



## Privatization and subsidization of adoption services from foster care: Empirical evidence



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### ABSTRACT

This paper analyzes empirical differences in adoption services of public and private agencies. The empirical investigation includes cross-sectional time series aggregated data for the 50 states within the United States from 1996 to 2010 with detailed statistical analysis of the period from 2000 through 2010 for which consistent and comprehensive data exists. Under private agencies, only 11.6 months elapse from the time the courts terminate the natural parents' custody until the child is adopted, while with public agencies the same process lasts for 16 months. Furthermore, during the decade from 1996 to 2006 private agencies completed more adoptions than public agencies. However, the performance gap in favor of private agencies was eliminated in 2006 and in the following years. The results suggest that privatization of adoption of young and healthy children did not show an advantage for private services. However, transitioning adoption services to private agencies for older children or children with complex special needs, improves the adoption services compared with those of public agencies. Subsidization especially improves the adoption of older children and of all children with special needs while it appears to be statistically insignificant or implied as unnecessary for healthy babies.

### 1. Introduction

Every year almost one million children in the United States are victims of neglect or abuse. In a survey conducted at California state prisons, 74% of male inmates and 75% of female inmates had been in foster care during one year or more (California Senate, 2011; California Office of Research, 2011; Cusick et al., 2010). Spending extensive time in foster care homes has shown devastating effects on children. Thirty-three percent of male inmates and 40% of female inmates had spent five or more years in foster care. A University of Chicago study found that one third of the former foster care children who were tracked in three of the Midwestern states had a “high level” of involvement with the criminal justice system. In a survey of prisoners under the age of 30, 20% of them spent part of their lives in foster care, and 25% of the inmates that had convictions spent some of their childhood in foster care (California Senate, 2011.)

Children growing at foster care homes fare worse than children growing at normal homes with significant educational achievements and professional skills. Foster care children are less likely to gain employment and their earnings are significantly lower lacking sufficient earnings for decent living. Many of them have children that they cannot

support. Many of them struggle with mental and physical health problems and receive government welfare support, and they are more likely than their same age peers to be involved in criminal activities (Courtney et al., 2005).

In 2014, the median stay in foster care was 13.5 months, an increase from 11.9 months in 2004. Approximately 100,000 children awaited adoption during an average of 37.3 months, including 13.7 months after court termination of parental rights. In 2013, 11% or 43,083 children spent 5 years or more awaiting adoption. Nearly 30,000 children reached the age 18 without finding an adoptive home. The average age of a child at the time of adoption was eight. Fifty-three percent of the children were adopted by former foster parents, 32% by relatives, and the remaining 15% were adopted by non-relatives (USDHHS, 2015a; Tides Center, 2015). In the year beginning October 1, 2013, 50,634 children were adopted, while 38% of them were in California, Texas, Florida, Arizona, and Michigan, in declining order (USDHHS, 2015b).

In September 2010, among 408,425 children in foster care, 26% were in homes of relatives, 48% were in foster homes of non-relatives, and the remaining children were in group homes. Among those in foster care, 25% had the goal of adoption while 21% of those who left foster

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care were adopted. Among the 254,114 children who left foster care, the median amount of time spent in the adoption process was 13.5 months, an increase from 12.0 months in 2000. Thirteen percent of them spent less than one year in foster care ([Child Welfare Information Gateway, 2012](#)). The number of children waiting for adoption after the termination of parental rights and as of the last day of the year increased from 74,000 in 2004 to 82,000 in 2007. Since 2007, the number has steadily declined to 61,000 in 2011.

These figures showed significant improvement in 2011 as compared with the statistics of a decade earlier. The problem that was faced by many states until 2011 was the heavy caseload imposed upon social workers responsible for transferring eligible children from foster care to adoption. This caseload resulted in insufficient attention to attaining either fast or reliable adoption, or both. Thus, several states decided to contract out at least some of the adoption services to private companies. The objectives were to transition more children from temporary foster care to permanency and to improve the quality of the adoption. The states that have in some form contracted their adoption services include Michigan in 1992, Kansas in 1996, Illinois in 1997, Connecticut in 1999, Massachusetts in 2000, Colorado in 1997, Florida in 2005, Texas in 2005, Oklahoma in 1992, and Tennessee in 1995.

In this paper, we analyze whether contracting out adoption services increases the likelihood that children are adopted from foster care. Simultaneously, we analyze whether contracting out adoption services diminishes the time that children spend in the process. We also evaluate whether contracting out leads to a higher and better quality of adoption. While a fast adoption process may shorten the length of stay in foster care, it may increase the probability of failed adoption.

In some sense, our results correspond with earlier findings of [Hansen \(2009\)](#) which suggest that the use of private agencies strengthens faster adoptions. Adoptions were mostly successful when the state guarantees post-adoption financial support to the adoptive parents. This result coincides with the conclusions of [Hansen and Hansen \(2006\)](#) in an earlier paper that “cutting adoption subsidies may cut adoption creation.”

[Section 2](#) discusses the effects on children of the two forms of foster care and adoption. [Section 3](#) presents the economic views and experiences of market exposure and privatization of adoption services. [Section 4](#) describes our empirical model. We analyze a model that explains the length of the adoption process in relation to the attributes of children, privatization, and differences among states. In [Section 5](#) we introduce a pooled database by year and state which shows that a quantitative success of privatized adoption does not necessarily reflect qualitative success. [Section 6](#) summarizes the paper and suggests some policy implications.

## 2. Foster-care versus adoption

The field of personality development shows that children that grow up without permanent parents suffer lasting and devastating psychological effects. Such adverse effects exist even when the separation was for a few months. Therefore, the research concludes that in the case of foster care children, uniting the child with a permanent family needs to be done as soon as possible to minimize psychological damages ([Katz, 1990](#)). It should be emphasized that the main objective of the welfare authorities is to shorten as much as possible the duration of foster care and to find warm adoptive homes for children as quickly as possible.

We mention below several references to this approach to transitioning from a foster home to an adoptive home. However, the main supporting argument can be found in the long-established and important Attachment Theory that is based on Bowlby. Its development began in 1930 and continued until 1990 in a more recent paper by [Ainsworth and Bowlby \(1991\)](#).

The basic concept derived from the Attachment Theory is that a stable mother figure is important for children. Early family relationships are important for the personality development of children.

Actual family experiences are often a very important if not the crucial cause of emotional disturbances in children.

The presence of one's own attached and permanent mother is important for a child.

This concept is introduced by [Bretherton \(1992\)](#) and the following quotation is from page 770 of his paper regarding Efe parent-infant attachment.

“Young Efe infants receive more care (including nursing) from other adult women than from their own mothers, except at night. Despite this multiple mothering system, by 6 months infants begin to insist on a more focalized relationship with their own mothers although other female caregivers continue to play a significant role.”

The analogy may be made to the foster home in which multi-motherhood may exist. Although one mother is involved, the distinction between the biological and the adoptive mothers is very clear to the child.

The need for a stable and continuous relationship to enable healthy social-emotional child development is a very convincing argument.

Comparing long-term foster care and adoption shows that growing up in adopted homes have higher levels of emotional security, sense of belonging and general well-being. Long-term fostering does not form a positive psychological base in the lives of children. Foster care is temporary and can be removed at the initiative of local authorities, the child, the foster caregivers or the birth parents. Even when foster care is long-term, the child and the foster caregivers perceive it as temporary and therefore prevent, in many cases, the formation of close relationships. On the other hand, adoption confirms legal permanency with all parental responsibilities transferred to the adoptive parents. Only neglect or abuse by the adoptive parents can dissolve adoption and this is not different when the child lives with the biological parents ([Triseliotis, 2002](#)). In a similar study in the UK, [Selwyn and Quinton \(2004\)](#) examined 130 children that all wished to be adopted but some of whom had had to spend childhood in foster care. Foster caregivers had authoritative difficulties in making decisions in favor of the child that are obvious and easily done by adoptive parents. Social workers wanted to control what is happening in the lives of the children in foster care and therefore maintained their full decision-making concerning the child. Bureaucratic delays resulted, for example, in children missing school trips. When a child is in foster care any desire that a child has, even sleeping overnight at a friend's home, requires the social worker's approval. Another difficulty in foster care was that at the age of 16, the young adults were referred to independent living while both they and their foster caregivers wanted them to stay home. The concern over living independently adversely affected the young adults in foster care while their peers in adoptive homes could more easily live peacefully, concentrate, and better perform in school. The legally insecure foster placement adversely affected the emotional link in both directions for the foster parents and the children while a positive link was evidently stronger for the adoptive parents and their adopted children. However, it is possible that part of this distrust can be attributed to the age of children in foster care, who are usually older than their adopted peers.

The Adoption and Safe Families Act (ASFA) of 1997 addressed the concern regarding the long wait in foster care for permanency with families. The Act prioritized permanency by instituting reduced periods for reunification efforts and deadlines for terminating parental rights. The Act required that parental rights be terminated even when an appropriate adoption is not available. It required the states to terminate parental rights if a child has been in out-of-home care for 15 out of 22 months. High numbers of foster care placements contributed to increases in both violent and nonviolent crime. Lengthy stay in foster care linked to violent crime was particularly strong among African-American youth. Foster youth were also much more likely to be arrested as they made the transition to adulthood ([Doyle, 2008](#)). [Smith, 2003](#) analyzed a cohort of 1995 foster children whose parental rights were terminated in the same month. The lower rate of exiting foster care after Termination of Parental Rights (TPR) is attributed to

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