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Luxembourg Income Study Working Paper No. 200

**Which Policy to Which Family?
The Answers to New Social Risks
in Three Welfare Systems**

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September 1999

WHICH POLICY TO WHICH FAMILY?
THE ANSWERS TO NEW SOCIAL RISKS IN THREE WELFARE SYSTEMS'

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INTRODUCTION

Radical employment, household structure and stability transformations have created new tensions on the welfare state front, whose social programs were constructed in an era with a wholly different risk profile. Rowntree's poverty cycle clearly exemplifies the postwar picture of an exceptional low risk of economic deprivation in the active phase of life cycle, due to decisive factors as well-functioning, full-employment labor markets and stable and fertile families.

Since 1970s, because of the increasing family instability and the rising structural unemployment and inequality in wages and incomes, western welfare states have found their safety nets straining under the burden of expanding number of working age families. As a matter of fact, market no longer guarantees a family wage to keep a standard family out of poverty and family is no longer able to satisfy solidarity and redistribution expectations efficiently. Market and family concomitant 'failure' is a major catalyst of poverty and the risk of social exclusion and economic insecurity entrapment are considerable. Here, however, welfare states design make a difference, to the extent that it has rethought traditional assumption on work, family and social risks. The key issue, we find, is in the readiness or reluctance to create, through government, a foundation of income or to supplement earned income or other benefits to families and their successful performance in the labor market.

The structure of this study is the following. In the first section I describe employment and household structure and stability transformations resulting in a new life cycle distribution of economic risks. The aim is to discuss to what extent a common trend in inequality is confirmed in social risks configurations in different countries and to detect the issues by which the 'family question' is addressed in each society. In the second section, welfare systems are considered in greater details from the point of view of family policies, by reviewing the different policy strategies employed by countries to cope with these developments. The last step of research moves to the empirical evaluation of the outcomes of implemented policies, to the extent they are known, for families and their children. In other words, it seeks to assess the efficiency of public transfers and of the most comprehensive 'family benefit package' on family well-being.

I concentrate on three western settings, each characterized by strong diversities in the resource distribution systems (family, labor market and welfare) and by a different level of economic deprivation: Italy, Sweden and the United States. They nonetheless identify ideal-typical representations of Esping-Andersen's conservative, social-democratic and liberal regimes, respectively (Esping-Andersen, 1990).

I THE WEAKENING OF SAFETY NETS

It is generally agreed that the post-war harmony of full employment, welfare growth and reduction of the risk of poverty has been lost. The capacity of industrialized countries to sustain full employment and welfare growth, so that to reduce the risk of poverty, was based on a combination of circumstances that no longer exists. Post-war social policy could rely on a labor market able to offer stable, well-paid jobs for standard production workers (i.e. male workers employed by large enterprises in the industrial sector) and on the stability of the family.

From the late 1940s to the early 1970s Western countries recorded a brilliant economic performance: output, productivity, investment and employment all grew steadily. And growth in household incomes surpassed any recorded historical experience. Full employment allowed workers to marry, begin families and establish independent households at relatively young ages. The observed upsurge in marriage rate was also reflected in the fertility behavior; whose downward trends that had been evident from many decades were suddenly reversed in most of industrialized countries. As the economic conditions of the family were improving, working class women were allowed to achieve the bourgeois ideal of at-home mothers. Nonetheless, because longer life expectancy was pushing back death, the major cause of family disruption until then, the marriages of the 1950s and early 1960s were distinguished by considerable stability.

If we judge by these assumptions, the postwar welfare state was a crowing success, in part because social security became more comprehensive and people found jobs; in part because it harnessed the capacity of the labor market and the family to assure social welfare. It extended and universalized old age pensions, so to reduce dramatically poverty among the elderly; while it designed income support for the able-bodied young to cushion temporary income loss, due to unexpected illness and disability or marginal risk of unemployment. Because it was implied that families would internalize social care, the post-war welfare state was very lean in terms of services provided, apart from education and health (Esping-Andersen, 1997).

These assumptions are now anachronistic. Economic growth slowed down from the early to mid-1970s in all industrialized countries and reflected in market increases in unemployment and in average unemployment-spell duration. Therefore, industrial restructuring and the spread of the low-productivity service sector contributed to the increase in atypical employment and low-paying jobs. As a result, rather than offering well-paid, stable jobs for the 'standard production worker', the contemporary labor market puts at risk prime-age workers, the low-skilled and workers in declining industries.

Economic insecurity has been accompanied by family breakdown. The 'model family', built around a single male breadwinner, which stands at the center of the welfare state model in many countries, is no

longer the norm. Family change gives rise to divorce, lower fertility, and atypical households which, in turn, raises the risk of poverty, especially among women and children. Therefore, the growing tendency for women to play an increasing role in the paid labor force will have lasting consequences for decades to come, above all because they affect the availability of women to provide care.

The much greater occupational and life cycle differentiation that characterizes ‘post-industrial’ society implies new risks and creates more heterogeneous needs for a great many people. To order causal factors which have produced the spectrum of social risks, observed in the early 1990s, is not easy. Poverty distribution and incidence have been influenced by economic and demographic changes and by implemented policies as well. The latter are the topic of the next section. Following, I analyze changes in family forms and in labor market behavior, with special attention to those kinds of households who are of particular concern for social policy debate.

Breakup of the traditional family model

The growth in lone-parent families as a proportion of all families with children (due to increasing marriage instability and out-of-wedlock fertility) constitutes the most dramatic change in family structure experienced throughout the advanced industrialized West over the last 20 or 30 years.

Although single-parent families vary in significance as a family type among the countries (25% of families with children in the United States, 19% in Sweden and 7% in Italy in 1990), the pattern of growth and change is similar across nations. In general, widows have declined as a percentage of family heads in all the countries, constituting a significant group only in Italy and Ireland. Divorced women constitute the largest group among lone mothers in the United States while unwed mothers are the dominant group in Sweden. Most of them, however, were cohabiting with the child’s biological father, at least at the time the child was born. Although increasing, this is true far less often in the United States, where, however, a still important subgroup, among the larger group of single mothers, are constituted by teenage unwed mothers. Moreover, throughout Western countries, more than 80 percent of lone parents are women (Tab.1).

Table 1 here

Not only trends are similar, but the problems associated with one-parent families are also alike across the industrialized countries. In all countries lone mother families tend to be poorer than two-parent households, notwithstanding that in most countries the proportion of lone mothers holding a job is higher

than that of married women in two-parent households. The greater risk of poverty experienced by lone parent families arises from a number of factors: i) a lower earning capacity (one potential worker and child care provider rather than two); ii) the absence of economies of scale (two adults can live more cheaply together than apart) and iii) inadequate and irregular child support payments from nonresident fathers (Garfinkel and McLanahan, 1994 and Sorensen, 1994).

As is well known, family dissolution necessarily implies a fall in the standard of living of both parents, but the economic loss for women is estimated to be far greater with respect to men. A large part of this difference is related to the respective position of men and women in the labor market. In the case of women, occupational segregation and wage discrimination leave them with market income significantly lower than men (Blank, 1994; Addabbo, 1997 and Gustafsson, 1995), while the dual responsibility of being the main breadwinner and the primary care-provider constrains the range of employment options. The problems increase, of course, when small children are involved, as the lack of affordable alternative options for the care can increase the cost for mothers to be in the labor market. This is particularly the case if child-care services are scarce, of low-quality or too costly. Especially in the case of pre-school children, and low-skill mothers in low-wage economies, the net return from work may be very low, or even negative once child care and related costs are taken into account (Danziger and Jantti, 1995).

Whereas in two-parent families the loss of the mother's time is more or less offset by the gain in economic resources, in single-mother families there is an absolute loss of both parents' time as well as a loss of fathers' economic support. Without cash and/or in-kind support from the absent parent, single parents almost always find the net return from working to be very low. Nonetheless, fathers too often behave as providing financial support to their non custodial children is an optional choice (McFate, 1995). Situation is worsen in the United States by the failure to establish paternity (which involves about 70% of children born out of wedlock¹) because without paternity there can be no child support obligation.

The transformation of labor supply

Many labor economists and other scholars describe the influx of women into paid work as the single most influential change in the labor markets of industrializes countries in the post-war period (OECD, 1994). Rising levels of female economic activity have been traced to several economic, social and political changes. Economists often note that women have both been pulled into employment, by expanding opportunities, and pushed into paid work by stagnant and declining male wages in many industrialized countries (Gornick, Meyers and Ross, 1996a). For a growing number of families headed by single mothers and those headed by adults with limited job skills, economic security now depends on women's earnings.

¹ McLanahan and Garfinkel (1994).

Of course, both the activity rate and the relative presence of women in the different activity sectors vary between countries and within each country. Thus, in the Scandinavian countries and in the United States, women's activity rate is consistently above 60 per cent (touching 80 per cent in Sweden); while in the continental Europe is above or around 50 per cent (Tab.2). The comparable figure for Italy has been traditionally lower, though it has rapidly growth and reached around 47 percent in the 1990s, because labor *underutilization*² is at highest extent (Sorrentino, 1995) and job regulation makes women's employment more expensive than male work (Del Boca, 1997). However, even in Italy, the activity rates of the youngest cohorts are similar to those in the first group of countries, particularly among better educated young women (Carmignani and Pruna, 1991).

Most importantly, women tend to remain in the labor force throughout their adult life, even if and when they have children. Table 2 presents separate figures for married and single mothers with children. The data show that Sweden has the highest proportion of both married and solo mothers in the labor force, regardless of the age of the woman's youngest child. The United States has high proportions of married mothers in the labor force and moderate rates of working single mothers. Italy has the lowest rates among married mothers, but single mothers work to a greater extent. Sorrentino (1990) pointed out that the most dramatic rise in labor force participation was for women between the ages of 25 and 34, the prime childbearing and child-rearing ages. In most of the countries, fewer than half of such women were in the labor force in 1970, whereas by 1988 a substantial majority were.

Table 2 here

Irrespective of these important differences, family poverty should be increased if there were not an increase in wives' and mothers' participation rates, together with an increase in female wages. In the beginning of 1990s, wives' earnings accounted for about a quarter of family income, doubling their contribution of two decades before (Cancian et al., 1993). Considered jointly, the changes in the job offer and in wage rates point out that the income (both to the gross and to the net of the costs of living) of most one-income households may not be enough to guarantee a non-poor standard of living to the unit (Gornick, Meyers and Ross, 1997). Mainly households headed by young adults run a significant risk of poverty, since young workers are more likely to be unemployed and to have lower wages compared to the labor force as a whole (McFate, Smeeding and Rainwater, 1995).

² The measure of *underutilization* is composed by combining alternative unemployment indicators.

Two incomes is a good hedge against family poverty. Nonetheless, the best way to reduce the economic risk associated with family dissolution is employment in reasonably well-paid jobs, in order to guarantee some economic independence to women and their children. But we must not underestimate that the increase in the rate of women gainfully employed has concerned less young unmarried women who constituted a wide part of active women in the post-war period and much more mothers with dependent children. Hence, households with two working parents or with a lone parent, who works, must balance the demands of childcare and other non-market work with those of market work. Specifically, the double role of mother accentuates the costs of each additional child. Children, on the one hand, require more family income. On the other hand, they raise the value that mothers place on time outside of paid work, thus reducing their opportunity of staying in the labor market. At the same time, children affect the net return to female market work to the extent that substitute care involves expenditures. Trade-off might be stronger where affordable child care are not provided and where work-time and logistics of work flexibility is not provided, with immediate consequences on fertility, too.

An Overview

The dysfunction of market and families threatens the equilibrium of welfare states whose social programs were constructed in an era with a wholly different risk profile.

First, that employment income should guarantee an adequate standard of living to the vast of the economically active population is in the spirit of all social protection measures, whether of social insurance or social assistance. However, for a growing number of families with only a single income, the sum of employment plus family benefits is no longer enough to fulfill that condition. Here, improving the economic situation of these families involves compensating them for some of the financial costs incurred in rearing and caring for children. The debate over family and governmental obligations towards children has taken place on both a public and private front. On the public front, the controversy is between society and parents; the issue is how much of the costs of raising a child should borne by the government and how much should be borne by parents. On the private front, the controversy is between mothers and fathers; the issue is how to distribute child-rearing obligations in a way that is equitable to both sexes.

Second, the growing labor force participation of women affects their availability to provide care, that was hitherto been the assumption underlying both the division of labor within the family and the division of responsibilities between government and the family which has shaped modern welfare states. Evidence from the early 1990s shows that the extent to which women with children have institutional supports that enable them to choose the option of employment shapes the economic well-being of families with children. This is not least because a woman's decision to abandon or even merely cut back on her paid

employment entails the risk insecurity for her family – and this without taking account of the risk of unemployment itself, with its much graver repercussions for a single-income household. Moreover, in some countries, only paid employment provides certain non-cash benefits, like health insurance and occupational pensions in the U.S., and offers a mother a form of ‘divorce insurance’ that may provide more than the government.

II *SOCIAL PROTECTION RESPONSES*

Economic developments alone have increased the vulnerability of many citizens; when combined with social and cultural developments in the West in the past two decades, their negative impacts have been magnified. Depending on the perspective, it can be said either that family policies have influenced the changes or that they have developed in response to the problems created by the changes. Research most frequently suggests the former alternative, namely that family policies have developed to meet the new needs. But how and to what extent?

In the section which follows, three welfare systems are described in broader detail from the point of view of family policies. In this perspective, I discuss: i) the forms of public intervention in the area of reproduction and the definition and boundaries between public and private child rearing responsibilities; ii) the way the state has re-designed or in part affected the division of labour within the family, politically defining family responsibilities and care obligations and supporting or discouraging mothers’ employment and iii) the definition of financial support of children in lone-parent families, with regard to the degree to which government either reinforces or substitutes for fathers’ obligations. On an analytical level, I pursue this aim analysing national variations on some meaning indicators of family policies, specifically aimed to families with children: i) policies supporting the cost of children (*family allowances* and *child credit for children*); ii) policies supporting mothers’ employment (*maternal/parental leave*, *child care* and *tax credit for care expenses*) and iii) social protection measures addressed to lone-parent families (*child support* and/or *advance maintenance payment*).

ITALY

Families policies in the conservative welfare state model are based on male providership, in which the family and employee insurance are of central importance. Basic security is directly tied in with employment performance covering only those in paid labor, not the whole population. Minimum

sustenance security based on citizenship is not typical. Finally, the public sector is involved in the production of welfare only through its role in income transfers; it produced much more limited welfare services. The ideology of subsidiarity lies behind. It may be interpreted as government having the right to intervene only in exceptional cases in which the family is demonstrably inadequate or unfit to care for its dependent members; alternatively, it may be seen as indicating an obligation on government to provide support for families to enable them to fulfil their obligations.

Policies supporting the cost of children

Among European Union countries, only Italy does not provide a child benefit aimed to support the cost of raising children. Family allowances (*'assegni al nucleo familiare'*) are rather an integration to income of families headed by low-income wage-earners. Children are taken into account only for determining family size, according to which (besides total family income) benefit's entitlement and amount are determined.

The effectiveness of family allowances in supporting the cost of children is strongly limited by two distinct factors. First, entitlements criteria exclude families headed by dependent workers with higher income (irrespective to family size, an annual gross income of 50 millions of Lire gets loose the entitlement), by self-employed at any income level and by non-employed as well. Second, allowances are not indexed; from 1988 to 1994 their real value has decreased by 38 percent (Commissione d'Indagine, 1995).

Tax credit for dependent children also constitutes a compensation for some of child-rearing costs. It is a flat-rate benefit (not indexed on an annual basis) granted to families, irrespectively to their income. However, his amount is derisory. From 1986 to 1991, tax credit for a dependent housewife has kept higher (and increasing) than tax credit for a child, whose amount has been constant (their ratio has varied from 3 to 6 in these five years)³. Moreover, if taxpayer's spouse has an income higher than a defined threshold (varying throughout years) credit's amount is halved (*ibidem*).

Uncertain is social assistance, which misses national programs set up for low-income people. Local, general social assistance (*'minimo vitale'*) is operated at municipal level, and both conditions of entitlement and amounts of benefit paid vary considerably between different areas. Within these schemes, older and disabled people tend to receive whatever amount is necessary to make their income up to the social pension level; while benefits addressed to able-bodied young people and adults, and their families, are much more discretionary (Bosco, 1997; Negri and Saraceno, 1996; Commissione d'Indagine, 1996).

Policies to support mothers' employment

³ Saraceno (1997c); Ferrucci (1994) and Rossi (1997).

In Italy, compulsory maternity leave is 5 months long and it is compensated at 80 per cent of the salary. Then the mother has the right to a 6 months leave until the child is one year old, at 30 per cent of salary. In addition, maternity leave provisions include i) two one-hour leaves per day at fully pay to breast feed babies till their first birthday and ii) occasional unpaid leave (allowed to mothers or fathers, in alternative) to care for the sick child (till his third birthday). However, though maternal leave policies appear very generous on the statutory level, many mothers have no entitlements. As maternity leave is paid at the same compensation rate as for sickness, only employed mothers are entitled. Mothers who are employed in the informal labor market or self-employed have no leave entitlement and some full-time employees, such as housekeepers and domestic servants have very reduced compensation.

Preschool services, although ‘to be provided upon individual demand’, are not compulsory and user fees are applied, particularly in nursery schools. For under-3-year-olds, nursery school attendance is particularly low in the South (2%). In contrast, as much as 30 per cent of all children may be enrolled in some cities in the Center-North (Commissione d’Indagine, 1997). Fees are determined according to family incomes. Nevertheless, poor families, mothers who work odd hours, and disadvantaged groups are often excluded. Kindergartens, on the other hand, have long been free of charge for all, though recently some local governments have introduced an income-based fee. In addition, the number of public kindergartens increased and a more balanced national distribution was achieved, thanks to state intervention, particularly in the South. As a result, the enrolment rate rose to almost 93 per cent in the early 1990s (Saraceno, 1997a). However, some qualitative differences remain in terms of duration, availability of hot meals, and so on.

Policies supporting lone-parent families

Italy retains a family structure typical of what demographers have called ‘the Mediterranean model’, with low levels of divorce, cohabitation and births outside marriage. However, it seems likely to experience, within the next 5 to 10 years, the same dramatic rise that most of western countries have already seen. Nonetheless, social policy has not considered specific risks that lone-parent families are likely to experience. Lone parent families do not receive any supplement. Only income thresholds, according to which family allowance amount is determined, are slightly higher (Negri and Saraceno, 1996).

Moreover, the state does not enforce or advance child support, leaving the arrangements and actual payment to the private sphere (family and courts). Still in the late 1980s, two years after separation, 18 percent of non-custodial fathers did not pay child support and 25 percent did only partially or irregularly (Saraceno, 1996).

SWEDEN

The goal of family policy in the Nordic welfare state model is social integration, sought by maintaining benefit levels and social services standards uniformly high, affordably priced and available to all who need them. Basic security is typically at a reasonable level; the state is in a central role as a provider; conditions of eligibility are exceptionally liberal and coverage is in most instances universal. A reasonable level of benefits is determined by minimal security on the one hand and income-relatedness on the other. The state is a multi-faceted regulating role in society; it is used as an instrument that rules the relationships between genders and between work and family responsibilities, that gives priority to women's integration in the labor market and makes cost of children equal within social groups.

Policies supporting the cost of children

In Sweden, the cost of raising children have been socialized by a *child allowance*, a flat-rate, tax-free, cash benefit aimed to all children aged less than 16 years (or 20 if still attending high school), irrespective of parents' income and employment status. It is designed as an income supplement serving to equalize the expenses of families by redistributing income from those with no children to those with children. The amount is relatively generous; the one-child allowance is about 10 percent of the mean equivalent gross income for the country (Phipps, 1993). In recognition of the heavier economic burdens of families with several children, since 1982 the government has incremented for the third and subsequent children. Moreover, low-income families with children are entitled to a non-taxable housing allowance, which varies according to family income, the number of children and housing costs. It amounts to over 80 percent of renting cost, up to a defined threshold (Phipps, 1993).

Because the great majority of parents work and can rely on generous universal and social insurance programs, general social assistance plays only a minor role as a temporary source of help (Eardley et al., 1996). However, the minimum income guaranteed is relatively high, around 60 percent of the national median income (Förster, 1994).

Policies supporting mothers' employment

The ability of Swedish women to combine work and parenthood rests on two important programs: a paid parental leave and a nationwide system of public childcare. Replacing maternity benefits in 1974, parental insurance aimed to give mothers and fathers equal standing in child-rearing. Parents could thus share a total of 12 months of work leave at almost full pay - in most cases 90 percent of current earnings - to care for a newborn. A further three months' leave, with a lower flat rate of pay, could be taken at any time until the child entered school. Parents with no prior earnings receive the low flat rate during the whole leave

period. Overall leave could also be extended (without pay, but with a guarantee of being able to return to the same job) to care for a child until the age of 18 months. In the case of multiple births, parents receive six months' extra benefits for each additional child. Furthermore, parents have the right to work only 75 per cent of the full work week while their children are under 8 years old. In addition, the parental insurance system includes: i) since 1980, a ten-day paid leave for fathers at the birth of a child; ii) occasional leave at nearly full pay to care for a child, extended to sixty days in 1990; iii) since 1980, pay for women unable to continue to work due to health problems related to pregnancy or childbirth; iv) since 1986, two days' leave (at nearly full pay) per year per child aged 4-12 to participate in day care or school activities. These provisions are financed out of general revenue with no direct cost to parent's employer. Daycare in Sweden is instead available in two forms: 'day care centers' and 'family day care'. The latter are women who take children into their own homes and are paid by the local government, which then collect fees from parents. Fees from parents cover, on average, only 10 percent of total daycare costs (Gustafsson and Stafford, 1994). The majority of working parents in Sweden have a child in the public childcare system: 64.6 percent of preschoolers who live with two parents who are both working and studying and 84.2 percent of children of single parents who work or study are in public childcare (Gustafsson, 1995).

Policies supporting lone parent families

All single parents with children under 18 years (or 20 if secondary school student), regardless of income, are entitled to a tax-free advanced maintenance payment, which is about 40 percent of the 'base amount' of support on which most of the Swedish Social Security System is based (National Social Insurance Board Sweden, 1992). Hence, in the event of default in payment by the absent parent, the state rather than the child bears the burden. Irrespective of whether the father pays any support or not, the government 'fills in' up to 1,123 Swedish crowns (Gustafsson, 1995). The government then tries to locate the father and retrieve the child support advanced from him. The custodial parent receives the payment even if he or she live in a new consensual union.

In addition, solo parents receive preferential treatment in the allocation of scarce spaces in the public daycare system and pay a lower parental fee than do two-parent families.

THE UNITED STATES

In the liberal welfare states, the basic tenet of family policy is the free market. It is the task of market to provide citizens with welfare services and benefits. Those who do not manage to secure themselves a

living wage has access to public last-resort and need-based services and benefits. In practice, this has meant that family policy benefits have been targeted only to poor families and to children at risk, as is apparent for instance in the high proportion of welfare assistance recipients among single parents. Take-up problems, the invasive nature of welfare benefits and stigma issues are common.

Policies supporting the cost of children

In the United States, means-tested benefits (Aid to Families with Dependent Children and derived rights to Food Stamps⁴, Medicaid⁵ and public housing), are provided to lone-mothers families and, since 1990, to couples with children where the principal wage earner is unemployed. The latter, however, are subjected to more restricted conditions of eligibility (they are only 10 percent of AFDC clients⁶) and of duration (which is limited to six months⁷).

Of particular importance, the United States has stressed a sharp distinction between work and receipt of benefits. Except with regard to Food Stamps and an Earned Income Tax Credit (EITC) for families, there are no benefits designed to supplement low wages. Thus, ‘working poor’ are not entitled to social assistance. After Nixon’s Family Assistance Plan failure in providing a basic income to all families, the United States introduced, in the early 1970s, the EITC to help working poor with children. Low-income households with at least an adult working in the labor market and a qualifying child are entitled⁸. The EITC is a refundable tax credit. It means that, if the amount of the credit exceeds the taxpayer’s federal income tax liability, the excess is payable to the taxpayer either as a lump-sum refund or as a periodic advance payment. The EITC has been politically popular because it assists only those who work; it helps two-parent as well as single-parent families; and it raises the employee’s take-home pay without increasing labour costs. Its 1993 value constituted about one fifth to one quarter of family income for families earning \$11,000 per year (Hofferth and Deich, 1994).

Because of the federal income tax changes, including the expansion of the EITC, a family of four did not pay federal income taxes in 1992 until its income had passed 129 percent of the poverty line (Blank, 1994). The result is a clear reduction in tax burden and enhanced returns from work, which should result in greater work effort.

⁴ The program supplements the food-buying power of eligible low-income households, by providing booklets of coupons which can be exchanged at most food stores.

⁵ Although every other nation has some form of national health insurance, thus far the major United States health care program for families with children, Medicaid, limits nearly all of its benefits to poor families receiving AFDC benefits.

⁶ Blank (1994).

⁷ Burtless (1994).

⁸ In the 1993 reforms, the requirements for a ‘qualifying child’ were dropped, but even so only a small number of adults without children will be eligible (Eadley et al., 1996).

To support mothers' employment

The United States lags significantly behind other industrialized countries in the adequacy of public policies designed to reduce mothers' employment-family conflicts. Still in the late 1980s, only 23 states recognized the right to a parental leave and only five provided a partial compensation. As a result, only 25 percent of women have access to partially paid maternity leave through publicly-mandated employer-based disability insurance plans (Gornick et al., 1996a). Only in 1993, parental leave became a nationwide benefit. Employers of 50 or more employees in all states are required to offer a job-protected but unpaid leave of 12 weeks to care for a newborn or ill child.

In the United States, benefits that would help parents manage work and family responsibilities are offered at the discretion of employers. However, in 1990, only 36 percent and 41 percent of families with children under 13 reported that part-time work and flextime respectively were available through an employer and about 10 percent reported a child care center at one parent's work site (Hofferth and Deich, 1994). Nonetheless, fringe benefits are not available to workers in the 'secondary' labor market. Unmarried and part-time workers, low-wage workers and young and/or less educated mothers are especially likely to be without the right to a job-protected post-childbirth leave and to experience unemployment solely attributable to lack of leave and/or to experience a disproportionate loss in earnings within the first two years after childbirth (Kamerman and Kahn, 1991).

Although all employed parents with taxable income are eligible for a modest child care tax credit, publicly-subsidized child care is available for fewer than 5 percent of children under three and 14 percent of children between age 3 and 5, and these benefits are heavily targeted on the lowest income families (Gornick, Meyers and Ross, 1996a). As one would expect, in the United States private daycare is pervasive (about 50 percent of all care)⁹. However, the cost is often prohibitive for low-income households, who are especially pressed to maximize labor supply. The predictable result is a caring gap: over 40 percent of employed mothers do not have a non familiar care solution (Kamerman and Kahn, 1991) and more than 10 percent of American children with employed mothers are left alone (Esping-Andersen, 1999). Though the weakness of childcare system, more than half of mothers with young children are employed in the market, showing that most of child-rearing is managed unofficially, mainly through relative and social networks (Forssén, 1998). In effect, a parent at other family members is the primary care provider for 30 percent of preschoolers even when the mother is employed full time. For those employed part-time, 61 percent have the parent or other family member as the primary care provider (Gornick and Jacobs, 1997).

Policies supporting lone-parent families

⁹ Esping-Andersen (1999).

Lone-mothers and their children are the largest group, among non-elderly population, who are entitled to significant amounts of social assistance¹⁰. However, most single mothers must be poor in order to qualify. Because state set AFDC levels, they vary enormously around the country. For a family of four, maximum benefit payments in 1992 varied from \$144 in Mississippi to \$1,027 in Alaska, a variation that is far greater than any difference in cost of living between states (Blank, 1994). Mostly important, the design ensures that as family income rises, the AFDC subsidy declines. Hence it also creates work incentive problems. For welfare recipients, a dollar earned in the labor market results in less than a dollar of income because benefits are lost at the same time. As a consequence, the higher the benefit reduction rate, the lower the rewards of working for welfare clients.

Women who receive AFDC are also eligible to receive Food Stamps (FS), which somewhat offset the inequities of AFDC payments, because are financed by the federal government and have uniform eligibility rules across the country. FS have been inflation-indexed over most of the past two decades, and thus have not suffered from the same decline in real value as no-indexed AFDC (Blank, 1994). Indeed, FS add significantly to AFDC benefits, but because FS are largely unchanged in real terms, the downward trend in AFDC income still dominates the combined benefit trend (*ibidem*), with the consequence that, adjusting for inflation, combined benefits are vastly lower than they were fifteen years ago (Bane and Ellwood, 1994). However, the federal minimum wage was also untouched between 1981 and 1989. As a result, in 1988, the combined maximum AFDC and FS benefits for a family of 3 provided a higher monthly income than full-time minimum wage employment in 34 states (McFate, 1995).

Like in Italy, child support is regarded as a private transfer and it has usually been inadequate to meet basic needs. Allowances are often not granted because the father cannot be found. Even if granted, it is very often never paid, or paid late, or only in part. Only six of ten mothers potentially eligible for child support actually have such an award. Of those who have an award, only half receive the full amount to which they are entitled, and over a quarter receive nothing. Divorced mothers are those most likely to have an award – eight of ten – whereas never-married mothers are those least likely – three of ten (U.S. Bureau of Census, 1994). The failure to establish paternity continues to be a major stumbling block in obtaining a child support award for mothers who were not married to the father of their children.

¹⁰ Few married or lone-father men receive social assistance benefits, unless they are disabled or temporarily unemployed (Burtless, 1994).

III: THE ALPHA AND THE OMEGA: SOCIAL SECURITY AND FAMILY WELL-BEING

The period since the late 1970s marks a watershed in poverty, inequality, and social policy on both sides of the Atlantic. In contrast to the period between the 1940s and 1970s, poverty rates have not only been rising in most Western societies, they have grown disproportionately among the younger sections of society and the prime-age workforce. The main significant rises have occurred among the more vulnerable younger families and their children and particularly among the increasing number of lone-parent families. Divorces and out-of-wedlock births are more frequent; structural unemployment and wage and income inequality have increased in all studied nations. These forces have important negative effects on families and children and produce high risks of poverty. Indeed, they claim welfare state action, because the residual attention it traditionally devoted to active phase of life cycle is becoming more and more problematic.

Here, however, welfare state design makes a difference. Whether, for instance, both Swedish and Italian welfare states and, to a lesser extent, the American one, perform well in terms of minimising poverty amongst the elderly, this is however not the case with respect to the risk menu of working age families (Bradshaw and Chen, 1996). Different social-institutional assets have in fact produced different outcomes in response to common inputs.

I wonder how much of the observed variation in family well-being in these countries is due to differences in the effectiveness of ‘packages’ designed to support families. Thus, I address three main questions: how much is the effectiveness of tax-transfers systems in reducing the incidence of poverty within non-elderly families with children? What effects do children have on the reliance to work of parents, mainly of mothers, and the dual responsibilities of breadwinner and caretaker of the solo parent on family well being? And to what extent have the three welfare systems been able to manage related risks?¹¹

The answers to these questions are drawn presenting baseline policy data that correspond to the first and the third wave of the Luxembourg Income Study (LIS), the periods 1979/81 and 1991/92 respectively¹².

Moreover, my work reports on a study of the ‘child benefit package’ (1992-1994)¹³.

¹¹ I limit my analysis on the central phase of life cycle, where equalizing effects of public transfers (where they are guaranteed) are not distorted by transitory phases such as entry into or exit from the labour market and where women’s choices to work are more salient. Moreover, though unemployment is among more relevant causes of family poverty (Förster, 1994), I limit my analysis to families which gain at least one market income.

¹² The Luxembourg Income Study (LIS) consists of a set of national household surveys that include similar social and economic indicators from a number of industrial nations. Specifically, the LIS data files contain detailed information on the level and composition of individual household income, the family structure of the household, and the net effects of various taxes and income assistance programs. Although the various national data sets are not strictly and completely comparable, they do allow for reliable cross-national research on economic well-being (de Tombeur, 1995 and Mitchell, 1991).

¹³ The package is defined as consisting of all social security benefits, child support (maintenance) arrangements where they are guaranteed, benefits for lone parents and equivalent help kind such as Food Stamps; it also includes fiscal

The effectiveness of tax and transfer policies¹⁴

How do public transfers change economic conditions of families who depend on market incomes? To what extent are income support programs effective in ameliorating market-based poverty?

Stable and lasting marriage continues to be a long-term security against poverty for most women and children. In fact the poverty risk of lone parent families is generally higher than that of two-parent families. Even in Sweden, the market-based poverty rate of single parent families is about three times higher than that of two-parent families, although the poverty rates for both family types are equally low after income transfers (Tab.3). However, even before transfers, poverty incidence within lone parent families is 18.6 percentage points lower in Sweden than in the United States (Tab.3). Part of the difference in the relative position of single mothers across countries may be attributable to differences in demographic characteristics. Very young single mothers have less earning capacity.

Table 3 here

In both countries market-based poverty rates of two-parent families have risen throughout the 1980s (by 5 percentage points in the United States and by 7 percentage points in Sweden; see Tab.3). Because of the decreasing demand of low-qualified workers and of male wages stagnation, male breadwinners are less likely to guarantee an adequate standard of living to their families (Smeeding, 1991).

However, posttax and transfers poverty rates vary dramatically across the countries studied. In Sweden poverty rates for both types of families are extremely low compared to Italy and the United States. In the United States both two-parent and one-parent families face a relative high risk of poverty, but the situation is dramatic for one-parent families: 51.8 percent are poor. The comparable figures for Sweden and Italy are 5.5 and 17.9 percent, respectively (Tab.3).

arrangements and benefits that mitigate the impact of housing costs or reduce the costs of health care, schooling and pre-school child care. Specifically, the study sought to quantify the value of the total package and assess its contribution to meeting the needs of a variety of family types at different income levels (Bradshaw et al., 1993). All data concerning earnings, benefits and fiscal arrangements were as they existed at 1 May 1992 in the Italian and Swedish cases and at 1 May 1994 in the U.S. one.

I thank Professor John Ditch (from the European Observatory on National Family Policies) who provided me the model family matrix data on which calculations are based.

¹⁴ I use two income measures. *Pretax and transfer income* consists of market income (wages, salary, income from self-employment or property income). *Posttax and transfer income* includes all forms of regular cash income (and near cash income) net of direct taxes (income and payroll taxes). Hence, the difference between 'pretax and transfer' and 'posttax and transfer' household income is attributed to government policies.

These variations raise questions about the role that social policies play in shaping family economic wellbeing. The comparative analysis of welfare approaches allow, to some extent, to assess the effectiveness of policy strategies in ameliorating poverty risk.

In Italy, the marginality of economic measures aimed to support income seems a serious limit, given the incidence of poverty among non-elderly families with children. The latter are singularly not protected. On the one hand, the lack of a universal income maintenance scheme has much graver consequences on groups who depend on non-insurance transfers, such as single-mothers. On the other hand, if parents are not low-income employees (neither if they are not employed) they are not entitled to family allowances. Nevertheless, wage-earners themselves have lost ground in the political agenda; benefits they are entitled have decreased both in relative and in real terms. Bradshaw and Chen (1996) estimate that taxes push more two-parent families into poverty than transfers lift out. They also find that Italian tax and transfer policies fail to reduce poverty among single parent families.

The U.S. is clearly unable to reverse market inequality; it removes from poverty only 2.9 per cent and 6.7 per cent of two-parents and one-parent families respectively (Tab.3). Universal transfers are modest while social insurance schemes, the largest public spending plan, do not offer protection against several important causes of hardship, such as divorce, out-of-wedlock births and long-term unemployment. The income transfer system is selective, targeting the most needy, and with a low level of support. Selectivity in the American system is clearly one but not the only conclusive factor of the scarce relative effectiveness. Even in Sweden means-tested benefits are particularly important for lone-parent families. But the Swedish housing benefit, which is received by more than half of families with children (Phipps, 1993), cannot be compared to the American AFDC. When the provision is received by a majority of the relevant population, in fact, it is unlikely there would be a stigmatising effect due to collection. Indeed, the efficiency of targeting does seem to increase markedly where it is less stigmatising and more comprehensive (Myles, 1996). This is illustrated by the experience of the American EITC where targeting, in a sense, has taken the form of a negative income tax: need is ascertained via the less stigmatising tax return. Just the increase in public spending, throughout the late 1980s and the early 1990s, for EITC, and for FS as well, and the reduction of fiscal burden for poor may account for the rising poverty reduction effectiveness between the early 1980s and the 1990s¹⁵ (see Tab.3).

Finally, in Sweden, low poverty rates for two-parent families are the results of low wages distribution inequality and of high transfers and, for lone-parent families, are the results of relatively high wages supplemented by relatively high transfers. The high degree of labour force participation is not an exogenous fact of Swedish life (Jantii and Danziger, 1992). Indeed, women's participation is promoted by the availability of welfare provisions and by employment opportunities in the public sector. Active labour

¹⁵ Smeeding (1991).

market policies and public transfers supplementing wages are proper to the Scandinavian model and aimed to all Swedish families. Both are interdependent in the relative success of the welfare state: 82 per cent of two-parent families and 85 per cent of single-parent ones are lifted out of poverty by public transfers (Tab.3). The key point is that most welfare provisions, both those independent of parents' work effort (child allowance and health care) and those earnings-related (parental leave) are designed to make it easier for children's parents to work. Social assistance programs, when received, represent a rather inferior amount compared to the value of universalistic benefits.

Policies supporting the cost of children

What are the outcomes of policies designed to compensate for part of the cost of raising children? To what extent do children affect family economic well-being? To what extent do social policies offset their financial cost?

Poverty is determined non only by market forces, international competition and exogenous factors which affect the primary income distribution; it is also shaped by benefits and fiscal arrangements (Ditch et al., 1995). An important component of national tax and transfer systems is the 'child benefit package'.

Figure 1 here

Figure 1 compares horizontal redistributive effort made by countries for a standard couple with two school aged children, at three different income levels, before housing costs¹⁶. In the United States only poor families (a family at 0.5 average earnings is poor by definition) can qualify to social assistance¹⁷. Families at higher income levels do not benefit of universalistic transfers specifically designed to support dependent children. Nonetheless, benefits provided to poor families neither compensate for housing costs. In Sweden, 'child benefits package' is comparatively very generous at each earning level. Family allowances, health care and free school meals are universally provided. Moreover, at lower income levels, the 'package' is supplemented by a benefit which partially compensates for housing renting costs. In Italy, earning-related selectivity criteria, together with meagre public transfers account for a very low package which, at lower earning levels, is negative and inefficient in compensating for the sole school costs. Neither poorer families benefit of a basic security, but of local social assistance provided from municipalities, with great variation in amount, eligibility criteria and duration.

¹⁶ Figures in the picture represent the extra that a family with two school aged children gets as a proportion of the net income of a childless couple on the same earnings.

Figure 2 here

Figure 2 shows how the level of the ‘child benefit package’ varies with the number of children at one average earning¹⁸. In Sweden, families with children are an explicit target of social policies. Having children is the only qualifying condition to benefit of a generous child allowance, which flat-rate amount is supplemented for the third and subsequent child. Housing benefit scheme takes account of the number of children in determining the sum to correspond, as well.

In the United States, instead, the extra-cost held by a family for each additional child is not considered in benefits design. Families entitled to AFDC gain an extra amount, which however decreases for each additional child. Families not covered by social assistance can improve their condition only through indirect tax liabilities, to which they are entitled only if they have a taxable income¹⁹.

Also in Italy, the package provides low income support, even to large families. The number of children is not taken into account to determine family allowance amount or to calculate housing costs for fiscal purposes. Moreover, neither four children give the right to a tax credit of greater amount than that a dependent wife does.

The notion that the responsibility for children’s welfare belongs to the family has survived in both Italy and The United States, even in the worsen situation in which only a parent is the sole breadwinner and care provider. This reflects in tough means-testing for benefits and services and scarce individual social rights, whose outcomes are higher poverty rates within families with children. As a consequence, policies supporting families responsibilities are objectively policies which fight poverty and constitute guaranties for younger generations.

In a country, such as Italy, where the fertility rate lies below the replacement rate, children are a significant factor of economic deprivation. Having two children doubles the risk of poverty with respect to having only a child, both in two-parent families and in lone-parent households (Feletto, 1998: Tab. 5.3). In Italy, persistent unemployment, particularly high in the 15-24 age group, further swells costs of children because the burden of unemployment mainly falls on the family. The state will not or cannot support the incomes of young unemployed, since families themselves can be trusted to solve the problem by ‘redirecting’ the secure labour income or generous redundancy payments (for example, the *Cassa*

¹⁷ EITC is not included in the micro-simulation. Hence, the U.S. ‘child benefit package’ is underestimated.

¹⁸ Its actual value is measured using purchasing power parities (ppp), which convert national currency amounts into a common monetary denominator.

¹⁹ This picture could probably change when considering EITC.

Integrazione Guadagni) of breadwinners to their cohabiting children. Fewer unemployed and even fewer unemployed 'children' receive any kind of unemployment benefit compared to other countries. Whether 10.3 percent of families with children aged 18 and younger are poor (Tab.3), the figure touches 21.7 percent within families with over-18 children unemployed, students or first-job seekers.

As a consequence of public disinterest in families and of 'prolonged adolescence', families with children in Italy are 40 percent of the poor; the comparable figure for Sweden is around 7 percent (Ditch et al., 1995). The Swedish package is as more generous as larger the household is and it is responsible for the lowest child poverty rate of any of the major industrialised countries that have made comparable data available (Kamerman and Kahn, 1991). Sweden also shows a higher incidence of poverty within lone-parent families compared to coupled-households, but the variation is not relevant. Even comparing how the risk varies with the number of children, post-transfer poverty rates are not higher than 5.2 percentage points (Feletto, 1998: Tab. 5.3).

Finally, the U.S. welfare state shows poverty reduction rates which are modest and decreasing as the number of children increases. Single-parent poverty, in particular, remains alarmingly high. Whether 38.9 percent of one-child lone-parent families are poor, the figure increases of more than 10 percentage points per each additional child (Feletto, 1998: Tab. 5.3).

Protection gap is clearly sharper for families with pre-school children. Reasons are easily found. On the one hand, married mothers' ability to supplement family income is often threatened by the lack of affordable child care. On the other hand, low earning capacity of single mothers could make non-familiar care prohibitive. Actually, in each country, families with pre-school children (or, better, families whose youngest child is pre-school aged) run a higher poverty risk comparing to families with children in educational system (Feletto, 1998: Tab. 5.5). However, the Swedish system shows poverty reduction rates over 80 percent for families with a under-3 aged child (irrespective of the number of parents); the comparable figure for the United States lies around 0 (*ibidem*). Swedish effectiveness is due to policy effort both in limiting the impact of childcare costs and in providing measures to protect family income (child allowance) and family time (parental leave) at childbirth. In contrast, in the United States, 17.5 percent of two-parent families and 71.1 percent of lone-parent families with at least a child under age 3 are poor (*ibidem*). The U.S. system assumes that parents with children aged 3 and older are in the labour force, especially when income is modest, and thus provides public subsidies for the care of children to low income families. In contrast, children under age three and their families remain largely invisible in the United States social and family policy debate. Not only having a child under 3 as the youngest child rises the risk of poverty. Claiming AFDC for the first time, with a child under age 3, is moreover highly correlated with long-term AFDC dependence and with poverty. However, despite women with under-3s are about 40 percent of AFDC population (Kamerman and Kahn, 1991), they do not benefit neither of

education and training programs nor of medical assistance or care services which are provided to mothers with older children, though temporarily.

Policies supporting mothers' employment

How does mothers labour force participation affect family well-being? Which role do policies affecting female employment patterns play among the more comprehensive 'family benefit package'?

Only 0.8 percent and 1.6 percent of two-earners families are poor, in Italy and Sweden respectively. In the United States, two market incomes are a rather inferior guarantee of well-being comparing to the European countries: 5.9 percent of two-career families are poor (Tab.4). In the United States, the lack of income maintenance schemes has reproduced, in household income distribution, the inequalities of a labour market where a large number of full-time workers are poor and most of low-paid workers are women (McFate, Smeeding and Rainwater, 1995).

Table 4 Here

Nonetheless, in each country, two-earners families are better off than one-income households. The difference is relevant in Italy and in the United States: 15.2 and 11.5 percentage points respectively; while it is more limited in Sweden: 4.5 percentage points (Tab. 4). To the extent that women's position in the labour market is increasingly related to family well-being, it confront social policy with a two-fold issue. First, because of the importance of women wages in family income (decisive in families with low-qualified adults or with a single parent), policies affecting mothers' employment are an increasingly important component of anti-poverty policies. Second, if the dual income has become the norm for the well-being of families with children, single-income families have become more and more deprived and claim to develop market income supporting schemes.

Dramatic cross-national diversity in the economic wellbeing of both families and children has been well-documented, and the role that income transfers play in reducing poverty rates is well-understood (Rainwater and Smeeding, 1995); while much less appreciated is the effect of policies that support mothers' employment on reducing poverty among families (Gornick, Meyers and Ross, 1996a). Nevertheless, evidence of the poverty reduction effectiveness of a package which combines cash transfers to families with extensive support for mothers' employment can be found in the low levels of post-transfer family poverty, reported in Sweden. Whereas, in fact, one or both dimensions are missing or scarce, as in Italy or in the United States, poverty risk is greater.

In Sweden, as effect of universal and extended parenting policies, explicitly designed to allow women to combine work and family and, in turn, to achieve full employment and gender equality, women's activity patterns are continuous. Similar employment rates between mothers with children under six and those with children over age twelve, when other factors are held constant, suggest that these mothers would be able to enter and remain in paid work with minimal career disruptions and earning losses due to child care responsibilities (*ibidem*). For Swedish women, part-time work has been a prerequisite for solving the work-family conflict. Sweden actively encourages part-time work. It does this by guaranteeing working parents the right to reduce their work hours, requiring employers to allow it, and permitting the parenting benefit to be prorated and extended throughout a child's preschool years, so that the income lost by the reduced hours is largely recouped. Nonetheless, part-time in Sweden predominantly takes the form of continuous employment and implies rather long weekly hours. It is not restricted to unqualified, low-level, and low-paid jobs and it gives entitlement to full social benefits and job security (Sundstrom, 1997). Hence, the Swedish tax-transfer system lift out of poverty 72 percent of dual-income families (Tab.4) because the combination of active labor market policies and public provisions makes it easier for parents to work and, thus, incentives the dual-career strategy. Indeed, two-income families is the norm in Sweden: they constitute 84.8 percent of two-parent households (Tab.4).

In Italy, government provisions are far more discontinuous. Relatively generous maternity leave policies allow women to leave the workplace at the time of childbirth without severing their employment, but the lack of child care leave them few options for care after leaves are exhausted. Private daycare for the under-3 year olds (which costs 20 percent – or more – of average two-earner family incomes²⁰) could not be affordable for most families, given the lack of family allowances which effectively reduce the net price. Nonetheless, in present-day Italy, the rate of full time work among mothers of young children is comparatively high. All this seem culturally inexplicable unless we consider the combination of limited aid from the regime type, existing help resources from extended family networks, and the necessity to hold out in the labor market in male conditions. Anyway, without an adequate supply of family care services, women's entry into the labor market may still rise (as it does), but at the long-term cost of extremely low fertility. Part-time employment might help to combine family and work responsibilities. But, in Italy this does not happen because of, employers justify, the penalizing effect deriving from high wage costs (Esping-Andersen, 1995).

In the United States, parental leave policies are limited in availability and generosity. They have not adopted policies that guarantee access to child care, by compensating for its cost or by providing public services. Private services are pervasive and unusually low-cost (Esping-Andersen, 1998); but the large inequality in income distribution makes them unaffordable to families at the bottom of the income

²⁰ Esping-Andersen (1999).

distribution (who nonetheless do not benefit of tax relief for child care if their income is below taxable threshold). Mothers' labor force attachment patterns, indicating a pattern of exit and re-entry, suggest that women in this country respond to inadequate supports by temporarily exiting the labor force (Gornick, Meyers and Ross, 1996a). An 'average' mother's estimated probability of being employed fell a considerable 22 percentage points in association with having an infant, and 15 percentage points, with a preschool-aged child (*ibidem*). Indeed, the length of spells out of the labor market is critical for the likelihood of returning to a full-time job. The longer a woman stays out, the less likely she is to re-enter (Drobnic and Witting, 1997). However, some other 'work-forcing' factors very likely discourage employment withdrawals that would otherwise be greater: the potential loss of health insurance, the absence of universal cash allowances for families and the particularly sharp decline in male wages (Gornick and Jacobs, 1997). At present, part-time work in the United States does not offer a suitable long-term alternative to full-time work as a mean of reconciling work and family. A large majority of part-time jobs are in the 'secondary' labor market, where jobs are characterized by long skill requirements, low pay, low productivity, high turnover and little opportunity for advancement. Next, part-time employees receive far fewer fringe benefits than full-timers (Blossfeld and Hakim, 1997). In particular, employer-based health care is of critical importance: 42 percent of part-timers have no coverage at all (Drobnic and Witting, 1997). As a consequence, the effect of part-time work on women disposable income is almost equal to the effect of a job interruption (*ibidem*).

In the United States, and in Italy as well, social policies do not support households' incomes, neither by supporting mothers' employment as a mean of increasing family well-being (the American system seems to penalize dual-income households; see Tab.4) nor by providing cash benefits to support single-earner incomes. In both countries, poverty rates for single-income households are higher than 16 percent, in contrast to a lower 6.1 percent in Sweden (Tab.4). Though single-income families constitute a significant proportion of two-parent families (53 percent and 39 percent in Italy and in the United States respectively), they enjoy residual attention by public sphere. The American welfare state lifts out of poverty only 2 percent of them. The comparable figure for Sweden is 84 percent (Tab.4). In Sweden, despite single-income households are a minority, their market incomes are efficiently supplemented by universalistic transfers besides, often, means-tested benefits.

Policies supporting lone parent families²¹

To what extent is government responsible for reducing economic insecurity among single-mothers and does this come at the cost of dependence? To what extent does work pay a family wage? How is 'poverty

trap' figured? Which roles do private transfers (child support) and government insurance (advanced maintenance payment) have on single-mothers well-being?²²

Single-mothers families in the United States are much worse off, relative to the average family, than are single-mother families in other western industrialised nations (Smeeding, 1997). The first column in Table 5 shows that 56.1 percent of mother-only families in the United States have incomes less than 50 percent of median family income, whereas the comparable figure for Sweden is 6.2 percent. Reasons lie in the cross-country comparison: the extent to which affordable child care is available, the balance between universalistic transfers *versus* means-tested benefits and the extent to which active labour market policies 'make work pay' for single mothers.

Table 5 Here

The risks of extended poverty among single mothers in the United States is well-documented, and appears principally related to lack of cheap day care combined with the poverty trap problem built into AFDC. Worse still, this stratum tends to pass on underprivileged to succeeding generations (Garfinkel and McLanahan, 1994). U.S. welfare programs have been called a 'poverty trap' for single-mothers because they discourage work and yet provide insufficient income for a family to lie above the poverty line. Anything less than a full-time job that pays almost twice the minimum wage along with medical benefits make it possible to support a family (Bane and Ellwood, 1994). But few disadvantaged women can find and retain a full-time job that pays such a premium over the minimum wage; while few low-paid jobs available to low-qualified women provide health insurance. As a consequence, single mothers with weak education and limited work experience are forced to choose between i) working full-time, living at or near the poverty line, possibly going without medical care, and having no time for their children; and ii) not working, living below the poverty line, having Medicaid and having time with their children.

In order to minimize costs of social assistance and discourage welfare dependence, the United States have restricted eligibility for most social assistance programs to single mothers who are poor, and have provided very low levels of assistance to those who qualify. As a result, in 1991, almost half of single mothers get no help at all from government (Tab.5; col.4); the other half receives help, which however is not enough to lift them above the poverty line. Not only heavy reliance on welfare programs fails to

²¹ The following analysis concentrates on mother-only families, who constitute 80 percent of lone-parent households. They nonetheless are the major component in the 'feminization of poverty', are the heart of the welfare problem, and constitute a major factor in the pervasive problem of child poverty.

²² The analysis in this section concentrates primarily on the Swedish and U.S. cases, because of data availability and sample dimension constrains of the Italian data set (single-mother families are 5.5 percent of the Italian sample, equal to 173 cases). Nonetheless, illustrative data are available for Italy as well.

reduce poverty; it also increases dependence because single mothers must forego income from other sources in order to receive public assistance. In effect, high levels of dependence are a condition for receipt of government support.

A key question facing U.S. policy makers in the 1990s is whether a system that does a better job of reducing poverty and economic insecurity without encouraging dependence can be devised. We can learn a good deal from examining policies in Sweden. The third column in Table 5 shows the percentage of single-mother families that receive more than half their income from means-tested benefits. Considering the second and the third columns together, it is obvious that reducing poverty does not invariably lead to high levels of dependence. Because child care subsidies complement rather than substitute for earnings, in Sweden the general strategy is for single mothers to work *and* receive public transfers. In the United States, instead, it is either to work *or* to receive benefits. Here, because public benefits are reduced as earnings increase, income-tested programs replace rather than supplement earnings. Indeed, work leads to a substantial reduction of public provision. A non-working poor single mother gains 81 percent of her income package from public provision, mostly means-tested. When she enters into employment, public transfers decrease to 30 percent of income package (Tab.6)²³.

Table 6 Here

In contrast, in Sweden, work does not lead to loose economic support. Social security benefits and advance maintenance payment account for 64 percent of income package when poor single mothers are not working and for 56 percent when they are working (Tab.6). Most of social transfers are employment-based or universalistic benefits, even though they maintain a set of income-tested programs to add on the top. Together with childcare provision, they increase the net wage rate of single mothers, so that ‘work pays’ and ‘work and family go together’.

LIS data do not allow to examine, in detail, economic vulnerability of Italian single-mothers. Anyway, some peculiarities may be identified. Single mothers in Italy are relatively well-off comparing to other rich western countries. Most are widows and can rely upon insurance-based benefits. Moreover, separation and divorce are prevalent among middle-high class women and in those already inside the labour market, which can rely on own economic resources. It must be added that Italian welfare state do not encourage dependence on public provision or vicious circle of poverty-social assistance, as in the

²³ Single mothers who leave welfare are provided of free child and medical care, but in the long run wages remain the only option to welfare dependency.

United States. The reason does not lie in a welfare profile characterised by income maintenance schemes and wide childcare provisions, as the Swedish one. In fact, it lacks of specific measures aimed to single mothers; while supplements to low family allowances and tax allowances are too modest to shape individual or familiar behaviour to any extent. Rather, for single mother who cannot rely on own economic resources, relatives' network play a crucial role as welfare provider, both offering income and care. Indeed, about half of lone parents are helped by relatives (Saraceno, 1998). For Italian single parent families, then, instead of 'welfare dependency', one might speak of 'family dependency' (*ibidem*).

Not only by social provision a state can affect economic status of children and their families, but also through legal institutions. An important example is child support determination and enforcement of payment from the absent parent. In the United States, and in Italy as well, there is a large discrepancy between child support orders and child support payments. Issues of paternity determination (in the case of out-of-wedlock births) and government insurance for non-payment of child support by an absent spouse are closely related and shape the economic status of lone parent families.

Although data are fragmentary, they suggest pretty clearly that the higher economic status of single mothers in Sweden is not attributable to superior enforcement of private child support. Despite Sweden clearly does a superior job in establishing paternity, it is not clear how much support the Swedes actually collect. The proportion of the advanced maintenance payments that are recovered via private support payments declined from 100 percent in 1974 to only 34 percent in 1991 (Social Insurance Statistic Board Sweden, 1992; Gustafsson, 1995) and in part this was due to a decline in private payments (Gustafsson, 1995). Quite clearly, the greatest advantage single mothers in Sweden derive from child support comes from their advanced maintenance system. Similarly, estimates for the United States suggest that a publicly assured child support benefit could substantially reduce poverty (McLanahan and Garfinkel, 1995). This guarantee income should allow a single parent to be able to go out and find a job, keep a job, pay for some portion of subsidised child care and otherwise substitute for the lack of a partner who can share work and child rearing responsibilities. Micro-simulations suggest that the poverty gap in the United States would be reduced by 25 percent if non resident fathers paid as much child support as they should according to child-support guidelines (McLanahan and Garfinkel, 1995). Combined with work and related programs (e.g. FS and EITC), it does provide a reasonable minimum level of support for the children involved (Rainwater and Smeeding, 1995).

Conclusions

Although there are differences in degree, the pattern and rate of change in family structure and female work roles in most Western industrialized countries are extraordinarily similar. However, the policy strategies designed to respond to these developments do vary, and these differences have important consequences for children and their families.

To some extent, what we see in the Swedish welfare state is a new definition of life cycle, which aim to prime age population both public services (daycare, education and training in the labor market) and transfers (as parental leave and child allowance) and reflects in the attempt to guarantee economic well-being to new household patterns. The strong emphasis on work, rather than on income subsidies, has proved to be a resilient method of providing support to the great majority of the nation's citizens, including single mothers with children. The latter fare much better in Sweden because the government bear a much greater share of child-rearing costs. Childcare itself is an example of how socializing domestic production increases women's earnings not only by reducing the costs of working but also by increasing the demand for women workers.

The failure-to-adjust approach to address to new life cycle distribution of economic risk typifies American social policy. It combines deregulatory, market-driven strategies, a move towards greater selectivity, gradual erosion of benefits and low coverage and 'workfare' (Bane and Ellwood, 1994). As a result, welfare gaps have widen and the cost has shifted to families themselves (Esping-Andersen, 1997). In effect, in the United States indexes of inequality are higher than those of any of the other industrialized countries (Smeeding, 1991). The US is sounding a social policy retreat. While there is widespread agreement that all parents with school-age children should work in the marketplace, and that welfare should be reformed, there is little or no agreement on how to help parents find a good job and even less agreement on how to help them keep a job once they have found it. Unlike other nations, there is much less in the way of public support for both working and non-working parents in the United States than is found in other nations.

As seen, in countries as the Unites States, the weakness of the welfare state has encouraged the growth of market substitutes for traditional family services and activities. In latecomers to development, like the Mediterranean countries instead, this weakness has worked to the advantage of the welfare institution already in place: the family. In the Italian model of economics of the family, it is the closest relative network to give economic support, and also care, in an inter-generation exchange that replaces welfare and market. Hence, measures aimed to de-familiarise family burden – child care services or family allowances – have kept on being the 'cinderella' of Italian social policy (Saraceno, 1998), with an uncertain statute from the point of view of legitimacy or opportunity. Indeed, this screeches remarkably with retirement systems hypertrophy. In Italy, passive income maintenance, once intended to provide a guarantee for

people in their inactive years, tends to be also the major response to the risks and needs of families in their active years (Esping-Andersen, 1995).

APPENDIX: Tables and Figures

Tab. 1 Characteristics of lone-parent families, 1960s and early 1990s

Country	Lone parents as % of families with children ^a		Demographic influences				Family status of lone parents (early 1990s)		
			Births outside marriage (%)		Divorce rate		Never married (%)	Widowe d (%)	Separated or divorziated (%)
	1960	1990	1960	1992	1960	1992			
Italy	n.a.	7	2.4	6.7	n.a.	1.1	17	35	46
U.S.	9	25	5.3	21.0	9.2	21.2	33	7	60
Sweden	9	19	11.3	49.5	5.0	11.7	62	3	35

Sources: Smeeding *et al.* (1997); Bettio and Villa (1998); Sorrentino (1990); Ditch *et al.* (1995); Whiteford and Bradshaw (1994); Saraceno (1997b).

Notes: n. a.: not available

^a Figures must be interpreted carefully, because of definitional and measurement problems. For example, the definition of a 'child' is not the same in all countries. Cohabiting but not legally married couples sometimes are counted as married couples, sometimes as single parents, and sometimes in a separate category of their own).

Tab. 2: Labor Force Participation Rates of Women , by Presence and Age of Children.

Country	All Women (aged 15- 64 years)		All Mothers with children ^a (1986-88)		Lone Mothers with Children ^a (1986-88)	
	1975	1992	Under 3 years	Under 18 years	Under 3 years	Under 18 years
Italy	37.6	46.5	45.0	43.9	68.0	67.2
U.S.	53.2	68.9	52.5	65.0	45.1	65.3
Sweden	67.6	79.1	81.0	89.4	81.0	n.a.

^a Italy: mothers between 14 and 60 years old.

U.S.: mothers elder than 16 years old.

Sweden: mothers between 16 and 64 years old.

Sources: Sorrentino (1990); Kamerman and Kahn (1991); Kamerman (1995); Saraceno (1997b).

Tab. 3

Poverty rates and role of government transfers in removing families with children from poverty (1979/81^a and 1991/92)^b

Household type and country	Percentage poor				Poverty reduction rate (%)	
	Pre-transfers (%)		Post-transfers (%)			
	1979/81	1991/92	1979/81	1991/92	1979/81	1991/92
Two-parents families						
ITALY	-	-	-	10.3	-	-
US	9.2	14.0	10.1	13.6	-9.8	2.9
SWEDEN	5.4	12.5	4.4	2.3	18.5	81.6
One-parent families						
ITALY	-	-	-	17.9	-	-
US	55.8	55.5	56.0	51.8	-0.3	6.7
SWEDEN	36.0	36.9	9.8	5.5	72.7	85.0

^a Italian data are not available in LIS first wave data set.

^b Given Italian data, the impact of tax and transfer policies is not estimable because family disposable incomes are net of income and payroll taxes and cash transfers added to paycheck are not recorded separately from net wage-earnings.

Notes: Poverty rates refer to families with disposable income below 50 per cent of the national median, using an equivalence scale of 0.5 per additional person.

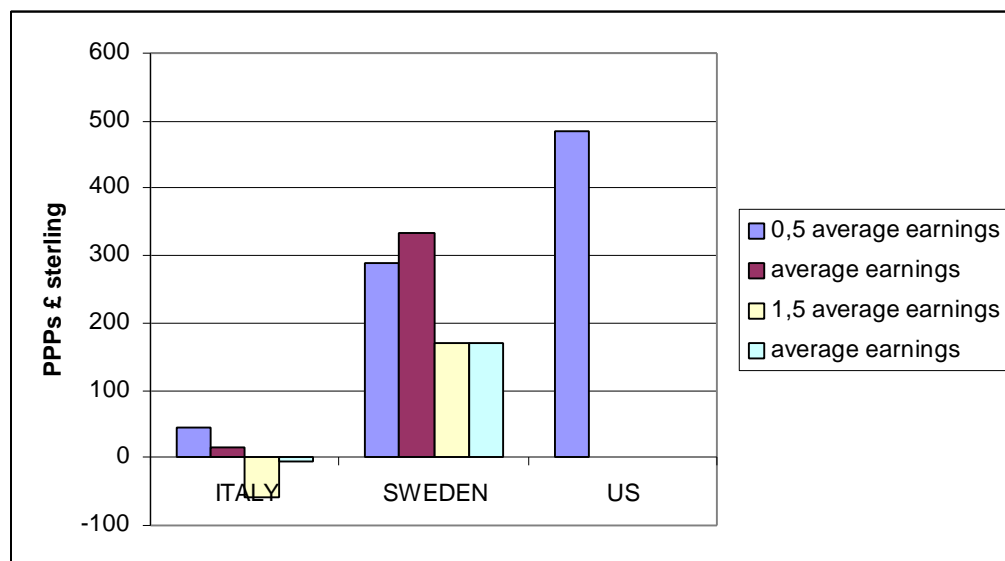
Family: unit whose head is between 25 and 60 years of age. The data exclude units with co-habiting “other adults” (with the exception of Italian lone-parent families, because of low sample dimension).

Children: all under age 18.

Poverty reduction rate = [(pre-post)/pre]*100.

Source: *Luxembourg Income Study* (own calculations).

Fig 1: 'Child Benefit Package' (before housing costs^b) for a couple with two children at primary school, at different family income levels - purchasing power – monthly £ sterling

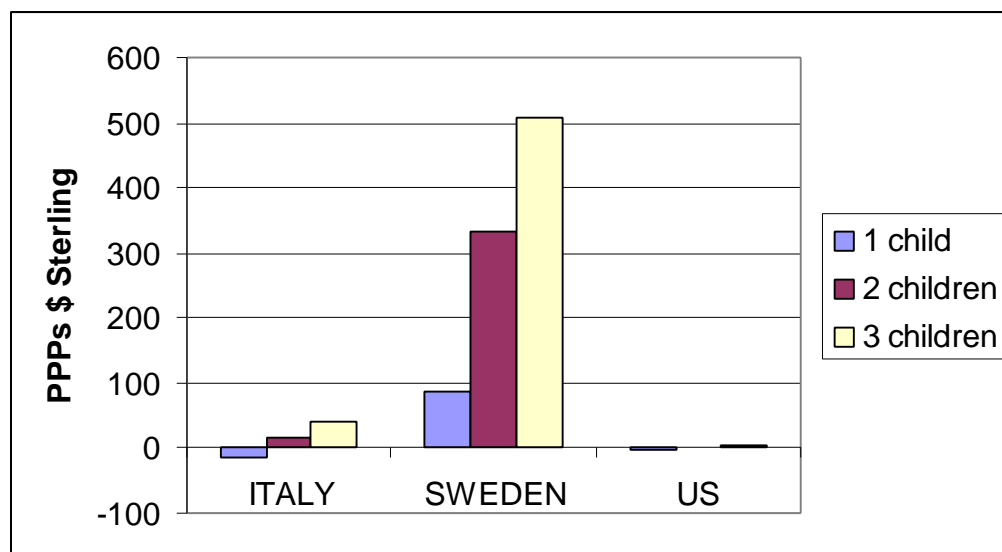


Source: *European Observatory on National Family Policies* (own calculations).

^aWe do not take housing costs into account because of particular difficulties they present in comparative research. Costs in fact vary both within and between countries according to tenure, the size, age and location of dwelling (Gough *et al.*, 1997).

^bAverage earnings= average production working income;
0.66 average earnings = assumed wife's income.

Fig.2: 'Child Benefit Package' (before housing costs) for a family with average incomes - purchasing power – monthly £ sterling -.



Source: *European Observatory on National Family Policies* (own calculations).

TAB. 4 Poverty and effectiveness of government transfers for two-parent families, by number of employed adults^a (1991-92)

Number of earners	ITALY		UNITED STATES			SWEDEN		
	% of the sample	% poor	% of the sample	% poor	poverty reduction rate (%)	% of the sample	% poor	poverty reduction rate (%)
One-earner households	53.4	16.0	38.7	17.4	2	12.2	6.1	84
Two-earner households	44.1	0.8	55.8	5.9	-11	84.8	1.6	72

^a Parents are considered 'employed' according to the variable 'labour force status' at the time of the survey. Parents are non-employed if they are not in the labour force or are unemployed. To simplify, we will refer to one-earner and two-earner households.

Notes: Poverty rates refer to families with disposable income below 50 per cent of the national median, using an equivalence scale of 0.5 per additional person.

Family: two-parent households unit whose head is between 25 and 60 years of age. The data exclude units with co-habiting "other adults".

Children: all under age 18.

Poverty reduction rate = [(pre-post)/pre]*100.

Source: *Luxembourg Income Study* (own calculations).

Tab. 5: Poverty, effectiveness of government transfers and dependence of single-mother families (1991-92)

COUNTRY	Percentage poor (post-transfers)	Poverty reduction rate (%)	Dependence (%)	Take-up (%)	% who works
US	56.1	6.5	30.0	54.8	59.2
Sweden	6.2	85.3	6.1	74.3	81.1

Notes: Poverty rates refer to families with disposable income below 50 per cent of the national median, using an equivalence scale of 0.5 per additional person.
Single mother family: head of household between 25 and 60 years of age. The data exclude units with co-habiting "other adults".
Children: all under age 18.
Dependence: percentage of single mothers dependent on means-tested benefits for half or more of (gross) income.
Take-up: percentage of single mother families who receives means-tested benefits.
Poverty reduction rate = [(pre-post)/pre]*100
Source: *Luxembourg Income Study* (own calculations).

Tab. 6 'Income packaging' of poor lone-mothers families (1991-92)

Sources of Income	UNITED STATES		SWEDEN	
	Not working single- mothers	Working single- mothers	Not working single- mothers	Working single- mothers
Factor income	13.2 %	65.1 %	5.5 %	29.0 %
Social transfers	80.8 %	28.0 %	63.9 %	55.9 %
Social assistance	85.7	41.2	19.6	23.1
Social insurance	4.1	2.2	31.0	37.8
Universalistic benefits	0.0	0.0	46.4	31.3
Other social insurance	7.4	54.0	2.4	1.6
Unemployment compensation	2.8	2.8	0.6	6.3
Total	100.0	100.0	100.0	100.0
Private transfers	6.0 %	6.9 %	30.5 %	15.1 %
GROSS INCOME	100 %	100 %	100 %	100 %

Notes: Factor income: total earnings + cash property income.

Private transfers: alimony or child support and other regular private income (in the American case they also include 'other cash income').

Gross income: factor income + public and private transfers

Source: *Luxembourg Income Study* (own calculations).

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