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'Making Work Pay' – Devising the Best Strategy for Lone Parents in Britain

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ABSTRACT

'Making work pay' is the keystone of New Labour's strategy to reduce welfare dependency. This strategy is especially directed at lone parents, through increased financial support for childcare, a specific 'New Deal' and reduced benefits for non-working lone parents. Reducing welfare dependency for lone parents has several possible objectives; minimising welfare expenditures, maximising the employment rate, improving the socioeconomic status of women, or improving conditions for their children. This article analyses the implications of each of these objectives for policy design, using evidence from other countries as well as the United Kingdom, and examines the internal coherence of New Labour's policy approach to lone parents and its coherence with other policies on the family and on lifelong learning. The potential effectiveness of 'making work pay' is examined through the findings of recent literature, leading to arguments for a carer's allowance.

INTRODUCTION

New Labour's strategy towards getting more lone parents into employment needs to be situated in the history of post-war policies concerning women and benefits. At the start of the Beveridge system, the majority of lone mothers were widows, for whom it provided a widowed mother's allowance which was neither means-tested nor work-tested, reflecting strong public sympathy with this group (Lewis *et al.*, 1999). Assuming that mothers would generally be dependent on their husband's earnings and insurance record, or on maintenance payments, Beveridge considered, but eventually rejected, demands from women's organisations for specific provision for separated or divorced mothers (Parker, 1993).

From the 1950s to the 1970s, major changes in the labour market and

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the family overtook the Beveridge system. By the early 1970s, over half married women had a job, compared to around a quarter in 1951 (Parker, 1993; Haskey, 1998). Households' living standards came to depend frequently on two earners rather than one. The divorce rate rose rapidly and never-married mothers without a resident partner began to appear as a significant social category. Thus lone parents, a rarity in the 1940s, had become 8 per cent of all households with children by 1971 (Ford and Millar, 1998) and increased to 22 per cent by 1995 (Haskey, 1998). The rise in lone parent households has also occurred in several other OECD countries (OECD, 1988, 1997; Bradshaw, 1998), although more rapidly in Northern Europe, Australasia and the USA than elsewhere. There has been a corresponding concern to limit welfare dependence of lone mothers by policies to discourage unpartnered childbearing, encourage lone parents into employment, and maximise absent parents' contribution to child maintenance.

The OECD has noted the inherent difficulty of the second solution since 'the incomes of many absent parents cannot support two households and even less two families' (OECD, 1988, p. 28). A further difficulty is that low earnings capacity and high unemployment risk of the father, leading to difficulty in paying child maintenance, is associated with low potential hourly earnings of the mother. Bruegel (1998) finds a strong association in Labour Force Survey data between low hourly pay for women and low hourly pay for their male partners. Thus lone mothers who do not receive (much) maintenance are the ones less likely to be able to earn enough to become independent of benefits.

None the less, like several other OECD countries, the UK has recently sought to offset welfare costs by stricter enforcement of maintenance payments from the absent parent (OECD, 1997). The Child Support Agency (CSA), set up in 1991, has reduced the taxpayer's contribution to lone parents' maintenance in only 37 per cent of cases handled, and has led to more income for women in only 20 per cent of cases; 72 per cent of women involved found their income much the same (Maclean, 1998). Thus neither the Treasury nor the maintained families have gained substantially. Recent proposals for reform of child support in the UK will attempt to improve enforcement rates of maintenance obligations (Bennett, 2000, p. 119; DSS, 1999). If successful, full enforcement would transform Income Support (IS) for lone parents into a 'guaranteed maintenance allowance' paid to the carer parent, the cost of which is reclaimed by the state from the absent parent where possible. Examples of this are found in Sweden (OECD, 1997), Germany (MISSOC, 1998) and Denmark (OECD, 1997, and Brown, 1989). In the UK case, IS claimants

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will be able to keep £10 of maintenance receipts, from April 2001 (DSS, 1999; Gingerbread, 2000).

One Parent Benefit, introduced after the Finer Report of 1974, continued until abolished by New Labour in 1998. It acted as an element of 'unconditional benefit' for lone parents. Like the widowed mother's allowance, it was paid irrespective of employment status or earnings – although at a small fraction of the rate. During this period, apart from the introduction in 1970 of a more generous 'disregard' for lone parents' earnings than for other Supplementary Benefit claimants, no special incentives were offered for lone parents to take paid work. Family Income Supplement (1971) and its successor Family Credit (1988) improved the incentives for unwaged parents to enter employment, but until 1994, when the childcare disregard was introduced into Family Credit, incorporated no financial help with childcare costs and thus were of limited value to lone parents.

New Labour's strategy seeks to move lone parents into the labour market. This is done by offering improved financial incentives to take paid work, through replacement of Family Credit by the more generous Working Families Tax Credit (WFTC) and by providing more childcare places (see Rake, 2001, for an account of the changes and of how far lone parents are likely to benefit). Within an overall strategy to reduce welfare dependence, New Labour's approach to drawing lone parents into employment relies more on persuasion and financial incentives than for other claimant groups. The New Deal for Lone Parents is voluntary, whilst the long-term unemployed face benefit sanctions if they refuse employment or training. However, the new Single Work-focused Gateway involves mandatory 'work-focused' interviews for lone parents (and other claimants of means-tested benefits). The Budget speech of March 2000 indicated that lone parents with a child under 5 would be allowed to defer interviews. Otherwise, they must attend interviews on first claiming IS and thereafter annually. Local administrators are likely to have some discretion about what circumstances justify deferment (CPAG, 2000) so that there is no categorical right to defer.

The Welfare and Pensions Reform Act 1999 enables 'availability for work' requirements to be extended to all claimants at some future time (*The Times*, 1.6.99, pp. 1, 19). Thus if the 'making work pay' strategy, together with childcare expansion, fails to attract sufficient lone parents into employment, the government may require them to 'actively seek work' long before their youngest child is 16. However, a sharp divide remains so far, between the benefits regime for lone parents and that for long-term unemployed people. Lone parents will be obliged to attend interviews, but not actually to seek employment.

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New Labour's reforms bring the treatment of lone parents more into line with other European countries. Dutch legislation of 1996 removed the former exemption from 'actively seeking work' rules for welfare-dependent lone parents of children over 12 (Lewis *et al.*, 1999). In France and Germany, officials can impose a work requirement in certain cases for lone parents living on benefits (Brown, 1989; Eardley *et al.*, 1996) subject to the availability of suitable childcare. The Danish authorities place at least some pressure on them to seek paid work (Brown, 1989). However, the 'minimex' in Belgium, like IS in Britain for lone parents, has been a form of 'unconditional basic income'.

POLICY ALTERNATIVES AND POLICY CONFLICTS; LONE PARENTS AND THE WIDER AGENDA

Several wider policy objectives influence New Labour's aim of inducing lone parents to take paid work. These include; containing the long-term increase in welfare budgets; increasing employment rates as the foundation for economic growth; promoting equal opportunities for women and men; and promoting good parenting. Whilst the government's pursuit of the first two objectives has been held back by concern about the social vulnerability of lone parents and their children, its approach to equal opportunities in the labour market has been severely constrained by its economic stance. This is of particular interest in the European arena, since the policy conflict in the UK illustrates how a tension between equality for women and labour market deregulation exists at the level of the European Union as a whole. At the same time, UK policies on childcare and parenting conflict with the objective of reducing welfare dependency and welfare costs. Rake (2001) provides a more extensive commentary on New Labour's policies on parenting, whilst sharing the concern expressed here that WFTC rules penalise repartnering by lone parents.

Objective 1: minimising welfare expenditure

The Green Paper 'New ambitions for our country; a new contract for welfare' (DSS, 1998) lamented the rapid rise in social security spending under Conservative rule, to reach one third of all government spending by 1996/7. Part of the solution was seen to be a reduction in the number of workless households, including lone parents.

Despite considerable interest shown in the American 'workfare' model by UK politicians of all parties, New Labour appears to have stopped short of the American approach to welfare for lone parents. The New Deal for Lone Parents is voluntary, whereas US legislation allows states to exempt from workfare requirements only those mothers with a child under 12

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months old. There has been no UK parallel to the harshest measures of the American Federal legislation of 1996, namely the five-year limit on the duration of welfare claims which qualify for Federal funding, the two-year limit on claims not associated with a workfare requirement, and the power for individual states to deny benefits for children born to existing claimants or for mothers under 18 (Mead, 1997, pp. 19, 23). American research has revealed some severe failures in childcare arrangements for lone parents on workfare, illustrating the tension between child welfare and requiring women to work (Wittman, 1998). However, New Labour's heavy expenditures on WFTC and childcare provision, which have a high opportunity cost, indicate a commitment to drawing claimants into work, rather than merely saving public money, which seems to receive more emphasis in the American approach.

Objective 2: maximising the employment rate

Walters (1998) locates recent developments in UK labour market policy, especially the emphasis on increasing employment rates of lone parents and disabled people, in the model of the 'active society' advocated by the OECD. This model emphasises reducing wage pressure, thus enhancing profitability, as a key driver of private sector led growth, implying a need to increase the overall supply of labour and reduce the dependency ratio. It is expressed in recent writing by Layard, one of New Labour's advisers (Layard, 1998). It is also explicit in the EU employment guidelines which emerged after the Amsterdam and Luxembourg summits (EC, 1999, p. 8) which refer to 'coordination of Member States' policies ... to arrive at a significant increase in the employment rate in Europe on a sustainable basis'. Another recent EU document refers to 'ensuring a sufficient quantity of labour to provide a basis for economic growth and expansion' (EC, 1998, p. 7).

The marginal Exchequer cost of a lone parent entering the labour market with WFTC is very high. To bring into employment a lone parent of one child for 35 hours per week costs up to £71 before including eligible childcare costs, if s/he earns the National Minimum Wage. This example amounts to a subsidy of over £2 per hour of labour services introduced to the market economy outside the childcare sector. The hourly subsidy falls to £1.23 if the parent's earnings are £5 per hour, but it rises if childcare costs are involved, unless the work supplied by the hired carer is also counted as a contribution to the economy. However, if one childminder simply replaces the unpaid work formerly done by one parent there is no real gain. If the government's objective is to realise the productive potential of an under-utilised labour supply, this seems a very high price to pay.

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There is, moreover, a 'deadweight' effect of childcare subsidies. Some parents who would have returned to employment anyway may use hired, WFTC eligible care rather than free informal care. Some care providers may also raise their prices (Gardiner, 1997).

Crucial to the argument that increasing labour supply facilitates greater employment is that the new (or retained) members of the labour force must be employable and appropriately skilled. Otherwise the result of inducing more jobseekers to enter the market could be a rise in unemployment rather than employment. This raises the question, what kinds of vacancies will lone parents fill; can they meet skills shortages or will they compete with the unemployed? Lone parents with high potential hourly earnings have higher employment rates than those with poor wage prospects (Finlayson and Marsh, 1998). Thus those lone parents who are induced by New Labour's policies to enter the labour market will tend to be lower skilled than those already working. Unskilled lone parents may compete for jobs with other New Deal groups. However, some lone parents who are working below their potential career level because of childcare constraints may be helped, by the expansion of childcare places, to access higher-paid jobs, thus reducing competition for 'entry-grade' positions.

Training is crucial for lone parents to meet skills shortages rather than competing with the unemployed. Moreover, upskilling, if successful, both widens the gap between hourly earnings and hourly child-care costs and makes it possible to achieve a significant increase in income (and contribution to the economy) in a smaller number of weekly hours. Although the New Deal for lone parents has so far attracted 9 per cent of participants into training (DfEE, 2000) it rarely supports higher level training needs, generally offering training opportunities only up to NVQ Level 2 and for a maximum of 12 months. Kim Breckon, reporting a Gingerbread survey of lone parents (Gingerbread, 1998) finds a distinct group of lone parents (who generally have taken training or would like to) who seek full-time employment with career progression; for them she suggests a new 'aspirational route' to training, offering access to longer and more advanced courses than the New Deal. Clark, Barry *et al.* (1999) find, in survey research conducted before the New Deal, that up to 80 per cent of lone parents had engaged in study or training in the three years prior to interview, some being determined to train themselves into a potential higher earnings bracket. Thus the issue is as much how to help lone parents continue and progress in training as to enter basic courses. Inability to finance the cost of attending courses presents a barrier to lone parents on benefits entering higher education. Any bursaries, etc. received for fees or childcare costs outside the New Deal will be deducted from their

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benefits, although these bursaries will rarely be sufficient to enable them to stop claiming IS.

There is some disturbing evidence that some lone parents may have used Family Credit to take up jobs below their full potential, finding later that they have the wrong work experience to move upwards. Bryson (1998) reports that lone parents who enter low-paid jobs with the support of in-work benefits have lower earnings several years later than their qualifications and previous work experience would predict. Thus in-work benefits may promote a misallocation of human resources unless coupled with a more proactive stance to encourage family-friendly employment and to facilitate take-up of further and higher education by lone parents.

Objective 3: equal opportunities for women and men

An alternative package for encouraging lone parents to return to employment might be to promote better wages for all women, greater choice of working time patterns and more opportunities for training. In Denmark and Sweden, the 'active society' combines a relatively high economic activity rate with greater gender equality than in the UK and with less income inequality. Women's paid work in Scandinavia is facilitated by family-friendly employment practices, including generous, partly paid, parental leave provisions (Etherington, 1998; Scott 1982; Swedish Ministry of Labour, 1988), relatively short working hours (EC, 1997, p. 10) extensive provision for paid carer leave, opportunities for job-sharing and municipally provided childcare (Scott, 1982; Esping-Andersen, 1996). In Sweden, parents of young children have a right to a 6 hour day without loss of full-timers' pay. Active labour market measures in both Sweden and Denmark appear to be less directed at securing immediate reduction in wage pressure than in the Anglo-American approach. They involve considerable investment in skills training of the unwaged (including women returners) for occupational mobility, rather than merely for entry-level jobs, as in the UK.

Gender inequality in hourly earnings is one reason why lone parents, 90 per cent of them mothers, need WFTC to avoid a benefits trap. Bruegel (1998) shows from Labour Force Survey data that average hourly pay of lone mothers is over 12 per cent less than for all working women, although 29 per cent of lone mothers have 'A' levels. Restricted job choice due to childcare issues may be one reason for this.

A relative increase in women's earnings would free up some of the funds needed for WFTC to enhance educational opportunities for lone parents and other benefit-dependent or low-waged women. One way to achieve

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this would be to increase the national minimum wage, the introduction of which has benefited around three women for every man (Low Pay Commission, 1998, p. 40). Within-sector comparisons of average hourly earnings of women relative to men show a wider gender gap in the UK than in other northern EU states (Bruegel and Perrons, 1995). This suggests that a stronger focus on equal opportunities within employment policy is possible. It would help lone parents in the same way as in-work benefits, but at less Exchequer cost.

Apart from adopting the EU Parental Leave Directive (but without provision for such leave to be paid), New Labour has so far initiated little legislation to promote family-friendly employment, relying mainly on persuasion of employers through its campaign on 'balancing work and home' (*The Guardian*, 12.6.2000, p. 11). The Employment Relations Act 1999 provides for time off in family emergencies and for improved maternity leave. The ministerial review group on maternity rights and flexible working is now considering whether to introduce a statutory right to move from full-time to part-time working. Such a right already exists in France (O'Reilly, 1994) and in Sweden (Scott, 1982). This is needed to avoid lone parents (even more than other women) being marginalised into part-time jobs defined by employers' needs, which often present low pay and unsocial hours.

Objective 4: income security and finding a new stepfather, as conditions for child development

Income security is an important condition for minimising the effects on children when their parents' relationship breaks down. New Labour's consultation paper 'Supporting Families' presents the view that two-parent families are the best basis for child-rearing. Yet the current benefit system deters couples from coming together as well as from remaining together, since starting a new 'live-in' relationship is financially penalised under IS, income-based JSA and WFTC rules. Policy-makers need to consider how to remove this disincentive to repartnering, which is inherent in any means-tested benefits system based on household income. This is especially important when we consider that more lone parents exit benefit dependence through forming a new relationship than by improving their labour market status (Noble *et al.*,1994).

There is also a possible tension between income security and the new interview requirement in the Single Work-focused Gateway. The Child Poverty Action Group (CPAG) has expressed concern that some new claimants in post-separation crisis may find it impractical to attend or benefit from a work-focused interview when first claiming IS. Those

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required to attend who do not do so will suffer a 20 per cent reduction of the adult element of their IS (CPAG, 2000).

'MAKING WORK PAY'; HOW WILL LONE PARENTS RESPOND?

Unlike the previous government, which introduced Family Credit without very much childcare investment, New Labour has responded to both elements of what Lister (1999) describes as the 'prevailing orthodoxy'; that lone parents have a low employment rate both because of benefit traps and because of childcare constraints. However, as Rake notes (Rake, 2001) many lone parents use childcare services of friends and relatives, and are currently ineligible for the childcare tax credit. But at least the eligibility rules for 'informal' care are under review (*The Guardian,* 20.5.2000, supplement, p. 2).

The childcare constraint cannot be removed easily just by providing more money, or even by providing more formal childcare places. The affordability of formal care depends partly on the woman's potential hourly wage (after taking into account the tax credit and costs of travel to the care facility). But even if care is affordable, other criteria must still be met concerning quality, location and hours available. Ford (1996) found that one third of non-working lone parents were only willing to leave their children with friends or relatives. Grieco (1998) highlights the risk of unpunctuality due to unreliable public transport as a barrier to use of childcare. Gingerbread (2000) highlights the shortage of places in rural areas which may be inherently hard to resolve. Standing (1999) highlights the impracticality of arranging employment to fit with a daily routine of taking and fetching different children to two or more schools or childcare facilities with diverse locations or timings. Childcare may also be hard to arrange for irregular or unsocial hours (Lewis, 1998). Thus neither childcare tax credits nor provision of more nursery places can remove the childcare constraint for every parent/child/employer/carer situation.

An interesting contribution to the debate concerning the economic incentives for lone parents to take paid work is the concept of 'gendered moral rationalities' (Duncan and Edwards, 1997, 1999); that is, deep-seated cultural attitudes about gender and parenting roles which are thought to have more influence on employment decisions than economic factors. Evidence for this is provided from qualitative interviews and from the finding that employment rates of black women in the UK are considerably higher than those for white women, even when controlling for the number of children and the age of the youngest child. Lister (1999) argues that Duncan and Edwards 'overstate their case' and that there is

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no evidence that such attitudes are the over-riding factor. Indeed, even if they are important as determinants of lone parents' employment status at one point in time, they might be less important as determinants of the response to a change in the system of in-work benefits.

A further issue is whether lone parents who are owner-occupiers can really gain from Working Families Tax Credit. Lone parents receiving IS are entitled to assistance towards their mortgage interest. If they leave IS they cannot get help with their mortgages from any other source after the first four weeks, so they may be worse off claiming WFTC than not working at all. Bryson (1998) estimates that in 1991, 27 per cent of all lone parents were owner-occupiers. Although he finds that owning a home is positively associated with working, this may be because owner-occupiers have higher potential earnings and higher maintenance payments from their former partners. *Ceteris paribus*, the current system of IS for mortgage interest creates a severe poverty trap. The fact that owner-occupiers can get help with housing costs whilst out of employment, but not whilst in low-paid or part-time jobs, creates an inequality between low-paid people in different tenures (despite the fact that Housing Benefit is reduced for low-paid tenants because WFTC counts as income in Housing Benefit assessment). This inequality seems unlikely to be addressed by the government's current stance on housing-related benefits. The Green Paper on Housing Benefit (DETR, 2000), proposes that private mortgage protection insurance and a variety of aids for low-income households entering owner-occupation can address most of the difficulties faced by low-income home owners. But divorce or separation are essentially uninsurable risks, and so is the inability to regain the earnings level needed to pay the mortgage after a period out of employment.

THE NEED FOR A CHILD-RAISING ALLOWANCE?

In view of the various drawbacks of WFTC and IS identified here, what alternative benefit system can be proposed?

A benefit system is needed which would help lone mothers to maximise their earnings potential, through giving them an incentive to train and avoiding an incentive to take low-paid jobs which are below their maximum skill level. The system also needs to remove the disincentive to repartnering (and with it the policing of personal life associated with the co-habitation rule for claiming IS). Both requirements could be met by recognising the status of 'carer' (whether partnered or not) by a special system of income maintenance. Like the traditional Widowed Mother's Allowance or One Parent Benefit, a 'carer benefit' of this kind would not be means-tested or subject to an 'availability for work' requirement. But,

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unlike these, it would not end when the lone parent set up a new couple household. The amount could be varied in relation to the number of hours spent caring.

To examine how such a benefit might be constructed or justified, we now consider how various countries address the issue of income maintenance for lone parents within different 'gender models' of employment and social policy. For Barbara Hobson (1994) this is the 'litmus test' of the gender outlook of different welfare regimes. She argues that it discriminates between their core features better than the 'strong/weak breadwinner model' classification of Lewis and Ostner (1991). These core features are the mode of childcare, the extent of 'social wage' provision for economically inactive mothers and the extent to which uninsured women's access to benefits is through their relationship to a man.

Hobson's findings challenge the argument that 'paid work is best' as a solution to poverty amongst lone parents. (New Labour and its defenders might argue that poverty is not the only issue at stake, but few would deny its importance.) Comparing five countries (Sweden, UK, Netherlands, Germany and USA) on 1980s data, she found that Sweden, with the highest employment rate amongst lone mothers, has the lowest proportion of them in poverty. But the UK, with the lowest percentage employed, had the third highest poverty rate of the five; and the Netherlands, with the second lowest employment rate but relatively generous benefits for uninsured, unwaged women, also had the second lowest poverty rate. Pedersen *et al.* (2000), comparing EU countries on European Household Panel data for 1994, in which Denmark is the sole Scandinavian example, find that Denmark has the highest employment rate of lone mothers, relative to other mothers, of eleven countries, and the lowest poverty rate. Germany, France and Belgium also have most of their lone mothers in work and relatively low poverty rates amongst them compared to most countries with high inactivity rates of lone mothers. But again the Netherlands stands out as an example of a low employment rate of lone – and other – mothers but with relatively little lone mother poverty. As in Hobson's study, the UK (along with Ireland) has a much lower employment rate of lone mothers than of other mothers, together with extensive lone mother poverty due to low-benefit income. In Spain and Portugal, lone mothers are more likely to work than partnered mothers but are still very poor, due to low wages in the kind of jobs they can access. There, as well as in Greece and Italy, the 'poverty gap' between lone and partnered mothers is smaller than in northern Europe, due to low employment rates of all women. This illustrates the influence of what Pfau-Effinger (1999) identifies as one of two key dimensions of

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the 'gender model' expressed in labour market and social policy; the 'norm' of how many earners 'keep' a family. Extending her analysis, one may argue that where the 'norm' is one of high employment rates of partnered women, lone mothers will find it more difficult to earn as much as the 'typical' family than they will where mothers rarely work anyway.

Pfau-Effinger's second key dimension of 'gender models' is the 'care model', which may be 'state carer' – with an assumption of a right to publicly funded state childcare for working parents who want it, of which Finland is given as the key example, or 'marketised' as in the UK or USA. To her two dimensions one could add a third: the extent to which employment practice is 'family friendly' – for example, whether parental leave is paid, and whether carers can choose to work part time. A key problem for lone (and other) mothers in southern Europe is that relatively few jobs are part time and parental leave (as in Britain) is unpaid.

The 'care model' is central to the conditions for keeping lone parents out of poverty, since it conditions their access to work. But this access is also contingent on the availability of reasonably paid, family friendly jobs for mothers. In some areas, and for some unskilled parents, jobs will be hard to find and adequate jobs for lone parents harder still. Moreover, as argued earlier, some families and some types of worker will always find childcare difficult to use. Almost inevitably, therefore, some lone parents must depend on benefits and at best part-time work.

Finland, with one of the highest female employment rate in Europe (Table 1) has one of the lowest percentages of women working part time. It is thus the only real example of a 'two full-time earner' society in Europe, although Sweden and Denmark, with a prevalence of 'long part time hours' and even higher female employment rates, come close. But unpacking Pfau-Effinger's notion of Finland as an example of the 'state-carer' model, we find that does not mean particularly high public childcare provision (Table 1). What is most significant in the Finnish welfare state is the availability of a 'home care allowance' payable to all mothers up to the child's third birthday if the child is cared for at home, rather than in a state nursery; a kind of 'childcare cost rebate'. This is by no means unique to Finland. France has a similar allowance for formerly employed parents, payable until the child is three, plus a refund of 75 per cent of social insurance contributions for children under six being cared for at home. Germany also has a carer benefit for all mothers, payable until the child is two years old, provided the mother stays at home to care for the child . It is independent of maternity pay derived from the mother's insurance record (MISSOC, 1998). 'Home care allowances' of this kind are of considerable

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benefit to lone parents, as noted by Jane Lewis (1998) in the French case. Unlike IS, they are not conditional on remaining unpartnered.

One way of helping lone parents, without offering a special benefit contingent on their lone parent status, is simply to increase unconditional child-related benefits for all families. The government's long-term plan for an integrated child 'credit', bringing together Child Benefit, children's IS allowances and WFTC for children in one payment to the main carer, is a move in this direction (*Financial Times*, 22.3.2000, p. 16). However, a payment per family related to the number of children will not address the shortfall of earning capacity in a one parent family compared to a two parent family. Even if childcare is provided during the lone parent's hours of paid work, a shortfall still exists because there is no second parent to share the second, unpaid job of parenting outside paid working hours. This means that the lone parent needs to work shorter hours in the labour market – for example, however low her hourly pay, she cannot work overtime without prejudicing time to spend with her children. A carer's allowance for lone parents and for one parent in each couple family would help to bridge this shortfall, without creating a special 'lone parent' status which could penalise repartnering. On the Finnish model, it could have both an unconditional or universal and a means-tested

TABLE 1. *Women's employment and child-care places across Europe*

Childcare	Provision*	Per cent of female workers who are part time 1997	Female employment rate per cent
EU average	17	32.4	50.5
Belgium	30	31.4	47
Denmark	48	34.5	71.1
Germany	50	35.1	53.6
Greece	3	8.1	40.1
Spain	2	17.4	33.9
France	23	30.9	52.7
Ireland	2	23.2	45.3
Italy	6	13.7	36.7
Luxembourg	na	19.4	46.5
Netherlands	8	67.9	54.9
Austria	3	29	59.5
Portugal	12	15	58.6
Finland	21	15.6	60.8
Sweden	33	41.4	67.7
UK	2	44.9	63.9

[a] Proportion of children under 4 years for whom there are publicly funded places
Source: col. 1: Rubery, Smith and Fagan 1999; columns 2 and 3: Employment in Europe, 1999 (EC DG V).

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component, and be payable *pro rata* for part-time workers. The government has already made some concession in this direction by the announcement, in the March 2000 Budget, of a 'baby' tax credit to mothers of newly born children whilst on maternity leave (*Financial Times*, 22.3.2000, p. 16).

The transformation of means-tested benefits for one unwaged parent in each family into a carer's allowance would be a logical response to the call by Rake (2001) and many others for recognition of unpaid caring work. It would help to address the possible contradiction identified by Standing (1999) between the expectation that lone mothers can and should be drawn into paid work and the government's concern with the quality of parenting. A carer's allowance would bring British social protection a step close to the Scandinavian model which Sainsbury (1994) identifies as reflecting 'citizenship and the principle of care', whereas the 'work is best' ideology places undue burdens of working time (paid plus unpaid) and financial responsibility on lone parents, in order to fit them into a social protection model designed for a two-parent society. A proposal which embodies several of the same advantages and is similar in form, but different in rationale because it emphasises citizenship much more than care, was made by Parker (1993) under the title of women's basic income.

A carer's allowance could be grafted on to the integrated child credit and adult employment credit system. It could be paid to both lone parents and to couples with children, prioritising those with pre-school children but eventually extending up the age range. It would replace the 'adult' and 'family premium' elements of IS, and also most of income-based JSA for a parent couple, with the child-related elements of these benefits becoming part of the planned integrated child credit. Some illustrative calculations for such an allowance are shown in Table 2. Beneficiaries would be able to take paid work for up to 16 hours per week without loss of the carer's allowance, and as their paid work hours rose the allowance would be tapered to zero where they were employed for 36 hours weekly. If employed for at least 16 hours they could claim WFTC as well, but the carer's allowance would count as income in the assessment of WFTC, and it would also be taxable. It would be withdrawn at the rate of 55p for each £1 of the partner's earnings. Couples would be able to claim a carer's allowance for the partner with the shortest hours, or to share one. But the carer's allowance would be reduced for couples with only one part-time earner. In the illustrative calculations, the carer's allowance is reduced where the partner does less than 36 hours paid work, the reduction being £1 for each hour by which the partner's working week falls

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TABLE 2. *Illustrative calculations for a carer's allowance*

	With adult WFTC only or IS/JSA if unwaged			With adult WFTC plus a carer's allowance				Gain from policy change
	Wage per week	WFTC	Total	Wage per week	WFTC	Carer's allowance	Total	
A. Lone parent, not working	0.00	0.00	IS (excl. child element) 66.45	0.00		66.50		0.05
B. Lone parent, 20 hours work at £3.70	74.00	53.15	127.15	74.00	32.64	53.30	159.94	32.79
C. Lone parent, 20 hours work at £5 per hour	100.00	53.15	153.15	100.00	18.34	53.30	171.64	18.49
D. Lone parent, 37 hours work at £3.70 per hour	136.90	38.61	175.51	136.90	36.52	3.80	177.22	1.71
E. Lone parent, 37 hours work at £5 per hour	185.00	12.15	197.15	185.00	10.06	3.80	198.86	1.71
F. Couple, neither working	0.00	0.00	IS (excl. child element) 96.20	0.00	0.00	66.50	Add JSA for non-carer so 96.20	0.00
G. Couple, one earner 20 hours at £3.70 per hour	74.00	53.15	127.15	74.00	53.15	9.80	136.95	9.80
H. Couple, one earner 37 hours at £5 per hour	185.00	12.15	197.15	185.00	12.15	0.00	197.15	0.00
I. Couple, one earner 37 hours, one 16 hours, both at £3.70/hour	196.10	6.04	202.15	196.10	6.04	0.00	202.15	0.00

Notes: Basis of calculations;

Carer's allowance is reduced by 1/20 for each hour the carer works from 16 upwards. It is also reduced by 55p for each £1 of partner's earnings. It is counted as income in the assessment of WFTC. Where the carer's partner works part time, the carer's allowance is reduced by £1 for each hour by which the partner's working week falls short of 36. This is to avoid couples claiming undue advantage by getting WFTC and a partial carer's allowance simultaneously. Since most lone parents do not work a very long full-time week, hours of couples are limited merely to illustrate the comparison

Figures shown are gross amounts before deducting income tax or National Insurance.

It is assumed that payments for children within WFTC and IS would be combined in the new integrated child credit.

No payments for children are therefore shown in this table. Childcare costs and childcare tax credit are not taken into account either, but no payments for children or childcare would be affected by the policy change being illustrated.

below 36. This is in recognition of the help with caring which should be available from a partner working only part time, and to avoid couples gaining undue advantage from claiming both full carer's allowance and WFTC.

In Table 2, it is seen that almost all of the gains occur to lone parents working part time on low wages, with a small rise in the income of couples with only one part-time earner. In other cases, the cost of the carer's allowance would be almost entirely offset by reductions in WFTC, and there are no gains to households earning over £200 per week. Lone parents working 20 hours per week would gain £32.79 per week if earning the National Minimum Wage, and £18.49 if earning £5 per hour. The gains from seeking a higher hourly wage are as good as with WFTC alone. Lone parents (and couples with children) who are not working enough to get WFTC would gain nothing in cash, but they would gain the right to work up to 16 hours per week without losing the carer's allowance. This would give them greater incentives to take part-time work than the present situation of IS with a disregard of merely £20 per week. WFTC, which could be combined with a partial carer's allowance as working hours rose, would ensure that an incentive remained to do paid work for over 16 hours, although for lone parents the incentive to move from 20 hours to full time would be weaker than with the present system. Since receipt of student bursaries, etc. would not lead to deductions from the carer's allowance like they do from IS, there would be better incentives to engage in training.

CONCLUSION

New Labour's twin track policy of expanding in-work benefits and formal childcare provision, subsidised through the WFTC, is shown to be a way of 'making work pay' which scores rather low on its contribution to three other professed government objectives. These are: upskilling the labour force, equal opportunities and quality of parenting.

An alternative model of a higher minimum wage, regulating for family friendly employment, and a 'carer' benefit without a means test, would be more consistent with both equality for women and with the government's concern with 'good parenting'.

The current approach to 'making work pay' is flawed. Employers stand to gain too much by having an increased labour supply into entry-grade jobs, where the various New Deal target groups will compete with each other to drive down wages towards the legal minimum. Raising that minimum would enable funds to be diverted from in-work benefits to training and would achieve greater consistency between welfare to work and

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upskilling objectives. The present short-termism in the use and development of human resources represented by lone parents' labour will lead to sub-optimal parents' reservations about leaving their children in those forms of childcare which are eligible for WFTC. A higher minimum wage, plus making employment more 'family friendly' to widen lone parents' job choices, would achieve greater gender equity than current policies at lower public cost. Lastly, the current benefit system provides a disincentive to the use of their economic potential and higher benefit dependency of former lone parents in their old age. Moreover, response to the 'offer' of in-work benefits may be limited by the continued benefits trap for owner-occupiers, as well as to form a new couple household.

'Making work pay' is revealed as an expensive way of seeking marginal additions to the labour force, with potentially damaging effects on the labour market as a whole. A better approach to benefits for lone parents and other carers would be to secure greater equality for women in the labour market, better access for carers to lifelong learning, and an unconditional 'carer's allowance' for non-working parents of young children. This could be coupled with a housing allowance available to low-income owners as well as to tenants, eliminating the benefit trap associated with IS payments towards mortgage interest.

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