



The welfare reforms of the 1990s and the stratification of material well-being among low-income households with children [☆]

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ABSTRACT

We examine the incidence of material hardship experienced by low-income households with children, before and after the major changes to U.S. anti-poverty programs during the 1990s. We use the Survey of Income and Program Participation (SIPP) to examine a series of measures of household material hardship that were collected in the years 1992, 1995, 1998, 2003 and 2005. We stratify our sample to differentiate between the 1) deeply poor (<50% of poverty), who saw a decline in public assistance over this period; and two groups that saw some forms of public assistance increase: 2) other poor households (50–99% of poverty), and 3) the near poor (100–150% of poverty). We report bivariate trends over the study period, as well as presenting multivariate difference-in-differences estimates. We find suggestive evidence that material hardship—in the form of difficulty meeting essential household expenses, and falling behind on utilities costs—has generally increased among the deeply poor but has remained roughly the same for the middle group (50–99% of poverty), and decreased among the near poor (100–150% of poverty). Multivariate difference-in-differences estimates suggest that these trends have resulted in intensified stratification of the material well-being of low-income households with children.

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1. Introduction

In 1996, Aid to Families with Dependent Children (AFDC) was replaced with Temporary Assistance for Needy Families (TANF), thereby ending the only cash entitlement program in the U.S. for poor families with children. Unlike AFDC, TANF imposes a maximum 60-month lifetime limit on the use of federal funds to support participants and requires that able-bodied recipients participate in work activities. Other major social policy reforms during the 1990s—such as the expansions of the Earned Income Tax Credit (EITC), increases to the minimum wage, and increased subsidization of child care—raised the benefits of work for low-income families. We refer to these

collectively as the welfare reforms of the 1990s. As a result of these changes to public programs and the booming economy of the 1990s, there was a dramatic decline in cash assistance caseloads, accompanied by an unprecedented increase in the employment of poor, single, mothers with young children (Blank, 2002; Danielson & Klerman, 2008).

Recent research finds that the welfare reforms of the 1990s resulted in decreased public assistance for deeply poor households, but actually increased public assistance for other low-income households, especially the near poor (Ben-Shalom et al., in press). Based on the assumption that public assistance is beneficial to the material well-being of low-income households, we hypothesize that the 1990s welfare reforms increased material hardship among the deeply poor but decreased material hardship among the near poor, leading to increased stratification in the material well-being of low-income households with children.

To explore this hypothesis, we use the Survey of Income and Program Participation (SIPP) to examine three measures of household material hardship that were collected in 1992, 1995, 1998, 2003 and 2005. We stratify our sample by household income as a percent of poverty, to differentiate between households with children who are 1) deeply poor (<50% of poverty), 2) other poor households (50–99% of poverty), and 3) near poor (100–150% of poverty). We report bivariate trends over the study period, as well as presenting multivariate difference-in-differences estimates. We find suggestive evidence that material hardship—in the form of difficulty meeting essential household expenses and falling behind on utilities costs—has increased among the deeply poor but has decreased

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among other low-income groups, particularly the near poor, resulting in intensified stratification in the material well-being of low-income households with children.

2. Literature review

The welfare reforms of the 1990s made cash assistance receipt more restrictive through the implementation of work requirements and time limits. However, these reforms increased the returns of low-wage work through expansions of the Earned Income Tax Credit, increases in the minimum wage, and the provision of ancillary supports such as subsidized child care. Underlying this substantial overhaul to the safety net was the assumption that work and the appropriate supports, rather than welfare receipt, would result in improved economic, social, and material outcomes among low-income families, particularly single mother families.

A number of studies have examined the effects of the welfare reforms of the 1990s on the well-being of low-income households with children, especially those headed by single mothers. These studies generally report mixed economic outcomes. Employment among single mothers in particular grew at an unprecedented rate during the 1990s, leveling off but remaining elevated in the 2000s. Among low-income families, though, wages and job quality are typically low, and poverty rates remain high, even among those who work (Cancian, Haveman, Meyer, & Wolfe, 2002; Danziger, Heflin, Corcoran, Oltmans, & Wang, 2002; Johnson & Corcoran, 2003; Pavetti & Acs, 2001; Wu, Cancian, & Meyer, 2008). Still, there is some evidence that the welfare reforms of the 1990s may have, on the whole, improved the well-being of some low-income households, particularly those headed by single mothers. For example, Meyer and Sullivan (2004) compare the total annual consumption of single mother households to single childless women and married women households from 1984 to 2000. They find that the consumption of single mother households grew considerably during the late 1990s, relative to these comparison groups, suggesting that single-mother households had greater resources post-reform to fuel this growth in consumption.

Comparing average levels of material well-being across all low-income households with children before and after the 1990s reforms could lead to inaccurate conclusions, though. The 1990s reforms differentially impacted certain sub-populations among the poor and may have led to improved well-being among some groups and reduced well-being among others. In particular, a number of studies have found that deeply poor households, defined as those with incomes below 50% of poverty, often have the most significant challenges that preclude or limit work participation. Families with the lowest incomes have higher reports of physical and mental health disabilities relative to their higher earning, more stably employed counterparts (Danziger, Kalil, & Anderson, 2000; Danziger & Seefeldt, 2003; Jayakody, Danziger, & Pollack, 2000).

If public assistance in the post-reforms era is conditioned on work, then deeply poor households who have greater difficulty engaging in stable work activity may have been particularly negatively impacted. Indeed, it appears that instead of cutting means-tested public assistance on the whole, the reforms of the 1990s redirected resources away from deeply poor households to other groups of low-income households in the form of increased work subsidies. Ben-Shalom, Moffit, and Scholz (in press) analyze data from the Survey of Income and Program Participation (SIPP) for the years 1984 and 2004, monetizing the value of all major means-tested and social insurance transfer programs, such as housing subsidies, the Supplemental Nutrition Assistance Program, and the Earned Income Tax Credit. They report a sizeable decline in public transfers to deeply poor families (below 50% of the poverty line). In contrast, poor families with higher incomes realized substantial increases in public transfers, most notably SNAP (through eligibility liberalizations) and the EITC, post reforms.

For example, Ben-Shalom and colleagues estimate that in 1984, single-parent families under 50% of poverty received an average of \$1231 (in 2007 dollars) in monthly public transfer expenditures. By 2004, this had fallen to \$766, a decline of 38%. However, among single

parent families between 50 and 100% of poverty, this figure went from \$448 in 1984 to \$832 in 2004, an 86% increase. For near poor single parent families (between 101 and 150% of poverty), average monthly public transfer expenditures increased from \$192 in 1984 to \$563 in 2004, an increase of 193%. Similar trends were observed for two parent families. This is likely because higher income poor and near poor families are far more likely than their deeply poor counterparts to include a stable worker and thus benefit from the EITC and other work supports. In contrast, deeply poor households are less likely to include a consistent labor force participant, and saw their access to cash assistance significantly retrenched in the 1990s. Thus, in terms of access to cash and near-cash public assistance, the deeply poor appear to have been worse off in 2004 than they were prior to the reforms of the 1990s, while other low-income groups with more resources were better off (Ben-Shalom et al., in press).

2.1. Material hardship as a measure of the well-being of low-income households

While income and poverty rates are important metrics for understanding the impact of the welfare reforms of the 1990s on poor households with children, scholars agree these measures may not fully capture the deprivation experienced by households (Mayer & Jencks, 1989). In recent years, scholars have increasingly analyzed measures of material hardship as alternatives to the official poverty line for assessing the well-being of low-income families (Cancian & Meyer, 2004; Heflin, Sandberg, & Rafail, 2009; Mayer & Jencks, 1989; Sullivan, Turner, & Danziger, 2008; USDHHS, 2004). Such measures “employ direct indicators of consumption and physical living conditions to examine whether families meet certain basic needs” (USDHHS, 2004, p. V).

While material hardship has gained prominence as a way to assess the well-being of poor families, there remains no official measure (Cancian & Meyer, 2004; USDHHS, 2004). Past research most often uses measures of food hardship, difficulty paying for housing, unmet medical needs, and difficulty paying for essential household expenses such as rent or utilities (Cancian & Meyer, 2004; Eamon & Wu, 2011; Henly, Danziger, & Offer, 2005; Slack et al., 2007; Sullivan et al., 2008; Wu & Eamon, 2010).

While there remains some debate about the strength of the relationship between income level and the incidence of material hardship, and the coherence across different hardship domains (see Heflin et al., 2009), studies generally find that low-income households are more likely to experience material hardship than their higher-income counterparts (Beverly, 2001; Eamon & Wu, 2011; Lovell & Oh, 2005; Sullivan et al., 2008; USDHHS, 2004). While previous studies have found little evidence that cash assistance leavers in the TANF era differ from earlier AFDC leavers in terms of income and earnings levels, there is evidence that a greater share of TANF leavers report experiencing material hardship such as an inability to pay rent, or utility bills, and not having enough food, post reform (Loprest, 2001). In general, studies find that material hardship remains common among welfare leavers post reform (Acs, Loprest, & Roberts, 2001; Corcoran, Heflin, & Siefert, 1999), although estimates vary significantly across studies largely because of lack of agreement as to how to define and measure material hardship (Slack et al., 2007).

3. Current study

To our knowledge, the current study is the first to use nationally representative survey data to compare the material hardship of deeply poor households with children to other low-income groups of low-income households with children, before and after the 1990s welfare reforms. Because these reforms decreased the amount of public assistance received by deeply poor households but raised the amount received by other low-income households, especially the near poor, we expect to see increased stratification in the material well-being of low-income households with children. More specifically, we hypothesize that the welfare reforms of the 1990s led to increased material hardship among the deeply

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