

Has welfare reform affected children's living arrangements?

Marianne P. Bitler, Jonah B. Gelbach, and Hilary W. Hoynes

Marianne P. Bitler is a Research Fellow at the Public Policy Institute of California, San Francisco, CA (and was an Associate Economist at the RAND Corporation while conducting this research), Jonah B. Gelbach is Assistant Professor of Economics at the University of Maryland, and Hilary W. Hoynes is Associate Professor of Economics at the University of California, Davis, and an IRP affiliate.

Stable and secure living arrangements for children were a primary objective of the welfare reforms of the 1990s. This was made explicit in the four main goals of the legislation that, in 1996, established Temporary Assistance for Needy Families (TANF). These were:

- (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies . . . ; and (4) encourage the formation and maintenance of two-parent families.¹

Given this emphasis on increasing the proportion of children living in two-parent, married families rather than with a single parent or a foster parent, it is somewhat surprising that welfare-reform-induced changes in children's living arrangements, broadly considered, have received relatively little attention. Studies of women's living arrangements and welfare reform do provide some information about children's circumstances. However, these studies cannot capture information about many areas of children's lives that might be directly relevant to welfare reform. For example, are children now more likely to live with married parents? Are they more likely to live with neither parent? To live with both a parent and a grandparent?

The studies of children's living arrangements that do exist are somewhat narrow in focus. Some have made use of data from random-assignment welfare experiments, which can only inform researchers about the effects of one state's programs and also tend not to track living arrangements or family size very closely. Others have relied mostly upon time-series data without incorporating the substantial variation in the timing and incidence of state reforms. But it is difficult to know how much of the trends in living arrange-

ments can be attributed to the reforms until we have accounted for other possible influences.²

In the research reported here, we examined the effects of the federal legislation and of state initiatives that preceded it on children's living circumstances.³ In particular, we examined the effects of reforms on whether the child lives with a parent, and if so, whether the parent is married. We also asked whether children are now more likely to live in a three-generation household. To understand how the new structure of welfare may have affected trends in these living arrangements, we took into account a number of other potentially important factors, including state economic conditions and changes in other policies (like Medicaid).

Much research into welfare reform's effects has focused on state welfare caseloads and on employment, earnings, and income. The decline in welfare caseloads is clear (though the importance of reform *per se*, as distinct from the economic expansion of the 1990s, is not), but it has proved difficult to reach firm conclusions about the consequences for earnings and income, leading to considerable controversy over the effects of the reforms on family well-being.⁴

Conclusions drawn from earlier studies have mostly pooled women of all races and ethnicities, despite the large prereform differences in the rate of nonmarital births and female-headed households, as well as welfare use. Such baseline differences suggest that responses to welfare reform may also differ by race and ethnicity. To address this issue, we conduct our analysis separately by race and ethnicity, so that we estimate distinct impacts for non-Hispanic black women and Hispanic women (both relatively heavy welfare users before welfare reform), as well as for non-Hispanic whites (a low-welfare-use group). Another contribution of our work is to focus on the living arrangements of children (rather than mothers) and to examine outcomes that have not previously been explored, such as living with neither parent or in a three-generation household.

How might the welfare reforms affect living arrangements?

The PRWORA legislation that created TANF represented less a new beginning than the culmination of a process that began (essentially in the early 1990s) with a flurry of state waiver programs. By 1996, about half the states had implemented some sort of waiver (see Figure 1). On the heels of the state experiments came TANF, with its work requirements, time limits, and restrictions on categorical

| Table 1 Welfare Reforms and Family Structure: Some Possible Effects | | | |
|---|---|--|--|
| “Welfare Tightening” Reforms | | “Welfare Loosening” Reforms | |
| Policy Changes | Expected Effects | Policy Changes | Expected Effects |
| GENERAL REFORMS | | | |
| Work requirements Financial sanctions Time limits | ↓ in financial incentives of welfare: ↑ in marriage ↓ in nonmarital births ↑ in fiscal stress: ↑ doubling up (larger households) ↑ in children living apart from parents | Liberalized earnings disregards Liberalized asset tests | ↑ in financial incentives of welfare: ↓ marriage ↑ nonmarital births Less fiscal stress: ↓ doubling up (smaller households) ↓ in children living apart from parents |
| FAMILY-STRUCTURE-SPECIFIC REFORMS | | | |
| Family caps Unmarried teen parents required to reside with own parents | ↓ welfare fertility ↑ in three-generation households | Expanded eligibility for two-parent families | ↑ marriage ↓ divorce ↑ no. of men in household |

native-born. And some of the states with very large welfare populations have quite large immigrant populations (California and New York, for example).

Characteristics of the study sample

Our sample consists of over 200,000 children (aged younger than 16) who appeared in the March Current Population Survey (CPS) from 1989 to 2000.⁵ Were we to examine only children living in households that currently receive welfare income, we would be unable to measure effects of reform on children whose families have left (or been removed from) welfare. This is an important issue, because most evidence suggests that welfare reform has been associated with decreased welfare use in at least some cases (and in some places, caseload effects may be relatively large). For this reason, we included in our sample both children who were living in households currently receiving welfare and those who were not. This approach allowed us to avoid missing the effects of reform on children who were not receiving TANF but who would have gotten AFDC in the absence of reform. It is important to recognize that our estimates thus represent *average* effects: for some people the effects of reform will be positive or negative, whereas for others—those who are truly unaffected by reform—the effects will be zero. Thus for people who are indeed affected by reform, the effects will tend to be larger than the average effects that we estimated.⁶

We augmented CPS welfare and demographic data with information about the presence and timing of state welfare waivers, the timing of the state’s implementation of TANF, and other state-level information such as Medicaid generosity and labor market conditions. We estimated

the average effects of each of three different kinds of reform: (1) major state-wide waivers, (2) TANF implementation in states that had earlier had a waiver, and (3) TANF implementation in states with no previous waivers.

The appropriate measurement of “living arrangements” is a complex issue, but CPS data allow us identify whether the child lives with neither parent, lives with a parent who is currently unmarried, lives with a parent who is currently married, or lives with both a parent and a grandparent.⁷ Our analysis is for a period covering both the entire cycle of welfare waivers and federal reforms (roughly between 1992 and 1998) and a complete business cycle, from the peak in the late 1980s, through the early 1990s recession, and then the long expansion that followed.

Table 2 gives basic demographic information about our sample. The primary division is racial or ethnic, for several reasons. First are the well-known differences in households’ welfare participation rates across race and ethnicity. More than a quarter of black children in the sample lived in households that had some welfare income in the previous year, compared to only 17 percent of Hispanics and 6 percent of whites.⁸ Other things equal, we thus expected larger impacts of reform for black and Hispanic children relative to impacts for whites.

A second reason to stratify the sample by race and ethnicity rests in the very different living arrangements of blacks, Hispanics, and whites before reform. Overall, more than two-thirds of the children lived with a married parent. But whereas only 19 percent of white children lived with an unmarried parent, 57 percent of black children did. Such differences suggest the possibility of different cultural norms and perhaps different responses to economic circumstances. It thus seems more reasonable

Table 2
The Circumstances of Children and Households in the Study

| | Entire Sample | Blacks | Hispanics | Whites |
|---|---------------|--------|-----------|---------|
| Child lives with | | | | |
| Neither parent (%) | 3 | 8 | 4 | 2 |
| Unmarried parent (%) | 27 | 57 | 32 | 19 |
| Married parent (%) | 70 | 35 | 65 | 79 |
| Parent and grandparent (%) | 6 | 10 | 8 | 4 |
| Child's age (yrs) | 7.4 | 7.4 | 7.0 | 7.5 |
| Household had welfare income in previous year (%) | 11 | 27 | 17 | 6 |
| State welfare waiver implemented (%) | 13 | 11 | 19 | 12 |
| TANF implemented, state had waiver (%) | 22 | 21 | 26 | 21 |
| TANF implemented, state never had waiver (%) | 9 | 10 | 7 | 9 |
| Maximum benefit for family of 3 (\$) | 517 | 445 | 571 | 516 |
| Unemployment rate (%) | 5.6 | 5.6 | 6.1 | 5.5 |
| N | 209,382 | 26,549 | 33,442 | 139,000 |

Source: March CPS data, 1989–2000.

to assume that treatment effects among racial and ethnic groups will differ than to assume that they will be the same.

Before and after reform

A first, descriptive look at possible effects of the reforms compared the living arrangements of different groups of children in our sample, before and after the reforms. In about half the states, the reform in question was the implementation of TANF. In states that ever had waivers, we compared living arrangements before any waiver came into effect with living arrangements during years after TANF was implemented. Figure 2 gives some examples, showing the effects for black and white children in states where waivers were in effect before TANF.

These simple mean effects suggest very large changes in living arrangements for some children. In states with waivers, the fraction of black children living with neither parent rose by about 3 percentage points after the reforms came into effect, from 6.6 to 9.5 percent. About two-thirds of this net change resulted from a reduction in the percentage of children living with an unmarried parent; the remaining one-third was due to reduced proportions living with married parents. In states without waivers (not shown in Figure 2), the increase in black children living with neither parent was smaller, about 1 percentage point after TANF was implemented; this increase is entirely accounted for by the reduced proportion living with an unmarried parent.

Among Hispanic children (not shown in Figure 2), the fraction living with neither parent after the reforms rose by about 1.3 percentage points, whether or not waivers

were in effect in the state. A history of state waivers is, however, correlated with other changes. In states with waivers, the fraction of Hispanic children living with a married parent fell by more than 3 percentage points; in states that did not have waivers, that fraction rose. It is worth noting that in states without waivers, the percentage of unmarried Hispanic parents before reform was much larger—40 percent, versus 28 percent in waiver states. This could be the result of differences between states that imposed waivers and those that did not.

State waivers appear unrelated to any changes in white children's living arrangements. In both waiver and non-waiver states, there was a small increase of about half a percentage point in the fraction of children living with neither parent. An increase of nearly 2 percentage points in the fraction living with an unmarried parent balanced a similar decrease in the fraction living with a married parent.

These simple before-and-after comparisons show effects varying by race and ethnicity, and by the state's experience with welfare waivers before the national reforms of 1996 were implemented. But at roughly this same time, economic conditions improved greatly, and other social trends, more difficult to measure, may have been operating concurrently. To separate out the relative importance of these different sets of circumstances, we used standard (probit) regression methods, using pooled cross-sectional data from the sample and incorporating demographic covariates, state-level controls, policy variables, and state and year fixed effects. Our approach differs from others in the literature in that we included prereform data, as well as data from states with and without waivers; we also stratified by race and ethnicity, as well as education, rather than by education alone.

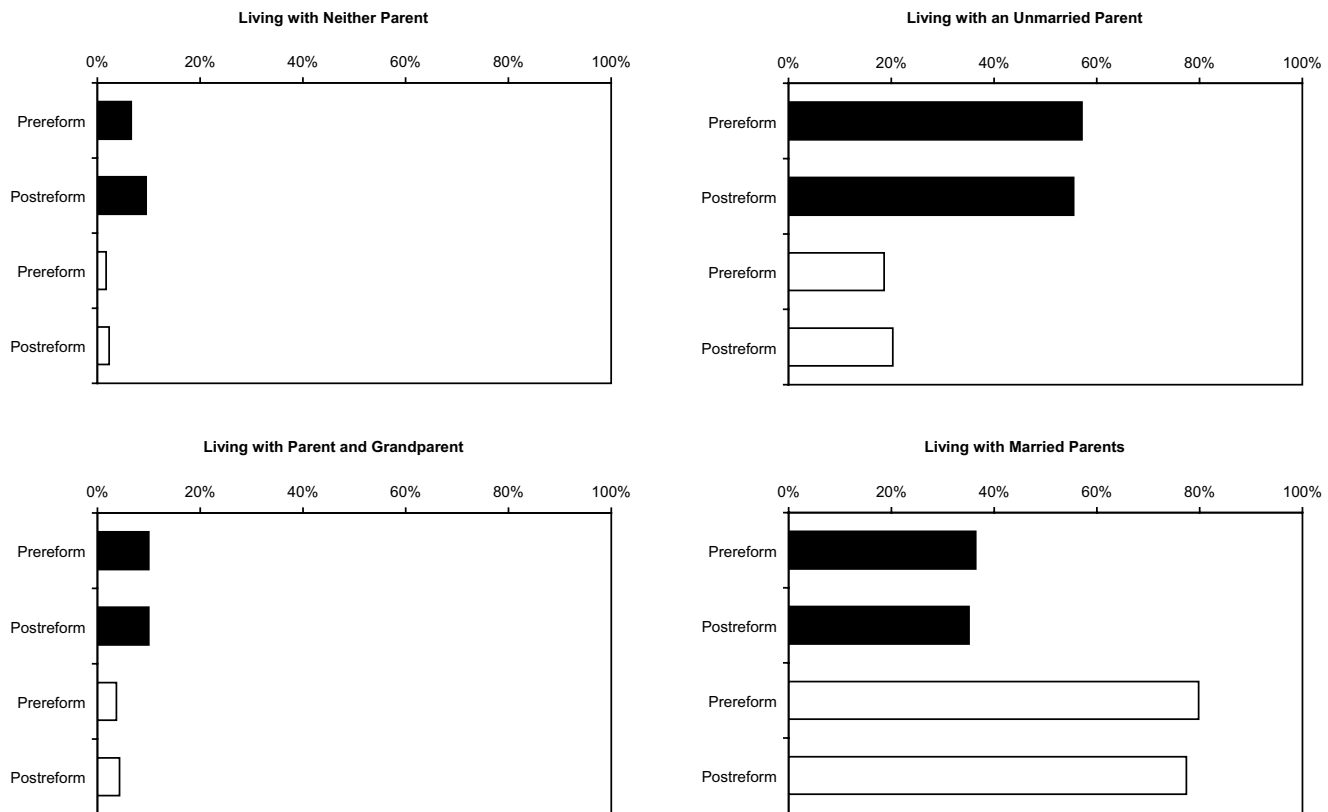


Figure 2. Living arrangements for children in states with waivers. Source: March CPS data, 1989–2000.

Note: Black bars represent African American non-Hispanic children; white bars represent white non-Hispanic children.

Accounting for the various important differences in state economies and policies did not essentially change the effects foreshadowed in the simple means already reported. Once again, welfare reforms had consistent and substantive effects on black children’s living arrangements. Some of these effects were congruent with the stated aims of reform, some were not. All three of our measures of reform were associated with statistically significant and large increases in the probability that black children would live with neither parent; for waivers, there was an increase of 3.4 percentage points, for TANF in states that previously had a waiver, an increase of 7.3 percentage points. These are very large net effects on behavior. But the total number of children affected is comparatively small: black children represent fewer than 16 percent of all children, so that even an increase of 7 percentage points in the numbers of black children living with neither parent would affect fewer than 1.2 percent of all children in the nation.⁹

Drawing conclusions about whether these changes in living arrangements made children better off is difficult. For example, a child might be living without either parent because she was sent to live with a grandparent or other relative, or because the mother moved out of a household in which she had been living with the child and other relatives or friends. A child who was no longer living with a parent might have left a very low income, welfare-

dependent household for a more financially stable household, and in that sense at least be better off.

To examine this possibility, we compared the previous year’s incomes of the households in which children lived with the federal poverty level for families of the appropriate size. We found little support for the view that reform was causing children to both live in better-off households and live with neither parent. But we did find evidence for a net reduction, of around 4 percentage points, in the proportion of black children living in three-generation households; this reduction was primarily among relatively better-off black children.

For Hispanic children, our regressions showed no increase in the likelihood that children would be living apart from both parents. Welfare waivers were associated with substantial reductions (6 to 10 percent) in the proportion living with an unmarried parent, and a roughly equivalent rise in the propensity to live with a married parent. By contrast, TANF’s effects were statistically insignificant. Nor did there appear to be any association between welfare reform and the propensity to live in a three-generation household.

Estimates for white children, who are by far the largest group of children in the U.S. population, were both small

in magnitude and generally not statistically significant. This is encouraging, since white children had very low welfare participation rates before reform. Had we found large impacts of reform in a group of which only 6 percent were on the program before reform, it would suggest we were instead picking up something other than reform.

The effects of particular policies

Other researchers have made substantial efforts to determine whether particular elements of welfare policies—for example, time limits, sanctions, or family caps—have had specific and significant effects. Rather surprisingly, given that many analysts have strong beliefs concerning the likely effects of program elements (for example, one would expect a strong and negative link between time limits and long-run caseloads), no clear pattern of statistically significant results has developed. And as we noted earlier, effects on living arrangements are more likely to be ambiguous or multidirectional than are effects on, say, work effort.

Nevertheless, we attempted to examine the effects of particular reforms. We incorporated time limits, sanction severity, family caps, and rules governing the residence of minor parents, among others, into our regressions. In general, we found no shortage of statistically significant estimates. Some of these results were internally consistent and informative: time limits implemented through waivers were associated with an increased probability that black children would live with neither parent. Others were merely puzzling: time limits under TANF in former waiver states were negatively and significantly associated with the probability that Hispanic children would live with neither parent, a finding we would not expect.

These types of findings suggest that it is not possible to characterize the effects of particular policies on living arrangements with the precision that policy analysts and politicians would like. First, states have implemented many other welfare policies besides those most prominently mentioned. Second, and more important, we have no way of measuring how strictly or uniformly states enforce the various rules, and how they administer the exemptions permitted under the federal law. With the many dimensions along which states have changed their welfare policies, and only 50 states in our “laboratory,” we may never be able fully to understand which specific reform policies have led to observed differences. As noted above, however, we were still able to estimate the average effects of all the policies combined; these estimates—discussed above—are the ones in which we place the most confidence.

In conclusion, we have found large effects on some important measures of living arrangements for some groups in which welfare use is high, and small or no effects in other cases (where welfare use is either high or low).

These effects are neither entirely aligned with the stated goals of the reforms, nor entirely opposed to them. And whether the reforms can be considered “successful” may depend on the value that observers place on particular consequences. Finally, we note that our results illustrate the importance of looking separately at different racial and ethnic groups when estimating the effects of welfare reforms on living arrangements. ■

¹TANF was established under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), Public Law 104-193 (1996).

²Examples of research directed to living arrangements are C. Paxson and J. Waldfogel, “Welfare Reforms, Family Resources, and Child Maltreatment,” *Journal of Policy Analysis and Management* 22, no. 1 (2003): 85–113; A. Dupree and W. Primus, “Declining Share of Children Lived with Single Mothers in the Late 1990s,” Working Paper 01-117, Center on Budget and Policy Priorities, Washington, DC.

³Our research on the subject of welfare reform and living arrangements is discussed in several papers, most particularly in M. Bitler, J. Gelbach, H. Hoynes, “Welfare Reform and Children’s Living Arrangements,” October 2003, but also including M. Bitler, J. Gelbach, H. Hoynes, and M. Zavodny, “The Impact of Welfare Reform on Marriage and Divorce,” *Demography* 41, no. 2 (2004): 213–36. Note that we are revising the October 2003 working paper as part of the journal submission process; results in any published version may change.

⁴For reviews in these areas, see S. Bell, “Why Are Welfare Caseloads Falling?” Working Paper DP 01-02, Urban Institute, Washington, DC, 2001; R. Schoeni and R. Blank, “What Has Welfare Reform Accomplished? Impacts of Welfare Participation, Employment, Income, Poverty, and Family Structure,” Working Paper 7627, National Bureau of Economic Research, Cambridge, MA, 2000.

⁵We used the age 16 cutoff so as not to include large numbers of possible teen parents among the children, since teen parenthood is potentially endogenous to welfare reform.

⁶We have also estimated models using the subsample of children living in families where the head has 12 years of education or less.

⁷CPS defines a *household* as a group of people, related or not, who together occupy a housing unit. If two or more persons living together are related by birth, marriage, or adoption, they constitute a *family*. The household head is the person whose name is on the mortgage or the lease—the rent-payer—and his family is the “primary family.” This is not a trivial issue in discussing living arrangements. Consider, for example, a woman and her child living with a male partner who is neither married to the woman nor the biological father of the child. If he pays the rent (he is the head), the mother and child are considered an “unrelated subfamily.” If she pays the rent (she is the head), then the mother-child pair is the primary family, and he is a secondary or unrelated individual. This suggests that in otherwise static living situations (the same man, woman, and child), changes in who pays the rent will appear in CPS data as a “change” in family status, although most researchers would not consider it so.

⁸After generating the results discussed here, we learned that the March CPS includes an oversample of Hispanic households, and that those included in the oversample are selected in a way that makes them particularly likely to be stable households. Later versions of our work discuss and account for this oversample.

⁹This figure of black children representing 16 percent of all children is population-weighted and therefore is not the same as the percentage of observations in our sample that correspond to black children.