Do Cash-Based Welfare Programs Make a Lifetime Difference for Poor Children?

Shari Eli, University of Toronto

Income is a powerful predictor of mortality rates among adults, and parental income, in turn, is a strong predictor of children's well-being. Researchers know this because of evidence about educational attainment and health in adulthood for children raised in families with different levels of income. According to the 2010 American Community Survey Brief put out by the Census Bureau, more than one in five U.S. children were growing up in poverty as of that year – and many studies suggest that these children are likely to grow up into poor, unhealthy adults.

In the United States and elsewhere, welfare programs – broadly defined as cash transfers to poor families – were originally established primarily to help children. The Mothers' Pension program, established in 1911, was the first U.S. government-sponsored welfare program. It was replaced in 1935 by the federal Aid to Dependent Children, which became Aid to Families with Dependent Children and is now the program we call Temporary Aid to Needy Families. Throughout all these reformulations, however, there have never been any long-term studies that show whether cash transfers to poor families improve outcomes for children over the long run, over their lifetimes. My colleagues and I examined the long-term effects of cash transfers with a particular focus on an overall measure of lifetime welfare. Have U.S. welfare cash grants to their families made a difference over the long-run for poor children?

The Benefits and Challenges of Historical Data

The sample used in our long-term analysis was about 16,000 males from eleven states. We limited our analysis to men because tracking women by last name through historical records is substantially more difficult, given that women often change names upon marrying. We collected individual-level administrative records of applicants to the early twentieth-century Mothers' Pension program and matched them to records in the Census, records from World War II, and death records. The Mothers' Pension program data are well suited to illuminating the clear effects, if any, of cash transfers for children's well-being, because of the sheer volume of records that include both accepted and rejected applicants. These records allowed us to compare otherwise similar families, and they contained enough identifying information to allow us to link the children with other datasets and trace outcomes for them as adults in later years. Because of the age of the records, we were able to study children who were born sufficiently long ago that we could measure how long they lived.

One of the main challenges in evaluating whether cash transfers (or any public program) improve outcomes is identifying what might have happened *without* welfare grants. What would children's lives have been like in the absence of cash transfers to their caregivers? To find out, we compared data for children whose families got the transfers with data for children of mothers who applied to the program but were denied grants. Our study showed that rejected mothers were on average slightly better-off based on observable characteristics at the time of application, and were most often rejected because they were deemed to have sufficient support from other sources. Under the assumption that accepted and rejected applicants are otherwise similar, the outcomes for boys of rejected mothers provide a best-case scenario for what could be expected for children in the absence of welfare transfers. Indeed, because our control group was slightly better off than the accepted applicants, our estimates are likely, if anything, to understate the benefits of the Mothers' Pension program.

Transfers to Poor Families Improve Lifetime Outcomes

We found that the male children of mothers who received cash through the Mothers' Pension program lived one year longer, received one-third more years of schooling, were less likely to be underweight, and had higher income in adulthood than children whose mothers applied for but did not receive these cash welfare benefits. To appreciate how large these impacts are, consider that life expectancy at age 10 (that is, the number of years you could expect to live if you successfully made it to age 10) increased by 15 years in the last century (from about 50.5 in 1900 and to 65.5 by the year 2000) and average educational attainment increased by about five years of schooling over the same span. Clearly, the cash Mothers' Pensions grants did have a substantial impact.

Although our data gleaned from the early twentieth-century Mothers' Pension program pointed toward the demonstrable efficacy of direct cash transfers for poor children's well-being, do these findings tell us anything about the more recent past or today? Considering the many changes that have occurred over the decades in the way U.S. welfare programs are structured, what lessons can we apply to current efforts to help families in need?

We think the past results are still relevant. Although conditions today differ significantly from those at the beginning of the twentieth century, three important and instructive similarities remain:

- Then and now, women raising children alone represent the most impoverished type of family. In fact, the income gap between children in two-parent versus single-mother families has only grown over time.
- Income is still a key determinant of education and a large predictor of people's health and well-being today. Using census data from 1915, 1940, 1960, 1980 and 2010, we estimated the relationship between real family income and children's school attainment for all children ages 7 to 14 years. More years of education increase the child's human capital, his or her potential for performing labor and producing economic value. In turn, children's socioeconomic success boosts positive outcomes for health and well-being.
- Our findings on adulthood outcomes are consistent with estimates of short and medium-term impacts from contemporary anti-poverty programs. Our findings from the study of past lives make it likely that incremental improvements for poor children spurred by today's cash welfare grants are a sign of further improvements to come. Small boosts in poor families' incomes today can lead to large benefits over children's lifetimes.

Read more in Anna Aizer, Shari Eli, Joseph Ferrie and Adriana Lleras-Muney, "The Long Run Impact of Cash Transfers to Poor Families." *American Economic Review* 106, no. 4 (April 2016): 935-971.