Welfare Reform and Children's Living Arrangements

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Abstract

This paper uses data from the Survey of Income and Program Participation (SIPP) to examine how the pre- and post-1996 welfare reforms influenced the family structures in which children live. This paper advances our understanding of the influence of welfare policies on children by focusing on children's living arrangements, rather than those of single mothers; by examining a wide range of living arrangements, including cohabitation and living with a grandparent; and by measuring specific state policies adopted throughout the 1990's, rather than just indicators for the implementation of any waivers or TANF in a given state. The results can shed light on how policy choices adopted by states can influence the living arrangements of children.

Introduction.

In 1996, Congress passed and President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which abolished the former Aid to Families with Dependent Children program (AFDC) and established instead a system of Temporary Assistance for Needy Families (TANF). The legislation explicitly promoted work and marriage, and had as a key goal reducing single-parenthood, with the implicit assumption that resulting changes would benefit children.

Even before the 1996 PRWORA legislation, however, states were given increasing leeway to opt out of the requirements of the AFDC system and develop their own welfare policies. Many of these policies were precursors to TANF: they contained work requirements, more stringent child support enforcement, and increased eligibility for married-couple families. Most of these changes occurred during the early and mid-1990's. By 1996, 27 states had implemented a major welfare waiver of some kind (reviewed in Schoeni and Blank, 2000), though the welfare requirements specified by these waivers varied a great deal across states.

This paper uses data from the Survey of Income and Program Participation (SIPP) to examine how the pre- and post-1996 welfare reforms influenced the family structures in which children live. In particular, we examine the impact of welfare policies on a wide range of family structure outcomes, moving beyond simple comparisons of single- and married-parent families. Specifically, we focus on marriage, "doubling up" with grandparents or other adults, cohabitation, and living with no parents as our key family structure measures.

The 1996 welfare reform legislation and the pre-1996 state changes were motivated in part by the assumption that welfare programs can and do influence individual decisions about whether to marry or have children. We focus on three family structure outcomes that are most likely to be responsive to the incentives contained in welfare reform policies. First, since most welfare reform policies eliminated previously existing barriers that prohibited many married-couple families from receiving benefits, we hypothesize that welfare reforms will increase the likelihood that a child lives with two married adults. In addition, our model specification draws on the large literature on the incentives for marriage and the impact of marriage market conditions for low-income families, and we control for factors such as sex ratios in our analyses (e.g., Wilson, 1987; Willis, 1999).

We also hypothesize that welfare reforms could lead to an increase in the number of children living with a single mother and another (unmarried) adult. Welfare reform eliminated single mothers' entitlement to cash assistance by making it more difficult both to obtain assistance (through the addition of work requirements) and to remain on assistance for long periods of time (through time limits). These changes could increase women's financial uncertainty, leading to increases in "doubling up" through shared housing with other

adults (either relatives, romantic partners, or others) as a way to pool resources and reduce financial risk. This draws on the literature that characterizes the demand for privacy as a normal good (Michael et al., 1980).

There has been a great deal of recent research examining the influence of welfare policies on family structure. Most has focused on single mothers' living arrangements, rather than those of children (e.g., Fitzgerald and Ribar, 2004; Bitler et al., 2004). Focusing on single mothers, however, does not allow one to examine whether welfare reform had any impact on the likelihood that children live without their mothers, such as with a grandparent (as noted in Bitler, Gelbach, and Hoynes, 2004). The current study takes a child-based approach to examine the full range of children's living arrangements as a response to welfare reform.

Additionally, most of the previous research in this area does not examine specific aspects of state welfare policies, but instead uses dummies to indicate whether a state had implemented a waiver or TANF in a given time period (Bitler, Gelbach, and Hoynes, 2004). As a result, these studies examine how children's living arrangements under welfare reform compare to living arrangements in the pre-welfare reform era. We believe that, rather than asking how TANF differs from the old welfare regime (which is unlikely to ever return), it is more interesting to examine how different choices that states make under TANF influence children's living arrangements. Additionally, in previous studies, using a single dummy for TANF implementation had led to problems of estimation, as all states implemented TANF over a period of a year and a half. To address these issues, this study examines several key aspects of state welfare policies and relates them to children's family structures.

To carry out this research we use data from the Survey of Income and Program Participation (SIPP). We use data from the 1992 (spanning Feb. 1992 to Jan. 1995), 1993 (spanning Feb. 93 to Jan. 1996), and 1996 (April 1996 to March 2000) SIPP Panels to create yearly measures of children's living arrangements representing each year from 1992-2000.

Family Structure: Our dependent variable represents children's living arrangements in each year. These are classified into one of 6 indicators of family structure: 1) living with two married adults, 2) living with two cohabiting adults, 3) living with a single mother and a grandparent, 4) living with a single mother and another adult(s), 5) living with a single mother and no other adults, 6) living with no parents.

State policies: Our state policy measures represent choices states made in creating their public assistance programs for low-income families between 1992 and 2000. These policies are: time limits on welfare receipt, income disregard policies (the amount of income a family can keep while remaining eligible for public assistance), sanction policies for families who do not follow work requirements, policies relaxing the eligibility requirements for married parents, and family cap policies. We code state policy choices from 1992-2000 and then interact these policies with a dummy indicating that TANF had been implemented in a given state.

State control measures: We control for other state-level factors that capture work, marriage and public assistance opportunities for individual families, including the unemployment rate, wages, marriage market opportunities, EITC benefits, the paternity establishment rate, expenditures on public housing, and the maximum AFDC or TANF benefit for a family of three.

Child and family-level control measures: Finally, we control for measures describing characteristics of children and their families. These measures include: child age, sex, and race. These are all measures that are exogenous to participation in welfare programs but may affect our measures of family structure.

Analysis

The goal of these analyses is to relate changes in state welfare policies throughout the 1990's to children's family structure. To do this, we use an approach in which state policies capture the direct and indirect effects of welfare programs on our outcomes of interest. For example, welfare reform could affect family structure through its influence on family income, maternal work hours, or a host of other factors. We are not able to model all of these potential pathways of influence. Instead, our goal is to estimate the reduced-form associations between policy changes and family structure, treating state policies as an exogenous change affecting family behavior.

We use a repeated cross-section model that identifies policy effects from differences in state policies. For this model, family structure outcomes from each period are pooled and the model is characterized as follows:

$$Y_{ist} = X_{it}\beta_1 + Z_{st}\beta_2 + T_{st}\beta_3 + Z_{st}*T_{st}\beta_4 + S_{st}\beta_5 + \varepsilon_{ist}$$

where Y is the outcome of interest (living arrangements); i, s, and t index the individual, state and year, respectively, X is a set of exogenous child characteristics, Z is a set of state welfare policies, and S is a set of state controls. T is an indicator that TANF has been implemented in that state; this indicator is interacted with each state policy measure. Thus, the model allows for an examination of the influence of time limits, for example, in the pre-TANF and the post-TANF periods. A multinomial logistic regression is used, with living in a married-parent family as the omitted category.

Preliminary Results
Table 1 shows basic descriptive characteristics of the children in the sample, combining children from all three SIPP panels. Table 2 shows the distribution of children across the six family structure categories.

Table 3 presents preliminary results of multinomial logisitic regression analyses in which the state welfare policies predict children's living arrangements, with living in a married-parent family as the omitted category. Compared to living with married parents, children were more likely to live with a single parent and a grandparent, with a single parent and no other adults, and with no parents, after the implementation of TANF. In the pre-TANF period, children in states with a time limit waiver (i.e., states that had a time limit on welfare benefits) were more likely to live in cohabiting families and less likely to live with a single mother and no other adults. In the post-TANF period, living in a state with a more generous time limits was associated with a reduced likelihood of living with cohabiting parents or with a grandparent and single parent, and increased likelihood of living with a single mother and another adult. Sanction policies have few effects on children's living arrangements. In the pre-TANF period, state waivers increasing the income disregard are associated with reductions in living with a single parent and grandparent, living with a single parent and another adult, and living with no parents, relative to living with married parents. In the post-TANF period, living in a state with a more generous income disregard policy is associated with an increase in the likelihood of living with a single parent and other adults or with no parents. Finally, in the pre-TANF period, expansions of eligibility for married parents is associated with increases in living with a single parent and other adults and with no parents, and decreases in living with a single parent an no other adults. In the post-TANF period, many of these effects are reversed.

Future Directions
Future analyses will include state and time fixed effects, as well as other important state controls such as marriage market opportunities and housing policies. Additionally, analyses will be done for sub-groups of children, such as those living with less educated heads of household, and separately by race and ethnicity. Finally, we will continue to refine our measures of state policy choices.

Summary
This paper advances our understanding of the influence of welfare policies on children by focusing on children's living arrangements, rather than those of single mothers; by examining a wide range of living

arrangements, including cohabitation and living with a grandparent; and by measuring specific state policies adopted throughout the 1990's, rather than just indicators for the implementation of any waviers or TANF in a given state. The results can shed light on how policy choices adopted by states can influence the living arrangements of children.

Table1. Sample description (unweighted)

Variable	Mean	N
Child age	8.97	174262
Child is male	.51	174262
Child is black	.14	172372
Child is Hispanic	.14	174262

Table 2. Distribution across family structure categories—all years (unweighted)

Family structure	Percent
Married	68.88
Cohabiting	3.56
Single + grandparent	3.26
Single + other adult(s)	5.41
Single living alone	14.82
No parents	4.06
N	*174262*

Table 3. Preliminary Multinomial logistic regression results—omitted category is living with married parents, N = 164924 (unweighted)

	Cohabiting	Single + Grandparent	Single + other adult(s)	Single living alone	No parents
TANF indicator	-.14	.32***	.45***	.05	.29***
	(.09)	(.09)	(.08)	(.05)	(.08)
Time limits	.30***	.08	-.34***	-.08	-.01
	(.09)	(.10)	(.10)	(.06)	(.10)
Time limits * TANF	-.46***	-.36***	.33***	-.08	-.17
	(.11)	(.12)	(.11)	(.06)	(.11)
Sanctions	.11	.005	.04	.06	-.15**
	(.06)	(.07)	(.06)	(.04)	(.07)
Sanctions * TANF	-.10	-.09	-.04	-.07	.15
	(.08)	(.09)	(.07)	(.04)	(.08)
Income disregard	.07	-.24***	-.24***	-.05	-.42***
	(.06)	(.08)	(.07)	(.04)	(.08)
Income disregard * TANF	-.03	.13	.28***	-.04	.44***
	(.08)	(.09)	(.08)	(.05)	(.09)
Expansion for married parents	-.00	.02	.13***	-.12***	.12**
	(.04)	(.05)	(.04)	(.03)	(.05)
Expansion for marrieds * TANF	.12	-.30***	-.14**	.10***	-.16**
	(.06)	(.07)	(.05)	(.04)	(.06)

Analyses also control for child age, and race/ethnicity; state paternity establishment rate, unemployment rate, and median wage.

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