# REGIONAL AND RESIDENTIAL
# IMPACTS OF THE PROPOSED
# BETTER JOBS AND INCOME PROGRAM

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The Better Jobs and Income Program (BJIP) was proposed in September 1977 by the Administration. If it had been enacted, it would have lifted more families from poverty by 1981 than the current welfare system. Based on analysis with a simulation model, BJIP would have also distributed benefits more equally among the four census regions and between metropolitan and nonmetropolitan areas. BJIP would have lowered the poverty rate more in nonmetropolitan areas than would the current system. BJIP would have cost more than the current welfare system.

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Editors' Note:  The Better Jobs and Income Program (BJIP), proposed to the Congress by the Carter Administration in September 1977, was not put into legislation.


OTHER RELATED REPORTS

Thomas A. Carlin, Gary Hendricks, and Faye F. Christian, <u>Residential and Regional Distribution of Benefits Under the Allowance for Basic Living Expenses (ABLE) Welfare Reform Proposal</u>. AER-374.  Econ. Res. Serv., U.S. Dept. Agr., June 1977.

Thomas A. Carlin, <u>Impact of Earned Income Tax Credit:  A Simulation of Tax Year 1976</u>. AER-336.  Econ. Res. Serv., U.S. Dept. Agr., June 1976.

CONTENTS

SUMMARY

In September 1977, the Administration introduced a comprehensive welfare reform proposal, the "Better Jobs and Income Act" (BJIP), to Congress. It was not put into legislation, but it represents a prototype of comprehensive welfare reform legislation. Like past comprehensive welfare reform proposals, BJIP would have substantially affected families and unrelated individuals living in nonmetropolitan areas.

It would have corrected two major sources of inequities in the current welfare system--the exclusion of particular family types from two of the major welfare programs and differences in benefit levels from State to State. Correcting them would have increased the estimated number of eligibles and amount of benefits going to both metropolitan and nonmetropolitan areas of all regions of the United States.

The percentage of benefits that would have gone to nonmetropolitan areas would have increased, but the percentage of the eligible population residing in nonmetropolitan areas would have decreased under BJIP relative to the current welfare system. At the same time, the percentage of eligibles in nonmetropolitan areas would have become closer to the percentage of families and unrelated individuals in poverty in nonmetropolitan areas; thus, BJIP would have assured a more equitable distribution of eligibles by residence.

BJIP would not only have reduced poverty more than the current system, but it also would have reduced poverty more in nonmetropolitan areas than metropolitan areas. Average benefits also would have become more equal by region and metropolitan-nonmetropolitan residence. Before any taxes or welfare, the metropolitan poor would have lower average incomes than the poor in nonmetropolitan areas. Both the current welfare system and BJIP would have corrected that inequity, and BJIP would have continued to raise average incomes of the poor.

At the same time, BJIP would have cost more than the current welfare system because of expanded population coverage and improved benefit levels in many States. There are alternatives to comprehensive welfare reform which would achieve some of the objectives of BJIP but at a lower cost.

This study focuses on families eligible to participate in the current welfare system and those families eligible to participate in BJIP. The distributions of eligible families and benefits under each program are analyzed using calendar year 1981 data developed by a computer simulation model.

# REGIONAL AND RESIDENTIAL IMPACTS
# OF THE PROPOSED BETTER JOBS AND INCOME PROGRAM

*Shirley Pryor*＊

## INTRODUCTION

The Better Jobs and Income Act (BJIP) was proposed to the Congress by the Administration on September 12, 1977. It was not put into legislation and is not the Administration's current policy, but it is a prototype of comprehensive welfare reform. BJIP would have replaced the existing welfare system, consisting of Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and the Food Stamp Program, with a comprehensive cash supplement and jobs program (17). 1/ BJIP would have also expanded the Earned Income Tax Credit (EITC). This report evaluates the regional and residential distribution of benefits and the eligible population for both the existing welfare system and BJIP. The Urban Institute's Transfer Income Model (TRIM) was used to project benefits and the number of eligibles of both BJIP and the existing welfare system to 1981. 2/ This year was selected because it is the first year BJIP would be in effect.

## OVERVIEW OF WELFARE REFORM

The current welfare system is a diverse assortment of programs directed towards specific low-income populations. 3/ AFDC is primarily for female-headed families. SSI is for the aged, the blind, and the disabled. The Food Stamp Program is the only Federal program with universal coverage for the poverty population.

### Components of Existing Welfare System

AFDC, established in 1935, is an income supplement program for children deprived of at least one parent. Currently, about half the States also provide benefits to some families where both the husband and wife are present, and the husband is either unemployed or incapacitated (10, p. 140). States establish the eligibility standards and benefit levels and pay from 17 to 50 percent of the benefit costs. The Federal Government funds the remainder. Its portion depends on the per capita income of the

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1/ Underscored numbers in parentheses refer to items in References at the end of this report.

2/ See page 7 for an explanation of the research procedures.

3/ For a detailed discussion of the current welfare system, see (9, 10).

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State relative to the per capita income of the United States. Some States require local governments to help fund the State's share of the costs.

SSI is a program for the aged, the blind, and the partially or totally disabled (10, p. 113). It was enacted in 1972 to replace the State-administered and partially federally reimbursed programs which were providing aid to these groups separately. The Federal Government established national minimum benefit levels for SSI recipients. It required States to supplement this Federal benefit when pre-SSI benefits exceeded the Federal minimum so that no one would be worse off as a result of the new program. Optional State supplementation of the Federal benefit is also permitted.

The Food Stamp Program was enacted in 1964 to improve nutrition of recipients as well as expand demand for domestically produced food (10, p. 277). Its primary objective now is to enable low-income people to purchase foods that will provide a nutritionally adequate diet. The Federal Government finances benefits completely, although States pay one-half the cost of administration. Unlike the other programs, the Food Stamp Program covers all family types, including those with a working family member and single unrelated individuals.

Earned Income Tax Credit provides a tax refund or direct payment for low-income families with children. Families with incomes below $8,000 receive either a refund or a payment for the difference between the tax credit and the tax liability. As of summer 1978, the tax credit was 10 percent of the first $4,000 of earned income. If earned income was between $4,000 and $8,000, 10 cents for every dollar earned above $4,000 was subtracted from the $400 credit on the first $4,000 earned (9, p. 15). 4/

## Problems With the Existing Welfare System

With the declaration of the "Great Society" and the passage of "The Economic Opportunity Act" in 1964, the United States declared its intentions to wipe out poverty. Between 1966 and 1976, the absolute number of people in poverty decreased 12 percent (13, p. 15). However, certain problems have arisen.

### Costs

Total Federal, State, and local costs (excluding administrative costs) for welfare programs increased sixfold in that same time period (9, pp. 22-23). Some have argued that Federal welfare expenditures are out of control. However, according to one analyst, the Federal expenditure increases are not out of control because they are a result of conscious policy choices and one-time changes (6, pp. 21-31).

State and local expenditures cause more of a problem because they result from factors outside State and local control.

The states can neither limit the massive migration that has concentrated a substantial portion of the welfare population in the urban areas of the Northeast and West, nor alter the economic policies that help determine the size of that population or the degree of its need. Yet the states and localities are called upon to foot a substantial share of the bill (6, p. 38).

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4/ The Revenue Act of 1978 modified EITC so that the tax credit is 10 percent of the first $5,000 of earned income. For earned income between $6,000 and $10,000, 12-1/2 cents for every dollar above $6,000 is subtracted from the $500 credit on the first $6,000 earned.

Persistent Poverty

According to Congressional Budget Office (CBO) estimates, even with the existing programs, substantial numbers of families lived below the poverty level in 1976. Using data from the 1975 Current Population Survey (calendar year 1974 income) and adjusting (or aging) the data base to reflect conditions likely in fiscal year 1976, CBO determined that even if in-kind transfers were included in the income measure, 5/ 11.5 percent of all U.S. families and unrelated people would have remained in poverty in 1976 (9, p. 20). 6/

Disincentives for Work and Family Stability

The incentive exists, because of the AFDC program's structure, to break up families. Approximately half the States do not provide benefits to a male-headed family, but do provide them to the same family if the male is absent.

Most welfare programs have a work incentive, either by requiring work or by tapering off, rather than eliminating welfare benefits, if the person finds employment (7, p. 16). With AFDC, the disregard of work expenses, plus the first $30 and one-third of additional earnings when benefits are calculated, is designed to assure gains from employment, and thus to encourage it. Food Stamp benefits available to low-income families, whether employed or not, include a work requirement as well as the set of deductions from income described above before bonuses are calculated.

When a family is receiving benefits from more than one program, the cumulative effect is more complicated and it varies by State. Welfare payments may be reduced as much as 85 cents for every dollar earned (7, p. 17). Furthermore, there is a built-in incentive in some States not to seek employment. In 1976, in 22 States, the combined benefits from AFDC and Food Stamps exceeded what a person would receive if employed at the minimum wage (16). 7/

Horizontal Inequity

Inconsistent treatment of people in the same situation or with the same needs represents horizontal inequity. With the existing welfare system, horizontal inequity takes on two forms. First, recipient benefits vary greatly from State to State. According to data provided by the U.S. Department of Health, Education, and Welfare for 1976, AFDC benefits to a Mississippi family of four were 14 percent of the benefits to a similar family in New York (16). 8/

These disparities result from program structure as well as States' decisions on the amount of supplementation they will provide. Second, three types of families cannot receive benefits under two of the programs BJIP would replace, AFDC and SSI. Types excluded are nonelderly childless couples, nonelderly unrelated persons, and nonelderly families with children headed by working males.

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5/ AFDC, SSI, Veterans' Pensions, Emergency Assistance, General Assistance, and Earned Income Credit provide cash assistance to recipients, and their benefits are included in income. Food Stamps, Child Nutrition Programs, Housing Assistance, and some Emergency Assistance provide benefits in-kind, and these benefits are not included in most measures of money income.

6/ Poverty is defined here and throughout this report as the official poverty level (15).

7/ $4,784 per year ($2.30/hour), effective January 1, 1976.

8/ Differences by State in living costs are not accounted for in this report because such data are not available.

Residential Issues

Both aspects of horizontal inequity, the distribution of benefits and eligibles by States and by family types, influence the distribution of benefits and eligibles between metropolitan and nonmetropolitan areas.

First, in many States with a large percentage of their nonmetropolitan population in poverty, welfare recipients receive smaller benefits than in the other States. In 1975, in all States where the nonmetropolitan population in poverty exceeded the national average (14.3 percent), 9/ the average monthly cash benefit per participant for AFDC was $38.70 (18, p. 188). For SSI, it was $89.55 (18, p. 174). 10/ In all other States, those where the percentage of nonmetropolitan population in poverty was below the national average, the average monthly benefit for AFDC was $81.43, and for SSI, it was $127.59.

Second, nonmetropolitan areas have a higher concentration of one family type (the nonaged with employed male head) which is excluded from the AFDC program and SSI programs. In 1975, although 32.3 percent of all families lived in nonmetropolitan areas, 52.5 percent of nonaged, employed, male-headed families lived in those areas. 11/ Any welfare reform which expanded benefits to this group would increase benefits to nonmetropolitan areas.

The Better Jobs and Income Program

The Better Jobs and Income Program (BJIP) represents a prototype of a comprehensive reform of the current welfare system (8, 17). This proposed legislation would have replaced SSI, AFDC, and Food Stamps with a single program providing a national minimum-benefit level for those not expected to work and jobs and cash assistance for those expected to work. The coverage would have been extended to groups previously excluded under AFDC and SSI.

Benefits would have varied according to work requirement and family composition (table 1). For a family of four not required to work, the basic cash benefit would have been $4,200 (1978 dollars), approximately 65 percent of the nonfarm poverty level. 12/ The basic cash benefit would have been reduced by 50 cents per dollar earned. For aged, blind, or disabled people, the minimum benefit would have been $2,500; for a couple, $3,750.

The proposal would have authorized the creation of 1.4 million public service jobs by fiscal year 1981. Those required to work would have been single people and single parents with children of school age and above (part-time work if youngest child is between 7 and 13); and principal wage earners in two-parent families and childless couples (17, pp. 6-9).

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9/ These poverty incidence data are from unpublished tabulations from the Survey of Income and Education conducted for the U.S. Department of Health, Education, and Welfare by the Bureau of Census. The States where the nonmetropolitan population in poverty was more than the national average were Alabama, Arizona, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

10/ SSI does have a national minimum benefit level, unlike AFDC. The State differences in SSI benefits result from State supplementation.

11/ This information is from special tabulations from the 1975 Current Population Survey.

12/ Unlike the poverty level, the benefits from BJIP would not vary according to farm-nonfarm residence.

Table 1—National basic payments under the
Better Jobs and Income Program, by family type 1/

| Family type | Basic payments for people— | | |
| --- | --- | --- | --- |
| | Not expected to work or for which no job is available | Expected to work | |
| | | Benefits during 8—week job search | Benefits if job refused |
| | Dollars | | |
| Two parents: | | | |
|   Adult head | 1,900 | 0 | 0 |
|   Other adult | 1,100 | 1,100 | 1,100 |
|   Each child regardless of age; maximum of 7 people per family | 600 | 600 | 600 |
| Single parent (with youngest child aged 14 or over): | | | |
|   Head of household | 1,900 | 0 | 0 |
|   First child | 1,100 | 1,100 | 1,100 |
|   Each additional child; maximum of 7 people per family | 600 | 600 | 600 |
| Single parent (with youngest child under 14): 2/ | | | |
|   Head of household | 1,900 | 1,900 | 0 |
|   First child | 1,100 | 1,100 | 1,100 |
|   Each additional child; maximum of 7 people per family | 600 | 600 | 600 |
| Aged, blind, and disabled: 3/ | | | |
|   Couple | 3,750 | | |
|   Single individual | 2,500 | | |
| Childless couple: | | | |
|   Each adult | 1,100 | 1,100 | 0 |
| Single people | 1,100 | 1,100 | 0 |

1/ The basic payment is the payment to a recipient when no other income is available.  No State supplementation is assumed.

2/ Heads of single-parent families with youngest child under 7 are not expected to work.

3/ The aged, blind, and disabled are not expected to work.

Source:  U.S. Department of Health, Education, and Welfare, HEW News, August 6, 1977.

The jobs program would have required an 8-week job search during which, for a two-parent family of four, the spouse not looking for work would receive $1,100 and each child $600 for a total of $2,300. For a single-parent family with the youngest child under 14 and childless couples and single people, the person expected to work would have also received benefits during the 8-week job search. A limited number of public service jobs at the minimum wage would have been created for those primary workers not able to find a private sector job during the job search. Benefits would not have been reduced for the first $3,800 of job earnings, but the $2,300 cash supplement is reduced 50 cents for each additional dollar of earned income above $3,800. (The same would have applied to a single-parent family with all children over 14.) If no job could be found or created, the two-parent family of four would have received the $2,300 they received during the job search plus an additional $1,900 ($1,100 for the family head and $800 for the household) for a total of $4,200.

The Earned Income Tax Credit (EITC) would have been available to anyone not in the public service jobs program of BJIP. The maximum credit allowed would have depended on the number of tax exemptions claimed (8, pp. 18-19). For a family of four with two adults, a credit of 10 percent would have been allowed on the first $4,000 of earned income. A credit of 5 percent would have been allowed on additional earned income up to $9,100 for a maximum credit of $665. The maximum credit would have been reduced by 10 percent of any additional income (both earned and unearned) over $9,100, and it would have finally been decreased to zero at $15,650 of earned income.

If the primary worker in an eligible family of four should earn $5,512—annual earnings at the 1978 minimum hourly wage rate of $2.65—the family (with no other countable income) would have received an income supplement of $1,444. This is the $2,300 income supplement reduced by 50 cents for every dollar earned over $3,800. If the wages had not been earned in a BJIP job, the family would have had a tax credit of $475.60. Thus, earnings ($5,512) plus income supplement ($1,444) plus EITC ($475.60) would have produced a total income of $7,432 if earnings had not been from BJIP employment, and $6,956 for a BJIP job.

## Alternative Legislative Proposals

The introduction of the Administration's welfare reform bill to the Congress resulted in several counter proposals. First, a Special House Subcommittee on Welfare, headed by Rep. James C. Corman, was established to consider the Administration's proposal. After public hearings, the subcommittee voted out a bill similar to the Administration's bill (5). Two other proposals, one by Rep. Ullman and the other by Sens. Howard Baker, Henry Bellmon, Abraham Ribicoff, and John Danforth, were essentially incremental reform packages (5).

Unlike the Administration's and subcommittee's bills, the incremental reform proposals would have left the basic structure of the current welfare programs intact, but they would have modified program rules to overcome many of the problems discussed earlier. The incremental reforms proposed would have been less expensive than the more comprehensive reform bills (5). The additional expense of the comprehensive reform bills would have resulted from the jobs programs and the extension of coverage to non-aged, low-income, single people and childless couples.

There were certain similarities among all four proposals (5, p. A-11). Each bill would have:

(1) established a national minimum benefit level for single-parent families with children, (2) required all States to provide cash assistance to low-income, two-parent families with children, (3) created a number of public service jobs directed primarily at low-income, two-parent families, (4)

expanded the Earned Income Tax Credit, (5) instituted a number of proce-
dures to improve current administrative practices, and (6) promised State
and local governments some measure of relief from current welfare costs.

Senators Moynihan and Cranston proposed legislation (July 1978) which, through the
tax system, would have provided jobs and cash to low-income families (3). The major
provisions of their bill were (1) an increased Earned Income Tax Credit for the working
poor, (2) tax incentives for businesses to encourage them to employ welfare recipients,
and (3) $2.5 billion in fiscal relief to the States. The tax incentive for businesses
would have liberalized the current Work Incentive Program (WIN) expanding the relief to
businesses from 20 percent of the wages paid out to 50 percent and raising the maximum
subsidy per employee from $1,000 to $3,000.


## THE SIMULATION MODEL 13/

The Urban Institute's Transfer Income Model (TRIM) was used in the study reported
on here. TRIM is a simulation model designed to estimate case by case the benefits for
which families and households are eligible under alternative tax and transfer programs.
The data base used in TRIM simulations is from the 1976 Current Population Survey (CPS)
conducted by the Bureau of the Census which contains 1976 demographic information and
1975 income information for households, families, and people.

The demographic and economic information from the 1976 CPS data base were aged to
1981. Program rules and regulations were applied to the sampled family units to deter-
mine the number of eligibles and amount of benefits under each program. The projec-
tions of eligibles and benefits were also distributed by the four Census regions and by
place of residence (metropolitan-nonmetropolitan).


### Data Base

The CPS file contains approximately 55,000 households selected from 461 sample
areas across the United States. The sample, including 135,000 people, is weighted to
reflect estimates of the civilian noninstitutional population of the United States.
The estimates are subject to sampling variability; that is, variations which occur
because a sample rather than the total population was surveyed. In addition, the
survey results are subject to errors of response and nonreporting. The simulation
model would reflect these problems resulting from the sampling procedure.


### Aging

Estimates presented here reflect expected conditions in 1981. The 1976 CPS was
aged to reflect population and economic conditions in 1981, based on information
collected from other sources to estimate how various economic factors, as well as
social factors, such as birth and death rates, might change by 1981 (4, p. 69). The
economic estimates (income and CPI) in the TRIM projections were from Data Resources
Incorporated (September 1, 1977) with a 5-percent unemployment rate assumed.

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13/ This section summarizes the process of generating the data used in the study. A
more detailed description of the model and its assumptions is available from the
author.

## Tax and Transfer Components

Once the 1976 CPS was aged to 1981, the tax and transfer program rules were applied to the relevant household units to determine the total amount of benefits and number of eligibles for the various programs.

Because the CPS does not have all the information necessary to determine eligibility for programs, assumptions must be made about the family and household structure to align the eligibility criteria for the programs with the data from the CPS. For example, the CPS contains little information about the handicapped status of people, but both SSI and BJIP provide differential benefits to handicapped individuals. In addition, the CPS has no asset information, but all the programs have asset tests. Thus, assets are imputed from nonfarm property income, dividends, rent, and interest, with a 6-percent return to capital assumed. Farm assets were estimated with a special procedure (1).

The Food Stamp (P.L. 95-113) Program presents special problems because of the way eligibility is determined. Shelter costs and child care may be deducted from gross income to determine the income on which eligibility is based (12). This information is not collected in the CPS by the Bureau of the Census. USDA's Food and Nutrition Service collects information on the types of deductions used by various types of households (11). This information was used to estimate statistically which deductions might be used by eligible households.

No effort was made in the study reported on here to estimate the participation rate in any of the welfare programs. All households eligible for program benefits were assumed to participate. The number of families eligible for food stamps has been used to represent the total number of families eligible for food stamps and AFDC, as well as SSI. With the new food stamp legislation, all families receiving welfare assistance will no longer be categorically eligible for food stamps. Thus, the food stamp eligibility count would not represent everyone eligible for all welfare programs. Approximately 4.5 percent more people would be eligible for all programs than the food stamp count represents. 14/

With one exception, BJIP benefits include only the Federal contribution. State supplementation of benefits was not included in the model except where grandfathering of benefits was required. There is no clear basis on which to predict State supplementation. Grandfathering of benefits (Hold Harmless) insures that no participant loses benefits because of changes in that program.

## Labor Supply Effects

Recent experiments have indicated that a broad-based welfare program may result in some participants reducing work effort. This analysis does not take into account these responses to welfare payments. The labor supply effect differs according to socioeconomic characteristics, but as yet there is not enough evidence to quantify what this effect may be, if any, by metropolitan and nonmetropolitan residence. Therefore, the exclusion of the labor supply effect, although it underestimates the costs of the program as well as the number of participants, does not greatly affect the analysis nor the relative impact of the program by residence.

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14/ This estimate is based on information provided by the Food and Nutrition Service, U.S. Department of Agriculture, April 1978.

Because of the expansion of coverage to a larger proportion of the population, grandfathering of payments, and increased minimum benefit levels for many States, replacing the existing welfare system with BJIP would have increased both the estimated number of eligible families and unrelated individuals and the total benefits (table 2). 15/

## Distribution of Benefits and Eligibles

The number of eligibles would have increased 6.4 million, 49.6 percent. The benefits would have increased $13.2 billion, 39.4 percent higher than the 1981 benefits estimated to be paid under the existing system. 16/

## Residential

In both metropolitan and nonmetropolitan areas, the estimated number of eligibles and amount of benefits would have increased. Thirty-six percent of the $13.2-billion increase would have gone to nonmetropolitan areas, but only 30 percent of the new eligibles would have resided there. This would have increased the percentage of total benefits that go to nonmetropolitan areas from 32 percent under the current system to 33 percent under BJIP. The percentage of total eligibles in nonmetropolitan areas would have decreased from 41 under the current system to 37 percent with BJIP. Thus, nonmetropolitan areas would have had a larger proportion of the benefits under BJIP and a smaller proportion of the eligibles.

The nationalization of the benefit levels would have increased the benefit levels for many States with a large nonmetropolitan population, which would tend to increase the proportion of benefits that go to nonmetropolitan areas. The decreased proportion of eligibles that reside in nonmetropolitan areas would have had the opposite effect. The proportion of benefits that would have gone to nonmetropolitan areas would have decreased if benefit levels had not changed, but the increase in average benefits would have offset this decline. The net result would have been an increase in the proportion of benefits that would have gone to nonmetropolitan areas.

One-quarter of the estimated total benefits from BJIP would have stemmed from the public service job portion of the program; the remainder would have been cash supplementation (table 2). Metropolitan areas and nonmetropolitan areas would have differed little in the proportion of total BJIP benefits from public service jobs. In metropolitan areas, 25.2 percent of BJIP benefits would have been from public service jobs, while in nonmetropolitan areas, 24.5 percent would have been from that source. Approximately 35 percent of the families and unrelated persons eligible for the jobs portion of BJIP would have lived in nonmetropolitan areas (1.2 million). Half the population eligible for jobs in nonmetropolitan areas would have resided in the South. Such a heavy concentration of jobs could have created administrative difficulties, as it is doubtful that the public sector in nonmetropolitan areas of high unemployment would have been able to absorb all persons eligible for jobs under the program.

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15/ Benefits include all payments to families and unrelated people in both the cash and jobs program. Costs of administering the program are not included in the estimates.

16/ The Administration's estimates, made with the HEW Microsimulation Model, are the only "official" estimates for FY 1981 (2, p. 198). They indicate that $14.4 billion in cash and jobs benefits would have been expended in FY 1981. The difference is due to three factors: (1) the Administration budget assumes only partial implementation in FY 1981, (2) there are methodological differences between TRIM and HEW's model, and (3) assumptions about State supplementation differ.

Table 2--Estimated eligible families and unrelated persons and benefits under the current welfare system and BJIP, by metropolitan and nonmetropolitan areas, 1981

| Welfare programs | Total | | Metropolitan 1/ | | Nonmetropolitan 1/ | |
|---|---|---|---|---|---|---|
| | Eligible families and unrelated people | Benefits | Eligible families and unrelated people | Benefits | Eligible families and unrelated people | Benefits |
| | Mil. | Bil. Dol. | Mil. | Bil. Dol. | Mil. | Bil. Dol. |
| Current programs 2/ | 12.9 | 33.5 | 7.5 | 22.7 | 5.3 | 10.8 |
| BJIP | 19.3 | 46.8 | 12.1 | 31.3 | 7.2 | 15.5 |
| Jobs 3/ | 3.3 | 11.7 | 2.2 | 7.9 | 1.2 | 3.8 |
| Cash | 17.3 | 35.0 | 10.9 | 23.4 | 6.4 | 11.7 |
| Difference (BJIP-current) | +6.4 | +13.2 | +4.6 | +8.6 | +1.9 | +4.7 |

Note: Because of rounding, sum of parts may not add to totals.
1/ A metropolitan area (SMSA) is a county or group of contiguous counties which contain at least one city of 50,000 people or more, or twin cities with a combined population of at least 50,000. In New England, metropolitan areas are towns or cities rather than counties. A nonmetropolitan area is the residual.
2/ Current programs consist of Aid to Families with Dependent Children, Supplemental Security Income, and Food Stamps.
3/ Eligibles for both cash and jobs do not add up to total eligibles because some eligible families and unrelated people are eligible for both jobs and cash. The jobs program benefits do not include the cash payments which would go to people in the jobs program. All cash benefits are included in the category "cash."

Source: Tabulations from the Urban Institute's Transfer Income Model.

Estimated benefits and eligibles would have increased in all regions under BJIP (table 3). The South would have had 28.5 percent of the new eligibles, although its percentage of total eligibles would have decreased from 42.6 percent under the current system to 37.9 percent under BJIP. The South would have received 41.7 percent of additional benefits from BJIP, making its total benefits 34.5 percent, compared with 31.6 under the current system. The increase results from the nationalization of the benefit levels under BJIP, which would have tended to increase average benefits in the South.

While the distribution of benefits and eligibles among regions would have changed somewhat with BJIP, the ranking of the regions would have changed little. The South, followed by the Northeast, would have received the largest total amount of benefits with either the existing system or BJIP. With the existing system, the West would have received the fewest benefits, and with BJIP, the North Central region would have received the fewest. The South would have had the largest eligible population, followed by the North Central, Northeast, and West--with either the current welfare system or BJIP (table 3).

## Cash and Job Split

For all regions and in both metropolitan and nonmetropolitan areas, about 25 percent of the estimated BJIP benefits would have stemmed from the public service jobs program (table 4). The North Central metropolitan areas would have received the lowest share (21.0 percent) and the West's nonmetropolitan areas would have received the highest (31.2 percent).

## Effectiveness of the Welfare Programs

### Eliminating Poverty

The population below the poverty level is used here as a proxy for the needy population, the population that the programs should cover. Neither the current welfare programs nor BJIP covers exactly the poverty population.

Overall, BJIP would have eliminated more poverty than the current welfare system. In 1981, 13 percent or 1,122,000 fewer people would have been in poverty with BJIP than the current system. An estimated 4.2 million fewer people would have been in poverty with BJIP than with no welfare system (table 5), down 36 percent.

In all regions and types of residence, BJIP would have lowered the rate of poverty 17/ compared with the current welfare system. BJIP would have reduced the poverty rate in metropolitan areas from 12.7 without any welfare to 9.1 with the current system to 8.0. In nonmetropolitan areas, poverty would have been reduced from 17.1 without welfare to 13.1 with the current program to 11.4 with BJIP. The largest percent reduction between the current system and BJIP, 2.5 percent, would have been in the nonmetropolitan South, even though 14.6 percent of the families and unrelated people would have remained in poverty.

The poverty rate indicates the percentage of families and unrelated people in poverty, but it gives no information about how far they are below the poverty level. The average poverty gap, the amount of money needed per family and unrelated individuals to bring them up to the poverty level, more clearly demonstrates these needs. It

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17/ The rate of poverty is the number of families and unrelated individuals below the official poverty level divided by the total number of families and unrelated individuals in the same specific geographic area.

Table 3--Estimated eligible families and unrelated people and
benefits under the current welfare system and BJIP, by region, 1981

| Welfare programs | Total | | Northeast 1/ | | North Central 2/ | | South 3/ | | West 4/ | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Eligible families and unrelated people | Benefits | Eligible families and unrelated people | Benefits | Eligible families and unrelated people | Benefits | Eligible families and unrelated people | Benefits | Eligible families and unrelated people | Benefits |
| | Mil. | Bil. Dol. | Mil. | Bil. Dol. | Mil. | Bil. Dol. | Mil. | Bil. Dol. | Mil. | Bil. Dol. |
| Current programs 5/ | 12.9 | 33.5 | 2.6 | 8.4 | 2.9 | 7.3 | 5.5 | 10.6 | 1.9 | 7.2 |
| BJIP | 19.3 | 46.8 | 4.1 | 10.8 | 4.3 | 9.8 | 7.3 | 16.1 | 3.6 | 10.1 |
| Difference (BJIP-current) | +6.4 | +13.2 | +1.5 | +2.4 | +1.4 | +2.4 | +1.8 | +5.5 | +1.7 | +2.9 |
| | | | | | _Percent_ | | | | | |
| Current programs 5/ | 100.0 | 100.0 | 20.0 | 25.1 | 22.7 | 21.9 | 42.5 | 31.6 | 14.7 | 21.4 |
| BJIP | 100.0 | 100.0 | 21.3 | 23.1 | 22.2 | 20.9 | 37.9 | 34.5 | 18.7 | 21.6 |
| Difference (BJIP-current) | 100.0 | 100.0 | +23.7 | +18.2 | +21.2 | +18.2 | +28.5 | +41.7 | +26.6 | +22.0 |

Note: Because of rounding, sum of parts may not add to totals.
1/ Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.
2/ Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.
3/ Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Lousiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.
4/ Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.
5/ AFDC, SSI, and Food Stamp Program.

Source: Tabulations from the Urban Institute's Transfer Income Model.

12

Table 4--Estimated BJIP benefits,
job and cash programs, by region, 1981

| Residence and region | Job program | Cash program | Percentage of dollars in jobs program |
|---|---|---|---|
| | ----------Billions---------- | | Percent |
| Northeast | 2.45 | 8.36 | 22.7 |
| North Central | 2.10 | 7.66 | 21.5 |
| South | 4.22 | 11.89 | 26.2 |
| West | 2.97 | 7.11 | 29.5 |
| Total | 11.74 | 35.02 | 25.1 |
| Metropolitan: | | | |
| Northeast | 2.07 | 7.04 | 22.7 |
| North Central | 1.37 | 5.16 | 21.0 |
| South | 2.22 | 5.55 | 28.6 |
| West | 2.29 | 5.61 | 29.0 |
| Total | 7.95 | 23.36 | 25.4 |
| Nonmetropolitan: | | | |
| Northeast | .39 | 1.32 | 22.8 |
| North Central | .73 | 2.50 | 22.6 |
| South | 2.00 | 6.34 | 24.0 |
| West | .68 | 1.50 | 31.2 |
| Total | 3.79 | 11.66 | 24.5 |

Note:  Because of rounding, sum of parts may not add to totals.

Source:  Tabulations from the Urban Institute's Transfer Income Model.

is an approximation of the underlying income distribution of families and unrelated individuals below the poverty level.

Before Federal taxes and any welfare programs are considered, poor people in metropolitan areas would have lower incomes than those in nonmetropolitan areas (table 6).  This difference likely results from the higher proportion of poor families with working heads in nonmetropolitan areas than in metropolitan areas and, therefore, a higher proportion of poor people in nonmetropolitan areas with some source of income.

The current welfare system would tend to equalize the average poverty gap between metropolitan and nonmetropolitan areas because of the targeting of funds through the AFDC programs to the particularly needy people concentrated in metropolitan areas. With BJIP, the average poverty gap would, after decreasing in both metropolitan and nonmetropolitan areas, have remained relatively equal between them.

Achieving Equity

Horizontal equity is the consistent treatment of people with similar needs.  For a welfare program, it means treating families of the same size, composition, and income level equally under program rules (1, p. iii) as well as including all needy people in the programs.  BJIP would have increased horizontal equity by (1) including all needy people in the program regardless of family type and (2) instituting a national minimum-

Table 5--Estimated families and unrelated people
below the poverty level, by region and residence,
with and without current welfare system and BJIP, 1981

| Families and unrelated people and region | Total | Metropolitan | Nonmetropolitan |
|---|---|---|---|
| Families and unrelated people below poverty line: | | Thousands | |
| With no Federal taxes or welfare--1/ | | | |
| Northeast 2/ | 2,468 | 2,019 | 449 |
| North Central | 2,675 | 1,571 | 1,104 |
| South | 4,504 | 2,061 | 2,444 |
| West | 2,217 | 1,666 | 552 |
| Total | 11,864 | 7,317 | 4,549 |
| With taxes and current welfare benefits--3/ | | | |
| Northeast | 1,662 | 1,334 | 328 |
| North Central | 1,991 | 1,167 | 824 |
| South | 3,732 | 1,762 | 1,970 |
| West | 1,372 | 1,004 | 369 |
| Total | 8,757 | 5,267 | 3,491 |
| With taxes and BJIP-- | | | |
| Northeast | 1,438 | 1,147 | 291 |
| North Central | 1,767 | 1,017 | 750 |
| South | 3,215 | 1,533 | 1,681 |
| West | 1,215 | 900 | 315 |
| Total | 7,635 | 4,597 | 3,037 |
| All families and unrelated people above and below the poverty level: | | | |
| Northeast | 18,846 | 14,905 | 3,941 |
| North Central | 22,165 | 14,478 | 7,687 |
| South | 26,897 | 15,382 | 11,515 |
| West | 16,364 | 12,846 | 3,518 |
| Total | 84,272 | 57,611 | 26,661 |

Note: Because of rounding, sum of parts may not add to totals.
1/ Includes Social Security, Government pensions, Worker's Compensation, Veterans Benefits, and Unemployment Compensation.
2/ See table 3 for definition of regions.
3/ AFDC, SSI, Food Stamp Program, Earned Income Tax Credit, FICA tax, and income tax.

Source:  Tabulations from the Urban Institute's Transfer Income Model.

14

Table 6--Estimated average poverty gap by region and place of
residence with and without current welfare system and BJIP, 1981

| Poverty gap per family and unrelated person and region | Total | Metropolitan | Nonmetropolitan |
|---|---|---|---|
| | | Dollars | |
| Without taxes and welfare: | | | |
| Northeast | 3,317 | 3,428 | 2,818 |
| North Central | 2,981 | 3,240 | 2,612 |
| South | 2,906 | 3,017 | 2,812 |
| West | 2,944 | 2,982 | 2,823 |
| Total | 3,015 | 3,171 | 2,766 |
| | | | |
| With taxes and current welfare benefits: | | | |
| Northeast | 1,529 | 1,551 | 1,438 |
| North Central | 1,577 | 1,493 | 1,695 |
| South | 1,509 | 1,587 | 1,440 |
| West | 1,716 | 1,682 | 1,802 |
| Total | 1,560 | 1,575 | 1,538 |
| | | | |
| With taxes and BJIP: | | | |
| Northeast | 1,272 | 1,278 | 1,249 |
| North Central | 1,369 | 1,253 | 1,527 |
| South | 1,194 | 1,235 | 1,158 |
| West | 1,540 | 1,484 | 1,697 |
| Total | 1,304 | 1,298 | 1,314 |

Source:  Tabulations from the Urban Institute's Transfer Income Model.

benefit level so that, regardless of region or place of residence, family types of the
same size and income would receive similar benefits.

Increased equity between regions and places of residence can be seen by the
changes in average benefits.  The average benefit per year per eligible unit without
State supplementation (except for Hold Harmless) would have changed considerably if the
current system were replaced with BJIP (table 7). 18/  The estimated average benefit
for all eligible families would have decreased $181, varying by region and residence.

Under BJIP, the estimated average benefit in nonmetropolitan areas would have
increased $128, while in metropolitan areas, it would have decreased $430.  The South
is the only region where the average benefit would have increased, in both metropolitan
and nonmetropolitan areas.  Nonmetropolitan areas in the North Central region are the
only other areas where the average benefit would have increased.

The grandfathering of benefits would have insured that no one would be worse off
under BJIP than under the current system.  The change in average benefits by region and
place of residence is a result of differential changes in the number of eligibles by
region and places of residence as well as changes in the benefits to recipients.

Comparing distributions of the needy and the eligible populations by region and
place of residence also indicates equity (table 8).  The distributions should be

18/ The BJIP average benefit level includes both cash and job payments.

Table 7--Estimated average benefit per year with current
welfare program 1/ and BJIP, by residence and region, 1981

| Welfare programs and residence | Northeast 2/ | North Central | South | West | Total |
|---|---|---|---|---|---|
| | | | Dollars | | |
| Metropolitan: | | | | | |
| Current programs | 3,451 | 2,956 | 2,023 | 4,197 | 3,012 |
| BJIP | 2,747 | 2,509 | 2,230 | 2,905 | 2,583 |
| Difference | -704 | -448 | +207 | -1,292 | -430 |
| (BJIP-current) | | | | | |
| | | | | | |
| Nonmetropolitan: | | | | | |
| Current programs | 2,514 | 1,906 | 1,866 | 2,750 | 2,029 |
| BJIP | 2,175 | 1,929 | 2,183 | 2,455 | 2,157 |
| Difference | -339 | +23 | +317 | -295 | +128 |
| (BJIP-current) | | | | | |
| | | | | | |
| Total: | | | | | |
| Current programs | 3,262 | 2,521 | 1,935 | 3,781 | 2,606 |
| BJIP | 2,639 | 2,283 | 2,206 | 2,794 | 2,425 |
| Difference | -623 | -238 | +270 | -987 | -181 |
| (BJIP-current) | | | | | |

1/ AFDC, SSI, and Food Stamp Program.
2/ See table 3 for definition of regions.

Source:  Tabulations from the Urban Institute's Transfer Income Model.

similar.  With the current welfare system, the eligible population is overrepresented
in nonmetropolitan areas.  BJIP would have tended to equalize these distributions.

Targeting Efficiency

Such comparison is a useful but insufficient measure of the equity of the welfare
programs.  The target efficiency of the programs across regions and places of residence
was also tested by comparing the poverty rates by region and place of residence with
and without the two welfare programs (table 5).  BJIP would have lowered the differ-
ences in the poverty rates in all cases.  Although the poverty rates would have dropped
more in nonmetropolitan areas than in metropolitan areas, 11.4 percent of nonmetropoli-
tan families and unrelated people would have remained in poverty with BJIP, and 8
percent of metropolitan residents would.  Evaluation of targeting effectiveness can
also be measured by answering two questions:

(1) To what extent is poverty eliminated by the existing welfare system and by BJIP?

(2) What percentage of benefits go to families and people not in poverty?

The first question has been answered.  BJIP would have been more effective in
eliminating poverty than the current welfare system (table 5).  Yet, more benefits
would have gone to families and unrelated people above the poverty level (table 9).
Before Federal taxes and income transfers are considered, no families and unrelated
people with incomes of $15,000 or more can be classified as below the poverty level in
1981.  But 8 percent of the benefits under the current welfare system would have gone
to that group, and 12.3 percent would have gone to that group under BJIP.

Table 8—Estimated distribution of families and unrelated people
below the poverty level and distribution of eligibles for the
current welfare system and BJIP, by residence and region, 1981

| Residence and region | Families and unrelated people below the poverty level 1/ | Eligibles | |
|---|---|---|---|
| | | Current welfare system 2/ | BJIP 3/ |
| | | Percent | |
| United States: | 100.0 | 100.0 | 100.0 |
| Metropolitan | 61.7 | 58.7 | 62.9 |
| Nonmetropolitan | 38.3 | 41.3 | 37.2 |
| Northeast: | 20.8 | 20.0 | 21.3 |
| Metropolitan | 17.0 | 16.0 | 17.2 |
| Nonmetropolitan | 3.8 | 4.0 | 4.1 |
| North Central: | 22.5 | 22.7 | 22.2 |
| Metropolitan | 13.2 | 13.3 | 13.5 |
| Nonmetropolitan | 9.3 | 9.4 | 8.7 |
| South: | 38.0 | 42.5 | 37.9 |
| Metropolitan | 17.4 | 18.9 | 18.1 |
| Nonmetropolitan | 20.6 | 23.6 | 19.8 |
| West: | 18.7 | 14.7 | 18.7 |
| Metropolitan | 14.0 | 10.5 | 14.1 |
| Nonmetropolitan | 4.7 | 4.2 | 4.6 |

Note:  Because of rounding, sum of parts may not add to totals.
1/ Income is before taxes and welfare.  Income includes Social Security,
Government pensions, Worker's Compensation, Veterans Benefits, and Unemployment
Compensation.
2/ AFDC, SSI, and Food Stamp Program.
3/ Includes both cash and jobs.

Source:  Tabulations from the Urban Institute's Transfer Income Model.


Two reasons may account for these differences.  First, to encourage people to
work, BJIP would have provided benefits to people who are in the jobs program even
though their total income would have placed them above the poverty level.  Second,
there may also be people who are poor and eligible to receive benefits but reside with
a family that is not poor.  These people are not separately identified in the data but
are a part of the family, the primary unit of observation.  The data do not differen-
tiate between such situations and situations where no people are below the poverty
level in a family but still receive benefits.


CONCLUSIONS

Two major sources of inequities in the current welfare system are the exclusion of
particular family types from two of the major welfare programs, AFDC and SSI; and the
differences by State in benefit levels.  In attempting to correct both inequities, BJIP

Table 9--Estimated percentage of families and unrelated
people below the poverty level and distribution of benefits
of current welfare system and BJIP, by income levels, 1981

| Income | Families and unrelated people below poverty level without taxes and welfare 1/ | Benefits from current welfare system, Food Stamp Program, SSI, and AFDC | Benefits from BJIP, cash and jobs |
|---|---|---|---|
| | Percent | | |
| $0-1,999 | 41.1 | 47.4 | 40.9 |
| 2,000-3,999 | 38.1 | 17.2 | 15.0 |
| 4,000-5,999 | 12.7 | 9.7 | 9.0 |
| 6,000-6,999 | 3.0 | 3.8 | 3.9 |
| 7,000-7,999 | 2.2 | 3.2 | 3.3 |
| 8,000-8,999 | 1.1 | 2.6 | 2.9 |
| 9,000-9,999 | .9 | 2.0 | 2.6 |
| 10,000-10,999 | .4 | 1.6 | 2.3 |
| 11,000-11,999 | .3 | 1.5 | 2.3 |
| 12,000-14,999 | .2 | 3.1 | 5.4 |
| 15,000 and over | 0.0 | 8.0 | 12.3 |
| Total | 100.0 | 100.0 | 100.0 |

Note:  Because of rounding, sum of parts may not add to totals.
1/ Includes Social Security, Government pensions, Worker's Compensation, Veterans Benefits, and Unemployment Compensation.

Source:  Tabulations from the Urban Institute's Transfer Income Model.

would have increased the percentage of benefits to nonmetropolitan areas but would have decreased the percentage of the eligible population living there.  Yet, BJIP would have narrowed the gap between the percentage of eligibles in nonmetropolitan areas and the percentage of families and unrelated people in poverty in nonmetropolitan areas.  Thus, it would have more equitably distributed eligibles by residence.

BJIP would not only have reduced poverty more than the current system, but it would also have reduced poverty more in nonmetropolitan areas than metropolitan areas. The rates of poverty in metropolitan areas and nonmetropolitan areas would have been lower and more similar with BJIP than without any welfare program or with the current welfare system.  Average benefits would have also become more equal.  Before any taxes or welfare are considered, the metropolitan poor would have lower average incomes than the poor in nonmetropolitan areas.  Both the current welfare system and BJIP would have corrected that inequity, and BJIP would also have continued to raise average incomes of the poor.

At the same time, BJIP would have cost more than the current welfare system because of expanded population coverage and improved benefit levels in many States. There are alternatives to comprehensive welfare reform which would achieve some of the objectives of BJIP but at a lower cost.  Decisions must be made about which objectives of welfare reform are most important.

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