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Income Transfers and Support for Mothers’ Employment: The Link to Family Poverty Risks. A Comparison between Italy, Sweden and the U.K.

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ABSTRACT

For a growing number of children in families headed by single mothers and in those headed by two adults with limited job skills, economic security now depends on the mothers' earnings. The anti-poverty effect of income transfers is well analysed in the literature. Much less investigated, however, is the role played by policies that support mothers' employment in shaping the economic well being of families with children. Yet, both dimensions of social policies seem crucial in the explanation of cross-national variations in family poverty rates. How do countries differ in the way they combine income maintenance with employment support? What is the impact of different combinations on child poverty?

In this study I will explore these questions by comparing three countries with different social policy approaches: Italy, the United Kingdom and Sweden. Data from the Luxembourg Income Study (LIS) are used to show the anti-poverty effect of transfers and the link between child poverty and mothers' employment. Since the LIS data for Italy do not provide information on taxes and other public transfers, I have integrated them with a recent microsimulation model of Italian personal income taxes, social security contributions and family allowances. I thereby intend to obtain a meaningful evaluation of the effectiveness of the income transfer system.

What appears from my analysis is that mothers' employment is a very important insurance against poverty, and is particularly important in cases of divorce. In Sweden nearly all mothers work, irrespective of their marital status or children's age. This is mainly due to a nationwide system of public child care and paid parental leave. Together with generous and universal transfers (*in primis*, child allowances and advance maintenance payments) families with children face a very low risk of poverty. Where one of the two dimensions is lacking, poverty is higher. In the UK, various social security benefits are available to families with children. However, such benefits are mainly means-tested and, combined with inconsistent child care subsidies, can create poverty traps. In Italy the poor provision of child care services for those under the age of three is often compensated by the family. Yet, income support programmes, which are few and mostly linked to employment status, are ineffective in reducing poverty.

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INTRODUCTION

Economic and socio-demographic changes have created new risks and new needs. On the socio-demographic side, womens' participation in the labour force has increased substantially from the 1970s (OECD; 1995). At the same time, divorce rates and out-of-wedlock birth rate have risen in all modern nations in the 1980s and early 1990s (Danziger *et al*., 1995). Thus two-earner units and single-parent households have grown, making the «male breadwinner family» no longer pre-eminent. On the economic side, the emergence of skill-intensive technological change and deindustrialization have reduced the demand for lower-skilled workers, contributing to an increase in structural unemployment and in inequality in the distribution of wages and earnings (OECD, 1994). The risk of poverty has shifted from the elderly population to younger, working-age populations. Particularly vulnerable are children living in families headed by single mothers and those headed by two adults with limited job skills (Palmer *et al*., 1988).

Despite the fact that these economic and demographic changes have affected in a similar way all advanced countries, the incidence and intensity of poverty among two-parent and one-parent families varies considerably. This variation raises questions about the role that social policies play in shaping family economic well-being. In the political and scientific debate about the link between poverty and the welfare state the attention has been traditionally placed on income transfers. As Gornick *et al.* point out in their recent comparative study on policies supporting maternal employment (1997), the anti-poverty effect of these policies has been much less appreciated. Yet, evidence shows that the well-being of families is strongly connected with the position of mothers' in the labour market. Everywhere two-earner couples with children and one-parent working families are less likely to be poor compared to single-earner couples and lone mothers on social assistance (Førster, 1994). To better understand cross national differences in family poverty Gornick *et al*. suggest analysis of both income transfers and support for maternal employment. By using indices for both types of policies, they show that countries with the lowest child poverty rates are those with generous support in each of the two domains. Where one or both policies are scarce child poverty rates are higher.

Following the suggestion of Gornick *et al*, in this work I analyse the anti-poverty effectiveness of different welfare states by focusing on both income transfers and policies supporting maternal employment. In particular my argument is that the degree of welfare state «success» in reducing family poverty depends largely on the policies that facilitate women to combine family and work responsibilities when children are young. In other words, income transfers matter but what really makes a difference are social policies supporting maternal employment, basically through child care subsidies.

To do that I compare three countries with substantial differences in the level of poverty among families with children and in the social policy approach: Italy, the United Kingdom and Sweden. Each of these three countries belongs to a distinct welfare regime. Sweden is the prototype of the Social Democratic model where welfare provisions are institutional, seldom means-tested and usually apply to all citizens alike. The principle of universalism has shaped all the fields of social policy, including social care services, widely available and publicly subsidised. Here state provision of welfare implies modest stratification and inequality and a high degree of both de-commodification and de-familialisation. The United Kingdom belongs to the Liberal model, characterised by the belief that the unfettered market brings welfare to the maximum number of citizens and that the family is a self-sufficient institution. Only if the market and the family fail does the state intervene with welfare transfers and services that are typically means tested and often carry a social stigma. The market dominance in welfare provision implies a high degree of stratification and inequality and a low level of de-commodification and de-familialisation. Finally, Italy belongs to the Corporatist model, where welfare provisions are typically organised along occupational lines. This regime aims at retaining traditional status relations, and has a strong commitment to maintaining traditional family patterns: day care and similar family services remain underdeveloped and married women are often denied any right to their own pensions or unemployment benefits, especially in Southern Europe (Esping Andersen, 1990; 1998; Forssén, 1998; Sainsbury, 1994).

METHOD AND DATA

Defining an Anti-Poverty «Family Benefit Package»

As widely documented (see Mitchell, 1991; Rainwater and Smeeding, 1995), income transfers play an important role in reducing market-based poverty. There are four mechanisms by which the state can allocate income to individuals or households (Atkinson, 1989). The first is the universal or contingency benefit allocated to all citizens within a certain social category, regardless of employment status or income. Second, there is social insurance, where the benefit is related to the employment status and the contributions paid. The third comprises social assistance that is means-tested, or income-related benefits. The fourth is the indirect transfer through the tax system. Following Gough *et al*. (1995), means-tested benefits are distinguishable in three subgroups: a) general assistance, that is, «safety net» programs for all people within a certain income group; b) categorical assistance, that is, benefits to specific low-income categories (such as families with children or older people); c) «tied» benefits that entitle recipients to free or subsidised use of a specific service or to a refund of all or part of the charge for a specific service (such as housing assistance).

In this study all income transfers types are taken into account. Indeed families with children may qualify for benefits in different ways: either as a right of parenthood (child benefit), due to employment status and previous contribution (e.g., unemployment benefit and parental leave), or because they are otherwise destitute («safety net» programs). Table1 presents programs relevant to families with children in Italy, the United Kingdom and Sweden according to the above distinctions. A brief description of the programs will be provided subsequently.

Table 1
Income Transfer Programs for Families with Children in Italy, the UK and Sweden (1991[1])

	ITALY	UK	SWEDEN
Universal Programs	-Tax Credit for Children	-Child Benefit -One Parent Benefit	-Child Benefit -Advance Maintenance Payment
Social Insurance Programs	-Earnings Complement -Mobility Allowance -Unemployment Benefit	-Unemployment Benefit	-Unemployment Insurance and Cash Labour Market Assistance
Social Assistance			
-general assistance	-Vital Minimum	-Income Support	-Socialbidrag
-categorical assistance	-Family Allowances	-Family Credit	
-housing assistance		-Housing Benefit	-Housing Benefit

With the growing number of single parent families, mostly headed by women, and with the rising inequality in earnings distribution and in structural unemployment, womens' earnings are an important

[1] The family benefit package I will describe refers to the early 1990s as do my empirical data (see p. 9).

shelter from poverty. Given that fathers' earnings are the largest single source of income for families with children, his risk of unemployment and of low-wage employment threatens the economic security of many children. Earnings may not be sufficient to ensure a non-poverty standard of living for many children, not only in one-earner families but even in two-earner couples, particularly when the parents are young and with little human capital (Danziger *et al*., 1995). Public cash transfers are, thus, necessary to supplement market incomes. Moreover public support of child care costs play a crucial role, in two ways. First, the lower the cost of children, the higher the final family income (that is, the lower the risk of poverty). Second, the cost and availability of child care influence maternal labour supply. Particularly in the case of pre-school children, and of low paid mothers, the net return from work may be low or even negative once child care and work related costs are taken into account[2] (Gornick *et al*., 1997).

Mothers' earnings have become relevant not only as insurance against fathers' unemployment or low wages, but also as a «divorce insurance». The post-divorce poverty risk for women and children depends largely on their previous economic dependence on husbands (Sørensen, 1994). Because of a gender division of labour and responsibilities within the marriage, in the absence of suitable out-of-home child care options, a mother may choose not to work or to work in a more flexible but less protected sector (as in the informal sector in Spain and Italy or in part-time jobs in private services in the U.K). The longer the time spent by mothers outside the labour market or in «weak» sectors, the more difficult it is for them to enter it or find better jobs. Divorced mothers' chances in the labour market are constrained not only by their past investment in marriage, but also by the persistence of gender occupational discrimination and by their present need to balance caring and income demands. If the father fails to provide cash and/or in-kind support and if the state does not intervene to compensate this failure, the net return from working for single mothers may be very low (Danziger *et al*., Hauser e Fisher, 1990; Saraceno, 1996, Zanatta, 1996).

Many researches show that having more affordable child care increases maternal employment (Esping Andersen, 1988; Fagnani, 1996; Gustafsson, 1995b; Leibowitz *et al*., 1992). That is, it reduces poverty risk for families with children. Therefore, child care policies[3] are a crucial component of an anti-poverty

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[2] The net return to market work is determined not only by the cost and availability of child care but also by replacement of home work, transportation and related work costs, the logistics of child care and other activities (e.g., visits to the doctor, shopping, etc.) (Danziger e Jantii, 1995).

[3] In my study the focus is on the support for the employment of mothers with pre-school children. As a recent OECD study notes (1990), compulsory schooling does not exhaust the custodial needs of the children of working parents. Public school schedules vary across countries according to hours per day, weeks per year, schools vacation, provision of lunch, etc. Nevertheless, all children are covered for at least half a day, without having to pay a lot. Bigger is the variation across countries in the availability and cost of child care services.

«family benefit package». Obviously other policies influence maternal labour supply: a) parental leave and work-time flexibility for parents[4]; b) income transfers rules, especially those that determine benefit reductions associated with earnings (the «poverty trap» problem); c) marginal tax rates and the tax treatment of spouses; d) public policies that encourage part-time work, for example through the adoption of worker protection or through substantial demand for part-time workers in public employment (Gornick *et al*, 1997).In this work the focus is on social policies, thus c) and d) have been excluded from the analysis. Moreover, due to data limitations, in-kind transfers (such as health care, housing and education) are not taken into consideration.

To summarise, in this study I will analyse two dimensions of social policies, both having a relevant anti-poverty impact: income transfers and policies supporting maternal employment. In the first dimension I include all types of income transfer programs that a family with children may receive. In the second, following Gornick *et al.* classification (1997), I include child care services, parental leave, work time flexibility for parents, and income transfers rules[5].

The Data

The analysis employs cross-sectional data from the Luxembourg Income Study (LIS) database. The LIS database consists of a set of national household surveys that include similar social and economic indicators from a number of industrial nations. Although the various national data sets are not strictly and completely comparable, they do allow for reliable cross-national research on economic well-being (Buhman *et al*., 1988; Smeeding *et al*., 1990). The data provide detailed information about household income from all sources, including salary and wages, business income, cash income from property, and private and public transfers.

Here, data for the UK are from the Family Expenditure Survey of 1991; data for Sweden are from the Swedish Income Distribution Survey of 1992; data for Italy are from the Bank of Italy Survey of Household Incomes and Wealth of 1991. Because of lack of information on important public transfers, I

[4] The relationship between maternal employment and parental leave policies is controversial. In addition to offering basic income support to new mothers, maternity leave prevents women from exiting employment following childbirth. However, in contrast to child care, which lessens constraints arising from childrearing responsibilities and enables mothers to spend more time on the job, maternity leaves allow working mothers to spend more time at home. Some scholars argue that long leave periods may limit certain career-enhancing opportunities. Hence, this limit may have a negative long-term effect on mothers' earnings and, in turn, on their labour supply (Gornick *et al*., 1997).

[5] Income transfers rules are most likely to affect the labour supply of lone mothers strongly dependent on social assistance. Gornick *et al.'* attention has been addressed to married mothers and not dependent lone mothers. Thus income transfers

have integrated the original LIS data for Italy with a microsimulation model of Italian personal income taxes, social security contributions and family allowances (ITAXMOD), worked out at ISPE (see Di Biase *et al*., 1995). In this way, it is also possible to produce a meaningful estimate of the anti-poverty effectiveness of Italy's income transfer system[6].

Measuring Poverty and Welfare State Effectiveness

There are various approaches to measuring poverty. Here I define as «poor» a household in which the income is less than *50% of the median adjusted household income of non-elderly households* in the country of residence[7]. Incomes are adjusted for family size by using an equivalence elasticity of 0.55[8]. This is a measure of relative poverty- individuals perceive themselves and are perceived by others as poor according to the norms of the society in which they live (Nolan and Callan, 1994). As an indicator of poverty I use income because the concern is for the capacities of families to participate in the mainstream of their society rather then on their actual spending behaviour (Førster, 1993b).

Since I focus on the anti-poverty effectiveness of social policies, I use two income measures. Market, or pre- transfer[9] income, includes all forms of earnings (wages, salaries and self-employment income) plus capital income, occupational pension benefits, and private transfers such as child support. Post-transfer income is the *disposable income* of the family and includes all forms of regular cash and near cash income (family allowances, unemployment compensation, etc.) net of direct taxes (income and payroll taxes). Hence, the difference between «pre-transfer income» and «post-transfer» household income is attributed to government policies. More precisely, the effectiveness of an income transfer system is measured as the proportional reduction of pre-transfer income, that is (pre–post/pre) (see Mitchell, 1991). This indicator of effectiveness is based on the assumption that pre-transfer incomes are independent of transfers. But, as widely discussed (O' Higgins *et al*., 1985: Ringen, 1989: Mitchell, 1991), this is not the case, particularly for those programs that imply a substitution between the market

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rules have been excluded from their analysis.

[6] I would like to thank Koen Vleminckx for the technical work he did, that is, for having added the microsimulation variables to the 1991 italian file.

[7] I define non-elderly households those headed by a person of less than 55 years.

[8] The resulting equivalence scale assumes moderate economies of scale. A two-person household is assumed to need 1.50 times as much income as one person to maintain a similar standard of living, while a three-person household is assumed to need 1.88 times as much as one person, etc.

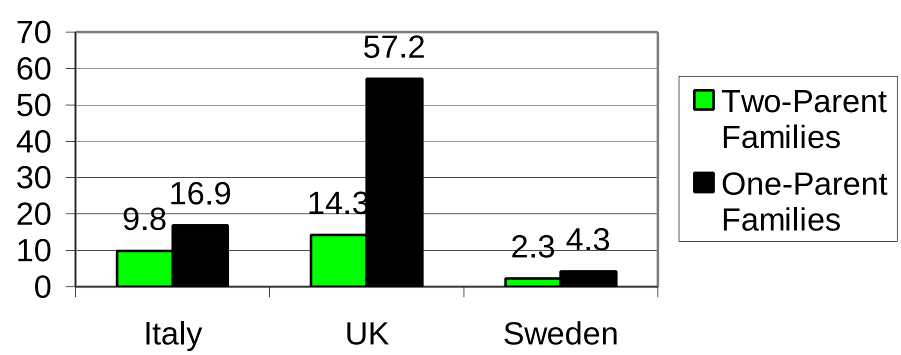
[9] With transfers I mean both direct and indirect public transfers, that is both social security transfers and income taxes.

and the state, typically pensions and means-tested benefits[10]. Given this limit, it has been argued that the poverty reduction indicator should be seen as a measure of welfare state effort more than a good measure of effectiveness. In this sense it is also used in my work.

THE ANTI-POVERTY EFFECT OF PUBLIC TRANSFERS

Poverty rates among two-parent and one-parent families vary considerably across Sweden, Italy and the U.K (Fig. 1). In Sweden poverty rates for both types of families are extremely low compared to Italy and the UK. In the UK both two-parent and one-parent families face a relatively high risk of poverty, but the situation is dramatic for one-parent families: 57% are poor, against 14% of British two-parent families and against 4% and 17% of Swedish and Italian one-parent families, respectively.

Figure 1: Poverty Rates for Families with Children, by Family Type (early 1990s)



What is the impact of tax and transfer policies on family poverty?

The Swedish income transfer system is more effective in reducing poverty among families with children: 84% of market-based poor families are lifted out of poverty, leaving an overall post-tax and transfer poverty rate of less than 3%. The anti-poverty effect of transfers is high for both family types,

[10] In the literature this problem is often called the counterfactual problem, that is: what is the alternative situation against which the income situation after taxes and transfers should be compared? To what extent and how the distribution of observed market income under the influence of the welfare state is different from the distribution of income we would have had without the welfare state?

but particularly high for one-parent families with a poverty reduction rate of 88%. The result is that there is nearly no difference in the post-transfer poverty rates of one- and two-parent families (tab. 2).

Why such a «success» in Sweden? Swedish families with children benefit from various and generous cash benefits, mainly universal, aimed at integrating earnings (cf. Tab.1).

Child allowances, a cornerstone of the Swedish welfare state, is a non-taxable transfer in respect of all children aged less than 16 years[11], irrespective of income and employment status of the parents. The amount is relatively generous: the one-child allowance is about 6% of the median equivalent disposable income for the country (appendix, tab.3). In recognition of the heavier economic burdens of families with several children, since 1982 the government has introduced increments for the third and subsequent children (Sundström, 1991).

Additionally, all single parents with children under 18 years can receive a tax-free *advanced maintenance payment* on application if the noncustodial parent fails to pay the maintenance allowance. As many studies point out (Kahn and Kamerman, 1988; Sørensen, 1994), the lack of economic support from the spouse is a specific risk factor for one-parent families. The Swedish child support advance system has been explicitly designed to eliminate this risk (Gustafsson, 1995a). Moreover, low-income families with children can obtain a non-taxable monthly *housing allowance*. The size of the allowance depends on family income, number of children and housing costs. Since the income test is quite generous, many families with children receive it: 25% of two-parent families and 67% of one-parent families (appendix, tab.4). Because the great majority of parents work and can rely on generous universal and social insurance programs[12], general social assistance plays only a minor role as a temporary source of help (Bradshaw *et al*., 1996b). However, the minimum income guaranteed is relatively high, around 60% of the national median income (Förster, 1993b). This helps to explain the high poverty reduction of the Swedish income transfer system, at 50% poverty interval but also at 60% interval (appendix, tab.2).

Table 2 Transfer System Effectiveness for Families with Children

	All Families with Children	Two-parent Families[a]	One-parent Families[b]

[11] Also families with children over 16 years who attend high school receive student grants equal to the child allowance until the child leaves high school but not beyond age 20.

[12] The compensation rate for unemployment insurance is 80%, for a period of 300 days. Requirements are not strict: a) membership of an unemployment-insurance fund for at least one year for employees and two years for self-employed people; b) 75 days' work over the past 12 months. For people who are not insured in an unemployment-insurance fund there is a cash labour market assistance flat rate, for 150 days (Swedish National Social Insurance Board 1993, 1994).

ITALY			
Pre-transfer poverty rate	10,1	8,4	22,3
Post-transfer poverty rate	10,7	9,8	16,9
Poverty reduction %	*-6,0*	*-16,0*	*24,2*
UK			
Pre-transfer poverty rate	26,9	16,8	79,3
Post-transfer poverty rate	20,3	14,3	57,2
Poverty reduction %	*24,5*	*14,9*	*27,9*
SWEDEN			
Pre-transfer poverty rate	17,3	11,9	36,7
Post-transfer poverty rate	2,8	2,3	4,3
Poverty reduction %	*83,8*	*80,7*	*88,3*

a= families where there are only two adults married or cohabiting, with one or more children under 18
b= families where one adult cares for one or more minor children (under 18) without other adults in the household (older children, parents, etc.)
Source: LIS database

Compared to Sweden, the UK is much less effective in reducing poverty among families with children: only 24% of the pre-transfer poor are lifted out of poverty (tab. 2). The income transfer system is selective, targeting the most needy, and with a low level of support. Universal transfers and social insurance plans[13] are modest, while means-tested assistance are predominant. The underlying ideology is that, while contributory or taxpayer-financed programs can place a burden on the economy, destroy jobs and discourage work, private provisions can strengthen the economy, enhance incentives to work and boost savings and investment. The government intervenes only as a «safety net» to guarantee a minimum income, when family and market fail. But the level of social assistance is quite low, around 40% of the national median income[14] (Förster, 1993b).

The value of universal *child allowances* and one parent allowances[15] has been gradually eroded since the 1980s. Hence, families with children can rely on means-tested benefit. The rules of the two main means-tested schemes *Family Credit* and *Income Support* are representative of the trend that the UK

[13] For example unemployment compensation is flat rate, for 1 year and with severe contributory requirements (MISSOC, 1991).
[14] Indeed, at 40% poverty interval the poverty reduction trebles for two-parent families and doubles for one-parent units (appendix, tab.2).
[15] One parent benefit is a supplement to the child allowance rate for the eldest or only dependent child of single parents. Yet, the increment is not generous. Annual child allowances for one-parent families are equal to 5% of the median

has exhibited from the mid-1970s, moving away from universalism towards targeting and limited support to select groups. *Income Support* is the bottom line of state support for those outside the labour market or employed for not more than 16 hours a week. There are no «income disregards» for child allowances, maintenance or child alimony received. This means that a single parent on Income Support will not gain any advantages from the payment of child support, designed not to augment lone mothers' and children's resources but as a substitute to public transfer. Thus, no public responsibility exists to enforce or advance the payment of child support. Since most absent parents are seen as having modest means, the public enforcement of parental support obligations might compel the second family also to claim assistance. The first family will in any case be protected by social security benefits, perceived as assuring as adequate a standard of living as most would receive through private payments (Eekelaar, 1988).

For parents in full time employment at low wage the UK provides another means-tested benefit: *Family Credit*. Its aim is to subsidise low-wage sectors of the economy without broader intervention into wage setting and it is intended to maintain work incentives and to support families with children. But since the income thresholds are rather low, married mothers with low earnings potential are economically discouraged to work. In other words, there is a risk of poverty trap. In fact dual-earner couples hardly ever receive Family Credit and constitute only 5% of the households in receipt (Scheiwe, 1994). A similar even more serious poverty trap exists for single parents on Income Support. Quitting Income Support a mother loses entitlement to free school meals and milk for the child, and to the full coverage of housing costs and interest on mortgage payments. Moreover, if the provision of public child care services is low- and we will se that it is- she needs to find child care arrangements for her children and pay for them. As a whole, entering the labour market may not pay off.

Compared to the other two countries, Italy is extremely incapable at reducing poverty among families with children: the poverty reduction rate is negative for two-parent families and not particularly high for one-parent families. The negative impact means that, in Italy, taxes push more two-parent families into poverty than transfers lift out[16]. In Italy, indeed, income transfer programs are modest and categorical. There isn't a general unemployment compensation scheme, but different ones according to employment status and to the cause of unemployment. Moreover, there is no universal child allowance, nor a general national minimum income. Instead we find, on one hand, means-tested family allowances for households

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equivalent disposable income compared to 4% of child allowances for two-parent units (appendix, tab.3).

[16] It should be noted note that maternity benefits are not included in the transfer income since they cannot be separated

of wage workers and farmers; on the other hand, vital minimum programs granted at the municipality level, but with great variation among regions, and within regions, in terms of the amount and the categories entitled. Both transfers are low. In particular family allowances, the only existing measure for families with children[17], are inadequate in many ways. First, poor families with children headed by self-employed parents are excluded. Second, allowances are not indexed: from 1988 to 1994 their real value decreased by 38%. In 1991 for poor and near-poor families[18] family allowances were about 5% of the national median equivalent disposable income (appendix, tab. 3). Third, one-parent families do not receive any supplement and income thresholds are only slightly higher (Negri and Saraceno, 1996; Commissione di Indagine sulla Povertà e l'Emarginazione, 1995). Furthermore, as in the UK, the state does not enforce or advance child support, leaving the arrangement and actual payment to the private sphere (family and court). In contrast to Sweden, where nearly all single parents receive child support payments, in the UK and Italy only 22% are beneficiaries (appendix, tab.6). Since the level of support for one- and two parent families does not differ substantially, the higher poverty reduction observed in table 2 for one-parent families may come as a surprise. The difference is probably due to lower income taxes and to pensions as a principal source of income (invalidity and widow's pension).

Such a weak income support for families with children reflects the familialist mark of the Italian welfare state. Social rights are strictly linked to working status. For those outside the labour market or those not working in the most protected sectors (public sector and large industries) social security is fragile. A conservative family ideology lies behind this. Family and kin networks are assumed to provide income support to family members outside the labour market. The same, as we will see in the next session, applies to caring services. Thus, the traditional family is still the reference: the husband, the main income provider (through paid work and, in turn, through his access to social security benefits) and the wife, the main care provider (Saraceno, 1997). These features generally define the corporatist welfare regime (Esping Andersen, 1990) but they are even more accentuated in Italy. Here the welfare state not only has an employment based entitlement system and an income transfer bias against social services but also a «elderly» bias. In countries such as Germany and France, although social insurance prevails, universal family allowances and national minimum income schemes also exist. In Italy the income maintenance system is notably lacking for the working age population: 61,5% of the social

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from wages. Thus, the anti-poverty effectiveness is underestimated.

[17] Actually Italy provides universal support for the cost of children through tax credit. Yet, the amount is very low and it does not benefit those families at very low income outside the tax net.

[18] Following Smeeding's designation (1991), I define «near-poor» families as those whose disposable equivalent income is

expenditure is for pensions, against an average of 45,3% in the European Union (Commissione per l'Analisi delle Compatibilità Macroeconomiche della Spesa Sociale, 1997).

INCOME PACKAGES: THE ROLE OF MOTHERS' EARNINGS

With the growing incidence of one-parent families, of unemployment and low-wages, the well-being of families is increasingly connected to the position of women in the labour market. When the mother works everywhere the risk of poverty of both one-parent and two-parent families is lower (tab. 3 and 4).

Table 3 shows the income package of one parent families, that is how families put together income from different sources: from market activity, from the welfare state and from interpersonal, mainly familial, networks. The analysis of income packages is informative in two ways. At the micro-level, it reveals patterns of institutional dependency. At the macro-level, it helps describe the role of state, market and family in the distributional system (Bison and Esping Andersen, 1998).

In Sweden practically all single parents have earnings. Over 80% of single parents work, most of them full time. Earnings are, therefore, the basis of a one-parent family income package. The welfare state, through social security benefits and advance maintenance payment (here included in the «Family» component), integrates to a large extent earnings, counting for half of single parents' income package. «Work and welfare» are clearly fused.

The picture in the UK is the opposite. Paradoxically, in a liberal welfare state the market has a marginal role in the income package of one-parent families while the state predominates: 68% of their income derives from public transfers. If in Sweden the welfare state is designed to supplement earnings, in the UK it is designed as a substitute. A «work or welfare» logic shapes the means-tested income transfers rules: the entire claim to Income Support is lost if the weekly hours of work exceed 16 and a combination of low-paid employment with Family Credit will not be economically advantageous if child care costs are high. A parallel substitution logic exists between public and private transfers. Since in the testing process private child maintenance payments are counted in full as income of the mother, such private transfers benefit only those families with an initial level of income higher than the social assistance threshold.

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greater than 50% of median equivalent income but less than 62.5% of median equivalent income.

Table 3 Income Packages for One-Parent Families.
Percentage of Disposable Income Deriving from Welfare State, Market and Family, and Poverty Rates by Lone Parents' Labour Market Position

	ITALY	UK	SWEDEN
Market	68,0	25,0	51,0
Welfare State	18,7	69,0	39,0
Family[a]	13,3	6,0	10,0
Disposable Income as % population median	*82%*	*47%*	*79%*
% not-employed	30,6	60,7	16,5
(% poor)	*(40)*	*(75)*	*(10,6)*
% employed	69,4	39,3	83,5
(% poor)	*(9,2)*	*(28,7)*	*(3,1)*
% employed part-time	n.a.	59,3	35,0
(% poor)		*(48,8)*	*(5,3)*
% employed full time	n.a.	40,7	65,0
(% poor)		*(3,3)*	*(2,3)*

a This includes alimony or child support and regular cash private interhousehold transfers.
n.a. = Not Available
Source: LIS database

The low incidence of market income in the British package reflects the labour market position of lone parents. Around 60% of lone parents do not work and rely mainly on social assistance, the level of which is, however, very low: 75% are in poverty. Among those who work, 59% are part-time and face a high risk of poverty. In the UK, in fact, a great deal of part-time work is confined to low-skilled jobs, with low pay and minimal protection (Burchell *et al*., 1997). Coupled with scant welfare programs, part-time employment is likely to be insufficient for single parents trying to escape poverty. Again the UK differs a lot from Sweden, where only 5% of lone parents working part-time are poor (a percentage slightly higher than full-time workers). Hence, in Sweden part-time employment implies rather long weekly hours. It gives entitlement to full social benefits, paid vacation, and job security, and it is not restricted to unqualified, low-paid jobs (Sundström, 1997). Together with generous and universal public transfers, part-time employment in Sweden often succeeds in protecting families from poverty.

In Italy the welfare state is marginal: only 18% of lone parents' income comes from public transfers. As we have seen, income support programs are few, mostly categorical and ungenerous. Yet, single parents are relatively well off: on average their disposable income is 82% of the non-elderly population median. This is essentially due to the demographic profile of Italian lone parents: mainly well educated with high earnings potential. Indeed in Italy separation and divorce, the principal determinants of lone parenthood[19], is prevalent among middle to upper class women and among those already inside the labour market. This explains to a great extent the higher employment rate of lone mothers compared to married mothers (cf. tab. 5)

[19] The incidence of out-of-wedlock birth as determinant of lone parenthood is still very low in Italy. After divorce and separation widowhood is the second major factor (Zanatta, 1996)

Table 4 Income Packages for Two-Parent Families.

Percentage of Disposable Income Deriving from Welfare State, Market and Family, and Poverty Rates by Number of Earners

	ITALY	UK	SWEDEN
Market	95,0	83,5	76,3
Welfare State	5,0	16,5	23,7
Disposable Income as % population median	*92%*	*90%*	*107%*
%with two-earners *(% poor)*	44 ,0 *(0,8)*	59,0 *(4)*	84,6 *(1,1)*
% with one earner *(% poor)*	54,0 *(15)*	32,0 *(16,6)*	12,4 *(5,8)*
% with no earners *(% poor)*	2,0 *(61,5)*	9,0 *(75,6)*	3,0 *(22,5)*

Source: LIS database

The presence of two adults reduces the risk of not having any earnings or low earnings, due to part-time employment. Indeed, where the mother chooses not to work or, for whatever reason, must stay at home with the children, another adult, the father, can be a full-time earner. Compared to one-parent families, everywhere couples with children are better off and derive most of their income from the market. Yet, differences across countries occur as a consequence of the welfare state role. Relatively speaking, the welfare state is very important in the Swedish income package of two-parent families, less important in the British one and practically absent in the Italian one.

SUPPORTING THE EMPLOYMENT OF MOTHERS

As table 3 and table 4 show, employment rates for mothers vary significantly across countries. What is the role of social policies in explaining these differences? That is, how do parental leave policies and child care policies differ and what is their effect on mothers' labour force participation?

Table 5 Employment Rates of Spouse and Lone Parent, by Age of Youngest Child

	ITALY		UK		SWEDEN	
Age Youngest Child	Married Mothers	Lone Parents	Married Mothers	Lone Parents	Married Mothers	Lone Parents
0-3	44,6	(84,3)	44,0	22,0	85,4	80,2
3-5	43,3	(81,2)	65,3	37,4	84,4	80,9
6-18	45,6	67,1	76,0	50,0	91,4	85,2

Notes: ( ) estimate deriving from less than 20 units in the sample
Source: LIS database

Table 6 Public Provision of Child-Care

		Care as % of Children of Given Age Group	
Country	Year	0-3	3 to school age
ITALIA	1986	5	>85
REGNO UNITO	1988	<5	35
SVEZIA	1987	30	80

*Source :*Gauthier (1996), tab.10.6, p.181.

As table 5 shows, Sweden has the highest maternal employment rate, irrespective of family status and child's age. The ability of Swedish women to combine work and parenthood rests on two important programs: a nationwide system of public childcare and paid parental leave.

Public childcare covers 30% of children under three and 80% of those 3-6 years old (tab. 6). Services are generally open from 6.30 a.m to 6 or 6.30 p.m and include several meals. Public child care is provided in day care centres or «in family» through child minders employed by the municipalities. It is heavily subsidised, but parents do pay income-related fees, usually equal to less than 10% of a two-earner family. Single mothers receive preferential treatment in the allocation of limited child care, and their children are also charged a lower fee than children of nuclear families (Kamerman, 1991; OECD, 1990; Sundström, 1991).

Paid parental leave lasts 15 months and, aiming at promoting gender equality both in the labour market and in the home, either the mother or the father has the right to use it. Twelve months are paid at the same compensation rate of sickness benefits- in most case 90% of current earnings- while the last three months are paid according to a per diem grant. Job security is guaranteed for 18 months. However, if mothers did not have any earnings prior to giving birth, they receive only a low guaranteed amount during their 12 months leave period. Moreover, parents can use child/parental leave until the child is 8 years old. This allows parents to «bank» parental leave in case they need time off when the child starts a new child-care group or begins primary school. Parental insurance can be used to cover a complete leave from work, or can be prorated to permit part-time work by either parent, for full pay, until the year of paid leave is consumed. In addition to these 15 months, parents have the right to: a) 60 days per child annually in case the child is sick, until the age of 12; b) 10 «daddy days», that is, the right of fathers to take a ten-day leave of absence within sixty days of childbirth; c) 2 days per year per child (ages 4 to 12) for parental participation in day care and school: d) right to part-time work for either or both parents until the child is 8 years old. All these parental benefits, with the exception of (d), are payable at 80% of lost income (Gustafsson, 1995b; Sundström, 1991).

As effect of such universal and generous parenting policies, explicitly designed to allow women to combine work and family and, in turn, to achieve full employment and gender equality, women's activity patterns are continuous. The overall employment rate of mothers with pre-schoolers does not differ substantially from the rate of those with older children (tab. 5). Rather than exiting the labour market, Swedish women tend to shift to part-time work during the childbearing period[20] (Sundström, 1997). This is a key factor in explaining the Swedish low poverty rate among single parents. Through continuous paid work, married mothers gain a certain degree of economic independence that is crucial in protecting them, and their children, from poverty in the event of divorce (Sørensen, 1994).

In contrast to Sweden, «young child penalty»[21] in the UK is rather high: mothers with children under 3 years have employment rates that are about half of mothers with school age children (tab. 5). Indeed, in the UK women are likely to leave the labour market when they have children and return to paid work, often part-time, after several years of absence, with an adverse effect on their earnings and career progression (Burchell, 1997). This is mainly due to inadequate parental leave and child care policies.

British maternity benefits are renowned to be amongst the lowest in Europe (European Observatory on National Family Policies, 1992). A woman has the right to 18 weeks of paid leave and 29 weeks of

[20] As mentioned above, parents have the right to part-time work until the child is 8 years old.
[21] This expression was borrowed from Gornick *et al*.'s work (1996).

unpaid optional leave after childbirth. But to qualify a woman need 5 years of continuous employment with the same employer if a part-time worker, and 2 years if a full-time employee. Maternity benefit is paid for 6 weeks at 90% of salary and 12 weeks at a flat rate of £39.25 in 1990/1. The lower flat rate is available for 18 weeks to women with only 6 months continuous employment as long as they have paid NI contributions. In parallel, childcare facilities are inadequate, piece-meal, and scarcer than in other EU countries. Only 5% of the under 3s and 35% of children aged 3-5 are in a publicly funded day care (tab. 6). Attendance is mainly on a part-time base and, as is typical of a residual welfare state, children at risk receive priority in the allocation of limited places.

Such privatisation of caring time has an unequal impact upon mothers in low-paid jobs as opposed to those with better education and higher incomes, who can afford to pay private care, and upon lone mothers or married mothers, where the latter can rely on the partner. Indeed, lone mothers in the UK have a very low employment rate compared to married mothers, and compared to women in the other countries. Both demographic and institutional factors explain this. Among lone parents, 38% are never married, the majority are under 30 and with a low educational level[22]. Because of their weak human capital, their chances in the labour market are slim. And the welfare state, through practically non-existent child care subsides and through a weak income support system, does not help.

As far as support for mothers' employment is concerned, Italy lies in a middle position between the extensive Swedish support and the residual British support. Compulsory maternity leave is 5 months long, (2 before the delivery and 3 after) and it is compensated at 80% of the salary. Then the mother has the right to a 6 months leave until the child is one year old, at 30% of salary. Moreover, the provision of child-care facilities for children 3-5 years old is about 90%. Services are heavily publicly subsidised and are normally open for a full school day (8.30 a.m.-3.30 or 4.30 p.m.). On the contrary, the provision of child care services for the under 3s is very low (tab. 6) and parents do pay income-relate fees. Thus, after the maternity leave ends and before the child enters pre-primary school, mothers are left without public support. Nevertheless, no «young child penalty» is observable in the level of maternal employment (tab. 5). If compared to the UK, where public facilities for the under 3s are equally scarce, this might come as a surprise. One possible explanation could lie in the diffusion and in the cost of private market care. But private welfare services are rare and expensive in both countries: a full-year place costs 20% (or more) of average two-earner family incomes in Italy, and around 16% in the UK[23]. As Esping-Andersen argues (1998), for both Britain and Italy one might speak of concomitant welfare state and market failure. What, then, makes difference in the maternal employment patterns observed in the two countries is the «family compensation»: very strong in Italy whereas weaker in the UK. Indeed, in Italy' the network of relatives plays a crucial role as welfare provider, both offering income and care support. In particular, about two-thirds of couples with children and half of lone parents are helped by relatives. If not working married mothers receive mainly income transfers whereas working married mothers receive mainly help in the form of child care services, lone parents are helped in both ways (Saraceno, 1998). For Italian single parent families, then, instead of «welfare state dependency», as in the UK, one might speak of «family dependency».

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[22] My calculations on LIS data.

[23] The cost of private market care is basically connected to the way a country has responded to the «cost-disease» problem (Baumol, 1967). Where the tax on labour is high and the wage structure rather egalitarian, the relative cost of labour-intensive personal and social services is high. The result is limited demand. This is the case of most continental economies, included Italy. Where, instead, it is possible to rely on a large pool of low-wage workers, labour intensive market services become affordable. This is the case of the United States but, surprisingly, not of British child care services. Britain's deregulation strategy has produced rising income inequalities, but clearly this has not spilled over into child care costs (Esping Andersen, 1998).

CONCLUSION

Contemporary debates on the family poverty problem underline the importance of adequate social security benefits, mainly through a collective sharing of child cost (child allowances, advance maintenance payments and one parent allowances) and through general minimum income schemes. Public support for the employment of mothers is primarily rooted in the desire to reduce gender inequalities and address the low fertility rate of many countries. However, the anti-poverty role of support for such employment is less appreciated.

Evidently, cash benefits are important. The market alone is insufficient to guarantee welfare. Because of unemployment, low wages, family events (such as a new child or a separation) earnings may not be sufficient to provide adequate income. When the State intervenes with generous and universal income transfers -as in Sweden- the poverty risk is greatly reduced. On the contrary, where transfers are mainly selective, on the basis of income or on the basis of employment status, anti-poverty effectiveness is lower. Selective systems on the basis of income –as in the UK- are ineffective because they tend to fix benefits at a low level, in order to encourage the unemployed into the labour market. Yet, in the absence of maternal employment support and other forms of cash help, the British system can create poverty traps. Selective systems on the basis of employment status, such as the Italian one, are ineffective because they tend to reproduce market inequalities.

However, it appears that cash transfers are not the key factor in explaining differences in family poverty across countries. The primary reason for the "Swedish success" is that women are integrated into the labour force, regardless of whether or not they are married or have children. This is the result of labour market policies that stress full employment. It is also thanks to generous parenting policies, which include not only extensive economic support for families with children but also a comprehensive system of public child care and a good parental leave program. The attachment of women to the labour market is particularly important as "divorce insurance". Indeed, the Swedish system adequately insures women and children against the risk of after-divorce poverty because a mother already has a job when she gets divorced and she already has day care for her child. On the contrary, and as confirmation of the significance of mothers' employment, poverty among one-parent families in the UK is dramatically high. This is because the majority of lone parents does not work or works part-time. They rely heavily on social assistance and are forced to use it as an alternative to full-time employment. In Italy, despite negligible public cash benefits, lone parents are relatively well off compared to British lone parents because they are more likely to work. This further underlines the importance of mothers’ employment.

Mothers’ earnings are therefore very important for families in order to maintain an adequate standard of living. In turn, policies aimed at facilitating the labour market participation of mothers should be regarded as a crucial component of an effective anti-poverty package.

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APPENDIX: ADDITIONAL TABLES

Tab.1 Percentage of Children and Families with Children, by Family Type

	ITALY		UK		SWEDEN	
	Children	Families	Children	Families	Children	Families
Two-parent Families	74,1	70,0	73,9	70,8	82,0	78,2
Two-parent Fam.+other adults[a]	21,1	24,1	8,6	10,6	-	-
One-parent Families	2,9	3,3	14,8	15,5	18,0	21,8
One-parent Fam.+other adults	2,0	2,6	2,7	3,2	-	-
Families with Children as % Non-Elderly Fam.	-	62,3	-	50,0	-	35,5

[a] Persons in the household aged more than 18 (older children, relatives)

Source: LIS database

Tab. 2 Transfer System Effectiveness, by Family Type and Poverty Interval (40%, 50%, 60%f National Median)

	Two-Parent Families			One-Parent Families		
Poverty rates	40%	50%	60%	40%	50%	60%
ITALY						
Pre-transfer	5,3	8,4	15,2	15,4	22,3	32,3
Post-transfer	4,3	9,8	21,3	11,0	16,9	28,4
Reduction %	*18,9*	*-16,0*	*-40,0*	*28,6*	*24,2*	*12,0*
UK						
Pre-transfer	14,1	16,8	20,3	74,4	79,3	81,0
Post-transfer	7,9	14,3	21,7	30,1	57,2	68,6
Reduction %	*44,0*	*14,9*	*6,9*	*59,5*	*27,9*	*15,3*
SWEDEN						
Pre-transfer	9,3	11,9	15,7	33,2	36,7	44,6
Post-transfer	1,5	2,3	4,4	1,7	4,3	12,7
Reduction %	*83,9*	*80,7*	*72,0*	*94,9*	*88,3*	*71,5*

Source: LIS database

Tab. 3 Family Allowances, by Family Type and Income Group

	ITALY		UK		SWEDEN	
	Two-Parent	One-Parent	Two-Parent	One-Parent	Two-Parent	One-Parent
Poor[a] Families						
% recipients	60,1	32,0	97,7	98,7	95,8	100
as % of own DPI[b]	17,0	(14,5)	15,5	16,6	24,0	20,7
as % of country median	5,1	(5,3)	4,3	5,2	6,7	7,1
Near-Poor[c] Families						
% recipients	75,8	29,3	99,1	97,7	97,7	94,7
as % of own DPI	8,9	(9,3)	8,4	11,0	13,3	12,6
as % of country median	5,0	(4,7)	4,1	5,0	6,7	6,7
Middle[d] Families						
% recipients	35,2	44,5	97,4	89,1	95,6	93,1
as % of own DPI	3,3	2,6	4,7	6,3	6,8	7,5
as % of country median	2,2	2,1	3,9	5,0	6,5	5,9
All Families						
% recipients	37,8	38,3	96,6	96,1	95,2	93,2
as % of own DPI	7,0	5,2	6,3	13,3	7,0	8,6
as % of country median	3,3	2,8	3,9	5,2	6,4	6,0

a «Poor »= families with equivalent disposable income less than 50% of median equivalent income.
b DPI= Disposable Income
c «Near-Poor »= families with equivalent disposable income greater than 50% of median but less than 62.5%.
d «Middle »= families with equivalent disposable income greater than 62.5% of median but less than 150%.
Source: LIS database

Tab. 4 Social Assistance in Sweden, by Family Type and Income Group

	«SOCIALBIDRAG»		«HOUSING BENEFIT»	
	Two-Parent	One-Parent	Two-Parent	One-Parent
Poor[a] Families				
% recipients	6,9	27,3	51,0	40,0
as % of own DPI[b]	18,3	31,0	30,4	22,4
as % of country median	6,7	11,8	7,6	9,2
Near-Poor[c] Families				
% recipients	40,9	30,0	56,4	63,2
as % of own DPI	44,7	17,7	15,2	15,3
as % of country median	25,5	9,5	8,4	8,2
Middle[d] Families				
% recipients	5,9	20,8	25,5	69,9
as % of own DPI	12,7	13,8	8,4	13,8
as % of country median	9,8	9,3	7,2	10,6
All Families				
% recipients	6,4	21,6	24,5	67,1
as % of own DPI	19,0	15,3	10,6	14,0
as % of country median	12,8	9,5	7,5	10,4

A, b, c, d: See Table 3
Source: LIS database

Tab. 5 Social Assistance in UK, by Family Type and Income Group

	Two-Parent Families	One-Parent Families
Poor[a] Families		
% recipients	60,8	93,6
as % of own DPI[b]	56,5	76,7
as % of country median	18,9	26,2
Near-Poor[c] Families		
% recipients	34,1	77,5
as % of own DPI	23,6	60,3
as % of country median	11,2	28,8
Middle[d] Families		
% recipients	4,8	45,0
as % of own DPI	22,0	48,0
as % of country median	14,5	32,6
All Families		
% recipients	13,9	77,1
as % of own DPI	42,5	69,6
as % of country median	16,4	27,6

a, b, c, d: See Table 3

Tab. 6 Child Support, by Family Type and Income Group

	ITALY		UK		SWEDEN	
	Two-Parent	One-Parent	Two-Parent	One-Parent	Two-Parent	One-Parent
Poor[a] Families						
% recipients	2,4	21,1	1,7	15,8	5,1	79,3
as % of own DPI[b]	(81,0)	(83,0)	(15,3)	27,9	16,6	21,2
as % of country median	(13,9)	(26,7)	(4,7)	8,6	5,3	11,0
Near-Poor[c] Families						
% recipients	-	58,9	2,8	28,6	7,4	88,2
as % of own DPI	-	(83,0)	(7,9)	29,7	10,2	17,8
as % of country median	-	(40,4)	(3,8)	14,5	5,6	9,5
Middle[d] Families						
% recipients	0,4	16,6	3,1	29,4	9,3	86,5
as % of own DPI	(10,6)	(29,7)	8,3	21,5	6,2	11,9
as % of country median	(7,8)	(24,4)	6,8	16,8	6,0	9,4
All Families						
% recipients	0,7	22,0	2,9	21,7	9,0	85,4
as % of own DPI	(36,3)	58,3	8,3	25,8	6,2	13,0
as % of country median	(13,9)	26,8	6,9	13,4	6,0	9,5

A, b, c, d: See Table 3
Source: LIS database