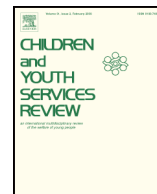




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Money matters: Does the minimum wage affect child maltreatment rates?

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ABSTRACT

Research has consistently demonstrated that children living in low-income families, particularly those in poverty, are at a greater risk of child maltreatment; however, causal evidence for this relationship is sparse. We use child maltreatment reports from the National Child Abuse and Neglect Data System: Child File from 2004 to 2013 to investigate the relationship between changes in a state's minimum wage and changes in child maltreatment rates. We find that increases in the minimum wage lead to a decline in overall child maltreatment reports, particularly neglect reports. Specifically, a \$1 increase in the minimum wage implies a statistically significant 9.6% decline in neglect reports. This decline is concentrated among young children (ages 0–5) and school-aged children (ages 6–12); the effect diminishes among adolescents and is not significant. We do not find that the effect of increases in the minimum wage varies based on the child's race. These findings are robust to a number of specifications. Our results suggest that policies that increase incomes of the working poor can improve children's welfare, especially younger children, quite substantially.

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1. Introduction

"The typical minimum wage earner is a provider and a breadwinner—most likely a woman—responsible for paying bills, running a household and raising children." Thomas Perez, United States Secretary of Labor (2014)

In 2013, state child protective services (CPS) agencies received 3.5 million referrals alleging maltreatment involving 6.4 million children (U.S. Department of Health and Human Services, DHHS, 2015). The number of children experiencing child maltreatment in the United States warrants clear policy interventions to reduce child maltreatment and advance child well-being. A large body of research, which is discussed in more detail below, has established that children living in homes with economic hardship are at an increased risk of maltreatment. If income and child maltreatment share a causal link, then policies that actively seek to increase the incomes of families at risk of child maltreatment deserve evaluation and consideration.

Studying how increases in the minimum wage change state-level child maltreatment rates can provide insight into how changes in income may enhance child well-being. When policymakers increase the minimum wage, they do so to boost the wages of low-income workers. At the same time, these policies may be seen as exogenous increases in a

family's income. Therefore, we use state and federal variation in the real minimum wage to determine if and to what extent increases in a state's wage floor has the unexpected benefit of reducing child maltreatment.

Of course we note that for increases in the minimum wage to be effective in reducing child maltreatment, the policy would need to realize its intended effect of raising incomes in a meaningful way. Federal minimum wage increases have increased the nominal hourly minimum wage by about \$0.70. For a worker who works 40 h per week, 52 weeks per year, this change in the minimum wage would lead to a gross annual income increase of \$1456, or a paycheck boost of \$28 per week before taxes (of course, taxes may not apply if earnings are sufficiently low). For workers who work part time or do not have paid personal time off, their increase in income will be less than the maximum. While \$28 per week may seem like a small change in income, the Kaiser Family Foundation's website states the national average monthly Supplemental Nutrition Assistance Program (SNAP) benefit per person is \$133.07 per month, or about \$30 per week. For Americans with financial hardship, we submit that an increase in the minimum wage may be the difference between providing more food on the table or keeping the lights on.

To conduct our research, we constructed a state-level quarterly panel data set using the National Child Abuse and Neglect Data (NCANDS): Child File data. Our analysis included almost all states and Washington, D.C., and used data spanning from October 1, 2003, to September 30, 2013. We found that increases in the minimum wage resulted in fewer overall child maltreatment reports to child protective services (CPS) agencies, and this decline was concentrated among neglect reports. We also discovered that increases in the minimum wage

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reduced reports among young children (ages 0–5) and school-aged children (ages 6–12) more than their adolescent counterparts (ages 13–17).

This paper proceeds in the following manner. Section 2 presents the literature review and outlines how this paper expands on the extant literature. In Section 3, we discuss our data and methods. Section 4 provides our results, and Section 5 discusses alternate specifications. In Section 6, we provide discussion and conclusion.

2. Literature review

2.1. Income and child maltreatment

Decades of research has consistently demonstrated that children living in low-income families, particularly those in poverty, are at a greater risk of child maltreatment (Berger, 2004; Coulton, Crampton, Irwin, Spilsbury, & Korbin, 2007; Coulton, Korbin, Su, & Chow, 1995; Gelles, 1992; Jones & McCurdy, 1992; Paxson & Waldfogel, 2002; Pelton, 2015; Sedlak & Broadhurst, 1996; Sedlak et al., 2010), especially neglect (Drake & Pandey, 1996; Slack, Holl, McDaniel, Yoo, & Bolger, 2004). According to the Fourth National Incidence Study of Child Abuse and Neglect, the population at highest risk of child maltreatment and child protective services (CPS) involvement is children living in or near poverty, where children in low socioeconomic status households are five times more likely to experience maltreatment than children in higher socioeconomic status families (Sedlak et al., 2010). An adverse correlation also exists between child maltreatment and other measures of economic hardship such as welfare receipt (Brown, Cohen, Johnson, & Salzinger, 1998; Jones & McCurdy, 1992; Martin & Lindsey, 2003; Needell, Cuccaro-Alamin, Brookhart, & Lee, 1999); unemployment (Gillham et al., 1998); single-parent family structure (Berger, 2005; Chaffin, Kelleher, & Hollenberg, 1996; Gelles, 1992; Mersky, Berger, Reynolds, & Gromoske, 2009; Sedlak & Broadhurst, 1996); and experiencing food shortages and difficulty with paying for clothing, housing, utilities, or other important bills (Courtney, Dworsky, Piliavin, & Zinn, 2005; Slack, Lee, & Berger, 2007; Slack et al., 2003, 2004; Yang, 2015). Empirically, there is evidence that income loss, through reductions in welfare benefits, is associated with an increased risk of involvement with the child welfare system (Paxson & Waldfogel, 2003; Shook, 1999; Slack et al., 2003; Slack et al., 2007). We note that studying child abuse and maltreatment outcomes in aggregate is not uncommon. As is the case in this study, state-level, county-level, or neighborhood-level research designs have been utilized in numerous previous studies (Lindo, Schaller, & Hansen, 2013; Millett, Lanier, & Drake, 2011; Paxson & Waldfogel, 1999; Paxson & Waldfogel, 2002; Paxson & Waldfogel, 2003).

Despite a sustained literature demonstrating a relationship between income and child maltreatment, there are many other factors, including poor mental health, neighborhood effects, and other health measures, that are also associated with both being low-income and experiencing a higher risk of maltreatment. These confounding variables have made it difficult for studies to establish a causal effect of income on the risk of child maltreatment. There are two exceptions.¹ Cancian, Yang, and Slack (2013) use a random assignment experiment in Wisconsin to determine the effect of income, through exogenous increases in child support, on the risk of maltreatment. Families enrolled in Temporary Assistance for Needy Families (TANF) were randomly assigned to be in

¹ Fein and Lee (2003) conducted an experimental evaluation of a welfare reform program in Delaware. They compared various measures of maltreatment of a group of individuals who were subject to mandatory work requirements, sanctions for noncompliance, expanded health insurance, expanded childcare coverage, and earnings disregards policies to members of a control group who were not subject to these welfare reform changes. The groups were determined by random assignment. Their findings suggest that the reform is associated with increased incidence of reports of neglect but has no significant effect on reports of abuse or foster care placement. However, due to multiple changes of reform, there is no way to determine if the impact is specifically from income changes.

the “full pass-through” group (treatment) or the “partial pass-through” group (control). Those in the treatment group received every dollar of child support, whereas those in the control group received only part of the child support paid to them. The difference in incomes between these two groups was quite modest at approximately \$100 per year. They find families in the treatment group are about 2 percentage points less likely to have a screened-in report than families in the partial pass-through group. This study suggests even a slight boost in income for low-income families can reduce the risk of being reported to and investigated by CPS.

Second, Berger, Font, Slack, and Waldfogel (2013) study how income affects child maltreatment by using the Earned Income Tax Credit (EITC) as an instrument for income. The amount of EITC for which an individual is eligible varies across states and over time, and they exploit this variation in their research design. Their results imply an income increase of \$1000, in the form of a tax refund, decreases the probability of CPS involvement by 7–10%.

2.2. The pathways linking income and child maltreatment

The literature suggests several mechanisms through which increases in disposable income may affect child maltreatment.² Perhaps most straightforward is that income affects a parent's ability to provide a child with basic needs (Berger, 2007; Pelton, 1994, 2015). This direct impact is particularly relevant with regard to neglect, which is often defined by inadequate provision of food, shelter, clothing, medical care, and inadequate home conditions.

Indirect pathways may also link income to parenting behaviors. If a caregiver is unable to devote as much time to parenting due to a lack of financial resources, the quantity and quality of parenting and willingness to invest in children may decrease (Becker, 1993; Berger, 2007, 2004; Lindo et al., 2013; Weinberg, 2001). For example, material hardship may indirectly affect child maltreatment through the stress and depression that such hardship can generate (Chaffin et al., 1996; Drake & Pandey, 1996; Pelton, 2015). These issues may manifest through other parental psychological well-being measures, such as self-esteem, personal efficacy, stress, depression, anxiety, and substance abuse. Income may also affect the family structure in which a child lives, and changes in family dynamics and family structure due to financial constraint may change caregiver behaviors that threaten a child's well-being (Berger, 2007, 2005, 2004; Berger, Paxson, & Waldfogel, 2009; McDaniel & Slack, 2005). For example, single-parent families and stepparent families have, on average, lower incomes, greater time constraints, higher levels of stress, greater family conflict, and parental role ambiguity. These factors may explain why maltreatment rates are higher among single-parent and stepfamilies than two-biological-parent families (Berger & Waldfogel, 2011). Of course, it may also be that the heads of households in single-parent and stepfamilies are systematically different in unobservable ways than those who form two-parent families.

2.3. The minimum wage and poverty

The minimum wage is a policy tool designed to increase incomes to individuals and families in low-paying jobs. Although some research contends there is no effect of minimum wage on overall poverty rates (Burkhauser & Sabia, 2007; Neumark, Schweitzer, & Wascher, 2005; Sabia & Burkhauser, 2010; Sabia & Nielsen, 2013), there is a great deal of evidence that increases in minimum wage can substantially improve the financial situation of those in poverty and extreme poverty, and improve the poverty gap (Addison & Blackburn, 1999; Bernstein & Shierholz, 2014; Dubeú, 2013; Stevans & Sessions, 2001), in some cases enough for some families to break the poverty threshold

² See Drake and Jonson-Reid (2014) and Berger and Waldfogel (2011) for an overview of theories and empirical findings.

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