

WELFARE REFORM: SUCCESS WITH TROUBLE SPOTS

Ron Haskins

Brookings Institution

Annie E. Casey Foundation

Having written previously on the positive effects of welfare reform [Blank and Haskins, 2001; Haskins, 2001, 2002], I am perhaps not the least biased person to draw conclusions about the interesting group of studies on welfare reform included in this symposium. Even so, leaving aside the complex issue of separating out the effects of a strong economy, of improved work support policies such as the Earned Income Tax Credit, and of welfare reform itself, administrative data from states and nationally representative data from the Current Population Survey for the years after 1994 show several major changes in the behavior and condition of low-income mothers and children. These include historically unprecedented declines in the use of cash welfare, dramatic increases in work and earnings, especially by never-married mothers, and the most substantial declines in child poverty since the early 1970s. Especially when taken in conjunction with the results of a host of random-assignment studies showing that mandatory work programs typically reduce welfare use and increase work, there is now virtually universal agreement that welfare reform has played a significant role in the increased level of self-sufficiency implied by declining welfare use, increased work, and increased earnings. The question of whether leaving welfare for work leads to increased total family income and lower poverty rates remains in some dispute.

Beyond these big questions of welfare use, work, income, and poverty, researchers across the country have launched a diverse and ambitious effort to study a large number of important issues related to welfare reform. The papers included in this symposium provide excellent examples of this growing body of research. The most important issues addressed by these papers are whether the effects of welfare reform are similar in urban and rural areas and across racial and ethnic groups, whether welfare reform affects children, and whether adult and child well-being vary depending on the circumstances under which families leave welfare. The papers also bear on the big issues of welfare use, employment, earnings, and poverty.

The studies by Chernick and Reimers and by Michalopoulos address racial and ethnic differences in the response to policies that emphasize work. While Michalopoulos finds only very modest differences attributable to race or ethnic group, Chernick and Reimers find more substantial differences. Such contrasting results are probably explained by major differences between the two studies. Michalopoulos uses data from 26 studies conducted throughout the United States and in Canada.

Ron Haskins: Brookings Institution, 1775 Massachusetts Avenue, NW, Washington, D.C. 20036. E-mail: rhaskins@brookings.org.

All of the studies were based on random assignment to a treatment and control group and all the studies aimed to increase work among welfare recipients. The style of research conducted by Michalopoulos, in which results are pooled across many large-scale experiments, would have been unimaginable a decade ago. It is a mark of the explosion of random-assignment studies on welfare reform that Michalopoulos had access to such a rich database. Given the compelling nature of the Michalopoulos data base, his finding that the differences in welfare receipt, work, and earnings between whites, blacks, and Hispanics are so modest should establish something of a working assumption that these racial and ethnic groups respond in similar fashion to the choices presented by welfare reform. As Michalopoulos concludes, "programs with large effects overall generally had large effects across the three groups, while programs with small overall effects generally had small effects across the three groups."

Therefore, it is something of a surprise that Chernick and Reimers find more potent racial and ethnic differences. In particular, although at-risk blacks and Hispanics both demonstrated substantial increases in work, Hispanics were much more likely to leave welfare whereas blacks were more likely to combine welfare and earnings. Across all low-income households, household earnings increased a significant 13 percent, but the increase was significant only for Hispanics. In fact, although the number of black households with earnings increased, the average earnings of black households actually declined. Even when the authors use a comprehensive definition of income that includes food stamps and the Earned Income Tax Credit, the comprehensive income of Hispanics increased 18 percent while the comprehensive income of blacks remained flat over the period.

The authors attribute these earnings and comprehensive income differences to changes in the composition of the respective groups. Specifically, the percentage of households headed by single mothers who dropped out of school declined among Hispanics, especially Puerto Ricans. By contrast, the percentage of households headed by mothers with low education increased slightly for blacks. In addition, Hispanics married or doubled up more often than blacks. These underlying changes in education and family and household structure were associated with the divergent pattern of earnings and income between blacks and Hispanics.

The limitations of Chernick and Reimers's study prevent it from challenging the conclusion from the Michalopoulos study that blacks and Hispanics respond in similar ways to mandatory work programs. Whereas the Michalopoulos study is based on 26 random assignment studies conducted over a period of a decade or more, the Chernick and Reimers study presents data from the Current Population Survey (CPS) for New York City and only for the years 1994-95 and 1997-99 (the authors combined data across years to increase sample sizes). Thus, the Chernick and Reimers study can tell us something about a single city, not about the nation as a whole. Another issue is that CPS data for New York City appear to differ in some respects from national CPS data. In national data for low-income single mothers, the general trend across the years 1993 to 2000 is for increased work, increased earnings, and increased total household income among female-headed families for all ethnic and racial groups. Yet in some years these measures declined for some groups. Therefore,

earnings and household income may have increased for blacks in 2000 in New York City, data not examined by Chernick and Reimers. National data certainly reflected such changes. And in any case, given the failure to show major differences in welfare receipt or earnings between blacks, Hispanics, and whites in Michalopoulos's pooled experimental data and in the national CPS data covering 1993 to 2001 (the most recent year available), the question remains as to why blacks in New York City are apparently so different than blacks in the rest of the nation.

If black, Hispanic, and white mothers respond in similar fashion to mandatory work programs in experimental studies and to welfare reform as it was actually implemented by states, Weber and his colleagues examine whether mothers living in urban and rural areas respond differently to welfare reform. Weber and his colleagues explore this issue using the difference-in-difference method in which changes in outcomes in a group expected to be influenced by a given policy are compared with changes in a group not expected to be influenced by the policy. This method is expanded by Weber to a difference-in-difference-in-difference method in which single moms with children residing in urban and rural areas are compared with single women with no children residing in urban and rural areas in both the 1989-90 and the 2000-01 periods. Based on their analysis of CPS data for these years, the authors find that when demographic differences between the groups are controlled, welfare reform and other policy changes during the 1990s led to large declines in welfare use and large increases in employment by both urban and rural mothers. Employment by rural single mothers increased 16.6 percentage points relative to employment of women without children over the decade; for urban single mothers the comparable figure was 15.5 percentage points. Further analyses indicated that part of the impressive employment gains of single mothers relative to childless women is accounted for by favorable changes in demographic characteristics, especially education, among single mothers. Although the observed effects on welfare use and employment were similar in rural and urban areas, subsequent analyses showed that if the demographic characteristics and changes in demographic characteristics of the two groups had been similar, the policy changes of the 1990s would have increased employment more in rural than urban areas.

Similarly, ignoring changes in demographic characteristics, the policy changes of the 1990s had major effects in reducing poverty of both urban and rural mothers. Again, when demographic changes and especially education are taken into account, however, poverty rates did not fall in either rural or urban areas for single mothers with children. In other words, favorable changes in demographic characteristics account for the declines in poverty. The authors also find that when demographic changes are taken into account, poverty rates in rural areas would have declined more than poverty rates in urban areas.

As the authors conclude, social policy changes in the 1990s do not "systematically disadvantage" rural areas. Welfare reform and other policy changes of the 1990s had the effect of reducing welfare use and increasing employment in both urban and rural areas. However, unfavorable differences in education, and other demographic characteristics such as age and race, prevented rural mothers from making even more progress. Improving their educational attainment "would increase their earn-

ing power and improve their life chances,” as the authors put it, as would providing better employment-related services such as child care and transportation in rural areas.

Gennetian, unlike the other authors in this symposium, examines the impacts of welfare-to-work programs on children and not on welfare use, employment, earnings, or poverty. Like Michalopoulos, Gennetian had access to data from a host of experimental studies. More specifically, her research is based on seven experimental studies involving 14 programs and nearly 7,000 adolescents from about 5,300 families. Her findings are by now well-known from publications of the original studies [Hamilton et al., 2002]. Based on ratings by their mothers, as compared with adolescents in the control groups whose mothers were less likely to work, adolescents in the experimental groups showed negative effects related to schooling. They performed more poorly in school, were more likely to repeat a grade, and were more likely to drop out of school. The adolescents of mothers in the experimental groups, however, were not more likely to enroll in special education, be suspended or expelled from school, or be a teen parent.

These results generally follow those reported by the individual studies and by a meta-analysis of the studies [Gennetian et al., 2002]. Gennetian’s main interest in the analyses presented here, however, is whether having younger siblings plays a role in accounting for the negative effects of welfare and work programs on measures of schooling. She finds a mixed picture. Having a younger sibling does not influence the negative effects of welfare and work programs on school performance, grade repetition, participation in special education, or having a child, but does affect suspensions or expulsions and dropping out of school. In particular, adolescents with mothers in work programs who have younger siblings are more likely to be suspended or expelled and to drop out of school.

Based on these results, combined with the results of previous research, it seems wise to conclude that welfare reform programs that raise mothers’ level of employment carry some risk of negative effects on a fairly broad range of measures of schooling for teenagers. On measures of expulsion or suspension and dropping out, the risk is elevated for adolescents with younger siblings, so it is possible that imposing adult-like responsibilities on adolescents may be one of the underlying mechanisms producing these unfortunate effects. But as Gennetian points out, other explanations should not be ruled out. Lack of supervision in the afternoon hours, for example, is still an issue—and may be even more of an issue for adolescents who are not responsible for their siblings in the afternoon. Nature knows few forces like unsupervised adolescents, leading to the almost inevitable concern among adults that a public policy that seems certain to increase unsupervised time for youngsters is a potential problem. In short, this line of research could hardly be more important.

And yet, the consistent finding that work programs negatively affect adolescent education found in the large and sophisticated data base used by Gennetian was not replicated by an important study recently published in *Science*. Lindsay Chase-Lansdale and her colleagues [2003] studied a stratified random sample of about 2,400 low-income children and their mothers in three major cities (Boston, Chicago, and San Antonio). Based on an extensive battery of interviews and tests with the adoles-

cents, “the most consistent pattern was that mothers’ transitions into employment were related to improvements in adolescents’ mental health” [ibid, 1549]. In examining this surprising outcome through further analyses, the authors report the remarkable finding that these low-income mothers reduced their leisure time activities to spend more time with their adolescent children when not working. The mothers behaved as though they were concerned about how their many hours at work affect their teenager, and therefore made personal sacrifices in their leisure time activities to compensate for time away at work. In addition, consistent with both the experimental studies and the studies based on CPS discussed above, Chase-Lansdale found major increases in earnings (on the order of \$10,000 per year) for mothers who transitioned from welfare to work. These earnings differences also may have played a role in the improved mental health of their adolescents.

As Gennetian points out, there are major differences between her study and the Chase-Lansdale study. Chase-Lansdale and her colleagues studied three cities, Gennetian’s fourteen programs came from across the nation; the Chase-Lansdale sample was taken from low-income mothers, married and single, working and not, on welfare and off, living in poor neighborhoods, Gennetian’s studies were all of mothers on welfare; the Chase-Lansdale study was longitudinal and descriptive, all the programs in Gennetian’s study were experimental. To this list, we should add the observation that the individual studies included in Gennetian’s analysis were initiated before the federal welfare reform legislation of 1996 whereas the Chase-Lansdale study was initiated after the legislation. The 1996 law and the Congressional struggle that preceded it provoked a huge volume of attention from the media and resulted in changes in administrative procedures of the cash welfare program in every state. The public debate and new administrative procedures in all likelihood gave recipients a clear understanding that welfare rules, especially mandatory work requirements, sanctions, and time limits, have now changed. Potentially even more important, mothers on welfare may have come to have a clear understanding that the public expected them to work and to achieve self-sufficiency. Few would question that most mothers on welfare responded appropriately to these new forces and changed their lives by abandoning welfare and finding employment. The sense of achievement experienced by these mothers might well be related to Chase-Lansdale’s finding of positive effects on adolescents. It seems possible that joining the ranks of productive citizens could translate to improved self image and then to positively affecting their children’s behavior. Plus, the additional income reported by Chase-Lansdale—and in the data from the Current Population Survey discussed above—probably didn’t hurt.

The substantial differences between the Gennetian analysis and the Chase-Lansdale study require extreme caution in drawing conclusions from comparisons of the two studies. Some analysts will conclude that the studies are so different that comparing them is like comparing apples and oranges. Others will want to take note of the substantial differences between the studies and proceed nonetheless to draw some conclusions. For this latter group, a few points deserve special emphasis. The Chase-Lansdale study selected low-income mothers on a random basis from low-income neighborhoods, but most of them were not on welfare when the study began.

By contrast, the mothers in the studies used by Gennetian were all on welfare when the studies began. Mothers in the experimental groups in the individual experiments used by Gennetian were subject to a mandatory work requirement. Virtually every study of these programs shows that a work requirement increases the number of mothers leaving welfare for work. A typical result is that 60 percent of mothers in the experimental group and 50 percent of the mothers in the control group go to work in the year following program onset. Thus, within the context of an experiment like the ones analyzed by Gennetian, the effects of mandatory work on adolescents are primarily created by the additional 10 percentage points of mothers who would not have gone to work without the mandatory program. That is, given differences between experimental and control families in the impacts on adolescents, the logic of experimental design means that it is the group of mothers who would not have worked but for the mandatory program that carries the effect.

But the Chase-Lansdale study does not have this clean experimental-control manipulation. All the mothers meeting the selection criteria and selected randomly were included in the study. Only 38 percent of them were on welfare at the beginning of the experiment. Presumably, many of the mothers on welfare were subject to a mandatory work requirement because by the time of Chase-Lansdale's data collection all states were implementing the 1996 welfare reform legislation. But more than 60 percent of the mothers were not on welfare and not subject to a work requirement at the beginning of the study. Many of these mothers are probably similar to mothers on welfare, but we don't know that. What's more, we don't know whether the Gennetian finding of adolescent impacts would apply to this group.

Of course, after welfare reform passed in 1996, all or most of the low-income mothers living in the neighborhoods studied by Chase-Lansdale may have known that new work requirements were instituted for mothers entering welfare. If this is true, maybe they decided to go out and get a job before even going on welfare. We know from the CPS that work rates among low-income, inner-city females like the ones in the Chase-Lansdale study were much higher in the late 1990s than at any previous time. But if these mothers knew they would be subjected to a work requirement if they went on welfare, why didn't their adolescent children show the deficits in school performance found in the Gennetian studies?

A possible answer is that perhaps they and mothers like them always wanted to work, but until welfare reform they took the easy way out and either went on welfare or stayed on welfare. The implementation of welfare reform, combined with the increased probability that many other mothers in their neighborhood were also working, may have provided just the push they needed to take the leap and get a job themselves. If so, it is not implausible to think that they were proud of themselves for taking this big step toward self-sufficiency and that they communicated their new feelings to their teenagers. This change in the mothers could explain why their teen children felt better about themselves.

With the information available now, there is no solid basis to choose between these various explanations. But the Gennetian analysis is based on one of the most elaborate and sophisticated data sets available to researchers today. Moreover, all the data are experimental. The thrust of Gennetian's analysis is that when poor

mothers with adolescent children go to work, the adolescents are likely to have problems in school. This is one of the most important and discouraging findings from the body of studies examining welfare reform and its effects. Even though these findings are difficult to reconcile with Chase-Lansdale's findings, I find it impossible to take much comfort from the Chase-Lansdale findings and thereby diminish my concern that welfare reform may place some adolescents at increased risk. These risks should not be ignored by researchers—nor by policymakers and welfare officials.

If the data sets studied by Michalopoulos and Gennetian are remarkable for their uniqueness and depth, the data set used by Reichman and her colleagues is no less remarkable. The Reichman et al. study of adult and child well-being among families eligible for cash welfare is based on the widely known and very important Fragile Families study being conducted by Sara McLanahan of Princeton University, Irwin Garfinkel of Columbia University, and their collaborators from around the nation. These enterprising investigators drew large samples from hospital records of new births in twenty cities with a population of over 200,000. The study includes interviews at birth and at ages one and three (an interview at age five is planned) for about 5,000 mothers and 4,000 fathers. Most of the mothers and fathers were unmarried, but the study includes a sample of married parents for purposes of comparison. The major objective of the Reichman study is to examine differences between mothers who stayed on welfare, mothers who left welfare, and eligible mothers who did not go on welfare. The group of mothers who left welfare is further subdivided into those who left voluntarily and those who left because of a sanction or those who could have hit a time limit—in a word, those who probably left involuntarily.

Part of the results fit easily with the general overview of changes in employment and earnings of poor and low-income mothers since the mid-1990s. More specifically, mothers who did not go on cash welfare and those who left voluntarily are better off in material terms than mothers who stayed on welfare or involuntarily left welfare. The group that involuntarily left welfare is shown to be of special concern. They were found to experience extreme material hardships such as hunger, eviction, or homelessness at nearly twice or more the rate of any other group. In addition, both the physical and mental health of mothers in this group were worse than mothers in the other groups. Even when the authors use multivariate analysis to control for possible selection effects between the groups, the mothers who involuntarily left cash welfare still have higher levels of extreme material hardship. There is modest but nonsignificant evidence that their mental health was poorer as well.

The finding that mothers who leave welfare involuntarily are floundering is consistent with other evidence. Although CPS data show that the number of mother-headed families below the poverty level (about \$15,000 for a family of three in 2003) and below half the poverty level fell in most years between the mid-1990s and 2000, the data also show that further down in the bottom of the income distribution (somewhere below half the poverty level), mother-headed families are worse off. Wendell Primus and his colleagues at the Center on Budget and Policy Priorities in Washington, D.C. [Porter and Dupree, 2001; but see Blank and Schoeni, 2003] have shown that several hundred thousand mother-headed families were financially worse off in 1998 than in the years before welfare reform. Evidence of hardship among some

families leaving welfare, based on both CPS data and data from the three-city study discussed above, has also been produced by Moffitt and Cherlin [2002].

Taken together, the evidence of increased hardship among families at the very bottom of the income distribution should signal that welfare reform has not worked for all families and that researchers and policymakers should focus attention on these floundering families. This is especially the case because an explanation for the problem lies readily at hand. The two major causes of involuntary separation from welfare are sanctions and time limits. Before welfare reform, even very incompetent parents with addictions, personality disorders, depression, and other serious barriers to work could go on welfare and stay for many years. Indeed, as first shown by Bane and Ellwood [1986], the average length of stay for recipients on the cash welfare rolls at a given time was eight years. But under the post-1996 welfare system, with its much greater demands for work and work preparation and its five-year time limit, it is very difficult for these floundering adults to stay on welfare for long periods. Once they leave (or are forced off) welfare, many of them have neither welfare income nor earnings, thereby making them completely dependent on support from relatives and friends, in-kind benefits such as food stamps, and local charity.

The policy issue raised by these families is how to maintain the demanding requirements that have encouraged welfare recipients to enter the work force in unprecedented numbers while simultaneously identifying families with major problems, giving them more time on welfare, and continuing to require progress toward self-sufficiency. The 1996 law allows states to exempt up to 20 percent of their caseload from the five-year time limit. Given that no state is even close to the 20 percent allowance, states have the flexibility under current law to maintain floundering adults on the rolls.

Exactly what to do to move them toward self-sufficiency, however, remains elusive. Fortunately, the Department of Health and Human Services and the Department of Labor are in the process of supporting the evaluation of six or more intervention programs aiming to help the hard-to-employ. More work of this type should be undertaken by scholars working with state welfare departments.

A word is in order about studies that compare mothers who have been on welfare, mothers who qualify for but do not accept welfare, and mothers who leave welfare voluntarily and involuntarily. The substantial differences in welfare policy across states are likely to produce mothers with different characteristics in these various groups. A mother with even very modest earnings would not qualify for welfare in low benefit states like Mississippi and Louisiana. By contrast, a mother could have fairly substantial earnings and still qualify for welfare in high benefit states like Connecticut and California. Comparisons of mothers who have left welfare or remain on welfare across these two types of states must be performed with great caution. Similarly, welfare policies in California, New York, and several other states preclude using sanctions to remove mothers from the rolls. But many other states have sanction policies that result in complete termination of benefits for mothers who do not follow the work and work preparation rules. Again, comparisons of mothers who leave welfare in these two types of states are likely to be misleading.

Taken as a whole, the studies included in this symposium are consistent with several of the major findings from previous studies of welfare reform. Without ques-

tion, during the years after the mid-1990s welfare rolls declined by unprecedented numbers, employment by poor and low-income mothers heading families (especially never-married mothers) increased significantly, earnings increased concomitantly, and child poverty experienced sustained declines. Separating out what fraction of each of these felicitous outcomes is attributable to welfare reform, other policy changes, or a terrific economy will probably never be accomplished to universal satisfaction.

On balance, the studies included in this symposium also seem consistent with the conclusion that mothers leaving welfare for employment are financially better off than mothers remaining on welfare and mothers leaving welfare involuntarily. CPS data show clearly that the poverty rate for low-income, female-headed families declined more between 1993 and 2000 than during any previously comparable period in the past.

But the news is not all good. Mothers in rural areas could improve their employment and economic status if they had better access to education and training, transportation, and child care; mothers leaving welfare involuntarily have high levels of material hardship; and work by low-income single mothers may negatively affect their adolescent children's school performance. High quality studies, like those featured in this symposium, have produced important findings that have clarified both the positive and negative effects associated with welfare reform. Equally important, the research suggests several directions that policy can take to mend the problems associated with welfare reform. The large infusion of public and private funds into research on a wide array of issues associated with welfare reform is proving to be money well invested—especially if federal and state policymakers take advantage of the new knowledge and focus attention and perhaps additional funds on rural areas, floundering families, and programs for adolescents of working mothers.

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