Welfare system works against some reaching educational goals, study says

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During the Great Recession, families of all economic classes have felt the pinch. They have lost incomes and assets, and some families are worse off than others. A new series of reports from researchers at the University of Kansas examines families' economic instability over a 25-year period leading up to the Great Recession, between 1984 and 2009. They ask what predicts families' probability of experiencing economic instability and whether this instability affects children's educational achievement.

A bifurcated welfare system is stacking the deck against lower-income families who experience such financial challenges, often preventing them from achieving the same educational outcomes, the researchers argue.

The reports were written by William Elliott, Terri Friedline, KU assistant professors of social welfare; Ilsung Nam, a postdoctoral fellow at KU; and Devin Fergus, assistant professor at Ohio State University. They were distributed by the Assets and Education Initiative in KU's School Social Welfare.

The first report in the series examines the probability that children live in families that experience economic instability, like shocks to their income and assets. They find that low-income and minority children are more likely than any other group to experience economic instability over the 25-year period. In addition, the probability of experiencing economic instability increased for all families around the time of the Great

Recession, between 2005 and 2009.

When experiencing an "income shock" or an "asset shock," what the authors refer to as a 25 percent or 50 percent drop in family income or assets, higher-income families have assets such as savings to fall back on. However, lower -ncome families often do not. Therefore, an income shock can force lower income families into poverty or to quickly spend what little assets they have to maintain the necessities of life. The spending down of assets may lead to an asset shock, which is one reason the authors give for explaining changes in families' assets.

"Even high-income individuals experience income shocks," said Elliott. "But they have assets to fall back on, and that's a better system. It's important that we have things in place to protect families when these things happen."

The better system Elliott refers to is one that helps lower-income families smooth out income shocks. They may rely on welfare programs to smooth out their income shocks. However, welfare programs are not meant to help lower-income families maintain their level of economic stability. Instead, they require families to sell off most of their assets and make tough choices between eating, paying bills and investing in their children's education. Elliott argues that an inequitable welfare system places lower-income families at a competitive disadvantage as compared to higher-income families when it comes to surviving tough financial times and being able to afford education as a result.

The authors refer to this problem as a bifurcated system—higher-income families are eligible for programs that help maintain and build assets, while lower-income families only qualify for programs such as food stamps that generate income to cover the bare necessities. The authors argue—and the reports confirm—that children from families that experience income or asset shocks have difficulty developing their human capital through educational achievement, like doing better in school, graduating from high school, and going to and graduating from college.

"We need a welfare system for the poor that takes into account human capital development," Elliott said. "It comes down to our belief as a country in equity. If you don't have assets, you're at a competitive disadvantage."

Taken together, the lack of assets among lower-income families and programs that help higher-income families keep and develop their assets exacerbates the educational inequality in society, the reports argue.

"We probably won't really understand the full effects of income or asset shocks educational achievement for several years, until these children reach college age," Elliott said.

The reports, along with a policy piece funded by the New America Foundation, will be distributed to state and federal policy makers throughout the country. The authors recommend establishing policies that help families build assets, such as savings accounts, early in a child's life. Such assets could be used later in life to help invest in children's human capital development, like paying for college.

"Assets do affect educational achievement in the long run," Elliott said. "The educational path is being weakened. That's one of the main aspects of the American dream: that you can achieve through education. But right now the deck is stacked against many people, and showing that hard work and determination are not always the only determining factors in educational achievement."

Provided by University of Kansas

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