

Research Background Paper

**Child Well-Being Outcomes and Measures:
Implications for Research on a Children
and Youth Savings Account Policy Demonstration**

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**Child Well-Being Outcomes and Measures: Implications for Research on a
Children and Youth Savings Account Policy Demonstration**

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Children and Youth Savings Account Policy Demonstration

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INTRODUCTION

The goal of this paper is to describe pathways by which a Children and Youth Saving Account (CYSA) program would likely affect children and to suggest outcomes for measurement. In this CYSA demonstration, two groups of children may be studied, young children (3-7 years old) and adolescents (13-17 years old). Young children are likely to be drawn from Head Start or another early childhood education setting and may be randomly assigned to a control or experimental group. These children are likely to be followed for a minimum of four years, and information may be collected at age 3, age 7, and possibly one intervening time period.

A sample of youth entering 8th grade may also be assigned to CYSA and non-CYSA groups. Similar to the younger children, adolescents are likely to be followed for a minimum of four years, and information on outcomes may be collected at several points in time. Because of the different developmental processes for the two age groups, I describe possible outcomes for each age group separately.

This demonstration project will involve only low-income children and families, although the ultimate goal is a universal policy. In this paper, I describe how any effects may differ between high and low-income subgroups.

THEORY AND HYPOTHESES

There has been a great deal of research on the relationship between income and child well-being, yet the pathways between assets and child well-being have been relatively unexplored and unspecified. Income and assets are two distinct, but related resources, so it is informative to first review what is known about income, as well as changes in income, and child well-being.

Research has convincingly demonstrated a strong relationship between levels of income and child well-being. Higher levels of income are clearly associated with better outcomes for children (Duncan and Brooks-Gunn 1997). There are several possible reasons for this relationship. One is the investment model posited by Gary Becker. The basic premise is that parents will invest income in their children in ways that promote their well-being. Becker (1981) has taken an economic model and applied it to various family behaviors. The family is seen as a production unit that acts in a rational manner to minimize costs and maximize benefits. When this framework is applied to parenting, it is assumed that parents invest both their income and time in their children. The more investments parents make in their children, the better off the children fare. Becker has been primarily concerned with the levels of human capital attained by children, as measured by educational attainment, but his theory could apply to any measure of child well-being—that is, the more inputs, such as assets, from the family, the more likely the child is to succeed.

Of course, often the relationship between income level and child well-being is indirect. Many have argued that income level is also important indirectly for children, because of the way in which it affects parents' behaviors and actions. In particular, parents who are suffering from severe stress, particularly economic stress, may be less patient and supporting with their children (Elder 1974; Elder and Caspi 1988; McLoyd and Wilson 1989; McLoyd 1990). Under some

circumstances, parents may only be able to provide the minimum that a child needs. Research has shown that mothers who are highly stressed are often unresponsive or inattentive to their children (Belle 1982). In turn this often undermines any sense of security that a child has and can lead to difficult behavior on the part of the child.

Assets and Child Well-Being

In general, there is a strong correlation between household income and asset levels. Many assets provide income; and income allows families to purchase assets. However, many researchers claim that assets are a much better indication of a family's economic status, primarily because of the high levels of income volatility. Assets are more stable over time. Sheradden (1991) argues, "Households with sharp income fluctuations may not be in the same financial position as a comparable household that has enjoyed stable income, even if the total income for the two households is the same".

Would we expect any of these pathways between income and children to exist between asset accumulation, such as in the CYSA demonstration, and child well-being? Assets are a type of investments, and according to Becker, the more investments in children, the better children fare. This would be a direct pathway between asset accumulation and child well-being. However, much depends on whether or not the money in such accounts can be used for children at young ages. If it must be maintained until a later date—for example, until the child turns 18—one would expect only minimal impacts on young children.

This theory of assets as investments may be more applicable to adolescents, who are more likely to be cognizant that parents are sacrificing in other arenas to invest in them. Such awareness may lead to a change in behavior, most likely regarding educational outcomes

There are other reasons to believe that the presence of assets could have direct effects on children, particularly adolescents. Assets may help create an orientation to the future, the idea of planning ahead and feeling as if future opportunities exist (Sherraden, 1991). This could help to change children's behavior. If people know an opportunity exists, they are more likely to work towards it. This would be especially pertinent for educational attainment. For example, a child who knows college is a possibility is more likely to work harder in school and perform better than a child who feels that attending college is not a possibility. The fact that this potential opportunity exists could then influence adolescent's behavior in several arenas. For example, teenagers may begin to focus more seriously on school activities that could result in higher academic achievement and less problem behavior at school. Related to this, assets also allow greater control over one's life, and this may lead to greater levels of empowerment. A child who feels more control over her life may well have fewer behavioral problems and greater self-esteem. Past research (Sugland et al. 1996) has concluded that perceptions of opportunity are negatively related to pregnancy among adolescents. In other words, teens who can see more long-term opportunities begin to act in a more rational and long-term manner.

It should also be noted that in order to accumulate savings in a CYSA, families might have to make sacrifices in other areas. Families that reduce consumption may experience economic strain and/or material hardship. Any gains from asset accumulation might then be offset by the negative effect of a change in consumption.

The indirect links between assets and child well-being are more tenuous, particularly for young children. One would not expect the mere presence of assets, particularly if little were saved, to influence parenting behaviors a great deal or to do much to allay parental stress or economic instability. However, to the extent that CYSAs facilitate such changes, many positive outcomes may result. For example, assets may help mitigate feelings of economic instability to some extent by providing a level of underlying security for the family.

Relationships between participation in a CYSA program and child well-being are very likely to be affected by the current income and asset levels of the household. Families and children with higher incomes are less likely to be affected by participation in CYSA than families with low-income or low levels of assets. One would also anticipate results to vary depending on the levels of assets accumulated in this program. A substantial amount of assets (more than \$5,000) would likely be more influential than a minimal amount (\$500). A small stock of assets is unlikely to shift attitudes or behaviors, particularly since the amount would not go very far towards any of the major goals of the asset program: college education, home ownership, or a small business. Additionally, one would expect the results to be greater for children and teens for whom current opportunities are low. Children in households that already have access to high levels of opportunities are much less likely to be influenced by this program.

Effects from CYSA participation are most likely to be seen in outcomes related to education. In the final section, I list recommendations for specific measures of child well-being as well as intervening variables.

FINANCIAL EDUCATION

One additional way that participation in a CYSA program may influence children, particularly adolescents, is through the financial education component. This program has the potential to increase financial awareness and to expand children's social capital. According to Coleman (1988), social capital "comes about through changes in the relations among persons that facilitate action...it exists in the relations among persons". Other researchers (Astone 1999; Meier 1999) have argued that social capital is comprised of distinct components, including relationship forms, relationship quality, and resources derived from relationships. I view financial education classes as the third component of social capital. Ideally, participants in these classes will leave with new information and advice related to finances that may provide valuable new insights that could influence later behaviors. By being exposed to financial education classes, many adults and/or adolescents will gain exposure to new ideas and norms which will likely provide a greater sense of control, sense of opportunity and ultimately influence actions, particularly those around education.

SPECIFIC HYPOTHESES RELATED TO THE CYSA PROGRAM

- 1) Any effects on young children of this program will be indirect through the parents via changes in stress or parental self-efficacy. The likely areas of influence for young children will be behavioral problems and academic outcomes.
- 2) Any effects on young children are likely to be seen over a very long time period; four years simply may not be long enough to observe any changes for younger children.
- 3) Adolescents are more likely than young children to be affected by this program, particularly by a change in perception of opportunities. This change will likely manifest itself in academic and educational outcomes, such as greater school engagement or better academic performance.
- 4) A related area where effects may be seen for adolescents is in greater self-efficacy and sense of control. Adolescents may also experience increases in mastery and control via this same pathway. However, any influence will likely depend on the amount of assets accumulated. A small amount of assets over the four-year period (e.g., \$500) is unlikely to have much of an effect.
- 5) To the extent that asset accumulation requires substantial sacrifices in basic consumption areas, any positive results may be lessened, and in fact, negative effects could be seen.
- 6) Relationships will be affected by the income levels and amount of assets a family is able to accumulate. Results will likely be largest for children in families with low incomes but high asset accumulation.

RECOMMENDED MEASURES

Outcome Measures for Young Children

- Behavioral Problem Index
- Academic outcomes, including school attendance, and academic achievement.

Outcome Measures for Adolescents

- Perception of opportunity. Past research has used the difference between educational expectations and educational aspirations.
- Perception of educational achievement, academic behaviors, including grades, advancement, suspensions/expulsions
- School engagement scale (Bridges and McConnell)
- Levels of mastery and control, using Pearlin's mastery scale

Independent or Mediating Variables

- Income levels, and change in income over time
- Presence of assets and amount of assets accumulated
- Parental levels of economic strain
- Parental self-efficacy

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