



Single mothers and their children: Evaluating a work-encouraging welfare reform[☆]

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ABSTRACT

Using rich administrative data from Norway, we evaluate a 1998 work-encouraging reform targeted at single parents. We especially focus on educational performance for the children of the involved single mothers. For these children, average school grades at age 16 dropped significantly by 0.7% of a standard deviation per additional year that their mothers were exposed to the reform. Furthermore, we find that the reform affected single mothers by increasing their working hours (and thereby reducing their time at home). We find no average effect on disposable income (mothers traded off reductions in benefits with increases in earnings). Thus, reduced parental time at home seems to be the main mechanism for the observed moderate drop in children's grades. In line with this, we find that the reform increased the use of formal after-school care, and we find a larger reform effect for children of mothers with no informal network to help with child care.

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1. Introduction

Single parenthood is often associated with low attachment to the labor market, dependence on welfare, low incomes, and reduced opportunities for children, making it a concern for many policymakers. In 1998, Norway introduced a work-encouraging reform targeted at single parents, substantially reducing the maximum benefit period for support. We study the long-term consequences of this reform, with particular emphasis on educational outcomes for the children of the involved single parents. Despite hopes that the reform would lead to higher incomes for single-parent-headed households and different attitudes toward work, education, and welfare benefits,¹

leading to better school outcomes for children, we find the opposite, a small but significant drop in school grades upon leaving junior high school (at age 16) by 0.7% of a standard deviation per additional year that parents were exposed to the reform. This finding may be explained by the change from parental child care as parents increased their working hours, to alternative, low-quality child care or unsupervised care.

The Norwegian single parent reform is similar in spirit to reforms that have taken place in many other countries. The 1996, welfare reform in the US was a source of inspiration for the reforms that followed suit in many other places, and is also the reform that has been most intensely evaluated.² Welfare benefits for the poor in the US are largely targeted at low-income families with children, and most of these are headed by single mothers. In 1996, the Aid to Families with Dependent Children (AFDC) program was renamed Temporary Assistance to Needy Families (TANF). Credible and enforceable work requirements were introduced, as were time limits on the receipt of benefits. Following the reform, the employment rates and income of

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¹ Theoretical and empirical work on intergenerational transmission of work attitudes can be found in Crompton and Harris (1998), Fernández and Fogli (2009), Fernández (2013), Dahl et al. (2014b), Haaland et al. (2013), and Alesina and Giuliano (2013).

² See, for example, Danziger et al. (2000), Blank (2002), Moffitt (2003, 2007), and Grogger and Karoly (2009).

single mothers rose, and poverty rates dropped.³ Evidence on how the 1996 US welfare reform affected long-term outcomes for children is scant, points in various directions, and suffers from limited access to high-quality data. Dunifon et al. (2003) use survey data to investigate the effects of mothers moving from welfare to work. They conclude, for the selected group of mothers who found jobs after the reform, that “moving from welfare-reliance to combining welfare and work is associated with a decrease in harsh parenting, an increase in positive parenting, and decreases in both internalizing and externalizing behavior problems among children.” Paxson and Waldfogel (2003) present a darker picture. They use state-level data to suggest that welfare reforms may have increased child maltreatment. The studies closest to ours are Miller and Zhang (2009, 2012). They look at the effects of welfare reforms in the US on academic performance. Contrary to our findings of negative effects, they find a positive effect of welfare reforms on children’s education in the US. An advantage of our data is that it allows us to delve deeper into the mechanisms through which welfare arrangements influence school outcomes.

The US welfare reforms were a source of inspiration for many other countries, even countries with more comprehensive welfare systems in place. Many countries enacted work requirements and limited benefit durations to get welfare recipients out of a perceived trap of benefit dependency, poverty, and inactivity. Single mothers were often not the main target for these reforms, and single mothers were exempted from work requirements in some places. For example, only in 2008, Britain introduced the Lone Parent Obligations, which mandated that single parenthood alone should not entitle anyone to seek income support, and that single parents in general were expected to seek suitable work.^{4,5}

The Norwegian case in particular is interesting. The reform followed rather shortly after the efforts of the US, so long-term outcomes have had time to play out, unlike many other countries. In particular, children affected by the reform have now finished junior high school, so school outcomes can be studied. In Norway, researchers have access to excellent administrative registry data, covering the whole population, which obviously is an advantage when studying underlying mechanisms behind the results. The Norwegian reform is very similar to the US experience, but unlike the US, Norway is a comprehensive welfare state. Since many countries seek inspiration from the US reform, it is important that this type of reform is evaluated in countries with different welfare systems. Mogstad and Pronzato (2012) provide the first evaluation of the Norwegian reform, with an eye on outcomes for mothers. Similar to the US experience, they find that the reform increased labor market participation and earnings among single mothers. However, they find reduced income and

increased poverty among a subgroup of single mothers who had been single for a prolonged period. Johnsen and Reiso (2017) shows that the Norwegian welfare reform increased single mothers’ take-up of alternative benefits, such as health-related benefits and social assistance. This points to an important difference between comprehensive welfare states and the US; those single parents who do not find jobs after work-encouraging reforms will, to a lesser degree, fall into dire poverty when there are last-resort social assistance arrangements that provide everyone with some income. Norway also has a battery of family policy measures that provide the population with generous maternity benefits, various forms of cash support, and highly-subsidized day care.⁶ This of course makes it different to be a single mother in a comprehensive welfare state than in the US, and this stresses the importance of analyzing reform effects in different institutional contexts.

The predicted impact of work-encouraging welfare reforms on children’s education performance depends on the reform responses of their mothers. Overall, the Norwegian reform gave single mothers an incentive to increase their labor supply. Depending on the substitutability between mothers’ time spent on leisure and maternal care, the relative quality of maternal care to alternative care (formal after-school care or informal care), and the complementarities between quality of care and market goods that increase child quality, an increase in time spent working has ambiguous effects on children. For instance, if maternal care is superior to alternative care, and if complementarity between maternal care and market goods that increase child quality is low, a reduction in maternal care due to an increase in time spent working is expected to have a negative effect on children’s educational performance.⁷

Furthermore, the reform may affect single mothers’ disposable income. This effect is ambiguous and depends on whether additional labor earnings from increased labor supply outweigh loss in benefit payments. An increase in disposable income could in turn lead to more investment in children and thus have a positive impact on children’s educational performances (Dahl and Lochner, 2012; Løken et al., 2012).

We use a differences-in-differences method where we define a treatment group of single mothers as being single when their child was aged two and match this using exact matching to a control group of mothers who were married when their child was aged two. Throughout the paper, we refer to the control group as married mothers, but this group also includes mothers cohabitating with the father of one of their children. We study cohorts of two-year-old children in the ten years predating the reform (1988–1997), and we analyze school grades in the final year of junior high school for all these children (2002–2011). The first three cohorts were not affected by the work-encouraging welfare reform. For each cohort following, the children were increasingly affected by the reform. To capture this, we use a linear treatment variable in our main specification.

The reform had a modest negative effect of 0.7% of a standard deviation per year of treatment both for grade point average and a written exam in the final year of junior high school. Focusing on the single mothers, we find that they increased their labor supply and earnings just enough to offset the loss in benefits. Thus, we find no average effect of the reform on disposable income. There is, however, a time effect: As single mothers worked more, it is likely that they spend less time with their children. Consistent with this, we find an increase in the use of formal after-school care. The observed drop in children’s grades due to the reform may thus be explained

³ Card and Blank (2008) caution that, while average earnings may have risen, jobs and earnings can also have become more unstable, and when public assistance is less available, within-year variability of income may rise. Kaushal et al. (2007) point out that while single mothers may have experienced an increase in income, expenditure data reveal that much of this income hike was spent on transportation, work clothes, and the like, while little was used on what the authors term “learning and enrichment items” for children.

⁴ Britain initially relied on the so-called New Deal for Lone Parents, which was a voluntary program offering single parents advice and assistance to increase their employability. See Finn and Gloster (2010) for a review of LPO; Dolton and Smith (2011) evaluates NDLP.

⁵ Australia, as part of a series of “work first” welfare reforms, in 2006 demanded that single parents with children older than six should seek employment. The Netherlands is another case where work first welfare reforms were enacted from the 1990s onwards. In 1996, work requirements were extended to single parents, but rules have varied, and since 2008, single parents with small children can apply for exemptions from job search requirements (Finn and Gloster (2010) do not only present the British case, but also present relevant facts on Australia and the Netherlands). For further information, see, for instance, Ochel (2005) for details on the German Hartz reforms, and Knoef and van Ours (2016) for a report on a Dutch field experiment to encourage single mothers to leave welfare for work.

⁶ For presentations and evaluations of elements of Norwegian family policy, see Havnes and Mogstad (2011a, 2011b), Dahl et al. (2013), Drange and Rege (2013), Rege and Solli (2013), Black et al. (2014), Carneiro et al. (2015), and Dahl et al. (2014a).

⁷ For studies of the effects of maternal care on child development, see Becker (1981), Baker et al. (2008), Havnes and Mogstad (2011b), and Carneiro et al. (2015).

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