Making it Work: Low-Wage Work and Child Development in the United States

Erikson Institute
40th Anniversary Symposium

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The Working Poor in America

• 13 million of America’s 73 million children (18%) live under the official poverty line.
• A parent with 2 children working full-time at $5.15 an hour will be under the federal poverty line.
• This parent working full-time at $7.25 an hour will still be under the federal poverty line.
• On average, families need income equal to twice the poverty threshold to meet basic needs (Bernstein, EPI).
• 28 million of America’s children (39%) live in poverty by this definition. They are at risk for higher levels of school dropout, behavioral and MH problems, crime, and lower earnings.
• What should the US do to support the working poor and improve the prospects of their children?
Raising Children Where Work Has Disappeared:
Pictures, Stories and Data from an Experiment for the Working Poor in Milwaukee
Wauwatosa, WI

Milwaukee, WI

“North Side” Neighborhood
Wauwatosa, WI  

Milwaukee, WI

“North Side” Neighborhood
Wauwatosa, WI  Milwaukee, WI

“North Side” Neighborhood
“North Side” Neighborhood: % Families in Poverty, 2000

Source: U.S. Census Bureau, Census 2000 Summary File 3, Matrix P90.
"North Side" Neighborhood: % African American, 2000

Source: U.S. Census Bureau, Census 2000 Summary File 1, Matrices P1, and P7.
Raising Children Where Work Has Disappeared

• Do experiences of low-wage work over time affect children? How and in what circumstances?

- Evelia: Temp sector, high instability, no wage growth, worries about children
- Iris: Relatively low levels of work, concerns about one teenage foster son, workplace harassment, many barriers
- Julie: Auto industry, job mobility with co-worker referrals, wage growth, no worries about “homebody” teenagers
The New Hope Experiment

• Designed by local leaders, activists for the working poor (David Riemer)
• Funded by array of local and national foundations and WI
• Run by New Hope, Inc. (Julie Kerksick)
• Evaluated by MDRC; Granger, Bos, Duncan, Huston, Weisner, McLoyd, others
• One of several experiments with child data testing approaches to make work pay
The New Hope Offer to Make Work Pay

“If you are working you should not be poor”

- Offer to adults below 150% FPL willing to work 30 hours a week
- Earnings supplement to bring you over the poverty line
- Child care and health care subsidies
- Run out of storefronts in 2 low-income neighborhoods (not welfare offices)
- Case representatives with low caseloads
The New Hope Child and Family Study Data

• Sample of 750 with 2 to 11 year old children at baseline
• 4 waves of survey data over 8 years
• Administrative data on work, income, benefits from WI and New Hope program
• Child assessments: teacher, standardized
• Embedded 2.5-year ethnography: field work in visits every 10 weeks to random subsample (N=44)
1) What are experiences over time of the working poor in urban, low-wage labor markets?
2) How do they matter for children?
3) What are implications for workforce development and welfare policy?
Five Work Pathway Subgroups Across Years 1 and 2

- Low-Wage P/T (N = 63)
  - Avg. Job Length: 7.75
  - Avg. Hours Worked: 24.52
  - Avg. Hourly Wage: $5.84
  - Wage Change: 2.17

- F/T Wage Growth (N = 77)
  - Avg. Job Length: 7.75
  - Avg. Hours Worked: 14.71
  - Avg. Hourly Wage: $8.70
  - Wage Change: 4.71

- RapidCyclers (N=75)
  - Avg. Job Length: 5.49
  - Avg. Hours Worked: 38.35
  - Avg. Hourly Wage: $1.81
  - Wage Change: 21.76

- Stable Work (N = 121)
  - Avg. Job Length: 37.45
  - Avg. Hours Worked: 1.28
  - Wage Change: 40.11

- Low-Wage F/T (N = 152)
  - Avg. Job Length: 8.18
  - Avg. Hours Worked: 2.50
  - Avg. Hourly Wage: $5.79
  - Wage Change: 40.11

Legend:
- Avg. Job Length
- Number of Jobs
- Avg. Hours Worked
- Avg. Hourly Wage
- Wage Change
Work Pathways

1) Low-Wage Part-Time

2) Full-Time Wage Growth
   Avg MORE than full-time work (42 hrs)
   High average wages ($9)
   Highest wage growth (+$2.50 over 2 years)
   Most likely to have a car
Work Pathways

1) Low-Wage Part-Time
2) Full-Time Wage Growth
3) Rapid Cyclers
   By far highest # jobs (avg 5 over 2 years)
   Youngest group, earliest in work career
   Little wage growth (< $2)
Work Pathways

1) Low-Wage Part-Time
2) Full-Time Wage Growth
3) Rapid Cyclers
4) Stable
   Stayed in same job over 2 years
   Fairly low wage growth (+$1.00)
   Also likely to have a car
Work Pathways

1) Low-Wage Part-Time
2) Full-Time Wage Growth
3) Rapid Cyclers
4) Stable
5) Low-Wage Full-Time
   Stuck in full-time low-wage work with
   No wage growth (+$.05)
   Lowest wages of all groups (avg $5.79)
Work Pathway Members in Ethnographic Sample

• Graphic Timelines of Each Respondent’s Employment across 2.5 Years in the Ethnographic Sample
Ethnographic-Sample Members of the Low-Wage Part-Time Group

Together with the Rapid Cyclers, least likely to report taking a new job because of a positive aspect of it; most likely to report being fired, suspended; most likely to be in temp work; child care
Ethnographic-Sample Members of the Rapid Cyclers

Figure 3. Rapid Cyclers

Together with the Low-Wage Part-Time group, least likely to report taking a new job because of a positive aspect of it; most likely to report being fired, suspended.
Ethnographic-Sample Members of the Stable and F/T Wage Growth Groups

**Figure 4.** Stable and Full-Time Wage Growth Groups

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<tbody>
<tr>
<td>ANCA (Stable)</td>
<td>Drug Treatment Center (Office Manager) $9.00</td>
<td>Paid leave</td>
<td>Office Manager in New Location ($9.00)</td>
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<tr>
<td>ANSY (Stable)</td>
<td>Cook at Community Center Call $8.00</td>
<td>Same Job - Raise to $8.17</td>
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<td>ARBL (Stable)</td>
<td>Machinist - Manufacturing $8.00</td>
<td>$1.50 - promotion to HR Manager</td>
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<td>ASEL (Stable)</td>
<td>Housekeeper</td>
<td>Teacher Asst. Day Care $10.00</td>
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<tr>
<td>ASMI (Stable)</td>
<td>Music Store Clerk ($7.50)</td>
<td>Laid Off - UI (odd jobs)</td>
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<tr>
<td>DOMI (Stable)</td>
<td>Teacher - Day Care Center - $7.00</td>
<td>Child Care $6.45</td>
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<td>DSAV (Stable)</td>
<td>Nurse Aid ($7.50) Temp.</td>
<td>Home Aid $6.25</td>
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<td>LASH (Stable)</td>
<td>Hotel Maid - Hospital</td>
<td>Home aid $6.25</td>
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<td>LLJU (Stable)</td>
<td>Auto Service Coordinator $8.50</td>
<td>Auto Sales $10.15</td>
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<tr>
<td>ONLE (Stable)</td>
<td>Housekeeper Community Center $7.00</td>
<td>Housekeeper - Hospital $9.50</td>
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<td>ONSH (Stable)</td>
<td>Supervisor - Environmental Services - Goodwill</td>
<td>Hospital Services</td>
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<td>REDA (Stable)</td>
<td>Asst. Director Child Care Center</td>
<td>Director - $5000 raise</td>
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<td>USEL (Stable)</td>
<td>Case Manager for W2 Agency - $15.00</td>
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<td>ENSH (FT WG)</td>
<td>Nursing Temp Work (Temp.) $10.25</td>
<td>Regular employee $15.00</td>
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<td>ELY (FT WG)</td>
<td>Payroll Manager - Hospital</td>
<td>Unemployed - moved</td>
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<td>EYWA (FT WG)</td>
<td>Machinist Shop</td>
<td>Self Employed - In Home Day Care with W2 Clients - $21.00</td>
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Key:
- Full Time Work
- Part Time Work
- Unemployed
- Promotion or Raise
- Odd Jobs
- Self-Employed
- Varying Fulltime to Parttime
- Fulltime Work

Most likely to be in supervisory positions; experience promotions and raises; most likely to be self-employed
How did Longitudinal Pathways through Low-Wage Work Affect Subsequent Child School Success and Social Behaviors in the Classroom?
Job Instability: Reasons for Concern

- Rapid Cyclers (compared to No Work and Stable)
- Lower Teacher-Rated School Performance

-.19* and -.19*
Job Instability: Reasons for Concern

Rapid Cyclers (compared to No Work and Stable) - .19* and -.19*

Lower Teacher-Rated School Performance

Rapid Cyclers (compared to FT Wage Growth and Stable) - .11*, -.19**

Lower Parent-Rated School Performance
Job Instability: Reasons for Concern

- Rapid Cyclers (compared to No Work and Stable)

  - Betas .10 to .20*

  - Higher Parenting Stress, Time Pressure, Depression; Lower Observed Warmth

  - .19*, -.19*

  - Lower Teacher-Rated School Performance

- Rapid Cyclers (compared to FT Wage Growth and Stable)

  - -.11*, -.19**

  - Lower Parent-Rated School Performance

Few differences across age groups (EC / MC)
Rapid Cyclers (compared to F/T WG and Stable)

Higher Teacher-Rated Externalizing

Rapid Cyclers (compared to No Work Group)

Higher Teacher-Rated Internalizing

Rapid Cyclers (compared to Stable)

Lower Parent-Rated Internalizing

Few differences across age groups (EC / MC)
Job Trajectories That are Good for Children?

• Parents report as common work-related goals: Increase in wages and job stability

• What about combination of high wage growth and high job stability? [not in cluster groups]
Wage Growth + Job Stability

• Same controls
• Include interaction of wage growth + job stability instead of cluster dummy variables
Wage Growth + Job Stability: Positive for Parents and Children’s Development

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<tr>
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<th>Positive Association?</th>
<th>How Did it Occur?</th>
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<tr>
<td><strong>CHILD OUTCOMES</strong></td>
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<tr>
<td>Parent-rated School Perf</td>
<td>+*</td>
<td>* Through expectations</td>
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<tr>
<td>Teacher-rated School Perf</td>
<td>+*</td>
<td>* Through expectations</td>
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<td><strong>FAMILY MEDIATORS</strong></td>
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<tr>
<td>Educ expectations</td>
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<tr>
<td>Monitoring</td>
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<tr>
<td>Warmth</td>
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<td>NA</td>
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<td>Time Pressure</td>
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<td>Depression</td>
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<td>NA</td>
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<td>Parenting Stress</td>
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<td>NA</td>
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<tr>
<td>Marriage</td>
<td>+*</td>
<td>NA</td>
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Results: New Hope program effect on marriage (+9% pts)
Mediators of New Hope’s Effect on Marriage

Note: Errors for all mediator variables are correlated. Analyses control for the following baseline characteristics: race; number of children in household; age of youngest child; working full time at RA; receiving government aid at RA; earnings in prior year; high school diploma; has car.
Goals for Policy for the Working Poor That May Benefit Children

• 1) Facilitate wage growth and job stability; reduce extreme job instability.
• 2) Increase flexibility in work schedules, particularly during daytime hours.
• 3) Reduce costs associated with work, particularly transportation and child care costs.
Evidence from Other Experiments of the Benefits of Increasing both Work and Income

- 12 randomized experiments conducted in mid to late 1990’s, with 3 to 4 year follow-up measuring children’s school performance and social behaviors.
- 3 types of policies across the 12 experiments:
  - 1) Earnings Supplement programs (New Hope is one)
  - 2) Programs simply mandating employment, but without raising income
  - 3) Programs with some combination of 1) and 2) plus a time limit.
Elementary school-age children: Only programs with earnings supplements consistently benefit children (Morris et al., 2001)

Effect size of impact on achievement

Programs with Earnings Supplements

0.14* 0.15* 0.14**

0.25**

Programs with Mandatory Employment Services

0.1

0.03

0.19***

Programs with Time Limits

0.09

0.03

-0.04

-0.01

Statistical significance levels are indicated as: * = p<.10; ** = p<.05; *** = p<.01.
Policy Recommendations: Improving the World of Work for the Working Poor and Their Children

1) Expand earnings supplements contingent on work (Sawhill / Thomas proposal for EITC; refundable DCTC) to allow more access to child care and transportation supports.

2) Implement the New Hope model of work support with modifications:
   - Target to parents not working FT
   - Provide services after job loss
   - More intensive services for those with highest barriers to work
   - Test inside and outside WIA / TANF system

3) Flextime policies in low-wage workplaces.
<table>
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<th>Case</th>
<th>Effects</th>
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| **Evelia (Low-Wage Full-Time: single M, 4 children, FT work at $8 / hr temp job with no benefits)** | **EITC: $4,285 instead of $3,065**  
**DCTC: $1,296 instead of $0**  
**New Hope: extra $1,152**  
Extra $3,668 per year; based on experimental data, this would be associated with improvement in school performance of .5 standard deviation.  
Child care subsidy + workplace flexibility = reduced child-care and health crises. |
| **Iris (Low-Wage Part-Time): married, 2 children, not working** | **Referrals to counseling.**  
**Stronger work incentive in phase-in range of EITC (stronger than $1.40 for every $1).**  
**DCTC: up to $1,440 instead of $0**  
**NH case rep would have explained these incentives.**  
**Flextime: ability to respond to son’s behavior problems.** |
| **Julie (Stable): single, 2 children, working FT $10.15/hr with benefits** | **EITC: $3,923 instead of $2,160**  
**DCTC: Nothing (sons over age 13)**  
**New Hope: no extra wage supplement** |
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