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The Effects of Welfare Reforms on the Social and Emotional Development of Young Children

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Introduction

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. Fortunately, there is now 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 paper summarizes the results on children from a set of research studies conducted over the last few years as part of MDRC's Next Generation project, relying on data from a set of welfare experiments aimed at increasing the self-sufficiency of low-income parents in the U.S. and Canada. Such research provides critical information to advance developmental research on the effects of changes in parents' employment and income on the development of low-income children, in addition to informing the decisions policy-makers will make as their welfare policies continue to evolve.

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Subject

In both the U.S. and Canada, federal governments have passed legislation turning welfare from an entitlement program to a federally funded block grant with considerable local discretion, although benefit levels in most Canadian provinces tend to be higher than in much of the U.S.[1] This legislation has given states and provinces considerable latitude in designing their welfare policies. At the same time, until relatively recently, there was little research on the effects of welfare policies on children to inform decisions policy-makers were making. Yet, because these changes encourage parental employment and, in some cases, attempt to increase family income as well, they may have important consequences for children.

Non-experimental developmental research would suggest that policies targeted at increasing employment among welfare recipients and sometimes increasing parents' income as well might affect children's development. For low-income families headed by single mothers, the associations between maternal employment and children's cognitive and social development tend to be neutral or positive, but much of this difference is a function of pre-existing differences between mothers who are or are not employed.[2,3,4,5] The effects of maternal employment on children's development also depend on the characteristics of employment – its quality, extent and timing – and on the child's age.[2,6,7] On the other hand, poverty has consistently negative associations with young children's development, but here, too, there is considerable controversy about the causal role of income *per se*, as opposed to other correlates of poverty.[8,9,10,11,12,13]

Problems

Despite the wealth of research on the economic determinants of children's well-being, non-experimental designs leave nagging doubts about biases in attempts to estimate the causal impacts of employment and income as they affect children's development. For this reason, it is difficult to know whether and how increases in employment and income brought about by welfare reform strategies are likely to affect children, and how these effects may differ across the childhood age span. Similarly, non-experimental research relying on natural variation in welfare policy over time or locale may have difficulty attributing any observed effects to welfare reform policy as compared with other factors that complement (or compensate for) changes in the public assistance system.

Research Context

The studies reviewed here represent a broad range of geographic areas in the United States and in two provinces in Canada. All were begun in the early to mid-1990s and evaluated with random assignment designs, and all were conducted to estimate the effects on low-income families of programs designed to increase parental employment. The studies can be characterized by three distinct policy components: 1) *earnings supplements* that are designed to make work more financially rewarding, either by increasing the earnings disregard (the amount of earnings that is not counted as income in calculating a family's welfare benefit) so that families can keep part of their welfare dollars when they go to work, or by providing supplements to families' earnings from outside the welfare system;[a] 2) *mandatory employment services* are requirements that recipients participate in employment-related activities as a condition of receiving their welfare benefits. 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; and 3) *time limits* are intended to reduce welfare dependence, encouraging parents to work by limiting the length of time recipients are eligible to receive welfare benefits.

These policies were evaluated by using social policy experiments where welfare recipients, at application or redetermination for welfare benefits, were randomly assigned, using a lottery process, to an intervention group that receives the benefits and requirements of the new welfare policy or program or to a control group that remains subject to the status quo. This process of random assignment ensures that there are no systematic differences between the two groups at the beginning of the study and that any differences between the two groups observed later can confidently be attributed to the intervention being examined. These experiments, akin to medical clinical trials often conducted to test the effectiveness of a particular drug or treatment, are the most rigorous way to examine the effects of welfare policies on children.

Key Research Questions

Because all of these studies began prior to some of the major shifts in federal welfare policy in the U.S. and Canada, and because they do not reflect every welfare reform policy that states and provinces have implemented, they cannot answer the question, "Overall, how has welfare reform affected children?" However, the studies discussed here can answer several equally important questions for decision-makers as they look forward:

- Which welfare reform strategies are especially beneficial or harmful to children?

- Are there points in children's development that represent particular sensitivity or vulnerability to welfare and employment policies?
- How can the welfare system be designed to reduce the disadvantages that low-income children and adolescents face?

Recent Research Results

Recent findings provide strong evidence that welfare reform policies can benefit younger children, when designed in ways to increase both the employment and the income of single parents. More specifically, for children who were of preschool and elementary-school age at the point of their parents' random assignment to program and control groups, programs that were designed to increase both employment and income (through earnings supplements, like those in place in the Canadian Self-Sufficiency Project)[14] led to small, but consistently positive, effects, on children's developmental outcomes.[15,16] By contrast, programs that encourage employment without earnings supplements (through mandatory approaches and, in one case, time limits) typically increase employment among parents (and reduce welfare use) but not their income, and have few and inconsistent effects on young children's development.[15,17] The benefits of earnings supplement programs appear to be most consistent for school achievement and cognitive test scores as compared to measures of children's social behaviour, although effects on social behaviour that are observed are positive as well. Finally, these benefits of earnings supplement programs for younger children appear to be sustained into the long term,[18,19] and appear to be due to the income increases brought about by these programs (as opposed to some combination of income and employment change).[20]

Notably, the pattern of effects for older children is much different than for their younger peers. For children who were pre-adolescent and in early adolescence at the beginning of these studies, negative impacts on schooling outcomes (e.g. grade repetition) are found, regardless of whether the program included earnings supplements or not.[21] These negative effects were most pronounced for adolescents with younger siblings, suggesting that single parents may have relied on their adolescents for the care of the younger children as they went to work, and these responsibilities may have impeded adolescents' schooling.

A more systematic examination of the effects of welfare policies across the childhood age span points to two sensitive periods of children's development – both of which are points of

developmental transition – in which the effects of welfare and employment programs are strongest.[22] Because of the reorganization that occurs with developmental transitions,[23,24] children's development may be most open to change during these periods. More specifically, small positive effects of welfare and anti-poverty policies are found for children making the transition *into* middle childhood, and small negative effects of these same policies are found for children making the transition *out of* middle childhood and into early adolescence. Effects are more pronounced for generous earnings supplement policies than other welfare and employment strategies. These differing effects are not due to differences in economic impacts for parents with children of different ages, nor can they be attributed to family characteristics that differ for children of different ages.

Conclusions

These findings suggest that welfare policies that increase employment, but do not affect income, have few effects on young 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.[b] In addition, these findings affirm that welfare reform can actually benefit young children. Welfare reforms that support work, and thus succeed in increasing income as well as employment, have positive effects on younger children. The benefits were particularly pronounced for preschool-aged as compared to middle childhood or adolescent children, and appear to be due to the income increase for parents that resulted from these income-support policies. Notably, however, a very different pattern of effects was observed for adolescent children – in which negative effects were observed on school progress, whether or not the policy increased parents' income. Finally, findings suggest that periods of developmental transition may be most sensitive to these changes in welfare reform policies.

Implications

This research has implications for developmental theory as well as for policy.

First, these findings suggest that increases in income may have a causal effect on the well-being of preschool-aged children (but not older children), answering a long-standing question of relevance to developmental psychology. The pattern of effects across child age is consistent with some of the non-experimental work in this area, as well as developmental theories suggesting

that children's development is most malleable and most susceptible to family influences during the preschool period. For policy, this research suggests the potential of welfare policy to benefit young children living in poverty. While the effects of welfare policies are not large, child development is only one of many possible goals for these adult-focused policies. Ensuring school readiness for all children probably requires that some receive preschool education intervention programs, independent of whatever welfare program might be present. But these results suggest that child impacts should figure into the cost/benefit calculus of income transfer programs. For policy-makers with an interest in using welfare policy to improve children's well-being, earnings supplements might be an important complement to programs aimed directly at improving the development of low-income children.

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Notes:

[a] The Canadian Self-Sufficiency Project used this latter form of earnings supplement to encourage work and increase income among long-term welfare recipients (Morris & Michalopoulos, 2003).

[b] Notably, in none of these studies did family income decline on average as a result of sanctions or time-limited welfare policies. Effects on children may be different in stricter policies that result in large income declines for low-income parents.