

Christopher, Karen

Working Paper

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LIS Working Paper Series, No. 298

Provided in Cooperation with:

Luxembourg Income Study (LIS)

Suggested Citation: Christopher, Karen (2002) : Helping Mothers Escape Poverty: As European Policy Shows, Better Wages and Generous Social Supports are a Better Cure than Promoting Marriage, LIS Working Paper Series, No. 298, Luxembourg Income Study (LIS), Luxembourg

This Version is available at:

<https://hdl.handle.net/10419/160970>

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Luxembourg Income Study Working Paper No. 298

**HELPING MOTHERS ESCAPE POVERTY:
AS EUROPEAN POLICY SHOWS, BETER WAGES
AND GENEROUS SUPPORTS ARE A BETTER CURE THAN
PROMOTING MARRIAGE**

Karen Christopher

April 2002

Helping Mothers Escape Poverty: As European Policy Shows, Better Wages and Generous Social Supports are a Better Cure than Promoting Marriage

By Karen Christopher

The belief that single motherhood is the pre-eminent cause of poverty in America has become a bipartisan cliché. The welfare reform enacted in 1996 was designed, among other things, to discourage single parenthood and to promote marriage. Yet a look at the experiences and policies of other nations suggests a more complex story of the causes and cure of poverty. Evidence from Europe shows that the remedy is increasing the economic resources available to low-income families—through better paying jobs that relieve poverty directly and social supports that reconcile paid employment with reliable parenting.

U.S. women, men and children experience significantly higher levels of economic hardship than their counterparts in other Western, affluent nations. For example, a common cross-national measure of poverty considers households poor when their family income falls below 50 percent of the median income in their country. By this measure, according to a definitive source of cross-national data, the Luxembourg Income Study (LIS), in the mid-1990s U.S. single mothers' poverty rates were over 45 percent; in comparison, single mothers' poverty rates were 13 percent in France and around 5 percent in Sweden and Finland. Overall, U.S. women's poverty rates were 15%—about 4-5 percentage points higher than those of Canadian, Australian and British women, 8-9 percentage points higher than for women in France or the Netherlands, and 12-13 percentage points higher than for women in Sweden and Finland.

Because single mothers have higher poverty rates than other women, a higher percentage of single motherhood, all else equal, would raise poverty rates among women. Yet recent research using the LIS shows that even if U.S. women had extremely low rates of single motherhood, their poverty rates would still be higher than those of women in other Western affluent nations. So marriage is no panacea for the high poverty rates of U.S. women. Rather, the high poverty rate of U.S. women is due to two main factors: the prevalence of poverty-wage jobs, and the failure of the U.S. welfare state to pull its citizens out of poverty.

Compared to their Western counterparts, U.S. women and single mothers are among the most likely to earn poverty-wages (see chart). When working full-time (at least 35 hours a week), about one-third of women in the U.S. and over 40 percent of U.S. single mothers earn wages too low to pull their families out of poverty. In contrast, in other western nations, particularly Sweden, the Netherlands, and the U.K., working full-time pulls the vast majority of women (including single mothers) and their families above the poverty line.

Social Transfers and Employment Supports

But wages are only part of the story. In many countries, citizens receive generous social transfers from the government to subsidize the costs of children, and to protect citizens from labor market vicissitudes. The United States is notorious for its paltry welfare state, by far the least effective in reducing poverty rates. In the mid-1990s, the U.S. system of social transfers and tax credits reduced women's poverty rates by about 15 percent while comparable welfare programs in other affluent Western nations reduced women's poverty by anywhere from 40 percent (in Canada) to 88 percent (in Sweden).

Although the Earned Income Tax Credit (EITC) is increasingly effective in reducing poverty among low-income families, total social-assistance payments in the U.S. have decreased over time. The main social aid program for single mothers, Temporary Assistance for Needy Families (TANF), provides monthly payments that often fail to cover even rent and utilities costs. In 2000, the majority of states provided maximum payments of between \$150-450 per month for a family of three.

If the U.S. is to take seriously the task of reducing economic hardship among single-parent families, we must rethink our existing labor-market and welfare state programs, rather than focusing on marriage. Other affluent nations provide us with several viable alternatives.

The countries most successful in reducing poverty among single mothers encourage them to pool income from a variety of sources. This is accomplished through various “policy packages” that include: employment supports such as child care which provide single mothers access to paid work, welfare benefits such as child allowances that all parents receive, and cash and near-cash subsidies. U.S. welfare policy gives lip service to the goal of enabling mothers to work, but often fails to provide the supports to do it properly.

Employment supports like subsidized child care are essential in increasing mothers’ employment rates. Research by social scientists Janet Gornick, Marcia Meyers, and Katherine Ross shows that countries with more comprehensive child care and paid-leave programs significantly increase the employment of mothers with young children. In Sweden and France, 80-95 percent of children ages three to five are in publicly supported

day care. In sharp contrast, only 14 percent of U.S. children ages 3-5 are in publicly subsidized child care. This figure is over 25 percentage points lower than any European nation. The lack of affordable child care is an important reason why the majority of U.S. mothers reduce their work hours after having children—particularly while their children are young. This difficulty in sustaining fulltime employment, in turn, contributes to their low incomes.

Paid-leave policies are also important in raising single mothers' incomes for two reasons: they provide a source of income for mothers caring for newborns, and they keep mothers attached to the labor force. Again, the United States is a laggard. The U.S. Family and Medical Leave Act offers a 12-week *unpaid* leave to women who work in companies with more than 50 employees. Other affluent nations provide at least 12 weeks of *paid* leave, with most granting closer to 20 weeks. Some nations like Finland and Sweden allow up to almost one year of paid leave, at 80 to 90 percent of one's former wage rate.

Beyond Poverty Wages

In addition to making employment more accessible for mothers, other affluent nations truly “make work pay”. A stark difference between the U.S. and other industrialized nations—particularly Scandinavian nations—is the stronger presence of social democratic parties and a much higher rate of unionization in the latter nations, both of which foster more egalitarian wage structures than exist in the United States. As seen in the chart, the wages of employed single mothers in other industrialized nations are more often sufficient to pull their families out of poverty.

It should not be surprising, then, that Finnish and Swedish single mothers have the highest employment rates and lowest poverty rates world-wide. Yet it is not only employment that keeps their poverty rates low; single mothers in these nations also receive benefits that other parents and workers receive, such as child allowances and guaranteed pensions later in life. They also receive child support payments from the government when absent fathers cannot or do not pay them.

Contrary to the warnings of opponents, there is no evidence that these policies on their own would further increase single motherhood. For one, in the U.S. in the past few decades, the incidence of single motherhood grew, while social assistance payments to single mothers declined; it seems that social assistance per se does not increase single motherhood. In addition, European countries with the most generous social programs for single mothers (such as the Netherlands) have high rates of children growing up in families with two parents. It is important to note that in some European countries with generous welfare states, such as the Nordic countries and France, parents increasingly cohabit rather than marry. While cohabiting unions are generally less stable than marriages, social scientists Lawrence Lu and Barbara Wolfe state that the dissolution of cohabiting unions is much less common in Europe than in the U.S. Thus, in the most generous welfare states found in Northern Europe, most families include two parents—though many form long-term cohabiting unions rather than marriages.

In addition, like all citizens, mothers in the most generous European welfare states qualify for social assistance if their incomes fall below a certain level. Yet as Diane Sainsbury, an expert on cross-national social policies for women, points out, in Sweden and Finland most single mothers support themselves via employment and universal social

programs, so there is little need for social assistance programs explicitly targeted towards single mothers. When welfare states make it easier for mothers to combine parenting and paid work, the vast majority of mothers also work for pay.

Many U.S. social scientists who point to the benefits of marriage for children also acknowledge the importance of income and other social supports. In their book *Growing Up With A Single Parent: What Helps, What Hurts*, Sara McLanahan and Irwin Garfinkel show that on average, children of single-parent households do indeed fare worse than children of two-parent households on a host of outcomes, such as high school and college drop out rates. But they add that single-parent families typically have low incomes, which accounts for “a substantial portion” of the differences between children of single- and two-parent families.

What Can the U.S. Learn?

Though the U.S. is not likely to adopt the employment and welfare policies that exist in other nations, we could modify current U.S. social policy to substantially reduce economic disadvantage among single-mother families.

First, single mothers need more access to subsidized or low-cost child care. Low-income families spend as much as 35 percent of their incomes on child care, much more than higher-income families. In their recent article for the *Prospect*, “Support for Working Families” [TAP, 12 (January 1-15), 2001], Janet Gornick and Marcia Meyers suggest that if the U.S. were to spend the same share of gross domestic product on subsidized child care and paid leaves as France, we would need to increase expenditures by at most \$85 billion yearly. This seems a huge outlay, but it is only about 3 percent of President Bush’s recently proposed 2.1 trillion dollar budget for 2002 and far less than the

annual cost of his tax cut. States could also bear part of this cost. Given the precipitous declines in welfare caseloads over the past few years, some states have redirected the leftover funds to child care programs, and many more could do so. Further, paid leave policies are currently on the agenda in many states.

The fact remains, however, that increasing employment rates of single mothers is not enough to ensure that their families escape poverty. As President Bush emphasized in his recent State of the Union Address, “good jobs” are essential. But most U.S. single mothers have bad jobs. According to a 2000 report by the Department of Health and Human Services, the median income of people leaving welfare is around \$8,000 to 12,000 a year, and recent research by Pamela Loprest of the Urban Institute shows that only 23 percent of welfare leavers have health care provided by their employer. [See “Reforming Welfare Reform,” by Jared Bernstein and Mark Greenberg in TAP (January 1-15), 2001, for a comprehensive discussion of welfare reauthorization and suggestions for future policy directions, including EITC and child support policies.] Clearly, low-income single mothers need better jobs.

Janet Gornick’s cross-national research on labor market inequality finds that U.S. women have low wages largely because of the high level of inequality in the U.S. wage structure. She suggests that employment policies that could help women are those that could help *all* low-income workers: increases in minimum wages, higher rates of unionization and other institutional wage-setting mechanisms; and increased regulation of international trade policies that are pushing wages downward. While opponents claim that increases in wages will lead to job losses, the Economic Policy Institute reports that neither the 1990-1991 minimum wage increase nor the one in 1996-1997 resulted in

significant job losses. Macro-economic factors were far more important influences on the unemployment rate.

Such policies are also attractive because they are universal—all parents or all citizens could receive them. Politically, universal policies generate broad constituencies rather than leaving the poor isolated, since voters generally support policies that benefit them.

However, this does not mean that we should dismantle social assistance programs targeted towards single mothers. A recent study by the Urban Institute found that about one-third of mothers on welfare have children with chronic health or developmental problems. It will be difficult for many of these women to work outside of the home, and low-income single mothers should not be impoverished when they tend to their caregiving responsibilities in the home.

Overall, we need policy packages that make it easier for all parents to combine caregiving with employment—or when employment is untenable, economic support for caregiving. Funding these policies would, of course, require reallocating government taxing and spending, such as a rejection of the tax cut extensions recently enacted by the Bush camp (with the support of some Democrats). But providing single mothers with policy packages that allow more of them to be employed, and at better jobs, will reduce spending on means-tested social assistance.

Most importantly, comprehensive policy packages for single mothers could vastly reduce economic hardship among children. In the United States, growing up in a single-parent family can significantly reduce children's life chances. But other industrialized nations show that it doesn't have to be this way. To advocate marriage as

the panacea for low-income families' economic problems is to avoid the real reasons why so many U.S. mothers and their children are poor—bad jobs, an inequitable wage structure, and a shoddy welfare state. If we truly want “no child left behind” in this country, we must back our political rhetoric with policy packages that address the true sources of economic disadvantage among single- parent families.

Poverty rates of full-time workers ages 25-60, based on personal market income only:

	All Women	Single Mothers
Australia	22	26
Canada	37	37
France	32	38
Germany	22	36
Netherlands	12	33
Sweden	16	11
U.K.	8	10
U.S.	33	42

Note: Poverty is measured by one's market income falling below 50% of the median income of one's country. Poverty rates are adjusted for family size. Because this measure of income does not include spousal or government transfer income, some of the women reported here are pulled out of poverty by their partners' income or by social transfer income.

Source: Author's tabulations from Luxembourg Income Study data.