

Income and Expenses of Families That Stayed Off Welfare

Background

Many families leave welfare (Aid to Families With Dependent Children - AFDC), but only about one-third are able to successfully stay off welfare for several years. The **Family Income Study** found that 36 percent of the women who received welfare in 1988 left and remained off through 1992.

This analysis examines **actual monthly income and expenses** for families that left and successfully stayed off AFDC for at least three consecutive years, during 1988-1992. It also examines the relationship of marital status to staying off welfare. All amounts were adjusted to 1994 dollars using the Consumer Price Index. This paper addresses:

- The sources of household **income**.ⁱ
- Household **expenses**ⁱⁱ as a percentage of income.
- Differences in income and expenses between families of **unmarried**ⁱⁱⁱ and **married** women who left and stayed off welfare for three years.
- Differences between **actual monthly expenses** and **estimated monthly expenses** from the federal poverty guideline and the Washington Need Standard.

Role of Marital Status

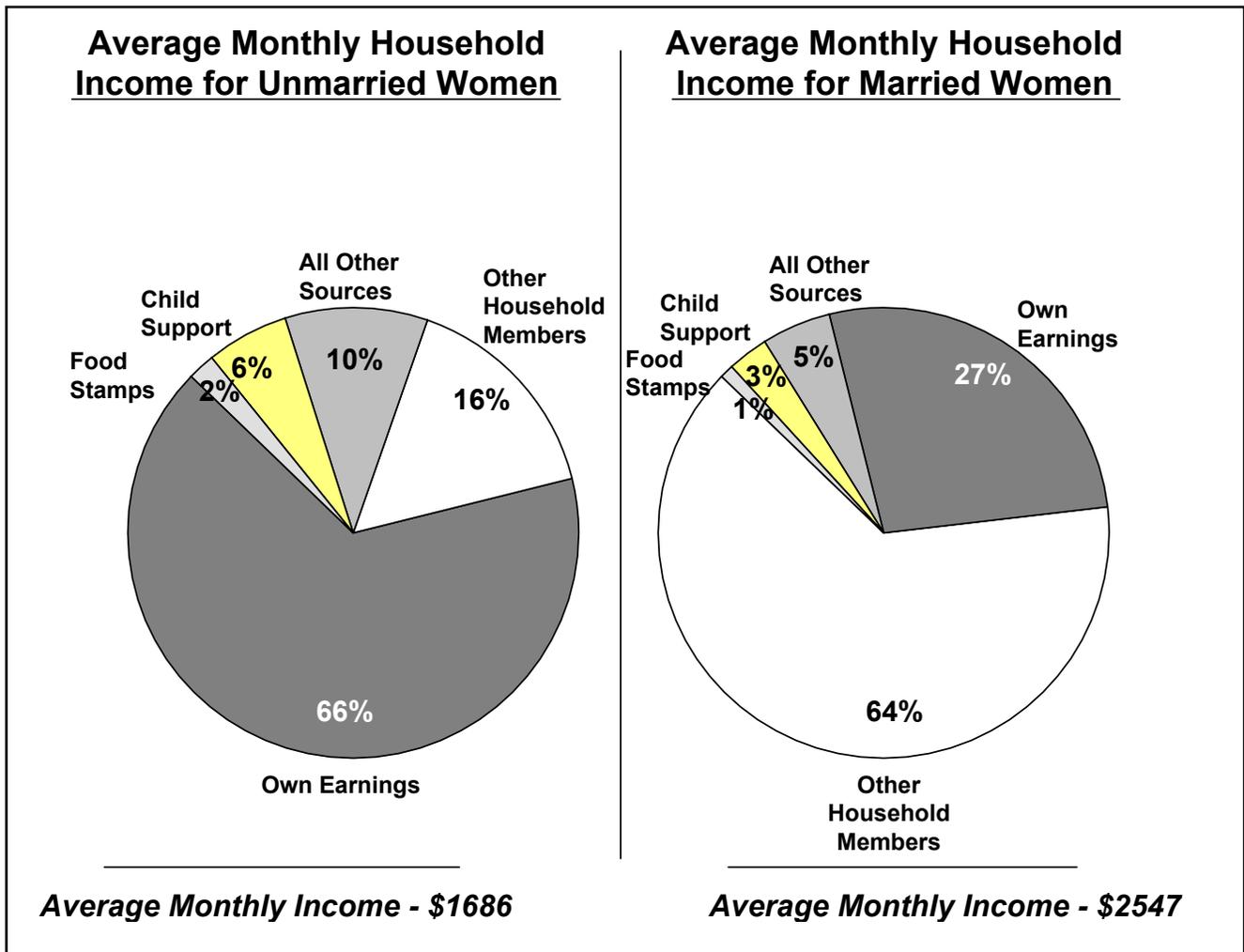
In 1988, the welfare caseload in Washington consisted mostly of households of **unmarried** women with children (82 percent). Most of the families that stayed off welfare for at least three years were also households of **unmarried** women with children (76 percent).

- **Unmarried** women received welfare for a longer time--**23** months compared to **14** months for **married** women.
- **Unmarried** women had more recent work experience--a median of **12** months in the previous year compared to **8** months for **married** women.
- **Unmarried** women who worked, worked more hours per week--an average of **35** hours compared to **24** hours for married women.
- **Unmarried** women had older children in their households--the median age of the youngest child was **7** years compared to **5** years for families of **married** women.

Family Income Study Findings

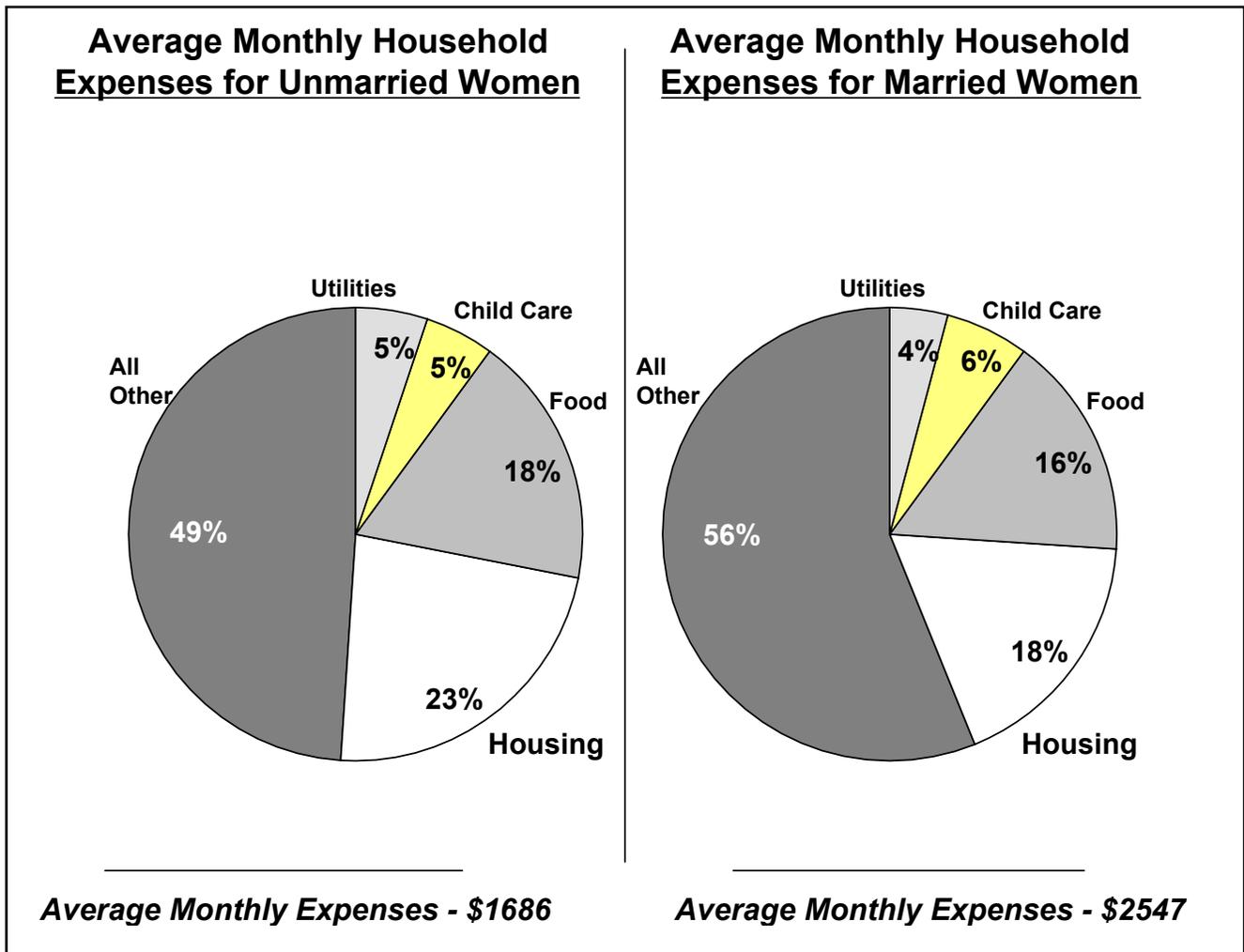
- The average monthly pre-tax income of **unmarried** women with children, who stayed off welfare for three years, was \$1,686, compared to \$2,547 for **married** women. (Chart 1)
- **Unmarried** women were more reliant on their own income--66 percent of the household income came from the women's own earnings, compared to 27 percent of the household income for **married** women. (Chart 1)

Chart 1



- **Unmarried** women spent 41 percent of their average monthly household expenses for housing and food, compared to 34 percent for **married** women. (Chart 2)
- The average monthly child care expenses were relatively low for both **married** and **unmarried** women's households, because **many families reported no expenses**--64 percent of unmarried mothers and 47 percent of married mothers had **no** out-of-pocket child care expenses. (Chart 2)

Chart 2



However, of those families who **did** pay out-of-pocket for child care, married women paid an average of \$295 (12 percent of monthly expenses) and unmarried women paid an average of \$271 (14 percent of monthly expenses) per month.

Discussion

This analysis shows that a spouse's earnings adds greatly to household income; however, only one fourth (24 percent) of households that stayed off welfare for three years consisted of married women. Most women who stayed off welfare were unmarried (76 percent), and relied primarily on their own earnings.

This analysis also found that average monthly expenses of households that stayed off welfare for at least three years were **less** than estimated (in the federal poverty guideline and the Washington Need Standard). Many women purchased goods and services, such as housing and food, at lower than average market price. The average monthly expense for *housing*, for **unmarried** women with children who stayed off welfare for at least three years, was \$389, or **23** percent of income. The average monthly expense for *food*, for **unmarried** women with children, was \$296, or **18** percent of income.

In comparison, the Washington Need Standard estimated \$458 per month for housing, for an unmarried woman with two children, or 39 percent of the total estimated income, and \$325 per month for food, or 28 percent of the total estimated income needed for a family of three in 1994.

Child care expenses present a more complex picture. The average monthly expense for child care was relatively low because many families had **no** out-of-pocket child care expenses. Many households used informal, unpaid child care, and some households received child care subsidies, and thus never actually "paid" for child care directly.^{iv} Also, the median ages of the youngest children in the households that stayed off welfare were of school age. **However, the families who did pay for child care paid a larger percent of their monthly expenses--between 12 and 14 percent.**

If you have any questions, please call Carol Webster or Greg Weeks at the Institute.

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ⁱ **Income** is the pre-tax income for the family. Income sources are grouped into four major categories: earnings from the woman, formerly on welfare; income from other household members, most frequently husbands, but also from relatives or roommates; food stamps; and child support payments. The remaining category, "all other sources," included a wide range of other smaller sources, such as financial gifts from family members.

ⁱⁱ **Expenses** are the actual expenses in four major categories: housing, food, utilities, and child care. The remaining category, "all other," includes all other expenses, such as combined expenses for transportation, clothing, health care, entertainment, and savings.

ⁱⁱⁱ **Unmarried** women were never married, or were separated, divorced, or widowed.

^{iv} It should be noted that the women who left and stayed off welfare during the 1988-1992 Study period would have left welfare before child care subsidies changed. By 1991, the federal Family Support Act had been implemented in Washington, and one year of transitional child care benefits, for AFDC recipients who left welfare for a job, were added.