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Luxembourg Income Study Working Paper No. 282

**THE INCOME SOURCES OF SINGLE PARENTS:
A COMPARATIVE ANALYSIS**

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**The income sources of single parents:
A comparative analysis**

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Introduction

Single parents have been on top of the political agenda in many western countries during the 1990s. The main reasons for the attention are twofold. First, the visibility of single parents has increased markedly. Their numbers have increased and an increasing proportion of them are unmarried and divorced women rather than widows. Also an increasing share of children is growing up outside the traditional nuclear family, i.e. in single parent households. (*Human Development Index 1998, Bradshaw et al. 1996*). Second, single parents' dependence on state benefits has become a vivid political issue as all western governments seek to reduce the welfare expenditure.

Single parents have three main possible sources of income: the labour market, the absent parent and the welfare state. During the last decade, single parents have been able to reduce their dependence on men and to increase the amount of income they obtain from the labour market and the state (*Rainwater and Rein 1986, Hobson 1990*). One more place to look for additional support for single parents is non-custodial parents, typically the fathers. Many studies have pointed out (*Sorensen 1990, Kamerman and Kahn 1994*) that the lack of economic support from the absent parent is a specific risk factor for one parent families. All single parents package income from these different sources, but the way in which they do so varies from one country to another and from one time point to another.

The aim of this article is to examine the different income sources of single parents using the method of the income packages. The concept of income package highlights the importance of both the source and the level of income of single parent families in different welfare states. These potential sources of income are central when analysing the nature of support offered by the welfare state to single parents.

This article attempts to give answer to the following questions:

- Is it the case that the degree to which single parents participate in paid employment influences their income packages? In those countries where paid employment is common among single parents, is the main component of their

income packages income from work? In contrast, in those countries where paid employment is rare among single parents, are incomes mainly derived from social transfers?

- How has the income sources of single parents changed during the economic downturn in some countries during the 1990s? Has the dependency on state benefits increased and the amount of income from employment decreased as a result of a weakened labour market position among single parents?

The study focuses on the turn of the decade (namely 1983-86 and 1991-95) when social policy was reformed in many countries. Most recent policy initiatives have aimed at curbing public expenditure. Single parents' social security has been the target of extensive reforms in many countries in the 1990s in particular (*Duncan and Edwards 1996, Lewis 1997, Ford and Millar 1998*). The responsibility for providing income and economic welfare to single parents has been transferred from public to private income sources i.e. to the family and to the labour market. In terms of public expenditure costs, the new policy has been to seek more maintenance from the absent parent and to increase work incentives in order to reduce dependence on state benefits.

The countries selected for this study are Australia, Britain, the US, the Netherlands, Germany, Norway, Finland and Denmark. These countries represent different welfare state models and have different ways of securing the economic welfare of single parents. The data used here has been obtained from the Luxembourg Income Study database that contains data on incomes from over 20 countries and for different points in time (<http://lissy.ceps.lu/index.htm>).

The article starts with an overview of the different work requirements of single parents across countries. This serves as a platform for empirical analysis on income packages. Then the changes in labour market participation rates of single parents are studied. This is followed by a study of the income packages and income levels of single parents. The article concludes with a discussion of the main research findings.

1. Background of study

Comparative research on single parents has increased considerably over the past couple of decades (*see for instance Hobson 1994, Bradshaw et al. 1996, Lewis 1997*). This is partly due to the growth in the number of single parents and the resulting need to study the circumstances and welfare of single parents. Theoretical concerns have also stimulated interest in single parent research. First, single parents are predominantly women, and policies toward single parents may thus reflect more general attitudes of welfare states to gender equality. Furthermore, single parents can be used as an example of a vulnerable group in society. Thus a study of them may provide more general insights into how welfare states treat weak social groups (*Hobson 1994*).

Single parents are undoubtedly one of the most disadvantaged group in society. Previous studies have revealed that single parenthood in almost all countries is associated with greater poverty risk than among other families with children (*Whiteford et al. 1994, Ritakallio 1994, Forssen 1998, Rainwater 1999*). Single parents also depend on the state benefits for a substantial proportion of their income in many countries (*Bradshaw et al. 1996*). Once in work, single parents can secure no more than one earned income to support their families. Even when earning and when supplementing those earnings with in-work benefits, single parents often receive the bulk of their income from social transfers. (*Rainwater 1999, Hobson 1990*). When out of work most single parents claim means-tested benefits. Consequently, the share of single parents in receipt of social assistance is often high (*Eardley et al. 1996*).

In many countries labour market participation among single parents has remained at a relatively low level and in recent years increased emphasis has been put on income from the labour market. This may indicate changing views of parenthood as well as a shift in attitudes to employment of single parents. Single parents are to a larger extent than before assumed to join the labour market and support themselves and their children by paid work. The other reason to push single parents into the labour market is to reduce dependence on state benefits. There is concern about the consequences of long term receipt of welfare benefits and the extent to which single parents may not have sufficient incentives to support their families through

employment. This had led to a discussion on the extent to which an individual or a family can uphold a socially acceptable standard of living independent of their labour market position. In the Anglo-American countries in particular this discussion is linked to a broader criticism of the welfare state according to which social policy is an 'incentive to fail' (*see for instance Murray 1984*).

However, the amount of income single parents are able to obtain from the labour market is naturally dependent on their labour market participation which varies substantially between countries. Also, conditions for receiving welfare benefits vary greatly across countries. For example, there are various work requirements to be eligible for benefits. Table 1. summarizes the work requirements across a number of countries. In some states in the US single parents are unable to receive financial help unless they are not working and over 60 percent of single parents were employed at the beginning of the 1990s (*Bradshaw et. al 1996*). In Denmark, Finland and Germany, single parents are not treated as a special group and are generally obliged to seek work when their youngest child turns three. Also in these countries single parents labour market participation is very high. In Finland and Denmark 70 percent of single parents are employed (*Bradshaw et. al 1996*) and in Germany about 60 percent (*Klett-Davies 1997*) at the beginning of the 1990s. In the Netherlands, Australia and Britain single parents are supported by the state to stay at home to care for their children and their employment rates are about 40 percent. Thus, there seems to be a connection between sanctions and labour force participation. However, interestingly enough, in Norway over 60 percent of single parents do work even though they have the possibility to stay at home to care for children. (*Bradshaw et. al 1996*.)

Table 1. Single parents requirements to work around 1990s.

| | |
|-----------------------------------|---|
| US (some states) | Work required in order to receive benefits |
| Denmark Some states in the USA | Work test (i.e. obliged to seek work) regardless of age of children |
| Finland Germany | No work test if children are under three |
| Netherlands Norway | No work test if children are under ten |
| Australia Britain | No work test if children are under sixteen |

Source: Millar 2000.

Increasing market dependence through encouraging people to work has become an increasingly important part of social security in many welfare states. Everyone who is capable of working is supposed to support him/herself and his/her family through their own paid employment.

Labour market participation has been encouraged by providing both economic and non-economic incentives. The aim of economic incentives is to reward recipients if they also earn some income from work. Economic incentives include tax relief, bonuses paid to those who take up employment and retaining the right to social security even when working. One important way of encouraging single parents to take up paid employment is by not taking earned income into account in means-tested benefits paid to single parents. Not taking earned income into account is a way of making work more economically profitable.

Single parents can also be encouraged to take up employment by making it possible to deduct earnings in taxation. For instance, the US 1988 Family Support Act made it possible to deduct the cost of journeys to work and work equipment in taxation which meant that working no longer imposed extra costs on families (*Sainsbury 1996*). Also earned Income Tax Credit in the US has increased its importance in the taxation of low-income families with children (*Myles and Pierson 1997*). In Britain, a child care benefit was adopted that made it possible to take into account the costs of child care for families receiving social assistance.

In addition to economic incentives, benefit recipients can be 'activated' by imposing duties on them and by punishing them for neglecting those duties. These means are more negative in character than activation through economic incentives (*Kuivalainen 1999*). Social security is not seen as an automatic right but certain responsibilities always precede rights. In Norway, a maximum duration has been introduced for the period during which single parents receive benefits, i.e. benefits are paid for no longer than three years unless the benefit recipient participates in education or training in order to improve his or her chances of finding employment. Single parents must register as job seekers and benefits can be withdrawn if the applicant refuses to take up suitable employment. If the parents divorce or separate when the child is over three years of age, single parent support can be granted temporarily for

one year (*Skevik 1998*). In the US, the means-tested social assistance systems for poor families with children (AFDC) was reformed in 1996 to provide more work incentives and the system is now called Temporary Assistance for Needy Families (*Jenks 1997*). The assistance is only paid temporarily and in some states the assistance can be completely withdrawn if the single parent has a child while receiving the assistance (*Orloff 1996*).

As part of imposing more obligations on social security recipients, many countries have adopted workfare programmes. In the US, the 1988 Family Support Act strengthened considerably the obligation of single parents to work. All single parents of over three-year-old children were obliged to acquire their income through paid work. Work-line policies are intended to push people onto the labour market and to lessen their dependence on benefits (*Miller 1990*). The aim of single parents' activation programs in the US has been both to decrease costs and to anchor single parents in employment.

In Australia and Britain activation programs for single parents were adopted but they differ from the US programs in that participation is voluntary. The aim was to give single parents an opportunity to look after their own children at home, without any obligation to work. In Australia, an activation program for single parents (JET - Jobs, Education and Training Program) was introduced in 1989. It was targeted at single parents of under 6-year-old children who had been receiving benefits for over 12 months, at teen-age single parents and at those single parents whose children were over 16 (*McHugh and Millar 1997*). Participation in the program is voluntary and the aim is primarily to offer single parents help in finding work. In Britain single parents are offered support while they seek work. Participation in the program is voluntary and refusal does not lead to any sanctions. The intention is that social workers help single parents to improve their job seeking skills and that the transition from social security dependence to paid employment is eased for instance through offering day care services (*Ford and Millar 1998*).

Reducing the role of the state has been the aim in many welfare states, but in Finland and Denmark the changes in single parents' social security were less radical even during the recession. In Finland, the state's responsibility for guaranteeing the

economic welfare of single parents has been increased. During the period under study, a home care benefit was adopted which enables parents to look after their children at home until the age of three. A family support reform eliminated child-related tax relief and child benefits became direct income transfers. Simultaneously, an increased benefit for single parents was introduced. During the same period, a special benefit for single parents was adopted in Denmark. These reforms can be interpreted as attempts to lessen women's dependence on male bread-winners. Public responsibility for guaranteeing the economic welfare of single parents has become an integral part of the Finnish and Danish systems.

2. Data sources and methodological choices

This study focuses on changes in labour market participation and income packages of single parents between the mid 1980s and mid 1990s. The data has been obtained from the Luxembourg Income Study (LIS) which contains data sets on income distribution from over 20 countries and from several different points in time. National databases of different countries contain data on demographic, income, taxation and consumption variables. For the purposes of comparative analysis, national data sets have been made commensurable with each other and with the LIS definition of income (*Introduction guide to Luxembourg Income Study 1998*, <http://lissy.ceps.lu>) which provides a reliable starting point for comparative study. The heterogeneity of the data presents some problems, however.

One problem of comparability arises from the fact that not all countries are adopting the same definition of single parent family. International statistics define as single parents those parents who live with their underage child or children but not with a husband or a cohabiting partner. The common definition of underage child refers to those who are under 18, but the age limit varies across countries. In Great Britain, the definition of single parent includes those with under 16-year-old children but also those with under 19-year-old children if the children are in full-time education (*Kiernan et al. 1998, 23*). In the Netherlands, the definition includes cohabiting parents in those cases where the child is not the cohabiting couple's own (*Bradshaw 1998, 157*).

These varying definitions of single parent are problematic for international comparisons and some simplifying assumptions must be made in order to reach some degree of comparability. *This study defines as single parent households those households where only one adult with his or her under 18-year-old child or children lives.*¹

Another serious problem is that the number of single parents in some data sets is very small². A third problem of comparability arises when not all countries submit a complete set of labour market variables. The definition of the status 'employed' does therefore vary across countries implying that the status 'employed' can have somewhat different meanings between countries. The lack of some employment

measures necessitated a ranking system of definitions according to what is considered the most correct definition³. Also, the status 'unemployment' is not available for some countries and a similar hierarchy of definitions of unemployment had to be done⁴. An extension of the analysis to cover part-time and full-time work would likewise give a better understanding of single parents' employment patterns. However, since this information was not available for most countries it could not be used for our purposes.

Fourth, as this study focuses mainly on incomes, the research results are influenced by the length of the period during which incomes have been measured. For instance, poverty may be greater when incomes are measured over a short period only. Taking into account incomes over a longer period of time gives a more reliable picture of long-term poverty (*Uusitalo 1988*). This is particularly problematic in analyses based on LIS data as the duration of the period for which incomes have been measured varies from two weeks to one year.

Fifth, the period under study also presents problems. Although countries may be compared on the basis of the very same period in time, their stages of economic development may not be the same. In this study, the information on the countries has been gathered at different points of time which means that the economic conditions prevailing in these countries may have varied considerably (*see Mitchell 1991*).

In LIS data, incomes are given in national currencies which means that they have to be made commensurable before they can be compared. Furthermore, information on incomes stems from different years and the value of money (inflation) obviously varies between years. In comparing incomes, this study uses percentage shares of absolute income units and purchasing power parities. Purchasing power parity comparisons have been made with the help of OECD indicators of purchasing power. Parities have been changed so that Finland always has value one and other countries are compared to Finland.

Purchasing power parity calculations have been criticised because they give an unreliable picture of the economic welfare of households in different countries. This method does not take sufficiently into account universal services such as health care

which leads to a distorted picture in the case of the Nordic service states. For instance, American single parents have to pay with their own incomes for private health care and sickness insurance as well as for some other services that are free or subsidised in the Nordic countries (e.g. children's education and day care). Purchasing power parities have also been criticised for being based on the assumption of relatively homogeneous consumption patterns. The purchases contained in the measure may not accurately represent people's consumption habits. This problem is particularly acute in those countries where incomes and consumption levels are highly unequal. Calculations take into account for instance the cost of travelling abroad. In practice, the poorest sections of the population cannot afford trips abroad. For this reason, a purchasing power parity should be developed that takes into account only the necessary expenses. For the purposes of this study, however, it is better to use purchasing power parities than comparisons based on exchange rates because exchange rates vary and comparisons based on exchange rates do not take into account the price level within countries. Purchasing power parity calculations have been commonly used in international comparisons (e.g. Bradshaw et al. 1996, Kangas 2001).

When comparing the incomes of different size households, the OECD equivalence scale is used as this makes households with different needs and structures comparable. The OECD equivalence scale illustrates the consumption level of a household and is therefore not the same as the number of persons in the household. The use of the OECD equivalence scale is based on the fact that the consumption need of a household does not increase linearly as the number of persons in the household increases. Households contain collective goods i.e. their utility to one member of the household is not lessened by others using it (e.g. refrigerator, television). Larger households can benefit from economies of scale as the unit costs decrease. The OECD equivalence scale takes into account the size, structure, collective goods and economies of scale of households. Many different consumption unit scales have been developed but in the broadly utilised OECD equivalence scale different single parent households are given a different weighting according to the number of children. The weighting for the first adult is 1.0 and for a child 0.5 regardless of the number of children. For instance, the consumption unit figure for a

single parent family with one child is 1.5 and 2.0 for a single parent family with two children.

The OECD equivalence scale has also been criticised. The scale does not take into account the age of adults despite the fact that ageing lessens consumption needs. The age of children is also not taken into account although children's age has a considerable impact on family's consumption level. The OECD equivalence scale is indeed rather rough as it assumes a strong connection between increase in the number of members in a household and growth in the needs of the household (*Uusitalo 1988*). Although the OECD equivalence scale has been criticised particularly for the emphasis on children, there are good reasons for using it here as the differences between equivalence scales are not significant (*see Ritakallio 1994*).

3. Changes in the income packages of single parents during the mid 1980s and mid 1990s

Single parents have three main sources of income, namely income from employment, income transfers and maintenance payments from the absent parent. This section examines the composition of single parents' income packages. I will utilize two cross-sectional data bases, one from the mid 1980s and the second from the mid 1990s. An income package consists of earned income, income transfers, private incomes and other occasional incomes. Earned income includes wage/salary, income from a private enterprise or from farming⁵. Private income consist of maintenance payments received and other regular private income from relatives and charity⁶. Income transfers include family benefits such as child benefits, maternity and parental benefits, other insurance-based transfers (with the exception of some pensions), and means-tested transfers⁷. Occasional incomes consist mainly of some pensions and capital incomes. The analysis of income packages includes only those households that have incomes in the above-mentioned income components i.e. negative incomes have not been included. Income package analysis therefore illustrates the average share of an income component in the gross income of a household.

Before examining the income packaging it is worth to look at what has actually happened to the employment among single parents in recent decades. The degree to which single parents participate in paid employment varies across countries. Table 2 shows the employment and unemployment rates of single parents in the mid 1980s and mid 1990s. The highest employment rate for single parents can be found in Denmark and Finland, where single parents are working mostly on a full time basis (*Bradshaw et al. 1996*). The lowest employment rate for single parents are found in the Netherlands, Australia and Britain where the social security support for single parents families have been based on the principle that they should not be required to seek paid work. The government is not actively supporting working mothers and there are few measures to help reconcile work and family. The US, Germany and Norway stand out as countries with a medium employment rate among single parents. In the US state provision for single parents has been made a categorical assistance benefit with a low benefit level. In Germany non working single parents must rely on social assistance, but the jobs secured by single parents tend to pay better than those held by single parents in the US and thus there is a substantial

incentive to work (*Ostner 1997*). In Norway the policy is that mothers should put the care of their children before paid work. Single parents can choose to work, but many single parents do stay at home (*Skevik 1998*).

Table 2. The percentage of employed and unemployed single parents in the 1980s and in the 1990s

| | Employment rate | | Unemployment rate | |
|-------------------|-----------------|-------|-------------------|--------|
| | 1980s | 1990s | 1980s | 1990s |
| <i>Low</i> | | | | |
| Netherlands 83/91 | 25 | 26 | - | 1 |
| Australia 85/94 | 38 | 43 | 8 | 10 |
| Britain 86/95 | 44 | 38 | 1 | 7 |
| <i>Medium</i> | | | | |
| USA 86/94 | 57 | 59 | 8 | 8 |
| Norway 86/95 | 57 | 57 | 13 (87) | 14(91) |
| Germany 84/94 | 58 | 49 | 14 | 10 |
| <i>High</i> | | | | |
| Denmark 87/92 | 68 | 59 | 10 | 16 |
| Finland 87/95 | 79 | 55 | 3 | 22 |

Source: LIS – data. Unemployment rate from Norway are based on the Level of Living Survey (see Skevik 1995) and the results are not perfectly comparable to other results based on the Luxembourg Income Data.

The data of labour market behaviour do not perfectly fit with what we might expect with regard to the work requirements for single parents. In the US with the most strict work requirements the employment rate for single parents is not the highest. The highest employment rates can be found in the Nordic countries. Unemployment rates of single parents have increased in five out of eight countries. The highest increase in the unemployment rate has taken place in Finland and Denmark.

In recent years some countries have adopted quite strong policies to push single parents into the labour market. In the USA there is very slight increase in the employment rate. As *Gueron and Pauly (1991)* have shown, most benefit recipients have not found permanent employment and overall benefit dependency has not decreased. A further problem is that those employed through the program do not have the same rights as people in normal employment which means that single parents have no right to health care for instance (*Reese 1999*). In Australia the employment of single parents have increased after the work requirements were

tightened. However, we do not know what is the influence of the program and who intended to find employment in any case. The problem of the jobs created through the Australian welfare program is that most jobs are typical 'women's jobs' i.e. low-paid part-time jobs, often in primitive working conditions. Income from these jobs was often not sufficient for maintaining a reasonably high standard of living. (*Gueron and Pauly 199, Shaver et al. 1994.*)

Table 3 summarizes the pattern of income sources received by single parents in all countries included in the study. The balance between earnings, social transfers and private income varies greatly, since the employment rates varies and benefit systems are very heterogeneous. Single parents may claim insurance based benefits if they are insured as workers or as widows of insured men. In many countries the majority of single parents must claim social assistance benefits.

Table 3. Gross income packages of single parents in mid-1980s and mid-1990s

| | Income from work | Social transfers | Private income | Other income | Total |
|----------------|-----------------------------|-----------------------------|---------------------------|-------------------------|--------------|
| Australia 85 | 52 | 38 | 4 | 5 | 100 |
| Australia 94 | 49 | 43 | 7 | 1 | 100 |
| Change % | -3 | +5 | +3 | -4 | |
| Britain 86 | 29 | 56 | 11 | 4 | 100 |
| Britain 95 | 35 | 56 | 6 | 3 | 100 |
| Change % | +6 | 0 | -5 | -1 | |
| USA 86 | 69 | 19 | 6 | 6 | 100 |
| USA 94 | 69 | 22 | 6 | 3 | 100 |
| Change % | 0 | +3 | 0 | -3 | |
| Netherlands 83 | 25 | 67 | 4 | 4 | 100 |
| Netherlands 91 | 28 | 60 | 5 | 7 | 100 |
| Change % | +3 | -7 | +1 | +3 | |
| Germany 84 | 70 | 22 | 5 | 3 | 100 |
| Germany 94 | 60 | 28 | 9 | 2 | 100 |
| Change % | -10 | +6 | +4 | -1 | |
| Norway 86 | 55 | 25 | 7 | 12 | 100 |
| Norway 95 | 53 | 33 | 8 | 6 | 100 |
| Change % | -2 | +8 | +1 | -6 | |
| Finland 87 | 76 | 16 | 4 | 4 | 100 |
| Finland 95 | 55 | 32 | 4 | 8 | 100 |
| Change % | -21 | +16 | 0 | +4 | |
| Denmark 87 | 55 | 43 | 1 | 2 | 100 |
| Denmark 92 | 60 | 37 | 1 | 2 | 100 |
| Change % | +5 | -6 | 0 | 0 | |

Source: Luxembourg Income Study

Earnings

In the 1980s, the share of earned income of the total income of single parents was largest in Finland (approximately 75 per cent), Germany (70 per cent) and the US (69 per cent). In Finland the share of earned income dramatically decreased between 1987 and 1995 due to increased unemployment among single parents. In Germany there was also decline in the share of earned income and it can be explained by the decreasing employment among single parents. Even though single parents can place their children in day care the public policy is not very supportive for working mothers. (*Klett-Davies 1997, 192*).

In the US income from work has remained stable at approximately 70 per cent of the gross income. In the US work requirements of single parents are quite strict and single parents are displaying a relatively high employment rates. In Australia earned income constitutes half of the total income of single parents and the share of earned income has declined slightly. In both of these countries there has been willingness to lessen the role of the state and the most important point to note is the shift in policy as regards employment. In the US the Family Support Act of 1988 mandated that the states must run welfare to work programmes (*Blank 1997*). In Australia the replacement of the Supporting Parents Benefit and Widows Pension by the Sole Parent Pension increased labour market requirements of single parents. This 'enforcement policy' uses sanctions to push lone parents into the labour market: shortening of the allowance spells, decreasing the age limit of youngest child and extending the work registration of lone parents. Also social assistance is now supposed to be a trampoline to paid work rather than a safety net.

Single parents' earned income is the lowest in Britain and the Netherlands. Here, single parents are supported by the state to be full time mothers and the employment rate of single parents is among the lowest. In those countries approximately one third of gross income consists of earned income, although there is an increase in the share of earned income in both countries. Recently, in both countries there has been willingness to push more single parents into the labour force while at the same time they can collect some state support. In Britain, single parents in receipt of social assistance are encouraged to work through special payments that is made to those who take up a job. A new means-tested benefit called Family Credit has also been adopted. The Family Credit does not allow recipients to work more than 16 hours per week and the level of earnings must not exceed a certain threshold. In practice this means that the standard of living of single parents does not increase noticeably as a result of taking up employment (*Ford 1996, Land and Lewis 1998*). So the right to care for one's children also implies an obligation to do so, because the policy offers single parents few other options.

Social transfers

Income transfers are very important sources of income for many single parents across countries. The highest share of income transfers is among Dutch single parents. Also in Britain and Australia a significant proportion of single parents' income consists of social transfers. In Australia, single parents have a right to a single parent pension independent of work history. In 1994, 72 per cent of Australian single parents were receiving this pension. This explains the large share of income transfers in the income packages of Australian single parents (*McHugh and Millar 1996, 164*). In Britain almost 84 per cent of single parents receive Income Support (*Land and Lewis 1998*).

In the Nordic countries the share of income transfers is clearly highest in Denmark, where about two third of gross income consists of income transfers. The level is very high even though it has decreased from the mid 1980s to the mid 1990s. However, it is important to note that taxation in Denmark is quite high by international standards and that the benefits most single parents rely on represent taxable income (*Pedersen 1993*). In Norway the share of social transfers was about 25 per cent in the middle of the 1980s and it has increased about eight per cent by the middle of the 1990s. Norwegian single parents are entitled to single parent assistance which enables them to look after their children at home. The use of this assistance has increased over the past decade so that 33 per cent of those entitled to the assistance (single parents of children below the age of 10) were receiving it in 1986. In 1995, 48 per cent of single parents entitled to the support did receive it. (*Trygdestatistics 1996*.) Also there is a slight increase in the unemployment rates of single parents in Norway. In Finland the share of social transfers tended to be low in the mid 1980s, but increased dramatically in the 1990s, because of high unemployment among single parents. Also tax deduction for children was discontinued, a child allowance with single parent supplement was raised and the child support was paid straight to the families by the state. This increased the amount of social transfers. (*Forssén 1998*.)

In Germany and the US, the share of income transfers is lowest among the countries studied here. This is due to the relatively high labour market participation rates among single parents and to the fact that no special forms of support exist for single

parents apart from social assistance. The only form of support available for American single parents outside the labour market is Aid to Families with Dependent Children (AFDC) and only families with underage children are entitled to it. In practice AFDC is paid only to single parent families who constitute 90 per cent of recipients (*Evans 1992*). The German social security system is to a large extent based on the Bismarckian employee insurance principle. In practice this means that the social security of a family is defined through the employed spouse (usually the husband). The law guarantees support for widows and divorcees depending on the duration of marriage and insurance payments made by the husband, but often this leaves single parents without adequate support. Those single parents who are incapable of supporting their family through earnings have to rely on means-tested social assistance. Means-testing is usually strict and the maintenance duties of both the father and the mothers' parents are first established (*Ostner 1997, 42*)⁸.

Maintenance payments

A main problem in single parent families is how to deal with financial problems resulting from the absence of the other parent. Children have a right to sufficient economic support from both parents. The way in which welfare states ensure that parents fulfil this duty varies, and because there are different obligations imposed on the absent parent there are also differences in the share of maintenance payments in single parents' income packages.

All Scandinavian countries have similar laws regarding maintenance payments and the share of maintenance payments in single parents' income packages has remained fairly stable. Still, there are some differences between countries. In Denmark, maintenance payments constitute less than one per cent of single parents' gross income at both points in time. This level is extremely low. This is partly the result of cases where parents are joint guardians of their child and there is a presumption that both parents will contribute adequately to support their children (*Koch-Nielsen 1990*). In Norway, the share of maintenance payments has been quite high, eight per cent of single parents' gross incomes (*Skevik 1998*). In Finland the amount of maintenance

payments has been fairly stable being some 4 per cent of single parents' gross income.

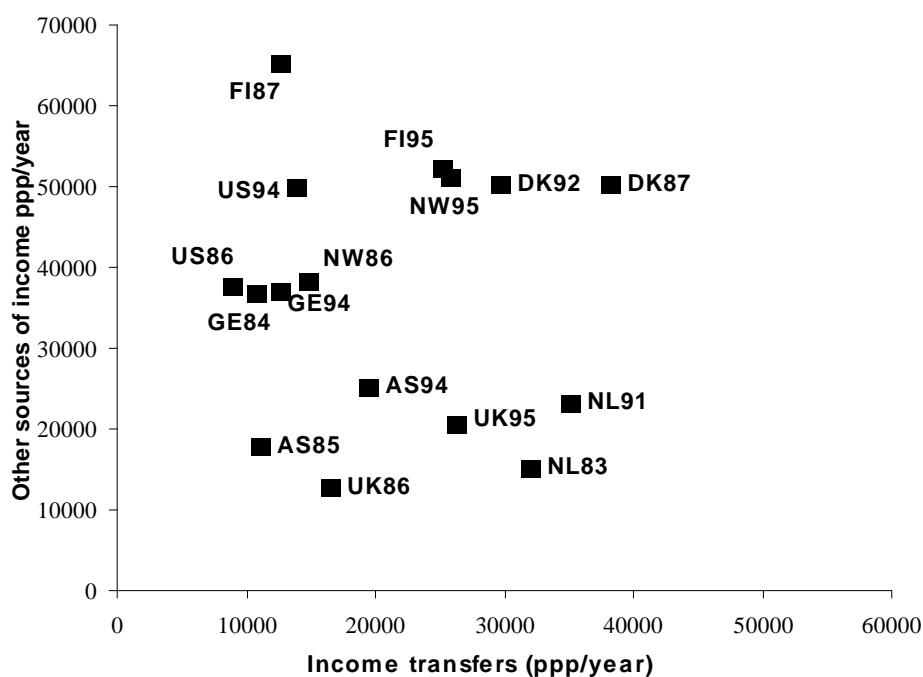
Private income constitutes a larger share of total income in Britain in the 1980s than in any other country. In Britain, the emphasis has been on collecting child support from the absent parent rather than compelling lone parents to enter the labour market on a full time basis. The Parliament passed the Child Support Act in 1991 and the purpose was to move financial responsibility from the state to the liable person. The share of private incomes was 11 per cent in Britain in the 1980s, but this share decreased to 6 per cent in the 1990s. It seems clear that absent parents, mainly fathers, could not be relied on to reduce single parent' dependency on the state. Only some 60 per cent of children living in single parent households in Britain receive maintenance payments from the absent parent (*Millar 1996, Skevik 1998*).

The share of maintenance payments has increased most in Germany and Australia. Germany operates a guaranteed maintenance scheme and maintenance payments are deducted by employers, thus very few liable persons can avoid payments (*Ostner 1997*). In Australia the Child Support Agency was founded in 1987 to claim maintenance payments from absent parents. Single parents are entitled to single parents' benefits only if they actively pursue maintenance payments from the absent parent⁹. This has led to an increase in the share of maintenance payments in single parents' income packages (*McHugh and Millar 1997*). In the US the new Family Support Act was passed in 1988 to improve the financial well-being of children living in single parent families but the proportion of maintenance money has remained at a relatively low level. So, the new act has made very little improvement to single parents incomes since only 60 per cent of single parents even receive maintenance at all (*Miller et al. 1997*).

In conclusion Figure 1. shows the relationship between the levels of total income transfers and all other sources of income received by single parents in all the countries included to this study. Dutch and British single parents receive the bulk of their income through income transfers but the level of income transfers received by them is still low in comparison with the transfers received by Scandinavian single parents. The level of income transfers is low in Australia although it has increased

somewhat in the 1990s. In Britain, the level of income transfers has also increased. In the Netherlands, in contrast, the level of income transfers has decreased. The level of transfers as well as income from other sources in the US have increased in the 1990s. Among the Nordic countries, the level of income transfers received by single parents has increased in Finland and Norway, and decreased in Denmark.

Figure 1. Social transfers to single parents and single parents' incomes from other sources in the mid-1980s and mid-1990s, purchasing power parity/year



AS85=Australia 1985, AS94=Australia 1994, UK86=Britain 1986, UK95=Britain 1995, US86=USA 1986, US94=USA 1994, NL83=Netherlands 1983, NL91=Netherlands 1991, GE84=Germany 1984, GE94=Germany 1994, NW86=Norway 1996, NW95=Norway 1995, FI87=Finland 1987, FI95=Finland 1995, DK87=Denmark 87, DK92=Denmark 1992

Australia, Britain and the Netherlands represent countries where majority of single parents income comes from income transfers. Social transfers play an important part of single parents income also Denmark although it's importance is diminishing. Despite increasing levels of social transfers in Norway and Finland, they are not the dominating part of single parents income sources. Germany and the US represent countries where the share of social transfers are low and income from other sources are high.

In the Nordic countries mothers' labour market participation is supported both through income transfers and social services and single parents collect their income from the labour market. Australia, Britain and the Netherlands, in contrast, represent countries where benefit dependence is high. Single parent families are supported economically, but this support is based on the idea that single parents look after their children at home like mothers in two-parent families. Mothers' labour market participation is not supported through social services. In the US and Germany, the share of incomes transfers in single parents' income packages is small whereas the share of earned and private incomes is large. Single parents without employment thus have to rely either on family support or on low social assistance benefits and single parents are pushed into labour market by the lack of any alternative.

The income packages of single parents in different labour market positions

The above study of income packages illustrated the average share and level of different income components of single parents total income. This did not, however, shed light on the composition of single parents income in different labour market positions. The following analysis compares the income packages of single parents in different labour market positions. This enables us to assess the extent to which income transfers are targeted at wage-earning or non-wage earning single parents. How much do employed single parents receive in income transfers in different welfare states? What are the income sources of single parents who do not have earned income? And, alternatively what are the income sources of single parents who do have earned income?

Table 4. Income packages of single parents according to the number of wage earners in the mid-1980s and mid-1990s.

| | Income from work | Social transfers | No wage earner | Private income | | Other income | |
|----------------|------------------|------------------|----------------|-----------------|----------------|-----------------|----------------|
| | One wage earner | One wage earner | | One wage earner | No wage earner | One wage earner | No wage earner |
| Australia 85 | 78 | 14 | 86 | 3 | 6 | 5 | 7 |
| Australia 94 | 70 | 23 | 88 | 5 | 10 | 2 | 2 |
| Change % | -8 | +9 | +2 | +3 | +4 | -3 | -5 |
| Britain 86 | 61 | 26 | 84 | 10 | 12 | 3 | 3 |
| Britain 95 | 65 | 24 | 92 | 7 | 5 | 3 | 2 |
| Change % | +4 | -2 | +8 | -3 | -7 | +0 | -1 |
| US 86 | 82 | 7 | 87 | 6 | 8 | 5 | 6 |
| US 94 | 79 | 12 | 91 | 6 | 6 | 2 | 3 |
| Change % | -3 | +5 | +4 | 0 | -2 | -3 | -3 |
| Netherlands 83 | 87 | 7 | 89 | 6 | 3 | 0 | 8 |
| Netherlands 91 | 53 | 34 | 87 | 7 | 3 | 5 | 9 |
| Change % | -34 | +27 | -2 | +1 | 0 | +5 | +1 |
| Germany 84 | 87 | 9 | 47 | 3 | 9 | 1 | 43 |
| Germany 94 | 74 | 17 | 76 | 7 | 19 | 2 | 5 |
| Change % | -13 | +8 | +29 | +4 | +10 | +1 | -38 |
| Norway 86 | 55 | 25 | - | 7 | - | 12 | - |
| Norway 95 | 63 | 28 | 62 | 8 | 10 | 1 | 28 |
| Change % | +8 | +3 | - | +1 | - | -11 | - |
| Finland 87 | 76 | 16 | - | 4 | - | 4 | - |
| Finland 95 | 61 | 26 | 81 | 4 | 5 | 8 | 14 |
| Change % | -15 | +10 | - | +0 | - | +4 | - |
| Denmark 87 | 60 | 37 | 99 | 1 | 0 | 2 | 1 |
| Denmark 92 | 67 | 30 | 94 | 0 | 0 | 2 | 6 |
| Change % | +7 | -7 | -5 | -1 | 0 | 0 | +5 |

Source: Luxembourg Income Study

Norwegian (1986) and Finnish (1987) data lack the category 'non wage earners' in the variable describing the number of wage earners.

In the mid-1980s, the share of earned income in single-earner households was largest in Germany, the Netherlands and the US. The share of transfers in the income packages of employed single parents was also lowest in these countries. This is due to the fact that there are very few transfers in these countries that are paid in addition to income from work. Social assistance is means-tested and all earned income reduces the amount of social assistance received. In Germany and the Netherlands,

low earned incomes are not taken into account in assessing social assistance applications. The US social assistance system was reformed in the beginning of the 1990s so that single parents can earn a low income without losing their social assistance. Consequently, the share of income transfers in the income packages of employed single parents has increased in these countries.

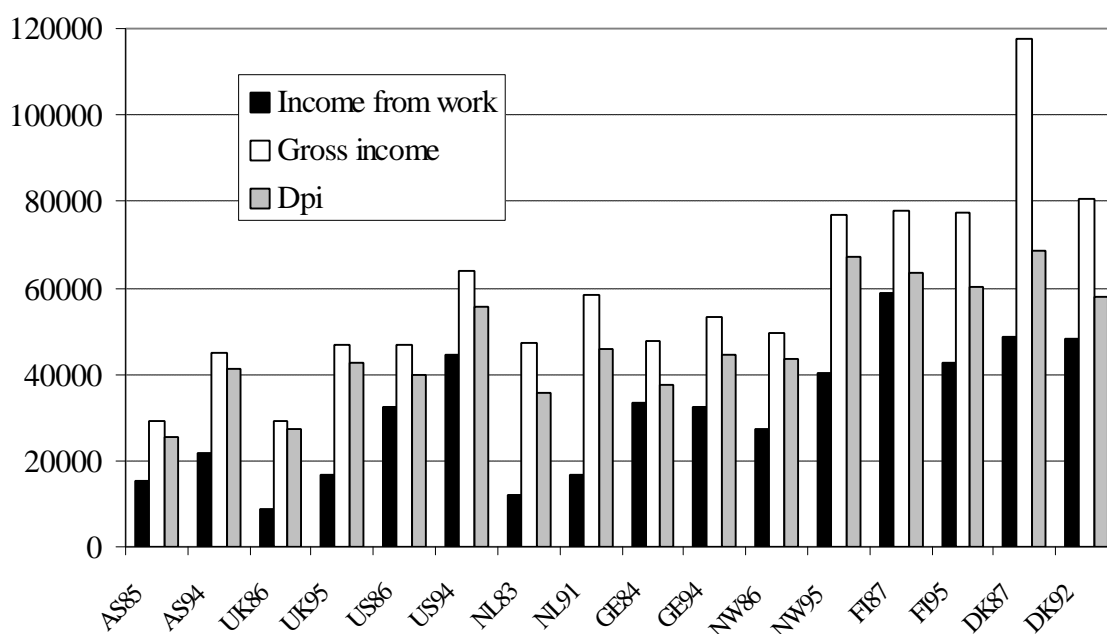
Employed single parents receive a relatively large amount of income transfers in the Nordic countries. The share of transfers is highest in Denmark where they constitute over 40 per cent of the total income. Employed single parents in Norway received some 25 per cent of their incomes through transfers in the mid-1980s and this share has grown somewhat in the 1990s. The significance of income transfers for working single parents has increased most in Finland, but this level of support (approximately 25 per cent) is still lower than in Norway in the 1990s.

The share of income transfers in the income packages of non-wage earning single parents was largest in Denmark in the mid-1980s. In the mid-1990s, American and British single parents who were outside the labour market also gained most of their incomes from transfers. The share of transfers in the incomes of non-wage earning single parents has indeed risen to nearly 90 per cent of total income. This illustrates the fact that non-wage earning single parents have virtually no other sources of income except social security. Income transfers are the main source of income of non-wage earning single parents in all countries. Incomes are supplemented to some extent by incomes from private sources. The share of private incomes in the income packages of non-wage earning single parents was largest in Germany in the mid-1990s. Danish single parents who are not in employment receive nearly all their income from income transfers. Similarly, with the US, non-wage earning single parents receive most of their income through transfers. In Australia and Britain, non-wage earning single parents receive a slightly larger share of their incomes from private sources than in the other countries. This is mainly due to the maintenance payment systems where single parents are not entitled to social assistance unless they actively seek to obtain maintenance payments from the absent parent.

Single parents' income at different stages of the income distribution process

The aim of redistribution is to guarantee a minimum income to all population groups when basic needs cannot be met on the basis of the market distribution of incomes. The most important redistributive tools are progressive taxation, income transfers and subsidised services (Ringen 1987). We now turn to examining the redistributive effects of welfare states from the point of view of the economic welfare of single parents. The analysis makes use of three different income concepts: earned income, gross income and disposable income. Earned income consists of wages/salaries, and income from an enterprise or from farming. Gross incomes are obtained when income transfers are added to the net income. Disposable income refers to the income that the household has at its disposal after taxes have been deducted from and income transfers added to earned income. These definitions represent different stages of the income distribution process. Figure 2 illustrates the impact of the income distribution process on the incomes of single parent households and changes in these incomes.

Figure 2. Single parents income at the different stages of the income distribution process in the mid-1980s and mid-1990s, purchasing power parity/year



With the exception of the Nordic countries, single parents' income from work increased between the mid-1980s and the mid-1990s in all the countries studied here.

Single parents' earned income were highest in Finland and Denmark both in the mid-1980s and the mid-1990s. The earnings of Norwegian single parents were also relatively high, although they declined somewhat in the 1990s. Single parents' earnings in Germany and the US were lower than in the Nordic countries, but considerably higher than in Britain, the Netherlands and Australia.

Total gross income is calculated by adding income transfers to net income. Analysis of single parents' total income reveals the amount of income transfers paid to single parents. Gross incomes were largest in the Nordic countries both in the mid-1980s and the mid-1990s. Gross incomes have increased in all other countries between the 1980s and the 1990s except in Finland and Denmark. Gross incomes have remained relatively stable in Finland whereas they have declined considerably in Denmark.

Disposable incomes are the most accurate indicator of how much money single parents have available to spend on accommodation and food for instance. Disposable incomes were highest in the 1980s in the Nordic countries and lowest in Australia, the Netherlands and Britain where most single parents are dependent on social assistance for their income. Disposable incomes of American single parents are also fairly high. However, the position of American single parents is weakened by the fact that they have to pay for private health care.

4. Summary of changes in the economic welfare of single parents between the mid-1980s and the mid-1990s

The aim of this article has been to examine changes in the labour market participation and income sources of single parents between mid 1980s and the mid 1990s. Single parents' social security has undergone changes in many countries. There have been changes in single parents' sources of income in nearly all the welfare states included in this study.

According to this study, the employment of single parents has decreased in four out of eight countries. The relative importance of social transfers as a source of single parents' income has increased in five of eight countries. There are many competing explanations for why single parents continue to rely heavily on welfare benefits. It is argued that it is a 'rational choice' in the light of the options available. I would conclude, that the reason for dependency on the social transfers must probably be sought in the different benefit structure as well as changes in the labour market in each country.

The economic position of single parents seems to be weakest in those countries where they live outside the labour market and depend on means-tested social assistance for their incomes, i.e. in Britain, the Netherlands and Australia. This also lead to the greater dependence on the welfare benefits because, as analyses show, the opportunities of non-wage earning single parents to gain income from other sources are negligible.

Single parents enjoy highest levels of income in the Nordic countries where their labour market participation is widespread and income transfers are received also by those single parents who work. Also previous studies have pointed out that (*McFate, Smeeding and Rainwater 1995*) single parents enjoy highest incomes in those countries where their incomes consist of both earnings and transfers. The situation of Nordic single parents is considerably improved by this fact that in addition to income from work they also receive income transfers.

Still, the question remains what is the economic position of single parents in comparison with other families with children. Some national studies have established that at least in Finland and Sweden, the position of single parents in comparison with two-parent families has clearly weakened in the 1990s (*Forssen 1998, Fritzell 2001*). Whether this is the case across countries should be the topic of the further studies, because a key policy goal should be to enhance welfare of children regardless of the family type in which children live.

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¹ The basic unit of research is an individual, meaning that household data has been converted into data on individuals by multiplying the number of households by the number of people in a household. For this reason, the results of this research may deviate somewhat from the results of previous research where households have been used as research units.

² Unweighted sample sizes are: 1985 Australia 279, 1994 Australia 278, 1986 Britain 334, 1995 Britain 440, 1986 USA 680, 1994 USA 3553, 1983 Netherlands 140, 1991 Netherlands 114, 1984 Germany 130, 1994 Germany 180, 1987 Finland 209, 1995 Finland 288, 1987 Denmark 506, 1992 Denmark 566, 1986 Norway 128 and 1995 Norway 282. In other countries, except Finland and the Netherlands, the data are quite representative in comparing the numbers of families with dependent children

³ The most suited definition of employed is drawn from the LIS variable 'Labour Force Status' as of the reference week of the interview. This employment status confirms that single parent had an employment after the income year had expired. If no information was available, the employment status was drawn from an interaction of having positive 'Wage/salaries' and positive 'Weeks worked' .

⁴ Unemployed have different definitions across countries and at different time point: Australia 1985/1994 LFS unemployed, Finland 1985 and 1991 single parents with positive weeks of unemployment, Germany 1984 LFS include looking or on layoff, Germany 1994 LFS include reg. unemployed, Netherlands 1983 no LFS available, Netherlands 1991 LFS lost job and looking for work, Denmark 1987/1992 LFS unemployed, Norway 1986/1995 no LFS for

unemployed, Britain 1986 no category in LFS for unemployed, Britain 1995 LFS unemployed seeking work, USA 1986 LFS unemployed, USA 1994 LFS: unemployed looking for work or layoff.

⁵ Earned income include the following income measures: V1=gross wages and salaries, V4=farm self-employment income, V5=self -employment income.

⁶ Private income include the following income measures: V34=alimony or child support, V35=other regular private income. Classifying maintenance payments as private income can be criticised as the role of the state in guaranteeing the economic welfare of children is central in Denmark, Finland, Germany, and Norway. However, the inclusion of maintenance payments in private incomes is justified as securing the economic welfare of children is primarily a matter of a private contract. The role of the state becomes important only when the absent parent defaults the maintenance payments.

⁷ Social transfers include the following income measures: V16=sick pay, V17=accident pay, V18=disability pay, V19=social retirement benefits, V20=child or family allowances, V21=unemployment compensation, V22=maternity allowances, V23=military/vet/war benefits, V24=other social insurance, V25=means-tested cash benefits, V26=all near cash benefits

⁸ For unmarried mothers, social assistance is not means-tested for the first three years. This compromise was reached at the time when the law on abortion was implemented. The aim was to prevent young women from seeking abortion for economic reasons. (Ostner 1997.)

⁹ An exception can be made where pursuing the maintenance payments may damage the child or the single parent for instance through the violent behavior of the absent parent. The situation is assessed by social workers.