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Children's welfare exposure and subsequent development

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Abstract

We examine the extent to which children are exposed to the welfare system through their mother's receipt of benefits and its impact on several developmental outcomes. Using data from the matched mother–child file from the National Longitudinal Survey of Youth (NLSY), we find that children's welfare exposure is substantial. By age 10, over one-third of all children will have lived in a welfare household; black, non-Hispanic children face a much higher rate of exposure. Simple correlations suggest a strong negative relationship between maternal welfare receipt and children's outcomes. In this paper, we implement three alternative strategies (instrumental variables, sibling differences, and child fixed effects models) designed to identify whether this correlation can be attributed to the mother's welfare receipt directly or to other characteristics of mothers who receive welfare, regardless of whether or not those characteristics are observable to the researcher. Based on the results of all three estimation strategies, we find little evidence of any causal link between maternal welfare receipt and children's developmental outcomes.

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1. Introduction

The issue of welfare dependency became a focal point in the recent debate over welfare reform.² Indeed, many policy makers pointed to dependency as a compelling reason to completely overhaul the nation's system for transferring income to poor mothers. The new emphasis on work brought about by the sweeping welfare reform legislation of 1996, they argued, would promote self-sufficiency among the mothers (Mead, 1992; Rector, 1997). Others have criticized these reforms because they may exacerbate already disturbing levels of child poverty which tends to be linked to inferior outcomes for children (Bane, 1997; Edelman, 1997; Duncan and Brooks-Gunn, 1997).

If welfare expenditures necessitate a difficult tradeoff between parental dependency and child poverty, it is critical to know the terms of the tradeoff. Although a large body of scholarly research has considered the impact of welfare on adult recipients (cf. Moffitt, 1992), relatively little research has considered the issue of how maternal welfare receipt affects the well-being of children. This paper addresses the question, is children's development affected by their mothers' welfare receipt?

The main methodological problem that any research in this area faces is determining causality. Differences in children's outcomes are the result of a myriad of factors, many of which may be correlated with the family's welfare history. The identification of a causal link between the mother's welfare receipt and the child's outcomes requires the researcher to carefully control for these other factors. Neglecting to do so would result in an estimated welfare effect that was, in fact, an amalgam of both welfare influences and the influences of variables correlated with welfare receipt.

This research uses three distinct methods that can control for differences among families, including those that cannot be observed by the researcher, which could confound the estimation of a welfare effect. Firstly, we implement an instrumental variables estimator where parameters of state welfare systems and local labor market conditions represent the instruments. Secondly, we consider differences in outcomes between siblings who have the same fixed family background but who may have been exposed to different amounts of maternal welfare receipt during their childhood. Finally, we use repeated observations on children to estimate individual fixed effects models that identify changes in outcomes over time for an individual child as a function of changes in the degree to which the child has been exposed to welfare.

Data matched between mothers and children from the National Longitudinal Survey of Youth (NLSY) enable us to implement these strategies. These data follow 6283 women initially between the ages of 14 and 21 in 1979 and have subsequently tracked all of the children born to these women. Importantly, these data provide an event history of welfare receipt going back to January of 1978 that encompasses most of these women's adult lives and virtually all of their children's lives. We use these event histories to calculate the extent to which each child in the sample was exposed to the welfare system. In addition, these data provide biennial assessments of these children's development beginning in 1986 that are the focus of much of this analysis.

² In this research, "welfare" refers to participation in either the AFDC or the TANF programs. These are the largest means-tested cash transfer programs and the programs most frequently charged with creating dependency.

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