

NEWS RELEASE



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POVERTY RATE AMONG WORKING SINGLE-MOTHER FAMILIES REMAINED STAGNANT IN LATE 1990'S DESPITE STRONG ECONOMY

Declines in Benefits from Safety Net Programs Cancelled Out Increases in Earnings

A new study from the Center on Budget and Policy Priorities casts doubt on the common assumption that as families move from welfare to work, their increased earnings automatically translate into reduced poverty. In the late 1990s, the study shows, families headed by working single mothers experienced rising earnings due to the strong economy, work supports like the Earned Income Tax Credit and child care, and a reformed welfare system. Yet these increased earnings were fully offset by a decline in the benefits that government safety net programs provide, leaving these families no better off as a group and pushing those who remained poor deeper into poverty.

“This report provides important new data about the ongoing effects of welfare reform,” stated Wendell Primus, the Center’s Director of Income Security. “Since families headed by single mothers made up the vast majority of welfare recipients prior to the 1996 welfare reform law, and since one of the core beliefs behind that law was that moving single mothers from welfare to work was the best way to improve their economic status, it is critical that we understand how those mothers who went to work are faring.”

The poverty rate among working single-mother families failed to decline between 1995 and 1999, the Center’s report found. The poverty rate among people in these families, after government benefits and taxes are taken into account, was 19.4 percent in 1999, about the same level as in 1995, when it stood at 19.2 percent. Among other families with children, by contrast, the poverty rate dropped during this period.

The stagnation in poverty among working single-mother families since 1995 is especially striking because poverty among these families did decline between 1993 and 1995. The income these families receive from earnings increased in both the 1993-1995 and 1995-1999 periods. But between 1993 and 1995, the benefits that working poor families headed by a single mother secured from government safety-net programs expanded, adding to the impact of the increased earnings in reducing poverty. By contrast, between 1995 and 1999, the benefits these working poor families received from government programs contracted, canceling out the income gains from their

higher earnings and resulting in no progress in reducing poverty despite the growing economy. Declines in the food stamp and cash assistance benefits that working single-mother families received played a particularly large role in these developments.

“Although large numbers of mothers have begun working, our findings suggest that safety net programs and the Earned Income Tax Credit are vital to supporting work and keeping these families out of poverty,” noted Kathryn Porter, the report’s lead author.

Poor Working Single-Mother Families Became Poorer in Late 1990s

While the poverty rate for people in working single-mother families — the proportion of such people with incomes below the poverty line — was essentially the same in 1999 as in 1995, those working single-mother families that were poor grew poorer, on average, during this period. This unsettling trend is found in census data on the “poverty gap,” which measures the depth and severity of poverty.

The poverty gap is the total amount of money by which the incomes of all families that are poor fall below the poverty line. If one family is \$500 below the poverty line and another family is \$5,000 below, the poverty gap for these two families is \$5,500. In 1995, working single-mother families that were poor fell a total of \$5 billion below the poverty line, after government benefits are counted. In 1999, these families fell \$6.3 billion below the poverty line.

These Census data also show that in 1999, the incomes of working single-mother families that were poor fell below the poverty line by an average of \$1,505 for each person in these families. The per-person amount by which working single-mother families that were poor fall below the poverty line climbed significantly between 1995 and 1999 and was larger in 1999 than at any other time in the 1993-1999 period. These data indicate that while welfare reform has spurred more single mothers to go to work, an unintended side-effect of welfare reform has been that working-poor families headed by single mothers have grown poorer.

A full text of the Center report, *Poverty Trends for Families Headed by Working Single Mothers, 1993 to 1999*, is available at the CBPP website, www.cbpp.org.



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