Dynamics of the Intergenerational Transmission of Welfare Receipt in the United States

John V. Pepper
University of Wisconsin at Madison

ABSTRACT: Using data from the Panel Study of Income Dynamics, this article expands upon earlier empirical efforts to understand intergenerational welfare participation in the United States. Empirical studies have suggested that growing up in a household that receives Aid to Families with Dependent Children (AFDC) increases the probability that a child will receive AFDC, although little insight exists on the dynamics of this relationship. In particular, no one has formally examined how the time a daughter spends on AFDC varies from the time her parents receive welfare. By observing the behavior of parents and their daughters for five years, this study examines the length of participation in AFDC across generations. The results imply that growing up in a household that receives AFDC increases the amount of time that a daughter will also receive aid, although the time a daughter receives AFDC is not affected by the length of time parents receive AFDC.

KEY WORDS: Aid to Families with Dependent Children, intergenerational welfare, Panel Study of Income Dynamics.

Introduction

Literature on the intergenerational transmission of welfare receipt in the United States, focusing on the Aid to Families with Dependent Children (AFDC) program, has generally concluded that growing up in a household that receives AFDC substantially increases the probability that a child will receive AFDC (Moffitt, 1992). Little insight, however, exists on the dynamics of this relationship. In particular, no one has formally examined how the amount of time a
daughter spends on AFDC relates to the length of time her parents receive welfare.¹

The distinction between participation and length of participation has important policy implications. Political and academic attention focuses on dependence rather than participation. Furthermore, any counteracting reform benefits from this distinction. As Antel (1992) suggests, "If only long-term exposure implies intergenerational transfer, then any counteracting policy need only be directed at young women from chronic welfare homes" (p. 473).

Using intergenerational data from the Panel Study of Income Dynamics (PSID), this article updates and expands upon earlier efforts to understand welfare participation in the United States. In particular, the relationship between a daughter's participation in AFDC from 1984 through 1988 to her family's participation when she was aged 12 to 16 is explored. By observing the behavior of parents and their daughters over several years, this study is the first to examine the length of participation in AFDC across generations rather than simply participation per se.

**Literature Review**

Empirical studies of intergenerational welfare participation have estimated how much impact growing up in a "welfare" household has on the probability that a daughter will receive AFDC. Duncan, Hill, and Hoffman (1988), for example, using simple cross-tabulations, found that nearly 40% of daughters growing up in AFDC households received aid as young adults, whereas only 9% of daughters growing up in non-AFDC households received aid.

These findings have been confirmed by studies using more precise statistical techniques to control for family background characteristics (Moffitt, 1992). For example, An, Haveman, and Wolfe (1993), Gottschalk (1992), and McLanahan (1988) all showed that the positive intergenerational correlation in welfare participation is distinct from the transmission of poverty across generations.² By distinguishing between households that were and were not eligible for AFDC,³ Gottschalk (1992) found that daughters growing up in AFDC households were more likely to receive welfare than children growing up in households that were eligible but did not collect AFDC. Gottschalk (1992) concluded that "the pure participation effect raises the probability that the daughter had a child and received AFDC at age 18 by