Effects of welfare and antipoverty programs on participants’ children

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Introduction

Antipoverty programs that enhance parents’ self-sufficiency by requiring or supporting employment have grown in popularity over the last 30 years. Although improving the well-being of children is an often-expressed goal of policy reforms, emphasizing adult employment and reductions in the welfare rolls have taken precedence in the policy debate. The passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act is a recent example.

To be sure, the debate surrounding the 1996 welfare reforms was filled with assumptions and predictions about their effect on children. Pro-reform advocates argued that transitions from welfare to work would benefit children by creating positive female role models, promoting maternal self-esteem and sense of control, introducing productive daily routines into family life, and, eventually, fostering career advancement and higher earnings on the part of both parents and children. Opponents argued that the reforms would overwhelm severely stressed parents, deepen the poverty of many families, force young children into sub-standard child care, and reduce parents’ ability to monitor the behavior of their older children. The most extreme rhetoric spoke of children “sleeping on the grates” and even being “put to the sword.”

This article contributes to the literature on parental self-sufficiency and child well-being in two ways. First, we bring a novel interdisciplinary perspective to formulating hypotheses about the pathways by which policy-induced changes in the environments in which children are embedded, both within and outside the home, facilitate or harm children’s development. These hypotheses help to organize the contradictory assertions regarding child impacts that have surrounded the debate over welfare reform. Second, we draw on a set of policy experiments to understand the effects of reforms targeting parents’ self-sufficiency on both parents and their children. The random-assignment design of these evaluations provides an unusually strong basis for identifying conditions under which policy-induced increases in employment among low-income and mostly single parents can help or hurt young children’s achievement.

Evidence from a diverse set of experiments now illustrates some of the conditions under which policy-induced increases in employment among low-income and mostly single parents can help or hurt young children’s achievement. This article summarizes the results of research conducted as part of the Next Generation Project, a collaborative effort involving researchers at MDRC and several universities.1 The analysis described in this article concentrates on younger children, and on understanding the pathways by which the programs affected children’s achievement. Several theories predict how policies might affect children and adolescents.2 As in the policy debates, suggested mechanisms include parent employment, family income, child care, maternal mental health, and parenting. We find considerable support for the importance of income and center-based child care, and virtually no support for maternal mental health and parenting, as key policy-induced mediators in promoting child achievement.

The analyses conducted under the Next Generation Project are based on seven random-assignment studies that together evaluate the effects of 13 employment-based welfare and antipoverty programs in the United States and two Canadian provinces. These studies provide information on 10,664 children, primarily from single-parent families, who were between our focal ages of 2 and 5 when their studies began. All of the studies began in the early to mid-1990s and were designed to estimate the effects on low-income families and children of programs aimed at increasing parental employment. The great contribution of these studies derives from their design, in which participants were randomly assigned to a program group that received the experimental policy package, or to a control group that continued to live under existing policies. In all but one study, parents were applying for welfare or renewing eligibility when they were randomly assigned.3

Patterns of achievement effects

The analyses found positive effects of employment-based programs on the achievement of young children,
and negative effects of the same policies for children entering adolescence. For young children, there appears to be a particularly sensitive transition period—from the preschool years into middle childhood and elementary school. For those children, the program effect is 7 percent of a standard deviation increase in child achievement, as measured two to five years after parents entered the programs. At the same time, for children age 10 to 11 at random assignment, there were negative effects.

The positive effects for young children are consistent with theoretical predictions about the development of preschool children and about the responsiveness of young children to family influences, as compared to peer and neighborhood influences. Developmental theory also suggests that children in transition periods are particularly sensitive to environmental influences or changes. While both four- to five-year-olds and ten- to eleven-year-olds are in developmental transition periods, the effects of the welfare and employment programs go in opposite directions, suggesting that the experimental policies may lead to changes in the daily environments and experiences that support the transitions of young children, but that fail to support the transitions of early adolescents.

Although various packages of policies were tested, we highlight the policy distinction between: (1) earnings supplement policies, which are designed to make work pay by providing cash supplements outside the welfare system or allowing parents to keep part of their welfare grant as their earnings increase; and (2) mandatory employment services and time-limited programs, which attempt to boost work through the use of services, sanctions, and time limits. The service component of these programs offers education, training, and job search assistance but mandates participation in those activities. Figure 1 shows the standardized differences between treat-
ment and control children in the school achievement of children age 2 to 5 and 6 to 9 in each of the programs. Children in programs that provided earnings supplements generally had larger effects, although none of the programs produced statistically significant improvements in children’s achievement in both age periods. As a whole, the effects of earnings supplement programs on achievement for two- to five-year-olds amounted to a statistically significant 0.08 of a standard deviation, or about one point on an IQ test-type scale (Figure 2). By comparison, the pooled effect for programs that provided only mandatory employment services or time limits without generous supplements was a statistically insignificant 0.04. The absence of data on six- to nine-year-old children from one set of studies hampers our ability to compare across age periods.

### Pathways to beneficial effects

All of these programs are targeted to parents rather than to children, so any links between the experimental policies and children’s achievement must be indirect. Possible mechanisms for these links include changes in parents’ employment, family resources, home or child care environment, parent-child interactions, and parents’ stress levels and mental health status. All of these indirect pathways have been supported in the nonexperimental literature. In particular, research suggests that poverty not only limits the resources that parents can provide, but also increases parental stress and negative parenting practices. Studies of parental job loss have shown that parents who reacted with punitive and inconsistent parenting had children who experienced psychological distress and problem behavior. Although we cannot test all the possible pathways directly, we can assess the effects of the programs on the intervening factors.

### Income and employment

First, we consider the direct target of these welfare and employment programs—parents’ employment and income. A comparison of achievement effects for children whose parents participated in programs with and without earnings supplements found similar program effects for employment and annual earnings, but considerably higher income effects with earnings supplement programs (Figure 3). In non-earnings supplement programs, parents’ increased earnings were offset by declines in...
income from welfare, resulting in few gains in family income (which averaged a statistically insignificant $170 per year). While this indicates that income may be a pathway to children’s achievement, it does not prove that benefits to children stem solely from parents’ income. Earnings supplement programs increased income, but also affected employment, earnings, and receipt of public assistance. In order to isolate the contribution of increased income for young children’s achievement, we used a nonexperimental strategy—instrumental variables—which takes advantage of random-assignment induced program impacts on income and employment to estimate the separate effects of income and employment on child achievement. These analyses showed that observed improvement in school achievement appears to be accounted for by program-induced income gains, but not by concurrent changes in parental employment and welfare receipt. A graphical representation of our instrumental variables approach is shown in Figure 4 (see Ludwig and Kling, in press). Each point represents deviations in mean income (in thousands of dollars) and achievement (in standard deviation units) for either the treatment or control groups in each of the programs. If income matters for child achievement, we would expect that the treatment group/site combinations with the biggest positive income deviations should also have the biggest positive achievement deviations. When a trend line is fit through these 28 points, the slope of the line (.06) is equal to the IV estimate of the effect of income on child achievement. These analyses suggest that a $1,000 increase in annual income, sustained on average across two to five years, increased child achievement by 6 percent of a standard deviation. Programs with earnings supplements increased family income for families with younger children by between $800 and nearly $2,200 per year, corresponding to achievement effect sizes of 5 to 12 percent of a standard deviation.

Education
There was a slight increase in participation in adult education in the non-earnings supplement programs. This comes

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**Figure 3. Effects for mothers of children age 2 to 5, programs with and without earnings supplements.**

**Note:** All dollar values are in thousands of annual income.

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**Experimental Studies Included in the Next Generation Project**

Connecticut Jobs First Evaluation  
New Hope Project, Milwaukee, WI  
Minnesota Family Investment Program  
Self-Sufficiency Project, Canada  
Florida Family Transition Program  
National Evaluation of Welfare-to-Work Strategies  
Los Angeles Jobs-First Greater Avenues for Independence
from the human capital development approach in the NEWWS sites, which focused welfare recipients first on education and training prior to employment. The magnitude of the change in adult education was small, just over two months on average, and child achievement effects for these programs were not statistically significant. To further explore the relationship between adult education and children’s achievement, Magnuson estimated instrumental variable models relating impacts on completed maternal schooling to impacts on child achievement. She found statistically significant and moderate effects, with each 10-month increase in maternal schooling associated with an increase in child achievement of about a quarter of a standard deviation. This indicates that human capital development programs for mothers could benefit children if the time mothers spent acquiring new skills was sufficient.
Child care

Although all of the programs increased parents’ employment and the use of paid child care, the type of child care used depended on the program model. Programs with earnings supplements led to increased use of center-based care (defined as any licensed or regulated care that takes place in a group setting) over home-based child care (including care by relatives or others in the child’s own home or another person’s home.) The reverse was true for programs without such supplements. Program effects on child care were also distinguished by the extent to which programs included expanded child care assistance, a feature of a few earnings supplement and one non-earnings supplement programs. The programs with such expanded assistance increased the use of center-based care more than the use of home-based care, whereas those without such expanded assistance had the opposite effect. Although little information was available about the quality of the care arrangements, center-based settings may be beneficial for low-income children because they tend to be of higher quality than the home-based arrangements used by low-income parents.

Programs that increased the use of center-based child care tended to have positive impacts on children’s achievement. Effect sizes are small but comparable to those for income; an increase of 0.1 in the probability of being exclusively in center-based care during the preschool years was associated with an increase in achievement of about 10 percent of a standard deviation. As these instrumental variable analyses could not separate program impacts on income and on center-based care, it may well be the case that both may contribute to children’s achievement.

Parenting

Changes in the home and parenting environment may also provide pathways from policies to children’s outcomes. On the basis of earlier theory and literature, we expected that increased income might improve the quality of learning experiences provided in the home, reduce parents’ stress and depression, and improve the quality of parenting behavior. Surprisingly, across all the studies, there were few effects on available measures of parenting, depression, and the home environment. We also found no effects of marriage and cohabitation.

Policy implications

Mechanisms for explaining the beneficial effects of some welfare and employment policies on young children are illustrated in Figure 5. Both parents’ income and children’s child care arrangements appear to be key pathways for these effects. Programs that increase income and the use of center-based child care are most able to
improve children’s achievement measured a few years after program entry. There is little evidence from the policy experiments that increases in employment or reductions in welfare, by themselves, produce detectable impacts on young children’s achievement. Programs targeting maternal human capital have the potential to improve outcomes for children, but only if mothers acquire enough of it. Among the mediators listed in Figure 6, center-based child care stands out as the primary way in which a policy targeted on adults’ economic behavior can improve the well-being of children.

Although these analyses provide a great deal of information, many questions remain. First, current law permits states to require mothers to participate in work-related activities very soon after their children are born. The experiments in our analysis include few infants younger than a year old, but other research investigating the effects of maternal employment on young children raises questions about possible negative effects of full-time employment. A National Academy of Sciences panel specifically recommended that welfare policies should not require full-time maternal employment when children are less than a year old.

Second, the policies tested had the most positive effects on preschool-age children (from about 2 to 5 years old), and it appears that these positive effects are in part due to increased income. How did higher levels of family income affect younger children, especially since some of this income was likely used to pay for work-related expenses including child care? Data from these experimental studies offer little information about consumption or expenditure patterns to inform our thinking. The one pathway that is supported is center-based child care environments, but we lack information on the quality of care children received. Policies for working parents’ child care assistance are typically separated from policies designed to use early educational settings to promote school readiness, even though the same children are affected by both. Research on integration of these services would inform both types of policy.

Contrary to our expectations, parents’ psychological well-being and parenting practices did not appear as a pathway for program effects on young children’s achievement. While one might question the quality of the parenting measures (which are based on self-reports rather than direct observation), it is also likely that the programs did not have large impacts on these psychosocial aspects of parenting. If one defines parenting more broadly as “family management,” then parents’ choices about child care, living environments, schools, and other environments for their children would be included. Increased resources might affect these choices. In fact, nonexperimental investigations suggest that investments in children’s environments are better predictors of cognitive and academic skills than are parenting warmth and control.

The studies examined here include policies that are comparable to the most generous policies currently in effect. The maximum value of the earned income tax credit more than doubled during the 1990s, providing an increased earnings supplement for all low-income workers at 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 handful of states, the enhanced earnings disregards are relatively generous. A welfare recipient in Connecticut, for instance, can now continue receiving all of her welfare benefits as long as she earns less than the federal poverty threshold. Compared to how she would have fared under the AFDC system, this disregard provides her with about $500 more per month in income. California 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 benefits by only half a dollar (rather than reducing benefits by about a dollar for every dollar of earnings as under AFDC). Our studies examining the effects of generous supplement programs are likely very applicable in these contexts. At the same time, some enhanced disregards are not as generous as the supplements provided by the programs analyzed in this study. In some states, the disregard is very low, sometimes as low as 20 percent (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. In these cases, our studies of policies that increase employment but not income are likely to be the most relevant benchmark.

What about time limits and mandates? Only two of the Next Generation studies included time limits, whereas 40 states have time limits that result in loss of benefits. Moreover, nearly all states (except for a few that are more similar to the programs we evaluated) now sanction families who are noncompliant with program rules by closing the case or taking away the entire welfare benefit, whereas the studies examined here typically sanctioned parents by the removal of the adult portion of the grant. In short, the differences in the studies we have examined and those in effect today are primarily in their focus on benefit reduction policies. Thus, there may be consequences for children of income loss and benefit termination that are not well documented in the Next Generation studies. Notably, a further examination of Florida’s time limit policy did not suggest harm to children of families reaching welfare time limits and having their benefits reduced, providing initial evidence that such negative effects may not be widespread.

A key finding from the experiments is that impacts on young children’s achievement were consistently more positive in programs that provided financial and in-kind supports for work than in those that did not. The pack-
ages of work supports were quite diverse, ranging from generous financial supplements provided alone to more comprehensive packages of financial supplements, child care assistance, health insurance, and even temporary community service jobs. Although more costly than the “work first” approach taken by the programs with mandatory employment services only, two of the programs with earnings supplements had costs within the range of some of the actual welfare reform packages implemented by states in response to the 1996 legislation. Relative to the AFDC program, the average yearly cost for a participant in a program with mandatory employment services ranged from savings of $255 to a cost of $1,595. The annual taxpayer costs per participant of the earnings supplement programs ranged from $2,000 to $4,000 above the costs of the AFDC program. At the same time, increased taxes, reductions in reliance on public assistance, and as yet unquantified taxpayer savings from the improvement in children’s achievement return at least a portion of these costs.

These findings suggest that policymakers face a choice when deciding which welfare reforms are best for children. They can increase parental self-sufficiency, provide few benefits to children, and save government money with mandatory employment service programs. Or, at greater taxpayer cost, they can use earnings supplements to increase parental employment, raise family income, and provide benefits to children. Clearly, welfare policies can affect and improve the well-being of children if states or the federal government choose to spend additional money on work supports. Our investigation of the mediating pathways by which these welfare policies benefited children suggests that, for younger children, center-based care is a worthwhile target of influence and that policy can encourage parents to take up center-based care through subsidies, increased income, or other levers.


1For more information on the Next Generation Project, see www.mdrc.org/NextGeneration.


3The exception is the New Hope program, for which all low-income adults living in two Milwaukee neighborhoods could volunteer; both program and control group parents remained eligible for public benefits and were subject to welfare rules.

4Additional analyses have indicated that these differences in effects across child age groups cannot be attributed to variation in family characteristics that coincide with having children in differing age groups (i.e., parents of older children may have longer histories of welfare receipt or otherwise face greater risk factors than parents of younger children).


13Magnuson, The Effect of Increases in Welfare Mothers’ Education on Their Young Children’s Academic and Behavioral Outcomes.


See, e.g., McLoyd, Aikens, and Burton, “Childhood Poverty, Policy, and Practice.”


# IRP Spring/Summer 2008 Conference Schedule

## Measuring the Role of Faith in Program Outcomes, April

This working conference at the UW–Madison will bring together faith-based service providers, policymakers, and evaluators interested in faith-based services for hard-to-serve populations. A key question to be addressed is whether the provision of services such as education and training, alcohol and other drug abuse counseling, and youth mentoring services by FBOs has a differential effect on outcomes for children and families specifically as a result of leveraging the religiosity and spirituality of participants. The working conference’s overall goal will be to outline issues important to the evaluation of these programs.

This working conference is being organized by Jennifer Noyes and Maria Cancian, Institute for Research on Poverty, with support from the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, and the Bradley Foundation.

## Changing Poverty, May

Continuing the book series which includes *Fighting Poverty* (1986), *Confronting Poverty* (1994), and *Understanding Poverty* (2001), IRP is holding a small working conference to discuss a new set of commissioned papers that consider trends and determinants of poverty and inequality, the evolution of poverty-related policy, and the consequences of poverty for families and children.

Maria Cancian and Sheldon Danziger are editing the volume, with financial support from the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services.

## Summer Research Workshop, June

This is an annual, invitation-only meeting at which social scientists present papers on a variety of topics affecting low-income individuals and families. Workshop organizers are Robert Moffitt, John Karl Scholz, Robert Hauser, and Jeffrey Smith.

## A State of Agents? Third-Party Governance and Implications for Human Services, July

This research conference will address important issues raised by public policy and management scholars regarding the burgeoning number of third-party entities that play increasingly central roles in the design, management, and execution of public policy.

A central goal of this conference is to advance new ideas and theoretical arguments for research and generate new empirical evidence that sharpens the debate over the extent and impact of the increasing use of agents of the state to implement public policy. The purpose of a primarily empirical rather than a normative approach is to see if the assertion of governmental transformation with more leakage of authority to third parties (and the corresponding difficulties it may create for effective governance) holds up to empirical scrutiny.

This conference is being organized by Carolyn Heinrich, with financial support from The University of Arizona, School of Public Administration and Policy, Eller College of Management; University of Washington, Daniel J. Evans School of Public Affairs; University of Southern California, School of Policy, Planning, and Development; and the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation.

## A Course in Applied Microeconometrics, August

IRP will host “A Course in Applied Microeconometrics” taught by Guido Imbens, Harvard University, and Jeffrey Wooldridge, Michigan State University. The course is modeled on the successful course “What’s New in Econometrics,” which they taught at NBER in summer 2007.

Imbens and Wooldridge will discuss developments in microeconometrics over the last decade and a half. The focus will be on methods that are relevant for, and ready to be used by, empirical researchers, and the course is aimed exactly at such researchers. In contrast to much of the published literature in the more technical econometrics and statistics journals, they focus on practical issues important in implementation of the methods and for reading and understanding of the literature. There will be little discussion of technical details, for which the instructors will refer to the literature.

IRP is cosponsoring this workshop, with financial support from the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services.