

# Social Policy Report

Giving Child and Youth Development Knowledge Away

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## The Effects of Welfare Reform Policies on Children

Pamela A. Morris

### *Summary*

Over the past 30 years, welfare and other public policies for families living in poverty have developed a primary objective of increasing parents' self-sufficiency by requiring and supporting employment, culminating in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This legislation gave states considerable latitude in designing their welfare policies. At the same time, however, there has been very little research on the effects of welfare policies on children to inform decisions policymakers are making. Fortunately, there now is consistent evidence from well-designed studies about whether promoting work among low-income single parents helps or hurts children, and under what conditions it does so. This policy report summarizes the results on children from a synthesis of nearly a dozen welfare experiments aimed at increasing the self-sufficiency of low-income parents.

The study finds that:

- Welfare policies that increase employment, but do not affect income, have few effects on children. These findings are consistent with the generally neutral effects of maternal employment for low income children found in the developmental literature, and should be reassuring to those concerned about the negative effects to children of requiring mothers to go to work.
- Welfare policies, when designed in ways that increase both parents' employment and income, appear to benefit elementary school children, particularly children's school achievement. The effects are small, but notable, analogous to increasing children's test scores from the 25<sup>th</sup> to the 30<sup>th</sup> percentile.

These findings present policymakers with a choice: either to implement policies that reduce welfare caseloads, increase employment and have limited effects on young children, with limited government costs or to implement policies that increase employment and income, and, in turn, benefit young children, with greater cost to the government.

One caution emerges, however: Emerging findings on adolescent children suggest that programs may be less beneficial for adolescents than for children in middle childhood, suggesting that the way in which programs affect children may be shaped by children's developmental stage. Adolescents were only examined systematically in two studies, but those studies suggested increased adolescent problem behavior (drinking, smoking, minor delinquency) and increased problems in school when parents move from welfare into employment.

These findings point to an effective role for the Temporary Assistance for Needy Families (TANF) surpluses, should they be maintained. For states that are interested in using welfare policy to improve children's school achievement, policies that supplement the earnings of low-income workers might be an important complement to programs aimed directly at improving the school outcomes of children.

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# Social Policy Report

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# From the Editor

It is a pleasure to present results from the recent wave of welfare reform experiments. Pamela Morris, a developmental psychologist at Manpower Demonstration Research Corporation (MDRC), has focused on what these evaluations have to say about child well-being (or, might say have to say about how poor children are being affected by the requirements for their mothers to work). This is the second SPR in a series on children, work, and welfare. The first, written by Nancy Reichman and Sara McLanahan, reviewed findings from the welfare evaluations that required parental participation in work and skills training (although case management services were provided as well as sanctions for non compliance) in the late 1980s. The evaluations presented in the current SPR were conducted in the mid to late 1990s, around the time of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The projects examine the effects of specific welfare reform policies implemented in a handful of states. They do not tell us about what is happening in each state nor to the vast majority of families affected by the 1996 Act. Instead, the report provides a synthesis of data from programs that had mandatory employment services, that provided earnings supplements, or that had stringent time limits on welfare receipt/return to work. In general, programs that provided earnings supplements had positive impacts on children while those without such supplements did not. Moving from welfare to work does not appreciably alter family income, with families continuing to exist around the poverty threshold. Morris urges policy makers to take such findings into account as the reauthorization of the PRWORA takes place in 2002. Lonnie Sherrod and I concur.

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# Special Commentary

## “U.S. Attacked!”

Headline of *New York Times*, September 12, 2001  
**Children’s Responses**

The “From the Editors” box on the facing page addresses this issue of *The Social Policy Report*. However, as editors of a publication addressing social policy for children, youth and families, we felt that we had to comment on the incredible event of September 11 and the need for some concerted attention to the response of children and youth. As human beings and as citizens of the U.S. we have an obligation to address the needs of victims’ families and to aid the country in its response to maintain our safety. Additionally, as developmental psychologists we have a responsibility to bring the information from our research to the nation’s attempts to aid children in the aftermath of this catastrophe. We see at least four major areas of response: childhood bereavement, PTSD, intergroup attitudes and relationships, and civic engagement.

**Childhood Bereavement.** Many children have lost loved ones in this tragedy. We know quite a bit about bereavement in children, particularly about variability by age and how our responses to help children needs to be tailored to age. We need to bring this information to the aid of those who are working with children, youth, and families who have suffered losses.

**Post Traumatic Stress Syndrome (PTSD).** Following previous disasters such as children’s witnessing of the explosion of the U.S. Challenger, we know that such events can lead to symptoms in childhood associated with PTSD. Again, we know quite a bit about the importance of age to both the expression of symptoms and their treatment. This information could be very useful to the widespread counseling activities that have arisen to address the needs of those more seriously traumatized by this event than others.

**Intergroup Attitudes and Relationships.** We know less about the development on intergroup relations. However, as our childhood population has become increasingly diverse, research has come to address this diversity and its consequences for healthy development. We know for example that children who grow up in an environment that promotes tolerance will themselves be tolerate. We also know that poverty and low self esteem and other risks to development can breed hatred and intolerance as scapegoats for the shortcomings on one’s own lives. We need to work with teachers, school administrators, church staff, counselors and others to share the information we have, albeit more limited than we might like, to prevent a wave of intolerance as arose in this country following the bombing of Pearl Harbor.

**Civic Engagement.** Recent years have seen a growth in concern over the lack of civic engagement in this country, particularly in youth. A body of research has arisen to address this concern; Editor Sherrod is one SRCD member doing such research and has shown that youth are not as apathetic as they are portrayed to be. However, this horrible event has unleashed a wave of patriotism and civic commitment unlike any we have seen since the last world war. We need to find out if this wave of civic enthusiasm has affected youth and understand how we may develop tools to keep this spirit following as other than response to a national tragedy.

This is perhaps the most horrible event of our generation. We need to make sure that we bring to bear the information we have to help children, youth and families cope. And we need to use this incredible event to bolster our learning about the responses of children and youth, so that we may be better prepared to offer assistance in the future.

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## The Effects of Welfare Reform Policies on Children

Pamela A. Morris

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### Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), passed in 1996, was the culmination of several decades of efforts to promote work and reduce long-term welfare receipt among single-parent families. As a result of these efforts, Aid to Families with Dependent Children (AFDC), which had guaranteed aid for low-income families with children, was eliminated. It was replaced with Temporary Assistance for Needy Families (TANF), which provided block grants to states, introduced time limits on cash assistance, and imposed work requirements on recipients. At the same time, benefits for working-poor families were expanded to reward work outside the welfare system through the Earned Income Credit (EIC, the federal tax credit that supplements the earnings of low-income families), publicly funded health insurance, and child care assistance. In the wake of all of these developments, there has been very little research to inform our understanding of how these changes may have affected children. Yet, because these changes encourage parental employment and weaken the safety net for families in which parents do not maintain employment, they may have important consequences for children.

In this report, a recent analysis that was completed as part of MDRC's Next Generation Project, examining the effects of welfare and employment policies on children's development, is summarized (Morris, Huston, Duncan, Crosby, & Bos, 2001; see text box 1). Notably, this report does not provide an assessment of the effects of the post-1996 changes. Rather, it examines the effect on children of specific welfare reform policy choices that are currently being used by states, and provides critical information about whether promoting work among low-income single parents helps or hurts children, and under what conditions it does so. In so doing, it informs decisions policymakers are currently making as their welfare policy continues to evolve.

### Background Research

Nonexperimental developmental research provides information to develop hypotheses about the effects of poli-

cies that move parents from welfare to employment, and, sometimes, increase their income in the process. For low-income families headed by single mothers, in particular, the associations between maternal employment and children's cognitive and social development tend to be positive when employment begins after the first 9 to 12 months of life (Han, Waldfogel, & Brooks-Gunn, 2001; Harvey, 1999; Vandell & Ramanan, 1992; Waldfogel, Han, & Brooks-Gunn, in press; Zaslow & Emig, 1997). But these differences between children of employed and nonemployed mothers appear to be due as much to the differences in characteristics between employed and unemployed mothers, rather than parents' work status (Zaslow, McGroder, Cave, & Mariner, 1999). Moreover, holding highly routinized jobs that pay very low wages and afford little autonomy, which are characteristic of many of the jobs that welfare recipients qualify for, appears to have negative effects on mothers' emotional well-being and, in turn, on children's development (Moore & Driscoll, 1997; Parcel & Menaghan, 1994, 1997). Finally, some welfare programs increase employment by *requiring* parents to go to work and research suggests that maternal employment may have more positive effects on children when mothers want to work, than when they feel they should work (Alvarez, 1985; Farel, 1980).

In addition to increasing employment, welfare programs are typically designed to reduce dependence on welfare. However, research is mixed about whether reducing the stigma of receiving welfare will benefit children or not. Many studies found no relation between welfare receipt and children's cognitive and social development once demographic and family characteristics are taken into account; in rare cases, positive relations were found (Butler, 1990; Haveman & Wolfe, 1995; Levine & Zimmerman, 2000; Ratcliffe, 1996; Yoshikawa, 1999; Zill et al., 1995). Other studies revealed that children in families receiving welfare have lower-quality home environments, lower academic achievement, and lower completed schooling than children in other poor families, in which mothers are working or are combining work and welfare (Brooks-Gunn, Klebanov, Smith, & Lee, 2001; Duncan & Yeung, 1995; Hofferth, Smith, McLoyd, & Finkelstein, 2000; Moore, Morrison, Zaslow, & Gleib, 1994; Smith, Brooks-Gunn, Klebanov, & Lee, 2000; Smith, Brooks-Gunn, Kohen, & McCarton, 2001). In a study comparing mothers who did and did not exit welfare, children of mothers who left welfare and earned enough money to put them above the poverty threshold had higher cognitive scores than those whose mothers left welfare but

### **Box 1**

*“How Welfare and Work Policies Affect Children: A Synthesis of Research”* by Pamela A. Morris, Aletha C. Huston, Greg J. Duncan, Danielle A. Crosby and Johannes M. Bos is a product of the Next Generation project, a collaboration among researchers at the Manpower Demonstration Research Corporation (MDRC) and several leading research institutions that is being funded by the David and Lucile Packard Foundation, William T. Grant Foundation, and John D. and Catherine T. MacArthur Foundation. The report is available at <http://www.mdrc.org/NextGeneration>.

earned less than the poverty threshold (Smith et al., 2001; see also Gyamfi, Brooks-Gunn, & Jackson, 2001).

Some welfare programs are intended not only to increase employment, but also to reduce poverty among low-income welfare recipients. These policies should have positive effects on children as poverty has been found to have small but consistently negative effects on children’s development (Duncan, Brooks-Gunn, & Klebanov, 1994; Duncan & Brooks-Gunn, 1997; Mayer, 1997; McLoyd, 1998). Unsurprisingly, persistent and deep poverty has been shown to be more detrimental to children than transient poverty (Duncan et al., 1994; Bolger, Patterson, Thompson, & Kupersmidt, 1995). Family income may influence children affecting the resources parents can provide to their children and influencing parental stress and parenting behavior (Bradley & Caldwell, 1984; Smith, Brooks-Gunn, & Klebanov, 1997; Sugland et al., 1995; McLoyd, Jayartne, Ceballo, & Borquez, 1994). Family income appears to more consistently predict children’s academic and cognitive performance, more so than behavior and health problems (Duncan & Brooks-Gunn, 1997; Klerman, 1991; Korenman & Miller, 1997). And, poverty in early childhood appears more detrimental than poverty in middle childhood or adolescence (Duncan, Yeung, Brooks-Gunn, & Smith, 1998).

### **Welfare and Employment Policies Examined**

In this report, I describe the results of a report synthesizing 5 studies that together examine the effects on elementary school aged children of 11 different welfare and employment programs (see text box 2). Together these programs examine the effects of three policy approaches currently used in many state welfare programs: earnings supplements, mandatory employment services, and time limits on welfare receipt.

*Mandatory employment services* imply requiring single parents to participate in employment or employment-related activities as a condition of receiving welfare assistance. Since the 1970s, welfare reform approaches have been designed to induce participation in work-related activities or employment by making participation mandatory. The primary tool used to enforce participation mandates is sanctioning, whereby a recipient’s welfare grant is reduced if she or he does not comply with program requirements. These activities take two basic forms: 1) job search activities, providing single parent welfare recipients with job search activities in the form of job clubs to help them find work; and 2) educational activities, to increase single parents’ basic skills before moving them into jobs.

Today, virtually all states are using such mandates in their attempt to reduce welfare use and increase parents’ self-sufficiency. In many cases, the mandates are more stringent (with respect to the number of hours of work required or the size of the sanction) than those in the studies examined here. In the programs examined here, imposing a sanction for noncompliance with the participation mandate entailed reducing the family’s monthly welfare grant by the adult portion of the grant and leaving the child portion unchanged. These sanctions — known as partial family sanctions — typically reduced the welfare grant by 15 percent to 20 percent. While over 30 states currently have similar partial sanctions in place as the first penalty that welfare recipients face for nonparticipation, in only about half are such partial sanctions the maximum sanction imposed on families. The other states impose full family sanctions, eliminating all of the family’s welfare grant. Therefore, the findings presented here may not be the same as those in programs that are more stringent.

Studies in the 1980’s showed that the mandatory em-



**Box 2**  
**Studies Used in this Synthesis**

This report discusses a recent synthesis of data from five program evaluations, building on their research designs, outcome measures, and impact analyses. The evaluations and the organizations that conducted them are listed below.

**Programs with Mandatory Employment Services (without earnings supplements or time limits)**

The *National Evaluation of Welfare-to-Work Strategies* is being conducted by MDRC under contract to the U.S. Department of Health and Human Services. The Child Outcomes Study, which examines program impacts on young children, is being conducted by Child Trends under subcontract to MDRC (Freedman et al., 2000; Hamilton, 2000; McGroder, Zaslow, Moore, & LeMenestrel, 2000).

**Programs with Earnings Supplements**

The *New Hope* program is being evaluated by MDRC under contract to the New Hope Project, Inc., in collaboration with researchers from Northwestern University, the University of Texas at Austin, the University of Michigan, and the University of California at Los Angeles (Bos et al., 1999; Huston et al., 2001).

The *Minnesota Family Investment Program* was evaluated by MDRC under contract to the Minnesota Department of Human Services (Gennetian & Miller, 2000; Knox, Miller, & Gennetian, 2000; Miller et al., 2000).

The *Self-Sufficiency Project* was conceived by Human Resources Development Canada. The project is being managed by the Social Research and Demonstration Corporation (SRDC) and evaluated by SRDC and MDRC (Michalopoulos, Card, Gennetian, Harknett, & Robins, 2000; Morris & Michalopoulos, 2000).

**Program with Time Limits**

Florida's *Family Transition Program* was evaluated by MDRC under contract to the Florida Department of Children and Families (Bloom et al., 2000).

ployment approach was effective in moving parents from welfare into employment. However, the jobs that welfare recipients found paid very little, leaving parents who moved from welfare into employment no better off financially than they were when they were receiving welfare benefits (Gueron & Pauly, 1991). This motivated a second approach (that is called *earnings supplements*) to increasing the self-sufficiency of welfare recipients, supplementing the earnings of those who moved from welfare into employment. Earnings supplements provide additional income to parents who work, either by not counting all of parents' earnings when calculating their welfare benefits (through what are known as "earnings disregards"), or by providing cash (and, sometimes, in-kind) supplements from a source outside of the welfare system.

The studies examined here include policies that are comparable to the most generous policies currently in effect. For example, the federal Earned Income Credit (EIC) currently provides nearly \$4,000 per year to a parent with two children who works full time at a minimum-wage job, a level similar to those in the generous policies examined here. In addition, most states have implemented an "enhanced earnings disregard" as part of their welfare reform strategy. In a few states, the enhanced earnings disregards are as generous as the supplements examined here or more so. A welfare recipient in Connecticut, for instance, can now continue receiving all of her welfare and Food Stamp benefits as long as she earns less than the federal poverty threshold. Relative to how she would have fared under the AFDC system, this disregard provides her

with about \$600 more per month in income if she works full time at a minimum-wage job. And California now allows welfare recipients who work to keep the first \$225 of their monthly earnings without having their welfare benefits reduced; beyond that point, each additional dollar of earnings reduces their benefits by only half a dollar (rather than reducing benefits by about a dollar for every dollar of earnings as under AFDC). As a result, a working welfare recipient in California can receive as much of an income boost as a program group member who received the maximum benefits in these studies. The situation is similar in other high-grant states that have expanded their earnings disregards. At the same time, many enhanced disregards are not as generous as the supplements provided by the programs analyzed in this chapter. In some states, the disregard is very low, sometimes as low as 20 percent of a recipient's earnings (in Alabama, for example). Also, in states with very low benefit levels (e.g. in West Virginia, where the welfare benefit is only \$253 and the earnings disregard is 40 percent) even an enhanced earnings disregard translates into very little increase in family income.

More recently, policymakers have instituted *time limits* on the receipt of welfare, limiting the length of time families can receive cash assistance. Until 1996, cash welfare assistance was a federal entitlement that was available to families as long as they met the eligibility requirements. The federal welfare law of 1996 sets a lifetime limit<sup>1</sup> of five years on cash assistance receipt, but states may shorten or extend the limits by using state funds. States may also exempt 20 percent of the caseload from time limits for hardship reasons. Once a family reaches the time limit, federally funded cash benefits are terminated, but the family normally remains eligible for Food Stamps, Medicaid, low-income child care assistance, and (where available) state-supported cash assistance. More than 40 states have established limits on the receipt of cash assistance that result in the termination of the welfare grant, ranging from 21 to 60 months. A few states do not have time limits, and some others have time limits that result in the reduction, rather than termination, of the welfare grant.

Notably, the policies examined in this report do not reflect the full range of policies currently being implemented by states as part of their TANF programs. Moreover, the policies were all evaluated against the backdrop of the economic climate of the 1990s. The effects of these policies may be attenuated or exacerbated in a very different economic climate.

As is clear from the descriptions above, these three

welfare strategies are intended to affect parents' welfare dependency, employment and, in some cases, income, and only indirectly, through these changes in parents' economic outcomes, are expected to affect children. As we discuss the effects on children of each of these policy approaches, we briefly review the findings of a recent synthesis of studies evaluating the effect of these policies on these parental economic outcomes (Bloom & Michalopoulos, in press) in order to provide a backdrop for understanding the effects of these policies on children.

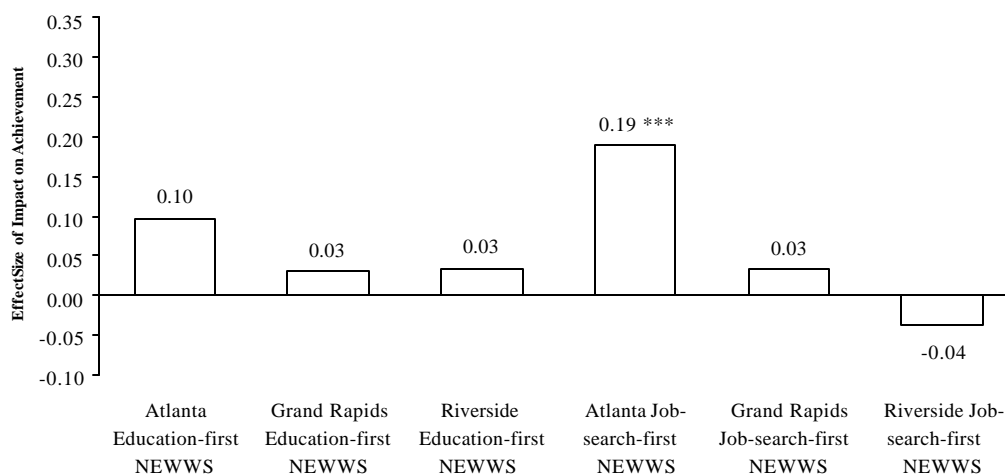
Before turning to the findings, however, it is important to note that each of the eleven programs examined here used a random assignment research design, which is generally viewed as the most rigorous way to test the effects of a particular policy approach. That is, families were assigned at random (through a lottery-like process) to either a program group or a control group. The program group was subject to the rules and benefits of the new program, while the control group was subject to the prior program (usually the AFDC program in operation during or prior to that period). Because the two groups did not differ systematically at the beginning of the study, any differences between them or their children found during the study can be reliably attributed to differences between the groups' experiences in their respective programs, and these differences are referred to as the *impact* of the program.

### Effects of Programs with Mandatory Employment Services

By requiring welfare recipients to participate in employment-related activities, programs with mandatory employment services increased employment and reduced parents' reliance on welfare (Bloom & Michalopoulos, in press). Programs that encourage participation in basic educational activities typically had smaller effects initially than those that encourage participation in a job search, but these differences seemed to dissipate after a few years. Because parents are in essence trading their welfare benefits for earnings, however, these programs left family income unchanged. In sum, these programs increased parents' employment, but not their income.

What can we say about the effects of these policies on children? Two years after parents had started the programs, there were few effects on elementary school aged children (children who were preschoolers at the beginning of the study and in elementary school when we interviewed their parents two years later), and the scattered effects

**Figure 1**  
**Impacts of Six Programs with Mandatory Employment Services**  
**on Children's School Achievement**



NOTES: The NEWWS sample includes children of single mothers in the NEWWS evaluation aged 3-5 at the beginning of the study whose parents were randomly selected to participate in the two-year follow-up survey (sample sizes for education-first programs: Atlanta = 1,026, Grand Rapids = 421, Riverside = 578; sample sizes for job-search-first programs: Atlanta = 902, Grand Rapids = 441, Riverside = 694).

Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent (two-tailed test).

In NEWWS, achievement was measured using children's standard scores on the Bracken School Readiness Composite test, which assesses knowledge of colors, letters, numbers/counting, comparisons, and shapes.

that occurred were equally likely to be positive as negative. These findings are not consistent with the views of critics who thought that forcing single mothers to work would negatively affect young children. However, they also indicate that the benefits of moving mothers from welfare to employment that were hypothesized were not realized either.

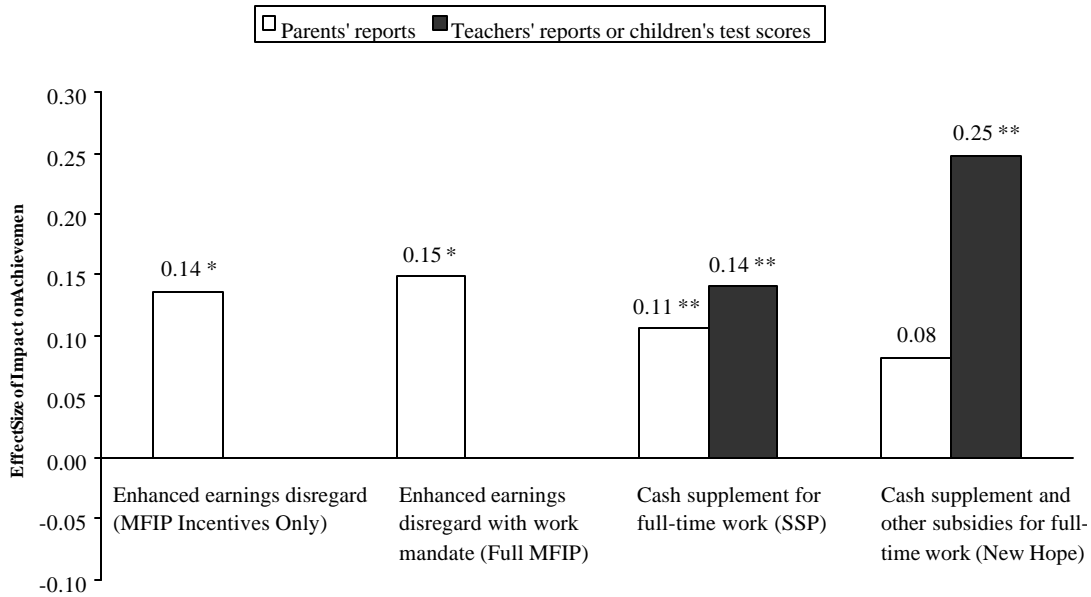
The findings for the six programs that included mandatory employment services are presented in Figure 1. In figure 1, each bar represents the *effect* on a measure of children's cognitive achievement of one program (i.e., the difference between the program and control group levels), shown in terms of effect sizes<sup>2</sup>, which allows for comparison of measures on a common metric. Children were administered the Bracken Basic Concepts Test, a test of their basic academic skills (i.e. their knowledge of numbers, colors and comparisons), and there were few differences between the group subject to the mandatory employment services and those in the control group subject to the prior AFDC system.

Other aspects of children's development were also as-

sessed, with similar results. Parents were asked about children's internalizing and externalizing problem behavior, their positive social behavior and how healthy children were. However, for these other aspects of children's well-being, parents in the mandatory employment services rated their elementary school aged children similarly to parents in the control groups, and the few effects that were found were mixed—sometimes there were positive effects of these programs on child outcomes, and sometimes there were negative effects of these programs on child outcomes. Overall, these results are consistent with research that has shown neutral effects of mother's employment under many circumstances. At the same time, one might have expected that *requiring* employment among mothers who had previously not been working might be more harmful to children than voluntary employment, even when those requirements are combined with services to help families find work. Perhaps the short-term stress of being mandated to move from welfare to work is balanced by the benefits to children when mothers attain the positive status of worker, or perhaps parents increased their employment because



**Figure 2**  
**Impacts of Four Earnings Supplement Programs**  
**on Children's School Achievement**



NOTES: In each study, children were selected for inclusion in the sample on the basis of their age at random assignment or their age at follow-up.

The MFIP sample includes children of parents in the MFIP evaluation aged 5-12 at the time of the three-year follow-up survey (aged approximately 2-9 at the time of random assignment) whose parents were long-term recipients in urban counties and underwent random assignment between April 1, 1994, and October 31, 1994 (sample size for Full MFIP = 587; sample size for MFIP Incentives Only = 573).

The SSP sample includes children of single parents in the SSP evaluation aged 6-11 at the time of the three-year follow-up survey (aged approximately 3-8 at random assignment) who were living in the home at the time of random assignment and at the time of the three-year follow-up survey (sample size = 2,158).

The New Hope sample includes children of the single parents in the New Hope evaluation who were aged 1-10 at random assignment and whose parents participated in the two-year follow-up survey (sample size = 832).

Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent (two-tailed test).

In MFIP, achievement was assessed using a single-item measure that asked parents to rate their child's overall performance in school on a scale ranging from 1 ("not well at all") to 5 ("very well").

In SSP, achievement was measured using a 26- to 34-item math skills test and expressed in terms of the proportion of items answered correctly. Parents' assessments of achievement were measured using their ratings of their child's functioning in three academic subjects on a five-point scale ranging from 1 ("not very well") to 5 ("very well"). The ratings were averaged across the three academic subjects to compute a single score for each child.

In New Hope, teachers' reports of achievement were measured using the 10-item Academic Subscale from the Social Skills Rating System, which asked teachers to rate the child's skills relative to those of other children in areas such as math, reading, and oral communication on a five-point scale ranging from 1 ("bottom 10 percent") to 5 ("top 10 percent"). The responses were averaged across the 10 items to compute a single score for each child. Parents' assessments of achievement were measured using a single-item measure that asked parents to rate their child's school performance, based on past report cards or other sources, on a five-point scale ranging from 1 ("not at all well") to 5 ("very well").

of the services provided rather than because of the participation mandates.

### Effects of Programs with Earnings Supplements

The key difference between programs with earnings

supplement and those with mandatory employment services is that the former attempted to increase income for families who worked, and did so successfully (Bloom & Michalopoulos, in press). Like programs with mandatory employment services, earnings supplements increased parents' employment. However, because parents could con-

continue to receive welfare benefits, or cash supplements outside the welfare system, as they made the transition from welfare into employment, these programs increased income and reduced poverty. Because families continued to receive some form of cash transfer as they worked (either through the welfare system or outside of it) they typically increased families' reliance on these transfers and thus, government costs. However, because more families combine work and benefits, these programs typically reduced parents' sole reliance on welfare.

For children, the results were even more encouraging, and suggest that welfare reforms can be structured in such a way as to benefit children's development. Programs with earnings supplements resulted in consistently positive effects for elementary school-aged children, particularly in their school achievement. As indicated in Figure 2, in four different programs that all included earnings supplements, children who were preschool and early school aged at the beginning of the studies, and in elementary school at follow-up two to three years later, showed improvements in achievement, either based on parental reports, teacher reports, or children's test scores. The effects were small, but noticeable, generally corresponding to effect sizes of .15. A .15 effect size corresponds to a movement from the 25<sup>th</sup> percentile (the level children in the control groups in these samples typically were functioning) to the 30<sup>th</sup> percentile on standardized tests.

In terms of other aspects of children's development, the results were less consistent across the 4 programs, but the effects were either neutral or positive. In three of the four programs, there was also evidence of improvements in elementary school aged children's behavior (either reducing children's problem behavior or increasing children's positive behavior). One program also improved children's health status, as reported by their mothers. The consistency in the findings across the four programs gives considerable confidence in the effects of earnings supplement programs on children.

The results of earnings supplement programs are consistent with nonexperimental research that reports positive associations between family income and children's well-being, particularly as reflected in cognitive performance and school achievement (Smith et al., 2001). The fact that welfare to work programs with an antipoverty component can lead to improvements in children's cognitive outcomes — improvements that are detected two to three years after their parents first enter the programs — has important implications for policy and program design. That is, the findings suggest that welfare policies

can be designed in a way to benefit children. Furthermore, the consistency in the findings across the sites and studies considered here justifies greater confidence in the generalizability of the programs' effects.

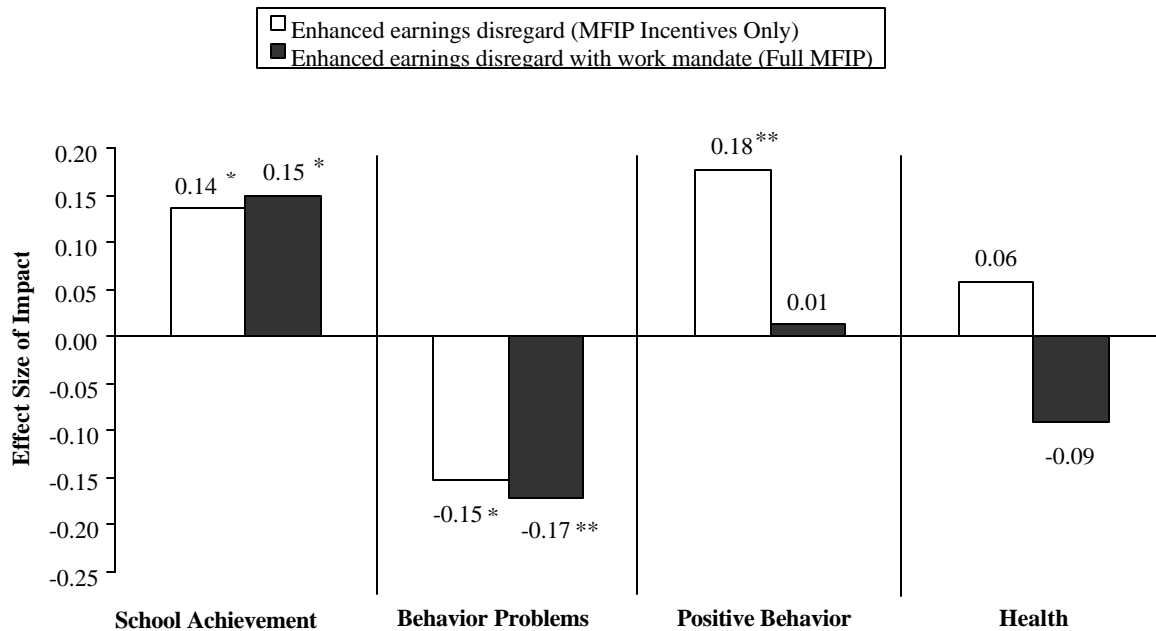
Earnings supplements can increase earnings and income, and benefit children, but at a cost to the government. For example, the net cost of MFIP per family for services, cash assistance, and Medicaid was about \$2,000 per year for single-parent long-term recipients, and SSP's net cost per family was about \$450 per year — all of it spent on cash assistance because the program did not offer special services. New Hope was the most expensive of the three programs partly because it provided a more comprehensive package of services and partly because it generated smaller welfare savings (some families in the study were not welfare recipients to begin with). The net cost of New Hope per family was about \$4,000 per year. Policymakers will need to decide if the benefits to children are worth these additional costs.

Notably, however, these programs do not remove children's initial level of disadvantage. On many measures, these low income children, despite improvements in their well-being, are functioning quite poorly. As indicated earlier, the improvements in children's school achievement correspond to an increase on a standardized test to the 30<sup>th</sup> percentile—clearly signifying difficulties even after improvement.

These findings imply that welfare policy can be implemented in a way that not only does not harm children, but actually benefits them. These benefits to children are consistent across four different programs that provided the earnings supplements in different ways—but these four programs shared the provision of supports to families as they made the transition from welfare to employment and an increase in parents' employment and income. Considering that welfare policy was originally designed with children in mind, it is interesting that this is the first evidence of a welfare reform strategy that can actually benefit children.

*Adding a mandate to an earnings supplement program.* One of the studies permits a direct experimental comparison of earnings supplement programs with and without mandatory employment services, because it utilizes a three group research design where parents are randomly assigned to a program group in which they were subject to a participation mandate combined with an earnings supplement, or to a program group in which they were subject to all the same benefits of the earnings supplement, without the mandate, or to a control group. One might suspect

**Figure 3**  
**Impacts on Child Outcomes When Adding Mandatory Employment Services**  
**to an Earnings Supplement Program**



NOTES: The MFIP sample includes children of parents in the MFIP evaluation aged 5-12 at the time of the three-year follow-up survey (aged approximately 2-9 at the time of random assignment) whose parents were long-term recipients in urban counties and underwent random assignment between April 1, 1994, and October 31, 1994 (sample size for Full MFIP = 587; sample size for MFIP Incentives Only = 573).

The statistical significance levels of the impacts are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent (two-tailed test). The statistical significance levels of the differences between impacts are not noted in the figure. The only difference between impacts that was statistically significant was that in positive behavior for MFIP Incentives Only and Full MFIP.

Achievement was assessed using a single-item measure that asked parents to rate their child's overall performance in school on a scale ranging from 1 ("not well at all") to 5 ("very well").

Behavior problems were measured using parents' responses to a 12-item externalizing subscale of the Behavioral Problems Index that assesses aggressive behaviors such as bullying and cheating. Responses range from 0 ("not true") to 2 ("very true"). The responses to the 12 questions were summed to compute a single score for each child.

Positive behavior was measured with the 25-item Positive Behavior Scale, which included three subscales: compliance, social competence, and autonomy. Parents responded to each item on an 11-point scale ranging from 0 ("not at all like my child") to 10 ("completely like my child"). The responses to the 25 questions were summed to compute a single score for each child.

Health was assessed using a single-item measure that asked parents to rate their child's health on a five-point scale ranging from 1 ("poor") to 5 ("very good").

that mandatory employment services increase parental stress, and thereby reduce the positive effects of earnings supplements on children's well-being.

With regard to parents' economic outcomes, the program that included the mandate as well as the earnings supplement increased full time employment (over 30 hours per week), while the program that included only the earnings supplement increased only part time employment. The impacts of these two programs on children are pre-

sented in Figure 3. Adding the participation mandate had no effect on parents' ratings of children's achievement in school, behavior problems, or health. The only outcome that was affected by the addition of the mandate was parents' ratings of children's positive behavior: While there is a positive effect on this measure in the program that only included the earnings supplement, there is no effect in the program that added the mandate. Notably, the program including the mandate did not produce any negative

### Box 3

#### *Unpacking the Effects of Earnings Supplement Programs Through Employment and Income: Findings from Morris & Gennetian, 2001*

Data from two of the earnings supplement programs evaluated as part of the Minnesota Family Investment Program (MFIP) were used as part of analysis to examine the extent to which the improvements in child outcomes were due to the increases in income or the increases in employment due to the program (Morris & Gennetian, 2001). The findings presented in that paper indicate that the increases in income due to MFIP, rather than the increases in employment, are responsible for the benefits to children's well-being observed.

In MFIP, single-parent families receiving welfare were assigned to one of three research groups: (1) MFIP, (2) Incentives Only, or (3) AFDC. Whereas under AFDC welfare payments were reduced dollar for dollar with earnings, families assigned to both the MFIP and Incentives Only groups were able to keep more of their welfare income as their earnings increased. In addition, families in the MFIP group were required to participate in employment and training services if they were on welfare for 24 of 36 months (or else they faced sanctions), while those in the Incentives Only group did not face any of these employment and training mandates. Families assigned to the AFDC group received the benefits of Minnesota's AFDC program. The analysis in this paper capitalized on the three-group research design to evaluate the mediating effects of income and employment on child outcomes using an instrumental variables estimation strategy (in effect, using the two program dummies as instruments for post-random assignment income and employment). Such a technique has the advantage of allowing for causal inference.

Evaluation results conducted at 18 and 36 months after random assignment show that MFIP increased both employment and total family income (Miller et al., 1997; Miller et al., 2000). Over the three-year follow-up period, MFIP increased employment 13 percentage points and reduced poverty by 10 percentage points among single parent, urban, long-term welfare recipients (recipients who had been receiving welfare for at least 2 years when they entered the study).

Morris and Gennetian (2001) find significant positive effects of this increase in income due to MFIP on children's engagement in school and positive social behavior. The effects on children's school achievement and behavior problems are in the expected direction (favorable effects of income) but are not statistically significant. In none of the models did employment have a significant effect (and in all cases, the direction of the effect was negative—unfavorable effects of employment).

While this is only a single study of the mediating effects of income and employment in the context of these earnings supplement programs, the findings imply that the increases in income are indeed responsible for the benefits to children's well-being that we observed in these programs.

effects on children, but rather only reduced the positive effect to nonsignificance. One might have expected that adding a participation mandate may have reduced some of the positive effects of earnings supplements, and perhaps even have generated harm to children, but that was generally not the case.

*Effects for long term welfare recipients.* In addition, analyses were conducted to examine the effects on a particularly vulnerable group of welfare recipients, those who had been on welfare for at least two years when they began the study. The thinking was that these parents would have the most difficult time in making the transition from welfare to employment. The findings suggested that pro-

grams with earnings supplements were particularly pronounced for this group of families. For these families, effects on income and employment were strong, as were the positive effects on children.

*Effects on potential mediators: income and employment, child care, parenting and parents' emotional well-being.* There are a number of possible explanations for the effects of the earnings supplement programs discussed above. First, we know that the earnings supplement programs increased both maternal employment and income. The positive effects on children could have been caused by increases in family income alone or by increases in employment and income together. Work is currently be-

ing conducted as part of the Next Generation Project to consider this question (see text box 3 for a discussion of some of this work). This work suggests that in one of the studies, it is the increase in income, rather than employment, that is causing the improvements in children's well-being that are observed. This is not to say that current policy should be focused on increasing income rather than employment, since the increase in income from these programs is tied to work and thus it is unclear whether increasing income through other means (e.g., marriage, welfare grant levels) would have the same positive effects on children. However, these analyses do provide us with some understanding of the way in which the effects of these programs occurred.

Secondly, through what mechanisms might the increases in parental employment and income caused by the programs benefit children? One possibility is that increased employment and financial stability improved parents' emotional well-being or reduce their feelings of stress, and, in turn, parents' interactions with their children (McLoyd, 1990; McLoyd, et al., 1994). Moreover, by increasing the use of child care (because of higher employment) and changing the type of child care that parents use (because of wider child care options made possible by higher income), earnings supplement programs introduce children to environments and educational opportunities to which they otherwise might not have been exposed, in effect changing the resources available to children (Becker, 1981; Coleman, 1988).

In three of the four earnings supplement programs, mothers in the program groups were more likely to enroll their children in formal child-care programs or after-school programs and extracurricular activities than were mothers in the control group. Thus, evidence from three of the programs suggests that structured programs outside of the home may be one of the pathways by which the beneficial effects to children occurred. At the same time, surprisingly, measures of parenting behavior were not much affected by these programs. Across all four programs, there were few differences in parenting behavior (including parental warmth, control and cognitive stimulation) between mothers in the program groups and those in the control groups. Also, there were few effects on mothers' mental health, as there were only scattered and inconsistent impacts on depression and stress across these programs. Of course, it is critical to note that these findings are based on parental report measures, and observational measures may yield different results.

This pattern of some effects on structured child care,

with few effects on parenting or mental health suggests that parents' roles in putting their children in formal child care and activities may be one of the primary ways programs with earnings supplements affected child well-being. However, the three group design described earlier for one of the studies puts this conclusion into question: because of the three group design, we can ascertain the policy dimension that drove the effects on child well-being and child care—and the findings from this study indicate that the benefits to children are a result of the earnings supplements, but the increases in formal child care are a result of mandatory employment services (probably because these services increased employment more so than the supplements alone). If the improvements in child well-being were a result of the increases in child care, we would have expected both to be caused by the same policy approach. Of course, other benefits to families that were observed may be a cause of the benefits to children in this program, while the increases in after-school activities and formal care arrangements may explain the benefits in some of the other earnings supplement programs. Further research currently being conducted in the Next Generation Project may help us to understand the pathways to improvements to child well-being in these programs.

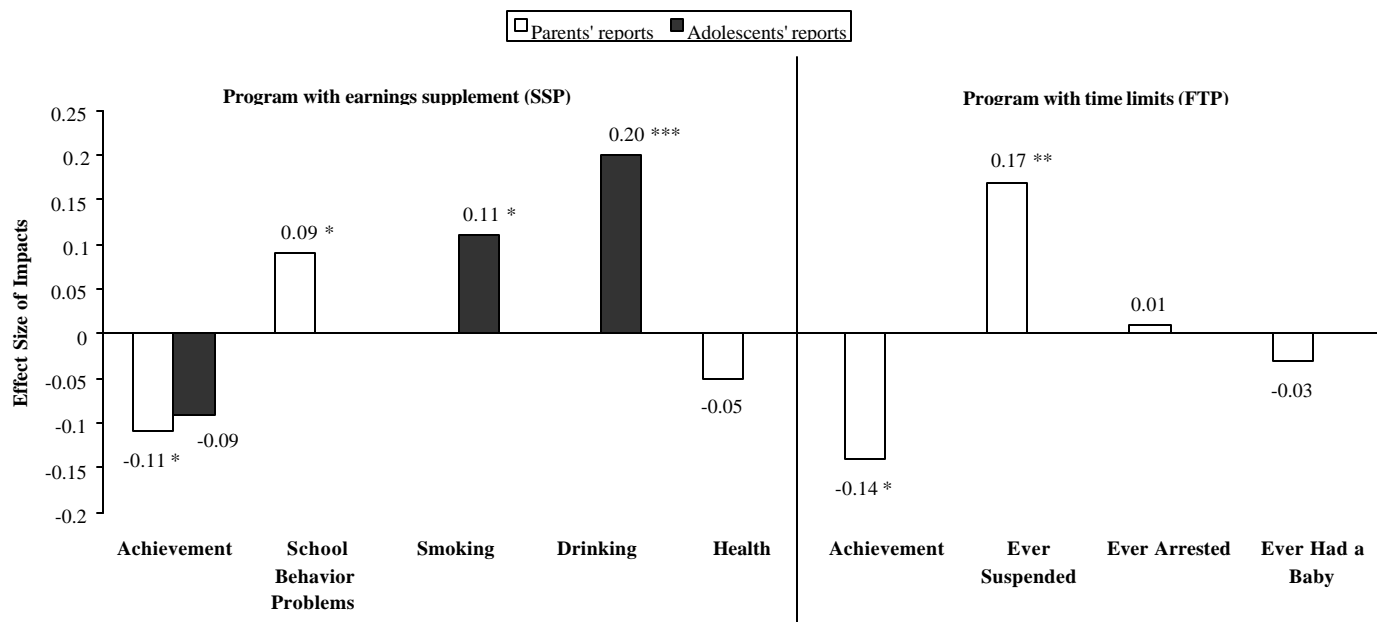
All these findings illustrate how difficult it is to attribute conclusively the programs' effects on children to one mechanism. None of the outcomes considered to be possible mediators of effects on children was affected across all programs, at least according to the measures examined. All four programs have in common one program feature (a generous earnings supplement) and one result (an increase in employment and income), but the way in which these factors may have affected children remains unclear.

### **Effects of the Single Time Limited Welfare Program**

There is very limited information available at this time on the effects of time limited welfare programs. Two programs that have been evaluated in Florida and Connecticut suggest that such time limited welfare policies, which in both cases combined time limits with requirements and benefits, increased employment and reduced welfare, but not more so than the other policies previously discussed (Bloom & Michalopoulos, in press). Moreover, even when such time limited programs are combined with strategies to supplement the earnings of parents who work, any income gains seem to disappear after families begin reaching the time limit. Therefore, these programs seem to in-



**Figure 4**  
**Impacts on Adolescent Outcomes for Two Programs**



NOTES: The SSP sample includes children of single parents in the SSP evaluation aged 12-18 at the time of the three-year follow-up survey (aged approximately 9-15 at random assignment) who were living in the home at the time of random assignment and at the time of the three-year follow-up survey (sample size = 1,417).

The FTP sample includes children of single parents in the FTP evaluation aged 13-17 at the time of the four-year follow-up survey (aged approximately 9-13 at random assignment) whose parents underwent random assignment between August 1994 and February 1995 and participated in the four-year follow-up survey (sample size = 741).

Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent (two-tailed test).

In SSP, achievement was measured using parents' and children's responses to questions about the child's functioning in three academic subjects. The responses, which were expressed on a five-point scale ranging from 1 ("not very well") to 5 ("very well"), were averaged across the three subjects to compute a single score for each child.

In SSP, school behavior problems were assessed using parents' responses to a single-item measure that asked how often in the past school year they were contacted by the school about their child's behavior problems in school. Responses range from 1 ("never contacted or contacted once") to 3 ("contacted four times or more").

In SSP, smoking was assessed using children's responses to a single-item measure that asked whether or not they currently smoked.

In SSP, drinking was assessed using children's responses to a single-item measure about their frequency of alcohol use in the prior six months. Responses range from "never" to "every day." If the child reported using alcohol at least weekly, the response was coded as 1; otherwise it was coded as 0.

In SSP, health was measured using parents' responses to four items about their child's health on a scale ranging from 1 ("false") to 5 ("true"). The responses were averaged across the four items to compute a single score for each child.

In FTP, achievement was assessed using a single-item measure that asked parents to rate their child's overall performance in school. Responses range from 1 ("not well at all") to 5 ("very well").

In FTP, school suspension was assessed using a single-item measure that asked parents if their child had ever been suspended from school since random assignment.

In FTP, police involvement was assessed using a single-item measure that asked parents if their child had been arrested since random assignment for any offense other than a minor traffic violation.

In FTP, fertility was assessed using a single-item measure that asked parents if their child had fathered a baby or had a baby since random assignment.

crease employment and reduce welfare dependence, but increase income only modestly, or only for a limited period of time.

Only one of these two studies has reported on the ef-

fects of time limited welfare on children to date—Florida's Family Transition Program (FTP; Bloom et al., 2000). That program combined time limits with small supplements and mandates. That study found few effects on el-

elementary school aged children—allaying fears about the effects of time limited welfare on children. Moreover, no negative effects occurred for children in a subgroup of families who were most likely to hit the time limit, and may have even experienced income loss from it (Bloom et al., 2000). While this speaks well for the effects on children of welfare reform programs that include time limits, further research is clearly needed on time limited welfare programs before any conclusions about the effects of this policy approach can be made. Florida approached its time limit cautiously, providing an array of services and supports to families. It is not clear whether all time limited welfare programs would have similar neutral effects on children. Moreover, because children were assessed shortly after families began reaching the time limit, it is not clear what the long-term effects of time limits may be.

### Effects on Adolescents

For adolescents, the findings were less encouraging than they were for elementary school aged children. Adolescents were only examined in two studies—in one program with earnings supplements and one program with time limits (see Figure 4). In both programs, however, there was some evidence of negative effects. Adolescents were more likely to have school behavior problems and be drinking and smoking in one program (although response rates in this study were relatively low), and were doing worse in school and more likely to be suspended in the other (although there were no differences in adolescents' fertility or police involvement). Adolescents may be responding to the decrease in supervision and the increase in their household roles and responsibilities as parents make the transition into employment. Because adolescents were only examined in two programs, however, further research on this age group of children is needed before stronger conclusions can be made about the effects of welfare programs on adolescents.

### Implications for Policy

The findings discussed point to a couple of key lessons for welfare policy:

First, they suggest that welfare policies that increase employment, but do not affect income, will have few effects on children. These findings are consistent with the generally neutral effects of maternal employment for low income children found in the developmental literature, and

should be reassuring to those concerned about the negative effects to children of requiring mothers to go to work. Of course, the policies that were examined here do not represent the full range of TANF programs currently in effect. As indicated earlier, in the programs examined here, sanctions for noncompliance entailed reducing the family's monthly welfare grant by the adult portion of the grant and leaving the child portion unchanged, rather than eliminating all of the family's welfare grant. The latter policy, which is implemented in most states, would likely result in a more pronounced income loss for families, and may have different effects on children.

Second, these findings affirm that welfare reform can actually benefit children, and thus achieve a goal that welfare policy was originally designed to do—to protect the well-being of low income children. Welfare reforms that support work, and thus succeed in increasing income as well as employment, had positive effects on elementary school children. The effects were particularly pronounced for children at greatest risk (those of long-term welfare recipients) and it benefited them in an area of great concern to many—in children's school achievement.

Are state welfare reform policies currently in effect likely having the positive effects observed here? Many states have instituted enhanced earnings disregards as part of their TANF programs, in effect, allowing welfare recipients to keep more of their welfare payments as they go to work. However, these earnings disregards are typically smaller than those examined here, as indicated earlier. Moreover, even in states with generous packages, these supplements are typically not emphasized, so that many welfare recipients who get jobs fail to take advantage of the supplements available to them. In addition, in most states, time limits are combined with these earnings disregards. One might expect that an earnings disregard would have very different effects when combined with time limits. Because their goals differ, time limits and earnings supplements may work at cross-purposes. Time limits encourage people to leave welfare quickly and save their remaining months of welfare eligibility for a period of crisis. Earnings disregards, in contrast, encourage families to continue to receive welfare benefits while they are working. Because the supplement comes from the welfare system, families are therefore likely to use up more months of their welfare eligibility if they are eligible to receive a supplement than if a supplement were not available to them. Owing to the tension between time limits and earnings supplements, the effects on family income of a program that combines these two program features,

although hard to predict, are likely to be smaller than those of programs that provide earnings supplements without imposing time limits.

Third, the findings point to the importance of children's developmental stage in evaluating the effects of welfare policies. The emerging negative findings on adolescents do give pause. Interestingly, adolescents have been largely ignored in discussions about the effects of welfare policies.

These findings present policymakers with a choice: policymakers can institute policies that reduce welfare caseloads and increase employment, and save government budgets, but have limited effects on children, or they can increase employment and income, and, in turn, benefit children. Supports for working families do cost more to the government, but—for states that are interested in using welfare policy to improve children's school achievement—might be an important complement to programs aimed directly at improving the school outcomes of children.

The reauthorization of PRWORA in 2002 raises difficult issues. A key question will be whether to maintain the same amount of money in the block grants that states received in 1996, given the sharp decline in welfare caseloads. For states with an interest in supporting working families, the research here suggests one benefit of maintaining the same level of support in the block grants. That money can be used to supplement the earnings of low income workers, which is likely to increase employment among welfare recipients, as well as achieve an educational goal—giving children a better start in school.

### Notes

<sup>1</sup> Lifetime limits restrict the number of months in the recipient's lifetime that she or he can receive welfare benefits. Fixed-period time limits, in contrast, restrict the number of months of benefits over a shorter, specified period—for example, to 24 months in any 60-month period. The time-limited program examined here includes a fixed-period limit rather than a lifetime limit.

<sup>2</sup> The effect size is calculated as the impact (the difference between the average level in the program and control groups) divided by the control group standard deviation.

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## About the Author

Pamela Morris is currently a Senior Research Associate at Manpower Demonstration Research Corporation (MDRC). Her work focuses on the impact of welfare and employment policies on children, adolescents and their families. Her current research projects examine the impact on children of earnings supplements for mothers receiving welfare assistance as part of the Canadian Self Sufficiency Project, and the impact on children of welfare time limits as part of the Florida's Family Transition Program and Connecticut's Jobs First Evaluation. She is also a lead investigator on MDRC's Next Generation Project, examining the effect on children and adolescents of various welfare and employment policies, and the effect of increases in income on child well-being.

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