Early Childhood – LINC

Thinkspot

Working Paper

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EXECUTIVE SUMMARY

Impoverished families typically leverage multiple work supports created as part of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This report reviews research on so-called "welfare-to-work" programs with a focus on child-care subsidies as a work support undermined by a built-in disincentive to work created by a financial "cliff effect." Cliff effects are present wherever social benefits are abruptly terminated once a household surpasses the maximum income established for eligibility resulting in a net financial loss. As a result, the system inadvertently reinforces the lesson to wage earners and their children that hard work doesn't pay.

Gleaned from an extensive literature review of academic and institutional research[i], key findings and recommendations presented here inform program designers and policymakers in their ongoing work to support families and improve results for young children in communities across the country.

Recommendations address the spectrum of barriers, including inconsistencies marked by conflicting and competing demands in the support delivery system that undermines target families' trust, access, and utilization of the programs designed to help them.

Key Take-Aways

1. Two-generation approaches represent departures from traditional anti-poverty frameworks in their integration of programs that target *children and their parents concurrently* with *equal intensity and quality* to enhance families' access to a broad spectrum of resources or assets.
2. Lessons learned from both two-generational and traditional interventions suggest that program designers should expand how education and training are integrated to build capabilities that enable progression toward economic and family stability.
3. Cliff effects present significant disincentives to wage earners pursuing greater economic stability by progressing along a career path.
4. Child care serves as a primary support that enables families' to leverage resources and develop self-supporting capabilities.
5. The cliff effect associated with child-care subsidies represents a considerable challenge yet to be addressed in any large-scale program.

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[i] A compilation of research excerpts along with the most recent version of this document can be found at www.thinkspot.co/knowledge-center/ec-linc-resource-library/

Welfare reform legislation in 1996, known as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), sought to "end welfare as we know it" by focusing on employment as the path out of poverty. PRWORA assembled *work support benefits*—such as income tax credits, food stamps (SNAP), utilities assistance, and child care subsidies—to bridge the chasm between low wages and basic household necessities. Although work support benefits have helped recipients maintain employment and survive on limited incomes, often the programs paradoxically create disincentives for progression along a wage or career path necessary to lift a household permanently out of poverty.

Recent research calls attention to "cliff effects" as a particularly problematic disincentive associated with many work support policies. Cliff effects penalize households financially for progressing beyond income thresholds of work support eligibility. Evidence that cliff effects undermine anti-poverty programs is of concern to early childhood practitioners and researchers who have long-since recognized the critical role family context plays in children's development. Building on a common systems focus whose genesis can be traced to child development scholars Urie Bronfenbrenner[1] (ecological systems model) and Arnold Sameroff[2] (transactional model), addressing the broader conditions facing families is again receiving considerable attention in the child development field under the banner of "two-generation approaches."

This report demonstrates the nature of the "cliff effect" in the context of work supports designed to lift families from poverty—and, by implication, support early childhood development. In the absence of discoverable research featuring experimental design and evaluation techniques designed to address the cliff effect, analysis turns to a broader assessment of work support programs through the lens of a promising application of systems thinking found in two-generation approaches.

The Two-Generation Approach

With the common focus on the varied systems of a child's environment, the emergence of Bronfenbrenner's ecological model and Sameroff's transactional models introduced holistic approaches to analyzing the multilevel and interactive influences on child development. Now after 40 years of evolution, a practical translation of these systems theories focuses on creating opportunities for and addressing needs of both vulnerable children and their parents together.[3] Two-generation—or 2Gen—approaches are garnering the attention of funders and policy makers alike, in part, because of the strength it provides as a logic model. Simply put, it makes sense from a theoretical perspective as well as providing practical guidelines for implementation.

Varied conceptualizations of 2Gen championed by multiple program designers and their philanthropic sponsors represent an evolution from the framework's initial introduction in the 1990s when the term was first coined by the Foundation for Child Development.[4] There is no single definition or operationalization of the 2Gen approach beyond consensus that programs impacting children and their parents should be integrated concurrently from a broad spectrum of resources, particularly those designed to enhance human capital. The Office of Planning, Research and Evaluation (OPRE) serving as part of the Administration for Children and Families (ACF) acknowledges the different conceptualizations possible under 2Gen depending on variables such as desired outcomes, populations served, and operational status, among others.[5] The work of four highly visible proponents of 2Gen illustrate the breadth of 2Gen's influence in program development.

Ascend at the Aspen Institute's theory of change serves as a guide for its programming emphasis in five areas:

1. Early childhood education;
2. Postsecondary and workforce;
3. Social capital;
4. Economic assets; and
5. Health and well-being.

Nine ongoing 2Gen programs Ascend addresses in its 2015 research anthology reveal four different program structures[6]:

1. Adding education and job training programs;
2. Integrating early childhood education programs into education and workforce training programs;
3. Merging siloed parent and child programs into umbrella organizations or agencies; and
4. Establishing residentially based parent and child educational programming on or near college campuses or in mixed-income housing.

W.K. Kellogg Foundation identifies four areas of focus for its 2Gen investment:

1. Cross-sector models with formal relationships driving integration of services;
2. Policy and systems integration to drive alignment within and across public sector systems, funding streams, programs, and partnerships;
3. Knowledge development based on learning communities of practice; and
4. Strategic communication and knowledge sharing.

Key design elements drive Kellogg's program investments:

A. Requiring formal partnerships led by workforce development with early childhood education partners;
B. Removing child care barriers;
C. Pairing short-term, demand-driven training programs with comprehensive wrap-around supports;
D. Targeted employment, retention, and economic stability increases;
E. Identifying and tracking ancillary benefits (e.g., improvements in child outcomes, parenting and parent engagement, and other goals achieved); and
F. Activating learning communities with coaching, technical assistance, and peer learning.

Annie E. Casey Foundation's focus on building evidence on the value of the 2Gen approach and its pursuit of 2Gen policy and systems reforms spans three categories each with four key elements:

(1) Financial stability
    a. Education and job training
    b. Access to income and work support benefits
    c. Financial coaching
    d. Access to affordable financial products
(2) Parent engagement
    a. Treating parents as assets and experts
    b. Having culturally competent staff
    c. Addressing family stress
    d. Enhancing parenting skills and social networks
(3) Quality early care and elementary education
    a. Access to high-quality early education
    b. Successful transition to elementary school
    c. Quality elementary school experiences
    d. Effective teaching

Finally, the **National Governor's Association** (NGA) and the Center for Law and Social Policy (CLASP) are designing and executing a two-year, technical-assistance effort with a small number of states around two-generation state strategies. Funded by the Annie E. Casey, W.K. Kellogg and Doris Duke Charitable Foundations, the project's goal is to help states better align parent- and child-focused service delivery systems as a means of improving outcomes for both the adults and children in low-income families. Having completed participating state selection in September 2016, full implementation is expected following a year of collaborative planning and pilots.

Despite the variation in desired outcomes, targeted populations, and strategies of focus, three core 2Gen key program development principles emerge:

1. Integrate programs that target children and their parents concurrently with equal intensity and quality to enhance families' access to a broad spectrum of resources or assets.
2. Expand how education and training are integrated to build capabilities that enable progression toward economic and family stability.
3. Address stressors that undermine families' capacities to leverage their resources and capabilities.

Surprisingly, 2Gen's logical appeal is not accompanied by field research demonstrating its effectiveness. In fact, the most recently completed 2Gen program that has been evaluated with scientific rigor—Enhanced Early Head Start (2004 – 2007)—revealed minimal to no impacts across adult employment, earnings, income, parenting skills, or the children's social and cognitive development.[7]

2Gen experts from the Aspen Institute's Ascend Fellowship, Chase-Lansdale and Brooks-Gunn, assess the state of 2Gen demonstrations quite candidly:

> "Our bottom line: The jury is out and will be for some time regarding whether new human capital two-generation programs can be successfully implemented, as pilot programs or at scale. Very little data are available on whether the impacts on children and families are stronger than those of single-generation programs. Yet new approaches to two-generation human capital programs are worth pursuing and testing."[8]

The authors defend their enthusiasm for 2Gen by highlighting the consensus emerging from multiple research streams within the early childhood development knowledge base.[9] In addition to the systems theories referenced earlier, Chase-Lansdale and Brooks-Gunn point to a realization from risk and resilient theory that while children can bounce back from temporary adversity, development is seriously impacted by cumulative toxic stress linked to family economic hardship, poor parental health, and underdeveloped parenting skills.[10]

Learning from "Welfare-to-Work" Programs

Anti-poverty program designers benefit from exploring insights gleaned from projects pre-dating the emphasis on family systems, particularly from research flowing from evaluations of individual work-support initiatives. An overview of large-scale research programs below underscores the growing emphasis on child care subsidies and the need to address the contradictory disincentive to work created by the built-in cliff effect.

A 2009 research report issued by Manpower Development Research Corporation (MDRC)[ii] synthesized findings from its benefit-cost studies conducted of 28 welfare-to-work programs, run in 11 states as well as two Canadian provinces.[11] Although these programs were initiated before PRWORA, they remain relevant as best-in-class evaluations of large-scale employment strategies for single-parent welfare recipients.

Welfare reform's challenge is balancing the opposing objectives of moving recipients rapidly to self-sufficiency while ensuring they still have adequate income. Initiatives vary in their stated goals from reducing families' dependency on government assistance to raising recipients' income—or both. Strategies among the 28 programs evaluated by MDRC also vary but have in common human capital investments (e.g., education and job training) and job-search or work requirements components integrated with income incentives.

MDRC's synthesis speaks to key policy questions:

- Which welfare reform programs realize positive returns on investment (ROI)?[iii]
- Which approaches improve the financial positions of recipients?

The 28 initiatives employ strategies that fall in one of six categories[12]:

1. Mandatory Work Experience Programs: Often following a period of job search, individuals in these programs are assigned to unpaid jobs, which are usually located at government agencies or nonprofit institutions.

Projects:

- Cook County WIN (Work Incentive) Demonstration (Chicago)
- San Diego
- West Virginia Community Work Experience Program (CWEP)

2. Mandatory Job-Search-First Programs: Individuals are assigned to job search activities

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[ii] Created in 1974 by the Ford Foundation and a group of federal agencies, MDRC is a nonprofit, nonpartisan education and social policy research organization that focuses on programs and policies that affect the poor. MDRC is best known for mounting large-scale demonstrations and evaluations of real-world policies and programs targeted to low-income people. MDRC has been consistently chosen by the Administration for Children and Families and its program developers as a source of objective, unbiased evidence about cost-effective solutions that can be replicated and expanded to scale.

[iii] Discussions address ROI from the perspective of participant, government, and social outcomes.

upon program entry. Other types of assigned activities can follow for individuals who do not find jobs. All five of the programs analyzed in this category encouraged quick entry into work and strongly enforced a continuous participation mandate.

Projects:

- Atlanta LFA NEWWS (Labor Force Attachment, National Evaluation of Welfare-to-Work Strategies)
- Grand Rapids LFA NEWWS
- Los Angeles Jobs-First GAIN (Greater Avenues for Independence)
- Riverside LFA NEWWS
- SWIM (Saturation Work Initiative Model; San Diego)

3. Mandatory Education-First Programs: Individuals are assigned to education activities prior to job search. The most common of these activities were GED preparation classes or Adult Basic Education (ABE). In some programs, individuals could also participate in English as a Second Language (ESL), vocational training, or employment training classes. Typically, job search assignments follow the completion of courses of study.

Projects:

- Atlanta HCD (Human Capital Development) NEWWS
- Columbus Integrated NEWWS
- Columbus Traditional NEWWS
- Detroit NEWWS
- Grand Rapids HCD NEWWS
- Riverside HCD NEWWS

4. Mandatory Mixed-Initial-Activity Programs: Individuals are assigned to participate in either an education or training activity or in a job search activity, depending on an assessment of their needs. Other assigned activities follow these initial activities if individuals remain unemployed.

Projects:

- Alameda GAIN
- Butte GAIN
- Los Angeles GAIN
- Portland NEWWS
- Project Independence (Florida)
- Riverside GAIN
- San Diego GAIN
- Tulare GAIN

5. Earnings Supplement Programs: Individuals are provided with financial incentives intended to encourage work. These incentives supplemented their incomes while at work.

Projects:

- MFIP (Minnesota Family Investment Program) Incentives Only
- SSP (Canada's Self-Sufficiency Project)
- WRP Financial Incentives Only

6. Time-Limit-Mix Programs: These programs require individuals to participate in employment-orientated activities, provide them with financial incentives, and limit the amount of time they remain eligible for welfare benefits.

Projects:

- FTP (Florida's Family Transition Program)
- Jobs First (Connecticut)
- WRP (Vermont's Welfare Restructuring Project)

Table A on the following page summarizes MDRC's ROI assessments in terms of "benefit-cost performance." Conclusions as to each program's overall success must account for differing logic-models (or practical theories) for the various programs and their respective objectives and goals.

Additionally, the studies only evaluate quantitative, economic measures in terms of dollars. Broader assessments should take into account non-economic considerations when determining whether a program achieves policymakers' and society's goals. Citations and links, where available, are provided for these studies in Appendix A (Research Inventory).

MDRC synthesis leads to several policy conclusions:

1. Some mandatory work experience programs—which assign individuals to unpaid jobs, often following a period of job search—resulted in limited benefits for participants did provide valuable goods and services for the general public, but failed to reduce government costs.
2. Programs that require individuals to look for jobs immediately and that assign other activities if work is not found are relevant strategies. These programs tended to be beneficial for the government budget in terms of reduced expenditures, but result either in modest benefits or in net costs for participants.
3. Programs that require individuals to participate in General Educational Development (GED) completion and Adult Basic Education prior to job search do not appear to increase the income of participants nor save government money.

4. Programs that require individuals to participate either in an education or training activity, or in a job search activity, demonstrate potential in meeting the goal of both reducing welfare expenditures with increasing participants' income. Often the programs were found to benefit most those deemed hardest to employ, such as the long-term unemployed.
5. Programs that provide individuals with financial incentives or earnings supplements intended to encourage work appear to best achieve the goal of increasing participants' income despite resulting in net cost for the government. In terms of efficiency in transferring income to poor families, participants often gained more than a dollar for every dollar the government spent. However, income gains faded upon termination of the programs undermining a clear demonstration that either households can be lifted permanently from poverty or that such programs are sustainable, particularly in light of government spending constraints.

Table A: MDRC Benefit-Cost Performance by Program Type

Program Type	Goal Emphasis	Participant Income Increase?	Government Budgetary Improvement?	Additional Considerations
Mandatory work experience	Reduce welfare costs	Mixed	MIXED	Small net values from participant and government perspectives; from social perspective, consistent net gains due to work experience output
Mandatory job-search-first	Reduce welfare costs	No	YES	Small net gains or substantial net losses to participants
Mandatory education-first	Increase participant income	NO	No	Least successful program type
Mandatory mixed-initial-activity	Balance reducing welfare costs and increasing participant income	YES	YES	Goal achieved by all but two programs targeting longterm welfare recipients
Earnings supplement	Increase participant income	YES	No	Largest participant net gains; an efficient mechanism for transferring income, even though resulting in net losses for government budget
Time Limit Mix	Balance reducing welfare costs and increasing participant income	YES	MIXED	For the government budget, losses more often than gains

Note from original authors: Text in all caps denotes most useful evaluation of whether program met its emphasized goal.

General work support insights are also available from a more recent evaluation of work-support strategies directed by the Center for Law and Social Policy (CLASP) in partnership with the Urban Institute and based on the premise that parents receiving and keeping a core package of supports are able to stabilize their lives, advance their careers, and raise their children.[13] The particular focus of the five-year, $21 million project sought to address barriers preventing eligible families from receiving and utilizing the supports, child care subsidies among them. The insights below reflect a shift away from the methodological rigor in measurement found in the MDRC analysis; insights can be gleaned nonetheless.

Six of 27 states applying to participate in the large-scale study continued through its implementation phase: Colorado, Idaho, Illinois, North Carolina, Rhode Island, and South Carolina. Known as the Work Support Strategies (WSS) initiative[14], it focused on improving access to programs and reducing loss of participants once enrolled. Various strategies sought to improve the operational efficiency and customer service quality of support service organizations. Targeted outcomes included increasing the number of eligible households served, providing faster service, and reducing the incidence of families temporarily losing work support due to procedural issues (churn). Churn creates negative impact on both the provider and recipient side of the service relationship by destabilizing low-income families and adding to agency workload.

The six WSS states simplified verification procedures, used electronic data for cross-program auto-enrollment, aligned recertification dates, established processes for cross-program review of new policies, and made other changes to improve families' access to benefits and their retention of benefits when eligible. Achieving these policy changes required overcoming challenges at multiple bureaucratic levels, including working in partnership with one or more federal agencies, getting agreement between various state agencies, and working with local offices and county workers to ensure policies were fully implemented. Time and persistence proved to be significant challenges but necessary to focus stakeholders on policy alignment and simplification.

Providers reported being influenced by the WSS goals and the vision of their executive leadership. They also said that the WSS grant helped focus attention on policy simplification and program alignment in the midst of competing priorities. Technical assistance from the national WSS team and their peers in other WSS states proved to be of considerable value. The WSS states viewed policy alignment as a first step, done by state policy analysts in different agencies reviewing policies together and aligning them where possible. Over the course of the initiative, they increasingly embraced broader changes needed to implement policy alignment, such as changes in technology and business processes. Table B on the following page illustrates the cross-program policy changes for each of the six WSS states.

Table B: Urban Institute's WSS Cross-Program Policy Changes

	Colorado	Idaho	Illinois	North Carolina	Rhode Island	South Carolina
Combining program application	x	x	x	x	x	x
Using electronic data for cross-program auto-enrollment			x			x
Aligning definitions or requirements	x	x		x	x	
Aligning timing of renewals or automatic renewals	x	x		x		
Establishing process for cross-program review of new policies		x		x		
Creating integrated or combined policy manual				x	x	x

A similar focus on families' struggling to access and keep subsidies is found in the Urban Institute's synthesis of research published in 2008. Again, despite the absence of methodological rigor in measurement found in the MDRC analysis, this study presents several strategy and policy options that states have been implementing to help eligible families access and retain subsidies. The policies described below, presented by the researchers in the context of accessing and keeping child care subsidies throughout eligibility, have broad relevance across all work supports. They represent promising ideas showing the evolution of subsidy systems designed to help states improve their systems and better support families and children. Strategies include those that affect families at every touch point with subsidy agencies.

Link Subsidies to Other Social Service Programs: If the multiple programs many low-income families encounter are not coordinated, working parents face duplicative reporting requirements, and agencies can have inefficient and duplicative administrative processes. Process and technology fixes resulting from a systems view on the part of support service providers. Subsidy administrators have developed several strategies that link systems and that appear to reduce parent burden and increase program efficiency. Promising strategies for consideration:

- Integrate or link computer systems across programs
- Combine or coordinate worker responsibilities across programs
- Link or coordinate programs at particular stages of the subsidy process (such as application, redetermination, and reporting of interim changes in circumstances)

Improve Customer Service Practices and Research: How services are delivered affects whether eligible families obtain and retain subsidies. Subsidy agencies are taking several steps to improve customer service:

- Make subsidy rules and policies understandable
- Require local subsidy agencies to have customer service plans
- Ensure that language and literacy levels are not barriers to families with limited English proficiency
- Conduct customer service surveys
- Reduce or eliminate in-person visit requirements
- Make it easier to get information to the subsidizing agency or to contact staff
- Improve computer systems and other technological infrastructure

There are also a host of strategies that focus on the two major steps that parents must take to get subsidies and to keep them—specifically, initial application and eligibility redetermination.

Simplify the Application Process: The simplicity or complexity of the initial application process significantly affects whether eligible families that need and want assistance are able to receive it. States can simplify the initial application process:

- Make applications easier to access
- Make applications easier to fill out and submit
- Address the timeliness of eligibility processing

Simplify the Redetermination Process: Research suggests that many families lose their subsidies as a result of frequent or ill-timed recertification requirements despite still being eligible for assistance. As a result, states are taking steps to simplify redetermination:

- Lengthen the authorization period
- Make it easier for parents to remember to recertify
- Make it easier for parents to get information to the agency
- Simplify what information parents have to report for recertification
- Give parents an extra chance before termination

Low-income families can experience dynamic changes in their lives—such as losing a job, changing household composition, and changing work hours that can render a recertification process already considered complicated into unmanageable chaos. Changes along such dimensions as these may affect a family's eligibility for the subsidy, or can change the amount of subsidy the family is able to receive, while ensuring that subsidy levels are appropriate and that improper payments are avoided.

Simplify Requirements for Reporting Changes Before Recertification: States are trying to address the challenge of supporting families through these changes with innovative strategies to simplify requirement for reporting changes before recertification, particularly in the face of dynamic changes emerging as households progress toward self-sufficiency:

- Simplify what needs to be reported
- Make it easier for families to report
- Identify alternative ways of getting information on changes in family circumstances
- Only adjust subsidies with some changes that are reported
- Provide subsidies during gaps in employment
- Assist parents with fluctuating or nontraditional work schedules
- Suspend payments but retain eligibility through predictable periods of ineligibility
- Simplify the process of retaining subsidies when changing eligibility categories (i.e., leaving TANF, leaving transitional priority status, or leaving the county)
- Delay or suspend copayments
- Address the unique needs of migrant families
- Stabilize subsidies through short-term increases in income

Notwithstanding the breadth of strategies gleaned from the research synthesis above, strategies addressing the fiscal cliff as a disincentive are conspicuously absent. Toward building recommendations based on available research, the next section reviews research specific to work support cliff effects.

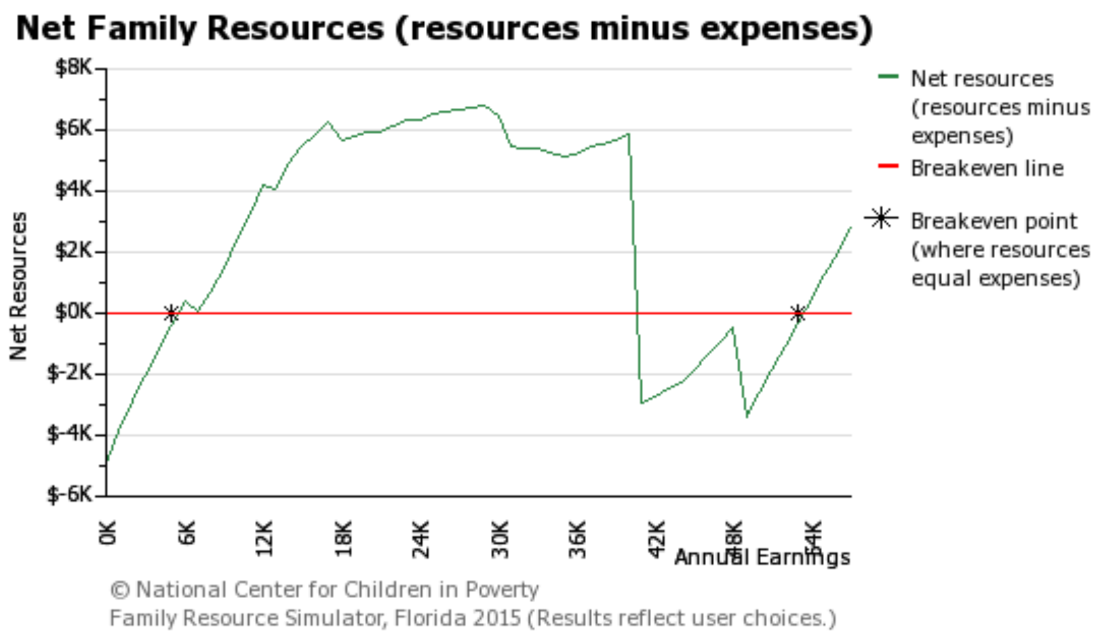
The Cliff Effect

The cliff effect occurs when an increase in income disqualifies the household from continued benefits and creates a net financial loss as a result. For example, a single mother with two children currently at 150% of the federal poverty rate (or 55% of the state median income) offered a raise of $0.50 per hour (or $1,040 for the year) would lose $6,470 in child care support.

Anticipating these triggers and the resulting financial loss, benefit recipients often practice "parking" or stopping progress just below the maximum earnings level for benefits often by eschewing strategies that might otherwise put them in positions for promotions and wage increases. The result is a disincentive to work. Deterred by the cliff effect, wage earners and their households trap themselves at income levels below those calculated to meet basic household necessities. Parking also models behaviors that undermine ambition, persistence, and related characteristics associated with achieving long-term economic progress. As a result, stilted economic achievement is often passed from generation to generation.

To illustrate the income gap created by the cliff effect for a single mother with two children under 5 living in Florida, the difference between her current wage of $39,998 and the target wage to meet what the National Center for Children in Poverty calculates as "basic needs"[15] in South Florida ($54,308) is determined to be $14,310. As Illustration A shows, a $0.15 raise would cause an income loss of approximately $9,000—the cliff. Avoiding this cliff would require a jump in hourly wages of $6.88 in a single promotion. Even benefitting from such a fortunate wage increase, the net family resources—defined as total resources minus expenses—remains below the level realized before the increase. Simply put, hard work doesn't pay for families facing the cliff effect.

Illustration A[iv]



Wage increases are not the only triggers of the cliff effect. SNAP eligibility parameters provide an example of sudden subsidy loss—cliff effect—when asset limits are exceeded. Consider a low-wage family actively following financial management best practices by setting aside savings for emergencies or anticipating educational expenses. The federal eligibility guidelines for SNAP set "countable resource" limits (e.g., bank account balances) at $2,250. The role of asset limits used for determining continued eligibility proves counterproductive as households in deep poverty and receiving assistance must navigate the penalty realized by the loss of SNAP benefits when incorporating sound financial practices and laudable livelihood strategies. In other words, families

[iv] Based on the NCCP's Family Resource Simulator; assumes single parent with children ages 4 and 2.

are penalized for buffering their families against life's unpredictable, but inevitable, financial surprises (e.g., failed refrigerator) or pursuing a path out of poverty for their children.

Further, the perpetual flux of countable resources, such as savings balances, can send families into what researchers refer to as "churn"—the cycling from eligibility to ineligibility and back again.[16] Churn often destabilizes low-income families and adds to agency workload (and cost) as a result of the additional time expended to process a new application than to renew an existing case.[17]

Cliff effects are present wherever social benefits are abruptly terminated once a household surpasses the income or asset maximums established for eligibility. However, not all cliff effects carry equal weight in their role as a disincentive, particularly when children are involved. Child care deserves attention simply because of the sizable chunk of the household budget it represents—as much as 32% of a low-income family's monthly income.[18] Correspondingly, the impact of losing the child care subsidy is more debilitating than perhaps TANF cash assistance or SNAP given the function child care plays in both the critical early development of children and enabling parents to maintain employment, which is an essential factor in meeting the work requirements since PRWORA.[19] Financially vulnerable families have identified child care as essential to their transition to self-sufficiency, and research underscores the critical relationship between child care and employment for low-income families.[20]

The Cliff Effect Exposed

A decade after the passing of PRWORA, research began emerging from private and academic institutions keen to understanding the impact of the legislation designed to move the impoverished from welfare to work. A 2007 report commissioned by the Women's Foundation of Colorado and the Women and Family Action Network Coalition cast a spotlight on the onerous dynamic created by the cliff effect in seven Colorado counties.[21] Produced by a research team at the University of Denver and supported by the National Center for Children in Poverty (NCCP) under a Kellogg Foundation grant, a second report[22] for the Women's Foundation of Colorado by Professor Jean East and then doctoral candidate Susan Roll—in concert with the latter's published dissertation[23]—focused the examination of the cliff effect on child care supports within the academic literature. [24]

Beyond demonstrating the cliff effect concept, the research cited above emphasized that women with children who are financially vulnerable engage in "income packaging"[25]—a pattern of strategy-making behaviors to optimize the impact of decisions about finances and resources on their families' lives:

> "An income package is made up of three components: (1) government assistance, (2) wages, and (3) support from social networks such as family, friends, and local service providers."[26]

Having demonstrated the cliff effect and the prevalence of income packaging in their Colorado research sample, Roll and East offer three conclusions and recommendations; the first directly addressing the cliff effect:

> "To force women to choose between a raise or an increase in work hours and the resulting loss in net resources works against a philosophy of making work pay and moving families toward self-sufficiency. For women who are working, the child-care assistance benefit needs to be gradually phased out as opposed to the abrupt cutoff that currently exists. This could be accomplished with increases in copayments on a sliding scale that families could afford."[27]

The second of the authors' recommendations speak to what they deem "mini cliffs" or inconsistencies marked by conflicting and competing demands in the support delivery system that hinder support utilization or cause churn as discussed earlier:[28]

- Allow internships to count as work
- Link subsidies to other social service programs
- Simplify application processes
- Ease reporting requirements

The third recommendation coming from Roll and East recognizes the role of social supports as part of the income packaging calculations, specifically taking into account the value the social networks play as private safety nets mediating stress and positively impacting children's socioemotional adjustment.[29]

At least two signals of the traction being gained by the attention directed toward the cliff effect can be seen. First, the Colorado Legislature passed statutes extending the six month redetermination deadline to one year, as well as the alignment of the eligibility process with Head Start guidelines. Second, the Indiana Institute for Working Families published a report in 2012 following Colorado's lead. "The Cliff Effect: One Step Forward, Two Steps Back" also utilized the NCCP's Family Resource Simulator to calculate the impact of federal and state work supports on the budgets of low- and moderate-income families.[30] The web-based tool illustrates the cliff effect, including resource break-even points.

Having demonstrated the cliff effect in 92 counties, the Indiana Institute's policy recommendations echo those identified above:

- Smooth out benefit phase-outs
- Invest more in the Child Care and Development Fund (CCDF) program
- Increase, delay, or suspend co-payments
- Raise the Earned Income Tax Credit (EITC)
- Aligning SNAP eligibility with other supports
- Remove the SNAP (and TANF) asset test of $2,000
- Change monthly and annual income eligibility limits
- Raise the income tax threshold

Consistent with the driving philosophy behind PRWORA, the Indiana Institute's position emphasizes work as the key to achieving economic self-sufficiency with state government playing an important role by working in collaboration with private and non-profit stakeholders. The Institute continues to push policy makers to invest in Indiana's workers and their families by strengthening state policies that create, rather than hinder, opportunities for Hoosiers.

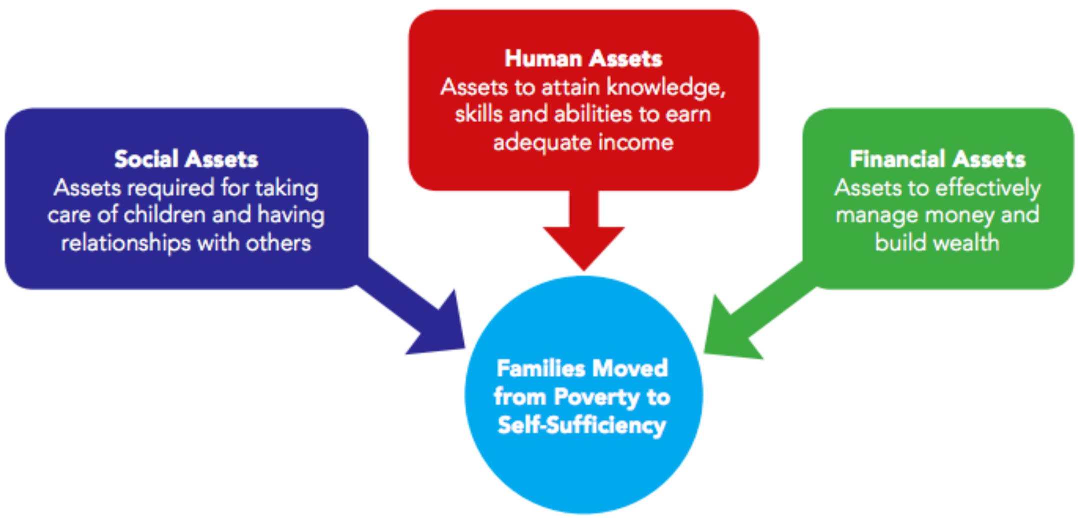
The Asset-Building Perspective

The "asset-building perspective" emerged as a departure from the near total reliance of social welfare policy on income supports. Michael Sherraden's 1991 book, "Assets and the Poor,"[31] provided the genesis of this policy perspective. From a consensus that people cannot be expected to spend themselves out of poverty, proponents of asset building hold that the path to future economic security requires access to both income *and* assets. Further, helping people accumulate assets, as opposed to increasing their income temporarily, is seen as a way to provide the stability that allows them to become financially stable over the longer term—even permanently escaping the poverty cycle.

Pilot projects flowing from the asset-building perspective include the American Dream Demonstration (ADD)[32] and the Saving for Education, Entrepreneurship, and Downpayment (SEED) initiative.[33] The ADD, conducted between 1997 and 2002, served as the first large-scale test of Individual Development Accounts. SEED explored the impact of offering savings accounts to children and youth. The effort, begun in 2003, created nearly 1,200 Child Development Accounts (CDAs). A second component, implemented in Oklahoma, is enrolling children in the state's 529 College Savings Plans.

In late 2006, the Jessie Ball duPont Fund convened representatives from five communities, including Jacksonville, to consider how best to increase the financial assets of financially vulnerable populations. During a three-day symposium, "Building Assets of People, Families & Communities," team members were exposed to the "asset building" framework and became familiar with concrete strategies that community leaders are using to build assets of individuals and families. Teams were challenged to develop a foundation for what asset building would look like in their communities. Leaders from Jacksonville shared a common frustration with the magnitude of poverty in the community and the fragmentation of our social services delivery system. The conclusion was to move 1,000 people out of poverty every 1,000 days—giving rise to the project known today as "1,000 in 1,000."

Jacksonville's 1,000 in 1,000 is based on a theory of change that leverages three asset categories to move families from poverty to self-sufficiency: (1) social assets, (2) human assets, and (3) financial assets.



Graphic courtesy of Family Foundations

Pilot interventions with 90 families (following a 10% attrition from the project's initiation) sought to increase household income by 15% in 1,000 days. The interventions utilized existing community resources to integrate personal work plans, a parent university, and a family counselor (certified financial counselor with social work experience). By the pilot's conclusion, forty of the 90 families succeeded in increasing their income by 15% or more during their 1,000 days.

Evaluation by Ulrich Research revealed the dynamic interaction created beyond a threshold of multiple interventions: 65% of the families who attained seven to nine of the assets were successful. For families who attained six or fewer of the assets, only 31% were successful. They are presented below according to the asset category from which they were developed.

Social Assets

- Quality Child Care
- Affordable Housing
- Transportation
- Parenting Skills (Parent University)

Human Assets

- Resolving Criminal Backgrounds
- Job Training
- Accountability

Financial Assets

- Earned Income Tax Credit (EITC)
- Reduction in Unsecured Debt

Although 1,000 in 1,000 placed no specific emphasis on either child care supports or the cliff effect, it is introduced here as representative of an increasing number of programs taking broader systems views. To be clear, the asset-based perspective does not call for the creation of new poverty programs, rather the policy challenge is to extend the asset-building policies already in place to lower-income families, opening up pathways to move up the economic ladder.

Child Care as Asset-Development Catalyst

In the context of assets as drivers enabling families to emerge from poverty, child care stands out as perhaps the singularly most important work support in recognition of its impact on the entire family while providing clear economic benefit to employers and communities.

> *Higher Employment and Earnings*: Childcare provides a foundation enabling parents' employment, particularly mothers. Every dollar invested in the formal childcare sector results in $15.25 in additional income for parents. If childcare costs decreased by 10%, the employment rate for single women has been projected to increase by 2%, and for married women it would increase by 10%.[34] Full government funding of early-childhood education (including childcare) would increase overall maternal employment by up to 10%.[35]

Beyond economic impact, quality child care has been consistently linked to positive developmental traits, including cognitive, social, and emotional development. The beneficial influences of quality child care are particularly strong for economically disadvantaged children. In a particularly influential study, the Carolina Abecedarian Project, long-term IQ, reading, and math scores all increased with lasting effects. Even at age 21, those who received high quality child care in the preschool period were more likely to have attended a four-year college than their peers who did not receive such care.[36]

Other outcomes related to experiencing high-quality child care are juvenile criminal activity, earnings, and public assistance use.[37] Research points to children enrolled in higher-quality child care classrooms as preschoolers who subsequently displayed better math skills through second grade; this effect was greatest for the children of less-educated mothers.[38] The effects of quality care in early childhood have been associated with higher levels of academic learning ability in future years, along with school readiness, better memory, better language and math skills, and fewer behavior problems.[39]

> *Spending and Tax Revenues*. Public investment in affordable, quality child care increases the ability of parents to work and the amount of tax revenues collected thus resulting in lower government spending over the long term. Every dollar invested in high-quality early-childhood education (including childcare) results in public savings of up to $16 in costs related to special education, grade retention, criminal justice, and welfare.[40]
>
> *Increased Productivity*: Secure and affordable child care boosts worker productivity by reducing absenteeism, enabling job focus, and improving employee retention. Among businesses that invest in childcare options for workers, 85 percent report improved employee recruitment and nearly two out of three report decreased turnover.[41] Child care instability leading to employee absences cost businesses $3 billion annually in the United States.[42]
>
> *Bigger Bottom Lines*: Business profitability is tied to addressing the accessibility and affordability of childcare. For every $1 that employers invest in back-up childcare, they can receive a return of $3 to $4 due to increased employee productivity and reduced employee turnover.[43]

For all its demonstrated benefits to children and parents, particularly single mothers, cost too often puts quality child care out of reach for many families. The average cost in Florida for an infant in a child-care center is nearly $8,700 a year; for an infant and a four-year-old, it is nearly $16,400.[44] A family at the poverty line with two children under five in child care might face spending 67 percent of its income on child care (at state average costs).

As a result, child-care assistance policies can make all the difference in the affordability, accessibility, and quality of care, that together promote household self-sufficiency by facilitating parents' employment. Alternatively, care that is unavailable, unaffordable, or of unacceptable quality presents a serious barrier to employment. Without a subsidy, low-income families may forgo full-time employment or be forced to choose cheaper and characteristically less reliable arrangements that create vulnerability for wage earners trying to keep their jobs. When a grandparent, aunt, or friend become unexpectedly unavailable, the parent's support system often falls apart and economic self-sufficiency built on a foundation of steady employment and income remains elusive.

Although cliff effects are present wherever support benefits are abruptly terminated upon achieving the maximum allowable income, the critical nature of child-care subsidy suggests that not all cliff effects carry equal impact as a disincentive. The prospect of losing child care support can contribute to environments already rife with toxic stress from other conditions associated with low incomes, particularly for single mothers.

Conclusion

A review of both the 2Gen approach and historical anti-poverty programs sheds light on the advantages associated with taking a systems view. Although still a nascent framework, considerable enthusiasm is evident for two-generation approaches that integrate programs that target *children and their parents concurrently* with *equal intensity and quality* to enhance families' access to a broad spectrum of resources or assets. Lessons learned from both two-generational and traditional interventions suggest that program designers should expand how education and training are integrated to build capabilities that enable progression toward economic and family stability.

As researchers and practitioners eagerly look for forthcoming project evaluations to provide empirical evidence of 2Gen's effectiveness, its advocates point to the strength of its logic and support from various theoretical perspectives supporting its promise. From a synthesis of the available research, three primary principles guiding 2Gen emerge:

1. Integrate programs that target children and their parents concurrently with equal intensity and quality to enhance families' access a broad spectrum of resources or assets.
2. Expand how education and training are integrated to build capabilities that enable progression toward economic and family stability.
3. Address stressors that undermine families' capacities to leverage their resources and capabilities.

A review of anti-poverty programs also reveals insights of use to future program development as well:

- Some mandatory work experience programs did provide valuable goods and services for the general public but fail to reduce government costs. ROI calculations beyond program cost savings are noticeably absent from research evaluations.
- Programs that require individuals to look for jobs immediately and that assign other activities if work is not found are relevant strategies.
- Programs that require individuals to participate in education and training *before* their job search do not appear to increase the income of participants nor save government money. However, programs with broader parameters that require individuals to participate either in an education or training activity, or in a job search activity, demonstrate potential in meeting the goal of both reducing welfare expenditures with increasing participants' income.
- Programs that provide individuals with financial incentives or earnings supplements intended to encourage work appear to best achieve the goal of increasing participants' income despite resulting in net cost for the government.
- Cliff effects present significant disincentives to wage earners pursuing greater economic stability by progressing along a career path.

As anti-poverty researchers and professionals continue to innovate in their program development, this report calls attention to the critical role of child care as a work support. However, this catalyst for family well-being is associated with a hidden and devastating disincentive to progress by creating a cliff effect.

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