

## Lone mothers and work

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Lone mothers in the United Kingdom are much less likely to be in employment than those in many other industrialised countries. A new study by Jonathan Bradshaw and colleagues at the Social Policy Research Unit, University of York, examined factors that encourage and discourage lone mothers to find work in 20 countries. He found that:

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- f** Compared with the other countries in the survey, the UK has a low proportion of lone mothers in employment and the lowest proportion employed full-time.
  
- f** Over a period when the proportion of married mothers in employment has been increasing in the UK, the proportion of lone mothers in employment has been declining.
  
- f** The UK has a high proportion of young single lone mothers with pre-school children and lone mothers with more than one child, when compared with the other countries in the study. Even when taking these characteristics into account, the UK has a lower proportion of lone mothers in employment.
  
- f** There is a sharp increase in housing costs associated with coming off Income Support. If a lone mother needs to purchase childcare, net in-work income is only likely to exceed Income Support if the lone mother's earnings are very high. This situation compares unfavourably with the other countries in the survey.
  
- f** Out of all the factors studied, the key factor affecting lone mothers' employment in the UK is the very high level of childcare costs. Unlike most other countries in the survey, the UK has very little directly or indirectly subsidised childcare.
  
- f** Compared with other countries, demand for female labour in the UK is relatively buoyant, female earnings are middling, in-work benefits for lone mothers are generous, and the level of direct taxation is not particularly high. So, while lone mothers moving into work face financial disincentives, there does not appear to be an obvious financial reason for the full-time employment rate of lone mothers in the UK being so low.

### The employment of lone mothers

If lone mothers are not able to take paid work, the chances of their children living in poverty are greatly increased. In the UK the proportion of lone mothers in employment is comparatively low - the UK ranks fifteenth out of the nineteen countries included in the study for which there are data (see Figure 1). The proportion in employment in the UK (41%) is only greater than The Netherlands and Germany (40%), New Zealand (27%) and Ireland (23%). This compares with, for example, much higher proportions in Japan (87%), France (82%) and Sweden (70%). The UK has the second lowest proportion of lone mothers employed full-time (17%) compared, for example, with France (67%) and Sweden (61%).

In most countries, there are a higher percentage of lone mothers than married mothers in employment, but the UK has a smaller percentage. Not only does the UK have one of the biggest gaps between the employment of lone and married mothers, it has also seen the proportion of lone mothers in employment declining during a period of considerable increase in employment rates of married mothers.

### The characteristics of lone mothers

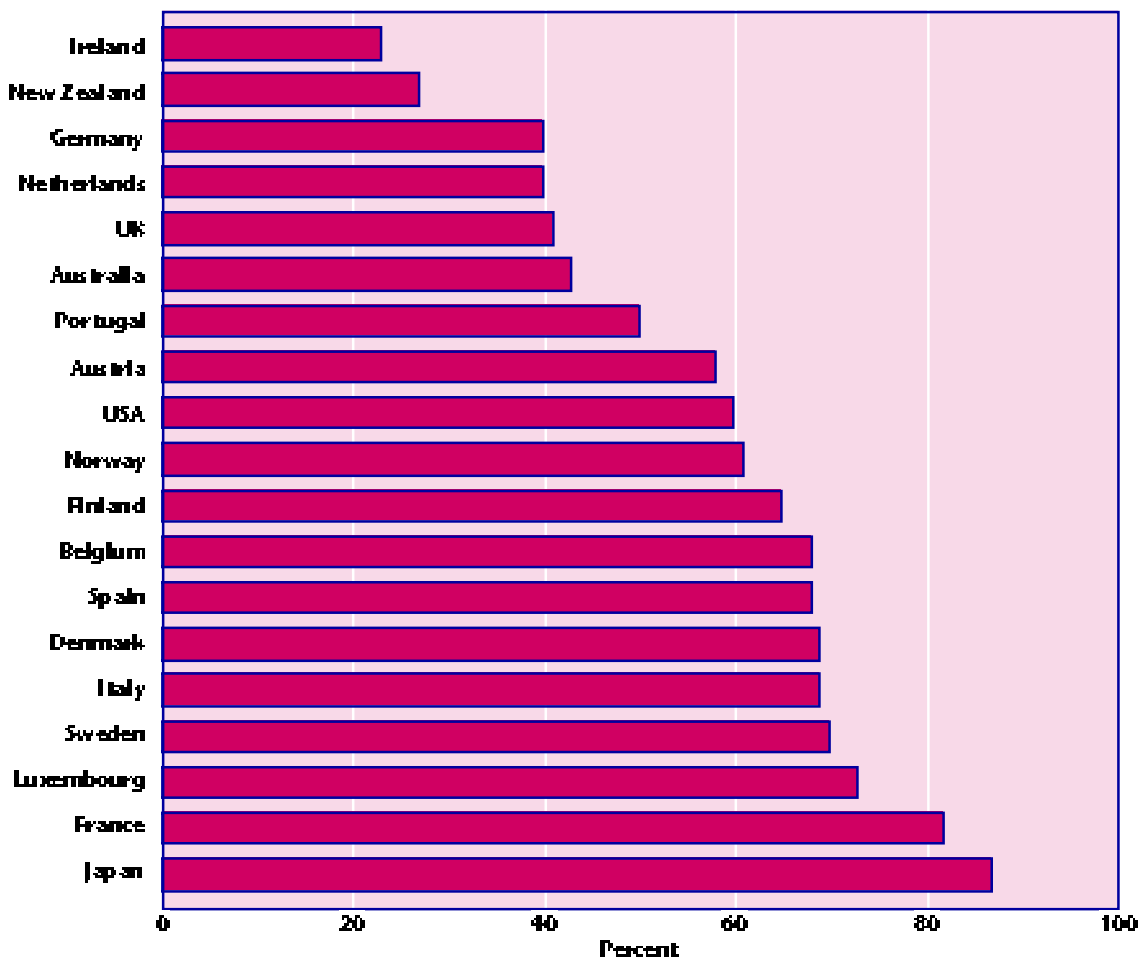
The UK is the only country out of the twenty studied where all the demographic factors considered are consistent with low levels of employment amongst lone mothers. The UK has:

- a high proportion of young single lone mothers - 51% of single lone mothers are under 24 compared, for example, with Norway (28%) and Germany (26%);
- the highest proportion of lone mothers with a child under school age;
- one of the lowest proportions of lone mothers with only one child.

All these factors are consistent with low levels of employment among lone mothers.

However, even when taking these characteristics into account, the UK has a lower proportion of lone mothers in employment. Moreover, lone mothers in a number of other countries (for example France, Sweden and Belgium) share many of the characteristics of the UK lone mothers, but still have much higher

Figure 1: Percentage of lone mothers in paid work



employment rates. So the characteristics of lone mothers are not the only factors affecting lone mothers' labour supply in the UK.

### Tax and benefit arrangements

In the UK the value of means-tested and non means-tested in-work benefits (One Parent Benefit, Child Benefit and Family Credit) is comparatively high. In common with the majority of countries that do not have systems of 'guaranteed advance payments', the UK child support/maintenance regime is ineffective in ensuring that money gets to lone parent families.

The 'availability for work' criteria in the UK, meanwhile, are comparatively liberal, given that most other countries expect lone mothers to seek employment at some stage before their youngest child reaches 16. The proportion of lone mothers' earnings taken in direct taxation in the UK is in the middle of the range of countries and there is no difference in the tax they and married mothers pay. In the UK, housing costs increase comparatively sharply for lone mothers if they move into work from Income Support. Health and education costs also increase if a lone mother enters employment (such as losing free school meals) but the increases are not large compared with other countries.

### Financial incentives facing lone mothers

In order to compare the financial incentives operating in the countries, the impact of taxes and benefits on a number of model families, both in work at different earnings levels and not in work but receiving social assistance, was simulated.

Average female earnings in the UK fall in the middle of the range for the 20 countries. After the impact of taxes and benefits (both before and after housing costs), the net disposable resources of a working lone mother (earning half national average earnings and with one seven-year-old child) are comparatively high. However, this assumes no childcare costs. Unlike most other countries, the UK currently has very little statutory childcare provision and no subsidy, tax allowance or benefit to assist mothers with childcare, other than the disregard in Family Credit. The result is that the costs of full-time pre-school childcare are higher than the comparable costs of childcare in all the other countries.

Thus in the UK the ratio of net income on social assistance to net income in employment (the 'replacement rate') is low if there are no housing or childcare costs, high if there are no childcare costs and very high after housing and childcare costs are taken into account. For a lone mother with one school-age child, net disposable income on social

assistance (after housing costs) is 65% of net disposable income when earning half average earnings (that is, they are a little better off working). This compares with, for example, Norway (105% - a little worse off working), Denmark (92%), Germany (66%) and France (57%). But if childcare costs are taken into account, the UK has the highest replacement rate of all (178% - that is, they are much worse off working) compared with, for example, Sweden (111%), Germany and France (71%), and Australia (58%). This is not because Income Support is too high. All the evidence suggests it is not. It is because employment involves reduced help with housing costs and additional costs in childcare.

In contrast, once a UK lone mother is in employment she faces comparatively middling marginal tax rates as a result of increasing her hours and/or earnings. The average effective marginal tax rate after housing costs of moving from half average to average earnings in the UK is 49%, compared with Australia (81%), Denmark (67%), France (42%) and Japan (39%).

So, while lone mothers moving into work may face financial disincentives, which would explain their low levels of employment, there does not appear to be an obvious financial reason for the full-time employment rate of lone mothers in the UK being so low. In addition, if one ignores the costs of childcare there would be no apparent reason for the employment of lone mothers to be so much lower than that of married mothers.

### Childcare

The UK only has a limited number of public childcare places and these are targeted at children deemed to be 'at risk'. Whilst the public education system provides places for more than half the children aged 3 to 5, the opening hours are limited and do not allow lone mothers to work full-time. In general, employed lone mothers must seek substitute care for their children in the private sector, and for this there are no subsidies. The result is that mothers pay more for full-time formal childcare in the UK than in any other country in the study (on average, £346 per month for a childminder). In France, for example, childcare is free and in Greece, Italy, Belgium and Japan payments are very low.

The UK's statutory leave provisions for mothers also rank very low: there is no leave to care for sick children and, for many, maternity leave is very short. Basic maternity pay replaces only a small part of lost earnings.

## Conclusion

In the UK, the characteristics of lone mothers are consistent with low rates of employment, but these characteristics do not in themselves fully explain the rates.

Compared with other countries, demand for female labour is quite high; both female earnings and the rate of direct taxation are middling; in-work benefits are high, particularly at low earnings; and socio-cultural influences tend to favour mothers' employment when the child begins school. These factors might encourage lone mothers' employment, but they are offset by an ineffective child maintenance regime, non-existent training and into work advisory services, poor maternity and parental leave provision and a housing benefit system which results in sharp increases in housing costs when people come off Income Support, alongside relatively liberal 'availability for work' criteria in Income Support.

The key factor affecting a lone mother's decision to take up employment appears to be the very high level of childcare costs in the UK. These, unlike the costs in most other countries, are not subsidised. Thus, after adding in housing costs, 'replacement rates' are very high, and after adding childcare costs they are much higher than in any other country.

## About the study

This research was undertaken in collaboration with the European Observatory on National Family Policies. It covered 20 countries (all the EU countries and Australia, New Zealand, Norway, Japan and the United States). The data on policy relate to the situation in each country as at May 1994 and the data on the demographic characteristics of lone mothers and their labour supply are for the latest date available (mostly 1991/1992).

The work was undertaken by the Social Policy Research Unit at the University of York, under the direction of Professor Jonathan Bradshaw, using policy experts from each country as national informants. In the case of the EU countries they were the members of the Observatory. In addition, Steven Kennedy, Majella Kilkey, Sandra Hutton, Anne Corden, Tony Eardley, Hilary Holmes and Joanne Neale contributed to the project.

## Further information

Further information can be obtained from Professor Jonathan Bradshaw, Social Policy Research Unit, University of York, Heslington, York YO1 5DD. Tel: 01904 433480, Fax: 01904 433524, Email: jrb1@york.ac.uk.

A summary report focusing particularly on the UK - **The employment of lone parents - a comparison of policy in 20 countries** - by Jonathan Bradshaw, Steven Kennedy, Majella Kilkey, Sandra Hutton, Anne Corden, Tony Eardley, Hilary Holmes, and Joanne Neale - is published by the Family Policy Studies Centre in association with the Joseph Rowntree Foundation (price £9.50).

The European Union is publishing a 'European' version (for details contact the Social Policy Research Unit on 01904 433608) and a fuller monograph, **Policy and the employment of lone parents**, will be published in autumn 1996 in the Avebury 'Cash and Care' series (ISBN 1 85972 428 0. For details contact Avebury on 01252 331551.)

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For further information on these and other *Findings*, contact Sally Corrie on 01904 629241.



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