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THE DESERVING AND THE NON-DESERVING POOR

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The terms deserving and non-deserving poor refer to Sar Levitan's observation that the elderly, blind and disabled (SSI recipients) are considered to be more deserving of income transfers than female householders and their children (AFDC recipients).

In this study, I investigate the variation in SSI and AFDC levels by states, and identify states which are generous toward SSI recipients but are not generous toward AFDC recipients, where generous is defined as a state paying a transfer payment which is greater than that state's predicted level, based on multiple regression.

States vary greatly in the amount they spend on transfer payments to the poor. For example, monthly AFDC payments per family in 1980 ranged from $87 in Mississippi to $400 in Rhode Island.

The variation in transfer payments can be attributed to three factors: differences among states in income levels, the extent of poverty, and preferences (liberal or conservative political attitudes). First, states differ in per capita income levels; higher income states would be expected to transfer more dollars to the poor due to greater ability to transfer. Second, states differ in the percentage of their population below the poverty line; those with a higher percentage of poverty are expected to transfer less to each recipient because of the greater need for transfers. Third, states differ in preferences or attitudes, ranging from liberal-generous to conservative - less generous.

Additional factors which may influence the level of transfer payments are level of state taxes, percent of the states' population age 65 or over, percent of the state which is rural, percent of the states' residents who voted Democratic (using the 1980 Senate election). Tax variation by states reflects variation in both ability and willingness to pay taxes. Variation in percent elderly, rural, and Democratic may account for some of the variation in states' preferences for transfers.

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Previous studies of state variation in transfers to the poor are by Albin and Stein, Wohlenberg, and Winegarden. Albin and Stein, and Wohlenberg favor a reduction in interstate variation in welfare payments. Albin and Stein (1971) assert that welfare payments vary by state depending on need, ability to pay, and political and social attitudes. Their dependent variable is the ratio of effort to need, where effort is measured as state and local expenditure, and need is the dollar amount which will bring the poor up to the poverty line; their data were for 1960. They found that two significant determinants of the ratio of effort to need were ability to pay, measured by per capita tax receipts and percent in non-agricultural employment, while judgemental ratings of political conservatism were not significant. They concluded that ending state variation would reduce the incentive to migrate from less liberal to more liberal areas.

Winegarden (1976) predicted the number receiving AFDC per 1,000 population, and found the insured unemployment rate, the number of children in female headed households, and the existence of unemployment compensation for AFDC family members were significant determinants, while the amount of AFDC benefit was not significant. The amount of AFDC benefit depended significantly on per capita income and the number receiving AFDC per 1,000 population. He concludes that raising AFDC benefits will not necessarily result in more people receiving AFDC.

Wohlenberg (1976) found cost of living differences do not explain the tremendous interstate variation in AFDC benefits, based on 1969 - 1972 data. He proposes a federal standard minimum benefit level for states, with greater reliance on federal funding, and with benefits allowed to vary with interstate cost of living differences.

Model and Data

Ordinary least squares multiple regression is used to predict level of Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI) in two separate regressions using as predictors average income per capita and percentage of the state's population below the poverty line in 1980 for the 50 states and the District of Columbia. AFDC is measured as average monthly payment per family in February 1980, while SSI is measured as average monthly payment per recipient in June 1980.

AFDC payments per family vary by state; they are financed five-ninths by the federal government, one third by state government, and one ninth by local government. SSI is financed mainly by the federal government, although states may supplement the federal contribution. There is much more variation among the states in AFDC payments than in SSI payments.

The unexplained residual between actual transfer and predicted transfer is used as a measure of preference (or attitude). Two measures of preference are used: actual transfer divided by predicted transfer and percent variation in actual transfer attributed to the residual.

Those states with transfers greater than predicted are labelled as states with strong preferences for transfers, or as liberal or generous states, while states with transfers less than predicted have weak preferences or are conservative or less generous.

Variation in actual transfers among states is decomposed into that due to differences in poverty, income level, and residual. The method used is to find the absolute value of three terms: 1) The state's percent poor multiplied by the regression coefficient for poverty; 2) The state's average per capita income level multiplied by the regression coefficient for income; 3) The state's residual term, actual transfer minus predicted transfer. Each term, divided by the sum of the three terms, is the percent of variation in transfers attributable to poverty, income, and residual (preference) respectively.

Empirical Results

Multiple regression coefficients with t values in parentheses are shown in Table 1, columns 1 and 2 for the first two models where transfers are a function of poverty rate and average income per capita. Average income per capita is significantly positively related to both types of transfer payments; states with greater ability pay higher transfers. Percent of population below the poverty line is significantly negatively related to AFDC transfers while it is (not significantly) positively related to SSI transfers. States with greater need for AFDC transfers pay less per recipient. The poverty and income variables explain 51 percent of the variation in AFDC transfers among states, and 22 percent of the variation in SSI transfers among states.

A second model was fitted where transfers are a function of poverty rate, average income per capita, tax rate, percent Democratic, percent elderly, and percent rural. These estimates are reported in columns 3 and 4 of Table 1. Multicollinearity, revealed by high correction coefficients among several of the variables (shown in Table 2), resulted in very few significant coefficients in the expanded model. Therefore, further results in Tables 3, 4 and 5 are based on the first model above.

In Table 3 and 4 the states are arranged by census regions. Column 1 shows the average monthly AFDC payment per family. Column 2 is the ratio of the actual to the multiple regression prediction of AFDC payments. Mississippi, with a ratio of 1.730, has the most generous policy, while Texas, with a ratio of .488, has the least generous policy.

Columns 3, 4 and 5 show the percent of variation in actual AFDC payments due to poverty, income and the residual. Looking at Mississippi again, the low AFDC payments are explained 66 percent by poverty, 26 percent by income level, and 8 percent by a positive residual, which is used as a measure of taste or preference. Texas also has low AFDC payments, but in this case they are explained by a strong negative preference for transfers, the -24 percent residual, rather than by poverty or income levels. Some generalizations are possible, such as that the Pacific and New England regions tend to be liberal-generous, while the South Atlantic tends to be conservative-less generous.

Table 4 repeats this analysis for SSI payments. The variation among states in SSI payments is considerably less than their variation in AFDC payments. While AFDC ranged from $87 to $400, SSI ranges from $100 to $212. California is at one end of the spectrum, paying $212 in SSI, 48.6 percent above the predicted amount, explained 36 percent by the residual, which is a strong preference for transfers to the elderly, blind and disabled. At the opposite end of the spectrum is Wyoming, with a payment of $103, which is only 75 percent of the predicted amount.

Twenty-two percent of the variation between actual and predicted SSI is due to the residual, a negative preference for transfers by Wyoming.

Table 5 shows 26 states which are more liberal and generous towards SSI recipients than they are towards AFDC recipients. Reasons why the aged, blind, and disabled are considered to be more "deserving" of aid than AFDC recipients, and consequently receive higher benefits, are because it is believed that AFDC recipients are able to work, or to punish the AFDC mothers for illegitimate births and the fathers for desertion. Note that in this study SSI benefits are per recipient, while AFDC benefits are per family.

The state with the most dramatic difference in its treatment of the two types of transfer recipients is Arizona. The concept of preference gap is defined as the SSI residual minus the AFDC residual. For Arizona it is 32.99 (14.70 - -18.29). Other states with large preference gaps are Nevada, Maryland, California, West Virginia, South Carolina, and Florida. States which are more generous to SSI recipients than to AFDC recipients are concentrated in the South Atlantic region, while states with the opposite preferences are in the West North Central and the West South Central regions.

Conclusions

Large variations in transfers by states were found, more so for AFDC than for SSI. Twenty six states were identified which are more generous to SSI recipients than to AFDC recipients, 8 of which are in the South Atlantic region.

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Table 1

OLS Multiple Regression Prediction of State Transfer Payments

	SSI	AFDC	SSI	AFDC
	β	β	β	β
Poverty	1.42	-12.44	.72	-13.36
	(1.49)	(4.25)	(.71)	(4.20)
Income	.0098	.018	.004	.011
	(3.92)	(2.30)	(1.00)	(.87)
Tax			.007	.04
			(.76)	(1.42)
Democratic			.22	.14
			(.88)	(.18)
Elderly			.66	9.07
			(.43)	(1.87)
Rural			-.53	-.41
			(1.97)	(.48)
Constant	19.03	238.67	77.49	196.24
R^2 adjusted	.22	.51	.26	.51
Sample size	51	51	51	51

Note: t values in parentheses.

Table 2

Simple Correlation Coefficients

	SSI	AFDC	Income	Rural	Tax
Poverty	-.13	-.69	Rural -.65	Democratic -.37	Elderly -.59
Income	.47	.59	Poverty -.59		
Rural	-.54	-.35	Tax .48		
Tax	.20	.26			
Democratic	.27	-.08			
Elderly	-.10	-.01			

Table 3

Aid to Families with Dependent Children

Region/State	Amount	Ratio	Poverty	Income	Residual
New England					
Connecticut	344	1.018	33.26	64.84	1.90
Maine	234	1.071	50.35	44.76	4.89
Massachusetts	329	1.112	36.15	54.04	9.81
New Hampshire	266	.911	36.25	55.05	-8.71
Rhode Island	400	1.441	30.47	40.43	29.10
Vermont	328	1.394	37.78	37.53	24.69
Middle Atlantic					
New Jersey	300	.964	36.72	59.84	-3.43
New York	370	1.481	35.85	38.85	25.29
Pennsylvania	297	1.080	40.51	52.66	6.83
South Atlantic					
Delaware	227	.830	38.89	48.88	-12.23
District of Columbia	254	1.173	48.06	44.29	7.65
Florida	175	.741	42.03	42.09	-15.88
Georgia	124	.699	50.65	36.08	-13.28
Maryland	215	.715	31.02	47.42	-21.56
North Carolina	164	.839	51.34	39.79	-8.87
South Carolina	101	.596	49.82	32.94	-17.23
Virginia	205	.783	38.78	45.83	-15.39
West Virginia	181	.922	53.67	41.78	-4.55
East North Central					
Illinois	275	.976	42.18	55.83	-1.99
Indiana	201	.731	34.19	45.10	-20.71
Michigan	373	1.349	33.39	43.31	23.30
Ohio	250	.907	40.02	52.18	-7.80
Wisconsin	350	1.173	32.47	51.66	15.87
East South Central					
Alabama	111	.747	56.38	34.13	-9.49
Kentucky	168	1.163	58.77	35.18	6.04
Mississippi	87	1.730	66.27	25.75	7.98
Tennessee	114	.696	52.84	34.72	-12.44
West North Central					
Iowa	303	1.055	38.84	55.95	5.21
Kansas	264	.915	38.34	54.29	-7.37
Minnesota	321	1.088	36.53	55.27	8.20
Missouri	208	.855	43.92	46.03	-10.06
Nebraska	262	.953	41.61	54.21	-4.18
North Dakota	269	1.149	45.30	44.79	9.90
South Dakota	211	1.195	53.37	37.44	9.20
West South Central					
Arkansas	143	1.062	62.56	35.18	2.25
Louisiana	140	.914	58.70	38.01	-3.29
Oklahoma	250	1.066	47.95	47.56	4.49
Texas	109	.488	39.14	36.53	-24.33
Mountain					
Arizona	170	.709	40.33	41.38	-18.29
Colorado	240	.830	35.59	50.62	-13.79
Idaho	262	1.174	46.22	42.43	11.35
Montana	224	.952	48.31	48.11	-3.58
Nevada	200	.620	25.08	45.80	-29.11
New Mexico	171	1.063	58.87	38.39	2.74
Utah	294	1.220	41.09	42.51	16.40
Wyoming	263	.792	27.29	53.79	-18.91
Pacific					
Alaska	322	.949	33.67	61.69	-4.64
California	368	1.262	33.97	47.58	18.46
Hawaii	385	1.314	31.24	45.66	23.11
Oregon	335	1.274	36.96	44.09	18.95
Washington	348	1.183	34.64	50.66	14.69

Table 4

Region/State	Supplemental Security Income Amount	Ratio	Poverty	Income	Residual
New England					
Connecticut	131	.894	8.65	80.40	-10.95
Maine	103	.893	16.91	71.71	-11.37
Massachusetts	153	1.155	10.42	74.26	15.32
New Hampshire	118	.974	11.76	85.20	-3.04
Rhode Island	129	1.020	13.34	84.42	2.24
Vermont	138	1.230	13.64	64.63	21.73
Middle Atlantic					
New Jersey	147	1.049	10.80	83.91	5.30
New York	172	1.234	12.75	65.89	21.36
Pennsylvania	149	1.176	11.50	71.32	17.18
South Atlantic					
Delaware	122	.887	12.63	75.70	-11.67
District of Columbia	168	1.023	18.07	79.44	2.49
Florida	132	1.048	16.39	78.27	5.34
Georgia	117	.961	21.73	73.83	-4.44
Maryland	135	.993	11.96	87.22	-.82
North Carolina	117	1.003	21.23	78.46	.31
South Carolina	116	1.026	23.35	73.65	2.99
Virginia	117	.916	13.71	77.27	-9.02
West Virginia	136	1.168	17.65	65.52	16.83
East North Central					
Illinois	132	.951	12.93	81.65	-5.42
Indiana	114	.944	12.85	80.84	-6.31
Michigan	168	1.267	10.61	65.61	23.78
Ohio	132	1.039	13.24	82.33	4.43
Wisconsin	145	1.179	9.61	72.91	17.48
East South Central					
Alabama	112	.948	24.22	69.93	-5.85
Kentucky	125	1.041	24.73	70.61	4.66
Mississippi	118	.995	34.83	64.56	-.61
Tennessee	118	.991	23.92	74.96	-1.13
West North Central					
Iowa	104	.836	10.64	73.09	-16.27
Kansas	108	.820	10.65	71.93	-17.43
Minnesota	103	.805	9.90	71.45	-18.65
Missouri	118	.944	15.63	78.16	-6.21
Nebraska	106	.842	11.68	72.58	-15.75
North Dakota	102	.827	14.52	68.49	-16.98
South Dakota	100	.842	19.36	64.80	-15.84
West South Central					
Arkansas	106	.905	24.38	65.41	-10.21
Louisiana	126	.976	23.79	73.47	-2.75
Oklahoma	116	.909	15.76	74.56	-9.68
Texas	109	.814	15.06	67.05	-17.88
Mountain					
Arizona	141	1.145	14.48	70.82	14.70
Colorado	118	.893	11.42	77.45	-11.13
Idaho	114	.980	18.16	79.51	-2.33
Montana	123	1.020	16.99	80.71	2.31
Nevada	133	.974	9.99	87.03	-2.98
New Mexico	127	1.050	22.95	71.38	5.67
Utah	116	1.059	15.71	77.53	6.76
Wyoming	103	.749	7.44	69.93	-22.63
Pacific					
Alaska	138	.867	8.92	77.93	-13.15
California	212	1.486	8.33	55.66	36.01
Hawaii	159	1.199	10.17	70.90	18.93
Oregon	121	.955	14.19	80.75	-5.06
Washington	149	1.105	11.18	77.95	10.87

Table 5
Comparison of States' AFDC and SSI Residuals and Ratios

Region/State	Residual Gap AFDC	SSI	Ratio AFDC	SSI
New England				
Massachusetts	9.81	15.32	1.112	1.155
New Hampshire	-3.71	-3.04	.911	.974
Middle Atlantic				
New Jersey	-3.43	5.30	.964	1.049
Pennsylvania	6.83	17.18	1.080	1.176
South Atlantic				
Delaware	-12.23	-11.67	.830	.887
Florida	-15.88	5.34	.741	1.048
Georgia	-13.28	-4.44	.699	.961
Maryland	-21.56	-.82	.715	.993
North Carolina	-8.87	.31	.839	1.003
South Carolina	-17.23	2.99	.596	1.026
Virginia	-15.39	-9.02	.783	.916
West Virginia	-4.55	16.83	.922	1.168
East North Central				
Indiana	-20.71	-6.31	.731	.944
Ohio	-7.80	4.43	.907	1.039
Wisconsin	15.87	17.48	1.173	1.179
East South Central				
Alabama	-9.49	-5.85	.747	.948
Tennessee	-12.44	-1.13	.696	.991
West North Central				
Missouri	-10.06	-6.21	.855	.944
West South Central				
Lousiana	-3.29	-2.75	.914	.976
Texas	-24.33	-17.88	.488	.814
Mountain				
Arizona	-18.29	14.70	.709	1.145
Colorado	-13.79	-11.13	.830	.893
Montana	-3.58	2.31	.952	1.020
Nevada	-29.11	-2.98	.620	.974
New Mexico	2.74	5.67	1.063	1.050
Pacific				
California	18.46	36.01	1.262	1.486