**Beyond Single Mothers: Cohabitation,
Marriage, and the U.S. Welfare System**

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Abstract

We investigate the extent and implications of cohabitation and marriage among U.S. welfare recipients. An analysis of four data sets (the CPS, NSFH, PSID, and NLSY) shows significant numbers of cohabitors among recipients of AFDC. An even more surprising finding is the large number of married women on AFDC. We also report the results of a telephone survey of state AFDC agencies conducted to determine state rules governing cohabitation and marriage. The survey results indicate that, in a number of respects, cohabitation is encouraged by the AFDC rules. Finally, we conduct a brief analysis of the impact of AFDC rules on cohabitation, marriage, and headship, and find weak evidence in support of incentives to cohabit.

Beyond Single Mothers: Cohabitation,
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A large number of studies have sought to investigate the presumed antimarriage bias of the U.S. welfare system, with particular attention paid to the Aid to Families with Dependent Children (AFDC) program (e.g., see Bishop 1980; Danziger et al. 1982; Ellwood and Bane 1985; Hoffman and Duncan 1988; Moffitt 1990; Schultz 1994). These studies are based on the commonly held view that the AFDC benefits are made available only, or at least mostly, to divorced, separated, or never-married women with children—that is, only to female heads of household. Consequently, the models estimated in these studies presume that women face a stark choice between being married and off welfare, versus being unmarried and on AFDC. A general conclusion that can be drawn from this literature is that the AFDC program appears to have some effects on marriage and out-of-wedlock childbearing, but not large enough in magnitude to explain the upward trend in female headship in the U.S. in the 1980s (Moffitt 1992). Another, less well-known strand of the literature has considered the impact on family structure of the AFDC-UP program, the program operated in approximately half the U.S. states prior to 1990 (and in all states currently) which offers benefits to two-parent families. Most of these studies suggest that UP has had little or no positive effect, if not a deleterious effect, on marriage rates (see Minarik and Goldfarb 1976; Schram and Wiseman 1988; Cain and Wissoker 1990; Hannan and Tuma 1990; Winkler 1995).[1]

In this study, we reexamine the question of whether the AFDC program does indeed discourage marriage and encourage female headship, as it is commonly perceived to do. Our major interest is in examining the extent to which women on AFDC cohabit. Cohabitation is a "third" choice, and presents women with an option in addition to marriage and headship. Cohabitation among AFDC recipients has been ignored in the research literature to date with the exceptions of Edin (1991), Gabe (1992), and Winkler (1995). However, none of these authors conducted a systematic study of the issue.

We argue that cohabitation may be more important than generally supposed. It is not widely understood, for example, that cohabitation by AFDC mothers has been permitted since 1968, when the Supreme Court ruled that the presence of a cohabiting male cannot be a basis for denying AFDC eligibility per se; his relationship to the children and the degree of his economic support to the children, if any, must be considered. This rule, and other rules that we discuss below, place a different light on the existing literature on the effect of AFDC on marriage. For instance, any discouragement of marriage by the AFDC system may lead to increased cohabitation rather than increased female headship. More generally, we shall show that the existing studies of the effect of AFDC on marriage and female headship have all been misspecified because the rules of the program have not been understood and because they have omitted cohabitation as a possible outcome.

Our study is comprised of four sections. In the first section, we examine evidence on the extent of cohabitation among AFDC recipients to determine whether it is common enough to deserve further scrutiny. Using four different data sets—the Current Population Survey (CPS), the National Survey of Families and Households (NSFH), the Panel Study of Income Dynamics (PSID), and the National Longitudinal Survey of Youth (NLSY)—we find, surprisingly, that significant numbers of AFDC women cohabit. An even more unexpected finding from this examination is the large number of married women on AFDC, a fact difficult to reconcile with current perceptions of the program. In the second section, we reexamine the rules of the AFDC program regarding cohabitation and marriage in detail. Because these rules vary from state to state and they are not documented in existing publications, we conducted a telephone survey of the 51 state AFDC agencies to obtain information on those rules. The survey results indicate that, in a number of important respects, AFDC rules encourage cohabitation. We then return to the survey data sets to explore the characteristics of AFDC recipients and cohabitors with whom they live, focusing on issues (such as natural parenthood) that were revealed to be important by the results of the telephone survey. In the third section, we conduct a brief analysis

of how the AFDC program rules affect probabilities of cohabitation, female headship, and marriage; we

find weak evidence in support of incentives to cohabit.

I.   EXTENT OF COHABITATION AMONG WELFARE RECIPIENTS

We examine four different data sets to estimate the extent of cohabitation among AFDC

recipients.[2] The four data sets are the CPS, the NSFH, the PSID, and the NLSY. Each of these data

sets has its own advantages and disadvantages, and none is superior in all respects to the others. The

CPS has the weakest measures of cohabitation, for it only permits the determination of whether two

opposite-sex adults live in the same CPS household. Thus it cannot be used to determine the exact

nature of their relationship. However, the CPS has the largest sample size of any of the data sets and

yields the most representative picture of the U.S. population. The NSFH has the most reliable

information on cohabitation, for it was designed to explore living arrangements of individuals in the

U.S. population. However, it has the weakest information of the four on welfare receipt; for example,

it combines AFDC and Food Stamps. In addition, we use only the first wave of the NSFH (the second

wave was not available at the time of our analysis), and therefore it does not provide panel data; we

will find this to be important for the issues at hand. The PSID is a panel and has asked cohabitation

questions since 1976, but the survey is household-based and hence does not have accurate information

on all cohabiting relationships within a household. However, the PSID has superior information on

welfare receipt. The NLSY is also a panel, and has a straightforward cohabitation question asked of all

respondents. It also has some economic information on cohabiting males. However, the major aim of

the survey was to measure labor market characteristics and not living arrangements, so it is not clear

that its cohabitation measures are as accurate as those in the NSFH. In addition, the panel samples only

young women.

Tables 1 and 2 present our findings for women ages 18–55 in each data set for the period 1987–1990, depending on the survey. Appendix A gives more detail on the exact question wording of cohabitation in each survey, the definitions of AFDC receipt in each, and the way in which each survey treats other issues of importance for this study.

The percentages presented in Table 1 suggest that the AFDC caseload is more diverse than is usually perceived and contains significant numbers of both cohabitors and married couples. Among all women ages 18–55, cohabitation rates are fairly uniform across the CPS, NSFH, and PSID, ranging from 8.3 to 9.2 percent. Cohabitation rates are higher among those who are younger but there is no consistent difference between those with or without a high school education. Rates are also somewhat higher in the NLSY, which only includes women in the 22–29 range, who may have higher cohabitation rates than those at other ages. However, for women younger than 30, with less than a high school education, and with children under 18, cohabitation rates are higher than for all women in all data sets except the CPS, and range from 13.7 to 23.8 percent (excluding the CPS, the least reliable of the four surveys for measuring cohabitation).[3]

The lower panel of Table 1 further shows that a significant percentage of women receiving AFDC are married (spouse present)—from 19.6 percent to 30 percent for women as a whole. However, the 30 percent figure is an overestimate because, as noted previously, the definition of welfare income in the NSFH includes Food Stamps, a program for which married couples are eligible.[4] Nevertheless, the marriage rates in the other data sets are surprisingly high—up to one-quarter of less educated NLSY women, for example.

These high marriage rates also imply that the cohabitation rates in the upper panel of Table 1 are even higher if recomputed as a percent of unmarried women. Among unmarried women,

TABLE 1
1987 Cohabitation and Marriage Rates among Women 18–55
Receiving AFDC Benefits in Prior Year

	CPS[a]	NSFH[b]	PSID[c]	NLSY[d]
Cohabitation Rates				
All	8.3	8.6	9.2	—
Under 30 years old	9.3	12.6	13.0	16.9
With less than a high school education	7.6	8.9	10.7	23.5
With children under 18[e]	6.4	9.1	9.5	17.4
Under 30 years of age, with less than a high school education, and with children under 18	7.1	13.7	18.2	23.8
Marriage Rates[f]				
All	23.3	30.0	19.6	—
Under 30 years old	22.1	26.8	15.0	26.3
With less than a high school education	25.8	31.4	17.4	25.7
With children under 18[e]	23.8	30.8	20.8	26.1
Under 30 years of age, with less than a high school education, and with children under 18	24.4	33.6	11.5	25.9

Note: All percentages are weighted.

[a]1990. Universe includes all women who were family or nonfamily heads or spouses in one-family or two-family households. Cohabitors are defined as those women in the universe who live in the same two-family household as an unrelated adult male. AFDC recipiency is based on receipt by the woman, her spouse, or her male cohabitor.
[b]Ages 19–55 only. Universe includes all respondent women (headship is not a criterion). Welfare recipiency includes Food Stamps and is based on receipt by the woman, her spouse, or her male cohabitor.
[c]Universe includes all women who were household heads, spouses of heads, or cohabitors of heads (subfamily heads are excluded). AFDC recipiency is based on receipt by the woman, her spouse, or her male cohabitor.
[d]Ages 22–29 only. Universe includes all women (headship is not a criterion). AFDC recipiency is based on receipt by the woman or her spouse.
[e]Only own children (biological, step-, and, except for the PSID, adopted) are considered.
[f]Women who are "married, spouse absent" are counted as "married" in all data sets except the PSID and NLSY (separated women are not counted as married).

cohabitation rates are one-fifth to one-third higher than those shown in Table 1, and are as high as 32

percent for the less educated group of NLSY women.

Before looking for explanations for the cohabitation and marriage rates reported in Table 1, it is

important to investigate one problem in the tabulations: welfare receipt is defined as receipt at any time

during the prior calendar year whereas cohabitation and marriage are defined as of the interview date (a

common difference in many surveys). We can investigate this issue with the PSID and NLSY, which

are panel data sets, but not with the CPS and the NSFH. The PSID and NLSY asked retrospective

questions at each interview concerning the exact months of AFDC receipt in the prior year.[5] Table 2

reports cohabitation and marriage rates in those two data sets when AFDC receipt is measured as of the

quarter of the 1987 interview, using the retrospective welfare questions in the 1988 interview. The

lower panel of the table shows that marriage rates drop considerably from those in Table 1 when this

change is made, but are still as high as 18 percent for some groups. The upper panel of the data shows

considerably lower cohabitation rates in the PSID than in Table 1, but about the same rates of

cohabitation in the NLSY. It is unclear why the two data sets differ in this respect.[6] Nevertheless,

cohabitation rates are still as high as 12 percent in the PSID and up to 28.5 percent in the NLSY, and up

to one-fifth higher among unmarried women.

Our conclusion from this investigation is that cohabitation rates and marriage rates among

AFDC recipients are not as high as would be found in a crude analysis (Table 1) but are still large

enough to warrant further study. These findings lead us to conduct a reexamination of the rules of the

AFDC program regarding cohabitation and marriage to determine whether the rules allow cohabitors

and married couples to reside in AFDC households to as great an extent as the data imply.[7]

TABLE 2

1987 Cohabitation Rates among Women 18–55
Receiving AFDC Benefits in the Quarter of Interview

	PSID[a]	NLSY[b]
Cohabitation Rates		
All	5.4	—
Under 30 years old	7.2	18.4
With less than a high school education	5.6	28.5
With children under 18[c]	6.0	16.8
Under 30 years of age, with less than a high school education, and with children under 18	11.7	26.3
Marriage Rates[d]		
All	14.0	—
Under 30 years old	11.0	17.9
With less than a high school education	16.6	13.8
With children under 18[c]	14.3	18.3
Under 30 years of age, with less than a high school education, and with children under 18	9.8	14.4

[a]Universe includes all women who were household heads, spouses of heads, or cohabitors of heads (subfamily heads are excluded). AFDC recipiency is based on receipt by the woman, her spouse, or her male cohabitor.
[b]Ages 22–29 only. Universe includes all women (headship is not a criterion). AFDC recipiency is based on receipt by the woman or her spouse.
[c]Only own children (biological, step-, and, except for the PSID, adopted) are considered.
[d]Women who are "married, spouse absent" are counted as "married" in all data sets except the PSID and NLSY (separated women are not counted as married).

II.   THE TREATMENT OF COHABITATION AND MARRIAGE IN THE AFDC PROGRAM

Concerning marriage, it is important to emphasize that the AFDC program is not solely represented by the AFDC-Basic program—which provides benefits to single-parent households—but also includes the AFDC-UP program, which provides benefits to two-parent families.[8] This program goes some way toward explaining the presence of married women on AFDC, but not very far.[9] Only about half the U.S. states had an AFDC-UP program in 1987 (the program was a state option at the time) and, more important, federal statistics indicate that the fraction of AFDC households who are on AFDC-UP, as opposed to the conventional AFDC-Basic program, has never been more than about 10 percent (U.S. House of Representatives 1988, p. 430). The proportions married in Table 2 are almost all significantly above that fraction.

Regarding cohabitation, the most important AFDC program rule to note is that cohabitation has not been prohibited since the late 1960s and early 1970s. Prior to 1968, unrelated male cohabitors were not allowed in AFDC units in many states. In particular, the presence of a cohabiting male was often deemed sufficient grounds for ineligibility for AFDC. This policy was struck down by the Supreme Court in 1968, which eliminated this so-called man-in-the-house ineligibility rule. The Court ruled that eligibility for AFDC required the absence of a natural or adoptive parent and that, for this purpose, a cohabitor could not be considered a "substitute parent."[10] However, many states continued to automatically count cohabitor income in determining eligibility and grant amounts. In 1970, the Supreme Court struck down these provisions as well, ruling that evidence of actual contributions by the male was required before making any grant reductions.

Nevertheless, it is within the scope of the law for states to consider the income, resources, and contributions of male cohabitors in determining eligibility and benefit levels—in the same way the states treat those of any adult in the household within which the AFDC unit resides. States are allowed

considerable latitude in determining the rules governing such treatment, which implies that a situation could still result in which cohabitation is de facto made difficult.

Unfortunately, state rules in this regard are not well-documented in official publications.[11] To remedy this lack of knowledge, we conducted a telephone survey of the AFDC agencies in the 51 U.S. states and jurisdictions in the summer and fall of 1993 to obtain information on state rules governing cohabitation both in the AFDC-Basic and the AFDC-UP programs. Our survey asked questions regarding the eligibility rules governing cohabiting women, the treatment of cash and in-kind contributions by male cohabitors, and the relation of the AFDC-Basic and AFDC-UP programs in these respects.[12]

One set of findings from our survey concerns eligibility for AFDC-Basic and AFDC-UP. We confirmed a prior finding of Winkler (1995) that cohabiting couples in which the male is the natural father of the children are ineligible for AFDC-Basic (unless he is disabled) and can be considered only for the AFDC-UP program. Thus the key eligibility requirement for AFDC-Basic is not that a woman be unmarried but that she not live with the father of her children. An additional set of findings clarified the role of stepparents in eligibility for AFDC-Basic and AFDC-UP. In all but seven states, stepparents are considered not to be legally responsible for the children in the family and hence do not per se make a woman and her children ineligible for AFDC-Basic (the income of the stepparent is counted, however; see below). However, stepparents are considered to be legally responsible in seven states, and in those states such families are ineligible for AFDC-Basic but eligible for AFDC-UP. Thus a second key eligibility requirement for AFDC-Basic is not that a woman be unmarried but that, if married, she not be married to the natural father of her children. In summary, therefore, some unmarried women are ineligible, and some married women are eligible, for AFDC-Basic; and some unmarried women are eligible, and some married women are ineligible, for AFDC-UP.

Our other findings pertain to the treatment of the income and contributions of cohabiting males and stepfathers of women and their children who are otherwise eligible for AFDC-Basic (e.g., they are not natural fathers). As required by federal regulations based upon the Supreme Court decisions mentioned previously, no state automatically includes the income of male cohabitors in the countable income of the AFDC unit (which would reduce the AFDC grant amount). However, federal legislation in 1981 did require automatic inclusion of a portion of stepfather income. But for unrelated male cohabitors, there must be evidence of an explicit contribution for grant reductions to be made.[13]

There is considerable variation across the states in how such contributions are treated by the states. Treatment also differs according to whether the contributions are made for "in-kind" purposes—usually for the payment of rent—or are simple cash payments. Tables 1 and 2 in Appendix B detail the differing state policies regarding contributions for shelter and cash contributions, respectively. In a situation in which the male cohabitor directly pays the rent (or other shelter expenses) for the woman and her children, 35 states, surprisingly, make no adjustment in the grant amount whatsoever. Furthermore, another 13 states reduce the AFDC benefit by the full amount of the shelter allowance for the unit if the male pays all the rent, but do not reduce the grant at all if the AFDC unit makes any dollar contribution.[14] Only in the remaining 3 states is the AFDC benefit reduced if the male cohabitor pays the rent, but the reduction in these states is lessened by the amount, if any, she herself contributes toward the rent.[15]

The treatment of cash contributions by cohabiting males is less lenient, for cash contributions made by the cohabiting male "to meet the needs of the woman and her children"—meaning that she can spend the money on whatever she chooses—are counted as income to the AFDC-Basic unit and the AFDC grant is consequently reduced by such contributions (which may, if sufficiently large in magnitude, make the woman ineligible entirely).[16] However, 27 states treat such cash contributions more leniently if they are intended not for the woman and her children themselves, but are intended to

pay for "shared household expenses." In these states, no reduction in the AFDC grant is usually made

if the cash contributions of the male are for this purpose. Shared household expenses include

contributions made to help with the rent as well as contributions for household supplies, food, and other

provisions.[17] It might be fairly asked whether the intended purpose of cash contributions can be

accurately discerned, however. Indeed, some respondents to our survey from states that do not permit

specific shared-household-expense disregards indicated that distinguishing such uses of cash

contributions from purely discretionary uses of contributions is not possible in practice.[18]

In addition to the treatment of in-kind and cash contributions by a cohabiting male, we

determined from the states whether the cohabitor is ever required to provide support in the absence of

direct evidence of contributions. At least some form of such support is required in three states

(Virginia, California, and Oregon), wherein the cohabitor is required to make contributions either

toward shared living expenses or toward the needs of the woman and her children if he is not making

them already. We also determined whether states made any adjustments to the grant in the absence of

direct evidence of contributions, and found that, in two other states (Kansas and South Dakota), the

grant amount is reduced on the assumption that the cohabitor would make payment of his share of the

rent. Thus five states have some type of specific "cohabitor policy" that exists apart from grant

adjustments on the basis of actual contributions.[19]

A natural question concerning all of these rules is whether they are enforced and hence whether

they are effectively binding on recipients. Unfortunately, no direct information on this question is

available. Edin (1991) has suggested that underreporting of income and contributions is extensive, but

her sample was very small and not designed to specifically determine legality. If underreporting is

relatively easy, the rather lenient treatment of cohabitor contributions would in reality be even more

lenient, and cohabitation would be an even more attractive option than what we have supposed.

To summarize, our survey provides evidence that, in most states, cohabitation is treated quite leniently by the AFDC program provided the cohabiting male is not the natural father of the children. For instance, most states impose almost no grant penalty if he pays the entire rent and more than half the states impose no penalty if he gives cash toward household expenses. In only a few states is an additional financial obligation imposed on the cohabiting male in the absence of contributions. In light of these rules, the existence of cohabitors living with AFDC recipients, which we found in Section I, is not surprising.[20]

Our findings imply that certain patterns should be found in the data. For instance, a cohabiting couple comprised of a woman and a man who is the natural parent of all of the children should only receive AFDC if they are in the AFDC-UP program. The survey also explains why a married woman may be found on AFDC, even if she does not live in a UP state; this can occur if the husband is a stepfather. Finally, the rules now make clear that the income of the male is counted very differently depending upon whether he is an unrelated cohabitor, a stepparent, or a natural parent (married or cohabitor). An examination of the income of the men in AFDC households should show patterns consistent with these rules if our interpretations are correct.

Consistency of the PSID and NLSY Data with the Rules

We examine only the PSID and the NLSY for consistency with the rules, for, as we noted in Section I, only those two data sets can be used to determine whether a woman is in an AFDC household in the quarter of interview. Table 3 shows our findings on the relationship of the husbands and cohabiting males to the children.[21] Among cohabiting women on AFDC, we find that about half were cohabiting with a man who is the natural father of at least one of the woman's children. Thus, consistent with the rules, we find that unmarried parents of children can indeed be eligible for AFDC. In addition, the table shows that about one-fifth of men in AFDC married families are stepparents,

TABLE 3

**1987 Cohabitation and Marriage Rates in PSID and NLSY
of Women Receiving AFDC Benefits in the Quarter of Interview,
by Status of the Male Adult**

	Total	Percent Natural Father	Percent Not Natural Father
Cohabitation Rates			
PSID	6.0	48	52
NLSY	16.8	46	54
Marriage Rates			
PSID	14.3	78	22
NLSY	18.3	82	18

Note: Sample includes all women with children under 18.

consistent with our findings that AFDC rules permit such families to be on AFDC. It should be noted that the distributions in the NLSY and PSID are quite similar.[22]

An important question is whether the cohabiting males who are natural fathers to the children are on AFDC-UP, as the rules require them to be, and whether the stepfathers who are not natural parents are on AFDC-Basic rather than AFDC-UP (except in 7 states). Unfortunately, this is essentially impossible to determine with our data because AFDC-UP in 1987 covered approximately 90 percent of the AFDC caseload. Consequently, almost all the AFDC families in our data are in AFDC-UP states (recall that the surveys did not determine whether a family was on AFDC-Basic or AFDC-UP). In addition, sample sizes in the data sets are too small to yield reliable estimates for the number of observations which are inconsistent with the rules.[23]

Another issue raised by the rules concerns the income levels of husbands as compared to those of cohabiting males. In the PSID, cohabiting men have mean annual earnings of $10,612 and husbands have annual earnings of $4,737. The smaller value for husbands may result from the requirement that a husband's income must be counted against the AFDC grant regardless of whether he is a natural father or stepparent, whereas this is not the case for cohabiting men; consequently, husbands with significant amounts of earnings are less likely to be eligible for AFDC than are women living with cohabiting men with the same earnings amount. The PSID also indicates that 52 percent of cohabiting males are employed in the week of interview, again indicating considerable evidence of labor force and income-generating activity among cohabiting men. The NLSY shows similar figures.[24]

III.   EFFECTS OF AFDC BENEFITS AND RULES ON COHABITATION

Incentive Effects of the Rules

        Our major conclusion from the state AFDC rules is that cohabitation—at least with men

unrelated to the children—is generally treated leniently. The income of such cohabitors is not counted

against the grant, any rent payments he makes are almost never counted against the grant in practice,

and in more than half the states even cash contributions are often not counted against the grant.

Therefore there would appear to be significant monetary encouragement to cohabitation while on

AFDC which has not been recognized in the existing research literature on the program.

        The recognition that cohabitation is a viable and perhaps attractive alternative implies that

models of the incentive effects of the AFDC program on living arrangements should consider not a

two-fold choice between female headship and marriage, but a three-fold choice between female

headship, marriage, and cohabitation. The relatively lenient cohabitor rules imply that the incentive to

cohabit is increased relative to both marriage and headship. Cohabitation with an unrelated male is

encouraged relative to marriage because marriage would force the male's income to be counted against

the grant according to the stepparent rules in AFDC-Basic (or, in 7 states, the couple would be forced to

comply with the even more restrictive rules of the AFDC-UP program). Cohabitation is encouraged

relative to female headship because cohabiting couples benefit from economies of scale in household

expenses and from the income of two persons instead of one, and yet the grant is not necessarily

reduced to compensate.[25]

        None of these incentive effects apply in the choice between cohabitation, marriage, and female

headship when a natural father is involved. In that case, the choice is between being on AFDC-Basic as

a female head and being on the AFDC-UP program, whether married or cohabiting; and that choice is

not affected by the cohabitation rules we have been discussing. However, if incentive effects operate at

the more fundamental level of whether to cohabit with or marry a natural father, as opposed to an

unrelated male, the relatively lenient rules that apply to cohabitation with an unrelated male provide an economic incentive to choose this living arrangement over the alternatives.[26]

Empirical Examination of Incentive Effects

Using the PSID and the NLSY, which permit identification of AFDC receipt in the quarter of interview, we can briefly examine whether cohabitation and marriage rates respond to AFDC benefit levels and to the rules regarding cohabitation. To this end, we begin by examining with each data set the general determinants of "partner status" (cohabiting, married, or neither) as well as the general determinants of welfare participation. We then estimate more refined models that focus on the effects of cohabitation and marriage rules.[27]

Table 4 shows multinomial logit estimates for the three-category partner-status variable and a binary welfare-participation variable for the PSID; Table 5 shows the corresponding estimates for the NLSY.[28] Cohabitation rates of women with children in the PSID are lower for women who are more educated and are higher for women with more children. Marriage rates are higher for women who are older, more educated, and who have more children. Interestingly, black women have both lower marriage rates and lower cohabitation rates. We enter the welfare benefit as well and find that higher benefits lead to significantly lower marriage rates. These findings are all consistent across the two data sets. Thus, even though the levels of cohabitation and marriage are somewhat different in the two data sets, as our previous tables have shown, both show the same relationship of cohabitation and marriage to these variables.

The logits for welfare participation (estimated separately for all women and for unmarried women) show that welfare participation rates decline with age and with increasing levels of education, and increase with the numbers of children and the level of the welfare benefit. Black women also have

TABLE 4

Partner Status and Welfare Participation Logits: PSID

	Multinomial Logit for Partner Status[a]		Logits for Welfare Participation[b]	
	Cohabiting	Married	All Women	Unmarried Women
Age	-.033	.032*	-.077*	-.090*
	(.025)	(.011)	(.019)	(.020)
	(-.002)	(.006)	(-.007)	(-.015)
Education	-.301*	.074*	-.433*	-.353*
	(.065)	(.029)	(.052)	(.056)
	(-.010)	(.019)	(-.037)	(-.059)
No. Children < 18	-.263	.029	.058	.274*
	(.205)	(.078)	(.124)	(.123)
	(-.008)	(.011)	(.005)	(.045)
No. Children < 6	.446*	.396*	.145	.338*
	(.238)	(.103)	(.152)	(.161)
	(.005)	(.063)	(.012)	(.056)
Black	-1.68*	-2.06*	2.19*	1.16*
	(0.42)	(0.15)	(0.22)	(0.22)
	(-0.01)	(-0.34)	(.188)	(.192)
Welfare Benefit[c]	-.076	-.147	.395*	.358*
	(.176)	(.078)	(.124)	(.133)
	(-.001)	(-.025)	(.034)	(.059)
Constant	3.65*	.200	2.02*	2.76*
	(1.38)	(.637)	(1.02)	(1.00)

Note: Sample is all women ages 18–55 with a child under 18. Weights are used in all runs. Table shows logit coefficients; standard errors in first parenthesis and effects on the probability of the outcome in the second parenthesis.

[a]Omitted category is neither cohabiting nor married.

[b]Dependent variable = 1 if on AFDC, =0 if not.

[c]Variable is divided by 100.

TABLE 5

Partner Status and Welfare Participation Logits: NLSY

	Multinomial Logit for Partner Status[a]		Logits for Welfare Participation[b]	
	Cohabiting	Married	All Women	Unmarried Women
Age	-.021	.107*	-.229*	-.172*
	(.068)	(.037)	(.050)	(.056)
	(-.003)	(.017)	(-.020)	(-.034)
Education	-.165*	.181*	-.269*	-.179*
	(.072)	(.047)	(.060)	(.076)
	(-.017)	(.037)	(-.024)	(-.035)
No. Children<18	.118	.255*	.309*	.469*
	(.170)	(.105)	(.118)	(.150)
	(-.004)	(.037)	(.027)	(.092)
No. Children < 6	.522	.768*	-.245	.006
	(.358)	(.200)	(.299)	(.299)
	(-.001)	(.105)	(-.022)	(.001)
Black	-.918*	-2.21*	1.94*	.822*
	(.407)	(0.24)	(0.28)	(0.29)
	(.037)	(-0.33)	(0.17)	(0.16)
Welfare Benefit[c]	.062	-.279*	.768*	.631*
	(.140)	(.084)	(.114)	(.126)
	(.015)	(-.049)	(.068)	(.124)
Constant	-.545	-2.86*	2.01	1.37
	(1.81)	(1.08)	(1.44)	(1.63)

Note: Sample is all women ages 18–55 with a child under 18. Weights are used in all runs. Table shows logit coefficients; standard errors in first parenthesis and effects on the probability of the outcome in the second parenthesis.

[a]Omitted category is neither cohabiting nor married.

[b]Dependent variable = 1 if on AFDC, = 0 if not.

[c]Variable is divided by 100.

higher welfare participation rates. These findings are similar across the two data sets, and echo previous findings in the literature (Moffitt 1992).

Table 6 shows estimates of a multinomial logit model that combines the partner status choice and the welfare participation choice into a single, six-category dependent variable (on or off welfare, and in one of the three partner statuses). We entered all the demographic variables shown in Tables 4 and 5, and also tested several variables constructed from our survey of state AFDC rules: (1) variables for whether a state was a "policy A" or "policy B" state with regard to in-kind contributions by cohabitors, where policy A is the most generous and policy B is the second most generous policy (see Appendix Table B1); (2) a variable for whether the state disregarded cohabitor cash contributions made for shared household expenses (see Appendix Table B2); and (3) a variable for whether the state has a specific policy (usually discouraging) toward cohabitors—5 states have such policies, as described in Section II. The first two variables should increase incentives for cohabitation while on welfare, and the third one should discourage it. In addition, we include a policy variable to identify whether an individual lives in a state with an AFDC-UP program.

Our estimates with these variables entered both singly and in combination indicated no significant effects of either the cash contributions variable or the cohabitor policy variable. In part, the lack of effect of the former may follow from the fact that that policy was only officially agreed to by the federal government in 1989, after the date of our data (although states were presumably partly treating cash contributions in that fashion prior to that time). The lack of any effect of cohabitor policy may arise from its presence in only 5 states, states which may differ from the rest of the country in many other ways as well.[29] In addition, for both of these variables, we do not have information on how widely applicable they are in the caseload, nor on how effectively they were enforced.

The variables representing in-kind contribution rules, however, have a more systematic pattern of effects across the many different model specifications we estimated, a typical one of which is shown

TABLE 6
Multinomial Logits for Partner-Status-Welfare-Participation Model

| | On Welfare | | | Not On Welfare | |
	Cohabiting	Married	Neither	Cohabiting	Married
PSID					
Welfare Benefit[a]	.759*	.077	.188	-.202	-.158
	(.465)	(.371)	(.179)	(.239)	(.110)
	(.004)	(.001)	(.021)	(-.004)	(-.035)
AFDC-UP State	2.326	1.810*	.060	.293	.122
Dummy	(1.623)	(0.856)	(.306)	(.388)	(.174)
	(0.011)	(0.023)	(-.011)	(.004)	(-.004)
INKINDA	20.970*	-.897	.321	18.606*	.023
	(3.977)	(.814)	(.652)	(1.617)	(.307)
	(0.101)	(-.033)	(-.076)	(0.475)	(-.359)
INKINDB	—[b]	-2.003	-.580	17.771*	-.399
		(1.301)	(.774)	(1.744)	(.334)
		(-.032)	(-.092)	(0.471)	(-.320)
NLSY					
Welfare Benefit[a]	.578*	.594*	.587*	-.053	-.221*
	(.314)	(.278)	(.178)	(.226)	(.129)
	(.010)	(.012)	(.045)	(0)	(-.072)
AFDC-UP State	1.581*	.801	.312	.577	.530*
Dummy	(0.809)	(.638)	(.361)	(.414)	(.237)
	(0.018)	(.006)	(-.010)	(.006)	(.035)
INKINDA	18.632*	.112	.640	2.463	.335
	(3.586)	(.862)	(.675)	(1.877)	(.427)
	(0.282)	(-.016)	(-.025)	(0.073)	(-.224)
INKINDB	18.102*	-0.385	.680	2.882	.156
	(3.680)	(1.191)	(.783)	(1.920)	(.482)
	(0.275)	(-.023)	(-.015)	(0.097)	(-.257)

Note: Sample is all women ages 18–55 with a child under 18. Weights are used in all runs. Table shows logit coefficients; standard errors in first parenthesis and effects on the probability of the outcome in the second parenthesis.

Omitted category is "Not on Welfare, Neither Cohabiting Nor Married." INKINDA = 1 if state has Policy A toward in-kind contributions; INKINDB = 1 if state has Policy B toward in-kind contributions (see Appendix B). All models include age, education, children under 18, children under 6, and black dummy.

[a]Variable is divided by 100.
[b]Omitted because of perfect collinearity.

in Table 6. As indicated by the coefficients on the INKIND variables, states that had either the very

generous Policy A or the moderately generous Policy B tended to be associated with higher rates of

being on welfare and of cohabiting while on welfare (although they also, for unknown reasons, are

associated with higher cohabitation rates off welfare in one of the data sets). However, there is no

strong difference between Policy A and Policy B states, perhaps because, effectively, the policies are

the same.[30] The results in Table 6 also indicate that higher welfare benefits increase the probability of

being on welfare, consistent with Tables 4 and 5.

Table 6 further shows that the presence of a state AFDC-UP program is associated with a

higher likelihood of being on welfare and married in the PSID, which, unlike much prior literature on

this issue, is consistent with a marriage-encouraging effect of the program. There is some indication

that this finding is a result of our having broken out marital status by welfare status, for when we

estimated simple married/not-married logits, excluding the INKIND variables—that is, the type of

specification estimated in past work—the coefficient on the AFDC-UP variable in the PSID becomes

completely insignificant.[31] However, the results from the NLSY, both in Table 6 and from married/not-

married logits, are quite different and not consistent with the PSID in this respect. Consequently, our

findings on AFDC-UP are only suggestive at this point, and deserve further investigation.[32]

Finally, in results not reported here, we attempted to conduct a more detailed analysis of the

determinants of cohabitation and marriage by estimating multinomial logits that stratify the six

outcomes in Table 6 by whether, for cohabiting and married women, the male in question was the

natural father of at least one of her children. Unfortunately, this leads to a model with ten outcomes

categories, and our sample sizes proved too small to provide reliable estimates.[33] We therefore leave

this topic for future research with a larger data set.

V.   SUMMARY AND DISCUSSION

Our investigation of cohabitation and the U.S. AFDC program has yielded several findings. Four different data sets reveal significant cohabitation rates among women on AFDC, as high as 12 to 26 percent for some age groups. Surprisingly, we have found fairly high marriage rates among AFDC women as well. In addition, the results of a telephone survey of the states reveal that AFDC policy is often quite lenient with regard to the presence of unrelated male cohabitors in the household of AFDC women, and that the majority of states impose few if any grant reductions in the presence of such cohabitors if they make contributions in the form of rent payments or for shared household expenses. Our 1987 PSID data provide some confirmation of this, inasmuch as we find that men cohabiting with women receiving AFDC had in excess of $10,000 of annual earnings. A brief examination of the relationship between cohabitation rates of AFDC women, on the one hand, and the leniency of a state's rules toward cohabitors, on the other, revealed weak evidence in support of incentive effects.

Our analysis has only scratched the surface of what is a complex social phenomenon. Perhaps the major gap in the analysis is the failure to be able to more fully delineate the nature of the relationships between the cohabiting women and men in our sample. There is an enormous range of relationships, ranging from long-term, stable partnerships with integrated economic relationships, to temporary cohabitations with only casual economic exchanges. Thus, for example, the permanence or transitory nature of the relationships has not been established, and cannot be done so with our data. Nor, needless to say, do our data have any direct information on intrahousehold economic relations, sharing of income and other resources, or sharing of expenses. Yet the effect of welfare rules on living arrangements, as well as the socially optimal design of welfare rules, should depend heavily on the answers to these questions.

A second major gap is how the AFDC program treats such households in practice, as opposed to the official rules. Many of the respondents to our AFDC agency telephone survey pointed out the unenforceability of many of the rules governing the treatment of income and resources. In addition,

while anecdotal evidence of the type provided by Edin (1991) suggests that most AFDC households

have unreported income and are thus violating the rules of the program, our investigation of the rules

reveals that it is relatively easy, in many states, for cohabiting males with substantial income to live in

AFDC households and to make significant contributions to the woman and her children without having

the AFDC grant reduced and, more important, without violating the letter of the AFDC regulations.

The distinction may be a very difficult one to make in practice, but it is important to make in principle

because it affects our view of whether AFDC households "play by the rules" as opposed to committing

fraud. These issues provide many opportunities for future research.

APPENDIX A

DESCRIPTION OF THE FOUR DATA SETS

Current Population Survey

The CPS is a nationally representative survey of the resident non-institutionalized population. The March 1990 CPS interviewed approximately 93,000 households with 190,000 individuals in those households. Our sample includes all women 18–55 who were living in households with no more than two families and who were household heads or subfamily heads. There are 36,829 such women. We define a woman to be cohabiting if she is in a two-family household and she is either the household head and the unrelated subfamily head is an adult male, or the reverse (i.e., she is an unrelated subfamily head and he is a household head). The obvious difficulty with this definition is that it includes roommates and other non-partner living companions. In addition, because the CPS only gathers information on the relationship of each individual in the household to the head, other relationships cannot be defined (e.g., if two people are cohabiting but neither is the head). Thus, even ignoring the roommate problem, the CPS cannot be used to identify all cohabiting men and women.

As for welfare receipt, the March CPS asks questions regarding whether individuals in the household received AFDC or other welfare (e.g., General Assistance, or GA) in the prior calendar year (1989). We define "AFDC receipt" to be receipt of AFDC or other welfare by the woman, her spouse, or her cohabitor (but not receipt of benefits by any other member of the household). We include "other welfare" with AFDC (and in the PSID and NLSY as well) because respondents receiving AFDC may give it an incorrect name.

National Survey of Families and Households

The NSFH is a national survey that randomly sampled one individual 19 or older from each of approximately 13,000 U.S. households (Sweet, Bumpass, and Call 1988). Conducted in 1987–1988, the survey was explicitly aimed at the measurement of living arrangements. It oversampled cohabitors, stepparent families, single-parent families, and several other groups.[34] We include all women in the NSFH in our sample (primary respondents only), of whom there are 5,731. In the NSFH, households with cohabitors are identified in a household screening interview in which the respondent is asked "Nowadays, many couples live together without being married. Is that true of anyone who lives in this household?" If the answer is affirmative, the individuals living in such arrangements are identified. If one is subsequently chosen to be the NSFH primary respondent, he or she is later asked to state his or her relationship to every member of the household, taken from a list including "partner/lover" as a possible choice.

Note that, aside from the obvious difference in the CPS and NSFH in regards to the determination of cohabitation, the sampling frames of the two surveys differ. While the CPS is household-based and hence requires us to exclude cohabitors who are not heads, the NSFH is respondent-based and may include cohabitors who are not heads or the partner of a head.[35]

The questions on the NSFH regarding welfare income do not, unfortunately, permit the separation of AFDC or other welfare from Food Stamp receipt, for only general public assistance receipt was determined. Therefore we must use general public assistance receipt for our welfare variable. The welfare-receipt question we use pertains to receipt during the prior calendar year and is based on receipt by the woman, her spouse, or her cohabitor.

Panel Study of Income Dynamics

The PSID is a longitudinal data set that has annually followed a representative sample of the

U.S. population since 1968. Our sample is composed of all women in the 1987 PSID who were 18–55

at the interview date; who were either heads, wives, or living with a male cohabitor head;[36] who were

"sample" members; and who were not living as a subfamily within a larger household (subfamilies are

not consistently defined in the PSID, so they are omitted). There are 3,388 such women in the sample.

Cohabitors are identified by interviewers on a household cover sheet that requires them to list the

relationship of each member of the household to the household head; cohabitor (i.e., "partner") is one of

the possible relationships. We define women who are cohabiting to be those who are either defined as

cohabitors themselves or who are partners of men who are defined as cohabitors.[37]

Like the CPS, the PSID determines whether AFDC income was received in the prior year. Our

measure is for whether AFDC or "other welfare" income was received by the woman, her spouse, or

her cohabitor (excluding first-year cohabitors).

National Longitudinal Survey of Youth

The NLSY is a representative sample of the U.S. population aged 14–21 in 1979, and hence

22–29 in 1987.[38] We select all women in the 1987 wave, giving us a sample of 2,860. The 1987

cohabitation question on the NLSY is "Are you currently living as a partner with someone of the

opposite sex?" AFDC income is for the prior year, like the CPS and PSID, and our measure is for the

individual or the spouse.

APPENDIX B
APPENDIX TABLE B1
Treatment of In-Kind Shelter Contributions
in State AFDC Programs

	Policy[b]	No Cohabitor Present	Cohabitor Present Who Pays Shelter Directly[c]	
			AFDC Unit Contributes Nothing	AFDC Unit Contributes $10
Alabama	A	$164	$164	$164
Alaska	A	923	923	923
Arizona	B	327	198	327
Arkansas	A	204	204	204
California[d]	A	607	607	607
Colorado	B	356	260	356
Connecticut	A	581	581	581
Delaware	A	338	338	338
D.C.	A	420	420	420
Florida	B	303	198	303
Georgia	A	280	280	280
Hawaii	A	712	712	712
Idaho	A	317	317	317
Illinois	A	367	367	367
Indiana	A	288	288	288
Iowa	B	426	—[e]	426
Kansas[f]	A	429	375	375
Kentucky	A	228	228	228
Louisiana	A	190	190	190
Maine[g]	B	418	370	418
Maryland	A	366	366	366
Massachusetts[h]	B	579	413	579
Michigan	A	459	459	459
Minnesota	A	532	532	532
Mississippi	A	120	120	120
Missouri	A	292	292	292
Montana	B	401	252	401
Nebraska[i,j]	B	364	229	364
Nevada	A	348	348	348
New Hampshire	C	550	273	283
New Jersey	A	424	424	424
New Mexico[k]	B	357	269	357
New York	C	577	291	301
North Carolina	A	272	272	272
North Dakota	A	409	409	409
Ohio	A	341	341	341
Oklahoma	B	343	324	324[l]

Grant Amount for Woman and 2 Children[a]

(table continues)

APPENDIX TABLE B1, continued

		Grant Amount for Woman and 2 Children[a]		
			Cohabitor Present Who Pays Shelter Directly[c]	
	Policy[b]	No Cohabitor Present	AFDC Unit Contributes Nothing	AFDC Unit Contributes $10
Oregon	A	460	460	460
Pennsylvania	A	403	403	403
Rhode Island[j]	A	554	554	554
South Carolina	A	200	200	200
South Dakota[f,j]	B	417	199	291
Tennessee	A	185	185	185
Texas	A	184	184	184
Utah	A	415	415	415
Vermont	C	642	413	419[m]
Virginia	A	291	291	291
Washington	B	546	332	546
West Virginia	A	249	249	249
Wisconsin	A	517	517	517
Wyoming	B	360	265	360

[a]Monthly for a family with no other income in largest city in state, as of fall 1993.
[b]A = AFDC grant is not affected if free shelter is received. B = AFDC grant is reduced by the amount of the shelter allowance if AFDC unit receives free shelter, but grant is not reduced if unit makes any dollar contribution. C = AFDC grant is reduced by the amount of the shelter allowance if AFDC unit receives free shelter, but the grant reduction is lessened by the amount of the unit's actual contribution if one is made.
[c]The cohabitor is assumed to be the tenant of record unless otherwise noted.
[d]Policy A applies only if the shelter arrangement is part of the cost of an independent living arrangement for the cohabitor.
[e]Not available; respondent could not answer.
[f]Grant is prorated by presence of coresidents regardless of whether coresidents make a contribution.
[g]State has a special-needs housing allowance of $75 if the recipient pays more than 75 percent of countable income toward shelter (figures in table assume this condition not to be met).
[h]If shelter is provided in full, a lower "no rent" standard is applied (figures in table incorporate this). In addition, the grant is reduced if the housing unit is heated.
[i]Rent is assumed to exceed $135.
[j]Amounts differ if the woman is the tenant of record.
[k]Separate standards exist for shelter and utilities. AFDC unit must contribute to both to receive both as part of the grant.
[l]AFDC unit contribution must be at least $100, not $10, to avoid grant reduction. If the contribution is at least $100, the grant amount is $343.
[m]AFDC unit contributions toward shelter reduce the grant by .586 times the contribution amount.

APPENDIX TABLE B2

Treatment of Cash Contributions in State AFDC Programs

	Contributions for Shared Household Expenses Are Disregarded	Unpredictable Contributions Are Ignored	$30 per Quarter in Gift Income Are Disregarded
Alabama			x
Alaska	x		x
Arizona		x	x
Arkansas			x
California	x		x
Colorado			
Connecticut			x
Delaware			x
D.C.	x		x
Florida	x	x	x
Georgia	x		
Hawaii	x		x
Idaho			x
Illinois	x		x
Indiana	x	x	x
Iowa			x
Kansas			x
Kentucky			x
Louisiana			x
Maine		x	x
Maryland	x		
Massachusetts	x		x
Michigan			x
Minnesota	x[a]		x
Mississippi			x
Missouri		x	x
Montana		x	
Nebraska	x	x	x
Nevada	x		x
New Hampshire	x[b]	x	x
New Jersey			x
New Mexico			x
New York	x[b]		
North Carolina	x		x
North Dakota			x
Ohio	x	x	x
Oklahoma	x		x
Oregon	x		x
Pennsylvania	x		x

(table continues)

APPENDIX TABLE B2, continued

	Contributions for Shared Household Expenses Are Disregarded	Unpredictable Contributions Are Ignored	$30 per Quarter in Gift Income Are Disregarded
Rhode Island			x
South Carolina	x	x	x
South Dakota	x		x
Tennessee			x
Texas	x		x
Utah	x	x	x
Vermont			x
Virginia		x	x
Washington	x		x
West Virginia	x		
Wisconsin	x		x
Wyoming			x

[a]Exemption limited to assistance units that rent and do not live in publicly subsidized housing.
[b]Cash transfers for rent are treated differently than cash transfers for other shared household expenses.

APPENDIX C
APPENDIX TABLE C1
Means of the Variables Used in Section III

	PSID	NLSY
On Welfare		
Cohabiting	.005	.015
Married	.010	.016
Neither Cohabiting nor Married	.051	.058
Off Welfare		
Cohabiting	.025	.041
Married	.763	.755
Neither Cohabiting nor Married	.146	.114
Monthly Welfare Benefit[a]	$524.2	$530.6
AFDC-UP Dummy	.600	.634
INKINDA	.769	.812
INKINDB	.168	.145
Age	34.7	26.5
Education	12.8	12.3
Number Children <18	1.84	1.75
Number Children <6	.731	.851
Black	.146	.070
Sample size	1887	1334

[a]The welfare benefit is calculated as the sum of the AFDC guarantee and the Food Stamp guarantee for a family of 3 in the state of residence in 1987, adjusted for cross-state cost-of-living differences and adjusted for the 30 percent rate of taxation of AFDC benefit by the Food Stamp Program.

Notes

[1]The studies by Cain and Wissoker (1990) and Hannan and Tuma (1990) provide results from the SIME/DIME on the impact of two-parent transfers on marital instability, which are often used to make inferences about UP's impact.

[2]See Bumpass 1990, and Bumpass and Sweet 1989, for two discussions of cohabitation rates in the general population.

[3]In an admittedly non-representative study of 50 AFDC households in Chicago, Edin (1991) found that 26 percent of young recipients were cohabiting, a figure not far from our own. We should also note an oddity in Table 1, for the table implies that some women on AFDC do not have a child under 18, a prerequisite for eligibility. The discrepancy arises, in large part, because some 18-year-old children, generally full-time students, are eligible for AFDC and because our definition of "own children under 18" excludes cases in which children are being cared for by a non-parent/caretaker adult. In any case, with the exception of the CPS, cohabitation rates for all women and women with children under 18 are quite close.

[4]To test whether this could explain the high marriage rates evidenced in the NSFH, we recalculated marriage rates in our PSID and NLSY samples, including Food Stamps along with AFDC. The marriage rates rose almost to equal those in the NSFH.

[5]The NSFH does have information on whether a woman cohabited at all during the prior year. Using that definition, cohabitation rates among women who received public assistance in the prior year approximately double. But this is undoubtedly an overestimate, since many women unquestionably cohabit and are on AFDC in different periods of the year.

[6]There is no a priori reason to expect that cohabitation rates will go down, for not only are there some cohabiting women not on AFDC at the interview date who were on AFDC in the prior calendar year, but there are also some women on AFDC at the interview date who were not on AFDC in the

prior calendar year. The PSID and NLSY differ in their treatment of cohabitors (in particular, the treatment of first-year cohabitors in the PSID is unusual), and they may differ in the accuracy of their retrospective AFDC reports as well. In addition, the sampling frames are different, for the PSID includes only women who were heads or spouses at the interview date, while the NLSY includes all women, heads or not. There is also a possible small sample size problem: the young, less educated group, for example, contains only 73 observations in the PSID and 60 in the NLSY.

[7]We examined a number of other issues with our data sets as well, including the effects on our cohabitation and marriage rates of (1) extending the age limit for AFDC eligibility through age 18 (children who are 18 can be included in the AFDC unit if they are full-time students); (2) excluding "other welfare" from the AFDC receipt definition, where possible (see Appendix A for a discussion); (3) defining AFDC receipt for the household, rather than for the husband or cohabitor (if present) in addition to the woman herself; (4) counting "total" children in the household rather than "own" children (sometimes women can receive AFDC by being a caretaker adult for children other than their own); and (5) checking for women with disabled husbands, who are eligible for AFDC. We found that these factors generally changed the cohabitation or marriage rates by about 1 percent, and usually less.

[8]Throughout the paper we use "AFDC" to refer to the program as a whole, and reserve the term "AFDC-Basic" for its single-parent component.

[9]Unfortunately, none of the surveys attempted to have respondents distinguish between AFDC-UP and AFDC-Basic.

[10]Thus current policy states that "The inclusion in the family, or the presence in the home, of a 'substitute parent' or 'man-in-the-house' . . . is not an acceptable basis for a finding of ineligibility or for assuming the availability of income by the State" (Code of Federal Regulations 45.233.90(a) (1), October 1, 1992, edition).

[11]The most detailed accounting is given in U.S. DHHS (1991) and in prior editions of the same publication.

[12]A more detailed description of our survey and its results can be found in Moffitt, Reville, and Winkler 1995.

[13]However, two states (Kansas and South Dakota) do reduce the grant whenever the woman and her children live with non-recipients, whether they be cohabitors or other types of individuals. The reduction is based on the relative numbers of recipients and non-recipients in the household, and is based on the presumption that the AFDC unit does not need a full shelter "allowance."

[14]Many respondents to our survey pointed out the obvious, which is that many women in these states simply make a small purchase toward a shelter item (e.g., buying a light bulb) in order to fulfill this requirement.

[15]Three states (Virginia, Oregon, and California) require the male cohabitor in some circumstances to make a contribution to the rent, or for other household expenses, if he is not already doing so. In two of these states, this contribution does not affect the grant—that is, it is just regarded as compensation to the AFDC unit—while in the third (Virginia), the contribution is applied against the grant in some cases. See Moffitt, Reville, and Winkler 1995.

In addition, note that, with minor exceptions, these policies are identical for shelter contributions made by the parents of a woman, if she lives with them and they pay the rent. The policies are intended to apply to contributions made by anyone else in the household, not just a male cohabitor. See Hutchens et al. (1989) for the results of a telephone survey which focused on the treatment of parental shelter contributions.

[16]State policy differs from this if cash contributions are only occasional or sporadic. Our text discussion refers to policy regarding continuing, "predictable" cash contributions. See Moffitt, Reville, and Winkler (1995).

[17]Two states allow such expenses to be deducted only if they are not for shelter.

[18]Prior to January 1989 a disregard for shared household expense was not permitted by federal regulations. Pressure from many states to avoid penalizing AFDC women who were doubling up with male cohabitors to share the rising costs of housing resulted in a federal rule change on that date, allowing such a disregard. However, there is anecdotal evidence that many states informally adopted the policy prior to 1989.

[19]These five states have already been referred to in n.13 and n.15.

[20]Working somewhat against this leniency of treatment are the provisions of the Food Stamp Program, which require that cohabiting males who eat with the AFDC unit be included in the official Food Stamp household, implying that his income and assets will be considered in the calculation of eligibility. Stepfathers and natural fathers are treated even less leniently, however, since they are automatically included in the Food Stamp household whether or not they eat with the AFDC unit.

[21]We used the relationship codes in each data set to determine whether a cohabiting male was the father of the children. We should note that we only examined children who are the natural children of the mother.

[22]Tabulations from the NSFH, albeit defining welfare receipt as of the prior year, show a similar mix of natural and non-natural fathers among cohabiting and married AFDC women.

[23]For example, in the PSID there are only 2 cohabiting, natural-father AFDC households and 6 natural-father married couples living in non-AFDC-UP states (though none of the non-natural-father married AFDC households live in non-AFDC-UP states with a support law of general applicability). The counts are equally small in the NLSY. Even these observations may not be inconsistent with the rules because disabled husbands are permitted in AFDC-Basic households, and we cannot reliably determine disability in our data.

[24]Unfortunately, the NLSY did not ask the same earnings and income questions of husbands and cohabitors, so they cannot be compared with each other. However, both are over $6,000 annually. Among cohabiting males in the NLSY living with women on AFDC, 66 percent were working at the time of interview.

[25]Put differently, the rules clearly allow a cohabiting male to make contributions over and above the incremental costs of his own living expenses, and thus to subsidize the expenses of the woman and her children, without grant reduction. An opposite view appears to be held by Hutchens et al. (1989), who, in a study of coresidence with parents, argue that the AFDC system discourages—not encourages—coresidence because the grant is sometimes (even if not always) reduced when a woman on AFDC lives with her parents. Hutchens et al. interpret the grant reduction as a "tax" because it makes coresidence less attractive than it would be in the absence of AFDC; hence the AFDC system introduces a disincentive to coreside. On the other hand, since the AFDC system is based partly on need, a grant reduction is appropriate because coresiding couples are, in general, less needy (if for no other reason than economies of shared living expense). Any grant reduction less than this should be viewed as a "subsidy" to coresidence.

[26]The use of natural parenthood as the decisive defining factor in the present AFDC program is the cause of differing treatments of a natural parent, a stepparent, and a cohabiting couple, even if they are economically indistinguishable.

[27]We should note that third partnership status, "female headship," includes both household heads and subfamily heads in the NLSY (i.e., all single mothers), while it generally includes only household heads in the PSID. Also, separated women are included in with female heads, not with married women.

[28]Note that we have expanded our sample to include non-AFDC recipients as well as AFDC recipients. The means of all variables used in this section are shown in Appendix Table C1.

[29]Also, the cohabitor policies in California and Oregon, which require cohabitors to make payments to the woman, may actually encourage cohabitation because those payments do not reduce the grant. Thus, relative to states where cohabitor payments do reduce the grant, cohabitation in California and Oregon is favored.

[30]Specifically, women in Policy B states may all make sufficient contributions of their own to avoid grant reductions.

[31]This is not because of the exclusion of the INKIND variables, however, because when excluding those alone but otherwise maintaining the specification shown in Table 6 (i.e., breaking out marital status by welfare status), the AFDC-UP variable remains significant and of the same magnitude.

[32]The NLSY results in Table 6 have the odd result of a significant AFDC-UP coefficient even on non-welfare marriage rates. In addition, when the simple married/not-married logits are estimated on the NLSY data, the AFDC-UP coefficient remains significant and positive, a result directly in contradiction to past work. Indeed, even when the specification in past work is modified to account correctly for AFDC rules—namely, by estimating an equation for the probability of living with a natural father—the AFDC-UP coefficient has still been found to be insignificant in at least one study (Winkler 1995, who used the NSFH).

[33]In the PSID, for example, we have only 6 unrelated cohabitors, 3 stepfathers, and 8 related cohabitors on welfare. These correspond to sample frequencies of .015, .008, and .021, respectively, far too small to provide reliable equation estimates.

[34]We use the NSFH sample weights in all our analyses. The weights were based on a poststratification adjustment using the CPS.

[35]Note that the NSFH does not, more generally, provide an estimate of cohabitation rates per household because there may be more than one cohabiting couple in some households.

[36]The PSID defines married men and male cohabitors as "head."

[37]This seemingly peculiar way of stating the cohabitation definition is required by the way in which cohabiting men and women are identified in the PSID. At the first interview in which a particular cohabitor appears in the household, the cohabitor is given an explicit relationship code of "first-year cohabitor of head." If the head is a woman, we must determine whether there is any man in the household with a code of "first-year cohabitor of head" in order to determine whether she is cohabiting. If the head is a man, we can identify female cohabitors directly from each woman's own relationship-to-head code. At the second and subsequent interviews at which the cohabitor is present, the man is made head of household and the wife is made "cohabitor" (or what the PSID calls "wife"), regardless of their relationships at the first interview at which they were together. At these subsequent interviews, cohabiting women must be identified by their own relationship-to-head codes, which will always be "wife" (and never "head"). We might also note that the amount of information collected on a cohabitor depends on whether he/she is a head or wife/"wife" of head, or a non-head; less information is collected on non-heads. Consequently, first-year cohabitors have less information collected on them because they are classified as non-heads.

[38]Unlike the NSFH, the sampling frame of the NLSY includes all individuals 14–21 in the sampled households.

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