

Poverty and Welfare Among Rural Female-Headed Families Before and After PRWORA

Daniel T. Lichter
Leif Jensen

The passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 ended the Nation's largest cash assistance program (Aid to Families with Dependent Children-AFDC) and replaced it with Temporary Assistance for Needy Families (TANF). Welfare reform happened at a propitious time. The United States began the 21st century in the midst of its longest economic expansion in modern economic history. The average unemployment rate of 4.2 percent in 1999 was the lowest in 30 years, while inflation remained at just 2 percent to 3 percent per annum. Single mothers entered the labor force in record numbers, and welfare caseloads dropped by half from 1994 to 2000. After stagnating for decades, inflation-adjusted earnings also began to rise in the late 1990s, even among the least educated and skilled, and the chronic rise in income inequality halted or even reversed. Despite the recent down-

Rural poverty among female-headed families has declined since the new welfare bill was passed in 1996. Moreover, the income of female-headed families has increased, while income from earnings has more than offset declines in public assistance income. Rural single mothers nevertheless continue to experience higher rates of poverty than their urban counterparts, and a higher percentage are working but are still poor.

turn, optimism about the strong economy has fueled public confidence in America's economic future.

Unfortunately, the national euphoria has sometimes caused us to forget that all people and places have not shared in the benefits of recent economic growth and rising personal incomes. National statistics may hide growing spatial inequality and pockets of poverty in an increasingly urban, bicoastal, and high-tech U.S. economy. By almost any standard, rural America continues to be an economic backwater, and it faces new challenges in today's increasingly global and high-tech economy. Unlike urban America, rural America has been buffeted by a periodically depressed farm economy, a shift away from extractive industries (such as timber and mining, especially in Appalachia), and severe competition from cheap labor overseas in the manufacturing sector.

Rural problems are largely invisible to many Americans. Most

people reside in or around heavily populated metropolitan cities and, therefore, are exposed largely to urban culture and values, urban media and marketing, and urban problems and politics. The apparent lack of public awareness about rural issues is reflected in the 1996 welfare bill and its goal to reduce the welfare dependency of poor, single mothers. It is largely a product of an urban political and cultural legislative agenda. Less well recognized is that family circumstances, labor market conditions, and barriers to maternal employment (i.e., stigma, lack of adequate child care) are decidedly different in rural America. These differences may undermine the success of welfare reform in rural America. Indeed, how have single mothers with children fared over the past decade in rural America? Have they been largely bypassed by a strong urban economy? And have single mothers and children—the main focus of State welfare reform—been helped or hurt economically?

Daniel T. Lichter is Robert F. Lazarus professor of population studies and professor of sociology at The Ohio State University, and serves as coordinator of the University's Initiative in Population Research; Leif Jensen is professor of rural sociology and demography at Pennsylvania State University.

Rural Poverty in the Wake of Welfare Reform

Poverty among families with children generally rose in the late 1980s and early 1990s, peaked in 1994, and then began to decline, reaching its lowest level in 1999 (fig. 1). This was true in both nonmetro and metro areas, using both the official and EITC-adjusted poverty rate (i.e., based on income that includes the Earned Income Tax Credit). Welfare reform has not resulted in increases in poverty among single-parent families with children, as many earlier critics of PRWORA had expected.

Family poverty rates nevertheless remain higher in nonmetro than in metro areas. But there is little indication that the economic well-being of rural families with children has diverged significantly from their metro counterparts. In 1999, the EITC-adjusted poverty rate in nonmetro areas was slightly more than 10 percent higher than in metro areas. In 1994, when

poverty rates were at their peak, the nonmetro EITC-adjusted poverty rate exceeded the metro rate by 8.3 percent.

Poverty rates among nonmetro female-headed families have been very high historically (well above 40 percent) and typically have exceeded the poverty rates of married-couple families by a factor of 4 or 5. Recent evidence, however, generally points to lower poverty after welfare reform than in the years immediately preceding reform. The official poverty rate for female-headed families in nonmetro areas dropped nearly 13 percent between 1997 and 1999, from 48.5 percent to 42.2 percent. The comparable decline in metro areas was less than 7 percent.

Whether the decline is due mostly to welfare reform is debatable. Compared with the pre-TANF period, official poverty rates also declined after 1996 among married-couple families, despite the fact that such families typically are

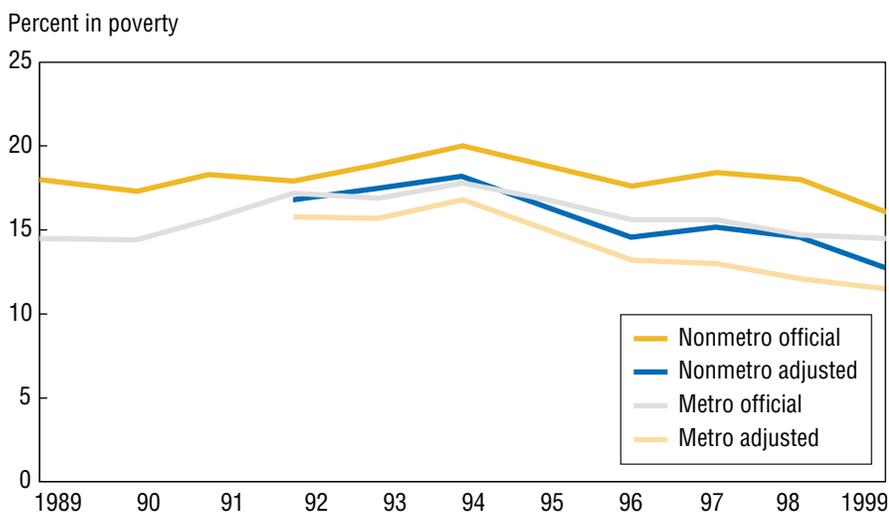
ineligible for transfer income under the new welfare bill.

Are Poor Families Poorer Today?

Declines in rural poverty may hide the fact that the rural poor may be poorer after PRWORA than before, or that the income of all female heads may have declined on average, despite reductions in poverty. Figure 2 charts the median income-to-poverty ratio (IPR) for all single-mother families and for the poor in both nonmetro and metro areas. The IPR has a straightforward interpretation: It indicates how far family income is above or below the poverty threshold for their size of family. An IPR of 1.5, for example, indicates that family income is 1.5 times or 50 percent above the poverty threshold. Figure 3 also shows the trend in deep poverty, which is defined by the percentage of all single-mother families that are living below 50 percent of the official poverty threshold.

In general, the IPRs for all single-mother families have increased slightly since the mid-1990s, both in nonmetro and metro areas (fig. 2). For example, in 1994, rural female heads had family incomes that were 1.29 times the poverty threshold, compared with 1.52 in metro areas. This means that the average income of female heads was 29 percent higher than the poverty income threshold. By 1999, the income-to-poverty ratio had climbed to 1.45 in nonmetro areas and 1.80 in metro areas. If we adjust for the EITC, these figures increase slightly to 1.55 and 1.88. Although rural female heads are worse off than their metro counterparts, they nevertheless have more income after TANF than before.

Figure 1
Poverty (adjusted and unadjusted) by year and residence, 1989-99
There is no evidence of divergence in metro and nonmetro poverty rates after PRWORA

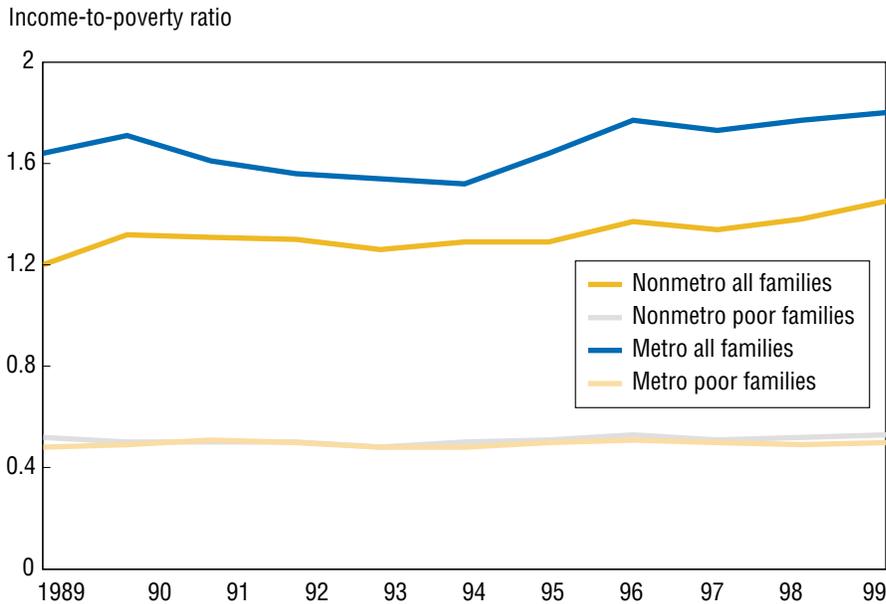


Note: Official poverty rate adjusted for earned income credit; not available 1989-91.
Source: Original computations from the March Current Population Surveys, 1989-99.

Figure 2

Income-to-poverty ratios for female-headed families with children by residence, 1989-99

Income grew among all female household heads after PRWORA but stagnated among the poor



Source: Original computations from the March Current Population Surveys, 1989-99.

The economic situation is less positive for poor single mothers. The average IPR of poor, single, female heads showed no improvement, remaining at roughly 0.50 throughout 1989-1999. This also means that poor, female-headed families fell further behind the average female-headed family income over the decade; that is, inequality increased among female-headed families. At the same time, the rate of deep poverty declined, from 26.9 percent in 1989 to 19.2 percent in 1999 among nonmetro female heads, and from 23.3 percent to 18.9 percent among metro female heads (fig. 3). Because most deeply impoverished female heads are not employed, any adjustments for EITC have little or no effect on our estimates.

Rural Female-Headed Families Are Less Dependent on Welfare

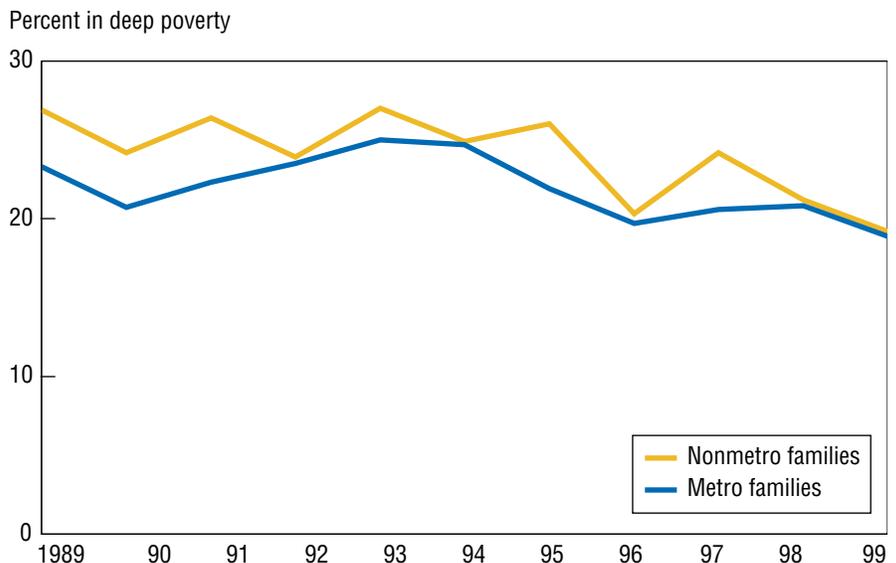
Changes in the economic circumstances of female-headed families reflect shifts in the mix of income from work and public assistance. The share of poor, female heads with earnings rose sharply in nonmetro areas after the mid-1990s, and especially after PRWORA. In 1996, 59 percent had at least some earnings, while more than 70 percent reported earnings by 1999. Moreover, their average real earnings increased from \$3,835 in 1989 to \$6,131 in 1999. Clearly, the welfare bill has moved many poor mothers into the labor force.

Correspondingly, the percentage of poor, nonmetro female heads who receive public assistance declined from 65 percent in 1989 to 40.5 percent in 1999, as did the real dollar value of welfare income

Figure 3

Percent of female-headed families with children in deep poverty by residence, 1989-99

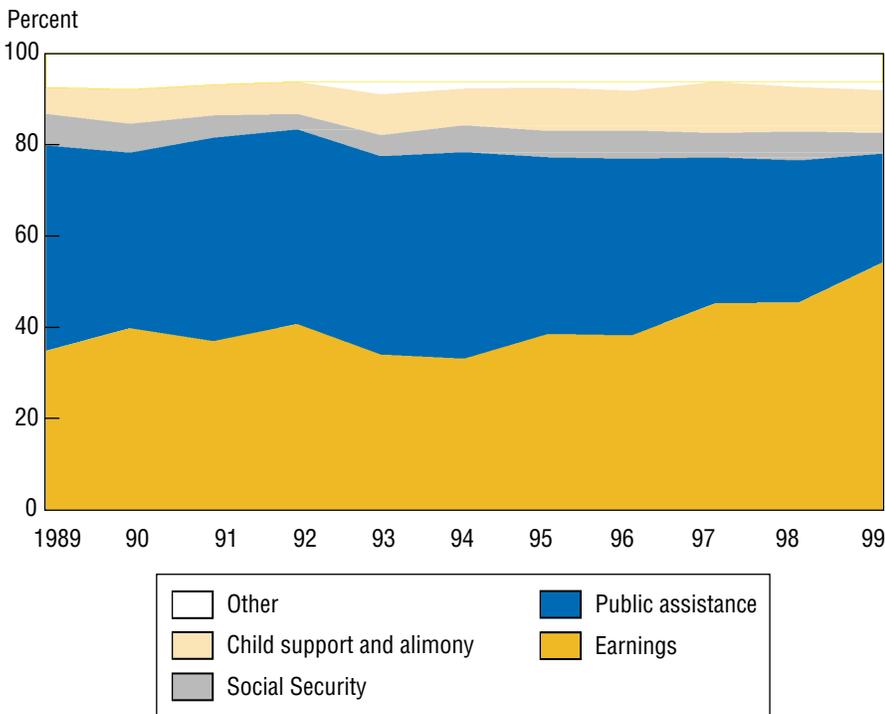
There was little difference in deep poverty between metro and nonmetro areas after 1998



Source: Original computations from the March Current Population Surveys, 1989-99.

Figure 4
Income sources among poor nonmetro single female-headed families, 1989-99

After 1996, there was less reliance on welfare income, more on earnings



Source: Original computations from the March Current Population Surveys, 1989-99.

(from \$4,092 to \$3,216 between 1989 and 1999). Food stamp receipt among this group also declined, from 73.3 percent in 1989 to 57.3 percent in 1999, although the median dollar value of food stamp receipt inched upward. So, many of these women remain poor because any gains from work have been offset by losses from public assistance income.

The impact of welfare reform is evident in that earnings represent an increasing share of family income, while the share from welfare income has declined (fig. 4). For poor, female-headed families with children, earnings accounted for 34.9 percent of family income in 1989, while public assistance income represented 45 percent of income. Ten years later, earnings

provided a much larger share of family income (54.1 percent) than did public assistance income (30.5 percent). Clearly, poor, single mothers living in rural areas are now less likely to be dependent on welfare income than they were before PRWORA.

Does Public Assistance Income Help Reduce Poverty?

To what extent has public assistance income, both before and after TANF, improved the economic well-being of female family heads? Among those whose total family income without public assistance (which includes AFDC or TANF and other cash assistance for the poor) is below the official poverty threshold, we calculate in table 1 the percentage whose total family income

is above that threshold when adding public assistance back in (column 1). In a similar way, we also calculate the ameliorative effects of public assistance income on deep poverty (column 2). That is, for families with incomes below one-half the official poverty threshold when welfare income is excluded, we calculate the percentage that rise above the deep-poverty line when welfare income is restored. Finally, we estimate the percentage of the pre-welfare poverty gap (i.e., the difference between the poverty threshold and pre-welfare income) that is closed by public assistance (column 3). This measure is restricted to those whose pre-welfare income is less than the official threshold, and it equals 100 percent when post-welfare income equals or exceeds the poverty threshold.

The time trends indicate that the ameliorative effects of public assistance income have not only been modest, but may have deteriorated slightly since PRWORA. For example, among nonmetro female heads, the ameliorative effect of public assistance on poverty grew over much of the early 1990s, peaking at 6.6 percent in 1996. So, in that year, 6.6 percent of those whose pre-welfare income was below the official poverty income threshold were lifted from poverty by the receipt of welfare income. By 1999, this ameliorative effect had declined to 4 percent. This finding apparently reflects the declining percentage who receive assistance, and continuing declines in the amount of public assistance received by poor, female-headed families.

The ameliorative effects of public assistance on poverty have until recently been smaller in nonmetro than metro America. The nonmetro disadvantage is most clearly seen

with the first (poverty threshold) and third (poverty gap) measures of amelioration. For example, in non-metro areas, the poverty gap measure declined by 36 percent between 1996 and 1999, while in metro areas the decline was 28 percent. The ameliorative effects of public assistance on deep poverty also favored metro residents until the late 1990s. In 1999, a larger percentage of nonmetro than metro female heads were brought out of deep poverty by the receipt of public assistance.

Our results must be interpreted in light of significant expansion over the last decade in the EITC. For example, if we treat the EITC as public assistance income, 20.6 percent (rather than 4 percent) of poor nonmetro female heads are lifted out of poverty in 1999, and 33.1 percent (rather than 28 percent) are no longer deeply impoverished. The percentage of the pre-welfare poverty gap that is closed increases dramatically, from 17.5 percent to

47.1 percent, if EITC is treated as public assistance. More important, the ameliorative effects of public assistance (including EITC) increased substantially over the past decade. Whereas 8.1 percent of rural female heads were lifted from poverty in 1992 as a result of public assistance and EITC, 20.6 percent were helped out of poverty in 1999. This is nearly identical to the figure observed in metro areas (21 percent). When TANF income is considered along with income supports (through EITC), the improving salutary effects on poverty are clear.

The Working Poor in Rural America

Many rural female heads have moved successfully from welfare to work. Does employment lift them out of poverty? In 1999, for example, the poverty rate among all working female heads was 35 percent, compared with 78.8 percent among their nonworking counter-

parts in nonmetro areas (table 2). The poverty rate among full-time, full-year working single mothers was still high (17.4 percent) but substantially lower than for non-workers and part-time workers. Not surprisingly, the benefits from work are even greater if we adjust income upward for the EITC. Such adjustments suggest that only 8.3 percent of nonmetro female heads who worked full-time were poor in 1999. Interpreted differently, the EITC they receive cuts the official poverty rate in half.

Our results also indicate that the economic benefits from employment have changed very little over the 1990s in nonmetro areas. The poverty rate among rural employed single mothers fluctuated between 35 and 40 percent over 1989-99. That poverty rates remained constant among workers, amid an overall decline in poverty, suggests that recent declines in poverty among all female heads largely resulted from increasing

Table 1

Ameliorative effects of public assistance among female-headed families, 1989-99

Public assistance lifts only a small percentage of rural female-headed families out of poverty

CPS year	Nonmetro			Metro		
	Percentage of pre-welfare poor lifted above poverty	Percentage of pre-welfare deeply poor lifted above deep poverty	Percentage of pre-welfare poverty gap closed	Percentage of pre-welfare poor lifted above poverty	Percentage of pre-welfare deeply poor lifted above deep poverty	Percentage of pre-welfare poverty gap closed
1989	4.3	29.2	28.6	4.9	35.0	32.6
1990	3.6	27.4	23.3	5.4	36.6	32.6
1991	2.4	27.3	24.2	5.9	36.0	33.7
1992	4.7	30.4	24.1	3.5	33.7	30.1
1993	4.2	24.0	24.4	5.5	31.5	30.6
1994	4.4	33.4	28.9	6.4	33.9	31.8
1995	5.4	31.7	26.1	6.3	33.5	31.3
1996	6.6	35.3	27.5	7.7	35.8	31.5
1997	4.6	28.8	22.2	6.4	32.6	28.6
1998	3.9	26.3	21.0	5.7	26.2	24.0
1999	4.0	28.0	17.5	6.0	26.5	22.8

Note: Pre-welfare poor families refer to families with incomes below the poverty threshold when public assistance income is excluded.
Source: Original computations from the March Current Population Surveys, 1989-99.

Table 2

Official and adjusted poverty rates by work status and residence among single female-headed families, 1989-99*Rural female heads working full-time have poverty rates that are about 50 percent higher than metro female heads working full-time*

CPS	Official poverty rate by work status				Adjusted ¹ poverty rate by work status			
	All workers			Non-workers	All workers			Non-workers
	Total	FT/FY	Other		Total	FT/FY	Other	
<i>Nonmetro</i>								
1989	40.2	17.7	66.5	89.1	na	na	na	na
1990	36.0	13.9	63.4	87.6	na	na	na	na
1991	37.8	15.0	63.0	89.0	na	na	na	na
1992	37.0	16.9	58.0	88.1	34.5	14.1	55.9	88.1
1993	34.7	11.3	61.2	88.3	31.7	8.8	57.6	88.3
1994	35.4	13.0	61.0	89.5	31.5	9.6	56.5	89.5
1995	40.2	15.6	64.5	85.3	33.6	9.1	57.9	85.3
1996	33.7	13.7	55.7	85.6	26.9	6.5	49.4	85.6
1997	39.0	16.3	62.9	85.5	31.5	9.1	55.0	85.5
1998	38.1	16.9	67.6	80.1	27.8	8.6	54.6	80.1
1999	35.0	17.4	62.9	78.8	26.1	8.3	54.4	78.8
<i>Metro</i>								
1989	26.6	8.9	55.2	87.2	na	na	na	na
1990	24.3	8.3	47.8	85.8	na	na	na	na
1991	27.9	7.6	56.3	86.1	na	na	na	na
1992	29.7	10.5	56.8	89.1	26.0	7.8	51.7	89.1
1993	29.5	10.0	57.4	87.9	25.9	7.9	51.8	87.9
1994	29.3	10.7	54.0	85.9	26.4	8.4	50.2	85.9
1995	28.4	11.0	54.5	86.5	23.4	7.1	47.9	86.5
1996	27.4	12.9	51.3	83.9	20.7	6.6	43.9	83.9
1997	28.0	9.0	57.7	84.4	21.6	4.0	49.0	84.4
1998	30.6	10.8	61.2	83.3	23.2	6.2	49.6	83.3
1999	29.2	12.1	54.8	82.1	21.7	5.5	46.1	82.1

¹Official poverty rate adjusted for earned income tax credit. Not available 1989-91.

Note: Workers are defined as full-time if they work at least 35 hours per week and 50 weeks per year.

Source: Original computations from the March Current Population Surveys, 1989-99.

labor force participation rather than from increased remuneration from work. At the same time, the poverty rate among nonworkers, although typically exceeding 80 percent, has trended downward since welfare reform. The "truly disadvantaged" are more likely to be helped today-albeit only marginally more so-in the currently tougher welfare environment.

Although some additional analyses reveal that a larger share of poor nonmetro than metro female heads are working (68.6

percent of poor nonmetro vs. 62.2 percent of poor metro) and working full-time (21.0 percent vs. 15.4 percent), this does not result from greater incentives or remuneration from work in rural areas. In fact, work tends to pay less in nonmetro areas (compare columns, table 2). For each year, poverty rates are higher among rural working female heads than among their urban counterparts, although this differential has declined over the past decade. In 1999, 35 percent of working, rural single mothers were

poor compared with 29.2 percent in metro areas. For full-time workers, the figures were 17.4 percent and 12.1 percent. Although the poverty rate among working female heads was nearly 20 percent higher in nonmetro areas, this represents substantial convergence since 1989 when the nonmetro poverty rate was over 50 percent higher than the metro rate. Declines in the urban advantage are not altered appreciably if we adjust income upward for the EITC.

Data and Definitions

Analyses are based on pooled data from the March Current Population Survey (CPS), 1989 through 1999. Each March demographic supplement of CPS includes nationally representative information on the civilian, noninstitutionalized population residing in approximately 60,000 housing units each year. The CPS classifies metro areas as one or more economically integrated counties that meet specific population size thresholds (e.g., including a large (central) city of 50,000 or more). Nonmetro is a residual category. In 1998, the Census Bureau estimated a nonmetro population of 55 million, or 20.3 percent of the U.S. population.

Poverty income thresholds are based on annual money income in the calendar year that preceded the March CPS interview. How best to measure poverty has been a topic of much debate. The official poverty income threshold (for families of various sizes) can be criticized on a number of counts: it miscalculates family economies of scale (i.e., equivalence scales); it fails to take into account in-kind government transfers (e.g., food stamps); it does not account for geographic variations in cost of living or consumption; it is based on family rather than household income; and it does not adjust for taxes or other nonconsumption expenditures, such as child support payments. How such issues distort rural-urban comparisons is difficult to tell, although the available evidence suggests that the cost of living is lower in rural areas, if housing costs are adjusted. For purposes of this article, analyses are based on the official poverty measure, which is the basis of eligibility for a number of government programs and is available annually in the March CPS files. A complete description of poverty measurement is provided elsewhere (<http://aspe.hhs.gov/poverty/01poverty.htm>).

Conclusion

The PRWORA of 1996 ended the Nation's largest cash assistance program (AFDC) for needy, single-parent families. Indeed, rural mothers—especially poor, single mothers—face many barriers to employment that seemed incongruent with strict time limits on and sanctions attached to welfare receipt.

However, our analysis revealed some unexpected surprises from the period since PRWORA—trends that provide optimism about the state of rural America. In general,

rural mothers and their children have not been "left behind" in the new welfare policy and economic environment. Recent trends in rural poverty, earnings, and welfare receipt have followed national patterns. During the past decade, but especially since welfare reform was introduced nationally in 1996, rural poverty rates (including deep poverty) have declined among female-headed families, rates of welfare receipt have dropped dramatically, and labor force participation has increased along with aver-

age earnings. Moreover, the income of all rural, female-headed families with children increased, on average, over the past few years, and even more if we add income from the EITC. The early, gloomy forecasts have not matched the empirical record, at least not to date.

Our data nevertheless do corroborate the persistent rural-urban inequality in the lives of single mothers and their children. About 7.5 million poor people live in rural areas, and rural poverty rates continue to exceed those in urban areas. In 1999, for example, about 42 percent of rural, female-headed families were poor, and about half of these had incomes less than one-half the poverty threshold. This happened even though the share of rural female heads who were employed grew and continued to exceed their urban counterparts. In addition, rural-urban differences in poverty occurred despite higher average earnings among rural female heads; median earnings of rural women were about \$6,131 in 1998, compared with \$5,862 among urban women.

More than most, rural single mothers have played by the new rules, seeking to balance welfare receipt with personal responsibility and work. The problem today for most poor rural mothers is finding a good job that pays a living wage. Over one-third of working rural female heads were in poverty in 1999, a rate higher than at any time since the late 1980s. Increases in poverty rates among working rural

female heads occurred hand-in-hand with the rising proportion of poor female heads who are employed. It also occurred despite increases in the minimum wage and expansions to the EITC.

As in the past, the rural poverty of today is reinforced by comparatively low and declining rates of rural welfare receipt and the low dollar value of welfare transfers. Over the past 10 years, the proportion of rural single mothers with earnings from work increased dramatically, but has not kept pace with the large decrease in the proportion with welfare income since PRWORA.

Our baseline results apply to nonmetro areas as a whole, and may mask significant differences across particular rural regions. Welfare reform may work new economic hardships among some historically disadvantaged racial or ethnic groups (e.g., Native Americans or rural Blacks). The next few years will be especially telling, as the "hardest cases" and other nonworking, welfare-dependent mothers run up against time limits for welfare receipt. [RA](#)

For Further Reading . . .

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