How Children Fare in Welfare Experiments Appears to Hinge on Income

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Introduction and Summary

New research has begun to reveal the effect of welfare-to-work experiments on children. This report looks at data from 16 local programs begun in the early and mid-1990s before the 1996 national welfare overhaul. These early findings indicate that the most successful welfare reforms *for children* have been those that improve their parents' income and economic security by strongly rewarding and encouraging work.

While all 16 welfare experiments sought to encourage work, they did not all succeed in raising participants' incomes. In fact, some reduced the income of the average participant and increased the proportion of participants in extreme poverty (below one-half of the poverty line). For children, the preliminary patterns that emerge from these 16 programs – in such areas as school achievement, behavior problems, and health and safety – are striking:

- Every welfare-to-work program that lifted participants' average incomes by 5 percent or more had mostly good effects on children.

- Every program that reduced income by 5 percent or more had mostly bad effects on children.

Comparing income with gains in adult employment – a more traditional yardstick by which welfare-to-work programs have been judged in the past – this report finds that income appears to matter more for children. In fact, several programs that increased employment without lifting income were found to do more harm than good for children.

These findings suggest that income may be even more important for children in welfare-to-work programs than is commonly known. While much press attention has been paid to the "good news" that income-lifting programs can help children succeed, little attention has been given to the "bad news" that income-reducing programs can cause harm. The bad news about income-reducing programs is especially worrisome because most state welfare policies today are far less generous than the income-lifting experiments examined here, and there have been signs that hundreds of thousands of poor children have grown poorer since the enactment of national welfare legislation in 1996. Family income may be threatened further by the weakening economy.

Children's ages also appear to matter. This report focuses largely on the middle years of childhood (the age group for which results were available from the greatest number of programs). But the pattern of findings varies by age. In particular, no programs helped adolescents, even among programs that raised income. Experts say helping older children may require additional services (such as after-school activities), more flexible program rules, more income support, or a combination of these.

Rather than asking "is welfare reform working?" policy makers should ask which policy changes are helping children and which are hurting. Although information about children in welfare-to-work experiments is only starting to emerge, we believe the early findings are strong enough to warrant action. States that wish to help children succeed should boldly focus on ending children's poverty and ensuring that struggling working families can meet their most basic needs. States that wish to avoid harming children should strengthen their safety nets to limit the number of children exposed to extreme poverty. Congress should consider ways to boost income and limit income losses as it debates TANF reauthorization in 2002.

Data and Definitions Used in This Report

This report examines published results from 16 welfare-to-work experiments, which includes, to our knowledge, all those with rigorous data regarding impacts on child well-being. The experiments are:

- *Minnesota Family Investment Program (MFIP)* 7-county pilot program
- *New Hope* in Milwaukee, Wis.
- Florida's *Family Transition Program (FTP)*
- Canada's *Self-Sufficiency Project (SSP)*
- *JobsFirst GAIN* in Los Angeles, Calif.
- 11 programs of the federally funded *National Evaluation of Welfare-to-Work Strategies (NEWWS)* – including programs in Oklahoma City (Okla.), Portland (Ore.), Detroit (Mich.), and two programs in each of four sites: Atlanta (Ga.); Columbus (Ohio); Riverside (Calif.); and Grand Rapids (Mich.).

All 16 programs operated in the early and mid-1990s. Although the programs began before the major overhaul of the nation's cash assistance system enacted in 1996, they help to illustrate the wide range of approaches that states were permitted to adopt under the 1996 welfare law.

All of the programs expected participants to engage in work or job preparation, but varied in affecting family income. Variations included the size of the maximum cash grant, generosity of financial incentives for working, types of work activities allowed or required, nature of supportive services provided, and frequency and severity of punishments for noncompliance with program rules. (See Appendices A and B for program descriptions and where to find the data.)

All 16 programs were rigorously evaluated by Manpower Demonstration Research Corporation (MDRC). At the start of each experiment, researchers randomly assigned families either to the program or to a control group that only had access to more traditional welfare benefits and services. The impacts of each program were calculated as the difference between the program group's outcomes and those of the control group.

Researchers measured children's well-being in terms of school progress (as reported by parents and teachers), behavior and mental health (such as signs of acting out or symptoms of depression reported by parents), overall health (as perceived by parents), and safety (including trips to emergency rooms and removal from mother's care). Although the measures varied from study to study, most of the studies addressed a similar mix of outcome areas.

This report defines a program as "mostly good" or "mostly bad" for children based on whether researchers found a greater number of favorable or unfavorable impacts on children across all outcome areas. We looked only at statistically significant impacts (impacts that researchers considered too large to be due to chance). Programs with no significant impacts on child well-being or an equal number of good and bad effects are termed "neutral."

We define "income" as the individual participant's own wage and salary earnings (as reported by employers) plus cash assistance and food stamps. This is the only uniform income definition available across all 16 programs. However, it leaves out many other types of income, such as child support and unemployment benefits. It also leaves out the earned income tax credit (which increases the income of working families) and work expenses and various taxes (which reduce economic resources); these two omissions may cancel each other out to a considerable degree.[1] This definition also leaves out income from all other household members, such as working teenage children, spouses, or boyfriends. (These income sources can be sizable. However, increased income from these sources may sometimes come at a cost to child well-being, for example, when teenage children work harder and study less.) With minor exceptions, we use income from the final 12 months of each experiment, just before children's well-being was assessed (see Appendix C). We look at three groups of programs: those that increase income by more than 5.0 percent, those that reduce income by more than 5.0 percent, and those in between.[2]

For most of the programs, published information is not available for all participants' children but only for subgroups broken down by age of child, geography, or other characteristics. Where possible, we chose to examine the subgroup that is most like the welfare population at large (such as urban single-parent long-term recipients in MFIP). When we had to choose an age group, we chose one that includes at least some children in middle childhood, because these are the only children available for all 16 programs. In the 11 NEWWS programs, for example, we follow families with only children ages 6 to 17 because data on families with younger children are unavailable from several NEWWS sites.[3] (Appendix C shows which subgroups we used. Appendix F addresses concerns that lack of comparable data might influence our results.)

This report builds on two earlier studies by MDRC that look across programs at patterns of child well-being. Although our findings are generally consistent with the two MDRC reviews, this report focuses on income in greater detail. This report also differs in other ways, such as covering different age groups and more programs. These differences are discussed later.

Effects on Income and Children Were Varied

Across the 16 programs, impacts on parental income spanned a wide range. Five programs lifted average income by more than 5 percent (and some by as much as 20 percent) above those in the control group. Four reduced average income by more than 5 percent (and some by as much as 15 percent). The remaining seven programs barely affected income.

Even in the programs that raised income, incomes remained distressingly low. Among MFIP's urban single-parent long-term participants, for example, income in the first two years of the study averaged $10,800 a year. Although this was $1,408 above the $9,392 annual income of the control group, it was still too little to pay the cost of food and a modest two-bedroom apartment in the state's largest metropolitan area.[4]

Impacts on children also varied dramatically. Seven programs had mostly good effects on children – that is, MDRC researchers found more good impacts for children than bad impacts. Seven had mostly bad effects on children (more bad impacts than good impacts). Two programs were neutral. The high number of programs with mostly bad effects is a reminder that welfare-to-work efforts may harm children as well as help them.

Many of the impacts on children, both bad and good, were substantial. Two programs, for example, increased the proportion of mothers who said their children were removed from their care because she could not care for or handle them. The proportion nearly doubled (from 4.5 percent to 8.5 percent) in one program and quadrupled (from 1.9 percent to 7.9 percent) in another. Three programs affected the proportion whose children reportedly received or required help with behavioral problems: one doubled this proportion (from 17.5 percent to 34.8 percent), while two others cut it by one-fourth.

Further, while not all of the child impacts found are this large, they are in areas important for children's current and future lives. For example, the index of behavior problems used in several of the studies has been found by earlier research to be "highly predictive of a child's future well-being such as performance in high school."[5] The impacts observed may be especially important for the children in these studies because they start so far behind the national average.[6]

Income Impacts Were Strongly Linked to Effects on Children

Although available research is still limited and may shift as more studies are released, results so far suggest a connection between how welfare-to-work programs affect family finances and how well children succeed (Table 1). In particular:

⇒ **Every program that substantially *lifted* income had mostly *good* effects on children.** All five programs that raised the average participant's income by more than 5 percent resulted in at least one significantly improved child outcome for the age groups under consideration. None of the income-lifting programs resulted in any statistically significant bad impacts on these children.

For example, Minnesota's MFIP pilot program boosted average income from work, cash assistance, and food stamps by about one-seventh (15 percent) among single parents who were long-term welfare recipients, compared with the randomly assigned control group. Incomes also rose in Portland's pilot program (20 percent), Milwaukee's New Hope program (9 percent)[7], and Canada's Self-Sufficiency Project or SSP (16 percent). In Atlanta's job-search-first program, participants' incomes were just over 5 percent above those of control group members, although this was too small a difference to be statistically significant.[8]

Although incomes remained low, all five programs triggered significant improvements for children. Improvements included: cutting in half the proportion of children with high levels of behavioral and emotional problems (MFIP); improving teacher ratings of school performance (New Hope); boosting average math scores (Canada's SSP); and reducing the proportion of children whom parents say receive or require help with an emotional or behavioral problem (Atlanta). None had significant negative effects on children.

⇒ **Every program that substantially *lowered* income had mostly *bad* effects on children.** All four programs that reduced participant income by more than 5 percent triggered more bad child impacts than good child impacts for the age groups under consideration.

For example, in two programs that took a "job-search-first" approach, incomes dropped significantly for participants with school-age children (by 14 percent in Riverside, California and by 15 percent in Grand Rapids, Michigan). Two parallel programs, which operated in the same locations but channeled participants into education or training prior to job search, also reduced incomes (by about 5 percent in Riverside and 7 percent in Grand Rapids) although these declines were not statistically significant.[9]

Bad impacts on children in these four programs included: increased school suspensions (in Riverside's job-search-first approach); almost doubling – to 8.5 percent – the proportion of mothers whose children were removed from her care because she could not care for or handle them (in Grand Rapids' education-first-approach); and more children in special classes for behavioral or emotional problems (in all four programs). There was one improvement – children were slightly less likely to repeat a grade – but this gain was found in only one program (Riverside's job-search-first program) and that program reported stronger negative impacts on two other measures of well-being. Therefore, we consider all four income-reducing programs to have had "mostly bad" impacts on children.

⇒ **Programs that barely changed income had mixed effects on children.** Of the seven programs that affected income by less than 5 percent, two had mostly good effects on children, three had mostly bad effects, and three were neutral.

Put differently, no program achieved mostly good child outcomes while simultaneously reducing income. No program triggered mostly bad child outcomes while simultaneously raising income.

A Closer Look At the Programs

Findings from individual program evaluations offer further evidence that support for struggling working parents can make a difference. Based on detailed analyses and intimate knowledge of each program and its participants, researchers from MDRC report that earnings supplements – together with quality child care and other services – can play a crucial role for children.

> **Minnesota's MFIP. "**MFIP's effects on child well-being are primarily attributable to the program's financial incentives — the additional money available to working families — rather than its participation mandates…
>
> "MFIP's results provide direct evidence that supplementing the income of very disadvantaged families when they go to work can make a measurable difference in the outcomes for their children."
>
> **National Evaluation of Welfare-to-Work Strategies (NEWWS).** "[T]he results for the families with all school-aged children in 11 programs suggest that programs that place little emphasis on helping welfare recipients obtain good child care or that result in decreases in family income may tend to have unfavorable impacts on children."
>
> **New Hope (subgroup results for parents not working full time when the study began).** "It appears, then, that the resources resulting from New Hope participation may have been important mediators of the child outcomes. New Hope provided parents with the means to use formal child care; the slight increases in cash income may also have enabled them to pay for lessons, sports activities, and clubs, many of which require a monetary contribution from families. These added resources may have been particularly important to these subgroup members [not working full time] because their incomes were lower and their poverty deeper than those of people who were employed full time at random assignment."

Work Alone Does Not Ensure Improvements For Children

Most of the 16 programs we examined succeeded in raising employment. But higher employment did not always lead to higher income, because many participants lost more in welfare payments than they gained in earnings. And unlike income, employment did not show a strong link to child well-being. In fact, programs that lifted parents' employment rates without increasing their income generally had mixed or mostly bad results for children.

In 10 of the 16 welfare-to-work experiments, the proportion of parents who worked during any of the study period was at least 5 percentage points higher among participating parents than among the control group. Yet these employment-increasing programs were not necessarily good for children: five had mostly good effects, four had mostly bad effects, and one was neutral (see Table 2, row 1). The pattern was not dramatically different in six other programs, which barely affected employment; those programs, too, showed an even mix of good and bad effects (see Table 2, row 2).

Putting parents to work can go hand in hand with helping children when policies also lift income. But among programs studied to date, those that boost employment without lifting income have not had a strong positive record for children. Looking across all programs that raised employment by 5 percentage points or more:

- Employment rose in four programs that raised income: MFIP, New Hope, Portland, and SSP. As noted earlier, these programs all had mostly good effects on children.

- But employment also rose in three programs that barely affected income. Results of these programs for children were mixed (Los Angeles was mostly good, Columbus's traditional case management program was mostly bad, and Detroit was neutral).

- And employment rose – by between 8 and 11 percentage points – in three programs that *reduced* income (both Riverside programs as well as the education-first program in Grand Rapids). All had mostly bad effects on children.

Nor do the programs with the biggest employment increases necessarily do any better. Although the biggest employment increase found among these 16 programs (a 13 percentage point increase in MFIP) coincided with positive effects on income and children, the second biggest employment jump (11 points in Riverside's job-search-first program) coincided with income losses and mostly bad effects on children.

Grand Rapids' education-first approach is an example of an employment-increasing program that failed to raise income. The program used classroom instruction and a high rate of sanctions to move participants into private sector jobs. By traditional welfare-to-work criteria, the program was successful among parents with school-age children, boosting the proportion ever employed during the two-year study by nearly 8 percentage points (to 78.1 percent, compared with 70.3 percent in the control group).[10] Success in putting adults to work, however, did not appear to help the program's children. The program nearly doubled reports of children removed from their mothers' care (to 8.5 percent, up from 4.5 percent in the control group) and sharply increased children attending special classes for behavioral or emotional problems (to 22.5 percent, up from 13.8 percent in the control group). On no measure was the program found to help children.

Earlier MDRC studies also support the conclusion in Table 2 that work-increasing programs have had, at best, a mixed record for children. Looking at school-age children in the 11 NEWWS programs, one MDRC review noted uneven effects on child well-being in programs where parents reported strong employment gains. Worse, when work records from employers rather than parents were used to identify which programs increased work, the researchers found "some indication that increases in employment in the first two years of follow-up may be associated with unfavorable child impacts."[11] Likewise, a second MDRC study examined how younger children fared in six programs that imposed mandatory work requirements. Although these work programs tended to increase parental employment, they "generally had no effect on young children's school achievement" and "mixed effects on children's behavior," while "effects on children's health were neutral or negative."[12]

How Five Programs Raised Income

If programs that successfully lifted incomes did more than simply putting parents to work, what did they do? They were *not* old-fashioned income-maintenance programs. Nor did they simply impose tough work requirements. Instead, they expected parents to work *and* helped "make work pay."

Three of the income-lifting programs rewarded families that worked with continued partial cash assistance that lifted poverty-level wages above the poverty line:

- **Canada's SSP** offered the most generous work incentives—about $3,000 to $5,000 above Canada's traditional welfare benefits for those earning $10,000 a year.[13] Enrollment was limited to single parents who worked at least 30 hours a week and had received traditional welfare assistance for at least a year. The program raised annual income an average of $1,909 for adults with children ages 6 to 11 during the three-year program, reflecting higher earnings from work ($1,209 a year) and higher benefits ($700).[14]

- **MFIP** likewise sought to reduce poverty by allowing participants to keep more benefits when they worked —a single parent earning $10,000 a year would be about $1,800 better off than under traditional rules.[15] The program was mandatory — parents who failed to participate in employment activities faced a 10 percent grant reduction. The program raised annual income by $1,307 for the average urban single-parent long-term recipient, reflecting increased earnings ($751) and benefits ($556).[16]

- **New Hope**, like SSP, took a voluntary approach (noncooperation brought no threat of financial penalties) but offered families above-poverty incomes, child care, and health insurance in return for working full time. Although work incentives were smaller than in SSP or MFIP,[17] New Hope was unique in offering a guaranteed full-time job if needed. By the second year, parents who had entered the program without a full-time job were making over $1,000 more than control group members, reflecting a combination of higher earnings from work (about $400), more cash assistance (about $400), and more food stamps ($235).[18]

Two other income-lifting programs focused more narrowly on boosting participants' own earnings. Unlike in the three programs with earnings supplements, average welfare payments declined. But earnings rose more than benefits declined, perhaps because the programs were flexible, offering parents access to training where needed and allowing them time to find a promising job with decent pay: [19]

- **Portland** sought to reduce long-term reliance on public assistance by increasing earnings. But the program took a long-term perspective; unlike some other employment-focused programs, staff encouraged participants not to take their first job offer but to hold out for decent wages and fringe benefits. Job training was available for those with low skills. Over the two-year study period, the program raised average annual earnings for all participants by $921 relative to the control group – more than any other program studied – and lowered cash welfare payments by $598.

- **Atlanta's job-search-first program** took a relatively flexible and individualized approach to job preparation. The program focused more heavily on education and training than did job-search-first programs in Riverside or Grand Rapids.[20] Although case managers were told to assign job search as a first activity, some acknowledged that they "worked around" these rules, especially for clients with limited literacy, or emphasized to clients that education would be available if job search did not work out.[21] The program was also more "customer oriented…with staff members emphasizing counseling and the benefits of the program more than the threat of sanctions," researchers noted.[22] Over the two-year study period, the program raised average annual earnings for all participants by $407 relative to the control group and lowered welfare payments by $185.

Thus, both programs used a flexible approach that MDRC researchers note has been highly successful in raising earnings: combining a strong emphasis on work with access to short-term job training for those with limited skills.[23]

The Role of Child Care and Other Services

Research cannot yet isolate all of the reasons for the success of the income-lifting programs. It is possible that other aspects of these programs, apart from increased income, may explain at least part of their success with children. For example, children may have benefited from improved access to a range of services in these programs.

In fact, there is some evidence that child care and other services may have played a role, not only in helping adults work and increasing their earnings, but also in helping children succeed.

Each of the five programs offered participants considerable help in finding and paying for child care. Several programs significantly increased parents' use of child care overall, while others, like Atlanta's job-search-first program, guided participants to licensed child care. In some cases, program participants may have obtained more and better child care (and other services such as after-school activities for older children) because of their increased cash income as well as through direct vouchers or payments from the program.

Researchers note that access to child care and after-school activities in some programs may have played a role in helping children succeed, possibly because the child care provided safe and structured time for children to learn.[24]

How Four Programs Lowered Income and Increased Extreme Poverty

Although three out of the four income-reducing programs managed to raise employment rates significantly among parents with school-age children, income declined because earnings gains were modest and were outweighed by larger declines in cash assistance and food stamps.[25]

- Riverside's job-search-first program raised average annual earnings by $638 for all adults in the program. But welfare fell by $654, wiping out the extra earnings almost exactly. Counting lost food stamps, total income losses were even deeper, especially for the group of participants with school-age children selected by MDRC for more intensive study. For that group, the program reduced earnings plus cash welfare plus food stamps by $1,129 by the study's second and final year.

- Riverside's education-first program raised average annual earnings by $159 (to $1,725) for all participating adults but lowered annual welfare payments by $525 – or three times as much.

- Grand Rapids' job-search-first program raised average earnings by $518 (although only to $2,837 a year) for all adults in the program but lowered average welfare payments by even more – $702 a year.

- Grand Rapids' education-first program raised average annual earnings by $290 (to $2,610) for all adults in the program but lowered average welfare payments by even more – $418 a year.

Cash benefit payments may have fallen so sharply in these programs for a variety of reasons. First, none of the income-reducing experiments offered an earnings supplement beyond the very restrictive one in place under AFDC rules at the time. Instead, program rules reduced benefits quickly when parents went to work.[26]

Second, some income-reducing programs were quick to impose sanctions (partial grant reductions) for noncompliance with program rules. In both Grand Rapids programs, penalties for noncompliance were imposed on roughly two out of every five participants and were large enough to account for a substantial fraction of the benefit decline.[27] Sanctions were much less common in the Riverside programs, however.

Third, some participants may have voluntarily left cash assistance at the urging of the program but failed to find steady work. Fourth, confusion over new eligibility rules, difficulty in attending required meetings, or other administrative hurdles may have driven others from the rolls before they received skills needed to succeed in the workforce. Relatedly, researchers note that the income-reducing programs were less flexible and less responsive to participants' individual needs, by comparison with income-lifting programs in Portland and Atlanta. Such inflexibility may have made some participants feel they were getting less out of the program and increased their frustration with the program.

Finally, in the food stamp program, administrative problems may have allowed some food-stamp-eligible families to lose food stamp benefits solely because their cash assistance stopped, further driving down their measured income.

Although the four income-reducing programs did not have significant effects on the poverty rate for participants with school-age children, they were found to push more participants into *extreme* poverty. Extremely poor participants are those with earnings plus cash benefits and food stamps below one-half of the federal poverty line, which was $13,290 a year for a three-person family in 1999. Specifically:

- The Riverside job-first-search program significantly boosted the extreme poverty rate among participants with school-age children to approximately 40 percent by the final year of the study, compared with less than 29 percent of the control group – an increase of more than one-third.

- The education-first program in Riverside raised the extreme poverty rate to about 35 percent, compared with less than 28 percent of the control group – an increase of more than one-fourth.

- The Grand Rapids job-first-search program raised the extreme poverty rate to approximately 41 percent from 31 percent – nearly a one-third jump.

- In the education-first program in Grand Rapids, the extreme poverty rate was 35 percent among participants and 31 percent in the control group. Unlike in the other income-reducing programs, however, this was not a statistically significant difference.

A lesson from these programs is that efforts focused solely on putting low-income parents to work may succeed in that goal yet backfire by reducing income, increasing extreme poverty, and harming children.

By Rewarding Work, Programs That Boosted Income Also Increased Work and Earnings

Although employment by itself may not be enough to ensure improvements for children (as described earlier), increasing work is broadly accepted as a core policy goal of welfare reform efforts and, when combined with higher income or other supports, may play an important part in creating a successful environment for children. It is worth repeating, therefore, that the programs that raised family income were all *pro-work*.

That is, the programs that lifted income did not do so by simply providing more government benefits for everyone. Instead, they created a more supportive environment for families that work. Supports included cash supplements for working families, job training, and considerable child care assistance. Program staff and written materials also emphasized the value and benefits of work.

As a result, employment rates rose in most or all of the income-lifting programs:

- MFIP boosted the proportion ever employed during the three-year study by 13 percentage points (from 75 percent to 88 percent) among the parents whose children were studied.[28]

- Canada's SSP boosted the proportion ever employed over a three-year study period by 9 percentage points (from 58 percent to 67 percent) among parents of children in middle childhood.[29]

- New Hope boosted the proportion ever employed during the two-year study by approximately 7 percentage points among individuals not working full time when they entered the study.[30]

- Employment rates were also 5.5 percentage points higher in Portland and slightly (1.5 percentage points) higher in Atlanta's job-search-first program, compared with their respective control groups. But these employment increases were not statistically significant.[31]

The strong financial incentives for work that were offered in the three earnings supplement programs are illustrated by Minnesota's MFIP program. To illustrate the difference MFIP made, imagine a mother of two children earning $8 an hour. In Minnesota, as in most of the nation, traditional welfare rules would have sharply reduced her cash assistance with almost every dollar she earned after going to work. If she worked 31 hours a week or more, she would have made too much to qualify for cash assistance under Minnesota's old welfare rules. She would have lost eligibility for food stamps working 39 hours a week or more. But she could have remained eligible for MFIP if she worked up to about 47 hours per week.[32]

Results Are Sensitive to Age

As in other welfare studies, our results are sensitive to age. For example, the good effects on children that we find for some welfare-to-work programs do not apply to the oldest children, who may need alternative or stronger forms of help.

As noted previously, available breakdowns on children are not uniform from program to program. Depending on the program, therefore, our analysis includes children as young as 3 to 8 years old, and as old as 11 to 20 years old, at the time their well-being was assessed (see Appendix C for details.) For children in these age ranges, we find that income-reducing programs generally hurt while income-lifting programs help.

However, results were starkly worse for the oldest children. In the few programs where separate information is available for adolescents, welfare-to-work programs were generally found to yield bad effects, even in programs that raised participants' average income. Examples include Canada's SSP program (which was found to hurt adolescents on measures of school performance and on problem behavior like smoking and drinking)[33] and MFIP (which was found to hurt parentally reported school performance for children who entered the program at ages 10 and above, to improve it for children younger than 6, and to cause no change for children in between).[34]

Experts note that, when parents went to work, adolescents suffered from a loss of adult supervision; faced greater strains from sharing in child care and other household responsibilities; and went to work themselves to help pay the family's bills. Although these effects on adolescents were typically small, researchers say, the bad effects were consistent. Ways to improve their outcomes might include more supervised after-school and summer activities for teens; more child care resources so adolescents are not called on to care for their younger brothers and sisters; more flexible work expectations for adults; and more income support for families.[35]

(For some readers the worse results for adolescents may raise technical concerns about the findings of this study. In many of the programs, the children we analyzed include both adolescents and children in middle childhood. For other programs, however, adolescents are not included, due to lack of comparable age data. Does including different age groups from different programs skew our results? Additional analyses suggest it does not. These analyses, which were limited to a smaller group of programs that have uniform age data, produced identical results, as shown in Appendix F.)

For very young children, the pattern may be closer to middle childhood. MDRC has noted gains in young children's math scores and teacher- and parent-rated academic performance in some programs that raised income.[36] However, data for young children are quite limited — five of the 16 programs we examined have no data on families with children younger than 5, and in other programs, sample sizes are considerably smaller (and therefore less reliable) than for older groups. Most importantly, no programs appear to have lowered income by 5 percent or more for parents of young children. Therefore, these experiments tell us little about young children when incomes go down.

For infants and toddlers, the experiments reveal even less. The experiments generally do not attempt to measure the status of children under age 3. Moreover, unlike current welfare policies, the experiments typically did not impose work requirements on parents soon after birth. Therefore, the experiments provide very little or no information about how current welfare policies may be affecting such very young children.

Overall, data for younger children appear to generally confirm the notion that income-lifting programs can help children succeed but tell us little about programs that reduce income. The evidence for adolescents is bleaker and suggests that much stronger help may be needed to ensure that no child is harmed by changing welfare policies.

CDF Findings Are Consistent with Past MDRC Analyses

Our look at 16 programs builds on two recent reviews of the MDRC child well-being data, both undertaken by MDRC itself. The first review (released in June 2000) examined 11 programs. A second (March 2001) study also covered 11 programs, six of which overlapped with the 2000 study.

Our findings are generally consistent with both MDRC analyses. The good news – that income-lifting programs helped children – echoes MDRC's 2001 review. In that study,

> The most consistent finding is that programs that provided financial supports to parents who went to work — and increased parental employment and family income as a result — improved outcomes for children…. Thus, it appears that such programs have the potential not only to support the working poor but also to complement education reforms aimed at improving the school achievement of low-income children.[37]

The bad news we find for children in income-reducing programs seems at first glance to contradict MDRC. However, the inconsistencies disappear on closer examination.

MDRC concluded from its 2001 review that policy makers may face a choice between crafting welfare-to-work requirements without supplementing wages, which will result in "only neutral effects on children" and providing wage supplements, which "benefit children but also raise government expenditures." The risk of harm for children was not noted. Moreover, in the extensive press coverage of MDRC's 2001 review, it often appeared that MDRC saw few risks for children in welfare policy. Newspaper headlines from January 2001 were upbeat:[38]

> "Gains Reported for Children of Welfare-to-Work Families" (New York Times)
> "Welfare Parents' Pay Found to Affect Grades" (Washington Post)
> "Welfare Reform Aids Kids' Success..." (Chicago Tribune)
> "Welfare study: Kids OK when moms work" (Sacramento Bee)
> "Jobs, extra pay lift poor families, study finds" (Boston Globe)
> "New Welfare Study May Ease Worries About Harm To Kids" (Stateline.org)

However, this purely positive story is not a complete picture of MDRC's data or analysis. The reason is that MDRC's 2001 report only set out to answer a specific question: how do children fare in programs with certain policy features (earnings supplements, work requirements, and time limits)? The report did not try to analyze how income-reducing programs affect children, or even to identify which programs triggered income losses.

By contrast, MDRC's first (2000) report did ask whether income-reducing programs may be harmful to children. Based on 11 studies, the researchers answered a cautious yes. For families with school-age children in 11 programs, MDRC found:

> some evidence that decreases in combined income may be related to unfavorable child impacts in this older-child sample…. [Programs] that result in decreases in family income may tend to have unfavorable impacts on children.[39]

These tentative MDRC findings resemble CDF's conclusion that income-reducing programs pose a threat to children. CDF's conclusions are less tentative, however, in part because CDF included additional programs. MDRC's 2000 study looked at the link between income and child well-being, but only for 11 programs, only one of which significantly raised income for the relevant group of parents. CDF's study included MDRC findings from five more programs, most of which raised income. Having more programs permits a stronger test of the link between income impacts and children's outcomes.

In addition to how they address changes in income, the MDRC studies differ in several minor ways from CDF's review and from one another. Differences include age of children examined; how programs' effects on income are classified; and, in a few instances, which child outcomes were used. None of these differences appear to alter the basic conclusion that income impacts are closely related to child well-being.

Overall, CDF's findings are consistent with MDRC's two earlier studies. Like MDRC's 2000 study, CDF finds a link between income losses and bad child outcomes. Like MDRC's 2001 study, CDF finds a link between income increases and positive child outcomes. CDF's analysis differs chiefly in that it focuses more directly on income, encompasses more programs than either MDRC review, and reaches stronger conclusions about the correlation between income change and child well-being.

Today Many Poor Families Are Growing Poorer

The findings in this report would be promising if current state and federal welfare policies were lifting incomes for low-income families nationwide. But a number of analyses suggest that, on the contrary, a large fraction of poor families with children have been made even poorer in recent years because they have lost cash assistance and food stamps.

- An estimated 700,000 families in 1999 had lost income relative to their counterparts before 1996 due to weakening in the safety net, according to analyses of Census Bureau data.[40]

- The number of children in *extreme poverty* (defined as after-tax cash and noncash income below one-half of the federal poverty line) increased by more than 400,000 in the first full year after the welfare law, according to a CDF analysis.[41] Moreover, while the number in extreme poverty did not keep rising after 1997, the proportion of poor children in extreme poverty continued to rise in 1998 and remained at a decade-long high by 1999.[42]

- In some state studies (including Wisconsin and Iowa), more former welfare recipients lost income in the year after leaving welfare than gained income.[43]

By some measures, income losses endured by the poorest families nationwide following the adoption of the welfare law were similar to the losses in the income-reducing programs that triggered mostly bad impacts on children. Nationwide, for example, the proportion of children in extreme poverty grew by one-fourth in 1997 among children of female-headed families. In the four income-reducing programs in this report, the proportion of participants in extreme poverty rose by between one-eighth and one-third.

The post-1996 surge in extreme child poverty is so striking partly because it occurred while other Americans were riding a wave of overwhelmingly positive economic news. For the typical (median) American family with children, income rose 10 percent from 1996 to 1999. At the same time, the total unemployment rate fell from 5.4 percent to 4.2 percent, the lowest in 30 years. And the official child poverty rate fell from 20.5 percent to 16.9 percent. The fact that poor children grew poorer while the rest of the economy was booming adds to the suspicion that welfare losses were to blame.

Very Few States Offer Strong Earnings Supplements

One reason the poorest families are falling behind may be that, by comparison with the successful income-lifting experiments in this report, most states are doing far less to help struggling families as they try to move to work.

For example, while most states have taken some steps toward supporting work, few are offering the kinds of strong earnings supplements that successfully raised income in MFIP, New Hope, and SSP. Their commitment to raising family economic security can be seen in the earnings levels at which they chose to stop paying cash assistance. Each of the experiments continued to pay at least partial benefits to welfare recipients who took jobs paying up to and above the poverty line.[44]

- The MFIP experiment paid benefits to families earning as much as 140 percent of the poverty line. SSP and New Hope benefits stopped even higher.

- No states today offer such strong earning supplements.

- Today only a few states – Alaska, California, Hawaii, Minnesota, New Hampshire, and Rhode Island – will pay any cash assistance to a mother and two children once their earnings reach the federal poverty guideline. California, the most generous, will pay for families earning up to 125 percent of poverty (or $1,477 a month).

- Half of all states will not pay benefits to families earning over $806 a month, even though this amount is just 68 percent of the poverty line.

- Even states that experimented with more generous earnings supplements in the early 1990s have scaled back. Minnesota, which offered benefits up to 140 percent of poverty in its original local MFIP pilot project, reduced this to less than 120 percent of poverty in its current statewide MFIP program.

Most states have already increased their earnings supplements to some degree,[45] but not as much as MFIP, New Hope, or SSP. State earnings supplements are also typically subject to the lifetime time limits that apply throughout the TANF program, which may discourage or exclude some working families from using them.

By adopting considerably stronger earnings supplements, states clearly could do more to lift income and avoid pushing poor children into deeper poverty.

Concerns for the Future

The future holds additional worries for children affected by welfare-to-work policies. One major concern is that income losses may spread as the economy grows weaker and recently hired welfare recipients become the first to lose their jobs.[46]

Some studies have shown that families who left TANF shortly after its creation in 1996 have been on a slight upward trajectory, slowly gaining earnings and income as time goes on.[47] Unfortunately, studies have also suggested that, compared with these early leavers, families who left more recently may have additional work barriers and are obtaining lower earnings – a problem that again may be made worse by a weakening economy.[48]

Weakening economic prospects are of particular concern as more families hit welfare time limits. Although results of one time-limited welfare program in Florida showed neutral results for children (as shown in Table 1), families hitting time limits in the future may be less fortunate. In a weaker economy, they are at greater risk of ending up without welfare and without a job.

Families also face the danger that they will receive fewer employment-related services as the weakening economy puts pressure on state and local government finances.

Conclusion

The well-being of children was at the heart of concerns raised by both backers and critics of the 1996 national welfare overhaul.[49] Yet until recently little has been known about how children fare when welfare policies shift.

Research cannot yet isolate all of the reasons for the success of the income-lifting programs. In fact, the programs likely owe some of their success to certain supportive features, apart from income supplements themselves. These may include access to services such as job training and quality child care, as well as program features such as counseling and overall flexibility. Policy makers should not neglect such services in designing welfare programs.

But while more research is clearly needed, we believe the early findings in this report add new urgency to the goal of raising family income for poor children and for federal and state policy makers interested in fully reforming welfare, the next priority should be, as U.S. Health and Human Services Secretary Tommy Thompson has said, “to move them up the economic ladder."[50] Efforts to reduce poverty and limit the number of children exposed to extreme poverty should be central as Congress debates TANF reauthorization in 2002.

APPENDIX A
Data Sources Used in This Report

This report looks at impacts on adult income and employment and child well-being drawn from the following program evaluations by the Manpower Demonstration Research Corporation (MDRC). Findings are available at www.mdrc.org.

Minnesota Family Investment Program (MFIP). Lisa A. Gennetian and Cynthia Miller, *MFIP -- Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program – Volume 2: Effects on Children* (New York: MDRC, September 2000), tables 3.1, 3.2, 3.8, 3.9, boxes 3.4 and 3.5.

Milwaukee's *New Hope* (in particular, results for parents who were not working full time at the start of the study). Johannes M. Bos et al., *New Hope for People with Low Incomes: Two-Year Results of a Program to Reduce Poverty and Reform Welfare* (New York: MDRC, August 1999), appendix tables L5.1, L7.1, L7.2, and L7.3.

Florida's *Family Transition Program (FTP)*. Dan Bloom et al., *Summary Report -- The Family Transition Program: Final Report on Florida's Initial Time-Limited Welfare Program* (New York: MDRC, December 2000), tables 2, 3, and 8.

Canada's *Self-Sufficiency Project (SSP)* (in particular, results for children age 6-11 at the time of the 3 year follow-up study). Pamela Morris and Charles Michalopoulos, *The Self-Sufficiency Project at 36 Months: Effects on Children of Program that Increased Parental Employment and Income* (Ottawa: Social Research and Demonstration Corporation [MDRC's Canadian affiliate], June 2000), tables 2.3 and 3.4.

Los Angeles, California's *JobsFirst GAIN*. Stephen Freedman et al., *The Los Angeles JobsFirst GAIN Evaluation: Final Report on a Work First Program in a Major Urban Center* (New York: MDRC, 2000), page 112 and tables 4.1 and 6.4.

***National Evaluation of Welfare-to-Work Strategies* --** 11 programs including programs in Oklahoma City, Oklahoma; Portland, Oregon; Detroit, Michigan; and two programs in each of four sites: Atlanta, Georgia; Columbus, Ohio; Riverside, California; and Grand Rapids, Michigan (in particular, results for participants with school-age children only). Gayle Hamilton, et al.[MDRC], *National Evaluation of Welfare-to-Work Strategies Do Mandatory Welfare-to-Work Programs Affect the Well-Being of Children? A Synthesis of Child Research Conducted as Part of the National Evaluation of Welfare-to-Work Strategies* (Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education, June 2000), tables 2, 5, and 6.

APPENDIX B

Descriptions of 16 Welfare-to-Work Experiments

All 16 programs examined in this report operated in the early and mid-1990s and spanned a wide range of welfare-to-work approaches. Although participants in all of the programs were expected to engage in work or job preparation, the programs varied in important ways that affected family income. Variations included the size of the maximum cash grant, generosity of financial incentives for working, types of work activities allowed or required, nature of supportive services provided, and frequency and severity of punishments for noncompliance with program rules. Specifically:

The Minnesota Family Investment Program (MFIP) combined employment and training mandates for long-term welfare recipients with unusually generous financial incentives to encourage work. MFIP's goals were to increase work *and* reduce poverty. Thus, MFIP encouraged clients to take a job quickly but provided benefits to families earning up to 140 percent of the poverty line. The experiment ran in seven urban and rural counties. (A later statewide version of the program reduced the earnings supplement and imposed tougher work rules.)

New Hope in Milwaukee, Wisconsin, ensured that all participating individuals and families could receive above-poverty incomes, child care, and health insurance if they were willing to work full time. The program provided cash payments to supplement low wages and created temporary work assignments for those unable to find full-time jobs. Participation was open to low-income persons (below 150 percent of the federal poverty line), including childless individuals and others not eligible for conventional cash assistance.

Portland, Oregon's JOBS program was employment-focused – staff told clients that their goal should be to get a job – but participants were told to wait for a "good" job rather than take the first job offered. It also was flexible: those in need of more skills were encouraged to enroll in short-term education or training before seeking a job.

Canada's Self-Sufficiency Project (SSP) offered strong financial work incentives to single parents who had been receiving cash assistance for at least a year. Parents received half the difference between their own actual earnings and a target level of earnings, providing they worked at least 30 hours a week. The targets were $30,000 in New Brunswick and $37,000 in British Columbia. SSP's goals were to increase both income and employment.

Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California, operated two welfare-to-work programs each as part of the JOBS program authorized by the Family Support Act of 1988. In each site, some individuals were assigned to a job-search-first (or "Labor Force Attachment") program that required most participants to initially look for work. Other individuals were assigned to an education-first ("Human Capital Development") program that placed most participants in basic education. Each site had distinctive features:

-- Atlanta's job-first-search program was relatively flexible; caseworkers were

"customer oriented" and emphasized that education would be available if job search did not work out.
-- Grand Rapids' programs imposed frequent financial penalties for noncooperation.
-- Riverside caseworkers enthusiastically advised clients to take a job, regardless of the initial wage.

Florida's Family Transition Program (FTP) offered financial incentives to work and imposed a time limit on receipt of welfare benefits. Participants who were considered not job-ready were allowed to participate in education and skills development; others were required to look for work.

Columbus, Ohio, tested two approaches to case management as part of the state's JOBS program. In the Columbus Traditional program, two different workers handled income maintenance and employment and training case management. In the Columbus Integrated program, one staff member handled both. Both programs were education-focused, placing most participants into basic education and some into post-secondary programs.

Detroit, Michigan, and Oklahoma City, Oklahoma, ran education-focused JOBS programs that assigned most individuals to basic education. The mandate to participate was not strongly enforced.

Los Angeles, California's JobFirst GAIN program stressed immediate employment. The program included job placement assistance and provided considerable information to recipients about the value of the state's financial rewards for employment.

APPENDIX F
Statistical Analysis of 11 Programs

The 16 programs examined in this report do not all have uniform data. Would our conclusions be similar if we had consistent measures of child well-being and consistent age groups from all our programs?

A close look at 11 programs that do have consistent data confirms that there is a strong connection between their impacts on income and their impacts on children's well-being. The 11 programs are from the NEWWS evaluation; in each program, researchers reported results for the same age groups and outcome measures. Appendix C of this report shows that, among these NEWWS programs, two programs raised income by at least 5.0 percent for participants with school-age children (ages 6 to 17 when the study began). Four NEWWS programs reduced income by at least 5.0 percent. The findings from these programs confirm our basic results:

- Both programs that lifted income (Portland and Atlanta's job-search-first program) had mostly-bad effects on children.

- All four programs that reduced income (in Riverside and Grand Rapids) had mostly-bad effects on children.

An even closer look at the detailed findings of these programs confirms the pattern. Table E.1 shows the results of a CDF computer analysis of the statistical connection between how each of the NEWWS programs affected particular measures of child wellbeing and how it affected various adult economic outcomes. This correlation analysis shows that, for MDRC's results for NEWWS participants with school-age children:

- Income impacts can account for up to 42 percent of the program-to-program variation observed in impacts on child outcomes. Income had the strongest connection with school suspensions and whether the mother reported that her child attended a special class because of behavioral or emotional problems.
- Extreme poverty is similar to income: it can account for up to 41 percent of the variation observed in impacts on child outcomes.
- Employment impacts can account for up to 35 percent of program-to-program variation in impacts on child outcomes.

Endnotes

[1] One Michigan study followed welfare recipients who went to work and found that, "on average, the EITC and homeowner's credit were just about equal to the sum of federal income and payroll taxes, state income tax and work related expenses." Sheldon Danziger, Colleen M. Heflin, Mary E. Corcoran, Elizabeth Oltmans, "Does It Pay to Move from Welfare to Work?" (revised August 2001), footnote 9, available at www.ssw.umich.edu/poverty/workpaysaug2.pdf.

[2] An alternative approach would be to define programs as lifting or reducing income if they triggered statistically significant increases or decreases in income. Doing so would not alter our basic results.

[3] Data on income and child well-being are available for the entire NEWWS survey sample combined. We do not use these data, however, in part because the adult and child portions of the survey sample are not comparable. The adult income data cover all adults with children age 1 to 17 at the start of the program. The majority of the child well-being questions relate to status in school and are answered only by parents with one or more school age children.

[4] Comparison is with the U.S. Department of Agriculture's low-cost food plan plus the U.S. Department of Housing and Urban Development's fair market rent for a two-bedroom unit in the Minneapolis-Saint Paul Metropolitan Area in 1994.

[5] Virginia Knox, Cynthia Miller, and Lisa A. Gennetian, *Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program* (New York: MDRC, 2000), page 9.

[6] Like other welfare recipients nationwide, control group members in these experiments experienced as much as twice the national risk of problems such as repeating a grade or school suspension. Gayle Hamilton, et al.[MDRC], *National Evaluation of Welfare-to-Work Strategies Do Mandatory Welfare-to-Work Programs Affect the Well-Being of Children? A Synthesis of Child Research Conducted as Part of the National Evaluation of Welfare-to-Work Strategies* (Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education, 2000), appendix C.

[7] For parents who entered the New Hope program without a full-time job.

[8] We list Atlanta's job-search-first program as an income-lifting program because it lifted income by more than 5.0 percent. Classifying it as not affecting income would not affect our conclusions.

[9] Classifying the two education-first programs as not affecting income would not affect our conclusions.

[10] Hamilton, et al. (2000), table 2.

[11] Hamilton, et al. (2000), page 45.

[12] Pamela A. Morris, et al., *How Welfare and Work Policies Affect Children: A Synthesis of Research* (New York: MDRC, 2001), pages 44 and 46.

[13] Gordon L. Berlin, *Encouraging Work, Reducing Poverty: The Impact of Work Incentive Programs* (New York: MDRC, 2000), page 13.

[14] Pamela A. Morris and Charles Michalopoulos, *The Self-Sufficiency Project at 36 Months: Effects on Children of a Program that Increased Parental Employment and Income* (Ottawa, Ontario: SRDC, 2000), Table 2.3. Annual income, earnings, and benefit figures reflect monthly averages multiplied by 12 months. U.S.-Canadian average monthly exchange rates for 1994 are from www.bankofcanada.ca/en/exchange.htm. Calculations by Children's Defense Fund.

[15] Berlin (2000), page 13.

[16] Lisa A. Gennetian and Cynthia Miller, *MFIP – Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Plan – Volume 2: Effects on Children* (2000), Table 3.2.

[17] Berlin, (2000), page 13.

[18] The Earned Income Tax Credit, which is not counted in this report, added another $205 to their annual income.

[19] In the Portland and Atlanta data, earnings and welfare findings are for all adults in the program, not just those in the school-age child subsample, because welfare findings for the subsample are not available. Hamilton, et al. (2000), Table 2 and Appendix Table B.1 and CDF calculations.

[20] In fact, the program redirected people toward education and training as much as toward job search. Compared to control group members, the average participant spent an additional 114.8 hours in basic education, college and job training activities during the two year study period – more than the extra time they spent on job search and far more than in comparable "job-search-first" programs in Riverside (where participation in education and training rose by 11.1 hours) or Grand Rapids (where it did not increase at

all). Hamilton et al. [MDRC], *National Evaluation of Welfare-to-Work Strategies – Evaluating Two Welfare-to-Work Program Approaches: Two-Year Findings on the Labor Force Attachment and Human Capital Development Programs in Three Sites* (Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education, 1997), Table 5.5.

[21] Hamilton et al. (1997), pages 62-64.

[22] Hamilton et al. (1997).

[23] Julie Strawn and Karin Martinsen, *Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce – A How-to Guide* (New York: MDRC, 2000).

[24] Morris and Michalopoulos (2000); Bos et al. (1999).

[25] In the Riverside and Grand Rapids data, earnings and welfare findings are for all adults in the program, not just those in the school-age child subsample, because welfare findings for the subsample are not available. Hamilton, et al. (2000), Table 2 and Appendix Table B.1 and CDF calculations.

[26] In income-reducing programs in both Riverside and Grand Rapids, benefit rules permitted parents to earn a limited amount, beyond which benefits were reduced by $1 for every $1 earned. The rules were more generous in Riverside than in Grand Rapids, but in both sites, the rules were identical for program participants and control group members, so participating in the program provided no added financial reward for work. Hamilton et al., (1997), page 13.

[27] In the Grand Rapids education-first program, for example, 37.6 percent of adults endured a sanction. Sanctions lasted nearly 10 of the program's 24 months on average. For a three person family in 1993, a sanction meant a $88 decrease in a monthly grant of $474 – suggesting that sanctions were large enough to cost a typical participant about $165 each year, or two-fifths of the average grant reduction of $418. Sanctions were even more widespread in the city's job-first-search program. Hamilton at al. (1997), pages 115-116, 143.

[28] Gennetian and Miller (2000), table 3.1.

[29] Morris and Michalopoulos (2000), table 2.3.

[30] Bos et al (1999), table 4.2. These figures are for all individuals without full-time work, whether or not they had children. However, quarterly employment data suggest employment impacts were similar for parents in New Hope whose children were studied.

[31] Hamilton, et al., (2000), Table 2.

[32] Cynthia Miller et al., *MFIP – Making Welfare Work and Work Pay: Implementation and 18-Month Impacts of the Minnesota Family Investment Program* (New York: MDRC, 1997), Appendix D, pages 220 and 221.

[33] Morris and Michalopoulos (2000), page 57 and table 3.4.

[34] Gennetian and Miller, September 2000, table E.2.

[35] Jennifer L. Brooks, Elizabeth C. Hair, and Martha J. Zaslow, *Welfare Reform's Impact on Adolescents: Early Warning Signs,* Issue Brief (Washington, DC: Child Trends, 2001).

[36] Researchers report finding no significant differences in the effects of MFIP, New Hope, or SSP between children age 3 to 5 at program entry and children age 6 to 9. New Hope and SSP yielded statistically significant positive results for the younger 3-5 group, as did Atlanta's job-search-only program. (Morris et al. (2001), page 35 and Tables 3 and 5.) MFIP yielded no significant positive or negative effects, perhaps because of the small sample size for this age group. Data on young children are not available for Portland.

[37] Morris, et al. (2000), page vii.

[38] Downloaded from /www.mdrc.org/NextGeneration/NGInTheNews.htm, August 23, 2001.

[39] Gayle Hamilton et al. (June 2000), pages 46 and 48.

[40] Ron Haskins and Wendell Primus, "Welfare Reform and Poverty," Issue Brief No. 4 (Washington, DC: Brookings, July 2001), page 6, citing estimates by Primus.

[41] Arloc Sherman, "Extreme Child Poverty Rises Sharply in 1997" (Washington, DC: Children's Defense Fund, 1999), available at www.childrensdefense.org/fair-start.htm.

[42] The proportion of poor children in extreme poverty (counting after tax cash and noncash income) was 22 percent in 1996, 25 percent in 1997, and 26 percent in both 1998 and 1999. Children's Defense Fund, *State of America's Children: 2001* (Washington, DC: Children's Defense Fund, 2001), page 9.

[43] Maria Cancian, Robert Haveman, Daniel R. Meyer, and Barbara Wolfe, *Before and After TANF: The Economic Well-Being of Women Leaving Welfare*, Special Report No. 77 (Madison, WI: Institute for Research on Poverty, May 2000); Thomas M. Fraker et al., *Iowa's Limited Benefit Plan* (Washington, DC: Mathematica Policy Research, May 1997).

[44] State Policy Documentation Project, "Earnings Eligibility Limits -- Single-Parent Family of Three (As of January 2000) -- Amount of Gross Earnings Above Which an Applicant or Recipient cannot Qualify for Cash Assistance" (Washington, DC: Center for Law and Social Policy and Center on Budget and Policy Priorities, updated June 2000), available on the internet at www.spdp.org. Calculations by CDF, based on earnings after 13 months of combining work and cash assistance.

[45] U.S. Department of Health and Human Services, *Temporary Assistance for Needy Families (TANF) Program – Second Annual Report to Congress* (Washington, DC: August 1999).

[46] Harry J. Holzer, "Employer Demand For Welfare Recipients And The Business Cycle: Evidence From Recent Employer Surveys" (1998), available at www.ssw.umich.edu/poverty/employer_demand.pdf.

[47] Danziger et al. (revised August 2001).

[48] Maria Cancian, Robert Haveman, Daniel R. Meyer, Barbara Wolfe, "Before and After TANF: The Economic Well-Being of Women Leaving Welfare," Special Report No. 77 (Madison, WI: Institute for Research on Poverty, May 2000), available at www.ssc.wisc.edu/irp.

[49] Supporters of the 1996 law wrote into the statute's preamble a long list of child outcomes that the welfare overhaul was meant to address by strengthening marriage, reducing out of wedlock birth, and lessening reliance on welfare. The opening paragraphs of the law cite "the interests of children" and "successful child rearing and the well-being of children." Opponents of the law warned that it could ultimately increase child poverty and deprivation.

[50] "Reformer abhors the status quo," *Baltimore Sun* (August 12, 2001).