



**Examining the effects of welfare reform on children:
The Project on State-Level Child Outcomes** by Alan Yaffe 3

In 1996, the Administration for Children and Families and the Office of the Assistant Secretary for Planning and Evaluation of HHS began to work together with states on measuring child outcomes in state welfare evaluations and in other state data systems. Because most AFDC recipients were children and most TANF recipients are likely to be, there is interest in the effect of welfare reform on the well-being of children. Yaffe provides an overview of the ACF/ASPE initiative designed to gauge the effectiveness of welfare reform innovations in relation to children's well-being and development.

**Assessing the consequences of welfare reform
for child welfare** by Kristen Shook 8

Will welfare reform mean that fewer children will be at risk of involvement in the child welfare system as more parents are able to meet their family income needs through employment or other means, or will the cut-off of benefits impose severe economic hardships that could increase the risks of child abandonment, neglect or physical abuse, and bring hundreds of thousands more children into state foster care systems? Shook uses administrative data from the Illinois Department of Human Services to develop useful indicators for answering these questions.

**Revising the CPS March Income Supplement
to accommodate state-level social assistance programs** 14
by Charles T. Nelson

The March Income Supplement to the Current Population Survey – one of our nation's most important household economic surveys and the source of official U.S. poverty estimates – has been revised to include, as much as possible, the state programs that have replaced AFDC, to separate federal housing assistance from state or local programs, and to facilitate the reporting of benefits that would not have been reported under the set of questions previously used. Nelson provides background on the development of the new questions and a summary of them.

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In the first of an occasional series of articles that will provide alternative points of view on a topic of poverty and policy, the University of Chicago's Laurence Lynn and Brookings' Gary Burtless debate the universalist versus incrementalist approach to policy making.

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Assessing the consequences of welfare reform for child welfare

Kristen Shook¹

ENACTMENT of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) raises the question: What impact will the replacement of guaranteed federal aid for dependent children by time-limited benefits to needy families have on the risk of involvement with the child welfare system?

If the reforms work as intended, it is hoped that fewer children will be at risk for reasons of economic dependency, as more parents are able to meet their family income needs through employment. Other families that experience a denial or loss of Temporary Assistance to Needy Families (TANF) will simply "get by" on help from friends and relatives or income from informal work without serious consequences for child safety and well-being. But for an unknown number of families, the cut-off of benefits will impose severe economic hardships that could increase the risks of child abandonment, neglect, or physical abuse and bring hundreds of thousands more children into state foster care systems.

Until recently, welfare reform discussions at both the federal and state levels were mostly quiet on the question of how time-limits, family caps, paternity disclosure, drug testing, and work obligations for parents might affect the demand for state child protective and placement services. The silence was especially ironic given that mothers' aid, the state-level forerunner to the federal Aid to Families with Dependent Children (AFDC) Program, was a direct programmatic outgrowth of juvenile-court efforts in the first quarter of the 19th century to control the rising costs of placing children in orphanages. The fact that we have arrived full circle today with calls for rebuilding orphanages to combat welfare dependency underscores the enduring significance of these issues and the cyclical nature of the policy debate.

In order to assess the extent to which welfare reforms increase the demand for child welfare services, it will be important to know something about the baseline rate of child welfare involvement among families that received AFDC prior to TANF. Since many of the changes stemming from PRWORA went into effect in Illinois after July 1, 1997, an examination of this state's pattern of child welfare case openings among families receiving AFDC before this date will be useful for our future understanding of how changes in the public aid system affect the child welfare system.

¹Kristen Shook is a doctoral candidate in the School of Social Work at the University of Chicago, and a Graduate Fellow with the Joint Center for Poverty Research, which provided funding for this research, as did the National Center on Child Abuse and Neglect.

What is the association between AFDC and child welfare?

Children from welfare-reliant families are over-represented in child welfare systems. Overall, 15% of the children under 18 years old in Illinois are beneficiaries of AFDC (Committee on Ways and Means, 1993). By comparison, administrative data from Illinois public aid and child welfare tracking systems show that approximately 40% of the children placed in foster care each month come from a family that received AFDC in the same month. This figure rises to nearly two-thirds if we add children who are associated with active AFDC cases that may not currently involve cash assistance.

This association between AFDC status and foster care could arise from any number of factors, including an underlying causal relationship between poverty and child neglect and abuse, or a higher prevalence of co-risk factors, such as social isolation or drug addiction, among AFDC recipients as compared to the general population. Another possibility is that those families who receive AFDC are simply under greater public surveillance, stemming from their ongoing contact with an administrative authority. Whatever the mechanisms may be that produce this association, recent changes in the public assistance system are also likely to be felt in the child welfare system.

Tracking the movement of children and families between public aid and child welfare systems has been difficult in the past because many state administrative data systems do not have common identifiers for linking together information on cases. Recently, the Illinois Department of Children and Family Services (IDCFS) and the Illinois Department of Public Aid (now renamed the Division of Financial Support Services under the newly created Illinois Department of Human Services) agreed to support the construction of a probabilistically-linked database² on common child and family cases by researchers at the Chapin Hall Center for Children at the University of Chicago. Using this resource, we can begin to plan for evaluating the impact of PRWORA on the state's child welfare system by obtaining baseline answers to the following questions:

²Probabilistic record-matching is based on the assumption that no single match between variables common to the source databases will identify a person with complete reliability. Instead, probabilistic record-matching calculates the probability that two records belong to the same person, using multiple pieces of identifying information such as name, birth date, gender, race/ethnicity, county of residence, and possibly social security numbers. When multiple pieces of identifying information from two databases are comparable, the probability of a correct match is increased.

1. What were the monthly and yearly rates of child welfare case openings among children associated with an AFDC grant during the first half of the 1990s?

2. What was the rate of child welfare case openings for the child population associated with an AFDC grant in December, 1995 and how did this rate vary by AFDC case characteristics?

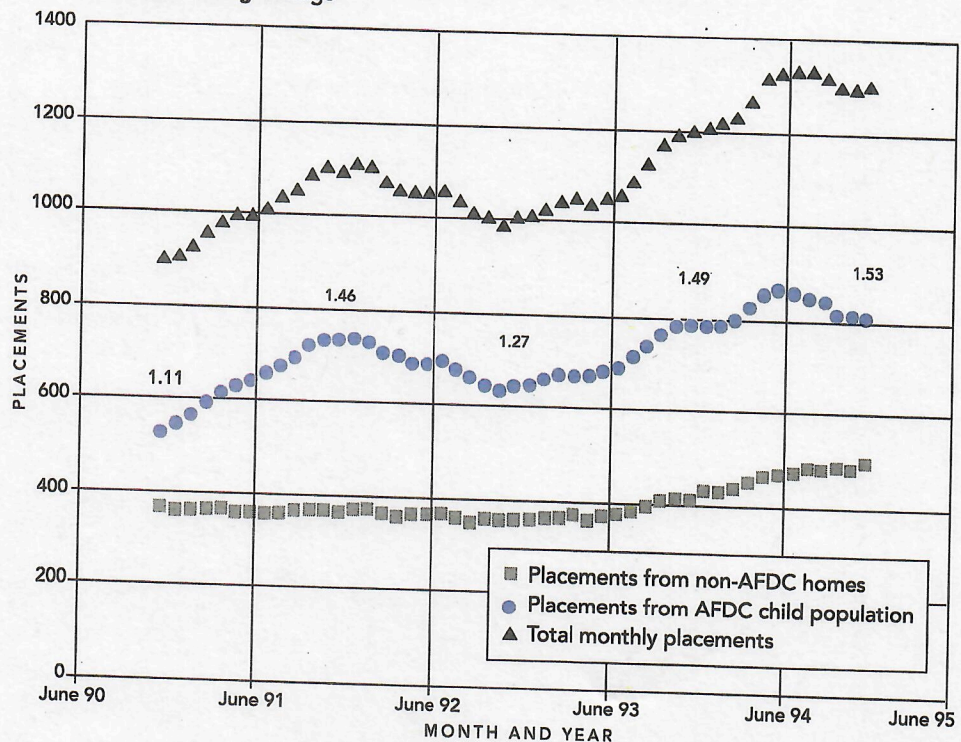
3. What are the characteristics of children with child welfare case openings and how do these characteristics differ between children associated with an AFDC grant within the preceding year and children who did not receive AFDC within the preceding year?

Baseline rates of child welfare involvement: 1990-1995

Figure 1 compares the monthly number of total foster care placements in Illinois from 1990 to 1995 to the monthly number of placements of children who are associated with an active AFDC case. The bottom curve refers to the remaining foster care placements, which involved children who were not associated with an AFDC case. Obviously, there is a close connection between fluctuations in total placements and placements from the AFDC population. In fact, until 1993, all of the growth in foster care placements could be linked to changes in the number of placements from AFDC homes. The changing size of the AFDC population accounts for some of the association. Still, only one-half of the variation in monthly placements can be explained by the size of the AFDC pool of child beneficiaries. The remainder is explained, in part, by changes in the incidence of child welfare involvement among children associated with active AFDC cases each month. The average "point-in-time" transition of children from active AFDC cases to foster care for the period from June, 1990 through May, 1991 was 1.11 per 1,000 children. This figure gradually increased to 1.53 per 1,000 children over the next five years. The remaining variation in monthly placements can be attributed to a slight increase in placements from AFDC homes beginning in 1993.

Children and families can experience child welfare involvement in two ways: (1) as a child case in which the child is removed from parental custody for protective reasons and placed into foster care until the family is able to safely resume care; or (2) as part of an intact family case in which all the children are left in parental custody and the

Foster Care Placements: June, 1990-June, 1995
12-month moving average



The lines in this graph represent the average number of foster care placements plotted at the midpoint of each consecutive 12-month period from June, 1990 to June, 1995. For example, the average number of monthly placements from June 1990 through May 1991 is plotted at December 1990. The numbers above the middle line represent the rate of foster care placements per 1,000 children associated with an AFDC case, averaged over selected 12-month periods.

family receives social services to ameliorate the conditions that brought them to the attention of child protective services. Child cases and intact family cases together are referred to as child welfare cases.

Table 1 on page 10 presents the annual incidence rates of child welfare involvement for June beneficiaries of AFDC for the period from 1990 to 1995. The child welfare case opening rate refers to the initial case openings experienced by a child within one year of June, regardless of the type of case. The foster care placement rate refers to the first child case opening resulting in a foster care placement during the same one year period. Some children can experience both intact family and child case openings, or experience multiple episodes of involvement, but only the first experience is captured in the table.

The incidence of child welfare involvement and foster care varies by less than one percentage point from year to year. While the magnitude of these fluctuations appears misleadingly small, even a slight increase in the rate of child welfare involvement of AFDC families can lead to a large increase in the number of children who enter the child welfare system. This is because of the sizable difference in the scale of the child welfare population (50,000 children) as compared to the AFDC population (450,000 children). Thus, just a half of one percentage point increase in the foster care placement rate among the AFDC population translates into a signifi-

TABLE 1. One-Year Placement and Case Opening Rates (per 100) for AFDC Child Population: June 1990–May 1996

TYPE OF CHILD WELFARE INVOLVEMENT	6/90–5/91	6/91–5/92	6-92–5/93	6/93–5/94	6/94–5/95	6/95–5/96
Foster care replacement rate	1.2	1.5	1.3	1.6	1.7	1.2
Child welfare case opening rate	3.1	3.4	3.2	3.5	4.4	3.7
Total* AFDC child population in initial month of each time period	423,191	445,426	454,759	465,070	482,336	468,064

*This total refers to the number of children who are indicated to be receiving AFDC at each time point rather than the number of children associated with an active AFDC grant, irrespective of their own grant status.

cant jump in the number of children receiving AFDC who enter foster care in any given month.

To illustrate this point, consider what happens if the placement rate of 1.2 per 100 AFDC child beneficiaries were to rise by just one-half of one percentage point. An additional 2,340 children from the June 1995 AFDC caseload would have been placed into foster care over the course of the year. This is 42% percent higher than the number of children who were actually placed. Considering that the cost of foster care is nearly four times the cost of TANF for a single child, even modest failures in welfare reform could have serious consequences for state budgets as well as for the service capacities of state child protection systems.

Who is at greatest risk of child welfare involvement?

The linked administrative data contain several indicators of AFDC case characteristics which enable us to assess who is at greater or lesser risk of child welfare involvement in the public aid system. Our analysis is based on the population of Illinois children under 18 years old who were beneficiaries of AFDC in December, 1995. Of these 455,621 children, approximately 3.6% experienced a child welfare case opening by December 31, 1996; 2.4% as part of an intact family case, and 1.2% as a child placement case. Ten percent of the children initially involved in an intact family case had a subsequent foster care placement within the year.

The linked administrative data contain information on the following AFDC case characteristics: (1) relationship of the child to the adult grantee (parent or relative); (2) family composition (single or two-parent); (3) child's race or ethnicity (white, African American, or Latino); (4) region of the state (Cook County or the balance of the state); (5) and sanction status (sanctioned or non-sanctioned AFDC grant).

RELATIONSHIP TO ADULT GRANTEE. Children who receive AFDC with a non-parent relative have a slightly higher rate of contact with the child welfare system within a one year period than children who are included in a parent's grant (4.3% vs. 3.6%, respectively). Among the children who receive welfare with a non-parent relative, the rate of child welfare case openings is slightly lower among those receiving "child-only" grants – that is, AFDC grants which do not include additional income for the adult grantee – than AFDC family grant (4.1% vs. 4.6%). Relatives who are them-

selves eligible for inclusion in the family's AFDC grant are considered "needy." Although children receiving AFDC with needy relatives are more likely than child recipients living with non-needy relatives to experience child welfare involvement under current welfare laws, a different trend can be expected to emerge with regard to child-only grants as welfare reforms are implemented. Since relatives face the loss of only their own portion of an AFDC grant under TANF time limits, child-only grants can be expected to increase over the next two to five years. With more and more "needy" relatives facing an income loss of this type, it is likely that the rate of child welfare involvement among children included in child-only grants will increase.

FAMILY COMPOSITION. The rate of child welfare involvement is also marginally higher for single parent grantees than for two-parent grantees (3.7% vs. 2.9%, respectively), although it should be noted that these rates do not accurately capture family structure since a family's grant composition does not necessarily reflect the household living arrangements.

RACE AND ETHNICITY. Although black children are over-represented in the child welfare system, the rate of child welfare involvement among the AFDC population is highest for white children (4.2%), followed by black children (3.9%) and Latino children (1.9%). Yet because black children comprise over half (57.2%) of the AFDC child population in Illinois, larger numbers of black children have contact with the state's child welfare system. Black children are also more likely than white and Latino children to have a substitute care placement during a one year period (1.5%, 1.1%, and 0.6%, respectively).

REGION OF STATE. Rates of child welfare involvement vary by state region, as well. Contrary to expectation, the rate is lower in Cook County (Chicago) than in the balance of the state (3.2% vs. 4.6%, respectively). However, child welfare involvement in the balance of the state is much more likely to be in the form of an intact family case rather than a substitute care placement. In Cook County, the rate of intact family case openings is lower than the downstate rate (2.0% vs. 3.2%, respectively), while the rate of placement is the same in both state regions (approximately 1.2%).

SANCTION STATUS. One of the most important indicators to monitor as welfare reforms take hold is the effect of

welfare sanctions on the risk of child welfare involvement. Sanctions refer to cuts in the welfare grant that are unrelated to family need. In Illinois, sanctions are imposed on the caregiver's portion of the AFDC grant and, in some instances, her Medicaid coverage if it is determined that she is not complying with child support enforcement rules. Caregivers who do not comply with mandated work requirements are sanctioned if they are unable to demonstrate a "good cause" exemption. Illinois has also instituted a "family cap" policy (AFDC grants of welfare recipients who have additional children while on welfare are not increased to reflect the larger family size), and is imposing grant sanctions on some families unable to correct their children's school truancy problems.

Up until recently, Illinois' welfare programs have employed sanctions that affect a portion of the entire grant. Current federal and state legislation calls for a stricter application of sanctions – that is, sanctioning the entire grant under certain circumstances. In Illinois, a two year time limit on the entire AFDC grant is being imposed on families with caregivers who fail to meet the requirements of programs they are mandated to participate in. Reforms also include provisions for a "lifetime limit," which will ultimately impact a child's portion of the AFDC grant, as well. The Personal Responsibility Act also prohibits the use of federal funds for welfare payments to individuals who have been convicted of a drug-related felony (although Illinois has restricted this prohibition to particular classes of drug-related felonies).

Currently in Illinois, child welfare involvement is greater among children associated with sanctioned family grants than among children whose grants are not sanctioned, and this effect remains positive across every category of abuse and neglect. In Table 2, children were determined to be in a sanctioned grant if the caregiver's portion of the AFDC grant was reduced in December, 1995 and administrative data indicated that a sanction was imposed for reasons related to work mandates, child support enforcement, or school truancy problems.

Although the difference in the odds of having a child maltreatment allegation is statistically significant only for the lack of supervision and risk of harm categories of abuse and neglect, the overall odds of having a child placement or intact family case opening are 53% higher ($p < .05$) among children in sanctioned grants than among children receiving full welfare grants, and the rate of child placements is twice as high ($p < .05$) among the sanctioned group as compared to the non-sanctioned group. These differences do not necessarily indicate that welfare sanctions *cause* more child wel-

TABLE 2. Odds of Child Maltreatment Allegations by Sanction Status

TYPE OF CHILD ABUSE AND NEGLECT ALLEGATION	NO SANCTION IN 12/95	RECEIVED SANCTION IN 12/95	ODDS RATIO (SANCTION/NO SANCTION)	95% CONFIDENCE INTERVAL
Lack of Supervision	.0085	.0156	1.84*	(1.41, 2.39)
Risk of Harm	.0065	.0112	1.72*	(1.27, 2.34)
Physical Abuse	.0042	.0059	1.41	(0.92, 2.15)
Sexual Abuse	.0024	.0032	1.35	(0.76, 2.38)
Environmental Neglect	.0047	.0059	1.26	(0.83, 1.92)
Parental Substance Abuse	.0049	.0056	1.14	(0.74, 1.76)
Other Neglect	.0019	.0021	1.13	(0.56, 2.26)

* $p < .05$; Note: The odds of emotional abuse allegations is not reported in the table due to its small size.

fare involvement. However, if a causal relationship does exist, the association should become more pronounced as time limits and lifetime limits take effect.

Reasons for child welfare involvement

The data in the above table show that the findings of "lack of supervision" and "risk of harm" are especially sensitive to sanction status. As a percentage of all reasons for child welfare involvement, these two allegations are the most common, accounting for 12.3% and 12.4%, respectively of the reasons for child welfare involvement. The next most common reason is parental substance use (including substance-affected infants), making up 10% of the allegations leading to child welfare case openings, followed by physical abuse (9.3%), environmental neglect (8.7%), sexual abuse (5.7%), other types of neglect (2.3%), and emotional abuse (0.4%). Approximately 40% of the children who experience child welfare involvement lack an indicated allegation, often because the involvement stemmed from an indicated allegation associated with another child in the home, or because the involvement occurred for reasons of dependency (i.e., where the child lacked a parent or guardian who was willing or able to care for her).

Of particular interest is the "environmental neglect" category of maltreatment reports. Allegations of environmental neglect are substantiated when child protection authorities find a lack of adequate food, clothing, or shelter for the children in a home, or when poor environmental conditions are found to exist. Since this category is, arguably, most clearly associated with a lack of income, welfare policy changes that reduce the incomes of families may lead to an increase in this type of child welfare report. In fact, children who become involved with the child welfare system are more than twice as likely to have an indicated allegation of environmental neglect if they were associated with an AFDC grant during the year preceding their involvement as

compared to children who were not associated with an AFDC grant during the previous year (15.1% vs. 6.4%, respectively). They are also nearly twice as likely as children who received no AFDC in the past year to have a child welfare case opening that resulted in a substitute care placement (35.5% vs. 18.3%, respectively).

Using administrative data to monitor the impact of welfare reform

In this brief summary, we have attempted to demonstrate how administrative data can be used to provide baseline indicators and monitor trends related to welfare reforms. Indicators constructed with administrative data are perhaps most useful for monitoring the impact of reforms on various service systems, such as the child protection system. This approach can provide policy makers and advocates with more informative indicators of the successes and failures of welfare reforms. However, this information can be gathered only if states commit to developing the capacity to link administrative data systems and to following children and families receiving welfare over time and across service systems. The capacity to follow the subsequent service records of children and families whose applications for TANF benefits are denied

should also be explored, since these families could face many of the same potential consequences of reforms as those whose TANF benefits are restricted or terminated.

The use of administrative data to directly assess child and family well-being is less straightforward. While administrative indicators may raise questions about welfare reform's impact on children and families, they are not able to provide adequate answers in the absence of supplemental indicators gathered directly from families and from those who have direct contact with families. Research to collect such information should be supported in the short-term and over time in order to provide a well-rounded picture of child and family well-being in this new era of welfare policies.

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Joint Center for Poverty Research Commissioned Research Conference: LABOR MARKETS AND LESS-SKILLED WORKERS

The Poverty Research Center has commissioned research for a conference on Labor Markets and Less-Skilled Workers to be held in Washington DC on November 5-6, 1998. A closed pre-conference for authors will be held at Northwestern on March 20.

The conference will address crucial questions regarding the barriers and possibilities for increased employment, training programs and earnings among less-skilled workers, particularly public assistance recipients. Topics will focus on key unanswered policy and research questions. Each paper will summarize existing evidence on a particular issue, review any major data trends, and utilize new evidence from national surveys, current state programs or recent demonstration projects. Where appropriate, authors have been encouraged to talk with program officials in states that are testing new or innovative policy approaches.

The conference is being organized by David Card, a labor economist at the University of California at Berkeley, and Rebecca Blank an economist teaching at Northwestern University and presently serving on the President's Council of Economic Advisors. The following papers will be presented:

New Approaches to Increasing Work and Income

Rebecca Blank, David Card, and Philip Robins, University of Miami

Displacement and Wage Effects of Welfare Reform

Timothy Bartik, W.E. Upjohn Institute

The Effects of Time Limits

Robert Moffitt, Johns Hopkins University

Job Stability and Job Change Among Less Skilled Workers

Robert LaLonde, Michigan State University; Harry Holzer, Michigan State University

Male/Female Differences in the Low-Wage Labor Market

Jane Waldfogel, Columbia University

Subsidizing Wages

Doug Holtz-Eakin, Syracuse University; Stacy Dickert-Conlin, Syracuse University

Wage Progression Among Less Skilled Workers

Chris Taber, Northwestern University

Local Labor Markets and Demand for Less Skilled Workers

Hilary Hoynes, University of California, Berkeley

Public Sector Employment

David Ellwood, Harvard University

Child Care and Mothers in the Labor Market

Patty Anderson, Dartmouth College; Philip Levine, Wellesley College

Immigrants and Welfare

Kristin Butcher, Boston College

Health Care and Work in Low Wage Jobs

Janet Currie, University of California, Los Angeles; Aaron Yelowitz, University of California, Los Angeles