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**SECONDARY POVERTY IN THE
WELFARE STATE
Do Social Security Institutions Create Their
Own Clients? An Application of Longitudinal
Analysis**

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Abstract

Empirical poverty research has been revolutionized by dynamic analyses based on longitudinal data sets. The dynamic approach originated in the USA in the 1970s and 80s and is now being taken up in Europe. This paper presents some results of the first German dynamic poverty study. The data base consists of event histories extracted from administrative files, the Bremen Longitudinal Social Assistance Sample (LSA). This paper analyses only a part of that sample (n= 586 files= 843 persons on welfare), over a six-year observation period (1983-1989).

The paper proposes and combines two new perspectives in the explanation of poverty opened up by the dynamic approach: the shift to dynamic explanatory models that take account of changes in the causes of poverty in the course of poverty processes and also pay attention to causes of getting out of poverty; and the analysis of politico-administrative causes of poverty ("welfarization"/"state dependence" of welfare recipients) beyond conventional socio-economic or individual explanations. Using descriptive table analysis as well as advanced multi-episode modelling, we show that welfare state agencies shape ways into, through and out of social assistance in a complex way. The approach differs from US-research in two ways: The focus is on configurations of spells ("social assistance careers") rather than single spells or total duration; and we look at ways into and out of social assistance caused by higher order social security systems (like unemployment insurance and old age pensions) rather than welfarization within social assistance itself.

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1. New perspectives in the explanation of poverty

1.1. Politico-administrative vs. socio-economic explanations

Traditionally, poverty research has been concerned with economic and social causes of poverty. Labour market variables like low pay, unemployment and underemployment and family variables such as single parenthood and divorce are usually investigated as to their role in bringing about poverty. 'Individual' causes of poverty, too, mostly refer to a lack of capacities on the side of the poor with regard to participation in the labour market or setting up and successfully managing a family household. From this point of view, public policies assume the role of combatting poverty, either in a structural way by intervening in the labour market and family relations to check processes of exclusion and marginalization, or by direct measures designed to improve individual capacities and inclinations of the poor to become self-sufficient.

However, the welfare state not only combats or alleviates poverty arising from socio-economic factors but also produces poverty itself. As with any large institutional structure designed to solve problems, new problems are created in the process. The problem of poverty production by the welfare state is only one aspect of the more general issue of unintended effects of welfare state development on the structure of society (for a full discussion and literature review of these issues see Leisering/Voges 1992, section I.) Theories which have touched upon this issue include policy analysis, functional analysis, macro-sociology of the welfare state, theories of social services and professions and, last but not least, the US-American 'theory of social problems', especially the labelling approach. This is best known in the case of public health services under the name of "iatrogenesis" (Illich 1976), i.e. the production of illnesses by doctors and hospitals. In the case of cash benefits the phenomenon of "old age pension death" has been observed, i.e. death occurring immediately after retirement as a psychosomatic effect of a sudden disruption of everyday living processes.

In the case of poverty reference to the state as a causal factor is a common theme of popular debate in the USA when it comes to questioning the welfare state as a whole. The journalist Charles Murray in his "Losing Ground" summarized his critique of the American welfare system by saying: "We tried to provide more for the poor and produced more poor instead." (1984:9) This view has a long tradition dating back to the earliest liberal critic of state welfare. Thomas Malthus held that poor relief acted as a "bounty on indolence" and promoted excessive child births. In social science state-produced poverty has also figured prominently. In the US-American debate of the 1980s the issue has been addressed under the label of "welfarization"

and "state dependence" (Lerman 1987, Ellwood 1988, Blank 1989). The focus of this strand of research has been as to whether receipt of social assistance (or "welfare" in American usage) generates a momentum of dependence on external aid that keeps people longer on assistance than their socio-economic situation would justify.¹ Empirical studies have not yet settled this question, inter alia because it is difficult to ascertain whether differences in duration of receipt and declining exit rates indicate a momentum of dependence or just reflect heterogeneity of needs with different requirements of duration of help.

The analytical status of politico-administrative causes and socio-economic causes of poverty is not quite the same. Poverty brought about by socio-economic factors is "primary poverty" whereas poverty produced by the welfare state is "secondary poverty". Although in some cases the state also produces primary poverty, e.g. when lay-offs in welfare services due to cuts in social spending lead to unemployment and poverty, this is not the topic of this paper. The term "secondary poverty" denotes a situation of deprivation people suffer as a consequence of relying on institutions designed to safeguard against poverty or maintain income respectively.

In a very general sense, any kind of poverty is (co-) produced by the welfare state. By assuming an overall responsibility for the well-being of its citizens (Girvetz 1968)², the welfare state, in principle, is committed to combatting poverty wherever it arises. From this point of view, poverty in the wake of divorce, for instance, cannot only be seen as caused by marital disruption and/or low chances of employment for women, but is also caused by insufficient or absent provisions by public welfare agencies.

For this article, however, we use a narrower, more specific concept of "state-produced poverty" and "secondary poverty" resp. to allow distinctions between state-produced and non-state-produced poverty. Insufficient welfare provisions by the state can be referred to as a positive cause of a given type of poverty if and only if adequate state aid could have been socially expected in that type of situation: if specific institutions (social bureaucracies) are established for the purpose of lifting people in that situation of need above the poverty line; if these institutions are grounded in a political commitment to the values and goals of welfare statism; and if the attitudes and expectations of the population are directed to this kind of state provision. Under such circumstances people adjust their life plans accordingly and a growing public welfare sector emerges that checks the growth of non-state provisions. The life situation of people, then, is increasingly shaped by welfare state institutions. In most pronounced cases we speak of "welfare classes", e.g. in the case of old age pensioners. People trust - and have to trust

¹ For an analysis of this literature which has hardly been acknowledged in Germany (for an exception see Strang 1985:68-71), see Leisering/Voges (1992, section II.2).

² Cf. the notion of a "culture of public problems" in democratic welfare states (Gusfield 1981).

- the old age pension system, with the consequence, e.g., of placing less emphasis on private savings. In Germany, for more than 90 % of the elderly state pensions are the main source of income. Or, take health services: the delegation of health care to experts has made us dependent - mentally and physically - on public agencies and the risks inherent in their operation, a situation termed "cultural iatrogenesis" by Ivan Illich (1976).

The term "welfare state produced poverty", therefore, refers to the failure of public systems in a broad sense. We can distinguish at least three types: (a) On the level of individual cases or clients, secondary poverty can arise as a consequence of administrative inefficiency, i.e. failures in a strict sense such as miscalculation of benefits by welfare officers, unlawful denial of case-specific benefits or withholding information about entitlements (both fairly frequent in German social assistance), and delays in paying out benefits due to an overload of clients. (b) On the system level the system as a whole may be ineffective because certain requirements in the environment of the system are not met or no longer met, e.g. non-take-up in the case of means-tested benefits or changes in eligibility and entitlement due to socio-demographic changes in the clientele. In Germany, for instance, earnings-related contributory insurance systems are geared to people with a "standard employment career"; only they can expect to be lifted safely above the poverty line. This group of people was assumed to constitute the bulk of benefit recipients, the related assumption in the great Social Assistance Reform Act of 1961 being that fewer and fewer people would be left in need of supplementary social assistance. But with the recent increase in incomplete and discontinuous employment careers more and more drop-outs are likely to be produced. (c) Secondary poverty can also arise as a consequence of interactions between environment and system: Social change may lead to institutional change and instability. In a pay-as-you-go scheme in old age pensions, for example, changes in the age structure of the population affect the parameters of redistribution. Political reactions usually include increases in contribution rates and decreases in pension levels. Both measures tend to push certain groups into poverty (Leisering 1992).

What kinds of secondary poverty are to be reckoned with obviously depends on the institutional structure of a welfare state. In general, with increasing complexity of the institutional fabric of public provisions we can expect more secondary effects. By complexity we mean size (number of users and administrators) and the degree of organizational differentiation. Partaking in more complex systems implies high chances of receiving effective help but, at the same time, higher risks of being hit by organizational or professional failure. This is evident for large-scale service organizations, e.g. in health care and nursing, but complex arrangements of monetary transfer schemes, too, are liable to failure. Secondary effects also depend on the welfare state model. Referring to Titmuss's (1974: 30f) well-known distinction of three models of state welfare -

residual, 'industrial achievement' and institutional -, Germany is closest to the 'industrial achievement' type. The German welfare state is characterized by a dual structure of massive earnings-related insurance schemes of near-universal coverage on the one hand and comparatively small systems of social assistance on the other hand. Under such conditions falling into social assistance can be a form of secondary poverty, namely when it results from a failure of the higher echelon systems. By contrast, in countries like Britain and the USA with larger systems of social assistance and a less pronounced higher echelon of insurance-based benefits, research on secondary poverty naturally focuses on processes of welfarization within social assistance. We will come back to different models of welfare states in section 3.

In the rest of the paper we use the term "poverty" to mean receipt of social assistance. This is done for three reasons. Firstly, the social assistance threshold is the official poverty line in Germany. There is no other line that could claim relevant support in public opinion. In German poverty research it is widely used as a concept of poverty ("bekämpfte Armut"), i.e. publicly administered poverty (see, e.g., Hauser 1984). The poverty line defined by social assistance has remained fairly stable over time, at least compared to other countries, fluctuating around 40 % of mean income (that implies that it has been, in practice, a relative poverty line). It also varies only marginally between different states and municipalities. Secondly, as already said, there is in the German social assistance system a good measure of welfare state failure. In political debate, rising numbers of recipients are considered as evidence that something is going wrong. Thirdly, event history data are available for this type of poverty only (see section 1.2).³

1.2 Dynamic vs. static explanations

We have outlined the potential of politico-administrative explanations in contrast to, or rather as a supplement to conventional socio-economic explanations of poverty. A second new approach to the explanation of poverty is the use of dynamic or longitudinal analysis. In the empirical section of this paper we bring the dynamic approach to bear on the analysis of politico-administrative causes of poverty. US-research on welfarization and dependence, too, has profited from the use of dynamic models.

³ Strictly speaking, when using the social assistance threshold as the poverty line, we should also (or solely) investigate those falling below this line, that is people who are entitled to social assistance benefits but do not claim it ("latent poverty"). However, data on this group are scarce. For the city of Bremen we can assume that non-take-up is relatively low, amounting to some 20%-30% of all those entitled.

The new dynamic approach to the empirical study of poverty that draws on longitudinal data emerged in the late 1970s to become a major paradigm of the 1980s and 1990s in the USA and now also in Europe.⁴ This type of study has drawn attention to the temporal aspects of poverty. By looking at poverty as a process with a certain duration, it has opened up new perspectives on the description, the explanation, and the political administration of poverty.

Two kinds of data base have been used in dynamic research: general survey data on household income, such as the Panel Study of Income Dynamics in the USA (PSID, data from 1968 onwards) and the German Socio-Economic Panel (SOEP, data starting from 1984), and process-produced data collected from administrative files (social assistance case records), such as the data used in the analysis of American welfare employment schemes (Wiseman 1991) and the Bremen Longitudinal Social Assistance Sample (LSA) for Germany (Voges/Zwick 1991). This article draws on analyses of the LSA carried out in the research project "Social Assistance Careers" at Bremen University, Germany, which was the first German project to undertake dynamic poverty analyses (Leisering/Zwick 1990).⁵ Process-produced data have particular advantages over survey data, *inter alia* they are better suited to tracing the impact of institutional factors such as the social assistance authorities or the labour exchange on processes of impoverishment and marginalization. The analyses presented in this paper, therefore, could not have been carried out using the Socio-Economic Panel.⁶

One of the conclusions to be drawn from the growing body of literature on dynamic aspects of poverty is a revision of the concept of causality in poverty research. Traditionally, the term 'causes of poverty' refer to factors that explain why people fall into poverty. By contrast, dynamic analyses have directed our attention to the factors leading people out of poverty (see e.g. Ellwood 1986). If poverty is seen as a phenomenon in time, i.e. as a situation of individuals with a certain duration - and not as a stable status or even a residual class in society, as is conventionally supposed - then poverty can only be fully explained by investigating the causes both of the beginning and the end of a poverty spell. Since many people have several episodes in poverty or on social assistance respectively, with periods out of poverty in between, further intermediate causes have to be considered. Causes can also change within spells. The cause for starting the first poverty spell may just be the first step in a sequence of causes (Buhr/Voges 1991). As will be shown, the dynamic concept of causality is also crucial to the analysis of state-produced poverty. We have to remind critics of the welfare state that the welfare state not

⁴ For an overview of the US-literature s. Buhr 1991. For recent European followers see the references quoted below.

⁵ Other researchers beside the authors of this paper include Petra Buhr, Monika Ludwig, Michael Zwick; Stephan Leibfried and Wolfgang Voges head the project.

⁶ Cf. the analysis of less complex aspects of social assistance processes on the basis of the SOEP in Voges 1992 and Voges/Rohwer 1992.

only produces, but also terminates poverty. Looking at US-research, however, we find that the study of welfarization and state dependence does not make full use of the dynamic approach. The focus is on ways through and out of assistance. The reasons for entering and leaving assistance are mostly analysed in conventional terms, emphasizing labour market, family and related factors, while the impact of state action is mainly analysed as a potential reason for staying on assistance, i.e. as a cause of not getting out. The approach proposed in this paper is wider and different: We are more interested in welfare state factors leading into or out of assistance, i.e. factors which are located beyond social assistance in the wider system of public monetary transfers such as unemployment benefits, old age pensions or students' allowances. In a welfare state like Germany with a pronounced dualism between social assistance and higher echelon social security systems this kind of approach is more appropriate than in the USA.

There is another, related difference to US-research. While studies of welfarization by or within social assistance concentrate on behavioural explanations such as loss of motivation with increasing time on welfare, our study examines 'mechanical' effects, namely losses of resources that hit individuals due to legal regulations (e.g. legally fixed entitlements to benefits). Individual attitudes and actions have no immediate impact in such processes, although they do play a role in a wider context, e.g. when it comes to knowledge and competence in taking up benefits or to household or employment arrangements created to increase entitlements to benefits.

There is a further difference, regarding method, to US-research. American studies have been criticized for analysing single spells or cumulative durations as units of analysis rather than configurations or patterns of spells (Ashworth/Hill/Walker 1992). The analysis of spells is still a methodological advance on the dynamic approach compared to traditional approaches that treat poverty as an attribute of persons without specified duration. But spell analysis has to be incorporated into an analysis of the entire poverty process which includes phases out of poverty and links between multiple spells of one person. In our quantitative analysis this perspective of poverty "careers" or social assistance careers respectively, as we call it, is reflected in descriptive multi-spell analysis and in an experimental use of complex multi-episode modelling (Hamerle 1989). In our qualitative research, which is not presented in this paper, the new approach is reflected in the use of open biographical interviews which cover the time before, during and after the poverty episode and an action-theoretical conceptualization of 'careers'.

The concept of career has been developed in the sociology of deviance to expose the dynamic character of social problems like delinquency or mental illness (e.g. Goffman 1959). Studies of this kind have focused on aspects akin to those central in this paper, namely "secondary deviance" (Lemert 1951) and the "construction" of social problems by social professions and

institutions. Whereas some proponents of the labelling approach have used the concept to denote the overwhelming impact of external factors, other studies have modelled such processes as the interplay of institutional factors and individual action (Gerhardt 1990). We adopt the latter approach. While maintaining that welfare state agencies induce dynamic processes of poverty, we do not see this influence as necessarily dominant or deterministic. There is always scope for individual action in attempts at not getting into or at getting out of poverty. In particular, the concept of career is not meant to support assumptions of unidirectional and irreversible paths into marginality so popular among the poverty lobby.

The dynamic approach neither implies a restriction of research to the long-term poor, who are, for instance, the subject of the ongoing study "Long-term recipients of social assistance in the Nordic countries" (see e.g. Halvorsen 1992). Careers can be short. One of the most striking findings of dynamic poverty studies in Germany and other countries was that the bulk of people who come into contact with poverty or social assistance only remain so for a short time. As will be shown in the empirical part of this paper, there is even a special kind of welfare state-produced short-term poverty. Although short-term effects as such could also be identified by conventional static analysis, their significance compared to other types of poverty careers can only be captured in a dynamic analysis. We will also show that some clients start out as apparent transitory recipients but stay on for a longer while.

2. Case study: The dynamics of "social assistance careers" in a German city, 1983-1989⁷

This analysis is based on the Bremer Longitudinal Social Assistance Sample (LSA). The LSA is a 10% random sample of social assistance files (case records) and related files in the city of Bremen in Northern Germany. It covers all applicants from 1983 to the present day, and sampling continues. In this article we only draw on a part of the whole sample, i.e. those recipients who first successfully applied for assistance in 1983 (n = 586 files, corresponding to 843 persons).⁸ The 1983 application cohort has been followed through to 1989. Data contained in the files was collected by way of special 'questionnaires' that cover a broad range of variables. Almost all data was collected as event histories recording any change that occurred between 1983 and 1989.

⁷ This section is a shortened and revised version of Leisering/Voges (1992, section III).

⁸ We only look at people who receive "Hilfe zum Lebensunterhalt" (maintenance benefits), excluding "Hilfe in besonderen Lebenslagen" (benefits for persons in special needs), because the former type of benefits best reflects the meaning of poverty. There are 1570 persons in the households of the 586 applicants but only 843 of them are eligible for benefits.

We distinguish three types of poverty produced by the welfare state. As explained in section 1.1, by "poverty" we mean receipt of social assistance. A social assistance spell is said to be produced by the welfare state if it falls into one or more of the following three categories:

- The applicant is waiting for social security benefits other than social assistance, e.g. unemployment benefit or old age pensions which he has applied for but which have not yet been paid out. We call these 'waiting'-cases frictional poverty.
- We speak of transfer poverty in the case of persons who claim social assistance because they receive insufficient benefits from other (higher order) public monetary transfer systems, especially social insurance.
- Status poverty refers to persons who are in a special state of deprivation induced by the state but not addressed by social security systems, such as people released from prison or refugees who are not allowed to work.

For technical reasons we often distinguish only between "waiting" clients (frictional poverty) and "non-waiting" clients within state-produced poverty. The latter category mostly consists of "transfer poor". As an abbreviation we refer to these two categories of welfare state-produced poverty as WAIT and NON-WAIT. The category of "status poor" is not examined more closely, because numbers are small.⁹ Based on this typology we analyse three aspects of poverty processes: Ways into social assistance (first spell, beginning of a social assistance career); ways into and out of social assistance (relating to single spells); and social assistance careers (multiple spells).

2.1. Ways into social assistance (first spells)

It turns out that a considerable proportion of first spells on social assistance ($n = 586$) is produced by the welfare state (table 1). The overall proportion is 53%. These cases cut across conventional poverty types defined by socio-economic variables like old age or unemployment. In those categories where we would expect frictional poverty, namely in the case of unemployment and old age, frictional poverty constitutes a substantial proportion of all poverty produced by the welfare state (table 1).¹⁰ With regard to all first spells it amounts to 36%. This situation arises especially if the unemployment authorities are overwhelmed by a massive and

⁹ For an analysis of immigrants on social assistance on the basis of the LSA see Voges (1992).

¹⁰ The numbers of state-induced cases given in table 1 are based on a conservative definition of what ought to be considered as "state induced". The "transfer poor", in particular, are probably more numerous than implied in table 1. In many cases transfers other than social assistance are only applied for or paid out after the beginning of a spell. Recipients of such transfers could also be categorized as "transfer poor". In section 2.3, figure 2, we therefore look at persons receiving other benefits during a spell. The "real" number of transfer poor probably lies somewhere between the numbers resulting from the conservative definition ($n = 78$) and the extended definition ($n = 224$).

sudden increase in unemployment, for instance in the case of mass lay-offs in big ship-building industries at Bremen that occurred in the years under study. Such frictional poor mostly stay on assistance for a short time only.

However, the welfare state not only causes ways into social assistance but also may account for peoples' leaving social assistance between 1983 and 1989. We found that 30% of all recipients (174 cases) get out of assistance because they receive other benefits. 21% (124 cases) leave because they have taken up work or their wage has risen above the social assistance line. 30% of recipients leave for other reasons (176 cases), while 19% (112 cases) still receive assistance after 6 years.

If we compare the causes of ways into assistance (first spell) with the causes of ways out of assistance (last spell), we find that most people get out because the initial reason they got in has been removed. This simple comparison, however, hides long and complicated chains of spells of assistance receipt and non-receipt. Therefore, strictly speaking, it does not make sense to compare the entry cause of the first spells with the exit cause of the last spell, because a whole range of other causes may have intervened. To tackle the structure of social assistance careers we first look at single spells, i.e. at first and later spells without regard for their connections.

Table 1: Recipients of social assistance by cause of first spell with proportion of state-induced cases

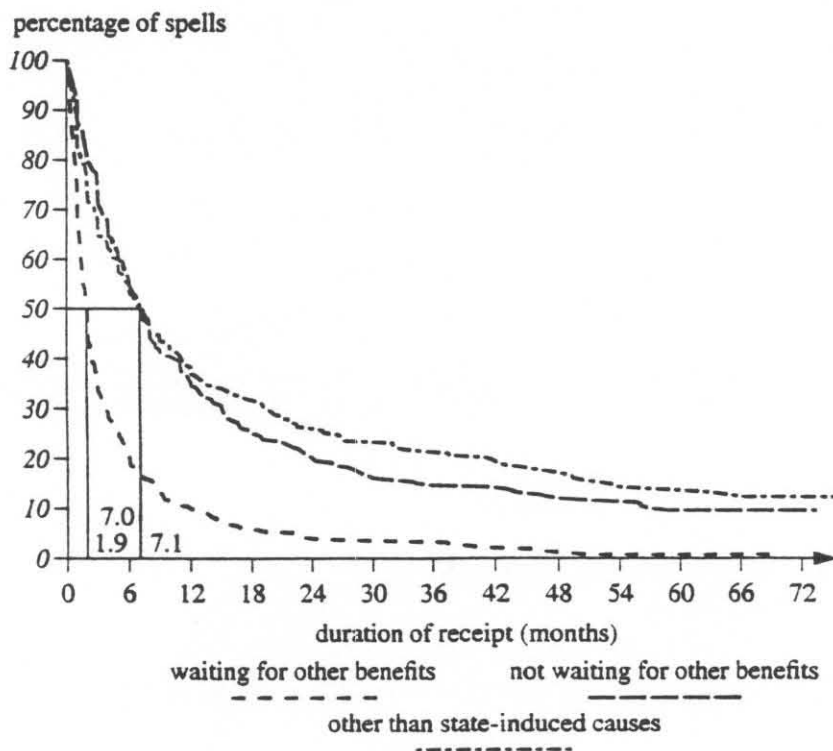
cause	total		state-induced cases in each group			
			total		frictional	
	N	%	N	%	N	%
unemployment	328	56	210	64	179	55
family	64	11	-	-	-	-
education/training	44	8	28	64	5	11
immigration, refugees	28	5	11	39	-	-
social problems	17	3	4	24	-	-
old age pensions	24	4	23	96	11	46
illness	13	2	-	-	-	-
employment	14	2	-	-	-	-
others	54	9	-	-	-	-
total	586	100	313	53	211	36

Source: Bremer Longitudinal Social Assistance Sample (LSA), cohort beginning receipt in 1983, Senator for Youth, Social Services and Health, and Centre for Social Policy Research.

2.2. Ways into and out of social assistance (single spells)

In some cases people start their first spell because they are "waiting", but start a second spell later for other reasons, or vice versa. That is why the reason for the first claim only has a limited potential for explaining the total duration of receipt. The causes for each single spell are likely to offer a better explanation. We therefore proceed to look at spells with regard to duration and causation independent of the situation at the beginning of the first spell.

Figure 1: Duration of receipt of social assistance (survival function)



Medians computed according to the product-limit method (Nambooridi/Suchindran 1987). For a full definition of the three types of receipt see the first paragraph of section 2.

Source: Bremer Longitudinal Social Assistance Sample (LSA), cohort beginning receipt in 1983, $n = 1,032$ spells, Senator for Youth, Social Services and Health, and Centre for Social Policy Research.

By spell we mean a continuous period of receipt with no interruptions of more than one month. Let us take a look at all spells during the observation period ($n = 1032$). The median duration of a spell caused by waiting for other transfers is 1.9 months, whereas in other cases produced by the welfare state it is 7.1 months. All other spells (not produced by the welfare state) have a similar duration as the latter category. Apart from the median duration of receipt in each category there are obviously big differences in duration. This can be illustrated by use of survival functions. Figure 1 shows the survival function for each of the three groups (WAIT, NON-WAIT, non-welfare state causes). We see that most WAIT cases leave assistance very quickly. After two years they can hardly be found in the sample. In the other two categories the duration of receipt is very short in a few cases but a considerable number of all recipients stay on for a longer period.

Table 2: Duration of social assistance spells by role of welfare state in beginning and ending

cause for ending a spell	cause for beginning a spell								
	induced by welfare state						other causes		
	WAIT			NON-WAIT			duration	N	%
duration	N	%	duration	N	%				
receipt of other transfers	1.4	248	62	3.0	58	17	4.9	41	15
finding a job	1.9	30	8	6.3	75	21	5.0	28	10
others	4.3	107	27	6.9	170	49	5.0	162	57
spell not terminated		12	3		47	13		52	18

Duration in months. Medians computed according to the product-limit method (Namboordi/Suchindran 1987). N = Number of spells with this combination of causes.

Source: Bremer Longitudinal Social Assistance Sample (LSA), cohort beginning receipt in 1983, Department for Youth, Social Services and Health, and Centre for Social Policy Research.

Up to this point we have assumed that the duration of a spell is determined by the initial cause of the spell. But it is also important to look at the chances and options in each case to leave social assistance. For this reason we have to relate causes of entry to causes of exit. In this way we can identify "pure" WAIT cases, i.e. cases who resort to social assistance because they are

waiting for other transfers and actually leave assistance soon, when these transfers are paid. Table 2 shows how spell duration is influenced by the causes of beginning and ending a spell. As expected those WAIT cases have the shortest spells who leave because they receive other benefits. This way of leaving also shortens spell durations in NON-WAIT cases, although obviously much fewer people in this category leave in this way. This is a first hint that recipients of other insufficient transfers (who are the bulk of the NON-WAIT category) have less opportunities for leaving assistance. But the table also shows that around a third of all WAIT spells are terminated for other reasons than receipt of other transfers. Conversely, one sixth of the people who claimed assistance for other reasons left by way of other transfers, i.e. their poverty was terminated by the welfare state.

What are the determinants of ending a social assistance spell? The welfare state not only produces poverty, but also terminates spells on assistance. The chances of leaving assistance through other benefits are a crucial aspect of the production of poverty by the welfare state. These chances are not evenly distributed. Different people have different access to alternative welfare state benefits. To clarify this issue it is important to notice that causes of receiving assistance change over time - even within a spell. Some recipients, e.g., try to escape assistance by taking up work or claiming other benefits. To identify and explain such processes we have to model the chance of leaving as transition rate determined by time variable covariates within spells. By transition rate we mean the conditional probability of terminating receipt in time t , unless it has already been terminated earlier. Covariates are incorporated into the model by splitting all episodes into time intervals of one month length.

Table 3 shows the results of the estimation of a model piecewise-constant model for the different ways of terminating a social assistance spell. As competing events for terminating social assistance we look at "receipt of other benefits", "finding a job" and "other options" of the spells of non-aged (< 65) recipients ($n = 910$). Among others the results show that women have considerably fewer chances than men of terminating receipt through other benefits or taking up work. If the labour market situation is tense, the transition rate is influenced negatively, among other reasons due to the overload of the unemployment authorities in handling claims for unemployment benefit. Receipt of other transfers during a spell generally decreases the chances of leaving assistance.¹¹

¹¹ Beyond the background of the unobserved heterogeneity in our population the results of this piecewise-constant-model with competing risks should be interpreted with care (cf. Galler 1988).

Table 3: Determinants of leaving social assistance (in state-induced and other cases), related to three (state and non-state) options of leaving

Variable	receipt of other benefits	finding a job	other options
women	-0.984** (7.459)	-0.497** (3.551)	-0.137 (1.158)
foreigners	-0.077 (0.451)	-0.220 (1.200)	-0.042 (0.255)
children	-0.754** (4.181)	0.144 (0.829)	-0.401** (2.447)
elderly	-0.535** (2.304)	-1.010** (3.233)	-0.483** (2.237)
household size	-0.141** (2.475)	0.024 (0.456)	-0.048
age	0.002 (0.443)	-0.012** (2.271)	-0.006 (1.413)
NON-WAIT	-1.791** (11.045)	0.578** (4.209)	-0.089 (0.751)
other benefits	-1.488** (7.351)	-0.442** (3.109)	-0.318** (2.459)
labour market	-0.313** (5.549)	-0.112* (1.716)	-0.381** (6.489)
constant	-0.762	-5.213	-0.869
Log-likelihood		-6904.971	
Chi2(df)		781.89 (29)	
number of sub-spells		12.197	
number of events		910	

This model is a piecewise-constant-model with monthly split spells. Significance $p < 0.05$: **, $p < 0,10$: *; t-values in brackets. Likelihood-Ratio-Test (Chi2) with regard to Exponential-Model without covariates. Reference group: men, German, no children in household, no elderly in household, household size = 1, starting cause "WAIT", no receipt of other benefits. Children, elderly, household size, age (integer), benefits, and labour market situation were measured at the beginning of the split. Maximum-Likelihood-estimation of the coefficients by programme TDA (Rohwer 1993).

Source: Bremer Longitudinal Social Assistance Sample (LSA), cohort beginning receipt in 1983, Spells (< 65 years) recipients under 65, Senator for Youth, Social Services and Health, and Centre for Social Policy Research.

We conclude that insufficient welfare state transfers are a cul-de-sac because higher or other transfers are unlikely. Obviously this is not to say that recipients of other transfers would fare better if they did not receive those transfers. What we are saying is: those recipients relying on (other) public transfers (and not or not only on private transfers like alimony or income from occasional jobs) are a special group in a special situation, liable to require prolonged payment of assistance; the income source or income-type 'public transfers' offer few chances of augmentation for the individuals concerned.¹² We conclude that poverty is also produced by the welfare state insofar as the welfare state provides no opportunities for certain groups

¹² On the concept of "income source" see Day (1992). Day aims to work out the implications of different income sources for the life situation of people irrespective of the level of income at each source. Cf. the concept of "income packaging in the welfare state" by Rainwater/Rein/Schwartz (1986).

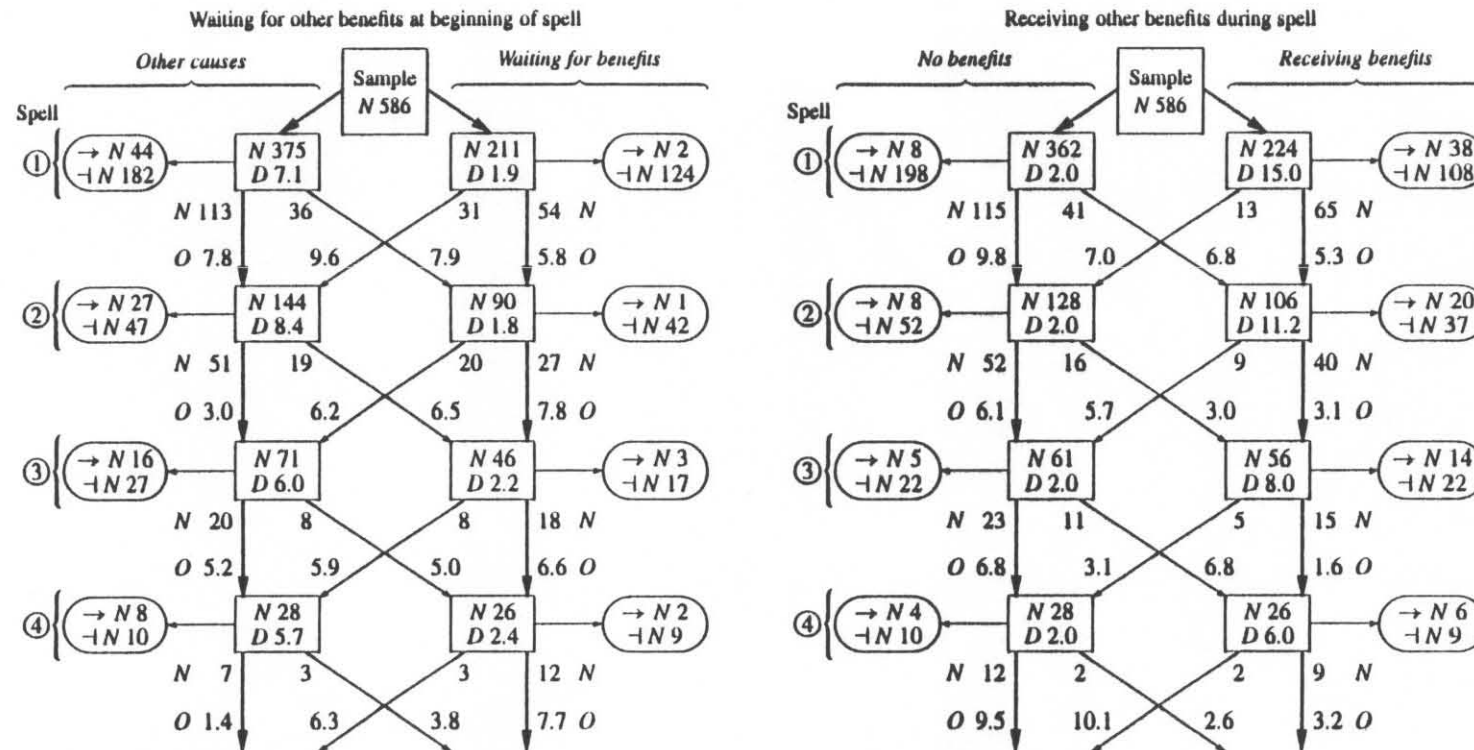
becoming independent of assistance. This also applies to persons whose way into assistance was not caused by the welfare state. If other transfers were paid during receipt, this led to a prolongation of receipt and decreased chances of becoming independent of assistance. To speak of state-produced poverty in this context is in line with our general definition of secondary or state-produced poverty given in section 1.1 because in these cases staying on social assistance reflects a selective failure of higher order public transfers. We now switch from single spells to an analysis of configurations of spells, i.e. social assistance careers.

2.3. Social assistance careers

Is there a relationship between causes of beginning an initial spell and causes of beginning later spells? This could, for example, point to specific problems of social policy: If somebody waits for other transfers repeatedly this may be due to administrative problems in handling mass unemployment, but it can also indicate unstable, discontinuous employment careers at a low level of income. In the latter case, people can never save enough money to bridge short periods without income while waiting for unemployment benefit to be paid out. If we look at changes in the causes of receipt in the course of social assistance careers, we can ascertain in which cases waiting for other transfers is the beginning of a longer social assistance career. In some cases people wait for benefits that are too low to allow them to leave when they are paid. We found that this applies to one seventh of all WAIT cases. In other cases, after some time without assistance, they fall back on assistance, this time maybe for other reasons.

Figure 2 shows for two pairs of causes how causes for receipt can change from one spell to another; in the first case claimants initially waiting for other transfers are compared with those initially claiming for other reasons, in the second case claimants initially receiving insufficient transfers are compared with those initially receiving no transfers. Let us turn to the first case: In the first spell the 586 cases of the whole sample either fall into the category of WAIT or NON-WAIT. In the sequel there are four possibilities: (1) The client leaves social assistance for good after the first spell. (2) The client still receives benefits at the point of sampling (1989), i.e. it is a censored case. (3) The client starts a new spell for the same reason as the first spell. (4) The client starts a new spell for a different reason.

Figure 2: Social assistance careers of persons waiting or receiving other benefits respectively



N Number of social assistance cases in spell *t*.
 → Cases in receipt during this spell (censored duration).
 - Cases terminating social assistance within this spell.

D Mean of social assistance spell *n*.
O Mean of time out of social assistance within the observation period (1.1.1983–31.3.1989).

Duration in months. Medians computed according to the product-limit method (Nambooridi/Suchindran 1987).

Source: Bremer Longitudinal Social Assistance Sample (LSA), cohort beginning receipt in 1983, Senator for Youth, Social Services and Health, and Centre for Social Policy Research.

In a way only those WAIT cases which leave assistance for good after the first spell are "pure" WAIT cases, regardless of possible changes of causes during the first spell. For the others, the WAIT status is the beginning of a longer social assistance career with interruptions of receipt. These could be people who fall back on social assistance again and again because of waiting. In another paper we have characterized this type of recipient as "multiple bridger" (Buhr/Voges 1991). In figure 2 this type can be identified by a sequence of vertical arrows. In other cases the second spell can be caused by different factors. This case is represented by a diagonal arrow in the figure.

We may conclude that the influence of welfare state factors changes over time. By modelling transition rates we can clarify the different effects of monetary transfers in the course of social assistance careers, including an analysis of the different chances of social groups of leaving assistance. In such a model the probability of leaving social assistance is estimated on the basis of all previous spells as well as the intermediate periods without receipt of benefits. Let us now take a closer look at all spells from the first up to the third of the recipients under 65.

Table 4 shows that women have a low chance of ending receipt for good during the first and second spells. For the third spell, however, this effect is no longer significant. In the case of foreigners it is the other way round. From the third spell onwards, there is a positive effect of nationality on the transition rate. This may be due to the fact that foreigners who have more than one episode on social assistance are not normally refugees applying for asylum but other types of foreigners. Households with children or elderly members have lower chances of leaving assistance, but this applies only to the first and second spells. Family size as such only has a small negative effect in the first spell. From the third spell onwards these factors no longer influence transition rates. The age of the earner in the household is revealed to have a reverse effect. The longer the duration of the social assistance career, the lower the chances older applicants have of leaving.

Table 4: Determinants of leaving social assistance (in state-induced and other cases) at different stages of social assistance careers

Variable	1. spell	2. spell	3. spell
women	-0.392** (4.126)	-0.626** (3.779)	-0.408 (1.619)
foreigner	-0.114 (0.909)	-0.025 (0.114)	1.139** (3.245)
children	-0.238* (1.870)	-0.707** (3.316)	-0.258 (0.779)
elderly	-0.633** (2.993)	-0.804* (1.878)	-0.781 (1.567)
household size	-0.070* (1.663)	-0.013 (0.199)	-0.021 (0.231)
age	-0.002 (0.637)	-0.012** (2.031)	-0.033** (3.173)
NON-WAIT	-0.356** (3.819)	-0.403** (2.602)	-0.730** (3.265)
other benefits	-0.636** (5.441)	-0.675** (3.853)	-0.209 (0.895)
labour market	-0.664** (11.989)	-0.326** (3.484)	-0.255 (1.463)
no receipt		0.007 (1.194)	0.028** (2.669)
constant	3.912	0.251	0.269
Log-likelihood		-5.530.394	
Chi2(df)		582.43 (31)	
number of sub-spells		10.811	
number of events		837	

For type of model and reference group cf. annotations in table 3. Periods without receipt were measured at the beginning of a spell.

Source: Bremer Longitudinal Social Assistance Sample (LSA), cohort beginning receipt in 1983, First three spells (< 65 years) recipients under 65, Senator for Youth, Social Services and Health, and Centre for Social Policy Research.

With the increase of the number of spells on assistance the negative effects of other reasons than 'waiting for transfers' increase, whereas the negative impact of insufficient transfers decreases. From the third spell onwards the latter factor becomes relevant. As the duration of the social assistance career increases, the impact of local labour market factors also decreases. It is also interesting to see that from the second spell onwards intermediate phases without receipt have a positive effect on the transition rate for the next spell. This may be seen as evidence of our assumption that people use the time out of assistance to collect entitlements to unemployment benefit or other transfers which enable them to start the next episode on assistance under more favourable conditions.

All in all we may conclude that structural gaps in social security provisions have a considerable impact on social assistance careers. Analysed from a dynamic point of view the production of poverty by the welfare state turns out to be a complex phenomenon: Social security benefits other than social assistance do not only influence ways into but also ways out of and above all

ways through social assistance (with and without interruptions). In each phase of a social assistance career the welfare state offers positive options to certain social groups while discriminating against others.

3. The wider context: Institutional and political conditions of secondary poverty

The empirical case study has shed light on some patterns of secondary poverty and on the operation of social security systems that shape individual poverty careers. In this section we aim to explore the institutional structures and political forces that lie behind these processes. We will also touch upon changes of these structures and forces over time and on differences among countries in order to put our case study in a wider context. In section 1.1 we have already made the point that the degree and the types of secondary effects of social policy depend on the complexity of the welfare state and on the welfare state model prevalent in a country.

The institutional structure of the German "industrial achievement" model of state welfare is characterized by a tripartite division of welfare: There are schemes and policies for workers and employees designed to secure the standard of living attained in working life (i.e. not only a minimum); the key instruments of these policies are earnings-related social insurance provisions. The second layer of the German welfare state relates to the poor; social assistance and other means-tested benefits are designed to secure a minimum level of income for them.¹³ The third component refers to the welfare of civil servants; special schemes separate from social insurance provide welfare benefits that tend to be more generous than those for workers and private employees. Unlike welfare states like the USA and Britain which have adopted a "poverty approach", there is a pronounced rift between workers policies and policies for the poor, with the former constituting the essence of state welfare. In addition, the whole system is biased towards the male breadwinner, i.e. people outside gainful employment have less or only indirect entitlements. This institutional structure has a strong normative base in politics and is a pivotal element of the German welfare culture.

The tripartite scheme was fully established through the 1957 Old-Age Pensions Reform Act and the 1961 Social Assistance Reform Act. One implication among others is that attempts at introducing minimum provisions into social insurance have never had a chance in German politics. The last such attempt failed in 1989 when a major Old-Age Pensions Reform Act was passed (which took effect from 1992). Therefore, the dividing lines within the German welfare

¹³ For the distinction between "workers policy" and "poverty policy" in the German welfare state see Leibfried/Tennstedt 1985.

state have always implied the production of some poverty in the sense of some people falling through the net of social insurance onto social assistance. The reasons given for the 1961 Reform Act included the assumption that this group of people would shrink to almost nothing in the years to come (Buhr/Leibfried 1993). With growing difficulties in the labour market and the erosion of traditional family patterns from the 1970s, however, this expectation has dwindled. Growing gaps in social insurance have produced more recipients of social assistance. It is this maladaptation of institutional structure and social change - this, as it were, 'institutional lag' - that accounts for much of the secondary poverty we found in our case study. Simultaneous cuts in benefits have reinforced this development. Groups affected most include the unemployed and groups without entitlements to social insurance or other specific provisions like single mothers and school-leavers. Only the proportion of old-age pensioners dependent on social assistance has drastically fallen because post-war economic growth has produced a generation of elderly people with fuller contribution histories, and also because the old-age pensions scheme has always been the politically most cherished part of the German welfare state, more liable to legislative consolidation (as in the 1989/1992 Acts) than being dismantled.

The perpetuation of the institutional lag is largely due to fiscal interests. In times of financial shortage there has been no support for channelling money into improved benefits or new types of provisions that would prevent people from falling into social assistance. The central government, in particular, has repeatedly cut benefits (in unemployment insurance) and delayed the introduction of a new branch of social insurance for the growing number of old people in need of care in nursing homes or home nursing. In this way burdens have been shifted to local government, to the states and the municipalities that finance social assistance. Any interests other than fiscal hardly figure in poverty policy. There is no poverty lobby in German politics, except the Green Party in the 1980s and some voluntary welfare associations. More than the interests of specific groups, the ingrained, value-ridden division of welfare has proved the strongest cultural barrier to redirecting policies for the poor.

The situation of the 1983 applicants cohort examined in the case study has been much influenced by the series of cuts in social spending imposed by conservative (Christian democratic) as well as social democratic governments in the first half of the 1980s. What policy changes have affected the formation of secondary poverty since then? With regard to "transfer poverty", i.e. poverty due to gaps in social insurance provisions, the weakening of the role of social insurance described above has continued. By contrast, frictional poverty, i.e. temporary dependence on social assistance while waiting for transfers other than social assistance, may have decreased. At least in the city of Bremen administrative measures have been taken - as a consequence of our study! - to reduce delays in paying out unemployment benefits. "Status

poverty" has changed, too. On the one hand, the enormous increase of immigrants applying for asylum has been a major force behind the expansion of social assistance since the early 1980s, with their numbers growing much faster than those of German recipients. On the other hand, since 1991 such applicants have been allowed to work so that the receipt of social assistance, when it occurs, cannot always be seen as the consequence of a social status imposed by the state.

German unification in 1990 has changed everything, also in social policy and new forms of secondary poverty have emerged in the process. This applies to East Germany where the Western systems of social security have been imposed while abolishing most of the old ones, but also to the Western part where various repercussions of the transformation of Germany make themselves felt. The dismantling of company-based welfare services in East Germany such as day care for children has negatively affected the position of East German women and forced some of them into social assistance. Poverty due to insufficient old age pensions, by contrast, was anticipated and has been counteracted by a special supplement ("Sozialzuschlag") which only accrues to East Germans. This measure is designed to expire in 1996 so that the deviation from the division of workers policy and poverty policy will be transitory only. Problems of administrative adaptation to millions of new claimants has led to delays in handling claims in all branches of social security, especially in old-age pensions, where the makeshift benefit calculations are resorted to with accurate calculations not following until several years later. In social assistance the full right to benefits has even been reduced on a legal level. Labour market policies designed to mitigate the massive disruption and transformation of employment, such as job creation schemes and compensation payments to workers on shorter working hours (sometimes amounting to "zero working hours") have created selective privileges, i.e. a new structure of inequality. The government tries to blame all problems on the old communist regime but there can be no doubt that current policies shape and create the problems the country is facing.

West German social policy has been affected in many ways. From late 1989 migrants from East Germany appeared at West German social assistance counters. The financial burden of incorporating the economically run-down Eastern regions has created massive political pressures, more than any previous crisis in the history of post-war Germany. In social security this has led, ultimately in 1993, to spending cuts and attempts at more structural reforms. In this process further cuts in unemployment benefit have been decided on within the framework of an all-party compromise on the distribution of financial burdens between tiers of government and social groups ("Solidarpakt"). Social assistance benefit rates are under massive political pressure; provisions for immigrant refugees have already been cut and made less attractive in

this year's legislation, which is again based on an all-party compromise ("Asylkompromiß"). Many branches of public policy have been affected by fiscal cuts, but social security has been particularly hit because social insurance has been misused as a fund to finance problems ensuing from unification and transformation. The above-mentioned provisions for the unemployed and the elderly in East Germany are not based on individual entitlements gained through previously paid contributions as it should be in the case of social insurance benefits; they are the political costs of unification.

We have outlined the institutional and political conditions of secondary poverty in the industrial-achievement model of the German welfare state. This is not to say that in the other two welfare models depicted by Titmuss secondary poverty is not known. In the residual type of state welfare higher order social security schemes, i.e. schemes that go beyond means-tested provisions for the poor, are weak, always liable to produce drop-outs that have to resort to social assistance or other means-tested benefits. However, since the higher order schemes are designed this way it makes less sense to talk about secondary poverty as defined in section 1.1. But even then forms of secondary poverty exist, e.g. waiting periods people have to go through in the USA before social assistance benefits are paid. In institutional welfare states, "status poverty" is likely to be a less relevant problem because universalist provisions based on citizenship rather than contributions or specific situations of need avoid social exclusion. But the level of flat-rate benefits can be low, thereby producing a numerous mass of "transfer poor". The proportion of old-age pensioners on social assistance in Britain, for instance, is much higher than in Germany. In the field of legally health care, schemes like the British National Health Service are based on universal entitlements, but produce secondary effects and social inequalities by waiting lists and inefficiency on the administrative level.

4. Conclusion

In this paper we have analysed the phenomenon of "secondary", i.e. state-produced poverty by investigating how failure of higher order public transfers systems (mainly social insurance) can lead to reliance on social assistance. We did not look at processes of "welfarization" within social assistance and related behavioural effects of dependence on public aid such as loss of motivation. Neither did we examine the "poverty trap" issue, i.e. institutional disincentives to taking up work due to a miscoordination of tax system and social security benefits. In contrast to Britain, for example, this issue is of minor relevance in Germany due to specific institutional arrangements.

Do our findings suggest that the production of social problems by the welfare state has come to dominate the function traditionally ascribed to the welfare state, namely to tackle and solve social problems? From a static point of view, this might seem to be the case. In our study most cases in the sample entered social assistance due to welfare state factors. A dynamic point of view, however, leads to a more differentiated picture. The longitudinal analysis of receipt of assistance has shown that the social security institutions unleash complex case dynamics resulting in a variety of patterns of "problem careers". The concept of career, which stems from an action-theoretical background, has been used in this study to highlight the contingency of poverty processes and not, as often found in the everyday language of politics and public morality, to denote irreversible downward movements and marginalization. The welfare state also creates opportunities of leaving social assistance. In particular, it helps that most recipients only stay on receipt for a short while. The chances of escaping and regaining autonomy are unevenly distributed, however, a finding which can hardly come as a surprise. In this respect the welfare state shapes structures of poverty and inequality.

Our qualitative analysis based on open biographical interviews with people from the sample (Buhr/Ludwig 1993) which we could not present in this paper, has shown that receipt of social assistance not only means impecuniosity, dependence and stigma, but, for certain types of recipients, can also support attempts at gaining or regaining individual autonomy. This applies to biographical "passages", especially in the lives of young people leaving home, in the case of separation or divorce from a partner or of raising a child as a single parent. These findings underline the positive role of the welfare state in combatting social problems and even promoting upward mobility.

We have also shown that secondary poverty is not just the result of some technical failure of social security systems but is rooted in the institutional structure of the German welfare state and the political forces that are active in German politics. The division of welfare between workers policies and poverty policies inherent in this welfare model were designed and consolidated in early post-war Germany under the assumption that poverty would become a marginal problem of decreasing numbers of people. With the massive socio-economic changes from the 1970s onwards, this assumption has been eroded while the institutional division of welfare, based on ingrained cultural patterns regarding the relation of work, welfare, gender and state, has remained untouched. Accordingly, the problem of secondary poverty has increased since 1983, when the six-year observation period of our case study began. From 1990 German unification has entailed new forms of secondary poverty. However, secondary poverty can also be found in other types of welfare states akin to the residual or the institutional model of welfare. There are specific kinds of secondary poverty likely to arise in each model.

Dynamic analysis seems to be a promising approach to the analysis of social problems. It is a task for future research to develop quantitative analysis techniques and to link quantitative longitudinal analysis to qualitative biographical research. Both types of analysis have reached a fairly high standard, but they have mostly been pursued separately. Another methodological and theoretical problem deserves special attention in future research, that is the problem of different social levels. A full dynamic theory has to link social change at the macro-level of society to the dynamics of individual cases at the micro-level. In this paper we have incorporated the labour market as a structural variable into our quantitative modelling of social assistance careers. In the next stage of our research we aim to analyse applicant cohorts (1989, 1994) later than the 1983 cohort in order to identify the impact of further structural variables and to look for changes in the patterns of individual case dynamics over time compared to the 1983 cohort.

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