

Waldfoegel, Jane

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## Welfare reforms and child well-being in the US and UK

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IFAU – INSTITUTE FOR  
LABOUR MARKET POLICY  
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# **Welfare reforms and child well-being in the US and UK**

Jane Waldfogel

**With comments by  
Karin Edmark**

WORKING PAPER 2008:11

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Postal address: P.O. Box 513, 751 20 Uppsala

Visiting address: Kyrkogårdsgatan 6, Uppsala

Phone: +46 18 471 70 70

Fax: +46 18 471 70 71

[ifau@ifau.uu.se](mailto:ifau@ifau.uu.se)

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# Welfare reforms and child well-being in the US and UK<sup>°</sup>

by

Jane Waldfogel\*

May 17 2008

## Abstract

This paper examines the effects of recent welfare reforms in the US and UK on the well-being of children in low-income families, looking specifically at the effects on poverty, family expenditures, and child health and development. The paper finds some commonalities but also some notable differences. Common to both countries is a sizable reduction in child poverty, although the reduction in child poverty in the US has been less, and some families appear to have been left behind. Expenditure data also point to divergence across the two countries. In the UK, low-income families affected by the reforms are spending more money on items related to children and are more likely to own a car and a phone, while in the US, families affected by welfare reforms are primarily spending more money on items related to employment but not items for children. Finally, a common finding across countries is a relative dearth of more direct evidence on the well-being of children, and specifically how the reforms have affected child health and development. Identifying such effects remains an important topic for further research.

Keywords: Welfare reform, Child well-being  
JEL-codes: I3, J1

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\* Jane Waldfogel is Professor of Social Work and Public Affairs at Columbia University School of Social Work.

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# 1 Introduction

Recent welfare reforms in the US and UK have altered the life circumstances of low-income families with children. The main thrust of the reforms in the US, and a major thrust in the UK as well, was to increase employment in low-income families and reduce their reliance on non-work-related cash assistance. A good deal of evidence now exists as to the effects of the reforms on these outcomes. However, another major goal of the reforms, explicit in the UK and implicit in the US, was to improve the material well-being and life chances of children in low-income families. We know much less about the effect of the reforms on these outcomes. In this paper I review the evidence we do have on how the reforms have affected child well-being, looking specifically at the effects on poverty, family expenditures, and child health and development.

## 2 The US reforms

The overall contours of the US welfare reforms are well-known, so I describe them only briefly here.<sup>1</sup> The reforms began at the state level in the early 1990s, as states used the waiver process to apply for permission from the federal government to make changes in their welfare programs. These waiver reforms were quite varied but most had in common a dual focus on reducing welfare use and increasing employment. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), passed in 1996 and implemented in all states by 1998, moved welfare reform further along, by replacing the long-standing cash assistance program, Aid to Families with Dependent Children, with a new time-limited and work-focused program, Temporary Assistance to Needy Families (TANF).

A key element of the welfare reform package was the expansion of provisions to make work pay. Particularly important in this regard were expansions in the Earned Income Tax Credit (EITC) for low-income workers, at both the federal and state level. The value of the minimum wage was increased, and there were substantial expansions

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<sup>1</sup> Comprehensive overviews are provided by Blank (2002, 2007a), Grogger and Karoly (2005), and Moffitt (2003, 2007).

in child care subsidies and child health insurance programs, again at both the federal and state level. Finally, it must be noted that all of these reforms were implemented in the context of a very strong economy in the US in the 1990s.

The fact that many reforms occurred together, and in the context of a strong economy, has made it difficult to sort out the precise role that specific reforms have played. However, there is consensus that the welfare reforms (including the EITC and other measures to make work pay) in combination with the strong economy resulted in very steep declines in welfare caseloads and dramatic increases in single mother employment. The expansions in the EITC are likely to have played a particularly important role (Meyer 2007; Meyer and Rosenbaum 2000, 2001a, 2001b).

The statistics for the US are truly striking. Welfare caseloads fell from a high of nearly 5 million families in 1993 to about 2 million in 2000 (Haskins 2006). Over the same period, the share of the US population receiving welfare fell from 5.5 percent to 2.1 percent, while the share of single mothers who were employed grew from 67 percent to over 80 percent (Grogger and Karoly 2005).

### **3 The UK reforms**

The Labour government's agenda to reduce poverty and improve the life chances of low-income families with children has the overall theme of "work for those who can, security for those who cannot" (Department for Social Security 1998), and includes three main elements: policies to promote paid work and make work pay; other policies to raise incomes for low-income families with children; and direct investments in children.<sup>2</sup>

The UK policies to promote paid work and make work pay have much in common with the US welfare reforms and include the introduction of the UK's first National Minimum Wage in 1999 as well as a Working Families Tax Credit (WFTC) (similar to the EITC) (Hills and Waldfogel 2004).<sup>3</sup> However, the UK's welfare to work program

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<sup>2</sup> See overviews in Hills and Stewart (2005) and Hills and Waldfogel (2004); see also Brewer (2007), Brewer and Gregg (2003), Hills (2004), Hills and Sutherland (2004), and Walker and Wiseman (2003).

<sup>3</sup> There have been several changes to WFTC and to the overall structure of benefits and tax credits for children during the reform period.

for lone parents, the New Deal, is a voluntary program, in which lone parents receiving means-tested Income Support must attend job-focused meetings but are not required to take up training or work.<sup>4</sup>

As noted above, the UK reforms include two other elements. To further reduce child poverty (beyond what could be accomplished through the work-focused reforms), the Labour government introduced a series of tax credit and benefit changes including: significant real increases in the value of the universal child allowance, Child Benefit; substantial increases in the generosity of in-work tax credits for low-income working families with children under age 11; and substantial increases in allowances for children under age 11 in non-working families receiving Income Support.<sup>5</sup>

The UK reforms also include a set of direct investments in children, designed to reduce disadvantage and combat social exclusion. Early years programs that deliver child care or other services for pre-school age children have been particularly emphasized (HM Treasury 2001, 2002, 2004). Part-time universal preschool provision is now in place for all 3- and 4-year olds, while additional spending on education has reduced class sizes in the primary grades and provided support for other reforms in the schools.

As expected, the UK reforms reduced the number of single parents claiming means-tested cash assistance, with the number on Income Support falling from 1 million in 1997 to 837,000 in 2003 (Department for Work and Pensions 2003) and 783,000 in 2006 (Freud 2007). Single mother employment rates, much lower than in the US, rose from 45.3 percent in 1997 to 56 percent in 2005 (Department for Work and Pensions 2007). The UK government would like to increase single parent employment further and has set a goal of raising this group's employment rate to 70 percent (Department for Work and Pensions 2006a). This would be a very sizable increase, but would still leave single mother employment rates a good deal lower than they are in the US.

As in the US, it is hard to disentangle the effects of the reforms from the effects of the economy, but Gregg and Harkness (2003) estimate that around 5 percentage points

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<sup>4</sup> There is currently some discussion about requiring work of mothers with older children; see Freud (2007).

<sup>5</sup> As noted above, there have been several changes to the structure of benefits and tax credits for children over the course of the reforms.

of the increase in single mother employment that occurred between 1998 and 2002 was due to the policy reforms. It is likely that the expansions in tax credits played a particularly important role (Brewer *et al* 2005).

## 4 Effects of the reforms on child poverty

Reducing child poverty was an explicit goal of the UK reforms, and an implicit goal of the US ones. The evidence indicates that both countries have seen improvements in child poverty, but with the UK having achieved larger reductions than the US.

The UK measures poverty in both relative and absolute terms. The most commonly used relative measure of child poverty is the share of children below 60 percent of median income.<sup>6</sup> On this measure, child poverty fell by 4.6 percentage points, from 26.7 percent to 22.1 percent, between 1996-97 and 2005-06 (Brewer *et al* 2007, *Table 6*). However, of concern is that the relative child poverty rate in 2005-06 was the same as it had been in 2003-04, and slightly higher than it had been in 2004-05, suggesting that progress in reducing child poverty, at least as defined in relative terms, may have stalled. Also of concern, current numbers suggest that the government, although making substantial progress and nearly hitting its target of reducing child poverty by 25 percent in the first 5 years, is not on track to meet its goal of cutting child poverty by 50 percent between 1998-99 and 2010-11. The reduction in relative child poverty was only 4 percentage points between 1998-99 and 2005-06, an 18 percent reduction. Drawing on advice from two independent policy reviews (Freud 2007; Harker 2006), the government has announced new anti-poverty measures, including more emphasis on getting parents to work alongside measures to help families at particular risk of poverty (Department for Work and Pensions 2007).

Using a relative measure imposes a tough standard, because if incomes are rising elsewhere in the income distribution, pulling the median income up, the poor will fall further behind even if their incomes have not fallen in real terms. If we look at the UK progress using its second measure, an absolute poverty line (measured as the share of

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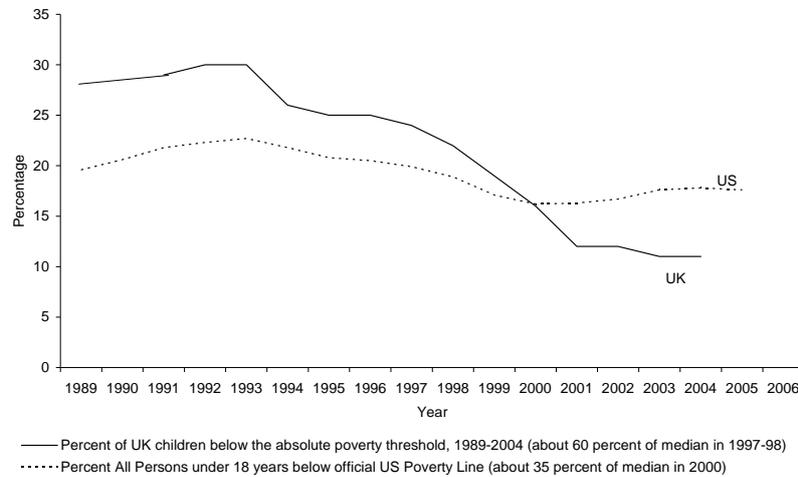
<sup>6</sup> The UK calculates its poverty measures both before and after housing costs. For simplicity, I use only the before housing costs numbers here.

children below 60 percent of the median income in 1996/97, uprated for inflation) we see a very substantial reduction in child poverty, from a rate of 26.1 percent in 1998-99 to a rate of 12.7 percent in 2005-06, a reduction of 13.4 percentage points, or a fall of just over 50 percent compared to the 1998-99 rate (Brewer *et al* 2007, *Table 9*). Moreover, absolute poverty did not rise significantly between 2004-05 and 2005-06, unlike the trend seen in relative poverty. This dramatic progress on the absolute child poverty measure confirms that incomes have been rising for families at the bottom, but since incomes are also rising for other families, this is not reflected in falling poverty rates when they are defined in relative terms.

The US uses an absolute poverty line and thus it is possible to compare the progress of the US and the UK in reducing child poverty in absolute terms. Smeeding (2007) does so using comparable data from the US and the UK, using for the US the official poverty line and for the UK the official absolute poverty line. As we can see in *Figure 1*, the fall in UK poverty has been larger and more sustained than the comparable fall in the US, with the UK moving from having a higher absolute poverty rate than the US from 1989 to 1999 to having a lower rate from 2001 onwards. Earlier analyses (Dickens and Ellwood 2003; Hills and Waldfogel 2004) reached a similar conclusion.

It is important to note that although average incomes have risen for low-income families in both countries as poverty rates have fallen, analyses for the US indicate that incomes and living conditions may have deteriorated for families in the bottom fifth of the income distribution, as some families affected by welfare reform have not been able to replace their lost benefits with increased earnings from work (Bennett *et al* 2004; Blank 2007a; Haskins 2001; Primus *et al* 1999). In the UK, in contrast, real income grew over the 1996-97 to 2005-06 period for all income quintiles (Brewer *et al* 2007, *Figure 5*). The only place in the UK income distribution where real incomes may have fallen over the reform period are the bottom few percentiles, where the measurement of income is notoriously noisy (Brewer *et al* 2007).

Figure 1 Trends in absolute child poverty in the US and UK



Source: Smeeding (2007).

## 5 Effects of the reforms on family expenditures

Another way to assess the material well-being of children in low-income families is to examine the level and pattern of their families' expenditures (Meyer and Sullivan 2003). Income and poverty measures capture the resources potentially available to children but are potentially flawed in that they do not measure the resources actually spent on children. Low-income families may be able to borrow or share resources with other families, in which case measures of income and poverty might understate the resources available to children. At the same time, measures of income or poverty do not tell us how resources within the family are allocated. Perhaps low-income families spend more of their income paying for essential items such as housing and food costs, as well as back bills, and thus measures of current income might overstate the resources available to children. A further advantage of expenditure data is that they may shed light on whether families are purchasing items that are thought to be related to child health and development (items such as fresh fruit and vegetables, books and toys, or computers). Accordingly, there has been a good deal of interest in studying the effects of welfare reforms on family expenditures, both as a measure of possible effects on children's

material well-being and as a source of some information as to possible effects on child health and development.

Bruce Meyer and Dan Sullivan (2004, 2006) have carried out several studies examining the effects of the welfare reforms on the expenditures of single mother families in the US. They find that average total expenditures for single mother families did not fall following the welfare reforms but rather rose, at least slightly, for most families. However, Meyer and Sullivan (2006) point out that these expenditure increases were largely focused on transportation and housing (with some additional spending going to food away from home and child care costs), and came at the cost of a decline in single mothers' non-market time (time available for leisure and household production).

A second group of studies, from both the US and UK, has looked at detailed patterns of expenditures following the welfare reforms. These studies, which we consider next, shed light on changes in how families are allocating their spending and specifically whether they are shifting toward more spending on items related to employment or items related to child health and development.<sup>7</sup>

The first of these studies (Gregg *et al* 2005) assessed how family expenditures changed following the reforms in the UK, by comparing families' expenditures in 1996-97 (pre-reform) to 2000-01 (post-reform). Using data from the Family Expenditure Survey (FES), a continuous survey of household expenditure and income in existence since 1957,<sup>8</sup> this study found evidence across a number of expenditure categories and durable items that low-income families' spending was converging to that of higher-income families. This study spurred two further studies, one in the UK and one in the US, which we consider next.

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<sup>7</sup> There are also some studies that focus specifically on low-income families and how they spend additional income. Analyses of the UK Families and Children Survey find that income gains for low-income families from 1999 to 2001 were translated into declines in hardship (e.g. problems with heat or housing, money worries, or shortfalls in food, clothing, durables, or leisure items) (Vergeris and Perry 2003; see also Lyon *et al* 2006). Also in the UK, Farrell and O'Connor (2003) find that as families move from benefits to work, they spend more money on food and clothing. In the US, Duncan *et al* (2007) document how families in the New Hope experiment used the additional income to purchase child care and after school activities for their children.

<sup>8</sup> Starting in 2001-2002 the FES was merged with the National Food Survey and it now forms the combined Expenditure and Food Survey (EFS). The definitions of the majority of variables used in the studies discussed here remained unchanged following the switch from the FES to EFS in 2001-02.

The UK study (Gregg *et al* 2006) used data from the FES and applied a difference-in-difference-in-difference (DDD) methodology. This methodology begins with the estimation of the change in expenditures of the treatment group (the group most affected by the welfare reform, in this case, low-income families with children under age 11) between the pre-reform period and the post-reform period. This is the first difference. This difference is compared to the change in expenditures over the same time period for a group that is similar but was less affected by the reforms (in the UK case, this is low-income families with children age 11 to 15, who benefited from the reforms but not as much as those with younger children). This is the second difference. Finally, the difference in changes in expenditures between these two groups is compared to the difference in changes in expenditures for two control groups (higher-income families with children under age 11, or children age 11 to 15), resulting in the third difference.<sup>9</sup>

This study examines the impact of the welfare reform changes that occurred between October 1998 and April 2000. Hence it pools data from April 1995 to March 1998 to capture expenditure patterns prior to the reforms and data from April 2000 to March 2003 to capture patterns post-reform. To take account of differences in household size and composition, income and expenditure figures for each household are deflated by the relevant modified Organization for Economic Cooperation and Development (OECD) equivalence scale rate to give its equivalent for a childless couple.<sup>10</sup> The month in which the household is sampled can vary between January and December, and so to take account of within-year inflation, all income and expenditure figures are expressed in terms of the same price level (the All Items Retail Price Index for September 2003).

*Table 1* summarizes the results for total expenditures and for the 9 major categories of goods and services recorded in the FES. The table shows simple differences in means and percentage differences in means over the 1995-98 to 2000-03 periods for low-

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<sup>9</sup> In the UK, youth age 16 and up are not usually referred to as children, so this study includes only families with children under age 16. The unit of observation in the FES is the household; I use the term family and household here interchangeably. A potential concern with using income to identify treatment and control groups is that the benefit changes may have moved some families from the bottom third to the higher income group. Gregg *et al* (2006) also estimated some models dividing families by educational level rather than income, but this division is crude as half of all families fell into the lower education group (adults who left school at age 16).

<sup>10</sup> This equivalence scale is used in official UK and European Union (EU) statistics. It assigns a weight of 0.67 to the first adult, 0.33 to all other persons in the household aged 14 and over, and 0.20 to children under 14; hence a couple

income families with children under age 11, as well as DD and DDD estimates for the level and percentage differences in means. The (high) treatment group is low-income families with a youngest child age 0 to 10. The comparison groups are first low income groups with children aged 11-15 and then in the triple difference the same comparison is made with richer families. Thus, the DDD estimates are the difference between the DD for low-income families with children age 0 to 10 and 11-15 and the DD for high-income families with children in the same age groupings.

*Table 1* shows strong expenditure gains for low-income families with children age 0 to 10, in both levels and percentage terms. The figures in columns 1 and 4 (entitled 1<sup>st</sup> D) show that these families are increasing expenditures on all items except alcohol and tobacco, where spending falls by just over a pound a week, but the increases in housing and personal goods and services are not significant. The DD estimates presented in columns 2 (money changes) and 5 (percentage changes) compare expenditure changes for low income groups according to whether they received the large age related benefit increases over this period. Whether we look at the changes in money values or the percentage changes, the DD estimates are significant for three categories: housing, food, and especially motoring and travel. As these are DD estimates, common shifts in tastes and relative prices that impact on both the low-income families with younger and older children are netted out. But they do not condition out changes in tastes or price shifts to which households with younger (or older) children are particularly sensitive, or shifts in parental employment or earnings more focused on those with younger or older children (such as the long term trend for mothers with younger children to enter the labour market sooner).

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without children has a scale rating of 1. Expenditures on items that are used by only some household members are equivalized by the number of household members of that type (i.e. children under 16, adult females, adult males).

**Table 1** UK results for total expenditures and major categories of expenditures

|                                | Level differences in mean<br>(GBP per week) |                   |                   | Percentage differences in<br>mean (percentage points) |                     |                     |
|--------------------------------|---|-------------------|-------------------|---|---------------------|---------------------|
|                                | 1 <sup>st</sup> D                           | DD                | DDD               | 1 <sup>st</sup> D                                     | DD                  | DDD                 |
| Housing, fuel, heat & lighting | 1.56<br>(1.15)                              | 4.85*<br>(2.53)   | 7.09*<br>(3.74)   | 2.80<br>(2.09)  | 9.10*<br>(4.64)     | 13.39**<br>(6.33)   |
| Food                           | 2.60***<br>(0.71)                           | 4.35**<br>(1.86)  | 4.02*<br>(2.38)   | 5.98***<br>(1.67)                                     | 9.32**<br>(3.64)    | 8.77**<br>(4.20)    |
| Alcohol & tobacco              | -1.11**<br>(0.50)                           | -1.68<br>(1.23)   | -2.85*<br>(1.60)  | -8.78**<br>(3.78)                                     | -13.07<br>(9.42)    | -18.16*<br>(10.70)  |
| Clothing & footwear            | 3.58***<br>(0.74)                           | 1.72<br>(2.08)    | 4.86*<br>(2.74)   | 28.33***<br>(6.57)                                    | 17.83<br>(13.36)    | 28.41*<br>(15.12)   |
| Household goods & services     | 6.64***<br>(1.16)                           | 2.36<br>(2.13)    | 3.62<br>(4.60)    | 28.05***<br>(5.46)                                    | 9.61<br>(10.05)     | 16.52<br>(13.54)    |
| Leisure goods & services       | 9.72***<br>(1.25)                           | 1.29<br>(4.11)    | 12.61*<br>(7.49)  | 49.49***<br>(7.18)                                    | 20.51<br>(17.00)    | 34.21*<br>(19.99)   |
| Motoring & travel              | 10.25***<br>(1.20)                          | 8.76***<br>(3.12) | 4.86<br>(5.00)    | 56.65***<br>(7.81)                                    | 50.88***<br>(13.98) | 43.59***<br>(15.60) |
| Personal goods & services      | 0.52<br>(0.33)                              | 0.11<br>(1.03)    | 1.32<br>(1.81)    | 7.44<br>(4.88)  | 1.73<br>(14.54)     | 9.21<br>(18.13)     |
| Miscellaneous                  | -0.41***<br>(0.14)                          | 0.61*<br>(0.34)   | -1.08*<br>(0.57)  | -28.70***<br>(8.11)                                   | 19.08<br>(12.49)    | -12.52<br>(14.87)   |
| Total                          | 33.36***<br>(3.60)                          | 22.3**<br>(9.62)  | 34.4**<br>(16.19) | 17.16***<br>(1.96)                                    | 12.24***<br>(4.56)  | 15.36***<br>(5.82)  |

*Notes:* Data from Family Expenditure Survey. Figures are mean equivalized expenditures, expressed in 2003 prices, with (robust) standard errors in italics. \*\*\*, \*\*, and \* indicate significance at the .01, .05 and .10 levels respectively. 1<sup>st</sup> D = First difference/percentage change over time for treated group (low-income households with a youngest child age 0-10). DD = [1<sup>st</sup> D for treated group] - [1<sup>st</sup> D for less-treated group (low-income households with a youngest child age 11-15)]. DDD = [DD for low-income households] - [DD for higher-income households].

*Source:* Gregg *et al* (2006).

The DDD estimates (columns 3 and 6) adjust for these concerns and net off similar shifts that have happened to more affluent families. Looking at the increases in percentage terms, we see significantly positive DDD estimates for five of the categories, with faster increases in housing (13 percentage points), food (9 percentage points), clothing and footwear (28 percentage points), leisure goods and services (34 percentage points), and motoring and travel (a massive 44 percentage points, but from a very low base). The DDD estimates are negative, and statistically significant, in both levels and percentages for alcohol and tobacco. The evidence is striking that the extra spending by low-income families eligible for more direct financial support from the government than other low-income families (compared to equivalent high-income groups) is being focused on housing, food, clothing and footwear, leisure, and motoring, and with a clear switch away from alcohol and tobacco.<sup>11</sup>

<sup>11</sup> Gregg *et al* (2006) report that results from models that include controls for family demographic characteristics in the regressions are broadly unchanged, with very similar coefficient magnitudes but larger standard errors.

**Table 2** UK results for specific items

|                                | Level differences in mean<br>(GBP per week) |                   |                  | Percentage differences in mean<br>(percentage points) |                    |                    |
|--------------------------------|---|-------------------|------------------|---|--------------------|--------------------|
|                                | 1 <sup>st</sup> D                           | DD                | DDD              | 1 <sup>st</sup> D                                     | DD                 | DDD                |
| Children's clothing & footwear | 0.92***<br>(0.27)                           | 0.74<br>(1.18)    | 2.79*<br>(1.50)  | 21.00***<br>(6.81)                                    | 18.86<br>(15.73)   | 37.75**<br>(18.45) |
| Women's clothing & footwear    | 2.53***<br>(0.54)                           | -0.33<br>(1.60)   | 1.55<br>(2.17)   | 49.62***<br>(12.68)                                   | 15.16<br>(24.20)   | 22.73<br>(26.50)   |
| Men's clothing & footwear      | 1.52**<br>(0.76)                            | -1.78<br>(2.09)   | -1.43<br>(2.51)  | 32.82*<br>(18.72)                                     | -17.73<br>(41.11)  | -17.06<br>(43.28)  |
| Fruit & vegetables             | 0.21*<br>(0.11)                             | 0.82***<br>(0.31) | 0.70*<br>(0.39)  | 6.05*<br>(3.29)                                       | 19.61***<br>(6.80) | 17.09**<br>(7.99)  |
| Toys (incl. computer games)    | 1.05***<br>(0.24)                           | -0.37<br>(0.62)   | 0.10<br>(0.96)   | 63.80***<br>(17.98)                                   | -39.94<br>(56.95)  | -21.06<br>(62.36)  |
| Books, magazines & newspapers  | 0.21**<br>(0.09)                            | 0.44*<br>(0.25)   | 0.54<br>(0.36)   | 11.15**<br>(5.14)                                     | 18.76**<br>(8.99)  | 21.80**<br>(10.6)7 |
| Holidays                       | 1.29***<br>(0.40)                           | -0.56<br>(1.34)   | 5.78**<br>(2.44) | 71.50**<br>(27.91)                                    | 12.74<br>(57.13)   | 61.86<br>(60.99)   |

Notes: See notes to *Table 1*.

Source: Gregg *et al* (2006).

*Table 2* presents results of analyses similar to those reported in *Table 1* but focusing on specific items. The DDD results indicate that the items where low-income families with a youngest child age 0 to 10 significantly increased their spending are children's clothing and footwear, fruit and vegetables, books, newspapers, and magazines, and holidays.

As families' incomes rise, they may also be more likely to possess durable goods such as a car or van, telephone, computer, and so on. Gregg *et al* (2006) considered a broad set of goods: a car or van; telephone; washing machine; freezer; microwave; tumble dryer; computer; video cassette recorder; and CD player. Some of these goods may make a direct contribution to a child's health and development, while others may make an indirect contribution by helping the family connect with employment or leisure activities or by reducing parental stress and isolation. Gaps existed in ownership of this broad set of durable goods pre-reform in the UK. Low-income families with children age 0 to 10 were substantially less likely to own a car or computer than were higher-income families with children in the same age range; gaps also existed in the ownership of goods such as a telephone, microwave, or CD player. First difference results in *Table 3* (column 3) show that there were sharp increases in ownership of all these goods among low-income families with young children. However, the DDD results (column 5) show that the increase outpaced that of other groups for only two of the items – car ownership and having a telephone. Low-income families, if anything, lost ground in

computer ownership, because although low-income families increased their ownership, their gains were dwarfed by even larger gains by higher-income families (although the DDD is not significant).

**Table 3** UK results for durable items

|                         | Mean   | Mean   | Difference in proportion possessing good |                  |                  |
|-------------------------|--------|--------|--|------------------|------------------|
|                         | 1995-8 | 2000-3 | 1 <sup>st</sup> D                        | DD               | DDD              |
| Car or van              | 0.45   | 0.57   | 0.12***<br>(0.02)                        | 0.06<br>(0.04)   | 0.09**<br>(0.05) |
| Telephone<br>(any type) | 0.80   | 0.96   | 0.15***<br>(0.01)                        | 0.05**<br>(0.20) | 0.05**<br>(0.03) |
| Washing machine         | 0.94   | 0.97   | 0.03***<br>(0.01)                        | 0.01<br>(0.02)   | 0.01<br>(0.02)   |
| Freezer                 | 0.92   | 0.97   | 0.05***<br>(0.01)                        | 0.02<br>(0.02)   | 0.01<br>(0.02)   |
| Microwave               | 0.74   | 0.89   | 0.15***<br>(0.01)                        | 0.03<br>(0.03)   | 0.00<br>(0.04)   |
| Tumble dryer            | 0.53   | 0.58   | 0.05**<br>(0.02)                         | -0.01<br>(0.04)  | 0.02<br>(0.05)   |
| Computer                | 0.17   | 0.44   | 0.27***<br>(0.02)                        | 0.01<br>(0.05)   | -0.04<br>(0.05)  |
| Video                   | 0.88   | 0.94   | 0.05***<br>(0.01)                        | 0.01<br>(0.02)   | 0.02<br>(0.02)   |
| CD player               | 0.61   | 0.88   | 0.26***<br>(0.01)                        | 0.03<br>(0.03)   | -0.03<br>(0.04)  |

Notes: See notes to Table 1.

Source: Gregg *et al* (2006).

How do the effects of welfare reform on expenditures in the US compare? We can address this question using evidence from Kaushal *et al* (2007), who carried out a similar analysis for the US using data from the Consumer Expenditure Survey. Table 4-Table 6 provide the results of analyses for the US that are roughly comparable to the UK ones reported in Table 1-Table 3. Data are from the Consumer Expenditure Survey (CEX) and the outcomes examined are quarterly expenditures. Again a DDD methodology is used. However, the treatment and control groups are different than they were in the UK study. In the US study, the treatment group is low-educated single-mother families (the main target of the reforms in the US). The control group for the DD is high-educated single-mother families (who were less likely to be affected by the reforms), and the groups used for the DDD are low- and high-educated married couple families. The choice of these groups reflects the fact that in the US, welfare is received predominantly by single-mother families (whereas in the UK, both single-mother and married-couple families receive cash assistance if their incomes are sufficiently low).

Thus, although the composition of the groups is different, in both cases, the DDD analyses should provide an estimate of the effects of the welfare reforms.

**Table 4** US results for total expenditures and major categories of expenditures

|                          | Level difference in means<br>(in \$s) |                      |                   | Percentage difference in means<br>(in percent) |                   |                   |
|--------------------------|---------------------------------------|----------------------|-------------------|--|-------------------|-------------------|
|                          | 1 <sup>st</sup> D<br>I                | DD<br>II             | DDD<br>III        | 1 <sup>st</sup> D<br>IV                        | DD<br>V           | DDD<br>VI         |
| Total                    | 529.0***<br>(124.0)                   | -588.0<br>(413.0)    | 21.0<br>(470.0)   | 15.5***<br>(3.6)                               | 2.2<br>(5.7)      | 4.8<br>(6.3)      |
| Housing                  | 173.0***<br>(52.0)                    | -423.0***<br>(175.0) | -186.0<br>(199.0) | 11.9***<br>(3.6)                               | -6.4<br>(5.9)     | -5.8<br>(6.9)     |
| Food                     | -19.0<br>(26.0)                       | 28.0<br>(64.0)       | 46.0<br>(68.0)    | -2.0<br>(2.7)                                  | 0.5<br>(4.8)      | 3.0<br>(5.2)      |
| Alcohol &<br>tobacco     | 7.0<br>(7.0)                          | 6.0<br>(12.0)        | 4.0<br>(14.0)     | 9.0<br>(9.5)                                   | 7.5<br>(15.3)     | 5.9<br>(16.4)     |
| Clothing                 | 19.0<br>(14.0)                        | 107.0**<br>(51.0)    | 22.0<br>(53.0)    | 8.6<br>(6.3)                                   | 24.4**<br>(10.5)  | 13.6<br>(11.4)    |
| Transport                | 259.0***<br>(59.0)                    | 97.0<br>(153.0)      | 236.0<br>(175.0)  | 80.4***<br>(18.4)                              | 67.8***<br>(20.5) | 69.2***<br>(21.4) |
| Health                   | -0.5<br>(12.3)                        | -64*<br>(39)         | -52<br>(46)       | -0.5<br>(14.7)                                 | -15.0<br>(17.5)   | -12.9<br>(18.4)   |
| Leisure                  | 39.0***<br>(10.0)                     | -45.0<br>(44.0)      | 38.0<br>(50.0)    | 32.9***<br>(8.4)                               | 11.8<br>(13.0)    | 24.7*<br>(14.5)   |
| Personal                 | 2.0<br>(3.0)                          | -2.0<br>(7.0)        | -3.0<br>(8.0)     | 6.6<br>(9.2)                                   | 5.7<br>(11.2)     | 6.3<br>(12.0)     |
| Educ. (incl.<br>reading) | -4.0<br>(4.0)                         | -78.0*<br>(46.0)     | -21.0<br>(50.0)   | -17.5<br>(17.6)                                | -28.6<br>(39.2)   | -13.1<br>(42.2)   |
| Misc.                    | 54.0***<br>(17.0)                     | -251.0**<br>(103.0)  | -56.0<br>(120.0)  | 37.0***<br>(11.6)                              | 1.6<br>(18.7)     | 7.8<br>(19.5)     |

*Notes:* Data from Consumer Expenditure Survey. Figures refer to mean equalized expenditures, adjusted for mothers' age, race and ethnicity, education, whether she lives in an urban area, family size, number of children under 18 and number of persons in the family aged 65 or above, and month effects, with robust standard errors clustered at consumer unit in parenthesis. Expenditures are expressed in January 2003 dollars. The treatment group is households headed by low-educated (education < 12 years) single mothers. The comparison group in the DD analysis consists of households headed by high-educated (education ≥ 16 years) single mothers. The DDD estimates are derived by subtracting the DD estimates for low-educated married-couple families (with high educated married-couple families as comparison) from the DD estimates for low-educated single-mother families presented in columns labeled II and V. The sample consists of 3,201 families headed by low-educated single mothers, 2,446 families headed by high-educated single mothers, 8,217 families headed by low-educated married mothers and 21,143 families headed by high-educated married mothers. \*\*\*, \*\*, and \* indicate significance at the .01, .05 and .10 levels respectively.

*Source:* Kaushal *et al* (2007).

**Table 5** US results for specific items

|                                  | Level difference in means<br>(in \$s) |                   |                 | Percentage difference in means<br>(in percent) |                   |                   |
|----------------------------------|---------------------------------------|-------------------|-----------------|--|-------------------|-------------------|
|                                  | 1 <sup>st</sup> D<br>I                | DD<br>II          | DDD<br>III      | 1 <sup>st</sup> D<br>IV                        | DD<br>V           | DDD<br>VII        |
| Food at home                     | -69.0***<br>(23.0)                    | -20.6<br>(47.2)   | 0.7<br>(50.1)   | -7.8***<br>(2.7)                               | -3.7<br>(4.5)     | -5.6*<br>(3.2)    |
| Food away from home              | 34.0***<br>(10.0)                     | 44.0<br>(39.4)    | 43.3<br>(42.1)  | 42.7***<br>(12.7)                              | 43.5***<br>(15.5) | 45.7***<br>(16.5) |
| Children's clothing/<br>footwear | -1.0<br>(5.0)                         | -4.8<br>(11.8)    | -16.6<br>(12.6) | -1.7<br>(6.9)                                  | -5.1<br>(10.9)    | -14.2<br>(12.0)   |
| Adult's clothing /footwear       | 5.0<br>(8.0)                          | 78.3***<br>(25.3) | 42.0<br>(26.1)  | 7.3<br>(11.5)                                  | 37.1***<br>(13.9) | 30.6**<br>(14.9)  |
| Learning and enrichment          | 9.0<br>(7.0)                          | -118.1*<br>(63.9) | -26.1<br>(70.8) | 16.3<br>(12.3)                                 | -1.5<br>(26.7)    | 6.9<br>(28.7)     |
| Childcare & baby-sitting         | 3.0<br>(7.0)                          | 28.7<br>(32.1)    | 24.6<br>(34.7)  | 8.2<br>(23.0)                                  | 12.5<br>(31.8)    | -30.6<br>(37.5)   |

Notes: See notes to Table 4.

Source: Kaushal *et al* (2007).

**Table 6** US results for durable items

|                | Adjusted mean probability of<br>ownership (%) |                 | Difference in proportion possessing good<br>(percentage points) |                   |                   |
|----------------|---|-----------------|---|-------------------|-------------------|
|                | 1990-1995<br>I                                | 1998-2003<br>II | 1 <sup>st</sup> D<br>III  | DD<br>IV          | DDD<br>V          |
| Microwave oven | 52.0  | 77.0            | 24.8***<br>(2.8)  | 14.4***<br>(4.6)  | 4.0<br>(4.1)      |
| Washer/dryer   | 50.0  | 51.0            | 1.0<br>(3.0)  | -2.8<br>(4.1)     | -1.6<br>(4.4)     |
| Dishwasher     | 16.0  | 19.0            | 2.7<br>(2.3)  | -5.3<br>(4.4)     | -6.3<br>(4.8)     |
| Computer       | 5.0   | 19.0            | 13.8***<br>(2.0)  | -28.5***<br>(4.0) | -16.1***<br>(4.4) |
| VCR            | 51.0  | 71.0            | 20.4***<br>(2.9)  | 8.8**<br>(3.9)    | 1.2<br>(4.2)      |
| Phone          | 74.0  | 88.0            | 13.4***<br>(2.0)  | 13.2<br>(2.2)     | 6.4***<br>(2.4)   |
| Car            | 41.0  | 52.0            | 10.3***<br>(2.7)  | 7.5<br>(3.6)      | 6.4*<br>(3.8)     |

Notes: See notes to Table 4.

Source: Kaushal *et al* (2007).

Before turning to the US results, it is worth recalling two major points of difference between the reforms in the two countries. First, the UK benefit increases were not contingent on employment, while in the US the only families that saw benefit increases were those who moved from welfare to work. Second, the UK reforms were explicitly child-focused, while in the US, the focus was more squarely on the behavior of the adults. If either or both of these factors contributed to producing the child-oriented shifts in expenditures among families affected by welfare reforms in the UK, we might

not see comparable effects in the US. Rather, we might expect to see more employment-oriented shifts in expenditures, in addition to or instead of the child-oriented ones.

As shown in *Table 4-Table 6*, the results for the US are indeed different. The US results indicate that the welfare reforms were not associated with any statistically significant change in total expenditures in households headed by low-educated single mothers. However, patterns of expenditure did change: the welfare reforms were associated with an increase in spending on transportation, food away from home, and adult clothing and footwear. In contrast, we see no statistically significant changes in expenditures on childcare or learning and enrichment activities. This pattern of results suggests that the welfare reforms in the US have shifted family expenditures towards items that facilitate work outside the home, but, at least so far, have not allowed low-income families to catch up with more advantaged families in terms of their expenditures on child-focused or learning and enrichment items.

A later study in the US (Gao *et al* 2007) examines a related question, how the expansions in the EITC have affected family expenditures. Using Consumer Expenditure Survey data from 1993 to 2004 and estimating the effect of the value of the combined federal and state EITC benefit available (which varies by state and year), this study finds that families headed by mothers with a moderate level of education (at least high school but less than college) do spend more money when EITC benefits are higher, but these expenditure gains are focused primarily on housing (with smaller increases in items such as child care, as well as ownership of a car).

It is worth noting that many of the significant changes in expenditures observed in the US data are small in magnitude (and many others are not statistically significant). Thus, the conclusions we can draw about the changes in low-income single mother families' expenditures remain somewhat tentative. Nevertheless, the results for the US are consistent in suggesting that to the extent patterns of expenditures did change for families affected by welfare reform, the direction of that change was mainly to increase expenditures on work-related items (as well as housing), rather than child-related or learning and enrichment items. These results make sense given the work-oriented nature of welfare reform in the US, but leave open the question of the extent to which children are better off.

## 6 Effects on child health and development

What has been the impact of the changes brought about by welfare reforms for the well-being of children living in low-income families? To the extent that the reforms have reduced poverty and hardship, we would expect them to have been beneficial in terms of child well-being. Although parents try hard to protect their children from the effects of low-income and hardship, even young children are aware of their parents' financial situation and the constraints that it places on their families. Also, many of the items that money can buy – items such as books, or fresh fruit and vegetables – matter for child health and development (Burgess *et al* 2004; Duncan and Brooks-Gunn 1997; Gregg *et al* 1999). As incomes rise and those constraints are eased, if parents are less stressed or purchase more beneficial items for their children, we would expect to see improvements in child health and development. However, there may also be countervailing effects of parents' having to spend more time in employment, particularly if parents are working low-wage jobs that provide little scope for flexibility and autonomy (Parcel and Menaghan 1994), that require long commutes (Dunifon and Kalil 2005), or that require work at non-standard hours (Han 2005a,b).<sup>12</sup> Thus, it is an empirical question to assess how welfare reforms may have affected child health and development.

However, assessing the effects of welfare reforms on child health and development is not straightforward. For the most part, we lack experimental evidence that would allow us to determine with confidence what impact the reforms had. Moreover, welfare reform is not a unitary phenomenon but rather is an umbrella term that encompasses many different types of reforms, enacted in quite varied settings. These are of course challenges in most welfare reform research, but research on child health and development faces two further obstacles. First, it is expensive and time-consuming to measure child health and development and so data on these outcomes tend not to be as readily available as are data on caseloads, parental employment, income, or expenditures. Second, it is possible and even likely that the effects of welfare reforms on children vary by factors such as the age, temperament, or gender of the child; if so,

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<sup>12</sup> See also discussions in Duncan and Chase-Lansdale (2004), Smolensky and Gootman (2003), and Waldfogel (2006).

estimating average effects may not provide a full or accurate picture of how specific types of children are affected.

With these limitations in mind, what can we conclude from the research to date on the effects of welfare reforms on child health and development? In the US, a great deal of weight tends to be placed on evidence from a series of welfare-to-work experiments evaluated by the Manpower Demonstration Research Corporation (MDRC). It is important to note that these experiments actually preceded the passage of the federal welfare reform legislation, PRWORA, in 1996. These experiments tested a series of reforms undertaken by states who had obtained permission through the waiver process to try out alternative approaches to welfare policies and programs (MDRC also evaluated a few experiments carried out in Canadian provinces). Although these reforms preceded the federal welfare reforms, they are nonetheless informative as the specific welfare-to-work reforms they examined (e.g. financial incentives to work or time limits on welfare receipt) are quite similar to those enacted under PRWORA.

The MDRC experiments collected some data on child health, cognitive development, and emotional and behavioral development. Health was typically measured by asking parents if their child was in good, fair, or poor health. Cognitive development was measured using brief assessments of the children or reports from teachers, while emotional and behavioral development was measured by asking parents or teachers questions about children's behavior and functioning. Because families were randomly assigned to welfare-to-work reforms, the post-experiment differences in mean outcomes across the experimental and control groups provide evidence of the effects of the welfare reforms on the measured outcomes. Because developmental theory and research on the effects of parental employment and non-parental child care suggest that effects may vary by the child's developmental stage, I discuss the evidence from MDRC separately by the child's age group.

Few of the MDRC studies included data on children who were infants or toddlers at the time their mothers were exposed to the welfare reforms. The limited evidence that is available in the MDRC studies suggests that welfare to work reforms may have had negative effects on later achievement for children who were age 0 or 1 at the time their

mothers were exposed to the reforms, although the sample sizes are small and the effects are mostly not statistically significant (Morris *et al* 2007).

For preschoolers (children who were age 2 to 5, or 3 to 5 when their mothers were exposed to the welfare reforms), there were few significant effects of work-oriented welfare reforms on children's health outcomes, but whether the reforms were accompanied by income gains mattered (Morris *et al* 2001). For instance, a Canadian program, SSP, which gave parents a cash supplement if they worked full-time, had statistically significant positive effects on the health of children who were age 3 to 5 at the time of the experiment (although a similar program in Minnesota had no significant effects on health for children in this age group). In contrast, in two of the six programs that mandated employment without supplementing earnings, the evaluators found negative effects on children's health (in the remaining four programs, the effects on health were not statistically significant).

The MDRC researchers found seven of ten programs had no significant effects on the cognitive development of preschool-age children (age 2 to 5, or 3 to 5) whose mothers were exposed to work-oriented welfare reforms; in the remaining three programs, where significant effects were found, these were positive, with the largest effects in the two programs that provided earnings supplements (the Canadian program SSP, and the Wisconsin program, New Hope) (Morris *et al* 2001; see also Morris *et al* 2007). The MDRC researchers also found few significant effects of work-oriented welfare reforms on behavioral outcomes for children age 3 to 5 at the time of the experiment. Of the ten programs examined, only three (all of which mandated employment without offering earning supplements) had significant effects on behavior problems for children age 3 to 5 at the time of the experiment; in one program, located in Grand Rapids, parents reported their children had more behavior problems, while in two others, both located in Atlanta, parents reported fewer problems (Morris *et al* 2001). The MDRC researchers also examined one program that imposed time limits on welfare receipt for families with children age 1 to 8 (children age 3 to 5 were not considered separately), and found that the program reduced positive behavior (as reported by the children's parents) four years later (Morris *et al* 2001). These results suggest that the effects of work-oriented welfare

reforms on preschool-age children are quite varied, depending on the context and program features.

Turning to children who were school age (age 6 to 10) at the time their parents were exposed to the welfare reforms, the findings for child health parallel those for the younger (preschool age) children: welfare-to-work programs that increased employment and income were neutral or improved child health, while programs that increased employment but not income were neutral or worsened child health. However, the effects on cognitive outcomes differed. The same types of welfare-to-work programs that had positive effects on school achievement for children who were preschoolers (age 2 to 5, or 3 to 5) at the time of the experiment had *no* effect on school achievement for children who were age 6 to 9 when their mothers were encouraged to work, and *negative* effects on school achievement for children who were age 10 to 11. These adverse effects for 10 to 11 year olds may reflect difficulties associated with school contexts (since many of them are making the transition from elementary to middle school), or may reflect demands placed on them within the family when child care and after-school care are in short supply (e.g. if they are being asked to babysit younger children or being left unsupervised after school) (Morris *et al* 2007).

These worrisome findings for 10 and 11 year olds are echoed in the results of a comprehensive analysis by MDRC focusing specifically on adolescents (youth age 10 to 16 at the time of the intervention and followed up to ages 12 to 18), which found a pattern of significantly poorer school outcomes for youth whose mothers were exposed to the welfare-to-work reforms (Gennetian *et al* 2002). The most negative effects were found for adolescents who had younger siblings. These adolescents experienced the largest adverse effects on school performance and receipt of special education services and were also more likely than youth from the control group to be suspended or expelled from school or to drop out from school. The fact that impacts are strongest for adolescents with younger siblings suggests that they may be due to these adolescents' taking on more responsibilities, which in turn interfere with their schoolwork. Indeed, these youth were more likely to be babysitting younger siblings and less likely to be enrolled in after-school programs and activities themselves, pointing to the potentially

important role that could be played by child care and after-school care. They were also more likely to be employed, and for longer hours.

The MDRC studies did not collect as extensive data about adolescent behavior as they did for school performance, and results on the outcomes they did collect were mixed (Gennetian *et al* 2002). Of the six welfare-to-work programs for which data were available on adolescent's behavior problems, only two led to significant increases. Of the two programs with data on police involvement, one led to a significant increase. The only program that collected data on delinquent behavior and substance use found increased minor delinquent activity (like skipping school) and drinking once a week or more, but no increase in major delinquent activity like using drugs or weapons. So, the results here point to some possible adverse impacts, but the effects are smaller and less consistent than the effects on cognitive outcomes.

As emphasized earlier, the MDRC studies preceded the passage of PRWORA and thus can not directly address the question of how that sweeping set of reforms affected child health and development in the US. Observational studies that are following children and families post-welfare reform face the familiar challenge of not being able to conclusively identify the counterfactual (that is, what children's health and development would have been like in the absence of the reform). Nevertheless, they can shed some light on how children are faring post-welfare reform.

Particularly notable in this regard is the Three City Study of Welfare Reform, which is following large samples of children in Atlanta, Boston, and Chicago. Several studies from this group have examined how children are affected when their mothers move off welfare and into work. One important finding has to do with the variability of effects for young children, as the researchers found that the children who were most affected by their mothers' employment and welfare transitions were those who had more emotionally reactive temperaments to start with (Li-Grining *et al* 2004). Another important finding has to do with the effects of mothers' employment for adolescents. Here, the researchers have found that adolescents actually experience improved mental health when their mothers move from welfare to work; this seems to be due to the reduced financial hardship and strain that these families face and also due to the fact

that the mothers on average are not cutting back on the time they spend with their adolescents (Chase-Lansdale *et al* 2003).

Researchers have also documented that not all women affected by welfare reforms have gone to work, but we know little about child well-being outcomes in these families. Rebecca Blank (2007a,b) and others (Turner *et al* 2006) have called attention to the increased share of single mothers who are not connected to welfare or work. Blank (2007a) estimates that the size of this group doubled between the mid-1990s and the mid-2000s and now makes up 20 to 25 percent of all single mothers. We have more to learn about how these women are supporting themselves and how their children are faring. Blank (2007a,b) points out that many of these women do not live with other adults and that on average they are very poor, with median household incomes under USD 13,000 per year. Blank (2007a) also notes that there is probably a good deal of overlap between these disconnected women and women who have been sanctioned for non-compliance with welfare work requirements or who have reached welfare time limits, many of whom suffer from poor mental health or other barriers to work (Reichman *et al* 2005; Seefeldt and Orzol 2005).

Econometric studies that take advantage of variation over time and across states in welfare policies to estimate effects on child health or development are few.<sup>13</sup> One topic that has been examined is the effect of changes in work exemption policies for mothers with young children. Historically, under the Aid to Families with Dependent Children (AFDC) program, women with young children were exempted from work requirements. When the first work-oriented AFDC program, the Work Incentive Program (WIN), came into effect in 1967, only women who had children over the age of 16 were encouraged to work. In 1979, this was changed, and only women with children under age 6 were exempted. In the 1988 Family Support Act, the age of exemption was dropped again, such that only women with children under the age of 3 were exempt, and states could petition to lower this age exemption even further, although they could not

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<sup>13</sup> There have been several studies of the effects of welfare reforms on health but many of these have focused on rates of health insurance or health care utilization. These studies are reviewed in Bitler and Hoynes (2006). There has been surprisingly little attention thus far to the long-run effects of the reforms on outcomes related to cognitive or social and emotional development. An exception in this regard is a study by Miller and Zhang (2006) which looks at school performance of 4<sup>th</sup> and 8<sup>th</sup> graders, finding gains in 2003 and 2005 for children in low-income families.

require women to work before their child was 1. However, under PRWORA, states have the option to require work or work-related activity when children are under the age of 1. As of 2001, 20 states had taken advantage of this, establishing no exemption at all for women with newborns or exemptions that extend for only 3 or 4 months; the remaining states provide longer periods of exemption, but all but 5 require welfare recipients to work by the time a child is 12 months old (Brady-Smith *et al* 2001).

Given the evidence on the adverse effects of maternal employment in the first year of life and the beneficial effects of maternity leave (see review in Waldfogel 2006), we might expect these shortened work exemption policies to have some adverse effects on child health and development. Two studies have examined the effects of these policies. One found that the tougher work requirements are hastening low-income mothers' entry into work following childbirth (Hill 2006), while the other found that the tougher work requirements are significantly reducing breast-feeding (Haider *et al* 2003).

If it is challenging to evaluate the effect of welfare reforms on child health and development in the US, it is even more so in the UK. The UK did not have a series of welfare reform experiments like those evaluated by MDRC in the US. And, its reforms include many distinct elements – changes in benefits and tax credits, expansions in parental leave and early childhood care and education, and improvements in the schools, to name just a few – most of which were delivered at the same time. Teasing out the impact of any one element on child health or developmental outcomes is therefore very challenging, and I am not aware of any large-scale studies that have done so to date.<sup>14</sup> Indicators point to progress by low-income children on an array of outcomes (e.g. school attainment) (see e.g. Department for Work and Pensions 2006b), but it is hard to determine which reform(s) were responsible for these particular changes. Thus, determining how the sweeping reforms in the UK have affected child health and development, and the extent to which they have narrowed the gaps in health and development outcomes between low-income and more advantaged children, remain important challenges for future research.

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<sup>14</sup> A possible exception is the National Evaluation of Sure Start, but this non-experimental study is evaluating only one element of the UK's antipoverty strategy and has yet to report final results.

## 7 Conclusions

Comparing the effects of welfare reforms on child well-being across the US and the UK, we can conclude that there are some commonalities but also some notable differences. Common to both countries is a sizable reduction in child poverty. In the UK, explicit targets were set, and although these have not yet been met, the child poverty reductions are nevertheless very impressive. In the US, the reductions in child poverty have been less, and some families appear to have been left behind by the reforms and are possibly worse off or no better off than before. These differences make sense given the differential treatment across the two countries of those who can not work. The work-focused US reforms provide little or no support to those who do not work, and this is reflected in the concerning trends at the very bottom of the distribution. In the UK, in contrast, benefits for those who do not work have been raised, providing a more generous floor for those at the bottom.

Expenditure data, which shed further light on which families have seen gains and in particular on how those gains are being spent, point to more divergence across the two countries. For the UK, the good news is that low income families affected by the reforms are spending more money on items related to children and are more likely to own a car and a phone, items that are essential if families are to be connected to friends, family, and work. For the US, the story is somewhat different, with families affected by welfare reforms primarily spending more money on items related to employment but not items for children. The US results make sense given that parents had to go to work or increase their employment if they were to increase their incomes post welfare reforms, but it is concerning if the intent of those reforms was to benefit children through increased expenditures on them.

When it comes to more direct evidence on the well-being of children, and specifically how the reforms have affected child health and development, the common finding across both countries is the lack of large-scale long-run studies of child health and development that could shed light on how the reforms have affected these important domains of child well-being. At the end of a decade of reforms (more in the case of the US), the truthful answer is that we know little about how children have been affected by

this sweeping set of changes. In the US, evidence from the welfare-to-work experiments that preceded PRWORA suggests that the effects of reforms are likely to vary by the child's age, the nature of the reform, and in particular whether the family gained income. This is an important lesson to carry forward, as it suggests that in the future work, which I hope will be undertaken on this subject, it will be essential to make careful distinctions among children and among reform programs.

If we are to extrapolate from the MDRC studies in the US and the larger body of prior work on parental employment (see review in Waldfogel 2006), the groups we should be most worried about are children who are very young (under age 1 or 2) at the time their mothers go to work, and adolescents. We should also be concerned about reforms that require parents to go to work or increase their work effort but without income gains. And we should be concerned if welfare reforms place parents into low-wage and long-hours jobs that provide little flexibility and autonomy and require long commutes or non-standard work hours that interfere with family life and time with children.

Of course, in drawing lessons from the US and UK experience, we must not forget the institutional context. In the US, welfare reforms have had to consider how provision will be made for other benefits such as child health insurance and child care, which are not universally available and have in large part been targeted to welfare or low-income families. Although the UK did not confront issues regarding health insurance, providing an adequate supply of affordable and high quality child care has been a huge stumbling block in that country and continues to be a major challenge going forward. These considerations would not arise in countries where health care and child care coverage are universal or at least not tied to welfare use. There are also cultural considerations to take into account. As we have seen, single mother employment rates were much higher pre-reform in the US than in the UK, and they remain higher today. These employment rates reflect different cultural norms and values. In particular, the strong work requirements in the US, which reach even mothers of infants, would not be acceptable in the UK or many other countries. It is telling that the UK was extending its period of paid parental leave at the same time that the US was shortening the time that low-income mothers could stay home with a newborn.

Thus, the strongest conclusion that can be drawn from the US and UK experience is not what type of reform another country should enact, but rather, how outcomes for children are likely to vary depending on what type of reform is selected. There is a logic to the results for these two countries – to a large extent, the results are what we would expect given the design of the reforms. The UK made an exceptional effort to improve the position of children in low-income families and this is reflected in its success in reducing child poverty and raising the expenditures of low-income families on child-focused and learning and enrichment items. The US made an exceptional effort to increase employment among single mothers, even at the risk of leaving some who could not work without a source of safety net income, and it has been remarkably successful at attaining that goal, with more single mothers working, incomes rising and poverty rates falling, but with families spending much of those income gains on work-related, rather than child-focused, investments, and with some families being left behind. We know less about actual outcomes for children, but given these patterns of results, it seems fair to conjecture that low-income children in the UK may have gained more in terms of health and development. But this remains to be seen in what I hope will be future research on child well-being in both of these countries.

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## **Comment by Karin Edmark\***

Jane Waldfogel's analysis provides a comprehensive and thorough review of how welfare reforms have affected child health and well-being in the UK and US. The author finds both commonalities and differences between the two countries. The general finding is that while both countries have managed to reduce poverty rates, the UK seems to have been more determined to, and successful in, targeting children.

My comment will provide a Nordic perspective on welfare reforms and child well-being. First, I will briefly describe the situation for child well-being and welfare benefit reforms in the Nordic countries, after which I will reflect on the differences and similarities between the Nordic countries and the UK and US, and discuss what we can learn from the UK and US experiences. Finally, I will discuss some additional points.

### **Child well-being in the Nordic countries**

When comparing welfare reforms and child well-being in the UK and US with the Nordic countries, one needs to keep in mind that there are significant differences between the two sets of countries. A recent UNICEF report<sup>1</sup> on child well-being in OECD countries ranks Sweden, Norway, Finland and Denmark among the top third in terms of child well-being, while the US and UK, in contrast, occupy the bottom-places.<sup>2</sup>

The relatively high levels of child well-being in the Nordic countries do not imply that these countries are free from problems, however. In Sweden, the deep recession during the early 1990s hit many families with children hard, and increased the poverty rates for this group. The good news is that the financial situation of families with children considered as a group has since then improved, and most families have recovered from the income dip. The bad news, however, is that one group has lagged behind, namely single-headed households with children. According to Salonen (2007), the share of this group with less than 50 percent of the median disposable income has increased throughout the 1990s and up until today. Current estimates suggest that about

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\* Karin Edmark is a Researcher at the Institute for Labour Market Policy Evaluation.

<sup>1</sup> See UNICEF (2007).

<sup>2</sup> The ranking is based on surveys on material well-being; health and safety; educational well-being; family and peer relationships; behaviours and risks; and subjective well-being.

thirteen percent of all children in Sweden live in families with economic conditions below the minimum level.<sup>3</sup>

Even though child well-being is higher in the Nordic countries, quite a large share of children in Sweden hence live in households with limited economic resources. We now turn to ask what the current Nordic policy on welfare benefit reforms looks like, and how it relates to UK and US reforms.

### **Welfare reform in the Nordic countries**

In general, one can say that the Nordic countries have followed the same trend as the UK and US when it comes to welfare benefit policy. The trend can be described as a shift in focus from the rights to the obligations of recipients of welfare, and the aim is to get individuals off welfare payrolls and into work. Measures include various activation policies such as job search and job training programs, as well as financial incentives such as tax credit systems (to make work pay more) or financial sanctions (to make welfare dependency hurt more).<sup>4</sup>

Compared to the UK and US, the “from-welfare-to-work”-type reforms in the Nordic countries are a more recent phenomenon, however, and there is yet relatively little evidence of their effects. Given that the Nordic countries have followed the same general welfare policy trend as the US and UK, it is interesting to discuss how the effects may differ in light of the institutional differences between countries, however.

### **What can we learn from the US and UK experiences?**

There are several institutional factors that differ between the Nordic countries and the UK and US, and that may affect the effects of welfare reform on child well-being. First, child care is more accessible – both in terms of supply and cost – in the Nordic countries than in the UK and, in particular, the US. In general, the Nordic countries offer public child care, at heavily subsidized rates, for children of age one and older. In contrast, in the US, arranging child care is more of a private responsibility, and the cost and quality can vary substantially between different providers. Second, compared with

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<sup>3</sup> This figure is for 2004; see Salonen (2007). The minimum level is based on the relation between estimated living costs and the norm for welfare benefits.

<sup>4</sup> See Blomberg *et al* (2006), Johansson (2001), Kildal (2000), and the Governmental Report (SOU) 2007:2.

the UK and US, the Nordic countries have more generous rules for parental leave, both in terms of duration and payment. Whereas in the US, an employee is guaranteed 12 weeks of unpaid leave, in the Nordic countries, as a rule, employees are entitled to at least around one year of parental leave with income compensation.

An interesting feature of the Swedish system is that subsidized day care is also offered to unemployed parents, who are guaranteed 15 hours of weekly day care. The main idea is to make sure that the unemployed have time to search for jobs. The fact that parents on parental leave with a second child are covered by the same rule suggests that day care is considered as something that is beneficial for the development of children.

What are the implications of these differences for the scope for welfare reform to increase child well-being? Regarding child care, Waldfogel cites studies that suggest that US welfare-to-work type reforms have had detrimental effects on children's development in some cases. Waldfogel suggests that this can be due to the lack of accessible high-quality child care. For example, estimated negative effects on the school performance of older siblings can be due to more responsibilities at home, such as baby-sitting younger siblings. Another concern that Waldfogel raises is that a welfare-to-work reform in the US can have negative effects on infants through forcing mothers to start working too early after giving birth. Waldfogel cites studies that estimate negative effects on small children, and offer the short parental leave period as an explanation for this.

The fact that the Nordic countries have relatively generous rules for parental leave and childcare suggests there to be little risk that a welfare reform has this type of negative effects. The results in Waldfogel's essay nevertheless remind us of the importance to keep the child's perspective in mind when designing welfare reforms. For example, work requirements that require long commuting hours mean that parents will have less time to spend with their children. These kinds of issues are especially important considering that single parents constitute a large share of the welfare recipients.

### **Additional comments**

Finally, I will comment on some issues that were not discussed by Waldfogel. First, it is worth mentioning that having a job can have positive effects in addition to the economic gains. Being employed can increase a parent's self-esteem and social network, something that is likely to benefit children. Such effects would turn up in health and development data, but not in expenditure data. This underlines the need for using several different measures of child well-being when studying effects of welfare reforms.

Another interesting topic is the role of social norms for an individual's decisions – i.e. the decisions made by an individual are likely to be influenced by the choices made by the individuals in the peer group. This means that reforms that increase employment do not only affect the individual targeted by the reform, but also indirectly other individuals through the effect on the social norm. Similar effects may be present between parents and children; that is, growing up with parents on welfare may in itself increase the risk for future welfare dependency. According to this argument, welfare-to-work reforms that increase employment can reduce the risk that a child ends up on welfare in the future.

Finally, I would like to point out that there is a potential conflict between some welfare-to-work type reforms, such as financial sanctions and time limits on welfare eligibility, and the aim to ensure every child a minimum level of standard of living. What happens to the children whose parents meet the time limits, or have their benefits reduced? In Sweden, financial sanctions exist in the form of the option for municipalities to reduce the welfare benefits for persons who do not participate in assigned job search and job training activities. In practise, it is up to the social secretary for each individual case to decide how to weight this option against the needs of the children in the household. Different municipalities have different rules for when financial sanctions can be used, and the welfare eligibility assessment has been shown to differ substantially between municipalities.<sup>5</sup> This means that children in different municipalities are likely to be subject to different sets of rules and assessments, which is questionable in the perspective of equal rights.

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<sup>5</sup> See Salonen and Ulmestig (2004), and Stranz (2007).

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