Welfare reform and child poverty: effects of maternal employment, marriage, and cohabitation

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Abstract

The welfare reform debate centers on whether the best strategy to reduce poverty is to raise work participation among low-income women or to promote marriage. Using the 1992–2001 demographic supplements of the Current Population Survey, we track child poverty rates before and after passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act. We find that increasing maternal employment accounted for roughly one-half of the decline in poverty among children living with single mothers. The largest economic benefits from increasing maternal employment were observed among African American children and those living with poorly educated mothers. Unlike the 1991–1995 period, changes in family structure over 1996–2000 were no longer giving demographic impetus to higher child poverty rates. Evidence that recent declines in nonmarital fertility have reduced child poverty rates, however, is limited. We conclude with benchmark estimates of the economic implications of marriage promotion initiatives and document post-1996 increases in children’s co-residence in cohabiting couple families.

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1. Introduction

When the new welfare reform bill, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, was being debated in the US Congress, many of its opponents believed that the new legislation would hurt rather than help low-income children. A highly publicized report by the Urban Institute claimed that welfare reform would doom an additional 1 million children to poverty (Zedlewski et al., 1996). These early forecasts have not materialized. Instead, child poverty rates have steadily declined after peaking at 22.7% in 1993 (US Bureau of the Census, 2002). In 2000, the poverty rate among children stood at 16.1%, a figure lower than any year since 1978, when 15.9% of America’s children were officially poor.

To be sure, the new welfare bill has radically altered the provision of social support for low-income children—eliminating Aid to Families with Dependent Children (AFDC) and providing block grants that provide greater flexibility to states in developing and implementing welfare programs that best serve their needs (see Greenberg et al., 2002; Lichter and Jayakody, 2002). Declining poverty rates among female-headed families with children, along with significantly lower TANF welfare caseloads, have provided some vindication to early supporters of the 1996 welfare reform legislation. Reductions in poverty presumably reflect PRWORA’s strict new work provisions and state programmatic efforts to strengthen America’s fragile families and reduce unwed childbearing (e.g., child support enforcement, bonuses to reduce unwed childbearing, and family caps on cash benefits). Indeed, employment rates among single mothers have burgeoned since PRWORA was signed into law. Moreover, the nonmarital fertility rate peaked at 46.9 births per 1000 unmarried women in 1994, ending a 30-year increase (Bianchi and Casper, 2000). Critics tend to discount claims of welfare reform’s success, preferring instead to give most of the credit to a robust economy marked by low unemployment rates and rapid job growth (cf. Hofferth, 2002; Lichter and Jayakody, 2002; Sawhill and Haskins, 2002).

We cannot adjudicate these competing claims for welfare reform’s success. We can, however, evaluate whether rising maternal employment, changing family structure, or both accounted for the late-1990s declines in child poverty. Specifically, we examine children’s changing economic circumstances using data from the annual March demographic supplements of the Current Population Survey. First, we track recent changes in the child poverty, maternal work patterns, and family structure over 1991–2000. Second, we examine changing child poverty rates over the five-year periods immediately before and after passage of the 1996 welfare legislation. We use methods of demographic standardization (or shift-share analysis) to estimate the share of change in child poverty rates attributable to changing population composition (e.g., maternal employment rates or family living arrangements). Third, we evaluate the sensitivity of our results for children targeted by welfare reform: children living in families headed by single mothers, minority children, and children co-residing with low-educated mothers. This is an important task. Current debates over welfare reauthorization now center on whether work participation requirements should
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