Part 3:
Adequate redistributive policies
The living standards of families with children in high-income countries are largely determined by what parents are able to earn. The total earnings will depend on the number of people contributing earnings, their wage rates and the number of hours they are able to work. Their earned income will then be affected by direct taxes – the income tax and social security contributions that they have to pay. Their actual standard of living will also be determined by how much they receive in cash benefits and how much they have to pay for housing, education and health and childcare services. In order to understand and compare family living standards across countries, we need to be able to take account of all these factors.

For single-parent families, there is the complexity of the triple bind; many face inadequate resources, employment and policy. It is more difficult for single parents with sole caring responsibilities, especially with young children, to work and to work full time. Even if single parents are working full time, it remains difficult for them to earn an adequate wage to support their families (Horemans & Marx, Chapter Nine in this book). The caring responsibilities may also affect their type of work and rate of pay. The majority of single-parent families are headed by women, who are already at risk of lower wages due to gendered pay differentials. In the absence of a partner, single parents are more likely to rely on formal childcare arrangements, which they may have to pay for.

These extra challenges faced by single parents have been recognised by the provision of social policies, and in some countries these policies are more generous to single parents than they are to coupled parents. This chapter is concerned with one major element of policy: cash transfers, and the extent to which they mitigate the risks of poverty in single-parent families. The approach is remorselessly comparative.
of high-income countries, and designed to answer the following questions:

- How do countries financially support single-parent families?
- Which countries provide extra financial support to single-parent families compared to coupled-parent families?
- How has the financial support for single-parent families changed since the Great Recession?
- How does the risk of poverty compare in single-parent and coupled-parent families with children?
- What part do cash transfers play in mitigating the risk of poverty for families and closing the poverty gap?

**Methods**

The analysis is based on the secondary analysis of two datasets. First, a picture of state financial support can be gained from model family analysis (for a general discussion of model family methods, see Bradshaw, 2009). There are a variety of model family data sets available, including the York studies (Bradshaw & Finch, 2002), Minimum Income Protection Indicators (MIPI) (Marx & Nelson, 2013; Van Mechelen et al., 2011) and the Social Policy Indicator Database (SPIN) developed at the Swedish Institute for Social Research (SOFI) (Nelson, 2007). The one used here to compare financial support arrangements is the OECD tax/benefit model (OECD, 2016) on the grounds that it covers most countries and is the most up to date. As with all model family analyses, the OECD tax/benefit model provides a picture of the formal arrangements for standard family types in each country. For our purposes, it has certain disadvantages: the single-parent case is limited to only a single parent with two children, all family cases are assumed to be tenants paying a rent of 20% of average earnings (which is probably too high for a low-paid case) and neither local taxes nor benefits or charges associated with health and education are taken into account. Nevertheless, the tax/benefit package includes estimates of the income tax and social security contributions payable by families on various levels of earnings, and the benefits they are entitled to (tax, family, housing, social assistance and in–work). Further, it is possible to compare the treatment of single parents with two children to couples with two children on the same earnings, and to trace changes over time.

Second, the micro-survey data of the Statistics on Income and Living Conditions (EU-SILC) is used to compare poverty rates. Ideally, we
would use the same source for both parts of the analysis. This would be possible at the national level in many countries, but for comparative analysis no such dataset exists. The main problem is that EU-SILC presents problems in decomposing incomes (though see attempts by Bradshaw & Huby, 2014; Van Lancker et al., 2011, 2015). This problem may be partially resolved, at least for EU countries, when EUROMOD (2016) has completed developing its Tax and Benefit Simulator linked to its microdata.

Results

How do countries financially support single parents?

Almost all OECD countries provide financial support for low-income single parents with children. Figure 15.1 gives an overview of the variety of components of the net income of single-parent families with low earnings and two children in 2014, which includes wages and benefits (tax, housing, family and in-work). In the absence of data on minimum wages in every country, 50% of average earnings has been chosen to represent a family with low earnings. Single parents rely on various sources of income. Even though earnings from employment are the main source of single parents’ income, their earnings are supplemented by benefits. Single parents in all OECD countries, except Turkey, receive some contribution from the state in the form of cash transfers. In ten countries – Ireland; Denmark; Slovakia; Finland; Japan; Bulgaria; Sweden; Australia, Slovenia and the UK – these contributions exceed roughly 40% of the net income. The main components of transfer income in most countries are income-tested family benefits and non-income-tested cash benefits; the latter are usually paid in respect of children. Only Turkey and the US lack such benefits. The US, Canada and the Czech Republic have tax benefits for families; however, many other countries have both tax benefits and cash benefits for children. Seventeen countries have housing benefits, which mitigate the amount of rent paid. Ten countries have what the OECD classifies as in-work benefits; for example, in the US this is the Earned Income Tax Credit, and in Ireland the Family Income Supplement (a means-tested cash benefit). Finally, five countries pay social assistance at this earnings level; for example, in the US this takes the form of food stamps and is called the Supplemental Nutrition Assistance Program (SNAP).

There are some interesting cases that are worth commenting on. In some high-income countries, such as Norway and Belgium,
Figure 15.1: Components of net income: single parent with two children on half average earnings 2014

Source: OECD tax/ben
transfers contribute relatively little to total net income. However, these countries have low poverty rates to begin with. In these countries, market income contributes relatively more than elsewhere. We will return to this issue in the poverty analysis later on.

Because much of the package of transfers is income tested, it forms a smaller component of the net income of single parents on average earnings, which is shown in Figure 15.2. However, in all but seven OECD countries, single parents at average earnings receive some of their income from the state through family benefits – child benefits being the main component. Four countries still pay some housing benefit, and six countries have what the OECD classifies as in-work benefits.

Which countries provide extra financial support for single-parent families?

In order to discover which countries provide extra support for single parents, we use the OECD tax/benefit data for 2014 and compare the net disposable incomes of a single parent with two children and a couple with two children. Both low-income families (50% of average) and average earners are compared. Figure 15.3 presents the percentage more (or less) that a single parent would receive compared to a couple with one earner on the same earnings.

The result depends on the earnings level. Take the average earnings case first. Only 13 out of the 38 OECD countries leave single parents with higher incomes after taxes and benefits. These countries are Bulgaria; the Netherlands; Finland; Lithuania; Latvia; Israel; Denmark; Sweden; Switzerland; France; Norway, Estonia and (very slightly) Hungary. There are more countries that leave single parents worse off than coupled-parent families, and several countries are broadly neutral between family types.

Next, take the 50% of average earnings case. A number of countries that were negative or neutral now have more generous packages for the single parent with two children (including Slovakia; Poland; Ireland, Japan and Korea), and others that were already more generous had improved (Switzerland, Sweden, Latvia and Bulgaria). However, perhaps surprisingly, some of those countries that were neutral or more generous to single parents at average earnings are less generous at half average earnings (France, Norway and Austria) and notably less (the US, Germany and Luxembourg).
Figure 15.2: Components of net income: single parent with two children on average earnings 2014

Source: OECD tax/ben
Figure 15.3: Difference in net disposable income of a single parent and coupled-parent families with two children earning the same earnings

Note: Countries ranked by % more or less at average earnings.
Source: OECD tax/ben 2014
How do countries achieve this extra support for single parents?

The findings presented shortly are based on detailed comparisons of the components of net income in the OECD tax/benefit model. Countries that treat single parents more generously at average earnings tend to have a single-parent premium in their family benefit system. This is true of Bulgaria; Denmark; Estonia; Finland; France; Germany; Hungary; Iceland; Israel; Latvia; Lithuania; Norway, Portugal and Sweden, and in the Netherlands and Ireland the premium is classified as an in-work benefit. In Greece, the Netherlands and Switzerland, the difference between single- and coupled-parent families is because single parents pay lower social security contributions. In Israel, the Netherlands and Norway, the difference can (also) be explained by tax benefits.

The countries that are less generous to single parents than coupled parents on average earnings mostly tend to have tax allowances for non-earning partners. Those that do not have such an arrangement include Australia; Austria; Bulgaria; Chile; Finland; Hungary; Lithuania; Malta; New Zealand; Poland, Sweden and the UK. Slovenia and Croatia have a spouse tax allowance as well as higher family benefits for couples. The only other country to have higher family benefits for coupled-parent families is Greece.

The reason why some countries become appreciably more generous to single parents at 50% of average earnings is because they have an income-related element in their family benefits, which includes a premium for single parents – this is true of Slovakia; Sweden; Latvia; Bulgaria; Poland; Ireland, Japan (which also uses social assistance and housing benefits) and Korea. Switzerland has lower social security contributions.

The reasons why some countries become less generous to single parents on 50% average earnings are mixed. It is due to the use of a spouse tax allowance (combined with housing benefits) in Germany, higher social security contributions for single parents in Luxembourg, higher social assistance for coupled parents in France and Norway and higher Earned Income Tax Credit and SNAP payments for coupled-parent families in the US.

The above is only a summary of the main reasons for the differences observed, and hides a great deal of complexity and diversity, especially in the interactions between benefits and taxes. For example, all at level of 50% of average earnings, in some countries single parents pay higher taxes and/or social security contributions because benefits are higher and taxable (Denmark; Israel; the Netherlands, Norway and
Switzerland), or there are higher family benefits for single parents and they result in reductions in housing benefit entitlements (Austria; Finland; Germany; Hungary; Iceland; Luxembourg, Norway and the UK). Indeed, it is difficult to believe that there is a rationale for some of these interactions. Their consequences for the equity of the outcomes between single parents and coupled parents are counterintuitive and may be regarded inadequacies; it is difficult to believe they are a deliberate act of policy. They certainly demonstrate that it is important to take account all components of the policy package and how they differently affect family types to better understand the economic situation of single parents.

How has the financial support for single-parent families changed since the Great Recession?

In most EU countries, during the recession there has been a shift in social expenditure away from families with children (Cantillon et al., 2011, 2017; UNICEF, 2014). Many countries experienced increases in child poverty, partly as a result of this shift. Bradshaw and Chzhen (2015) also found that pensioners had become better protected. As a result, pensioner poverty rates fell while child poverty rates increased in most countries. These results were confirmed in more recent analyses (Bradshaw, 2017; Chzhen et al., 2011, 2014). The latter focused especially on very low-paid single parents (with earnings 20% of the average) over the period 2008–12.

In the present analysis, we trace changes in the net incomes of single parents between 2008 and 2014. Figure 15.4 shows the net income of a single parent with two children on 50% of average earnings, derived from the OECD tax/benefit data as a proportion of the equivalised at-risk-of-poverty (AROP) threshold (<60% median) for that family, derived from EU-SILC. The countries on the right have improved their position over the period. However, for most countries, the net incomes of single parents compared with the poverty threshold have declined over this period (see also Cantillon et al., Chapter Eighteen in this book).

The same analysis for a single parent with two children who is not employed and living on social assistance (with housing benefit deducted) is shown in Figure 15.5. Single parents in these circumstances in Lithuania and Hungary have seen very big cuts in their living standards, whereas single parents in Austria, Iceland, Latvia and Greece have seen modest increases – in the case of Greece, from a very low base.
Figure 15.4: Net income of a single parent with two children earning 50% of average earnings as a percentage of the EU-SILC equivalised poverty threshold

Source: OECD tax/ben
Figure 15.5: Net income of a single parent with two children on social assistance as a percentage of the EU-SILC equivalised poverty threshold

Note: Estonia is not in these charts because it switched currencies over the period. Italy does not have a national social assistance system.

Source: OECD tax/ben
How does the risk of poverty compare in single- and coupled-parent families?

We now turn to explore the impact of cash policies on reducing poverty for families with children. For this analysis, we use EU-SILC microdata. The standard Eurostat household classification identifies a single person with dependent children as a single-parent family, and two or more persons with dependent children as a coupled-parent family. Bradshaw and Chzhen (2012) discovered that there was a substantial variation across the EU in the proportion of single parents who live in multi-unit households, as opposed to living on their own with their children. This has very important implications for poverty analyses at a household level. In countries with single parents living in complex multigenerational households, living standards are likely to be sustained by other household members (see also Byun, Chapter Ten in this book). Bradshaw and Chzhen (2012) found that, in some southern EU countries, pensions rather than child cash transfers made the most important contribution to poverty reduction. Thus, we need to incorporate these single parents ‘hidden’ in multi-unit households. Figure 15.6 compares the proportion of children in single-parent families using both the EU-SILC definition (that is, a single-unit household with one adult and one or more dependent children) and a broader definition that also includes single parents ‘hidden’ in multi-unit households. Although the broader single-parent definition consistently yields a higher prevalence of children in single-parent families than the EU-SILC household-type classification, there is considerable variation in the extent to which the two rates differ. In some countries (including Germany, France, Norway and Finland) the difference between the two definitions is very small – less than 10% – but for others, the broader definition results in a sizeable increase in the proportion of children in single-parent families. This is especially true for Romania and Slovakia, where the difference is more than 100%, which suggests that single parents there face particular difficulties in forming and maintaining autonomous households.

Figure 15.7 gives the AROP rates for single parents and couples with children using our definition. In all countries in the EU, children growing up in single-parent families have a higher risk of poverty compared to children in coupled-parent families. The difference in risk is most substantial in Norway, Sweden, the Czech Republic and Iceland. Serbia, Croatia and Slovakia could be said to have the most equitable child poverty rate between single- and coupled-parent families, but by no means the lowest rate for either family type.
Figure 15.6: Percentage of children under 18 in single-parent families

Note: child weights used. Countries ranked by percentage difference.
Source: EU-SILC (cross-sectional microdata 2014)
Figure 15.7: Child poverty rates of single-parent and coupled-parent families (%)

Base: Children under 18 years old. Child weights used. Ranked by percentage reduction.
Source: EU-SILC (cross-sectional; version 2014)
What part do cash transfers play in mitigating the risk of poverty for families and closing the poverty gap?

Figure 15.8 shows the reduction in single-parent child poverty achieved by social transfers. The after-transfer poverty threshold is used. The first thing to note in this Figure is the variation in the poverty rates of single parents before transfers. This is effectively the poverty levels that would exist if the single parents relied on income solely from employment. There are some countries with much lower pretransfer child poverty rates (Greece, Slovakia, Croatia and Estonia), all of which are countries that achieve this and simultaneously have very low transfers. Then there are countries with notably higher pretransfer child poverty rates among single parents (Luxembourg, Ireland and the UK). This is likely to be because single parents have inadequate employment: low levels of full-time employment and low wages, which Horemans and Marx (Chapter Nine in this book) refer to as ‘poverty earnings’. There are really no countries that have low pretransfer poverty rates and big reductions in poverty achieved by transfers – Switzerland; Cyprus; Iceland, Finland and Denmark are the nearest examples. Children in single-parent families in Greece, Bulgaria and Romania achieve very little poverty reduction as a result of transfers. On the other hand, Denmark, Finland and the UK significantly reduce their pretransfer child poverty rate by more than 65%. In the case of the UK, this is from a much higher pretransfer base.

We commented earlier that it appeared that two high-income countries, Belgium and Norway, appeared to have rather small proportions of the incomes of low-paid single parents made up of transfers. We find in this analysis that they have moderate-to-high pretransfer child poverty, and also moderate-to-high child poverty reduction through transfers. Given the UK’s position in this league table, with very high pretransfer poverty rates and nearly the highest poverty reduction from transfers, it is perhaps not surprising that the government has begun to make progressive increases in the minimum wage at the same time as cutting in-work benefits. Unfortunately, the increases in the minimum wage also result in reductions in in-work benefits because they are means tested, so single parents are going to lose out as a result of this policy shift (Bradshaw et al., 2011, 2017).

There is a debate to be had about whether poverty rates (the proportion in poverty) or poverty gaps (how far those are below the poverty threshold) are most important. Is it better to be a country with low rates but large gaps, or a country with a larger proportion only a little below the poverty threshold? It is probably best to take account of both. Figure 15.9 gives the poverty gaps before and after
Figure 15.8: Child poverty rates of single parents before and after social transfers

- **Base**: Children under 18 years old. Child weights used. Ranked by percentage reduction.
- **Source**: EU-SILC (cross-sectional; version 2014)
Figure 15.9: Child poverty gaps of single parents before and after social transfers

Base: Children under 18 years old. Child weights used. Ranked by percentage reduction (right axis).
Source: EU-SILC (cross-sectional; version 2014)
social transfers. For those in poverty, this is the median gap between net income and the poverty threshold, expressed as a proportion of the poverty threshold. Countries are ranked by the extent to which transfers reduce poverty gaps. Malta, Ireland and the UK reduce their single-parent poverty gaps by over 80%. In contrast, Spain and Greece reduce their poverty gap by less than 10%. Italy actually increased its poverty gap through regressive taxes.

There is an association between the extent to which transfers reduce poverty rates and poverty gaps in EU countries. Most countries achieve more reduction in poverty gaps than they do in reducing poverty rates, lifting single-parent families above the threshold.

**Conclusion**

The purpose of this chapter was to explore the financial support provided by welfare states for single-parent families. The welfare state provides financial support for low-paid single-parent families in almost all countries in the OECD, and in some of these countries (generally the richer ones) this financial support presents a substantial proportion (more than 40%) of net incomes. Much of that financial support is means tested, and the support is reduced at higher wage levels. However, at average earnings, single parents receive some financial support from the state in all but seven countries.

Only one third of OECD countries provide higher levels of financial support to single parents than coupled parents on average earnings, and fewer than half the countries provide higher levels to low-income single-parent families. Taxes and benefits often interact in quite bizarre ways that were surely not intended by policy makers. Some countries have higher cash benefits for single parents, but then undermine that advantage by taking those benefits into account when assessing housing benefits. A number of countries are more generous to coupled parents than single parents regardless of the earnings levels.

Over the recession, the net income of single parents deteriorated (in comparison with average earnings and the AROP threshold) in more countries than it improved in (see also Cantillon et al., Chapter Eighteen in this book). This is true for single parents in work and single parents not working and dependent on social assistance.

Standard analysis of EU-SILC poverty data tends to ‘hide’ some single parents in multi-unit households. This is true for all countries, but makes a substantial difference in some eastern and southern EU countries. The child poverty rate is higher for single-parent families.
than coupled-parent families in all countries, and substantially higher in some Nordic welfare states.

Child poverty in single-parent families is reduced by social transfers in every EU country. But some countries are much more successful than others. Romania, Bulgaria and Greece achieve very little reduction — but Denmark, Finland and the UK reduce their single-parent child poverty rate by over 60% thanks to transfers. The UK and Ireland are also very successful in reducing the gap between net incomes and the poverty thresholds using social transfers. Greece, Italy and Spain reduce their single-parent poverty gaps by very little.

It is important to acknowledge some limitations of the analyses in this chapter. It only takes us to 2014; in fact, the income data in EU-SILC is for the 2013. Not all countries had emerged from the recession by 2014, and many were still mired in austerity and fiscal consolidation. In the case of the UK, for example, cash benefits for single parents were frozen in 2015 for a further four years, and substantial cuts in the level of family benefits (as part of the introduction of the Universal Credit) will not be fully implemented until 2021.

Not all relevant social policies are included in the OECD tax/benefit model. In particular, subsidies and the costs of childcare are not taken into account (and are likely to be of particular importance to single parents), though Van Lancker (2013) has suggested that in EU countries they can have regressive distributional effects (but see Van Lancker, Chapter Eleven in this book). Also, child-support policy or alimony is not included. In some countries child support is merely a private transfer, but in other countries it is heavily regulated by the state and guaranteed. There are some comparative studies of the impact of child support on poverty, but only for a limited number of countries (OECD, 2011; Skinner et al., 2007, 2011, 2016).

There is debate about the appropriate balance between the market and the state in achieving poverty reduction. Or in the terms of this book, what are effective strategies to increase single parents’ earnings from the labour market? When earnings alone are inadequate and families remain below the poverty threshold, how best can the state intervene? In this chapter, we find support in favour of both strategies, with an emphasis on cash transfers being a crucial strategy to reduce single-parent poverty.

Beyond any doubt, single parents and their children need cash transfers and benefits – and this chapter shows that cash transfers are extremely effective in reducing their poverty. Perhaps now more than ever, countries must continue to use cash transfers combined with other strategies as a way to respond to the inequalities of the labour
market (Cantillon et al., Chapter Eighteen in this book). Countries with adequate cash transfers significantly reduce their child poverty. Those countries failing to adopt them are making political choices and failing their children.

Note

1 EU-SILC data used by permission of the European Commission, Eurostat, cross-sectional 2014 users’ database Rev2, December 2016. Eurostat has no responsibility for the results and conclusions, which are those of the researchers.

References


