SOCIAL INSURANCE

Welfare Transfers in Two-Parent Families: Labor Supply and Welfare Participation under AFDC-UP, by Hilary Williamson Hoynes

An examination is made of the effect of cash transfers and food stamp benefits on family labor supply and welfare participation among two-parent families. The Aid to Families with Dependent Children-Unemployed Parent Program (AFDC-UP) has provided cash benefits to two-parent households since 1961. Despite recent expansions, little is known about the program's effect on labor supply and welfare participation. A model is developed of family labor supply in which hours of work for the husband and wife are chosen to maximize family utility subject to a family budget constraint accounting for AFDC-UP benefits and other tax and transfer programs. The husband's and wife's labor supply decisions are restricted to no work, part-time work, and full-time work. The results suggest that labor supply and welfare participation among two-parent families are highly responsive to changes in the benefit structure under the AFDC-UP program. *Econometrica,* March 1996, 64(2): 295–332. (Reprinted with permission of ABI/Inform, copyright UMI.)

SOCIAL INSURANCE

Patterns in Maryland Medicaid Enrollment Among Persons With AIDS, by Linda M. Bartnyska, Mark Schactman, and Julia Hidalgo

The percentage of persons with AIDS (PWA) enrolling in Medicaid is increasing by 3.7 percent annually. The trends in Medicaid enrollment among PWAs are examined and a Markov model is used to analyze the patterns in Medicaid eligibility as enrollees move between assistance categories. It is found that most Medicaid-eligible PWAs were Medicaid recipients prior to their AIDS diagnosis and differed significantly from non-Medicaid PWAs. The PWAs shifted considerably among various Medicaid eligibility categories and distinct, predictable patterns among different subpopulations were found. A high percentage of PWAs were enrolled in a state-funded category, which is detrimental to both the PWAs and the state. *Inquiry,* Summer 1995, 32(2): 184–195. (Reprinted with permission of ABI/Inform, copyright UMI.)

SOCIAL INSURANCE

The Effects of Differential Mortality Rates on the Progressivity of Social Security, by Daniel M. Garrett

The net returns of poor households are compared to the net returns of other households after taking into account differential longevity in order to determine whether the Old-Age and Survivors Insurance portion of Social Security becomes regressive once the shorter lifespan of poor people is taken into account. Earnings and Social Security tax and benefit histories are simulated for families of various income levels in the 1925 birth cohort. These tax and benefit profiles are then weighted by the agents' probabilities of survival. For some plausible values of key mortality parameters, differences in mortality eliminate the progressive spread in returns across income categories. *Economic Inquiry,* July 1995, 33(3): 457–475. (Reprinted with permission of ABI/Inform, copyright UMI.)

SOCIAL INSURANCE

Precautionary Saving, Insurance, and the Origins of Workers' Compensation, by Shawn Everett Kantor and Price V. Fishback (University of Arizona and National Bureau of Economic Research)

In this article, we test whether the introduction of social insurance has led to a reduction in private insurance purchases and precautionary saving by examining the introduction of workers' compensation. Our empirical analysis is based on the financial decisions of over 7,000 households surveyed for the 1917–1919 Bureau of Labor Statistics Cost-of-Living study. We find that the presence of workers' compensation at least partially crowded out private accident insurance and led to a substantial reduction in precautionary saving. The introduction of workers' compensation caused private saving to fall by approximately 25 percent, with other factors held constant. *Journal of Political Economy,* April 1996, 106(2): 419–442. (Reprinted with permission of the *Journal of Political Economy.*)

EMPLOYEE BENEFIT ISSUES

Do Health Insurance and Pension Costs Reduce the Job Opportunities of Older Workers? by Frank A. Scott, Mark C. Berger, and John E. Garen

Using a 1991 nationwide survey of employers and 1979, 1983, 1988, and 1993 data from the Employee Benefits Supplement of the Current Population Survey, the effects of fringe benefit provision on the decision to hire older workers are examined. It is found that higher health insurance costs, in the presence of prohibitions against age discrimination and discrimination in the provision of fringe benefits, adversely affected older workers' employment opportunities. In all five data sets over a 14-year period, the probability that a new hire was aged 55–64 was significantly lower in firms with health care plans than in those without, and was also significantly lower in firms with relatively costly plans than in those with less costly plans. On the other hand, neither the cost nor the presence of a defined contribution or defined benefit pension plan significantly affected that probability. *Industrial & Labor Relations Review,* July 1995, 48(4): 775–791. (Reprinted with permission of ABI/Inform, copyright UMI.)