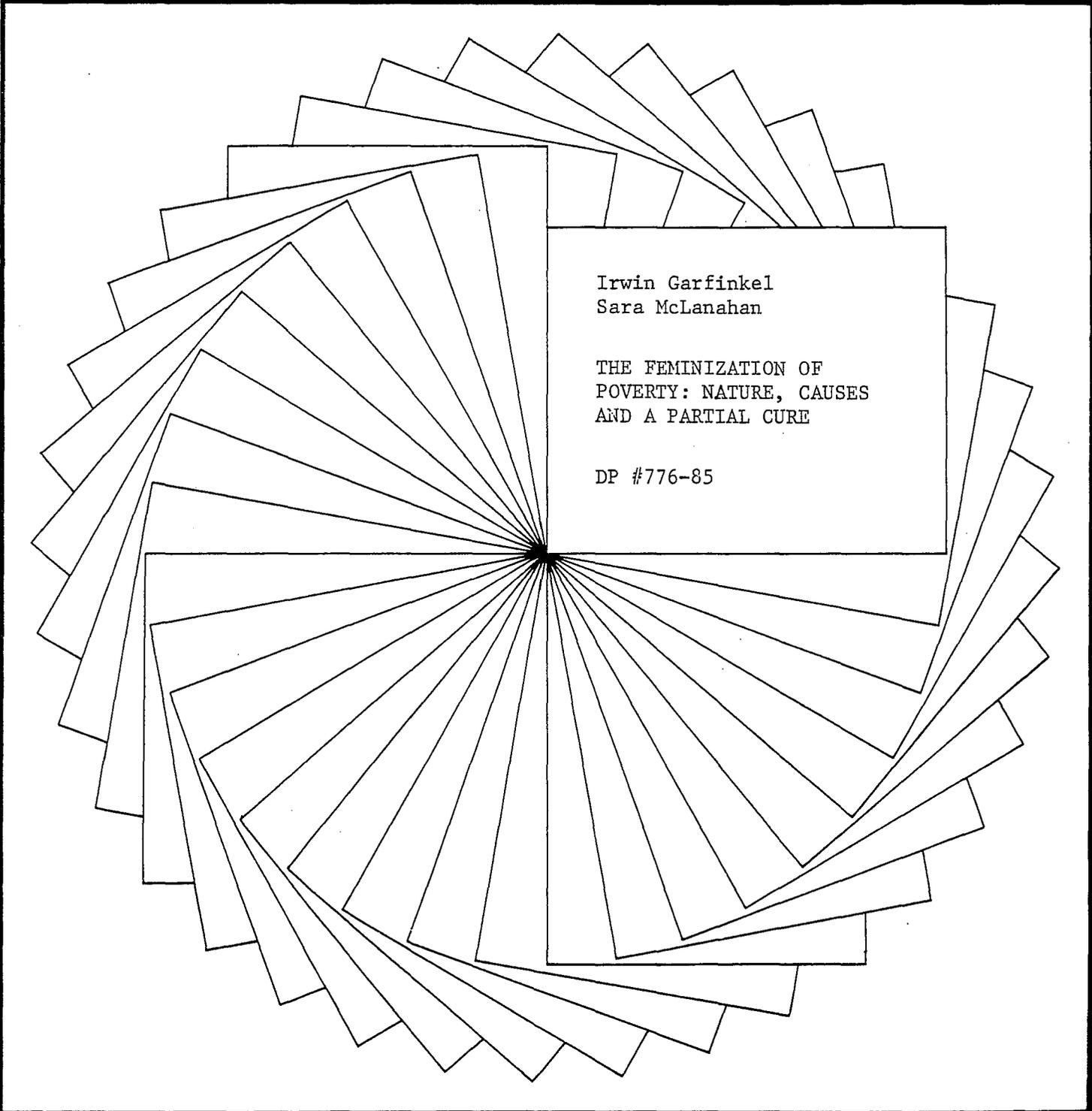

IRP Discussion Papers



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THE FEMINIZATION OF
POVERTY: NATURE, CAUSES
AND A PARTIAL CURE

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The Feminization of Poverty:
Nature, Causes, and a Partial Cure

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Abstract

The proportion of the poor who were women increased rapidly during the 1970s. This phenomenon was termed "the feminization of poverty" and was interpreted by many to mean that the economic condition of women was deteriorating. This paper demonstrates that this was not the case. The feminization of poverty resulted almost equally from the rapid growth in the prevalence of single mothers and from the decline in poverty rates among other groups, such as the aged. Nevertheless, poverty has been and continues to be widespread among female-headed families.

Poverty among single mothers can be attributed to the low earnings capacity of these women, the limited contributions that absent parents make to the households in which their children live, and inadequate public transfers.

One way in which the economic situations of female-headed families can be improved is by adoption of a Child Support Assurance System. Such a system would assure that those who parent children share their income with them; it would collect child support equitably; it would increase the economic well-being of children with a living absent parent; and it would reduce welfare costs and caseloads.

INTRODUCTION

In 1967 52% of the poor consisted of women, both married and single, and children living with single mothers. By 1978, the comparable figure was 63%.¹ This trend has attracted considerable attention in recent years among social scientists as well as the general public and has been labeled "the feminization of poverty." Some analysts have even predicted that if present trends continue "...the poverty population will be composed solely of women and their children by the year 2000."²

Although the term is catchy and the prediction startling, there has been surprisingly little analysis of the underlying nature and causes of the "feminization of poverty." Thus it is not clear whether the trend is due to declines in the standard of living of women (the popular interpretation) or to other causes, such as increases in the relative well-being of other groups or increases in the prevalence of female-headed families. To make the analysis manageable, we focus specifically on poverty among female-headed families with children. Although related, the trends and underlying causes of poverty among aged widows and single women without children are far from identical to those for single mothers. And therefore, a comparable analysis for these other groups would take us well beyond the scope of a single paper.³

We begin in Section I by looking at trends in poverty from 1967 to 1983. We address the following questions: (1) What are the trends underlying the increase in the proportion of the poor who live in female-headed families? (2) To what extent is the increase due to changes in the relative economic status of different groups and to what extent is it due

to shifts in composition? And finally, (3) to what extent are the underlying trends likely to continue so as to produce what some have naively projected--a poor population by the year 2000 which consists entirely of persons living in female-headed families?

The second section of the paper looks at the sources of income of female-headed families and asks to what extent their poverty is due to (1) the low earnings capacity of single mothers, (2) the inadequacy of private child support payments, and/or (3) the inadequacy of public transfers. The third section discusses one potential cure for the feminization of poverty: the adoption of a new Child Support Assurance System.

I. THE FEMINIZATION OF POVERTY

In Table 1, the composition of the poverty population between 1967 to 1983 is broken down into four major demographic groups: female-headed families, two-parent families, the aged, and nonaged individuals without children.

The numbers in Table 1 clearly show that during the late 1960s and early 1970s poverty increasingly became associated with female-headed families. In 1967, 21% of the poor were living in female-headed households with children, whereas by 1978 the number had grown to 36%.

In view of all the attention devoted to the feminization of poverty, what is most striking about Table 1 is the reversal of the trend after 1978. Between 1978 and 1983 the proportion of the poor in female-headed families actually declined from 36% to 32%. Projecting from the more

Table 1

Breakdown of Poverty Population by Household Type, 1967-1983

| | Total Poor (in millions) | Female-Headed Households with Children | Two-Parent Households with Children | Aged Households | Nonaged Households without Children |
|------|--------------------------------|--|--|--------------------|--|
| 1967 | 28.0 | 21.4% | 41.4% | 23.5% | 13.7% |
| 1968 | 25.4 | 24.0 | 39.8 | 22.2 | 13.9 |
| 1969 | 24.4 | 24.7 | 36.8 | 23.7 | 14.8 |
| 1970 | 25.6 | 26.7 | 36.1 | 22.1 | 15.1 |
| 1971 | 25.6 | 27.1 | 36.3 | 20.5 | 16.1 |
| 1972 | 24.5 | 30.0 | 34.7 | 18.7 | 16.6 |
| 1973 | 22.9 | 32.4 | 31.8 | 18.5 | 17.3 |
| 1974 | 20.3 | 32.4 | 34.3 | 16.8 | 16.5 |
| 1975 | 25.9 | 32.0 | 35.9 | 15.4 | 16.7 |
| 1976 | 25.0 | 33.6 | 32.3 | 15.9 | 18.3 |
| 1977 | 24.7 | 34.6 | 31.7 | 15.4 | 18.3 |
| 1978 | 24.5 | 35.6 | 29.8 | 15.7 | 18.8 |
| 1979 | 25.4 | 34.4 | 30.3 | 16.6 | 18.3 |
| 1980 | 29.3 | 33.2 | 33.2 | 15.9 | 17.7 |
| 1981 | 31.8 | 32.8 | 33.1 | 14.8 | 19.3 |
| 1982 | 34.5 | 32.5 | 36.3 | 13.0 | 20.4 |
| 1983 | 35.3 | 31.6 | 35.4 | 13.0 | 19.9 |

Source: Current Population Surveys, 1967-1983. Tables prepared by Christine Ross of Institute for Research on Poverty as background for the conference, "Poverty and Policy-Retrospect and Prospects," Williamsburg, Va., December 1984.

recent trend, we might conclude that somewhere around the year 2025, poverty among single mothers would be extinct. The conflicting predictions suggest that little is gained from looking at and crudely projecting trends in the demographic composition of the poor. If we want to understand what is at the root of the feminization of poverty and how far it is likely to go, we must look at the dynamics behind the shift in composition. This we do in the following section.

A. Trends in Poverty Rates: 1967-1983

Trends in the prevalence of poverty among female-headed families, two-parent families, the aged, and nonaged without children are reported in Figure 1 for the years 1967 through 1983. The prevalence figures are based on the official definition of poverty and include income from cash transfer programs such as AFDC, Social Security, and Disability Insurance.

According to Figure 1, women and children in female-headed families have had the highest poverty rates in the country, at least since 1967. Indeed their lead has widened during the past 15 years. This is not to say that their absolute income position has deteriorated. In 1982, the proportion of single mothers who were poor was a little over 50%, just barely higher than in 1967. Note also that this figure actually declined during the early seventies only to rise again after 1979.

If the proportion of female-headed families who are poor has not increased, why do we observe the "feminization of poverty"? There are two reasons. The first is that while the economic status of single-mother families more or less stood still during this period, the situation of other groups improved substantially. Poverty among the aged dropped by

Poverty Rates for Female-Headed Families,
Two-Parent Families, the Aged, and Non-Aged with No Children
1967-1983

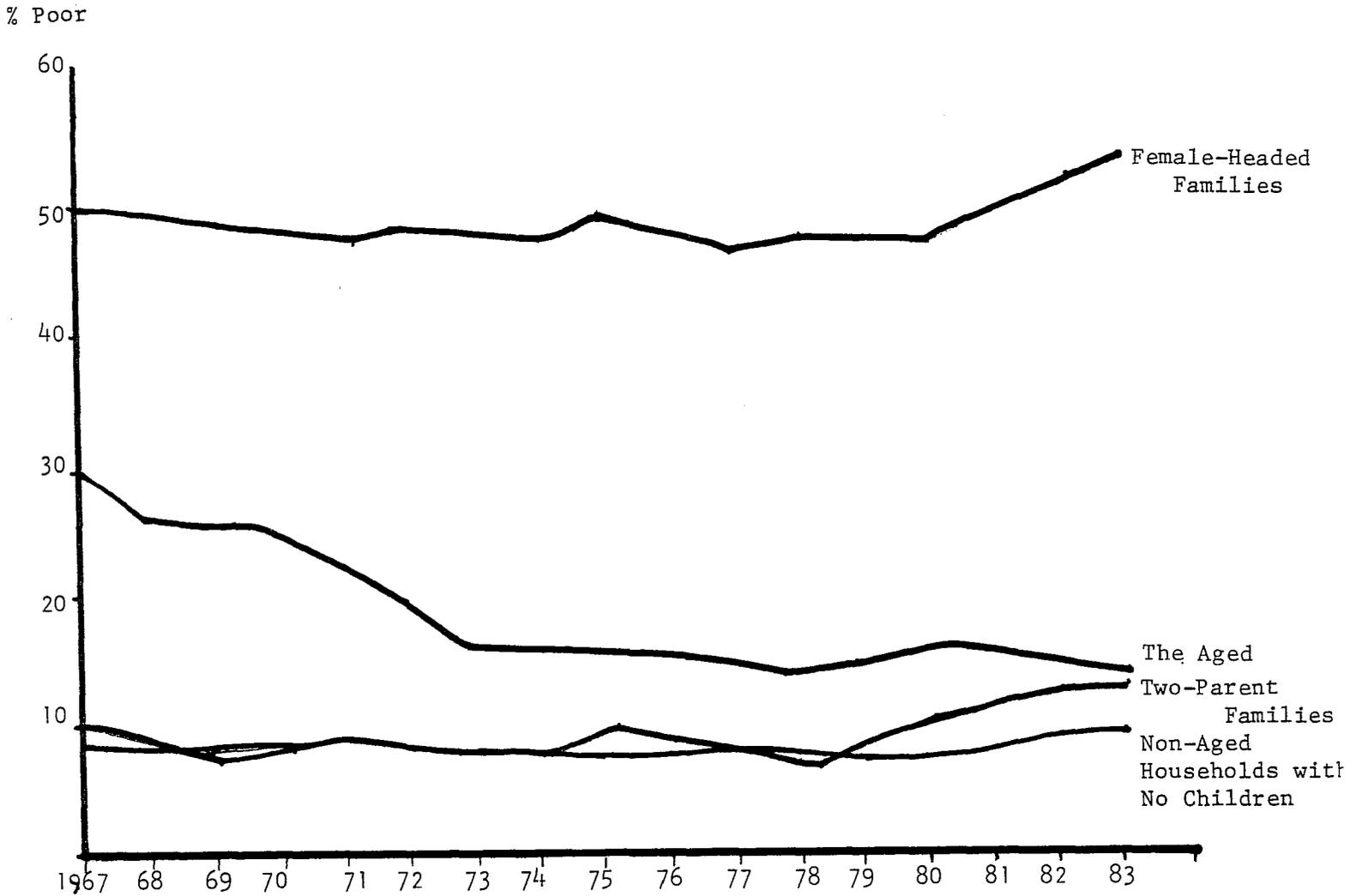


Figure 1

about half between 1967 and 1974 in response to major increases in social security benefits.⁴ Poverty among two-parent families and other groups also declined during the early part of the seventies. It is important to remember that two-parent families are the most numerous group and therefore a 30% decline in poverty for this group means a huge decrease in the absolute number of families in poverty. Figure 1 also indicates that the proportion of two-parent families who are poor have increased sharply after 1979. The 1980-1982 recession appears to be the principal cause. As normal economic growth resumes, most and perhaps all of this reversal may prove to be temporary. In contrast, past experience suggests that economic growth by itself is unlikely to be of much help to female-headed families.

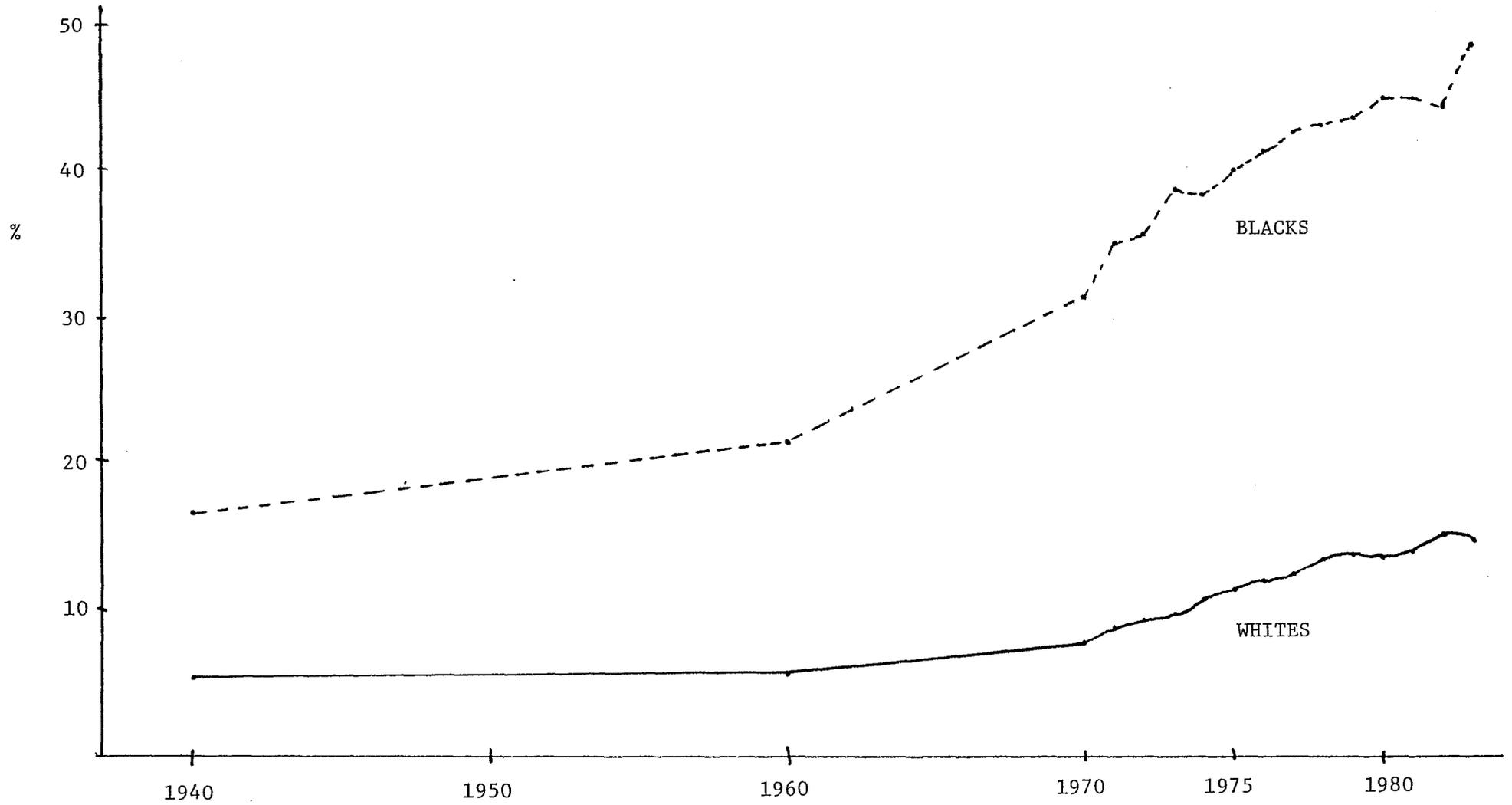
The second reason for the increasing feminization of poverty is the tremendous growth in the prevalence of female-headed families. Figure 2 depicts the proportion of all families headed by women from 1940 through 1983. It shows that the proportion grew dramatically from 1960 through 1979, increasing from 6% to 14% among whites and from 16% to 46% among blacks. [By the late 1970s, however, there is some suggestion that the growth rate in female headship had leveled off.] If the growth ceases or the trend reverses, the prediction that all poverty will be in female-headed families by the year 2000 will obviously not materialize.

A simple decomposition of the shifts in the poverty population suggests that the feminization of poverty between 1967 and 1978 was due to both the decrease in poverty rates among other groups and the increases in prevalence of female-headed families. About half of the

Figure 2

Trends in the Proportion of Families Headed by Females: 1940-1983

(Families with own children less than 18)



increase was due to increased prevalence and about half was due to decreases in the poverty rates of other groups.⁵

Our major findings may be briefly summarized as follows:

- The increasing feminization of poverty which characterized the 1960s and 1970s was reversed by the 1980s.
- Poverty has been and continues to be widespread among female-headed families
- But, the feminization of poverty was not due to an increase in the impoverishment of female-headed families.
- Rather, the feminization of poverty was due almost equally to the rapid growth in the prevalence of single mothers and to the decline in poverty rates among other groups.
- The increase in poverty rates among male-headed families between 1979 and 1983 led to the defeminization of poverty in the 1980s.

II. CAUSES OF POVERTY

In this section we attempt to answer the question of why single-mother families are so poor. This will provide clues for what can be done to reduce or eliminate their poverty, the question addressed in the final section. We begin by looking at the sources of income available to female-headed families and by comparing their incomes to those of two-parent families. We also compare the incomes of different types of single-mother families based on whether the mother is widowed, divorced, separated, or never-married. The comparisons suggest that female householders are poor for three reasons: first because the primary breadwinner (the mother) has relatively low earnings; second, because the contribution of other family members, and in particular the absent father, is

low; and finally, because public transfers to single-mother families, with the exception of widows, are quite meager.

The sources of income for two-parent and female-headed families are reported in Tables 2 and 3 for whites and blacks. The top row in each table contains the average income of different family types and the remaining rows contain a breakdown of specific sources of income.

According to Tables 2 and 3, the average income of two-parent families in 1982 was about 2.5 times as large as the average for female-headed families. Total income was \$30,814 for white two-parent households as compared with \$12,628 for white female-headed households. For blacks, the pattern was much the same, although income levels were lower in all households. The average income for black two-parent families was \$23,913 as compared with \$9,128 for female-headed families.

A. Low Earnings Capacity of Household Head

With the exception of widows, the major source of income for both two-parent and female-headed families is the earnings of the head of household. Approximately 60 to 70% of total income is accounted for by the head's earnings, which suggests that the ability of single mothers to earn income is a critical determinant of their economic status.

When we compare the earnings of female householders with those of the fathers in two-parent families, we find that female breadwinners bring in only 35% as much income as male breadwinners. This discrepancy is due to differences in labor force participation and to differences in wages.

Looking at the rows which report the percentage of single mothers who work, it is clear that female breadwinners work substantially less than

Table 2

Income Receipts of Female-Headed Families in 1982 by Type and Amount

| Whites | Marital Status | | | | | |
|---------------------------|---|--------------------------------------|----------|----------|-----------|------------------|
| | Male-Headed Families with Spouse Present | All Female- Headed Families | Widowed | Divorced | Separated | Never Married |
| <u>Total Cash Income</u> | \$30,814 | \$12,628 | \$17,799 | \$13,845 | \$10,122 | \$7,812 |
| Head's earned income | \$21,932 | \$7,666 | \$5,098 | \$9,556 | \$6,070 | \$4,568 |
| % who report income | 94 | 70 | 54 | 81 | 64 | 52 |
| Mean for those who report | \$23,230 | \$10,866 | \$9,359 | \$11,833 | \$9,475 | \$8,709 |
| Pensions | \$273 | \$119 | \$851 | \$37 | \$30 | \$31 |
| % who report income | 4 | 2 | 15 | 1 | 0.4 | 2 |
| Mean for those who report | \$7,187 | \$5,059 | \$5,613 | \$4,472 | \$5,571 | \$2,885 |
| Other unearned | \$1,609 | \$702 | \$2,878 | \$524 | \$385 | \$258 |
| % who report income | 77 | 47 | 61 | 52 | 40 | 26 |
| Mean for those who report | \$2,049 | \$1,493 | \$4,687 | \$1,004 | \$961 | \$978 |
| Others' earnings | \$6,377 | \$928 | \$2,132 | \$874 | \$755 | \$511 |
| % who report income | 70 | 22 | 41 | 23 | 19 | 8 |
| Mean for those who report | \$9,159 | \$4,283 | \$5,239 | \$3,850 | \$4,072 | \$6,044 |
| Alimony and Child Support | \$227 | \$1,246 | \$174 | \$1,797 | \$1,022 | \$238 |
| % who report income | 13 | 40 | 9 | 55 | 33 | 13 |
| Mean for those who report | \$1,814 | \$3,129 | \$1,968 | \$3,260 | \$3,099 | \$1,763 |
| Social Security | \$289 | \$961 | \$6,493 | \$273 | \$414 | \$369 |
| % who report income | 5 | 15 | 86 | 6 | 7 | 7 |
| Mean for those who report | \$5,843 | \$6,471 | \$7,574 | \$4,306 | \$5,890 | \$5,075 |
| Public Assistance | \$107 | \$1,007 | \$173 | \$784 | \$1,445 | \$1,837 |
| % who report income | 3 | 29 | 9 | 23 | 40 | 53 |
| Mean for those who report | \$3,076 | \$3,430 | \$1,878 | \$3,392 | \$3,608 | \$3,496 |
| Food Stamps | \$67 | \$392 | \$176 | \$299 | \$575 | \$642 |
| % who report income | 7 | 32 | 17 | 26 | 44 | 52 |
| Mean for those who report | \$1,022 | \$1,205 | \$1,056 | \$1,158 | \$1,293 | \$1,205 |

Source: 1983 Current Population Survey.

Note: Total cash income is the sum of all categories shown except food stamps. For some unknown reason this sum differs from the original total variable in the CPS data tape for some groups. The biggest difference is found among the white male-headed households, where our figure is \$220 higher. For black male-headed households the difference is \$50. For female-headed households the differences are either zero or within the margin of rounding error.

Table 3

Income Receipts of Female-Headed Families in 1982 by Type and Amount

| Blacks | Marital Status | | | | | |
|---------------------------|---|--------------------------------------|---------|----------|-----------|------------------|
| | Male-Headed Families with Spouse Present | All Female- Headed Families | Widowed | Divorced | Separated | Never Married |
| <u>Total Cash Income</u> | \$23,913 | \$9,128 | \$9,489 | \$11,187 | \$8,221 | \$8,517 |
| Head's earned income | \$13,508 | \$5,363 | \$2,454 | \$7,660 | \$4,967 | \$4,939 |
| % who report income | 86 | 58 | 34 | 71 | 56 | 56 |
| Mean for those who report | \$15,710 | \$9,276 | \$7,207 | \$10,736 | \$8,825 | \$8,821 |
| Pensions | \$232 | \$93 | \$568 | \$61 | \$79 | \$36 |
| % who report income | 4 | 2 | 9 | 1 | 1 | 1 |
| Mean for those who report | \$5,670 | \$4,946 | \$6,510 | \$4,745 | \$5,571 | \$2,885 |
| Other unearned | \$849 | \$251 | \$367 | \$389 | \$184 | \$196 |
| % who report income | 54 | 25 | 20 | 38 | 23 | 21 |
| Mean for those who report | \$1,559 | \$1,000 | \$1,808 | \$1,027 | \$792 | \$954 |
| Others' earnings | \$8,096 | \$827 | \$1,818 | \$888 | \$511 | \$783 |
| % who report income | 75 | 17 | 34 | 19 | 15 | 13 |
| Mean for those who report | \$10,732 | \$5,002 | \$5,409 | \$4,693 | \$3,328 | \$5,958 |
| Alimony and Child Support | \$253 | \$322 | \$123 | \$613 | \$284 | \$236 |
| % who report income | 13 | 19 | 11 | 28 | 18 | 16 |
| Mean for those who report | \$1,940 | \$1,698 | \$1,145 | \$2,150 | \$1,610 | \$1,431 |
| Social Security | \$639 | \$563 | \$3,207 | \$315 | \$384 | \$328 |
| % who report income | 11 | 15 | 69 | 8 | 12 | 10 |
| Mean for those who report | \$5,743 | \$3,873 | \$4,679 | \$3,734 | \$3,142 | \$3,420 |
| Public Assistance | \$336 | \$1,710 | \$952 | \$1,264 | \$1,813 | \$1,999 |
| % who report income | 12 | 50 | 36 | 34 | 53 | 59 |
| Mean for those who report | \$1,940 | \$1,698 | \$1,145 | \$2,150 | \$1,610 | \$1,431 |
| Food Stamps | \$1,502 | \$863 | \$581 | \$613 | \$1,001 | \$963 |
| % who report income | 15 | 57 | 47 | 43 | 61 | 63 |
| Mean for those who report | \$1,502 | \$1,514 | \$1,241 | \$1,425 | \$1,636 | \$1,514 |

Source: 1983 Current Population Survey.

Note: Total cash income is the sum of all categories shown except food stamps. For some unknown reason this sum differs from the original total variable in the CPS data tape for some groups. The biggest difference is found among the white male-headed households, where our figure is \$220 higher. For black male-headed households the difference is \$50. For female-headed households the differences are either zero or within the margin of rounding error.

males. Labor force participation ranges from a low of 34% for black widows to a high of 81% for white divorcees. The significance of not working is profound. Mary Jo Bane, for example, has shown that less than 10% of single mothers who worked full-time/full-year during the past decade were poor in any given year as compared to over 75% of nonworking mothers.⁶ Note, however, that these findings should not be interpreted to mean that if all single mothers worked full time, only 10% would be poor. To some extent, the apparent advantage of working mothers reflects the selection process that channels women with higher earnings capacity into the labor force and women with lower capacity into the homemaker and welfare status. Isabel Sawhill finds that women on welfare have very low wage rates, and that even if they worked full time, more than half would still earn less than their welfare grant. Another quarter would earn up to \$1000 more than their grant, and only one-quarter would earn over \$1000 more than their grant.⁷ Sawhill's results do not obviate the conclusion that work is important. Rather they suggest that a significant minority of single mothers would remain poor or near poor even if they worked full time.

Why are the wages of female breadwinners so low? In part this is due to the fact that they are women. In general, females who work full time earn less than 60% of what full-time male workers earn, a fact that is attributed both to sex discrimination in the labor market and to sex differences in human capital. In addition, many single mothers are teenagers who have not completed high school and who have very little employment experience. Moreover a substantial portion of older single mothers were teenage mothers in the past. Numerous studies have shown

that early pregnancies have a strong negative effect on earnings capacity and increase the risk of poverty over the life course.⁸

B. Limited Contributions from Absent Parents

A second major cause of low income among female-headed families is the fact that only one parent contributes to the family income. Tables 2 and 3 show that a substantial portion of family income in two-parent households comes from "others' earnings," which measures primarily the earnings of the mother/wife. Wife's earnings account for about 21% of the total income of white two-parent families and for about 34% of the total income of black two-parent families.

In single-mother families, the contribution from the second parent is recorded under child support and alimony.⁹ According to our estimates, payments from the absent father account for about 10% of the income of white single-mother families and for about 3.5% of the income of black single mothers. There is considerable variation in the amount of child support received. White divorced mothers are more likely to receive support and to receive larger payments, whereas never-married mothers receive the least. In no case do child support payments begin to equal the contribution of the second-earner parent in two-parent families.

Why does child support account for such a small share of income? And to what extent should absent fathers contribute more than they do to the family income of single-mother families? Consider the two-parent situation. Parents are obligated by law to support their children. When parents live with their children this obligation is normally met through the course of everyday sharing. When a parent doesn't live with his or

her child, the obligation is supposed to be discharged via private child support, a transfer of income from the noncustodial parent to the custodial parent.

If noncustodial fathers paid a very large portion of their income in child support, the presence of only one adult in the single-mother family would have less dire economic consequences. But it is unrealistic to expect noncustodial fathers to transfer most of their income to children with whom they do not live. Even parents who live with their children do not spend most of their income on the children. And when a family splits, it loses the economies of scale that result from living together in one household. Two homes must be bought or rented, furnished, heated, and maintained, rather than one. Even if all noncustodial fathers paid a reasonable amount of child support, such payments would not compensate fully for the economic contribution of a father in the house. Unfortunately, most noncustodial fathers do not pay reasonable amounts of child support.

National data on child support awards and payments indicate that only about 60% of the women with children potentially eligible for child support even have an award. Of those with an award, only half receive the full amount due. Nearly 30% receive nothing. Furthermore, even when ability to pay child support is held constant, the award amounts vary dramatically. Some children are well provided for; others get nothing.¹⁰

Exactly what share of the cost of raising the child should be borne by the absent father depends, of course, on value judgments. To get an idea of what the poverty status of single-mother families (excluding widows) would be if the noncustodial father bore a bigger share, we

simulated the effect of collecting child support equal to 17% of the absent father's income for one child, 25% of his income for two children, 29% for three children, 31% for four children, and 33% for five or more children. Our estimates indicate that the poverty gap--the difference between the incomes of poor single-mother families and the amount of money they would need to reach the poverty level--would be reduced by 27%, all else being equal. Of course, additional payments might also result in behavioral changes that further reduced the poverty gap. For example, by providing a stable source of income that is not means-tested, child support might help a welfare mother to obtain a job, gain work experience, and eventually work her way out of poverty.

C. Inadequate Public Transfers

A final cause of low income in female-headed families is the relatively meager transfer benefits that we give to single mothers and their children. By comparing public transfer benefits available to widows with those available to families headed by divorced, separated and never-married mothers, the inadequacy of the latter becomes starkly obvious. Since 1939, all single-mother families have been eligible for cash welfare assistance under the Aid to Families with Dependent Children (AFDC) program. Since 1938, widows and their children also have been eligible for benefits from the Survivors Insurance (SI) program. Only poor single-mother families are eligible for AFDC. Widowed single-mother families from all income classes are eligible for SI. Whereas 51% of all female-headed families are poor, only 34% of widowed families with children are in such financial straits. The difference is in large part

directly traceable to the difference between SI and AFDC. To see this we return to Tables 2 and 3 again. Note that white widows are far better off than any other single-parent group. Not, however, because they earn more. Whereas all other groups get well over half of their income from earnings, white widows get only 29% of their income from work. The big difference is that white widows get 36% of their income from Social Security. The average white widow in 1983 received \$6500 in SI benefits. Without this income, the proportion of white widows who were poor would have been much closer to that of the other groups. Table 2 indicates that subtracting the \$6500 in Social Security income from the nearly \$17,800 total income of widows would leave them with only \$11,300: less than divorced women, about equal to black divorced women and barely more than separated and never-married women. (Of course, if widows did not receive the Survivors Insurance benefits, they would work and earn more.)

Welfare plays a much smaller role for nonwidowed female heads than Survivors Insurance plays for widowed heads. First the proportion of all widows who receive Survivors Insurance is much larger than the proportion of other female heads who receive welfare. As Tables 2 and 3 indicate, nearly 90% of all white widows and 70% of all black widows receive Survivors Insurance. Only 23 and 34% of white and black divorced women receive welfare, and the proportion for separated and never-married whites and blacks ranges from 40 to 59%. Second, the average level of benefits in Survivors Insurance is more than double the average level of welfare benefits.

Benefits for divorced, separated, and never-married mothers and their children could be made more similar to benefits to widows either by

substantially increasing benefit levels, or by making benefits available to single mothers of all income classes, or by doing both. Increasing benefit levels would be consistent with a policy decision to enable poor single mothers to stay home and raise their children. Making benefits available to single mothers without income limits would be consistent with a policy decision of expecting poor single mothers to work and of supplementing their earnings.

By drastically reducing benefits as earnings increase, welfare programs replace rather than supplement earnings. Even when the AFDC program contained work-incentive provisions, as it did between 1967 and 1982, the gains from working were slight. After deductions for work-related expenses, families lost 66 cents in AFDC for each dollar earned. In addition, they lost about 25 cents in Food Stamps benefits. If they lived in public housing their rents increased. And if they were fortunate enough to be able to earn enough to leave welfare, they faced the prospect of losing a very valuable health insurance policy in the form of Medicaid. In short, from the perspective of poor single mothers who contemplate working, what welfare programs give with one hand, they take away with the other. The consequence is that female heads with low earnings are faced with an all-or-nothing situation: become dependent on welfare or work full time and achieve a marginally better economic position--assuming a full-time job and suitable child care can be found. With sub-poverty benefit levels, either choice leads to poverty or near poverty. Under these circumstances, it is not surprising that a large minority of poor single mothers do not work and remain poor and on welfare.

III. A PARTIAL SOLUTION TO POVERTY IN FEMALE-HEADED FAMILIES

In the last section we saw that the poverty of female-headed families is due to low earnings capacity of the mothers, limited contributions from absent parents, and inadequate public transfers. Increasing the earnings capacity of single mothers will require a multi-faceted approach including changes in socialization of women and men, reductions in labor market discrimination against women, and reductions in early childbirth. A separate paper could easily be drafted to analyze the potential effectiveness of each of these strategies. We make no attempt here to even address the complex issues that would be raised by such an evaluation. Our purpose is more modest. We suggest that adoption of a new Child Support Assurance System would simultaneously increase the incomes and reduce the dependence of female-headed families.

Under the program all parents who live apart from their children would be liable for a child support tax. The child support tax base would be gross income. The tax rate would be proportional and depend upon the number of children owed support. For example, the tax rate might be 17% for one child, 25% for two children, and 30% for three or more children. The child support tax would be collected through a wage withholding system, like payroll and income taxes. All children with a living absent parent would be entitled to a child support benefit equal to the child support tax paid by the absent parent or a socially insured minimum benefit. In cases where the absent parent pays less than the minimum, the difference would be financed out of general revenues now devoted to the AFDC program.¹¹ Finally, in cases where the absent parent

pays less than the minimum, the custodial parent would be subject to a surtax up to the amount of the public subsidy. The surtax rate would be one-half the tax rate of the absent parent.

The new Child Support Assurance System would achieve the objectives of (1) assuring that those who parent children share their income with them; (2) establishing and collecting child support equitably and efficiently; (3) increasing the economic well-being of children with a living absent parent; while (4) simultaneously reducing welfare costs and caseloads. How much would a child support program cost? And how much would it reduce poverty and welfare dependence?

Both the benefits and the costs of a Child Support Assurance Program would depend upon the level of the minimum benefit, the tax rates on non-custodial and custodial parents, and the effectiveness of child support collections. In Table 4 estimates of net savings or costs and reductions in poverty and AFDC caseloads are presented for programs with four different minimum benefit levels. The minimum benefits for the first child range from \$2000 to \$3500. Minimum benefits for the second, third, fourth, fifth, and sixth child respectively are \$1500, \$1000, \$500, \$500, and \$500. The tax rates for noncustodial parents are 17% for one child, 25% for two children, 29% for three children, 31% for four children, 32% for five children, and 33% for six or more children. Tax rates for custodial parents are equal to one-half those for noncustodial parents.

The estimates in Table 4 are for all children potentially eligible for child support including those in remarried, two-parent families.¹² The estimates in the top panel assume 100% collection effectiveness. The

Table 4

Estimated Costs or Savings and Effects on Poverty
and AFDC Caseloads of Alternative Child Support
Assurance Programs in 1983 Dollars

| Minimum Benefit Level for First Child | Net Savings or Costs (billions) | Reduction in Poverty Gap | Reduction in AFDC Caseloads |
|---|---------------------------------------|--------------------------------|-----------------------------------|
| 100% collection effectiveness | | | |
| \$2000 | \$2.37 | 39% | 48% |
| 2500 | 1.72 | 43 | 54 |
| 3000 | 0.87 | 48 | 59 |
| 3500 | -0.18 | 53 | 64 |
| 80% collection effectiveness | | | |
| \$2500 | \$0.59 | 40% | 49% |
| 3000 | -0.33 | 45 | 56 |
| 70% collection effectiveness | | | |
| \$2500 | \$-0.06 | 38% | 48% |
| 3000 | -1.83 | 43 | 54 |

NOTE: The estimates are derived from the 1979 Current Population Survey-Child Support Supplement (CPS-CSS). The CPS-CSS is a match file which contains data from both the March annual demographic and income survey and the April 1979 child support supplement. On the basis of the March survey, 3,547 women who were eligible to receive child support were identified and interviewed in April. In order to estimate savings per costs and reductions in poverty and AFDC caseloads, it was necessary to impute incomes of noncustodial parents. Estimates of the noncustodial fathers' income are derived from regressions relating wives' characteristics to husbands' incomes. For a more detailed description of the data and methodology, see Donald Oellerich and Irwin Garfinkel, "Distributional Impacts of Existing and Alternative Child Support Systems," Policy Studies Journal, 12(1) (Sept. 1983): 119-129.

most striking finding is that if we collect 100% of the non-custodial parents' child support obligation, three of the four Child Support Assurance programs would actually save money. That is, the extra dollars paid out under the new program would be more than offset by increased child support collections and consequent reductions in welfare expenditures. Even the most generous plan costs less than a quarter of a billion dollars.

At the same time, all the programs would reduce the poverty gap (the difference between the income of a poor family and the income the family would need to reach the poverty line) and the number of families on welfare. The reductions in the poverty gap for families eligible for child support are quite large--ranging from a low of 39% to a high of 53%. Similarly, reductions in welfare caseloads are very large, ranging from 48 to 64%.¹³ In short, all of the programs would substantially reduce poverty and welfare dependence, and three of four would actually save money.

No matter how efficient the collection system is, less than 100% of potential revenue will be collected. Consequently, the second and third panels in Table 4 present estimates of the effects of the two middle plans if we collected only 80% and 70% respectively of the noncustodial parents' child support obligation. If we collected only 80% of potential revenue, the \$2500 minimum benefit plan would still save \$.59 billion. But the \$3000 minimum benefit plan instead of saving \$.87 billion (with 100% collection) costs an additional \$.33 billion. If we collect only

70% of potential revenue, both plans cost more, though the extra cost of the \$2500 plan is very small. Note also that collecting less than 100% of the noncustodial parent obligation also reduces the effectiveness of a child support program in reducing poverty and welfare dependence. The effects are not so large as on costs, however, because for poor families the minimum benefit makes up for most of the loss in private child support.

SUMMARY AND CONCLUSION

The term "feminization of poverty" has helped to draw attention to the serious plight of single-mother families. No other major demographic group has such a large proportion of its members who are poor and no other group experienced so little economic progress during the late 1960s and the 1970s. But the feminization of poverty has mistakenly led some to believe that the composition of the poor became increasingly female because single-mother families were becoming increasingly impoverished. Quite the contrary. The proportion of single mother families who were poor was declining throughout the period that poverty was becoming increasingly feminized. Rather the proportion of the poor in single mother families increased between 1967 and 1978 because the prevalence of such families increased dramatically during this period and because other groups, especially the aged, were lifted out of poverty. When the poverty rates of other groups increased in the 1979-1983 period, poverty became defeminized. But this does not mean that poverty became a less serious problem for single-mother families.

Analyzing the poverty rates and causes of poverty among single-mother families is more fruitful and informative than analyzing the increases or decreases in the proportion of the poor who are female. Poverty among single-mother families is widespread because they have low earnings capacity, receive limited contributions from absent parents, and get inadequate public transfers. Due to differences in socialization and discrimination, women on average earn only 60% as much per hour worked as men. About three-fourths of the single mothers on welfare--a large minority of all single mothers--can earn no more or just barely more than they receive in welfare. Four out of ten women with children eligible for child support have no awards. Of those with awards, only 50% receive the full amount due them, while 28% receive nothing. In all, over half of the women with children potentially eligible for support receive none. Finally, the welfare system provides near-poverty-level benefits that are reduced drastically in response to earnings increases. The consequence is that poor single mothers are faced with the all-or-nothing choice of relying upon welfare or working full time for a marginal economic gain. Either way they will remain poor.

If we expect poor single mothers to work and wish to increase their incomes to above poverty levels, we must invent a program that, unlike welfare, will supplement rather than replace earnings. A new Child Support Assurance System would both increase contributions from absent parents and restructure public transfers so that they supplemented rather than replaced the earnings of single mothers. As such, it directly affects the second two causes of poverty. Legislating a child support

standard and with-holding the obligation from wages and other sources of income would substantially increase private child support payments from noncustodial parents. Assuring that the child receives the higher of either what the noncustodial parent pays or a socially insured minimum benefit will enable single mothers with low earnings capacity to combine child support benefits with modest earnings to remove them from welfare and lift them out of poverty.

Notes

¹For 1967 and 1978, the figures are from U.S. Department of Commerce, Current Population Reports, Series P-60, No. 124, "Characteristics of the Population Below the Poverty Level 1978," Table 1.

The 1983 figures are from U.S. Department of Commerce, Current Population Reports, Series P-60, No. 145. "Money Income and Poverty Status of Families and Persons in the United States: 1983," Table 15.

In arriving at the number of females in poor male-headed households, the assumptions are made that all male heads are married with wife present and that there is no other adult female in the family. These two assumptions have opposite effects on the estimation. We use the total number of individuals in female-headed households rather than just the female head and her children.

²National Advisory Council on Economic Opportunity, 12th Report: Critical Choices for the 1980s (Washington D.C.: (August 1980) pp. 7-19.

³By restricting our attention to trends in female-headed families with children, we ignore sex difference in poverty among the aged and nonaged individuals without children.

⁴The numbers reported in Figure 1 are based on the official definition of poverty which counts only the cash income of families. Since a large proportion of female heads receive noncash benefits in the form of food stamps, medical assistance, and housing subsidies, many people have argued that the official definition underestimates the true economic position of single mothers as well as the improvements in their standard of living which have occurred during the past decade. If the value of in-

kind benefits is counted, the overall decline in poverty between 1967 and 1979 is greater than figure 1 suggests, and the proportion of female-headed families that are poor in 1983 is lower. Nevertheless, female-headed families remain much poorer than all other groups. The Census Bureau estimates that in 1983, depending upon how in-kind benefits are valued, the proportion of female-headed families classified as poor ranges from 29 to 41%. Even the lower estimate implies that more than one of every four families is poor, a proportion that far exceeds the rates for the aged (2.5 to 6.0%) or for two-parent households (15 to 18%). In short, no matter how poverty is measured, no other group has such a large proportion of its members who are poor and no other group has experienced less economic improvement from the late 1969s to the late 1970s.

⁵Between 1967 and 1978 the proportion of the poor living in single-mother families increased from 21 to 36%. If the 1978 poverty rates of the four groups had been the same as they were in 1967, but the prevalence of each group changed as it actually did, 28% of the poor would have lived in female-headed families in 1979. Similarly, had the 1979 prevalence of each group been the same as the 1967 prevalence, but the poverty rates changed as they actually did, then 28% of the poor would have lived in single-mother families.

⁶M. J. Bane, unpublished manuscript, Harvard University, Cambridge, Mass., 1984.

⁷Isabel Sawhill, "Discrimination and Poverty among Women Who Head Families," Signs, Part 2 (Spring, 1976): pp. 201-212.

⁸Richard F. Werthheimer and Kristin Moore, "Teenage Childbearing: Public Sector Costs," Final Report to Center of Population Research, National Institutes of Child Health and Human Development, (Washington, D.C.: DHHS, 1982); Kristin Moore and Martha Burt, Private Crisis, Public Cost: Policy Perspectives on Teenage Childbearing, (Washington, D.C.: The Urban Institute Press, 1982); Sandra Holferth and Kristin Moore, "Early Childbearing and Late Economic Well-Being," American Sociological Review 44 (October, 1982): 784-815, Frank Furstenberg, Jr., Unplanned Parenthood: The Social Consequences of Teenage Childbearing, (New York: Free Press, 1976).

⁹We should note that some widows receive child support because of a marriage prior to the one that ended in widowhood.

¹⁰Annemette Sørensen and Maurice MacDonald, "An Analysis of Child Support Transfers," in The Parental Child Support Obligation, edited by Judith Cassetty (Lexington, Mass.: Lexington Books, 1983), pp. 35-58; and Tom McDonald, James Moran, and Irwin Garfinkel, Wisconsin Study of Absent Fathers Ability to Pay Child Support, Institute for Research on Poverty Special Report #34, Madison, Wis., 1983.

¹¹A few words about the rationale for three major features of this new system are warranted. First, why establish child support obligations by legislation rather than judicial discretion? The principal argument is that because of the large financial obligation already borne by the state, the apportionment of support for poor children among the custodial parent, the absent parent, and the public is more appropriately a legislative function. Moreover, a legislated formula would reduce inequity. Finally, the use of courts is too costly to society and the fami-

lies affected. Second, why use general revenues to supplement inadequate child support payments from absent parents? The answer is that doing so will insure children against the risk that their noncustodial parent's income declines or is permanently low and will also reduce welfare costs and caseloads. Third, why treat child support as a tax and use the withholding system in all cases? Because wage withholding is the most effective collection tool we have, and effective and efficient collection of child support is essential.

¹²About one-third of children eligible for child support live in two-parent families.

¹³The welfare caseload reductions are too high because they are based on annual data, whereas eligibility is based on monthly income. On the other hand, they are too low because they do not take account of the increases in work that would result from the improved incentives of a Child Support Assurance program.