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IT'LL TAKE MORE THAN A MIRACLE: Income In Single-Mother Families In Massachusetts, 1979-1987

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Income In Single-Mother Families In Massachusetts, 1979-1987

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of Massachusetts
at Boston

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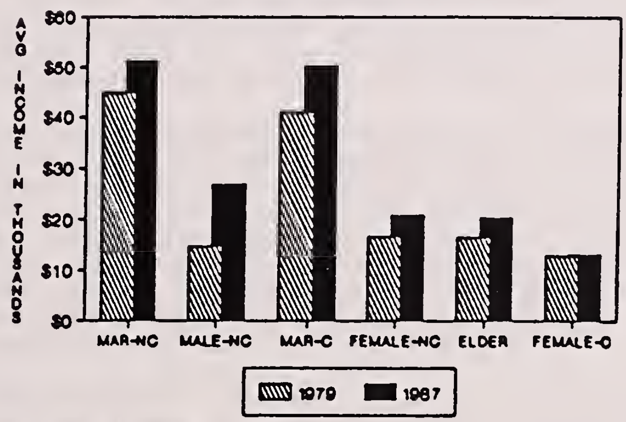
IT'LL TAKE MORE THAN A MIRACLE:

INCOME IN SINGLE-MOTHER FAMILIES IN MASSACHUSETTS, 1979-1987

by Chris Tilly and Randy Albelda

MASSACHUSETTS AVERAGE REAL INCOME
BY FAMILY, NOT ADJUSTED FOR FAMILY SIZE,
1979 AND 1987 (IN 1987 DOLLARS)



Source: Authors' computation from CPS

March 1992

IT'LL TAKE MORE THAN A MIRACLE: INCOME IN SINGLE-MOTHER FAMILIES IN MASSACHUSETTS, 1979-1987

by Chris Tilly and Randy Albelda

EXECUTIVE SUMMARY

Through the 1980s, the Massachusetts economy grew rapidly. Most Massachusetts families benefited from this economic boom, and saw their incomes rise much more rapidly than the U.S. average. But Massachusetts single mothers and their children, who started out with lower incomes than other families, experienced only minimal income growth, and fell further behind other families in the Bay State. Current policy has hindered rather than promoted these families' ability to improve their incomes.

Between 1979 and 1987, income (adjusted for inflation and family size) in Massachusetts grew by 22%, far outstripping the 7% growth of income in the nation as a whole. Over the same period, single mothers' income slid from 41% of the Commonwealth average to 37%. Even at the peak of the Massachusetts boom, almost half of single-mother families fell below the poverty line.

The Massachusetts income miracle was primarily an <u>earned</u> income miracle, but single mothers do not have the same opportunities to earn as other families. Single mothers suffer from a "triple whammy" in the labor market: they have children (which increases their income need, while decreasing the paid hours they can put in), their families include only one working-age adult, and the adult is female--each of which depresses a family's earning power. Too little paid work is <u>not the problem</u>. Contrary to popular myth, single mothers, on average, worked the same number of hours per year as wives in two-parent families with children: 900 hours annually.

In addition, single mothers have added earnings disadvantages compared to wives in two-parent families: for example, their average education falls behind that of wives by about two years; their average age falls about four years behind. The single mothers who receive Aid to Families with Dependent Children (AFDC) are especially disadvantaged: compared to single mothers who do not receive AFDC, they have almost three years less education and are five years younger on average.

Other sources of income, like child support payments, are extremely small, and have fallen over time. Of single mothers receiving AFDC, over half have never been married, greatly decreasing their chances of receiving any child support at all. And while the majority of single mothers rely on government transfers, benefit levels are too low to pull many of them out of poverty. Among single mothers, only 20% of those below the poverty line before transfers get pulled out of poverty by transfer payments. Furthermore, benefits are reduced dramatically with any earned income so that for every additional dollar of adjusted income single mothers earned through higher wages or expanded work effort, they lost one third of it in decreased transfers.

We suggest policy changes in the following three areas:

EARNINGS:

Because of the limits on single mothers' ability to work and on their earning power, work requirements cannot be the mainstay of welfare policy. Instead, several steps could help single mothers to make work pay.

• Welfare-employment program should stress education in addition to short-term training in order to raise their earning power in the long run. In addition, continuing and extending subsidized child care will help single mothers to work more hours.

• Current federal policies reduce the AFDC grant by one dollar for every added dollar of earnings after adjusting for limited work-related expenses. "Fill-the-gap" budgeting at the state level would allow working single mothers to keep more of their own earnings.

• Current Massachusetts tax policies exempt married-coupled families (with or without children) from income taxes up to a higher income threshold than one-parent families, even if the single parent family has more members. This saddles single mothers with an unfair tax burden, and should be amended by granting a higher single parent filing status.

CHILD SUPPORT:

As with earnings, federal policies reduce the AFDC benefit by one dollar for every added dollar of child support (after the first $50). In any case, child support payments are generally small, depend on the income of the absent father, and are unavailable for many single mothers. While child support should be strongly encouraged, the state should guarantee a minimum level. To that end we recommend that Massachusetts:

• Develop policies that use state payments to provide a floor for child support payments, as has been initiated in Wisconsin and New York.

GOVERNMENT TRANSFERS:

Because AFDC benefit levels are not pegged to inflation, the real value of the average Massachusetts AFDC grant has fallen by 25% between 1978 and 1990. The state should:

• Index AFDC grants to inflation as a first step toward adequate benefits.

Our research shows that even at the peak of the Massachusetts boom, single mothers did very poorly. Now, in the depths of recession, they are surely doing much worse. Massachusetts should use the policy instruments at its disposal to assist single mothers and their children. It will take more than a miracle to enable single mothers to meet their families' needs.

IT'LL TAKE MORE THAN A MIRACLE:

INCOME IN SINGLE-MOTHER FAMILIES IN MASSACHUSETTS, 1979-1987

by Chris Tilly and Randy Albelda

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DETAILED SUMMARY

Through the 1980s, the Massachusetts economy grew rapidly. Most Massachusetts families benefited from this economic boom, and saw their incomes rise much more rapidly than the U.S. average. But Massachusetts single mothers and their children, who started out with lower incomes than other families, experienced only minimal income growth, and fell further behind other families in the Bay State. In this paper, we analyze income differences among family types in Massachusetts. We pay special attention to the problems of single mothers, and offer a set of policy recommendations to address these problems.

In order to undertake this analysis, we classify Massachusetts families into six types based on the presence of children, number of adults and gender and age (if 65 or older) of the head. We also break down each family's income into four categories: earnings, property income, alimony/child support, and government transfers. In order to provide a fair comparison of incomes for families of different sizes, we adjust income for family size, terming the result "adjusted" income. We compare data from 1987, the peak of the Massachusetts "miracle" to that of 1979, the height of the preceding economic expansion.

Our findings show that single-mother families' incomes fell behind those of all other family types during the expansion in the 1980s, which bodes poorly for their position during the recession. The reasons why income in single-mothers families did not improve much relative to others is that they are severely limited in the degree to which they can improve their sources of

income. Current policy has hindered rather than promoted these families' ability to improve their incomes.

Our results fall in five main areas which are summarized below:

1) Comparison of Massachusetts with the United States

- The share of all Massachusetts families accounted for by each family type are quite similar to the shares in the nation as a whole.
- In 1979, average adjusted family income in Massachusetts was essentially identical to the national average. But between 1979 and 1987, adjusted income in Massachusetts grew by 22%, far outstripping the 7% growth of income in the nation as a whole.

- Over three fourths of the growth in Massachusetts income was due to rising earnings; almost all of the remainder can be attributed to growth in property and pension income.

2) Comparison of family types in Massachusetts

- Families consisting of two or more adults with no children have the highest adjusted income in Massachusetts. But two-adult families with children saw faster growth in adjusted income between 1979 and 1987, and single men had the fastest income growth of all.

- Families headed by someone 65 years or older and single women with no children had lower adjusted incomes, and experienced only modest income growth.

- Single-mother families were worst off in 1979, and fell farther behind other Massachusetts families between 1979 and 1987. In both dollar income and adjusted income, single mothers receive only about one fourth as much as childless two-adult families. Single mothers' adjusted income gain was less than one sixth the size of single men's gain.

- Between 1979 and 1987, single mothers' adjusted income slid from 41% of the Commonwealth average to 37%. Even at the peak of the Massachusetts boom, almost half of single-mother families fell below the poverty line.

3) Why single mothers have such low incomes

Earnings income:
- Single mothers suffer from a "triple whammy" in the labor market: they have children, their family includes only one working-age adult, and the adult is female--each of which depresses a family's earning power.

  Having children requires either purchasing child care or taking time to care for children. When a family has more than one adult, it has more time to devote to the labor force or to child care, but single mothers lack this advantage.

  On the average, an added working-age adult adds 1400 hours annually to the total number of hours a family devotes to the labor force. Having a child aged five or less subtracts about 500 hours. (For comparison, a full-time, year-round job occupies 2000 hours.)

  While husbands and single men in the labor market averaged $16.06 per hour in Massachusetts in 1987, wives and single women averaged only $10.31.

- Contrary to popular myth, single mothers, on average, worked the same number of hours per year as wives in two-parent families with children: 900 hours annually.

▪ Single mothers have added earnings disadvantages compared to wives in two-parent families: for example, their average education falls behind that of wives by about two years; their average age falls about four years behind.

▪ The single mothers who receive Aid to Families with Dependent Children (AFDC) are especially disadvantaged. Compared to single mothers who do not receive AFDC, they have almost three years less education and are five years younger on average.

Child support:
▪ Child support payments to single mothers are extremely small, and have fallen over time. Of single mothers receiving AFDC, over half have never been married, greatly decreasing their chances of receiving any child support at all.

Government transfers:
▪ Although the majority of both single mothers and elders depends on government transfers, the Social Security benefits provided to elders are much more generous than the AFDC payments to single mothers. Of elders falling below the poverty line before transfers, government benefits lift more than three quarters out of poverty. Among single mothers, only 20% of those below the poverty line before transfers are pulled out of poverty by transfer payments. If elders were to receive the same level of transfers as single mothers, transfers would only bring 29% of pre-transfer-poor elders above the poverty line.

4) Why single-mother family incomes grew so little in the 1980s

▪ The Massachusetts income miracle was primarily an earned income miracle, but single mothers do not have the same opportunities to earn as other families.

▪ Other families also benefited from a rise in property and pension income, but single mothers' average gain in this type of income was about one fortieth as large as the average family's gain.

▪ In the aggregate, for every additional dollar of adjusted income single mothers earned through higher wages or expanded work effort, they lost one third of it in decreased transfers.

5) Policy implications

Earnings:
Because of the limits on single mothers' ability to work and on their earning power, welfare-to-work policies cannot be the major component of welfare policy.

▪ Providing education in addition to short-term training will help to raise single mother's earning power in the long run while continuing and extending subsidized child care will help them to work more hours.

▪ Current federal policies reduce the AFDC grant by one dollar for every added dollar of earnings, after adjusting for limited work-related expenses. This makes it more difficult for single mothers to work their way out of poverty, and undermines the incentive to work. "Fill-the-gap" budgeting at the state level would moderate this problem.

▪ Current Massachusetts tax policies exempt married-coupled families (with or without children) from income taxes up to a higher income threshold than one-parent families, even if the single parent family has more members. This saddles single mothers with an unfair tax burden, and should be amended by granting a higher single parents filing status.

Child Support:

As with earnings, federal policies reduce the AFDC benefit by one dollar for every added dollar of child support (after the first $50). In any case, child support payments are generally small, tied to the income of the absent father, and are unavailable for many single mothers.

- Other states are developing policies that use state payments to provide a floor for child support payments; Massachusetts should follow suit.

Government transfers:

Because AFDC benefit levels are not pegged to inflation, the real value of the average Massachusetts AFDC grant has fallen by 25% between 1979 and 1990.

- Indexing AFDC grants to inflation would be a first step toward adequate benefits.

Our research shows that even at the peak of the Massachusetts boom, single mothers did very poorly. Now, in the depths of recession, they are surely doing much worse. Massachusetts should use the policy instruments at its disposal to assist single mothers and their children. It will take more than a miracle to enable single mothers to meet their families' needs.

IT'LL TAKE MORE THAN A MIRACLE: INCOME IN SINGLE-MOTHER FAMILIES IN MASSACHUSETTS 1979-1987

I. INTRODUCTION

The Massachusetts economy experienced rapid growth in most of the 1980s, in sharp contrast to the poor economic performance of the 1970s and the current slump. This growth, popularly dubbed the Massachusetts "miracle", was experienced by most families as a period of low unemployment rates and rising personal income.

In this paper, we examine income, adjusted for family size and inflation, for six different family types in Massachusetts in 1979 and in 1987 and compare them to the same family types in the entire United States (the income adjustment and family types are described in the next section). Our analysis reveals two important trends: First, on average, families in Massachusetts experienced large income growth relative to families in the US, attributable primarily to earnings gains. Second, not all families shared in this tremendous growth. In particular, Massachusetts families headed by single mothers show virtually no gain in total income, despite growth in earned income such as wages and salaries.

The second trend receives most of the attention in this paper for two reasons. The economic expansion of the 1980s increased the income disparity between single mothers and all other family types. This in itself is a significant economic change that requires the serious attention of policy-makers. But even more important, our data reveal that although economic growth and recovery helps many families improve their economic situation, for single mothers, it will take more than a "miracle." In other words, it is wrong to presume that "a rising tide lifts all boats." Our research shows that in the 1980s single mothers and their children were left beached.

Single mothers face three important barriers to gains in the paid labor force that combined pose a "triple whammy." These are: 1) as families with children, they need to support others and provide care--either paid or unpaid-

-requiring more income and/or time than families without children to maintain a comparable standard of living, 2) single-mother families have only one adult to both earn income and take care of children, and 3) as female workers, single mothers face lower average wages than do male workers. In addition, we find that single mothers have an even greater wage disadvantage than other women workers, since they lag behind in education and experience. So while expanded economic opportunity creates the potential for tremendous income growth, for single mothers to take advantage of that potential requires jobs that pay adequate wages and available supports to enter the workforce--neither of which existed in the 1980s or now.

Now that the regional and national economies are in the midst of a recession and the state's fiscal crisis weighs heavy on Massachusetts residents, a closer look back at the relative income gains made by Massachusetts families may seem like old--if not irrelevant--news. However, the trends discussed here will shed light on some of the toughest policy questions facing the legislature and the Weld Administration--those concerning single-mother families. Even in the best of economic times, welfare policies--like welfare-employment programs and child support rules--have not helped to improve single-mother families' incomes and the economic downturn only makes matters worse.

Our research shows that welfare policies which emphasize more work by mothers will provide only marginal income gains for single mothers under current welfare legislation. Contrary to popular myth, our data suggest that single mothers exhibit relatively strong labor market attachment--as strong as that of other mothers. Even so, when poor single mothers take paying jobs they often fail to receive wages that support themselves and their families--more as a result of their gender than of marital status or fertility. Additionally, if they receive government transfers (which are not taxed), every dollar of earned income (which may be subject to state taxation) reduces their subsidy by close to a dollar, after adjusting for certain work-related expenses. This has two very undesirable effects: more earned income is not being accompanied by less poverty, and the state is sanctioning unnecessary disincentives to paid work. We offer several policy options which would enhance single-mothers' ability to improve earnings, not through more work but by effectively boosting wages.

Actively pursuing child support and alimony from absent fathers sounds like an alternative solution, but in fact our data reveal that this source has very limited income potential for single-mother families and will likely remain so given the current guidelines concerning child-support.[1] For those mothers not receiving payments, the court-ordered payments from absent fathers' incomes are usually not high enough to sustain families. Furthermore, court-ordered payments are re-established infrequently, allowing child support payments to erode with inflation. We suggest that the state actively pursue child support payments but also assure a minimal level of child assistance regardless of the state's ability to collect that payment.

Despite the active promotion of earnings income and child support, single-mother families still face very high levels of poverty. One reason is that income support from the major anti-poverty income program available to single-mothers and their children--Aid to Families with Dependent Children (AFDC)--has been reduced. The reduction is due in part to sharp reductions in transfers accompanying any rise in earnings, and in part due to erosion caused by inflation. We recommend that the state allow women to keep more of their benefits when they do work and that the benefit level be adjusted annually for inflation.

II. DATA

We distinguish our six family types based on characteristics that shape their access to income. These include the number of adults, the presence of children, and the age and gender of the head. For purposes of our comparisons, we consider persons who are not living with relatives to be single person "families."[2] The family types we use are summarized and nicknamed in Table 1 below.

TABLE 1

Definition of family types

Family type	Number of Adults	Number of Children	Age of Head
MAR-NC	2 or more	none	under 65
MALE-NC	1 Male	none	under 65
MAR-C	2 or more	1 or more	all ages
ELDER	1 or more	none	65 or older
FEMALE-NC	1 Female	none	under 65
FEMALE-C	1 Female	1 or more	all ages

NOTE: Heads in MAR-C and FEMALE-C families may be 65 years or older. To include all dependents we defined FEMALE-C families as having at least one child under 18 or an adult (other than the household head or spouse) 65 or older. One category, single men with dependents (MALE-C), were excluded because the Massachusetts sample size was too small for statistical reliability.

Our data comes from a large and extensively used source on personal income collected by the United States Department of Commerce--the March sample of the Current Population Survey (CPS) (the Annual Demographic Survey), which collects information from about 1 out every 1500 families in the United States. From the CPS we obtain data on 1979 and 1987, two years that roughly correspond to the end of the boom period of the last two major business cycles. These two years provide good comparisons on the net impact of the economic boom in Massachusetts that extended roughly from 1983 to 1987.

Since we are interested in examining relative and potential gains from different types of income, we have aggregated and analyzed income from four distinct sources: earnings; property and private pension income; child support and alimony; and government transfers. Different family types will have differing access to these types of income. Earnings are income from paid labor--wages, salaries and self-employment income--and are by far the largest source of income for most families. Family earnings largely depend on the number of adults and children there are in the family and the wage levels of available jobs. Property income--including interest, dividends and rental income--derives from ownership (inherited and accumulated) while pensions represent income from past savings. While inherited wealth (and the income derived from it) is not a function of family structure, accumulated wealth and pensions often are. Families with older members will have more of both. Interfamily transfers--child support and alimony--represent a relatively small percentage of family income, but are included here since much emphasis has been placed on this form of income in state policy discussions about single mothers and income support programs.[3] Finally government transfers are based on public policies. Government transfer income includes Old Age, Survivors, and Disability Insurance (commonly referred to as Social Security), Aid to Families with Dependent Children (AFDC), Supplemental Security Insurance (SSI), Veteran's Benefits, Unemployment Insurance, and Worker's Compensation. Two major programs--Social Security and AFDC--have age and family composition eligibility requirements. We have not included non-cash contributions to family income such as food stamps and employer's contributions to health insurance and pensions.

Table 2 (and the graph on the cover page) depicts total income for each Massachusetts family type in our two comparison years, 1979 and 1987, adjusted for inflation (using 1987 dollars). While the relative sizes and changes over time are revealing, comparing total family incomes across families presents a major problem. Families with the same total family income may have very different needs. One family may have more family members, one may have members that require substantial resources (like college tuition and child care), and another may face very different housing costs. Our data set does not provide a comprehensive way to measure need. Instead we use the standard measure--the number of persons in a family--as the main determinant of a family's basic needs. The most readily available and extensively used measure of subsistence need which is adjusted for family size is the official poverty line. Since the early 1960s, the United State government has used the same procedure to determine the poverty line--the 1961 minimally adequate food budget for families of different sizes multiplied by three and then annually adjusted for inflation.[4] In other words each family has its own separate poverty line, based on the family's size and composition.[5] Every year the poverty line is adjusted for inflation.

TABLE 2
Average money income, adjusted income, and average family size of Massachusetts families by family type 1987

Family Type	Average Money Income	Average Adjusted Income*	Average Family Size
MAR-NC	$51,210	6.03	2.5
MALE-NC	26,863	4.55	1.0
MAR-C	50,270	4.23	4.2
ELDER	20,404	3.18	1.6
FEMALE-NC	20,876	3.53	1.0
FEMALE-C	13,214	1.56	2.6
Total	34,945	4.18	

* Average adjusted income is the average of each family's total income divided by its poverty line.

Source: Authors' computation from CPS tapes.

The income figures presented in this paper are the average of each family's income divided by its poverty line. We refer to this income-to-needs ratio as "adjusted" income.[6] So, for example, if a family's total income is equal to its poverty line, adjusted income is equal to 1. Table 2 provides total family income, adjusted income and average family size for families in Massachusetts in 1987.

As Table 2 indicates, the relationship between total family income and adjusted income depends on the size of the family. Two families with similar adjusted income but very different average sizes--MALE-NCs and MAR-Cs--have very different total family income. Since MAR-NC and FEMALE-C families are on average of similar sizes, the disparity in their total income is also reflected in the difference in adjusted income. MAR-NCs (families comprised of at least two adults with no dependents under 18) had income, on average, that was 500 percent above the average poverty line while FEMALE-Cs--female-headed households, on average, had income just 60 percent above the poverty line. Tables in Appendix A include the average poverty levels, total money income and percent change in money income by family type in Massachusetts and the United States for 1979 and 1989.

III. MASSACHUSETTS VERSUS THE UNITED STATES

Massachusetts and the United States are quite similar in the relative shares of different family types within the population, and the trends in these shares over time. Table 3 lists the percentage share of each family type in Massachusetts and the nation as a whole in 1979 and 1987. Massachusetts has slightly more ELDER and FEMALE-NC families than are distributed nationally, and fewer MAR-Cs. The proportions of FEMALE-Cs, MAR-NCs, and MALE-NCs, however, are almost identical. In both the United States and in Massachusetts, the decline in proportion of MAR-Cs and rise in FEMALE-NC and MALE-NC families are the most notable changes. While nationally the percentages of ELDERs and FEMALE-Cs have grown, the growth rates are higher in Massachusetts. The total percentage of families with dependents (MAR-Cs and FEMALE-Cs) is declining both nationally and in Massachusetts, while the total percentage of persons under 65 living without relatives is rising.

TABLE 3
Percent Distribution of Family Types
Massachusetts and the United States, 1979 and 1987

	1979		1987	
	US	MASS	US	MASS
MAR-NC	21.4	20.8%	21.4%	21.2%
MALE-NC	11.6	11.9	13.3	12.7
MAR-C	32.0	31.1	28.1	26.7
ELDER	18.9	19.8	19.5	20.9
FEMALE-NC	9.7	10.2	10.6	11.8
FEMALE-C	5.6	5.3	6.0	6.1

Source: Authors' computation from CPS tapes.
Note: Totals add to less than 100%, since single father families are omitted.

Graph 1 illustrates average adjusted income for all families in Massachusetts and the United States in 1979 and 1987. In 1979 average adjusted income for Massachusetts and the United States as a whole were virtually identical--3.4 times the average poverty line for families in Massachusetts compared to 3.3 times the average poverty line for all families in the United States. The components of income were also quite similar, with earnings somewhat higher in Massachusetts. By 1987, Massachusetts average adjusted income grew rapidly, particularly in comparison to the gains made by the rest of the country. This income growth reflects the dramatic expansion of the Massachusetts economy.[7]

Average adjusted income in Massachusetts grew by 22% between the two years to 4.2 times the average poverty rate, compared to the modest 7% growth experienced by the United States as a whole (to 3.5 times the poverty rate).[8] Over three-fourths of the growth in Massachusetts adjusted income was attributable to increases in earnings income. The rest is almost exclusively attributable to gains in property and pension income. While there was a slight increase in average government transfer income in the United States, it fell very slightly in Massachusetts. Overall, in comparison to the United States as a whole, Massachusetts income growth truly does appear miraculous.

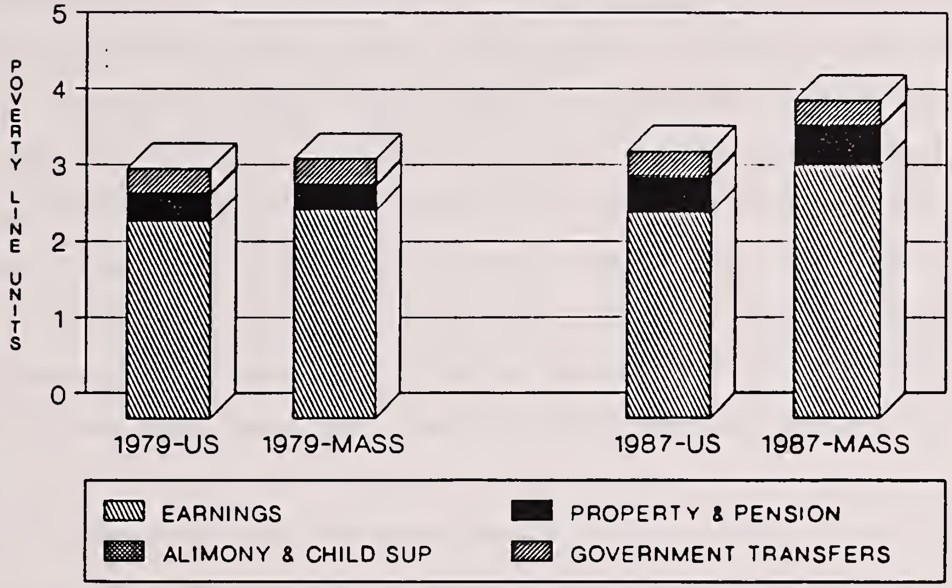
IV. WHO'S MAKING IT IN MASSACHUSETTS

However, not all families shared equally in the Massachusetts "miracle" as is illustrated in Graph 2. On the one hand, several family types scored impressive income gains. MAR-NCs (with two or more working-age adults and no dependents) kept their place at the top of the income ranking, with adjusted income that rose 14% from 5.25 times the poverty line to over 6 times the poverty line. But MAR-C (two adults with dependents) posted even more rapid income gains, climbing 27%, from 3.3 to 4.2 times the poverty line. MALE-NCs (single men) climbed fastest of all, shooting up by more than 40%--from 3.2 up to 4.5. For each of these family types, by 1987 the Massachusetts average adjusted income towered above the national average by approximately one poverty line unit.

However, the good news did not extend to all family types. Bay State ELDERs (families headed by persons 65 years and over) and FEMALE-NCs (single women with no children) saw income improvements, but even in 1987 their incomes stood around three times the poverty line--not far from the national averages for their family types.

GRAPH 1

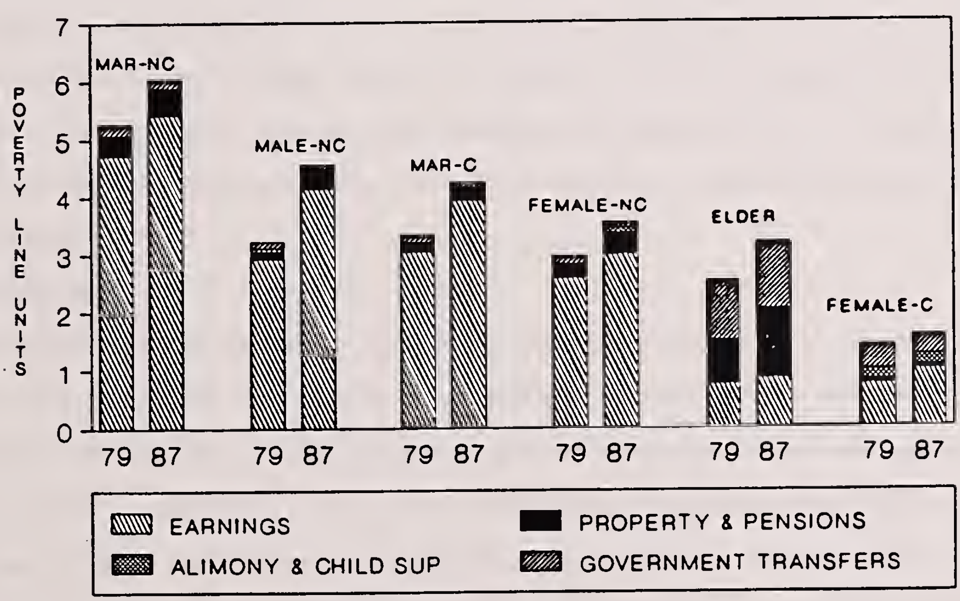
US AND MASSACHUSETTS "ADJUSTED" INCOME FOR ALL FAMILIES BY TYPE OF INCOME 1979 AND 1987



Source: Authors' computations from CPS

GRAPH 2

MASSACHUSETTS "ADJUSTED" INCOME BY FAMILY AND TYPE OF INCOME 1979 AND 1987



Authors' computation from CPS

Doing worst of all were Massachusetts FEMALE-Cs (single mothers): between 1979 and 1987, they gained less than <u>one fifth</u> of a poverty line unit--far less than any other family type. As of 1987, the average Bay State FEMALE-C was dangerously close to the margin of survival, with an income of only 1.6 times the poverty line--again, far less than any other family type. Indeed, many FEMALE-C families fell below the margin: 48% of Massachusetts single mothers had incomes below the poverty line in 1987. And unlike some other Bay State families, Massachusetts single-mother families enjoyed little income advantage over single mothers in the rest of the country: the Massachusetts advantage as of 1987 was less than one-twentieth of a poverty line unit.

Why have Massachusetts single mothers fared so poorly, even during the boom years? Largely because the reductions in transfer payments experienced over the decade were not overcome by earnings or child support. Single mothers face several impediments in the labor market: they have children which increases their needs and proscribes their time, their family includes only one working-age adult, and the adult is female--each of which depresses a family's earning power. In addition, compared to other women in the labor market, single mothers tend to have still more disadvantages on the earning front--for example, on average they are younger and have less education. Finally, the safety nets society has decreed to assist those in need--public assistance and child support/alimony--offer only very limited help to single-mother families.

<u>A. Earnings</u>

Earnings--including wages and salaries and proprietors' income from a business or farm--is by far the most important source of income for Massachusetts residents, accounting for 80% of average total income in 1987. To a large extent, welfare policy has emphasized boosting work effort to increase earnings. Yet, as we show below, single mothers have always exhibited and continue to exhibit a strong commitment to the labor force. In fact, it is hard to imagine, given the cost of child care, more work effort from someone raising children. Our data reveal that single-mother families provide substantial labor effort, but it does not pay off largely because of labor market discrimination and fewer skills.

1. <u>Family size and composition</u>

Families with more adults can earn more. Compare childless one-adult families (MALE-NCs, FEMALE-NCs) with childless two-adult families (MAR-NCs): MAR-NCs earn far more (Graph 2). By the same token, two-adult families with dependents (MAR-Cs) out-earn one-adult families with dependents (FEMALE-Cs).[9]

Furthermore, families with children earn less than those without, for two reasons. First, we measure adjusted income by dividing income by needs (with needs specified by the family's poverty line), and children increase a family's need without increasing its earning power. So in 1987 Massachusetts MALE-NCs earned less than MAR-Cs in actual dollars, but their income adjusted for need was higher than that of MAR-Cs.

Second, parents with young children must either purchase child care from other providers, or spend time out of the labor force to provide the care directly. And those costs are not trivial; the Massachusetts Office for Children estimates the average cost of child care in Massachusetts to be $4500 per year. A single woman without children can readily go to work; for a single woman with children, it's more difficult. Even if children are in school, they require some care (after-school care and meals, for example) which will often limit a mother's work hours and/or job possibilities (for example, the distance from work she can travel for a job) both of which will depress earnings. These constraints apply to all mothers, but are particularly acute for single mothers when there are no other adults to share dependent care responsibilities.

For a more direct look at how the number of adults and the presence of children affects a family's earnings potential, we examined more closely the number of hours family members spend in the labor force annually. We use <u>total</u> hours in the labor force (including time laid-off or looking for work as well as time spent working, and adding up the hours for every member of the family) as a measure of the family's total labor effort. Regression analysis allows us to estimate the average effects of the number of adults and dependents on a family's labor effort.

Table 4 shows those results and, as expected, having more adults in the family allows families to devote more time to the labor force, just as having young children compels families to spend less time on paid work. On the average, having one more adult increases hours in the labor force by 1300-1400 hours per year (for comparison, a full-time, year-round job takes 2000 hours per year). Not surprisingly, for adults aged 65 or older this increase is canceled out, since these adults are most likely retired. Compared to families with no children, those with a child aged under 3 years spend far less time in the labor force on the average--a drop of over 500 hours, more than one fourth of a full-time, year-round job. Families whose youngest child is aged 3 to 5 also spend about 500 fewer hours in the labor force, but the effect is smaller for families with a child aged 6 or above.

Comparing 1979 and 1987 reveals the impact of a continuing rise in women's labor force participation. Since more women, including those with young children, are working in the later year, the average hours per adult climbed and the decrease in hours due to children aged three and up declined. Even so, Massachusetts families in both years exhibit the same general patterns.

In terms of total hours worked, the Commonwealth's elder families averaged the fewest hours worked--about 640 hours per year in 1987. Single-mother families did a little better, working a family average of 962 hours, compared to an average for all families of 2262 hours. Single-mothers do work less than other families, but the difference does not stem from laziness or an affinity for welfare--they simply have less opportunity to work.

In fact, single mothers worked almost exactly as many hours per year as wives in two-parent families (MAR-C): single mothers put in 898 hours per year, compared to the wives' average of 902 hours.[10] Wives work more hours than single mothers when the youngest child is aged less than six, but single

Table 4
AVERAGE CHANGE IN TOTAL ANNUAL FAMILY HOURS IN THE LABOR FORCE RESULTING FROM DIFFERENCES IN FAMILY STRUCTURE

	1979	1987
One more adult in the family	1334	1401
One more adult aged 65 or over	-1325	-1440
Youngest child aged 2 or less*	- 537	- 544
Youngest child age 3 to 5*	- 530	- 484
Youngest child aged 6 or over*	- 259	- 14

*Effect of youngest child is computed compared to families with no child.
Source: Authors' computation from CPS tapes, using regression analysis.

mothers take the lead in families with older children, underscoring the difficulties posed by raising young children and holding down a job with only one adult in the family.

2. Gender

An additional strike against single-mothers' earning opportunities is that the one working-age adult of the family is a woman. In fact, there is a clear earnings hierarchy: for each hour worked, working-age men earn more than working-age women, who earn more than elders, who earn more than children under 18 (see Table 5). Working-age women in Massachusetts only earn about two-thirds as much per week worked as do working-age men, due in part to occupational segregation and discrimination.[11] Since single-mother families only include working-age women, children, and elders, they suffer a clear disadvantage in the wage levels they can command and hence their total earnings.

These data should dispel myths about the inadequacy of single-parenthood: single fathers, because men command higher wages than women, are much more able to support families, even when their hours are reduced.

Table 5
AVERAGE HOURLY EARNINGS FOR DIFFERENT FAMILY MEMBERS
(All Massachusetts families, 1987)

	Average hourly earnings
Principal male (husband or single man)	$16.06
Principal female (wife or single woman)	$10.31
Elder (over 65, not principal male or female)	$ 6.88
Child (under 18)	$ 3.60

Source: Authors' computation from CPS tapes.

3. Additional earnings disadvantages

In addition to the problems noted above--having only one working-age adult in the family, the burden of child care, and women's reduced earning power--Massachusetts single mothers have characteristics that additionally depress their earnings.

Table 6

PREDICTED CHANGE IN HOURLY EARNINGS OF PRINCIPAL FEMALE RESULTING FROM DIFFERENCES IN HER CHARACTERISTICS (All Massachusetts families, 1987)

Characteristics	Predicted dollar change in hourly earnings
1 added year of education	+ .89
1 added year of age	+ .05
Black	+ .96
Latino ethnicity	-2.02
Central city residence	- .62
Rural residence	-1.23

Source: Authors' computation from CPS tapes, using regression analysis.
Note: Regression includes only principal females with earnings greater than zero. Age effect is computed at the mean age. Effects of central city and rural residence are computed relative to suburban residence.

Not all women are equal in the labor market. Table 6 presents results from regression analysis which estimates how much education, location, age, race and ethnicity contributes to the differences in women's earnings.[12] Education has the most powerful impact on a Bay State woman's hourly earnings: the predicted difference in hourly wage between a woman with a 12th grade education and one with four years of college is $3.56 (four years of education x $.89 per year). Increasing age (and presumably the maturity and work experience that come with it) also add to earnings on the average.
The figures representing the predicted hourly earning differences associated with race, ethnicity and location indicate the difference between a woman who has the characteristic to one who does not. For example, a latina women is expected to earn $2.02 less than a non-latina. Interestingly, once holding all other characteristics constant, black women earn more per hour on average than comparable white women in Massachusetts, perhaps because black women tend to spend more time in the labor market, giving them greater experience and

more access to stable jobs.[13] Both central city and rural residents lag suburbanites in hourly wages.

With the relative importance of these characteristics in hand, it is easy to see why single mothers earn less than other mothers. Table 7 compares the profiles of the two groups of women based on these and other characteristics. In terms of almost all of these characteristics influencing earning power, Massachusetts single mothers stand at a disadvantage compared to wives in two-parent families with children. Bay State single mothers are younger and less-educated than MAR-C wives. Single-mother families are also more likely to live in central cities or rural areas, and are more likely to be latinas. The only characteristic pointing to higher hourly wages for

Table 7
AVERAGE CHARACTERISTICS OF SINGLE MOTHERS COMPARED
TO AVERAGE CHARACTERISTICS OF WIVES IN TWO-PARENT FAMILIES
(Massachusetts, 1987)

	Single mothers	Wives, two-parent
Income characteristics		
Average hours worked per year	898	902
Average hourly wage	$ 8.33	$ 10.43
Average annual earnings	$ 7918	$ 9536
Average family income	$13214	$50214
Adjusted family income	1.6	4.2
Family poverty rate	47.5%	4.6%
Characteristics affecting wage		
Education	11.4	13.3
Age	32.6	36.7
Percent black	12.3%	4.4%
Percent latino	22.8%	3.6%
Percent in central cities	50.4%	31.3%
Percent in rural areas	16.2%	11.0%

Source: Authors' computation from CPS tapes.
Note: The product of the average hours worked and average hourly wage do not equal the average annual earnings (which is the average of the product of hours worked and hourly wage). This is not a mistake, but rather a property of deriving means.

single mothers than for wives is that a larger percentage of single mothers are black--but single mothers' other disadvantages clearly outweigh this.

Our regression equation estimates would predict that if single-mothers had all the characteristics of other mothers, they would be earning $3.11 more than they currently do. The actual wage difference is $2.10, suggesting that Massachusetts single mothers have found ways to offset part of the wage gap.

In addition to comparing single mothers with wives, it is instructive to take a closer look within the FEMALE-C category, contrasting single mothers who receive AFDC with those who do not (Table 8).[14] Not surprisingly, AFDC recipients in Massachusetts have less earning power than single mothers not receiving AFDC--particularly due to lower levels of education.

Table 8
AVERAGE CHARACTERISTICS OF SINGLE MOTHERS WHO RECEIVE AFDC
COMPARED TO AVERAGE CHARACTERISTICS OF SINGLE MOTHERS WHO DON'T
(Massachusetts, 1987)

Charac. affecting wage	Single mothers receiving AFDC	Single mothers not receiving AFDC
Education	10.0	12.7
Age	30.0	35.1
Percent black	18.2%	6.8%
Percent latino	33.6%	12.4%
Percent in central cities	69.6%	32.6%
Percent in rural areas	18.4%	14.1%
Other characteristics		
Number of children	1.8	1.4
Percent with youngest child aged less than 6	58.2%	34.4%
Percent never married	53.2%	18.6%

Source: Authors' computations from CPS tapes.

Furthermore, AFDC recipients face more constraints on their working time than do single mothers who end up not receiving AFDC. As Table 8 shows, recipient mothers have a higher average number of children, and are more likely to have young children--both of which make it more difficult to get out of the house.

B) Government transfers, property income, and child support/ alimony

So far, many of the barriers to higher income for Massachusetts single mothers apply with equal or greater force to elder families. ELDERs have few working-age adults. Indeed, ELDER adjusted earnings do fall below those of single mothers. However, total income includes more than wages: it also includes government transfer payments such as Aid to Families with Dependent Children (AFDC) and Social Security, property income such as interest and rent, private pensions, and inter-family transfers such as alimony and child support. Once these additional income sources are added to the balance, elders fare far better than single mothers and their children.

Both single-mother and elder families enjoy some amount of government assistance--the former chiefly through AFDC, the latter chiefly through Social Security. But in Massachusetts--and across the country--social security is a far more generous program than AFDC, especially after adjusting for need. Almost all (95%) Bay State elders received some form of government transfers in 1987 compared to 57% of all single-mother families. Of those receiving this type of income, ELDERs received on average more than one poverty line unit while transfers to single-mother families amounted to just over one-half of a poverty line unit. Of 1987 Massachusetts elder families whose income would have fallen below the poverty line without government transfers, 77% were lifted out of poverty by those transfers, leaving elders with a poverty rate of 11%. For single mothers, only 20% of the pre-transfer poor are moved out of poverty by transfers, resulting in a final poverty rate of 48%.

To illustrate the difference in transfers to ELDERs versus FEMALE-Cs, we simulated what would happen if Massachusetts elder families, instead of receiving their actual transfer income, instead received the average transfer income of a single mother. If ELDERs were given the average of the actual <u>dollar</u> amount single mothers receive ($4715 in 1987), the fraction lifted out of poverty falls from 77% to 45%. But since elder families are generally smaller than single-mother families, a more reasonable simulation would assign ELDERs the average FEMALE-Cs <u>family-size-adjusted</u> transfer payments. The bottom line: only 29% of elder families starting out below the poverty line would be helped out of poverty by payments at this level--a plight similar to single-mother families themselves--resulting in a 32% poverty rate.

When it comes to property income, Massachusetts elder families received more than twice as much as the average family (after adjusting for need) in 1987. Families headed by persons 65 and over are more likely to have built up income-producing assets--whether in the form of interest-earning bank accounts, stocks and bonds, or a multi-family house--over a lifetime than other family types. They are also more likely to draw private pension income, which we count as property income. Conversely, single-mother families received less than one-seventh as much adjusted property income as the average family. Given their minimal earnings from work, single mothers have little chance to accumulate income-producing wealth.

What about alimony and child support? Single mothers are far more likely to receive child support/alimony than other Bay State families: in 1987, about one in three received payments from an ex-husband and/or absent father, compared to only one family in 20 overall. But this is cold comfort. Child support/alimony payments are small--about one-half of a poverty line unit for single-mother families that receive them--and have fallen over time. Such payments add only a tiny amount to the average single-mother family's income. And as Table 8 shows, most single mothers receiving AFDC have less hope of <u>any</u> payment from an absent father, since the majority--unlike non-recipient single mothers--were never married.

V. LEFT OUT OF THE MIRACLE

We pointed out earlier that although all family types gained from the Massachusetts boom economy, single mothers gained far less than others. Single-mother families' adjusted income rise between 1979 and 1987 was about one-fifth the increase enjoyed by the Commonwealth's average family. Now that we have explained why the <u>level</u> of single-mother families' income falls so far below that of other families, we turn to the reasons why the <u>growth</u> of their income also lagged behind during these prosperous years.

The reasons for single mothers' slow adjusted income growth are closely related to the reasons they have low incomes in the first place. The Massachusetts income miracle was primarily an <u>earned</u> income miracle: 77% of the 1979-87 adjusted income jump for the average Bay State family was contributed by earnings. And in turn, 100% of the average adjusted earnings increase came from higher weekly earnings.[15] FEMALE-Cs' adjusted weekly earnings (in poverty line units) went up by an amount comparable to other families. But as we pointed out above, single mothers work many fewer weeks, since they have only one adult plus the burden of child care responsibilities. Thus, the payoff of higher weekly earnings for single mothers was much smaller than for other families. Single mothers did increase the number of weeks they worked, but only by a modest two-thirds of a week on average.[16]

Massachusetts families also profited from a surge in property income, accounting for 23% of the total adjusted income rise between 1979 and 1987. But once more, single-mother families were left out, due to their lack of income-producing assets. FEMALE-Cs' average rise in adjusted property income was about <u>one-fortieth</u> as large as the average family's gain. What's more, even single-mother families' increase in adjusted child support/alimony was smaller than the statewide average.

Finally, Bay State single mothers' progress in the labor market--however limited--was offset by the loss of government transfers, chiefly AFDC. Between 1979 and 1987 the proportion of single mothers receiving transfers dropped from 68% to 57%, and the average grant to recipients (measured in poverty line units) also fell. For every additional unit of adjusted income single mothers earned through higher wages or expanded work effort, they lost one-third of a unit in decreased transfers. Part of this decline can be attributed to the federal Omnibus Budget Reconciliation Act (OBRA) of 1981, which boosted the cut in AFDC that accompanies any increase in earnings, and part reflects the fact that AFDC payments are not automatically adjusted for inflation. Other families were not hit as hard by diminishing transfers: in fact, ELDERs' average adjusted transfer income <u>increased</u> by about as much (in poverty line units) as FEMALE-Cs' adjusted transfer income <u>decreased</u>.

The net result is that during the miracle years, single mothers fell even farther behind other Massachusetts families in economic terms. The income gap between the average single-mother family and the average Massachusetts family widened from 2 to 2.6 poverty line units. Looking at it another way, single-mother families' income (adjusted for need) slid from 41% of the Commonwealth average to 37%.

VI. WHAT MIGHT BE DONE

Massachusetts has been a leader among the states in terms of its higher than average welfare grants, its innovative Employment and Training (ET) Choices program[17], and its active role in collecting child support from absent fathers. But even these programs and the economic expansion have boosted single mothers' adjusted income only marginally. As the recession wallops the Massachusetts economy, unemployment rates and the number of poor families are on the rise. In good and bad economic times, earnings, government transfers and child support provide only minimal income security for single mothers and their children. The reforms suggested here--in truth only marginal adjustments affecting earnings, child support or AFDC benefits--by themselves will not significantly improve the economic well-being of most single-mothers and their children. Eventually, all states and the national government must embark on a long-term strategy which recognizes the impediments single mothers and their children face in meeting their basic human needs. In light of federal inaction, the states have played and will continue to play an important role in reforming welfare policy.

As we have argued and shown, the impediments to improving total income of single-mother families are enormous. Current welfare policies have been insufficient and in some instances create new barriers. Below we consider the limits of current policies in Massachusetts as they pertain to the three main forms of income--earnings, child support and benefits--and suggest options for reform.

A. Earnings income

1. The limits to welfare-to-work programs

Welfare reform in the 1980s centered on promoting welfare-to-work programs. At the national level, policy makers were reluctant to improve benefits and turned to other forms of income--namely earnings. As discussed above, a major economic problem facing single-mother families is that even when mothers work, they do not earn enough to support their families. Single mothers will have a very hard time working their way out of poverty, especially if benefits are sharply reduced as earnings increase, suggesting that <u>welfare-employment policies, including workfare, cannot be the major component of welfare policy</u>.

As Table 7, comparing women in families with children, indicates, employment will not solve the welfare problem for several reasons. Single mothers work as much as other mothers, on average, yet their families' incomes are barely above the poverty line. What distinguishes a single mother is that she is usually the <u>only</u> person in her family working for wages, whereas other mothers usually work to supplement their husbands' earnings.

The real issue for single mothers is not that they do not work enough, but that when they work their wages--like those of many women--are too low to support a family. For the state to improve single mothers' earnings, then, it should move toward improving their effective wages--not increasing the hours worked. Short of a strategy which boosts all women's wages, like comparable worth--the state can promote the skills that will improve women's earnings. Single mothers' earnings shortfall is correlated with their extremely low level of educational attainment.

Table 9 supplements Tables 7 and 8, and depicts the percentage of all principal females (heads or wives) in non-elder families and all single mothers distributed by the highest grade completed. The table breaks down single mothers further into those with and without AFDC. The low levels for single-mothers with AFDC are particularly striking: just under half of all women receiving AFDC have completed high school, while only one out of every ten AFDC mothers have had any college education. This compares to less than one fifth of non-recipient single mothers without high school level education and well over one third with some college.

Finally, to the extent that single mothers might be expected to increase their work effort, unavailability of child care constitutes a major obstacle. Table 4 illustrates that families with children work fewer hours; single mothers are no exception. Until more widespread and affordable child care options are available, the time required for child care limits single mothers' earnings.

TABLE 9
Average educational attainment and
Percent distribution of highest grade completed
for Single Mothers in Massachusetts, 1987

	All Women*	Single mothers w/ AFDC	Single mothers w/out AFDC
Average years completed	13.3	10.0	12.7
Less than 12	12.7%	49.9%	18.6%
Completed 12 years	38.9	39.9	45.8
College 1-4	36.4	9.0	29.9
Over 4 years college	12.2	1.2	5.8

*This includes female heads and spouses in all families not headed by someone 65 years and older.

Source: Authors' calculation from CPS data.

2. Options for reform

a. Stress education in welfare-training programs

Education for AFDC recipients will pay off in higher earnings over the long run. Initially, state policy that emphasizes education for its welfare recipients will unavoidably lose money. Women's foregone earnings due to enrollment in school will necessitate additional state support.[18] However, the economic returns in the future will likely be substantial. The higher the level of education for women the less likely they are to depend on AFDC. In the long run, providing education will cut down on AFDC recidivism, and help single mothers become taxpayers rather than transfer recipients.

b. Subsidized child care

Child care is a necessity for working mothers of young children--poor or rich. In married-couple families there are either two incomes (including an often higher male income) to help pay for child care, or one parent to stay home (even part-time) while the other is still earning a full-time income. Single mothers, however, enjoy neither of these advantages.

It is unreasonable to expect the state to demand a mother participate in work programs if there is no assurance that her children are in a safe environment while she is at work. To grant single mothers this assurance, the child care support provisions of ET choices should be continued and extended beyond one year of employment. Indeed, assistance with child care should be extended to a broader group of families--at a minimum, to single mothers who do not receive AFDC.

c. Make earnings count

Boosting all women's wages is what is needed, but is a costly proposition. The state can however, at relatively low cost, increase women's effective wages by allowing them to keep more of their AFDC when they do receive wages and by reducing their income tax burden. We discuss both of these options in turn.

i. "Fill-the-gap" budgeting

An important reform regarding earnings would be to structure benefits so as to allow women to keep a larger portion of their earnings than currently allowed. At present, the disregards (the deductions allowed before AFDC benefits are replaced by earnings) act as a disincentive to paid work by minimizing a single-mother's payoff from additional work. As a result of the 1981 federal OBRA reforms, AFDC benefits are reduced dollar for dollar of working parent's monthly income, after some adjustments for certain deductions, except during the first four months of work when benefits are reduced by 33 1/3 cents for every dollar earned. Deductions include $90 a month to cover working expenses (payroll taxes, transportation, clothing, etc.) and up to $200 per month for child care. For the first year an additional monthly $30 is also deducted from earnings.

Economists call the degree to which AFDC benefits are reduced for every additional dollar of income earned the "marginal tax rate." The deductions in the formula preclude calculating a uniform marginal tax rate, although it is not unusual for AFDC mothers to have rates as high as 60%. In fact, a woman with a young child earning poverty level wages would not be eligible for AFDC after four months of work. As women earn more, they become ineligible for non-income benefits such as food stamps, and after one year they lose their health insurance and most likely their child-care subsidy. It is not difficult to imagine a variety of scenarios in which a women would be materially worse off through work, especially if child care is difficult to find.

While the disregard formula is specified by federal regulations, the state does have some flexibility over the base from which benefits are deducted. Currently earnings, after the deduction specified above, are subtracted from the standard of need--currently set at the maximum AFDC benefit--to determine the new AFDC benefit level. A different "fill-the-gap" measure proposed by welfare advocates also reduces benefits with increases in earned income, but applies a higher "standard of need." The result of "fill-the-gap" budgeting is to deduct the same amount of income as specified in the disregard formula but deduct from a higher base, resulting in a higher benefit level and a lower marginal tax rate.

ii. Increase the no-tax status threshold for single-mother families

Massachusetts income tax treatment of single-mother families with low earnings is quite discriminatory. Currently single mothers are treated like all single filers. They have the same personal exemptions and the same income threshold, below which no income taxes must be paid. This threshold is referred to in Massachusetts as the "no-tax status" which for single filers is $8,000 and for joint filers is $12,000. The thresholds reflect a view that low-income families should not face income tax liabilities. The level for joint filers is higher than for single filers to match the larger family size. While these levels are relatively generous, they treat single-mother families unfairly, since these families always have more than one person. For example, under the current no-tax thresholds, a childless married couple with earnings of $11,000 (above the poverty line for that family) would pay no income tax while a single mother with two children making $11,000 (income below the poverty line for that family) in her job would likely be required to pay state income taxes. The tax rate on earnings can be as high as 10% on every dollar she earns above $8,000.

One result of this inequity in the income tax is that single-mother families with income below the poverty line often face positive income tax liabilities. Work by one of the authors elsewhere found that in 1988, 25 percent of all single-parent tax filers with income between $5,000 and $10,000 and 80 percent with income between 10,000 and $15,000 had positive income tax liabilities in 1988 (Albelda 1991). If the tax threshold for single-parent families were raised to equal that of joint filers, close to one-third of all single-parent families would be eligible for no-tax status. In the last two years, the state has increased income tax rates, making income tax burdens for single-mother families with income below the poverty line even more onerous.

B. Interfamily transfers: child support

1. Child support from absent fathers

While absent fathers represent a source of untapped income for many single-mother families, there are several reasons why this has not proven to be as successful an avenue of income support as many expected. First, only 10% of never-married mothers are legally entitled to support.[19] As the AFDC population consists increasingly of women who are never married, child support is not likely to provide a promising source of added income, despite increased efforts to establish paternity.

Second, AFDC mothers are only allowed to keep $50 per month of any child support payment. If the payment exceeds the maximum monthly benefit by $50, the mother and her family are ineligible for AFDC. As a result, unless child support payments are relatively high, AFDC recipients will barely benefit from increased child support enforcement.

Third, when single mothers do get their awards, they often do not receive the full amount of spousal support they are entitled to. In a careful study on national data, Beller and Graham (1990) found that about 75% of all eligible families received child support between 1979 and 1986. Of the women who received payments, about two thirds got the full amount. Between 1979 and 1987, our data show that the percentage of single-mother families who receive alimony or child support increased only slightly from 32% to 34% and the average payment received fell slightly. While Massachusetts mothers receive payments that are almost 50% above the national average, this type of income has not made a substantial difference in single mothers' total income.[20]

Child-support payments are decided by court-ordered decisions. Despite legislation in 1984 which specified numerical guidelines for child-support awards, the provisions of the bill allowed the courts to easily ignore them. As a result, awards (as a percentage of absent fathers' incomes) are very uneven and rarely reviewed. The result has been low awards that quickly erode with inflation.

Federal welfare reform passed in 1988 (the Family Support Act) requires uidelines to be used and awards to be reviewed every three years. While these efforts will surely help, it is unlikely they will help much, particularly if absent fathers are low-income earners. Consider the amount an absent father of two children would have to earn in order to be assessed $590 per month--the maximum AFDC benefit for a family of three in Massachusetts. Under current guidelines, the father's income would have to top $28,000--far beyond the reach of many absent fathers.[21]

<u>2. Option for reform: Child support assurances from the state</u>

Under current legislation, AFDC mothers receive $50 per month of child support payments from the state. States have limited flexibility in the level of child support payments to AFDC recipients, but Massachusetts would do well to examine alternative programs similar to those being established in Wisconsin and New York. Through special legislation, these two states have been authorized to use federal funds in child support benefits that otherwise might have been used for AFDC. Their goal in doing so has been to establish an assured child support benefit, initially for AFDC families but conceivably for all families with children. Only New York has begun to institute an assured child support benefit as a pilot program.

The New York program specifies the paternal child support standard (share of father's income to be paid) and mandates income withholding from the father. The person taking care of the child receives either a specified benefit based on the number of children, or the amount of child support paid by the father, whichever is higher. In this way every child is entitled to a minimum amount of child support--regardless of the contribution made by that child's father.

C. Benefit levels

1. The AFDC shortfall

As we have seen in the preceding sections, poor mothers currently cannot easily work their way out of poverty, or use child support as a safety net. AFDC provides the income source of last resort, but this source, as well, falls short. The pre-transfer poverty rate for single-mother families in Massachusetts stands at just under 60 percent. After accounting for government transfers, one out of every five poor single-mother families were pulled out of poverty, resulting in a post-transfer poverty rate of 49 percent for single-mother families. As we pointed out above, this contrasts sharply with elder families: transfer payments boost more than three quarters of pre-transfer poor ELDERs out of poverty.

2. Option for reform: Index AFDC to the inflation rate

A key reason elders' benefits provide so much more economic relief than do those of single mothers is that since the 1970s, Social Security benefits have been indexed to the inflation rate while AFDC payments have not. As a result the average benefit for single mothers--adjusted by inflation--has eroded 25 percent between 1978 and 1990.

In light of the difficulties single mothers face in improving their income through paid work, government transfers will continue to represent a vital income component for many single mothers and their children. The reduction in these levels has contributed to poor economic gains of single-mothers in Massachusetts despite new and expanded employment opportunities. Our research (and that of others) suggest that benefit levels should be increased--or even expanded to cover more low and moderate income families with children, similar to programs in most industrialized countries.[22]

At a bare minimum, AFDC benefits should be indexed to inflation. This simply represents a commitment to maintain already very low real levels of funding-- an improvement over the current system which requires legislative approval for any nominal increase.

VII. CONCLUSION

The Massachusetts "miracle" improved incomes for most Massachusetts families. But single mothers remained cut off from the earnings opportunities that benefited other Bay State families, and fell further behind. Under current policies, neither earnings, nor child support, nor AFDC benefits are sufficient to pull Massachusetts single mothers out of poverty.

Massachusetts legislators and policy-makers cannot solve all the problems single mothers--and particularly those dependent on AFDC--face: for example, the Commonwealth cannot single-handedly eliminate wage discrimination against women. However, there are important steps that Massachusetts can and should take. Work requirements are not likely to help Massachusetts AFDC mothers earn more, but extending subsidized child care and support for education will. By implementing "fill-the-gap" budgeting and raising the no-tax threshold for single-mother families, Massachusetts can make single mothers' earnings count. State assistance to place a floor under child support payments would also help ease the plight of single mothers. Finally, AFDC benefits should be indexed so that they at least keep pace with inflation.

Our research shows that even at the peak of the Massachusetts boom, single mothers did very poorly. Now, in the depths of recession, they are surely doing much worse. Massachusetts should use the policy instruments at its disposal to assist single mothers and their children. It will take more than a miracle to enable single mothers to meet their families' needs.

ENDNOTES

1. If the monthly child support payment by absent fathers is less than AFDC benefits (about half of all single mothers receive AFDC in Massachusetts), the single-mother family receives only $50 of any monthly child support. Any amount above $50 is kept by the state.

2. The Census Bureau calls these units "unrelated individuals," not families. Often "unrelated individuals" (single-member families in our accounting system) live in households with other people--as in the case of roommates or unmarried couples. Our interest in this study is in the unit that is most likely to share economic resources. Since the data do not specify the nature of the relationship of unrelated individuals sharing a household, we have had to choose one unit over another. We choose families rather than the larger, more inclusive units--households.

3. An example is a recent study by the Federal Reserve Bank of Boston (1990).

4. A recent study published by the Urban Institute provides a comprehensive review and critique of the current poverty measure and presents alternatives (Ruggles 1990).

5. Originally, poverty lines were adjusted for a wide variety of family compositions and locations: single mother, elder, families with greater numbers of children, and rural families had lower poverty lines than families with a father present, non-elder families, families with fewer children (and more adults) and non-rural families of the same size. Beginning in 1981, some of these distinctions were abolished. However, the poverty line is still adjusted downward when greater numbers of children are present (in families of a given size), and when the householder in a one- or two-person family is 65 or older.

6. This is a procedure used similarly by the Congressional Budget Office (1988) and by Sheldon Danziger, Peter Gottschalk, and Eugene Smolensky (1989) in their studies of family income.

7. In addition to the economic expansion, other possible reasons why Massachusetts families fared so much better could be that they gained more "human capital"--the personal characteristics that improve wage-earning capability like education or experience--than the rest of the nation, or that the racial/ethnic composition of Massachusetts changed--since whites have higher earnings, on average than people of color--than the rest of the country. However, the evidence rules against these alternative explanations. While it is true that Massachusetts families, on average, have higher education levels, older family heads, and a larger percentage that are white than families in the United States in both 1979 and 1987, the <u>relative</u> demographic characteristics of families in Massachusetts and the US have exhibited only minor changes. From this, we conclude that the large jump in Massachusetts adjusted income is largely attributable to the improved economic performance in the state relative to that of the rest of the United States, rather than human capital or demographic changes in Massachusetts.

8. These growth figures differ from the growth in actual incomes in Table A.2 in Appendix A. Adjusted income takes into account family size.

9. Part of the difference is probably due to the fact that the heads of MAR-NC and MAR-C families are older, more experienced workers. However, when we control for the head's experience and education, the differences are still statistically significant. For more information on this and other analyses discussed in the footnotes see Appendix B.

10. The number of hours worked by single mothers is smaller than the total number of hours for MOM families, given above, because the total includes hours worked by other family members as well.

11. Our findings parallel those in scores of other labor market studies on the wage difference between women and men. These studies find that even after adjusting for demographic characteristics such as age, experience, race, and education, at least half of the original wage difference remains. In other words, there is a large and persistent wage gap between men and women that cannot be explained by acquired work skills. A good summary of some of these studies is found in Hartmann and Treiman (1981; pp. 36-37).

12. This sample used was all principal (heads or wives) women in families ages 18-64.

13. Hourly earnings are <u>imputed</u> from the data set since total hours worked per week are only available for one-quarter of the national sample. Instead, we assigned 20 hours a week to those reporting part-time work and 40 hours a week to those reporting full-time work and then determined hourly earnings with reported total earnings and weeks worked. If in fact white women work less hours than black women in either full-time or part-time jobs, then we have underestimated white women's hourly wages.

14. Technically, the data presented in Table 8 is for single mothers receiving AFDC or other public assistance since the CPS data does not distinguish among them (for example between AFDC and General Relief income--it does separate Supplemental Security Income, however). For single-mothers in Massachusetts, almost all public assistance comes in the form of AFDC.

15. This result comes from a shift-share analysis. The analysis decomposes the change in annual earnings by each family member into four components: changes in the probability of working at all, changes in average weeks worked if working, changes in average weekly wage, plus an interaction term. In addition to an increase in average weekly wage between 1979 and 1987, these was an increase in the average weeks worked by those at work. However, this effect was offset by an overall decrease in the probability of working and a (small) negative interaction term. Interestingly, the picture for 1973-79 was quite different: the relatively small earnings increase was driven by women's growing probability of working and the rising number of weeks worked by women, while average weekly wages fell.

16. Between 1973 and 1979, however, MOMs augmented their average weeks worked by 8.8 weeks.

17. For a summary of Massachusetts cash transfers in income maintenance programs relative to other states see Federal Reserve Bank of Boston (1990). In addition, several evaluations of the ET Choices program have been conducted in the last few years by the Massachusetts Taxpayers' Foundation (1987), Urban Institute (Nightingale, et. al. 1990) and the Heritage Foundation (O'Neill 1990).

18. Only one welfare-employment evaluation study to date has looked at the impact of education on earnings and receipt of AFDC. In their study of ET, Nightingale, et. al. found that ET participants enrolled in educational programs earned less and reduced benefits less than other ET participants. This is not a surprising finding since follow-up was conducted only for up to 18 months and women in school, by definition, have limited work hours.

19. Reported in Garfinkel (1990) from a 1979 Census study of child support payments.

20. If Massachusetts single mothers got the full amount of child support they were entitled to, how much would it boost their incomes? To answer this question, assume, based on Beller and Graham's estimates, that 75% of eligible MOMs in Massachusetts received child support, and that two-thirds of those received the complete amount. Further, make the conservative assumption that the remaining third received on average only one-third of what they were entitled to. Then providing full support to all eligible MOMs would have improved their average income by $1,125 in 1987.

21. By way of comparison, the average income of <u>all</u> single men in Massachusetts was $26,863 in 1987.

22. Many social science researchers have reached this conclusion. See, for example, Ellwood (1988), Burtless (1990).

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APPENDIX A: Average poverty levels, average money income, and "adjusted" income by source for all family types in Massachusetts and the US 1979 and 1987

TABLE A.1

Average poverty line income of Massachusetts and US families by family type 1979 and 1987

Family type	Massachusetts Average Poverty line 1979	Massachusetts Average Poverty line 1987	US Average Poverty line 1979	US Average Poverty line 1987
MAR-NC	$5,457	$8,496	$5,203	$8,262
MALE-NC	3,912	5,909	3,905	5,909
MAR-C	7,903	11,894	7,706	11,871
ELDER	4,125	6,419	4,046	6,362
FEMALE-NC	3,619	5,909	3,619	5,909
FEMALE-C	5,942	8,496	5,892	9,164
Total	5,611	8,355	5,524	8,402

NOTE: In 1979 the Census Bureau still adjusted the poverty line downward for female-headed families and families who lived on farms.

Source: Authors' computation from CPS tapes.

TABLE A.2

Average money income (in 1987 dollars) of Massachusetts and US families by family type 1979 and 1987

Family type	Massachusetts Average Money income 1979	Massachusetts Average Money income 1987	Massachusetts Average Percent Change	US Average Money Income 1979	US Average Money Income 1987	US Average Percent Change
MAR-NC	$44,831	$51,210	14.2%	$39,532	$42,108	6.5%
MALE-NC	19,727	26,863	36.2	17,825	20,573	15.4
MAR-C	40,976	50,270	22.7	35,075	40,874	16.5
ELDER	16,535	20,404	23.4	16,086	18,835	17.1
FEMALE-NC	16,664	20,876	25.3	14,151	16,354	15.6
FEMALE-C	12,904	13,214	2.4	14,242	13,807	-3.1
Total	30,004	34,945	16.5	28,337	29,514	4.2

Source: Authors' computation from CPS tapes.

APPENDIX B: Cross-sectional regression versus average "adjusted" earnings

It is possible that the earnings differences we observe among family types may reflect the contributions of other variables correlated with family structure. For example, single mothers have a high probability of being black or Latina, which may help to explain low earnings levels. To address this concern we used cross-sectional regression analysis to control for a number of variables in addition to family structure to explain adjusted income level. The independent variables in our ordinary least squares regression included the head's educational attainment, head's age and age squared, head's race and Hispanic ethnicity, degree of urbanization (central city, suburban rural), as well as dummy variables representing the six family types.

After controlling for the variables listed above, the rank order is little changed. Pairwise comparison of the coefficients within each year indicates that virtually all of the interfamily differences remain significant after controlling for other variables. In most cases the magnitude of the difference between a given family type's earnings and those of the MAR-C base group is about half or more of the raw earnings difference. Thus a substantial part of earnings differences among family types appears to result from family structure, not other variables.

ELDERs show the largest change in adjusted income relative to MAR-Cs. Since the regressions include head's age and age squared as independent variables, this suggests that--not surprisingly--a substantial part of the earnings gap between ELDERs and MAR-NCs can be explained by age. This corresponds to a typical "age-earnings profile" in which after a certain age, earnings decrease.

Table B below compares two measures of how much a given family type's income differs from that of MAR-NC families: 1) the raw difference between the family type's mean income and MAR-NC's mean income (labelled "Mean") and 2) the coefficient on a dummy variable for each family type (using MAR-NCs as the omitted dummy) from a cross-section regression of family income on a variety of family characteristics (labelled "Coeff"). Families are ranked in order of annual adjusted income in 1987.

TABLE B
Mean annual income by family type compared with estimated coefficients on family type dummies
(standard errors in parentheses)

	1979		1987	
Family types	Mean	Coeff.	Mean	Coeff
ELDER	-2.30	-1.23	-3.12	-1.29
		(0.27)		(0.28)
FEMALE-C	-2.28	-1.58	-2.97	-1.89
		(0.23)		(0.25)
FEMALE-NC	-0.95	-0.44	-0.97	-0.85
		(0.18)		(0.19)
MAR-C	0	0	0	0
MALE-NC	-0.11	0.05	0.20	0.41
		(0.17)		(0.19)
MAR-NC	1.67	1.68	1.47	1.58
		(0.15)		(0.16)

Source: Authors' computations from CPS tapes.

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