

Minimum Wages and Foster Care Placement Disruption

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Abstract: The focus of our analysis is on potential impacts of the minimum wage on increasing the efficiency of the foster care placement system. Specifically, we calculate placement efficiency as the number of yearly moves enjoyed by a child in the foster care system. A decrease in the number of placements is believed to both psychologically and behaviorally benefit children and their foster parents as well as representing a smaller systemic financial burden. Specifically, we employ the Adoption and Foster Care Analysis and Reporting System (AFCARS) restricted-access dataset representing all children in the U.S. foster care system for the years 2000-2021 and link it with state levels of minimum wages and other state-level yearly data. Our hypothesis is that higher minimum wages reduce the financial difficulties for lower income foster parents and allows them to successfully foster children without asking for a placement transfer due to dwindling resources or other financial hardships. After including child demographics, placement details, state characteristics, and state-year fixed effects, our Tobit and OLS regression analyses find that increased minimum wages are significantly associated with lower levels of placement disruption. We take this as very promising initial evidence for the secondary effects of minimum wage changes in reducing the financial burden and increasing the placement efficiency of the foster care system.

Keywords: Minimum Wages; Foster Care; Placement Disruption

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