

# Sole Parent Families in Australia

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SOLE PARENT FAMILIES IN AUSTRALIA

Peter Saunders and George Matheson

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## **SOLE PARENT FAMILIES IN AUSTRALIA**

**Peter Saunders and George Matheson\***

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## ABSTRACT

This paper is intended primarily as a resource document. It provides information on the number of sole parent families in Australia, on the growth of sole parent families and on a range of indicators of their socio-economic circumstances. The focus in the paper is on describing the existing situation and trends over time rather than on explaining the causes of the observed trends. The paper begins with a brief summary of the demographic characteristics of sole parent families and how these differ from those of married couple families. This is followed by a discussion of poverty and inequality among sole parent families, again focusing on comparisons with couple families with children. This analysis highlights the degree to which sole parent families are characterised by low relative incomes and thus by high rates of poverty. The provisions for sole parents in the social security system are then described, focusing on income support coverage issues, the reasons for benefit termination and questions relating to the poverty trap facing sole parent pensioners. Finally, the labour market status of sole parents - particularly sole mothers - is compared and contrasted with that of married mothers, this being undertaken against a background of the main trends in the Australian labour market since the early seventies.

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## **1. GENERAL CHARACTERISTICS**

### **1.1. Size and Growth in Sole Parent Families**

As in many other OECD countries, the number of sole parent families in Australia has grown rapidly in the last fifteen years. Table 1 shows that in July 1989 there were 341.4 thousand sole parent families in Australia containing over 550 thousand dependent children. The number of sole parent families at that time represented 14.5 per cent of all families with dependent children, and 12.4 per cent of all dependent children were in sole parent families. Between 1974 and 1989, the number of sole parent families increased by over 86 per cent, equivalent to an average rate of growth of just below 4 per cent a year. The average growth in the total number of families with dependent children was just over 1 per cent a year over the same period. Much of the growth in sole parent families - both in absolute terms as well as relative to the total number of families with dependent children - occurred in the latter half of the seventies. The annual average growth in the number of sole parent families has declined steadily over the period as a whole, from 8.1 per cent during 1974-79, to 3.1 per cent during 1979-84, and to 1.7 per cent during 1984-89.

The vast majority of sole parents are female and their numbers have grown since 1974 at a faster rate than male sole parents (Table 2). Currently, around 90 per cent of all sole parent families are headed by females. Table 3 shows the current marital status of single parents with dependent children in 1982. This information - extracted from the survey of **Australian Families, 1982** undertaken by the Australian Bureau of Statistics (ABS) - indicates that about two thirds of single parents were either divorced or separated, about a seventh were widowed and a fifth were never married. At the time of the 1982 ABS survey, there was a total of 279.2 thousand sole parent families representing 6.9 per cent of all families. (A family was defined in the ABS survey to consist of, 'two or more persons who live in the same household and are related to each other by blood, marriage or adoption' (ABS, 1984, p. 1)). Of the total number of sole parent families, 17.1 thousand, or 6.1 per cent, were living with their offspring and other relatives, while the remaining 262.1 thousand (93.9 per cent) were living with their offspring only.

### **1.2. Family Structure**

Information on aspects of family structure for sole parents and two parent families is presented in Tables 4 to 6. These data have been derived from the unit record files

TABLE 1: GROWTH IN SOLE PARENT FAMILIES, 1974-89

Year	Number of Sole Parent Families ♦ (‘000)	Number of Children in Sole Parent Families ♦ (‘000)	Sole Parent Families as a Percentage of all Families with Dependent Children (%)	Children in Sole Parent Families as a Percentage of all Dependent Children (%)
1974	183.2	n.a.	9.2	n.a.
1975	173.7	n.a.	8.7	n.a.
1976	203.3	n.a.	10.1	n.a.
1977	213.8	n.a.	10.6	n.a.
1978	n.a.	n.a.	n.a.	n.a.
1979	270.0	473.8	12.8	10.9
1980	268.7	463.8	12.6	10.8
1981	282.2	482.2	13.2	11.2
1982	306.2	514.9	14.1	11.9
1983	295.3	507.6	13.6	11.7
1984	313.8	528.8	14.3	12.2
1985	316.4	534.3	14.4	12.2
1986	319.9	530.7	14.6	12.3
1987	348.3	575.1	15.6	13.2
1988	342.5	557.9	15.0	12.6
1989	341.4	552.7	14.5	12.4

**Notes:** ♦ Data refer to November in 1974 and 1975, May in 1976 and 1977, July in 1979 and 1980, June in 1981, July in 1982 to 1985, and June in 1986 to 1989. Due to a change in estimation procedures in 1983, data for subsequent years are not strictly comparable with those prior to 1983. The estimates assume an average of 3.4 children in sole parent families with three or more children, and an average of 4.2 children in couple families with four or more children.

n.a. = not available.

**Source:** Australian Bureau of Statistics, **Labour Force Status and Other Characteristics of Families**, Catalogue No. 6224.0; various issues.

TABLE 2: SOLE PARENTS BY SEX, 1974-1989

Year	Females ( <sup>'000</sup> )	Males ( <sup>'000</sup> )	Percentage who are Female (%)
1974	158.5	24.7	86.5
1975	148.7	25.0	85.6
1976	172.3	31.0	84.8
1977	182.1	31.7	85.2
1978	n.a.	n.a.	n.a.
1979	224.6	45.4	83.2
1980	228.7	40.0	85.1
1981	236.8	45.3	83.9
1982	260.7	45.5	85.1
1983	258.7	36.6	87.6
1984	274.3	39.5	87.4
1985	279.0	37.4	88.2
1986	279.6	40.3	87.4
1987	306.7	41.6	88.1
1988	300.0	42.6	87.6
1989 <sup>◇</sup>	292.9	37.4	88.7

**Notes:** See Notes to Table 1.  
n.a. = not available.

<sup>◇</sup> Data for 1989 are not strictly comparable with data for earlier years due to changes in data presentation by ABS.

**Sources:** 1974-85: Social Security Review (1986), Table 2.  
1986-88: ABS, **Labour Force Status and Other Characteristics of Families, Australia**, June 1986, June 1987 and June 1988 (Cat. No. 6224.0).



**TABLE 3: MARITAL STATUS OF SINGLE PARENTS WITH  
DEPENDENT CHILDREN IN 1982**

<b>Marital Status</b>	<b>Numbers<sup>♦</sup> ('000)</b>	<b>Percentage (%)</b>
Separated	80.3	29.8
Divorced	99.0	36.7
Widowed	37.1	13.7
Never Married	53.5	19.8
<b>Total</b>	<b>269.9</b>	<b>100</b>

**Note:**     ♦ These numbers are approximate, due to non-publication of estimates based on small sample sizes.

**Source:**   Australian Bureau of Statistics (1984), **Australian Families, 1982**,  
Catalogue No. 4408.0, Table 8.

TABLE 4: FAMILY SIZE BY PARENTAL STATUS

Family Type	Percentage of Families with:			Mean number of children
	One Child (%)	Two Children (%)	Three or more children (%)	
1982				
Two parent	30.4	42.1	27.5	2.07
Sole Parent	51.7	31.9	16.4	1.69
- sole mother	51.3	31.2	17.5	1.71
- sole father ♦	54.0	36.6	9.3	1.57
1986				
Two parent	32.0	42.4	25.7	2.03
Sole parent	54.6	32.6	12.8	1.62
- sole mother	52.3	33.8	13.9	1.66
- sole father ♦	70.2	24.6	5.2	1.37
<b>Note:</b> ♦ Estimates for sole fathers may be unreliable, due to small numbers of cases.				
<b>Sources:</b> 1981-82 Income and Housing Survey and 1986 Income Distribution Survey, unit record files.				

**TABLE 5: AGE OF FAMILY HEAD BY PARENTAL STATUS**

Family Type		Percentage of Family Heads aged:				
		Under 20	20-34	35-49	50-64	65 and over
<b>1982</b>						
Two parent		0.0	34.9	51.7	13.1	0.4
Sole Parent		3.3	44.8	42.2	8.1	1.6
Sole Mother		3.8	47.4	39.8	7.5	1.5
<b>1986</b>						
		Under 21	21-34	35-49	50-64	65 and over
Two parent		0.1	32.8	56.0	10.5	0.7
Sole parent		3.8	41.0	48.5	6.1	0.5
Sole mother		4.2	43.1	46.4	6.0	0.4

Source: As for Table 4.

**TABLE 6: AGE OF YOUNGEST CHILD BY PARENTAL STATUS**

Family Type		Percentage with youngest child aged:			
		0-4	5-9	10-14	15-20
<b>1982</b>					
Two parent		39.0	25.9	22.4	12.7
Sole parent		30.7	27.0	30.1	12.1
Sole mother		32.8	27.2	28.9	11.1
<b>1986</b>					
Two parent		41.3	24.1	23.3	11.4
Sole parent		33.5	22.4	26.9	17.1
Sole mother		36.7	23.1	25.0	15.2

Source: As for Table 4.

released by ABS, based on the **1981-82 Income and Housing Survey** and the **1986 Income Distribution Survey**. These surveys were conducted during the periods September to November 1982 and September to December 1986, respectively. The key concept used to describe these data is an income unit, defined to include either a married couple (with or without dependent children), a sole parent with dependent children, or a single person aged over 15 and not attending an education institution on a full-time basis (if they were, they are included as dependent children if they were under 21 and living with their parent(s)). For ease of exposition in what follows, the term 'family' rather than 'income unit' will be used in the text when describing these data.

Table 4 indicates that sole parent families have fewer children on average than two parent families. Between 1982 and 1986, the average number of children per family declined for both groups, although only slightly. Just over a half of all sole parents have a single child, about a third have two children and only 13 per cent have three or more children. Sole fathers on average have slightly more children than sole mothers, although the numbers here are small and this will affect the reliability of the estimates. Another factor that affects the interpretation of Table 4 is the influence of the life cycle. This is illustrated in Table 5, which shows the age distribution of parents in two parent and one parent families. It is clear that the (male) heads of two parent families are generally older than sole parents, although these differences are not great. Certainly, these data refute a common perception that sole parents are mainly young mothers: In 1986, for example, only 4.2 per cent of sole mothers were under 21 and over half were aged 35 or over.

Table 6 compares two parent and one parent families by the age of the youngest child. Despite the fact that two parent families have older parents (or at least older fathers), a larger proportion have a youngest child under five, while more sole parents have a youngest child aged between 15 and 20. Together, Tables 5 and 6 indicate how pervasive sole parenthood has become in Australia, including not only those in the relatively early stages of adulthood with young children, but also many who are well into middle age with children who themselves are approaching adulthood. This in turn reflects the alternative routes into sole parenthood, which include not only out-of-wedlock births to young sole parents, but divorce, separation and widowhood much later in life (Table 3).

### 1.3. Housing Status

Table 7 indicates marked differences in the housing status of sole parents relative to couples with children, and relative to all Australian families. High rates of home ownership have been a traditional feature of Australian society, and a range of public subsidies and concessions exist to encourage home purchase, including extremely favourable taxation provisions. Despite this, sole parents have relatively low home ownership rates (including owner-purchasers as owners) than other families - less than half that for couples with children. The percentage of sole parents renting privately is almost twice the overall percentage, and approaching three times that of couples with children. And it needs to be emphasised that the private rental market is relatively unregulated in Australia, with no forms of rent control and little legislation intended to protect tenants' rights.

But it is in the rates of public housing occupancy that the differences in Table 7 are most marked. Over a fifth of sole parents are in public housing, compared with just 4 per cent of all families, and less than 4 per cent of couples with children. To a certain extent this reflects government policies which have accorded a high priority to sole parents when allocating public housing. An emerging consequence of this, at least in the major cities, is that public housing estates in some suburbs are becoming disproportionately occupied by sole parents, thus serving to some extent to partition them from mainstream social life. It is also worth noting that since public housing rents are often fixed as a proportion of income, this reinforces the poverty trap on sole parents (see Section 3.5 below) and further discourages them from seeking greater financial independence.

## 2. POVERTY AND INCOME INEQUALITY

### 2.1. Poverty Status

Estimates of poverty for Australia are available for selected years since 1972-73. Analysis of the 1972-73 data were contained in **Poverty in Australia**, the First Main Report of the Commission of Inquiry into Poverty. This report established a poverty line that has been referred to as 'the Henderson poverty line' after the Chairman of the Poverty Commission, Professor Ronald Henderson. The Henderson poverty line embodies a set of equivalence scales derived from the relative expenditure patterns prepared by the Budget Standard Service of New York in 1954. The poverty line for the

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**TABLE 7: HOUSING OCCUPANCY IN AUSTRALIA, 1986****(Percentages)**

<b>Housing Occupancy</b>	<b>All Income Units (%)</b>	<b>Married Couples with Dependent Children (%)</b>	<b>Sole Parents (%)</b>
Outright Owner	29.2	25.9	14.0
Owner-Purchaser	24.3	51.1	20.8
Public Housing Tenant	4.1	3.6	20.5
Private Renter	14.2	10.1	26.7
Other (including rent-free)	26.3	8.7	17.0
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Source:** ABS, Income Distribution Survey, 1986, Table 5.

'standard family' (two adults, one in the workforce, and two dependent children) was set at 56.6 per cent of average earnings in August 1973, with the equivalence scales used to derive poverty lines for other income unit types. The Henderson poverty line has been used, in various forms of detail, by most researchers to investigate trends in the incidence of poverty and its composition since 1975. Over time, the poverty line has been adjusted in line with movements in average earnings, although the earnings index was subsequently replaced by an index of household disposable income per capita in the early 1980s. It is important to emphasise that although the Henderson poverty line is widely used to estimate poverty in Australia, it has not been officially endorsed by governments of either of the two main political persuasions. Neither has an alternative been proposed by government, despite the release of an official report on the subject in the early eighties. (Social Welfare Policy Secretariat, 1981; see also Saunders and Whiteford, 1989).

Table 8 summarises available evidence on the poverty status of income units with dependent children between 1972-73 and 1985-86. Over much of this period, the overall poverty rate at the point in time when the estimates were made was around 10 per cent, although by 1985-86 it had increased to 12.6 per cent. This increase reflects the sharp recession of 1982-83 and its disproportionate impact on families with children, combined with the low levels of income support payments for families with children in the first half of the 1980s (Saunders and Whiteford, 1987). Over the period, the poverty rate among sole parent families rose from about a third in 1972-73 to almost a half by 1985-86. The poverty rate among sole parent families was more than three times the overall poverty rate in 1972-73, and approached four times the overall rate by 1985-86. The rise in poverty among sole parent families has thus been faster than the rise in the overall poverty rate, although it has risen more slowly than the poverty rate among couples with dependent children (the latter, however, beginning from a low initial level in 1972-73). Clearly, the rate of poverty among sole parent families in Australia is a serious cause for concern.

The relative rise in the poverty rate among sole parents has been reinforced by the increased size of the sole parents population relative to the population as a whole. Table 8 indicates that the number of sole parent families in poverty rose from 45.3 thousand to 118.1 thousand between 1972-73 and 1985-86, an increase of 175 per cent. This has resulted in a change in the composition of the poverty population towards sole parents, who represented 18.1 per cent of all income units in poverty in 1985-86 compared with 11.3 per cent in 1972-73.

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**TABLE 8: POVERTY RATES FOR FAMILIES WITH  
DEPENDENT CHILDREN, 1972-73 TO 1985-86**

Year	Couples with Children			Sole Parents			All Income Units		
	Total	Number	Poverty	Total	Number	Poverty	Total	Number	Poverty
	Number	in	Rate	Number	in	Rate	Number	in	Rate
	('000)	('000)	(%)	('000)	('000)	(%)	('000)	('000)	(%)
<b>1972-73</b>	1215.0	36.9	3.0	140.0	45.3	32.4	3916.0	399.4	10.2
<b>1978-79</b>	1498.1	111.6	7.4	210.1	76.3	36.3	4963.4	463.1	9.3
<b>1981-82</b>	1510.0	132.1	8.7	211.9	92.0	43.4	4844.7	489.3	10.1
<b>1985-86</b>	1523.0	159.5	10.5	249.7	118.1	47.3	5184.2	653.2	12.6

**Note:** The poverty lines and survey populations used to derive these estimates are broadly comparable, although some minor differences remain.

**Sources:** 1972-73: Commission of Inquiry into Poverty (1975), Tables 3.9 and 3.11.  
1978-79: Social Welfare Policy Secretariat (1981), Table 5.6.  
1981-82 and 1985-86: Social Policy Research Unit (1988), Table 5.



## 2.2. Income Inequality

It is hardly surprising that sole parent families are heavily clustered in the bottom of the income distribution. This results from the heavy reliance of sole parents on income support as a major source of income, combined with the low level of government cash benefits. This is shown in Table 9 which locates sole parents in the gross income distribution of all families with dependent children. It needs to be emphasised, however, that no adjustment is made in this (or subsequent) tables for the needs of families of different size and composition. To the extent that sole parent families tend on average to be smaller in size than couples with children, adjusting for needs would lead to a somewhat more favourable situation emerging for sole parents.

The situation for sole parents that emerges from Table 9 is, however, particularly unfavourable. Close to 86 per cent of those in the lowest quintile of the income distribution of all families with children are sole parents, compared with 2 per cent (in 1986) in the highest quintile. Indeed, only 8.2 per cent of all those in the top half of the income distribution of families with children were sole parents in 1982, and by 1986 this figure had declined to only 8.0 per cent. The distribution of sole parents is also very heavily concentrated in the lower gross income deciles, with over 84 per cent of sole parents in the lowest three deciles in 1986 and less than 4 per cent in the highest three deciles. These figures thus imply that selection of a sole parent family at random is twenty one times more likely to produce a family in the lowest three deciles of the income distribution than it is to produce a family in the highest three deciles of the distribution. Data published by ABS also reveals the disparity in income levels as between sole parent families and other (couple) families with children. Those data show, for example, that the mean weekly income of sole parent income units at the time of the 1986 Survey was \$251, equivalent to only 41 per cent of mean weekly income of married couple units with dependent children. The median weekly income of sole parents, at \$190, was an even lower proportion (35 per cent) of the median weekly income of couples with children (ABS, 1989, Table 3, p. 8).

Table 10 presents the same income distribution data to that used in Table 9 in a somewhat different form. Here, income shares are expressed by income unit type rather than by gross income decile. The picture revealed by the earlier analysis is reinforced. The relative mean income of sole parents, i.e. their mean income relative to the mean income for all income units, is lower than for all other groups except single youth and single aged people, both of whom have lower needs due to the absence of dependent

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**TABLE 9: INEQUALITY IN GROSS INCOME FOR SOLE PARENTS  
AND OTHER FAMILIES WITH CHILDREN**

Gross Income Decile ♦	Percentage of decile who are sole parents	Percentage of sole parents in decile
<b>1981-82</b>		
Lowest	62.8	54.1
Second	23.3	20.1
Third	10.6	9.1
Fourth	6.3	5.5
Fifth	4.8	4.1
Sixth	3.6	3.1
Seventh	1.9	1.7
Eighth	1.7	1.4
Ninth	0.7	0.6
Highest	0.3	0.3
<b>1985-86</b>		
Lowest	65.0	53.7
Second	22.6	18.8
Third	14.2	11.7
Fourth	5.1	4.2
Fifth	5.9	4.9
Sixth	1.9	1.6
Seventh	1.5	1.3
Eight	2.6	2.2
Ninth	1.6	1.3
Highest	0.4	0.3
<b>Note:</b> ♦ Deciles refer only to income units with dependent children		
<b>Source:</b> As for Table 4.		

TABLE 10: INCOME DISTRIBUTION BY INCOME UNIT TYPE

Income Unit Type	1981-82			1985-86		
	Share of income units (%)	Share of gross income (%)	Relative mean income ♦ (%)	Share of income units (%)	Share of gross income (%)	Relative mean income ♦ (%)
Sole parent	3.9	2.24	57.4	3.7	2.11	57.0
Single youth ♦	5.9	2.53	42.9	8.3	3.34	40.2
Single adult, non-aged ★	28.1	20.94	74.5	26.6	20.86	78.4
Single aged ★	10.9	4.06	37.2	10.5	3.87	36.9
Married aged ☆	6.7	4.83	72.1	7.4	5.09	68.8
Married non-aged couple, no children	15.2	21.72	142.9	16.7	24.10	144.3
Married non-aged couple, up to 2 children	21.3	31.55	148.1	19.9	30.54	153.5
Married, non-aged couple, 3 or more children	8.1	12.14	149.9	6.9	10.10	146.4
All Income Units	100.0	100.0	100.0	100.0	100.0	100.0

Notes: ♦ Relative mean income is derived by dividing the second column by the first column in each year.

♦ Youth is defined as aged 16 to 19 in 1982, aged 16 to 20 in 1986.

★ Aged is defined as females aged 60 or over, males aged 65 or over.

☆ Married aged are defined if the income unit head is aged 65 or over.

Source: As for Table 4.

children. Overall, the relative mean income of sole parents is close to 57 per cent, compared with between 146 per cent and 154 per cent for non-aged couples with dependent children.

The situation of sole parent families as compared with married couple families with children can be further illustrated by a juxtaposition of the data in Table 10 with that in Table 1. Table 10 shows that the total gross income share of all married couple families with children in 1985-86 was 40.64 per cent ( $= 30.54 + 10.10$ ). Table 1 indicates that the number of sole parent families at that time was 14.5 per cent of the number of couple families with children (taking the average of the 1985 and 1986 percentages shown in Table 1). If the income position of sole parent families were broadly the same as that of married couple families with children, one would thus expect the sole parent share of gross income to be approximately equal to 5.89 per cent ( $= 40.64 \times 0.145$ ). In fact, Table 10 shows the actual sole parent family income share to be well below half of this, at only 2.11 per cent. Since the great majority of sole parent families were previously in couple families (see Table 15 below), these income comparisons illustrate the very serious financial consequences associated with becoming a sole parent.

### 2.3. Income Composition

The predominance of government cash benefits as a source of income has already been mentioned, and Table 11 provides confirmation of this. Sole parents obtain half of their income in the form of wages and salaries, and a little over a third from government cash benefits (see also Johnstone, 1985a). In contrast, non-aged couples with dependent children obtain about three quarters of their income from wages and salaries and around four per cent from government cash benefits. Other income sources (property income, self employment income, and so on) account for about 14 per cent of sole parents' income and around 20 per cent of the income of couples with children. The reliance of sole parents on government cash benefits is further illustrated in Table 12, derived from the 1984 Household Expenditure Survey, which shows that over two thirds have government cash benefits as their principle source of income, while about a quarter rely principally on wages and salaries. Again, the contrast with couples with children is quite dramatic.

Given the high proportion of sole parent families resulting from marital breakdown (Table 3), another area of cash income which merits consideration is receipt of maintenance and alimony. In a survey based on Department of Social Security records,

TABLE 11: SOURCES OF GROSS INCOME BY INCOME UNIT TYPE♦

(Percentages)

Income Source	Sole Parents	Non-aged couples with children	All non-aged income units	All income units
<b>1981-82</b>				
Wages and Salaries	50.6	73.1	75.5	69.6
Government Cash Benefits	34.7	3.8	4.8	9.2
Other	14.7	23.1	19.7	21.2
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>1985-86</b>				
Wages and Salaries	50.1	77.7	77.4	71.2
Government Cash Benefits	36.6	4.2	5.5	9.8
Other	13.4	18.1	17.1	19.0
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Note:** ♦ In this and subsequent tables, negative recorded incomes (e.g. from self employment) have been re-coded with a value of zero on the data files.

**Source:** As for Table 4.

Johnstone (1985a) found that 25 per cent of sole parent pensioners in September 1984 were receiving maintenance, with most payments falling between \$10 and \$30 a week (well below the prevailing free area of \$36 a week for a sole parent pensioner with one child). Among sole parents included in the **1986 Income Distribution Survey**, 18.8 percent were currently receiving some regular income from maintenance or alimony. For these families, such payments comprised on average 17.4 per cent of their gross weekly income, the actual percentages ranging from 1.8 per cent to 80.6 per cent. The data also suggests, however, that the extent of dependence on maintenance payments indicated by the latter figure is probably only temporary in most cases. An examination of annual income data from the same source shows that while a similar proportion of sole parents had received income at some stage during 1985-86 from maintenance as were currently doing so, the overall proportion of gross annual income received from this source in no case exceeded 50 per cent. The significance of maintenance and alimony for sole parents is, however, likely to increase as the recently introduced child support scheme takes effect.

Table 12 presents evidence within a broader income framework, on income composition and the impact on family living standards of a broad range of government cash and non-cash provisions, and personal and indirect taxes. This table has been derived from a study of **The Effects of Government Benefits and Taxes on Household Income**, undertaken by ABS and based primarily on data from the **1984 Household Expenditure Survey** (ABS, 1987a). The top section of the table relates to the sources of gross money income and has already been discussed. The second section, on household composition, indicates that single parent households and households comprising couples with children contain on average 2.8 and 4.1 persons, respectively. Single parent households thus contain not only few adults than couple households, but also fewer children on average (see also Table 4). The average number of employed persons in couple families is far greater than that for single parent households, while the much greater reliance of single parents on government cash benefits is again obvious.

The lower third of Table 12 gives an expanded account of the income structure of sole parent households and those comprising couples with children. The first three lines indicate the extent to which government cash benefits and personal income taxes lower the money income differential between couples with children and single parents. The relative mean income ratios for private income, gross income and disposable income are, respectively, 3.87 to 1, 2.29 to 1, and 2.01 to 1. The next four lines present estimates (using the standard expenditure incidence methodology based on utilisation rates and

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TABLE 12: INCOME, GOVERNMENT BENEFITS AND TAXES IN 1984

Household Characteristics	Couples with children ♦	Single parents ♦	All households
<b>Proportion with principal source of gross income being:</b>			
Wages and Salaries	76.8	27.7	59.1
Own business	11.8	*	7.7
Other private income	2.7	2.7	7.0
Government cash benefits	8.7	68.1	26.2
<b>Average number of persons per household:</b>			
Adults(16 and over)	2.1	1.1	2.1
Children (up to 15)	2.0	1.7	0.8
Employed persons	1.4	0.4	1.2
Recipients of government cash benefits	0.1	0.8	0.6
<b>Income Structure (\$ per week):</b>			
Private income	482.2	124.6	401.4
Gross Income ♦	511.8	223.7	453.6
Disposable Income ★	398.1	198.0	362.0
Indirect benefits ☆			
- education	72.3	69.2	37.7
- health	38.7	28.0	35.2
- housing	2.5	10.6	2.6
- welfare services	3.7	10.1	7.2
Indirect Taxes	40.4	315.9	444.8
Final Income ☆	475.0	295.6	407.5

**Notes:**

- ♦ Includes only single income unit households.
- ◇ Gross income equals private income plus government cash benefits.
- ★ Disposable income equals gross income minus personal income tax.
- ☆ Indirect benefits valued on a cost basis, according to utilisation rates.
- ☆ Final income equals disposable income plus indirect benefits minus indirect taxes.
- \* Sample size precludes reliable estimates.

**Source:** ABS (1987a), Table 3.5, pp. 30-31.

assuming benefits equal costs in aggregate) of the contribution to household income of the indirect benefits associated with the free or subsidised provision of public education, health, housing and welfare services. Both couple and single parent households gain here at the expense of households where children are not present. The estimated average weekly value of indirect benefits is \$117.2 for couples with children and \$117.9 for sole parent households. Sole parents gain relative to couples and other households, particularly from the benefits associated with public housing (see Table 7) and from the provision of welfare services.

In fact, if indirect benefits are expressed per person, single parents are seen to gain even more from the provision of in-kind public services. Average weekly per capita total indirect benefits are \$28.6, \$42.1 and \$28.5, for couples with children, single parents and all households, respectively. As a final step, indirect taxes (estimated from observed consumption patterns assuming full forward shifting of taxes into higher prices charged to consumers) are deducted in order to arrive at an estimate of final income. As compared with private income, final income thus incorporates the effects of a very broad range of public interventions in the income generation and redistribution process - provision of cash benefits and in-kind public services, as well as payments of direct and indirect taxes. After allowing for all of these effects, the final income of sole parent households relative to households comprising couples with children falls to 1.61 to 1, compared with a private income relativity of 3.87 to 1. It is thus apparent that government social programs and taxes go a considerable way towards reducing broader aspects of inequality between couples with children and sole parents compared with the inequality in income derived from paid market activities.

### **3. INCOME SUPPORT AND SOLE PARENTS**

#### **3.1. Income Support Arrangements**

The history of income support provisions for sole parents (described more extensively in Raymond, 1987) began with the introduction of widow's pensions in 1942. Three classes of widow's pension were introduced, class A for widows maintaining at least one child under 16, class B for widows 50 or over without children, and class C for widows under 50 without children but in 'necessitous circumstances'. Deserted or separated women, or wives of prisoners, were not eligible for widow's pension for the first six months, but received State government assistance. In 1968 the States Grants (Deserted Wives) Act was introduced to provide Commonwealth assistance to the States for support during this six month period. Supporting mother's benefit was introduced as an

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element of Commonwealth income support provision in July 1973, to be paid to eligible women after the first six months of State government support had elapsed. The benefit was extended to supporting fathers and renamed supporting parent's benefit in November 1977. Both benefits were paid at the same rate and subject to the same means or income tests as class A widow's pension. The six month qualifying period was eliminated in November 1980, and eligibility for supporting parent's benefit began from the first day of sole parenthood on 1 November 1980.

Since their introduction, these pensions and benefits have been subject to similar changes in rates of payment and income tests as other Commonwealth income support payments. The basic rate of supporting parent's benefit has been indexed regularly to movements in the Consumer Price Index, although this has not applied to the supplementary payments for which beneficiaries are eligible. These supplementary payments include mother's/guardian's allowance, additional pension for children and rent assistance (for private renters). With the exception of rent assistance, these payments will be indexed from 1990. Supporting parent beneficiaries are also eligible to receive family allowance payments in respect of dependent children, as well as being eligible for the pensioners health benefit and concession card which entitles holders to a range of free or subsidised public services.

The weekly levels of social security payments relevant to sole parent families as from April 1990 are:

Standard pension:	\$141.20
Mother's/guardian's allowance:	\$12.90
Rent assistance (maximum):	\$30.00 (1 or 2 children)
	\$35.00 (3 or more children)
Additional pension for children:	\$24.15 (under 13 years)
	\$35.25 (13 to 15 years)
Family allowance:	\$9.30 (1 child)
	\$18.60 (2 children)
	\$27.90 (3 children)
	\$40.30 (4 children)
	\$52.70 (5 children)
	plus \$12.40 for each subsequent child.

These payments are all income tested, in the following manner: The standard pension is reduced by 50 cents for each dollar of non-pension income over \$40 a week, plus \$12 a week for each child. Once the basic pension entitlement is fully reduced, the other allowances are reduced sequentially by 50 cents for each dollar of other income. It is

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possible to construct from this information, a free area (up to which level receipt of other income does not affect pension entitlement) and a cut-out point (corresponding to the other income level at which pension entitlement is reduced to zero). Both the free area and the cut-out point depend on the number of dependent children, while the cut-out point is higher for private renters than for others. Thus, for example, for a sole parent with one child under 13, the free area is \$52 a week, while the cut-out point is \$468.5 (for private renters) or \$408.5 (for others). For a sole parent with two children under 13, the free area is \$64 a week, while the cut-out point is \$528.5 (for private renters) or \$468.8 (for others), and so on.

In addition, family allowance is income tested on the basis of total family income in the previous financial year. Family allowance payments are currently reduced by 25 cents for each dollar of annual family income in excess of \$57,620, plus \$2,882 for the second and subsequent children. Finally, pensioner fringe benefits (estimated to have an average weekly value of \$20 in 1984) are lost entirely when weekly income exceeds \$95, plus \$20 for each child. A separate assets test also applies to all features of the system, but this has almost no practical effect on sole parent pensioners, since the vast majority do not have anything like the level of assets to cause them to be affected.

Two major initiatives have been introduced in recent years to assist sole parent pensioners (and other sole parent families). In June 1988, Stage 1 of a new child support scheme was introduced to regularise the payment of child maintenance by non-custodial parents. Where they can be identified, automatic deductions from wages or salaries are authorised by the Australian Taxation Office and distributed to custodial parents through the Department of Social Security. (Such payments are subject to a separate income test and may thus affect pension entitlement). Under Stage 2 of the scheme, introduced in October 1989, a formula replaced maintenance orders determined by the Family Law Court. Under the formula, maintenance payments will in general be set at a percentage of the income of the non-custodial parent.

A second initiative, introduced in March 1989 is the Jobs, Educations and Training (JET) Scheme. This scheme, part of a broader move to integrate income support and labour market programs, will provide counselling to sole parent pensioners on aspects of the availability of education, training and employment opportunities, as well as access to child care. The JET scheme is voluntary and will be phased in over a three year period, giving priority to teenage sole parents, those whose youngest child is approaching 16, and those with children aged over 6 who have been in receipt of a sole parent pension for more than 12 months.

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### 3.2. Numbers of Sole Parent Pensioners

While the two main income support payments for sole parents are class A widow's pension and supporting parent's benefit, a number of other sole parents receive alternative forms of income support. In 1989, for example, a total of 229.3 thousand female sole parents and 10.2 thousand male sole parents received some form of Commonwealth income support (Table 13). Of these, about 90 per cent of all female sole parents and 70 per cent of males in receipt of social security assistance received the new sole parent pension (introduced in March 1989). Most of the remaining female sole parents received either unemployment benefit, invalid pension or class B widow's pension. For the remaining 30 per cent of male sole parents, receipt of unemployment benefit or invalid pension was most common. Table 13 shows the total number of sole parent families in receipt of some form of Commonwealth income support over the last decade, as well as the numbers in receipt of either class A widow's pension or supporting parent's benefit up until their replacement by the sole parent pension. Because of data restrictions, much of the following discussion is restricted to those sole parent pensioners in receipt of either class A widow's pension or supporting parent's benefit (before March 1989), or those receiving the sole parent pension thereafter.

The income support coverage ratio, which measures the proportion of all sole parent families in receipt of some form of income support, is shown in Table 14. After rising rapidly in the mid-seventies (from 57 per cent to 72 per cent between 1974 and 1977), the coverage ratio continued a steady rise to a peak of almost 84 per cent in 1986. Since then, coverage has declined, possibly in part because the government has instigated special reviews of beneficiaries in order to establish eligibility for continued receipt of income support. By 1989, the coverage ratio had dropped to almost 70 per cent, a similar ratio to that persisting in 1975 and 1980.

Reflecting the growth in the number of sole parent pensioners (i.e. those in receipt of class A widow's pension or supporting parent's benefit) has been a growth in expenditure on income support for sole parents. Raymond (1987; Table 2.8) indicates that expenditure on sole parent pensions increased in real terms by 230 per cent between 1973-74 and 1985-86, an average real increase of almost 10.5 per cent a year. Since then, real expenditure growth has moderated, reflecting the decline in recipient numbers shown in Table 13.

Studies exploring the factors behind the growth in expenditure on sole parents pensions using the decomposition framework developed at the OECD in the mid-seventies

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**TABLE 13: TOTAL NUMBER OF SOLE PARENTS IN RECEIPT  
OF INCOME SUPPORT, 1978 TO 1989**

(Thousands)

Year (30 June)	Females			Males		Persons		
	Class A Widow's Pensions	Supporting Parent's Benefit	Total ◆	Supporting Parent's Benefit	Total ◆	Class A Widow's Pension	Supporting Parent's Benefit	Total ◆
1978	82.4	55.4	163.8	2.1	5.8	82.4	57.5	169.6
1979	88.7	59.4	173.4	3.1	6.7	88.7	62.5	180.1
1980	91.1	66.6	184.3	3.8	7.4	91.1	70.4	191.7
1981	87.8	101.6	199.9	5.0	8.2	87.8	106.6	208.1
1982	84.8	118.0	213.2	5.9	9.3	84.8	123.9	222.5
1983	84.3	132.4	229.1	7.9	13.0	84.3	140.3	242.1
1984	81.0	144.7	238.2	8.9	13.7	81.0	153.6	251.9
1985	78.1	158.3	249.1	9.7	14.5	78.1	168.0	263.6
1986	74.0	166.7	253.9	10.1	14.7	74.0	176.8	268.6
1987	69.6	168.9	252.0	10.2	14.9	69.6	179.1	266.9
1988	56.6	172.1	252.0	9.9	14.2	56.6	182.0	266.2
1989◆	-	-	229.3	-	10.2	-	-	239.5

**Note:** ◆ The total includes sole parents in receipt of other income support payments. Such other payments include payments to female sole parents in the form of State assistance subsidised through State Grants (Deserted Wives Act) for the years 1978 to 1980.

◆ Sole parent pension replaced Class A widow's pension and supporting parent's benefit in March 1989.

**Source:** Department of Social Security, **Annual Report**, various issues.

**TABLE 14: TOTAL INCOME SUPPORT COVERAGE OF  
SOLE PARENT FAMILIES, 1974 TO 1989**

Year	Number of Sole Parent Families in Receipt of Income Support ( <sup>'000</sup> )	Total Number of Sole Parent Families ( <sup>'000</sup> )	Income Support Coverage Ratio (%)
1974	105.1	183.2	57.4
1975	123.1	173.7	70.9
1976	137.9	203.3	67.8
1977	153.1	213.8	71.6
1978	169.6	n.a.	n.a.
1979	180.1	270.0	66.7
1980	191.7	268.7	71.3
1981	208.1	282.2	73.7
1982	222.5	306.2	72.7
1983	242.1	295.3	82.0
1984	251.9	313.8	80.3
1985	263.6	316.4	83.3
1986	268.6	319.9	83.9
1987	266.9	348.3	76.6
1988	266.2	342.5	77.7
1989	239.5	341.4	70.2

**Note:** n.a. = not available.

**Source:** Tables 1 and 13.

(OECD, 1976; 1985: Saunders and Klau, 1985) have been undertaken in Australia by Saunders (1987) and the Commonwealth Department of Finance (1988). These studies confirm that growth in demography (i.e. the total number of sole parent families) and in income support coverage together explain most of the overall growth in real expenditure. The growth in average real benefit levels for sole parent pensioners has been small, and negative over some periods. After a very rapid rise in real expenditure in the late sixties and first half of the seventies, real expenditure growth has moderated, but remains driven largely by growth in the number of sole parent pensioners. The recent decomposition analysis undertaken by the Department of Finance indicates that between 1975-76 and 1988-89, the average annual growth in real expenditure was 5.1 per cent. This can be decomposed into annual average demographic growth of 2.9 per cent, coverage growth of 2.0 per cent, and average real benefit growth of 0.3 per cent (Department of Finance, op. cit, Table 29, p.169).

### **3.4. Characteristics of Sole Parent Pensioners**

Information on the demographic and financial circumstances of sole parent pensioners is more readily available on a regular basis than similar information for the whole population of sole parents. In relation to the latter, data are only available infrequently, conditioned by the timing of the population Census or other specific surveys undertaken by the Australian Bureau of Statistics (ABS). In this section attention focuses on data collected and published by the Department of Social Security (DSS) which has administrative responsibility for most elements of Commonwealth income support. It needs to be emphasised, however, that even though around 70 per cent of sole parents are currently DSS pensioners, they may not be representative of the entire sole parent population.

It is likely, for example, that sole parents rely heavily on income support (particularly supporting parent's benefit) in the period immediately following separation. As time progresses, and where the age of children allow it, sole parents are able to establish new economic and social patterns as they adjust to their changed circumstances. Over time some will reconcile previous relationships or re-partner, while others will join the labour force as they adjust to their new situation. As these changes occur, they will cease to be reliant on income support. All of which lends support to the view that sole parent pensioners may not in all regards be entirely representative of the total population of sole parents. Differences will reflect a complex and interacting nexus of factors relating to the period since separation, the age of children, labour force status and income. These points should be kept in mind in interpreting the following results.

Currently, about 20 per cent of sole parent pensioners are unmarried, about 17 per cent are widowed or divorced, while the remainder are separated or deserted (Table 15). Just under a quarter of all sole parent pensioners in 1989 were either unmarried or had survived their spouse, while the remaining three quarters had a spouse from who they were either separated or divorced. Over the last fifteen years, the proportion of unmarried sole parent pensioners has risen somewhat, the proportion separated or deserted has grown significantly, while the proportion who are widowed has declined very substantially (from 27.6 per cent in 1974 to 4.9 per cent by 1989).

When the data for 1982 in Table 15 are compared with those in Table 3 for the entire sole parent population, what stands out is the much lower proportion of sole parent pensioners who are divorced, relative to all sole parents, and the correspondingly higher proportion of sole parent pensioners who are separated or deserted. There are two possible explanations for these differences. Firstly, they may reflect the failure of sole parent pensioners to report their changed status to DSS when they become divorced. This may well be widespread, as there is now little or no financial gain in terms of income support entitlements to be derived from the changed marital status, unlike earlier years when income support payments and conditions were more generous for those who were formally divorced. The other explanation is that by the time sole parents are divorced, many have re-established themselves (either in the labour market or in a new relationship) and are no longer dependent on income support. Reality no doubt reflects a combination of both factors, although it is not possible to gauge their relative importance.

There is a common perception in Australia that sole parenthood, particularly when combined with receipt of pension, is a situation of long duration, if not a semi-permanent state. DSS statistics on the duration of sole parent pension receipt need to be treated with caution because they are collected separately for each pension category and can give a misleading picture if not interpreted correctly. In the case of sole parent pensioners, for example, movements **between** the different pension categories (e.g. from supporting parent's benefit to class A widow's pension on divorce, or from class A to class B widow's pension as children exceed the qualifying age of 16) cause the degree of movement for sole parent pensioners as a whole to be overstated. To avoid this, it is preferable to consider each category separately, while acknowledging that some of the movements indicated will reflect transfers to other sole parent pension categories. Table 16 presents data on the total number of supporting parent's benefit recipients, the number of new benefits granted each year, and the number of benefit terminations.

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TABLE 15: CONJUGAL STATUS OF SOLE PARENT PENSIONERS

(Percentages)

Year (30 June)	Unmarried	Separated/ Deserted♦	Widowed	Divorced♦	Total
1974	15.1	46.3	27.6	11.0	100.0
1975	16.9	48.2	24.0	10.9	100.0
1976	17.2	49.8	21.4	11.5	100.0
1977	17.2	48.5	19.6	14.6	100.0
1978	17.8	47.6	17.5	17.1	100.0
1979	17.6	47.4	15.9	19.1	100.0
1980	18.0	48.7	14.3	19.0	100.0
1981	18.3	54.4	11.3	16.0	100.0
1982	18.5	55.8	10.2	15.5	100.0
1983	18.6	56.1	9.4	15.9	100.0
1984	18.4	57.2	8.7	15.8	100.0
1985	18.0	58.9	7.9	15.2	100.0
1986	18.2	59.9	7.3	14.6	100.0
1987★	18.3	60.4	6.8	14.5	100.0
1988	19.4	62.0	5.4	13.3	100.0
1989	19.7	63.8	4.9	11.6	100.0

Notes: ♦ Includes separations from de facto relationships.  
 ♦ These figures may be inaccurate where change of status (e.g. from separated to divorced) is not reported.  
 ★ April.

Sources: 1974-1986: Raymond (1987), Table 3.3.  
 1987-1989: Department of Social Security, **Annual Report 1986-87, 1987-88 and 1988-89.**



**TABLE 16: SUPPORTING PARENT'S BENEFIT: NEW BENEFITS  
GRANTED AND TERMINATIONS, 1974-1988**

Financial Year (1 July to 30 June)	Number at beginning of year		New benefits granted during year <sup>◆</sup>		Benefit terminations during year <sup>★</sup>		Number at end of year	
	('000)	(%) <sup>◆</sup>	('000)	(%) <sup>◆</sup>	('000)	(%) <sup>◆</sup>	('000)	(%) <sup>◆</sup>
1974-75	26.3	100	17.9	68.1	8.6	32.7	36.0	136.9
1975-76	36.0	100	21.0	58.3	10.6	29.4	45.5	126.4
1976-77	45.5	100	20.5	45.0	14.8	32.5	51.0	112.1
1977-78	51.0	100	23.9	46.9	17.2	33.7	57.4	112.5
1978-79	57.4	100	26.5	46.2	20.8	36.2	62.5	108.0
1979-80	62.5	100	28.6	45.8	20.0	32.0	70.4	112.6
1980-81	70.4	100	71.6	101.7	34.9	49.6	106.6	151.4
1981-82	106.6	100	71.0	66.6	53.4	50.1	123.9	116.2
1982-83	123.9	100	78.8	63.6	62.0	50.0	140.2	113.2
1983-84	140.2	100	83.3	59.4	70.0	49.9	153.6	109.6
1984-85	153.6	100	82.7	53.8	68.9	44.9	168.0	109.4
1985-86	168.0	100	88.2	52.5	78.8	46.9	176.7	105.2
1986-87	176.7	100	96.6	54.7	93.6	53.0	179.1	101.4
1987-88	179.1	100	95.4	53.3	90.6	50.6	182.0	101.6

Notes:   ◆ Percentages of numbers at beginning of each year.  
           ◆ Includes transfers from other pensions and benefits.  
           ★ Terminations includes transfer to Class A widow's pension.

Source: DSS, Annual Reports 1974-75 to 1987-88.

These data indicate that, for many, receipt of supporting parents benefit is of relatively short duration. This can be best illustrated by considering what happened during 1987-88, i.e. the period from 1 July 1987 to 30 June 1988. At both the beginning and end of the period, the number of supporting parent beneficiaries was around 180 thousand. However, during the year half (50.6 per cent) of those on benefit on 1 July 1987 had their benefit terminated, while a slightly larger number were new beneficiaries. Put differently, of the 182 thousand beneficiaries on 30 June 1988, only 88.5 thousand had been receiving the benefit twelve months previously, while almost 91 thousand had been on benefit for less than twelve months. More detailed information of the average duration of those receiving sole parent pensions is sketchy, although Raymond (1987) notes an increase between 1983 and 1986. Average duration for those currently receiving a pension in 1986 was 2.18 years for males receiving supporting parent's benefit, 2.76 years for females receiving supporting parent's benefit, and 5.65 years for those receiving class A widow's pension. It needs to be emphasised, however, that these figures will underestimate the average duration of **completed** spells of receipt of sole parent pensions.

Entry onto a sole parent pension is determined by the death of, or separation from, a partner, or by the birth of a child for those without partners. The reasons behind pension terminations are, however, more complex and include reconciliation, repartnering, entry to the labour market and the eventual independence of children. Table 17 shows the relative importance of the major factors behind pension termination during 1988-89. In proportionate terms, the single most important reason for termination was voluntary surrender, followed by transfers and death, and then by reconciliation. Together, these three factors accounted for close to two thirds of all benefit terminations in 1988-89. Income is the recorded reason for termination in only 4 per cent of cases, although income may be the factor causing many of the voluntary terminations. But even if all voluntary terminations were for reasons of income, it would still be the case that reconciliation and re-partnering together explain more benefit terminations than does income. It is thus clear that the two main factors explaining why sole parent pensioners cease to receive income support are either because they find a new partner (or reconcile with the previous partner) or because they find a job. Together, these factors accounted for between 36 per cent and 60 per cent of all terminations in 1988-89.

A further feature of Table 17 relates to the impact of the Departmental reviews of sole parent pensioners to establish current eligibility. These reviews have contributed to recent declines in the number of sole parent pensioners (Table 13) by increasing the

**TABLE 17: REASONS FOR TERMINATION OF  
SOLE PARENT PENSIONS, 1988-89**

<b>Reason</b>	<b>Numbers ( '000)</b>	<b>Percentage (%)</b>
Income	4.27	4.0
Reconciliation	20.40	19.3
Re-partnered	13.49	12.8
Voluntarily surrendered	24.85	23.5
No qualifying child	12.52	11.8
Failed to return sole parent review	7.29	6.9
Other (including transfers and death)	22.93	21.7
<b>Total</b>	<b>105.75</b>	<b>100.0</b>

**Source:** Department of Social Security, **Annual Report 1988-89.**

importance of pension terminations (Table 16). As Table 17 indicates, over seven thousand sole parent pensions were terminated in 1988-89 solely because Departmental review forms were not returned. The corresponding number in 1987-88 was over six and a half thousand and in the year before that the number was almost eleven and a half thousand.

The fact that very few sole parent pensioners lose their pension solely for income reasons does not imply that sole parents rely entirely on the pension (an issue explored earlier). Many sole parent pensioners have some non-pension income that leads to receipt of a lower (income-tested) pension. (In terms of the terminology introduced earlier, non-pension income exceeds the free area but is below the cut-out point.) As Table 18 indicates, around 23 per cent of sole parent pensioners have income from other sources, although in most instances only small amounts. The vast majority of those with some non-pension income have amounts below the free area in the income test.

### **3.5. The Poverty Trap**

Reference has already been made to the fact that income support provisions for sole parents in Australia are, like all other income support payments, income-tested (as well as in most instances assets-tested). Unlike most other OECD countries, Australia has a selective income support system financed from general revenue. There is no earmarking of contributions and no explicit acknowledgement of social insurance principles in the determination of benefits. One feature of such a selective approach to income support is the emergence of high effective marginal tax rates (EMTRs) on recipients that serve to discourage them from seeking to earn (or otherwise receive) income from other sources. A poverty trap results that may encourage over-reliance on income support and discourage moves towards financial independence.

The high EMTRs that characterise the poverty trap arise not just from the income test on pensions or benefits, but from the interaction between the income test, other means-tested forms of assistance and the personal income tax system. These interactions lead to EMTRs far in excess of the 50 per cent effective marginal rate implied by income test alone. Table 19 - taken from a recent study by Whiteford, Bradbury and Saunders (1989) - indicates that supporting parents beneficiaries can, over certain income ranges, face effective marginal tax rates of over 80 per cent, well above the highest personal income tax bracket rate. The interactions that give rise to these high EMTRs are explained fully in the key to Table 19.

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**TABLE 18: SELECTED CHARACTERISTICS OF SOLE  
PARENT PENSIONERS, 30 JUNE 1989**

(Percentages)		
Characteristics	Female	Male
<b>Rate of Pension:</b>		
Full Rate	62.0	81.2
Reduced Rate	38.0	18.8
<b>Income as assessed (\$ per week):</b>		
Nil	77.0	77.5
1 to 40	6.6	7.0
40 to 95	4.9	4.1
Over 95	11.4	11.1
<b>Housing Status:</b>		
Home owners	23.3	28.7
Source: Department of Social Security, Annual Report 1988-89.		

Whether these high EMTRs actually affect the behaviour of beneficiaries is another matter, one on which there is almost no evidence to date in Australia. (The empirical work that has been done has focused on the issue of whether the level of benefits has induced sole parenthood, rather than on the question of the work incentive responses of those already in receipt of income support (McDonald and Spindler, 1988; Swan and Bernstam, 1988)). The fact that few beneficiaries are actually in circumstances where the highest EMTRs apply (Figure 1) does not necessarily imply that the poverty trap is not of serious concern, since actual observed behaviour may already reflect behavioural adjustments to the poverty trap.

Nevertheless, the view that the poverty trap does encourage income support dependency by acting as a disincentive to work (for sole parents as well as other income support recipients) is widespread in Australia. The policy response has, in one regard, been to ease the severity of the income test by increasing the free area. Thus, the free area was increased from \$20 a week to \$30 a week in 1982 and, as part of a series of 'poverty trap' initiatives, to \$40 a week in July 1987 (with higher amounts according to the number of children). Such changes have acted to make part-time employment combined with part-time benefit receipt more financially attractive, without affecting the relative financial attractiveness of full-time work relative to complete benefit reliance. They have thus inadvertently reduced the financial incentive to switch from part-time work to full-time work. The whole issue of incentives to work for supporting parent pensioners and the impact of the poverty trap is one that requires serious research in order to establish the extent to which the financial disincentives resulting from the system actually do act to discourage paid work effort.

#### **4. EMPLOYMENT AND LABOUR FORCE STATUS**

The labour force status of sole parents, as with married women and other groups, is determined by a number of factors. Although a crucial determinant is the net financial reward from paid work relative to alternative activities, this relationship is conditioned and influenced by other intervening variables, including the availability of other income, education and training levels, the number and ages of dependent children, the availability of appropriate child care arrangements, and so on. The net financial reward from paid work will itself depend upon wage rates, social security benefit levels, social security income tests and income tax rates, as well as the direct and indirect costs of working in the labour market. Overlaying all of these will be the availability of job opportunities that match the skills, locations and other requirements of potential job seekers. To

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**Table 19: Effective Marginal Tax Rate Schedule - Supporting Parent Beneficiary, (one child under 13)  
receiving rent assistance - December 1987 to June 1988  
(Dollars per Week)**

	Non-DSS Income	Taxable Pension	Taxable Income	Gross Tax	Sole Parent Rebate	Net Tax	Medicare Levy	Untaxed Pension		Rent Assist- ance	Family Allow- ance	Dispo- sable Income	Effective Marginal Tax Rate (%)
								MGA	APB				
1.	0.00	116.10	116.10	4.39	14.96	0.00	0.00	12.00	22.00	15.00	5.25	170.35	0
2.	44.06	116.10	160.16	14.96	14.96	0.00	0.00	12.00	22.00	15.00	5.25	214.41	24
3.	52.00	116.10	168.10	16.87	14.96	1.91	0.00	12.00	22.00	15.00	5.25	220.44	
4.	98.00												62
5.	199.12	42.54	241.66	34.53	14.96	19.57	0.00	12.00	22.00	15.00	5.25	276.34	64.5
6.	284.20	0.00	284.20	46.87	14.96	31.91	0.00	12.00	22.00	15.00	5.25	306.54	79
7.	308.20	0.00	308.20	53.83	14.96	38.87	0.00	0.00	22.00	15.00	5.25	311.58	79
8.	329.69	0.00	329.69	60.06	14.96	45.10	0.00	0.00	11.26	15.00	5.25	316.10	99
9.	351.67	0.00	351.67	66.44	14.96	51.48	4.40	0.00	0.27	15.00	5.25	316.31	80.25
10.	352.20	0.00	352.20	66.59	14.96	51.63	4.40	0.00	0.00	15.00	5.25	316.42	80.25
11.	374.00	0.00	374.00	72.90	14.96	57.94	4.68	0.00	0.00	4.10	5.25	320.73	91.25
12.	382.20	0.00	382.20	76.18	14.96	61.22	4.78	0.00	0.00	0.00	5.25	321.45	41.25
13.	671.27	0.00	671.27	191.81	14.96	176.85	8.39	0.00	0.00	0.00	5.25	491.28	50.25
14.	958.96	0.00	958.96	332.78	14.96	317.82	11.99	0.00	0.00	0.00	5.25	634.40	75.25
15.	979.96	0.00	979.96	343.07	14.96	328.11	12.25	0.00	0.00	0.00	0.00	639.60	50.25

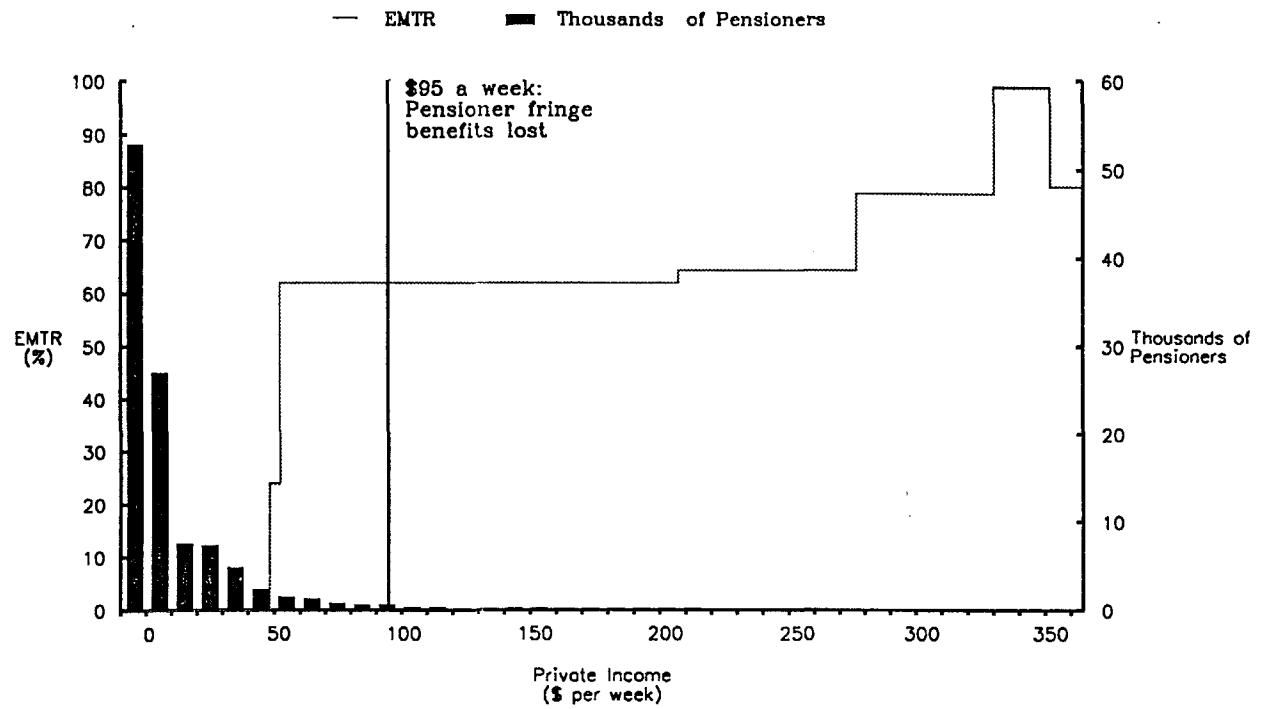
Note: MGA = Mother's/Guardian's Allowance: APB = Additional Pension/Benefit for Children

TABLE 19: KEY

1. Earnings commence; effective marginal tax rate (EMTR) on next dollar is zero.
2. Taxable liabilities equal tax rebate; EMTR equals 24 per cent.
3. Pension starts to be reduced, and tax is payable on the change in taxable income; EMTR is 62 per cent (i.e. 50 plus 24 per cent of 50).
4. Pensioner fringe benefits lost.
5. Twenty nine per cent tax bracket commences; EMTR is 64.5 per cent.
6. Taxable pension is extinguished; taxable income increases by \$1 for each \$1 of earnings; EMTR is 79 per cent.
7. Non-taxable mother's/guardian's allowance equals zero, and non-taxable family allowance supplement starts to be reduced; EMTR remains 79 per cent.
8. Medicare levy becomes payable at phase-in rate of 20 cents in the dollar; EMTR equals 99 per cent.
9. Medicare levy fully phased-in, and its rate reduces to 1.25 per cent; EMTR is 80.25 per cent.
10. Family allowance supplement reduces to zero, non-taxable rent assistance starts to taper away; EMTR remains 80.25 per cent.
11. Forty per cent income tax step commences; EMTR equals 91.25 per cent.
12. Rent assistance extinguished; EMTR is 41.25 per cent.
13. Forty-nine per cent step commences; EMTR is 50.25 per cent.
14. Family allowance starts to be income-tested; EMTR equals 75.25 per cent.
15. Family allowance reduced to zero; EMTR is 50.25 per cent.



Figure 1: Distribution of Sole Parent Pensioners With One Child by Effective Marginal Tax Rates (EMTR) – September 1987



analyse the impact of all of these factors requires a multivariate framework that allows the importance of each factor to be quantified and assessed. In relation specifically to sole parents, there has been relatively little analysis of this kind has been undertaken in Australia, in part due to lack of consistent and reliable data on each of the factors that together determine labour force decisions. (See, however, the recent study by Ross and Saunders, 1990).

In the absence of multivariate analysis, the more usual practice has been to isolate certain trends and patterns that are suggestive of the underlying determinants of behaviour in, and attachment to, the labour market. For this purpose, labour market data published by the ABS have proved to be extremely useful, and some of the main features of these data will be described and assessed. As in previous sections of the paper, comparisons will be made between aspects of female sole parents' labour market behaviour and that of married women in certain similar circumstances. This is an imprecise and imperfect, but nonetheless useful, way of standardising the data for some of the many factors that together determine actual labour market behaviour.

#### **4.1. Broad Labour Market Trends**

By way of perspective, it is useful to begin with a brief description of broader employment trends in the Australian labour market in the last fifteen years. Two features have characterised changes in employment patterns since 1973. The first is the rapid growth in part-time employment, both in absolute terms and relative to full-time employment growth. The second is the growth in full-time female employment relative to full-time male employment, particularly for unmarried females (Table 20). Over the period 1973-89, total (full-time and part-time) male employment grew at an annual average rate of 1.10 per cent, while total female employment grew almost three times faster, at 3.08 per cent a year. The annual growth rate of part-time employment (5.47 per cent) was almost five times the growth of full-time employment (1.14 per cent). As Table 20 indicates, while the trend towards part-time jobs generally, and towards female jobs relative to male jobs, have both been in train since 1973, the period since 1983 has seen a much stronger growth in full-time employment relative to earlier years, associated with much better employment performance generally. Thus as labour market performance has improved since 1983, the movement towards part-time jobs and female employment has continued, but at a somewhat slower pace than in earlier periods. These developments would appear initially to be particularly beneficial to sole parents, most of whom are women, particularly those sole parents who prefer part-time employment.

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**TABLE 20: FULL-TIME AND PART-TIME EMPLOYMENT  
GROWTH, 1973-1989**

(Thousands)

Year (August)	Males		Married Females		All Females		Persons	
	Full -Time	Part -Time	Full -Time	Part -Time	Full -Time	Part -Time	Full -Time	Part -Time
1973	3697.5	142.1	780.2	448.0	1395.4	547.9	5092.9	690.1
1974	3710.9	136.2	820.7	481.9	1416.9	591.2	5127.8	727.4
1975	3668.4	152.3	783.9	519.7	1378.5	642.2	5046.8	794.4
1976	3665.6	170.7	781.9	555.9	1371.3	690.2	5036.8	860.9
1977	3682.6	184.2	799.3	575.2	1411.9	716.7	5094.6	900.9
1978	3642.5	208.5	739.1	579.5	1402.9	751.6	5045.3	960.0
1979	3715.9	205.2	726.7	581.0	1397.2	760.2	5113.1	965.4
1980	3773.8	209.0	743.4	626.9	1477.3	821.2	5251.1	1030.3
1981	3835.6	222.3	746.4	629.9	1501.5	834.3	5337.1	1056.6
1982	3782.5	241.9	749.6	631.6	1503.4	851.6	5285.9	1093.4
1983	3663.4	240.2	753.3	630.7	1486.9	850.5	5150.3	1090.7
1984	3767.3	245.1	786.9	659.6	1547.5	902.5	5314.8	1147.5
1985	3836.0	253.0	803.1	701.0	1603.2	953.9	5439.2	1206.9
1986 ♦	3901.6	278.2	881.2	770.1	1680.7	1025.2	5582.4	1303.3
1987	3947.0	315.3	909.7	807.5	1709.2	1101.6	5656.3	1416.9
1988	4060.4	303.9	957.8	860.3	1795.5	1170.2	5856.0	1474.1
1989	4217.5	354.4	1022.4	904.5	1891.5	1264.2	6108.9	1618.6

**Average Annual Growth Rates (%):**

1973-1978	-0.30	7.97	-1.08	5.28	0.11	6.53	-0.19	6.82
1978-1983	0.11	2.87	0.38	1.71	1.17	2.50	0.41	2.59
1983-1989	2.38	6.70	5.22	6.19	4.09	6.83	2.89	6.80
1973-1989	0.83	5.88	1.70	4.49	1.92	5.36	1.14	5.47

**Note:** ♦ Estimates from August 1986 onward are based on a revised definition and are thus not strictly comparable with those prior to 1986.

**Source:** ABS, The Labour Force, Catalogue No. 6203.0; various issues.

#### 4.2. Labour Force Status of Sole Parents and Other Parents

Table 21 confirms that the labour force participation rate of female sole parents, after declining until 1983, has risen sharply since then and is now over 50 per cent. For married women, the trend since 1974 has been upward, and this too has accelerated since 1983. Male sole parents, in contrast, have been withdrawing from the labour market since the early seventies, although this process has been arrested since 1983. Married male labour force participation has also declined slightly, although much of this has been concentrated among older workers in the form of early retirement. Interestingly, in 1989 the labour force participation rates of married parents relative to sole parents was similar - 13.3 per cent higher for females and 10.6 per cent higher for males, suggestive of the important influence of broader labour market trends.

Table 22 compares the employment status of sole mothers and married mothers. The general trend towards part-time employment already noted is again apparent, but what is interesting here is the higher percentage of full-time employment amongst sole mothers as compared with married mothers. Over the last five years, the proportion of employed sole mothers in full-time and part-time employment has been approximately in the ratio 60:40, while for employed married mothers the ratio has been closer to 40:60. (The apparent inconsistency between Tables 16 and 18 is explained by the predominance of full-time employment among employed married women without children). It is, of course, one thing to make such observations and quite another to conclude that the observed outcomes reflect the preferred choices of individuals.

There is a common view in Australia, noted earlier, that the relatively low part-time employment status of sole parents generally (and sole mothers in particular) results from the financial disincentives associated with the poverty trap. As already observed, however, there is no reliable econometric evidence to support this view at the present time. The research that has been done (e.g. McDonald and Spindler, 1988) has focused on the effects of sole parent pensions on inducing dependency on income support, although this work suffers from data problems that cast doubt on the reliability and robustness of its conclusions. A different view is encapsulated in the work of Cass (1986) who argues:

‘In their daily attempt to combine child care, household duties and part-time employment, single mothers may find that the increased expenditure of time, effort and income involved in labour force participation does not yield a commensurately increased level of disposable income. As a result, the two most economically feasible options of income support are clarified: full-time employment or full benefit’. (Cass, 1986, p. 8)

**TABLE 21: LABOUR FORCE PARTICIPATION RATES OF  
SOLE PARENTS AND OTHER PARENTS, 1974-1989**

(Percentages)

Year	Sole Parents		Other Parents	
	Female	Male	Female	Male
1974	45.1	94.7	40.7	97.9
1975	47.9	93.2	n.a.	97.4
1976	43.6	87.7	n.a.	97.4
1977	42.4	91.1	n.a.	97.1
1978	n.a.	n.a.	n.a.	n.a.
1979	43.4	87.0	44.6	96.1
1980	42.9	78.8	46.1	95.9
1981	41.2	87.9	45.7	95.8
1982	39.3	83.5	45.9	95.7
1983 <sup>♦</sup>	38.8	79.7	46.1	95.3
1984	40.5	77.4	47.2	95.4
1985	40.8	79.0	50.5	95.0
1986	45.2	76.7	53.9	95.1
1987	44.1	76.7	55.8	94.3
1988	47.0	83.3	56.6	94.1
1989 <sup>◇</sup>	52.0	85.3	58.9	94.3

Notes: ♦ Due to a change in estimation procedures in 1983, data for subsequent years are not strictly comparable with data prior to 1983.

◇ See Note ◇ to Table 2.

n.a. = not available

Sources: 1974-1985: Social Security Review (1986), Table 5.  
1985-1988: ABS, *Labour Force Status and Other Characteristics of Families, 1986 to 1989*, Catalogue No. 6224.0.

**TABLE 22: FULL-TIME AND PART-TIME EMPLOYMENT STATUS  
OF MOTHERS, 1979-1989<sup>♦</sup>**

Year	Full-Time				Part-Time			
	Sole Mothers ( <sup>'000</sup> )	(%)	Married Mothers ( <sup>'000</sup> )	(%)	Sole Mothers ( <sup>'000</sup> )	(%)	Married Mothers ( <sup>'000</sup> )	(%)
1979 <sup>★</sup>	50.4	59.3	336.9	44.3	34.6	40.7	424.4	55.7
1980	55.0	63.4	345.3	43.4	31.9	36.8	450.6	56.6
1981	52.5	59.0	347.0	43.1	36.4	40.9	457.7	56.9
1982	55.1	60.5	351.4	43.6	36.0	39.5	454.6	56.4
1983	52.5	63.3	343.6	43.5	30.6	36.9	446.1	56.5
1984	52.8	56.5	360.4	43.6	40.6	43.5	466.3	56.4
1985	58.6	59.4	379.5	42.8	40.1	40.6	507.9	57.2
1986	66.2	60.6	396.8	42.1	43.1	39.4	545.2	57.9
1987	71.4	60.6	419.9	42.5	46.5	39.4	567.3	57.5
1988	67.7	57.5	427.7	41.7	50.0	42.5	598.6	58.3
1989 <sup>♦</sup>	74.4	54.7	457.0	42.3	61.5	45.3	623.9	57.7

Notes: ♦ See Note ♦ to Table 19. Discrepancies in figures are due to rounding.

♦ See Note ♦ to Table 2.

★ Data for 1979 and 1980 for married mothers are slightly understated due to the non-inclusion of wives whose husbands were not in the labour force.

Sources: 1979-1985: Social Security Review (1986), Table 6.  
1986-1988: ABS, Labour Force Status and Other Characteristics of Families, 1986 to 1988, Catalogue No. 6224.0.

Table 23 presents evidence that, while not confirming this view, is broadly consistent with it. The table compares the labour force states of sole mothers and married mothers by the age of youngest child. For both groups, labour force attachment increases sharply when the youngest child reaches the age of five and enters compulsory schooling. For female sole parents, there is a further increase when the youngest child reaches fifteen, although the reverse happens at this stage for married women. For both groups, increased labour force participation for those with a youngest child over five is concentrated in full-time employment, although part-time employment also rises sharply. For sole mothers with a youngest child over fifteen, there is a marked switch from part-time to full-time employment, with a much weaker switch apparent for married mothers.

However, the most revealing aspect of Table 23 is the fact that (in both 1984 and 1989) the overall percentages in full-time employment are virtually identical for married women and sole mothers. In contrast, the rate of part-time employment for sole mothers was well below that for married mothers in both years. Although these data indicate that there are life cycle factors that play an important role in the labour supply decisions of both married others and sole mothers, the difference in part-time employment rates remains important even when life cycle factors are standardised by comparing those with a youngest child in the same age range (see Ross and Saunders, 1990). While the evidence is not definitive as to the impact of the poverty trap on part-time employment among sole mothers, there is a strong presumption that this is indeed an important factor underlying the observed trends. And if this is the case, it implies that sole parents have been prevented by the poverty trap from receiving some of the benefits associated with the growth in part-time employment that has characterised Australian labour market developments in the last fifteen years.

#### **4.3. Education and Training Levels**

The above discussion takes no account of differences in the level of education or training achieved. One indicator of a person's labour market prospects is to be found in his or her level of formal training or educational qualifications. In Table 24 the educational credentials of single parents are compared with those of the parents in two parent families. Although similar proportions of the two groups completed secondary school, significant differences exist both below and above this level. On the one hand, lone

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**TABLE 23: LABOUR FORCE PARTICIPATION OF MOTHERS  
BY AGE OF YOUNGEST CHILD, 1984 AND 1989**

(Percentages)

	Age of youngest child (years)	Full-time employment	Part-time employment	Unemploy- ment	In the labour force
<b>1984</b>					
<b>Married Women</b>					
	0-4	11.2	19.1	4.0	34.3
	5-9	20.9	31.3	3.7	55.9
	10-14	27.0	28.7	2.1	57.8
	15-20	30.1	24.0	*	56.0
	Total	19.1	24.8	3.3	47.2
<b>Female Sole Parents</b>					
	0-4	8.8	10.4	5.1	24.2
	5-9	17.9	16.6	8.3	42.8
	10-14	25.8	16.9	6.3	49.0
	15-20	34.4	17.6	*	57.6
	Total	19.3	14.8	6.4	40.5
<b>1989</b>					
<b>Married Women</b>					
	0-4	13.8	28.6	2.8	45.2
	5-9	26.9	37.8	4.8	69.5
	10-14	32.8	34.8	2.2	69.8
	15-24	35.3	30.6	1.4	67.3
	Total	23.7	32.3	3.0	58.9
<b>Female Sole Parents</b>					
	0-4	11.0	16.5	6.4	34.0
	5-9	23.6	24.8	6.1	54.6
	10-14	32.4	24.5	4.2	61.1
	15-20	48.0	18.5	4.7	71.1
	Total	25.4	21.0	5.5	52.0

**Note:** An asterisk (\*) indicates that the sample is too small to produce reliable estimates.

**Source:** ABS, Labour Force Status and Other Characteristics of Families, Catalogue No. 6224.0, various issues.



**TABLE 24: EDUCATIONAL QUALIFICATIONS  
BY PARENTAL STATUS, 1986**

Highest Qualification	Percentages:			
	(Male) Head of Two Parent Families	Spouse	Lone Parents	Lone Mothers
Never went to school	0.2	0.3	0.5	0.6
Did not complete secondary school	36.5	54.9	54.3	57.4
Completed secondary schooling	9.5	10.6	10.5	10.4
Trade certificate	29.4	3.9	5.7	3.3
Other certificate or diploma	13.0	22.9	21.6	21.0
Degree	10.3	5.5	6.2	5.9
Other	1.2	1.8	1.3	1.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: 1986 Income Distribution Survey, unit record file.

parents are more likely to have left high school before full completion; on the other, they are under-represented amongst those with any kind of post-school qualifications. The head of a two parent family is more likely to hold a degree than is a sole parent, and is much more likely to possess a trade certificate. The only category of qualifications more frequently held by lone parents is that of 'Other certificate or diploma', which includes for example courses of a few months' duration relevant to clerical, sales or personal service work. In general, then, it is evident that the heads of sole parent families are less qualified than their married counterparts, and their range of employment possibilities reduced accordingly.

## 5. SUMMARY

This paper reports a range of socio-demographic and economic data pertaining to the absolute and relative status of sole parent families in Australia. The picture that emerges is a bleak one. Sole parent families - the fastest growing family type in Australia - are, according to all of the indicators presented, among the poorest and most disadvantaged families. Many are reliant on income support and thus forced to live on income levels that are inadequate to raise them out of poverty. Their housing status also places many of them in the vulnerable private rental market. While public housing occupancy rates of sole parents are high, this may serve to partition them locationally from mainstream family life. There are a number of diverse routes into sole parenthood, and the evidence suggests that for many, sole parenthood is of a relatively short-term duration rather than a semi-permanent state. Those who escape dependence on income support tend to do so more because of reconciliation or re-partnering rather than because their own incomes increase and thus disqualify them from receipt of benefit.

While labour market developments have generally favoured female as against male employment, and part-time as against full-time jobs, both of which might appear to benefit single parents, there is evidence that this has not always happened to the extent anticipated. However, when compared with married mothers with youngest child of the same age, participation in full-time employment is the same for both single mothers and married mothers. It is in the area of part-time employment that single mothers participate in the labour market far less, and there is a presumption (though currently with little reliable evidence to support it) that this is a consequence of the poverty trap. To the extent that this is the case, the nature of the Australian income support system may be contributing to dependency among sole parents which, while it may last for only a few years, nonetheless imposes severe hardship over the period.

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