

Single-Parent Families: Economic Survival and Welfare Reform

Can single parents on welfare find and keep jobs that enable them to support themselves and their families? Or will they need other sources of income in order to live above the poverty line? The IWPR research described here suggests that many single parents who have received welfare or other government assistance will be unable to earn enough to escape poverty unless they have other sources of income. Studying all families below 200 percent of the poverty level, IWPR researchers compared single-parent families (both those headed by mothers and those headed by fathers) with two-parent families to identify differences in their earnings, use of public benefits, and availability of other income sources.

The purpose of the new welfare law is to end dependence on government benefits and to “encourage the formation and maintenance of two-parent families,” according to the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) signed into law in August 1996 (PL 104-193).¹ PRWORA ended the federal entitlement system, Aid to Families with Dependent Children (AFDC), which guaranteed aid to all families who met the federally-established eligibility criteria, and replaced it with a non-entitlement system of block grants to the states, Temporary Assistance for Needy Families (TANF). Under TANF, states have much more discretion in whom to serve and how to serve them. By examining the economic well-being and sources of income of the families in the IWPR study, it is possible to estimate the losses these low-income families may experience as a result of the reduction in public benefits that is likely to occur under TANF.

The IWPR Study

Using data from the U.S. Bureau of the Census’ Survey of Income and Program Participation (SIPP) for 1986 through 1991,² IWPR researchers examined the various sources of income for a nationally representative sample of low-income families with children. The IWPR study followed 6,353 low-income families for a two-year period. These families included 2,770 single-parent families, of which 2,554 were headed by single mothers. Low-income families are those families whose cash incomes fell below 200 percent of the poverty line in either of the two years or those who received means-tested government benefits at any time during the study period. The single mothers in the study sample represent 5.7 million single-mother families in the U.S. population, while the single parents represent 6.2 million single-parent families in the U.S. population.

The families in the study were categorized as follows: Single-parent families include mothers and fathers (with children under 18 years of age) who were never married, were widowed, divorced, separated from their spouses, or were married with spouse absent for the full 24-month study period.³ Single-mother families are further divided into welfare-reliant, mixed welfare-and-work reliant (also known as income packagers, consisting of “cyclers” and “combiners”), and work-reliant. Married-couple families are those in which the two parents remained married and both continued to live with the children for the entire study period.⁴ Married-couple families comprise 47 percent of the low-income families in the IWPR study. Figure 1 shows the distribution of married-couple families and single-parent families among low-income families in the IWPR study. About

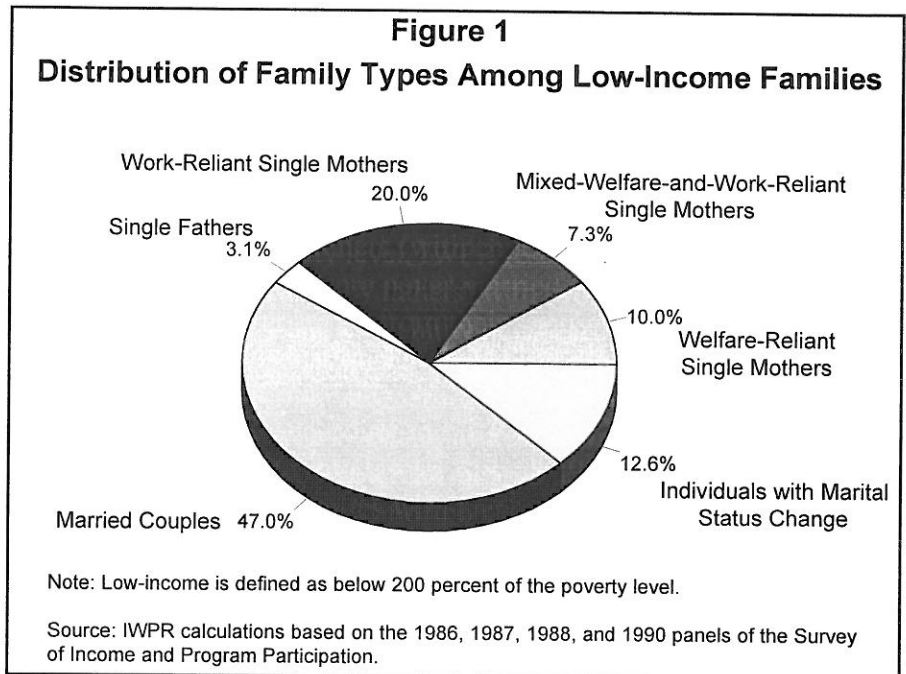
13 percent of the study population experienced a change in marital status during the study period (and are not discussed here).⁵

Two measures of poverty are used in the study. The standard measure includes only cash income in determining whether a family's income meets, exceeds, or falls short of the poverty line set by the federal government for a family of its size and composition. The modified measure adjusts family income to include the cash value of Food Stamps and food received under the Women, Infants, and Children nutrition program (WIC). All dollar amounts are expressed in 1994 dollars.

The results reported here extend IWPR's findings from previous studies based on the SIPP (*Combining Work and Welfare*, IWPR, 1992; *Welfare That Works*, IWPR, 1995) in several ways. Single-father and married-couple families are included in addition to single-mother families. Families that do not receive means-tested benefits are included as well as those who do; thus, families who rely primarily on earnings are included in this study. As a result, all families with children under age 18 whose incomes fall below 200 percent of the official poverty line are included in the study. Thus, this study moves beyond the traditional "welfare population" in order to determine how other poor and low-income groups obtain their livelihood and may be affected by the changes in federal welfare assistance programs.

Overview of Findings

IWPR found that single-parent families, in general, are more likely to be poor -- 45 percent of low-income single-parent families were poor during the study period, compared to 15 percent of married-couple low-income families (using the modified poverty measure). Of all the low-income



single-parent families, those headed by single fathers have the highest annual incomes at \$20,210; welfare-reliant single-mother families have the lowest incomes at \$13,274. Married-couple families have the highest average income at \$27,133 (see Table 1a and b).

IWPR research shows a wide range of income sources for the single-parent and two-parent families in the study (see Table 1a). All groups of low-income families include some families that received means-tested benefits. Of the single-mother families, those who rely primarily on work fare the best (with an adjusted annual income of \$19,328). Nevertheless, 37 percent of the work-reliant single mothers receive means-tested benefits. Only 25 percent of the married-couple families in the study receive means-tested benefits.

Welfare-Reliant Single Mothers

Welfare-reliant single mothers are those who rely primarily on welfare for their family income; they are defined as having received AFDC for at least two months during the 24-month study period and having fewer than 300 hours of paid employment. On average, this group of single mothers received AFDC for 21 out of the 24 months studied. They are the most likely to be

Table 1a
Income Sources of Low-Income Families, by Family Type,
Over 24 Months (Annual Average)

Family Type	Family Income by Source and Percent of Total Family Income				
	Total Income (1)	Earnings of Parent(s) (2)	Means-Tested Benefits (1)	Others' Earnings	Other Income
Single-Parent Families	\$17,600 100.0%	\$6,595 37.5%	\$2,973 16.9%	\$4,632 26.3%	\$3,400 19.3%
Single-Mother Families	\$17,380 100.0%	\$6,109 35.1%	\$3,152 18.1%	\$4,779 27.5%	\$3,340 19.2%
Welfare-Reliant	\$13,274 100.1%	\$33 0.3%	\$6,928 52.2%	\$3,902 29.4%	\$2,414 18.2%
Mixed-Reliant	\$17,652 100.0%	\$5,414 30.7%	\$4,223 23.9%	\$5,382 30.5%	\$2,621 14.8%
Work-Reliant	\$19,328 100.0%	\$9,389 48.6%	\$883 4.6%	\$4,997 25.9%	\$4,060 21.0%
Single-Father Families	\$20,210 100.0%	\$12,366 61.2%	\$841 4.2%	\$2,877 14.2%	\$4,123 20.4%
Married-Couple Families	\$27,133 100.0%	\$21,812 80.4%	\$851 3.1%	\$1,843 6.8%	\$2,627 9.7%

Table 1b
Poverty Status of Low-Income Families, by Family Type,
Over 24 Months (Annual Average)

Family Type	Total Sample		Percent in Poverty	
	Unweighted	Weighted	Official	Modified (1)
Single-Parent Families	2,770	6,218,564	48.0%	44.9%
Single-Mother Families	2,554	5,735,793	50.3%	47.1%
Welfare-Reliant	688	1,536,332	83.0%	79.1%
Mixed-Reliant	474	1,117,029	59.4%	52.7%
Work-Reliant	1,392	3,082,432	30.7%	29.2%
Single-Father Families	216	482,771	20.1%	18.9%
Married-Couple Families	3,583	7,222,729	16.8%	15.3%

Note: Low-income is defined as below 200 percent of the poverty line. All dollar amounts are in January 1994 dollars.

(1) Includes the cash value of Food Stamps and WIC.

(2) For single-mother families, the mother's earnings are shown; for single-father families, the father's earnings are shown; for married-couple families, the earnings shown are for both parents. In all cases, earnings of other adults or children in the family unit are shown in Others' Earnings.

Source: IWPR calculations based on the 1986, 1987, 1988, and 1990 panels of the Survey of Income and Program Participation.

poor, having adjusted family incomes below the poverty line 20 months out of 24, on average.

Means-tested benefits generally account for more than half of these families' income, or \$6,928 out of an average annual income of \$13,274 (including the value of Food Stamps and WIC; see Table 1a). AFDC benefits are the single-largest source of income at \$4,316 annually.

Welfare-reliant mothers, defined for this study as those who work very little, earn only 0.3 percent of their families' incomes. The earnings of other family members, however, make up a much more significant part of their family income packages: 29 percent, on average (see Figure 2).

Of the welfare-reliant families, about 80 percent are poor, even when the cash value of Food Stamps and WIC is included in their incomes (see Table 1b).

Mixed-Welfare and Work-Reliant Single Mothers

Also known as "work/welfare packagers," single mothers who rely on both work and welfare are defined in this study as having received AFDC for at least two months during the study period and having more than 300 hours of paid employment. Their family income packages consist of significant earnings from their own employment (31 percent of total family income), as well as from other family members (also 31 percent). The average annual gross income for these families is \$17,652, adjusted to include the cash value of Food Stamps and WIC (see Table 1a).

Despite the significant work effort of these single mothers (who earn \$5,414 annually, on average), government benefits play a large role in their income packages. Means-tested benefits account for approximately 24 percent of these families' incomes, at \$4,223 annually including \$2,578 from AFDC. (These amounts are, however, about 40 percent below those received by the welfare-reliant single-mother families.)

Government benefits are vital for moving these families out of dire poverty (incomes below half of the poverty level). Without these payments, 43 percent of these families would be living in dire poverty, even though these mothers worked. The proportion in dire poverty falls to only 5 percent when government benefits are included.

Government benefits also move a sizable portion of these families above the poverty line, raising this percentage from 31 to 47 percent. Despite packaging income from many sources, 53 percent of these families still have incomes below the poverty level, even with Food Stamps and WIC.

Work-Reliant Single Mothers

Single-mother families that are work-reliant are defined as having received AFDC for fewer than two months during the 24-month study period. Most of these women are employed during most or all of the study period, and they usually succeed in raising their families out of poverty.⁶ They do not, however, support their families on their earnings alone. Their average annual adjusted income is \$19,328 (see Table 1a).

These mothers earn \$9,389 annually, on average, contributing nearly half of their family incomes through their own employment. Seventy-one percent of these families are above poverty (based on the modified definition).

Almost 26 percent of these families' incomes is provided by the earnings of other family members or friends (\$4,997). Without these earnings, 45 percent of these families would be poor.

Approximately 37 percent of these mothers receive means-tested benefits, although only 1.2 percent receive AFDC. On average, Food Stamps and other means-tested benefits make up only 4.6 percent of income for these families, but they help keep them out of poverty. With these benefits, 29 percent are in poverty; without them, 38 percent of these work-reliant single-mother families would be poor.

Single-Father Families

In the typical single-father family, the father's earnings contribute 61 percent of the family income package. Despite their status as the most financially successful single-parent families and the families in which work earnings contribute the largest share of family income, single-father families also rely on other income sources to supplement work earnings.

For the 26 percent of single-father families that receive means-tested government benefits, these benefits contribute an average of \$3,215 to the family income (more than in the work-reliant single-mother families, but less than in other single-mother families).

Of the single-father families, 19 percent live below the poverty line. However, without means-tested government benefits, 29 percent of these families would fall below the poverty line, including 16 percent who would live in dire poverty.

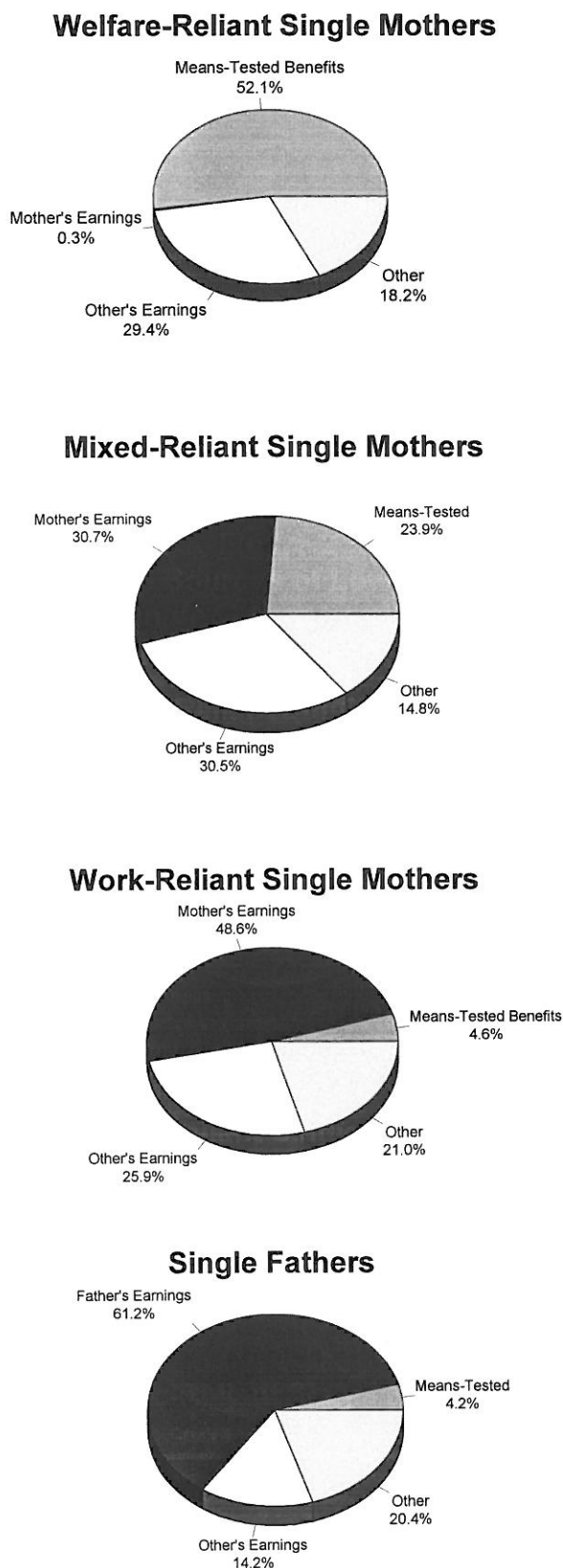
The earnings of other family members constitute 14 percent of these families' income packages. Without these earnings, 29 percent of these families would be poor.

Policy Implications

The findings presented here have important implications for the well-being of low-income families in the face of welfare reform. All four sub-groups of single-parents examined by IWPR rely to some extent on means-tested benefits to raise their families' incomes near or above the poverty level. Many of these families, however, will be unable to rely on TANF as they did AFDC. In this post-AFDC era, there are fewer entitlements available to poor families, stricter work requirements, and fixed time limits on receipt of benefits.

The welfare-reliant single-mother families will no longer be able to rely on welfare for extended periods of time, unless they are ex-

Figure 2
Income Sources of Low-Income Single-Parent Families



empted from time limits as part of the 20 percent of caseload hardship exemption each state is permitted. It is more likely that these welfare-reliant mothers will be forced to take low-wage jobs that generally provide insufficient and unstable income. Many will not be able to consistently work enough hours to raise their families out of poverty, even with such programs as Food Stamps and the Earned Income Tax Credit. Moreover, losing a job may leave them without a safety net.

The mixed-welfare-and-work-reliant single-mother families are also likely to be hit hard by the new time limits. Although they are already working, they use welfare benefits between jobs or to supplement their low wages. Under the new law, they will be able to rely on welfare for only five years (fewer in states that set shorter time limits). It is likely that there will be an increase in the proportion of families living at or below the poverty line, once the time limits begin to be reached.

The work-reliant single-mothers and the single-fathers also rely on means-tested benefits to some extent for economic survival. These families are likely to be the least hurt by the loss of the AFDC entitlement; however, they, too, may find themselves without a safety net should illness or economic downturn prevent their steady employment.

The findings presented here show that single parents who work are less likely to be poor, but that jobs do not necessarily raise their families above poverty. Many of the single mothers and fathers who have been living below 200 percent of

the poverty level have supported their families by supplementing their inadequate earnings with income from family members, friends, and government benefits. The reduced availability of government benefits is likely to push many of these working families into poverty.

Footnotes

¹ PRWORA Conference Report to Accompany H.R. 3734, July 30, 1996, p. 9.

² This IWPR study combines four panels of the SIPP (1986-87, 1987-88, 1988-89, and 1990-91), which were the most recent available.

³ Single parents may be grandparents or guardians, stepmothers or stepfathers, as well as the biological parents of the children in the family. In any case their marital status meets the definition. Thus, a single grandmother raising her three grandchildren is categorized as a single mother in this study.

⁴ As with single parents, married parents may in fact be grandparents, stepparents, or legal guardians of the children in the family, as well as biological parents.

⁵ More information about the study sample and the research findings can be found in [An IWPR Report on Low-Income Families: Survival Strategies and Well-Being](#). A final version of this research report should be available to the public by the end of 1997.

⁶ Although none of these families receive much AFDC, about 15 percent of these mothers do not work. These mothers receive support for their families from other family members and friends and, in some cases, from non means-tested benefits.

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