

## **How Much Reform do we Need? The Case of Lone Parents**

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**Abstract:**

The paper reviews the labour market participation trends of single parent families in Australia and examines research evidence emerging from welfare reforms elsewhere which challenges some of the arguments and assumptions used to justify the extension of compulsory labour market requirements and punishments to lone parents in Australia.

The paper questions whether the development of an elaborate labour market compliance regime for parents will achieve the policy goals of increasing employment and reducing poverty amongst lone parent families in Australia. The research evidence from other countries indicates that the elaboration of a complex new range of compulsory requirements for income support recipients can increase their difficulty in sustaining access to income, rather than supporting their access to jobs.

Compliance regimes have no impact on the demand for labour, or the distribution of jobs, but they do provide a legislative framework to reduce income support paid to the most vulnerable people who find it most difficult to comply. In this respect they can deliver savings on welfare expenditure to government, however other costs for emergency services increase as families cease to be able to fund their own food, clothing and housing.

The research evidence indicates that the most effective policies supporting single mothers' labour market participation are those which support married mothers' labour market participation, because workforce attachments which are in place before separation, tend to endure after separation. The current Australian policy environment is contradictory in this respect as the structure of Family Tax Benefit Part B, and the 'baby bonus' tax break announced during the 2001 Federal election campaign favour mothers in couple families leaving the workforce at the same time labour market compulsion is being extended to single mothers.

Given the rising rate of separation and divorce it may be timely for Australia to develop a more coherent approach to families and employment in place of inventing new compliance and punishment regimes for single parents receiving income support.

In looking overseas for ideas, Australian policymakers may be tempted to assume that US-style programmes to force single mothers to work in will have the same effects here. But there are some critically important differences between the two countries.

Insert Overhead 1.

Australia does not have the high demand for low-wage labour which has prevailed in the US up until this year. There are already more workers in Australia than there are jobs available. The rate of official unemployment in Australia has been persistently between 2-3% higher than in the United States from 1996-2001. In this context, the introduction of new labour force requirements for new groups forces more people to compete for jobs that are not there. In the United States taxpayers have bankrolled demand for low wage labour through a low wage subsidy – or the Earned Income Tax Credits Scheme. This means that taxpayers face increased expenditure through EITC when low-wage employment rises, and increased demand for welfare when unemployment rises.

Insert Overhead 2

Sole parents in Australia have persistently been the most active workforce age income support recipients in the paid workforce (Eardley 2000). There has long been a waiting list for single parents to voluntarily see a JET Adviser to get help with going back to work. The average duration on Parenting Payment Single is around three years (FACS 1998). In the United States, sole parents are the paradigmatic recipients of ‘welfare’ or TANF, because there is no general social assistance payment for unemployed people.

The demographic profile of lone parents in Australia is somewhat different from the United States. In both countries one parent families comprise around one in five families with dependent children. In Australia nine out of ten single parents are women; most are separated or divorced, and aged in their thirties and forties, with one or two children (ABS 1999). In the United States, single mothers have a lower average age and single motherhood is differently distributed across ethnic groups (US Census 2000). The low wages paid in the United States make it relatively more difficult for single mothers to survive on part-time wages so more mothers work full-time.

In June 2000, 49 percent of Australian single mothers were in the labour force compared to 61 percent of couple mothers. (ABS 2000:43). This gap has been persistent over time for mothers but the impact of single parenthood on labour force participation of fathers has become much more dramatic over the last decade.

Insert Overhead 3

Single parents in Australia experience around twice the average rate of unemployment when compared with the general labour force. Research in Australia into sole parents leaving the income support system, has confirmed that access to well-paid employment with family-friendly workplace conditions and appropriate affordable childcare remains the most sustainable path out of poverty for single mothers

(Chalmers 1999:45; McHugh and Millar 1996; Wilson *et al.* 1998). These needs are not matched by the labour market most single mothers face.

#### Insert Overhead 4

The work available to middle-aged women with sole care for dependent others and no recent market skills is most often insecure, low-paid and with erratic hours, making it hard for the parent to ensure that their children are safe, fed, rested, cleaned, clothed, transported, educated and emotionally secure. In single parent families there is no other adult to share this unpaid care work. In the low wage flexible work environment, flexibility does not mean time off to take a sick child to the doctor, but rather that the worker has to be on call for the intermittent hours required by the employer. Historically the Australian social security system has supported parents' capacity to choose their level of workforce engagement in balance with their family's needs. In the new environment a case worker will know what is best for the family, and if the parent does not do as they are told they will face punishment.

#### Insert Overhead 5

The employment and relationship experiences of mothers in couple families is an important predictor of employment outcomes for mothers whose relationship ends. The following risk indicators have been associated with single mothers' longer term reliance on income support:

- Being out of the paid workforce at the time of separation,
- Not being involved in the decision to separate,
- Having an income lower than the benefit payment level,
- Having less than Year 12 schooling, and
- Not re-partnering within five to eight years (Funder 1989:85).

The health status of the family is another important factor. A Department of Family and Community Services study of single parents who had been out of the workforce for some time found that nearly one in four was unlikely to be able to work because of cumulative disadvantages including children with disabilities or a disability themselves, as well as lack of labour market skills (Pearse 2000). Domestic violence and post-separation violence involving mothers and children has a major impact on the family's health and employment status (McInnes 2001).

Other common external barriers to work include lack of job options, lack of child care, lack of transport and poverty traps (McInnes 2001). With the exception of the new Working Credit scheme modifying the impact of poverty traps, no aspects of the Australians Working Together package will actually address any of these external barriers to lone parents' workforce participation. The main initiatives aimed at lone parents under Australians Working Together are the increased provision of information through annual interviews of parents of primary school aged children, and increased activity requirements for parents of 13-15 year olds. Neither of these initiatives will actually increase available job opportunities in the region, but they will be accompanied by new punishments for non-compliance.

The justification for new compulsory labour market participation requirements for lone parents in Australia has drawn on welfare reform experiments in other countries – and the United States in particular. A US Government evaluation of the effectiveness of punishments, or sanctions, found, in general, that although sanctions were being applied more often and for longer, they did not improve compliance with work programs (USDHHS 1997). They did however reduce the numbers on the welfare rolls, enabling policymakers to claim success – provided they did not look too closely at what happened to those who left welfare. A study of food pantry clients in upstate New York in 1997 and 1999 found increased numbers of clients had no work and no welfare, although half the sample had dependent children (Oggins and Fleming 2001). Most of those with no work and no welfare had lost benefits because of sanctions. This group had more stresses involving paying bills, buying food, paying adult and child health costs, housing problems and children changing schools, making it even more difficult for them to get and keep work.

A 1997 study of ‘welfare’ mothers in Michigan found the women in the sample experienced high levels of multiple barriers to sustaining workforce participation including physical and mental health problems, lack of transport and violent partners and ex-partners. These barriers were more accurate predictors of employment than education or work experience or welfare history (Danziger et al 2000). These studies confirm that US-style welfare sanctions increase the sum of human misery for those families experiencing the most difficulties, but they don’t improve the health of families, or stop violence against women and children or improve access to transport, or create better, more secure jobs with decent wages.

Indeed welfare reform outcomes have been shown to be equally problematic in other countries which force mothers to work or lose benefits. A study comparing return to work programmes for low income mothers across Australia, Canada, New Zealand and the United Kingdom concluded that the variations in levels of workforce activity required of mothers affected the level of difficulty experienced by families, but did not essentially change the degree or scope of poverty of lone mother households (Baker and Tippin 1999). Along with responsibility for dependent children, low paid work in insecure jobs in a gender-segmented labour market actually prevented single mothers from gaining access to economic independence through higher education. Again, only well-paid, secure full-time jobs enabled parents to support their children on a single income, without any reliance on income support. It follows therefore that policies which support women’s empowerment at home, and in the workplace, along with access to skills and education, are more likely to yield greater long-term reductions in welfare demand than elaborate compliance regimes.

Punishing non-compliant income support recipients has some popular electoral appeal, and the widespread use of sanctions is effective in reducing income support expenditure (although the costs are picked up elsewhere in the system in emergency financial relief, food kitchens and services to homeless people). It is however questionable on both ethical and efficiency grounds to focus on building compliance measures instead of providing genuine skills training and job creation.

Policies which support parents’ workforce involvement in both couple and single parent families make good sense because mothers’ workforce attachment whilst living in a relationship will persist after the relationship ends. Policies which encourage

mothers in couple families to leave and stay out of the workforce, such as the universal payment of Family Tax Benefit Part B to single income families (McDonald 2001) and the new tax rebate for new mothers who leave their jobs, work against a longer-term reduction in the numbers of single mothers without jobs.

What if instead of drawing up new eligibility requirements and punishments for the poorest and most stressed families, Australia's policymakers looked to universal paid maternity leave, universal access to workforce re-entry skills training services for parents, violence reduction and recovery programmes, quality child care services and accessible day-care services for dependent adults. These initiatives would support families with dependent children or other care commitments and protect the rights of parents to manage the balance between work and family life themselves. They would enable women to choose to have children in confidence that they will be able to move in and out of the workforce as family needs allow without being subjected to lifelong dependency on a partner or the government.

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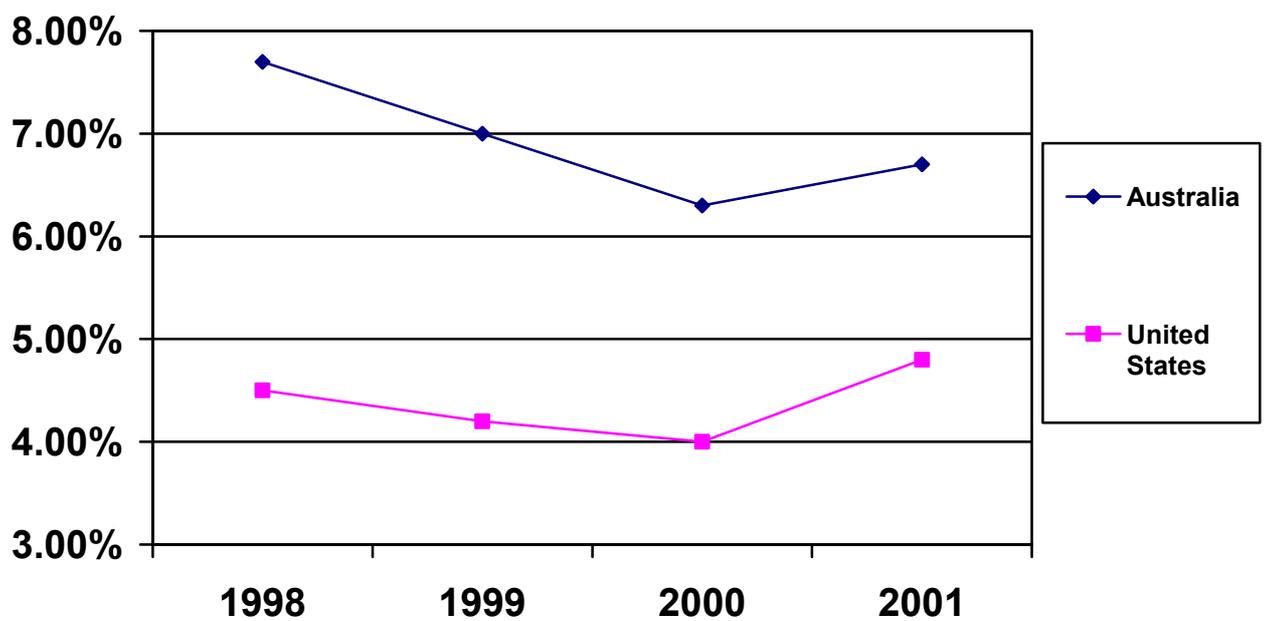
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## Unemployment in Australia and the United States

	1998	1999	2000	2001
Australia	7.7%	7.0%	6.3%	6.7%
United States	4.5%	4.2%	4.0%	4.8%

### Unemployment: Australia and the United States



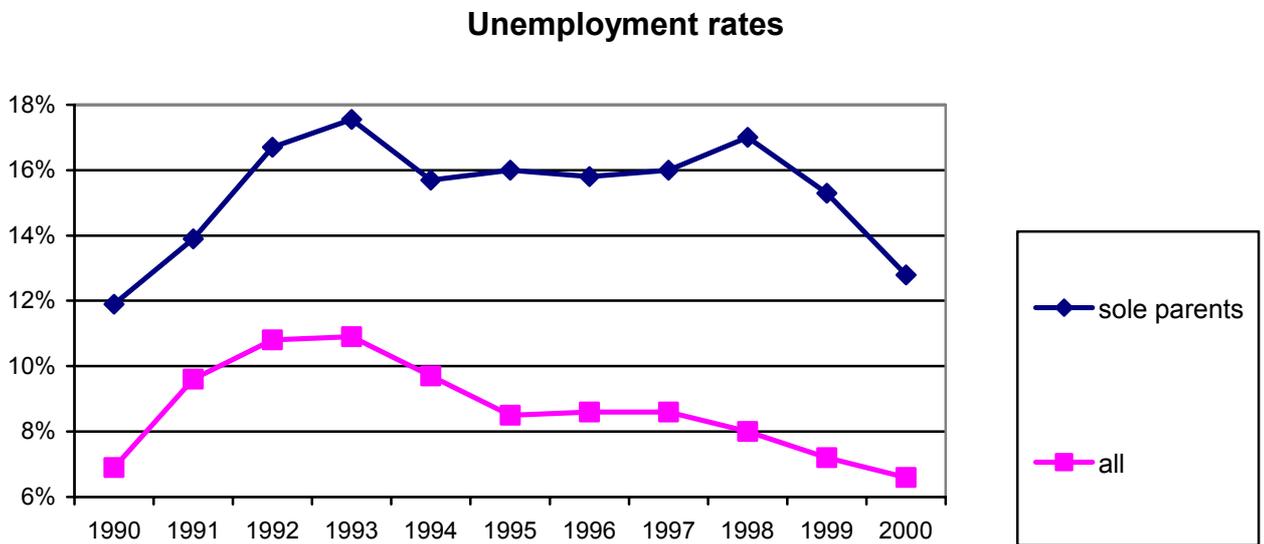
OVERHEAD 2

**Labour Force Participation % of Couple Families  
with Children, and Sole Parent Families with  
Children 1974-2000**

	<b>1974</b>	<b>1985</b>	<b>1990</b>	<b>1997</b>	<b>2000</b>
<b>Couple Mothers</b>	40.7	50.5	61.2	63.0	61.0
<b>Sole Mothers</b>	45.1	40.8	52.2	53.0	49.0
<b>Couple Fathers</b>	97.9	95.0	94.8	93.0	89.0
<b>Sole Fathers</b>	94.7	79.0	78.0	75.0	64.0

(ABS 1990, 1998, 2000; Robinson and Griffiths 1986)

## Unemployment rates of sole parents compared with total unemployment



(ABS Labour Force Series)

#### OVERHEAD 4

Continuing Care work necessary to the well-being of dependent children means ensuring that children are:

**Safe** = Parent available to nurse sick children, seek medical help, or manage incidents or accidents which could be harmful to children.

**Fed** = Ensuring children's access to healthy and nutritious morning and evening meals and packed lunch.

**Cleaned and clothed** = Ensuring that children develop hygiene routines and dress appropriately.

**Transported** = Ensuring children can get to and from school and extra-curricular sporting and recreation activities.

**Educated** = Ensuring that children attend school on time with their homework done and the materials they need for the school day.

**Emotionally secure** = A parent being present and available to listen, discuss, hug, help and generally care.

Risk indicators and barriers associated with single mothers' reliance on income support:

- Lack of job options (external)
- Lack of child care (external)
- Lack of transport (external)
- Poverty traps (external)
  
- Being out of the paid workforce at the time of separation
- Not being involved in the decision to separate
- Having an income lower than the benefit payment level
- Having less than Year 12 schooling
- Not re-partnering within five to eight years
- Having a disability or chronic illness
- Having a child with a disability or chronic illness
- Experiencing domestic and/or post-separation violence

(Funder 1989; McInnes 2001; Pearse 2000)