Some reflections on public policy

by Gary D. Sandefur

One of the organizers of the conference provides his agenda for alleviating poverty among minority groups.

The effectiveness of existing programs

Although social security has been shown to be the most effective transfer program in reducing poverty,[1] it and other social insurance programs are less effective antipoverty measures for minority groups than for non-Hispanic whites. This is so because (1) a smaller proportion of the minority groups are 62 and over; (2) a smaller proportion of minority groups work long enough to participate in social security; and (3) among those who work long enough, wages are lower than those among whites, leading to lower benefits. The second and third reasons also explain why one would expect Unemployment Insurance to be less effective in reducing poverty among members of minority groups than among whites. In sum, the cash social insurance programs are less important to members of minority groups than to white non-Hispanic Americans.

AFDC, on the other hand, is more important to members of minorities than to white Americans, in part because the proportion of these groups who are children is much higher than the proportion of white Americans who are children. The 1980 Census, for example, showed that 27 percent of white persons in households were under 18, compared to 36 percent of black persons, and 39 percent of Hispanic and American Indian persons.[2] Further, there are differences among the racial/ethnic groups in the importance of AFDC.[3] Many states do not have an AFDC-Unemployed Parent (UP) program to provide benefits to disadvantaged couples with children. A high proportion of poor American Indians live in married-couple families in states where there is no AFDC-UP program to lend a hand. This is likely to be true of the ōther groups as well.

Supplemental Security Income, though a much smaller program than social security or AFDC, is quite important to disabled and elderly members of minority groups because of their limited eligibility for benefits from the social insurance programs. In 1984, there were a little over 4 million recipients of SSI benefits; of these, over 1 million or approximately one-fourth were black, and 742,000, or 18 percent, were members of other minority groups—Hispanic, American Indian or Asian American.[4] There has been very little research on the importance of this program to members of racial and ethnic minorities. Among multiperson households with aged heads (65 and older), 0.4 percent of household income for households headed by white men came from SSI, 3.9 percent of household income for households headed by white women came from SSI, 6.9 percent of income for households headed by black men came from SSI, and 17.7 percent of income for households headed by black women came from SSI.[5] This suggests that SSI is probably much more important to disabled and aged minority households than to disabled and aged white households.

There is much less information on the racial/ethnic differences in the importance of in-kind transfer programs. Information from the Current Population Surveys indicates that blacks and Hispanics are more likely than whites to participate in the means-tested in-kind transfer programs such as food stamps and Medicaid, and less likely to participate in Medicare, an in-kind program that is tied to social insurance: 34 percent of the recipients of food stamps in 1983 were black; 31 percent of the recipients of Medicaid were black; whereas 10 percent of the recipients of Medicare were black. Because of these differences in participation levels, in-kind transfers are more likely to remove poor blacks from poverty than they are to remove poor whites. If we were to value food and housing aid at their market value in 1983, for example, these in-kind transfers raised 9 percent of the Hispanic poor and 14 percent of the black poor above the poverty line relative to only 0.1 percent of the white poor. The cash transfer system is more effective in reducing white poverty for two reasons. First, those whites who receive transfers are more likely to receive social insurance transfers and their social insurance transfers tend to be larger than those received by nonwhites. Second, poor whites have higher pretransfer incomes than poor nonwhites.

The major lesson to draw from these differences is that the demographic characteristics of different groups affect the extent to which they benefit from existing antipoverty programs. The age structure, extent of female headship, and previous labor force activities emerge as important determinants of group participation in the antipoverty system. Antipoverty programs are most generous toward aged individuals who were relatively successful during their working years; they are less generous to unmarried young women with children and least generous to young couples with children and to the childless. This leads to unintended differences in the effectiveness of cash and in-kind transfers across racial and ethnic groups.

The effects of programs that do not directly enhance economic well-being are even more uncertain. There is evi-

dence of convergence in high school completion and college attendance, at least through 1980, but there is no way to know if school desegregation, compensatory education, and other programs account for this convergence. The direct evidence on compensatory education reveals no clear effects of these programs on educational performance. The wages of nonwhites have converged with those of whites, and there is good reason to believe, but no compelling evidence, that this is due to affirmative action and other equal-opportunity programs. At the same time, the unemployment rates and labor force participation rates of nonwhites have diverged from, rather than converged with, those of whites. Finally, the health conditions of American Indians have improved dramatically, much more than those of blacks, which suggests, but does not definitively demonstrate, that geographical targeting such as that practiced by the Indian Health Service may be an effective way to improve health.

Some policy alternatives

At this point, the major antipoverty initiative that is being widely considered is workfare. Since workfare is directed primarily at AFDC participants and to a lesser extent at food stamp recipients, it will involve a greater proportion of nonwhites than whites who receive transfers. It is not clear what effect workfare will have on children. There is no evidence that receiving AFDC adversely affects children,[6] but there is also no evidence that day care adversely affects children.

Unfortunately, the current preoccupation with workfare ignores children, who should probably be our central concern. A focus on the parents of these children as opposed to the children themselves may lead us to make serious errors in the formulation of new antipoverty efforts. Given the inconclusive evidence regarding the second-generation effects of welfare and the overrepresentation of children among the poor, especially among minority groups, we should address the ways to guarantee these children a minimum standard of living before turning to the detrimental effects of welfare dependence on their parents.

One way to improve the standard of living of children would be through making the personal exemption in the current income tax a refundable tax credit,[7] meaning that families would qualify for this credit whether they incurred a tax liability or not. Unlike the social insurance system, this exemption would benefit minority groups as much as or more than white Americans. It could be supplemented with special health insurance for children, funded from a portion of the tax credit that would not be refunded to parents. It is difficult to understand why a national health insurance program for children is less desirable and acceptable than a national health insurance program for the aged. The need for such a program is suggested by the high level of black infant mortality.

The major problem for the parents of poor minority children appears to be their inability to find and keep jobs that enable them to support their families. Workfare is designed to force parents to work but does nothing for individuals who move on and off of public assistance or for low-wage earners who never utilize public assistance. To help all unemployed and low-wage earners, we need programs that create jobs and policies that reward people for working. Creating jobs appears to be very difficult,[8] but CETA did create public service jobs and working in these jobs increased the earnings capacity of participants, especially women and the very disadvantaged.[9] An expansion of the earned income tax credit appears to be an effective way to reward people for working at low-wage jobs.[10]

Another area in which social policy discussions should be concentrated is homelessness. Peter Rossi's paper presented at the conference affirmed that blacks and American Indians are overrepresented among the homeless, at least in one major metropolitan area, Chicago. This may be due to their overrepresentation among the long-term poor. Whatever the cause, solutions to the problems of the homeless will be very beneficial to members of minority groups.

Finally, the apparent success of the Indian Health Service in improving the health of reservation Indians suggests that geographical targeting of health care may be an effective way to improve the health status of members of minority groups. The highest infant mortality rates are in the central cities of major metropolitan areas. Those who are concerned with health policy might do well to consider the nature of barriers to health care in these areas and develop specific strategies for overcoming these barriers that parallel the efforts of the Indian Health Service on reservations. ■

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[1] Sheldon H. Danziger and Robert Plotnick, "Poverty and Policy: Lessons of the Last Two Decades," *Social Service Review 60* (March 1986), 34-51.

[2] U.S. Bureau of the Census, *General Population Characteristics* (Washington, D.C.: U.S. GPO, 1983).

[3] A breakdown of AFDC recipients by race in 1983 showed that 41.8 percent were white non-Hispanic, 43.8 were black, 12 percent were Hispanic, 1 percent were American Indian and 1.5 percent were Asian (Committee on Ways and Means, U.S. House of Representatives, *Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means, 1986* [Washington, D.C.: U.S. GPO, 1986], p. 392.

[4] *Statistical Abstract of the United States, 1986* (Washington, D.C.: U.S. GPO, 1985).

[5] Lawrence S. Root and John E. Tropman, "Income Sources of the Elderly," *Social Service Review 58* (September 1984), 384-403.

[6] John J. Antel, "The Inter-Generational Transfer of Welfare Dependency: Program Effects on Future Welfare Recipiency," report prepared for the U.S. Department of Health and Human Services, 1986.

[7] Danziger and Peter Gottschalk, "A New War on Poverty," *New York Times*, March 22, 1987, Business Section, p. 2.

[8] Edward M. Gramlich, "The Main Themes," in Danziger and Daniel H. Weinberg, eds., *Fighting Poverty: What Works and What Doesn't* (Cambridge, Mass.: Harvard University Press, 1986).

[9] Laurie J. Bassi and Orley Ashenfelter, "The Effect of Direct Job Creation and Training Programs on Low-Skilled Workers," in Danziger and Weinberg, eds., *Fighting Poverty.*

[10] Danziger and Gottschalk.