RURAL IMPACTS OF INCOME MAINTENANCE PROGRAMS

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Welfare has been the subject of intense debate throughout recorded history. The present concept probably originated in the concept of the human responsibility of individuals to the destitute. By tradition this assistance role has been played by families, churches, and fraternal orders. As industrialization and specialization have increased, welfare assistance has become institutionalized, and the responsibility for it has been assumed more and more by government. Since the passage of the Social Security Act in 1935, categorical aid—to the blind, disabled, aged, and female heads of families with dependent children—has been widely accepted as a necessary and proper function of government.

Recent debate has focused primarily on principles or moral values involved in welfare assistance, the size and character of the target population, and more effective strategies for reducing poverty.

The philosophy of most welfare programs is that employable people earn their income in the labor force, and that unemployment insurance and Social Security should provide protection against swings in employment and individual misfortune, including retirement and old age. Workers pay premiums to operate the insurance programs. Welfare programs were thought to be for the residual of nonemployable persons and, in general, able-bodied males were not eligible for welfare. The system was built as an optional effort jointly financed by all levels of government to provide for the categories of needy—optional because the states and localities determined the level, and even the existence, of many programs.

In the "war on poverty" efforts of the mid-1960's, it became clear that a welfare program providing only for the residual group of unemployed was not adequate. In 1965, about one-third of all persons in poverty lived in families headed by full-time employed male workers. The arithmetic is simple—a man working 2,000 hours at the minimum wage of $1.60 per hour would earn $3,200, which is below the poverty line for a nonfarm family of four. As many as one-half of the working poor have families of six persons or more. Moreover, jobs at minimum wage levels are characterized by lay-offs, short weeks, and seasonal unemployment. There were perhaps 10 million full-time jobs in 1965 that paid less than the federal minimum wage.

The war on poverty efforts were focused primarily on strategies to create long-run income opportunities. Partly as a result, today's income maintenance programs differ only in degree from those of the past. Their inadequacies fueled the debate that has focused on the recommendations of the President's Commission on Income Maintenance Programs and the administration's Family Assistance Plan, presented in the summer of 1969. It is significant that the concept of helping the working poor is prominent in both. The Commission's plan would assist poor people, working or unemployed, whether or not they support children. The administration's plan would assist only families with children.

IMPACT ON RURAL AREAS

I assume that nationalized welfare means:

1. Standard minimum welfare payments. Some states would have higher than minimum levels, but no state would have lower levels.
2. Nationwide eligibility standards.
3. Income maintenance payments that would be available to the fully employed who continue in poverty in spite of their work income. This means that the earlier concept of a 100 percent tax on the earnings of welfare recipients would be reduced for a limited amount of earned income.

To analyze the impact of nationalized welfare on rural areas, I will also assume:

1. Most of the benefits would go to families with dependent children.
2. Considering both farm and nonfarm rural poor, about 45 percent would be eligible for participation (compared to about 20 percent participation in 1967). This is a rough guess at eligibility under the Family Assistance Plan for rural farm and nonfarm families.
3. Of the remainder, about two-thirds would be eligible for some other assistance programs such as aid to the disabled.
4. About 20 percent of the rural poor would not be eligible for any program.
5. Program *participation* would be substantially lower than

program eligibility, and program participation in rural areas would be 5 to 10 percentage points lower for rural than for urban areas for three reasons. First, rural people would have greater difficulty in conforming with program requirements because offices are distant and transportation difficult. Second, some program requirements, such as registration at local employment offices, may be more difficult in rural areas (many counties—about 1,000—have no employment office). Finally, lack of information or uncertainty, unwillingness, and other personal reasons are likely to prevent participation.

The gross impact of nationalization of welfare programs can be indicated by the program dimension of the proposed Family Assistance Plan. As of September 1970, we estimated that the program could provide about $1.5 billion worth of cash benefits for 1.4 million rural families in 1971; that is, rural families would be eligible for this amount of benefit. This would mean an increase of $0.9 billion in benefits and 1.0 million more eligible families than in 1969. Other proposals with more liberal proposals involve substantially greater dollar benefits.

IMPACT ON MIGRATION

The local impact of nationalizing welfare has been widely discussed in the press this year. *Fortune Magazine,* in the July 1970 issue, calls the administration's proposed plan a looming money revolution for the South. It says the program would have an explosive effect on incomes and would give a powerful boost to black political movements all over the South. The report also says that, in spite of expectations of both Northerners and Southerners, the program would merely stabilize population patterns and not trigger a remigration to the South.

I assume that the nationalization of welfare standards includes both changing a fundamental concept and liberalizing the benefits. In 1967, 20 percent of the families in poverty in rural areas received assistance (compared to 26 percent in urban areas). Thus, about 80 percent of the rural families technically in poverty were not receiving assistance because they did not qualify, because they did not apply, or for other reasons.

National welfare standards could turn the figures around by making 80 percent of the rural poor eligible for assistance. Even allowing for nonparticipation slippage, it is easy to see the impressive magnitude of the proposal. Not only could as many as three times more people than are now participating be eligible in rural areas, but eligible families could receive as much as one-third more benefits.

But would this cause a sharp change in movement—the remigration pattern some seek and others fear and everyone wonders about? Probably not.

When most people talk about welfare as an economic force affecting migration, they are talking about comparisons of benefits under various existing and proposed programs. An examination of only the Aid to Families with Dependent Children (AFDC) and food stamp programs reveals a striking variation among states in the current programs (Table 1).

TABLE 1. TOTAL BENEFITS TO A FOUR-PERSON FAMILY UNDER THE CURRENT AFDC PROGRAM PLUS FOOD STAMP BONUS, SELECTED STATES, 1970

State	AFDC Payments	Food Stamp Bonus	Total Benefits
Alabama	$ 744	$1,116	$1,860
Mississippi	578	1,188	1,766
Colorado	1,973	768	2,741
South Dakota	2,251	696	2,947
Illinois	2,566	552	3,086
California	2,534	552	3,086
Connecticut	3,007	408	3,415
New York	3,158	408	3,566

Annual payments under the AFDC program vary from a low of $578 per family in Mississippi to a high of $3,158 per family in New York. But food stamp bonuses tend to reduce interstate variations in total family benefits. Since the bonus value computation for the Food Stamp Plan takes into consideration income from AFDC payments, benefits to the family in a "low" state such as Alabama are boosted to $1,860 by a $1,116 food stamp bonus. On the other hand, because of the large AFDC payment, the New York family gets only $408 from food stamps.

In general, families in the "low" states receive about $1,800 to $1,900 annually with food stamps but only $600 to $700 per year with no food stamps. The benefit level with food stamps for the "low" states is about one-half of the $3,400 to $3,600 received by families in the "high" states. Without food stamps, family benefits (AFDC payments) in the "low" states are roughly one-fourth of benefits in "high" states.

Interstate variations in potential benefits to the four-person family are further reduced under the proposed Family Assistance

Plan with food stamps (Table 2). Family benefits in the "low" states of Mississippi and Alabama would increase roughly one-third under the Family Assistance Plan plus food stamps as compared to benefits under AFDC plus food stamps. In contrast, family benefits would be virtually unchanged in the "high" states. Under the proposed program, benefits in the "low" states represent roughly two-thirds of benefits in "high" states contrasted to one-half under the current programs.

TABLE 2. TOTAL BENEFITS TO A FOUR-PERSON FAMILY HAVING NO EARNED INCOME, UNDER CURRENT AND PROPOSED PROGRAM, SELECTED STATES[1]

State	Current Plan	Proposed Plan	Difference
Alabama	$1,860	$2,467	+$607
Mississippi	1,766	2,467	+ 701
Colorado	2,741	2,718	− 23[2]
South Dakota	2,947	2,905	− 42[2]
Illinois	3,118	3,117	− 1[2]
California	3,086	3,095	+ 9
Connecticut	3,415	3,413	− 2[2]
New York	3,566	3,515	− 51[2]

[1]Benefits include AFDC or Family Assistance Plan and food stamp bonus value.

[2]The reduction in benefits results from differences in the schedule for food stamps. In states where the AFDC payments are higher than the basic Family Assistance Plan transfer ($1,600 to a four-person family with no earned income) the state would be required to supplement the Family Assistance Plan transfer to bring the level up to the AFDC payment level. Thus, in such states the total Family Assistance Plan payment alone would equal the current AFDC payments.

On an hourly basis, the one-third increase in welfare income under the proposed programs in the "low," more rural states of Mississippi and Alabama raise hourly welfare income about $0.30 per hour (Table 3). In the more urban states of Connecticut and New York, potential hourly welfare income under both the current and proposed programs are roughly equal to minimum wages and earnings of hired farm laborers.

This picture does not change much when differences in cost of living are considered. An index consisting of the ratio of the welfare benefits to a family of four with zero income to the relative cost of living for a four-person family developed in the U.S. Department of Labor shows that the southern states have an index of 31 under AFDC and food stamps compared to an index of 45 in Chicago

TABLE 3. POTENTIAL HOURLY INCOME FROM CURRENT AND PROPOSED WELFARE PROGRAMS VERSUS HOURLY WAGE INCOME

State	Current Welfare[1]	Proposed Welfare[1]	Minimum Wage	Earnings of Farm Workers	Earnings of Production Workers in Manufacturing
Alabama	$0.89	$1.19	$1.60	$1.18	$2.81
Mississippi	0.85	1.19	1.60	1.25	2.39
Colorado	1.32	1.31	1.60	1.63	3.50
South Dakota	1.42	1.40	1.60	1.51	2.94
Illinois	1.50	1.50	1.60	1.74	3.60
California	1.48	1.49	1.60	1.85	3.73
Connecticut	1.64	1.64	1.60	1.86	3.38
New York	1.71	1.69	1.60	1.70	3.39

[1]Represents the annual benefits under the programs as shown in Table 2 divided by 2,080 hours.

and 50 for New York City. This could be interpreted to mean that under the present program a family *could* be 19 percentage points better off in New York than in the South, that is, their income would be 19 percentage points closer to the cost of the "low living standard" for a four-person family in New York than in the South. Under the assumption of the Family Assistance Plan, the southern family would go up to 41 (from 31) on this scale, while the New York family would remain at 50.

The question remains, how much better off, or worse off, do people think they will be living on 41 percent of a "low living standard" in Alabama than on 50 percent of a "low living standard" in New York? Obviously, pressures to migrate would be less, and perhaps significantly less. But their full significance is unclear. These families would be vastly better off, of course, if they could work full time as production workers in New York. But they would also be better off working as production workers in their own state.

Our research has given us very little insight into family decisions about where to live. For some people there is a strong preference against moving. A very great disparity in income will be tolerated before these people move. Other people have a strong attraction and curiosity for new and different places. These people frequently will move in the face of solid evidence that there is little opportunity in the new environment. They may prefer the urban to rural, prefer almost any change to the present situation, or simply feel confident that they can compete well enough to improve themselves even if competition is tough as long as opportunities are greater.

These are complex, mostly social considerations. Evidence is sparse on the balance of these factors and how it would be affected by a changed welfare system. The evidence at hand suggests that economic pressures to move would be reduced by the proposed Family Assistance Plan. It also suggests that the change would be limited.

CONCLUSION

Nationalization of welfare means, for practical purposes, standardization of only minimum welfare standards. Some states are likely to provide additional benefits for persons and families in poverty.

The economic incentive for the poor to migrate would be reduced substantially by such standardization. Clearly, noneconomic forces would play a major role in deciding the question. Welfare programs are generally administered locally. Local social tensions can and probably do overcome the best intentions of lawmakers and national and state program administrators in some cases. The needy family that is declared not eligible for assistance has a very strong economic incentive to migrate if they think they would be eligible for help somewhere else. The incentives are economic, but the cause is not. Nationalization of the program may make more money available and broaden eligibility criteria, but local administrators still would be expected to play very important roles in deciding how many and which people are served by the program.

On the economic side, the principal economic forces that put pressure on poverty families to migrate are the same as those which affect community and regional growth.

Rural areas in the South were experiencing much more economic growth in the last part of the 1960's than in the 1950's. Preliminary census data indicate much better population retention in the Southeast than in most other rural areas. If the census bears this out, it will appear that the black and rural migration of the 1950's has stabilized. If this has not happened, odds are that it soon will.

For much of the rest of the rural United States, the picture is less optimistic. Job growth probably will be concentrated in the urban or urbanizing areas. In the Great Plains and in many of the sparsely settled areas, growth will likely be slow.

In all of these areas, economic forces would be expected to be the dominant feature. Population will follow jobs, and job growth will follow current patterns of economic activity. On balance, the proposed welfare program would have very significant impacts on some areas. But the changes probably will not lead to remigration to the South or elsewhere. Important as such changes could be, they almost certainly will be less important than the complex of economic and social forces that shaped the rural-urban migration of the 1950's and the urban and regional growth of the 1960's.

PART IV

Environment and Quality of Life