

$$\underline{\underline{\Pr [y_{it} < \frac{G}{E}]} = \Pr [\text{getting transfer}]}$$

$\Pr [\ln y_{it} < \ln(\frac{G}{E}) + \frac{1}{2} \epsilon_{it}]$ If we take into account labor effects

- There was not much evidence of these labor effects.

Welfare dependence? Pront paper adds dynamics to look at this. Is it hard to get off welfare?

- Someone who is on welfare this week/month/year is more likely to be on welfare next week/month/year than someone who is not on welfare
- earnings are serially correlated so any function of earnings will be correlated

$$\bullet \text{corr} (1\{y_{it} < \frac{G}{E}\}, 1\{y_{i,t+1} < \frac{G}{E}\}) > 0.$$

- This statement doesn't have much information

- can look at controls to generate a benchmark

- Is the serial correlation in the participation greater than that in the controls?

Human capital depreciates during welfare SSP - offered a huge work incentive (EITC-like)
 does this cause working to persist?

Plant (*) The critical value is about twice the degrees of freedom.

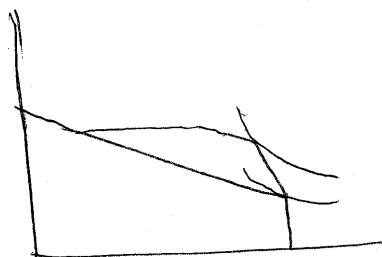
$\Pr[E_{it}=1 | \underbrace{G_t}_{\text{program}}, E_{it-1}]$. Wants to see if E_{it-1} affects this, controlling for serial correlation in wages.

Spse y_{it}, y_{it-1} normal serial correlation

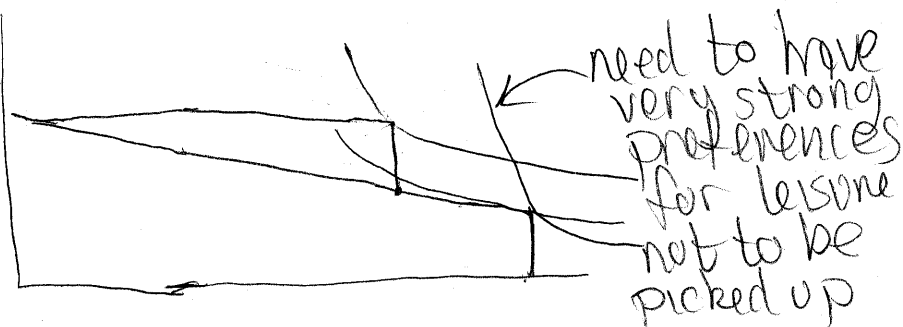
$\Pr[y_{it} < \frac{G}{t}, y_{it-1} < \frac{G}{t}] = \Phi(\frac{G}{t}, \frac{G}{t}; \rho)$

Card-Hyslop (EMA '05) SSP (Self-sufficiency project)

EITC:



The SSP had a work requirement.



Does this powerful incentive to work have a lasting effect?

The Life Cycle Model

Recognizes that time allocation is dynamic

(working today is a substitute for working tomorrow)

• long-run backward bending labor supply

• hours are falling, even though wages are rising.

• short-run upward slope (in business cycles, tend to see positive correlation in hours and wages).

• how do my hours evolve over my lifetime?