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Single Mothers, Low Income and Women's Economic Risks. The Cases of Sweden, West Germany and the United States

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Single Mothers, Low Income and Women's Economic Risks. The Cases of Sweden, West Germany and the United States

Annemette Sorenson

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SINGLE MOTHERS, LOW INCOME, AND WOMEN'S ECONOMIC RISKS.
The cases of Sweden, West Germany and the United States.

by

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INTRODUCTION

The increase in women's labor force participation and the improvement in women's wages in the period since World War II in all Western industrial societies, dramatically have improved women's capacity to support a family on their own. Nonetheless, the economic position of single mothers remains precarious. Understanding how and why single mothers in most countries still are finding it difficult to support their families is important for several reasons. First, living alone with children is a major reason for poverty among women and the major reason for women's over-representation among the poor. Second, while few women may be single mothers at any given point in time, a relatively high proportion can expect to be so at some time in their adult life, and many children can expect to live alone with their mother for some years. All women and children are economically vulnerable. Third, the solution to the economic woes which continue to face single mother households clearly depends on an accurate understanding of the causes of their plight.

Researchers on both sides of the Atlantic typically describe the low income of single mother households as resulting from a combination of low household income, low private transfers,- in particular insufficient or lacking child support from the father of the children, and meager, inadequate public transfers (Garfinkel and McLanahan 1986; Hauser and Fischer 1985; Rainwater, Rein and Schwartz 1986). This no doubt provides a very adequate description of the problem but it does not suffice as a causal explanation. Surely it is far fetched to claim that the low income of single mother household in any sense is caused by low government transfers. Although public benefits typically are inadequate to solve the problem, they must be considered part of its solution and not of its causes. We need instead to ask why it is that single mother households so often are in need of public benefits, and why it is that household income and private transfers are so low? Most answers to these questions are to be found in a sexual division of labor which assigns men the role of being the primary breadwinner and women the primary responsibility for caring for children and family. "For lone mothers their sex rather than their marital status is the real key to understanding why they are poor" (Millar 1989:186). Women's disadvantaged position in the labor market and their economic dependency in marriage are fundamental causes of the precarious economic position of single mother families. They are not the only causes, however. It is too

often forgotten that single parent households (whether headed by a woman or a man) are more costly to maintain than two parent households. A single parent household needs disproportionately more income per person than a two parent household to maintain the same standard of living. As I shall show later, such economies of scale effects can be quite substantial. Finally, one must also consider that the majority of women who become single mothers do so as a result of a divorce; there is considerable evidence that women bear an exceptionally high part of the increased costs of maintaining two households instead of one. They are much more likely to gain custody of children, and it is rare that the father provides his full share of their economic support.

Five factors contribute causally to the low economic status of single mothers: women's disadvantaged position in the labor market reduces their earnings capacity, their economic dependency in marriage provides married women with an implicit transfer of income which is very difficult to replace without remarrying, the need for income is disproportionately high in single parent households, and women usually carry a much greater portion of the increased need for income which a divorce entails.

In this paper I examine the economic position of single mother households in three countries, namely West Germany in 1984, Sweden in 1981, and the United States 1979 and 1986 in light of these factors. These countries were chosen because they represent different cases within the group of rich industrialized countries. Sweden is a country where the economic problems of single mothers are relatively minor (Gustafson 1987), the US a country where they are quite severe (Garfinkel and McLanahan 1986), and West Germany is a case in between (Hauser and Semrau 1989; Hauser and Fischer 1985). For each of these countries (and for the US at two points in time), I first describe the economic position of single mother households--a description which will replicate the findings of previous research regarding the rank order of the three countries with respect to the economic position of single mother households. The main contribution of the paper will be to examine a series of hypothetical situations arrived at by considering married mothers as potential single mothers. This analysis will show the magnitude of the economic risk married women encounter in case of a separation because of their economic dependency. It is followed by an examination of how well transfer income from private and public sources may 'insure' women against those risks.

DATA AND ANALYTICAL STRATEGY

The empirical analysis is based on cross-sectional data from the LIS data base. The LIS data overcome a serious problem in most cross-national research on economic well-being by providing highly comparable micro data on household income (Buhman, Rainwater, Schmauss and Smeeding 1988). The data provide detailed information about household income from all sources, including salary and wages, business income, cash income from property, and private and public transfers. Additional information about the characteristics of the household and its members also is available, but there are more problems of comparability with these variables across data sets. For the four data files used in this analysis, educational attainment is, for example, not available for Sweden. The marital status of the head of the household and hours worked last week is only available for the German data and for the 1986 US data. In the other two data files, the labor of supply of head and spouse is measured by a categorical variable (a different one for each file).

In the analysis presented here, data for the United States are taken from the March Current Population Survey in 1979 and 1986. The data for West Germany are from the 1984 wave of the Sozioökonomische Panel, a panel study modelled on the PSID in the US. The data for Sweden are from the Swedish Income Distribution Survey 1981. In the table in the appendix, weighted sample sizes, and the distribution for two parent and single mother households are given.

Cross-sectional data such as these are well-suited for a descriptive analysis of the status of single mother households. Such a description is clearly of interest, and the first part of the empirical analysis is devoted to that. The LIS data are not well-suited, however, to estimate the causal effects of factors such as economic dependency in marriage or women's earnings capacity. For that one would need longitudinal data. Nonetheless, the LIS data can provide very useful insights which make visible how important, for example, married women's economic dependency is in producing the low economic position of single mother households. As already mentioned, the second part of the empirical analysis will present a series of hypothetical situations arrived at by looking at married women with children as potential single mothers. I am here using the cross-sectional data to show what their economic situation would be under a variety of conditions (see below for a more detailed description of the strategy used). A comparison of these hypothetical

outcomes of a divorce with the economic well-being of married women can then be seen as a measure of the economic risk married women are faced with should their marriage dissolve. These measures of economic risk are admittedly crude, but they do reveal how much income a woman would need to replace should she divorce tomorrow. Public transfers, and child support and alimony (private transfers) are two possible sources of income for the single mother. The second part of the analysis therefore examines how much a married woman might expect to be able to replace with public and private transfers in case of a divorce.

MEASURES OF ECONOMIC STATUS

The description of the economic position of the single mother and two parent households employs the disposable Income per adult equivalent, adjusted disposable income, as the measure of economic status.[1] This can be considered a measure of the economic well-being or the standard of living of the household, because it takes into account how many people the income has to support. There is a large body of research attempting to construct a so-called equivalence scale by assessing how the income needed to maintain a given standard of living varies by household size. In a recent review of this literature (Buhman et al. 1988) it is shown, that most of the equivalence scales can be well described by a single parameter, the family size elasticity of need, or the power to which family size is raised to index economic need in comparison to a family of size one. The size adjustment used in this paper is .55, resulting in an equivalence scale similar to that underlying the official US poverty line (Buhman et al. 1988: Table 2).[2]

The poverty status of a household is measured by its position in the household distribution of

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[1] The Lis definition of disposable income after taxes is as follows: DPI = Earnings + cash property income + pension income + transfer income + other cash income - income taxes - mandatory payroll taxes. The definition of earnings is: Earnings = gross wages and salaries + self employment income.

[2] Throughout the analysis it is assumed that people who share a household also share economic resources and that all members of the household has the same economic status. Although some have questioned this assumption by pointing out that there may be inequality within households (Pahl 1980; McRae 1987), relaxing it would require additional information about how income is in fact distributed among family members. Such data are not available, although some attempts have been made to show how income is distributed between adults and children within a household (Lazear and Michael 1988).

income for the whole population. It is, in other words, a measure of relative poverty.[3] A household with less than 50% of the median Adjusted Disposable Income for all households is considered poor.[4]

THE ECONOMIC POSITION OF SINGLE MOTHERS

Previous Research.

A substantial amount of research has documented the economic problems faced by many single mother families. More than half of all single mother households in the US have incomes below the official poverty line (Garfinkel and McLanahan 1986). Using a measure of relative poverty, Hauser and Semrau (1989) found that more than a third of all single parent families in West Germany in 1986 (including a few father only families) had incomes at or below 40% of the median adjusted family income. The comparable figures for all married couples with children was between 8% and 9%, and for the population as a whole it was 8%. In Sweden, single parent households (also including some headed by men) are also over represented among those with low income. Gustafson (1987) reports that 21 percent belong to one of three groups with economic difficulties, although at most 5% belong the group with incomes below the subsistence level. In a study based on the LIS data, Hauser and Fischer (1985) found, that the relative economic position of one-parent families compared to two-parent families was best in Sweden, a little worse in West Germany, and worst in the US. Using disposable income adjusted by family size as a measure of economic well-being, single parent households in Sweden had an adjusted disposable income which was 87% of that of two-parent households. In West Germany the corresponding figure was

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[3] The standard measure of poverty used in research in the United States is an absolute measure. A household is considered poor if its adjusted income falls below the official poverty line. Comparative research is difficult to do using an absolute measure of poverty. Official poverty lines--where they exist--vary greatly from country to country in terms of where in the distribution of income the line is placed. Using a common poverty line for all countries presents the problem that purchasing power varies across countries. But even controlling for that (OECD provides measures of purchasing power parities), one still face the problem that the level and the distribution of income varies, such that what is considered a very poor income in the United States may actually be a quite good one in Portugal (see Buhman, Rainwater, Schmauss and Smeeding 1988 for a very thorough discussion of these issues).

[4] All incomes are measured in local, current currencies: Dollars for the United States, Deutsche Mark for West Germany, and Swedish Kroner for Sweden. The exchange rate to dollar at ultimo June, 1990 was about 1.65 DM, and 6 Swedish kroner for a dollar.

78%, and in the United States 57%. [5]

The Economic Position of Single and Married Mothers.

The relative position in the distribution of economic well-being is described in Table I for all households, two parent households and single mother households. We see here that the single mother household in all three countries have substantially lower economic well-being than two parent households and the population in general. Consider the level of income below which three quarters of the women are (or the 75th percentile). The adjusted income at the 75th percentile for single mother households was in all cases, except Sweden, well below the median for all households, and actually closer to the 25th percentile for all households. In Sweden, 75% of single mothers had less than 45,000 kroner in adjusted disposable income. The median for the population was 44,400 kroner. Consider now the poorest 25 percent. We then see that in the United States, the 25th percentile for single mothers is about half the dollar amount for all households; in Germany it is 60%, whereas in Sweden there is almost no difference (92%). This means that the poorest 25 percent of single mothers in Sweden are not that much poorer than other households with low income, but in the US and Germany they are considerably worse off. A comparison between two parent families and single mothers reveal a similar pattern of differences.

Table I here

The figures in Table I clearly show that single mothers have substantially less income at their disposal than two parent households. As is shown in Table II, they are also considerably more likely to be poor, in the sense that they have less than half the median disposable income per adult equivalent. In the US this would mean having less than $4060 in 1979, and $6407 in 1986. In West Germany in 1984, a household would be poor with an adjusted disposable income less than

[5] The family size adjustment was done by assigning a weight of 1 to the head of household and a weight of .5 to each other household member (Hauser and Fischer 1985:10). The data for the United States are the 1979 data used in the present analysis. The Swedish figures are for 1979, and the West German figures for 1981. The latter has since been shown to produce very low estimates of poverty (Hauser and Semrau 1989).

9800 DM, and in Sweden in 1981 the poverty line would be 22200 S Kroner.

The poverty rates for single mothers are very high both in the United States and West Germany, and there is a rather steep increase with the number of children in the household. In the United States in 1979, 38% of single mothers with one child and 51% of those with two children were poor, i.e. had less than half of the median income at their disposal. There seems to have been a worsening of the relative economic position of families with children in the United States between 1979 and 1986. Almost 14% of two parent families (compared to 9%), and 57% of single mothers (compared to 49%) were poor in 1986.[6] In West Germany in 1984, the figures are somewhat lower than in the US--28% for women with one child and 50% for women with two children. These poverty rates are 5 to 7 times higher than for two parent families in the US, and 10 to 12 times higher in Germany (for one and two child families). In contrast, poverty rates in Sweden are low, ranging from 6 to 9 percent for single mothers, and although they are more likely to be poor than married mothers, their disadvantage is considerably smaller. Poverty rates among Swedish single mothers are about double as high as those of two parent households,--clearly a much smaller difference than in the other two countries.

Table II here

It is evident from the figures presented in Table I and II that single mother households in the United States and West Germany have substantially less income at their disposal than two parent families or the population in general, and consequently have a very much greater risk of being poor, that is, having less than 50% of the median disposable income in the population. In Sweden, single mothers are somewhat less well off than others and also more likely to be poor, but the poverty rates of two parent families in the US are higher than they are for single mothers in Sweden. Figure 1 and 2 summarize these differences between countries by showing how single mother and two parent families are distributed throughout the cumulative distribution of adjusted disposable income. Figure 1 shows the proportion of single mother households at each decile of the distribution of adjusted disposable income for all households. Single mother households in the

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[6] A decline in the relative economic position of single mother households during the 1980's has also been reported for the United Kingdom (Millar 1989) and for West Germany (Hauser and Semrau 1989).

United States and West Germany are highly concentrated in the two lowest deciles of the distribution. Single mothers in Sweden are also more likely to be in the lower part of the distribution, but they are not concentrated in the two lowest deciles but distributed fairly equally across the six lowest deciles. In contrast, the distribution for two parent families (Fig. 2) is much flatter, with a tendency to higher proportions of families around the median.

Fig. 1 and 2 here

MARRIED WOMEN AND MEN AS POTENTIAL SINGLE PARENTS

Although not all single mothers have been married or cohabiting with their children's father, a very high proportion of them has.[7] It may therefore be instructive to consider what might happen to the economic status of married women and men were they to separate from their spouse tomorrow and maintain their new households on their own current earnings. By looking at married parents as potential single parents, it should be possible to gauge what kind of economic risks married women and men are faced with in case of separation. For example, one could ask, how well off would a mother be, if she were to support herself and her children exclusively on her current earnings? How much of a decline (or increase) in her economic position would that situation represent? A similar question could be asked about the father. This clearly will not provide an answer to the question how well off the person actually would be, should the marriage break up. But it does show how much the individual risks loosing (or gaining), and thus how much she or he would need to increase income in order to retain the same economic position.

In the following, I shall examine the potential change in adjusted income from earnings for married women and men with children. Total household earnings are adjusted by family size raised to the power of .55 (as in the previous tables). The reason for using earnings as the income measure instead of disposable income is, that I want to treat transfer income separately later. I shall first show how much a couple with children should expect their economic position to change

[7] Among single mothers in West Germany, 10% had never been married. It was considerably higher for the US in 1986, where 25% were listed as single. The other two data files do not provide this information, i.e. it is not known whether the head of a female headed household was single, separated, widowed or divorced.

if their current income were to support two households instead of one. This is done simply by examining how much the need for income changes when one household is broken up into two. I then show how married women's economic dependency defines their economic risk. This is done in two steps. First by a simple example which demonstrates the 'pure' effects of dependency, and then by hypothetical calculations using the actual distributions of married women's dependency in each country. These calculations are made under the assumption that the current own earnings (while married) would be the only income available to a woman (or a man) after a separation. Finally, I examine to which extent married women can expect public and private transfers to 'insure' them against the risk of a loss of economic status in case of separation. This is also done in two steps. First a comparison is made between the total amount of transfer income (including married women's support from a spouse) single mothers and married mothers have, and then I compare the amount of transfer income single mothers currently receive with the economic risk married mothers currently face.[8]

Increases in the Need for Income.

It is inevitable that it will be more costly to support two households instead of one, but it is not that clear how much more costly it will be. A large literature exists on how much income families of varying size and composition need in order to maintain the same standard of living (see Buhman et al. 1988 for a recent review). The greater the savings are from living together with other people, the more expensive it will be to maintain two households instead of one. In other words, if the economies of scale are large, a break up of a household will increase the combined need for income more than if the economies of scale are small. If there are no savings from sharing a household with others, six people will need six times as much income as one person, and the family's combined need for income will not change at all if they live in two households instead of one. At the other extreme, if 6 people can enjoy the same standard of living as one

[8] The hypothetical calculations made in this analysis are very different from the 'typical' cases developed in Kahn and Kamerman's comparisons of income transfer policies for families with children (Kahn and Kamerman 1983). In their study, the income available to a single mother household, for example, was estimated at by examining eligibility for public benefits and not by studying how much income such a family actually received. This approach is very useful for highlighting differences between countries in public policy, but probably less useful for understanding actual differences in economic well-being (Millar 1989:156).

person from the same total family income, the size of the household does not matter, only the total family income of each household matters. In this case, a separation resulting in two households instead of one would double the need for income. The examples developed in Table III show how large the increase in need for income is using the same equivalence scale as in Tables I and II. This is a scale which assumes moderately large economies of scale. Six people are, for example, assumed to need 2.68 times as much income as 1 person to maintain similar standards of living (6 raised to the power of .55).

Table III here

The increase in need for income depends on pre-divorce family size, and on the manner in which the children are distributed between the two new households. In general, the smaller the pre-divorce family size, the greater the increase in the combined need, and the more uneven the split, the less the increase in need. Take the example of a couple with two children. The pre-divorce family size is 4, meaning that this family needed 2.14 times more income than a one person household. The couple may decide to divide the family in two different ways. One parent may take both children, or each parent may take one child. In the former case, the combined need of the two new households of size 1 and 3 will be 2.83 (1+1.83). If each parent takes one child, the combined need will be 2.92 (2*1.46). In order to maintain the same standard of living for the two new households as the old one had, it is thus necessary for the divorced couple to increase their combined family income after the divorce. If one parent takes both children, the need for income increases by 32% (2.83/2.14), while the increase is somewhat higher, 36%, if each parent lives with a child.

These figures also show that the combined increase in need for income due to loss of economies of scale can be minimized by letting one parent take all children, something which of course happens very often. It should be evident, that if there are indeed economies of scale in sharing a household, then there must be an increase in the economic needs of the family, and thus a decline in the standard of living, unless the combined family income is raised. With the equivalence scale employed in this analysis, the family will need about a third more income to maintain their standard of living, a little less if there are many children and a little more if there are few. Conversely, the couple can expect a drop in standard of living between 22% and 27%, depending

on the number of children and how they are divided between the parents. These figures are arrived at under the assumption that there is no change in their combined income, and that they continue to share this income equally, as it is assumed they do while married. As mentioned earlier, this type of effect can at maximum be 50%, and it is only absent, if one is ready to believe that there are no savings from sharing a household with others.

Women's Economic Dependency on Marriage

Married women are typically dependent on their husband for at least some economic support (Sørensen and McLanahan 1987). The sources of this dependency are married women's lower labor supply and the gender gap in wages. After a divorce, the implicit transfer from husband to wife cannot be counted on,-- it must be replaced by income from other sources. A wife's economic dependency is a measure of how much she might lose in case of a divorce, or of the economic risk she is (implicitly) facing. Alimony from the former spouse used to be an important source of income for some women, but since the mid-1970s it has been of very little importance both in the US and in most European countries (Maclean and Weitzman forthcoming).

Table IV here

The figures in Table IV show how much a wife has to increase her own income if she has to replace fully the support she received from her spouse while married. The example is developed for a pre-divorce family income of $30,00, and for varying degrees of economic dependency. Take the case of a woman who earns 2/3 of what her husband earns. In a family with $30,000 in family income, she would earn $12,000 and her husband $18,000. If they share the combined income, then she receives a 'transfer' of $3,000, and 20% of her economic resources will be derived from her husband. She will be 20% dependent on him, or her economic resources will decrease by 20% if she looses that support. In case of a divorce, she can no longer count on the $3,000, and to replace it she will need to increase her own income by the same amount, or by 25%. A wife who is 40% dependent, or who earns a little less than half (43%) of what her spouse earns, will need to increase her income by fully 67%, or experience a decline in income of 40%.

There is some variation between the US, Germany and Sweden in the degree to which married

women are dependent on their husband. Table V shows the degree of marital dependency for couples with children.[9] West German women are substantially more dependent on their spouse than married women in the US and Sweden. They derive on average 58% of their economic resources from their spouse. In Sweden it is 34%--a figure that may surprise some given the very high labor force participation rates and relatively good wages for women (Gustafson and Jacobsson 1985). Swedish mothers are, however, very likely to work part time (Moen 1989), and this probably is the major reason for the rather high marital dependency. The United States occupies a middle position, and it is interesting to note that there was a quite substantial decline in dependency from 1979 to 1986.

Table V here

The between country differences in marital dependency translates into differences in the economic risks married women face as a result of their economic dependency on a spouse. In the next two tables, Table VI and VII, I compare married women's and married men's economic status while married with the position, they would be in, were they to separate tomorrow and support their household on their current earnings. Economic status is here measured as income from earnings per adult equivalent, using the same equivalence scale as before. The difference between the amount of adjusted income from earnings in the two situations can be seen as a crude measure of the economic risk a married individual is facing in case of a marital breakup. The risk is a measure of how much a person's economic position would change, if no change in earnings took place and no transfer income was received. In Table VI and VII, the change is expressed as a percentage of the current adjusted earnings, i.e. when married, to facilitate inter-country comparisons. The examples in Table VI are developed for the situation where the mother would live with all children after a divorce and where she would live alone. In the former case, the number of adult equivalents is calculated as (number of children + 1)$^{.55}$, in the latter case there is

[9] Economic dependency is measured as (H-W)/(H+W), where H is the earnings of the husband and W the earnings of the wife. If the couple has no earnings, dependency is set to zero. The measure ranges from +1 to -1. A score of +1 means that the wife is completely dependent on her spouse, if the husband is completely dependent the score is -1, and if their earnings are the same the score is zero. The interpretation of the measure is straightforward. A score of .25, for example, means that the wife receives 25% of her economic resources from her spouse (see Sørensen and McLanahan 1987 for a detailed discussion).

one adult in her household. Table VII provides similar figures for married men.

Table VI here

In West Germany, married parents had on average 21,454 DM per adult equivalent in earnings. If the woman were to support herself and her children only with her own current earnings, she would have 4508 DM or 79% less than what she has as a married mother. The 79% decline is what I have termed her 'risk'. If she were to live alone, and let her spouse live with the children, she would have 7,326 DM in earnings, a decline of 66%. These figures are averages for all married mothers, but it is clear that the risk increases with the number of children, reflecting the lower earnings and higher dependency of mothers with many children. It is self evident that the decline in adjusted earnings is smaller if the mother would live alone after a separation. It is striking, however, that West German mothers even in this case would have 66% less income from earnings.

In the United States, the decline in marital dependency is reflected in a decline in married women's economic risk. In 1979, the risk was almost as high as in Germany, a 76% decline, but in 1986 it was 'only' 69%--a significant change in a short time span. If a mother were to live alone her risk would be 60% in 1979, and substantially lower--48%-- in 1986. In Sweden, married women have lower risks than in the other two countries--the average decline would be 63% for women living with the children, and only 37% for women who would live alone. It is noteworthy, that the 1986 situation in the US is rather similar to the 1981 situation in Sweden.

Table VII here

The mirror image of women's situation is seen in Table VII, which shows how married fathers would fare were they to separate from their wives and support their new household on their current earnings. In West Germany, married men would have more income per adult equivalent even if they continued to live with the children. In the US in 1979, custodial fathers also would be a little better off, but by 1986 they would experience a small decline of 6% on the average. In Sweden, the decline for a father who would live with the children would be 17%, larger than in the other countries, but much smaller than what their wives would face. For fathers who would

live alone, the increase in adjusted income from earnings would be very large, ranging from a low of 44% in Sweden to a high of 76% in West Germany. Since the vast majority of fathers do not gain physical custody of their children after a separation, it should come as no surprise, that men on average tend to become better off economically following a separation (Duncan and Hoffman 1985; Sørensen forthcoming).

I hope to have demonstrated with these figures the enormous changes in economic position married mothers would be confronted with, if they had to rely completely on their own current earnings, and the fundamentally different economic situation which the married father faces. Even if married mothers should decide not to live with their children in case of divorce, they would still be faced with a very substantial reduction in their income. In contrast, if a father would continue to live with the children, his own earnings will provide almost the same amount of income per adult equivalent as he enjoyed while married.

Transfer Income and Married Women's Economic Risk

It is unquestionable that the actual economic change, which divorcing mothers and fathers would experience, is poorly described by the calculations discussed here. Women's labor supply typically increases, non-custodial fathers do pay some child support, the government may provide various types of benefits, and taxes may be lower for single parents than for single individuals. In the next part of the analysis, I shall focus on how well income from private and public transfers might 'insure' married women against the economic risks just described. As a first step, Table VIII provides a comparison of the total amount of transfer income (unadjusted) married and single mothers received. Transfer income is defined to include all public transfers, private transfers such as child support and alimony, and, for married women, the support they receive from their spouse. Married women's economic dependency would not constitute an economic risk if it was the case that the support of a husband could be replaced by other kinds of transfer income (e.g.alimony, public benefits). That this is not the case is well known, of course, and a major source of the low income of single mother households (Hauser and Fischer 1985; Garfinkel and McLanahan 1986).

Table VIII here

Married mothers received on average a good deal more income from transfers than single mothers. In the United States, the average single mother received 39% as much as the average married mother. By 1986 the percentage had increased to 49%--a reflection of the decrease in married mothers economic dependency. In West Germany, the single mother received about half as much transfer income as the married mother, despite the very high dependency of married women. This is turn must mean that single mothers in West Germany can rely on a rather substantial amount of transfer income from public and private sources (Fischer and Hauser 1988). Sweden again is very different from the US and Germany. Single mothers have one average about as much transfer income as married mothers do; in this case we see the results of a combination of low marital dependency and high public benefits (Gustafson 1987). It is interesting to note that single mothers with more than one child, in all three countries, receive relatively much in transfer income compared to married mothers with the same number of children. In the US, a single mother with 3 children have about half the transfer income her married counterpart has, in Germany the figure is 69%. A Swedish single mother with 3 children receive on average 42% more in transfer income than the married mother.

These comparisons of the total amount of transfer income received by married and single mothers suggest strongly that married women cannot count on transfer income as an insurance against the economic risk entailed by the economic dependency on a spouse. A strong exception to this conclusion is Sweden where single mothers receive as much, and sometimes more in transfer income than married mothers.

The final hypothetical calculations compare the married mother's current economic risk with the single mother's current transfer income. The calculations presented in Table IX make the admittedly strong assumption that the observed transfer income of single mothers is a good estimate of the income a married mother would receive, were she to divorce.[10]

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[10] It seems most likely that this is a somewhat conservative estimate, especially for the United States. It is possible that currently married mothers could expect somewhat higher private transfers, largely in the form of child support, than the presently single mothers receive. This is largely because some of the latter group have never been married, and, at least in the United States, never married mothers receive much less child support.

Table IX here

It is evident that transfer income does not fully insure married mothers against the risk resulting from their economic dependency on a spouse. In the United States, single mother's transfer income covers a little more than 20% of married mothers' risk, and even if this should be a conservative estimate, one can hardly see it as a good insurance. In West Germany, the situation is not much better. Here married mothers can expect transfer income to cover 32% of their potential loss of income. Even in Sweden, the average married mother can expect to recover only about half of the decline in income by transfer income. The conclusion must be that while transfer income constitutes an important part of the single mother's income package (Rainwater, Rein and Schwartz 1986), married mothers, who divorce, cannot expect to be able to replace the support they receive from their husband with other transfer income--not even in Sweden. Economic dependency in marriage entails considerable economic risks for women--risks which are enlarged by the fact that mothers are much more likely to continue living with the children after a divorce.

CONCLUSION

I have tried in this paper to show the implications of some of the causal mechanisms underlying the low economic position of single mother households. First by showing how much more expensive it may be to maintain two households instead of one. The answer to that question depends strongly on how great the savings are from sharing a household with others. Assuming moderately large savings, I showed that the need for income to maintain the family at the same standard of living would be about 30% higher if the family were distributed between two households instead of living together in one. The range of effects due to the loss of such economies of scale are between no increase in need for income to a doubling of the need. If there are savings from sharing a household with others, and if the total family income does not change, one should thus expect the economic well-being of the family to decline if it lives in two households. The fact that most divorcing couples share the increase in need for income so unequally places most of the burden on women, while a high proportion of men actually have less need for income after a divorce (Sørensen forthcoming b). What is important to understand is that <u>even</u> if mothers are compensated by their former spouse, such that they both experience the same change in economic need, single mother households would still be worse off economically than

married mother households, unless there is a substantial increase in family income.

The next part of the analysis examined the potential consequences of married women's economic dependency. Married women were considered potential single mothers. The technique admittedly was crude, but since the purpose not has been to provide estimates of causal effects, but to show the possible range of them, it seems to have been quite useful. There are two main lessons to be learned from the examples and hypothetical calculations of married women's economic risks. First, married mothers' economic dependency means that they will be confronted with enormous changes in economic position if they have to rely solely on their current earnings. A situation which is fundamentally different from that which the married father faces. Even if he continues to live with the children (which he most often does not), his own earnings will guarantee almost no change in economic position. This pattern was observed in all three countries, with Germany as the most extreme case. It was here that married mothers faced the greatest risk of losing economic status if they were to support themselves and their children on their own earnings. In Sweden and in the US in 1986, married women's economic dependency was substantially lower than in Germany, and consequently the economic risks smaller.

The second lesson learned is that transfer income represents a poor insurance against the risk resulting from married women's economic dependency. Transfer income is important for single mother households, but in the US it only covered about a fifth of the married mother's current risk of economic loss, in West Germany about a third, and in Sweden about half.

It was evident from the comparison of the economic well-being of single and married mothers that there are very substantial differences between Germany, Sweden and the United States. Sweden has come closest to solving the economic problems of single mother households, and the US seems furthest away, although the differences between the US and West Germany were relatively small. In Sweden, single mothers have lower income than married mothers but few of them are poor. In the US and Germany, single mothers have very low income and a very high proportion of them are poor. No doubt part of the reason for the Swedish success are the very generous public benefits which are available to single mothers (Kahn and Kamerman 1983). West Germany also has a range of benefits for single mother households, probably not as generous as the Swedish but certainly much more so than the meager benefits available to single mothers in the US.

Nonetheless, single mothers in Germany have high poverty rates and are in a situation much more similar to the American than to the Swedish. One likely reason for that is the very high economic dependency of married mothers in West Germany--a dependency which is strongly encouraged by a taxation system favoring one earner households (Gustafson 1987). The Swedish 'success' story, on the other hand, should not be seen solely as a result of generous public benefits to single mothers. Economic dependency on marriage is substantially lower in Sweden, meaning that married mothers are faced with much lower economic risks, thus making it more likely that a combination of public transfers, private transfers and increased earnings can replace most of the income lost by a divorce.

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Table I Quartiles of Adjusted Disposable Income by household type. The United State 1979 and 1986; West Germany 1984; Sweden 1981.

Quartile	Adjusted Disposable Income US79	US86	GE84	SW81
All Households	$	$	DM	S Kr.
First	5060	7678	14400	35204
Median	8120	12814	19600	44400
Third	11721	19399	26454	56000
Two Parent Households				
First	6091	8641	14594	39640
Median	8401	12602	18756	48597
Third	11097	17756	24155	58107
Single Mother Households				
First	2584	3536	8649	32431
Median	4097	5535	12648	39275
Third	6621	10162	16162	44971

Source: LIS Database.

Table II Relative poverty of two-parent and single mother households. United States 1979 and 1986, West Germany 1984, and Sweden 1981.

	% with less than 50% of median income			
Adjusted Family Income[a]	US79	US86	GE84	SW81
All Two Parent Households	9.4	13.6	4.2	3.6
1 child	5.6	9.4	2.8	2.8
2 children	8.5	11.7	4.1	3.8
3 children	14.1	19.5	6.5	4.6
4 + children	22.3	39.5	35.2	8.0
Single Mother Households	49.2	56.5	32.8	7.2
1 child	37.6	45.1	27.5	6.5
2 children	50.8	58.4	49.6	9.4
3 children	67.6	75.5	84.8	4.0
4 + children	72.7	88.6	74.5	--

a) Adjusted Disposable Family Income (after taxes).

Source : LIS Database

Table III Change in the family's combined economic need after a divorce. By pre-divorce and post-divorce household size. (Family size elasticity set to .55).

Pre-divorce		Post-divorce		
Household size	Need Index	Household sizes	Combined Need	% Increase
3	1.83	1 and 2	2.46	34%
4	2.14	1 and 3	2.83	32%
		2 and 2	2.92	36%
5	2.42	1 and 4	3.14	30%
		2 and 3	3.29	36%
6	2.68	1 and 5	3.42	28%
		2 and 4	3.60	34%
		3 and 3	3.66	37%

Table IV Married Women's Economic Dependency and the Need to Replace Income after Divorce.

Wife's Income	Wife's Dependency	Amount to replace	% of Wife's Income
15,000	0	None	0
12,000	20%	3,000	25%
9,000	40%	6,000	67%
6,000	60%	9,000	133%
3,000	80%	12,000	400%
0	100%	15,000	--

The wife's dependency is calculated as ratio of 'Amount to replace' to one half the family income (see Sørensen and Mclanahan 1987). It measures the proportion of the wife's resources that is provided by her husband.

Table V Economic Dependency in Marriage. Married couples with children under 18 years old. US 1979 and 9186; West Germany 1984; Sweden 1981.

Degree of Dependency	US79 %	US86 %	GE84 %	SW81 %
Wife 100% dependent	36.3	29.7	49.5	12.0
Wife 50%-99% dependent	26.4	22.4	49.5	12.0
Wife 10%-49% dependent	17.2	19.9	13.0	38.3
Equal contribution	11.5	13.2	12.6	12.0
Husband 10%-49% dependent	2.4	4.5	2.0	4.2
Husband 50%-99% dependent	.7	1.6	.8	2.3
Husband 100% dependent	5.6	8.7	6.3	5.9
Mean dependency	.55	.42	.58	.34

Source: LIS Database

Table VI Married mothers as potential single mothers. Adjusted income from earnings while married, if separated with custody of children, and if living alone after separation. United States 1979 and 1986; West German 1984, and Sweden 1981.

	Current situation Adjusted Earnings	If separated with children A.E.	RISK	If separated without children A.E.	RISK
United States 1979 (in Dollar)					
All	9162	2173	-76%	3706	-60%
1 child	10314	3004	-71%	4428	-57%
2 children	9191	1850	-80%	3423	-63%
3 children	7849	1532	-80%	3330	-58%
4+ children	6050	888	-85%	2272	-62%
United States 1986 (in Dollar)					
All	14414	4434	-69%	7450	-48%
1 child	16241	6095	-62%	8985	-45%
2 children	14344	3837	-73%	7100	-51%
3 children	12079	2630	-78%	5717	-53%
4+ children	8303	1412	-83%	3573	-57%
West Germany 1984 (in D Mark)					
All	21454	4508	-79%	7326	-66%
1 child	22767	5853	-74%	8628	-62%
2 children	21337	3250	-85%	6013	-72%
3 children	17050	2978	-83%	6473	-62%
4+ children	10980	565	-95%	1395	-87%
Sweden 1981 (in S. Kr.)					
All	56161	20947	-63%	35564	-37%
1 child	62411	25734	-59%	37938	-39%
2 children	54164	19118	-65%	35369	-35%
3 children	47776	14457	-70%	31423	-34%
4+ children	34021	9019	-73%	23042	-32%

Adjusted Earnings (A.E.) = earnings/family size[55]
RISK = % change in Adjusted Earnings if separated.
Separated with children = mother lives with all children after separation.
Separate without children = mother lives alone after separation.
Source: LIS data base.

Table VII Married fathers as potential single fathers. Adjusted income from earnings while married, if separated with custody of children, and if living alone after separation. United States 1979 and 1986; West German 1984, and Sweden 1981.

	Current situation Adjusted Earnings	If separated with children A.E.	RISK	If separated without children A.E.	RISK
United States 1979 (in Dollar)					
All	9162	9288	+ 1%	15813	+73%
1 child	10314	10726	+ 4%	17107	+66%
2 children	9191	9247	+ 1%	16406	+79%
3 children	7849	7548	- 4%	15289	+95%
4+ children	6050	5939	- 2%	16340	+170%
United States 1986 (in Dollar)					
All	14414	13580	- 6%	23619	+64%
1 child	16241	15453	- 5%	22781	+40%
2 children	14344	13364	- 7%	24724	+72%
3 children	12079	11313	- 6%	24588	+104%
4+ children	8303	7920	- 5%	20070	+142%
West Germany 1984 (in D Mark)					
All	21454	22577	+ 5%	37753	+76%
1 child	22767	24504	+ 8%	36126	+59%
2 children	21337	22086	+ 4%	40860	+91%
3 children	17050	16559	+ 3%	35990	+111%
4+ children	10980	11788	+ 7%	29405	+168%
Sweden 1981 (in S. Kr.)					
All	56161	46761	-17%	80592	+44%
1 child	62411	52587	-16%	77527	+24%
2 children	54164	44514	-18%	82354	+52%
3 children	47776	39678	-17%	86239	+81%
4+ children	34021	28543	-16%	71615	+111%

Adjusted Earnings (A.E.) = earnings/family size[55]
RISK = % change in Adjusted Earnings if separated.
Separated with children = father lives with all children after separation.
Separate without children = father lives alone after separation.
Source: LIS data base.

Table VIII Total Transfer Income for married and single mothers. United States 1979 and 1986, West Germany 1984, and Sweden 1981.

Women's total transfer income[a]	US79	US86	GE84	SW81
	$	$	DM	SKr
All Two Parent Households	6839	8355	17366	32235
1 child	6183	7349	16062	28364
2 children	7320	8700	18884	32633
3 children	6939	9730	17820	40769
4 + children	7587	9623	21213	42548
Single Mother Households	2688	4084	8299	30578
1 child	1998	3113	7795	25610
2 children	2526	4373	10054	34105
3 children	3794	5066	12324	57955
4 + children	4840	7241	--	--
	Single mothers' transfers as % of married mothers' transfers			
Single Mother Households	39%	49%	48%	95%
1 child	32%	42%	49%	90%
2 children	36%	50%	53%	105%
3 children	55%	52%	69%	142%
4 + children	64%	75%	--	--

a) Transfer Income = Public transfers + Private transfers. Private transfers for single mothers consist primarily of child support and alimony. For married mothers, private transfers include the support they receive from their spouse.

Source: LIS Database

Table IX Single mothers' current transfer income as a percentage of married mothers' current risk. United States 1979 and 1986, West Germany 1984, and Sweden 1981.

	Single mothers' transfers as % of married mothers' risk			
Mother lives with children	US79	US86	GE84	SW81
All	21%	23%	32%	53%
1 child	19%	21%	31%	50%
2 children	19%	22%	30%	50%
3 children	28%	25%	40%	76%
4 + children	36%	41%	--	--

a) The total transfer income of single mothers (see Table VIII) is adjusted for need and then taken as a percentage of the absolute decline in married mothers' adjusted income from earnings.

Fig. 1 **Single Mothers in the Distribution of**

Well-being. US, Germany and Sweden

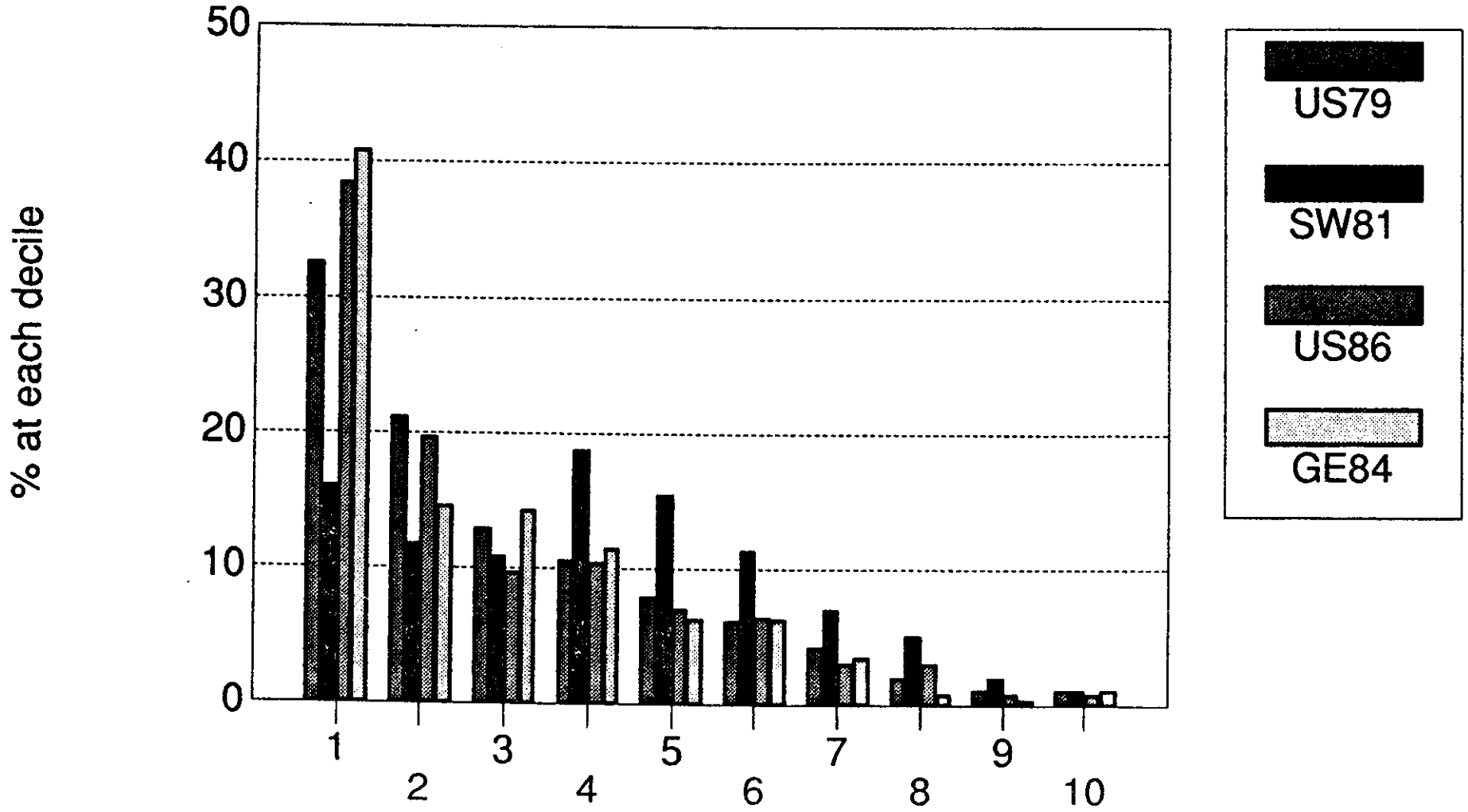
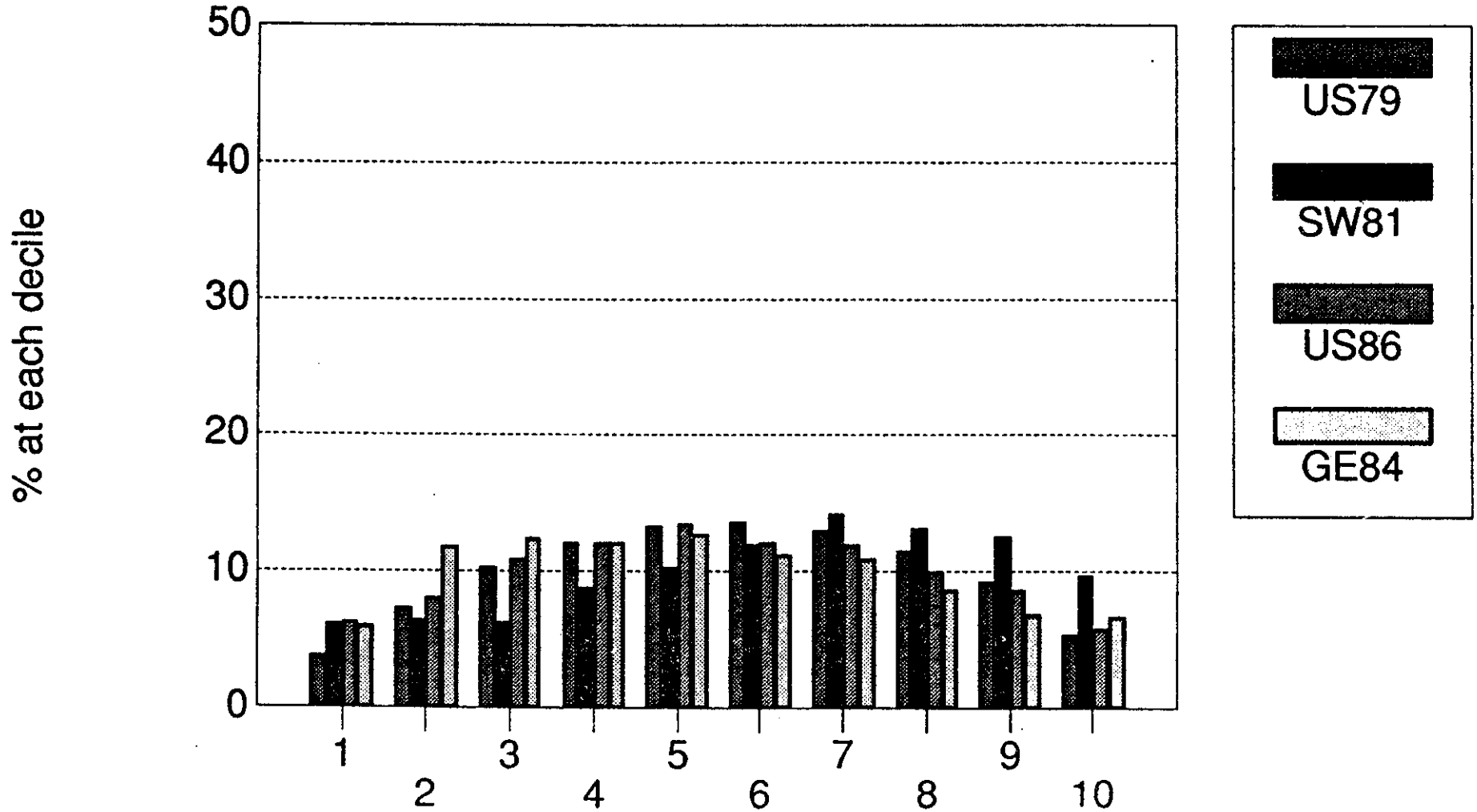


Fig. 2 **Two Parent HH in the Distribution of**

Well-being. US, Germany and Sweden