



ENDING WELFARE: COMMON APPROACHES TO REFORM AND HOW THEY INFLUENCE FAMILIES AND THE WELL-BEING OF CHILDREN

Special Report

University of Pittsburgh Office of Child Development

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A full understanding of how welfare reform affects poor children remains elusive some five years after state and federal policies were redrawn to limit benefits, reduce dependency, encourage employment, and cut government costs.

Recent studies, however, shed some light on the question. Among them are national studies by the Manpower Demonstration Research Corporation based on the experiences of early welfare reform initiatives in several states that adopted common features, such as mandatory work rules and time limits on benefits.

No alarming evidence was found to suggest welfare-to-work policies seriously diminish children's health, development, and overall well-being. On the other hand, few significant gains were reported among children whose families moved off welfare under reform initiatives. Welfare-to-work has been linked to better school performance among some children, but reported gains are modest and limited to families in programs that try to "make work pay" by subsidizing job earnings with cash awards.

What is clear is that family employment and income are not benign influences. And it is growing up in poverty, not welfare receipt, that threatens children's development.

Welfare Reform

In 1996, the federal Personal Responsibility and Work Opportunity Reconciliation Act brought profound changes to welfare, including a time limit on receiving cash assistance. It capped nearly three decades of efforts to move low-income Americans into the workplace and cut dependence on once-guaranteed government subsidies and benefits.

Earlier policy changes included increasing the benefits offered to working-poor families through the Earned Income Credit, a federal tax credit that supplements the earnings of low-income families. Publicly funded health insurance and child care were also expanded in many states to support and reward work outside the welfare system.

Individual states responded to the 1996 law by adopting a variety of reform initiatives of their own. Key features

of these programs include:

- **Mandatory Employment.** Most approaches are designed to encourage recipients to search for, find, and hold a job. This rule is usually enforced by reducing and eventually discontinuing the welfare benefits of those who don't work.

- **Time Limits.** The 1996 federal law requires cash welfare assistance to be limited to five years over a person's lifetime. States may shorten limits or extend them using state funds. States may exempt 20 percent of their caseloads for hardship reasons.

- **Earning Supplements.** Some programs offer earnings subsidies and other supports, such as child care, to lift low-paid working families above poverty levels.

In Pennsylvania, welfare reform brought mandatory work rules and a five-year limit on cash assistance over a recipient's lifetime. No cash earnings supplement is offered, but child care subsidies and other benefits are available to working families. Some working families may also be eligible to retain Medicaid coverage and a percentage of their food stamps. For example, a single mother who works full time for \$8 an hour and has two children under age 6 would receive Medicaid, \$94 worth of food stamps each month, a \$258-a-month Earned Income Tax Credit, and child care subsidies.

If reducing Temporary Assistance for Needy Families (TANF) caseloads is the sole measurement, welfare reform has been a resounding success. Between August 1996 and June 2000, the nation's TANF caseloads fell 53% to 5.8 million cash subsidy recipients, according to the U.S. Department of Health and Human Services. Pennsylvania's TANF caseload dropped 56% during this same period.

Less clear is how children are affected by welfare reform programs that require parents to work and weaken the safety net for jobless families.

Risks To Children

Changes in employment and family income can affect resources that influence a child's health, safety, and development.

Employment

Studies of how a mother's employment affects her children suggest that much depends on the characteristics of the mother's job, quality of child care, and whether family resources increase. Also important are factors not directly related to employment, such as the mother's personality and her child-rearing practices.¹

One danger is that low paying, routine jobs that offer little autonomy tend to erode a mother's emotional well-being, which can influence her child's development. Another is that unconventional hours and frequently-changing work schedules – characteristics of many low-wage jobs – make it difficult for parents to manage work and family responsibilities.

Family Income

Family income determines, in large part, the resources parents are able to provide their children and influences other factors, such as stress and parenting behaviors.

Income consistently predicts a child's academic and cognitive performance. And studies suggest low-income children are more likely to have behavior and health problems than children of more affluent families.

Other outcomes associated with poverty include low birth weight; delayed physical, cognitive, and social development; school dropout; and teenage pregnancy.² The chances children will experience such outcomes are increased the longer they live in poverty and the earlier in their lives they experience it.

Receiving Welfare

Welfare may carry a stigma, but there is little evidence that receiving welfare – apart from income level – influences children's cognitive and social development.

Poor outcomes tend to follow children of welfare families. They face a higher risk of low academic achievement and of dropping out of school than children who do not live in poverty, for example. But poverty, more than welfare status, produces these risks. For example, families who leave welfare and poverty before their children are 3 years old have children whose cognitive ability is higher than children from families who leave welfare but remain poor and children from families who do not leave welfare or poverty.³

Job loss, parents separating, and other major changes not uncommon among families who move into and out of welfare programs can affect children's outcomes. Higher levels of behavior problems are reported among children of families who had recently become welfare recipients, as well as among children whose families had recently left welfare.⁴

Child's Age

Young children who have not yet reached school age

may be more profoundly influenced by family income and a mother's employment than older children.

Research suggests that infants and preschool-aged children are more sensitive than older children to separation from their parents. And the development of cognitive and language skills may be influenced by the quality of child care – a factor that may be associated with family income.

Among older children, adolescents are more able to appreciate the value of their parents' work away from home and may even benefit from the role model a working parent provides. However, a single mother's employment has been associated with delinquency and poor school performance in households where supervision is lax and communication between parent and child is poor.⁵

Welfare Reform & Children's Well-Being

Neither studies of early reform measures or indicators of the well-being of children in Pennsylvania suggest welfare-to-work programs do low-income children significant harm. These latest findings, however, offer an incomplete picture.

The most comprehensive studies of the impact of welfare reform are based on the evaluations of programs enacted prior to the landmark 1996 federal reform legislation. Pennsylvania's child well-being indicators, while reporting encouraging trends, do not define what role welfare reform played, if any, in the statistical improvements. In fact, many indicators began to improve prior to the state's welfare-to-work program.

Pennsylvania Indicators

Several key measures of child well-being in Pennsylvania have shown improvement in recent years.⁶ For example:

- **Child abuse.** The rate has fallen steadily after it peaked in 1992, when 3 substantiated cases of abuse per 1,000 children were reported. In 1999, the child abuse rate was 1.8 cases per 1,000 children. In 1996, before welfare reform, the rate had already dropped to 2.2 cases per 1,000 children.

- **Out-of-home placement.** The rate of children placed in foster care and other placements rose from 5.5 per 1,000 children in 1989 to nearly 8 children per 1,000 in 1999. The increase has slowed since 1997, when it stood at 7.8 per 1,000 children.

- **Drop-outs.** The percentage of high school students who drop out of school fell from 4% of all students in 1996 to 3.75% in 1999. However, a more marked decline was seen from 1989-1995 – again, before welfare reform – when the rate fell from 4.7% to 3.7%.

- **Teen births.** Births to teenage mothers fell slightly

from 9.4% of all births in 1996 to 9.2% in 1998. However, the 1998 rate was still higher than the 8.9% teen birth rate reported in 1989.

Employment & Income

Nearly all of the early welfare reform programs studied reported higher employment rates among poor families, particularly programs that had a mandatory work provision – a feature that today is at the heart of welfare-to-work programs nationwide.

Unfortunately, studies suggest the shift from welfare to work did little to improve overall family income. Early welfare-to-work programs in 11 states reported that reductions in welfare, Food Stamps, and other benefits matched or exceeded earnings gains in most cases.

So while more families came to rely on job earnings rather than welfare payments as their chief source of income, few were lifted out of poverty. And research shows that it is poverty, not welfare receipt, that is associated with poor outcomes for children.

Subsidized Earnings

Not surprisingly, children fare better when welfare reform programs ensure that families are better off financially for taking jobs and leaving welfare. These programs lift working families out of poverty by supplementing low earnings with cash awards and other supports, such as child care subsidies. Some also relax eligibility rules to allow working families to retain at least a portion of some benefits, such as food stamps and Medicaid.

Studies of welfare programs in six U.S. states and two Canadian provinces that featured earnings supplements report the following outcomes among children.

- **School Performance.** School achievement scores improved 10% to 15% among children whose families left welfare with the help of earnings supplements. The scores reflected teachers' ratings, parents' ratings, and tests measuring children's knowledge in certain areas, such as mathematics.

- **Behavior.** Most programs reported only very slight reductions in measures of problem behavior among children. In Minnesota, however, the Family Investment Program reported gains of about 10% using parents' responses to a 12-item externalizing subscale of the Behavioral Problems Index that assesses problem behaviors such as bullying and cheating.

- **Health.** Few programs evaluated health outcomes. Available data suggest programs neither improve or degrade children's health. However, a Canadian program that supplemented earnings of parents who worked full time reported a 5% increase in scores based on parent surveys and rat-

ings of their children's health.

Earnings subsidy levels of these programs vary, but all help boost family income above poverty lines. For example, the Minnesota program enabled a single mother working 20 hours a week at \$6 an hour to make about \$250 a month more than she received while on welfare. The program also included child care subsidies.

Mandatory Work Rules

Welfare reform programs all have rules designed to encourage families to move from welfare to work by requiring parents to work or to participate in education and services related to finding and retaining a job. Such rules are associated with higher rates of employment among poor families.

The impact on children and families of imposing mandatory employment services without offering families cash earnings supplements is suggested by the outcomes of early welfare-to-work programs in Georgia, Michigan, and California. The programs required welfare recipients to work or at least participate in basic education or employment-related activities. Those who failed to meet those requirement faced sanctions that included loss of benefits.

- **Income.** Although employment rates increased, family income did not. Parents traded welfare benefits for earnings no higher on average than those of families in comparison groups who were more likely to receive welfare.

- **School Achievement.** Programs were not found to influence young children's school achievement. Nearly all reported gains of less than 1% in children's scores on the Bracken School Readiness Composite test.

- **Behavior.** Behavior problems did not consistently increase or decrease among children aged 3-5 years.

- **Health.** The impact on children's health, measured by parent ratings, was found to be neutral in most programs. However, two of six sites reported decreases of 1%-5% in children's health ratings at a two-year follow-up survey.

The findings suggest little benefit for children as a result of mandatory employment services, in contrast to programs that provided cash earnings supplements and other supports to raise working families out of poverty.

Policy Implications

In 2002, federal policymakers will debate the reauthorization of the 1996 welfare reform law and the outcome is expected to influence state policies across the nation. This time around, lawmakers will have the findings reported above to help guide them. More specifically:

- Welfare-to-work programs do not appear to significantly degrade children's health and development as earlier feared.

- State welfare reform programs can help low-income children, even when policies require their parents to work under the threat of losing their benefits.
- Mandatory employment services yield higher employment rates.
- The least expensive programs are those that require parents to work or participate in employment services without offering supports, such as earnings subsidies, but do not benefit children.
- Mandatory employment services alone usually fail to lift families out of poverty, and it is poverty that harms children.
- Programs that offer low-paid working parents cash earnings supplements or other supports, such as child care subsidies, lift families out of poverty and tend to improve outcomes for children. Such programs typically are the most expensive.

The importance of family income cannot be overstated. It is linked to stress levels in the home, and it influences the availability of resources that affect children's health, safety, development, and academic performance.

When parents in a federal Comprehensive Child Development Program (CCDP) site in Pittsburgh⁷ were allowed to set their own goals and choose services to achieve them, those who were not receiving welfare cash awards were more likely to choose goals and services that pertained to them as a parent and to the development of their children. Children of these parents scored the highest of any other group in mental performance measures, and their achievement scores improved over time.

CCDP children whose families were on welfare did less well mentally than might have been expected. Their parents tended not to set goals and select services related to parenting and children. Their goals and services addressed basic needs such as medical care, housing, and education for themselves.

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This Special Report, written by Jeffery Fraser, is based on the above publications. It is not intended to be an original work but a summary for the convenience of our readers. References noted in the text follow.

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⁵ Sampson, R. J., & Laub, J. H. (1994). Urban poverty and family context of delinquency: a new look at structure and process in a classical study. *Child Development*, 65: 523-540.

⁶ Child well-being indicators provided by Maria Zeglen Townsend, Ph.D., Director of the Child and Family Welfare Indicators Project for the University of Pittsburgh Office of Child Development. Databases include measures of health, poverty, welfare, childcare, education, and other indicators from across Pennsylvania.

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