The Impacts of Welfare Reform on Children

The Indiana Welfare Reform Evaluation

Prepared for
Division of Family and Children
Indiana Family and Social Services Administration
402 W. Washington Street
Indianapolis, Indiana 46207

Prepared by
Erik Beecroft
Kevin Cahill
Barbara D. Goodson
Executive Summary

The extensive federal and state welfare reforms of the 1990s increased the possibility that welfare-to-work programs targeted at adults would indirectly affect children. During the first half of the decade, prior to federal welfare reform, states shifted to a “Work First” approach aimed at moving adults quickly from welfare to work through employment-oriented activities and imposing stiff sanctions for noncompliance. Many states instituted “personal responsibility” requirements that broadened the scope of welfare policy to include parenting (for example, through school attendance and immunization requirements). A significant provision of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), in terms of the potential effect on children, was the imposition of a 5-year time limit on families’ receipt of cash assistance. In addition, the work participation requirements in PRWORA encouraged states to increase participation in welfare-to-work programs by narrowing exemptions.

Critics of welfare reform feared that children’s environments would deteriorate in some families, if benefit reductions from time limits and sanctions exceeded any gains in earnings. They also worried that the quality of parenting and amount of supervision children received might decline when single mothers spent more time at work.

Proponents of welfare reform believed that the reforms would have positive effects on children. Increased income from work would leave the family better off. Maternal employment also might help to regularize family routines and provide better role models that would be advantageous for children. Personal responsibility provisions would lead to better quality parenting.

To measure welfare reform’s impacts on children, in 1997 the U.S. Department of Health and Human Services augmented ongoing welfare reform evaluations in five states to conduct surveys focusing on children’s outcomes. The resulting collaboration—the Project on State-Level Child Outcomes—provides thorough and rigorous measures of welfare reform’s impacts on children. Reforms in the five states—Connecticut, Florida, Indiana, Iowa, and...
Minnesota—represent a range of policies, and the research designs all used random assignment and consistent outcome measures. This report presents the results of the Indiana child survey.  

This report addresses the following research question: How has Indiana’s welfare reform program affected children? The findings are based on an in-home survey conducted between March and November 2000. The survey, which generated a 70-percent response rate, was administered to a representative statewide sample of single-parent families with children, on average 5 years after the families entered Indiana’s welfare reform program. Most of the results in this report are based on a sample of 1,679 families who had a child between 5 and 12 years old at the time of the survey. Findings based on a smaller set of outcomes are presented for 1,126 adolescent children who were between 13 and 17 years old at the time of the survey. The survey measured numerous child outcomes relating to educational performance, social and emotional adjustment, and health. In addition, the survey measured a number of other aspects of children’s environments that could be affected by welfare reform, including the home environment and parenting practices, family stability and turbulence, maternal mental health and domestic abuse, absent parent involvement, and child care.

This study measured impacts as the difference in outcomes between two groups, one randomly assigned to participate in Indiana’s welfare reform program, and the other assigned to a “traditional” welfare environment. Because random assignment ensures that the two groups are alike in all respects, statistically significant differences in outcomes can be attributed to the different policies applied to the two groups or, in other words, to welfare reform.

The Welfare Reform group was subject to a vigorous “Work First” environment in which adults were encouraged to find a job quickly. The State has also sought to increase work participation by narrowing exemptions from work requirements and providing child care subsidies. These policies led to higher rates of participation in mandatory employment and

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1 The child impact results for Minnesota are presented in Gennetian and Miller (2000). Child impact results for Florida are presented in Chapters 5 and 6 of Bloom et al. (2000). Connecticut’s results were released in Bloom et al. (2002). Iowa’s results are presented in Fraker et al. (2002).
training activities and higher sanction rates for the Welfare Reform group than for the Traditional Welfare group. The Welfare Reform group was also subject to a 24-month time limit on adults’ receipt of TANF and a family cap policy that provided no additional grant for children conceived while a mother was receiving cash assistance. In addition, adults in the Welfare Reform group were required to comply with a number of personal responsibility provisions.

The Traditional Welfare group operated under pre-welfare reform rules. They were not subject to a time limit or family cap or personal responsibility requirements, and for much of the study period they were not required to participate in Indiana’s welfare-to-work program.

Indiana’s time limit and sanction policies are relatively lenient. Unlike most states, Indiana has no sanctions or time limits that could automatically terminate benefits for an entire family. The 24-month time limit applies to only adult recipients and does not affect children’s receipt of cash assistance. Until April 2002 Indiana elected under section 415 of the Social Security Act not to apply the federal 5-year time limit, on the grounds that it was inconsistent with the state’s waiver authority under section 1115.

**Findings for elementary school-age children.** Overall, analyses of the survey data suggest that Indiana’s welfare reform program did not have large impacts on elementary school-age children (those between 5 and 12 years old at the time of the survey). Welfare reform had no statistically significant impacts on education or health outcomes. For outcomes involving social behavior and emotional well-being, the study found only one statistically significant impact: an increase in arrest rates for the subset of elementary school-age children who were 10 to 12 years old at the time of the survey. Among children in this age group, 2.2 percent of those in the Welfare Reform group had been arrested, compared to 0.5 percent of those in the Traditional Welfare group. It is not clear, however, whether this is a real effect of welfare reform or only a chance artifact of multiple significance tests.
One reason why Indiana’s program did not have large impacts on children may be that the program did not affect average household income.\(^2\) A synthesis of five recent random assignment evaluations found few effects on young children for welfare-to-work programs such as Indiana’s that mandate work but that do not provide earnings supplements to increase household income (Morris et al. 2001). The same synthesis, however, found some positive effects on young children in programs that did increase household income. From this standpoint, Indiana’s introduction of generous financial supports to working recipients beginning in July 2000 (not reflected in this report) could bode well for children. Under the new policy, working families receiving TANF in Indiana now continue to receive their full TANF grant until their income reaches the poverty line.

Indiana’s program did increase adults’ employment, which was accompanied by a small increase in the use of child care. These changes, however, did not lead to effects on survey measures of children’s well-being.

Even in the absence of impacts for the full sample of elementary school-age children, certain subgroups may have been affected. The study examined impacts for subgroups defined by welfare receipt history, mothers’ employment history, and child gender and found few significant differences in impacts across subgroups.

If the lack of clear positive effects on young children is disappointing to those who had hoped that welfare reform would benefit children, the lack of clear negative effects should provide some reassurance to those who were concerned that welfare reform would harm children. It is possible that impacts of welfare reform on children will materialize after families reach the federal 5-year time limit, although the majority of families will leave welfare before they reach the 5-year time limit.

**Findings for adolescents.** Although Indiana’s child survey focused primarily on 5- to 12-year-old children, it did include a subset of questions pertaining to adolescents, defined as children who were 13 to 17 years old at the time of the survey. For all but one of the small

\(^2\) Total income remained unchanged (on average) because the increased earnings brought about by welfare reform were offset by decreases in TANF and food stamp payments.
number of outcomes available for adolescents, the study found no statistically significant impacts of welfare reform. The exception was a small adverse effect on adolescents’ school performance. On a scale of 1 to 5, with 1 representing “not well at all” and 5 representing “very well,” parents in the Welfare Reform group gave their adolescents an average school performance score of 3.5, compared to 3.7 for parents of adolescents in the Traditional Welfare group, a small but statistically significant difference. This finding is consistent with other recent studies showing some adverse effects of welfare reform on adolescents.

**The status of families 5 years after welfare reform.** In addition to providing evidence on how welfare reform has affected children, this study is useful for what the survey data reveal about the status of Indiana families 5 years after being exposed to welfare reform. The overall finding that welfare reform did not adversely affect children does not mean that these children are doing well. The survey data show that a large proportion of these families, perhaps most, remain financially insecure and face family problems.

Most survey respondents had very low income. More than half of the families had income below the poverty line, a level generally regarded as insufficient to meet a household’s basic needs. Only about 16 percent of families had household income at least 150 percent of the poverty line, a more reasonable but still conservative measure of income sufficient to meet basic needs. Consistent with their low incomes, about 40 percent of families met the U.S. Department of Agriculture’s definition of being food insecure, and 20 percent of respondents reported using food banks in the 12 months prior to the survey.

In addition to having low household income, respondents and their families faced other challenges. Nearly 40 percent of mothers were at risk of clinical depression, and more than 25 percent reported being abused by their partner in the 12 months prior to the survey. Less than 10 percent of the children in the surveyed families had their biological father living in their household, and 35 percent of the children had no contact with their father in the preceding 12 months.

Consistent with these economic and family disadvantages, the few child outcomes measured for adolescents suggest difficulties in and out of school. Parents reported that close to 20
percent of their adolescents were performing poorly in school (more than twice the rate reported for younger children), 33 percent had been suspended or expelled since random assignment, and 7 percent had dropped out of school (even though most of the adolescents in the sample were under 16). In addition, about 20 percent of the adolescents in the sample had some involvement with police.

These multiple disadvantages are not due to welfare reform. Our study found very little evidence that Indiana’s program affected any of these outcomes. The problems also are not unique to welfare recipients in Indiana; evidence from other states suggests similar levels of disadvantage among single-parent families on welfare. Improving these families’ situations will take a broader effort than welfare reform, and time. Increasing household income, whether through earnings disregards or other approaches, may help.