

THE EMPLOYMENT OF LONE MOTHERS IN DENMARK AND GREAT BRITAIN

In-house report 72

By

Michael White
Policy Studies Institute

CONTENTS

<i>Acknowledgements</i>	3
<i>Summary</i>	4
<i>Introduction</i>	10
Part A - A review of lone mothers' position in the Danish and British systems	
<i>A.1 Introduction to the review</i>	11
<i>A.2 The characteristics of lone mothers in the two countries</i>	12
<i>A.3 Social and institutional systems for lone mothers</i>	15
<i>A.3.1 Influences on earnings</i>	16
<i>A.3.2 Income when not in work for lone mothers</i>	20
<i>A.3.2.1 Primary support</i>	20
<i>A.3.2.2 Secondary benefits</i>	26
<i>A.3.3 Child development and childcare support in Denmark and Britain</i>	29
<i>A.4 Comparative discussion of British and Danish systems</i>	35
Part B – Results of an exploratory comparative analysis on Danish and British lone mothers	
<i>B.1 Introduction to the comparative analysis</i>	40
<i>B.2 Method of analysis</i>	42
<i>B.3 Details of the data and variables</i>	43
<i>B.4 Main results</i>	46
<i>B.4.1 Robustness of the results</i>	50
<i>B. 5 Summary, discussion and conclusions</i>	50
<i>References</i>	58

Acknowledgements

The work for this paper was supported by the Department of Social Security (DSS). It makes use of British longitudinal data from the Programme of Research on Low Income Families (PRILIF), funded by the DSS. Essential background to the research was provided by an earlier collaboration between the author, members of the Danish Social Research Institute (SFI), and Sheila Jacobs, of Nuffield College, Oxford, which was funded by the European Commission under the Framework 4 Programme (see Pedersen et al. (2000)). Analysis of Danish data reported in Part B of the paper was carried out as part of this collaboration by Lisbeth Pedersen, Hanne Weise, and Azhar Hussein of the SFI. I would also like to thank Lisbeth Pedersen, Hanne Weise and Niels Ploug for guidance on sources concerning the Danish welfare and childcare systems, and for their personal help in interpreting this material.

Helpful comments on a preliminary draft were obtained from Alan Marsh at PSI and from the Department of Social Security.

As always, responsibility for the research presented here rests solely with the author.

The Employment of Lone Mothers in Denmark and Great Britain

Summary

This paper explores possible reasons for the higher employment rate among lone mothers in Denmark than among lone mothers in Great Britain, during the early 1990s. It consists of two parts. Part A is a review of some background factors which might contribute to an explanation, with a particular focus on the economic and institutional frameworks: wages, benefits and childcare provision. Part B presents and discusses results from an analysis of lone mothers' probability of employment in the two countries, focusing on several predictions which were drawn from the initial review.

Any findings or conclusions should be regarded as tentative, because of limitations in the time period considered, the sources available (Danish-language sources were not included), the small range of variables which could be compared across countries for the analysis reported in Part B, and the exploratory (rather than rigorous) nature of the analysis techniques adopted.

Part A: the background review

In Britain, lone mothers and their families formed a distinctive group relative to other women with children, being on average young, having young children, having a low rate of employment, and living on low incomes. This was much less so in Denmark.

Danish lone mothers appeared to have on balance somewhat higher educational levels than British lone mothers. But there was not a generally higher educational level among Danish women as a whole. Denmark has had a long-established scheme to encourage lone mothers to engage in further education, but only 5 per cent of lone mothers (in 1986) took part in this scheme.

In the economy as a whole, wages were more widely dispersed in Britain and more narrowly dispersed in Denmark. Other things being equal, this would provide more incentive to work for lower-qualified people in Denmark. In addition, there was some indication (but evidence was incomplete) of a larger gender pay differential in Britain than in Denmark.

There were numerous differences in the benefits systems of the two countries. The most important of these was that most people in Denmark relied on insurance-based benefits (UI) when out of work, while in Britain lone mothers generally relied on means-tested benefits (IS) which varied with family composition. Child benefits and housing benefits were an important secondary part of the systems in both countries and, when considered together, accounted for a similar proportion of total benefit income on average. Danish lone mothers obtained advantageous levels of child benefits, relative to other families, and protection against non-payment of maintenance by absent fathers.

For most people benefits replaced a higher proportion of earnings in Denmark than in Britain. For those Danish women without entitlement to UI benefits, social assistance (SA) produced very similar levels of replacement to UI, especially for people on low earnings.

In Britain, lone parents had an entitlement to benefit without any requirement to seek employment, whereas in Denmark lone parents were not treated differently from other claimants and were expected to seek work (even if they had young children). In practice, however, it appears that jobsearch requirements were weakly enforced in Denmark, for all claimants and not just lone parents, until the mid-90s. This appeared to be particularly true of the UI system. There was perhaps more enforcement in the SA system, at least for lone mothers aged 18-19, and there was a greater degree of social stigma attaching to receipt of SA. However, most people in Denmark were covered by UI.

There were contrasting childcare provisions in the two countries. Denmark had an extensive system of publicly funded day-care centres, attended by the majority of under-3s and by still higher proportions of 3-6 year olds; school began at age 7. All public provision was heavily subsidised, with free provision for those on SA or having very low incomes. Britain relied much more on informal, unpaid childcare and (prior to 1994) provided virtually no subsidies for paid-for childcare. School however began at age 5 and pre-school classes for 3-4 year olds were expanding rapidly during the early 90s.

The review suggested several possible reasons why the employment rate of lone mothers was low in Britain. Those British lone mothers with relatively low earnings capacity would face disincentives to work because of the wide wage differentials, the increasing replacement ratio of benefits to wages as the number of children increased, and the barriers of childcare costs when they had a young child and no informal childcare support.

These specific disincentives did not apply to Denmark, but there were other features there which might have been expected to act as disincentives for lone mothers to work. These included very high benefit replacement rates for low-waged workers, specially advantageous child benefits for lone parents, and general availability of highly subsidised childcare even if not working. It is therefore not easy to explain the high employment rate among Danish lone mothers, except as part of a wider social norm of employment. Active jobsearch requirements, applying to all Danish benefit claimants, might in principle contribute to the explanation for high employment rates, but enforcement appears to have been weak until 1996, especially for UI claimants, so it is doubtful whether the requirements would have had much effect.

Part B: An exploratory comparative analysis

The analysis used representative samples of lone mothers for the two countries, which were followed up over the period 1988-1993 in Denmark and 1991-1994 in Britain. Administrative data were used in Denmark and a survey (the PRILIF dataset) in Britain.

The analysis examined several differences between the Danish and British systems which were suggested by the background review as possible sources of a low employment rate in Britain. On the basis of the review, it was predicted that:

- Mothers with low educational qualifications would have lower incentives to work in Britain than in Denmark (because of the wide dispersion of earnings in Britain)
- Mothers with a larger number of children would have reduced incentives to work in Britain, because of the link between IS entitlement and family composition, whereas work incentives would not be affected in Denmark
- Mothers who re-partnered in Britain would have an increased incentive to work, because of potential loss of IS entitlement, whereas this would not apply in Denmark
- Mothers with younger children in Britain would be less likely to be employed, because of potential childcare costs, and while this would also apply to some extent in Denmark, the link would be weaker because of subsidised childcare provision.

The analysis can only be regarded as exploratory since it had a number of limitations. It treated each year within each country as a separate analysis, ignoring individual correlations across years, and it did not consider the possibly mutual relationships between family, partnership and employment choices. Longer periods of panel data would have been required to address these issues. In addition, it was not possible to obtain fully equivalent information for some variables in the analysis, notably non-wage income apart from benefits.

The results of the analysis were broadly in line with the predictions. Lack of educational qualifications depressed the probability of employment in both countries, but the effect was generally more than twice as great in Britain as in Denmark. This was consistent with the idea that British women with low earnings potential had less incentive to work. Similarly, the probability of being employed increased progressively in both countries with the age of the youngest child, but the relationship was several times as strong in Britain as in Denmark. This was consistent with the idea that differences in potential childcare costs for young children in the two countries tended to create greater barriers to

employment for lone mothers in Britain. The effect in Britain was strongest in the first two years of follow-up and somewhat weaker, though still highly significant, in the third and fourth years.

The results relating to number of children and to re-partnering were also to some extent consistent with the predictions, but there were complications which underline the exploratory nature of the analysis. It was only in the third and fourth years of follow-up that significant relationships appeared, in the case of British lone mothers, between the number of children and the probability of employment, and between re-partnering and the probability of employment. Before this, the statistical relationships were in the predicted direction but non-significant. In Denmark, there was no consistent relationship with employment either for the number of children or for re-partnering.

Conclusions

Because of the limitations of the review and analysis, any conclusions should be regarded as tentative. In addition, it should be recalled that the period considered was the early 1990s and conclusions relate to that specific period. Many changes in policy have taken place in both countries since that time.

The review of the comparative background material, and the results of the comparative data analysis, were broadly consistent in pointing to three factors which might underlie the low employment rate of British lone mothers. These concerned the disincentive effects, or barriers to working, resulting from (a) wide differentials in earnings, (b) benefits that were means-tested and based on family composition, and (c) childcare costs for those having young children and lacking informal support with childcare. These disincentive effects would apply chiefly to lone mothers with low earnings potential, for example those that were poorly qualified.

The review and analysis made little headway in identifying factors which influenced lone mothers' employment in Denmark. It seems possible that the high employment rate of

lone mothers there (relative to Britain) has been largely a reflection of the generally high involvement in employment of Danish women, rather than anything to do with the treatment of lone mothers specifically.

Introduction

With the exception of Ireland, lone mothers in Britain have the lowest employment rate of any country in the European Union (EU). Britain is unusual, moreover, in that the employment rate of lone mothers is appreciably below the employment rate for married and cohabiting mothers (Bradshaw et al., 1996). The absolute and relative lack of paid employment among lone mothers in Britain constitutes an important problem for labour market policy and welfare policy.

To explain the exceptionally low labour supply of British lone mothers, it is useful to make detailed comparisons with other countries. One way of doing so is by placing Britain within a range of countries and trying to isolate any combination of factors which is unique to Britain. This is the method adopted in the study by Bradshaw and his collaborators, which has just been cited. An alternative approach is to make a more intensive comparison with a country which provides a particularly sharp contrast with Britain. It is this latter approach which is followed in the present study, which compares the employment of lone mothers in Britain and Denmark. These are two EU countries with high proportions of lone mothers, yet the relative employment rates of lone mothers in the two countries are greatly different. What are the different features of the British and Danish system which might produce this difference?

The question is considered in two ways, corresponding to the two parts of this paper. Part A describes and discusses the position of lone mothers in Denmark and Britain, and points to some similarities and differences in the labour market and welfare systems of the two countries which might be relevant. Part B of the paper examines the results of an analysis of nationally representative data from the two countries, and uses them to shed further light on the national differences.

The paper should be regarded as exploratory, and is unable to reach strong or definitive conclusions. One reason is that substantial changes in policy, with relevance to lone mothers, took place in both countries from the middle of the 1990s onwards, but the early

90s was the most recent period for which documentation and data were available. The paper focuses on a period which is quite short and does not include recent policy changes in the two countries. Further, only a small number of variables was available for comparative analysis across the two countries, and the documentary study presented in Part A was, for practical reasons, confined to sources in English. A full study of the subject would require a more extended examination of the historical development of welfare and labour market systems in two countries, investigation of documentary sources in both the national languages, and analytic data covering a longer period and more variables. Despite these limitations, it is hoped that the paper will help to clarify some general policy issues which continue to be relevant to the employment of British lone mothers, and will point to some questions for further investigation in the future.

Part A - A review of lone mothers' position in the Danish and British systems

A.1 Introduction to the review

To provide a sketch of the position of lone mothers, three main sources are used. For Denmark, Fridberg (1988; 1991) reviewed the position of lone-parent families, making use of omnibus survey data from the Danish Social Research Institute (SFI). For Britain, Bryson et al. (1997) reviewed the position making use of a variety of sources. More detailed information about unemployment benefit and social assistance systems in the two countries in the early 1990s has mainly been drawn from a study by Hansen et al. (1995), which covered seven countries in all. Having acknowledged our debt to these sources, we will not repetitively reference them in the following text, except where a point drawn from them is discussed in particular detail. We also draw to a lesser extent on the multi-country analyses of Bradshaw et al. (1996) and of Pedersen et al. (2000). Any points arising from other sources are separately referenced.

A.2 The characteristics of lone mothers in the two countries

In both countries, lone parent families as a proportion of all families increased considerably during the 1970s and 1980s. By the end of the 1980s, about one in five of families with dependent children were headed by a lone parent, in both countries, and in 9 out of 10 of these families the head was a woman. These were among the highest proportions in Europe.

There were however some differences in the background and characteristics of lone mothers in the two countries. The average age of all lone mothers at the end of the 80s or by the early 90s was higher in Denmark than in Britain by roughly 3-5 years¹ (the figure cannot be precise because sources are not matched in time, and the average age of British lone mothers was probably rising during the early 90s). Whereas the age distribution of Danish lone mothers was very similar to that of women in two-parent families, it was somewhat tilted towards younger ages among British lone mothers compared to British mothers with partners.

Another important difference between lone mothers in the two countries was in the age distribution of their children. In Denmark, compared with two-parent families *fewer* lone mothers had children of pre-school age: in 1987, 13 per cent against 20 per cent *only* had pre-school children, and 8 per cent against 17 per cent had both pre-school and school-age children. In Britain, with a substantial section of younger mothers, nearly half (46 per cent) had a child of pre-school age, despite the fact that school begins one year earlier in Britain.

Despite the differences in ages, and in children's ages, the prior marital status of lone mothers was very similar in Denmark and Britain, which tends to rule this out as an explanation of national differences. In both countries, the majority of lone mothers (about two thirds) had been either divorced or separated from a marital union. Some 5-6

¹ As shown later (see Table 1. Page 45), a sample of Danish lone mothers drawn in 1988 had an average age of 36.3 while a sample of British lone mothers drawn in 1991 had an average age of 33.3.

per cent were widows, and the remaining 30 per cent had not been married. More than one half of the never-married mothers had lived in a partnership which had broken down.

In both countries, families headed by lone mothers had lower average incomes, and a larger proportion with incomes below the 50 per cent mean equivalised income level, than was the case for other families with children. But the relative incomes of lone mother families were very much lower in Britain. There, 56 per cent had incomes below the 50 per cent line, whereas in Denmark, 7 per cent of lone mother families had incomes below the 50 per cent line. A detailed calculation for Denmark in 1986 (which included lone father families as well as lone mother families) indicated that the average *disposable* income, after all transfers and housing, of a lone-parent family was about 90 per cent of the average of families with two working parents, and about 130 per cent that of a two-parent family with only one worker (Fridberg, 1988). Danish lone-parent families for the most part maintained a comparable standard of living to the average, so that the small proportion with incomes below the 50 per cent line were in exceptional circumstances. Indeed, while 25-35 per cent of Danish lone mothers were not working, as just noted only 7 per cent had incomes below the 50 per cent line.

In Britain, employed lone mothers in the early 1990s were much better off on average than non-employed lone mothers (Bryson et al., 1997). The proportion of British lone mothers in employment fell during the 1980s, at a time when the proportion of all mothers in employment was rising, and by the early 1990s was a little below 40 per cent. (A still lower figure would be obtained if lone mothers working very short hours were excluded.) Most of those not in employment described themselves as out of the labour force, while only 7 per cent described themselves as unemployed (McKay and Marsh, 1994). The total level of economic activity, therefore, was below 50 per cent. In Denmark in 1990/91, according to Fridberg (1991) 64 per cent of lone mothers were in employment (this figure may be an under-estimate, since the national administrative data referred to in Part B of the present study indicated that in 1988, 73 per cent of lone mothers worked for at least 90 per cent of the year). According to Fridberg a further 22 per cent were unemployed and seeking work, making a total of 86 per cent who were

economically active. British lone mothers appear to have not only a lower employment rate than Danish lone mothers, but also a much lower level of attachment to the labour market. One must, however, interpret the latter with some caution since how someone describes herself when not employed may involve an element of social convention. According to Bryson et al. (1997), many British lone mothers expressed an underlying preference for taking part in paid employment, given favourable circumstances, despite being classified as economically inactive. On a work commitment scale derived from five attitudinal questions, and scored from 1 to 6 (with 1 low), the average score was 3.96 (above the midpoint of 3.5) although only about 40 per cent of the sample were in employment at the time.

It should be noted that although the absolute difference in employment rates between lone mothers in the two countries were great, they were less marked if relative rates were considered instead. Around 1990 there was roughly a 25 percentage point difference between the employment rates of lone mothers and mothers in two-parent families in Britain, and around 15 percentage points in Denmark. Although many Danish lone mothers were employed, still more of the mothers in two-parent families were employed. However, most of the difference between lone and non-lone mothers in Denmark disappeared if unemployed job-search was included within the definition of labour market participation.

Overall, one way of interpreting the comparisons is in terms of how much lone mothers and their families were distinguished from the remaining mothers and their families. In Britain, lone mothers and their families evidently formed a distinctive group relative to other women with children. It seems that this was less so in Denmark, where lone mothers were close to the norm in terms of age, the age of their children, their labour force participation, and their income. This raises issues as to why people become lone mothers in the two countries, but these are issues which lie outside the scope of the present research (and have, in fact, been little considered in past research).

A.3 Social and institutional systems for lone mothers

To what extent can the different rates of employment among lone mothers in the two countries be explained by the public systems and institutional arrangements, particularly in connection with benefits and other types of transfers? To provide a focused discussion of this potentially very large subject, it is helpful to consider those aspects which are most likely to be relevant to lone mothers' employment. Conceptual frameworks for analysing women's employment decisions have been extensively developed within economics, and the economic perspective provides a concise way of reviewing the main factors which can be compared across countries. It should be stressed that economic theories of women's labour supply are not confined to income and costs in and out of work, but give a prominent position to the mother's concern for her child. For example, Jenkins and Symons (1995) state that a lone mother's choice about whether or not to take paid work depends on

- her disposable income when in work compared with her disposable income out of work
- the value she derives from the time she spends at home, including with her children, and the extent to which this is reduced by taking paid work
- the quality of development for her children, once more comparing what can be attained when working as against what can be attained out of work.

In economic analysis of labour supply, it is assumed that mothers will choose whether to work, and for how long, in such a way as to get the best available mix of income, home activities, and child development. This is of course a simplified conceptual framework: in practice, each of the factors outlined above will be a composite of numerous other factors. For example, income in and out of work has numerous components. Again, child development depends on the needs of the children at various ages, and how these can be met through family resources for childcare or through childcare services, together with considerations of cost and quality of provision. Additionally, other factors not usually considered in economic analysis may be important. These may include the woman's desire for the interest, social stimulation and self-actualisation of a career

outside the home; the desire for long-term financial independence; and responsiveness to prevalent social attitudes, which may push women either in the direction of staying at home to raise children, or conversely of playing a part in the world of employment.

For this part of the review, the main source is Hansen et al. (1995). This is a detailed comparison of welfare systems in seven European countries, including Denmark and the UK, compiled by experts from the respective national Ministries.

A.3.1 Influences on earnings

A lone mother's decisions about taking or remaining in paid work will be affected by what she can earn. This in turn will be affected by her education and experience; by the overall distribution of wages; and by the relative wages of women compared with men.

Education

Non-participation of lone mothers may result from lack of qualifications, and resulting low pay. Many British lone mothers were in poverty when out of work, but would they also have been among the lowest-paid if they were in work? According to Bradshaw et al. (1996), 21 per cent of British lone mothers had a post-school or university qualification, while 31 per cent of Danish lone parents (including lone fathers) had this level of qualification. Bryson et al. (1997) noted that lone mothers in Britain had on average lower levels of qualification than mothers who were married or had partners.

This might suggest that differences in the education of women may underlie differences in employment in the two countries. But statistics on education (OECD, 1996) indicate that *across the whole population* women's educational attainment in Britain and Denmark has been broadly similar. Levels of tertiary qualification, across both men and women, were virtually the same in the two countries. Denmark had a rather *higher* proportion (40 per cent, against 26 per cent in Britain) who had left *before* completing an upper secondary education. Against this, in Denmark women aged 25-34 had virtually the same levels of educational attainment as men in this age group, whereas in Britain

women aged 25-34 were slightly over-represented among those with qualifications below the upper secondary level. In view of the general difficulty of making cross-national comparisons of educational standards, there are no strong grounds for concluding that either country has had a higher educational level for women than the other.

However, even though the general level of educational qualification in the two countries was similar in the period under consideration, adult continuing education provision specifically affecting lone mothers appeared to be different. Lone mothers in Denmark from 1976 could obtain social assistance payments to support them while they undertook education (this support was earlier provided by a voluntary organisation, Mothers Aid). In 1986, five per cent of lone mothers in Denmark were receiving this form of assistance, which could continue for a period of up to five years. From 1990 educational support for lone mothers was removed from means-testing and was put on the same footing as unemployment insurance (UI) benefits, which should have made it more attractive (for social assistance and UI, see section A2.2 below). In Britain, government training could be received by "women returners" under the Employment Training programme which was in force from 1988-93 (subsequently replaced by the Training for Work programme). Typically a placement was for a period of six months (in contrast to the longer-term provision in Denmark), and it seems likely that very small numbers of lone mothers would have used it, since it involved a disadvantageous change of benefit status (from Income Support to a training allowance)². It is possible, therefore, that the continuing education provision in Denmark could have improved the qualification level of lone mothers relative to Britain. But, as only around 5 per cent of lone mothers are known to have used the Danish provision specifically relating to lone mothers, this has probably not been sufficient to create a substantial gap in educational qualifications between the two countries.

² Alternatively, lone mothers in Britain could continue to draw Income Support while attending paid educational courses, at further or higher level, and from this point of view were formally in a similar position to Danish lone mothers. Additional barriers to the take-up of opportunities for continuing education might be the lower level of income provided by Income Support, relative to Social Assistance in Denmark, and the relative costs and availability of childcare while attending courses; these topics are discussed in later sections.

It seems unlikely that the difference in educational level between the lone mothers of the two countries which has existed (as suggested in the Bradshaw et al. data) could have arisen from differences in the educational systems. It seems more likely to have arisen either from a greater tendency of low-qualified women in Britain to become lone mothers, or a greater tendency for low-qualified lone mothers in Britain to remain as lone mothers, than in the case of Denmark. Assuming that either or both are the case, one then still has to explain why low qualifications should affect the entry to or exit from lone parenthood to a greater extent in Britain.

The earnings distribution

The attractiveness of earnings relative to welfare payments, for those with relatively low qualifications, will depend in part on the shape of the earnings distribution. If low-qualified workers earn far below the average wage, work is likely to be less attractive (other things being equal) than if they can earn close to the average wage. In this respect there has been a marked difference between Britain and Denmark. In Britain, according to Hansen et al. (1995), the 5 percentile point of the full-time earnings distribution came slightly below 50 per cent of the earnings of the average production worker (APW). In other words, the lowest paid 5 per cent all received less than half the APW's wage. In Denmark, scarcely any full-time employed person received less than half the APW's wage: the 5 percentile point came slightly below two-thirds of the earnings of the APW. In Denmark, then, the earnings of lower-paid workers were considerably closer to the average than in Britain. This would be expected to make employment more attractive for less-qualified lone mothers, just as it would for low-qualified people in other circumstances.

Female wage differentials

Female earnings relative to men are also likely to be important. Here there appears to be a further difference between Britain and Denmark, which reinforces the previous one. This difference however has to be qualified, because of limitations in the available information.

According to Eurostat (1990; cited in Meulders et al., 1993), in 1989 women in British manufacturing had gross average hourly earnings which were 68 per cent of male earnings. The corresponding figure for Danish women was 84 per cent. For all industries, the British figure was the same (68 per cent), but a Danish figure was unavailable. Similarly, Rosholm and Smith (1994), summarising ILO comparative data on the wages of manual workers in the private sector, reported that in Denmark women within this group were on average paid at about 85 per cent the male level (with small variations from year to year), while in Britain the figure was generally close to 70 per cent.

Such overall comparisons can however be misleading since there may be country-specific differences in qualifications and experience, and in the occupational and industrial distribution of the sexes. The gender pay gap is usually computed after taking account of such factors, but we have been unable to locate a study which carried out a full gender pay decomposition for both Britain and Denmark during this period. The limited available information suggests that there was a difference in the gender pay gap between Britain and Denmark, but this has to be regarded as more tentative than the difference in the overall earnings distributions between the countries.

Summary concerning earnings potential

There was no clear evidence that Denmark's educational system produced fewer low-qualified, low-earning women than Britain (this is not inconsistent, however, with British lone mothers having lower qualifications than Danish lone mothers). There were however several differences between the countries which suggested that Danish lone mothers would have been more able than British lone mothers to avoid the very low wages which would create disincentives to employment.

- There had been more remedial education for low-qualified Danish lone mothers, than in Britain
- The earnings distribution was more compressed in Denmark, with few jobs paying less than two-thirds the average production worker's wage

- More tentatively, women's hourly earnings were perhaps more similar to men's in Denmark than in Britain.

A.3.2 Income when not in work for lone mothers

A lone mother's employment decisions will depend in part on what financial support she can obtain if she does not have paid work. Government affects the non-wage income of lone mothers primarily through the structures and levels of State taxes and benefits. Public policy may also affect non-wage income by provisions relating to maintenance payments from absent partners to contribute to the support of children.

The review found that differences between the Danish and British income support systems were complex, even when one confined the comparisons to those points which were directly relevant to lone mothers. Some simplification will therefore be necessary in what follows. To structure the comparison, each country's provisions (as they existed during the late 80s and early 90s) will be divided into two sub-headings. "Primary support" consists of the main forms of direct income support intended to replace earnings (such as Income Support in Britain). "Secondary benefits" consist of those which have a supporting role, notably child benefits and housing benefits. Childcare services (including subsidies) will be considered separately since, although they have important financial implications, they relate conceptually to child development. The structure of general taxation is not discussed here, but it is worth noting that, overall, the Danish system probably went further than the British in the direction of an individual, rather than family, basis for taxation (see Hansen et al., 1995, for some further details); however, the British system has also been moving in the direction of independent taxation. A general implication of individual taxation is to encourage greater economic independence on the part of women, but the effects on work incentives are complex and depend on specific fiscal details (for further discussion, see Esam and Berthoud, 1991).

A.3.2.1 Primary support

In Denmark, there were two main forms of primary support, unemployment insurance (UI) and social assistance (SA). Lone mothers received these benefits on the same basis as others, and had no special entitlement arising from lone parenthood as such. In Britain, there were until 1996 two corresponding forms of support, unemployment benefit (UB) and income support (IS). UB was broadly similar to UI, but was far less extensively used, including by lone mothers. Most lone mothers when not in employment received IS, to which (unlike the SA equivalent in Denmark) they had an entitlement solely deriving from lone parent status.

Primary support in Denmark

Under the Danish system, those who had a sufficient previous employment record and had also joined an unemployment insurance fund, were able to draw unemployment insurance (UI) benefits, which were earnings-related and were not means-tested. UI schemes were decentralised and operated by trade unions and other independent bodies, although all such schemes conformed to a common national framework. In the late 80s and early 90s, it was necessary only to have worked for 26 weeks in the previous three years, in order to obtain a payment amounting to 90 per cent of the prior earnings, which would continue for up to seven years. There was however a payment ceiling, expressed as a cash amount which roughly equated to two-thirds of average production worker (APW) earnings. As noted earlier, very few Danish workers earned less than this amount. There was a lower ceiling for those who took part in the UI scheme as part-time workers (these also paid reduced contributions). The net replacement ratio for a Danish lone parent on UI with two children was over 90 per cent at two-thirds average earnings but about 70 per cent at average earnings. For those with above-average earnings, the replacement ratio fell sharply. In Denmark, apparently, UI has been regarded as effectively a flat-rate benefit (Fridberg, 1988).

Although participation in UI was voluntary, the great majority of Danish workers had in fact joined, with around 90 per cent in insurance schemes. The contribution was flat-rate and rather low (in 1994, it was approximately £350 per annum for a full-time worker), and as indicated above, entitlement conditions were easy to satisfy and the payment

period was long. The high level of benefits relative to contributions was achieved because the UI funds only paid out a small part of the benefits: the balance was provided by the State out of general taxation (this was changed in 1994, when a new social contribution was introduced as an addition to general taxation).

The incentive to work in Denmark should, on this basis, have been considerably lower for a low-paid worker than for one on average or high earnings. However, as Mortensen (1977) demonstrated, if jobs are of limited duration and benefits depend on contributions, then a job-seeker's choices should also take into account the value of *future* periods of unemployment. A lower-paid worker in Denmark, who was unemployed, would gain by returning to employment, not only from the (small) differential between wages and out-of-work benefits, but also because she would accrue new UI rights which would provide generous benefits in the event of a subsequent spell out of work.

The attractiveness of UI to lower-paid workers would also depend, however, on what income they would receive when out-of-work if they were *not* insured. For those without entitlement to UI benefits, social assistance (SA) has been the chief alternative. It should be stressed that SA has never been seen as a universal 'safety net' to protect against low income. Low income has been a requirement for receipt, since the benefit is means-tested, but there has also been a requirement for the occurrence of one of a specified set of changes in circumstances, referred to as a "social event". A lone mother who is employed, but not participating in a UI scheme, may receive SA if she loses her job and becomes unemployed, because unemployment is a social event. A woman who has a new baby will also be entitled to SA if she satisfies the means test, since childbirth is also a social event. Becoming a lone parent because of marital or partnership breakdown is *not* classified as a social event and so does not in itself provide access to SA. This latter point may have influenced women generally towards employment as a means to UI entitlement, since it is only in this way that they have been able to achieve full financial protection. In 1991, unemployment benefits were received by a higher proportion of Danish married women than Danish men, who in turn were more likely to receive benefits than men in all other EU countries; the proportion for Danish married women

was three times as high as for married women in Britain (European Commission, 1993)³. It is also possible (though direct evidence is lacking) that some women move into employment, and so obtain UI entitlement, when partnership breakdown becomes likely.

In the period under consideration, SA was paid at a flat rate which, for a head of household with dependent child, was set at 80 per cent of the level of maximum UI benefits. Any earned income was deducted, except for a maximum period of six months when there was a disregard (this was set at about £40 per week in 1995); the disregard was not available during the first three months of SA receipt. Maintenance payments from estranged partners were not deductible, and indeed were excluded from all taxation. SA recipients received more favourable treatment than UI recipients for housing benefits and childcare subsidies (see later), which tended to bring their overall position close to that of UI recipients. Hansen et al. (1995) calculated that for a single parent family with two children, those on SA would typically be within 5 percent of the net income position of those on UI. Unlike UI, SA receipt had no time-limit. Indeed, if UI entitlement was exhausted, the individual would be transferred into SA.

Why did so many workers enter voluntary UI schemes when non-contributory SA was in financial terms such a near equivalent? One reason may be that SA was means-tested whereas UI benefit was not. If for example a lone mother entered a new partnership, the earnings of the partner would be offset against SA, but not against UI. More generally, as noted above, women would have increased their financial independence from present or potential partners through UI as well as through employment. Another reason may be the different social perception of UI and SA in Denmark. A study by Thaulow and Gamst (1987; cited in Fridberg, 1988) found that long-term SA recipients experienced social stigmatization and felt low self-esteem.

Active job search requirements under primary support in Denmark

One underlying factor for the stigma attached to SA might have been that there was a somewhat different treatment of UI and SA recipients by the public authorities. Both

³ The published statistics included social assistance payments as well unemployment insurance benefits.

groups were required to seek work actively in order to maintain entitlement to payment of benefit, and there was no dispensation from this requirement for lone mothers, even if they had very young children. In practice, however, it seems that UI recipients may have been more loosely supervised than SA recipients, although primary research on the issue is lacking. Hansen et al. (1995) did not cite job search as a requirement for UI receipt in Denmark, but did specify it for SA.

This at first sight appears odd, since in a number of countries the opposite applies. Part of the explanation may be institutional: in Denmark the UI schemes were administered by more than 200 voluntary funds, which were separate from the employment offices run by municipalities. To quote Ploug and Søndergaard (1996): "If an unemployed person refuses to accept a job offer from the regional job placement service this will be reported to the relevant unemployment insurance fund that will decide whether the conditions for unemployment benefit are fulfilled or not". According to Ploug and Kvist (1996), there was generally felt to be little incentive for the UI funds, most of which were set up and run by trade unions, to apply sanctions against their own members, especially as most of the cash for UI payments came from the State rather than out of the UI funds. By being strict, they could lose members while obtaining very little financial saving. In the mid-90s, this situation led the Danish government "to ask, in unambiguous terms, the trade unions and unemployment insurance funds to change their procedures and practice" (ibid.). This exhortation appeared to have limited impact, however, because the State eventually initiated a formal system of checking the actions taken by the UI funds rather than relying on their voluntary actions. This did not take place until 1996 (Mabbett, 1996), and so does not affect the period which is under consideration in this paper.

There has been a greater degree of administrative unification for SA, which is wholly state-funded. None the less the extent of active supervision of SA recipients was not (at the period in question) centrally determined but depended on the decentralised policies of the municipal authorities. In Denmark, about two thirds of taxation is at local government level and the municipalities have very important and extensive administrative functions, including SA payment and public employment services. The

extent of active enforcement might therefore depend on local political interests. A study of two Danish municipalities (summarised in Mabbett, 1996) found that in 1990 only SA recipients aged 18 and 19 were compulsorily placed into "activation" procedures (job placement or training services), while other recipients could take part on a voluntary basis⁴. These age limits were gradually extended, in the case-study areas, and finally removed, in 1994. So, during much of the period considered in this research, lone mothers of typical age (late 30s) would probably take part in jobsearch assistance, education or training only on a voluntary basis. The evidence therefore does not show that SA was much more stringently administered than was UI, in the period under review. Rather, both systems seem to have been operated in a rather easy-going manner. It must be stressed, however, that this conclusion is based chiefly on the commentaries of Danish experts rather than on research findings. It should also be noted that Danish commentaries on UI and SA systems generally do not consider lone parents as a distinct group. This follows from the fact that the UI and SA systems do not use lone parenthood as an administrative category. It remains possible that officials dealing directly with claimants may exercise personal discretion and may treat lone mothers differently from others, but our sources have little to say on this point.

Primary support in Britain

In Britain, nearly all lone mothers not in employment relied in this period on means-tested income support (IS), which they were entitled to receive *as lone parents*. The payment was flat-rate, based on the family unit rather than the individual: it varied (in the case of a lone mother) with the number and ages of the dependent children. Entitlement to IS was lost if the individual worked 16 hours per week, or more. Those working shorter weekly hours retained entitlement to IS but earnings, beyond a low level which was disregarded, were fully offset against the IS payment. Lone parents also received One Parent Benefit, a benefit (of relatively small cash value) that was independent of IS.

The principle underlying the level of payment of IS is that it should meet a specified living standard, defined in terms of the family's needs, rather than bearing any relation to

⁴ In Denmark the proportion of lone mothers aged under 20 was small, and lower than in Britain.

earnings. As with the Danish SA, the British IS also established an entitlement to housing benefits. Additionally, the British IS – not universally but for a large proportion – provided relief from local taxation (called Community Charge during much of the period being considered). The overall level of support provided by IS was lower, relative to average earnings, than in the case of SA, after taking account of these secondary benefits. Hansen et al. (1995) estimated that the net replacement rate for a British lone parent on IS with two children was about 70 per cent at half APW earnings, falling to about 45 per cent at APW earnings (Denmark, 90 per cent at two-thirds APW earnings and 70 per cent at APW earnings; very few people in Denmark had earnings as low as half APW earnings, but at this hypothetical level the replacement rate would have been higher than 90 per cent).

The payment under contribution-based unemployment benefit (UB) was similar to IS, did not vary with prior earnings, and (until 1996) was payable for up to one year, a much shorter time than in Denmark. We will not discuss UB further since very few lone mothers in Britain received this benefit or would have had any incentive to do so.

Because of reliance on a primary benefit which was means-tested on a family basis, the income of British lone mothers was sensitive to changes in family. IS increased with number of children, but entitlement was lost if the woman re-partnered with a man who had full-time employment. This was not very different from the Danish SA system, where entitlement would increase with number of children and would be lost on a means-tested basis; however, most Danish lone mothers would be on UI, not SA.

Unlike in the Danish SA system, there was no requirement for lone mothers in Britain to seek work as a condition of receipt of IS. Nor is there evidence that lone mothers in Britain felt stigmatised by receipt of IS, as appeared to be the case in Denmark for SA recipients during this period.

A.3.2.2 Secondary benefits

The main benefits to be covered under this heading are child benefits and housing benefits. The basic point to be made is that secondary benefits made a great difference to the financial position of lone mothers in both countries. A second point is that the countries were more similar in their provision of secondary benefits than in their primary support systems for lone mothers.

Secondary benefits in Denmark

Child benefit is not described in Hansen et al. (1995), although they note that it accounted for about 30 per cent of the total income of the lowest-income lone parents, such as those who depended on SA. The review here relies chiefly on Fridberg (1988). In essence, there were three levels of child benefit in the Danish system. First there was a flat-rate payment per child under 18, payable irrespective of family type. Second, there were additional child benefits payable specifically to one-parent families, which were tapered with earnings, but flat-rate to UI or SA recipients. Thirdly, there was a flat-rate payment in lieu of maintenance from the absent father, when his identity had not been established or he had defaulted on his payments. No element of child benefit was taxable.

It is clear, then, that (contrary to what has sometimes been claimed) lone parents have received special financial advantages in the Danish tax-benefit system. Danish lone mothers could at the end of the 1980s expect to receive about three times the child benefit of two-parent families and this made a substantial contribution to their total incomes. It should be noted that lone mothers in Denmark retained this advantage when in work, although it was reduced if they earned at around the average level or above because of the earnings-related taper.

Housing benefits were also important to those on low incomes in Denmark, whether in work or out of work. The calculation of housing benefits was complex. In outline, it was a contribution to the difference between the family's "ideal rent" (which may be thought of as the rent it could be expected to afford, given its income) and the rent it actually had to pay. This calculation was subject to a ceiling. The calculation was affected by income and by number of children. In the period under consideration housing benefit contributed

on average 13 per cent of the incomes of lone parents on UI, and 12 per cent if they were employed on a low wage equivalent to UI.

For those on SA, the calculation was different, and more advantageous for lone parents. They received the whole difference (rather than just a proportion of the difference) between their ideal rent and their actual rent, up to the same maximum. There were also separate provisions for home-owners who were on SA. Housing benefits on average contributed 15 per cent to the total income of lone parents on SA (Hansen et al., 1995).

Secondary benefits in Britain

In Britain as in Denmark, child benefits were paid both to those in and out of work, and were not taxable. For lone parents on IS, however, child benefit was taken into account in calculating the amount of IS entitlement, and in many cases the two benefits were included within a single payment. When a lone mother left IS, the child benefit was paid separately to her. Hansen et al. (1995) calculated the contribution of child benefit to a British lone parent on IS, as 18 per cent of total income. This fell to 14 per cent for an employed lone parent at equivalent income before housing costs. Child benefits therefore constituted a smaller proportion of the incomes of British lone mothers on IS than of the incomes of Danish lone mothers on SA (18 per cent as against 30 per cent).

Housing benefits in Britain were relatively simple for those on IS, though more complex for those in employment. All recipients of IS received entitlement to payment of their full rent or, in the case of home-owners, their mortgage interest payments (upper limits have been introduced in recent years but did not apply in the early 1990s). Whereas in Denmark child benefits were about twice as important as housing benefits to SA recipients, in Britain the position of the two benefits was reversed. A British lone parent on IS on average received more than one quarter (27 per cent) of total income in the form of housing benefits (Hansen et al., 1995). For those in employment, housing benefits were tapered as earnings rose above the applicable IS level. Housing benefit payments were withdrawn more rapidly in Britain, with rising earnings, than in Denmark.

Child benefit plus housing benefit together constituted on average around 40 per cent of total income (before housing costs) for lone parents on IS in Britain, which was similar to SA recipients in Denmark. Because those with low earnings potential retained all or a substantial part of their child benefits and housing benefits when in work, these secondary benefits should have operated to make employment more financially attractive for low earners. In Britain, the latter effect was also strengthened through the provision of a cash benefit for low-paid workers, Family Credit, which has no direct counterpart in Denmark. In broad terms, Family Credit made up the difference between a target income level (varying with family composition, and higher than that obtainable under IS) and any lower earnings level (with various conditions relating to other sources of income). In the period being considered, it was available for those working at least 24 hours per week, but this was changed to 16 hours per week in 1992.

A.3.3 Child development and childcare support in Denmark and Britain

Before considering the childcare support systems in the two countries, it may be useful to consider some of the main concepts relating to childcare which have been developed in economic studies of women's labour supply. Childcare is most obviously important to employment because, if a lone mother has no access to family-based or other forms of unpaid childcare, she must purchase childcare and this cost has to be offset against her earnings. In addition, however, childcare may be desired for its beneficial effects on the development of the child. This has been shown in a US study by Johannesen et al. (1996) and in a UK study by Duncan et al. (1995). The latter study showed that as income rose, the probability of purchasing childcare also rose, irrespective of whether the mother was employed. These findings show that childcare is not solely required in order to provide access to a job.

If mothers value childcare for its beneficial effect on the child, and not only as a means to entering paid work and increasing consumption, this may have considerable implications for how financial circumstances affect labour supply. The relationships between childcare decisions and employment decisions become mutual ones, since women may

work in order to afford childcare instead of, or as well as, getting childcare in order to take paid work (Duncan et al., 1995). Non-wage income (such as State benefits), while directly reducing the relative value of paid work for the mother, may also indirectly increase the probability of working by increasing expenditure on child development. In other words, once mothers come to value childcare, they may want to take employment partly to expand their investment in child development.

Since a parent may seek childcare partly in order to enhance child development, the quality of childcare is likely to be an important consideration. This has been confirmed by qualitative research (Ford, 1996) which has indicated that, in Britain, anxieties about the quality of paid-for childcare (including the safety of children when left with strangers) have been more salient for lone mothers than issues of cost.

The three main potential aspects of public policy towards childcare services are to ensure their supply (availability or access), to subsidise their cost, and to assure their quality. The following discussion considers only the first two; quality cannot be discussed here because there is no comparative information.

Childcare systems in Denmark

In Denmark, the majority of paid-for childcare was provided through public services such as day nurseries, with about two-thirds of childcare for under-school-age children taking this form. The provision of these services was the responsibility of the municipal authorities. Already by 1985 (Fridberg, 1988) 44 per cent of children aged below 3 years were in day-care facilities of this type, while the proportion was two-thirds for those aged 3-6. By the early 90s, according to Bradshaw et al. (1996), these proportions had risen to 60 per cent for under-3s and to 79 per cent for those aged 3-6. (In Denmark, children enter school at the age of 7.)

All such childcare in Denmark was subsidised. The value of the subsidy was *not less than* 70 per cent of the full cost (Hansen et al., 1995; Mabbett, 1996), although this varied, with some municipalities providing a substantially higher subsidy. Additionally, families

with very low incomes obtained childcare free of any charge, and there was a progressive rate of contribution with rising family income. In 1987, 22 per cent of children in public day-care obtained reductions below the already subsidised standard level, and about one half of these paid nothing (Fridberg, 1988). Conversely, slightly above three in four of those using public day-care for children received the locally standard level of subsidy.

The subsidy rate was not increased for lone mothers as such. If they received the extra childcare subsidies this would be as families on low incomes or getting SA benefits. The availability of the childcare subsidies left a lone mother in Denmark, who was drawing SA, on average nearly as well off when using paid-for childcare as when not using it (see Hansen et al., 1995). In other words, there was hardly any financial incentive not to use the subsidised childcare, even when not in work. If the mother entered work, she paid a contribution which increased progressively with earnings, until the minimum level of subsidy was reached. In principle, then, the cost of childcare in Denmark could be a disincentive to employment despite the large amount of subsidisation.

Although lone mothers as such did not get a price advantage, they did appear to get some advantage in access. Because of the high demand for day-care places, in many areas there have been waiting-lists for entry. Fridberg (1988) pointed to the practice, in many municipalities, of giving priority for places to the children of lone mothers. The municipalities would have had an incentive to do so in order to encourage employment and avoid SA payments, which were made from their budgets raised through local taxation.

Childcare systems in Britain

In Britain the supply of public day-care was in the early 90s targeted on a very small number of children "in need" (see European Commission Network on Childcare, 1996). Local authorities were allowed to provide day-care for children who needed this service because the parents worked, but they had no duty to do so and in practice coverage was at a low level. This "reflects a basic concept of public policy that providing care for children with employed parents is a responsibility of parents" (ibid., p. 118). Favourable

treatment of childcare costs for lone mothers on low income was introduced in the UK in 1994, as part of Family Credit, and have been progressively extended since then, but did not apply to the period of the present review.

In Britain, at least two thirds of all reported childcare use was informal (provided by family or friends, usually at no cost) in the early 1990s (Bridgwood and Savage, 1991). The majority of paid-for childcare was through childminders, who offered a care service in their own homes, and a smaller proportion through day nurseries, play-groups, and (for school-age children) out-of-school clubs. However, it should be noted that the age of entering school in Britain is five (whereas it is seven in Denmark), and provision of pre-school nursery classes for 3-4 year olds was growing considerably in the early 1990s. In Britain this has been classified as education rather than childcare.

In the early 1990s, according to Bradshaw et al. (1996), 7 per cent of British children aged under 3 took part in paid-for childcare (compared with 60 per cent in Denmark). The figure for 3-4 year olds, at 66 per cent, was much closer to the situation in Denmark (79 per cent for 3-6 year olds).

Relative costs and availability of childcare

Because of the lack of subsidy, paid-for childcare was more costly in Britain than in Denmark. An illustrative cost estimate for pre-school day care was made, by Ditch et al. (1996), for families with one child aged 2 years 11 months. In Denmark, if the parent was on average earnings, the estimated cost was £97 per month (with purchasing parity adjustment⁵). In the UK, the corresponding estimate was £347. Bradshaw et al. (1996) also concluded that paid-for childcare was more costly in Britain than in the other countries which they reviewed.

There are however a number of problems with cost comparisons of this type. A basic difficulty is that those for whom paid-for childcare would be particularly expensive are

⁵ A purchasing parity adjustment equates costs in the countries compared by taking account of the purchasing power of the currencies at prevailing exchange rates.

likely to make choices, if they can, which avoid this cost. Accordingly it is ineffectual to make comparisons of average actual childcare costs between countries with different cost structures, because users will tend to be non-comparable. To avoid this problem, it is usual to take a stylised set of circumstances and assumptions as the basis for a comparison. Yet the particular case selected may still not be equally representative of the countries, and in that case the comparison remains questionable. In Britain, as already noted, the great majority of care for very young children has been supplied free-of-charge by family members, whereas in Denmark this family care has been to a large extent supplanted by subsidised public care. The difference in *actual* costs between the two systems therefore depends crucially on such factors as the availability of family care, and the age distribution of children, but these may be difficult to equate. Bryson et al. (1997) reported that in a 1991 British sample of lone mothers, only about one in five (21 per cent) had access to support from a grandparent of their child or children. Also, as noted earlier in this review, the average age of children was lower for British lone mothers than for Danish lone mothers, with nearly one half of the British mothers having children aged under 5. These considerations indicate that, in the period in question, the cost of paid-for childcare would probably have been a real, rather than a notional, factor in the employment decisions of many British lone mothers. But, as these more complex considerations are brought into the picture, it becomes difficult to summarise the impact of costs in a simple figure which is standardised across countries.

Another complicating factor is the difference in schooling systems between the two countries, which has already been alluded to. In Britain, with its early age of school entry, and increasing use of pre-school classes, the educational system has to some extent taken the place of the Danish public childcare provision during the years from 3 to 6. Moreover, schooling is free of charge in Britain whereas the majority of Danish parents would have to pay towards day-centre places, albeit at a highly subsidised rate, during these years. Relative costs will depend not only on the ages at which childcare is required by the parent, but also on the hours of care required and the extent to which these extend beyond the publicly provided hours of free or subsidised care. These choices however would again tend to be non-comparable across countries because they

would be influenced by the cost structures already in place, so that similar people within different national cost structures might make different choices.

Comparative cost estimates, therefore, are sensitive to the particular assumptions and stylised cases chosen as their basis. None the less, the illustrative examples in Ditch et al. (1996) are useful in suggesting that, for a lone mother in Britain with a child under 3, and without family support for childcare, there would have been a substantial cost-of-childcare barrier to employment in the period being considered. This barrier would, however, be lowered somewhat as children grew older. This points towards a specific hypothesis about the role of costs which might be tested with representative data: results from such a test will be presented in Part B of this paper.

The different childcare systems of the two countries may also have implications for the availability of childcare. In Denmark, the majority of childcare even before the age of 3 was at the start of the 1990s provided through public day-care centres, while only a small minority of childcare at this age was on a paid-for basis in Britain. There is some evidence that use of paid-for childcare services in Britain has been restricted by availability or access. Webster and White (1997) analysed data from one area and estimated that women's employment was closely related to the number of childminders in their immediate vicinity, whereas the supply of childminders was rather unresponsive to the potential demand for places. White (1998a) showed that mothers were more likely to use paid-for childcare if they lived in local authority areas with large numbers of childminders, or a large number of out-of-school club places, relative to population. Availability may also be a problem in Denmark, since as already noted (Fridberg, 1988) some municipalities gave preferential access to lone mothers, a fact which suggests the existence of queueing.

A.4 Comparative discussion of British and Danish systems

In both Britain and Denmark, lone mothers capable of obtaining average earnings appeared in the early 90s to have adequate economic incentives to work, after taking

account of childcare costs. The main out-of-work benefits in both countries were essentially fixed-rate, and the rates were pitched sufficiently low so as not to create financial disincentives to those in the middle of the earnings distribution. The impact of financial disincentives was likely to fall on those *with earnings (or potential earnings) substantially below the average*.

In Britain, quite large proportions of lone mothers had low educational qualifications, and this was likely to depress their wages. The distribution of earnings was highly dispersed in Britain, exacerbating this problem. In the period in question (the early 90s), when a woman became a lone mother, and had no family help with childcare, she would not only lose her IS payment if she entered work but might also have to pay for costly childcare, especially if her child was very young. Government policy attempted to maintain work incentives for people in this position through in-work benefits (especially Family Credit), but these might have been insufficient for a parent who faced a high level of childcare costs since the latter were not subsidised.

Denmark also had many women with low educational qualifications. The main advantage of low-qualified Danish lone mothers, compared with similarly qualified lone mothers in Britain, was that they earned closer to the average wage. None the less, the disincentives to work, for lone mothers with earnings capacity substantially below the average, appeared to be strong in Denmark. They could readily replace 80-90 per cent of their in-work income through primary and secondary benefits (whether UI or SA), and this was a substantially higher proportion than was characteristic in Britain. Moreover, low-cost or free childcare was available in public day-care centres and lone mothers had some priority in gaining access to these services, whether or not they were in employment. Although heavily subsidised childcare was also available to working mothers, they generally paid more than lone mothers on SA, for whom childcare was provided free because of their low incomes. These considerations all pointed to a low, not a high, rate of employment in Denmark for lone mothers. That the high employment rate of lone mothers in Denmark is paradoxical, from a standard economic viewpoint, has

been recognised previously (e.g., Fridberg, 1988; Smith et al., 1993; Ploug and Søndergaard, 1996).

It might have been supposed that secondary benefits, such as child benefits and housing benefits, provided at least part of the explanation for the difference in employment rates in the two countries. But in reality the two countries were quite similar in these respects during the early 90s: Denmark had higher child benefits and lower housing benefits, but together they constituted a similar proportion of income for the lone mother on SA as for the British lone mother on IS. Moreover, they were benefits which carried over into work in both countries (albeit with income tapers and ceilings), strengthening in principle the incentive to employment. It might be argued that child benefits tend to have advantages over housing benefits of equivalent monetary value, since the former constitute a cash payment that can be used in a more flexible way. If that were the case, then the Danish system would once more gain over the British one, and it would be still more puzzling that the employment rate was so high in Denmark.

Another potential explanation of the higher employment rates in Denmark might lie in the fact that lone mothers were not exempt from a work test if receiving benefits (UI or SA). Indeed, lone mothers were not recognized as a separate category in the benefit system, even if they had a very young child. However, practice is often different from the rule-book and this seems to have been the case in Denmark, in the period under consideration. Experts on the Danish system reported that work tests were applied loosely in this period, and this appears plausible once the structure of the system, with its division of responsibilities between employment services and UI administration, is understood. The interpretation is also supported by the steps taken by central and municipal government to impose tighter controls from the mid-90s. These initiatives would hardly have been necessary if the benefits regime already enforced compliance with jobsearch requirements. In the period in question, it seems improbable that the high employment rates among Danish lone mothers would have been much influenced by the need to comply with jobsearch requirements that were actively enforced by the authorities. Indeed, the lack of emphasis upon an enforced search in Denmark in the

early 1990s was fairly typical of welfare systems in most European countries. Even in Britain, while active search has always been a formal requirement of benefit for the unemployed, it has been implemented in an unexacting way in some periods⁶. On the other hand, it might be argued that the mere *existence* of a requirement to seek employment (even if not actively enforced) was important in creating or sustaining a social norm of employment among Danish lone mothers, which was absent in Britain. In practice, it would be difficult to establish whether the jobsearch requirement helped to produce the norm, or whether it was itself merely a reflection of a pre-existing social norm about women's role in employment. Similarly, it appears that there was in the recent past no social norm of employment among British lone mothers, but it is not clear whether this might be attributed to the absence of a jobsearch requirement for lone parent claimants, or whether the absence of such a requirement reflected a pre-existing norm which emphasised the personal childcare role of the mother (see also Lewis, 1997). Since there is a lack of research evidence to test these alternative interpretations in either of the countries, the issue of jobsearch requirements is one which we cannot take further.

None the less, a relevant clue in explaining high employment rates, among Danish women as a whole as well as among lone mothers, may lie in their apparent preference for UI over SA. UI offered little advantage over SA if one simply compared short-term replacement rates, yet most Danish workers contributed voluntarily to UI schemes. Their attractions must lie in other features than replacement rates. One of these may be avoidance of means-testing. As noted earlier, means-tested SA had some stigma attached to it in Denmark, and this would increase the relative value of UI, and hence of employment which generates UI entitlements. In less technical terms, Danish lone mothers may have continued to work and to contribute to UI because the long-term alternative was receipt of SA which was regarded as demeaning. In addition, UI provided greater independence and a more complete protection against partnership breakdown than reliance on SA.

⁶ For example, from 1981 until the introduction of the Restart system in 1986, there was no requirement for unemployed claimants to be registered at or to visit Jobcentres.

The high employment rates of Danish lone mothers may also be partly explained if one assumes that employment has some value which is not captured by current earnings, and that this type of non-monetary value is greater in Denmark than in Britain. Smith et al. (1993) suggested that employment might be chosen by Danish women for long-term or strategic reasons, such as increasing their chances of promotion, but there is no obvious reason why this should not also apply to Britain. People may also like to work in part because work is intrinsically interesting and fulfilling, but once again it is not clear why this should be more the case in Denmark. A social norm of employment may provide more of an explanation, since there are grounds for assuming a difference here between the countries. Denmark has for many years had very high employment rates for both men and women, so that a non-working person of working age may feel an outsider. This however is a speculative interpretation which points to the need for other types of research, including comparative attitudinal research⁷.

Another factor apparently relevant in explaining the difference in employment rates between the two countries was the higher average age of the children of Danish lone mothers. Women may remain out of employment in order to devote themselves to child development in the early years, or may feel that they should return to work only if they can afford childcare which is of a high developmental quality. The costs of paid-for childcare are generally at their greatest in the pre-school years. Because more Danish than British lone mothers had school-age rather than pre-school-age children, these costs were likely to be less salient for them. However, it is unsatisfactory to explain the difference in employment rates by age differences among lone mothers and their children in the two countries, without considering why the age differences arose in the first place. Fertility decisions are probably not independent of economic circumstances, such as those which have been reviewed here.

The costs of paid-for childcare in the period under review appeared to be higher in Britain than in Denmark, in the case of a child under three, although the balance of

⁷ Unfortunately, Denmark has not participated in the International Social Survey Panel (Jowell et al., 1993).

advantage was less clear at ages 3-6. The Danish system gave low-income mothers with young children strong incentives to use paid-for childcare. Other things being equal, this should have facilitated job search and entry to work. The rising costs of childcare once in work constituted a potential disincentive, but this was mitigated by a continuing high level of subsidy, even to high-earning women. In Britain, substantial use of paid-for childcare for a young child was essentially ruled out by prices for both lone mothers on IS and for those in, or seeking, low-paid employment. For these low-earning women with young children, entry to employment depended on availability of unpaid childcare through family or friends. The British system, with its provision chiefly concentrated in childminders' homes, also gave rise to anxieties about the quality and safety of childcare services (Ford, 1996).

The implications for work incentives were not, however, entirely clear-cut. In Denmark, the high availability of paid-for childcare, coupled with a high subsidy, which was available to all whether in or out of employment, increased the value of paid employment. On the other hand, the additional childcare subsidy available to low-income mothers in Denmark (irrespective of employment status) would increase the value of welfare income, and the availability of child development activities, when out of work. This could reduce employment. In the case of Britain, high childcare costs in the child's early years would in general reduce the net value of paid work and thereby reduce the probability of undertaking job search and entering employment. However, if mothers valued child development activities outside the home, and these were costly, this could also create some compensating incentives for employment in order to purchase paid-for childcare.

So it is not a simple case of childcare costs facilitating the employment of Danish lone mothers and blocking the employment of British lone mothers. The impact of childcare costs depends on the balance between the incentives and disincentives which they create. None the less it is a reasonable judgement that in the period under review, this balance would have been less favourable to employment in Britain than in Denmark, specifically for those lone mothers only capable of earning low wages and having young children.

These mothers were likely to be preoccupied with making ends meet (Bryson et al., 1997), so that the relative net income in and out of work would become particularly salient for them.

Part B – Results of an exploratory comparative analysis on Danish and British lone mothers

B.1 Introduction to the comparative analysis

The preceding description has shown that lone mothers in Britain and Denmark had very different employment rates in the early 90s despite the similar prevalence of lone parenthood in the two countries. Furthermore, far more of the lone mothers in Britain had a low income relative to the national average. The second part of this paper examines the results from an analysis of data concerning lone mothers in these two countries. This analysis considered some of the factors which may have contributed to the difference in the lone mother employment rate between the two countries, although it did not provide a comprehensive treatment. The analysis is here presented in outline only: Pedersen et al. (2000) have provided full statistical details.

Three of the ideas which were put forward in Part A of this paper, to explain the difference in lone mother employment rates between the countries, could be addressed through the comparative analysis. These concerned:

- the disincentive effects of low potential earnings;
- the disincentive effects of benefit structures;
- childcare barriers to jobsearch and employment.

Because of the wider spread of wages in Britain, lone mothers' employment should be more dependent on education and qualifications in Britain than in Denmark. Because of the wide dispersion of earnings in Britain, those lacking qualifications, or with low

qualifications, would tend to receive a wage that is far below the average wage. In Denmark, with a narrow wage distribution, those with low or no qualifications would earn at a level that is closer to the average wage. Accordingly those lacking qualifications in Britain on average would have less incentive to take paid work (other things being equal) than in Denmark.

Similarly, in considering the disincentive effects of benefit structures, the analysis focused upon particular circumstances which affected benefit entitlement differently in the two countries. In Denmark, most women would have subscribed to UI schemes and would receive a virtually flat-rate, non-means-tested payment. In Britain, most lone mothers would be entitled to IS when not working, which varies mainly with the number of children and (negatively) with other income. So British lone mothers would have a greater disincentive to employment, the greater the number of dependent children, whereas this would not apply (or would apply only weakly) to Danish lone mothers. In addition, primary benefits for British lone mothers would be sensitive to re-partnering, since if the male partner was employed full-time the entitlement to IS would be removed. The primary benefits paid to Danish lone mothers would be unaffected by re-partnering if they had an entitlement to UI, as would mostly be the case.

The third issue to be followed up from the review in Part A concerned childcare costs as a barrier to employment. Childcare costs may create both disincentives and incentives to work, but in the review we predicted that the disincentives would be dominant for lone mothers with low earnings capacity. On the assumption that childcare costs were higher in Britain at this time for pre-school-age children, the presence of a young child should create a greater barrier to employment than in the case of Denmark. But childcare costs for working women in Denmark, though highly subsidised, were appreciable so these might still constitute a barrier to employment, albeit a lower one than in Britain.

To recapitulate, although it was not possible to model lone mothers' potential earnings and potential benefit income directly, the analysis covered some of the key variables: qualifications, number of children, re-partnering, and the age of the youngest child. To

complete the specification, one should also include a measure of non-wage income that is received both in and out of work. This proved to be the main problem in constructing comparable variables for Britain and Denmark. There were irreconcilable differences in the national definitions of income variables, and some information on non-taxable income was missing in the Danish database. All the analyses were carried out both with, and without, the 'other income' variable. Because of non-comparability in the income definitions, analyses excluding the variable were likely to make the two countries' results more comparable. However, the alternative analyses including the variable had an incidental value in testing whether the relationships of main interest were stable.

B.2 Method of analysis

The British and Danish data tracked an initial representative sample of lone mothers for several years. Analyses were performed separately for each year within each country. This made it possible to see how changing circumstances in each sample – especially, the arrival in some cases of new partners – affected the employment of the lone mothers.

The analyses did not however make use of the panel structure of the data and it should be appreciated that a full panel data analysis would be statistically more efficient and might give different results. The decision not to carry out a panel data analysis was made on technical grounds. In essence, a longer time-period would be necessary to produce a satisfactory panel data analysis. The analysis should therefore be regarded as exploratory.

Another limitation which should be noted is that some of the variables which were being used to account for employment status, might themselves be influenced by employment status. Fertility decisions (hence age and number of children) may well be influenced by employment, and so may the decision to re-partner; or the decisions may be made together. It should be recognised, then, that this was an analysis covering only part of a complex set of interrelationships. Once more, it would require data over a longer time period to make the more complete analysis feasible.

The outcome in all the analyses was whether or not the individual was employed for at least 90 per cent of the time throughout the preceding year. An appropriate method for analysis of a binary outcome of this type is probit analysis (Maddala, 1983). In the probit model, the binary outcome variable is regarded as coming from an underlying continuous distribution, representing the probability of the outcome occurring. Hence this can be thought of as an analysis of the probability of employment among lone mothers, and of how this probability varies between individuals with different characteristics and in different circumstances. These differences in characteristics and circumstances are considered as the explanatory variables, that is, as the influences which explain differences in the probability of employment. However, the coefficients from a probit analysis (that is, the estimated magnitudes of the relationships between explanatory variables and the outcome variable) cannot be directly interpreted as differences in probabilities. They indicate the direction and strength of the relationships between the explanatory variables and the outcome, but the scale has no intuitive interpretation.

B.3 Details of the data and variables

Two special sets of data were used in the cross-country comparison. For Great Britain, data came from the PRILIF dataset (see Marsh and McKay, 1993) and followed a 1991 representative sample of lone mothers with repeated interviews to 1995. For Denmark, the analysis was based on a five per cent sample from administrative registers⁸, with annual data for the period 1988-1993. From this database a sample representative of all lone mothers in 1988 was drawn, conditional on data being available for these in each of the years to 1993. In the case of Britain, surveys were conducted in 1991, 1993, 1994 and 1995. As these included information (for the key variables used in the analysis) for the intervening periods, it was possible to re-cast the data in the form of an annual panel for the years 1991-2, 1992-3, 1993-4, and 1994-5.

⁸ Administrative registers constitute one of the main sources of data for social research in Denmark.

In each country, the sample was nationally representative of lone mothers in the first of these years. As the initial lone-mother sample was tracked longitudinally, it ceased to be representative of lone mothers in the following years. Women were kept in the sample even if they re-partnered or ceased to have a dependent child.

Since the Danish data were taken from administrative sources, they were unaffected by non-response: the sample size was 2544 for each year. The British data on the other hand came from a 1991 sample survey which had an initial response rate of 82 per cent, and was affected by some sample attrition at follow-up (see Bryson et al., 1997, for further details). Only those with responses for the years 1991, 1993 and 1994 were included in the analysis; the resulting sample size was 649 for 1991, 1992 and 1993, falling to 563 in 1995.

As already noted, employment was defined to mean, in this analysis, being in an employed status for 90 per cent or more of the time during the year. While this may appear to be an unusually strict definition, it appeared appropriate because for the great majority of Danish lone mothers, regular employment was the normal state. In the British sample also, there was a marked polarisation into those who were in employment all the time or nearly all the time, and those who were never, or scarcely ever, in employment.

Some differences in the definitions of variables were unavoidable. In education, the Danish data distinguished between a higher (post-compulsory) and basic education only, with "apprentice" as an additional category. For Britain, however, it was possible to distinguish between advanced secondary and higher (tertiary) education, as well as between advanced and basic. The nearest to the apprentice category in the British data was 'vocational education'. The non-comparability across countries of the 'other non-wage income' variable has been noted earlier (see section B.1).

Table 1 shows the mean or percentage values on the comparable variables used in the study, for the initial year (1988 in Denmark, 1991 in Britain) and, in the case of re-partnering, for the subsequent year. It can be seen that, on the definition of employment used here, Danish lone mothers were just over twice as likely to be employed as were British lone mothers.

The Danish lone mothers were on average older and their youngest children were also older. Danish lone mothers had on average fewer children than their British counterparts, and were more likely to re-partner.

Table 1. Means or percentage values for main variables

Data relate to 1988/89 for Denmark and to 1991/92 for Great Britain.

	Denmark	Great Britain
Employed for at least 90% of the year	73 %	34 %
Age of lone mother	36.32	33.30
Age of youngest child	8.80	6.55
Number of children	1.41	1.78
Index of highest educational level *	1.14	1.05
Repartnered in year after sample was drawn	13.7 %	8.5 %
Sample size	2544	649

* Indicative only: see text for explanation.

The index of highest education level attained is merely indicative, and suggests that there was not a great difference in educational level between the samples. It was derived by scoring a basic (compulsory level) qualification as 1 point, an apprenticeship (Denmark) or vocational qualification (Britain) as 2 points, and an advanced (higher secondary) educational qualification *or above* as 3 points. Any such scoring system is arbitrary.

B.4 Main results

From the complete set of analyses, we have extracted results to focus on the issues which were highlighted at the conclusion of Part A and the start of Part B. To recapitulate, these were: the disincentive effects of low potential earnings; the disincentive effects of benefit structures; and the barriers of childcare costs.

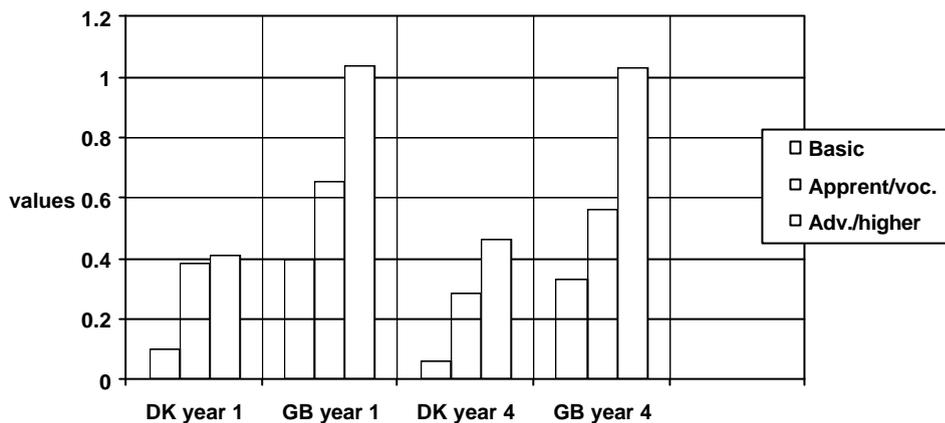
Potential earnings

The analysis assumed that qualifications would increase potential earnings and so would be associated with a higher rate of employment. The review of Part A suggested that this relationship would be stronger in Britain than in Denmark, because of the wider spread of earnings in the former country. Selected results, for the first and fourth year in each country, are extracted in Chart 1 below. (Results for the other years were broadly similar, including for Denmark in years 5 and 6.) In this chart, each bar represents the effect on employment of having a given qualification level, compared to someone with no qualification.

Except for basic qualifications in Denmark, where the relationship was statistically non-significant, all qualifications in each country were associated with a significantly higher rate of employment. Also, in both countries, the higher the level of qualification, the higher was the rate of employment. But the strength of the positive relationships between each level of qualification and employment was considerably greater in Britain than in Denmark. Indeed, most of the estimated relationships were at least twice as great in Britain. This indicates that there was a bigger gap in employment rates in Britain, between a lone mother with a qualification and her non-qualified counterpart, than was the case in Denmark. Accordingly, the relative economic disadvantage of being a lone mother *without* qualifications was particularly great in Britain. This is what was predicted on the basis of the wider wage dispersion in Britain.

Chart 1. Influence of qualifications on employment, Denmark (DK) and Great Britain (GB)

The chart shows selected results from the analyses of influences on employment. Each group of bars is taken from a separate analysis. A higher value indicates a greater effect on employment, relative to those without any qualification. For explanation of qualification variables, see text. Source: Pedersen et al., 2000.



Benefit disincentives

Turning next to the predictions concerning the disincentive effects of primary benefit systems, we consider the effect of number of dependent children and of re-partnering. Because of the family-based and means-tested system of benefits in Britain, these variables should have had a significant impact there, while in Denmark, where primary support for out-of-work income was for the most part insurance-based and non-means-tested, they should have been relatively unimportant.

A chart is not shown here, as the results were essentially simple. In Britain, the number of children was initially not related to the rate of employment, but became negatively and significantly related to the employment rate *in years 3 and 4*. In other words, in the later years in Britain, the more dependent children a lone mother had, the less likely she was to be in employment, or equivalently the fewer the children she had, the more likely she was to be in employment. In Denmark, the number of children was *never* significantly related to the rate of employment, and the direction of the relationship was positive in some years and

negative in others (hence consistent with an overall interpretation of 'no effect'). It can be concluded that the probability of a lone mother being employed was, in Denmark, independent of the number of children she had, whereas in Britain, the number of children became progressively a more important factor over time. Possible reasons for the British pattern of results will be considered further in the concluding discussion.

This pattern of differences between the two countries was largely repeated in the case of re-partnering (except that Year 1 could not be used for this analysis since by definition the sample members were without partners at that point). In years 2, 3 and 4, re-partnering was, as predicted, positively associated with employment in Britain, although significantly so only in years 3 and 4. Thus, in the later years, a British lone mother who remained without a partner was relatively unlikely to be employed, whereas a British lone mother who re-partnered was relatively likely to be employed. In Denmark, re-partnering was positively and negatively related to employment in different years; but only in year 2, when re-partnering was associated with a *lower* rate of employment (rather than a higher rate as in Britain) was the relationship significant. Overall, in Denmark there was no clear link between re-partnering and employment. Possible reasons for the pattern of results for Britain will be considered further in the concluding discussion.

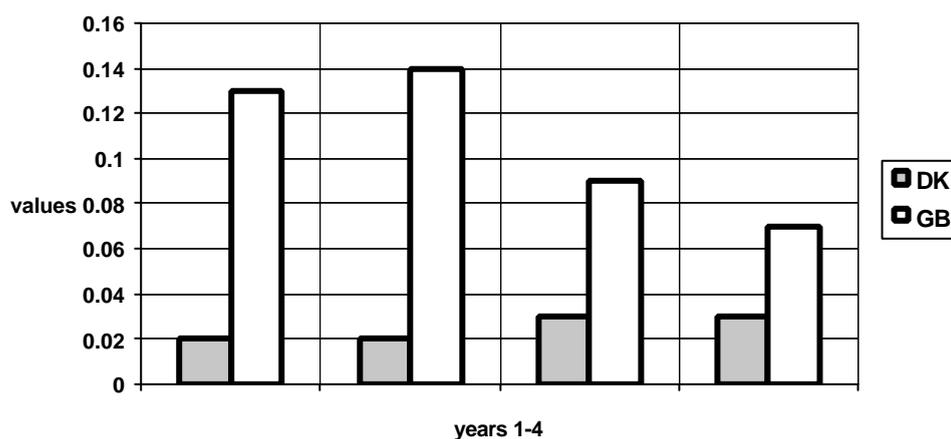
Childcare (age of youngest child)

The final prediction to be tested relates to the potential impact of childcare costs as a barrier to employment. The review of Part A suggested that in Britain, paid-for childcare costs may have been relatively high for pre-school children. Accordingly, in Britain the age of the youngest child was hypothesised to be positively related to employment, because as children grew older less intensive childcare should have been required. Conversely in Denmark where paid-for childcare was heavily subsidised at all ages, the age of the youngest child should have been associated with employment to a smaller degree than in Britain. However, one would still expect some association since the amount of childcare required by a working mother would tend to be greater when the child was young and most families were required to make some payment.

As Chart 2 shows, the age of the youngest child in Britain was always positively related to the rate of employment, as predicted. These values were all highly significant, although the magnitude of the relationship declined somewhat after the second year. In other words, mothers with a very young child were the least likely to be employed, but as the age of the youngest child increased, so too did the rate of employment. In Denmark the relationship was also significantly positive in most years (including in years 5 and 6, not shown in the chart). None the less, the *size* of the relationship was always considerably smaller in Denmark than in Britain, which is consistent with the predictions. In years 1 and 2 the British coefficients were about six times as great as the Danish, while in years 3 and 4 they were about two to three times as great. The age of the youngest child made more difference to lone mothers' employment in Britain than it did in Denmark.

Chart 2. Influence of age of youngest child on lone mother's employment, Denmark and Great Britain

The chart shows selected results from the analyses of influences on employment. Each bar is taken from a separate analysis. The results for Denmark in years 3 and 4, and for GB in all years, are significantly different from zero. The larger a value, the stronger the association between the age of the youngest child and the mother's probability of being employed during the year in question. Source: Pedersen et al., 2000.



B.4.1 Robustness of the results

The results shown in Charts 1-4 were drawn from analyses in which the variable for 'other non-wage income' was omitted. The lack of such a variable was a limitation on the analyses since one would expect these sources of income to be important for the employment decisions of lone mothers. The reasons for omission of the variable were explained earlier (see section B.1). However, all the analyses were also re-estimated with a variable for 'other non-wage income' included for each country.

The results for the 'other non-wage income' variable were significant but difficult to interpret, and this tended to confirm the need for caution with the variable. The value of the alternative analysis for the present research was simply that it provided a test of the robustness of the findings outlined in section B.4. In fact, despite the significance of the 'other non-wage income' variable, the main results were little affected by its inclusion in or exclusion from the analyses. Although the main relationships were generally a little less strong when the additional variable was included, the estimates in most cases retained their statistical significance and there was no change in the comparative position of the two countries.

B. 5 Summary, discussion and conclusions

In this concluding section, the results from the comparative analysis of lone mothers' employment will be summarised and discussed. In doing so, the findings will also be set in the wider context of the review presented in Part A. Finally, conclusions and some policy implications will be tentatively drawn from the British-Danish comparison for the early 1990s.

Differences between Denmark and Britain in the results of the analysis

Three issues identified in Part A, about the impact of policy variables on lone mothers' employment, were examined in the comparative analysis which has been described in Part B. On the whole, the results of the analysis showed substantial differences between Denmark and Great Britain, and were in line with ideas developed in Part A.

The analysis showed that qualifications had a much larger impact on the probability of employment among lone mothers in Britain than in Denmark. This suggests that lone mothers without basic qualifications, who constituted about 40 per cent of the British sample, had weaker incentives to work than corresponding lone mothers in Denmark. It should be stressed that this result in itself did not imply an educational deficit in the British sample relative to the Danish sample. The Danish lone mothers were not very much better qualified than the British lone mothers. But qualification or non-qualification had greater economic implications for the individual lone mother in Britain than in Denmark.

Lone mothers' probability of employment was affected in Britain, but not in Denmark, by the number of children they had and by whether or not they re-partnered (ceasing to be lone parents). These variables were selected for the analysis because they would generally have a large impact on means-tested out-of-work incomes for lone mothers in Britain, but not on insurance-based out-of-work incomes for lone mothers in Denmark. However, the differences between the countries only became clear in years 3 and 4 from sampling, and it may be important that these benefit-related variables did not emerge as significant in the first two years of the British analysis. This will be discussed shortly.

In both Denmark and Britain, the lower the age of the youngest child, the less likely was the mother to be employed, while the higher the age of the youngest child, the more likely she was to be employed. However, the relationship between age of youngest child and employment was several times stronger in Britain than in Denmark. This difference was consistent with the supposition that childcare costs for young children were, at this time, higher in Britain than in Denmark, so that having a young child constituted a greater barrier to employment for British lone mothers. It is interesting, however, that women with young children were less likely to work even in Denmark, with its substantial childcare subsidies available to all families. This may suggest that the costs, after subsidies, were still a significant barrier to employment in Denmark. Alternatively,

mothers may place a specially high value on their time with young children, and if so this would constitute a disincentive to employment.

Differences in British results over time

In the British data, some results appeared to differ in years 3 and 4 compared with years 1 and 2. It has already been noted that the number of children, and the occurrence of re-partnering, had a significant impact on the probability of employment only in the later years. Additionally, the influence of the age of the youngest child on employment became somewhat smaller in the third and fourth years of the analysis. It is possible that these differences between years would not be significant in a full panel data analysis. None the less, if we assume provisionally that they are genuine, it is worth considering them further so as to get some pointers for future research.

One possible explanation of a decreasing effect of the age of the youngest child is that, as time goes on, lone mothers may develop a variety of informal means of organising childcare, thus reducing the impact of childcare costs on themselves. The data available in the British dataset did not permit this interpretation to be directly tested. Another possible explanation is that, in 1992, changes were introduced to increase incentives to take low-paid work, including the provision of in-work cash benefits (Family Credit) for employment of 16 hours or more per week (whereas previously entitlement began at 24 hours per week). Women working for 16 or so hours per week would face relatively low childcare requirements and their loss of wages (through working short hours) would be made good by higher Family Credit. Thus, Family Credit may have lowered the barriers of childcare costs, even before introduction of more direct childcare subsidies in Britain in 1994.

Turning to the delayed impact of re-partnering, one might explain this through the low entry rate of British lone mothers into new partnerships, and the time it would then take for the lone mother to rearrange her life and focus on employment opportunities. A similar type of reasoning might also be applied to 'number of children', if the variable was actually a proxy for new births. However, introducing 'new baby' as an additional variable into the British analyses made no difference to the results, so this interpretation

was not supported. It is possible, alternatively, that the increasing importance of number of children over time was linked to the reducing importance of the age of the youngest child, discussed above. According to such an interpretation, as potential childcare costs fell for certain mothers, interest in employment would depend more completely on the difference between their potential earnings and their benefits, so that the determinants of benefit entitlement became more salient. This interpretation might be investigated in future research.

These issues underline the partial and exploratory nature of the analysis and the need in future work for more detailed information and longer observation periods.

Overall conclusions concerning Denmark and Britain

Conclusions from the background review and the analysis can only be tentative, for the reasons already outlined in the opening section of this paper, and some others which have emerged in the course of the paper. There were several important issues identified in the background review (including the role of jobsearch requirements, the role of childcare quality, and the role of social norms concerning employment and motherhood) which the data available for the analysis were not able to address. The analysis itself was exploratory rather than rigorous, since it did not make full use of the panel element in the data, and did not consider the possibly interrelated nature of fertility, partnership and employment choices.

Despite these limitations, the analysis certainly produced very different results for the two countries, and these results could be seen as broadly consistent with some of the potential explanations, from Part A, for the low employment rate among British lone mothers. These explanations were:

- the disincentives to work for British women with low or no qualifications, resulting from low relative wages
- the barrier to employment created by higher cost of paid-for childcare in Britain, in the case of mothers with young children

- the disincentives, for low-earning British lone mothers, created by family-based, means-tested benefits (by comparison with insurance-based benefits in Denmark).

It may seem odd to assert that disincentives were more marked for low-earning British lone mothers than for corresponding Danish lone mothers, since the Danish benefits system offered a higher average replacement rate for low earners than the British. The analysis, however, was concerned with the effect of variation around the average. In Britain, benefits increased with extra children and were reduced or lost altogether with the addition of a partner's earnings, while these sources of variation were not present in the predominantly insurance-based system of Denmark. It is in this sense that the British system contained forms of disincentive which were not present in the Danish system.

Overall, the analysis was more successful in explaining the employment of lone mothers in Britain than in Denmark. While most of the variables were significantly related to the probability of employment for British lone mothers, relatively few were significant in the Danish analyses. The comparative results seemed to show that a number of economic factors important in Britain had been neutralised or weakened in the Danish system. As discussed in Part A, it remains difficult to explain why so many lone mothers in Denmark are employed, when out-of-work benefits replace such a large proportion of earnings, and when even higher subsidies for childcare are available out of employment than in employment. The analysis illustrated some of the disincentives and barriers to work which appeared to exist in Britain, but it did not reveal the mainspring of a high employment rate for lone mothers in Denmark.

Danish lone mothers appeared to have lower fertility and a higher re-partnering rate than did British lone mothers. If British lone mothers had followed the Danish pattern in these respects, they would have had a considerably higher employment rate. But this argument is likely to be circular, since differences in fertility and re-partnering rates may themselves be influenced by economic and welfare considerations (Browning, 1992). It is notable that among Danish lone mothers, neither having additional children nor re-partnering made an appreciable difference to the probability of being employed. To

clarify these issues, more comparative data and analysis are needed in the future concerning family formation and family change.

Another important set of questions surrounds Danish women's preference for insurance-based unemployment benefits over social assistance. It appears as if Danish society has maintained a stronger stigma concerning means-tested benefits, and has successfully promoted the notion of the 'parent worker' (Lewis, 1997) as a social norm. The 'universalist' nature of Scandinavian welfare state systems, which convey to citizens that all will receive a high degree of social protection but are expected to offer a high degree of labour force participation in return, has been discussed by Esping-Anderson (1990). These ideas seem insightful but there has been little progress (including in this paper) in converting them into analytical research.

Policy implications

Finally, what are the policy implications of this research, if one assumes that the objective is to facilitate a higher rate of employment among British lone mothers? In responding to this question, we must once more remind ourselves of the limited nature of the research. The following points, therefore, should be regarded as particularly tentative.

One set of policy issues concerns the role of education. Denmark has not had much, if any, advantage over Britain in its levels of educational attainment, so this cannot be an explanation of its higher employment rate for lone mothers (or of its higher employment rate for women in general). Thus, one cannot infer *from the experience of Denmark* that a general increase in educational standards would raise British lone mothers' employment⁹. Certainly, however, opportunities for continuing education could remove disincentives to work for low-qualified lone mothers who thereby got access to better-paid jobs. This however would not lead to a general reduction in work disincentives, unless the great majority of lone mothers took part, which appears unrealistic. (It may be

⁹ This does not of course rule out the possibility that a higher general level of educational attainment would be accompanied by a higher employment rate among lone mothers; but such a relationship cannot be inferred from the comparison between Denmark and Great Britain.

relevant that in Denmark, with long-established educational support for lone mothers, only about five per cent were participating.) A more general solution would be to increase the wages available to unqualified or low-qualified lone mothers in Britain, as in Denmark. In a labour market with highly dispersed wages, the implementation of minimum wage legislation may be of particular importance in making it worthwhile for low-paid women to take paid employment (Bryson et al., 1997; White and Forth, 1998). More generally, the assumption that wide wage differentials provide work incentives is challenged by the Danish experience, where narrow differentials have coexisted with a very high female employment rate.

The superiority, in terms of work incentives, of insurance-based benefits over means-tested benefits has been apparent in the comparison between Britain and Denmark. In Denmark, making generous benefits conditional on contributions appears to have sustained work incentives (in line with the theory of Mortensen, 1977). Working, contributing to UI, and drawing when necessary on UI rather than SA, have become the normal behaviour. It is, however, not clear what practical implications can be drawn for development of the British system, from the point which it has now reached. The Danish UI system may be too remote from the British situation to offer many practical lessons.

An advantage of the Danish system, in terms of keeping lone mothers in the labour market, may have been the public provision and subsidy of childcare. The Danish system offers a high degree of access to childcare through publicly provided day centres, and low costs of childcare through subsidies which are available to all, though somewhat enhanced for those with very low incomes. The system offers great flexibility, which is likely to be important to a woman experiencing partnership breakdown, having a baby, or losing a job. Through all these transitions childcare is reliably at hand for the Danish mother to support transitions including job search and relocation¹⁰. Further, publicly provided childcare is likely to facilitate professionalism and an early educational focus, which in turn foster confidence in childcare and a positive desire on the part of the

¹⁰ There is a dearth of research on the impact of childcare availability and cost on the decisions made at the time of partnership breakdown, or the effect of these initial decisions on longer-term participation in jobsearch and employment. Such information could only be obtained from inflow studies.

mother to invest in child development. These are facets of Danish provision which should be of considerable interest to Britain in the development of its childcare strategy.

Finally, a study of Denmark provokes questions about the conditions for a society of high economic activity. As stressed in Part A of the paper, the rate of employment among Danish lone mothers, although high, was considerably lower than among Danish mothers as a whole. To some degree, explaining differences in lone mothers' employment between the countries must involve explaining the high general rate of female participation in Denmark.

Perhaps the most crucial point about the Danish system is that paid work, as well as being highly attractive in its own right, is also seen as the chief gateway to welfare. Lone mothers are doing nothing unusual in retaining a high attachment to the labour market, since this is virtually universal in Danish society. As a consequence, conventional assumptions about the appeal of welfare payments which replace most of wages, appear to be inoperative in Denmark. The results of the analysis suggested that conventional notions of work disincentives had little purchase with Danish lone mothers. For British lone mothers, in contrast, the same analysis showed that circumstances affecting incomes in and out of work were also strongly associated with probabilities of employment. Choices between work and welfare therefore continued to be important for British lone mothers, while most Danish lone mothers had moved beyond those choices.

References

Bradshaw, J., S. Kennedy, M. Kilkey, S. Hutton, A. Corden, T. Eardley, H. Holmes & J. Neale. (1996) *The employment of lone parents: a comparison of policy in 20 countries*. London: Family Policy Studies Centre.

Bridgwood, A. and Savage, D. (1993) *General Household Survey 1991*, London: HMSO.

Browning, M. (1992) Children and household economic behavior, *Journal of Economic Literature*, 30(3), 1434-75.

Bryson, A., Ford, R. & White, M. (1997) *Making work pay: Lone mothers, employment and well-being*, York: Joseph Rowntree Foundation.

Ditch, J., Barnes, H., Bradshaw, J., Commaille, J. and Eardley, T. (1996) *A Synthesis of National Family Policies 1994*. York: Social Policy Research Unit, University of York.

Duncan, A., Giles, C. and Webb, S. (1995) *The Impact of Subsidising Childcare*, Manchester: Equal Opportunities Commission.

Esam, P. and Berthoud, R. (1991) *Independent Benefits for Men and Women*, London: Policy Studies Institute.

Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press.

European Commission (1993) *Employment in Europe 1993*, COM(93) 314, Luxembourg: Office for Official Publications of the European Communities.

European Commission Network on Childcare (1996) *A Review of Services For Young Children in the European Union*. Brussels: European Commission Directorate General V.

Fridberg, T. (1988) *Lone-parent families in Denmark*, mimeo, Copenhagen: The Danish National Institute of Social Research (SFI).

Fridberg, T. (1991) *Lone-parent families in Denmark: Updating supplement to the national report of August 1988*, mimeo, Copenhagen: The Danish National Institute of Social Research (SFI).

Hansen, H., Heinsen, N., Salomaki, A., Viitamaki, H., Amira, S., Knolich, B., Semrau, P., Capellen, A., Ball, J., Einerhand, M., Metz, H., van Galen, J., Eriksson, I. and Lindholm, L.-E. (1995) *Unemployment Benefits and Social Assistance in Seven European Countries*, Den Haag: Ministerie van Sociale Zaken en Werkgelegenheit.

Jenkins, S.P. and Symons, E.J. (1995) *Child Care Costs and Lone Mothers' Employment Rates: UK Evidence*, Working Papers of the ESRC Centre on Micro-Social Change, 95-2, University of Essex.

Johansen, A.S., Leibowitz, A., and Waite, L.J. (1996) The Importance of Child-Care Characteristics to Choice of Care, *Journal of Marriage and the Family*, vol. 58, 759-772.

Lewis, J. (ed.) (1997) *Lone Mothers in European Welfare Regimes*, London: Jessica Kingsley.

Mabbett, D. (1996) *The Organisation of the Danish Cash Benefit System. Analysis and Issues*, CWR Working Paper 4, Copenhagen: Centre for Welfare State Research.

Maddala, G. S. (1983) *Limited Dependent and Qualitative Variables in Econometrics*, Cambridge: Cambridge University Press.

McKay, S. and Marsh, A. (1994) *Lone Parents and Work*, Department of Social Security Report No. 25, London: Her Majesty's Stationery Office.

Meulders, D., Plasman, R. and VanderStricht, V. (1993) *Position of Women on the Labour Market in the European Community*, Aldershot: Dartmouth.

Mortensen, D. T. (1977) Unemployment and job search decisions, *Industrial and Labor Relations Review*, 30, 505-517.

OECD (1993) *Breadwinner or Child Rearers: The dilemma for lone mothers*, Labour Market and Social Policy Occasional Papers, Paris: OECD.

OECD (1996) *Education at a Glance: OECD Indicators*, Paris: OECD.

Pedersen, L., Weise, H., Jacobs, S. and White, M. 'Lone Mothers, Poverty and Employment', in Gallie, D. and Paugam, S. (eds.) (2000) *The Experience of Unemployment in Europe*, Oxford University Press, forthcoming.

Ploug, N. and Kvist, J. (1996) *Social Security in Europe: Development or Dismemberment?* London: Kluwer Law International.

Ploug, N. and Søndergaard, J. (1996) *The Development and Present Situation of the Danish Welfare State*, Paper presented at the International Symposium on "Welfare State Reconsidered – Scandinavian Model and Asia", Tokyo, October 15-16, 1996.

Rosholm, M. and Smith, N. (1994) *The Danish Gender Wage Gap in the 1980s: A Panel Data Study*, Working Paper 94-2, Centre for Labour Market and Social Research, University of Aarhus and Aarhus School of Business.

Smith, N., Walker, I. & Westergård-Nielsen, N. (1993) 'The Labour Market Behaviour of Danish Lone Mothers' in Bunzel, H., Jensen, P. and Westergård-Nielsen, N. (eds.) *Panel Data and Labour Market Dynamics*. Amsterdam: North Holland.

Webster, C.J. and White, S. (1997) Child-care services and the urban labour market, Part 2: modelling the relationships between child-care service accessibility and labour-market participation, *Environment and Planning A*, vol. 29, 1675-1695.

White, M. (1998a) *Factors facilitating or restricting the take-up of childcare among working mothers: an analysis using the Family Resources Survey and linked locality data*, Draft Report to the Department for Education and Employment, Policy Studies Institute.

White, M. (1998a) *Barriers to the Provision of Childcare: A review of recent literature*, Draft Report to the Department for Education and Employment, Policy Studies Institute.

White, M. and Forth, J. (1998) *Pathways through Unemployment: The effects of a flexible labour market*, York: Joseph Rowntree Foundation.