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Expect the Unexpected

Social Assistance Dynamics of Single or Unemployed Parents in Germany and the U.S.

von

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Foreword

The main focus of the "Poverty Dynamics" project of our Special Research Centre 186 „Status Passages and Risks in the Life Course" has been the analysis of the temporal dimension of poverty, especially the dependency on *Social Assistance*. At first two cohorts (1983-1989, 1989-1994) of first-time claimants of Basic Income Support (*Hilfe zum Lebensunterhalt*) in the municipality of Bremen, a major city in the Northwest of Germany, were analysed and compared, looking at a six year "window" each. After unification the patterns and Social Assistance trajectories found in Bremen were compared with those in Halle/Saale, a city in the formerly communist part of Germany, in the early 1990s.

Since 1997 this comparative perspective has been broadened to *international* comparisons. First Petra Buhr published a comparison of Germany with *Sweden* (Sfb working paper 51/98; *Leviathan* 1999, 27, 2: 218-237). Also published was a comparison of Germany with *Italy* by Wolfgang Voges and Yuri Kazepov (Sfb working paper 52/98). The present, third working paper in this series contrasts Social Assistance dynamics in Germany and the *U.S.A.* A fourth study of Lutz Leisering and Robert Walker will contrast Germany with the *U.K.* In a final phase of the Special Research Centre, in the years 2000 and 2001, the project hopes to continue its international comparisons: Now the comparative effort would be extended to welfare *administration* in some of these countries - and could be characterized by the heading "*from active client to activating administration*".

Ralf Bohrhardt and Stephan Leibfried show in this working paper how different poverty policies influence the risk, the duration, and the dynamics of Social Assistance receipt by families. They compare the performance of means-tested income support policies addressed to families with children in Germany and the U.S.A. They rely on two sets of longitudinal administrative data for each country. The somewhat counter-intuitive results may be summarized as follows*: In the U.S. lone or unemployed parents who did not leave Social Assistance in their first year of receipt stay on the rolls longer and more continuously than they do in Germany's more generous welfare state.* Some selection effects are analyzed to account for these differences. Time related multi-variate analysis shows significant regional disparities in both countries. It also points to the importance of social stratification and labor market characteristics for the found differences.

A synthesis of one decade of research on "Poverty Dynamics" is now available in Lutz Leisering and Stephan Leibfried, *Time and Poverty in Western Welfare States. United Germany in Perspective*, Cambridge: Cambridge University Press 1999. Another string of the Bremen Sfb work, here focusing on risks at labor-market entry, is accessible through the same press: Walter R. Heinz, ed., *From Education to Work. Cross-National Perspectives,* 1999.

Bremen, August 1999

Walter R. Heinz
Chair, Special Research Centre 186

Contents

The authors are collaborating in the project "Social Welfare Dynamics" (led by Stephan Leibfried and Lutz Leisering) in the Special Research Centre 186 at the University of Bremen. It is funded by the German National Science Foundation (DFG). For a synthesis of the results of this project see LEISERING/LEIBFRIED (1999). The research for this paper was also supported by the German Academic Exchange Council (DAAD) through a stipend ("Stipendium im Rahmen des Gemeinsamen Hochschulsonderprogramms III von Bund und Ländern") granted to the first author. He conducted the U.S. part of the empirical work while residing as a visiting scholar at the Department of Social Welfare at the UCLA School of Public Policy and Social Research. We are grateful to John Ditch, Lutz Leisering, Holger Fabig, and Michael Wiseman for instructive comments on an earlier draft.

List of Tables

List of Figures

Introduction

The economic well-being of families with children has declined in most Western societies over the past decades. Their relative economic status is increasingly affected by major changes in our most fundamental institutions: gender relations, the global economy in conjunction with national labor markets, and the welfare state (CORNIA/DANZINGER 1997).

Changes in family related values and orientations have had two consequences. First, they have led to a polarization among households including adults in the labor force: Singles or – more often – couples *without* children are usually better educated, hold the better paying jobs, and are more likely to be upwardly mobile in their careers than families with one or – more often – more children. The model of a single male breadwinner did not work any longer and it has become nessesary in most two parent families that both parents work to ensure a sufficient family income. Furthermore, real wages of low skilled young adults have declined continuously over recent decades in the United States. In Europe real wages have increased, if at all, only very slowly but unemployment rates have risen particularly in that group (NICKELL/BELL 1996; NICKELL 1998). Both tendencies, the polarization of households and falling real wages for the less qualified contribute to the currently high levels of relative economic deprivation among families with children. Secondly, diminishing family ties increased the share of children who live with a single parent. In these families the parent is most often unable to obtain adequately paid work because of child care responsibilities.

Welfare policies protect individuals or families from economic deprivation during a wage loss for which the earner is not held responsible. Different nations have pursued different paths to attain this goal. One might assume that national differences in poverty rates can be explained by the different role of government policies and the different welfare systems in place. Indeed, comparative studies have shown that the poverty *rates* of families do differ considerably among Western industrialized countries depending on the national standards of monetary transfers and social service provisions (RAINWATER 1995). But how do these policies influence the poverty *dynamics* of families? Or – focused on the relative efficiency of different welfare policies – how do these welfare systems affect the temporal patterns of welfare receipt by families? The answers to these questions are basically unknown. Our study focuses on these questions.

Generally three distinct types of welfare states are distinguished according to the degree of 'decommodification', that is according to differences in the ease with which an average person can leave the labor market and with-

draw his or her labor power. In his pioneering work "The Three Worlds of Welfare Capitalism" ESPING-ANDERSEN (1990) classified most OECD countries according to three ideal-types:[1]

- the *social-democratic model*, with a strong role of state intervention, universalistic social policies and a high level of decommodification;
- the *conservative model*, with a strong role of contribution-based social insurance, only residual tax-based security programs, and a medium level of decommodification; and
- the *liberal model*, with a strong market orientation, selective social policies and a low level of decommodification.

We will compare the dynamics of dependency in income support programs for families with children in two countries: *Germany*, which is often depicted as the typical conservative model of a welfare state, and the *U.S.*, which is the most pronounced version of the liberal model.[2]

These two countries were chosen for different reasons. 'Globalization' is often seen as limiting, liberalizing, and 'recommodifying' social policy in Europe. Thus, we should focus on the specific qualities, outcomes and the efficiency of programs addressed to families with children in a European welfare state which is challenged by liberalisation and compare it with the already liberal USA. This should reveal the different balance struck between costs and benefits in the continental European welfare state and in the liberal model. But on which of the two European models should we center our analysis? We focus on the *conservative* model of a European welfare state since the efficiency of anti-poverty policies in the social-democratic model – as represented most typically by Sweden – has already been shown elsewhere not to differ substantially from the conservative model (BUHR 1998, 1999). For the latter we concentrate on Germany, as it is usually considered most typical for that model.

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[1] These types correspond to different strategies modern welfare states have chosen to deal with unemployment: expanding what is known as the 'social service state' (e.g. Sweden), encouraging exit from the labor market via disability and early retirement policies in the 'social insurance state' (e.g. Germany) or low wage work in the private service sector in what used to be called the residual 'social assistance state' (e.g. USA) but has, after the 1996 reform (see GEBHARDT 1998, GEBHARD/JACOBS 1997), moved closer to the 'poor law state'. SCHARPF (1999) focuses on the (un)employment issue and develops these contrasts systematically. EARDLEY et al. (1996a) develop a comparative typology focused on the institutional side of social assistance only. In contrast, GOODIN et al. (1999) try to provide a different empirical foundation to ESPING-ANDERSON's ideal types for whole welfare states, while ALLMENDINGER and HINZ (1998) attempt to do so for life courses.

[2] For a further comparison of German Social Assistance with a less pronounced version of the liberal model, the U.K., see LEISERING/WALKER (1999).

Our study begins with a brief overview of the institutional systems and settings of anti-poverty policies in Germany and the United States. Regional differences are significant, especially in the U.S. Thus, we have to focus on the local level: We chose two German cities and two metropolitan counties in California for our comparison – four locations for which reliable and comparable sets of longitudinal administrative data were at hand. We proceed to discuss the data, the sample, and the methods applied. We describe differences in the duration of welfare spells and analyze which explanatory variables might be relevant. The results are discussed with respect to differences in the labor market, the demographic structure, and the characteristics of the different welfare programs. Finally, some conclusions are drawn for further social policy development.

Institutional Differences[3]

There are several major differences between the public efforts to institutionalize minimum income maintainance in Germany and the U.S. The most fundamental differences in these anti-poverty systems lie in the eligibility mechanisms.

Germany is characterized by a tendency to universal eligibility for welfare benefits in the sense that universal rights are granted equally to all 'the poor': its conservative welfare state basically relies on one broad-based cash assistance program (Social Assistance) giving every person in need – whether single parent, working poor, elderly or not – the same right to welfare. Social Assistance in Germany is cast quite universally, which forestalls a routine trajectory of focusing on ever smaller (sub)categories and thus linking support to past behavior or to behavioral change.[4]

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[3] For a more exhaustive description of the institutional embeddedness of fighting poverty see EARDLEY et al. (1996: 159-177, 418-439), LEIBFRIED (1979), GEBHARDT (1999), GEBHARDT/JACOBS (1997) and HANESCH (1997). For more data driven nation-wide poverty comparisons cf. BÜCHEL et al. (1999) and KRAUSE (1999); for the U.S. cf. the Green Book of the U.S. House of Representatives' Committee on Ways and Means in its different versions of the 1990s (in German language the summary of MURSWIECK, 1998). For a general comparative framework see LEISERING/LEIBFRIED (1999: 47-53).

[4] The program structure cannot prevent general prejudices or even political campaigns against (subgroups of) claimants of Social Assistance in Germany. But such campaigns are buffered by the structure of Social Assistance: Sensitive subgroups like single parents, those able to work etc. are not routinely displayed as support categories, and they are not entitled or administrated separately. Until now only asylum seekers have been cut out of general Social Assistance in 1993 and were shelved to a special categorical program (with lower benefits and more in-kind transfers) – the first major break with Germany's broad-based cash assistance approach.

By contrast, the U.S. practices a strong categorical approach: Different programs are targeted at certain well-defined subgroups of the poor only, like lone parents, the working poor, and the aged. According to U.S. analysts like Rebecca BLANK (1997: 89-91, 232-234) this system is not characterized by *„broad-based"* cash assistance which is structurally less dicriminating. Rather, transfer programs are tied to what is seen as distinct past *„behavior"* – like having become a single parent or having joined the working poor. In addition or alternatively, programs are meant to change specific behaviors – such as job training aimed exclusively at particular groups of the poor, or policies discouraging having further children while on welfare.

This contrast between „behavioral" (categorical) and „broad-based" (universal) Social Assistance schemes is not meant to be a pure one: Germany's quite universal scheme also has behavioral elements, e.g. for unemployed claimants, and the U.S. has some categorical components which are cast more universally and less behaviorally targeted than others, for example its *Food Stamps* program.

The different locus of Social Assistance schemes in Germany and the U.S. can be grasped – for the early 90s, the time period of our empirical analysis – from the data in *Table 1* (see below). While Social Assistance schemes in Germany – including means-tested benefits in Unemployment Insurance and Housing Assistance – cost about one tenth of all Social Security expenditures, in the U.S. they amounted to one third of all Social Security outlays. The GDP slice used for Social Assistance schemes in Germany is 2 percent vis-à-vis 3.7 percent in the U.S. In Germany 1 out of 20 persons depends on Social Assistance programs, in the U.S. this is true for 1 out of 10. Social Assistance in Germany, though not as small as it had become in the 1960s, still remains somewhat marginal in Germany's *Sozialstaat*, it's 'social state'. Welfare in the U.S., in contrast, has been a major policy pillar of its *'welfare'* state for the last decades.[5]

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[5] Differences in Social Assistance landscapes also reflect in the divergent status of 'poverty lines' in Germany and the U.S.: Since Social Assistance in Germany rests on a universal right to welfare, its standards are used at the same time as a statistical measure for a diagnosis of the social poverty landscape. Thus, an independent national poverty standard never delevoped (and some academic standards tied to average incomes flourished in its stead). In contrast, Social Assistance schemes in the U.S. are so divergent and particular, that a universal and common poverty line could hardly flow from them. Rather, a poverty line had to be developed quite independently for social reporting in the 1960s (when federal poverty programs had barely developed anyhow).

Table 1: Basic Figures on Social Assistance Schemes in Germany and the U.S., 1992

	Germany	U.S.
Total expediture of Social Assistance schemes as a percentage of the Gross Domestic Product	2.0	3.7
Cash assistance[1]	*0.9*	*1.3*
Housing assistance[2]	*0.2*	*0.3*
Other tied assistance[3]	*0.9*	*2.1*
Total expediture of Social Assistance schemes as a percentage of social protection[4]	7.6	18.9
Total expediture of Social Assistance schemes as a percentage of social security[5]	11.8	32.8
Individuals in families claiming benefits of Social Assistance schemes as a percentage of the total national population		
Cash assistance[1]	5.2	10.0
Housing assistance[2]	2.8	2.2
Other tied assistance[3]	2.3	11.2

Notes:

[1] For Germany: *HLu, Arbeitslosenhilfe*; for the U.S.: Food Stamps, General Assistance, AFDC, Supplemental Security Income; Veterans' Pension; Earned Income Tax Credit.

[2] Excluding those assistance programs integrated into other assistance schemes; for Germany: *Wohngeld*; for the U.S.: Federal Housing Assistance; Low Income Home Energy Assistance.

[3] For Germany: *HbL*; for the U.S.: Medicaid; School Lunch and Breakfast program; Special Supplementary Food Program, Job Training Partnership Act, Head Start.

[4] Including all public social spending in cash and in kind, excluding education, but including health; OECD data for 1990/91.

[5] Including all government social security and welfare transfers to households; OECD data for 1990/91.

Source: OECD, EARDLEY et al. 1996.

Germany

In Germany any citizen or legal resident has a constitutional right to live in human dignity. Social Assistance (*Sozialhilfe*) was instituted to ensure that *anybody* in need can live a decent life.[6] Assistance is not organized as charity but as a strict entitlement, enforced by the Administrative Court System. Any citizen or legal resident who does not cross the 'poverty threshold' defined by the states (*Länder*) is eligible for Social Assistance benefits under German law.[7] Today this threshold ranges on average – depending on region and household size – between 980 DM for a single person in East Germany and 2 500 DM for a single parent family with two children in West Germany. Assistance was and is granted without time limits; thus, in individual cases the program delivers pension-like benefits, though in general it is to help claimants regain their independence ('Help to Self-Help') in the short and middle run.

The program is means-tested, in income and assets. It is administered by local authorities with direct funding provided almost entirely by the municipalities (80%), some by the states (19%) and – at first glance – with almost no funding by the federal government (1%).[8] Social Assistance benefits are subordinated to almost all other incomes or transfers, be they private or public.

There are at least two major tax-financed programs which strongly impact on Social Assistance and its costs: Germany has non-means tested federal Child Benefits for every child up to the age of 18.[9] Child Benefits do

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[6] Social Assistance replaced the older *Fürsorge* in 1962; for the historical development see LEISERING/LEIBFRIED (1999: 175-199).

[7] EU citizens who work in Germany are entitled to benefits for up to six months after they loose their job; then they have to leave the country. Since 1993 asylum seekers receive benefits according to a similar though less generous program (cf. fn.3; on the interaction of the different types of immigrants in Germany with Social Assistance see LEISERING/ LEIBFRIED 1999: 68f.). Students are not entitled to Basic Support under Social Assistance though they may satisfy the income threshold for eligibility. They were given a mostly adequate separate entitlement scheme instead.

[8] Federal public finance in Germany rests on a quite developed system of vertical and horizontal revenue sharing which reaches all the way down to the local level. This stands in stark contrast to U.S.-federalism and its principle of "every tub on its own bottom". This explains why regional differences in the German welfare system are limited while they are massive in the U.S. (cf. DITCH et al. 1997). It also explains the different pressures exerted on welfare systems: the pressure in Germany – because of its 'marble cake' federalism (LEIBFRIED/ PIERSON 1995: 17) – is also to homogenize the systems while and in the U.S. – because of its 'layer cake' federalism (ibid.) – the pressures to fragment welfare systems (devolution) dominate.

[9] Actually it is possible for a family to choose between standardized Child Benefits and a

not cover total standardized child costs – a standard German critique of Child Benefits.[10] Nor does Social Assistance, but it is much closer to total coverage.[11] As a result, the costs of children are not compensated equally for all families, especially not for the bottom third of the 'income pyramid' and claimants of Social Assistance. Thus, a 'child-cost wedge' is driven between the 'working poor' and the 'welfare poor'. This wedge feeds permanent conflicts, especially over stressing and enforcing the legal principle that Social Assistance Benefits have to be significantly lower than the average income of families with a parent working in the low-income sector. The second important tax-financed federal scheme is income-tested general Housing Assistance (*Wohngeld*). It covers the costs of housing and heating up to a certain level.[12] Both of these 'sectoral' programs aim also at some segments of the middle class. Thus, these programs are more universal than Social Assistance and even less prone to 'behavioral' linkage.

Social Assistance is also subordinated to all forms of social security transfers. German social security strongly conforms to a corporatist, Bismarckian model of obligatory social insurance which is based on individual contributions. In case of unemployment, illness, disability or old age, earnings are replaced through these systems with benefits closely tied to previous earnings.[13] Social Assistance works as 'a safety net of last resort':

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tax reduction of a certain amount for each child. If the child is unemployed Child Benefit is paid up to the age of 21, in case of full-time education up to the age of 27. There are no age-limits for Child Benefit, if the child is disabled.

[10] This critique is only possible in Germany: The German Federal Constitutional Court sees a constitutional mandate for more complete cost coverage and has decided accordingly in the last decade to force a reform of the income tax system. In the U.S. child costs are seen as a totally private issue, they are not picked up anywhere outside *AFDC/TANF*.

[11] Child Benefit is 250 DM for the first and the second child, 300 DM for the third, and 350 DM for each additional child under 18 (see previous footnote) regardless of their present age. Those Benefits are raised by Social Assistance to 270 DM for each child up to age 7 (respectively to 300 DM if the child in this age group lives in a single parent family), to 350 DM for children age 7-13, and to 490 DM for children age 14-17 (scale rates for Bremen state, 1999).

[12] Coverage depends on household size, age and condition of the building, and average rent level in a particular region.

[13] After one year of first tier Unemployment Benefits (*Arbeitslosengeld*) at 60% of net wages (67% for families with at least one child), benefits are reduced to 53% (57% for families) in Unemployment Assistance (*Arbeitslosenhilfe*). This second tier benefit is not as strictly means-tested as Social Assistance but also tax-financed and basicly without time limits. It has always functioned as a special super-welfare scheme for the unemployed and is, if necessary, supplemented by Social Assistance benefits.

People are caught in this net when other social security institutions do not lift them at least to the minimum threshold.

Social Assistance takes various forms: cash, in-kind benefits, and services. It provides Basic Income Support (*Hilfe zum Lebensunterhalt, HLu*) and Special Needs Support, for example in disability, illness, or through old-age care (*Hilfe in besonderen Lebenslagen, HbL*). The Special Needs element of Assistance to the Sick (*Krankenhilfe*) extends contributory German Health Insurance – which reaches nearly all members of the population – to all welfare claimants. Assistance to the Sick is tax-financed by the local government and entitles to the same level of treatment as granted in General Health Insurance. There is no health care gap between the welfare poor, the working poor, and other social groups that might function as a 'poverty trap' – quite in contrast to the U.S.

Assistance to help offset living expenses covers food, clothing, toiletries, household goods, heating, and everyday necessities. Reasonable housing costs are covered completely. Reasonable expenses for participating in social and cultural events are also covered. In addition to recurrent standardized payments, special one-time benefits are granted on application to obtain more costly items such as special clothing (e.g., coats), major household goods (like a washing machine) or heating material in winter.

Scale rates vary only marginally between states or municipalities. Due to annual adjustments the level of benefits remain rather close to 40% of average national income, moving towards 60% as the household grows in size. In 1995 average income for a single person was about 1 870 DM in the West and 1 646 DM (with purchasing power adjusted) in the East German states (HABICH/KRAUSE 1997: 517). Until 1998 the special Allowance for Earned Income, addressed to the 'working poor' on Social Assistance, was about 265 DM per month and household. This allowance increased slightly according to a new, rather complex formula (see SELL 1998). In general the benefits granted are, compared with low-income families, sufficient to live a decent life.

United States

In the U.S. not everybody has a right to a minimum income just because of citizenship or legal residency. Diverse programs serve the poor, many of them targeted at narrow groups of people or narrow needs. These programs are entangled in a pervasive moralistic discourse which cherishes 'social security' benefits as 'earned' and 'deserving' – and which stigmatizes tax-financed 'welfare' as mostly 'undeserving'. But social security does not

cover much of the low-wage economy and the secondary labor market remains unprotected. Also, the U.S. lacks a comprehensive national system of health insurance that covers the 'working poor'; only the 'welfare poor' (*Medicaid*) and the aged (*Medicare*) are protected. All attempts at universalization have failed (cf. HACKER 1997).

Families with children are a target group but only if one parent is absent (single parent household) or unemployed. Until 1996 the relevant program was *Aid to Families with Dependent Children (AFDC)*. In 1996 *Temporary Aid for Needy Families (TANF)*[14] replaced *AFDC* – as legislated in the *Personal Responsibility and Work Opportunity Reconciliation Act* of 1996. This new legislation brought massive changes: The federal structure of welfare policy making was affected by new rules for financing and by granting the states more flexibility to manage welfare (block grants). Welfare delivery to the poor was affected through time-limits (maximum of two years of continuous receipt, not more than five years during a life time, though excepting 20 percent of the caseload), tougher work enforcement programs and sanctions for mothers who continued to give birth to children on welfare (see also TELES 1998: 164-187).[15]

The *AFDC* program was state-administered, federally regulated and jointly funded. It included automatic eligibility for *Food Stamps*, booklets of coupons which can be exchanged at certain stores for food only. Also, *AFDC* recipients automatically qualified for free medical assistance under *Medicaid* (for California cf. SPARER 1996). *AFDC* was awarded to children under 18 who were deprived of parental care and support due to death, incapacity or continued absence of a parent or due to unemployment (working less than 100 hours a month) of a parent who was the principal earner. Unless exempted all able-bodied adults had to register for the *Job Opportunities and Basic Skills Training Program* (*JOBS*).[16]

Payment levels vary widely between states. In 1997 21 states had a 'combined payment standard' lower than the their 'need standard' – an inconsistency based on a long line of precedents (see LEIBFRIED 1981; USR&E

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[14] The acronym *TANF* was changed to *CalWORKs* in California.

[15] Seen from different angles the real employment effect of such 'push' strategies is quite dubious (cf. ASC/LOPREST 1999; LEETE/BANIA 1999; DANZINGER et al. 1999).

[16] Social Assistance programs in California are administered at the county level with major funding and administrative oversight from the *California Department of Social Services* (*CDSS*) in Sacramento. The *Medicaid* program in California is called *Medi-Cal*, the California equivalent for *JOBS* is *GAIN* (*Greater Avenues for Independence*). *AFDC* and *GAIN* operated as separate programs, were administered in different locations, and worked with non-compatible computer systems.

1980). *Table 2* lists the benefit payments for Mississippi, the state with the lowest levels, Alaska, the state with the highest levels, and California, the state in which the two counties of our study are located. Payments were reduced by the applicant's income, except for a disregard of 90 $ and one third of each additional dollar earned plus a disregard of 175 $ for child care expenses.

Table 2: Need Standards and Maximum AFDC/TANF and Food Stamps Benefits, One-Parent Family of Three Persons, January 1997

	Mississippi	California	Alaska	Median[a]
Poverty threshold[b]	1,111 $	1,111 $	1,389 $	1,111 $
Need standard	368	735	1,057	--
Maximum AFDC/TANF grant	120	565	923	377
as percent of poverty threshold	*11*	*51*	*66*	*34*
Food Stamp benefit	315	261	323	315
Combined benefit	435	826	1,246	692
as percent of poverty threshold	*39*	*74*	*90*	*62*

Notes: [a] Ranked by maximum benefit. [b] Amount of money required to purchase the lowest cost 'nutritionally adequate' diet for a household of three persons, multiplied by three to cover additional costs like housing.

Source: Committee of Ways and Means (1998: 416-418).

It is generally agreed most *AFDC/TANF* claimants cannot possibly survive on such a low level of benefits. Thus, this system of 'provision' almost presupposes that claimants work to some extent in the informal economy, particularly as domestic servants (housekeeping and child care), without reporting income to welfare or tax authorities. Fraudulent compensation might also include claiming welfare for identical children in several families or claiming payments in several cities or states – which is easier in the U.S. compared with Germany, due to differences in residency registration and in the ease of changing names.

There are two programs which impact on welfare benefits: the major one is the *Earned Income Tax Credit* aimed at the 'working poor', in which the federal tax authorities raise low family income up to a certain amount on an annual basis (see institutionally: HOWARD 1998: 139-160; MYLES/PIERSON 1997; on welfare impacts: MEYER/ROSENBAUM 1998; BLANK et al. 1999). Apart from that there are general state or local *Housing Assistance* schemes. Most states offer a *Low-Income Home Energy Assistance Program* to help

coping with bills for heating and air-conditioning and with installing low-cost weather-proofing. These programs allow for considerable administrative discretion.

Data and Methods

Due to the different scope of welfare regulation in Germany and the United States our analysis is restricted to two groups of families which both systems equally address: lone parents or couples with children and an unemployed parent.

Even though the replacement of *AFDC* by *TANF* in the U.S. can surely be considered one of the most interesting and radical policy changes in the 1990s, we still have to rely on pre-*TANF* data for longitudinal analyses. Time since the implementation of the 1996 reform is too short to already have data with a wide enough observation window for a sensible longitudinal analysis. Also, post-*TANF* data would cause serious problems in comparing the durations of claiming Social Assistance since we would have legally enforced time limits in the U.S. but not in Germany. Thus, our analysis concentrates in both countries on Social Assistance claimants who were (USA) or would have been (Germany) eligible for benefits under the scope of the former AFDC program.

As outlined above, Social Assistance regulations vary significantly in the U.S. among the different states. For this reason we want to compare two cities in Germany with two cities (urban counties) in the United States of America and not whole nations.[17]

Our German data are administrative Social Assistance data from the Departments of Social Services of Bremen, a major city in the North-West of Germany, and of Halle an der Saale, a city in the Eastern, formerly communist part of unified Germany. The data are part of the Bremen and Halle *10%-Longitudinal-Samples of Social Assistance Files* (LSA) and were drawn from the administrative records by the Special Research Centre 186 and the Centre for Social Policy Research at the University of Bremen under the direction of STEPHAN LEIBFRIED (Bremen) and THOMAS OLK (Halle/Saale).

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[17] DUNCAN & VOGES (1993) were the first, and so far the only ones, who tried a similar comparison, though with a nation wide sample of the *Panel Study of Income Dynamics* (PSID). A broader study was done by DUNCAN et al. (1995) for eight countries. Here cities were compared with countries or even with half of the North-American continent, measures of income poverty in some countries with Social Assistance dependency in others.

For Bremen the data consist of a 10 percent random sample of persons, who successfully applied for Basic Income Support (*Hilfe zum Lebensunterhalt)* for the first time in 1989[18] and were belonging either to a single parent family or a family with an unemployed parent. These persons were observed until September, 1994. For Halle an der Saale we rely on a 10 percent random sample of single parent families or families with an unemployed parent, who received Basic Income Support in 1991 for the first time.[18] – After German unification on October 3, 1990 the West German Social Assistance Act (*Bundessozialhilfegesetz*) became effective in East Germany on January 1, 1991. The social welfare system of the GDR was of a different character and catered only to some 5000 people (see LEISERING/LEIBFRIED 1999: 200-223). – Persons in this sample were followed until October 1995.

For California we rely on AFDC claimants from two urban counties: Alameda County, which is part of the greater San Francisco Bay Area, and Los Angeles County in Southern California. Here we look at households which entered AFDC in 1992 for the first time.[18] They are part of a representative point-in-time sample of AFDC claimants drawn by the *California Work Pays Demonstration Project* (CWPDP).[19] Approximately 20 percent of all families selected for the CWPDP sample participated in at least one wave of a telephone-survey, which is the major source for all covariates. Only the assistance history variables are drawn from administrative data in the county registers (for further details see Appendix).[20] As families with an unemployed parent were oversampled in the survey we downweighted them in the descriptive statistics with a factor of .02 for Alameda County and .03 for Los Angeles County to readjust these families to their original share of 6 to 7 percent of the overall Social Assistance caseload in 1992. Sampling month for the CWPDP was *October* 1992, but only those claimants were kept in the sample, who were still on the rolls in *December* 1992, the month in which the original 'Work Pays Demonstration' began. The assistance history of all these cases can be observed until September 1996.

Any stock sample of Social Assistance claimants is biased towards the experience of 'stayers' in the system. If we look at all households claiming

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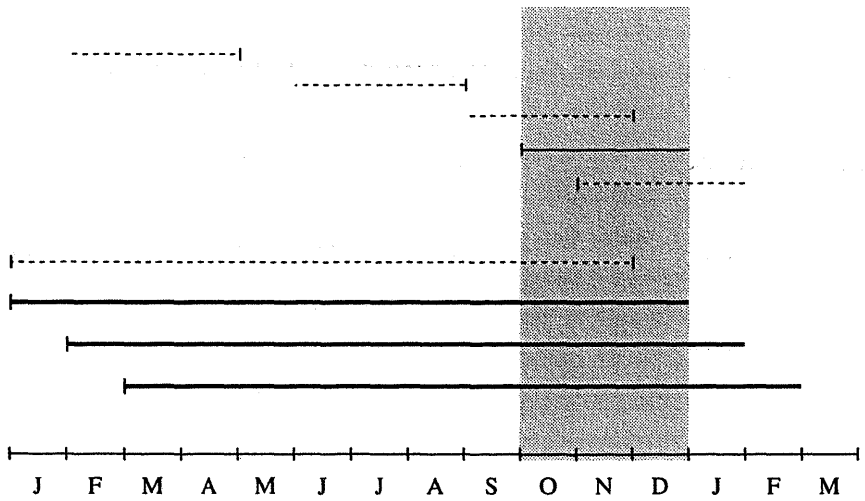
[18] We know at least, that these persons did not hand in any applications in the five preceding years.

[19] The project consists of a scientific evaluation of a welfare reform package approved by a federal waiver of the U.S. Department of Health and Human Services on March 1, 1994 (cf. BECERRA et al. 1996).

[20] The actual data were taken from the CWPDP Public Use File Versions 2.0/2.1 as of January 1997. Cases with apparently inconsistent data from the Assistance History and the Four County Case Files have been excluded.

Social Assistance at a certain point in time (cross-section) and select those households who claimed this kind of support for the first time within the preceding year (annual entry cohort), we do not have *all* claimants of that entry cohohrt in our sample: Only those cases are included which entered Social Assistance within the specified year *and* have continued receipt at least until the (final) sampling month (let us say December 1992 as in the CWPDP). Thus, we do *not* have those households in our sample who entered Social Assistance in the specified year but left the rolls again before the point-in-time sample was (finally) drawn (here in December 1992; see upper part of *Figure 1*). On the other hand we do have *all* claimants of that entry cohort in our cross-sectional U.S. sample who stayed at least for one year on the rolls (see lower part of *Figure 1*).

Figure 1: Missing Cases of an Social Assistance Entry Cohort in the CWPDP Cross-Sectional Sample



Thus, to extract a comparable entry cohort from the longitudinal LSA sample and the cross-sectional CWPDP sample we had to exclude all cases from both databases that did not claim Social Assistance for at least one year. Otherwise German data would be – compared to the California data – artificially biased in favor of short stayers as they are picked up completely in the LSA but – due to the different sampling procedure – very rarely in the CWPDP. Thus, we will look only at families with children, who became

eligible for Social Assistance for the first time in a certain year *and* who stayed on the rolls for at least one year after their initial entry.

As the CWPDP was an evaluation of an experiment made possible by a federal waiver[21] there are experimental cases for which legislation has been changed (the AFDC grant was reduced and work incentives were raised) and control cases for whom the old legislation obtained. Our cases come from both groups since the patterns of receipt in the two counties were found to be essentially similar in prior research (BECERRA et al. 1996).

With the 'AFDC selection bias' we have 61 sample cases from the Bremen LSA, 39 from the Halle LSA, and 251 (78 weighted) from the CWPDP files, of which 64 (14) cases are from Alameda County and 187 (64) from Los Angeles County. Taking those together the total number of cases in both countries amounts to 351 (178) households.

Individual level information is given for the "head of household" as defined and processed by the Bremen administration. This is the mother in case of a solo female parent and the male partner in the case of married or cohabiting couples.

Since the observation periods are of different length in the original data we standardized this time to the longest period possible for all cases: each case is observed for 46 months after its initial entry into the program applicable. An assistance spell has been defined as a period of uninterrupted Social Assistance receipt disregarding single month interruptions.

We will compare median durations of such assistance spells for different (sub)populations as well as their product-limit survivor functions. This function expresses the probability that a household remains in the state of Social Assistance recipiency until time *t*. The survivor function *G(t)* can be expressed as

$$G(t) = P(T > t)$$

where T is the time when the event occurs by which the current episode ends.

Furthermore, we will compare the *transition rates* of those (sub)populations, a central feature of the analysis of temporal patterns of claiming Social Assistance with event history techniques. In our case this rate describes the statistical risk of ending Social Assistance receipt or, in more precise words, the conditional propensity of leaving Social Assistance in a given time,

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[21] Waivers are legally approved exemptions from federal rules made possible by the 1988 Family Assistance Act.

assuming that there was no such termination up to the beginning of this interval. More formally, the rate between the state 0 (still receiving benefit) and state 1 (not receiving benefit) is defined as

$$r(t) = \lim_{t' \to t} \frac{P(t \leq T < t' \mid T \geq t)}{t' - t}$$

The transition rate indicates the risk of staying on Social Assistance. It may increase over time, meaning that the longer a household receives benefits, the more likely it becomes that it will terminate receipt shortly. For other households the risk may decrease over time: the longer they receive benefit, the more likely it is that they will remain benefit claimants.

Results

The basic dynamics of claiming Social Assistance are shown in *Table 3* (see below). The main result may be summarized as follows: Families with lone or unemployed parents in California, who did not leave Social Assistance in their first year of receipt, stay longer and more constantly on the rolls than do their German counterparts.

Table 3: Gross Duration[a] of Claiming Social Assistance

	Bremen	Halle	Alameda County	Los Angeles County	Total
1 – 2 years	16	15	1	8	40
	26.2	*38.5*	*7.1*	*12.7*	*22.6*
2 – 3 years	10	9	2	7	8
	16.4	*23.1*	*14.3*	*11.1*	*15.8*
More than 3 years	35	15	11	48	109
	57.4	*38.5*	*78.6*	*76.2*	*61.6*
Total	61	39	14	63	177
	100%	*100%*	*100%*	*100%*	*100%*
Median in month	43	29	46	46	45

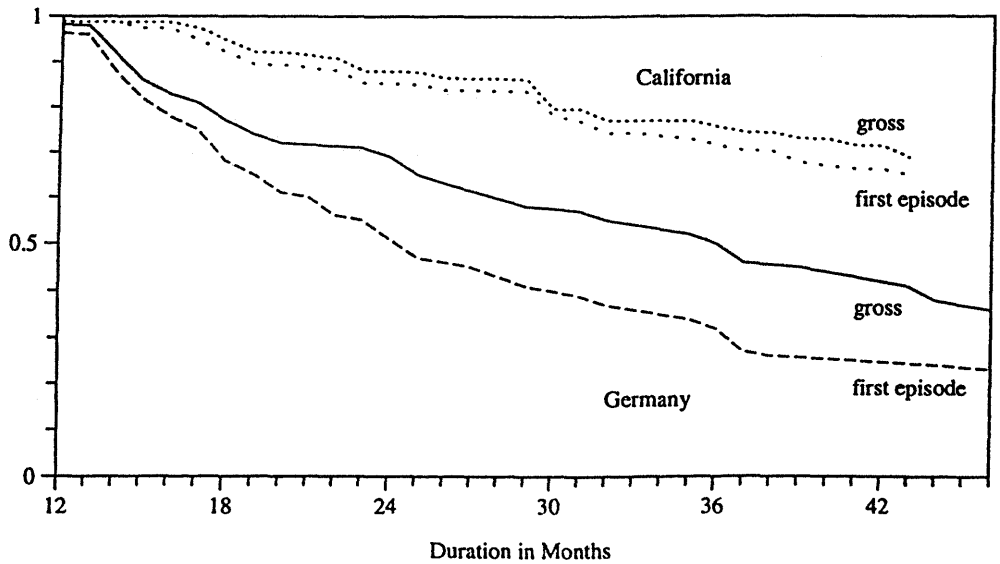
Note: [a] Duration from the beginning of the first to the end of the last observed spell.
Source: LSA and CWPDP, own calculations.

Nearly one third of the German households overcame their dependency permanently in their second year compared with only one tenth of all Californian families. More than three quarters of the Californians stay on the rolls for more than 3 years, but only about half of the German households did so.

The median of the gross duration on Social Assistance amounts to 43 months in Bremen and only 29 months in Halle,[22] while less than half of the Californian households under study overcame their dependency within the observation window of 46 month.

Most California households under study have one continuous spell of claiming social assistance. Thus, their net duration on Social Assistance, the cumulative time they spend on Social Assistance over all episodes minus all interruptions, is only insignificantly shorter than their gross duration, the total time from first receipt to the end of the last episode observed. While only 8 percent of California households have more than one spell, one quarter of the Germans do. Thus 25 percent of the German claiming households leave Social Assistance but return within the observation period. As a

Figure 2: Duration of Social Assistance Episodes in Germany and California (product-limit survivor functions)



Source: LSA and CWPDP, own calculations.

[22] If we exclude all cases, in which the claimant only 'waits' for social security benefits, the median rises to 37.5 months for Bremen and 30 months for Halle.

consequence net duration is substantially shorter than gross duration in Germany. The median net duration is 36 months for Bremen and 27 months for Halle, whereas the corresponding figure is 46 for Alameda as well as Los Angeles County.

Figure 2 shows the product-limit survivor functions for Germany and California, both, for gross duration as for the first episode only. The figure shows that as time goes by markedly fewer households stay on Social Assistance in Germany compared with California. The figure reveals also that there is only a small difference between the overall duration and the duration of the initial episode in California, whereas the difference is quite visible in Germany.

How can we explain those differences? Do special socio-demographic characteristics of the observed subpopulations and thus a certain *selectivity* of the different welfare systems account for the differences in Social Assistance dynamics?

There are no significant differences in how types of households (lone vs. unemployed parent) are distributed among the four cities (cf. *Table 4* below). But there are differences in the homogeneity of the populations: the Californian population is more heterogeneous than the German one.

In Alameda County the sample spreads more or less equally over African-, Mexican-, White- and Asian-Americans (in this descending order). In Los Angeles County nearly two thirds of the observed group are of Mexican-American origin. The Halle sample consists – apart from one case – of native Germans only, one third of the Bremen sample is of foreign origin. The latter consist more often of a couple with an unemployed parent. The same is true for Mexican-Americans in California.

With respect to the number of children per household there are stronger inter-country than intra-city similarities: Bremen is more similar to Alameda County than to Halle and Halle is more similar to Los Angeles County than to Bremen. The youngest child in the household is oldest in Halle (median of 3 years and a mean age of 3.4 years) and youngest in Los Angeles County (median of 1 year and a mean age of 3.5 years). Just because of this demographic difference it should be easier for households in Halle than in Los Angeles to stop claiming Social Assistance.[23]

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[23] This demographic difference seems still consistent with the results of Duncan & Voges (1993) based on 1983-86 data. 80% of their PSID sample had a child under the age of 4 in the household, whereas this held for only one third of the Bremen sample.

Table 4: Household Characteristics in the Initial Month of Receipt

	Bremen	Halle	Alameda County	Los Angeles County
Type of household				
lone (pregnant) parent	78.7%	79.5%	92.9%	71.9%
couple with child(ren)	19.7	15.4	7.1	21.9
others	1.6	5.1	0.0	6.2
National/ethnic background				
German	65.6	97.4		
Eastern-Europe	18.0			
Non-European	13.1			
African-American			7.6	12.5
Mexican-American			23.1	65.6
Asian-American			38.5	7.8
White-American			30.8	12.5
others	3.3	2.6	0.0	1.6
Number of children				
up to 1	68.9	35.9	61.5	43.8
2	21.3	30.8	30.8	29.7
3 or more	9.8	33.3	7.7	26.5
Age of youngest child				
less than one year	29.6	25.7	38.5	45.4
1 – 2 years	14.8	7.7	7.7	6.2
2 – 3 years	8.2	7.7	0.0	3.1
3 – 6 years	18.0	35.9	46.1	21.9
6 – 16 years	24.6	23.0	7.7	23.4
16 – 18 years	4.8	0.0	0.0	0.0
Immigration status				
resident citizen	49.2	97.4	more	42.4
immigrant of German origin	27.9	0.0	than 2/3	0.0
legalized foreigner	14.8	2.6	missings	32.2
not legalized foreigner/parolee	8.2	0.0		25.4
Qualificational status				
in school or training	7.3	7.7	15.4	14.8
no training/high school degree	29.1	7.7	46.2	54.1
completed training/high school	52.7	84.6	38.4	29.5
college degree	10.9	0.0	0.0	1.6
Employment status				
full-time	0.0	21.1	23.0	9.8
part-time or casual	4.9	0.0	0.0	11.8
unemployed	44.2	55.3	30.8	29.4
out of labor force (family)	36.1	18.4	23.1	23.5
out of labor force (other)	14.8	5.3	23.1	25.5

Source: LSA and CWPDP, own calculations.

While in California every household included a child under 14, eight percent of the German households did not. Since becoming 18 is the age limit for Social Assistance eligibility German households claiming these benefits will loose one eligible member within the observation window of 46 months: this shrinking of the household decreases the amount of benefits owed and may end eligibility of the household for Social Assistance alltogether. Nearly half of the population observed are resident citizens in Bremen and in Los Angeles County. In Halle this is true for almost everybody in the sample.

The two countries differ in the qualification of the head of household. More than 60 percent of the Bremen and more than 80 percent of the Halle adults completed at least a high school degree (10 percent in Bremen even hold a college degree). In Los Angeles and Alameda County this holds only for 30 to 40 percent of the households. None of the unqualified claimants could end their receipt in the 46 months observation period in either country – except one case in Halle.

Another obvious difference concerns the employment status of the head of household. Only five percent of the Bremen parents are part-time or casually employed. More than 20 percent of the California adults are employees, most of them full-time. The same is true for Halle. Here the general wage level was about 30 percent lower than in West Germany. Mainly due to the small case numbers there is no significant correlation between employment status and educational qualification in any of the cities.

Nearly all Californians, who stopped claiming Social Assistance, increased their earnings or found a job. The same was true for only 35 percent of German claimants. In Bremen 15 percent and even 45 percent in Halle left to move on to social security programs.[24] There is a validity problem regarding this variable though, since we lack information in 40 percent of the German and 20 percent of the California cases.

We summarize our description by stressing four findings: Californians do receive Social Assistance benefits longer and more continuously than Germans. Partly this may be explained by demographic differences in the age of the youngest household member: Children receiving Social Assistance in California are on average younger than in Germany, which tends to prolong dependency spells. But more can be explained by two other factors: firstly, the qualification of the head of household is much better in Germany than in

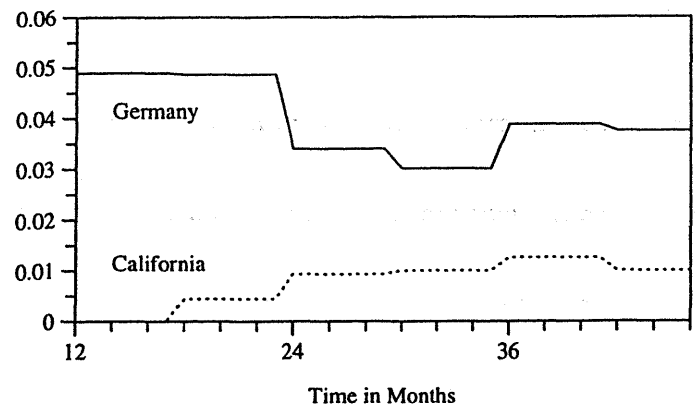
[24] Five women left Social Assistance to live with a new partner, four in Bremen and one in L.A.

California; secondly, the employment status of the main breadwinner is different: many more Californians already participate in the work force even full-time while claiming Social Assistance; thus Californians cannot overcome dependency by getting a job or by increasing their earned income substantially.

Let us now focus on the different time effects of Social Assistance receipt in both countries and the effects of some possible covariates.

Corresponding to the different survivor functions of the two national samples (see p. 20) the transition rate for the German sample is much higher during the whole time period. Furthermore, we discover a typical time effect for both countries (see *Figure 3*).[25]

Figure 3: Transitions out of Social Assistance
(piecewise constant exponential rates for the initial episode)



Source: LSA and CWPDP, own calculations.

In Germany the rate drops after the second year of Social Assistance receipt approximately by one third and rises in the fourth year again reaching nearly four fifths of the rate in the second year. In California the rate increases constantly: It builds up from the lowest level in the second year (with no events in the first half of it), increases 4.4 times by the third year and another 19 percent in the fourth year. This means for Californians though on a very low level: the longer people stay on Social Assistance the more likely it is that they will leave. The tendency in Germany is antithetical: those who leave, depart rather early.

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[25] These results hold whether we choose a six or twelve month time period interval within a pice-wise constant exponential modeling approach. To limit the number of covariates, we can therefore rely on a twelve month interval for further modeling.

Table 5: Transitions out of Social Assistance (initial episode)

Variables	Germany	California
Time on Social Assistance		
0 – 1 year	-16.61	-18.55
1 – 2 years	-3.68***	-6.75***
2 – 3 years	-3.84***	-5.23***
more than 3 years	-3.43***	-4.98***
Location		
Bremen/L.A. County		
Halle/Alameda County	0.51*	0.91***
Ethnic background		
White-American		
African-American		1.28**
Asian-American		-0.71
Mexican-American		0.60
Employment status		
Unemployed		
Full-time employed	-0.31	
Part-time employed	1.90***	
Casualy employed	0.89	
Out of the labour force:		
- family reasons	-0.87***	
- in training	0.58*	
- other reasons	-1.57**	
Cause of claim		
Pregnancy/child birth		
Insufficient benefits	0.81	
Separation	1.09***	
Unemployment	0.47	
Immigration	0.99**	
Other causes	0.29	
Number of all episodes	67	190
Episodes with transition	*49*	*43*

Notes: Piecewise constant exponential model for the rate of transitions based on a balanced sample (listwise elimination of missing data). *** significant at the .01 level, ** significant at the .05 level, * significant at the .10 level.

Source: LSA and CWPDP, own calculations.

As the last step of our analysis we ask: Do possible covariates influence the transition rates and if so, how do they do it? *Table 5* shows that the time effects we found remain significant in the multi-variate model.

Regional disparities are significant for both countries, though in Germany at a rather low level. In Germany the probability to stop claiming Social Assistance is two thirds higher for citizens of Halle compared to those of Bremen. In Alameda County it is 1.5 times higher than in Los Angeles County.

Claimants of Black-American origin are two and a half times more likely to leave Social Assistance than White-Americans (5 of 9 black households leave Social Assistance within 46 month; their median duration of claiming Social Assistance amounts to 43 months). Asian- and Mexican-Americans do not differ significantly from the white population.

In Germany persons who are part-time employed leave Social Assistance more easily than the unemployed. Compared to the latter it is even harder to leave for those, who are out of the labor force for family or other reasons. For those being out of the labor force due to family obligations the transition rate to non-receipt is 58 percent lower than the rate for unemployed claimants.

Furthermore it is easier to leave Social Assistance for those persons in Germany who became dependent due to a separation or immigration than for those who had to apply for Social Assistance due to a pregnancy or the birth of a child. Separated women leave Social Assistance nearly two times faster than do recent mothers, though there is no single effect of the age of the youngest child in the household. More than one third of the claimants who entered Social Assistance due to immigration leave it by increasing their income or finding a (new) job.[26]

To test our complex time-dependent model we calculate a conventional binary logistic regression for the probability to stop claiming Social Assistance at all within the standardized observation window of 46 moths (see *Table 6*).

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[26] The following variables were not significant in both countries: 'type of household', 'age of head of household', 'number of children in the household', 'age of youngest child' and 'kind of training'. The 'national background' (German, legal immigrant, foreigner, refugee) was insignificant for the German and all others including the 'control vs. experimental status' for the California sample.

Table 6: Conditioning Factors for Leaving Social Assistance within 46 Months after the First Entry

Variables	Germany	California
Intercept	-1.38***	-3.15***
Location		
Bremen/L.A. County		
Halle/Alameda County	1.37**	
Kind of training		
Completed or in training		
No training	-0.96**	
Ethnic background		
White-American		
African-American		1.86**
Asian-American		0.28
Mexican-American		0.45
Cause of claim		
Pregnancy/child birth		
Insufficient benefits	0.47	
Separation	1.74***	1.27
Unemployment	2.17***	1.83*
Immigration	2.69***	0.70
Other causes	2.75***	-12.51
Number of all episodes	67	190
Episodes with transition	*49*	*43*

Notes: Binary logistic regression based on a balanced sample (listwise elimination of missing data). *** significant at the .01 level, ** significant at the .05 level, * significant at the .10 level.

Source: LSA and CWPDP, own calculations.

This less sophisticated but more robust model shows a stronger regional effect for Germany but none for California. Furthermore, it shows a comparable effect of ethnic background for California and an educational effect for Germany. In Germany it is significantly less probable that someone leaves Social Assistance without completed training than with a degree or being in training. There are no effects of employment status for both countries, but there is a slightly notable (positive) effect of unemployment as a cause of claiming Social Assistance.[27]

[27] The following variables were not significant in both countries: 'type of household', 'age of head of household', 'number of children in the household', 'age of youngest child'

Discussion

What explains the differences in the dynamics of family poverty in Germany and California? Three factors come to mind: differences in national labor markets, divergent program selectivity and the non-universal design of the American welfare system (where leaving Social Assistance may involve disadvantages like the loss of health insurance).

Concerning local labor markets we do not find higher unemployment rates in California as we would expect them knowing that Social Assistance spells are longer in the two observed counties. According to *Table 7* the unemployment rates were significantly higher in the two German cities than in the Calfornian counties. In Germany unemployment rates fell from the second to the third year of observation, though, while they rose slightly in California, but decreased even more significantly from the third to the fourth year. This might explain the small increase in the Californian transition rate in the last year of observation.

Table 7: Unemployment Rates in Germany and California in Percent

Year	Germany			California		
	nation-wide	Bremen	Halle	state-wide	Alameda County	Los Angeles County
1989	7.9[a]	*(1)* 14.1				
1990	7.2[a]	*(2)* 13.1				
1991	7.3	*(3)* 10.0	*(1)* 9.7	7.7	*(1)* 5.3	*(1)* 8.2
1992	8.5	*(4)* 10.0	*(2)* 13.3	9.1	*(2)* 6.5	*(2)* 9.6
1993	9.8		*(3)* 13.7	9.4	*(3)* 6.6	*(3)* 9.8
1994	10.6		*(4)* 13.5	8.6	*(4)* 6.1	*(4)* 9.4

Notes: Consecutive year of observation in brackets; *a* 'old states' only.
Source: Statistisches Bundesamt; California Statistical Abstracts.

The German labor market generally suffered from high unemployment even before unification. The U.S. labor market, on the other hand, was characterized by rather low official unemployment rates and new jobs were created in massive amounts mostly in the service sector. Weaker institutional restrictions governing the employment contract in the U.S. (concerning the level of minimum wages and protection against dismissal), though, have led to a rising number of low-skilled, low-wage and insecure jobs. Thus, poor par-

and 'employment status'. So was the 'national background' (German, legal immigrant, foreigner, refugee) for the German and all others including the 'control vs. experimental status' for the Californian sample.

ents are placed in different employment landscapes in each country. Both countries share the conflict between family obligations and employment demands. Germans face a severe problem of unemployment, Californians find employment more easily, but such success will often involve marginal, unstable and low-wage jobs with minimal benefits, i.e. remaining among the 'working poor'.

Table 8 shows such different income dynamics for Germany and the U.S.: Germans stay unemployed longer than Americans. But *if* they find work, Germans scatter across several segments of income distribution: only 6.3 percent in the West and 4.4 percent in the East transit from unemployment to a low wage job. In contrast, U.S. exits from unemployment are mainly focussed on the working poor: 43.9 percent change from unemployment to the lowest income category and, comparatively speaking, barely reach higher categories.[28] Thus, *if* one finds a job it is easier to end Social Assistance dependency and to escape poverty through employment in Germany than it is in the U.S.

Table 8: Transitions out of Unemployment and Low Wage Jobs, 1991 to 1992

		Destination						
		1	2	3	4	5	6	7
	Origin	(un-empl.)	(low wage)		- income brackets[a] -			
West Germany	unemployed	*61.5*	**6.3**	5.1	8.2	12.4	2.5	3.8
	low wage	5.8	*61.8*	11.1	3.6	9.1	4.6	3.9
East Germany	unemployed	*54.6*	**4.4**	9.3	18.0	5.9	3.3	4.4
	low wage	32.0	*28.0*	22.9	12.9	2.4	0.0	1.8
USA[b]	unemployed	*29.0*	**43.9**	14.0	7.4	3.4	2.2	0.1
	low wage	8.3	*67.8*	16.8	3.7	2.0	0.9	0.7

Notes: [a] Income brackets are based on relative income positions (RIP), defined as the ratio of absolute individual income and the population mean per year. Bracket 1 is set as 0 or 'no income', bracket 2 as RIP $<$ .05. All other brackets ascend from 0.5 in steps of .25 to bracket 7 for any RIP $\geq$ 1.5; [b] 1990 to 1991.

Source: GSOEP, PSID; calculations by Holger FABIG (1999a).

[28] This effect dominates in a one-year and in a two-year perspective (FABIG 1999a,b).

'Education barriers' in labor markets are also quite different since training on the job (U.S.) sucks in unqualified work more easily than does a labor market which relies on externally acquired standard certification of average qualifications (Germany). This contrast is likely to strongly affect 'poverty landscapes' and might explain as well, why we only found a negative effect of not being (formally) trained in Germany.

Education in Germany is highly institutionalized for all groups of the population. Thus, lower class Germans are generally better educated than their Californian counterparts. "Some 80 percent of German youth attain either a vocational training certificate or a university degree, and 19 of the remaining 20 percent receive some type of formal post-secondary education or training. By contrast, around 31 percent of U.S. school leavers receive no other formal training or education after leaving school, and 46 percent gain neither a certificate nor a degree" (NICKELL 1998: 316).[29]

Another effect of labor market differences is that low income families in Germany may still save money, since the employed generally enjoy higher standards of income, while this is usually impossible for low income families in California. If a sudden loss of income occurs, Germans regularly dispose of some assets which buffer them vis-à-vis dependency or may even allow them to avoid dependency alltogether. This option of temporal self-reliance cannot be developed in a society which relies in parts on a low wage economy and where low wages are consistently below the poverty line. This might also explain why – at the first time of entry into Social Assistance – the youngest child in German households is significantly older than it is in Californian families. As a result Californian families start earlier into and therefore stay longer on Social Assistance as they never knew "years of plenty" in which they could accumulate some resources.

The differences in the observed patterns of Social Assistance receipt could also be explained by selection effects: Other people may 'end up' on Social Assistance in each country. In Germany a mostly compulsory unemployment insurance system is at work (with broader coverage, higher replacement rates, and longer benefit duration than in the U.S.; see SCHMID et al. 1992); also, as mentioned above, there is a relatively generous and extensive child benefit system. Therefore, the people supported by the 'last net' are the less qualified, the less motivated and the less successful in the German labor market. Such a strong 'negative selection' should not obtain in California, since the welfare state in general did not absorb so many risks

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[29] See also NICKELL 1996 and NICKELL/LAYARD 1998.

beforehand. But, this hypothesis is not supported by our empirical findings. Rather, it seems to be the other way around: The better the general welfare state, the more risks it absorbs, the better those people perform who are not protected by the system and have to rely on Social Assistance. The rising welfare state tide seems to lift all boats alike, be they yachts or row boats – a finding, which is in stark contrast to neoliberal expectations and the U.S. experience.

Finally, a major reason for the more continuous Social Assistance receipt of Californians may be the loss of *Medicaid* benefits when one leaves AFDC. Even though the 1988 welfare reform did allow AFDC claimants who took up work to continue receiving subsidized child care and *Medicaid* for one year (*Transitional Medicaid Assistance*, TMA)[30], the general coupling of receiving cash aid and *Medicaid* eligibility still functions as a work disincentive in the American system. Since German health insurance is de facto universal, we do not find similar disincentives or 'notches' there. As a result claiming Social Assistance is more frequently interrupted in Germany since leaving Social Assistance involves no risk but rather grants a chance. Such interruptions do not only decrease net durations and public spending in Germany compared with the U.S. These interruptions also demonstrate: Exits are possible and more likely in a non-punitive system – even if low income parents are not driven into the labor market by inadequate state benefits or time limits and even if health services are adaequate for everybody. Thus the German system seems to be at odds with neoliberal expectations: Overall a generous welfare state does not necessarily decrease work effort, especially if at the same time capabilities are cultivated universally in the education and labor market system.

Conclusion

The dynamics of family poverty varies according to how heterogeneous welfare programs and claimants are. These dynamics cannot be understood without paying attention to the central role of parental employment and welfare state benefits. Full-time employment of two parents outside the low-wage sector could reduce poverty significantly. Thus we need (a) average qualifications and access to normal jobs for (b) two parents in a family to have a real ladder out of poverty. Both requirements have become more and more unlikely in modern societies. On the one hand good jobs with extensive benefits often require post-high school education, and family formation

[30] This streching of *Medicaid* was continued by the new *TANF* program in 1996.

is postponed until a person's occupational career is well underway. On the other hand the number of young single parents is continuously rising in the U.S. and in Europe. The increase in family poverty thus is not due to lazy underclass parents, but to substantial changes in economy and demography. This increase does not signify personal flaws of the poor but is a product of more general societal malaises. Social policy and welfare society are challenged and structural reforms are called for, if poverty of families is to be contained in Germany and the U.S.

First, the state should recognize the contribution which rearing a child makes to society by granting adequate, cost-covering support. But one could also think of a "generic model of antipoverty policy for children" (cf. SMEEDING/DANZINGER/RAINWATER 1997). It would begin with increasing child allowances in whatever form: family allowances, refundable tax credits, and other types of subsidies. Also workplace flexibility needs more support, for example through employment policy, parental leave for caring for sick children, availability of affordable child care and so on. Finally, conditions of work and minimum wages in the low-income sector need to be improved considerably.

Even though the U.S. is characterized by relatively low unemployment rates, it has the highest child poverty rate among OECD economies. We observed less dynamics in longer-term Social Assistance receipt of families with children and thus longer net durations of dependency and longer stretches of public payments in the U.S. Higher spending for general social security in Germany seems to pay off in the short, middle and long run. Such spending levels do not only reduce poverty but also diminish the general need for extended welfare payments.

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Appendix

Sources of Information for the California County Cases

The LSA contains detailed information on different aspects of the claimants' situation taken from administrative data. It provides information on demographic indicators, the claiming unit, its housing context and employment situation at the beginning of each Social Assistance spell. In the CWPDP files, however, administrative information is much more sparse and basically restricted to demographics. Information on other aspects of the claimants' living conditions has been collected from an accompanying extensive, two-wave panel survey.

For our analysis we gathered all the information present in the LSA from the CWPDP study, making use of both CWPDP's administrative and survey data. In combining both information sources, priority was given to the content of administrative records, especially regarding information on dates. We had to rely on survey data regarding most aspects of living conditions and employment situations. With respect to demographic information, both sources were used to check and validate the information contained in our dataset.

From both sources of information, a comparative description of Social Assistance careers, spells and their duration could be assembled. In the LSA files, covariates refer to the Social Assistance claimant at the beginning of each Social Assistance spell. We imposed the same structure on the CWPDP data. This transformation led to a identical time-dependent measurement of relevant variables within the administrative CWPDP data. The CWPDP panel surveys, however, were conducted at fixed points in time in 1993/94 and 1995/96, independent of the claimants' AFDC state. As no survey could be carried out at the point of Social Assistance entry, it is impossible to provide measurement of CWPDP covariates at the very beginning of a Social Assistance spell – except in very rare circumstances. The information of the CWPDP surveys has to be attributed to different Social Assistance spells, thus introducing assumptions about the stability of the respondent's situation and characteristics.

In general, the different concepts measured in the CWPDP survey were treated according to three broad strategies: Firstly, we conceived the majority of covariate variables as fairly stable characteristics where an attribution is feasible even over a longer time period. Under this heading fell concepts like qualification background and household composition. Secondly, we regarded variables like employment status as specific to the time of the

survey interview, which we did not attribute across poverty episodes. Finally, there are some directly time-dependent variables – like age of head of household or age of youngest child and the number of children – which we corrected and dated back to the situation pertaining at Social Assistance entry in the individual spell.

Attribution rules used with CWPDP survey data

Survey interview location	**Attribution rule adopted**	**Attributed information**
Ongoing welfare spell	Direct attribution	All available; correction for direct time-related information
After leaving welfare	Backwarding information	Available except from employment status; correction for direct time-related information
Before beginning new spell	Forwarding information	Available except from employment status; correction for direct time-related information