The Unfinished Business of Welfare Reform: Improving Prospects for Poor Children and Youth

Perspectives from Research

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“The initial phase of welfare reform introduced major changes into the lives of adults. As we approach the next phase of welfare reform, Congress and the states have an opportunity to finish the task by focusing specifically and directly on the children.”

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FOREWORD

Child Trends’ overarching mission is to improve the lives of children and families. We do this by providing research-based information to inform policies and programs that affect children’s lives and their future prospects. In keeping with this mission, Child Trends has a long history of studying the effects of poverty and family structure on children, the effects of various public policies on children, and the effects of various welfare reforms that have taken place in the years since passage of the Family Support Act of 1988.

From this knowledge base, we are often asked how welfare reform has affected children. In this special report, we address this question by presenting key conclusions based on our analysis of national trend data and of rigorous experimental studies that Child Trends and others have carried out. This is critical information for Congress and the Administration as they approach reauthorization of the three block grants that are at the center of the historic 1996 federal welfare reform law: the Temporary Assistance for Needy Families (TANF) Block Grant, which replaced the longtime Aid to Families with Dependent Children (AFDC) Program; the Child Care and Development Block Grant; and the Food Stamp Program. It is also critical information for governors and legislators as they refine state welfare programs.

We present this information to help inform Congressional decisions related to reauthorization of welfare reform, as well as decisions by governors and legislators about the future direction of state welfare policies and programs. Child Trends will continue to monitor the effects of welfare reform on children and periodically update this report as new evidence becomes available.

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EXECUTIVE SUMMARY

For adult welfare recipients, in some important respects, the 1996 welfare reform law has been a success. More parents – notably single mothers – are working, and welfare caseloads have plunged. Still, while the lives of adults changed dramatically when they exchanged welfare checks for paychecks, that has not necessarily been the case for children. *Outcomes for children affected by welfare reform remain largely unchanged. Moreover, these children generally remain disadvantaged and at risk.*

We base these conclusions on our analysis of both indicator data measuring child well-being during the years following the implementation of the 1996 law and results from experimental evaluations of welfare-to-work programs. To illuminate this evidence, we draw on insights derived from the extensive body of knowledge on child development and the factors that influence child outcomes.

Dozens of indicators of child well-being show neither a pattern of solid improvement nor substantial decline for children. At the same time, low-income children – who include children of both current and former welfare recipients – continue to lag behind children in more affluent households on these measures, putting them at risk for poor development.

Experimental evaluations of welfare-to-work programs show that these programs generally resulted in no, or only weak, patterns of change for children. But there were some impacts on children, and they were both favorable and unfavorable.

- **Favorable impacts** were more likely to occur when mothers were able to get and keep a job and increase family income and, to some degree, when mothers were able to raise their educational level.
- **Unfavorable impacts** were found in the absence of such progress, and for two particular subgroups of children: adolescents and children in families that were new to welfare.

Taken together, both the indicator data and results from experimental evaluations suggest directions for programs and policy, including increasing the income of former welfare recipients who have now joined the ranks of the working poor; responding to the special needs of vulnerable subgroups of children affected by welfare reform; and ensuring that child care programs not only support mothers’ employment needs but also their children’s development needs, to give just three examples.

As federal and state officials chart the future course of welfare policies, they are fortunate to have a substantial body of research to guide them. If they heed that guidance, reauthorization and the state actions that follow could offer a new chance to break the cycle of disadvantage that limits the horizons of some of the nation’s poorest children, thus completing the “unfinished business” of welfare reform.
INTRODUCTION

Welfare is a two-generation program. A household cannot receive a welfare check unless a child lives there. For the most part, however, national attention has focused far more on how adults in welfare households have fared under the 1996 federal welfare reform law than on the children.

For adult welfare recipients, evidence suggests that in some important respects, welfare reform has succeeded. More parents are working and the welfare rolls have declined dramatically. While acknowledging that the move from welfare to work was aided by the economy and an expanded Earned Income Tax Credit, the fact remains that the impact of welfare reform on adults has been profound. Large numbers of individuals have exchanged welfare checks for paychecks, sometimes after years of dependence on public assistance.

This exchange took place in the best of economic times. In the late-1990s, the economy was the strongest it had been in years. In a less robust economy, many of these paychecks may be in jeopardy, along with the fragile self-sufficiency they support. Moreover, faced with budget constraints, Congress and the states may risk missing an opportunity to promote poor children’s well-being through welfare reform.

On the other hand, reauthorization could mark a critical juncture in efforts to improve poor children’s prospects. Guided by research and evaluation, reauthorization and the state actions that follow could offer a new chance to break the cycle of disadvantage. The experience with the first phase of federal welfare reform has shown that moving from welfare to work does not necessarily mean that that cycle is broken. Even with a strong economy, evidence suggests that children in families affected by welfare reform were still at risk. Impending federal and state decisions may determine whether that risk level is increased or decreased.

RESEARCH SOURCES

Understanding how children have fared under the last phase of welfare reform can provide insights that may help shape the next phase. To deepen this understanding, we drew on studies by Child Trends researchers and others, using two prime sources of information: indicator data and experimental studies.

Because we are Child Trends, we use indicators – statistical measures of child well-being – to monitor trends in how poor children nationally were faring during the first several years of welfare reform. Just as the government and Wall Street track economic indicators, especially as they relate to key sectors of the economy, we track social indicators, especially as they relate to a key sector of the population – children.
For welfare reform to be plausible as a driving social force, three conditions are necessary when examining indicator data: there needs to be change over time; these changes in trends need to track with a policy change; and there should be evidence that the disadvantaged groups most affected by the policy change are better or worse off because of it. We do not see any of these patterns in the child outcomes data. At the same time, we also acknowledge that indicators reflect multiple influences, such as broader economic patterns, that include but go beyond welfare reform.

While indicators can depict trends in outcomes for children, they can’t tell us why changes have happened. Moreover, published reports often do not tell us what is going on for specific subgroups of children, such as teenagers in low-income families.

We look at experimental studies to consider the potential contributions of welfare-to-work programs to children’s well-being. As researchers, we know that rigorous experimental studies in which individuals are randomly assigned to either a control group or an experimental group are the only way to determine whether an intervention – such as a welfare-to-work program – has caused a change in people’s lives. This is the approach used in medical trials, and it is the only approach that we accept at Child Trends for attributing cause and effect.

We look at the evidence from both indicator data and experimental studies through a particular lens: the extensive body of knowledge on child development and the factors that influence child outcomes. Child Trends has been studying and contributing to this body of knowledge for more than 20 years.

**EVIDENCE FROM INDICATORS**

Numbers can tell stories. The numbers – or more precisely the indicators – that relate to how low-income families have been affected in the first years of welfare reform tell a mixed story. (Since there are little data available on welfare recipients and low-income children and adults, per se, much of our analysis in this section is drawn from data collected on the entire population. However, we highlight trend data for disadvantaged children.) Just as we look at employment figures for single mothers to see if they track with welfare reform, where possible we look at changes in indicators of child well-being among disadvantaged children to see if they, too, track with welfare reform.

The data we analyzed fall into three broad categories: family economic circumstances, family structure, and child outcomes.

**The Economic Context**

When it comes to family economic circumstances, the indicators point in a positive direction. In particular:
- **Many families left welfare.** Caseloads dropped from 13.7 million in 1995 to 5.8 million in 2000 (see Figure 1).
- **More single mothers joined the work force.** Their rates of participation increased from 57.5 percent in 1995 to 73.4 percent in 1999 (see Figure 2).
- **Child poverty declined.** The percentage of children living in poverty dropped from 20 percent in 1993 to 13 percent in 1999 (see Figure 3), though it should be noted that the increase in income was large enough to move many families across the poverty line, but not large enough to substantially raise their standards of living. Moreover, some evidence indicates that deep poverty may have risen in the late 1990s.

![Figure 1](https://www.acf.dhhs.gov/news/stats/3697.htm)

**Figure 1**

Welfare Caseloads, Number of Recipients (1936-1999)

Figure 2


Figure 3

Family Structure

Welfare reform also focused on reducing teen childbearing and childbearing outside of marriage, since teen mothers and single mothers traditionally have a greater likelihood of going on welfare. Here, the indicators tell a less clear-cut story. Statistics show that the nonmarital birth rate stopped rising in 1994 and the rates of teen childbearing began to fall after 1991. Accordingly, the welfare reform that took place in 1996 can claim, at most, some of the credit for these trends. In other words, although these are positive trends, it is not clear that welfare reform is the driving force. Looking closer at the two trends reveals:

- **Births to single mothers.** Growing up with an unmarried mother increases a child’s chances of being poor, doing poorly in school, and other risks, including being a second-generation welfare recipient. Reducing rapidly rising rates of nonmarital births was an explicit goal of welfare reform, yet for women in their twenties, the nonmarital birth rate rose between 1996 and 2000. Overall, after peaking in 1994, the nonmarital birth rate was flat during the late 1990s (see Figure 4).

- **Births to teens.** In contrast, the teen birth rate has been falling through most of the 1990s (see Figure 5), and this is an important reason that the nonmarital birth rate has flattened. Indeed, except for the increase in the late 1980s, the teen birth rate has been falling for decades. Yet, while the teen birth rate has declined, it remains quite high and well above rates for other industrial nations. This trend, as with that for the nonmarital birth rate, does not track very well with the timing of welfare reform.

- **Living arrangements.** Several studies indicate that there was a decline in the proportion of children living with a single mother at the end of the decade; but the evidence is mixed about whether increases in cohabitation or in marriage are the explanation.

Child Outcomes

Child outcome indicators support neither an optimistic nor a bleak view of how low-income children have fared in the early years of welfare reform. Consider the evidence in two areas:
Figure 4

Nonmarital Birth Rate
(1940-2000)


Figure 5

Teen Birth Rate
(1960-2000)

• **Health.** There was a very small improvement in children’s health status during the late 1990s, as measured by the percentage of children who are reported to be in very good or excellent health. However, the improvement was modest and it occurred among non-poor as well as poor children. Overall, low-income children were much less likely to be in very good or excellent health than those in more affluent households (see Figure 6).

• **Education.** Reading scores – considered a key marker of children’s cognitive development – were virtually unchanged over the decade in which federal welfare reform was launched (see Figure 7). In this case, available data use parent education as the measure of disparity. The data show that children whose parents have the least education also have the lowest scores on tests of reading ability. The pattern for math scores was similar. Math scores improved only slightly during the 1990s and the disparities persisted in scores between the children of poorly educated and more educated parents (see Figure 8).

**Discussion**

Overall, we can see dramatic changes in the lives of parents as a result of welfare reform but little change in child outcomes. We have looked at dozens of indicators, and they show neither a pattern of solid improvement nor substantial decline. Moreover, low-income children – including children touched by welfare reform – continue to lag far behind all other children on these measures, with little evidence that they are beginning to catch up. Almost five years after the implementation of federal welfare reform, poor children remain at serious disadvantage.

For example, looking just at 1999 data alone, we see that low-income adolescents – those in families with incomes below 200 percent of the poverty line – are much less likely to be highly engaged in school (see Figure 9) than children in more affluent families (those with incomes above 200 percent of the poverty line). Low-income adolescents are also much more likely to have high levels of behavior and emotional problems (see Figure 10).

![Figure 6](https://via.placeholder.com/150)

**Figure 6** Percent of Children in Very Good or Excellent Health (1984-2000)

Source: Centers for Disease Control and Prevention, National Center for Health Statistics, National Health Interview Survey.
Figure 7


Source: National Center for Education Statistics, National Assessment of Educational Progress (NAEP), 1999 Long-Term Trend Assessment.

Figure 8


Source: National Center for Education Statistics, National Assessment of Educational Progress (NAEP), 1999 Long-Term Trend Assessment.
Figure 9

Percent of 12- to 17-Year-Olds Highly Engaged in School, by Family Income (1999)

Source: National Survey of America’s Families.

Figure 10

Percent of 12- to 17-Year-Olds With High Levels of Behavioral and Emotional Problems, by Family Income (1999)

Source: National Survey of America’s Families.
EVIDENCE FROM EXPERIMENTAL STUDIES

We looked carefully at the data from eight experimental studies of welfare-to-work programs to examine impacts for children when a parent moves or prepares to move from welfare dependency to economic self-sufficiency. These studies were carried out by Manpower Demonstration Research Corporation, Mathematica Policy Research, Inc., and Child Trends, with substantial support from the federal government and other funders. These studies evaluate welfare-to-work programs implemented before enactment of the 1996 welfare reform, all of which incorporate one or more elements of current welfare policy. These studies are particularly important because they can show whether and how different welfare-to-work programs affect children. As such, they can provide valuable insights into which approaches to welfare reform are more or less beneficial to kids.

In reviewing these studies, we and other researchers found that there were signs of progress. But there were also several warning signs.

In general, the welfare-to-work programs most often resulted in no, or only weak, patterns of change for children. The primary goal of these programs was to move adults into the work force. They were adult programs. They were far less focused on the children in welfare households. This point may be key to understanding why the trends in child well-being for low-income children have changed so little, while adult trends have changed a lot.

But this is not the whole picture. Impacts on children did occur. This evidence shows that welfare-to-work programs can affect children, and these impacts can be both favorable and unfavorable.

Favorable Impacts

What were some of the favorable impacts and what can we learn from them?

- **Employment alone was not enough.** When welfare-to-work programs resulted in both increases in employment by mothers and increases in family income, children tend to fare better on several measures of child well-being. These included measures of behavior (such as the number of behavioral problems children show) and cognitive and academic development (such as cognitive test scores and mothers’ or teachers’ reports of children’s academic achievement). This finding suggests that wage supplements, earned income tax credits, and other means of raising the income of working poor parents are a good investment in children’s well-being, when they contribute to sustained improvements in family income.

- **When welfare-to-work programs led to an increase in mothers’ educational attainment, children also sometimes did better on cognitive outcomes.** Current welfare reform efforts have emphasized parental employment almost to the exclusion...
of education. This finding suggests that, for at least some groups, investments in maternal education may prove to be an asset for children.

Unfavorable Impacts

What about the other side? What does the experimental evidence tell us about unfavorable impacts on children when their mothers are assigned to a welfare-to-work program? The findings about three particular circumstances are instructive here:

- **When mothers in the program group failed to get or keep a job and raise family income, children’s development was more often jeopardized.** To put it another way: Children of mothers who failed to make the progress expected or required of them under welfare reform were more likely to show negative impacts than children of mothers who successfully made the transition from welfare to work.

- **Unfavorable impacts were also found among adolescents whose parents were moving from welfare to work.** This finding has taken many in the research and policy communities by surprise. Researchers and policy makers have tended to focus much of their attention on young children, assuming that they would be most affected when their mothers went to work. They have also focused on teen parents. When people thought about adolescent children of mothers receiving welfare, they assumed that these young people would benefit from the role model of a parent going to work every day. In fact, the evidence to date suggests that some reconsideration may be warranted. While most impacts on adolescents have been neutral, almost none have been positive, and a distressing number have been negative. These studies show that teens whose parents were enrolled in welfare-to-work programs tended to do worse in school and had more behavior problems than teens whose parents were not assigned to these programs. And these problems were not minor. They included delinquency, drug use, drinking, and smoking.7

- **Also, children in families that were new to welfare were more likely to be affected negatively by their parents’ participation in welfare-to-work programs than were children of longer-term recipients.** Some had anticipated that impacts would be worse for children in long-term welfare families than children in families that had just arrived in the welfare office. After all, parents who are new to welfare tend to have more education and more work experience than parents who have spent years on welfare. Yet children in families new to the welfare system showed more unfavorable impacts. They sometimes showed negative impacts even when children of long-term recipients showed positive impacts. While we need further research to determine the reasons behind this pattern, it is possible that these newcomers have come into the welfare system as a result of some recent and serious trauma in their lives – for example, a parent’s sudden and unexpected loss of a job, divorce or separation, or domestic violence. Work requirements – even work incentives – simply may involve more cumulative changes than children in these families can handle.
Discussion

Looking at the experimental evidence showing the favorable and unfavorable impacts of welfare-to-work programs on children and adolescents can provide insights into how these programs can be structured to help them. Equally important, this evidence can show what program approaches and target groups are vulnerable to negative effects. Overall, results from the experimental studies help to round out the picture of how welfare reform is affecting children.

SUMMARY

At the end of the first five years, we conclude that the promise of welfare reform is partially fulfilled. More parents who had depended on public assistance to support their families have joined the work force. Welfare caseloads have plunged. Child poverty has declined. National trend data show that some outcomes for adults have indeed improved.

But outcomes for children are largely unchanged, and outcomes for disadvantaged children – a population at considerable risk to begin with – remain far worse than outcomes for more advantaged children. Experimental studies, while not nationally representative, show mostly that welfare-to-work programs have had relatively few impacts on children. However, when impacts have occurred, these are both favorable and unfavorable. The findings provide encouraging news about programs that result in sustained increases in work and family income and perhaps, also, in mothers’ education. They caution us that for adolescents, for children in families new to welfare, and for children whose parents fail to make progress in the labor force, outcomes can be sometimes unfavorable.

Moreover, we know little about how welfare reform is affecting babies and toddlers. (There is need for an accelerated push to close this research gap, especially in light of the growing body of research on how critical these early years are to subsequent development.) In addition, research is needed on children in other critical groups, including immigrant children, children of convicted drug users, and children of incarcerated parents – all groups with unique and important concerns in an era of welfare reform.

Taken together, what the research does tell us suggests directions for programs and policy. For both the federal government and the states, improving prospects for children and youth is the unfinished business of welfare reform.
IMPLICATIONS FOR POLICY

Guided by the findings we have presented in this report and elsewhere and by decades of research on how to promote healthy child development, policy makers have an opportunity, through reauthorization and the state actions that will follow, to make strategic changes in welfare policies that will help children.

Specifically, research and analyses suggest the following guidance:

First, when parents go to work, children are more likely to benefit when family income increases as well. Research indicates that welfare-to-work programs are more likely to benefit children when two conditions are met: Their mother gets a job and their family income increases. Welfare-to-work programs must therefore focus both on employment and income. There are certainly a variety of approaches to choose from across the political spectrum, including earned income tax credits, wage supplements, refundable child tax credits, earnings disregards, and in-kind benefits, such as health insurance and food, housing, or energy assistance.

Second, we should be attentive to the needs of adolescents (as well as younger children) whose parents are moving from welfare to work. This will take some additional research to clarify when and why adolescents seem to be faring poorly. At Child Trends, we are considering three different hypotheses, each with very different policy implications:

- It may be that mothers feeling the stress of moving from welfare to work are parenting their adolescents more harshly. The policy response here might be to provide family supports for newly employed parents.

- It may be that adolescents are shouldering substantially more responsibility for child care of a younger brother or sister and other household duties, or they may be working long hours to supplement their family’s income. (Some research at Child suggests that teens may be working longer hours when families leave welfare.) Policy responses might focus on child care options for siblings, to reduce the burden of adolescents. Also, the income supports noted above (earned income tax credits, for example) might reduce the need for long hours of work by adolescents.

- It may be that as parents spend more time on the job, they have less time to supervise their adolescents. The policy response here might involve after-school activities for adolescents.

Fortunately, the evidence base is growing on how to enhance adolescent development. Evidence includes rigorous evaluations of high-quality, long-term youth development programs, such as those sponsored by sites in the Teen Outreach program, the Children’s Aid Society, Quantum Opportunities, and the Big Brothers/Big Sisters mentoring program. These programs provide teens with sustained, long-term relationships with caring adults, and they provide engaging activities that build on youth’s own interests and strengths. They are “two-fers” in that they support parental employment as well as positive adolescent development.
Third, **we should also be attentive to the needs of children of both new and long-term recipients.** Results from several of the experimental evaluations indicate that the needs of families new to welfare may be different from the needs of families that have long been on the rolls. Supports for new welfare families may relate more to a major change that brought them into the system, such as job loss, loss of a partner, or domestic violence. Supports for long-term recipients may have more to do with addressing factors that keep them from getting a job – perhaps serious physical or mental health conditions, limited education, or substance abuse. One premise of the 1996 welfare reform law is that one size doesn’t fit all states. One size doesn’t fit all families either. States need the flexibility and the funding to craft different responses for families in different circumstances.

Fourth, **we need to recognize anew that family structure matters for children,** a conclusion based solidly on extensive research. Children’s well-being would improve if we reduced teen childbearing and childbearing outside of marriage and if more families had involved fathers. However, research also supplies an important caveat: Children develop best in families formed by both biological parents in a low-conflict marriage. In other words, marriage to just anyone is generally not as good for children as marriage to the biological parent; and marriages that are violent or wracked by conflict can be harmful to children. But, frankly, neither researchers nor policy makers at this point know just how to assure strong marriages or how to reduce childbearing outside of marriage among adults.

Fortunately, we do know quite a lot about reducing teen childbearing. Abstinence, of course, is the surest way to avoid pregnancy. It is an important option for poor kids as well as middle-class, college-bound kids. So is contraception. Available data indicate that both more abstinence and more contraception by teens have played crucial roles in the drop in the teen birth rate.

Finally, if we are going to improve outcomes for children, we have to go beyond just providing child care so that mothers can work. **We need to invest in early childhood development programs for young children.** Welfare reform so far has concentrated on increasing the supply of child care so that mothers can work; and billions of additional dollars have been allocated for child care in the last five years.

Some of that money has been designated to enhance the quality of child care programs, enabling states to experiment with different approaches to meet this goal. This funding should be retained, and we need to continue to learn from states’ experiences in this area. The research has limitations, but what is available suggests that high-quality care can help improve outcomes for children and address the disparities in outcomes we see between poor children and more affluent children.

As federal and state officials consider the future direction of welfare policies, they are fortunate to have a substantial body of research to guide them. This body of research includes rigorous evaluations of the effects of various welfare-to-work programs, trends in key indicators of child well-being, and decades of research on child development.
The initial phase of welfare reform introduced major changes into the lives of adults. As we approach the next phase of welfare reform, Congress and the states have an opportunity to finish the task by focusing specifically and directly on the children.
This special report is based on a briefing developed by Kristin Anderson Moore, Ph.D., Child Trends President; Martha J. Zaslow, Ph.D., Child Trends Vice President for Research; and Carol Emig, M.P.P, Child Trends Vice President for External Relations. Jennifer L. Brooks, Ph.D., Megan Gallagher, and Kristy Webber also assisted in the preparation of the briefing and this report.

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