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Pathways to Self-Sufficiency

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Pathways to self-sufficiency

This issue of Focus *is devoted to some of the papers delivered at a national conference held in Madison, Wisconsin, in September 2007, designed to explore effective paths to helping families that might have been long-term welfare recipients under prior national policies achieve financial independence and stable employment. The essay that follows is by the conference organizers.*

Carolyn Heinrich and John Karl Scholz

Carolyn Heinrich is Professor of Public Affairs at the University of Wisconsin–Madison and IRP Associate Director of Research and Training; John Karl Scholz is Professor of Economics at the University of Wisconsin–Madison and a former IRP Director.

The evidence is unequivocal that a work-based safety net for families with children has contributed to state and local governments' success in reducing welfare caseloads during the 1990s. Furthermore, despite weaker economic conditions during much of the past five years, caseloads have remained low relative to their early-1990s peak. Employment rates of single-parent families with children are considerably higher now than they were in the 1980s.

At the same time, there has been less systematic policy experimentation with approaches to promoting self-sufficiency, and we know much less about the best paths to helping families achieve financial independence and stable employment. Evidence from studies of welfare "leavers" and other low-income families indicates that job turnover is often rapid and wage and income growth are nonexistent for many low-skilled workers. Many families are "stuck" in low paying jobs with few or no benefits and little hope of advancement. Concern about this issue among policymakers, welfare advocates, and citizens is reflected in debates about minimum- and living-wage ordinances, health care benefits, and other factors affecting employment and wages in low-income communities.

In September 2007, IRP hosted a conference, Pathways to Self-Sufficiency, that brought together a group of distinguished scholars who were asked to look forward in the context of different safety-net domains and to describe how a set of policies and institutions might evolve to enhance the ability of low-skilled households to be self-sufficient. Each of the experts was also asked to ground their ideas in the available policy evidence, so as not to encourage the pitching of grandiose ideas with a remote chance of entering policy debates.

We expect that the full set of scholarly works, including their forward-looking policy recommendations, will be available in a forthcoming conference volume. The editors of the volume, Carolyn Heinrich and John Karl Scholz, will elaborate on these themes in their introductory chapter. The contributors to this conference volume are: Greg Duncan, Lisa Gennetian, and Pamela Morris discussing the consequences of work-oriented welfare policies for children; David Figlio on public school reform and innovations and their implications for disadvantaged children; Rebecca Blank and Brian Kovak bringing attention to disconnected families; Steve Raphael on the impact of incarceration on employment and family and child well-being; David Neumark examining the role of employers and labor market policies in encouraging skill formation and increasing incomes of those on the margin of self-sufficiency; Jay Bhattacharya on work and health among the poor; Janet Gornick and Marcia Meyers discussing lessons from recent innovations in safety-net policies in other countries; and Kent Weaver addressing the political factors and constraints affecting developments in safety-net policies.

In this issue of *Focus*, we are featuring articles drawn from four of the conference papers. Sponsors of the conference and related publications include the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation; the Russell Sage Foundation; the Casey Foundation; and the Smith Richardson Foundation. We are grateful for their support.■

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Edited by Emma Caspar and Deborah Johnson.

Acknowledgment

The four articles in this issue of Focus *draw upon papers presented at the September 2007 IRP conference Pathways to Self-Sufficiency. The revised conference papers will be published, in a volume titled* Social Policy Approaches that Promote Self-Sufficiency and Financial Independence Among the Poor, *by the Russell Sage Foundation, which has granted permission for this use, as follows:*

Duncan, Greg, Lisa Gennetian, and Pamela Morris. "Effects of Welfare and Antipoverty Programs on Participants' Children"; Figlio, David. "Improving Educational Outcomes for Disadvantaged Children"; Raphael, Steven. "The Employment Prospects of Ex-Offenders"; and Blank, Rebecca, and Brian Kovak. "The Growing Problem of Disconnected Single Mothers." In *Social Policy Approaches that Promote Self-Sufficiency and Financial Independence Among the Poor*, edited by Carolyn Heinrich and John Karl Scholz. Copyright © forthcoming Russell Sage Foundation, 112 East 64th Street, New York, NY 10021. Reprinted with permission.

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Effects of welfare and antipoverty programs on participants' children

Greg J. Duncan, Lisa Gennetian, and Pamela Morris

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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 substandard 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.[4] 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.[5] Developmental theory also suggests that children in transition periods are particularly sensitive to environmental influences or changes.[6] 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-

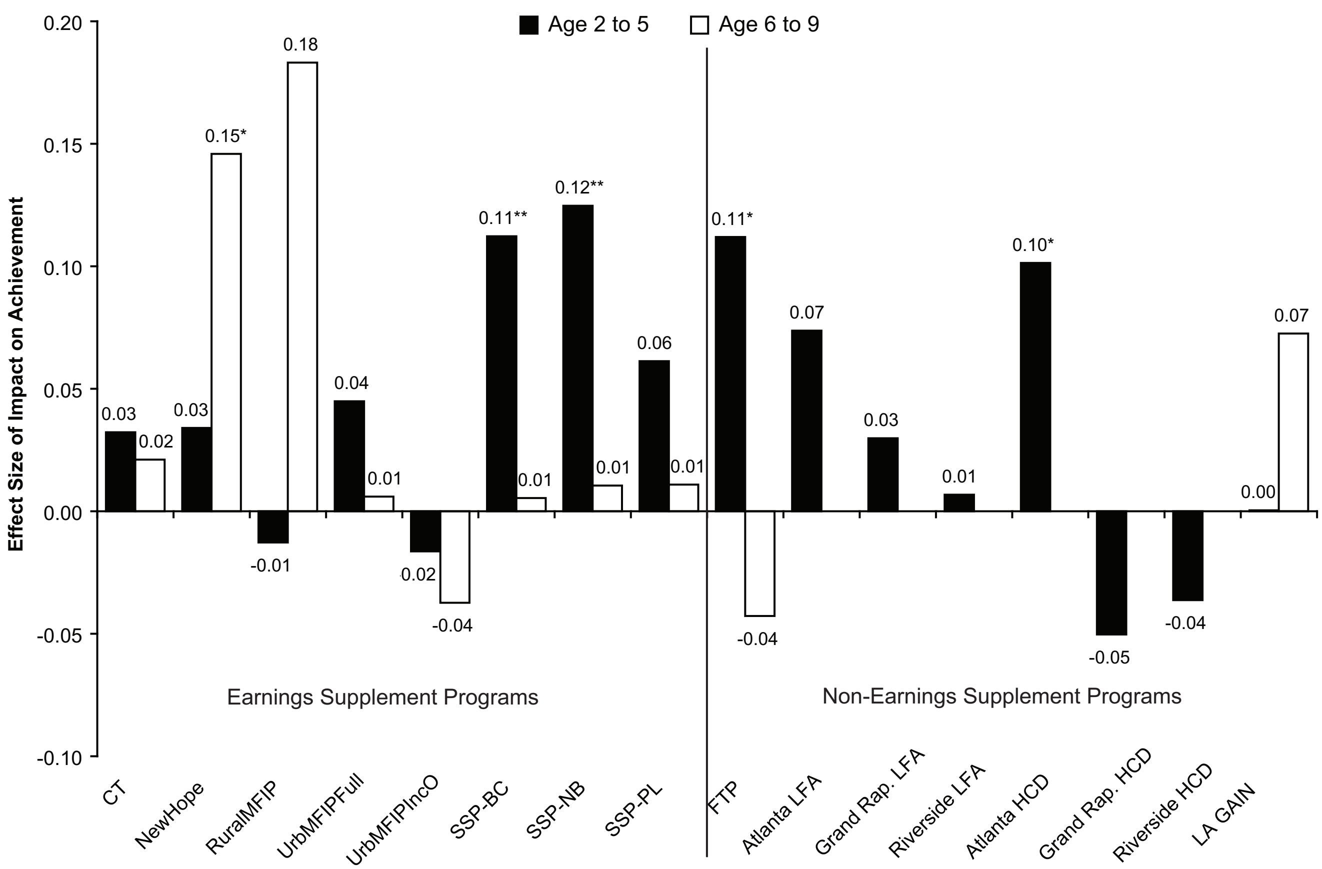

Figure 1. Summary of program impacts on children's school achievement.

Source: Morris and others, 2001.

Notes: Notes: CT = Connecticut Jobs First Evaluation; NewHope = New Hope Project, Milwaukee, WI; RuralMFIP = Minnesota Family Investment Program (MFIP) rural counties; UrbMFIPFull = MFIP urban counties, full program group; UrbMFIPIncO = MFIP urban counties, income incentives only group; SSP-BC = Self-Sufficiency Project, Canada (SSP) British Columbia site; SSP-NB = SSP New Brunswick site; SSP-PL = SSP Plus Site (New Brunswick); FTP = Florida Family Transition Program; Atlanta LFA = National Evaluation of Welfare-to-Work Strategies (NEWWS) Atlanta, GA site, labor force attachment group; Grand Rap. LFA = NEWWS, Grand Rapids, MI site, labor force attachment group; Riverside LFA = NEWWS, Riverside, CA site, labor force attachment group; Atlanta HCD = NEWWS, Atlanta, GA site, human and capital development group; Grand Rap. HCD = NEWWS, Grand Rapids, MI, site, human and capital development group; Riverside HCD = NEWWS, Riverside, CA, site, human and capital development group; and LA GAIN = Los Angeles Jobs-First Greater Avenues for Independence. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent (two-tailed tests).

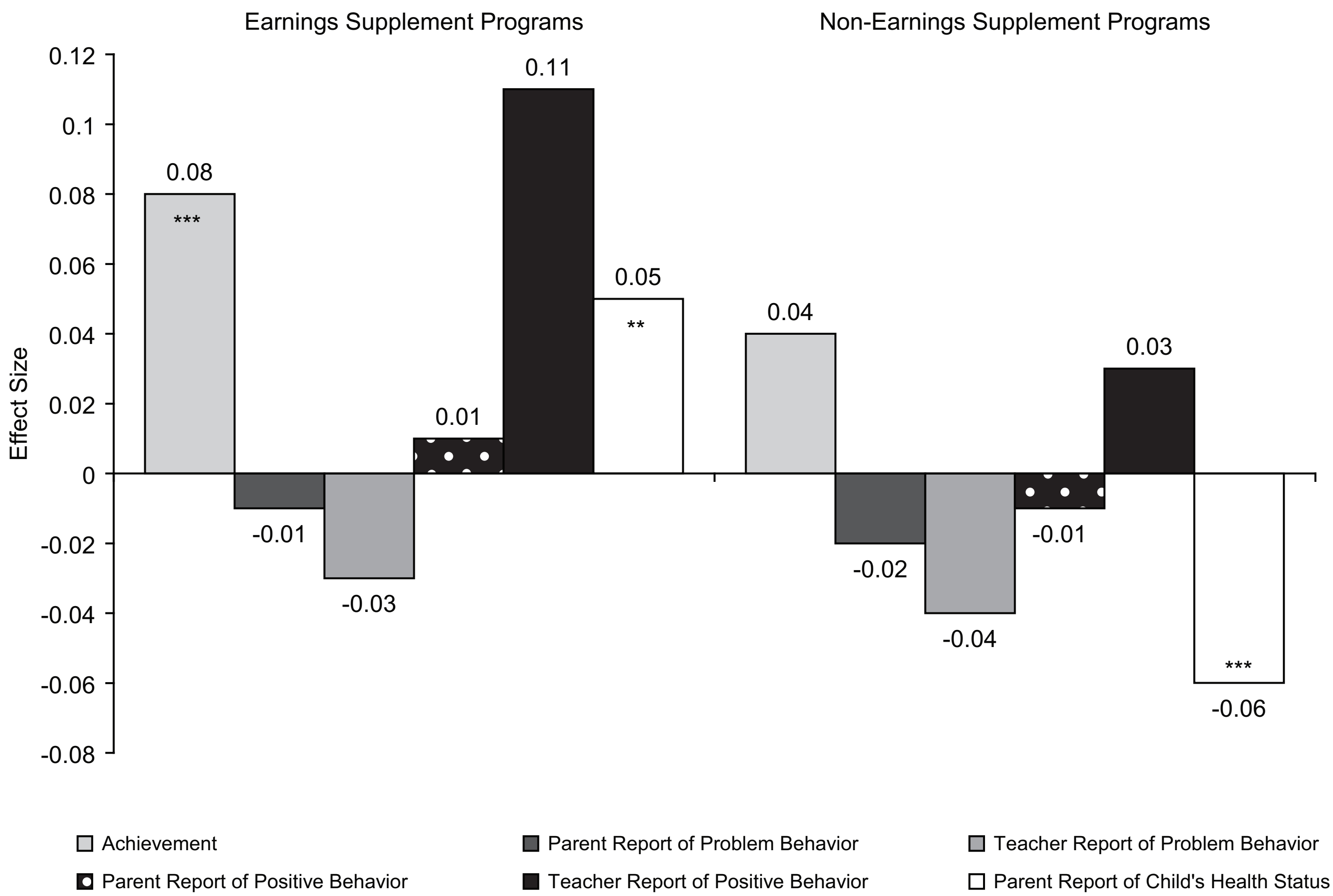

Figure 2. Program effects on developmental outcomes of children age 2 to 5.

Notes: Significance levels indicated at ** p<0.05; *** p<0.01 (two-tailed). All samples consist of children age 2 to 5 at the point of random assignment.

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.[7] In particular, research suggests that poverty not only limits the resources that parents can provide, but also increases parental stress and negative parenting practices.[8] 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.[9] 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

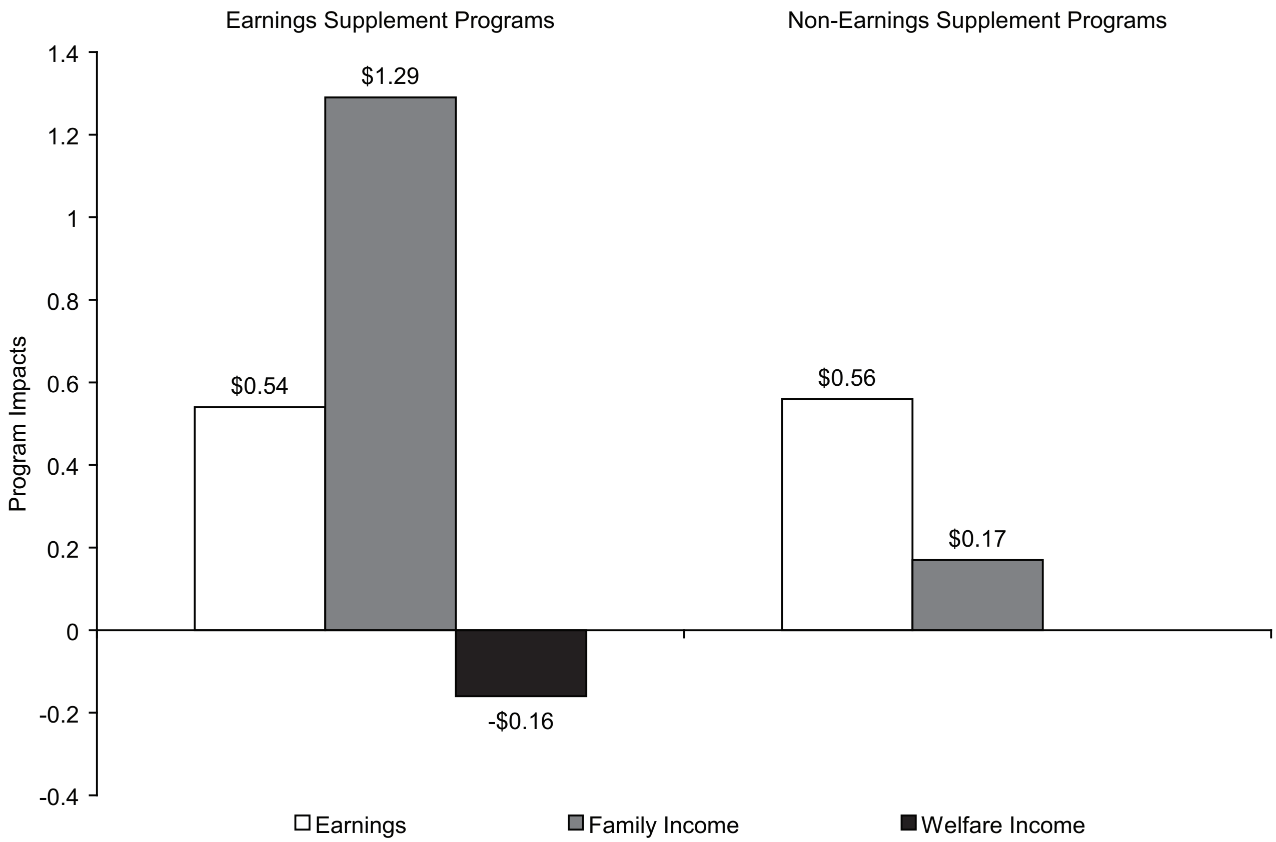

Figure 3. Effects for mothers of children age 2 to 5, programs with and without earnings supplements.

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

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.[10] 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.[11] 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

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

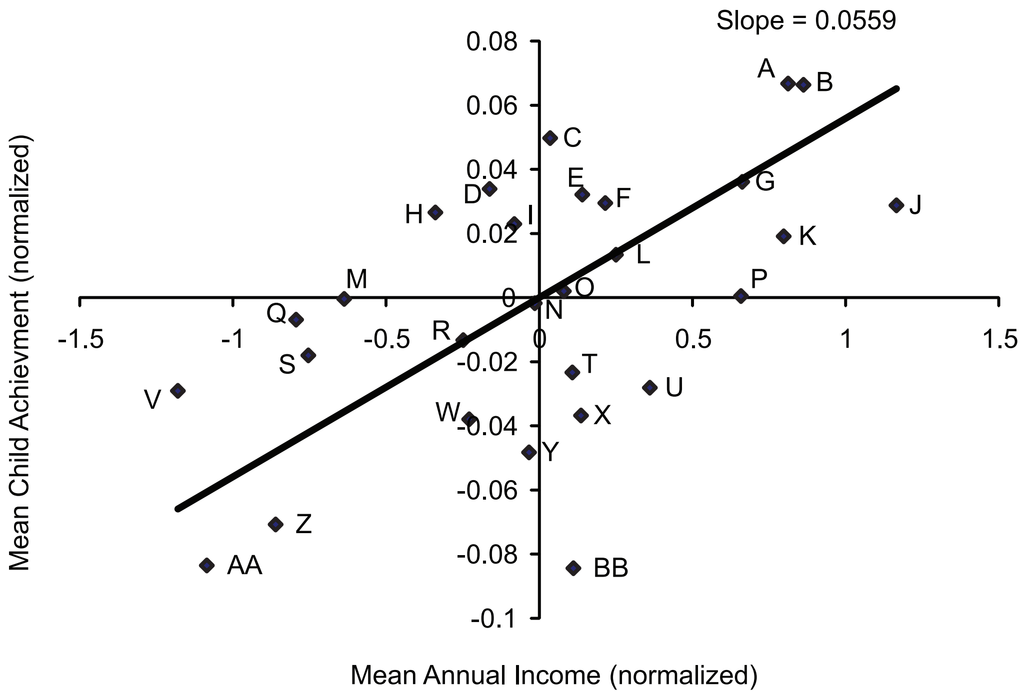

Figure 4: Individual New Generation Project Study achievement means by income means.

Notes:
A = Self Sufficiency Project (SSP) - British Columbia (BC), Experimental Group;
B = SSP - New Brunswick (NB), Experimental Group;
C = Florida's Family Transition Program (FTP), Experimental Group;
D = National Evaluation of Welfare-to-Work Strategies (NEWWS) - Riverside, Control Group;
E = NEWWS - Atlanta Human Capital Development (HCD), Experimental Group;
F = NEWWS - Riverside Labor Force Attachment (LFA), Experimental Group;
G = Minnesota Family Investment Program (MFIP) - Urban Full Program, Experimental Group;
H = Los Angeles Jobs-First Greater Avenues for Independence (LA-GAIN), Experimental Group;
I = NEWWS - Grand Rapids LFA, Experimental Group;
J = SSP - Plus, Experimental Group;
K = New Hope (NH), Experimental Group;
L = Connecticut's Jobs First (CT), Experimental Group;
M = MFIP - Rural, Control Group;
N = NEWWS - Grand Rapids, Control Group;
O = NEWWS - Atlanta LFA, Experimental Group;
P = MFIP - Rural, Experimental Group;
Q = MFIP - Urban, Control Group;
R = CT, Control Group;
S = NH, Control Group;
T = NEWWS - Grand Rapids HCD, Experimental Group;
U = LA-GAIN, Control Group;
V = SSP - Plus, Control Group;
W = NEWWS - Atlanta, Control Group;
X = MFIP - Urban Incentives Only (IO), Experimental Group;
Y = FTP, Control Group;
Z = SSP - BC, Control Group;
AA = SSP - NB, Control Group;
BB = NEWWS - Riverside HCD, Experimental Group.

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.[12] 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.[13] 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.

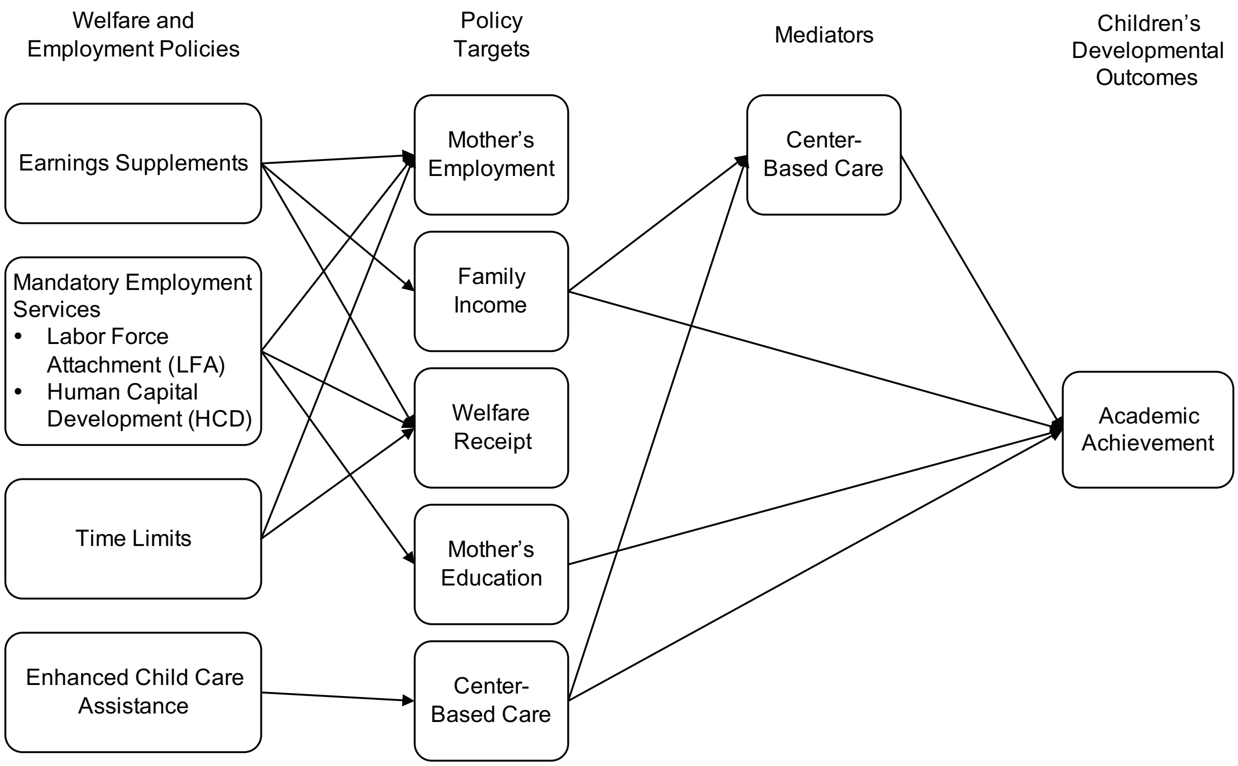

Figure 5. Model illustrating evidence on direct and mediating relations between welfare and employment policies and young children's academic achievement.

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.[14] 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.[15] 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.[16]

Programs that increased the use of center-based child care tended to have positive impacts on children's achievement.[17] 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.[18] 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 such young children raises questions about possible negative effects of full-time employment.[19] 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.[20]

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.[21]

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.[22]

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 packages 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.■

This article draws upon the following forthcoming book chapter: Duncan, Greg, Lisa Gennetian, and Pamela Morris. "Effects of Welfare and Antipoverty Programs on Participants' Children." In *Social Policy Approaches that Promote Self-Sufficiency and Financial Independence Among the Poor*, edited by Carolyn Heinrich and John Karl Scholz. Copyright © forthcoming Russell Sage Foundation, 112 East 64th Street, New York, NY 10021. Reprinted with permission.

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

[2]A. Huston, "Reforms and Child Development," *Future of Children* 12, no. 1 (2002): 59–77; M. J. Zaslow, K. A. Moore, J. L. Brooks, P. A. Morris, K. Tout, Z. A. Redd, and C. A. Emig, "Experimental Studies of Welfare Reform and Children," *Future of Children* 12, no. 1 (2002): 79–95.

[3]The 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.

[4]Additional 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).

[5]See e.g., J. P. Shonkoff and D. A. Phillips, *From Neurons to Neighborhoods: The Science of Early Childhood Development* (Washington, DC: National Academy Press, 2000; and U. Bronfenbrenner and P. Morris, "The Ecology of Developmental Processes," in *Theoretical Models of Human Development: Vol. 1. Handbook of Child Psychology*, series ed. W. Damon and vol. ed. R. M. Lerner, 5th ed. (New York: Wiley, 1998).

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[9]V. C. McLoyd, "Children in Poverty, Development, Public Policy, and Practice," in *Handbook of Child Psychology: Vol. 4. Child Psychology in Practice*, series ed. W. Damon and vol. eds. I. Sigel and K.A. Renninger, 5th ed., (New York: Wiley, 1998).

[10]P. Morris, G. Duncan, and C. Rodrigues, "Does Money Really Matter? Estimating Impacts of Family Income on Children's Achievement with Data from Social Policy Experiments," unpublished manuscript, MDRC: New York, NY, 2006.

[11]J. Ludwig and J. R. Kling, "Is Crime Contagious?" *Journal of Law and Economics* (in press).

[12]K. Magnuson, *The Effect of Increases in Welfare Mothers' Education on Their Young Children's Academic and Behavioral Outcomes: Evidence from the National Evaluation of Welfare-to-Work Strategies Child Outcomes Study*, Discussion Paper no. 1274-03, Institute for Research on Poverty: Madison, WI, 2003.

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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.

Improving educational outcomes for disadvantaged children

David N. Figlio

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The positive relationship between educational attainment and adult earnings in the United States is strong and has increased over time. In 1979, college-educated adults earned 75 percent more per year than did high school graduates. By 2003, college-educated adults averaged well over twice the annual earnings of high school graduates.[1] High school dropouts work in the lowest-paid occupational groups at more than twice the rate of those who graduated from high school.

In general, the rate of return to an extra year of schooling is now at least ten percent.[2] This positive relationship between educational attainment and earnings is important in part because children from poorer homes tend to receive fewer years of schooling. Although around 95 percent of children from the highest quartile of family socioeconomic status ultimately graduate from high school, only about two-thirds of those from the lowest quartile do so.[3] It is not clear how much of this difference is a direct effect of socioeconomic status and how much is due to unobserved correlations between parents and children, but the evidence suggests a strong influence of parents' socioeconomic status on children's educational outcomes.

Much of American education policy over the last four decades has focused, at least in part, on providing equal educational opportunity to children from disadvantaged backgrounds, and on remediating differences in how prepared children are when they begin school. Again, the evidence is strong that low-income children begin school at a significant disadvantage. In the kindergarten class of 1998, 52 percent of children with mothers who were high school dropouts scored in the bottom quartile of the kindergarten reading distribution, along with only 8 percent of children of college-graduate mothers.[4] At the other end of the spectrum, only 6 percent of children of high school dropout mothers scored in the top quartile of the reading distribution while 46 percent of children of college-graduate mothers scored that high. By the end of fifth grade, the gap between advantaged and disadvantaged children had hardly changed. Two-thirds of children of high school dropout mothers were in the bottom third of the reading distribution and nearly that many were in the bottom third of the math distribution.[5] These are similar figures to those for children currently in poverty, and those who have been in poverty consistently since kindergarten, but they differ dramatically from those of children of college-educated mothers. Only 10 percent of children with college-educated mothers score in the bottom third of the fifth grade reading distribution, while 13 percent score in the bottom third of the fifth grade math distribution.

If anything, the gaps continue to grow as children progress through school. Among high school sophomores in 2002, 71 percent of the top socioeconomic status quartile scored proficient at "simple problem solving, requiring the understanding of low level mathematical concepts," while only 25 percent of those in the lowest quartile were proficient.[6] These gaps in tenth grade performance have remained virtually unchanged for a generation; the comparable mathematics gap in 1980 and 1990 were very similar.[7] Similar gaps are seen with reading scores. The stable gaps do not mask substantial improvements in performance across the spectrum: performance gains over the last quarter century have been small at best for children across the full socioeconomic distribution.

That these gaps in achievement have remained so constant over time in an era of active attempts to increase equity in educational opportunity indicates that there are no easy answers to the question of how to best educate children from disadvantaged backgrounds. However, recent policy experimentation provides lessons that could help to better understand the policies and practices that might improve the educational outcomes of these families. This article outlines some of the policy options for improving educational outcomes of disadvantaged children, and summarizes the evidence concerning the potential effectiveness of these policies. A more detailed treatment of these policy options will be included in the book chapter from which this article is drawn.

Is there a relationship between school spending and children's outcomes?

Over the last 30 years, many states have restructured their school finance systems to reduce the relationship between family wealth and school spending. If the local property tax is the major source of school district revenues and individuals are sorted into neighborhoods on the basis of income or wealth, disadvantaged students will tend to attend schools that have fewer resources. School finance reforms seek to alter this pattern in one of several ways: by lessening the importance of the property tax as a school funding mechanism (and instead increasing the reliance on sales or income taxes); by utilizing state sources of revenue as a redistributive tool; or by maintaining the primacy of the property tax as a school finance mechanism, but reallocating some of wealthy districts' property tax revenues to poorer districts.

Today, owing partly to these school finance reforms, there is very little relationship between family income and school district spending in the United States.[8] In fact, the twenty percent of American school districts serving the least advantaged populations average 8 percent more expenditures per pupil than do the twenty percent of American school districts serving the most advantaged populations.

In general these school finance reforms have been coupled with only limited improvements in student achievement.[9] The fact that school spending has been considerably equalized in the United States but few improvements have occurred in the performance of disadvantaged children over the same time period has led some researchers to conclude that increasing school spending in and of itself will not lead to substantial improvement in educational outcomes.[10]

There are many possible reasons for this lack of a relationship between school spending and student achievement. One is that the costs of educating children from different backgrounds may themselves vary considerably. For example, disadvantaged children tend to attend school in districts with older infrastructure that requires higher maintenance costs. In addition, the rates of special education in disadvantaged communities far outstrip those in more advantaged school districts. As students with special educational needs require more costly teachers and school environments, dollars spent per pupil is not the most appropriate comparison across school districts with differing degrees of advantage. Moreover, low-income school districts tend to have more difficulty recruiting and retaining higher-quality teachers, and thus may need to spend more to do so. Therefore, simple measures of spending per pupil may not translate well into differences in school achievement. When more quasi-experimental methods are used to investigate the relationship between school spending and student outcomes, researchers tend to find positive effects of spending on measured test scores. For instance, Guryan finds that increasing school spending by $1,000 per pupil in Massachusetts led to test score gains of one-third of a standard deviation or more.[11]

But will merely increasing spending improve the outcomes of disadvantaged children? The evidence suggests that judicious use of these resources could lead to substantial improvements, but that these improvements are in no way guaranteed. The jury is still out as to the most effective mechanisms to deploy additional resources. As the overwhelming majority of school expenditures are used to pay for classroom teacher salaries, the most natural ways in which increased spending would be used would be to either reduce class sizes or to increase teacher compensation. I next turn to these possible uses of increased revenues.

Class-size reductions

Reducing class sizes for all students—not merely the least advantaged—has been popular policy in the United States over the last two decades. Two-thirds of all states now have class size caps, and some states, such as California, Florida, North Carolina, and Texas, have in place policies to actively reduce class sizes in the elementary grades. The reasoning behind class-size reductions is clear: teachers who are responsible for fewer students at a time can devote more individual attention to students and can choose from a wider array of potential teaching approaches than could teachers who must teach larger classes. Smaller classes can reduce the degree of classroom disruption, which has been shown to have strong negative effects on student learning in the classroom.[12] The negative consequences of disruption are particularly pronounced in classrooms serving disadvantaged students.

However, there are many reasons why class-size reductions may not lead to improvements in student outcomes. One possibility is that teachers may not be equipped to take advantage of the smaller classes, and may not alter their behavior in response to the reduced class size. Another possibility is that the critical value for improved outcomes from class-size reductions may be below the range of class sizes that are in play. If classroom disruptions cause the same problems in a class of 15 as in a class of 25, then a reduction to a class size of 15 or more may not yield appreciable benefits. Likewise, it may be the case that teachers require extremely small class sizes before they can effectively alter their classroom management and instructional styles.

The most compelling evidence regarding the benefits of class-size reductions comes from a Tennessee experiment, in which students were randomly assigned to either a small class with 13 to 17 students, a regular-sized class of 22 to 25 students, or a regular-sized class with a full-time teacher's aide. The results suggest that students across the socioeconomic distribution benefited from smaller class sizes, based on test score improvements through third grade.[13] The estimated benefits were particularly large for black students and students from disadvantaged backgrounds, which suggests that class-size reductions have the potential for substantially improving the outcomes of children from low-income families. Follow-up studies show that students assigned to smaller classes experienced persistent increases in test scores and that black students assigned to smaller classes in the early grades showed increased rates of college entrance exam test-taking and scores.[14]

While reduced class sizes have the potential to significantly improve performance for individual students, class-size reductions may be difficult to implement on a large scale, particularly across entire states or large school districts. Doing so would likely require the hiring of large numbers of inexperienced or potentially inadequately trained teachers, which may account for the disappointing results of class-size reductions in California, where little improvement in test scores has been observed.[15]

A large increase in the demand across the board for new teachers may actually have negative distributional consequences for disadvantaged students. Since schools serving relatively advantaged students will also have an increased demand for teachers, higher-quality or more-qualified teachers currently teaching in low-income schools could move to more advantaged schools. Because this pattern of teacher movement tends to happen anyway, there is ample reason to expect that a class-size reduction would exacerbate the pattern.[16] Evidence is considerable that teacher quality is very important for student success.[17] Therefore, wide-spread class-size reductions have the potential to worsen outcomes for disadvantaged children. On the other hand, class-size reductions that are targeted toward disadvantaged students and schools are more likely to improve the outcomes of students from low-income families.

Teacher compensation

An alternative use of increased financial resources would involve increasing teacher salaries. This policy is often motivated by the goal of improving the quality of the new teacher pool and reducing attrition of highly qualified teachers from the existing teacher pool. However, substantial evidence exists that raising salaries is unlikely to greatly improve the quality of the teaching force, and could actually have the opposite effect, if higher salaries induce fewer poor quality teachers to leave the profession.[18] There is also evidence that one-time signing bonuses for teachers to teach in low-performing schools are unlikely to lead to long-term improvements in teacher quality, as they provide no incentive for teachers to remain in the low-performing schools after having received the bonus.[19]

Instead of increasing teacher salaries across the board, states or school districts could offer targeted, long-term bonuses to keep teachers in high-poverty schools. One study of the effects of such a policy in North Carolina found that these bonuses did reduce turnover rates of the targeted teachers, especially among the more experienced teachers.[20] An important caveat, however, is that while teacher experience is correlated with student outcomes, it is only a weak proxy for teacher quality; it remains unknown whether such bonus policies lead to large improvements in teacher quality in disadvantaged schools.

Another mechanism for using teacher compensation to improve the performance of disadvantaged students involves pay for performance. Advocates of performance pay argue that teachers typically receive the same salary regardless of their performance, meaning that other than intrinsic motivations for doing a good job, there is little in the way of external motivation to do so. With this in mind, a number of states, such as Florida, and school districts, such as those in Denver, Minneapolis, and Nashville, are employing some notion of merit pay in their teacher compensation policies. While considerable research is available on the factors underlying schools' decisions to implement teacher merit pay plans and on the stability of these plans, little research has been conducted on the efficacy of merit pay in the United States. One study did find that school-based performance incentives appear to improve student performance.[21]

Even less is known about the potential benefits of individual-based teacher merit pay. A study matching test score data on a low-stakes test for schools to merit pay found evidence that schools offering judiciously administered performance bonuses (that is, large bonuses to relatively few teachers) have larger test score gains than schools that do not offer performance pay.[22] Moreover, the positive estimated effects of performance pay are strongest in relatively disadvantaged schools, where parental monitoring of teachers may be lower. These results suggest that performance pay has the potential to significantly benefit disadvantaged students, though these conclusions should be treated with caution because of the cross-sectional nature of the evidence. Data from Tennessee indicates that students assigned to teachers participating in a performance pay-type system experienced gains in mathematics, though not in reading.[23] While more research is needed, the evidence to date suggests that teacher merit pay has the potential to improve student outcomes in disadvantaged schools. Randomized experiments like the U.S. Department of Education-funded experiments begun in fall 2007 will provide valuable evidence on the causal effects of individual teacher incentives.

Class-size reductions and teacher incentives would both require considerable resources to carry out. Although smaller-scale policy experimentation suggests that both types of policies have the potential to boost the performance of disadvantaged students, insufficient evidence is available to know what would happen in the event of a large-scale policy change. It is too early to determine which of these policies would offer a more cost-effective deployment of resources, but either could result in significant performance improvements if targeted to low-income schools.

School-based accountability

While class-size reductions and teacher incentives have the potential to benefit disadvantaged students, policymakers have increasingly expressed a desire to increase school performance without significantly increasing financial outlays. Demands for more accountability and results-based incentive systems in K through 12 education come from many directions and currently dominate much of the education policy discussion at both the state and federal levels.[24] Accountability in education is a broad concept that could be addressed in many different ways: using political processes to assure democratic accountability, introducing market-based reforms to increase accountability to parents and children, developing peer-based accountability systems to increase the professional accountability of teachers, or using administrative accountability systems designed to drive the system toward higher student achievement. This last form of accountability—focusing on the individual school as the primary unit of accountability—has taken center stage in recent U.S. policy discussions.

School accountability typically operates within the traditional public school system and relies heavily on student testing. Most emblematic is the federal No Child Left Behind Act, which became law in 2002. The law requires states to test students in reading and mathematics in grades 3 through 8, as well as in one high school grade. In addition, it requires states to assess schools on the basis of whether their students (both in the aggregate and by subgroup) are making adequate yearly progress toward the ultimate goal of 100 percent proficiency by 2014, and it imposes consequences on schools and districts that fail to achieve yearly benchmarks.

The measurement and reporting of a school's progress allows policymakers to assess how successful a school has been in meeting the state's achievement goals. Although some policymakers favor accountability for individual teachers—through, for example, merit- or performance-based pay—rather than for schools, others view accountability at the school level as preferable because it promotes collaboration among teachers and because schools have more opportunities than do individual teachers to enact the types of changes in resource allocation and practices that may be needed to raise student achievement. Few reformers view exclusive accountability at the district level as appropriate, since that could mask important differences in performance across schools within a district.

School accountability systems might *not* generate higher achievement for several reasons. Schools may not have the time or resources to respond appropriately to accountability systems. Alternatively, the incentives of the accountability incentives may overwhelm the natural intrinsic incentives of teachers and school administrators, offsetting any student achievement gains associated with accountability. In any monitoring situation, those being monitored face incentives to appear as effective as possible against the metric being assessed. Thus, the concern arises that teachers might teach so narrowly to the high-stakes test that little or no generalizable learning would take place. In addition, schools may engage in strategies that artificially improve test scores by changing the group of students subject to the test, including the selective assignment of students to special education programs.

Measuring the effects of test-based accountability systems on student achievement is not a simple task. When such systems are part of a larger standards-based reform effort, it is difficult to separate the effects of the accountability system from those of other components of the reform package. In addition, researchers face the challenge of finding appropriate control groups to determine what would have happened to student achievement in the absence of the accountability system. Though no one approach or study is flawless and many inconsistencies remain, taken as a whole, the body of research suggests several key conclusions. For one, the estimated positive achievement effects of accountability systems emerge far more clearly and frequently for math than for reading. The larger effects for math are intuitively plausible and are consistent with findings from other policy interventions such as voucher programs and tax and expenditure limitations. Although effects on reading have not been as strong, researchers often find measurable positive effects for reading as well.[25] Solid evidence thus exists to suggest that school accountability may improve student test performance, at least in the measured subjects, at low cost. Still, the positive effects of accountability tend to be more modest than the estimated effects of class-size reductions.

School choice

Accountability can also be provided by school choice programs. The rationale behind school choice involves the fact that, historically, students have been assigned to schools based on residential location, which parents cannot change without costly geographic moves. If students are relatively captive, schools may feel less of an incentive to be responsive to their needs. Some evidence exists that communities with a large number of school districts in a relatively small geographical space (thus facilitating family mobility to a preferred school district) have higher-performing public schools than do those with fewer options.[26] However, it is unlikely that more school districts in a community will benefit disadvantaged students because communities with many school districts tend to contain mostly middle- to upper-class families, with few, if any, housing opportunities for disadvantaged families. Moreover, public school systems are more likely to be responsive to more affluent families with more residential, and hence, school, choices. The disproportionate costs of residential moves for disadvantaged families reinforce these incentives. Therefore, even when a range of residential options exist, disadvantaged families are less likely than are more affluent families to take advantage of the options, and therefore are less likely to draw the attention of competing school districts.

In part because of the shortcomings of traditional school choice, and the recognition that disadvantaged families may in reality be presented with few if any options for their children's schooling, policymakers have recently experimented with alternative school choice mechanisms, most notably school vouchers and charter schools. School voucher plans can take many forms, but typically provide full or near-full coverage of tuition and fees for students to attend either private religious or nonreligious schools. Some voucher plans incorporate increased public school choice as well. Charter schools draw students from throughout a school district (and in some states, other school districts as well), tend to have more autonomy than do traditional public schools, and are free from many of the state and local regulations that public schools typically face. Most importantly, charter schools are schools of choice, so parents must actively elect to have their children attend these schools.

School vouchers and charter schools increase schooling options for families whose choices might otherwise be constrained by low incomes, job location, residential segregation, or other factors. If parents are well-informed about their schooling options, vouchers and charter schools have the potential to improve their children's outcomes by giving the families increased ability to sort into optimal schools. At the same time, vouchers and charter schools can foster competition among schools, leading to improvements in the overall public sector. When a student uses a voucher to attend a private school, or elects to attend a charter school, the local public school's funding may be decreased, and the threat of budget cuts or personnel cuts could provide public schools with an incentive to improve.

Do school vouchers work?

Largely because of the relative lack of experience with school vouchers in the United States, relatively little empirical evidence exists on the benefits of private-school vouchers. The weight of the evidence indicates that voucher receipt does not lead to significant gains in performance, but this conclusion should be tempered by the fact that the evidence is quite limited.[27] More research is necessary before strong conclusions can be drawn about any (lack of) effect of receipt of a voucher by disadvantaged children.

A middle ground that would provide increased educational choice for disadvantaged families while reducing the likelihood of negative systemic effects for these families would involve a means-tested voucher program that is limited to disadvantaged families. Such a publicly funded means-tested voucher program has been implemented in Milwaukee, where the evidence concerning academic outcomes is relatively weak but the evidence on parental satisfaction is clear.[28] Dramatically increased parental satisfaction is also evident in the evaluations of privately funded voucher programs.[29] However, for any means-tested program to be successful, it must be coupled with strong and useful information about public and private school quality and with low enough income thresholds to keep the most disadvantaged potential recipients from being crowded out of the school choice system.

Effects of charter schools

More states have had experience with charter schools than with school vouchers. Charter schools are now in operation in 39 states and the District of Columbia, and more than 20 times as many students in the United States are enrolled in charter schools as are utilizing publicly funded school vouchers. While the experience with charter schools is still relatively short, important results have emerged from several states concerning the effects of charter schools on achievement. The available evidence indicates that many charter schools are mediocre at best, and that young, inexperienced charter schools could have negative effects on students, but that charter schools that mature and stand the market test could have significantly positive effects on student test scores.[30]

These findings present a cautionary tale regarding the use of charter schools as a policy to bring about education reform. The principal clients of charter schools are disadvantaged students who come from families that are often poorly equipped to evaluate charter schools. Bringing charter schools into school accountability systems could help to facilitate the information-sharing that would encourage the survival of successful charter schools and perhaps lead to the improvement of less-successful charter schools. Charter school advocates, however, are of mixed minds about the desirability of including charter schools in regular school accountability systems, and states differ in the degree to which this inclusion occurs.

Observers should not expect revolutionary results from either school choice or school accountability. Even the most optimistic estimates of the benefits of these two types of reforms amount to perhaps one-third to one-half of the test score gaps between disadvantaged and relatively advantaged students, and the majority of the evidence suggests more modest likely effects of these policies. Still, the potential for significant reductions in these test score gaps at relatively low cost suggests that more experimentation with these policies—along with class-size reductions and alternative teacher compensation policies—is in order.

Conclusions and policy implications

The persistent academic achievement gaps along socio-economic lines present significant concerns for policymakers. This article describes some of the potential policies that are often considered for remedying these gaps. I argue that increased spending for schools that serve disadvantaged families will itself not necessarily lead to improved outcomes for these children. Specifically targeted spending, however, may pay dividends: for instance, large teacher bonuses to encourage highly qualified teachers to remain in schools serving disadvantaged children and teacher merit pay could boost the performance of these children. Likewise, the best available evidence indicates that large-scale class size reductions could improve disadvantaged children's test scores, although this potential effect could be reduced if more affluent school districts, with increased demand for teachers owing to their own class-size reductions, "poach" the better teachers from disadvantaged schools.

Other policies that need not cost much more than existing expenditure levels also have the potential to improve student outcomes. School accountability policies have been found to improve test scores across the board, but particularly for disadvantaged children, though they also can lead to disadvantaged children being differentially excluded from the testing pool and, under some circumstances, more likely to be ignored by their school. Such potential problems need not be the case, but they underscore the importance of design issues when constructing school accountability policies. School choice programs also could improve educational outcomes, both for those who actively choose and for those who remain in schools serving disadvantaged children. But the quality of a choice depends on the quality of information, and the evidence suggests that disadvantaged families do not necessarily act upon the best information when formulating their schooling choices.

There are few easy answers when considering the potential solutions to the problems of persistent low achievement by disadvantaged children. Each policy option offers trade-offs, and each has the potential to either improve or worsen the academic performance of disadvantaged children. Specific features of the policy's design are likely to play the most important role in determining the policy's success.■

This article draws upon the following forthcoming book chapter: Figlio, David. "Improving Educational Outcomes for Disadvantaged Children." In *Social Policy Approaches that Promote Self-Sufficiency and Financial Independence Among the Poor*, edited by Carolyn Heinrich and John Karl Scholz.

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[26]C. Hoxby, "Does Competition Among Public Schools Benefit Students and Taxpayers?" *American Economic Review* 90, no. 5 (2000): 1209–1238, demonstrates that metropolitan areas with less concentrated public schooling choices—that is, more choice amongst public school districts—tend to have higher test scores and lower school costs than do those with more concentrated public schooling choices. While a re-analysis of these data by J. Rothstein, "'Does Competition Among Public Schools Benefit Students and Taxpayers?' A Comment on Hoxby (2000)," *American Economic Review* (forthcoming), suggests that these results may be overstated, at a minimum they indicate that increased traditional school choice has the potential to improve public school efficiency.

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The employment prospects of ex-offenders

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In 2005, over 2 million U.S. residents were in prisons or jails. The incarceration rate, 737 of every 100,000 U.S. residents, was over five times the rate among European Community nations. Moreover, the current high incarceration rate and the increases over the past 30 years represent a significant departure from the incarceration levels that characterized much of the 20th century. For example, prior to the 1970s, the number of inmates in state and federal prisons consistently hovered around 110 per 100,000. Since 1970, this rate has increased by more than fourfold.

The incidence of increased incarceration is unevenly distributed. In particular, less educated young men, especially less educated African American men, have experienced the largest increases. For example, in 2000, roughly one-third of black male high school dropouts between ages 26 and 35 were incarcerated in prison or jail at the time of the census—about as high a proportion as were employed.

These sharp increases in incarceration rates have left in their wake a large and growing population of former inmates, also unevenly distributed by race and ethnicity. About 3 percent of white males and 8 percent of Hispanic males, but 20 percent of all black adult males, have served prison time at some point in their lives. One study has estimated that among black men born between 1965 and 1969, 20.5 percent have been to prison. Among black men without a high school diploma, that figure rose to 58.9 percent.[1] Such rates of incarceration do not bode well for the economic and social prospects of minority men and their partners, children, and communities. Employment and financial difficulties, poor marriage outcomes, disruption and instability in children's lives, and increased rates of communicable diseases such as HIV-AIDS have all been documented among the communities so disproportionately affected by incarceration policies.[2] To take only one example: From 1980 to 2000 the proportion of economically active black men fell 23 percentage points among high school dropouts, and 7 percent even among those with some college education. Indeed, employment rates for black males fell below those for black women in every educational group save for college graduates.[3] No such pattern previously existed among African Americans or among any other racial or ethnic group.

How does serving time affect employment prospects?

Incarceration impacts employment and earnings through a number of channels. First, with few exceptions, institutionalized men do not participate in the non-institutionalized economy. In the sense that prison may incapacitate inmates from committing further crimes, it also incapacitates inmates in all other domains of life, including employment. To be sure, the extent of this employment incapacitation effect depends on the likelihood that the incarcerated would be employed. Analysis of state administrative employment records indicates that roughly one-third of prison inmates were employed immediately prior to their admission, though direct surveys of the recently incarcerated suggest pre-incarceration employment rates as high as two-thirds.[4] Regardless, the enormous increase in incarceration rates (80–85 percent of which appears to be driven by changes in sentencing policy rather than changes in criminal behavior)[5] is certainly preventing many from participating in the formal economy.

Beyond this incapacitation effect, incarceration is also likely to have a dynamic, lagged effect on the employment prospects of former inmates. Incarcerated men fail to accumulate employment experience while incarcerated due to the interruption caused by the incarceration spell. The severity of this interruption depends on the expected amount of time served as well as the likelihood of serving subsequent prison terms. During the late 1990s the average newly committed prisoner faced a maximum sentence of three years and a minimum sentence of one year, with most serving approximately two years on their first commitment to prison.[6] However, nearly two-thirds of former-inmates are rearrested within a few years of release from prison and a substantial majority will serve another prison term. For many offenders the years between ages 18 and 30 are characterized by multiple short spells in and out of prison punctuated by short periods of time on the outside.[7] These dynamics of prison entry and reentry certainly inhibit the accumulation of meaningful sustained employment experience during a time in a young person's life when the returns to experience are greatest.

Moreover, former inmates are often stigmatized in the legitimate labor market post-release by their criminal

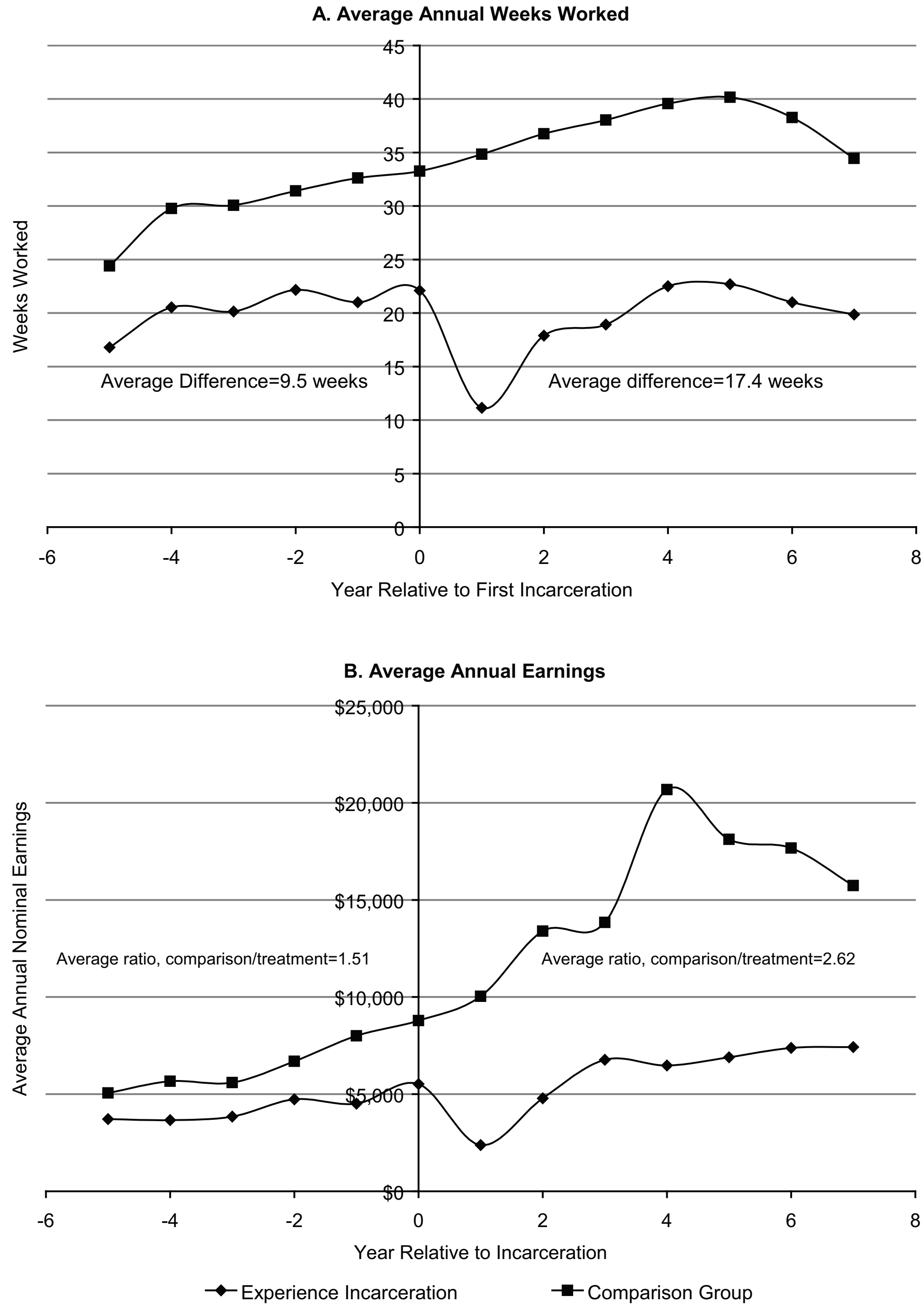

Figure 1. Men who experience incarceration and a matched comparison group, showing (A) average annual weeks worked and (B) average annual earnings, for those incarcerated for the first time at age 23 and for other youth never incarcerated.

Source: 1979 National Longitudinal Survey of Youth.

history records. In particular, the interruptions occasioned by prison time are compounded by the greater difficulty ex-prisoners may experience in finding a job. Some occupations are closed to felons under local, state, and federal law. In many states, employers can be held liable for the criminal actions of their employees. As a consequence, firms may use formal and informal screening tools to weed those with a criminal record out of the applicant pool. And in general, employers are averse to hiring those with criminal records. Over 60 percent of employers surveyed in one study, the Multi-City Study of Urban Inequality, would "probably not" or "definitely not" hire applicants with records, whereas only 8 percent would "probably not" or "definitely not" hire current or former welfare recipients. A study of hiring practices in a Midwestern city found that applicants who admitted to a criminal record were half as likely to be called back for an interview as matched applicants without any criminal history.[8]

Finally, high incarceration rates among select demographic groups may have adverse spillover effects on members of those groups who have not been to prison. Specifically, if employers tag all members of the group as criminal and act upon this belief in their hiring behavior, the effects of incarceration may extend beyond the incarcerated.

Empirical evidence on the effect of incarceration on employment prospects

Quantifying the effects of incarceration on employment and earnings of former inmates is a difficult task. First, those men who go to prison are quite different along observable (and most likely unobservable) dimensions from those who do not, making constructing comparison samples difficult. Second, men often go to prison at a time in their lives when labor force attachment and earnings are changing rapidly, rendering pre-post incarceration comparisons uninformative. These points are illustrated in Figure 1. Using data from the 1979 National Longitudinal Survey of Youth (NLSY), I compare employment outcomes for individuals incarcerated for the first time at age 23 or later with those of youth who have never been incarcerated. The comparison sample of youth are matched to the incarcerated based on age, educational attainment at age 22, race, region of residence, and AFQT scores.

The figures reveal large baseline disparities between the average employment outcomes of those who eventually experience incarceration and those who do not (despite the matching on demographics, education, and AFQT). Moreover, the figure also displays the steep increases in average weeks worked and annual earnings among the never incarcerated, trends that are indicative of the inherent difficulty in identifying the correct counterfactual for those who spend a good part of their twenties cycling in and out of prison.

The figure also suggests that the disparities between the two groups in earnings and employment widen pre-post incarceration. Employment among those incarcerated at age 23 did not reach preincarceration levels until 5 years following incarceration. Earnings show a similar pattern. Before age 23, those never incarcerated earned about 1.5 times those who had been incarcerated. After this period, those who had not served time earned 2.6 times as much as those who had.

Several researchers have employed a host of strategies to address these methodological challenges using data from the NLS79 as well as the more recent NLSY97.[9] Analyses of NLSY data tend to find substantial effects of prior incarceration on future employment and earnings. Studies using administrative data find that state prison inmates have low levels of formal employment and earnings before imprisonment. A high percentage, it appears, may have worked in informal jobs where employers were not paying social security or paying into the Unemployment Insurance system. Immediately after being released, these men worked more than they did before being imprisoned, possibly because of parole obligations, but within a couple of years they were once again working at or below their preincarceration levels.[10] Analysis of U.S. census data generally finds negative effects of incarceration on employment among particular groups. They show that those demographic groups experiencing the largest increases in incarceration have also seen the largest decreases in employment among group members who have never been incarcerated. Changes in incarceration rates, indeed, appear to explain a sizable portion of the widening racial disparity in employment rates.[11]

Sentencing policy changes and the characteristics of the prison population

Any suggestion of "more lenient" treatment of prisoners and ex-prisoners is likely immediately to evoke objections that public safety will be compromised, crime will not be "appropriately" punished, and the deterrent effect of prison will be diminished, for the criminally minded will see no reason not to follow their impulses. Policies directed toward ex-offenders must be prepared to answer such charges, which have great persistence as well as electoral resonance.

Criminologists and economists have studied and measured the extent to which imprisonment of the criminally active reduces crime through the incapacitation of active criminals and the deterrence of potential offenders.[12] Locking someone away for a year quite clearly puts a stop to criminal activity; thus the social costs of reducing incarceration are potentially quite large. But the marginal effect of incarceration on the crime rate appears to decline rapidly as the incarceration rate increases. To explain why, I look at changes in the characteristics of the marginal prison inmate over the last two decades, and then examine how the effect of prison time on crime has changed as the incarceration rate has increased.

How have the characteristics of the marginal offender changed?

Since 1980, the amount of time that a convicted person would serve, conditional on being sentenced to prison and on the nature of the offense, has substantially increased; indeed, the increased length of sentences explained between 25 and 30 percent of the increase in incarceration rates over the last quarter-century.[13] Those who committed a crime were also more likely to receive a prison sentence; this explained about 55 percent of the

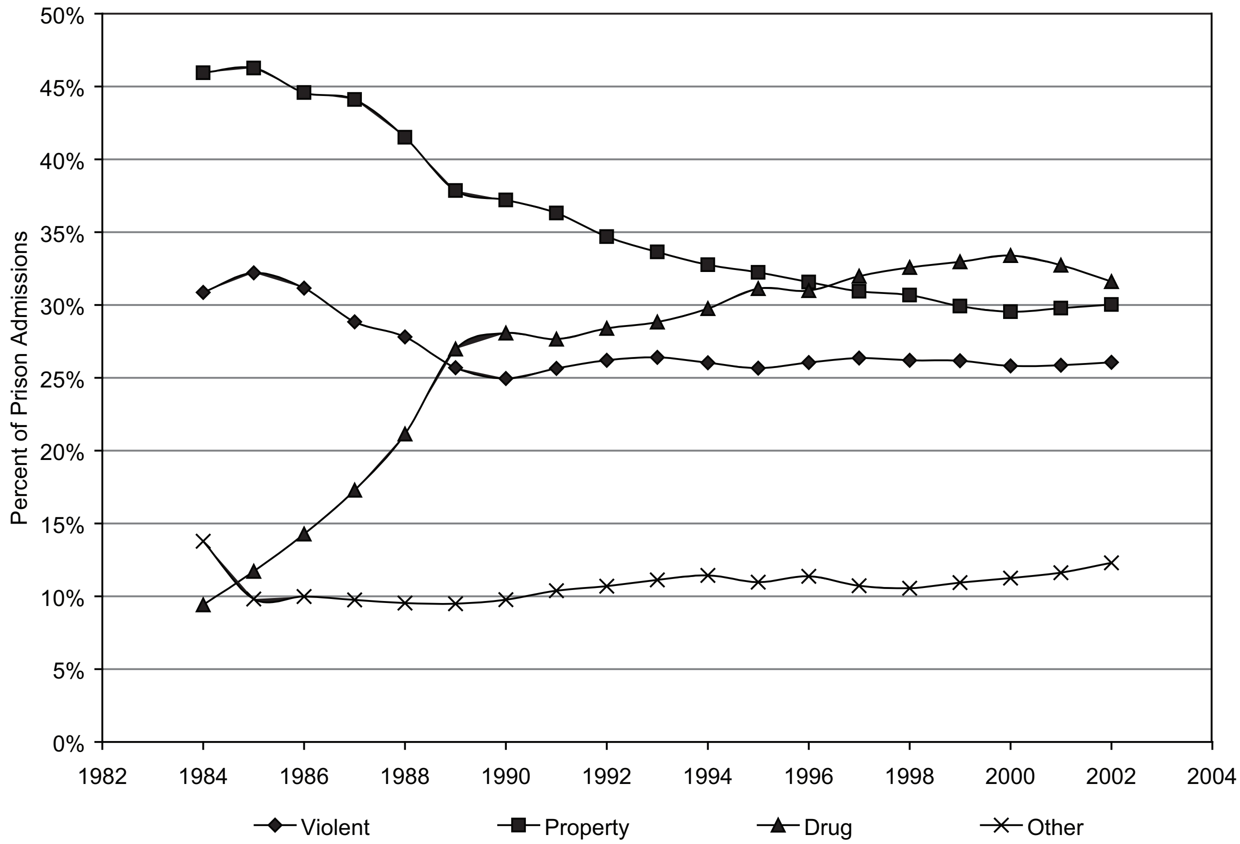

Figure 2. Percent of prison admissions by main offense for all prison admissions, 1984–2002.

Source: National Corrections Reporting Program, 1984–2002.

increase in incarceration. Thus the very large increase in incarceration rates since 1980 has been driven primarily by changes in sentencing policy rather than by changes in criminal behavior, which accounted for at most 15 percent of the increase.

Taken together, the relatively small contribution of changes in behavior and the huge policy expansion in incarceration along the extensive margin have resulted in the imprisonment of less dangerous offenders. Data from the National Corrections Reporting Program for 1984 to 2002 enable us to characterize these changes. First, the proportion of those returned to prison for parole violations, not for a new crime, rose from about 29 percent of admissions in 1984 to over 40 percent in 2002. The second major change was in the nature of offenses drawing a prison sentence. In 1984, roughly 70 percent of prison admissions were for offenders convicted of violent or property felony offenses; by 2002 this figure had fallen below 60 percent, and the numbers imprisoned for drug offenses had risen from slightly lower than 10 percent to over 30 percent (see Figure 2). Similarly, among those returned to custody without having committed a new crime, the proportion of drug offenders rose from barely 5 percent to about one-third, and the proportion of violent and property felony offenders diminished accordingly.

Moreover, the age distribution of those admitted to prison has changed; prisoners are older (Figure 3). There is ample evidence that criminal offending declines with age, and that certain life events—getting married, having children, being steadily employed—make it more likely that those who offended in youth will cut themselves off from such behavior as they age into their thirties.[14]

How has the effect of incarceration on crime changed at the margin?

The United States, then, is currently incarcerating older offenders for relatively less serious offenses than in years past. But to what extent has this shift affected the relationship between imprisonment and crime?

As already noted, incarceration impacts crime through two avenues: incapacitation and deterrence. Incapacitation of the criminally active is overwhelmingly the most significant effect, and to the extent that policy has shifted toward incarcerating older, less serious, and perhaps less active offenders, the effects of imprisonment at the margin are likely to be smaller. In a recent analysis of state crime data, Rucker Johnson and I estimate how the joint incapacitation and deterrence effect of incarceration has changed between the period 1978 to 1990 (when the population-weighted, average, state-level incarceration

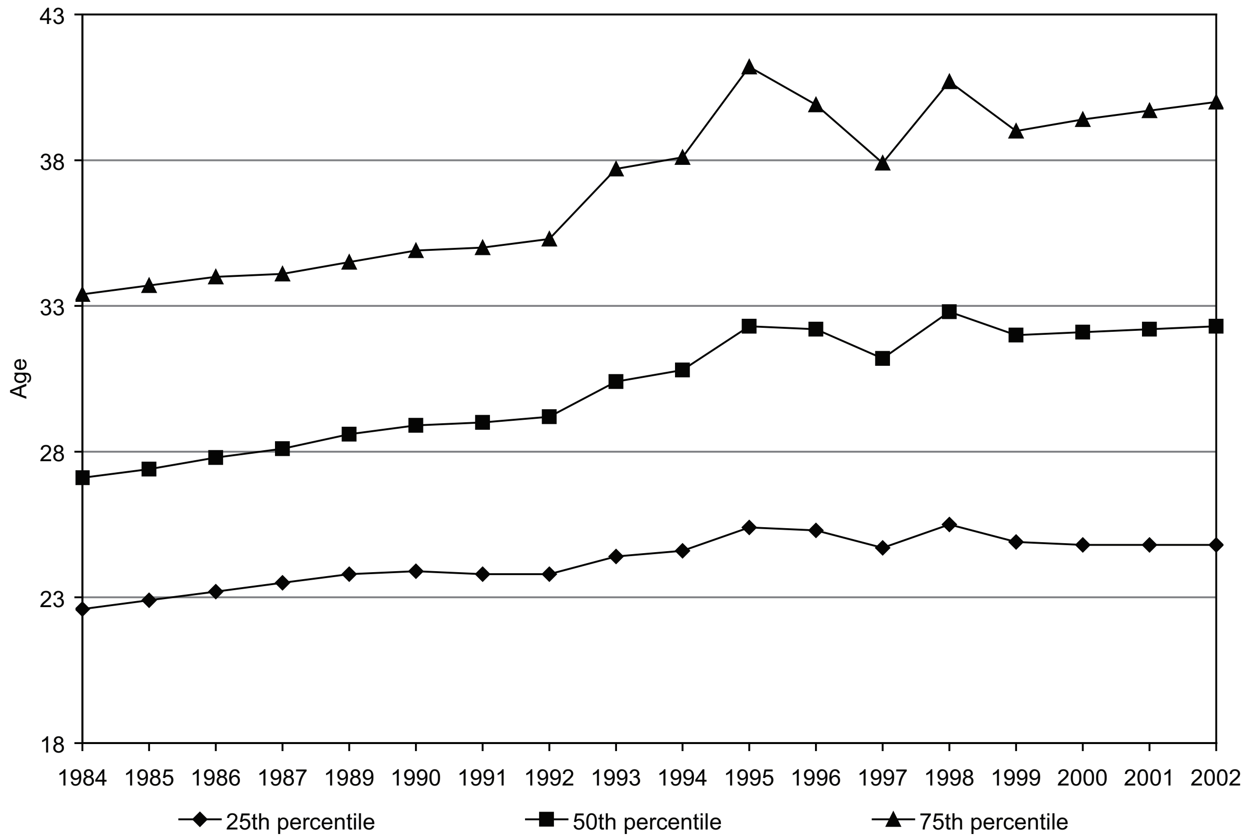

Figure 3. Key percentiles of the age distribution for prisoner admissions, 1984–2002.

Source: National Corrections Reporting Program, 1984–2002.

rate was about 186 per 100,000) and the period from 1991 to 2004 (when the average incarceration rate was 396).[15] We find a large decrease in the number of crimes prevented for the average year spent in prison. Specifically, during the earlier period, a prison year served prevented about 30 serious felony offenses; during the latter period, our estimates suggest that this joint deterrence and incapacitation effect dropped to 8.3 offenses. Moreover, the composition of the averted crimes shifted decisively away from more serious offenses—murder, rape, robbery, and assault—toward less serious crimes, in particular, larceny, defined as non-burglary theft without contact.

Improving the employment and prospects of former inmates

Roughly 600,000 inmates are released from prisons each year, and nearly 5 percent of the adult male population has served time. The size of this population alone suggests the difficulties and the costs of successfully reintegrating ex-prisoners and improving their own and their families' circumstances. Policies designed simply to boost take-home earnings have had only limited effects.[16] Employment and training programs, social services, and post-release monitoring and other supports will require substantial investments. But there are relatively straightforward policies available to state and federal governments that are unlikely to compromise public safety yet would eliminate some of the challenges confronting former inmates who are trying to move into productive and stable lives and avoid poverty. They include removing prohibitions on program participation, modifying and in some cases eliminating employment and licensing bans, providing regulatory guidance for employers' assessment and screening of ex-inmates, and offering ex-prisoners incentives to avoid criminal activity.

Conclusion

This essay has focused primarily on the adverse consequences of incarceration for the employment prospects and economic stability of ex-prisoners and, inevitably, of their families. Corrections and incarceration policies put in place over the last quarter century, I argue, have weighed disproportionately upon low-skilled minorities, especially blacks, and have seen diminishing returns to their increasingly heavy costs. Given the likely small effects of the current levels of incarceration on crime, there are other public investments that may fulfill the same purpose while providing many other social benefits.[17]■

This article draws upon the following forthcoming book chapter: Raphael, Steven. "The Employment Prospects of Ex-Offenders." In *Social Policy Approaches that Promote Self-Sufficiency and Financial Independence Among the Poor*, edited by Carolyn Heinrich and John Karl Scholz.

[1]See, e.g., T. Bonczar, *Prevalence of Imprisonment in the U.S. Population, 1974–2001*, Special Report NCJ 197976, Bureau of Justice Statistics, Washington, D.C., 2003; B. Pettit and B. Western, "Mass Imprisonment and the Life Course: Race and Class Inequality in U.S. Incarceration," *American Sociological Review* 69 (2004): 151–69.

[2]See, e.g., R. Johnson, "Intergenerational Risks of Criminal Involvement and Incarceration," working paper, University of California, Berkeley, 2007; R. Johnson and S. Raphael, "The Effect of Male Incarceration Dynamics on AIDS Infection Rates among African-American Women and Men," Working Paper 06-22, National Poverty Center, University of Michigan, 2006; K. Charles and M.-C. Louh, "Male Incarceration, the Marriage Market, and Female Outcomes," working paper, University of Chicago, 2007.

[3]S. Raphael, "Boosting the Earnings and Employment of Low Skilled Workers in the United States: Making Work Pay and Reducing Barriers to Social Mobility" working paper, University of California, Berkeley, 2007.

[4]See, e.g., J. Kling, "Incarceration Length, Employment, and Earnings," *American Economic Review* 96, no. 3 (2006): 863–876. Employment rate measured from state ES-202 records do not account for those working under the table, the likely source of disparity between survey evidence and results from administrative data.

[5]On this issue, see S. Raphael and M. Stoll, "Why Are So Many Americans in Prison?" Working Paper 07-10, National Poverty Center, University of Michigan, 2007.

[6]S. Raphael and M. Stoll, "The Effect of Prison Releases on Regional Crime Rates," in *Brookings-Wharton Papers on Urban Economic Affairs*, Vol. 5, eds. W. Gale and J. Pack (Washington, D.C.: Brookings Institution, 2005): 207–55.

[7]In a study of young inmates in California state prisons in the 1990s, I found that 5 years elapsed between the first date of admission and the last date of release for the median inmate. For about a quarter of inmates, 9 years passed between these two events—in effect these inmates spent the entire decade cycling in and out of prison. See S. Raphael, "The Socioeconomic Status of Black Males: The Increasing Importance of Incarceration," in *Poverty, the Distribution of Income, and Public Policy,* eds. A. Auerbach, D. Card, and J. Quigley (New York: Russell Sage Foundation, 2005).

[8]D. Pager, "The Mark of a Criminal Record," *American Journal of Sociology* 108, no. 5 (2003): 937–75.

[9]See S. Raphael, "Early Incarceration Spells and the Transition to Adulthood," in *The Price of Independence,* eds. S. Danziger and C. Rouse (New York: Russell Sage Foundation, 2007); G. Sweeten and R. Apel, "Incarceration and the Transition to Adulthood," working paper, Arizona State University, 2007; and B. Western, "The Impact of Incarceration on Wage Mobility and Inequality," *American Sociological Review,* 67, no. 4(2002): 526–546.

[10]Kling, "Incarceration Length"; H. Jung, "The Effects of First Incarceration on Male Ex-Offenders' Employment and Earnings," working paper, University of Chicago, 2007; R. Cho and R. Lalonde, "The Impact of Incarceration in State Prison on the Employment Prospects of Women," Working Paper 5-10, Harris School, University of Chicago, 2005.

[11]Raphael, "Socioeconomic Status of Black Males"; S. Raphael and L. Ronconi, "Reconciling National and Regional Estimates of the Effects of Immigration on the U.S. Labor Market: The Confounding Effects of Native Male Incarceration Trends," working paper, University of California, Berkeley, 2006.

[12]See R. Johnson and S. Raphael, "How Much Crime Reduction Does the Marginal Prisoner Buy?" working paper, University of California, Berkeley, 2007; Raphael and Stoll, "Effect of Prison Releases."

[13]Raphael and Stoll, "Why Are So Many Americans in Prison?"

[14]See, e.g., J. Grogger, "An Economic Model of Recent Trends in Violence," in *The Crime Drop in America*, eds. A. Blumstein and J. Wallman (New York: Cambridge University Press, 2000): 266–87.

[15]See Johnson and Raphael, "How Much Crime Reduction Does the Marginal Prisoner Buy?"

[16]Raphael, "Boosting the Earnings and Employment of Low Skilled Workers."

[17]Greater investment in early childhood education, for instance, may yield higher reductions in crime per dollar spent; see J. Donohue and P. Siegelman, "Allocating Resources among Prisons and Social Programs in the Battle against Crime," *Journal of Legal Studies* 27, no. 1 (1998): 1–43.

The growing problem of disconnected single mothers

Rebecca Blank and Brian Kovak

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Over the past 15 years, the United States has increased the incentives for low-income adults to work and reduced the availability and generosity of benefits for non-working (and non-disabled) individuals. These policy changes have helped generate substantial increases in work and earnings, particularly among low-income, single-mother families, but they have also made assistance less available to those who find themselves out of work and destitute. This article looks at the extent to which economic need has changed following the reforms of the 1990s. The evidence suggests that although the average single mother increased her income significantly, with increased earnings more than offsetting declining welfare benefits, a growing group of single mothers report that they are not working and do not receive public assistance benefits. We refer to these women and their families as "disconnected." This group is very poor, and the majority live without other adults in their household. Given rising numbers of disconnected single mothers, we believe it is important to assess possible changes in the safety net that might provide greater support to them and to their children.[1]

Changes in poverty status and economic need

Safety net programs are particularly important to families who are in extreme economic need. The greater the share of families with very low income levels, the greater the concern about an adequate safety net. The welfare reforms of the mid-1990s significantly decreased the availability of cash assistance to low-income families with children, primarily affecting poor single mothers. Mothers were given incentives to move into work and also faced mandates to participate in welfare-to-work programs. The result was a major decline in welfare participation and a significant increase in earnings among these families.

In 2005, just over 5 percent of the U.S. population lived in extreme poverty, below 50 percent of the poverty line.[2] For a mother with two children in 2005, this meant annual cash income of less than $7,900. In 2005, 13 percent of the population had incomes below the poverty line, and 31 percent had incomes below 200 percent of the poverty line. Compared to the overall population, a far higher share of those in single-mother families are poor or near-poor, with 67 percent below 200 percent of the poverty line in 2005.

A shockingly high 24 percent of those in single-mother families were in extreme poverty in 1990; by 2000, however, this share had fallen substantially, down to 17 percent. The share of those in single-mother families who were in poverty was five percentage points lower in 2005 than in 1990. In spite of this long-term improvement in the poverty rate, extreme poverty rose by nearly 3 percent between 2000 and 2005. As official poverty rates fell in the 1990s, the share of single-mother families between 100 and 200 percent of the poverty line increased somewhat, from 27 percent in 1995 to 29 percent in 2005. This suggests that there has been a long-term shift among some single mothers out of poverty and into the near-poor category.

Figure 1 shows the family structure of those in various income categories. While single mothers make up a very high share of the extremely poor and overall poor, they make up a smaller share of the near poor. Low-income married couples—with two adults who can potentially work—compose a higher share of the near-poor. These data are subject to a variety of caveats. Based on reported cash income, the data miss some important forms of support. In particular, in-kind resources, often available through public assistance programs such as Food Stamps or housing assistance, are not counted. On the other hand, the evidence is quite mixed on whether those most in need are the ones who receive in-kind program benefits; this seems to vary across populations and programs.[3] There is also a debate about whether the data on extremely poor families are accurately reported.[4] This suggests that there are measurement problems and these families are underreporting their actual income, or that these families are able to draw down savings or build debt in order to smooth their consumption.

Changes in economic need among single-mother families

A focus on changes in economic need among single-mother families is desirable for several reasons. These families include children, and high rates of poverty among these families are a primary reason for high child poverty rates in the United States. In fact, about one-

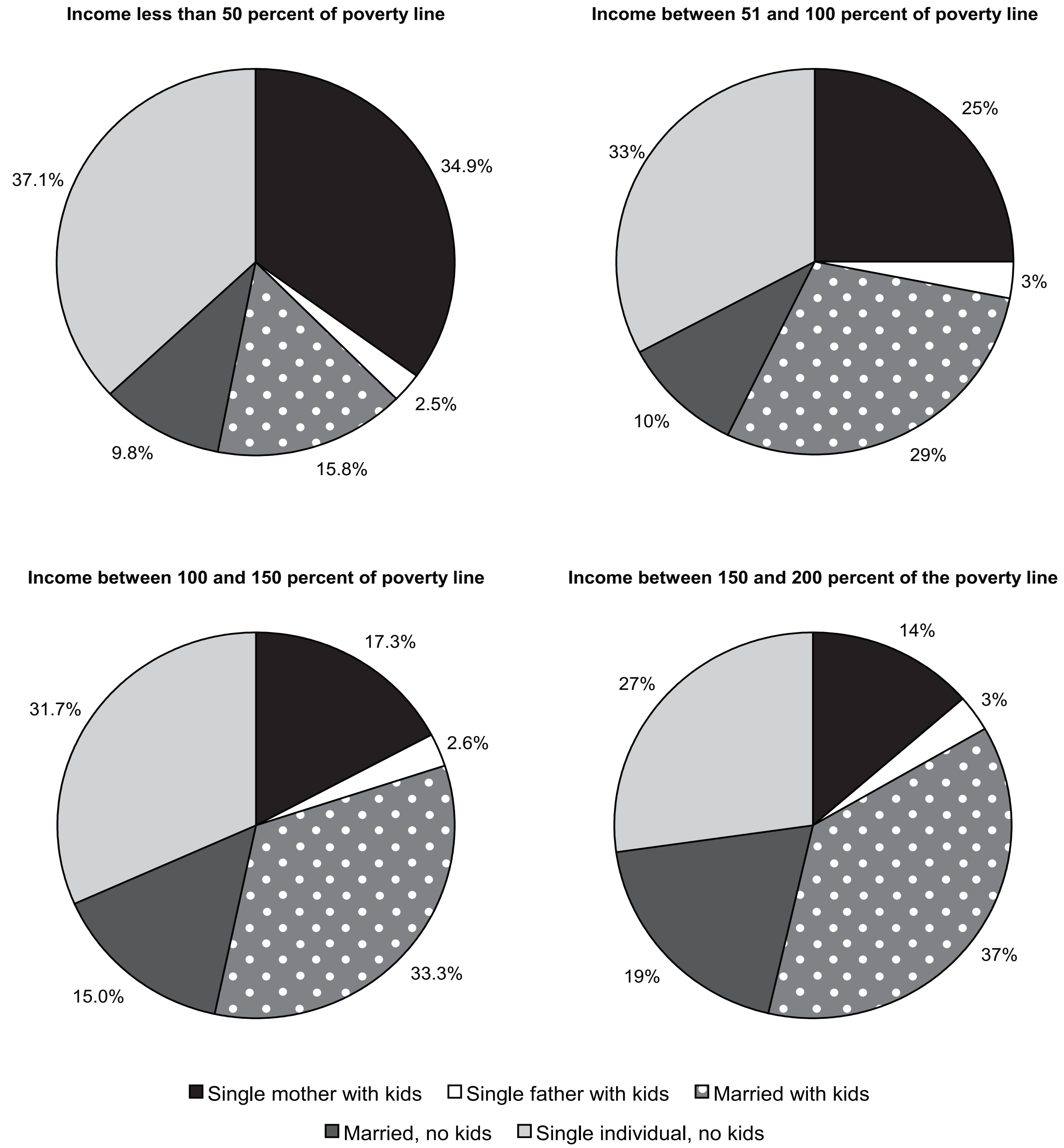

Figure 1. Family structure by income as a share of poverty line.

Note: The data in this table were tabulated by the authors using the March 2006 Current Population Survey and represent the number of individuals in each category, so the counts are weighted by persons, not families.

quarter of all children and more than two-thirds of extremely poor children lived in a single-mother family in 2005. Since 1990, significant shifts in economic well-being have occurred among this group. While average incomes have risen, there is evidence that a growing number of women are both off welfare and not working. This is a group for whom questions about safety net support might be particularly acute.

Figure 2 shows the changing composition of income between 1990 and 2005 among single-mother families in which the mother has less than a high school education; this is a group highly likely to be poor.[5] Average inflation-adjusted income rose steeply among less-skilled single mothers between 1995 and 2000, with very strong earnings growth more than offsetting a substantial decline in public assistance support. By 2005, the majority

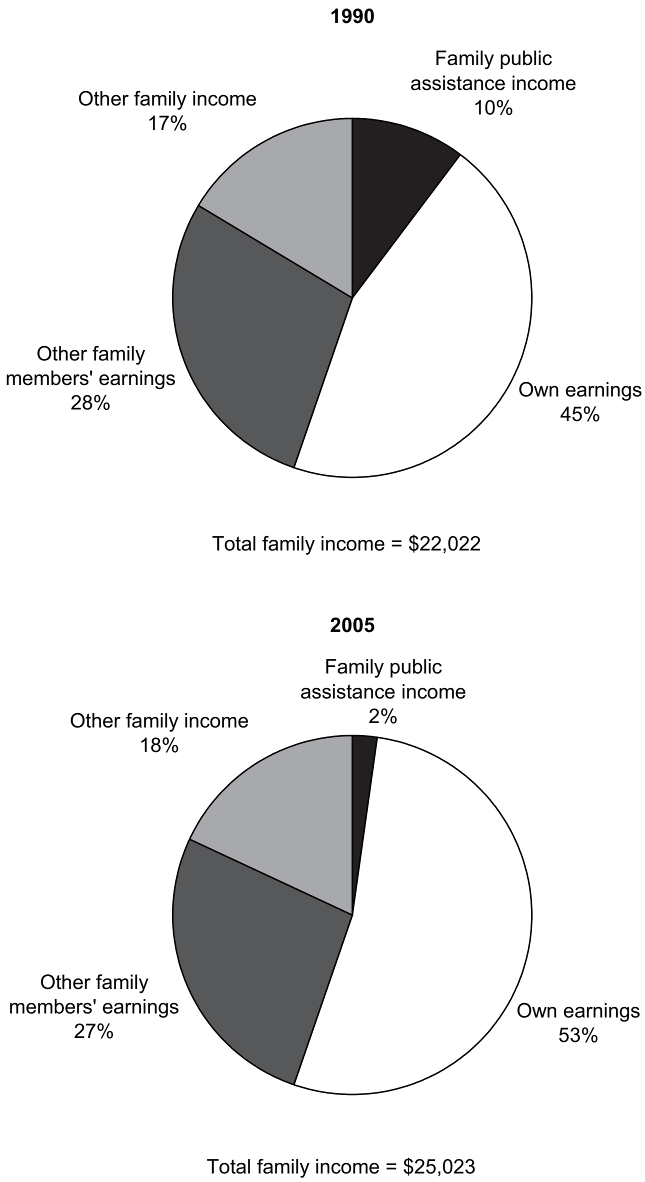

Figure 2. Family income components for families headed by single mothers with less than a high school education.

Note: All monetary values are in real year 2005 dollars, deflated using the BEA's PCE price deflator.

of income among these single mothers came from their own earnings, and the contribution of public assistance income fell to only 2 percent of their total income. This growth in earnings reflects the surge in labor force participation among less-skilled single mothers, as well as the strong economic growth during this period.[6] After 2000, income gains fell off somewhat, but in 2005, average income among less-skilled single mothers was substantially higher than in 1990. Changes in earnings by other family members or changes in other income sources were relatively minor over this time period, although these other sources of income constitute a very high share of the resources available to single mothers and their children.

We define "disconnected" single mothers as those who are not in school, have annual earnings of less than $2,000, annual welfare receipt of less than $1,000, and annual Supplemental Security Income (SSI) receipt of less than $1,000. In 2005 over one-fifth (21.7 percent) of single-mother family heads with income below 200 percent of the official poverty line met this definition. Figure 3 looks specifically at disconnected single mothers, and shows two different ways of illustrating their living situation, by whether or not any other adults they live with also meet the definition of disconnected, and by the relationship between the single mothers and any other

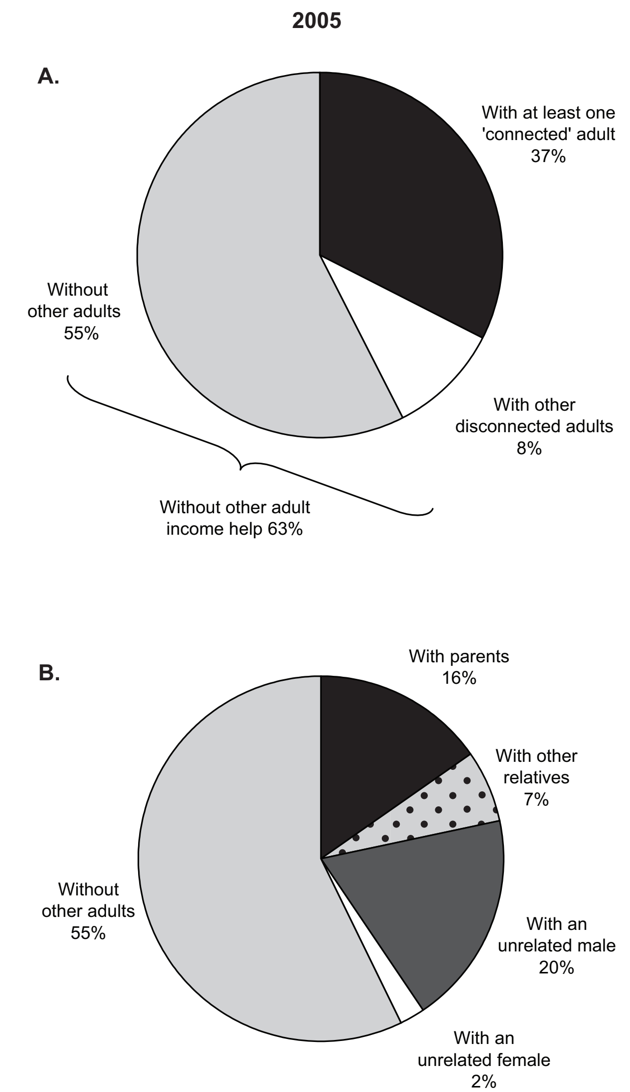

Figure 3. Living situation for disconnected single mothers. A: By whether or not other adults they live with are also disconnected, and B: By the relationship between the single mothers and any other adults with whom they live.

Source: Current Population Survey data (March 2006 Survey).

Notes: Based on single-mother-family heads age 18–54 with family income below 200 percent of the poverty line in 2005. "Disconnected" defined as not in school, annual earnings ≤$2,000, annual welfare receipt ≤$1,000, and annual SSI receipt ≤$1,000 (real year 2000 dollars).

adults with whom they live. Of the 21.7 percent of poor single mothers who were disconnected in 2005, about a third lived with at least one other adult who was either working or on welfare. About half of these women lived with an unrelated male who was working, while the others largely lived with relatives who worked. About 63 percent of disconnected women were either living with other disconnected adults or with no other adults.

Although some growth occurred between 1990 and 2005 in the share of women who live with a "connected" adult, the most rapid rise is in the share of disconnected women who live alone. This number doubled in 15 years, which suggests that a growing number of disconnected women have serious economic needs: they are single mothers, living with no other adults, and have neither welfare nor earnings.

Low-income single mothers tend to be very disadvantaged. Over half are poor, and nearly two-thirds have only a high school diploma or less. Almost 10 percent report receiving disability income, and 17 percent report they are not working because of health-related problems. In comparison to this group, however, disconnected single mothers are far worse off. Over 80 percent are poor, and their average reported family income is well below $10,000. More than a fourth say they are not working for health-related reasons, although we use a definition that excludes women who are receiving public disability payments through SSI. Despite neither working nor receiving welfare, well over half of all disconnected women live with no other adults. Although many have argued that these women must be cohabiting and receiving income from a boyfriend, only about one-fifth report themselves as living with an unrelated male.

Other studies with richer data about individual characteristics provide more information about the group of women who fail to make a successful transition from welfare into work. In particular, a variety of studies have documented the multiple barriers to work that some single mothers face and correlated these barriers with problems in finding and holding a stable job.[7] Women who had difficulty finding work following welfare reform were more likely to have health problems, particularly problems of depression and other forms of mental illness. They were also more likely to be caring for someone with health problems, either a child or another relative. Compared to other women, they were far more likely to report a history of domestic violence or to be living in a situation that involves domestic violence.[8] Finally, they are also more likely to have past or current problems with substance abuse.[9]

The evidence suggests that a large subset of single mothers—particularly those with health, behavioral, and family limitations—will have difficulty finding and holding stable employment when welfare-to-work policies, time limits, or sanctions move them off welfare assistance.[10] During the periods they are not working or receiving welfare, disconnected women are very poor; data from the March 2006 Current Population Survey (CPS) found average annual earnings for these women of only $200, with an average annual family income of $9,459. Even if their actual income is underreported by 10 or 20 percent, they would remain an extremely poor group.

The period of time that women spend disconnected is an important factor when considering policy responses. Within limits, the Survey of Income and Program Participation (SIPP) data allow us to look at the length of time that women go without significant earnings or welfare income.[11] The data suggest that about 70 percent of the disconnected spells last for four months or less. Only a small share of these spells last longer than 12 months, between 4 and 9 percent depending on whether or not spells that were ongoing when the data ended are included. A potential problem with these tabulations is that they undercount long spells, since they show only spells that begin during the data period. The number of spells that had already started when the data period began, and were still ongoing when it ended, provides a rough measure of how prevalent these long spells may be. If we add in such spells that last longer than 12 months, then 13 percent of all spells last 12 months or longer among all disconnected women.

Figure 4 provides information on the reasons why women enter and leave disconnected spells. The first pie chart shows reasons for the beginning of disconnected spells, based on the first spell observed (if any) for each low-income single mother. Fifteen percent of the spells start because either a woman's marriage breaks up or a child is born. Only about 14 percent of the spells start because of the loss of welfare or Supplemental Secruity Income; this number would surely have been much higher in the late 1990s when many women were leaving welfare. More than half of spells start because of a change in earnings, probably caused by the loss of a job. The second pie chart shows equivalent reasons for disconnected spells to end, which mirror the beginnings of spells very closely. Most spells of disconnectedness last eight months or less, and generally begin and end with a shock to the woman's earnings. This is perhaps not surprising in a post-welfare-reform world. When welfare is less available to single mothers, their economic fortunes rise and fall with their labor market opportunities.

Are there other sources of support available to disconnected women?

In addition to public assistance and own and family income, women may receive in-kind government support, through Food Stamps, Medicaid, or other programs; they may receive help from nongovernmental organizations, through food pantries or community-based service organizations; or they may receive in-kind help from other

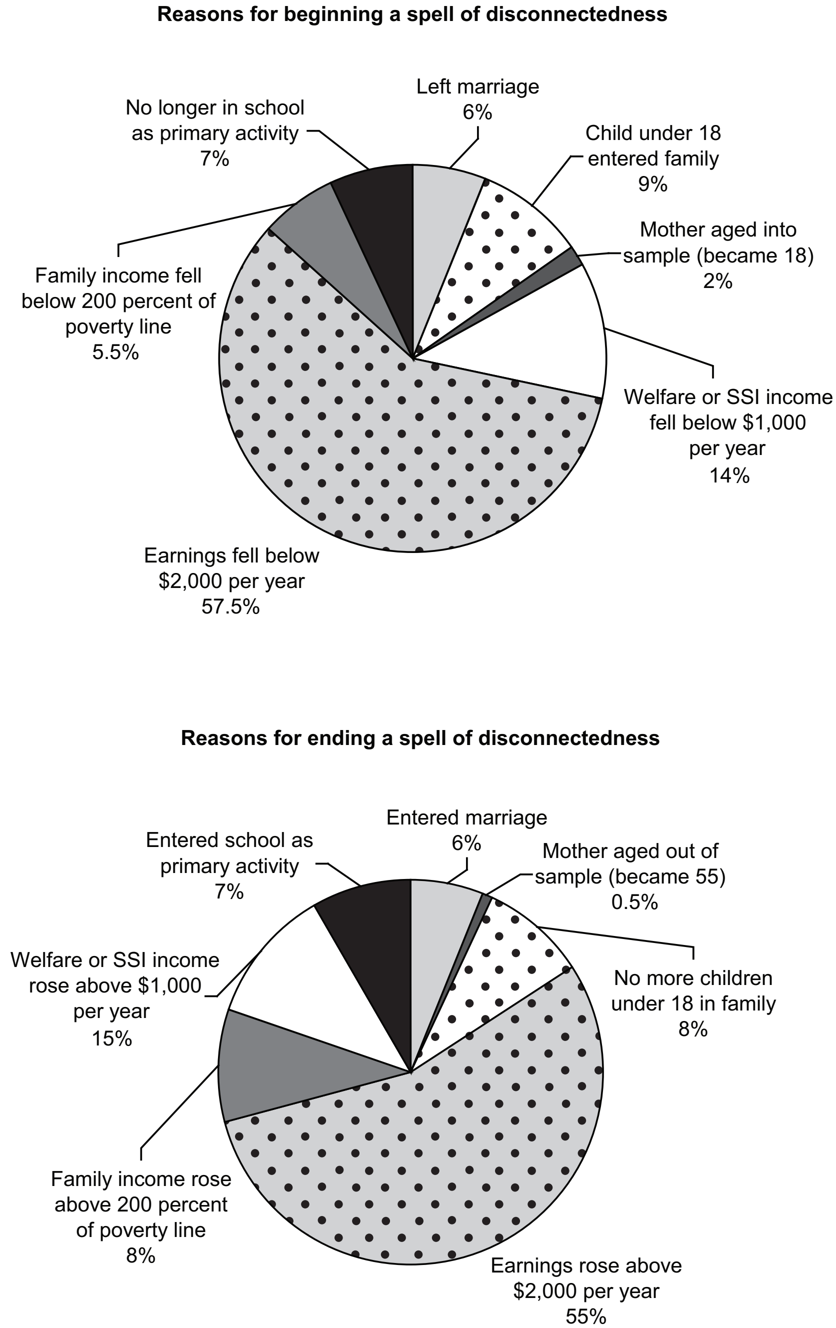

Figure 4. Reasons why women enter and leave disconnected spells.

Source: 2001 SIPP.

Notes: Based on single mothers age 18–54 with family income below 200 percent of the poverty line. "Disconnected" defined as not in school, annual earnings ≤$2,000, annual welfare receipt ≤$1,000, and annual SSI receive of ≤$1,000 (real year 2000 dollars). Reasons are tabulated sequentially, beginning at 12 o'clock and continuing clockwise. Thus, for example, changes in marital status take precedence over changes in earnings. As a result, ordering of reasons matters, although changes in order produce little change in realtive magnitudes. Welfare and earnings amounts are measured in real year 2000 dollars, deflated using the BEA's PCE price deflator.

family members with whom they do not live. Officially, if they received cash gifts from others, this should be reported in our data sources, but most researchers believe that, in reality, such transfers across families are largely unreported.

Disconnected women receive less protection from assistance and insurance programs than "not disconnected" single mothers. Their very low incomes suggest that virtually all of these women should be eligible for food stamps, yet only about half receive them. A larger share (two-thirds) report that someone in the family is receiving Medicaid assistance, which provides no help in paying rent and grocery bills. A high share of these women report health problems that prevent them from working, yet they are not receiving SSI. In short, many of these families appear in need of greater public assistance than they are currently receiving.

Although cash support through the public assistance system has fallen substantially, formal reductions in other government aid have been less common. Historically, many women on welfare were also connected with other government program assistance by their welfare caseworker. As a result, when welfare programs were redesigned to move women from welfare into employment, women's use of some other government programs also decreased for a while. However, subsequent changes in eligibility rules and outreach for programs such as Food Stamps made those programs easier for working low-income adults to use, and the earlier declines have reversed.[12]

CPS data indicate that disconnected single mothers use food stamps and Medicaid at a higher rate than not disconnected single mothers with significant earnings, but at a lower rate than the not disconnected who are on welfare or SSI. In 2005, about 40 percent of all low-income single mothers reported receiving food stamps, and nearly two-thirds received Medicaid for at least one person in their family. Among the disconnected, about half receive food stamps and nearly two-thirds receive Medicaid. (In most cases, a woman who is not on welfare or SSI is ineligible for Medicaid, but her children are eligible if her income is below 150 percent of the poverty line.) More than three-fourths of these families receive either food stamps or Medicaid.

All of this suggests that although these women have very low incomes and are disconnected from the welfare and employment systems, the majority of them are still accessing other public sector programs. On the one hand, this is reassuring and suggests that these families are not entirely outside the public safety net. On the other hand, virtually all of these families should be eligible for food stamps and their children should be eligible for Medicaid, yet a significant number are not receiving assistance. Furthermore, Medicaid assistance provides no help in paying rent and grocery bills; many women who report health problems do not receive SSI; and food stamp benefits are relatively small for many families. Certainly many of these families could be eligible for and benefit from receiving additional public assistance, particularly those who experience longer spells of disconnectedness.

Not all assistance comes through government programs. Private organizations also provide support for poor families. Many communities have organizations that run food pantries or soup kitchens, or that provide free access to used clothing. Approximately 6 percent of single-parent families reported using a local food pantry in 2000; this number is down slightly from 1996.[13] While a large number of visits to food pantries are reported over the year, few people can rely on them as a primary source of food assistance. Most food pantries have rules about how often a family can receive help, and help is typically limited to a certain quantity of items.

Most evidence suggests that food pantries are used occasionally as a supplement to other resources. In fact, at least one-third of food pantry users also receive food stamps, but visit the pantry toward the end of the month when food stamps run low.[14] For families in economic need, food pantries are more likely to be available in their community than other types of private help.[15] Although we have no data to indicate how much disconnected women make use of food pantries or other community help, they are likely to use them at least as much as other low-income single mothers and probably more. Our general reading of the evidence is that food pantries or other community service organizations can provide, at best, only limited support to disconnected women.

An alternative source of support is through other family members, who might provide assistance to relatives in need. Our data already take into account the income available from other related adults who share a residence with the single mother, since we (like the Census Bureau) assume that all coresident and related individuals share income. The CPS also asks about cash gifts from other (non-coresident) family members. The amount reported is quite small, but there is reason to believe that such transfers might be underreported.[16] Given this limitation of the CPS, what other evidence exists about whether low-income single mothers are likely to receive support from non-coresident family members? There are relatively few studies of kinship support among poor single-mother families, and few of these distinguish between coresident kin and other kin.[17] Our reading of this literature suggests that outside of shared living expenses, financial support from other non-coresident relatives is often low for single mothers. Most support comes as child care assistance from nearby kin, assistance that probably would be less useful for disconnected mothers since they are largely not employed.

A final source of financial assistance may come from men who are boyfriends or fathers of a mother's children. As we have noted, only about 20 percent of disconnected women live with an unrelated male, and cohabitors share much less income than do married couples. Nonetheless, these women have potential access to the earnings of another adult. Nonresident fathers may be a source of assistance as well. Information on formal child support payments received by the mother is collected in the CPS and included in our data on financial resources; information on regular cash support outside of formal child support is also requested (although it may be under-reported). Covert or informal support amounts are relatively low and hard to collect information about.

Overall, we know that most of these disconnected women have some resources available to them beyond those that they report to surveyors. Almost certainly these women get help—much of it in-kind—from families, friends, community organizations, boyfriends, and the fathers of their children. Indeed, if they did not get this sort of help, it would be impossible to survive on the incomes they report. We would be very surprised, however, if this other income constituted enough to change our overall conclusion that this is a very poor group whose numbers are growing. Certainly these other sources of income are unreliable and variable, and do not offer the economic security that stable employment or public assistance support would provide.

Possible policy responses

In past decades, increases in the number of poor, nonemployed women would be likely to generate a conversation about increasing take-up of welfare among this eligible population. In the current policy environment, many of these women were once on welfare but have been encouraged to leave. The evidence suggests that many of the most disadvantaged women who are neither working nor on welfare have hit time limits or been sanctioned, making it impossible for them to utilize welfare as an income source.[18]

The difficulty of returning these women to welfare programs has increased with the recent federal revisions in the Temporary Assistance to Needy Families (TANF) block grant that occurred in January 2006. TANF provides the primary federal funding stream for state cash welfare programs. The new law requires that 50 percent of the current welfare caseload be working in order for states to receive their TANF funding.[19] While states have faced such requirements in the past, a legal provision allowed them to reduce caseload work requirements if their caseloads fell after 1995. Since all states experienced sharp caseload declines post-1995, state caseload work requirements were also reduced. The recent legislation "resets the base" to the 2005 caseload levels, requiring 50 percent of the caseload to work, and allowing a reduction in this fraction only if caseloads decline post-2005. Few states currently meet this 50 percent requirement. "Work" includes employment as well as a variety of approved work activities, such as supervised job searches or job training programs. Women must take part in employment or work activities for at least 20 hours per week to be counted as "working" if they have a child under age 6; they must work at least 30 hours otherwise. The result is that states are increasingly concerned not only with moving women off welfare and into work, but with increasing work hours among current welfare recipients. Providing assistance to disconnected women—women who have already demonstrated difficulty with holding stable employment—may be low on their priority list.

Given recent TANF policy trends, we discuss five potential policy responses to the growing share of disconnected women: doing nothing; expanding in-kind program take-up; expanding SSI eligibility; designing new state (or federal) programs aimed specifically at this population; and revising welfare rules.

We believe that doing nothing is an unpalatable option given the evidence that a high share of these women face serious barriers to work. Expanding in-kind program take-up would require greater efforts to increase disconnected single mothers' awareness of their eligibility for these programs. Expanding SSI eligibility is a potentially large and costly reform that may have a limited impact on disconnected single mothers. Creating special programs for this population would require additional administrative machinery and bureaucracy.[20] And removing TANF barriers that inhibit states' ability to provide ongoing support to these women and their children would weaken the thrust of welfare-to-work reforms.

Conclusions

This country has chosen to limit its safety net for poor nonworkers in favor of greater support for those who work. Recent history has demonstrated that many single mothers are able to work, allowing them to receive supplementary support through work-oriented assistance such as the earned income tax credit. Our concern is for those who have not benefited from these program changes and who have not found steady employment. The preceding analysis has demonstrated the serious need for a more effective safety net for these women and their children, warranting an equally serious response by policymakers.■

This article draws upon the following forthcoming book chapter: Blank, Rebecca, and Brian Kovak. "The Growing Problem of Disconnected Single Mothers." In *Social Policy Approaches that Promote Self-Sufficiency and Financial Independence Among the Poor*, edited by Carolyn Heinrich and John Karl Scholz. Copyright © forthcoming Russell Sage Foundation, 112 East 64th Street, New York, NY 10021. Reprinted with permission.

[1]The analyses discussed in this article rely primarily on data from the March 2006 Current Population Survey (CPS). Additional data came from the Survey of Income and Program Participation (SIPP). Disconnected families are defined as single-mother families where the mother is not in school, has annual earnings of less than $2,000, and annual welfare and Supplemental Security Income (SSI) receipt of less than $1,000.

[2]Authors' tabulations from March CPS.

[3]As Janet Currie notes in her summary of the literature on program take-up, programs that target populations that may have difficulty dealing with complex eligibility requirements (such as the elderly or disabled) may also find it hard to get benefits to the most needy. J. Currie, "The Take-up of Social Benefits," in *Public Policy and the Income Distribution*, eds. Alan J. Auerbach, David Card, and John M. Quigley (New York: Russell Sage Foundation, 2006).

[4]Meyer and Sullivan have noted that reported consumption among the extremely poor seems higher than reported income: B. D. Meyer and J. X. Sullivan, "Consumption, Income and Material Well-Being After Welfare Reform," National Bureau of Economic Research Working Paper #11976, NBER: Cambridge, MA, 2006.

[5]Here, as in all figures in the article, we calculate poverty status using the Census definition of who shares income. This means that we assume that all related person who live together share income and are part of the same family. This is particularly important for single mothers, since many of them live with other relatives. In 2005, 17 percent of single mothers in poor or near-poor families (i.e., whose income was below 200 percent of the poverty line) lived with relatives. We do not assume that male/female cohabiters share income. We follow the standard approach of assuming that only those who are coresiding and related are pooling income. The share of low-income single mothers who are living with an unrelated male has remained quite stable over the 2000s, at about 18 percent, so factors other than changes in cohabitation behavior drive the results we discuss.

[6]J. Grogger and L. A. Karoly, *Welfare Reform: Effects of a Decade of Change* (Cambridge, MA: Harvard University Press, 2005).

[7]Key research that presents evidence on the range of barriers that limit women's employment options include, for example: L. J. Turner, S. Danziger, and K. S. Seefeldt, "Failing the Transition from Welfare to Work: Women Chronically Disconnected from Employment and Cash Welfare," *Social Science Quarterly* 87, no. 2 (2006): 227–249; and E. Meara and R. G. Frank, "Welfare Reform, Work Requirements, and Employment Barriers," National Bureau of Economic Research Working Paper #12480, NBER: Cambridge, MA, 2006.

[8]S. Riger, S. L. Staggs, and P. Schewe, "Intimate Partner Violence as an Obstacle to Employment Among Mothers Affected by Welfare Reform," *Journal of Social Issues* 60, no. 4 (2004): 801–818.

[9]L. R. Metsch and H. Pollack, "Welfare Reform and Substance Abuse," *Milbank Quarterly* 83, no. 1 (2005): 65–99.

[10]See, e.g., L. A. Pavetti and J. Kauff, "When Five Years Is Not Enough: Identifying and Addressing the Needs of Families Nearing the TANF Time Limit in Ramsey County, Minnesota, Lessons from the Field," Document no. PP06-30, Mathematica Policy Research: Princeton, NJ, 2006.

[11]The 2001 SIPP panel interviewed participants every 4 months for 36 months, for a total of 9 interview cycles. In the 2001 SIPP, there are 2,003 women who are low-income single mothers at some point in the panel, each of whom is theoretically at risk of becoming disconnected. We identify spells of disconnectedness as sequential periods when a woman reports herself as being in a family whose income is below 200 percent of the poverty line, does not report school as her major activity, her reported monthly earnings are less than or equal to $2,000/12, her reported welfare income is less than or equal to $1,000/12, and her reported SSI income is less than or equal to $1,000 (all in 2000 dollars). Although women are asked about the past four months each time they are interviewed, there is a serious seam bias problem, so that a disproportionate number of respondents report changes in employment or public program receipt only every four months, at the point where they are interviewed. Because of this, we look only at the last month of each wave (the actual interview month), and therefore have information on women's economic status every four months during the survey period. There were 1,168 women who experienced at least one spell of disconnectedness that started in the SIPP panel.

[12]C. Danielson and J. A. Klerman, "Why Did the Food Stamp Caseload Decline (and Rise)? Effects of Policies and the Economy," Institute for Research on Poverty Discussion Paper no. 1316-06, IRP: Madison, WI, 2006; and M. J. Hanratty, "Has the Food Stamp Program Become More Accessible? Impacts of Recent Changes in Reporting Requirements and Asset Eligibility Limits," *Journal of Policy Analysis and Management* 25, no. 3 (2006): 603–621; both try to estimate the extent to which policy changes have driven the recent increase in Food Stamp Program caseloads; both studies find significant effects.

[13]L. Tiehen, "Use of Food Pantries by Households with Children Rose During the Late 1990s," *Food Review* 25, no. 3 (2002): 44–49.

[14]B. O. Daponte and S. Bade, "How the Private Food Assistance Network Evolved: Interactions Between Public and Private Responses to Hunger," *Nonprofit and Voluntary Sector Quarterly* 35, no. 4 (2006): 668–690.

[15]A national organization, Second Harvest, helps communities organize the collection of unused food from retailers for redistribution through food banks. Over 200 food banks are currently affiliated with Second Harvest. Food banks in turn provide food to food pantries, to soup kitchens, and to other food programs.

[16]S. J. Haider, and K. McGarry, "Recent Trends in Resource Sharing Among the Poor," in *Working and Poor*, eds. R. M. Blank, S. H. Danziger, and R. F. Schoeni (New York: Russell Sage Foundation, 2006).

[17]This distinction is made in K. Magnuson and T. Smeeding, "Earnings, Transfers, and Living Arrangements in Low-Income Families: Who Pays the Bills?" National Poverty Center conference draft, NPC: Ann Arbor, MI. They indicate that two-thirds of single mothers received no cash support at all from their families after a child is born; among those who do receive family help, much of it comes through shared expenses due to coresidence. Almost no financial support comes from non-coresident kin.

[18]See, e.g., R. Fording, S. F. Schram, and J. Soss, "Devolution, Discretion, and Local Variation in TANF Sanctioning," University of Kentucky Center for Poverty Research, Discussion Paper Series #2006-04. UKCPR: Lexington, KY, 2006.

[19]For more details on these new federal requirements, see Center on Budget and Policy Priorities, "Implementing the TANF Changes in the Deficit Reduction Act: 'Win-Win' Solutions for Families and States," report published jointly with the Center for Law and Social Policy: Washington, DC, 2007.

[20]CBPP, "Implementing the TANF Changes in the Deficit Reduction Act," lays out the possibilities for such programs. R. M. Blank, "Improving the Safety Net for Single Mothers Who Face Serious Barriers to Work," *Future of Children* 17, no. 2 (2007): 183–197.

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