

# WELFARE REFORM AND INTERGENERATIONAL MOBILITY

BY RACHEL DUNIFON



**ECONOMIC  
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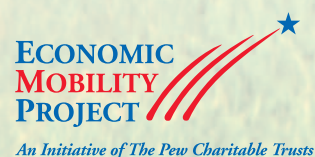
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# WELFARE REFORM

## AND

# INTERGENERATIONAL MOBILITY

“Welfare reform” of the late 1990s was enacted with the intention of encouraging recipients—the vast majority of whom are single mothers—to gain a foothold on the economic ladder and improve the economic prospects of their children. Signed into law by President Clinton in 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) established the Temporary Assistance for Needy Families (TANF) program and made profound changes to the ways in which low-income families received assistance.<sup>1</sup> It eliminated the guarantee of receiving welfare, mandated work requirements, imposed strict limits on the length of time benefits could be received, and gave states greater flexibility in implementation.

As policymakers consider the upcoming reauthorization of TANF—and in light of the many people who are seeking assistance in the current recession—this literature review explores these reforms and how they may have had an impact on the economic mobility of TANF recipients and their children.

This review outlines the key components of welfare reform, changes in parental welfare use since 1996, and how these changes might impact children’s economic outcomes. For instance, the program parameters influence mothers’ ability to receive welfare support and the duration of this receipt. They likely affect recipients’ employment and their family’s total income and may also have an effect on living arrangements and the number of children they have. These changes, in turn, may impact a wide range of child outcomes including health, cognitive development, and behavioral adjustment—all of which are indicators of a child’s economic mobility.

The paper finds that while studies examining the impact of welfare reform on children are rare, the few that do exist show no evidence that children have seen large benefits, or harm, due to the legislation. Specifically, the best available research indicates the following:

- **Welfare policies can affect children both positively and negatively.** When parents are exposed to welfare policies that both increase employment *and* household income, young children appear to see small benefits in terms of test scores, health, and behavior. However, adolescents may not fare as well; in particular, increased employment may reduce parental monitoring of teens, leading to poorer academic outcomes and increased problem behavior.
- **Welfare reform has led to an increase in low-income mothers’ employment and a decrease in welfare use, but its impact on household income is less clear.** Poverty rates remain very high for children living with single mothers. Policies that allow a mother to remain eligible for welfare while working, however, appear to increase the household’s income.

- **Welfare reform has increased the number of children in high-quality, center-based child care.** When welfare programs specifically provide child care assistance, children are more likely to enter higher-quality, center-based care arrangements. However, very little research has examined trends in children's child care experiences post-welfare reform or linked these changes to dimensions of children's well-being.
- **There is little evidence that welfare reform has led to changes in mother's marital status and thus their children's living arrangements.** However, policies that allow mothers to combine welfare and work (thus increasing income) may make them more likely to marry and increase the length of time already-married mothers remain married. Having higher, more stable income often makes partners more attractive for marriage.
- **There is little evidence that welfare reform policies have affected parents' mental health, parental stress, or the ways in which they interact with their children.** However, research in this area is very limited.

The review notes that researchers could better understand welfare reform's impact on children and families by taking the following steps.

1. **Focus more on child care, parenting behaviors, and mental health.**  
These are key pathways through which welfare reform may influence children, but research documenting the links between welfare reform and these dimensions is very rare.
2. **Focus on the types of jobs mothers have and how they affect children.**  
The impact of the quality of the jobs lower-income single mothers hold and how characteristics of their jobs are linked to children's well-being is not well known.
3. **Use ethnographic research to better understand the linkages between welfare reform and children's well-being.** Such research could accompany larger-scale quantitative studies in order to shed light on ambiguous findings and provide a greater understanding of if and how changes in welfare policies play out in everyday lives.

The report's foreword, authored by welfare reform experts Ron Haskins of the Brookings Institution and David Ellwood of Harvard University, outlines ways policymakers should use these data to improve TANF when it is reauthorized. Drawing from recommendations in the Economic Mobility Project's nonpartisan policy road map, Haskins and Ellwood specifically comment on ways America's public assistance programs could be made more mobility-enhancing, both for recipients and their children.

<sup>1</sup> TANF was reauthorized in the Deficit Reduction Act of 2005.

# WELFARE REFORM AND INTERGENERATIONAL MOBILITY

RON HASKINS AND DAVID ELLWOOD

*Ron Haskins is an expert on education, social policy, and poverty. He currently co-directs the Center on Children and Families at the Brookings Institution. He was previously the staff director of the House Ways and Means Subcommittee on Human Resources where he was instrumental in crafting the 1996 welfare reform legislation, and he served as the senior advisor for welfare policy to President George W. Bush.*

*David Ellwood is a labor economist who specializes in family change, low pay and unemployment. He is currently the Scott M. Black Professor of Political Economy, and Dean of the John F. Kennedy School of Government at Harvard. He was previously the Assistant Secretary for Planning and Evaluation at the U.S. Department of Health and Human Services (HHS) where he served as co-chair of President Clinton's Working Group on Welfare Reform, Family Support and Independence.*

The excellent review of research on the sweeping 1996 welfare reform law by Rachel Dunifon could not be more timely. If all goes according to plan, the welfare reform legislation will be reauthorized later this year or next. During reauthorization, the effects of welfare reform on employment, welfare participation, child well-being, as well as several topics not covered in the Dunifon essay will be open to congressional inquiry. The inquiry, in turn, could lead to important modifications of the 1996 law, as well as other policies aimed at reducing poverty and promoting economic mobility. It would be a mistake to think that the congressional debates will hinge crucially on research, but given the proclivities of the Obama administration to base decisions on research, as well as the fact that some of the senior Democrats now in power opposed the original 1996 legislation, it seems likely that Congress will conduct extensive hearings and invite witnesses to draw conclusions from the research literature so ably reviewed by Dunifon.

Welfare reform as enacted in the mid-1990s was focused centrally on work. Two elements were at its core: making work pay for the working poor, including an expanded Earned Income Tax Credit, increased child care subsidies, and expanded Medicaid coverage; and replacing the old Aid to Families with Dependent Children program with time-limited, work-oriented Temporary Assistance for Needy Families



(TANF). While the latter is often referred to as welfare reform, both elements were essential. The essence of the TANF reforms was to require mothers applying for or receiving welfare to meet work requirements. These requirements were backed by sanctions that could lead to reduced welfare payments in every state and time limits that ultimately were to lead to termination of federally supported cash welfare after a period without work. This regime, which was much tougher than previous law, made it more difficult for non-working mothers to stay on welfare. But partly as a result of the make-work-pay initiatives, mothers who went to work stood to achieve significant gains in income. In the end, “welfare reform” did not lead to less spending on low income families, but it sharply torqued the resources toward supporting and even enforcing work.

The available evidence strongly suggests that considerably more single mothers went to work, and overall poverty rates among single mothers and their children fell. Dunifon reports that employment rates for single mothers rose from 62 percent to 73 percent between 1995 and 2000. Among less-educated, lone parents the rise was even more dramatic and poverty rates fell rapidly. But perhaps unsurprisingly, welfare reform seems to have had its losers, also. A careful analysis of Census Bureau data by Rebecca Blank showed that the number of single mothers who did not have earnings or payments from welfare more than doubled, from about 10 percent in 1990 before welfare reform to 20 percent in 2005. Thus, welfare reform appears to have both increased work and improved the incomes of many single mothers but pushed some others into even more dire straits.<sup>1</sup>

In our view, four important issues need to be addressed as part of reauthorization and policies for the poor more generally:

1. supporting and increasing work among single parents and low-income adults in general;
2. helping single mothers who are neither working nor receiving public assistance;
3. enhancing the economic mobility of welfare recipients; and
4. addressing the rising nonmarital birthrate and declining marriage rate, especially among the poor.

First, what can be done to support and increase work among single parents and low income adults in general, especially during these difficult economic times? Few families with “employable adults” (those without disabilities) can escape poverty unless at least one adult works. The combination of cash welfare, food stamps, school lunch, and other benefits do not now, and likely never will, provide

enough income to escape poverty on their own. It follows that policymakers—both liberals and conservatives – have no real choice except to search for ways to help the poor work. And just as in the 1996 legislation, both increased rewards and supports for work and penalties for not working can and surely will be explored.

With growing wage inequality and the low pay generally received by less-educated workers, millions with a high school degree or less will not earn wages sufficient to escape poverty, primarily because their education does not allow them to qualify for jobs that pay high wages—hence the make-work-pay agenda. The most important item on this agenda is the Earned Income Tax Credit, which pays families with two children up to \$5,000 in cash. Other programs include food stamps, child nutrition, child care subsidies, child support enforcement, and health insurance. If the cash value of the benefits from these programs is counted as income, these work support programs remove millions of working families with children from poverty every year. We very much hope that the administration and Congress will ensure that the benefits from these programs remain available to working families and that some of them are expanded. There is solid evidence, for example, that funds appropriated by Congress for child care are insufficient to help all families that meet the income requirements to receive the benefit. As a result, some low-income families spend as much as 25 percent of their income on child care.<sup>2</sup> An obvious response would be to increase funding of the block grant that provides federal and state funds to help low-income families pay for child care.

As Dunifon and nearly every other reviewer shows, work requirements, job search assistance, and sanctions dramatically increased the employment of poor mothers. Compared to TANE, the food stamp and housing programs have comparatively limited work requirements. Some will argue (as Haskins would) that further reforms should be enacted, perhaps on a demonstration basis, that would help and require able-bodied adults receiving these benefits to make the transition to work.

Conversely, some will argue that existing requirements be loosened or altered. It remains to be seen whether the fact that reauthorization is occurring in the midst of the most severe economic downturn since the Great Depression will alter policymakers' or larger public attitudes toward work rules. One of the most intense controversies during the 1995-1996 debate over welfare reform was whether states would be required or even allowed to provide subsidized jobs for recipients that had hit their time limit for aid. In an economy with an unemployment rate that had dipped to the 4 percent range, there was little political support and arguably limited need for such government-subsidized jobs programs. But with unemployment rates exceeding 10 percent at this writing, Congress may want to explore whether to alter work requirements and/or increase subsidized employment opportunities (as Ellwood would urge).



Regardless of what policies are considered, the evidence is abundantly clear that work-based strategies fare better in strong economic times. When the economy stumbles, poor workers fall. A high employment economy is a necessary but not sufficient condition for really effective, work-based social policies. The current recession has resulted in a net decline of about 8 million jobs. This remarkable decline follows a period of almost constantly rising employment since the early 1980s. Though predicting the direction of the economy is fraught with uncertainty, most economists are now predicting a relatively slow expansion in the number of jobs, even if the economy continues to recover. We think it would be a serious mistake to abandon work-based reforms in these weaker economic times. Yet we also should recognize that the task of moving people from welfare to work will prove much harder in this period.

The second major question is what might be done to help those mothers who are neither working nor receiving public assistance. A few states have tried to help these mothers with programs that lower expectations and boost services.<sup>3</sup> These programs have not been notably successful, but there is a lot more to learn about what barriers to employment these mothers face. We think Congress should provide the Department of Health and Human Services with funds to conduct competitive grant demonstrations that test new programs to help these especially disadvantaged mothers. The trick will be to maintain the message that mothers must continue to do everything possible to eventually work full time while temporarily lowering work requirements and providing them with intensive services to help remove the work barriers they face. These women and their children will face employment difficulties even when the economy improves. Thus, the search for new strategies should begin immediately.

The third question is the one most directly related to the Economic Mobility Project. When welfare reform was enacted, the hope of many was that moving more adults into the labor market would put them on the first rung of a ladder that would lead to higher and higher pay and a path towards a more economically secure life for themselves and their families. There is little evidence that real economic mobility occurred after they got on the ladder for most former recipients. Instead, the reforms seem to have helped them up to a somewhat higher income, but without the additional upward mobility many had envisioned. Rather than a ladder, they stepped up onto a new platform. So perhaps the most important question for the future is how the nation enhances their chances for upward mobility.

American social policy has long been plagued by the modest success of employment and training programs to help workers—including former welfare mothers who join the workforce—get better jobs that pay higher wages.<sup>4</sup> Although the evidence on training and employment is beyond Dunifon's purview, the results of four decades

of research show that most programs lead to only modest increases in wages. The major cause of the problem at the bottom of the distribution is that wages of male workers with a high school degree or less have been stagnant or declining for three decades. Wages for poorly educated female workers have risen slightly over this period, but not enough to make a big difference in their standard of living. For several decades now, increased wage rates seem to be confined primarily to workers with postsecondary education.<sup>5</sup>

Thus, we hope the welfare reauthorization debate will focus on how to help young people from poor families improve their preparation for the job market. Recent research on programs like Career Academies and Youth Challenge—the former a program that gives youth job experience while they’re still in high school, while the latter provides supervision and education in a quasi-military setting for youth with behavioral problems—show promise in helping youth prepare for better jobs.<sup>6</sup> On average, for example, a seven-year follow-up showed that males who attended Career Academies earned almost \$2,000 a year more than males who attended regular high schools. Males who had attended a career academy also had significantly higher marriage rates. Additional investments in these and similar programs seem well-justified. Another promising approach to helping youth qualify for better jobs is boosting attendance at community colleges. There is good evidence that programs designed to help young people from poor families make the transition to community college accompanied by cash rewards for good performance can boost both continued enrollment and academic performance.<sup>7</sup> If these programs are aimed at training for jobs that are available in the local economy, they could help young adults qualify for middle-skill jobs such as electrician, fireman, and health technician that pay \$50,000 or more but do not require a four-year degree.<sup>8</sup>

A final issue that can be expected to play a major role in the reauthorization debate is how the nation should address its rising nonmarital birthrate and declining marriage rate, especially among the poor. In the 1996 reforms, Republicans included the promotion of marriage and the reduction of single-parent child rearing as goals of the TANF program. In subsequent legislation, Congress and President Bush created a \$100 million competitive grant program to implement marriage education programs around the country. These programs are intended to help young, unmarried couples, especially those who have had a baby together, as well as married couples, by sponsoring discussion groups that address important issues faced by couples, such as showing affection, arguing without resorting to name-calling or violence, parenting, and learning about household financing. Similarly, the legislation included a \$50 million competitive grant program on fatherhood to support programs that help young, single men learn parenting skills and the importance of visiting with their children and paying child support.

The fatherhood programs seem to have strong bipartisan support, while the marriage education programs have proven controversial, especially among Democrats. There is limited firm evidence to help Congress decide whether either type of program is producing useful effects, although a great deal of research is now being conducted, and preliminary results will be available beginning next year. Since research shows that, all else being the same, children tend to fare better when reared by their married parents<sup>9</sup> and that low-income and minority children are more likely than more advantaged children to spend part or all of their childhood in a single-parent family,<sup>10</sup> continuing experimentation seems appropriate and continuing congressional debate seems likely.

The 2010 reauthorization of welfare reform provides an occasion for Congress to carefully examine the situation of the poor and near-poor in America. Our nation's historic commitment to equal opportunity requires that we promote the mobility of the poor by expanded use of the policy levers discussed here, as well as other possible levers. The Economic Mobility Project has recently published a host of ideas that Congress should consider for helping the poor and improving economic mobility.<sup>11</sup> It can be expected that many other organizations will make similar proposals.<sup>12</sup> While we appreciate the fact that many factors will influence congressional action on welfare reform reauthorization, we hope that in taking a broad view of the status of disadvantaged Americans, Congress will devote serious consideration to what we have learned from research on welfare reform and related topics, as well as to the research-based proposals put forward by individuals and organizations that share national goals of reducing poverty and increasing economic mobility.

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<sup>1</sup> Blank and Kovak, 2009.

<sup>2</sup> Forry, 2009.

<sup>3</sup> Pavetti and Kauff, 2006; Zedlewski, 2003.

<sup>4</sup> Holzer and Nightingale, 2007.

<sup>5</sup> Blank, 2009.

<sup>6</sup> Kemple and Willner, 2008; Bloom, Gardenhire-Crooks, and Mandsager, 2009.

<sup>7</sup> Scrivener and Weiss, 2009.

<sup>8</sup> Holzer and Lerman, 2009.

<sup>9</sup> McLanahan, Donahue, and Haskins, 2005.

<sup>10</sup> Ellwood and Jencks, 2004.

<sup>11</sup> Economic Mobility Project, 2009.

<sup>12</sup> A review of proposals for increasing education, increasing work and wages, and strengthening families can be found in Ron Haskins and Isabel Sawhill, *Creating an Opportunity Society* (Washington, DC: Brookings, 2009).

## AN OVERVIEW OF WELFARE REFORM LEGISLATION

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In August 1996, Congress passed and President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA; U.S. Public Law 104-193), referred to as “welfare reform.” The new legislation dramatically changed the system of public assistance for low-income single mothers by eliminating the entitlement for public assistance, giving states great leeway in designing their own welfare programs, requiring those seeking assistance to work, and imposing time limits on the receipt of assistance. This section reviews the legislation itself, as well as the context, in terms of politics and public opinion, surrounding its enactment.

### THE CONTEXT OF WELFARE REFORM

Before 1996, when people referred to “welfare,” they typically meant the Aid to Families with Dependent Children program (AFDC, originally called Aid to Dependent Children, or ADC), created in 1935, and originally intended to support widows with children (Blank, 1997). Haskins (2006) notes that, in contrast to other New Deal programs, such as Social Security, which provides cash for the elderly and disabled, AFDC had been suspect because it was premised on paying people (single mothers) who, in theory at least, could work. Over time, as more and more women with children entered the labor force, the idea of paying women to stay home with their children became even less palatable. Additionally, over time, the composition of the AFDC caseload changed from mostly widows to divorced and never-married mothers, the latter of which were considered by many to be less deserving of support (Blank, 1997). Combined with this was a concern among the public and policymakers that welfare played a key role in the increasing number of children living with unmarried mothers, which rose from 12 percent in 1968 to 29 percent in 2006 (U.S. Census Bureau, 2009a). Conservatives, such as Charles Murray (1994), argued that a program limited to mostly single mothers would encourage non-marital childbearing and discourage marriage, and many believed that was the case.

As public concern about welfare programs was growing, governors were being granted permission from the federal government to experiment with ways to change the typical AFDC program in order to promote work. Even before the 1996 PRWORA legislation, the federal government gave states extensive leeway to opt out of AFDC system requirements and to develop their own welfare policies. Many of these state policies were precursors to the welfare rules eventually adopted in the 1996 legislation. Most of these changes occurred during the early and mid-1990s, and by 1996, 27 states had implemented a major welfare waiver of some kind (reviewed in Schoeni and Blank, 2000).



Thus, increased dissatisfaction with welfare was combined with new and evolving state programs designed to promote work. At the same time, the welfare caseload was reaching a record high, increasing by 30 percent between 1989 and 1992 (Haskins, 2006). In this environment, politicians began setting the stage for a major overhaul of the welfare system. In a timeline detailed in Haskins (2006), Republicans in the House took the lead on crafting legislation that contained key elements of the bill that was eventually passed, including time limits on welfare receipt, work requirements, and sanctions for individuals who did not meet the work requirements. However, welfare reform was not a Republican-led effort alone. In 1992, Presidential candidate Bill Clinton promoted himself as a “New Democrat” who would “end welfare as we know it,” thereby recognizing some of the concerns the public had about the cash assistance program.

Once elected, however, Clinton did not place welfare reform at the top of his policy agenda, focusing instead on issues such as health care reform. Rather, Clinton created a task force to study the topic of welfare reform, and their work proceeded slowly for more than a year (Haskins, 2006; DeParle, 2004). This delay opened the door for Republicans in the House to craft a series of bills containing strict provisions designed to reduce welfare use and promote employment. Republican dominance over the welfare reform debate increased after the Republican takeover of Congress in 1994; a key part of the Contract with America promoted by Republicans in the 1994 election centered on reforming welfare. As Haskins (2006) notes, by the time Clinton developed his own recommendations regarding welfare reform, the momentum for a Republican-formulated, work-oriented, more drastic change in welfare policy was virtually unstoppable.

As welfare reform legislation took place, commentators on all sides of the political spectrum began sounding alarms. Some were worried that the proposed changes were too draconian; others thought they did not go far enough. On the right, some argued that the approach taken in the House welfare reform bill focused too much on work and did not do enough to address issues of unwed childbearing, or “illegitimacy.” Some conservatives wanted an approach suggested by Murray, who advocated eliminating all welfare benefits for single mothers (Haskins, 2006).

On the left, people warned about potential dire consequences of the new welfare reform legislation. Some estimated that the new legislation would push more than one million additional children into poverty (cited in DeParle, 2004). Others predicted that the legislation coming out of Congress, which eliminated the entitlement for welfare and required work without providing any job training or creating programs for those in need of help finding work, would lead many mothers, and their children, to become destitute (Danziger, 1997). MaryJo Bane, the assistant secretary for

Children and Families in the Department of Health and Human Services, resigned in protest after President Clinton signed the PRWORA. She wrote in the *American Prospect* that this decision was based on fears that the new law would pose “serious dangers to children and families” by eliminating single mothers’ entitlement to cash assistance and allowing states to “race to the bottom” in developing more and more harsh welfare rules (Bane, 1997). In the end, however, the PRWORA was a bipartisan piece of legislation. It passed 328 to 101 in the House and 78 to 21 in the Senate and was signed by President Clinton on August 22, 1996 (Haskins, 2006).

### KEY COMPONENTS OF WELFARE REFORM LEGISLATION

A key feature of the 1996 welfare reform legislation signed by President Clinton was the abolishment of the former AFDC program and its subsequent replacement with a new program called Temporary Assistance for Needy Families (TANF). This change ended single mothers’ entitlement to public assistance. The new program, TANF, was a block grant given to the states; as such, each state could establish its own eligibility rules, determining which families to support and what requirements to place as a condition of that support (Blank, 2002). The use of a block grant also meant that states had an incentive to reduce their welfare rolls; because each state was given a set amount of money regardless of how many people received welfare benefits, a reduction in welfare rolls left states with extra money that could be used for other purposes (Haskins, 2006).

Despite the flexible nature of the new block grants, however, states did face some new requirements as part of welfare reform. States were required to put a certain percentage (eventually reaching 50 percent) of their welfare caseload in work or work activities for 30 hours per week (with some exceptions for mothers with young children) and were sanctioned if they did not. This requirement was reduced for states that were successful in moving people off welfare, regardless of whether those people obtained jobs, thus providing another incentive for states to reduce their welfare rolls (Haskins, 2006).

Another provision of the new legislation was a bonus payment of \$25 million for which states were eligible if they successfully reduced their nonmarital birth rate (Haskins, 2006). Finally, the PRWORA contained elements making it more difficult for immigrants to receive public assistance; specifically, immigrants were not eligible to receive food stamps, Medicaid, or TANF for their first five years living in the United States, although states could offer benefits to new immigrants using their own funds (Haskins, 2006).

Other policy changes implemented by the PRWORA specifically promoted work. Many states had already enacted these changes prior to 1996 under the waivers

noted above. One of the most dramatic changes in welfare policy was the imposition of time limits on the receipt of public assistance. The 1996 legislation included a five-year maximum lifetime limit on the receipt of federally-funded welfare benefits. Some states chose to use their own funds to avoid imposing time limits. Other states set time limits even stricter than those established by the federal guidelines.

Another policy change was the imposition of punishments, or sanctions, on welfare recipients who did not follow the new work requirements. Under welfare reform, recipients were required to participate in work or work-related activities in order to receive public assistance, and states used sanctions to enforce this policy, ranging from partial-to full-benefit reductions of welfare benefits.

Other policy changes made it more attractive to work while receiving welfare. Under the new legislation, states could develop what are called income disregard programs, allowing families to keep a certain amount of their earnings while remaining eligible for welfare (U.S. Department of Health and Human Services [USDHHS], 1997).

While most changes in the PRWORA focused on supporting work, some did emphasize marriage and fertility. One such aspect of the legislation focused on paternity establishment. The PRWORA mandated that each state move toward establishing paternity for 90 percent of all non-marital births (Zaslow, Trout, Botsko, and Moore, 1998). Mothers applying for welfare had to provide the name of their child's father or risk losing their benefits. Additionally, states were required to keep databases of all employers in order to match with the names of those owing child support, allowing them to track and garnish the wages of fathers owing support. Finally, states were given the freedom to develop systems allowing mothers to keep more of the child support paid to them, rather than using it to offset the cost of their welfare benefits (Haskins, 2006).

Other policy changes made welfare more accessible for married parents. Under AFDC, married couples' eligibility for cash assistance was severely limited (USDHHS, 1997), but as part of the 1996 legislation, states were able to determine more generous eligibility standards for married parents.

A final policy change allowed states to impose "family caps." Because welfare payments typically increased with family size, some worried that women were having additional children in order to increase their welfare benefits (Murray, 1994). During the early 1990s, some states attempted to remove this incentive by imposing limits, called family caps, on the benefits paid to families, capping the welfare benefit regardless of the family's size. Under TANF, states were free to decide whether and what type of family cap to impose (USDHHS, 1997); by 1999, 11 states had imposed a cap.

## HOW AND WHY WELFARE REFORM MIGHT AFFECT CHILDREN

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The changes in the welfare system outlined above, although targeted toward adults, have the potential to also affect children. Specifically, welfare reform is likely to affect mothers' use of welfare, their employment, and the family's total income, as well as mothers' living arrangements and fertility. These changes, in turn, may influence a wide range of child outcomes, including health, cognitive development, and behavioral adjustment. The associations between welfare reform and children's well-being may operate through a host of potential mediating factors, including parenting behaviors, such as the maintenance of family routines or effective monitoring of children; the quality and quantity of children's child care arrangements; parental stress and mental health; or the quality of the home environment provided to the child (Duncan and Chase-Lansdale, 2001). This section lays out the pathways through which welfare reform may influence children.

### PARENTAL WELFARE USE

A key goal of welfare reform was to decrease welfare use. As noted by Grogger and Karoly (2005), however, the ways in which specific welfare reform policies might actually impact welfare use are ambiguous. Some aspects of welfare reform, such as work requirements, sanctions, and time limits, are likely to reduce welfare use by pushing people off of welfare, as well as by deterring some women from applying for welfare in the first place. Additionally, states had financial incentives for reducing their welfare rolls as much as possible (Haskins, 2006). On the other hand, income disregard policies allowing people to keep more of their welfare benefits while also working could actually increase welfare use by increasing the number of people eligible for public assistance, as well as by increasing the amount of time people remain on welfare. On the whole, however, welfare reform was expected to lead to a reduction in welfare use.

The ways in which changes in parental welfare use could influence children depend mostly on whether such a change is accompanied by an increase in employment and income. If reforms lead to reduced welfare use and the loss of welfare income is not offset by increased earnings, children may fare worse as total household income decreases. Given research showing that deep or persistent poverty early in childhood is particularly detrimental for children, any policies that reduce family income could be harmful for children (Duncan and Brooks-Gunn, 2000). However, if the loss of welfare income is offset by an increase in earnings, total household income could increase, thereby benefitting children in ways that are outlined further below.



### MATERNAL EMPLOYMENT, EARNINGS, AND INCOME

As noted by Grogger and Karoly (2005), all aspects of welfare reform—work incentives, work requirements, sanctions, and time limits—are likely to increase employment. These dimensions of welfare reform are also predicted to increase total work hours, with the exception of income disregards, which allow welfare recipients to keep more of their welfare benefits while working. In response to income disregards, some recipients may decrease their work hours as, by remaining eligible for welfare, they can do so without decreasing their total income.

It is possible that changes in maternal employment, in and of itself, could influence children. As reviewed in Waldfogel (2002), a large body of literature examines the associations between maternal employment and child well-being, finding, generally, that maternal employment in the first year of life is associated with small, but sometimes persistent, negative influences on children's cognitive outcomes. These findings are particularly true among white children and when the mother works longer hours in the child's first year. Employment in later years has few associations with child well-being.

Increases in employment and work hours naturally lead to an increase in earnings. If this translates into an increase in total household income, children may benefit, due to the links between income and child well-being noted above. Depending on the type of welfare policy in place, however, increased earnings may not necessarily mean increased household income. Parents' welfare benefits typically decrease as their earnings increase, leading to a net neutral, or even negative, effect on total household income when mothers leave welfare for work (Grogger and Karoly, 2005).

Maternal employment can also mean less time spent with children, which could have a detrimental impact on child well-being. However, some evidence suggests that working mothers simply partition their days differently than those who are not employed, cutting back on sleep and other tasks while continuing to devote the same "quality time" with their children as do women who do not work outside of the home (Bianchi, 2000). Recent studies have confirmed this idea, finding no reduction in time spent with children when mothers leave welfare for work (Chase-Lansdale et al., 2003). The effort of balancing parenting and work may also increase maternal stress and decrease positive parent-child interactions. On the other hand, work may provide mothers with an enhanced support network, as well as increased self-esteem, which could lead to more positive outcomes.

## CHILDREN'S LIVING ARRANGEMENTS

As described above, welfare reform was motivated in large part by concerns over the increasing number of children growing up with unmarried mothers. While most key elements of welfare reform focused instead on promoting work and reducing welfare use, these changes could, in turn, affect family living arrangements. Additionally, some policies, such as the family cap and increased paternity establishment, could directly influence children's living arrangements. Specifically, welfare policies could influence whether a single parent enters into a marital or cohabiting relationship, or remains single; whether a married parent divorces; whether a woman has a child; and whether that woman is single, cohabiting, or married when that child is born.

Several scholars have elucidated the pathways through which welfare policy changes could influence children's living arrangements (Grogger and Karoly, 2005; Peters, Plotnick, and Jeong, 2003). If the attractiveness of welfare declines due to reductions in benefits or more strict work rules and enforcements, marriage (as well as cohabitation or living with other adults) could increase because mothers may feel the need to turn elsewhere for the financial support they no longer can, or want to, obtain from the welfare system. In other words, women may find a substitute for welfare in marriage or by living with other adults. If welfare policies push women into the labor market, this could lead to an increase in marriage if, due to their improved financial status, women become more attractive spouses. Additionally, existing marriages may be less likely to dissolve if improved financial situations lead to less strain within a relationship. On the other hand, if a woman's financial position improves, her chances of marriage and cohabitation may decrease if she uses her financial independence to live on her own.

Specific policies are likely to influence living arrangements in different ways. Although paternity establishment increases child support payments and, thus, children's household income (Argys, Peters, and Waldman, 2001), the total effect of such policies on living arrangements is unclear, as increased child support enforcement can have offsetting effects on men and women. For example, increases in child support can decrease the costs of nonmarital childbearing for women but increase them for men (Peters, Plotnick, and Jeong, 2003). Among those who already have a child together, paternity establishment policies may increase marriage or cohabitation, since such policies also increase the father's costs of maintaining a separate household and paying child support. Some research finds that child support and paternity establishment policies are associated with declines in rates of nonmarital childbearing (Garfinkel, Gaylin, Huang, and McLanahan, 1998; Plotnick, Ku, Garfinkel, and McLanahan, 2001; Peters et al., 2003) and a decrease in divorce (Nixon, 1997).

If welfare reform policies increase the flexibility of eligibility policies for married parents, welfare use is likely to grow among low-income married parents. Such changes also would likely increase marriage among low-income couples with a previous nonmarital birth and would reduce rates of divorce among married low-income couples (Peters et al., 2003). Robert Moffitt (1998) finds some evidence that, under AFDC, states that increased eligibility for married parents also saw an increase in marriage rates.

Finally, family caps are expected to decrease the likelihood that women on public assistance will have additional children (Peters et al., 2003). Nevertheless, research is mixed on the relation between family caps and nonmarital fertility. Several studies find no association between the family cap policy and nonmarital births (Dyer and Fairlie, 2004; Joyce, Kaestner, Korenman, and Henshaw, 2004; Ryan, Manlove, and Hofferth, 2006). Others (Horvath-Rose and Peters, 2001; Horvath-Rose, Peters, and Sabia, 2008) find evidence that the family cap is associated with a decline in nonmarital births.

### **FAMILY INTERACTIONS**

Through its impact on work, welfare use, income, and family structure, welfare reform could also influence mothers' mental health. These changes, in turn, could influence children's development. According to family systems theory, changes in one aspect of the family, such as maternal employment, can play out in other domains, such as mother-child relations and maternal well-being. Welfare reform, through its influence on employment and income, could influence the ways in which mothers interact with their children, also referred to as parenting behaviors. If, as a result of welfare reform, mothers have increased levels of stress from the increasing demands on their time, difficult work schedules, reduced household income, problems arranging childcare, or job uncertainty, then this could lead to less positive parenting behaviors on their part. On the other hand, if welfare reform leads to reduced maternal stress by increasing household economic security, increasing mothers' self-esteem, and the stability of family routines, or promoting the development of healthy romantic relationships, then the impact on parenting behaviors may be positive. Finally, if welfare reform plays only a negligible role in the complicated dynamics of family life, then little or no impact on parenting behaviors may be observed.

### **CHILD CARE**

A key goal of welfare reform was to promote the employment of low-income single mothers. Recognizing that working women need child care, the 1996 welfare reform legislation also included increased child care subsidies for low-income parents. Under the PRWORA, four child care subsidy programs were combined to create the Child

Care and Development Fund (CCDF), and overall spending on child care subsidies increased. This new funding source allowed states to offer child care subsidies based on families' income, rather than their welfare status (reviewed in Ross and Kirby, 2006), although most states continued to give highest preference towards welfare recipients when awarding child care grants (Ross and Kirby, 2006). An ongoing issue with the CCDF is the fact that, in many states, reimbursement rates for child care are not sufficient to cover the actual cost of care, especially when provided by a child care center (Ross and Kirby, 2006; Witte and Queral, 2006). For example, in Michigan, low subsidy rates meant that only 47 percent of child care centers accepted subsidies from the state (Danziger, Ananat, and Browning, 2006).

Child care not only is necessary to achieve the employment-related goals of welfare reform, but it may also have a positive impact on children's development in and of itself. High-quality, center-based child care has been shown to benefit children, particularly those from lower-income families (NICHD Early Child Care Research Network, 1997; Coley, Li-Grining, and Chase-Lansdale, 2006).

#### **ASSOCIATIONS WITH CHILD WELL-BEING AND FUTURE SUCCESS**

The discussion above suggests that welfare reform may influence children through a variety of pathways. It is difficult to know which particular dimensions of well-being may be influenced by such changes, although existing research provides some guidance. Because income is a stronger predictor of children's cognitive test scores than it is of behavior (Duncan and Brooks-Gunn, 1997), if welfare reform influences income or parental expenditures on children, we might expect specific links with cognitive outcomes. Significant associations with children's cognitive test scores could also arise if welfare reform changes the time preschool-aged children spend in high-quality, formal early care and education programs or the time that school-age children spend in organized after-school activities, as such activities have been shown to predict improved cognitive skills (Currie, 2001; Posner and Vandell, 1999).

Additionally, if welfare reform changes mothers' psychological stress or harsh parenting, children's behavior may be especially influenced (Yeung, Linver, and Brooks-Gunn, 2002), given the primacy of sensitive mother-child interactions for the development of young children's emotion regulation (Waters and Sroufe, 1983). Child care may play a key role here, as well, as the quality of care is associated with children's behavioral adjustment (Peisner-Feinberg et al., 2001). For older children, if welfare reform influences the amount of time spent in self-care, this may negatively affect children's behavioral adjustment and academic outcomes (Lopoo, 2007).



Finally, children's health could be influenced by welfare reform and subsequent changes in family life. As noted by Kaestner and Lee (2003), if women lose health insurance coverage upon leaving welfare for work, prenatal care and, ultimately, infant health may be negatively influenced. On the other hand, if the movement off of welfare and into work is accompanied by increased employment and income, children's access to health care may improve, leading potentially to improved health.

If children's well-being is indeed linked to welfare reform, what, then, might these influences on children's well-being mean down the road? In terms of children's cognitive development, a large body of literature links children's test scores with adult outcomes such as educational attainment and earnings (Currie and Thomas, 1999; Murnane, Willett, and Levy, 1995).

Heckman (2000), however, argues that so-called noncognitive skills, such as emotion regulation, motivation, and psychological adjustment, may be just as important as test scores in determining future success. Cawley, Heckman, and Vytlačil (2001) find that behavior problems in high school strongly predict educational attainment 12 years later. Currie and Stabile (2009) look at mental health conditions among children and find significant and large negative associations with future educational attainment, including grade repetition, poor test scores, and placement in special education. For schooling attainment, the effects of childhood mental health conditions operate through later mental health. However, when looking at test scores, childhood mental health effects are significant even after controlling for later mental health.

Finally, Currie and Moretti (2007) find that one key indicator of child health, low birth weight, is associated with also having a low-birth-weight child in adulthood, as well as living in a high-poverty neighborhood and achieving less education as an adult. These associations were particularly pronounced among lower-income women. These studies suggest that, if indeed welfare reform policies have an influence on children's well-being, such an influence could reverberate throughout childhood and into adulthood as well.

## WELFARE REFORM AND PARENTS' BEHAVIOR

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As described above, welfare reform policies were designed to directly impact low-income parents' employment, welfare use, and living arrangements and have the potential to also influence parents' income and earnings. This section summarizes current research on the ways in which welfare policies have influenced various aspects of parents' behavior.

### WELFARE REFORM AND WELFARE USE

A key goal of welfare reform was to decrease the welfare rolls and increase employment among low-income mothers. Indeed, the number of families receiving welfare has declined dramatically since the early 1990s, when states began implementing policies designed to promote work and decrease welfare use (Blank, 2002). Since welfare reform was enacted, the number of families receiving cash assistance has declined by 62 percent (Administration for Children and Families [ACF], 2009). Researchers have attempted to determine how much of this decline was due to welfare reform and how much was due to other factors, such as the economy. While results across various studies are mixed, the consensus is that, while the economy plays an important role in determining the welfare caseload, welfare reform was essential in producing the dramatic caseload declines of recent years (Blank, 2002). Notably, despite the current recession, the welfare caseload has not seen a dramatic increase (ACF, 2009).

To get a better handle of the causal impact of specific welfare reform policies on welfare use, Grogger and Karoly (2005) review several experimental welfare reform studies that took place before the PRWORA was enacted in 1996. These experiments, which took place in localities throughout the United States, incorporated many features of welfare reform, including time limits, mandatory employment services (including education, training, and job search requirements that, if not complied with, resulted in sanctions of welfare benefits), and income disregards. The key strength of these studies lies in the fact that participants—single mothers on welfare—were randomly assigned to take part either in these new welfare reform programs or to the traditional AFDC program already in place in their state. Because of this, any difference in outcomes—be it earnings, child well-being, or employment—between those in the experimental and control groups can be attributed to the welfare reform experiment itself. Looking at these studies, Grogger and Karoly (2005) conclude that welfare reform as a whole was associated with a decline in welfare use. In terms of specific policies, income disregards were shown to increase welfare use, while work requirements were shown to decrease its use.

## WELFARE REFORM AND EMPLOYMENT, WORK HOURS, EARNINGS, AND INCOME

Employment among single mothers increased dramatically in the wake of welfare reform. Between 1995 and 2000, employment among single mothers increased from 61.7 percent to 73 percent. Since that time, the rate of employment has leveled off but remains much higher than it was before the implementation of welfare reform (Ziliak, 2009).

As noted previously, a key objection to welfare reform was that it would lead to an increase in child poverty. This did not occur, as child poverty declined from 1994 to 2000; poverty rates have since increased, reaching 19 percent in 2006, but still remain lower than in 1993, when they peaked at 22.7 percent (U.S. Census Bureau, 2009b). According to Lichter and Crowley (2004), increased employment among single mothers accounted for at least half of the decline in poverty occurring between 1996 and 2000.

As noted by Lein and Schexnayder (2007), however, many families leaving welfare for work remain at or near poverty, and many face significant financial hardships. Additionally, some families at the very lowest end of the income distribution appear to be struggling after welfare reform. Primus, Rawlings, Larin, and Porter (1999) show that the incomes of the lowest quintile of single mothers declined between 1995 and 1997, mainly through the loss of welfare benefits that was not offset by earnings. Blank (2009) points to an increasing number of “disconnected” women who are neither working nor on welfare, suggesting that up to 25 percent of low-income single mothers may be categorized this way. Additionally, despite recent declines, poverty rates remain high among single-parent families with children; in 2006 such families had a poverty rate of 36.5 percent, compared to 14.6 percent for all U.S. families with children (U.S. Census Bureau, 2009b). More work is needed to understand the group of families who have struggled under welfare reform.

When looking at trends in employment and income post welfare-reform, it is important to note that several other economic and policy changes occurred around the same time that the 1996 welfare reform legislation was taking place. The biggest of these was the expansions of the Earned Income Tax Credit (EITC), which provides a refundable tax credit for low-income workers and thereby provided an unambiguous incentive to work. The EITC was expanded several times, starting in 1986 and most dramatically in 1994, 1995, and 1996 (Meyer and Rosenbaum, 2001). Meyer and Rosenbaum attempt to disentangle the effect of the EITC versus welfare reform on single mothers’ employment and find that the EITC and other tax changes account for over 60 percent of the increase in single mothers’ employment between 1984 and 1996. Blank (2001) reviews research tracing the impact of welfare reform

versus the economy on both the welfare caseload and on employment in the post-1996 period, finding that post-1996 welfare reform policies played a key role in declining welfare caseloads but had a less clear role in rising employment rates.

In order to estimate the impact of specific welfare reform policies on employment, Bloom and Michalopoulos (2001) review results from 29 random assignment welfare reform experiments that took place prior to the passage of the PRWORA in 1996. Looking across these 29 studies, Bloom and Michalopoulos (2001) find that most welfare reform programs led to an increase in employment and earnings. However, because welfare benefits decreased as earnings went up, under most programs, families exposed to the new welfare programs were no better off than those under the old AFDC rules in terms of household income. The exception was the earnings supplement programs, which allowed families to remain eligible for welfare while working, and resulted in an increase in total household income.

Grogger and Karoly (2005) also review non-experimental studies relating the 1996 welfare legislation to employment, work hours, earnings, and income. Compared to the welfare reform experiments discussed above, the strength of these studies lies in the fact that they examine data from across the entire United States and that they examine the effects of TANF, rather than smaller-scale welfare experiments that took place prior to the enactment of the PRWORA. However, because such studies are not based on random assignment, the evidence that welfare reform “caused” certain outcomes is less strong. Looking across several non-experimental studies, Grogger and Karoly (2005) find evidence that TANF did increase employment, earnings, and work hours, although the increase in earnings was small.

With many single mothers now employed, researchers’ interest has shifted away from whether a mother has a job and towards a focus on the type of job she has. For many less-educated, single mothers, the jobs obtained after welfare reform consist of “nonstandard” work hours, or work that occurs outside of the typical “9 to 5” weekday schedule. Data gathered in 2004 show that, among all workers, 17.7 percent usually worked alternate shifts that fell at least partially outside the daytime shift range (McMenamin, 2007). Among employed women with children, 12 percent did so (Connelly and Kimmel, 2007). Less-educated workers are somewhat more likely to work nonstandard schedules than their higher-educated peers, largely because they are over-represented in the fields in which alternate shift work is more common, including food preparation and serving, cashiers, orderlies, retail salespersons, and home health aides (Connelly and Kimmel, 2007; McMenamin, 2007; Presser, 1999; Presser, 2003; Presser, 2004; Presser and Cox, 1997). Part-time workers are twice as likely to work nonstandard shifts as those who usually work full-time, and the share of whites who work nonstandard



schedules is lower compared to blacks or Hispanics. It is thus likely that welfare reform increased the number of mothers working in nonstandard jobs, although no study has examined this question directly.

### WELFARE REFORM AND CHILDREN'S LIVING ARRANGEMENTS

Changes in welfare policies could also influence children through changes in their parents' living arrangements. A large body of literature, summarized in Moffitt (1998), examines these questions by looking not at specific welfare policies, but instead at the relative generosity of state cash assistance levels. Moffitt concludes that in a simple majority of studies, rates of marriage decline and fertility increases as benefits become more generous and that this is particularly so when looking at the marital and fertility behavior of white women. However, this finding is tempered by the fact that many studies fail to find any association between welfare benefits and family structure at all. Looking not at marriage but rather relationships, Carlson, Garfinkel, McLanahan, Mincy, and Primus (2004) find that unmarried couples with younger children are less likely to break up when living in a state with higher welfare benefits.

Other research examines how specific welfare policies influence parents' living arrangements. Looking at results from the pre-1996 welfare reform experiments described above, evidence suggests that, overall, welfare reform experiments did not increase marriage among single mothers (Gennetian and Knox, 2003). However, studies looking at some specific experimental programs show a different pattern and suggest some instances in which welfare programs did impact marriage. In particular, programs that increased total household income by allowing parents to keep their welfare benefits while requiring them to go to work appear to promote marriage. One such program, the Minnesota Family Investment Program (MFIP), led to an increase in marriage among single mothers (Knox, Miller, and Gennetian, 2000), as well as a reduced divorce rate among married parents who were already receiving welfare when they entered the random assignment study (Gennetian and Knox, 2004).

Another welfare program taking place in two Canadian provinces, New Brunswick and British Columbia, which, like the MFIP, increased parents' ability to keep more of their earnings while at the same time remaining eligible for welfare, showed contradictory impacts on children's living arrangements (Harknett and Gennetian, 2003). While the program significantly increased employment and income and decreased welfare receipt in both locations, in New Brunswick the program also led to an increase in the rate of marriage and of cohabitation, while the program was associated with decline in marriage in British Columbia. The authors conclude that effects of welfare policies may be moderated by the local labor market and other

conditions, such as the generosity of the welfare benefit, the stigma associated with welfare use, and differences in how strictly caseworkers enforced policies related to spousal and partner income.

Other data come from the New Hope project, an experimental antipoverty program that took place in Milwaukee in the mid-1990s. Using data from this project, Gassman-Pines, Yoshikawa, and Nay (2006) find that participation in New Hope led to an increase in marriage among single mothers. Using both qualitative and quantitative data, the authors further reveal that this increase is primarily due to increased earnings and subsequent improvements in relationship quality among those participating in the program. Thus, several studies suggest that rates of marriage can increase when parents are able to remain eligible for welfare while also working, thereby increasing total household income.

Another group of studies use nonexperimental data to relate changes over time in the welfare policies that states implemented to changes in living arrangements. As Grogger and Karoly (2005) note, the results of these studies are inconsistent. Several studies find no associations between welfare policies and fertility (Ryan et al., 2006), unmarried motherhood (Fitzgerald and Ribar, 2004b), or detailed measures of children's living arrangements (Dunifon, Hynes, and Peters, 2009).

Other studies do find evidence that welfare policies may influence living arrangements. One study found that child support collection and family caps (in which welfare benefits do not increase after the birth of additional children) are both associated with a reduction in the number of children living in single-parent families and an increase in marriage. However, in this same study, some of the key aspects of welfare reform, such as sanction policies, were not associated with living arrangements (Acs and Nelson, 2004). In another study, participation in welfare is shown to increase the amount of time women remain single mothers, but pre-TANF welfare waivers and the implementation of TANF are not associated with female headship (Fitzgerald and Ribar, 2004a). Finally, Bitler, Gelbach, and Hoynes (2006) find that welfare waivers (state policies that took place prior to 1996 that were designed to promote work) are associated with an increased likelihood of living with neither parent (found primarily for black and white children), a decrease in living with an unmarried parent, and an increase in the likelihood of living with a married parent (concentrated among Hispanics).

Overall, then, the relationship between welfare reform and living arrangements is much less clear than that linking welfare reform to employment, income, or welfare use. Some evidence suggests that pre-TANF programs allowing families to combine welfare and work may increase marriage. However, much of the post-TANF research fails to show any clear relationship between the 1996 welfare reform policies and family living arrangements.

## WELFARE REFORM AND MOTHERS' MENTAL HEALTH

Previous research shows that mental health problems are high among welfare recipients. In a study of current and former welfare recipients in Michigan, Danziger et al. (2000) found that, in the year prior to the survey, 25 percent of the women met the symptoms for major depression (compared to 13 percent for women in the general U.S. population), 15 percent for post-traumatic stress disorder (PTSD), and seven percent for generalized anxiety disorder (compared to four percent among women in the general U.S. population). Further analysis indicated that women who were classified as experiencing depression were less likely to be employed; specifically, 48 percent of those who were classified as experiencing depression were working at least 20 hours per week, compared to 61 percent of those who were not experiencing depression. Thus, depression appears to serve as a barrier to employment among these single mothers. Similarly, Jayakody, Danziger, and Pollack (2000) find that mental health problems are associated with an increased likelihood of welfare receipt.

However, research examining how welfare reform might influence mothers' mental health is rare. Chase-Lansdale and Pittman (2002) review the same experimental pre-TANF welfare reform studies described above, considering whether such programs impacted mothers' mental health. They find that overall, such welfare to work programs were not associated with mothers' depression, self-esteem, or sense of mastery. To date, no studies have examined how TANF may have influenced the mental health of lower-income women.

## WELFARE REFORM AND PARENTING BEHAVIORS

Chase-Lansdale and Pittman (2002), in the same review of pre-TANF experimental studies noted above, found very little evidence that women participating in work-promoting welfare reform experiments differed in their parenting behaviors, including warmth, control, cognitive stimulation, family routines, or harsh parenting, than those who remained on AFDC. Very few studies have considered how the parenting behaviors of lower-income mothers have changed as a result of the PRWORA. One exception is Dunifon, Hynes, and Peters (2006), who found no associations between specific pre- and post-1996 welfare reform policies and parenting behaviors, such as reading to children, taking children on outings, and providing rules about watching television.

## WELFARE REFORM AND CHILD CARE

As discussed above, the 1996 welfare reform legislation contained an expansion of supports for child care, in recognition of the fact that women leaving welfare for work need care for their children. Gennetian, Crosby, and Huston (2006) and

Crosby, Gennetian, and Huston (2005) used data from the pre-welfare reform experimental studies previously described to examine the impact of welfare reform policies on children's child care experiences. Some of the experimental welfare-to-work programs tested offered "expanded child care assistance," meaning parents were given subsidies or provided with center-based care; provided assistance in finding care; or given subsidies that would remain in place even if that woman left welfare. The research suggests that employment-based policies, such as work mandates or sanctions, in and of themselves did not increase child care use. However, when expanded child care assistance of the type described above was offered, use of center-based care increased. Programs that increased employment but did not offer child care assistance resulted in an increase in the use of informal, home-based child care which is often of lower quality than that of center-based care. These studies did not examine whether the programs that led to an increase in center-based care also improved children's well-being.

As noted above, many women affected by welfare reform likely find work at nonstandard jobs, outside of the typical "9 to 5" weekday work schedule. For these women, arranging child care can be particularly difficult. While center-based care may be desirable for child development, most centers are not open evenings, nights, and weekends, when many women need care. Indeed, Kimmel and Powell (2006) show that women working nonstandard jobs are more likely to use relatives as child care providers rather than center-based care.

Overall, then, welfare reform has the potential to increase children's exposure to child care. Children may benefit if this means increased exposure to high-quality, center-based child care. However, mothers' preferences and lack of availability of such care may limit actual participation in center-based care and may result in children taking part in less formal arrangements, which often are of lower quality. Research has not systematically linked changes in children's post-welfare reform child care experiences to dimensions of children's well-being.

## WELFARE REFORM AND CHILD WELL-BEING

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The research presented above shows that welfare reform policies have had impacts on parents' behavior. Evidence is strong suggesting that welfare reform has led to increases in parental employment and decreased welfare use. Some welfare reform programs, especially those that allow parents to combine welfare and work, appear to increase family income. Research also suggests that some welfare reform programs, particularly those that contain an earnings supplement (allowing for a continued use of welfare while working) can lead to an increase in marriage. However, welfare reform overall appears to have had little effect on marriage. There is little evidence to suggest that welfare reform has impacted parents' mental health or parenting behaviors, although research in this area is extremely sparse. Finally, it appears that the increased employment resulting from welfare reform does lead to changes in children's child care experiences. The changes noted above—in welfare use, employment, income, family structure, and child care use—could lead to changes in children's well-being, including their behavior, health, or cognitive and academic development. This section reviews research examining how children have fared in the wake of welfare reform.

Morris, Huston, Duncan, Crosby, and Bos (2001) review 11 pre-1996 experimental welfare reform programs of the type described above. Children's school achievement, social behavior, and health were measured two to four years after parents were randomly assigned to either an experimental welfare reform program or the traditional AFDC program in their state, at which time most children were between the ages of 5 and 12. Looking across all of the studies and comparing outcomes for children in the experimental and control groups, the authors found that, when parents were exposed to earnings supplements, their own employment and income increased, as did their school-aged children's school achievement, positive behavior, and health. These positive outcomes associated with earnings supplements occurred regardless of whether the welfare program also included mandatory employment services in which parents were required to take part in education, training, or job search and were sanctioned if they did not. Additionally, mandatory employment programs in and of themselves, as well as time limits, while increasing employment and income among parents, did not confer any benefits (or harms) to children. Using the same experimental data, Gennetian, Hill, London, and Lopoo (2009) also highlight the importance of earnings supplements when considering the impact of welfare policies on child outcomes, finding that policies that increased mothers' employment but did not increase earnings decreased children's health status, while programs that increased both employment and earnings did not adversely impact child health.



These studies suggest that welfare reform policies, specifically earnings supplements, can benefit children. However, across most studies, the effects are small and do not offset the fact that children of low-income single mothers still face higher rates of behavior problems and lower levels of school achievement than more advantaged children (Morris et al., 2001).

Further study (Clark-Kaufman, Duncan, and Morris, 2003) indicates that the benefits of earnings supplement programs may be concentrated among the very youngest children—those aged zero to five when their parents entered the welfare reform program. In an even more refined analysis by age, Hill and Morris (2008) find that earnings supplements for welfare reform programs led to a small decrease in positive behavior among children aged one at the start of the study but an increase in test scores for children aged two at the study's beginning. The authors suggest that perhaps something about the developmental milestones children are grappling with at these various ages explains the differential affects across relatively small age ranges. The fact that the benefits of welfare reform are most pronounced for the youngest children may be due to the fact that income has been shown to particularly benefit younger children (Duncan and Brooks-Gunn, 1997), as well as the fact that such children may move into, and derive particular benefits from, higher-quality child care arrangements as a result of welfare reform.

In contrast to the results for younger children, the pre-PRWORA welfare reform experiments also contain some evidence that adolescents were affected negatively by welfare reform programs. Looking across these studies, Morris, Gennetian, Duncan, and Huston (2009) document adverse effects of welfare reform on adolescents' social behavior, behavior problems, and academic achievement, regardless of the type of welfare policy being implemented. The negative effects of welfare reform on teenagers appear to be accounted for by teenagers' increased responsibility for sibling care and other household chores when mothers move from welfare to work (Morris et al., 2009), as well as taking part in fewer afterschool activities, receiving less supervision, and spending less time on schoolwork (Morris and Michalopoulos, 2003).

Other studies use more recent, but nonexperimental, data to examine how welfare reform may have influenced children. Lohman, Pittman, Coley, and Chase-Lansdale (2004) find that preschoolers of mothers who report being sanctioned by the welfare office have lower test scores than those whose mothers were not sanctioned. Although this study controlled for a wide range of characteristics of mothers and their families, it is still unclear whether it was the sanction itself that predicts lower test scores among children or rather something unique about mothers who receive sanctions that may also be associated with their children's well-being.

Thus far, very few studies have used data on policies and outcomes from several states across a series of years to examine the influence of welfare reform on children's well-being. One exception is Paxson and Waldfogel (2003), who find that some specific policy measures, such as reduced welfare benefits and shorter time limits, are associated with more children living away from their parents. In another study, Dunifon et al. (2006) examined specific types of welfare policies implemented across the United States both before and after the implementation of TANF, finding very little evidence that such policies are associated with children's well-being, measured in terms of health and behavior in school.

Scholars have also used non-experimental data to examine how children fare when mothers move from welfare to work, without examining specific state policy influences. Chase-Lansdale et al. (2003) find no relationship between mothers' transitions from welfare to work and the outcomes of preschoolers or adolescents.

Other research uses data from the Women's Employment Survey (WES), a long-running survey of welfare-leavers in one Michigan county that followed current and former welfare recipients from 1997 to 2003. Overall, this research suggests that work per se is not associated with either improvements, or decreases, in school-aged children's behavioral adjustment, compared to being on welfare (Kalil, Dunifon, and Danziger, 2001; Dunifon, Kalil, and Danziger, 2003; Kalil and Dunifon, 2007). However, job instability (changing or losing jobs involuntarily) is associated with worsened behavior among children (Kalil et al., 2001; Johnson, Kalil, and Dunifon, 2009). Long work hours, particularly in jobs that require few cognitive skills, are also associated with worse behavior (Kalil and Dunifon, 2007; Johnson et al., 2009). Finally, conditions common to the low-wage labor market, particularly long commutes, and irregular work hours (that is, work schedules that change from day to day or week to week) are also associated with increased behavior problems among children, as well as an increased likelihood that a child will repeat a grade (Dunifon, Kalil, and Bajracharya, 2005; Johnson et al., 2009).

Very few studies consider the impact of welfare reform on child health. In one exception, Kaestner and Lee (2003) find evidence of small negative effects of welfare reform on the use of prenatal care and on infant birth weight. Kalil and Ziol-Guest (2009) examine the influence of welfare reform on the health of immigrant children. Despite the fact that most of the children in their sample would have remained eligible for public assistance even after welfare reform, Kalil and Ziol-Guest find that welfare reform was associated with an increase in the likelihood that an immigrant child would be in poor health, suggesting that welfare reform may have had a "chilling effect" on immigrant children's access to health services.

## SUMMARY OF CURRENT STATE OF THE RESEARCH

As the research reviewed here indicates, a relatively large body of literature has examined the implications of welfare reform for children. Taken together, this research suggests the following:

- Welfare reform policies have affected parental behavior; specifically, there is evidence that such policies led to an increase in employment and a decrease in welfare use.
- The impact of welfare reform on household income is less clear. Policies that allow parents to remain eligible for welfare while also working appear to increase income. While overall poverty rates have declined in the wake of welfare reform, they remain very high for children living with single mothers.
- A sub-group of women are disconnected both from both work and from the welfare system and are very disadvantaged.
- Results from pre-PRWORA experiments suggest that the same policies that increase income (those that allow parents to combine welfare and work) also may lead single mothers to get married, as well as increase the length of time a mother remains married. Overall, though, there is little evidence that welfare reform has led to changes in children's living arrangements.
- There is little evidence that welfare reform policies have affected parents' mental health, parental stress, or the ways in which they interact with their children. However, research in this area is very limited.
- Welfare reform does appear to have influenced children's child care experiences, with more children entering care. When programs specifically provide child care assistance, children are more likely to enter higher-quality, center-based care arrangements. However, very little research has examined trends in children's child care experiences post-welfare reform, or linked these changes to dimensions of children's well-being.
- Random assignment studies of children whose parents took part in pre-PRWORA welfare experiments suggest that welfare policies can affect children. Younger children appear to see small benefits, in terms of test scores, health, and behavior, when parents are exposed to welfare policies that increase employment *and* household income. There is some evidence that adolescents do not fare as well in the wake of welfare reform, resulting in poorer academic outcomes and increased problem behavior.
- Studies examining how post-PRWORA welfare reform policies have impacted children are rare, and the few that do exist show no evidence that children have seen large benefits, or harm, due to the dramatic changes in welfare reform and the resulting changes in employment and welfare use that occurred over the past decade. Given the complexities faced by lower-income families, it is possible that welfare reform did not represent as dramatic a change in children's lives as it appeared would be the case.

While the current state of the literature on welfare reform and child well-being is extensive, the research base to date has some limitations. First, the strongest evidence on how families have fared as a result of welfare reform comes from the pre-1996 welfare reform experiments discussed above. The contribution of these studies to our understanding of welfare reform and family well-being cannot be overlooked, and the random assignment design of these studies allows one to determine with certainty whether specific types of welfare policies had a causal impact on children and families. However, such studies are limited for several reasons.

First, while the policies included in the experimental studies capture key individual dimensions of welfare reform taking place in states today (time limits, sanctions, and the like), they do not fully measure the complex ways in which welfare reform is being implemented in states now. While the experimental studies exposed welfare recipients to rather discrete, easily-defined policies, such as time limits or earnings disregards, states today implement a much more nuanced and changing mixture of policy options. It is therefore difficult to determine how relevant the findings from these studies are for understanding the effects of welfare reform today. For example, a key finding of the experimental studies is that children benefit when earnings disregard policies are implemented. However, while earnings disregards are implemented in several states today, they are done so under circumstances that differ in so many ways from those in the experimental studies (different types of earnings disregards, as well as numerous other policies taking place in conjunction with the disregards), that it is difficult to know whether we can expect the similar results of such policies today.

The post-1996 literature seeking to link welfare reform to child and family well-being is sparser and has its problems as well. Because most states implemented welfare reform over a relatively short period of time (about a year and a half), it is very difficult to disentangle the effect of state welfare reform policies on important family outcomes from those of concurrent changes taking place in the economy or the political environment (Grogger and Karoly, 2005).

Additionally, most studies of the effect of welfare reform on children include only a simple measure of whether a state implemented the reforms and relate this to changes in child or family characteristics measured before and after welfare reform was implemented. In an era when states have choices about the welfare policies they implement, it is crucial to understand how specific state policies, rather than “welfare reform” overall, influence children. However, because of the difficulty in measuring and classifying how states actually carry out welfare reform policies, few post-PRWORA studies measure different welfare policy components, such as the implementation of sanctions or earnings disregards (exceptions are Acs and Nelson, 2004; Dunifon et al, 2009), and relate these to child or family outcomes.

## IMPLICATIONS FOR POLICY AND PRACTICE

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The research reviewed above suggests some implications for policy and practice related to low-income families with children. First, although there is no evidence to suggest that children were greatly harmed by welfare reform, as some had feared, there is also little evidence to suggest that key aspects of child well-being, such as health, behavior, or test scores, have improved. However, evidence does suggest that some sub-groups of children may face particular difficulties in the face of welfare reform and, therefore, may benefit from policies or programs designed to address these issues.

The research in this review does suggest that some conditions of maternal employment that are common to the low-wage labor market—specifically, long commutes, irregular work hours, and long work hours—are associated with worsened behavior among children. Although the mechanisms behind this association are unclear, programs or interventions designed to address the mismatch between the requirements of such jobs and the needs of children could be beneficial.

Other research suggests that job instability is associated with increases in behavior problems and that many women leaving welfare for work experience a great deal of churning in and out of jobs. Programs designed to promote job quality and job retention may benefit the children in such families.

Looking at a bigger picture, while child poverty did not dramatically increase in the wake of welfare reform as some had feared, it has not dramatically declined; indeed, the rate of child poverty has increased in recent years and now stands at 19 percent. It is even higher among children living with single mothers. Evidence is strong linking poverty, especially in the early years, to difficulties later in life. As such, programs that can be developed in tandem with the overall goals of welfare reform but serve to also address the difficulties faced by low-income children, could be beneficial. One possible program includes investments in high-quality early childhood education, which not only would serve to promote employment by providing care for the children of working mothers, but also have been shown to improve children's life chances in dramatic ways (Heckman, 2000). Along similar lines, given the evidence suggesting that teens may suffer in the wake of welfare reform, high-quality after school and community programs for older children and youth may reap benefits. Such programs could not only reinforce the goals of welfare reform by allowing mothers to more easily sustain employment but could also directly benefit children who remain vulnerable due to precarious financial situations.



## FUTURE RESEARCH NEEDS AND DIRECTIONS

Despite the voluminous amount of literature on the topic, several research questions regarding welfare reform and children remain unanswered. The ideal study would be an experimental evaluation testing how various “real world” approaches to welfare reform—that is, those found in states today—influence children and families. Such research would have the strong benefits of a randomized experiment, combined with relevance to today’s policy world. However, the difficulties of conducting such research are large. First, one would need to document what states are actually doing in terms of welfare policy, describing not only the policies that are on the books in each state, which are complex in and of themselves, but also how such policies are actually implemented on the ground. Next, one would need a control group against which to compare the effects of current state welfare policies. Given that all low-income single mothers have been exposed to welfare reform for more than 10 years, it is not clear what the appropriate comparison group should be.

Barring such research, scholars today could take the following steps to shed light on the impact of welfare reform for children and families:

- **Focus more on child care, parenting behaviors, and mental health.** As noted above, these are key pathways through which welfare reform may influence children. However, research documenting the links between welfare reform and these dimensions is very rare. Many large-scale datasets used by researchers to examine the influence of welfare reform, such as the Current Population Survey (CPS) or Survey of Income and Program Participation (SIPP), are lacking or very limited in their measures of mental health, child care use, or parenting behaviors. More research examining these important aspects of family life in large, national datasets that also contain adequate samples of low-income children exposed to welfare policies is needed. This may mean adding such measures to existing datasets or creating new datasets for this purpose.
- **Focus not so much on working versus welfare, but rather on the types of jobs mothers have and how they influence children.** Welfare reform can be considered a success in terms of achieving the key goals of reducing welfare use and increasing employment. What is less well-known is the quality of the jobs lower-income single mothers hold and how characteristics of their jobs are linked to children’s well-being. Examining (and, if needed, adding) measures of nonstandard work, commute times, job transitions, job complexity, and the like to large, national datasets with adequate samples of lower-income children would allow researchers to better understand these complexities.

*Continued...*

*...continued*

- **Finally, understanding of the linkages between welfare reform and children's well-being would benefit from an increased use of ethnographic research.**

Such research could accompany larger-scale quantitative studies in order to shed light on ambiguous findings (for example, the rather unexpected finding that young children did not appear to be influenced by welfare reform, but older teens may have been harmed) and give us a greater understanding of if and how changes in welfare policies play out in everyday lives.

Addressing such issues will allow for a greater understanding of the intergenerational impact of one of the most dramatic pieces of legislation in recent decades.

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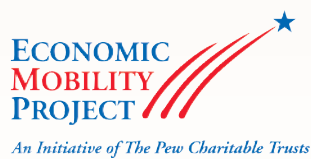
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## ABOUT THE PROJECT

The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from five leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation, The New America Foundation, and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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