

Economic Well-Being of Low-Income Single-Mother Families: A Review Paper

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To Link this Article: <http://dx.doi.org/10.6007/IJARBS/v10-i7/7477> DOI:10.6007/IJARBS/v10-i7/7477

Published Date: 29 July 2020

Abstract

This study is to explore the changes in net disposable income for low-income single-mother families before and after the 1996 welfare reform in the USA. Even though there are many studies have made on welfare reform but it all have focused on employment or the total family income as a way to measure low-income single-mother families' economic well-being little is known about their net income after expenses related to entering the workforce. Participation conducted by the US Census Bureau. The results revealed that while low-income single mothers were working more after welfare reform, their net disposable income decreased during this time because their earnings were low and offset by an increase in childcare costs and a decline in means-tested benefits, including Temporary Assistance for Needy Families benefits.

Keywords: Economy, Low-Income, Single Mother, Welfare, Well-Being.

Introduction

In recent decades, debates on restructuring welfare systems in the USA have centred on redesigning welfare systems to contribute to economic growth and to encourage welfare recipients' self-sufficiency. Underlying these reforms is the premise that work incentive systems contribute to reducing the number of welfare recipients and ending welfare dependency. Temporary Assistance for Needy Families (TANF) also imposed time limits. Following the implementation of Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), some studies found that low-income single mothers' total income increased and work requirements appeared to be successful in reducing caseloads and increasing employment. However, others documented that poor families fell into the category of "severely poor," having incomes below 50 percent of their poverty threshold, and families who exited poverty were among those whose incomes placed them closer to the poverty threshold, leaving behind the poorest among the poor (Blank, 2002). If single mothers have to cover a substantial portion of childcare costs in order to fulfil TANF work requirements, increases in employment may result in increases in childcare costs and

childcare costs may offset their earnings. The purpose of the present study was to examine not only comprehensive income sources, but also expenditures that arise with entering the workforce, and to examine the effects of welfare reform on net income changes of low-income single mothers.

In fact, according to the U.S. Department of Health and Human Services (USDHHS) (2007), caseload declines began in 1995 before TANF was introduced in 1997. The Council of Economic Advisers (CEA) study examined the effects of the 1996 reforms on post-1996 caseloads and found that one-third of the decline between 1996 and 1998 was due to welfare reform and 8–10 percent was due to improvements in market (Council of Economic Advisers (CEA), 1999). The argument that economic conditions contributed to the reduction of caseloads is also supported by the fact that during the economic recession poverty increased again to 11.6 percent in 2001, 12.1 percent in 2002, and 12.5 percent in 2003 (U.S. Census Bureau, 2004), corresponding with the economic conditions. Although family poverty rose by 1.2 percentage points overall and 1.0 percentage point for married couples between 2000 and 2003, the poverty of families headed by a single mother rose by 2.5 percent during this time (Mishel, Bernstein, & Allegretto, 2005). In 2002, 26.4 percent of the 3.5 million poor female household heads with no partner present were living in poverty and were facing increasing economic hardship over the course of the year (U.S. Census Bureau, 2002). Although many welfare recipients experienced gains in earnings following welfare reform, the increase was modest and 52 percent of those who left welfare in 1999 had incomes below the poverty threshold. In 2001, 40.8 percent of poor families fell into the category of severely poor, having incomes below 50 percent of the poverty threshold (Kahne, 2004)

The welfare reform expanded and consolidated federal spending on childcare into one Child Care Development Fund (CCDF), which is administered by the Child Care Bureau under the US Department of Health and Human Services, the Administration for Children and Families. During 1999, 27 states guaranteed childcare assistance to families transitioning from TANF to work, and 15 gave priority to those families (Crawford, 2006). This policy change aimed to facilitate the transition from welfare to employment by providing childcare subsidies to enable families with young children to engage in work activities. However, it has become difficult for many mothers to access state assistance to help pay for childcare, and subsidies are typically short lived, forcing them to rely on relatives or family members or informal care. Studies showed that only 12–15 percent of eligible families were served by a CCDF childcare subsidy between 1998 and 1999 (Boushey, 2003; Boushey and Wright's (2004) study found that among low-wage women in the spring of 1997, only 3.7 percent received government childcare subsidies; The costs of childcare for working women, especially for those moving from welfare to the market, places a higher burden on low-income families than on high income families (Ahn, 2012).

The Process of Collecting Data

Methods Data and sample Data for this study came from the Survey of Income and Program Participation (SIPP) conducted by the US Census Bureau. Each panel of SIPP includes the basic "core modules" and specific "topical modules." The core questions are repeated in each wave (4 months), whereas the topical modules vary from wave to wave. The core modules provide monthly data on a variety of topics, including demographics, labour force attachment, earnings, income, and public assistance participation, including AFDC or TANF, enabling a significant degree of longitudinal analysis.

By matching core data on earnings and income information with topical data on taxes and childcare costs, the analysis constituted four calendar years: 1993, 1994, 1997, and 2002. The matched data sets provided substantial information about single mothers' family structure, their socioeconomic background, work and public assistance status, tax expenditures, childcare arrangements, and childcare costs. All dollar values are expressed in 2007 dollars using CPI-U-RS. The sample group in this study was defined as single mothers of children under the age of 18. Therefore, the sample of this study covered not only welfare recipients but also single mothers who were welfare eligible or at risk of needing welfare but were not receiving welfare. For this study, 7,891 single mothers of children under the age of 18 were examined. The family was defined as having a low income if the total household income fell below 200 percent of the official poverty line ($n = 5327$).

Results and Conclusion

Based on the data, this study was made to explore the net income changes among low-income single mothers after the 1996 welfare reform. Using this study, it also shows the results that demonstrate that the reform was not likely to raise the net disposable income of single mother above the lowest economic strata but it is to tell show that the income of low-income single mothers fell by 19 percent after the reform. This suggests that the welfare reform of 1996 led to an increase in childcare costs that were result the net income declines. These findings have reveals that many single mothers moved from welfare poor to working poor. However, the comparison group with incomes above 200 percent of poverty experienced a rise in their total and net incomes along with an increase in earnings and a decrease in tax expenditures.

The findings of this study show that among all low-income single mother samples, low-income single mothers with a high school diploma experienced a decline in their net income by 14.3 percent after welfare reform, which is a smaller decline than that for all low-income single mothers. The results of this study also show that one third of low-income single mothers worked in the low-end service sector where wage levels tend to be very low and jobs offer little flexibility. (Lim, Coulton, and Lalich, 2009) also showed that welfare leavers had relatively high levels of employment but tended to find poor-quality jobs, and hourly wages among those enrolled in school part-time at the time of welfare exit were higher than those among respondents not enrolled in school at the time of welfare exit. Policy reforms that encourage schooling and job training may be more likely to produce former welfare recipients who are more skilled, more highly paid, and less likely to return to welfare in the future.

However, one result of this policy change is a large pool of single mothers forced into the workforce without the necessary support to obtain self-sufficiency. Because of the weak job market in recent years, low income single mothers are having a hard time finding jobs with adequate pay. Despite these limitations, this study is the first to analyse net disposable income changes, taking into account income sources, tax expenditures, and childcare costs, and has revealed important economic outcomes of low-income single mothers in the USA. Future studies should work toward covering recent data periods and examining the relationship between the recent economic recession and low-income single mothers' employment and income situation by using recent SIPP panel data sets.

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