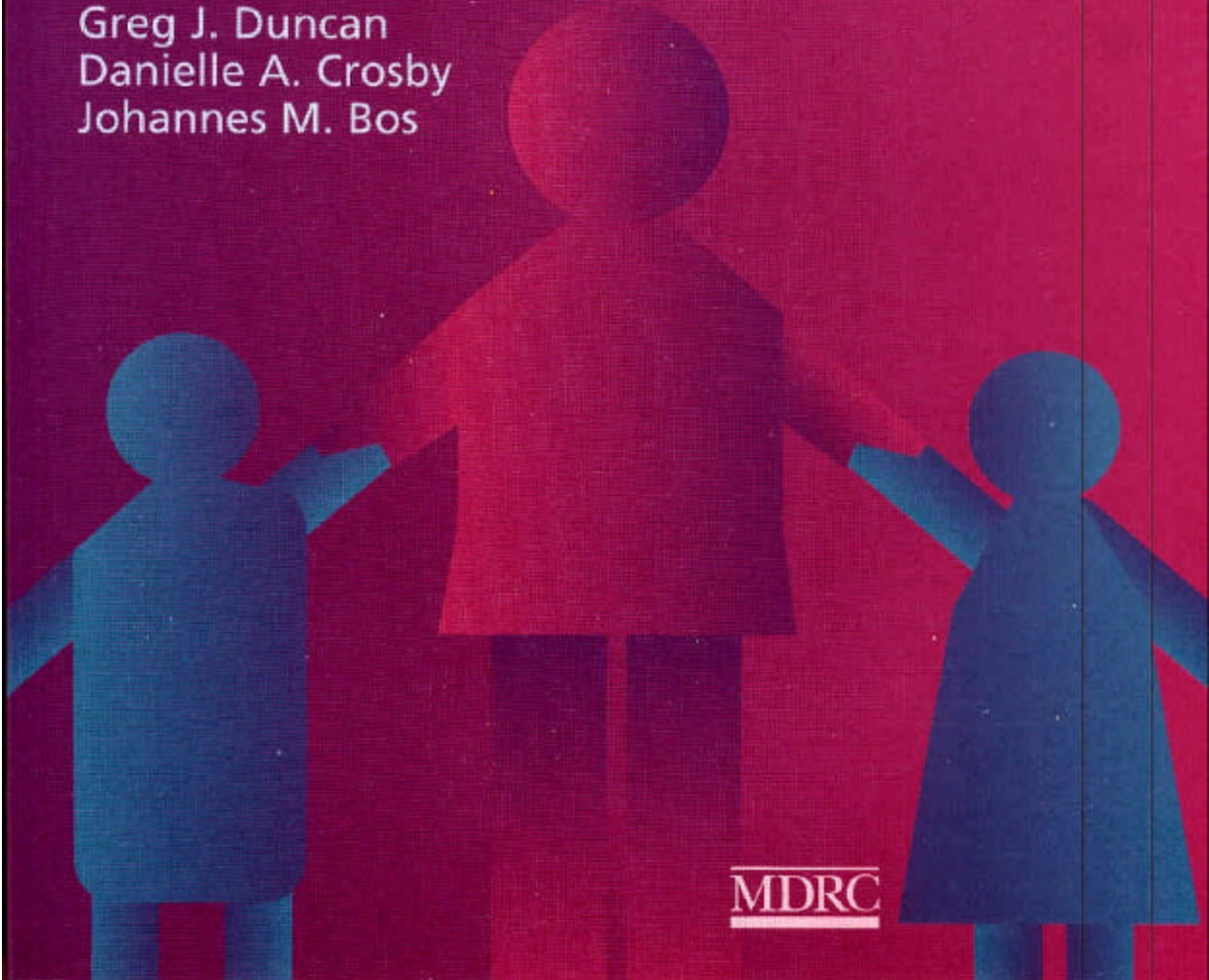




How Welfare and Work Policies Affect Children: A Synthesis of Research

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MDRC



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The Next Generation Project

This report is part of the Next Generation, a project that examines the effects of welfare, antipoverty, and employment policies on children and families. Drawing on rich data from recent welfare reform evaluations, the project aims to inform the work of policymakers, practitioners, and researchers by identifying policy-relevant lessons that cut across evaluations.

Foundation partners

The Next Generation project is funded by the David and Lucile Packard Foundation, William T. Grant Foundation, and John D. and Catherine T. MacArthur Foundation.

Research partners

The project is a collaboration among researchers from MDRC, the University of Texas at Austin, Northwestern University, the University of California at Los Angeles, Kent State University, the University of Michigan, New York University, and the Social Research and Demonstration Corporation.

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Preface

This is the first report from the Next Generation project, an innovative collaboration among researchers at MDRC, several other leading research institutions, and the foundation funding partners that is aimed at understanding the effects of welfare and employment policies on low-income children and families. The collaborative and interdisciplinary nature of the project is reflected in the combination of authors of this document — Pamela Morris and Johannes Bos at MDRC, Aletha Huston and Danielle Crosby at the University of Texas at Austin, and Greg Duncan at Northwestern University — who together represent the fields of developmental psychology, economics, and policy analysis.

The monograph provides the first comprehensive look at the findings from several recent evaluations of welfare and employment programs in order to examine the effects on children of three key policy approaches: providing financial supports to working families, requiring single parents to work, and limiting the length of time families can receive welfare. The studies on which this work is based were begun prior to the landmark federal welfare reforms of 1996, but many states have incorporated one or more of these policies into their post-1996 programs.

The most consistent finding is that programs that provided financial supports to parents who went to work — and increased parental employment and family income as a result — improved outcomes for children. Four of the 11 programs examined here offered such financial supports; in all four, elementary school-aged children's school achievement was higher than that of children whose families were in the traditional welfare system. Thus, it appears that such programs have the potential not only to support the working poor but also to complement education reforms aimed at improving the school achievement of low-income children.

The document also provides some reassurance about the effects on children of requiring single parents to participate in work-related activities. The six programs examined here that increased parental employment through such mandatory employment services showed little evidence of negatively affecting elementary school-aged children, and they saved the government money. However, these programs also showed little evidence of benefiting these children. Regarding older children, for whom outcomes were examined in two of the studies included here, the report sounds a note of caution: Both programs increased parental employment but had some negative effects on adolescents' behavior and school achievement.

Overall, the findings suggest that policymakers face a choice between offering mandatory employment services without financial work supports, which increase parental employment and reduce welfare dependence but have only neutral effects on children, and providing financial work supports, which increase parental employment, boost family income, and benefit children but also raise government expenditures.

This monograph represents the kind of cross-cutting research synthesis — one directly relevant to policymakers — that is the mission of the Next Generation project. The project's continuing work will provide more detailed analyses of how job characteristics, child care policies, and family income affect low-income children.

Judith M. Gueron
President

Acknowledgments

We are indebted to the Next Generation project's original director, Robert Granger, for his vision and dedication to developing the project. We are also grateful to the project's funders — the David and Lucile Packard Foundation, William T. Grant Foundation, and John D. and Catherine T. MacArthur Foundation — for their support, enthusiasm, and recognition of the value of this multistudy, collaborative effort.

The Next Generation project would not be possible without the program evaluations on which it is based, all of whose sponsors generously permitted us to use the original data. Those evaluations were supported by numerous federal agencies, state agencies, and foundations, which are thanked individually in the evaluation reports.

The Next Generation project has benefited in particular from the foresight and leadership shown by officials at the U.S. Department of Health and Human Services (HHS), Office of the Assistant Secretary for Planning and Evaluation (ASPE) and Administration for Children and Families (ACF), in their role in the original evaluations. ASPE helped to pioneer research on welfare and employment programs' effects on children by including information on children's outcomes in the National Evaluation of Welfare-to-Work Strategies (NEWWS). ACF developed the Project on State-Level Child Outcomes, an effort currently under way to include comparable measures of children's well-being in five state welfare reform evaluations.

Several of the evaluations benefited from the work of researchers at Child Trends, particularly that of Kristin Moore, Martha Zaslow, and Sharon McGroder. Child Trends is conducting the Child Outcomes Study in the NEWWS evaluation under subcontract to MDRC. Child Trends also played a central coordinating role in the Project on State-Level Child Outcomes, which is a collaboration among Child Trends, HHS (as initiator and funder), MDRC (as evaluator in Minnesota, Florida, and Connecticut), Mathematica Policy Research (as evaluator in Iowa), and Abt Associates (as evaluator in Indiana), with input from state participants and the National Institute of Child Health and Human Development (NICHD) Family and Child Well-Being Research Network. Child Trends was particularly instrumental in the conceptualization and design of the survey modules focused on children's outcomes.

A number of reviewers provided invaluable feedback on this monograph. Gayle Hamilton and Lisa Gennetian at MDRC provided key guidance throughout the process. In addition, Virginia Knox, Judith Gueron, Judith Greissman, Barbara Goldman, and Gordon Berlin at MDRC offered critical insights into the analysis and presentation of the findings. The report also benefited from input and comments from Kristin Moore, Martha Zaslow, and Sharon McGroder at Child Trends; Martha Moorehouse, Audrey Mirsky-Ashby, and Howard Rolston at HHS; and Hiro Yoshikawa at New York University. We would also like to thank Christopher Jencks for his feedback on an early presentation of the findings.

The monograph benefited tremendously from the dedication of Phuong Tang, who created all the tables and figures, fact-checked the report, and coordinated production of the document. Thanks are also due Frank Tsai and Wanda Vargas at MDRC for conducting analyses for the monograph and Young Chang at the University of Texas for her assistance in the analysis and presentation of the results. Christina Gibson and Katherine Magnusson at Northwestern University also provided invaluable assistance. The monograph was edited by Valerie M. Chase with the assistance of Robert Weber, and Stephanie Cowell did the word processing.

The Authors

Executive Summary

Over the past 30 years, welfare and other public policies for families living in poverty have developed a primary objective of increasing parents' self-sufficiency by requiring and supporting employment. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), passed in 1996, was a milestone in this effort, limiting the length of time that families can receive federal cash welfare assistance and requiring most of them to participate in employment-related activities to be eligible for such assistance. In addition, during the 1990s the maximum benefits available to working-poor families through the Earned Income Credit (the federal tax credit that supplements the earnings of low-income families), publicly funded health insurance, and child care assistance were expanded to reward work outside the welfare system. Because many of these benefit expansions encourage parental employment, and because other changes have weakened the safety net for families in which parents do not maintain employment, all these developments may have important consequences for children.

Proponents of changes in welfare policy have argued that parental employment benefits children by providing them with family role models who work and are self-sufficient and by introducing a regular schedule into the family routine. But employment may also create stress in the family, reduce parents' opportunities to spend time with their children, and interfere with parents' monitoring of their children's activities — particularly in single-parent families. Children may also be influenced by parental employment through changes in family resources: If family income or subsidies supporting such work-related needs as child care increase, children may benefit; if family resources decrease, children may be harmed. The critical question for policy is not "What are the effects of welfare reform on children?" Instead, it is "What program features are most likely to promote children's well-being?" or, conversely, "What program features harm children or leave them unaffected?"

In this monograph, we synthesize the results of five large-scale studies (see text box) that together examine the effects on children of 11 different employment-based welfare and antipoverty programs aimed primarily at single-parent families. (A companion document¹ examines the effects of these and other programs on parental employment, welfare use, and income.) Specifically, we attempt to identify the program features that are associated with effects on children's school achievement, social behavior, and health. Although most of the studies were under way by 1996, they were designed to test the effects of many program features that have been implemented by the states since the federal welfare law of 1996 was passed. The monograph is a product of the Next Generation project, a collaboration among researchers at the Manpower Demonstration Research Corporation (MDRC) and several leading research institutions that is being funded by the David and Lucile Packard Foundation, William T. Grant Foundation, and John D. and Catherine T. MacArthur Foundation.

We classify the programs in these studies on the basis of three features that might have affected the experiences of children in the participating families:

¹*How Welfare and Work Policies Affect Employment and Income: A Synthesis of Research* (MDRC). Forthcoming, 2001. Dan Bloom and Charles Michalopoulos.

Studies Examined in This Monograph

The Next Generation project analyzes data from five program evaluations, building on their research designs, outcome measures, and impact analyses. The evaluations, and the organizations that conducted them, are listed below.

Florida's *Family Transition Program* was evaluated by MDRC under contract to the Florida Department of Children and Families.

The *Minnesota Family Investment Program* was evaluated by MDRC under contract to the Minnesota Department of Human Services.

The *National Evaluation of Welfare-to-Work Strategies* is being conducted by MDRC under contract to the U.S. Department of Health and Human Services. The Child Outcomes Study, which examines program impacts on young children, is being conducted by Child Trends under subcontract to MDRC.

The *New Hope* evaluation is being conducted by MDRC under contract to the New Hope Project, Inc., in collaboration with researchers from Northwestern University, the University of Texas at Austin, the University of Michigan, and the University of California at Los Angeles.

The *Self-Sufficiency Project* was conceived by Human Resources Development Canada. The project is being managed by the Social Research and Demonstration Corporation (SRDC) and evaluated by SRDC and MDRC.

1. **Earnings supplements.** Four of the programs offered generous *earnings supplements* designed to make work more financially rewarding by providing families with cash supplements or by increasing the amount of welfare that parents could keep when they went to work. (One of the programs also supplemented earnings less directly by subsidizing child care and health care beyond the levels provided in the community.) Earnings supplements are intended to increase family resources as well as to encourage parental employment, and in the programs under study they generally succeeded in achieving both of these goals. While some of the programs with earnings supplements included other components as well, the provision of supplements was the only feature that the four programs in this category shared.
2. **Mandatory employment services.** Six of the programs provided only *mandatory employment services* — such as education, training, or immediate job search — in which parents were required to participate to be eligible to receive cash welfare benefits. Parents who failed to comply were subject to sanctions in the form of reduced welfare grants. The six programs in this category included mandatory employment services without any earnings supplements or time limits. In the programs under study, participation mandates (designed primarily to increase employment) were generally successful in raising employment rates. When mandates were implemented

without earnings supplements, participants lost welfare benefits as they gained earnings, so these programs did not usually raise family income or resources.

3. **Time limits.** One of the programs under study put *time limits* on families' eligibility for welfare benefits, restricting eligibility to a certain number of months in a specified period. This program was a pilot welfare reform initiative implemented prior to 1996 under waivers of federal welfare rules. Until 1996, cash welfare assistance was a federal entitlement that was available as long as it was needed. The federal welfare law of 1996 sets a lifetime limit of five years on cash assistance receipt, but states may impose shorter limits or extend the time limits by using state funds. States may also exempt 20% of the caseload from the limits for hardship reasons. Once a family reaches the time limit, federally funded cash benefits are terminated, but the family normally remains eligible for food stamps, Medicaid, low-income child care assistance, and (where available) state-supported cash assistance. The program with time limits combined them with mandatory employment services and a small earnings supplement; the result was an increase in parental employment but only a modest increase in family income.

All the studies reviewed used a rigorous random assignment research design. Parents were placed at random in either a program group, which had access to the new services and benefits and was subject to the new rules, or a control group, which received the benefits and was subject to the rules that had previously existed in the locality of the study site or sites. In most cases, members of the control group were eligible for cash assistance through Aid to Families with Dependent Children (AFDC), the cash welfare program in effect prior to 1996. Because parents were assigned to the groups at random, the average characteristics of families in the program and control groups should not have differed systematically at the outset. The random assignment method thus ensures that any differences between the two groups found during the study are due to the new program rather than to differences in the families' initial characteristics or the general economic and social conditions that they experienced.

In surveys conducted two to four years after parents entered the studies examined here, children's school achievement, social behavior, and health were measured using parents' reports and, in some studies, standardized tests or teachers' reports. To ensure the comparability of results, we focused on a subset of measures that were similar across studies yet represented a wide range of outcomes for children that might be affected by welfare and work policies. Using these measures, we conducted analyses for subsamples composed of single parents² the great majority of whom were women² with children who ranged in age from approximately 3 to 9 when their parents entered the study. At the time at which school achievement, behavior, and health were measured, the children's approximate age range was 5 to 12. The findings for all the measures of children's well-being and for the full samples can be found in the reports from the individual studies.²

²*The Family Transition Program: Final Report on Florida's Initial Time-Limited Welfare Program* (MDRC). 2000. Dan Bloom, James Kemple, Pamela Morris, Susan Scrivener, Nandita Verma, Richard Hendra.

Impacts on Young Children and Their Families Two Years After Enrollment: Findings from the [National Evaluation of Welfare-to-Work Strategies'] Child Outcomes Study (U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation and Administration for Children and Families; and

The difference between the children in the program group families and those in the control group families on a given outcome is referred to as the program's *impact* on that outcome. For each of the programs, we computed impacts and tested whether the impacts were statistically significant (that is, unlikely to have occurred by chance). We also examined the patterns of impacts for the programs that shared each of the three features introduced above. Our main findings follow.

- **The programs that included earnings supplements, all of which increased both parental employment and income, had positive effects on elementary school-aged children.** All four programs that provided earnings supplements led to higher school achievement. Some of the programs also reduced behavior problems, increased positive social behavior, and/or improved children's overall health.
- **Adding mandatory employment services did not generally reduce the positive effects of earnings supplements on children.** The only program that included mandatory employment services in addition to an earnings supplement increased parents' full-time employment but generally did not affect children's outcomes beyond having the same positive effects as the program did when it was implemented with earnings supplements alone.
- **The programs with mandatory employment services, all of which boosted parental employment without increasing income, had few effects on children, and the effects were mixed in direction.** These six programs had relatively few noteworthy effects on children. When impacts were found, the effects were about equally likely to be positive as negative. The pattern of impacts appeared to be more closely associated with particular sites than with program characteristics like participation mandates.
- **The program with time limits, which led to an increase in parental employment and a modest increase in income, produced few noteworthy impacts on children, and the impacts found did not suggest a consistent pattern of benefit or harm.** Our knowledge base is smallest with regard to the impacts of time limits because only one program had time limits, and this program combined them with mandatory employment services and a small earnings supplement. The program's few impacts on children were mixed: Health improved, but positive social behavior decreased.

These general conclusions are subject to the caveats below.

U.S. Department of Education, Office of the Under Secretary and Office of Vocational and Adult Education). 2000. Sharon McGroder, Martha Zaslow, Kristin Moore, Suzanne LeMenestrel.

New Hope for People with Low Incomes: Two-Year Results of a Program to Reduce Poverty and Reform Welfare (MDRC). 1999. Johannes Bos, Aletha Huston, Robert Granger, Greg Duncan, Thomas Brock, Vonnice McLoyd.

Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program: Volume 2: Effects on Children (MDRC). 2000. Lisa Gennetian, Cynthia Miller.

The Self-Sufficiency Project at 36 Months: Effects on Children of a Program That Increased Parental Employment and Income (Social Research and Demonstration Corporation). 2000. Pamela Morris and Charles Michalopoulos.

- **Although the effects of earnings supplements on children are encouraging, the improvements are modest when considered in the context of these children's high levels of disadvantage.** Even the programs with the most benefits to children left many families in poverty and many children at risk of school failure and behavior problems. These programs do not eliminate the need for child-focused interventions and reforms that promote school achievement and reduce behavior problems.
- **The positive effects of earnings supplement programs on children were most pronounced for the children of long-term welfare recipients.** For families in which the parent had a long history of using welfare, the programs with earnings supplements improved children's development and increased parental employment and family income.
- **The conclusions in this monograph are limited to preschool-aged and elementary school-aged children. Infants and toddlers, as well as adolescents, may be affected differently by the welfare reform approaches examined here.** Too few of the studies considered here specifically examined children under 3 for general conclusions to be drawn. For adolescents, however, two of the studies (one examining a program with an earnings supplement and another a program with a time limit) found decreases in school achievement and increases in behavior problems among adolescents.
- **Although the program features examined in this monograph are similar to those included in many programs that have been implemented by states since 1996, they do not represent the full range of earnings supplements, participation mandates, and time limits currently in effect.** The patterns from which these broad conclusions are drawn were observed in programs in different geographic regions with different population characteristics, justifying some confidence that the findings will generalize across different contexts. Nonetheless, most of the studies were conducted prior to the passage of the 1996 federal welfare legislation, and their impacts could be different in a different macroeconomic or policy context. Moreover, while the policies examined here are representative of some of the state policies currently in effect, policies that provide less generous supplements or impose more stringent mandates or time limits than those examined here may have different effects on children.

The welfare reforms initiated by the states and the legislated changes in the 1990s did not lead to one new welfare policy but to a variety of policies that continue to evolve. As welfare caseloads decline, federal and state policies are generally being expanded to reach all working-poor families, regardless of their welfare status. The findings of this synthesis may guide policy choices that promote the development of children both in families receiving welfare and in other low-income families. Welfare reforms and antipoverty programs can have a positive impact on children's development if they increase employment and income, but increasing employment alone does not appear sufficient to foster the healthy development of children. Children living in poverty are at risk of low achievement, behavior problems, and health problems, so it is critical that policies affecting their families enhance children's well-being rather than leaving them at the same level of deprivation and risk that they experienced under the former welfare system. We hope that this analysis will help state and federal policymakers make informed choices that keep the effects on children in focus as they design legislation that affects low-income parents.