

# The Consumption, Income, and Well-Being of Single Mother Headed Families 25 Years After Welfare Reform

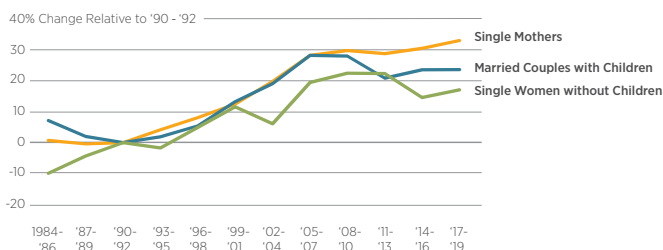
Based on BFI Working Paper 2021-101, *“The Consumption, Income, and Well-Being of Single Mother Headed Families 25 Years After Welfare Reform,”* by Jeehoon Han, Zhejiang University; Bruce D. Meyer, McCormick Foundation Professor, UChicago’s Harris School of Public Policy; and James X. Sullivan, University of Notre Dame

*The material circumstances of single mothers improved in the decades following welfare reform, with the consumption of the most disadvantaged single mother headed families—those with low consumption or low education—rising noticeably over time and at a faster rate than those in comparison groups.*

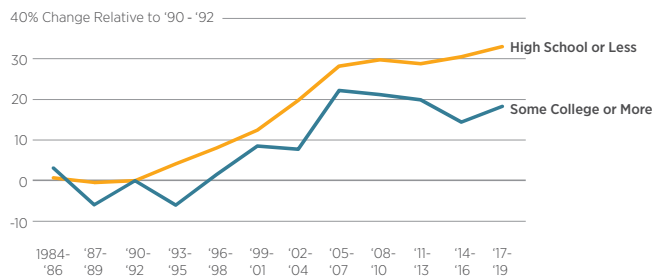
The signature change in social policy of the past thirty years was the passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and the other policies that emphasized work-based assistance such as the expansion of the Earned Income Tax Credit (EITC) and Medicaid, and increased support for childcare, training, and other services. While these changes were associated with a dramatic fall in welfare receipt and increases in work and earnings among single mothers, one important question lingers: How have poverty and income levels responded to these policy changes, especially among the most vulnerable?

To answer this and related questions, the authors analyze changes in material well-being between 1984 and 2019, focusing on the period starting in 1993 with the welfare waivers that preceded PRWORA. For single mother headed families—the primary group affected by the changes in tax and welfare policy—the authors analyze changes in income and consumption and other measures of well-being. Consumption offers advantages over income as a measure of economic well-being, in part because of underreporting of income in surveys. The authors also focus on different parts of the distribution of income and consumption, particularly the very bottom, because policy changes are likely to have very different effects at different points in the distribution.

**Figure 1 • Change in Median Consumption, High School Degree or Less (1984 - 2019)**



**Figure 2 • Change in Median Consumption, Single Mothers (1984 - 2019)**



Note: These figures report changes in median consumption for three groups of low-educated women, and by education for just single mothers. For the low-educated, median consumption rises noticeably for all three groups, but the rise is most pronounced for single mothers, as shown in Figure 1. Consumption rises more for low-educated single mothers than for high-educated single mothers, as in Figure 2.

Consumption is equivalence-scale adjusted using the NAS scale to account for differences in family size and is expressed in 2019 dollars using the PCE price index. The statistics are weighted using fixed demographic weights as described in the working paper.

The authors find the following:

- While some mothers undoubtedly fared poorly after welfare reform, the distribution shifted in favorable ways. The consumption of the lowest decile of single mother headed families rose noticeably over time and at a faster rate than those higher up in the consumption distribution.
- Indications of improved well-being are evident in measures of expenditures on housing, food, transportation, and utilities, as well as in housing characteristics and health insurance coverage.
- The material circumstances of single mothers especially affected by welfare reform have also improved relative to plausible comparison groups. Median consumption of low-educated single mothers rose relative to that of low-educated childless women and married mothers, and relative to high-educated single mothers.
- This evidence during the period of the policy changes of the 1990s suggests that a combination of a reduction in unconditional aid and an expansion of aid conditional on work (with exceptions for those who could not work) was successful in raising material well-being for single mothers.

The authors stress that these findings, which contrast sharply with data based on survey-reported income, are not the whole story when it comes to the material circumstances of single mothers and their families. For example, policy changes may have adversely, or positively, affected time spent with children, health, educational investments, outcomes for children, or other important outcomes. It is also important to note that this evidence of improved economic circumstances does not imply that the level of economic well-being for single mothers is high. Rather, the families that are the focus of this study have very few resources; average total annual consumption for a single mother with two kids in the bottom decile of the consumption distribution is about \$14,000 in 2019.

#### READ THE WORKING PAPER

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