will be on welfare before they have reached the age of eighteen. For minorities the proportion will be three quarters. Children now make up the largest proportion of poor persons in the United States. There is no equivalent in our history to such a number or such a proportion.

All this is new. This circumstance did not exist during the era of the New Deal, a half century ago. It did not exist during the era of the Great Society, a quarter century ago. It marks the emergence of a new issue in social policy. The issue of dependency.

It is necessary to *force* ourselves to recognize just how suddenly this has come upon us. The defining criterion of dependence is family structure. Three decades ago there was nothing notably amiss with the "traditional family". American divorce rates were high, but stabilizing. The traditional family of parents with children was the norm. As recently as 1970, 40 percent of the nation's households were made up of a married couple with one or more children. That proportion dropped to 31 percent in the next decade. It is now barely over one quarter—26 percent.

The only national program the United States had in place when this storm broke was the Aid to Families of Dependent Children program. It was not designed for this purpose. Begun in 1935, it was understood to be, and for the longest while was, a widow's pension. As more and more young children with young mothers and merely absent fathers came to depend on "welfare", the inadequacies of the program became correspondingly more obvious.

In 1988, after a quarter century of debate, a Democratic Congress with the full cooperation of a Republican President, and the governors of the fifty states finally changed welfare. The Family Support Act of 1988 introduced a wholly new concept. The permanent benefit of the widow's pension was replaced by a new social contract. Dependent mothers were to exchange effort for assistance. They must be enabled to work and expected to work. Absent fathers must be required to provide child support. Child health services and Medicaid must be allowed to continue in place while mothers make the transition to the world of work. A whole new social contract was put in place.

The Family Support Act went into full effect on October 1, 1991. It is now the task of the national government, the state governments, local governments and private agencies throughout the land to make it work. And to determine whether it is working.

When we put together the War on Poverty twenty five years ago, we had little of the data needed to analyze these problems. Our standard national data had been conceived in the 19th Century and developed over many generations by the Bureau of Labor Statistics and the Bureau of the Census and various health-related activities to track the main social issues brought on by industrialization. To the extent that we would be dealing with "post industrial" questions, we had very little by way of social indicators. We did have the good sense to put up money for the PSID, but that is about as far as we got in the 1960s.

Since then we have begun to get the returns of the Luxembourg Income Survey. Children, it seems, are poorer than adults in all manner of places: Australia, Canada, Germany, England . . . as well as the United States.

Now, in the 1990s, it is time to get organized for the century to come. We need to ask the right questions and collect the right data. We have in mind a set of social indicators that will keep track of this subject in all its aspects. We need to think in terms of decades, if not generations.

The purpose of these hearings is to get some advice on how to do this. What are these indicators of welfare dependency? Where are the most important gaps in our data? Should we have an annual report? If so, where should responsibility be lodged?

We will hear today from a number of government witnesses, including those responsible for administering and evaluating our welfare programs, as well as representatives of other federal agencies who should be able to advise on the process of establishing indicators. Next Friday, the witnesses will include scholars who have done research on the causes of dependency and are familiar with the existing data sources.

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#### PREPARED STATEMENT OF JANET L. NORWOOD

Mr. Chairman and Members of the Subcommittee: The Nation's statistics have documented many of the dramatic changes in the economic and social status of the American family which have occurred over the last thirty years. As I believe these hearings will demonstrate, we have learned a great deal about the condition of the low income population, but very little progress has been made in understanding the reasons for the persistence of poverty. Today, I would like to briefly review some of the data that currently exist.

A number of data collection approaches have been used to obtain information on the poverty population and on its welfare dependency. In addition to the administrative counts of those participating in specific public support programs, we have household surveys which can compare participating and nonparticipating families. Moment-in-time "snapshots" are available from the monthly Current Population Survey (CPS) and data covering the past year are collected retrospectively in the March supplement to the CPS. The survey of Income and Program Participation (SIPP) has been designed to follow welfare recipients and non-recipients over a two and one half year period. These data are useful, but, as you have pointed out, Mr. Chairman, we have not done enough to analyze these data in an integrated manner. We know something about the conditions under which the poverty population live, but questions relating to the persistence of poverty and to its effect over time on the

children of this country can only be studied through extremely long range longitudinal data. We do have in place two of these longitudinal data collection efforts; both were begun in the late 1960's. They are the Panel Survey on Income Dynamics (PSID), primarily sponsored by the National Science Foundation, and the National Longitudinal Surveys of Labor Market Experience (NLS), begun by the Department of Labor's Employment and Training Administration and now sponsored by the Bureau of Labor Statistics.

We know from the latest CPS March supplement that in 1989, over 12 million children under 18, or nearly 1 in 5 of all children living in household were poor. One in every 3 of these poor children was black, and there was also a higher proportion of Hispanic children in this group. Nearly three fifths of all the children in poverty lived in a single parent household.

#### LONGITUDINAL DATA

We can tell these things from our usual surveys, but as you have pointed out, Mr. Chairman, longitudinal analysis is essential to our understanding of the circumstances surrounding welfare dependency. For example, two of the best known studies of welfare dependency using PSID are those by Mary Jo Bane and David Ellwood which found that about half of all welfare spells end within 2 years, but that one-sixth last 8 years or more.<sup>1</sup> These authors also concluded that the means of exit from welfare, like those that lead to entry are very much related to changes in family circumstances.

Data for two of the cohorts surveyed in the NLS program, the original cohort of Young Women (a sample of about five thousand young women aged 14 to 24 as of January 1968), and young women who are part of the Youth Cohort (age 14 to 21 in 1979) have been used extensively in research on various aspects of welfare reciprocity. The original Young Women Cohort has been followed for 22 years, and the Youth Cohort has now been surveyed for 11 years.

The original Young Women's NLS survey, followed since 1968, is an especially important source of information of those receiving welfare benefits for an extended period of time. The 1987 research of June O'Neill, Lauri Bassi, and Douglas Wolfe using data for this cohort, found that women on welfare for more than two years during the period 1968-1982 were more likely to have been raised in a single parent family, to have had a child out of wedlock, to have ill health, and to have less work experience and lower wages than women receiving welfare benefits for shorter periods of time.<sup>2</sup>

The data on women in the Youth cohort of the NLS focuses on experiences since 1979 and thus the research studies using them have analyzed more current issues in welfare reciprocity. The report recently released by the Congressional Budget Office used these data to examine patterns of welfare reciprocity among adolescent mothers. The CBO report concluded that 28 percent of all adolescent mothers received AFDC within the first year after giving birth. Nearly one-third of all adolescent mothers were found to have left welfare within 6 months after receiving it, while three-quarters leave within 4 years.<sup>3</sup>

Peter Gottschalk and John Antel have recently used the Youth cohort data to investigate the intergenerational correlation of welfare participation. Both found evidence of significant intergenerational effects—i.e., a woman's participation in welfare is related to her mother's participation in the welfare system.<sup>4</sup>

The Bureau of Labor Statistics took responsibility for these NLS data several years ago because we believe they constitute an important national resource. The data are quite detailed and varied—particularly for the cohort (Youth) begun in 1979. The NLS Youth Cohort survey obtains exhaustive work histories, as well as complete marital and fertility histories. In addition to participation in the AFDC program, information is obtained on whether food stamps and other public assist-

<sup>1</sup> See Mary Jo Bane and David T. Ellwood, "The Dynamics of Dependence and the Routes to Self-Sufficiency," Final Report to the U.S. Department of Health and Human Services. (Cambridge, MA: Harvard University, Kennedy School of Government, 1983), and, David T. Ellwood, "The Spatial Mismatch Hypothesis," in Richard B. Freeman and Harry J. Holzer, *The Black Youth Employment Crisis*. (Chicago, IL: University of Chicago Press, 1986)

<sup>2</sup> June A. O'Neill, Laurie J. Bassi, and Douglas A. Wolf, "The Duration of Welfare Spells." *The Review of Economics and Statistics*, 1987, Vol. 69, No. 2.

<sup>3</sup> Congress of the United States, Congressional Budget Office, "Services of Support for Adolescent Mothers," 1990.

<sup>4</sup> See Peter Gottschalk, "AFDC Participation Across Generations," *American Economic Review*, (1990), Vol. 80, No. 2, and, John J. Antel, "The Inter-Generational Transfer of Welfare Dependency." Working Paper, University of Houston, (1988).

ance was received, the average payments received per month, and the months in which each type of public assistance was received.

Notwithstanding the complexity of the histories obtained on the cohorts in the NLS programs, simple tabulations of the data can be readily made to shed light on fairly straightforward questions. To illustrate this capability, we tabulated some data for today's testimony.

Specifically, we selected data records on all young women in the survey in 1988 (when they were 23-30 years old) who had children. These records include their AFDC participation in the eight year period from 1980 to 1987. I think it might be useful to comment on a few findings from these records.

Over one-quarter (26.5%) of the women had participated in the AFDC program at some time during the 1980-1987 period. This represents nearly two and one-half million women in this age group (23-30 years old in 1988) in the United States. Nearly 300,000 of them received AFDC in two or more years; approximately 140,000 women received AFDC in all eight years studied. (It should be noted that not all of the women would have been eligible for participation in the AFDC program for all eight years since they may have not had children for the entire period.)

In addition to observing the total number of years of participation, we calculated how long each spell lasted. Of these women who ever received AFDC, over one-sixth had spells that lasted for two years, and another one-sixth received AFDC benefits for three consecutive years. Many spells of dependency lasted for four to eight years. Altogether, two-thirds of all of these women who ever received AFDC, received it continuously for more than one year.

In addition to lengthy spells, women may stop receiving AFDC benefits only to return later. In these tabulations, more than one out of five had multiple spells; 19 percent of the women had two separate spells of AFDC reciprocity; another 2 percent had three separate spells over the eight year period.

Finally, we compared employment histories with AFDC receipt for this group. On average, for these women with children in 1988, those who never received AFDC worked nearly 33 weeks per year for the eight years. Those who had received AFDC in only one year worked an average of 24 weeks per year. The average weeks worked decreases continuously with additional years of AFDC receipt. Those who received AFDC in all eight years worked an average of only 4.5 weeks per year.

#### WELFARE RECIPIENCY AMONG THE "WORKING POOR"

BLS has a special interest in data on the "working poor"—those individuals who have demonstrated a commitment to participating in the labor force but who, in spite of their work experience, live in families with incomes below the Federal poverty level. Using data from the CPS March Supplements in which respondents report labor force experiences and income for the previous year, we have defined the "working poor" as those individuals who were working or looking for work for at least half of the previous year, and who live in families with incomes below the Federal poverty level.

When we looked at those working poor families who received government assistance or transfer payments (see Table 1), we found that the programs used most by these working poor families were food stamps (39.6 percent) and Medicaid (31.4 percent). Although unemployment insurance and worker's compensation were important to these poor families as a replacement of lost earnings from joblessness or disability, poor families defined in this way were still much more likely to receive some type of means tested payment than these compensation payments.

Almost one-fourth of working families maintained by women with children under 18 were poor in 1989, as compared to only 6 percent of all working families. Not unexpectedly, working poor families maintained by women with children under 18 were most likely to receive some type of Government transfer payment. Not quite one-third of these families received AFDC, but over half of them were food stamp recipients. Over 40 percent were covered under the Medicaid program.

It is true, of course, that only a portion of all welfare recipients work or look for work. For example, the CPS March Supplement data show that in 1989 a total of 6.5 million households received food stamps, of whom 4.6 million were households with income below the poverty level; in contrast, Table 1 shows that in 1989 an estimated 1.3 million working poor families received food stamps.

In addition, some families with working members might fall below the poverty level if their earnings from employment were not supplemented by income from welfare programs, or from such other programs as unemployment compensation or workmen's compensation. We asked ourselves how many families could fall below the poverty level if no income had been received from these "safety net" programs. Again using data on labor force participation and income during 1989 from the CPS

March supplement, we estimated that had they not received payments from welfare or insurance programs, up to 421,000 of this group of families with some work could have been added to the poverty count. About 67% of these families received income from means tested programs rather than from unemployment or worker's compensation programs. I present these calculations merely to provide some indication of the number of working families who are close to the margin of poverty.

#### WELFARE RECIPIENCY AND EXPENDITURE PATTERNS

From the BLS Consumer Expenditure Survey (CEX), we can examine the expenditures of families and individuals who participate in various welfare programs.

In a 1988 BLS study, consumer units who received food stamps were compared with eligible non-participants.<sup>5</sup> This study found that the average consumer unit size for participants was significantly larger and the average age was younger than for non-participants. Participants had completed less education and were less likely to own their own home. As might be expected, participants used a significantly larger share of their expenditures on essentials like food at home, shelter, and utilities than did non-participants.

For this testimony, we tabulated data for 1988 and 1989 from the CEX on expenditure patterns of several groups of consumer units reporting the receipt of some form of welfare income. Table 2 provides average expenditure patterns and household characteristics for consumer units in two such groups: (1) households with single parents and who received public assistance, supplemental security income, or food stamps, (2) households with individuals 60 years or over who received supplemental security income. Each of these two groups receiving welfare income used more than 60% of total expenditures on food and housing. In contrast, food and housing constituted only 47% of total expenditures of all households without welfare income in 1988 and 1989.

#### CONCLUSIONS

As I indicated at the beginning of my testimony, Mr. Chairman, a number of data sets are currently available for research on welfare dependency. I believe that they have not all been given the attention they deserve and commend you for making us all more sensitive to the need for more analysis of these issues which are so critical to our country's future.

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<sup>5</sup> Gregory M. Brown, "End of Purchase Requirement Fails to Change Food Stamp Participation," *Monthly Labor Review*, (July 1988), pp. 14-18.

Table 1. Families with at least one member in the labor force for 27 weeks or more and unrelated individuals with the same labor force tenure who lived below the poverty level and received transfer payments in 1989

Receipt and type of transfers	Families					Unrelated individuals		
	Total	Married couple	Maintained by women			Total	Men	Women
			Total	With children under 18 years old	Maintained by men			
Numbers (in thousands)								
Total families or individuals.....	54,434	44,069	7,869	4,494	2,496	21,630	12,176	9,453
Below poverty level.....	3,343	1,844	1,306	1,034	192	1,901	980	921
Received selected means-tested or other transfers.....	1,794	865	833	665	96	430	234	197
Received means-tested transfers <sup>1</sup> .....	1,627	744	801	635	81	369	203	166
AFDC or public assistance.....	622	222	379	331	20	97	76	21
AFDC only.....	570	194	361	316	14	14	6	8
Food stamps.....	1,324	607	651	536	66	288	178	110
Medicaid.....	1,049	436	571	454	43	147	58	89
Federal SSI.....	155	65	84	27	7	22	8	14
Veterans' pension.....	17	13	4	-	-	2	-	2
Received other transfers <sup>1</sup> .....	371	249	97	82	24	91	50	42
State unemployment compensation.....	289	187	83	68	19	78	46	31
Workers' compensation.....	85	65	15	15	5	18	6	12
Did not receive transfer payments.....	1,549	979	473	369	96	1,471	747	725
Percent distribution								
Below poverty level.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Received selected means-tested or other transfers.....	53.7	46.9	63.8	64.3	50.0	22.6	23.8	21.3
Received means-tested transfers <sup>1</sup> .....	48.7	40.3	61.3	61.4	42.3	19.4	20.7	18.0
AFDC or public assistance.....	18.6	12.0	29.0	32.0	10.3	5.1	7.8	2.3
AFDC only.....	17.0	10.5	27.6	30.6	7.4	.7	.6	.9
Food stamps.....	39.6	32.9	49.8	51.9	34.5	15.2	18.1	12.0
Medicaid.....	31.4	23.7	43.7	43.9	22.2	7.7	5.9	9.7
Federal SSI.....	4.6	3.5	6.4	2.6	3.5	1.2	.8	1.5
Veterans' pension.....	.5	.7	.3	-	-	.1	-	.2
Received other transfers <sup>1</sup> .....	11.1	13.5	7.4	7.9	12.5	4.8	5.1	4.5
State unemployment compensation.....	8.6	10.1	6.4	6.5	10.1	4.1	4.7	3.4
Workers' compensation.....	2.6	3.6	1.2	1.5	2.4	.9	.6	1.3
Did not receive transfer payments.....	46.3	53.1	36.2	35.7	50.0	77.4	76.2	78.7

<sup>1</sup>/ The sum of the components will not add to totals because these families or individuals may have received more than one type of transfer payment.

NOTE: Dash represents zero.

SOURCE: Current Population Survey, March 1990 Supplement

Table 2.

Expenditure and Income Patterns for two groups  
receiving welfare support, 1988-1989

	<u>Single Parents<sup>1</sup></u>	<u>Aged 60 and over<sup>2</sup></u>
<u>Average:</u>		
- Age	33	73
- Family Size	3.3	1.9
- Number of Earners	0.5	0.4
- Total Expenditures	\$9,064	\$8,552
- Total Income	\$6,636	\$8,535
 <u>Percent of Total Expenditures</u>		
Food	31%	27%
Housing	42%	39%
Transportation	9%	12%
Health	1%	7%
Apparel	7%	3%
Miscellaneous	10%	12%

1/ Single Parent Consumer Units who are receiving either public assistance, Supplemental Security Income, or food stamps in 1988-89 period; estimated to represent 1.956 million consumer units.

2/ Consumer Units 60 years old and over who are receiving Supplemental Security Income in 1988-1989 period; estimated to represent 1.533 million consumer units.

Source: U.S. Bureau of Labor Statistics, March 4, 1991

**NATIONAL LONGITUDINAL SURVEYS  
OF LABOR MARKET EXPERIENCE**

<u>Cohort</u>	<u>Year Began</u>	<u>Ages as of Jan.1 of Year Began</u>	<u>Most Recent Survey Year</u>	<u>Number Interviewed In most Recent Survey</u>	<u>Ages as of Jan.1,1991</u>
Youth (Men & Women)	1979	14-21	1990	10,443	26-33
Young Women	1968	14-24	1988	3510	37-47
Mature Women	1967	30-44	1989	3104	54-68
Young Men (discontinued) 1966		14-24	1981	3398	39-49
Older Men (discontinued*) 1966		45-59	1983*	2634	70-84

\* In 1990, the National Institute on Aging sponsored a resurvey of the Older Men. 2164 original sample members were interviewed. In addition, 2175 interviews were conducted with proxies for original sample members.



## PREPARED STATEMENT OF RANDALL J. OLSEN

It is an honor to be here today to speak on the topic of social indicators to track dependency. I will speak primarily in regard to measuring dependency for children and how this relates to the persistence of poverty across generations. The tragedy of deprivation among children is that while they are the least responsible for the problems they face, deprivation strikes them the hardest, for they have insufficient maturity, knowledge, or economic and social resources to withstand or ameliorate the penalties associated with deprivation. Their social, emotional and cognitive development may be retarded by deprivation, making it more likely they will, in turn, suffer dependency as adults.

As we look at the available data on the dependency and deprivation of children we see an array of numbers collected primarily to describe the situation of adults and their households. The situation of an adult is fairly well described by net family income, wealth, health, household composition, and employment characteristics. For children, data of these sorts on the parents or parent-figures in the household provide important information about the economic circumstances of the child and its family. However, if our objective is to develop or monitor cross-generational poverty-reduction policies, more relevant indicators are needed to measure the dependence and deprivation of children. We need a broader range of information to determine how to influence the ability of our children to develop into well-adjusted and successful adults.

In order to measure deprivation and dependency for children, we need to understand which factors are important in shaping a child's social, emotional, cognitive, and educational development. Neither I nor anyone else can claim knowledge of exactly what determines child development, but we can round up the usual suspects. Not only is the presence of parents in the household important, but it matters who the parents are, how well they were educated, whether substance abuse is a problem, and how the parents and child interact. Moving away from the immediate household, we acknowledge the importance of community characteristics, such as the peer group for the child, the safety of the home and neighborhood, and the presence of a larger family network. Moving yet further away from the home, we look to the characteristics of the school, its teachers, and students as well as the quantity and quality of community involvement in the schools. Is the school atmosphere conducive to learning, or must the school put most of its attention into maintaining order and compensating for serious home life deprivations? What sorts of support structures are available to the child in the school and the community at large? Does the child who is entitled to these support services actually receive them? Finally, what sorts of economic opportunities do older children and adolescents see locally and is this future economic vision sufficiently attractive to encourage these children to make sustained scholastic efforts?

This list of factors that we suspect influence the social, emotional, educational, and psychological development of children and adolescents goes far beyond what the government currently collects to track dependency and its impact upon children. We need to measure all these data elements for a nationally representative sample of children, following them over the course of their lives and the lives of their children. In addition, we must constantly reexamine the data we collect to learn which aspects of a child's upbringing and environment are most crucial to development and therefore in which areas deprivation is most likely to lead to a perpetuation of dependency across generations. These sensitive aspects of background then must be weighted more heavily in any social indicator of dependency among children.

While this is a very demanding program of data collection, the government is already supporting a modest program containing many of these necessary elements. Not surprisingly, this effort dates back to Senator Moynihan time as an Assistant Secretary of Labor and his advocacy of a longitudinal data collection effort through the Department of Labor. That proposal became the National Longitudinal Surveys, known as the NLS, a project currently conducted under the aegis of the Bureau of Labor Statistics. Commissioner Norwood's testimony used some of these data. One of the cohorts being studied in the NLS is a group of persons who were 14-21 in 1979 and who have been interviewed yearly since then. This longitudinal data collection effort has evolved over the years and currently collects many of the data elements necessary to study the antecedents of dependency. Considerable credit is due the National Institute of Child Health and Human Development (NICHD) and BLS for cooperatively supporting research in this area. Since 1986 NICHD has funded the systematic assessment of the developmental progress of the children of the female respondents in this group with the goal of determining which aspects of the home and social environment are important influences on child development. A battery of

child assessments were administered in 1986 and again in 1988 to track child development. While this program is not as comprehensive as one would hope, it does supply a place to start as we look at the related problems of deprivation and dependency and their impact upon the ability of children to achieve their potential as adults.

The NLS data allow us to look at three generations. First, for this sample of young adults we may determine the fraction living in poverty in 1979, typically a reflection of their parents' poverty status. Second, in 1988 we see these youths nine years later when they are 23-30 and their poverty status reflects more their own income. Finally, by looking at the development of the children of the female respondents we can see which children may be headed toward a third generation of dependency. I will attempt to give a brief overview of some of the empirical regularities that emerge from these data as they relate to possible indicators of future dependency and its persistence across generations.

For the children of the female respondents we determine whether they fall in the lower 20% of the distributions for the Peabody Individual Achievement Tests of reading and mathematical ability, called PIAT tests, and whether these children are also in the 20% of the group having the most severe behavioral problems, according to the testing scale we use. Adverse outcomes on the PIAT tests and the Behavior Problems Index presage additional problems in adolescence and adulthood and may be taken as indicators a child is at risk for future dependency. For children whose mothers came from poor families in 1979 and are still in poverty in 1988, adverse PIAT or Behavior Problem scores suggest these children are at risk of being in the third generation of welfare dependency.

While the most powerful predictor of whether one of our respondents was in poverty in 1988 is whether that same respondent was in poverty as an adolescent in 1979, there are a number of other factors that mediate that effect. I would like to give a few examples of how environmental factors correlate with the probability an adolescent who was poor in 1979 was also poor in 1988, which we will use as an imperfect indicator of the persistence of poverty across generations.

We find for young people in poverty in 1979 that more education for the mother is associated with a lower probability the young person will still be in poverty in 1988. This effect is stronger for females than males, and stronger for Blacks than other groups. Household composition has an important effect. The presence of two parents in the household reduces the rate at which adolescents in poor households in 1979 are still in poor households in 1988, with the presence of the father in the household having an especially strong effect on the transition of their daughters out of poverty. This is consistent with other work showing the presence of the natural father in the household has an important effect in reducing adolescent fertility.

The high school environment also has an effect on the rate at which adolescents move out of poverty. A school in the upper quartile in terms of the number of economically disadvantaged students is more closely linked with poverty persistence for females, with schools in the upper quartile for school absence rates being associated with a slightly higher poverty persistence rate for males. General community characteristics are also important. Poor youths living in especially disadvantaged areas in 1979 were more likely to still be poor in 1988 than was the case for youths living in more prosperous counties. A higher local crime rate, higher unemployment, and a higher rate of AFDC reciprocity in the county were all associated with persisting poverty. It is not just the fact of being poor, where you were poor has an important effect on the probability of being trapped in poverty.

The clearest markers of a youth's prospects for future dependency are his or her own actions as an adolescent. Background factors of the sort I have just described seem to have their primary effect by altering the behavior of the adolescent, for example, by changing the probability the youth will drop out of school, with actions taken while an adolescent changing the prospects for success as an adult. The educational attainment of the youth has a very powerful effect on poverty persistence, especially for females where being a school dropout is closely linked with being a teenage unwed mother. The heavy use of alcohol is another factor which increases persistence in poverty, although the effect of alcohol use and frequent criminal activity for young men are not as important markers of future welfare dependency.

Variations in these household and community factors influence the development of children, and such factors become indicators of the degree to which children are at risk of continuing in dependency.

When we look at the PIAT verbal and math achievement scores and the Behavior Problems Index for the children of our female respondents, we can see poverty already is affecting the development of these children, many of whom are still quite young. Overall, persistence in poverty for the mother has serious effects on the cog-

nitive development of the child. When we look at the PIAT reading and math scores for children living in poor households in 1988 and whose mothers also lived in poor households in 1979, such children are nearly four times as likely to be in the bottom 20% for these tests and twice as likely to have fairly serious behavior problems as children whose mothers had never been poor. Compared to the children of never poor women, children whose mothers had been poor in 1979 but not in 1988 were a little more than twice as likely to fall in the bottom 20% on these tests and one and one-half times as likely to have fairly serious behavior problems. The children of women who were not in poverty in 1979 but were in poverty in 1988 had cognitive deficits about as serious as the children of women who had managed to leave poverty since 1979, so the grasp of poverty across generations is not easily escaped. When it comes to behavior problems, what appears to matter most is whether the child is in a poor family now rather than whether the mother came from a poor family. Even in childhood we see the foundation being laid for poverty in adulthood.

As noted above, the education of the mother has a large effect on the likelihood a youth who is poor in 1979 will still be poor in 1988. When we look at the third generation, the children of these young persons, we see early signs confirming the importance of the education of one's mother. Children whose mothers have had some college score significantly higher on our reading and math tests than children whose mothers are not high school graduates, even after holding constant the mother's poverty status in 1979 and 1988. Children who are not minorities and whose mothers were poor in either 1979 or 1988 show cognitive deficits similar to minority children whose mothers had a comparable history of being in poverty. The largest differences in cognitive development by race are observed for children whose mothers were poor in neither 1979 or 1988. There is a large gap in our reading and math scores between Black and Hispanic children whose mothers were not poor in either 1979 or 1988 versus other children whose mothers were not poor in these years.

The importance of the father's presence in the household as a factor reducing teenage pregnancy and subsequent poverty is confirmed in looking at the cognitive development of younger children. Whatever the poverty status of the mother in 1979 and 1988, children whose fathers are in the household in 1988 are less likely to have serious behavior problems and less likely to have scored near the bottom on the PIAT reading and math tests.

Let me now develop some of these themes in a little more detail and provide some graphics illustrating relationships between cross-generational poverty and factors such as home, community background, and the actions taken by young men and women. In what follows I will concentrate on poverty persistence for young persons in particular groups by showing the rate at which they were poor in 1979, and, for those who were poor in 1979, the fraction of that subgroup who were also poor in 1988. This exposition suppresses some of the detail on transitions into and out of poverty in order to focus on poverty persistence.

Figure 1 starts by showing the nature of the problem for different race-sex groups. Poverty rates were not only higher for Blacks, and to a lesser degree Hispanics, when they were adolescents in 1979, but the rates at which Blacks and Hispanics persist in poverty is higher. Persistence in poverty is greater for young women, probably because adolescent fertility also persists across generations. However, even within these race-sex groups and controlling for poverty status in 1979, other factors intervene to influence the persistence of poverty.

## Percent Poor in 1979 and Percent of Those Poor in 1979 Who Are Still Poor in 1988

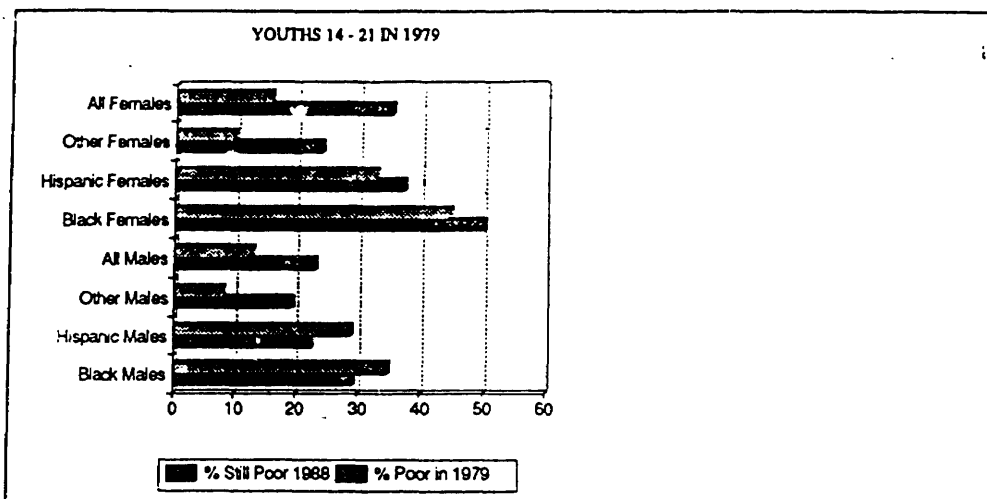


Figure 1 Poverty Rates and Poverty Persistence Rates by Race and Sex

In Figures 2 through 7 we see that the mother's education is a powerful variable in explaining poverty persistence. Regardless of race or sex, the better educated the mother the more likely a young person is to escape poverty. It is very possible mother's education serves as an indicator of how far below the poverty line the family lies, and may also indicate a number of other problems in the household. I caution these figures are one-factor analyses, so having a mother who never completed high school may reflect the fact she was a teenage mother, the family has no father present, or other problems associated with severe poverty. A more complete analysis requires statistical analysis rather than graphical exposition.

Whether the young person comes from an intact family is also important. In Figures 8 through 11 we see that youths from poor but intact families are more likely to exit poverty. While having the father present in the family may indicate the youth has been subject to less virulent poverty, this regularity suggests the importance of including family background factors as summary measures of the deprivation of children. Keeping track of whether the child is in a family unit below the poverty line or is the beneficiary of a transfer program does not adequately summarize the situation of the child. Ideally, we would like to track the composition of the child's home longitudinally.

Community characteristics likewise mediate the persistence in poverty. In Figures 12 and 13 we show that the characteristics of a young person's high school is important. For males we look at whether the high school was in the quartile with the highest absence rates, and find when absence from the youth's high school is a problem the young man is less likely to escape poverty. For females the fraction of students in the school who are disadvantaged is related to poverty persistence. This suggests that an attempt to monitor the situation of children in poverty should also examine the quality of the local schools. Schools with high absence rates or economically disadvantaged student bodies suggest poverty persistence not because of these particular attributes, but because of the educational achievement of the peer group and the ability of the school to enhance the education of its students. More work needs to be done relating school attributes to poverty persistence.

We also see in Figure 14 the local crime rate is important, with young men who come from high crime counties being more likely to remain in poverty. Figure 15 shows local unemployment rates are also related to poverty persistence for young men. The importance of such ecological factors at the county or even SMSA level underlines an important weakness in many of the data collected to assess dependency. For example, the Survey of Income and Program Participation does not allow detailed ecological data to be released to the general research community because of confidentiality restrictions. This seriously degrades the ability to use SIPP to study dependency and poverty persistence. SIPP does not collect the detailed ecological and cognitive data on children we have exploited here using the NLS, but the charge to SIPP was to collect detailed data on dependency and program participa-

tion. Much more is needed to evaluate the well-being and development of children in poverty.

The activities of young persons are important markers of being at risk for continued poverty. The actions of the adolescent must be examined in the context of his or her surroundings. Perhaps the most important marker of future dependency for adolescents is teenage child bearing. Figure 16 shows how closely adolescent child-bearing is linked to poverty persistence. It goes without saying that the ability of a young adult to find and hold a full-time job by 1988 is likewise closely associated with poverty persistence.

The actions of an adolescent reflect the cumulative experience from birth through pre-adolescence. While there is no deterministic rule that maps one's family background and community characteristics into adolescent behavior and then poverty as a young adult, there seems to be ample evidence fifteen years of environment are important. While our data do not contain detailed information about these young people during their early childhood, we do have data on the children of our female respondents that allow us to examine early childhood outcomes that may point to future problems.

For the young women in our sample we compute the fraction of their children who are scoring in the lowest 20% of the PIAT reading and math tests we administer as well as the fraction of their children who fall in the 20% of the population having the most severe behavior problems. In Table 1 we relate the fraction falling in the bottom quintiles by these measures to the present and past poverty status of the mother. The results are hardly surprising. The children of young women who persist in poverty show substantial and significant cognitive deficits.

While being in poverty has a large effect on the development of children, problems can be ameliorated or aggravated by other characteristics of the family unit. Just as the education of the mothers of the young women in our sample had a powerful effect upon the rate at which these youths stayed in poverty, in Table 2 we see early signs that the least educated of our young women in poverty have children already with significant learning deficits relative to the children of better educated but still poor young women. About 36% of young women who were high-school dropouts were poor in 1979, and of these, about 63% were poor in 1988. Contrast this with women having some college, of whom 11% were poor in 1979, but of these women who were poor in 1979, only 16% were poor in 1988, a far lower rate of poverty persistence than the 63% for high-school dropouts. If we look at the children from these two groups of women and look only at children whose mothers were poor in both 1979 and 1988, we see about 34% of the children whose mothers were dropouts had cognitive deficits that put them in the bottom 20% while if the mother had attended some college only about 25% of the children scored in the bottom quintile. The disparity in behavior problems among these children in poor homes is especially large when we look at mother's education.

The disadvantages of having a mother who was a teenage parent are clear from Table 3 where we see regardless of family poverty the children of teenage mothers almost uniformly have lower cognitive scores and more behavioral problems. The fact that we see such strong effects on cognitive deficits for the children of teenage mothers corresponds to the effects on poverty persistence we have already shown. In the cognitive deficits and behavioral problems of children of teenage mothers lie the antecedents of problems in adolescence. Finally, in Table 4 we show the impact of having a mother who engaged in one or more fairly serious criminal activities. There are cognitive deficits here as well as some fairly sizeable increases in the likelihood of behavioral problems, suggesting social maladjustment can be handed down to the next generation. Family composition matters a lot, even after controlling for poverty.

If we wish to assess how we are doing in supporting our children so they have a chance to exit poverty, we need to construct indicators that are measuring those factors we believe are important in explaining their educational and social development. Tracking family income and program dependency is important, but many other factors influence the child's development and we cannot obtain an accurate view of dependency if we ignore them. We need to think more broadly in terms of our program of longitudinal data collection and the analysis of those data. There is activity in this area of research and attention has been given to which data to collect and how to analyze them.

There is a lot of exciting research being done studying the factors that explain variation in the social, psychological, and educational development of children. This work may be helpful in selecting possible indicators of current and prospective dependency for children. The selection of indicators places heavy demands on the data, and, quite frankly, some serious cut-backs in data collection have reduced our ability to provide a more complete view of those factors.

Percent Poor in 1979 and Percent of Those Poor in 1979 Who Are Still Poor in 1988

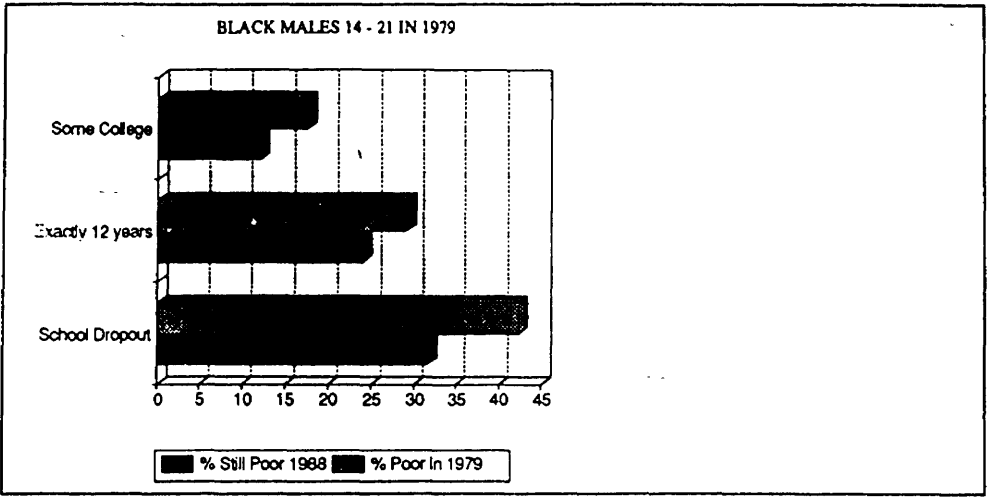


Figure 2 Mother's Education, Poverty and Poverty Persistence for Black Males

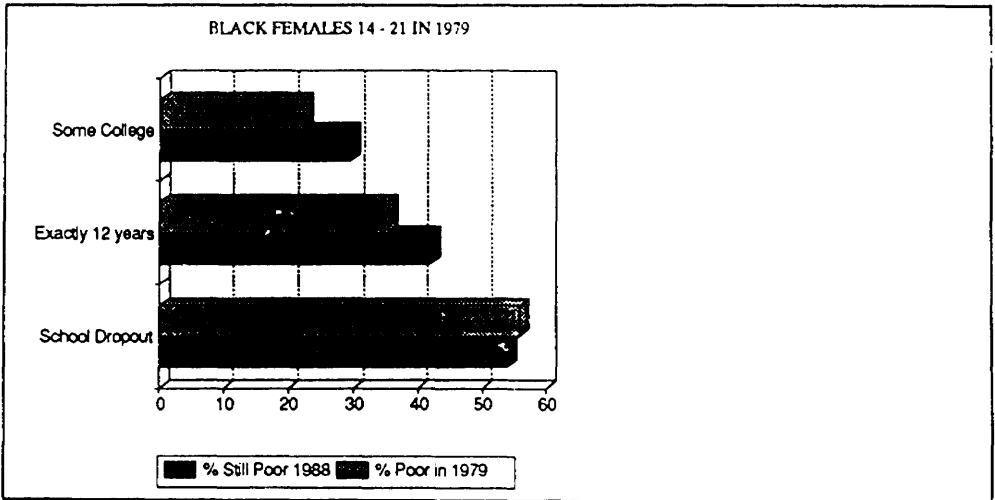


Figure 3 Mother's Education, Poverty and Poverty Persistence for Black Females

Percent Poor in 1979 and Percent of Those Poor in 1979 Who Are Still Poor in 1988

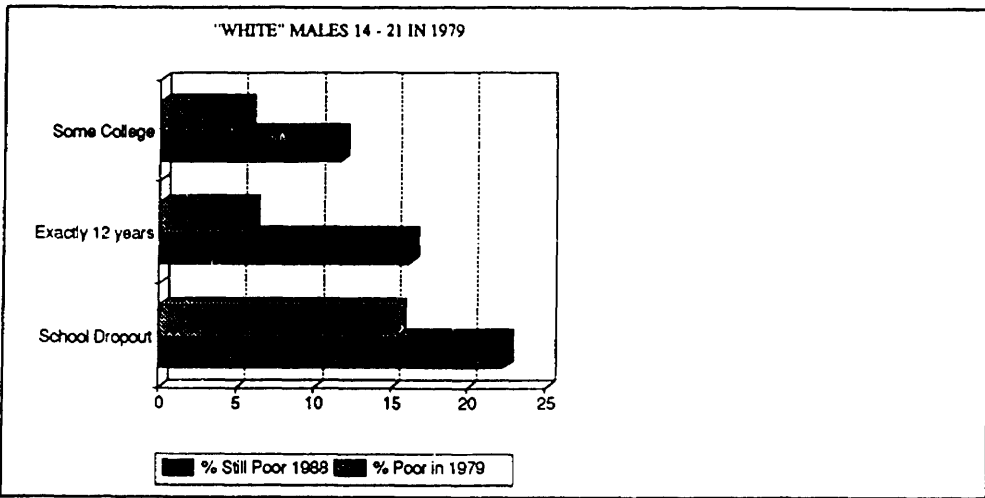


Figure 4 Mother's Education, Poverty and Poverty Persistence for Non-Black, Non-Hispanic Males

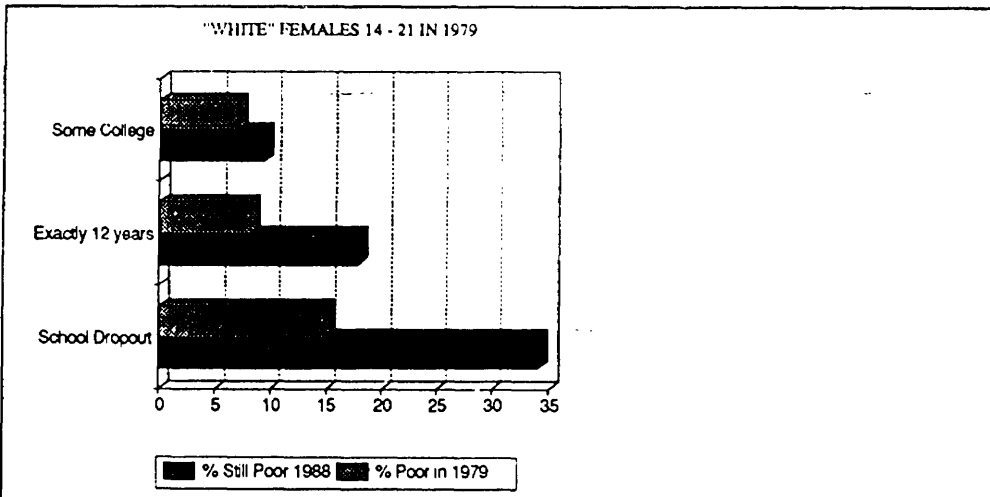


Figure 5 Mother's Education, Poverty and Poverty Persistence for Non-Black, Non-Hispanic Females

Percent Poor in 1979 and Percent of Those Poor in 1979 Who Are Still Poor in 1988

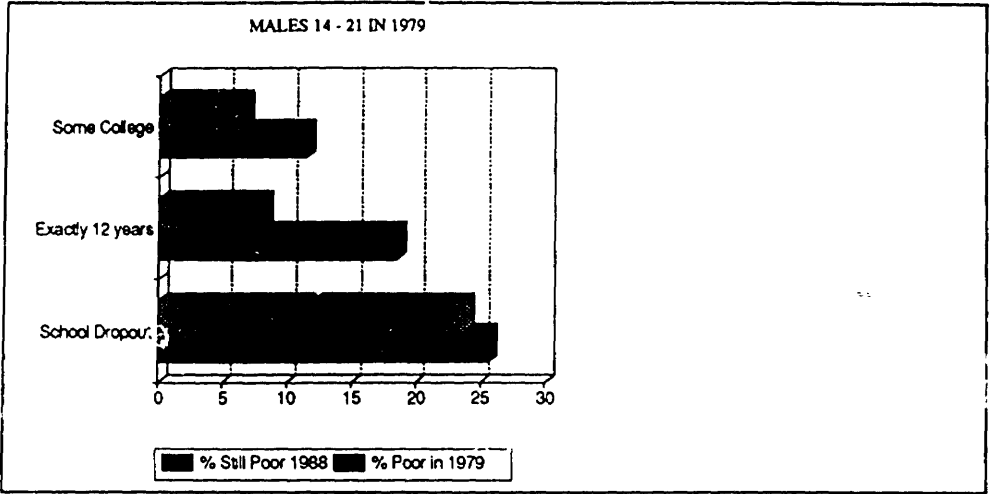


Figure 6 Mother's Education, Poverty and Poverty Persistence for Males

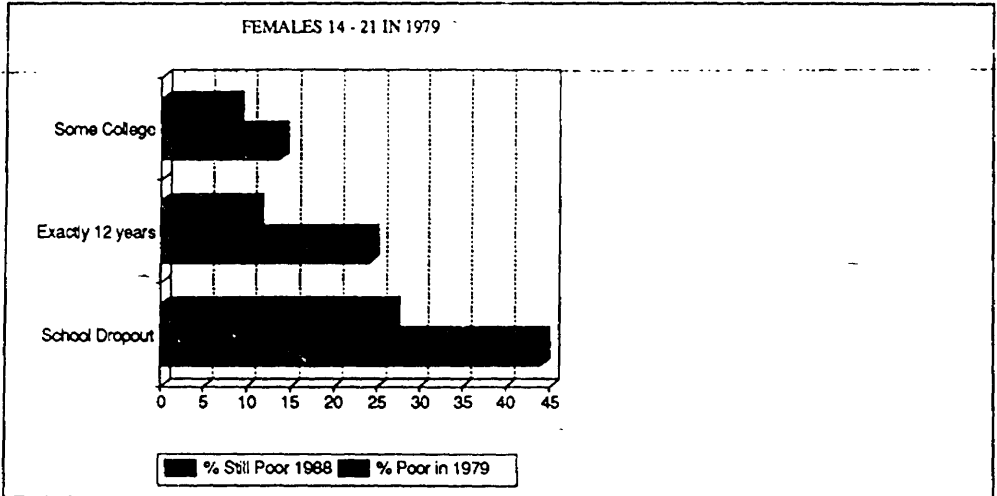


Figure 7 Mother's Education, Poverty and Poverty Persistence for Females



Percent Poor in 1979 and Percent of Those Poor in 1979 Who Are Still Poor in 1988

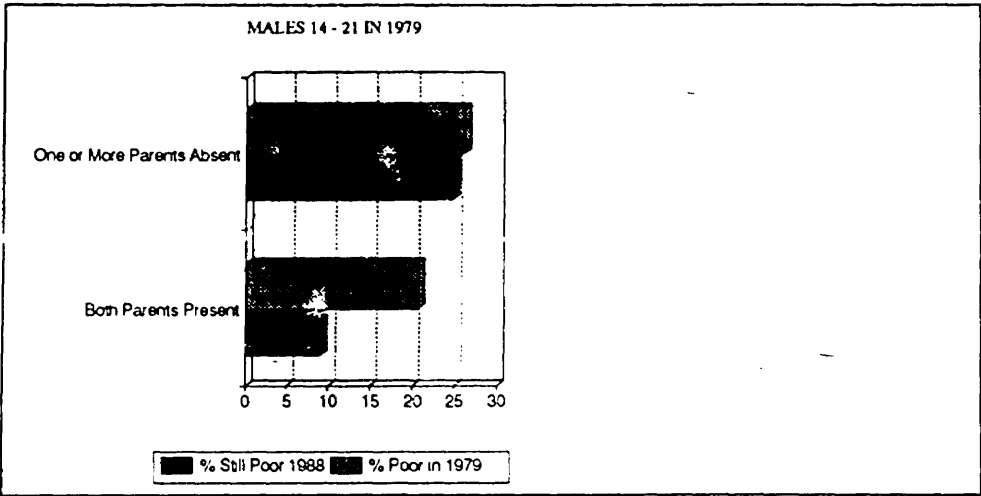


Figure 8 Presence of Both Parents at Age 14, Poverty and Poverty Persistence for Males

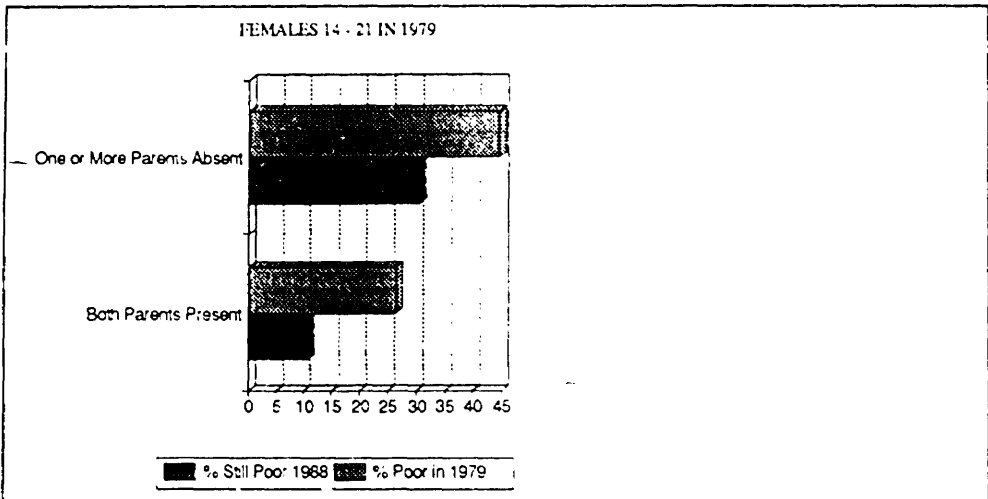


Figure 9 Presence of Both Parents at Age 14, Poverty and Poverty Persistence for Females

Percent Poor in 1979 and Percent of Those Poor in 1979 Who Are Still Poor in 1988

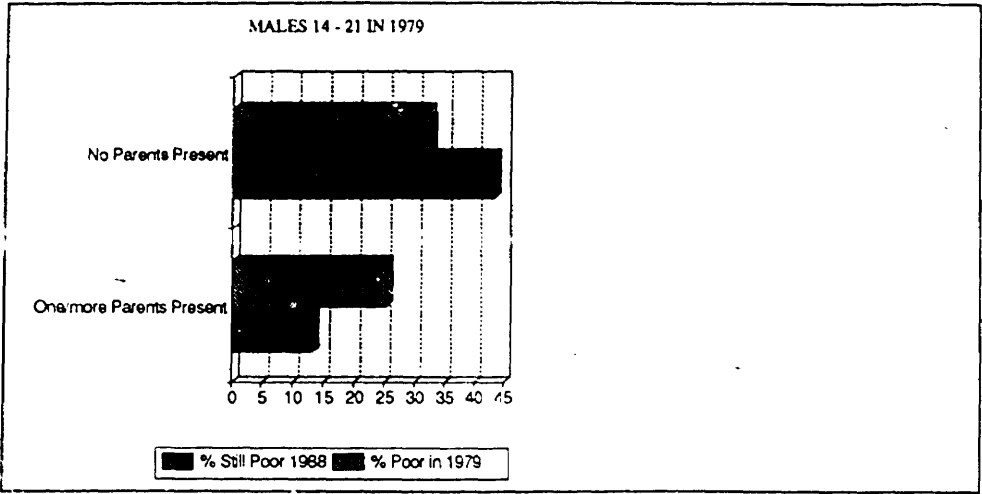


Figure 10 Presence of One Parent in 1979, Poverty and Poverty Persistence for Males

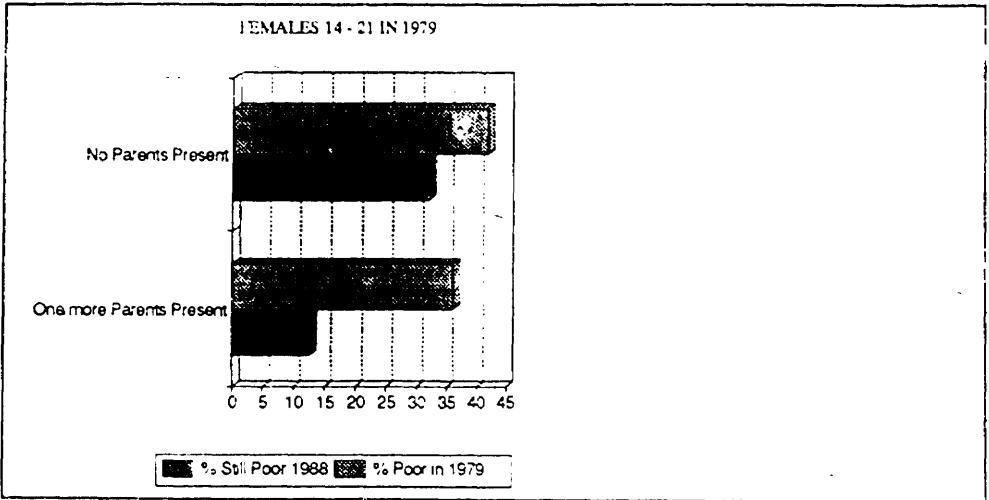


Figure 11 Presence of One Parent in 1979, Poverty and Poverty Persistence for Females

Percent Poor in 1979 and Percent of Those Poor in 1979 Who Are Still Poor in 1988

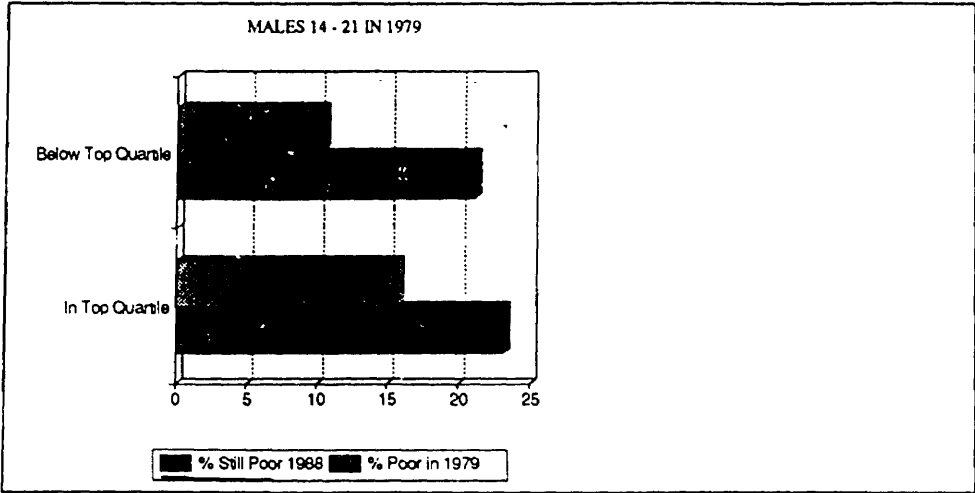


Figure 12 School-Wide Absence Rates, Poverty and Poverty Persistence for Males

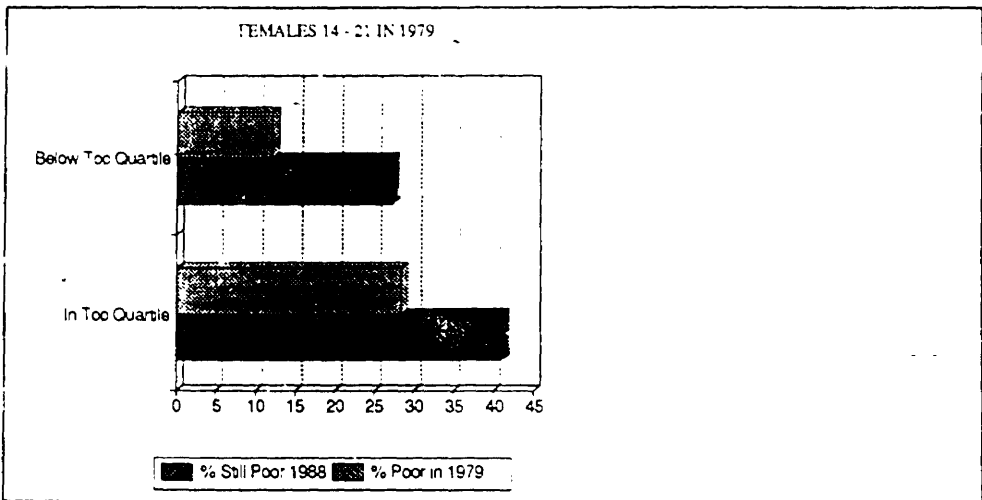


Figure 13 Fraction of Disadvantaged Students, Poverty and Poverty Persistence for Females

Percent Poor in 1979 and Percent of Those Poor in 1979 Who Are Still Poor in 1988

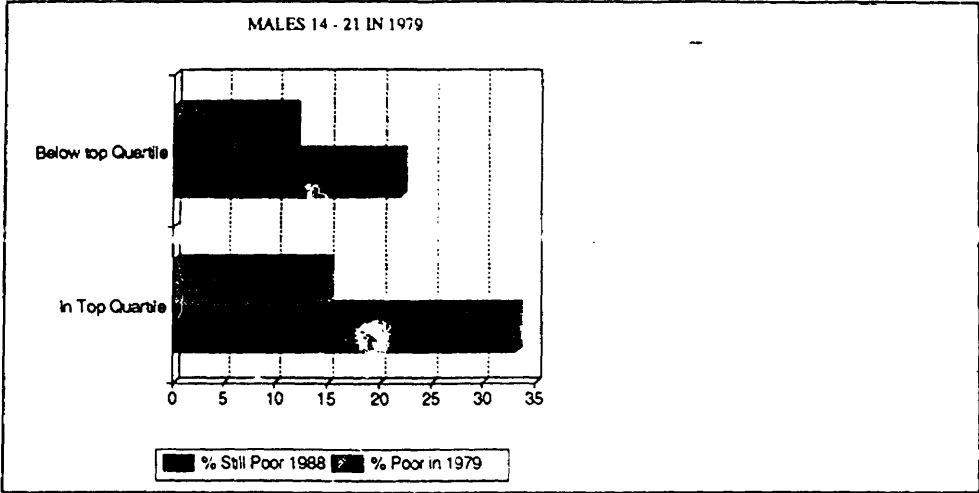


Figure 14 Local Crime Rate, Poverty and Poverty Persistence for Males

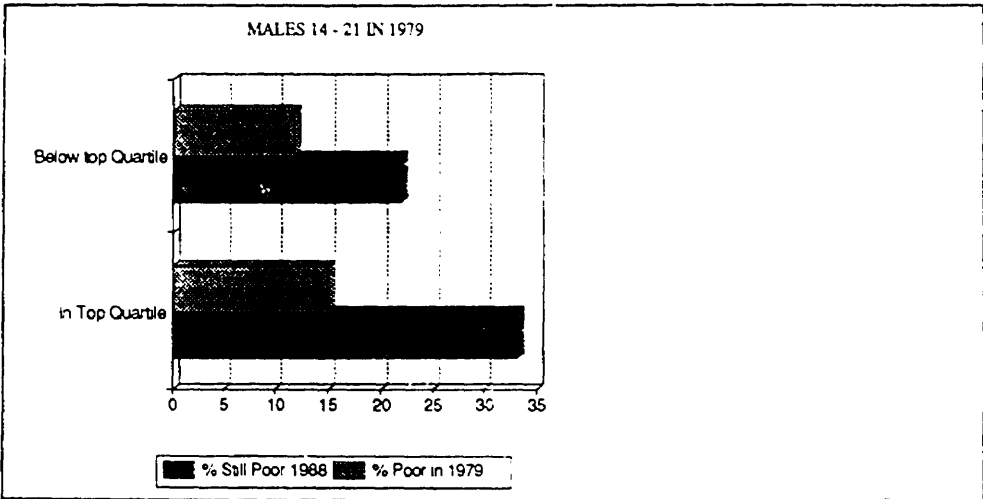


Figure 15 Local Unemployment Rate, Poverty and Poverty Persistence for Males

Percent Poor in 1979 and Percent of Those Poor in 1979 Who Are Still Poor in 1988

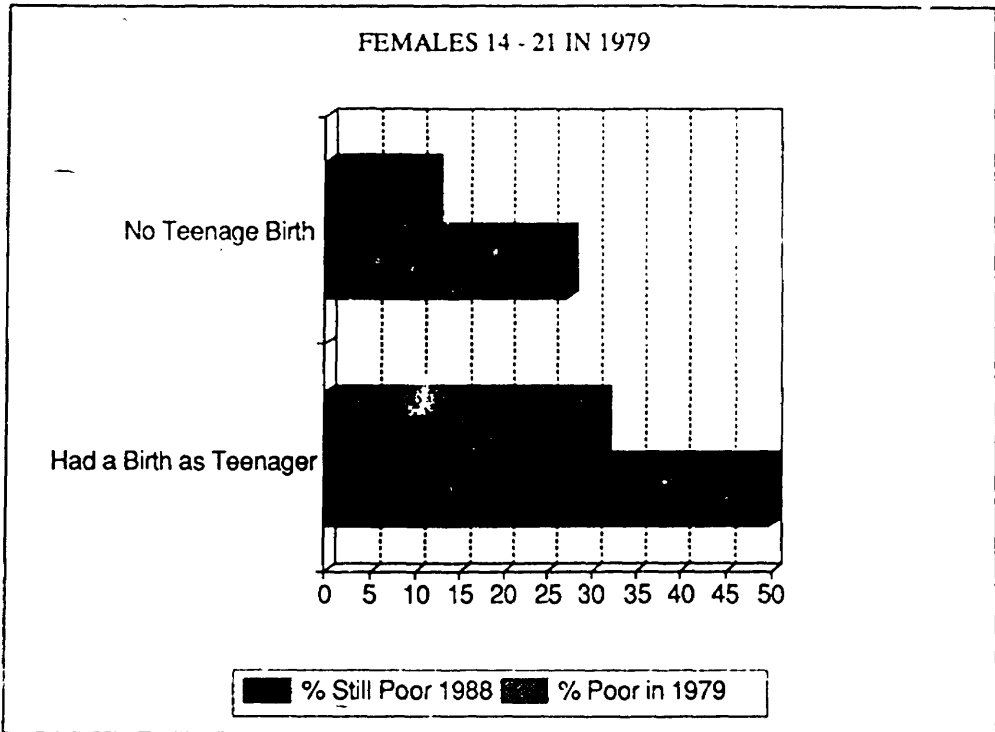


Figure 16 Teenage Pregnancy, Poverty and Poverty Persistence for Females

Table 1  
 Percent of Children Scoring in Worst Quintiles of Behavior Problems Index  
 and PIAT Reading and Math Scales by Mother's Poverty Status in 1979 and 1988

Percent Poor in 1979	15.8
Percent of Those Poor in 1979 Also Poor in 1988	35.6
% Children Low Reading	31.1
% Children Low Math	35.3
% Children High Behavior Problem Index	25.4
Percent of Those Poor in 1979 Not Poor in 1988	64.4
% Children Low Reading	21.0
% Children Low Math	20.8
% Children High Behavior Problem Index	19.2
Percent Not Poor in 1979	84.2
Percent of Those Not Poor in 1979 Poor in 1988	12.0
% Children Low Reading	20.8
% Children Low Math	25.0
% Children High Behavior Problem Index	31.3
Percent of Those Not Poor in 1979 Also Not Poor in 1988	88.0
% Children Low Reading	8.7
% Children Low Math	9.1
% Children High Behavior Problem Index	13.1

Table 2  
 Percent of Children Scoring in Worst Quintiles of Behavior Problems Index  
 and PIAT Reading and Math Scales  
 by Mother's Highest Grade Completed and Poverty Status in 1979 and 1988

	Poor 1979	Not Poor 1979
High-School Dropout	36.3	63.7
Poor 1988	62.6	33.7
% Children Low Reading	33.3	25.3
% Children Low Math	35.0	28.8
% Children High Behavior Problem Index	28.9	31.4
Not Poor 1988	37.4	66.3
% Children Low Reading	21.8	14.3
% Children Low Math	23.2	8.8
% Children High Behavior Problem Index	18.6	16.6
High-School Graduate	15.2	84.8
Poor 1988	34.5	14.9
% Children Low Reading	28.3	20.1
% Children Low Math	38.7	23.9
% Children High Behavior Problem Index	21.7	30.1
Not Poor 1988	65.5	85.1
% Children Low Reading	26.4	8.2
% Children Low Math	22.7	9.9
% Children High Behavior Problem Index	25.4	14.1
Completed Some College	11.4	88.6
Poor 1988	15.5	5.4
% Children Low Reading	22.0	7.4
% Children Low Math	28.0	14.9
% Children High Behavior Problem Index	19.5	36.0
Not Poor 1988	84.5	94.6
% Children Low Reading	9.2	3.2
% Children Low Math	11.0	5.9
% Children High Behavior Problem Index	8.2	7.2

Table 3  
 Percent of Children Scoring in Worst Quintiles of Behavior Problems Index  
 and PIAT Reading and Math Scales  
 by Whether the Mother Was a Teenage Parent and Poverty Status in 1979 and 1988

	Poor 1979	Not Poor 1979
Not a Teenage Parent	11.8	88.2
Poor 1988	25.8	9.2
% Children Low Reading	14.8	15.7
% Children Low Math	28.6	26.9
% Children High Behavior Problem Index	18.0	33.0
Not Poor 1988	74.2	90.8
% Children Low Reading	17.1	5.6
% Children Low Math	17.3	7.1
% Children High Behavior Problem Index	14.7	11.7
Teenage Parent	31.2	68.8
Poor 1988	49.8	25.7
% Children Low Reading	33.9	22.9
% Children Low Math	36.5	24.1
% Children High Behavior Problem Index	26.9	30.5
Not Poor 1988	50.2	74.3
% Children Low Reading	22.5	11.4
% Children Low Math	22.2	10.8
% Children High Behavior Problem Index	21.3	14.6



Table 4

Percent of Children Scoring in Worst Quintiles of Behavior Problems Index  
and PIAT Reading and Math Scales by Whether  
the Mother Committed Illegal Acts and Poverty Status in 1979 and 1988

	Poor 1979	Not Poor 1979
Does Not Commit Frequent Illegal Acts	15.8	84.2
Poor 1988	36.1	11.5
% Children Low Reading	30.8	21.5
% Children Low Math	35.2	24.6
% Children High Behavior Problem Index	25.7	30.6
Not Poor 1988	63.9	88.5
% Children Low Reading	19.4	9.6
% Children Low Math	20.6	9.4
% Children High Behavior Problem Index	17.7	12.3
Commits Frequent Illegal Acts	13.9	86.1
Poor 1988	28.2	14.0
% Children Low Reading	37.0	21.4
% Children Low Math	45.0	32.2
% Children High Behavior Problem Index	29.4	40.0
Not Poor 1988	71.8	96.0
% Children Low Reading	30.3	5.5
% Children Low Math	21.0	4.7
% Children High Behavior Problem Index	30.1	18.8

## PREPARED STATEMENT OF TIMOTHY M. SMEEDING

## SOCIAL INDICATORS FOR THE 1990S: POVERTY, DEPENDENCY AND INSECURITY

I am pleased to be able to address the subcommittee about our nation's need for social and economic indicators, particularly those that deal with the well-being of children and their families. Too little thought has been given to this topic. We need a fresh approach—one that deals with not only the levels and trends in incomes and poverty among families with children, but also with important emerging social issues such as the effect on children of long-term dependency on welfare as a means of support, and the economic and social vulnerability of families with children to unforeseen changes in economic circumstances. Finally, we need to improve our direct measures of children's well-being so that we can estimate the effects that long-term poverty, welfare dependency and economic vulnerability have on the well-being of children.

This testimony begins by presenting the most recent cross-national evidence on children's poverty taken from the Luxembourg Income Study (LIS) database. This data serves the purpose of calling attention to the plight of the large numbers of disadvantaged children in the USA relative to those in other nations, and also the importance of cross-national comparisons of income adequacy and deprivation among families with children. I then go into a more specific domestic needs for longitudinal measures of well-being which can provide important policy insights into such conditions as dependency, vulnerability, and economic insecurity, and perhaps most important of all, the need to assess the impact of these conditions on child well-being and long-term outcomes for children.

## CROSS-NATIONAL TRENDS IN CHILD POVERTY

In an earlier paper published in *Science* (Smeeding and Torrey, 1988) we examined differences in the extent (poverty rates) and depth (poverty gap) of poverty among children in six countries around 1980 using the LIS database. We found that the United States children had the highest poverty rates and poverty gaps, and that the U.S. government's income support system had the least antipoverty effect among the nations studied at that time. We know what happened in the U.S.; since the beginning of the 1980s child poverty has increased in the United States. Official Census Bureau estimates of child poverty (U.S. Bureau of the Census, 1990, Table 20) increased from 16.4 percent in 1979 to 20.5 percent in 1986, the period examined below. The official government rates peaked in 1983 at 22.5 percent and most recently have fallen slightly to 19.6 percent (1989). However, the 1990-91 recession will almost certainly push child poverty rates back up for 1990 and 1991. What we have not known is what happened in other nations during the 1980s? But now we are able to use the LIS database to investigate the trend in child poverty in other nations during the 1980s.

Table 1 presents a brief summary of the evidence on the level and trend in child poverty for five nations for various periods between 1979 and 1987, and the level of poverty for three additional nations at the beginning of the 1980s. Poverty is defined relative to the national median disposable income adjusted for family size in each country in each year. We use a 40 percent of the median poverty line because the U.S. official poverty line was approximately 40 percent of median adjusted income in both 1979 and 1986. While there are other differences between the figures in Table 1 and the official U.S. government estimates, particularly the subtraction of direct taxes paid and the addition of Food Stamps to money income in our figures, the 40 percent poverty line is very close to the United States official poverty line.

The results are startling, even if not surprising:

- The U.S. still has the highest overall poverty rate among children of all nations studied, more than twice the five country average rate in both periods. Moreover, the distance between the U.S. and other nations increased during the 1980s.

In 1986, 20.4 percent of all U.S. children were poor. The gap between the U.S. and the nearest nations at the time was about 11 percentage points. That is, U.S. child poverty rates of 20 percent compare with 9 percent rates in Canada and Australia. German and Swedish child poverty rates in the middle 1980s were much lower, as were those in the United Kingdom, Netherlands and France at the beginning of the decade. Between 1979 and 1986 the U.S. child poverty rate increased by 5.7 points as compared to a 1.5 percent increase in Germany. Overall child poverty rates actually decreased between 1981 and 1987 in Canada and Sweden, with little change in Australia.

- U.S. children living with single parents also had the highest poverty rates of all nations studied. While other nations experienced more rapid growth in single parents than did the U.S., the gap between the U.S. and most other nations increased over this period. Only Sweden seems to do a good job in preventing poverty among children living with single parents.

During the 1980s all countries shown in Table 1 experienced a significant increase in the proportion of children living in single or lone parent families. The nature of single parent poverty in the United States turned more to younger and never married mothers, while in other nations divorce replaced widowhood. Births to unmarried mothers increased in all nations.

In the U.S., single parent child poverty increased from 46.1 to 54.2 percent between 1979 and 1986, an 8.1 percentage point increase. Only Germany experienced a larger increase, but then only to a 15.9 percent rate—a figure less than one-third the U.S. rate. The country closest to the U.S. was Canada with a 37.1 percent poverty rate for children living with single parents.

- The trend toward increased child poverty in the United States was both large and uniform across all categories of living arrangements. The picture in other nations was mixed.

Poverty among children living in two parent families in the U.S. rose to 11.5 percent in 1986, as compared to a 5.7 percent average rate for all countries. Among extended families, U.S. child poverty rates were four to five times higher than those in other nations. Included in these extended families are many young single mothers living with their parents. Over this period, child poverty decreased in all categories in Canada, our closest neighbor, and in Sweden. Australian child poverty hardly changed at all.

Additional LIS-based data not presented here indicate that the U.S. safety net system did a worse job than that of other nations in preventing child poverty during the 1980s (Smeeding, 1991). Our social insurance system and our means-tested welfare system are less responsive to the economic vulnerability of families with children than are the income support systems in other nations. The U.S. food stamps, AFDC, and EITC systems are simply not adequate for preventing economic deprivation for families with children at risk of divorce, long-term unemployment or wage inadequacy.

Certainly, then, we are in need of additional national and cross-national data on child poverty and economic vulnerability during the 1990s. These comparisons provide a unique perspective on the experiences of the U.S. relative to other nations. My colleague Greg Duncan's testimony presents the first cross-national data on welfare duration and poverty spells. Additional cross-national data on infant mortality, child health status, educational attainment and other social indicators could also be gathered to go along with these poverty figures. The small amount of research that has been done shows that U.S. children are no better than average, and probably less well off, than are comparable children in other advanced nations (e.g., Hobbs and Lippman, 1990).

#### WHAT ELSE IS NEEDED, A U.S. PERSPECTIVE

In order to move beyond the LIS income and poverty type comparisons, it would be useful if the U.S. Congress developed a number of functional social indicators for U.S. children and their families. These indicators should first be grounded by a set of widely agreed upon definitions. We should then improve our data instruments to measure levels and trends in these indicators. In fact, most of the data needed to create these measures are already available, others could be easily added to ongoing household panel datasets such as the PSID, SIPP and the NLSY.

Beyond poverty, I would propose at least two additional dimensions of socio-economic life that need to be measured and tracked more systematically than at present:

1. **Welfare Dependency.** Welfare dependency needs to be fully defined and explored. How much receipt of welfare (say as a percentage of income) for how long (three years, five years, longer) is required to be called dependent? How does welfare dependency differ from long-term poverty—are eight consecutive years on welfare more or less hazardous to child and family well-being than are eight years of poverty?

2. **Economic Insecurity or Vulnerability.** Both Confucius and Robert Lampman (1984) have claimed that economic insecurity is worse than poverty. Lampman argues that the reduction of economic insecurity (e.g., with respect to income loss or extraordinary expenditure) and not the reduction in poverty or inequality, is the

primary goal of a nation's social welfare system. But, we know precious little about economic insecurity and its causes, attributes and effects. Measures of economic insecurity might include the actualization or realization of vulnerability such as being unemployed and without unemployment insurance; having to go into debt to pay a large unforeseen bill; not having enough money to provide food or pay the rent; or failure to receive regular child support from an absent parent. Alternatively, measures of insecurity or vulnerability might indicate the potential for social or economic disaster: not having a high enough earnings capacity to avoid poverty; having a low level of educational attainment and/or literacy; lacking adequate savings (or being in debt); lack of health insurance protection; or being unable to live independently and still avoid poverty.

#### EFFECTS ON CHILDREN

Whether we are measuring poverty, dependency, insecurity or vulnerability, it is important to know the short-term and long-term impacts that each of these social conditions have on the well-being of children themselves. These adverse conditions have meaning for children only as they positively or negatively impact their well-being. Measuring the conditions without the outcomes is inadequate for policy purposes. Let me explain.

Economists, sociologists, and most public policy analysts measure children's well-being by the well-being of their parents. That is, they use measurable socio-economic variables which are really inputs into children's well-being: household consumption, income, wealth, and capital goods (e.g., computers, TVs, own room for each child). Social standing or lack thereof—poverty, dependency, insecurity—is also measured largely by parent's characteristics. Until children reach the age of majority, labor force participation or criminal institutionalization, whichever comes first, we typically know little about their behavior and condition. Beyond birthweight and Apgar scores, children largely disappear as individual social, economic, and statistical entities as far as state record keeping and social scientist household survey practice are concerned. Beyond parentally provided evidence on their age and sex, children are largely invisible in most large scale household surveys.

But, if we are to judge the seriousness of the social ills which we propose to measure, by the impact they have on children, we need to directly measure child well-being in household panel survey data. This means that economists and sociologists need to team up with developmental psychologists, anthropologists, educators and pediatricians—professions which employ direct measures of some aspect of children's well-being: cognitive, social, intellectual, educational or other developmental outcome measures for psychologists, educators and anthropologists; and physical and mental health status for pediatricians.

If these measures of child well-being and functioning can be added to the PSID, NLSY, SIPP and other datasets, we will be in a position to both measure the risks that children face (dependency, poverty, insecurity) and the impact that these risks are likely to have on children's well-being. Armed with this information we will be better able to design policy to both prevent the risks that children face, and to deal with the long-term negative consequences of their exposure to these risks. Certainly there are enough disadvantaged children in the United States to warrant further exploration of these issues.

Thank you. I'm happy to answer any questions which you might have.

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TABLE 1  
LEVELS AND TRENDS IN RELATIVE POVERTY RATES,<sup>a</sup> AT 40 PERCENT ADJUSTED MEDIAN  
DISPOSABLE INCOME AMONG CHILDREN IN EIGHT WESTERN  
NATIONS DURING THE 1980S<sup>b</sup>

Period I									
	United States (1979)	Australia (1981)	Canada (1981)	W. Germany <sup>c</sup> (1981)	Sweden <sup>d</sup> (1981)	United Kingdom (1979)	Netherlands (1983)	France (1979)	Five Country Average <sup>e</sup>
All Children <sup>f</sup>	14.7	8.6	10.2	1.3	2.1	3.3	4.0	4.7	7.4
One-Parent Families <sup>g</sup>	46.1	33.6	39.9	3.3	3.7	10.9	1.5	11.9	25.3
Two-Parent Families <sup>h</sup>	7.2	6.5	7.2	0.6	1.8	3.0	0.7	3.4	4.7
Extended Families <sup>i</sup>	13.7	3.6	5.3	3.5	NA	0.5	18.6	8.0	6.5
Period II									
	(1986)	(1985)	(1987)	(1984)	(1987)	(1986)	(1987)	(1984)	
All Children	20.4	9.0	9.3	2.8	0.8				8.5
One-Parent Families	54.2	34.6	37.1	15.9	0.6				28.5
Two-Parent Families	11.5	6.9	7.0	2.2	0.9				5.7
Extended Families	22.4	4.4	4.9	2.7	NA				8.6
Change <sup>j</sup>									
All Children	5.7	0.4	-0.9	1.5	-1.3				1.1
One-Parent Families	8.1	1.0	-2.8	12.6	-3.1				3.2
Two-Parent Families	4.3	0.4	-0.2	1.6	-0.9				1.0
Extended Families	8.7	0.8	-0.4	-0.8	NA				2.1
<sup>a</sup> Poverty rates are the percent of children living in families with incomes below 40 percent of the adjusted median disposable income in each country. <sup>b</sup> See Smeeding (1991) for additional details. <sup>c</sup> W. Germany (1981) and (1984) datasets are not strictly comparable. <sup>d</sup> Sweden has no extended families because of their nuclear family income unit definition. <sup>e</sup> Average is the simple average of the first five countries with entries in the table. <sup>f</sup> All persons age 17 and under regardless of living arrangements. <sup>g</sup> All persons age 17 and under living with one adult in the family household. <sup>h</sup> All persons age 17 and under living with two adults, a married couple or two persons living as married and no other adults. <sup>i</sup> Persons in all other living arrangements, including those with children over age 18. <sup>j</sup> Change is defined as period II minus period I.									

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