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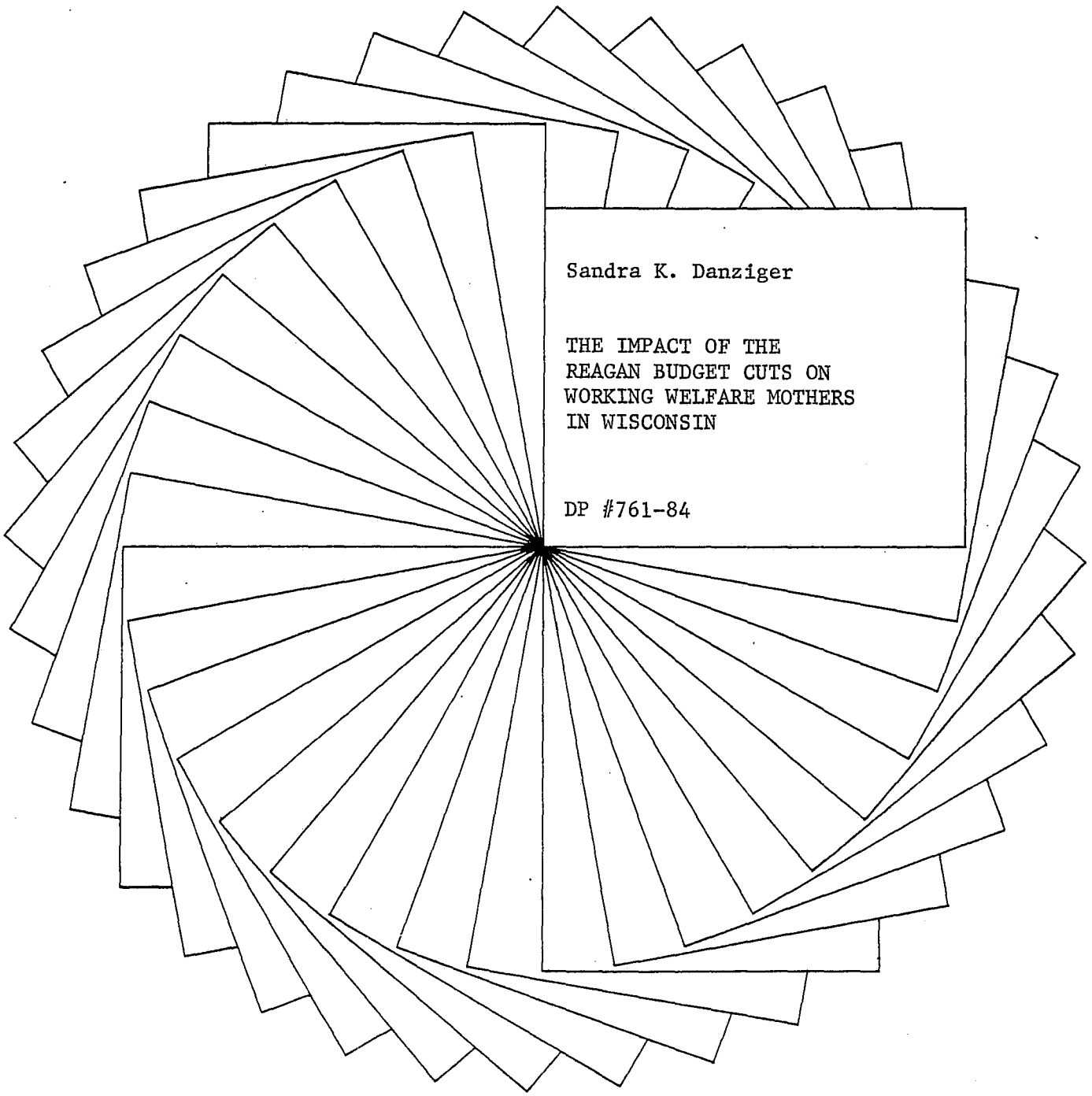

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The Impact of the Reagan Budget Cuts on Working Welfare Mothers in Wisconsin

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Abstract

In contrast to recent U.S. welfare policy under President Reagan, previous administrations had the dual policy objectives of providing incentives to promote work and guaranteeing a minimum level of economic support for women who headed families in the Aid to Families with Dependent Children program. The development of systematic encouragement to work coincided with the rise in female labor force participation. In fact, between 1965 and 1978, the rates of working for welfare mothers rose more steeply than for other groups of single mothers. However, it was this particular group of working welfare recipients that was targeted for major cuts in benefit levels and changes in eligibility rules in Reagan's 1981 budget legislation.

How these cuts in AFDC benefits affected economic and subjective well-being for working welfare mothers is assessed in several ways. The results indicate that whereas in the pre-OBRA period, many poverty-level single mothers may have resorted to supplementing earnings with welfare support, since 1981 they derive less satisfaction and their perceived economic status is unimproved by combining the two sources of support. Only those who are able to stay off the rolls are financially better off and even they experience great economic insecurity, compared to single mothers as a whole. While the trend toward increasing feminization of poverty continues, the options for resolving the economic hardships of women and children have become further constricted.

The Impact of the Reagan Budget Cuts on Working Welfare Mothers in Wisconsin

INTRODUCTION

The Role of Welfare

In the evolution of the welfare system, an ongoing policy debate concerns the role of the AFDC program in reducing or perpetuating poverty among women who head families. Since its 1935 inception, the Aid to Families with Dependent Children program (AFDC) has been viewed as the last resort when no other source of financial support is available to a household unit of a mother and her children (see also Masters, 1981). Prior to 1967, when the Work Incentive program and the earned income disregard were first established, the idea that this "fatherless" family might be economically self-sufficient through the woman's employment was not popularly accepted. On the contrary, welfare mothers of children under 6 years of age were traditionally not encouraged to work, and, from pregnancy until her child reaches age 17, an economically destitute woman (and in some states an unemployed head of a two-parent family) has been eligible for benefits.

The need for increasing the work incentives of poverty-level women with children (and thereby decreasing welfare dependency) became a major policy initiative of welfare reform during the Nixon, and later Carter, administrations. Help in finding jobs, gradual reduction of welfare support as earnings increased, and deductions for child care costs, transportation costs, and other expenses in determining income eligibility were all mechanisms designed to maintain minimum income guarantees

while at the same time making working more attractive to welfare mothers. Although welfare benefits may ease the financial burden, they typically have not been high enough to remove mothers and their children from poverty. Working has been seen as the primary route out of poverty for women.

Promoting work in addition to providing a minimum level of income support thus became a policy objective in the design of AFDC. Because social science research had suggested a link between income maintenance and reduced work effort, a complicated formula was devised to encourage work by making it possible for women to remain eligible for welfare while earning increasing amounts (see for example, Glazer, 1984; Meyer, 1984). The eligibility and benefit structure incorporated a series of income disregards or work incentives that allowed a recipient to retain some portion of earnings before her grant level would be determined. In each state, maximum benefits are calculated for a family having no nonwelfare income, and the actual size of an individual's grant is reduced by the amount of other sources of support (see also Center for Study of Social Policy, 1984). A working woman thus may receive a grant that makes up the difference between her counted income and the maximum eligibility standard. Her disregarded earnings would supplement that income.

The Role of Employment

Not surprisingly, this programmatic encouragement to work was coincidental with the major demographic shift in U.S. female labor force participation. Particularly impressive was the rate at which mothers of young children were entering the job market. Table 1 shows that the group among female heads of households which grew the fastest between

1965 and 1978 was composed of those who report combining welfare benefits with earned income. There was an 118% rise in the number of all female-headed families with children and an increase of 124% among those who worked in the last year. The number receiving welfare increased by 211%, while those who both worked and received welfare rose by 257%.

In 1965, almost two-thirds of all single-parent women worked and just 27% obtained welfare. Less than 10% of all female heads, or about one-third of all welfare recipients, combined work and welfare. In contrast, in 1978 the proportions of single-parent women who worked remained about the same (two-thirds), while the proportion on welfare increased from 27% to 38%. Of those on welfare, close to half were now both working and receiving welfare. While women not receiving welfare were more likely to work in each year (75% in 1965 and 82% in 1978--not in table), the rates of working among welfare mothers rose more steeply than for those not receiving welfare (from 37%--254,000 out of 693,000--to 42%--908,000 out of 2,154,000).

The New Welfare Program

Although a very substantial proportion of welfare mothers work, welfare policy analysts continued to promote additional work incentive programs, even in the face of sparse and conflicting evidence over whether welfare recipients possess as strong a work ethic as other Americans (see, for example, Anderson, 1978, as compared to Goodwin, 1972; 1983).[1] This debate has informed the reform policy of the current administration, but it is based on a markedly contrasting interpretation of the purpose of welfare. The new position advocated by President

Table 1

Changes in Work and Welfare Participation among U.S. Women with Children under 18 Who Head Families, 1965 to 1978

Single Mothers	1965 N[a]	1965 % of all Single Mothers	1978 N[a]	1978 % of all Single Mothers	1965-1978 Growth Rate
All	2617	100%	5703	100%	+118%
All on welfare	693	26.5	2154	37.8	+211%
All working in last year	1698	64.9	3802	66.7	+124%
Combining work and welfare	254	9.7	908	15.9	+257%

[a]N in thousands.

Source: Table adapted from Current Population Survey data in Sheldon Danziger, 1982, based upon self-reported receipt of welfare and earnings over a previous year.

Reagan was that the welfare rolls had expanded too rapidly and had increased dependency, that the "social safety net" had been raised so high that more than the very needy were receiving benefits. Thus, rather than being oriented toward positive inducements to promote work effort, welfare policy since 1981 has been designed to provide only minimal support.

The major portion of the budget cuts legislated in the 1981 Omnibus Budget Reconciliation Act (OBRA) took place in entitlement programs for the poor, chiefly in the AFDC program (see also Meyer, 1984; Glazer, 1984; Center for the Study of Social Policy, 1984). A number of rule changes instituted to reduce costs and caseloads have made it more difficult for women to combine work and welfare. Four major changes impacted on the eligibility rules and benefit levels of working recipients:

- The earned-income disregard of $30-and-one-third of gross earnings prior to benefit calculation was eliminated after four months of consecutive employment. Working recipients now face a statutory 100 percent benefit-reduction rate, in that, after four months, their AFDC benefits are reduced by one dollar for every dollar they earn.

- The size of the $30-and-one-third earned-income disregard was reduced. In the four months that the disregard is now allowed, it is calculated on net rather than gross income, which results in reducing the amount retained by the worker by approximately one-third.

- Maximum allowable deductions were set for work expenses ($75) and child care ($160 per child). Rather than allowing all transportation, day care and uniforms costs, and taxes to be deducted from the earnings amount used for benefit level calculation, this rule standardizes and caps the reimbursement.

- The eligiblity income limit was reduced so that families with gross income (regardless of expenses) above 150 percent of a state's standard of need (a state-determined subsistence income) were made ineligible for benefits.

The presumption here is that if fewer work expenses are allowed, and benefits are reduced dollar-for-dollar as earnings increase, program costs will be cut and people will want to leave welfare. The emphasis shifts from work incentives to welfare disincentives. This policy resulted in directly reducing or terminating the welfare benefits of all working welfare mothers. Women whose job earnings from work were low enough to make them eligible for welfare in the prior period would experience immediate reductions in household income. Those not employed may have been discouraged from seeking jobs because it would not necessarily pay to work at low wage rates if welfare benefits would be so greatly reduced. What had been an important economic strategy utilized by increasing numbers of single-parent families had now become for many of these mothers more of an either/or situation.

MEASURING WELL-BEING

Wisconsin Studies

It is the intent of this paper to compare economic and subjective well-being in single mothers with combined sources of support as compared to women on welfare only or working only. We examine demographic, economic, and selected subjective assessments of well-being in two cross-sections of Wisconsin single mothers at two points in time. In the pre-OBRA period of 1981, we compare perceived quality of life in women in the three work-welfare options. In post-OBRA 1983, we compare the same measures in a different sample of women who were working welfare mothers in 1981 and had their benefits reduced or terminated by the budget cuts. We observe them in 1983 as either (1) remaining on the rolls and continuing to work, or (2) remaining on or returning to the rolls but without jobs, or (3) leaving the rolls. The question to be addressed concerns the extent to which combining the two sources of support is no longer a positive strategy for women.

In the earlier period, it is hypothesized that working welfare mothers were better off than those on welfare only, but that those who worked and did not receive aid had the highest level of well-being. In contrast, it is expected that after OBRA, women who combine work with welfare are <u>not</u> better off than the nonworking recipients. Those able to stay off welfare through employment would still remain relatively high in perceived quality of life. In addition to within-sample comparisons of single mothers in the different work-welfare categories at a point in time, we draw suggestive comparisons of hardship levels and economic status across the two points in time. This second part of the analysis

is partially limited by the extent to which the two samples differ in their personal and socioeconomic circumstances. However, for the OBRA-affected group we have data from earlier administrative records and can document specific changes over time in actual income status. These analyses allow an assessment of the effects of direct income loss generated by the OBRA rule changes for the women and children who comprise the bulk of the working poor.

Data Sources and Measures

To examine these questions, two data sets that focus on Wisconsin's population of single mothers are used. The first, the Wisconsin Basic Needs Study (BNS) was designed to construct new measures of economic well-being (Colasanto, 1980; Colasanto et al., 1984). The survey collects detailed information on the demographic composition, financial situation, and subjective well-being of 1817 households at five points from March 1981 through June 1982. The households were selected to represent a cross-section of the state's population, but several populations of particular policy interest were oversampled. About half of the original sample completed all the interviews. This paper uses data from the second wave telephone interview of the sample of women who headed households with children in residence. The 205 women were surveyed in a pre-OBRA period, May-August 1981. They represent a population of 78,131 single mothers in Wisconsin. The subgroup of 118 who were receiving welfare represent 32,757.[2]

The second data set examines Wisconsin's OBRA-affected women. Telephone interviews from a stratified random sample of women who were receiving AFDC and working as of December 1981 were conducted between

February and May 1983, 14-17 months later. Of those reached by telephone who were eligible for the sample, less than 3% refused to be interviewed. Information was collected on work and welfare experience, living arrangements, marital status, subjective evaluations of the quality of life, and income sources. Additional data were taken from administrative records maintained by the State's welfare agency, Wisconsin Department of Health and Social Services. The sample of 1026 represents the population of 13,172 women who were directly affected by the OBRA cuts of December 1981 and January 1982, i.e., who received letters from the state announcing decreases or a termination of their welfare grants (see also Cole, et al., 1983).

Subjective well-being is measured in both surveys by a 16-item indicator adapted from the specific concerns and global well-being measures in the Delighted-Terrible Quality of Life (QOL) Scale of Andrews and Withey (1976). Because these surveys were telephone interviews, the affective evaluation was elicited on a scale of 1 to 10, as in Figure 1. Because this analysis compares scores of working and nonworking women, the three items on which subjects rate aspects of their jobs and working conditions, items 8-10, have been omitted. Figure 1 provides the list of the remaining 13 items used for this analysis as they appeared in the surveys. The Quality of Life questions have received extensive methodological investigation (Andrews and Withey, 1976; McKennell et al., 1980). Used in a linear additive model, the overall scale tends to be correlated with global life satisfaction; from repeated national surveys, only modest differences in general well-being are reported by different sex, age, racial, income or family groups (Andrews and Withey, 1976: 283-307). Using Cronbach's Alpha as the measure of internal consistency,

Figure 1

Subjective Well-Being Scale, Work Items #8-10 Not Listed

Now I'd like to know how you feel about different parts of your life. For each thing I ask about, please give me a number from one-to-ten to summarize how you feel. Ten is the highest or best rating and one is the lowest rating.

1. First, how do you feel about your life as a whole?

2. How do you feel about your own family life?

3. ..... the extent to which your physical needs are met?

4. ..... yourself, what you are accomplishing and how you handle problems?

5. ..... what our government is doing about the economy, jobs, prices and profits?

6. ..... the amount of fun and enjoyment you have?

7. ..... your standard of living--the things you have like housing, car, furniture, recreation and the like?

11. ..... your (house/apartment)?

12. How do you feel about your health and physical condition?

13. ..... how secure you are financially?

14. ..... what you have to pay for basic necessities such as food, housing, and cleaning?

15. ..... how happy you are?

16. ..... the income you (and your household) have?

Since each item was rated 1-10, the total score is divided by 13 to derive the respondent's mean subjective score. Items 7, 13, and 16 were used to compare perceived economic status across the samples. Items 8-10 were omitted because they were asked only for those respondents who were employed at the time of the interview.

coefficients of .88 in the 1981 single-mothers sample and .89 in the 1983 OBRA-affected sample were obtained for the 13-item scale of subjective well-being utilized here.

The specific economic items, three of the 13 in the scale, however, do discriminate blacks from whites, respondents with low socioeconomic status from high, and nonmarried women with children from people in other family groups. All of the former rate their perceived level of income (Question 16), their financial security (Question 13), and their standard of living (Question 7) relatively low in national surveys (Andrews and Withey, 1976: 290-298). For comparisons of perceived economic status or quality of life in national surveys of single mothers with these two samples, see Appendix A.

RESULTS

Effects of OBRA on Subjective Well-Being

Is the combination of work and welfare a positive strategy? Welfare dependency is generally thought to be associated with relatively low social psychological well-being. This could be because dependency status creates low self-esteem and long-term effects on mobility, achievement, etc.; it is also possible, however, that these traits predict that dependency status and duration of recipiency (Hill and Ponza, 1983; Bane and Ellwood, 1983; Nichols-Casebolt, 1984). Furthermore, dependency on welfare may reflect the lack of quality employment; i.e., it is not known whether a job per se or the type of job one gets more directly affects perceived well-being and status (see also S. K. Danziger, 1981; Berlin and Jones, 1983; Goodwin, 1983; Ritter and Danziger, 1983). While many

studies have suggested the positive benefits of working for women in general, the impact for low-income single-parent women whose choices include public assistance has not been directly addressed (see for example, Ferree, 1976; Rubin, 1976; Nathanson, 1980; Verbrugge, 1983; Wolfe and Haveman, 1983).

Given that welfare recipiency may have negative effects and employment may have positive effects, it was expected that AFDC-dependent women would be lower on perceived well-being than women who are not recipients. In addition, women on AFDC who also work would be expected to report higher general satisfaction than those whose well-being is not enhanced by having a job. In the words of one former welfare administrator, "partial dependency is better than total dependency" (Bernstein, 1984: 145). Support for these differences in the welfare-work groups in perceived well-being is found in part, as provided in the first column of Table 2. In 1981, the mean scores on feelings about various aspects of their lives are lowest for welfare recipients who do not work (5.33), highest for those not on aid (6.24), and in between for women who combine sources of support (5.67).

After OBRA went into effect, those who combined support were heavily penalized and in effect forced to choose between the two options. Although they typically were economically better off than nonworking recipients in that average overall income was higher among the working than the nonworking welfare mothers, the working poor now faced greater economic instability, as reflected in the second column of Table 2. In 1983, among women who had been working recipients in 1981, those that combined sources of support report the lowest mean satisfaction (5.76),

Table 2

Mean Subjective Well-Being Scores[a]
in Pre-OBRA and Post-OBRA Samples
for each Welfare-Work Category

	1981 Single-Mothers Sample[b]	1983 Welfare-Affected Sample[c]
On AFDC and work	5.67 (48)	5.76 (128)
On AFDC, no work	5.33 (70)	5.92 (106)
Off AFDC[d]	6.24 (86)	6.16 (782)
Sample mean and size	5.79 (204)[e]	6.09 (1016)[e]

[a]13-item scale, scored from 1-10, low to high. See Figure 1.

[b]These are women who head households with no spouse present and children under age 18 in residence.

[c]These are women who were unmarried and who worked and received welfare in late 1981. They also had children under age 18 in residence (as a condition of recipiency). The welfare-work categories reflect their 1983 status.

[d]For the 1981 sample, this group reported no AFDC support over the last year. For the 1983 sample, this group had received AFDC in a previous year but was off the rolls at the time of the interview.

[e]Cases with a missing value in the scale were omitted in this analysis.

lower than women who are on welfare but no longer working (5.92), and lower than women who are off AFDC (6.16).

In both years, the differences between the means of the two on-welfare groups does not reach a significant t-value, whereas those who combine have significantly lower scores than those off AFDC. (In 1981 groups, the value is significant at the .05 level; in 1983, at .01 level.) The mean for the on and not-working group in the earlier year is significantly lower (at .001 level) than that for those off welfare. In contrast, in the post-OBRA sample, the mean for the non-working recipients does <u>not</u> significantly differ from those currently off AFDC. Thus, while the rank order of the means suggests support for the hypothesis, the significance levels indicate that being on welfare lowers one's score and that combining work with welfare may not greatly alter the welfare recipient's well-being. Finally, in the post-OBRA group, which contains only former or present welfare recipients, being currently off AFDC is no better than being a recipient who does not work.

Because the subjective well-being scores may also reflect disparate social and economic characteristics of the women in the three groups, a comparison of predicted means is given in Table 3. For this analysis, we regressed the subjective well-being score on the welfare-work status categories and controlled for other factors that may influence subjective well-being. Controlling for income and poverty status, urban (in this case, whether respondent lives in the Milwaukee area), age, race, and whether ever married, the mean score of the women is compared in the three groups. In each group in this table, the predicted values are for a white woman, not living in Milwaukee, who has been previously married and has the average age and average ratio of income to the poverty line

Table 3

Predicted Mean Subjective Well-Being Score
in Pre-OBRA and Post-OBRA Samples

	1981 Single-Mothers Sample[a] N = 203	1983 Welfare-Affected Subsample[a] N = 106
On AFDC and work	5.37	6.39
On AFDC, no work	5.04	6.57
Off AFDC	5.93	6.72

Note: The following variables were in these regressions: woman's age; whether ever married; whether reside in Milwaukee (as urban proxy); race (whether nonwhite); and income/poverty line. This latter is measured by total annual family income (monthly household earnings, cash assistance, all other unemployment, child support, etc. payments x 12) divided by the U.S. Census Bureau's Weighted Average Poverty Threshold for each family size for 1980 (used in 1981) and 1982 (used in 1983). For example, a woman with 2 children whose post-OBRA income was $8000 would be compared with the poverty line for 1982 for a family of 3, $7693. Her income/poverty ratio would be 1.04.

[a]See Table 2 notes for definition of these samples.

in each sample. In the first column of pre-OBRA 1981, we find the highest well-being, 5.93, in those single mothers off welfare, the next in working, welfare mothers 5.37, and the lowest average score, 5.04 for welfare mothers who do not work. Compared to column 1 of Table 2, the rank order is the same.

In the 1983 post-OBRA sample of welfare-affected women, we find that, as in Table 2, the order of groups with lower scores is reversed. Again, for white, previously married non-Milwaukee women of average age and ratio of income to the poverty line, the highest mean score, 6.72, is for those currently off the rolls, the next highest for those unemployed welfare mothers, 6.57. Those who combine work and welfare after OBRA (as they did in 1981) perceived themselves less satisfied, 6.39 on average, than do those who no longer had jobs but had also returned to welfare dependency.

The statistical significance of the differences in predicted scores in Table 3 is comparable to the t-tests reported for Table 2 means. In both time period samples, the predicted well-being of those who combine welfare and work was significantly different from those off AFDC. In the earlier period, other things being equal, welfare recipiency predicts significantly lower subjective well-being; in the later period, only combining work with welfare compared to being off aid lowers well-being. For those receiving AFDC, whether or not one is working does not change predicted well-being in both samples. This result is especially striking given that in both periods, welfare recipients who work typically are economically better off--they have higher income--than those who are totally dependent; those off aid have the highest incomes on average.

In sum, the expected increases in well-being that women may derive from working are not present for women on welfare in either period. While most of the OBRA-affected sample moved away from welfare dependency and may be better off than current recipients, the handicap of welfare for reduced well-being is only present for those who maintain employment. This suggests several possibilities: first, the stigma of returning to welfare may only be experienced by those who kept their jobs, while those who purposely left employment and kept their benefits did not feel stigmatized. Perhaps the women who continue to combine work and welfare have held onto jobs of such meagre quality that they further depress well-being. These women may be experiencing an overload of role obligations. They maintain a work commitment despite the jobs' lack of rewards--i.e., they do not pay enough to remove the women from the rolls.

Hardship Levels before and after OBRA

One particular study done on the effect of the rule changes in Michigan documents the extent of hardship experienced in the first year after working welfare mothers' benefits were cut (Sarri, 1983). Among the 347 women terminated from the rolls who were interviewed, close to 40% had school or delinquency problems with children, over half reported that they ran out of food, over three-quarters ran out of money, over 10% had utilities cut off, and 28% were without medical insurance coverage (Sarri, 1983: Tables 6, 9, 10). One problem with these results is the issue of relative hardship levels and the extent to which such problems are always with the poor. The two Wisconsin surveys covering pre- and post-OBRA allow a rough comparison of the frequency of some of these problems faced by single mothers.

This question requires that the two samples be fairly similar in demographic characteristics and exhibit similar patterns of socioeconomic circumstances. A difference would reflect the changes in the economic situation of single mothers over the 2-year period. In addition to the OBRA rule changes, a factor which may also contribute to increased hardship is the general economic recession over this period.

Table 4 provides the data on demographic and economic status in the two samples. The 1981 columns show characteristics of the total single-mothers group and the subgroup of women who combined welfare and work in particular. The 1983 column shows the status 14-17 months later for the total sample of those who received welfare cuts in 1981, i.e., they had been working welfare mothers in 1981. The samples are in general quite similar, except for the larger percentage of nonwhites in the post-OBRA sample. There is not a major proportion of nonwhites in either sample, however, and, in fact, in the regression analyses reported above (in Table 3), race did not significantly affect general subjective well-being in either sample. This similarity warrants further cross-sample comparisons.

Table 5 presents some indicators of hardship level over the two points in time--outstanding debts, lack of money in the bank, and perceived economic status. In terms of the proportion of the samples who were in debt, greater numbers of the post-OBRA single mothers report outstanding medical, utility, and housing expenses. The greatest difference is the number who have medical debts, from about a fifth of the 1981 group to over one-third of the post-OBRA-affected group. In utility and rent categories, the average amount owed by those who do owe is higher for the 1983 sample. The outstanding utility bills in 1981

Table 4

Pre-OBRA and Post-OBRA Demographic and Economic Status Comparisons of Two Samples

	1981 Single Mothers[a]		1983[a]
	Total N = 204	Subsample on AFDC and Work N = 48	Welfare-Affected Sample N = 1026
Mean age years	31.9	31.8	32.4
% nonwhite	13.7	10.4	19.3
% urban[b]	26.0	20.8	22.5
% never married	17.6	20.8	24.0
Mean # children	1.95	1.88	1.80
Mean total annual family income[b]	9,883	9,819	10,308

[a]See Table 2 notes for definition of the samples.

[b]See Table 3 notes for definition of these variables.

Table 5

Pre-OBRA and Post-OBRA Hardship Levels
in the Two Samples

	1981 Single Mothers[a]		1983[a]
	Total N = 205	Subsample on AFDC and Work N = 48	Welfare-Affected Sample N = 1026
% who owe money last month on:			
Credit cards	34.6	33.3	36.6
Medical bills	17.6	22.9	35.5
Utilities	22.0	29.2	33.3
Rent/housing	0.5	0	6.7
% with no money in a bank account	38	42	27
Mean scores on perceived economic status items:[b]			
Income	5.24	5.10	4.64
Financial security	4.89	4.75	4.11
Standard of living	6.35	6.10	6.12
Mean global subjective well-being[b]	5.79	5.67	5.99

[a]See Table 2 for definition of these samples.

[b]See Figure 1 for definition of these variables.

averaged $190 for the group as a whole and $183 for those combining work and welfare. For the 1983 group, it was $243.

For those who had medical debts, however, the amount owed by those in 1981 was actually higher than for the 1983 sample. The average outstanding medical bill in 1981 was $598 (excluding those with no unpaid bills) for working welfare mothers and $463 for the typical single mother. The women who had experienced welfare cuts and had outstanding medical debts averaged $304. Despite this, a larger proportion of the welfare-cut single mothers in 1983 report having money in the bank than in 1981. Yet, on the three perceived economic status items shown in the lower panel of the table, the post-OBRA sample reports lower scores than either the 1981 sample or subsample.

In general, the comparison across time on hardship levels shows some increases in difficulties for single mothers who were affected by the cuts. However, data are not available on these measures from the same women at two points in time. While the working welfare mothers who were interviewed in the 1981 survey were also interviewed in 1982, the small sample size, 48, is too limited for change analysis.

Data are available for the post-OBRA sample on selected economic status measures at the time the cuts went into effect. In the welfare-affected sample, data from 1981 case records were obtained and matched with 1983 interview data. Table 6 shows changes in work, welfare and food stamp recipiency, earnings and income for the welfare-affected sample, separated into those whose cases were closed and those whose benefits were reduced but not completely terminated. While the overwhelming majority of these women continued working at their jobs and in fact experienced increases in employment earnings, there were major

Table 6

OBRA-Related Changes in 1983 Welfare-Affected Sample

Changes	For Women Whose Cases were Closed N = 622	For Women Whose Grants were Reduced N = 404
% still working at some job 1981-1983[a]	81.8	61.2
% who were not on rolls in any month between OBRA cut and interview[b]	63.1	.01
Average monthly AFDC benefit, 1981[b]	$241	$348
Average monthly AFDC benefit, 1983[a]	$33	$166
% receiving food stamps, 1981[b]	13.4	48.4
% receiving food stamps, 1983[a]	22.1	59.6
Average monthly earnings, 1981[b]	$703	$373
Average monthly earnings, 1983[a]	$739	$410
% change in total annual family income 1981-83[c]	-11.9	-3.3
% point change in poverty rate 1981-83[d]	+17.5	+23.6

[a]Information from self-report on 1983 telephone interview.

[b]Information from case-record data, Wisconsin Division of Health and Social Services Computer Reporting Network.

[c]See Table 3 for definition of this variable. It compares 1981 data from case records with 1983 self-report and adjusts for inflation.

[d]The difference in the percentage who fall below poverty thresholds before and after OBRA, based on total annual family income in 1981 case-record data and 1983 self-report.

decreases in welfare and in overall income. In general, by 1983, working welfare mothers who were hit by the OBRA changes in 1981 experienced an 8% decrease in income and a subsequent 21% increase in poverty.

In sum, both subjective and objective indicators demonstrate that hardship levels have increased for OBRA-affected women. While there are problems in generalizing these pre-post comparisons, this study has the advantage of replicating measures for different samples across the time period as well as some prior data from case records that were matched with later outcomes for the OBRA-affected women. Other studies across the nation are beginning to document similar post-OBRA welfare and work participation rates, but they are even more limited in the samples they follow, and the pre-OBRA baseline information they obtain (Center for the Study of Social Policy, 1984; General Accounting Office, 1984; Research Triangle Institute, 1983; Craig and Moscovice, 1983; Moffitt, 1984).

DISCUSSION AND CONCLUSION: THE LONGER-TERM IMPACT OF OBRA

Working welfare mothers in Wisconsin faced dramatic changes in their economic situation in 1981. Their feelings of well-being and sense of income security appear to have declined. In contrast to working welfare mothers in previous years (who were somewhat better off than unemployed recipients), they perceive themselves as worse off than those who left the rolls and slightly worse off than welfare mothers who do not work. After the cuts, a greater proportion of these women report outstanding debts and lower perceived economic status than their counterparts in previous periods. As a whole, by 1983, the OBRA-affected womens' lives are marked by substantially reduced income and increased poverty levels

(compared to their 1981 status), despite continued commitment to working and probable success at work, judging from overall increases in earnings.

One obvious and direct effect of these changes is the reduction in numbers of women who combine sources of support, if for no other reason than their categorical elimination in the program's structure. Table 7 shows that Wisconsin's welfare participation rates of single mothers was reduced in this period by about 7% (from 33,000 to 30,000, approximately). However, the number who combined the two sources dropped by almost 4000 women, a 26% decrease.

The strategy of partial dependency is not a viable option for maximizing economic well-being for poverty-level single mothers and their children. When faced with this barrier, the Wisconsin women seem to have chosen to struggle along maintaining employment over welfare status. Whereas in the pre-OBRA period, they may have supplemented their earnings with welfare support, despite its minimal effect on subjective well-being (compared to being exclusively welfare-dependent), they now derive even less satisfaction and their perceived economic status is unimproved by combining the two. Only those who are able to stay off the rolls are financially better off and even they experience great economic insecurity, compared to single mothers as a whole. It is important to note here that in repeated national and Wisconsin surveys, women who head households with children score lower on both subjective and objective indices of well-being than do samples of men, married persons, and those without young children, including the elderly. As a whole, they continue to be at the greatest risk of poverty incidence, and in fact, from 1978 to 1982, the national poverty rate for households headed by women with children rose from 43.2 to 48.2%.

Table 7

Changes in Welfare-Work Participation Pre- and Post-OBRA among Wisconsin Sample Who Were Female Heads of Household with Children under Age 18, 1980-1982

	N 1981[a]	% of Single Mothers	% of Welfare Mothers	N 1982[a]	% of Single Mothers	% of Welfare Mothers
Single mothers	78,131	100%		78,131	100%	
On AFDC	32,757	41.9	100%	30,420	38.9	100%
On AFDC and working	14,647	18.8	44.7	10,792	13.8	35.5

Note: From Basic Needs Survey, Wave 2 and Wave 4 samples: represents the population of single mothers who had not changed status of "headship without spouse with at least one child under age 18" since 1980. Within this group, how many were on welfare and how many combined work and welfare at the two points in time is given.

[a]These are the population sizes from weighted sample estimates. The actual number interviewed in each year was 205 single mothers, 118 of whom were AFDC, and 48 of these were on AFDC and working. For further information on weighting procedures, see Colasanto et al., 1984.

While the trend toward increasing feminization of poverty continues, the options for resolving the economic hardships of women and children have become further constricted. It was believed that prior to these major changes in the welfare program, many of these women--perhaps 1/5-1/4 of all single mothers--used AFDC in the same way that workers in other sectors of the labor market use unemployment or disability benefits, as filling the gaps when major interruptions of income occur or as a supplement to low wages and poor job benefits (see also Citizen's League, 1984). The Reagan policy not only removed the option of supplementing earnings and created extra hardship for these women, but also has proved to be detrimental to their sense of economic well-being. Reductions in poverty as well as in welfare dependency might <u>both</u> be possible through other policy alternatives such as the expansion of the quality of employment available to low-income women or an increase in the fathers' contribution of financial support for their children. Public policy may yet develop in these areas (and in child support, this is beginning), but instead of placing the burden of responsibility for women's poverty on other sectors, the current administration moved first to cut costs and caseload sizes and to create excessive burdens directly on those women who were "working their way out of poverty."

In addition to reductions in well-being and increases in their income poverty, many of these families may have also experienced cutbacks in prenatal care benefits, school lunch programs, immunization and abortion services (among others). While an overall evaluation of all program reductions was outside the scope of this study, it is clear that many single mothers--especially those who were working and on welfare--have been victimized by multiple setbacks in their efforts to provide for

their families. The last thing they needed was a greater disincentive to receive minimal supplemental support from the welfare program. Further research will focus on other components of subjective well-being in the pre- and post-OBRA single mothers, and the effects of income, work, and welfare status on, for example, feelings about self and family.

Appendix A

Normative Comparisons of Perceived Economic Status or Quality of Life across Samples of Single Mothers

QOL Items[a]	National Surveys 1972-1973	Wisconsin 1981	1983 Welfare-Affected in Wisconsin
Income	5.64[b] (118)	5.24 (203)	4.64 (1026)
Financial security	5.14[b] (68)	4.89 (202)	4.11 (1024)
Standard of living	6.57[b] (118)	6.36 (202)	6.12 (1026)
Total possible N	186[c]	205	1026

Note: Mean scores and number of respondents who rated each item.

[a]See Figure 1 in text.

[b]This is the comparable score for each item on a 10-point scale. In these surveys, QOL is measured on a 7-point Delighted-Terrible scale. Income mean of 3.95/7 = 5.64/10; Financial security: 3.6/7 = 5.14/10; Standard of living: 4.6/7 = 5.14/10; (Andrews and Withey, 1976: 292-393).

[c]This is the total number of the subgroups across all three surveys. In each survey, this group comprised 5% of the total random sample. Two items were included in two surveys; financial security was only asked once (Andrews and Withey, 1976: 431).

Notes

[1]Some of the difference in opinion on how much AFDC women work stems from different point-in-time estimates. Monthly reports from official case records suggest that of the group receiving benefits in any one month, 15-25% also report receiving earnings to the welfare agency (see 1977 Recipient Characteristics Study, 1980). In contrast, surveys in which women state whether they worked or received welfare over a full year suggest higher rates of combining sources of support. Many women may go on and off the program and work seasonally and/or at temporary jobs, thereby not appearing in the more narrowly defined group of those who receive simultaneously work and AFDC income. Case-record data may represent an underestimate of work effort (to increase benefit levels), whereas self-report surveys may be upwardly biased (respondents may claim higher work effort). For our purposes, data on work effort of non-AFDC single mothers also reflect this upward bias. In the state of Wisconsin, the same degree of discrepancy exists. For the pre-OBRA period of 1979-80, Census data show that over 56% of welfare mothers also work, whereas case-record data suggest that only 20% of recipients have earnings (Nichols-Casebolt, forthcoming; Cole et al., 1983).

[2]The proportion of AFDC recipients in the single-mother sample (BNS data) is higher than the frequency of recipiency in the population, due to oversampling of welfare mothers. Thus, 58% of the sample and 42% of the population of women who head households without spouses and with children in residence report receiving some welfare over the last year. The welfare subgroup was not a residential probability sample, but a

sample of those who responded to requests for participation that were sent to a randomly selected sample from case-record listings.

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