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**Single-Parent Family Poverty in 24 OECD Countries: A Focus on Market
and Redistribution Strategies**

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Single-parent families and their high poverty rates remain a genuine concern in OECD countries. Much of the research has focused on “redistribution” through income taxes and transfers as an effective strategy to reduce poverty. We adopt this traditional approach, and then push forward a focus on “market” strategies that facilitate single parents’ labor market participation.

Throughout this research brief, we define single-parent families as *households* in which a parent lives with one or more of her or his children, but without a partner. People other than the partner can live in the household too. We do not empirically differentiate between single mothers and single fathers, mainly because the number of single fathers is relatively small. In our data, 15% of all single parents (in our pooled data) were fathers¹, ranging from a low of 8% in Estonia, up to 22% in Norway and 35% in Hungary². It should be emphasised that single parenthood is very much a gendered phenomenon: the overrepresentation of single mothers (rather than fathers) means that women are disproportionately affected by the risk of single parenthood. Also, it means that the disadvantaged position of women in the labour market (e.g. in terms of the gender wage gap, of lower employment, and employment in lower paying jobs) influences and compounds the vulnerable position of single-parent families.

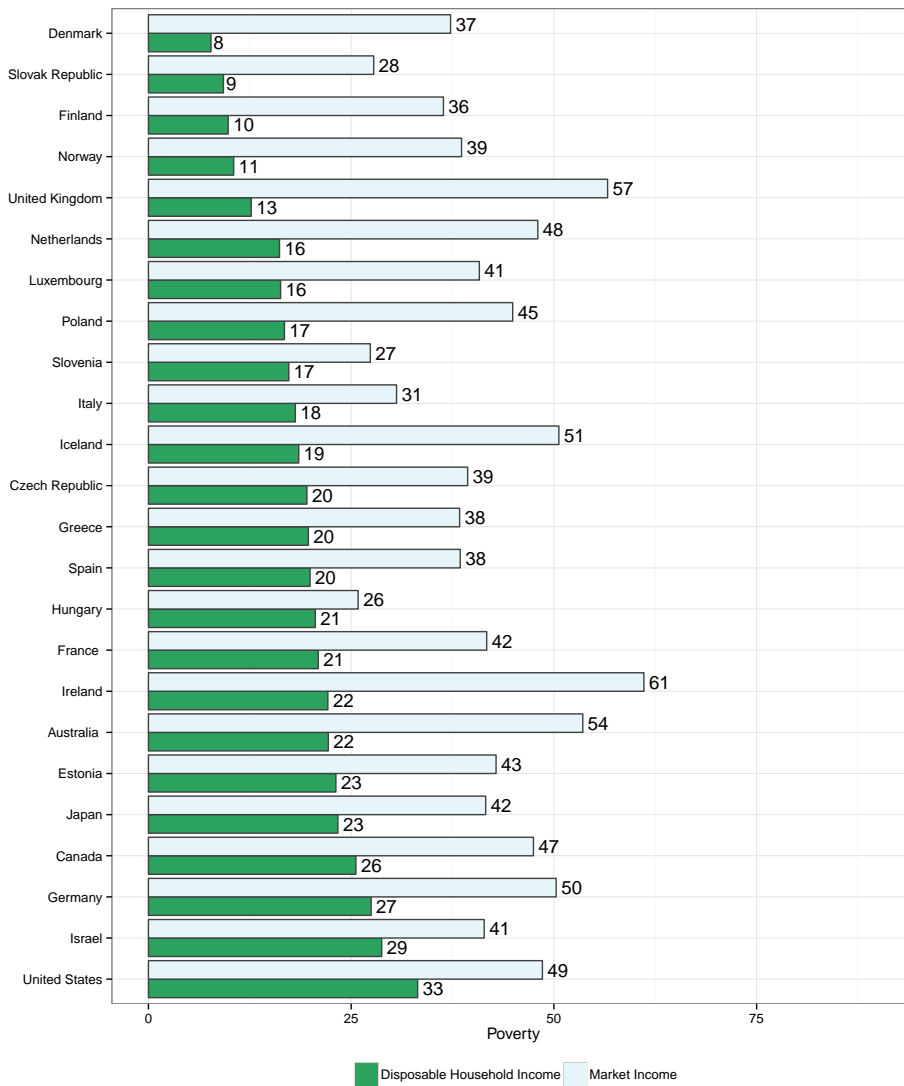
In Figure 1, we show the poverty rates of single-parent families across countries, using techniques commonly used by researchers in the field - including the first LIS Center Research Brief (Gornick and Milanovic, 2015).³ A household was identified as living in poverty if it had an income below the poverty line of 50 percent of the median equivalized household income in that country. For each country, the poverty rate was calculated based on their market income (the income from employment and from capital, “before” taxes were paid and transfers were received) and on their disposable household income (market income “after” taxes and transfers).⁴

Two key findings emerge from Figure 1:

- **Poverty rates of single-parent families based on market income are high in most countries.** The longer bars represent poverty rates based on income “before” taxes and transfers; these vary from a low of 26% in Hungary to a high of 61% in Ireland, and on average 42%. In the United States, this poverty rate was 49% percent, ranking 6th among these countries.

Figure 1: The Effect of Redistribution On Reducing Poverty for Single-Parent Families

Authors' calculations based on LIS data (Wave VIII). All data on 2010, except Hungary (2012) and Japan (2008).



- **Redistribution is an effective strategy to reduce poverty among single-parent families.** The shorter bars represent poverty rates “after” taxes were paid and transfers received. The difference between the two bars represents the reduction in poverty by redistribution through progressive taxation and transfers. Many of these countries have reduced their poverty rates by half or more. In the United Kingdom, the poverty rate significantly decreased from 57% to 13% (a total of 43 percentage points). The average poverty reduction was 23 percentage points. In the United States, the poverty rate decreased to a much lesser degree from 49% to 33% (a total of 15 percentage points). In the U.S., the high poverty based on market income is close to the average; however, the high poverty based on disposable household income is quite exceptional.

The finding that poverty rates based on disposable household income as well as the level of redistribution varies across countries are clear and consistent throughout the literature. Now, we focus on strategies affecting the market income of single-parent families, for this has received much less attention. Cross-national variation in poverty is not only based on the effectiveness of redistribution, but also on market inequalities. Atkinson brought this issue to the fore in his recent book advocating for “*the importance of measures to render less unequal the incomes people receive before government taxes and transfers*” (2015, p. 113).

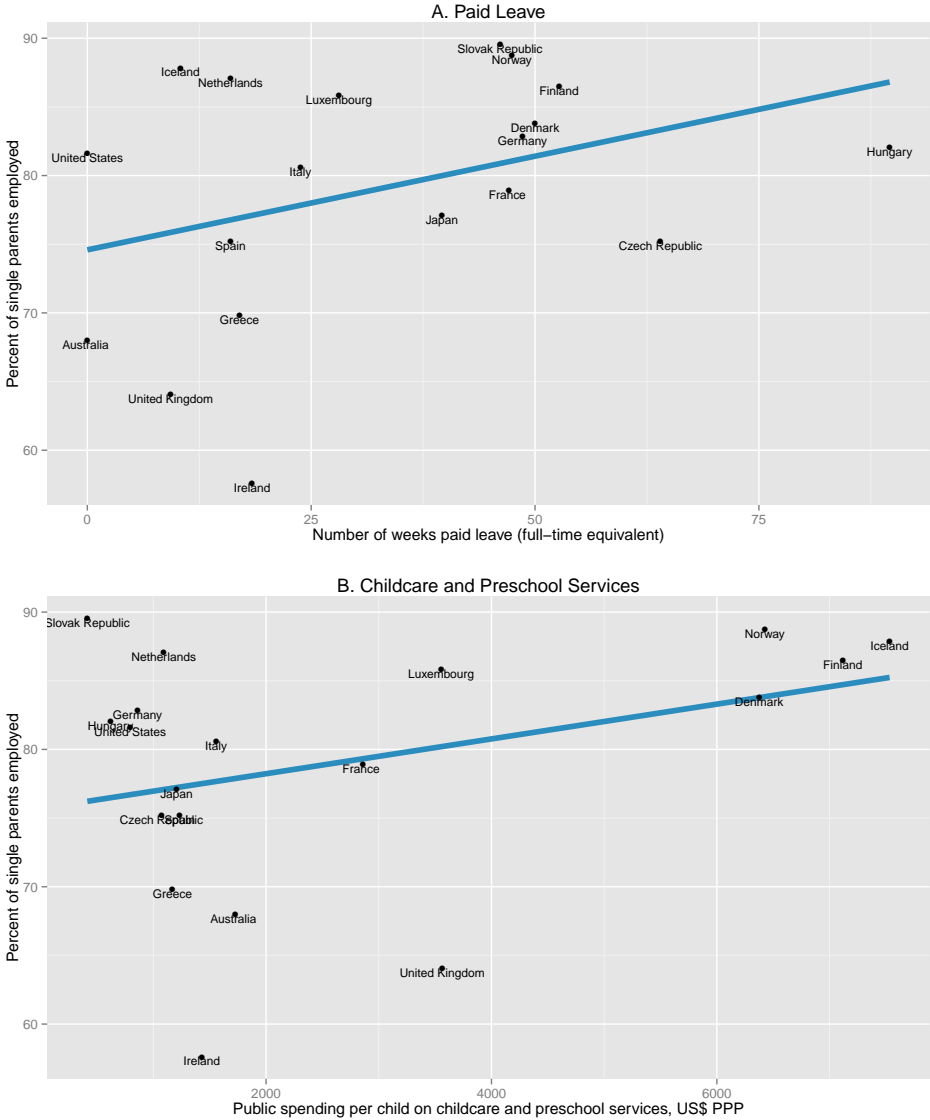
We take a closer look at market-income strategies that facilitate the employment of single parents. We examine specifically how family policies - paid parental leave and public childcare and preschool services - facilitate the labor market participation of single parents, thus affecting (in)equality of market income, as well as policies such as child benefits that affect inequality of disposable household income through transfers or tax benefits.

Figure 2 shows the association between single-parent employment rates and family policies that facilitate their employment.⁵ We highlight two findings:

- **Single-parent employment rates are high.** The percentage of single-parent families in which at least one member earns a market income ranges from a low of 58% in Ireland to a high of 90% in the Slovak Republic. The average single-parent employment rate is 79%.

Figure 2: Single-Parent Employment Rates are High in Countries with National Policies on Paid Leave and Child Care Stimulate Employment

Authors' calculations based on LIS data (Wave VIII). All data on 2010, except Hungary (2012) and Japan (2008).



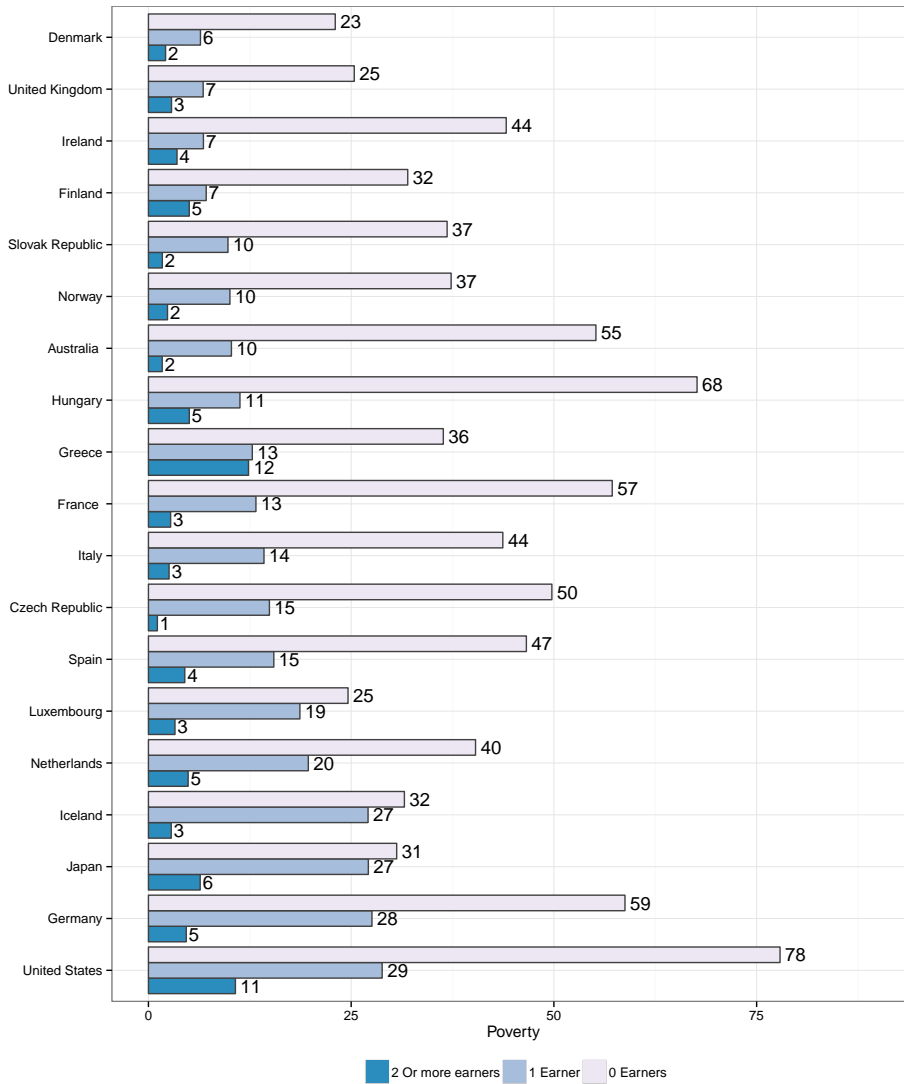
- **Single-parent employment rates are higher in countries with policies that facilitate parental employment.**⁶ In the literature, very long periods of leave (compared to moderate durations of leave) are often found to be associated with reduced female employment rates, particularly if unpaid (Gornick and Meyers, 2003; Nieuwenhuis, 2014). Here, we do not find any added benefit of leave durations beyond about 50 weeks for single-parent families; neither did we find a negative effect of further increases. Compared to countries with (almost) no paid leave, countries providing longer periods of paid leave (upper panel), such as Hungary, Germany, France and the Nordic Countries show higher employment rates among single parents. This finding also holds for countries with high levels of government spending (per child) on childcare and preschool services, mainly in Norway, Denmark, Finland and Iceland. The United States presents an unusual case with high employment rates (82%) and little (federal) support for parental employment.

Still, questions remain as to whether single-parent employment does have the expected effect of reducing poverty. We investigate this point in further detail. Figure 3 shows the association between employment and poverty rates of single-parent families. Few single-parent families have access to more than one earner, however; there may be additional earners that financially contribute to and reside in single-parent families, including other relatives and grandparents, but not partners.

- **Employment significantly reduces the poverty rate among single-parent families.** For instance, in France, among single-parent families without an earner 57% are poor, with one earner 13%, or with a second (or more) earner 3% are poor.
- **The Working Poor: even with employment, many single-parent families are poor.** Employment does not offer sufficient protection against poverty for all. Among single-parent families with one earner, on average 16% are poor, ranging from a low of 6% in Denmark to a high of 29% in the United States. Even among those households with a second earner 11% are poor in the U.S.

Figure 3: Employment Reduces the Poverty Rate of Single-Parent Families, But Even With Employment, Many Single-Parent Families are Poor

Authors' calculations based on LIS data (Wave VIII). All data on 2010, except Hungary (2012) and Japan (2008).



Why is this the case, that even with employment many single-parent families are poor? Single-parent families have disproportionately high rates of low-wage employment. Low-wage employment, using one common measure, is defined as earning less than two thirds of the median wage. In the U.S., 35% percent of single-mother families were low-wage and low-income workers from 1979 to 2011 (Albelda and Carr, 2014, p. 11). In fact, the U.S. generally has a very large low-wage labor market, with a quarter of all workers in low-wage employment. The OECD average is 17% (OECD, 2015, p. 290). The U.S. has a low minimum wage, weak collective bargaining, and does not have active labor market policies that help workers advance their skills for higher pay jobs.

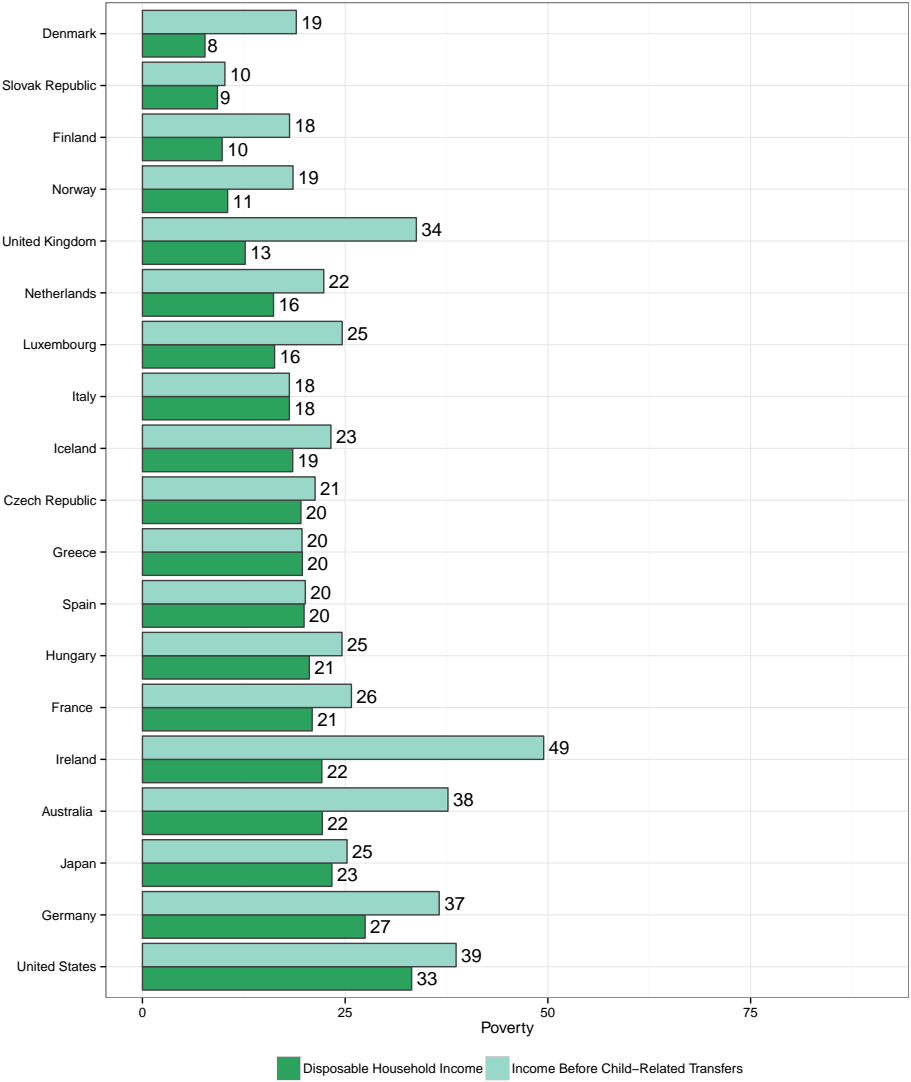
The prevalence of working poor among single-parent families suggests that market-income strategies focused on facilitating more employment, will only partially reduce poverty. Hence, we revisit disposable household income strategies and examine redistributive family policy, with a particular focus on financial transfers to families with children.⁷

In Figure 4, we compare poverty rates based on disposable household income to poverty rates based on household income before child-related transfers. This provides an assessment of poverty reduction by child-related transfers. We highlight one key finding:

- **Many countries have child-related transfers that significantly reduce poverty among single-parent families.** Child-related transfers, on average, decreased poverty by 6%-point, ranging from 27 percentage points in Ireland (from 49% to 22%) to little or no reduction in for instance Poland, Spain and Greece. The United States does not have child allowances and, although policies such as Temporary Assistance for Needy Families (TANF) and the Earned Income Tax Credit (EITC) reduce poverty with 5 percentage points. Still, among these OECD countries, the U.S. poverty remains the highest

Figure 4: The Effect of Child-Related Transfers On Reducing Poverty for Single-Parent Families

Authors' calculations based on LIS data (Wave VIII). All data on 2010, except Hungary (2012) and Japan (2008).



Conclusion

First of all, our findings suggest that the U.S., as compared to other OECD countries, is quite exceptional in its inadequate redistributive strategies for single-parent families. This is a well-known finding.

We then focused on market-income strategies that facilitate the employment of single parents, motivated by our finding that poverty rates based on market income differ widely across countries (Atkinson, 2015). We present new evidence that shows: (1) single-parent employment rates are higher in countries with longer periods of paid leave and higher expenditure on public childcare and preschool services, and that (2) employment significantly (but not fully) reduces poverty.

Even with the focus on market-income strategies, our findings showed that the U.S. is still an exceptional case due to its lagging policy to address the labor market inequalities. The point being that the U.S. does not have national policies for paid leave and child allowance, and provides little public expenditure on childcare and preschool - all consequential to reducing poverty.

In the end, we returned to both redistributive and market income strategies. We find that in addition to the above findings that are market-income strategies, single-parents families remain in poverty. Therefore, we find (3) that child-related transfers help further reduce poverty. Our findings suggest that, to reduce poverty among single-parent families, policy solutions should aim to both bolster their market income and to increase the effectiveness of redistribution.

Notes

¹This was calculated as a weighted cross-country average based on our pooled dataset.

²We were surprised by the high share of men among single parents in Hungary; we are exploring that in subsequent work.

³We identified single-parent families using the HHTYPE (household type) variable in the LIS data. Single-parent families were defined as a household in which a parent lives together with her/his child(ren), but without a partner. Other people can live in the household too, but would not be the partner of the head of the household.

⁴Market income was measured using the FACTOR variable, and disposable household income using the DHI variable. Sampling weights were applied.

⁵The policy indicators used in Figure 2 originate from the OECD, and were obtained from Thévenon (2011). Leave represents the number of weeks fully paid (“full time equivalent”) maternity and parental leave. Childcare and preschool services represent government expenditure (in US\$ PPP) per child. Leave was measured in 2007 and childcare in 2005, ensuring that the policy measures precede their presumed outcomes. In Figure 2 a few countries are missing due to missing data on the family policies.

⁶Evidently, no causal claims can be made based on these bivariate associations. In addition, these associations are not perfectly linear, and at each level of policy provision substantial variation in single-parent employment exists. This suggests that other factors play a role as well, as well as that paid leave and childcare can be complementary. More detailed analyses on longitudinal data, presented elsewhere, reached similar conclusions (Maldonado and Nieuwenhuis, 2015; Nieuwenhuis and Maldonado, 2015). This research also highlighted the fact that all families with children benefit from longer periods of paid leave, and that by facilitating employment paid leave reduces the poverty gap between single-parent and two-parent families. Unpaid leave was found to be ineffective.

⁷These transfers include universal measures, such as child allowances, transfers that are targeted towards low income families, and tax related benefits such as the Earned Income Tax Credit (EITC)

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