

**The Impact of Welfare and Child Support Enforcement on
Children's Living Arrangements**

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Introduction

In 1996 the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) led to significant changes in welfare and child support enforcement policies. Because children in two-parent families do better behaviorally and academically than do children in single-parent families (Parke 2003), an explicit goal of PRWORA was to encourage the formation and maintenance of two-parent families. Following the devolution of welfare, many states implemented policies that directly targeted family behaviors, with the hopes of encouraging two-parent family formation. At the same time, many states also implemented policies that could remove families from the welfare rolls, such as sanctions. By eliminating all means of support, it is possible that some mothers would be forced to leave their children in the care of friends, family, or foster care (Paxson and Waldfogel 2003). This has implications for children, as evidence suggests that children who live apart from their parents are more likely to experience behavioral and academic problems (Billing, Ehrle, and Kortenkamp 2002).

The proposed research will examine the impact of child support and welfare policies on children's living arrangements. The research will add to current knowledge in two ways. 1) Unlike the majority of research on welfare policy and family structure, this research focuses on children's living arrangements, rather than the family formation decisions of parents. PRWORA encouraged two-parent families, in part, because of their benefits for children. I will assess the effects of welfare and child support policies directly on children's living arrangements, including children who live apart from their parents. 2) Child support enforcement and welfare underwent major transformations under PRWORA. Most research has examined the effects of child support policies or the effects of welfare policies, separately, on family formation. The proposed research will focus on the role of child support policies and welfare policies, together, in shaping children's living arrangements.

Welfare and Family Structure

Following the implementation of welfare reform, the proportion of children living in single-parent families decreased (Dupree and Primus 2001). The question of whether welfare policies have changed family structure among low-income families, however, has not been fully answered. Most of the research to date has focused on changes in adults' family behaviors, such as marriage, fertility, and female headship rates. Much of this research estimates the effects of welfare waivers,¹ which were not implemented in all states. There is evidence that welfare waivers led to decreases in female headship (Horvath-Rose and Peters 2001, Fitzgerald and Ribar 2001) and decreases in non-marital births (Horvath-Rose and Peters 2001). The evidence on marriage is less consistent. Schoeni and Blank (2000) found that waivers increased marriage, while Rosenbaum (2000) found no effect of waivers on marriage and Kaestner, Korenman, and O'Neill (2003) found welfare reform reduced marriage among young women.

A few studies focus on changes in children's living arrangements following welfare reform. Cherlin and Fomby (2002) find that low-income children in three large cities are increasingly likely to live with two parents following TANF. Most of these two-parent families are formed through cohabitation, rather than marriage. Bitler, Gelbach, and Hoynes (2002), using nationally representative data, examine the effects of waivers and TANF on children's living arrangements by race. They find that black children in central cities are more likely to live with neither parent following TANF, Hispanic children are more likely to live with a married

¹ Prior to the implementation of TANF, many states applied for welfare waivers that allowed them to implement changes to welfare policies.

parent in states that implemented waivers, and white children experienced no change in living arrangements following waivers or TANF. This study, however, analyzes the effects of waivers and TANF on *all* white and Hispanic children, rather than those who are most likely to be affected by changes to policy (e.g., low-income children), which could mask the effects of TANF. Paxson and Waldfogel (2003) find that states that implemented family caps, shorter time limits, and tougher sanctions experienced an increase in the foster care caseload, which suggests that tougher welfare policies may have led to more children living apart from parents. Acs and Nelson (2002) examine the effects of TANF on low-income children's living arrangements using the National Survey of America's Families (NSAF). They find evidence that family caps led to a higher proportion of low-income children living with married or cohabiting parents. These studies suggest that recent changes to welfare policy may decrease the proportion of children who live with single parents by both increasing the proportion who live with two parents and increasing the proportion who live with neither parent.

Child Support Enforcement and Family Structure

Theoretically, it is unclear whether more effective child support enforcement would encourage single-parent or two-parent families. Mothers who are assured of receiving child support may be more likely to leave a marital or cohabiting union, while the prospect of paying child support may increase the incentives for fathers to remain in the household. The research literature suggests that child support enforcement has affected family behaviors. Child support enforcement has been linked to lower rates of nonmarital fertility (Case 1998) and lower remarriage rates among divorced fathers (Bloom, Conrad, and Miller 1998).

To date, there have been few studies that look at the effects of child support enforcement on children's living arrangements (see review by Sigle-Rushton and Garfinkel 2001). The evidence that is available indicates that stricter child support enforcement increases the likelihood that children live with two parents. Nixon (1996) showed that divorce rates among mothers who were more likely to receive welfare were lower in states with more effective child support enforcement. Children are also more likely to live in two-parent families in states that collect more child support (Acs and Nelson 2002). On the other hand, unwed parents may be *less* likely to cohabit under more effective child support enforcement regimes (Mincy and Dupree 2000). The authors of the latter study acknowledge, however, that these findings are preliminary as they were unable to control for the effects of child support enforcement on entrance into unwed parenthood.

Research Questions

1. Do welfare and child support enforcement policies have an impact on whether low-income children live apart from their parents?
2. Do welfare and child support enforcement policies have an impact on whether low-income children live with two parents? If the proportion of low-income children living with two parents increased, are children more likely to live with married parents?

Methods/Analytical Approach

Data on children's living arrangements come from the March supplement to the Current Population Survey (CPS). The March CPS provides a good source of data for examining the effects of state policies on living arrangements. The CPS is a very large survey of 50,000 to

62,000 households annually, and the data are collected annually and are the most current nationally representative data available.

Children living in higher-income families, which is defined as income above the 25th percentile, are excluded from the main analyses because higher income families are unlikely to use welfare or child support enforcement services². Using state data sources, welfare policy measures include the following: whether states have full, partial, or no family caps; work history rules and maximum work hours rules for two-parent families; full family versus individual sanctions, the length of overall time limits, and the number of continuous months that families can receive welfare. The child support enforcement policies include the paternity establishment rate, the collections rate, and the pass-through policy in the state. The policy in place at the beginning of each year are used as the measure of welfare and child support enforcement. Data on living arrangements come from March of that year.

Methods

The CPS data are pooled from 1995 to 2002³ and regression equations estimated using probit models. In the first model, the dichotomous outcome indicates whether the child lives apart from his/her parents. In the second model, the dichotomous outcome indicates whether the child lives with two parents. To answer the question of whether policies have had an impact on whether children live with married parents, in the third model, the dichotomous outcome indicates whether the child lives with married parents. This approach is common in the welfare research literature (see Bitler, Gelbach, and Hoynes 2003, for example).

The length of time since the implementation of the policies will be included in the model because the effects of policies may take time to affect living arrangements (Ratcliffe, McKernan, and Rosenberg 2002). Associations between state policies and living arrangements may also result from other state characteristics that affect both policy and living arrangements. To address this issue, state characteristics, such as employment rates, housing costs, and wages are controlled. In addition, real welfare benefits are controlled in the model because they have been shown to impact union status of parents (Mincy and Dupree 2001). In subsequent models, state fixed effects are included to control for unobservable, but non-changing characteristics of states. All of the policies change over time in most states; therefore, the policy effects can be estimated in models that include state fixed effects. However, inclusion of state fixed effects, in conjunction with state characteristics and policies can result in multicollinearity (Kaestner, Korenman, and O'Neill 2003). Thus, sensitivity of the results to the inclusion of state fixed effects will be examined. Personal characteristics of the child, such as age, sex, number of siblings, and central city residence, are controlled in the model. Models are run with all children and separately by child's race.

Decisions about welfare and child support enforcement policies are often enacted as packages, rather than as individual policies. For example, states that enact tough welfare sanctions, may also enact strict family caps. This leads to multicollinearity between state policies. Multicollinearity will not undermine estimates of the effects of the welfare and child support policies, as a group, on living arrangements; however, it leads to instability in the estimates of individual policies on living arrangements (Myers 1990). To address this issue, I use diagnostic tools (Myers 1990) to test for multicollinearity between the policy measures and

² In sensitivity analyses, described in detail below, different definitions of low-income will be used.

³ Because the CPS surveys households two years in a row, only the first observation of a child will be included in the data.

identify the models that best capture the effects of the welfare and child support policy on living arrangements. Results from both the full models (which include all of the policies) and the reduced models (which include the subset of policies identified by the diagnostic tools) will be presented.

Sensitivity and Robustness of Findings

A challenge to interpreting the statistical results is the compositional changes in the group of low-income children. For example, tough welfare policies could increase the earnings of some parents. If low-income parents who increased their earnings in response to welfare reform were different from low-income parents who did not increase their earnings, this compositional change could result in a significant association between tough policies and children's living arrangements. To examine whether compositional changes drive the findings, "low-income" is defined in several ways for the analyses (Acs and Nelson 2002). Earnings below 200% of the poverty level are examined. A second definition of low-income is whether the child's parent or caretaker holds a high school degree or less. Education levels are less likely to change as a result of policies. Results that are consistent across definitions of "low-income" are more likely to indicate real effects of policies on living arrangements.

A similar challenge is that policies that affect children's living arrangements may move children out of the low-income group. For example, if a low-income single mother marries, she may no longer be low-income. Measuring low-income in multiple ways (as described above) partially addresses this issue because measures such as parental education are less likely to change in response to changes in living arrangements. In addition, I examine whether the policies had a significant impact on higher-income children (which will be defined as not belonging in each of the low-income groups). If children in particular types of living arrangements are more likely to move into the higher income group in response to a policy, the model should find a significant relationship between that policy and living arrangement for the higher income group. However, higher income children should not be affected by these policies. Thus, if significant effects of policy on living arrangements are found for the higher income group, it will cast doubt on significant policy effects for lower income children.

Another challenge to the findings is that some low-income women may have foregone having children in the face of new welfare policies. The most recent evidence suggests that the family cap policies have not discouraged childbearing (Kearney 2002); however, I examine whether fewer low-income women have children under age 1 across the time period. In addition, I run the models separately by child's age, to determine whether the results for younger children drive significant findings.

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