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## ***The Lone-Parent Trap: How the Welfare System Discourages Marriage***

**May 2002**

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There is a conundrum at the heart of welfare policy in Britain. The government and most people declare support for stable family relationships; they also recognize that two-parent families provide the best life chances for children and the best chance to avoid long-term dependence on state welfare. Yet the government's attempt to reduce the poverty of lone parents and children through cash awards and work incentives actually discourages low-earning parents from forming committed two-parent families. One reasonable strategy for raising children and lifting oneself out of poverty—marriage—has been penalised through external financial disincentives.<sup>1</sup> The current system of marriage penalties for the poor does not operate as a safety net for many parents. Instead, it operates as a trap, isolating lone mothers (and often their children) from their families and from the fathers of their children.<sup>2</sup>

There is a consensus that lone parenthood and the poverty that often accompanies it are associated with social exclusion. Because teenage childbearing out of wedlock is one major pathway into lone parenthood, the government has made reducing the incidence of teenage parenthood a priority. They also have undertaken to reduce the level of social exclusion experienced by teenage mothers.<sup>3</sup> However, they have failed to consider how the tax and benefit system discourages low-income parents from marrying.

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<sup>1</sup> Holden, K. and Smock, P. (1991) 'The economic costs of marital dissolution', *Annual Review of Sociology*, 17: 51-78; Bane, M.J. and Ellwood, D.T. (eds.) (1994) *Welfare Realities: From Rhetoric to Reform*, Cambridge, MA: Harvard University Press; and Moffit, R. (1992) 'Incentive effects of the U.S. welfare system: A review', *Journal of Economic Literature*, 30(1): 1-61.

<sup>2</sup> The flip side of these disincentives to marry or cohabit is an increasing incentive to dissolve existing partnerships. With working families tax credit (WFTC) and child support from the child's father (which is disregarded when calculating WFTC), many partnered mothers could become lone mothers and enjoy a standard of living roughly equivalent to that of many one-earner couples with children.

<sup>3</sup> Social Exclusion Unit, (1999) *Teenage Pregnancy*.

How does welfare policy in Britain affect the decision to marry? This fact sheet looks at five case studies. First, imagine two biological parents who have one child and who live separately. If neither works and both claim benefits, they would be worse off if they married. Second, if the same lone mother is not working and the father works full-time at the minimum wage, they would be worse off if they married. Third, if the lone mother works part-time and claims working families tax credit (WFTC) and the father works full-time at the minimum wage, they would be worse off if they married. Fourth, if they both work full-time at the minimum wage, they would be worse off if they married. And finally, if she works full-time at the minimum wage and he works full-time at *double* the minimum wage, they would still be worse off if they married. In all cases, depending upon whether figures are calculated before or after housing and childcare costs, couples who marry stand to lose from 7% to 28% of their former income.

The impact of tax and benefit incentives on marriage and partnering behaviour is less obvious than its influence on labour market participation. Yet, there are indications that men and women adapt their family structure and living arrangements to take best advantage of the tax and benefit structure. For example, couples who actually cohabit on a regular basis might maintain separate residences in order to preserve their separate benefits. Indeed, from April 2000 to March 2001, the government overpaid £145 million in income support (IS) due to fraudulent claims by lone parents who were in fact 'living together as husband and wife'.<sup>4</sup>

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<sup>4</sup> Department for Work and Pensions, Analytical Services Directorate (2002) *The Results of the Area Benefit Review and the Quality Support Team from April 2000 to March 2001: Fraud and Error in Claims for Income Support and Jobseeker's Allowance*.

Until recently it was controversial to argue that the benefit system has encouraged family breakdown. However, since the 1980s it has been recognised across the spectrum of opinion that providing financial assistance for lone mothers has had the harmful side-effect of increasing the number of children who have been raised without a committed father in the home. This new consensus, at least in the United States, led President Clinton in 1996 to support a major reform of the welfare system which included the encouragement of marriage as an explicit policy aim. To date, the current British government has avoided making such a commitment through any specific actions to support marriage.

## Why Are Marriage Rates Low Among the Poor?

Why is marriage, which was once considered the best and most responsible foundation for family life, now chosen less frequently by many low-income parents? This is a timely question, considering that most evidence shows that, on average, married couples are financially better off than unmarried couples or lone-parent families. Their children fare better emotionally, academically and financially, and are at much lower risk of behaviour likely to lead to social exclusion, such as offending, teenage pregnancy, alcohol and drug abuse, or idleness. Living in a two-parent family is a protective factor against these risks.<sup>5</sup> Yet, many low-income parents choose not to marry. Again, why? In large part, family instability in lower-income groups is due to the overall breakdown in the social consensus that once supported marriage. But, low-income lone parents are also responding to a tax and benefit system that has made marriage an unattractive option.

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<sup>5</sup> Many studies support this view, even after factors such as income are controlled for. For a review of the evidence, see Waite, L. and Gallagher, M. (2000) *The Case for Marriage: Why Married People are Happier, Healthier, and Better off Financially*, New York: Doubleday; Kirby, J. (2002) *Broken Hearts: Family Decline and the Consequences for Society*, London: Centre for Policy Studies; McLanahan S. and Sandefur, G. (1994) *Growing Up With a Single Parent: What Hurts, What Helps*, Cambridge, MA: Harvard University Press.

Today, the decision for parents from poor backgrounds to marry is much less viable than it once was. We have subsidised the choice to be a lone parent, and, in doing so, we have discouraged the choice of parents to commit to shared responsibility for children through marriage. A vast range of benefits, including priority for social housing, income support, subsidised childcare, and schemes for job training are offered automatically to single, young mothers. This system is based upon the assumption that lone mothers have no other choice: they have no family to rely upon, nor can they work with the father to create a viable household. No doubt for some mothers this is the case, and a safety net surely is required for them. However, if parents choose to marry or establish stable cohabiting relationships, they are penalised immediately through loss of benefits. The result of this system is the 'lone-parent trap' wherein many low-income parents are financially better off living separately than they would be if they married or established a stable cohabiting relationship.<sup>6</sup> Because the majority of lone parents are in receipt of benefits, they are also potentially subject to marriage penalties.<sup>7</sup> Dealing with the problem of the lone-parent trap will not provide the solution to all lone parents' problems, but it could reduce the perverse disincentives to marry for those who wish to do so.

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<sup>6</sup> The social-science evidence overwhelmingly supports the common sense view that most people hold: children benefit from having both a committed and involved mother and father in the home. Although cohabitation has been touted as a viable alternative to marriage, research to date has found that, on average, cohabiting unions are both less stable, and less beneficial to families than marriage. [See Morgan, P. (2000) *Marriage-Lite: The Rise of Cohabitation and Its Consequences*, London: Civitas; and Ermisch, J. and Francesconi, M. 'Patterns of household and family formation', in Berthoud, R. and Gershuny, J. (eds) (2000) *Seven Years in the Lives of British Families: Evidence on the Dynamics of Social Change from the British Household Panel Survey*, London: The Policy Press.] Yet, it could be argued that even stable cohabiting parents deserve support. Whatever one's views on the larger issue of cohabitation, it should be noted that both marriage and stable cohabitation are discouraged by the current structure of the benefits system.

<sup>7</sup> As of May 2001, about 22.3% of IS recipients in Great Britain were lone parents (888,000 of 3,928,000); 51.1% of WFTC recipients were lone parents (621,100 of 1,214,000); of an estimated 1.7 million lone parents in Great Britain, 888,000 (or 52.2%) were in receipt of IS and 621,100 (or 36.5%) were in receipt of WFTC. Sources: DWP (2001) *Work and Pension Statistics*; Inland Revenue Analysis and Research (2001) *Working Families Tax Credit Statistics, Quarterly Inquiry, United Kingdom, May 2001*; National Council for One Parent Families (September 2001) *One parent families today*.

### Example 1 - Neither parent working

A lone mother living with her two-year-old child in local authority housing and not in paid work qualifies for weekly benefits of £157.80. After housing costs (rent and council tax) she nets £101.80 per week. The father of her child, who is not working, qualifies for £53.05 per week in Jobseekers Allowance. Their combined weekly income after housing costs is **£154.85**.

Upon marriage and after housing costs, the **couple loses combined income of £22.85**, which represents **15%** of their former combined after-housing income.

### Example 2 - Mother not working, father working full-time at minimum wage

A lone mother living with her two-year-old child in local authority housing and not in paid work qualifies for weekly benefits of £157.80. After housing costs, she nets £101.80 per week. The father of her child, who lives in local authority housing and works full-time at minimum wage (£4.10 per hour) nets £129.81 per week and, after housing costs, nets £78.89. Their combined weekly income before housing costs is **£287.61**. Their combined weekly income after housing costs is **£180.69**.

Upon marriage and after housing costs, the **couple loses combined income of £14.91**, which represents **8%** of their former combined after-housing income.

#### Example 2-A

However, it might be more realistic that the father is living rent-free with his parents or friends. In this case:

Upon marriage and after housing costs, the **couple loses combined income of £65.82**, which represents **28%** of their former combined after-housing income.

(See appendix for full details of calculations)

## What are the Penalties for Marriage?

The government is not neutral. It has contributed over the past several decades to the breakdown of support for marriage, most notably through changes in divorce law and the tax and benefit system.<sup>8</sup> The current tax and benefit system has deepened and entrenched the problem, especially for low-income parents. The examples<sup>9</sup> listed in the sidebar (pp. 3-5) illustrate the point.

## Why Does the Lone-Parent Trap Occur?

To understand how and why the lone-parent trap occurs, one must first look at how welfare policy has developed over the last decade. Budget constraints, as well as the desire to avoid the 'unemployment' and 'poverty' traps, have shaped the government's welfare policies. The resulting policies of 'making work pay', phasing out benefits, and assessing benefits based on household income have created unintended financial disincentives for marriage and have caught many low-income people in the lone-parent trap.

### *The Government's Strategy of 'Making Work Pay'*

In an effort to keep the welfare budget as manageable as possible, the government has chosen to direct benefits to those in poverty, especially children in poverty. Because many children who have experienced long-term poverty live in workless households, the strategy recently has been to encourage work by 'topping up' the wages of low-earning families with children. Policies to subsidise low-income working families have existed since 1971 and have become more generous over the years.<sup>10</sup> In October 1999 the government implemented the working families tax credit (WFTC), with several structural changes designed to benefit a larger number of people.<sup>11</sup>

<sup>8</sup> Morgan, P. (1999) *Farewell to the Family: Public Policy and Family Breakdown in Britain and the USA*, London: Civitas.

<sup>9</sup> These are stylised examples based upon figures used in Department for Work and Pensions Information Centre, Analytical Services Division (2001) *Tax and Benefit Model Tables, June 2001*. The examples do not include all the possible variations of costs and incomes across individual and geographical differences. They assume that people collect all the benefits to which they are entitled. See Appendix for details of the calculations.

<sup>10</sup> Family income supplement (FIS) was introduced in 1971 to provide a means-tested benefit for families with an adult working at least 24 hours per week. In 1988, FIS was renamed family credit (FC) with increased levels of benefit. In the mid-1990s, the work requirement was reduced to 16 hours and a childcare disregard was introduced. See Dilnot, A. and McCrae, J. (1999) *Family Credit and the Working Families Tax Credit*, The Institute for Fiscal Studies.

<sup>11</sup> Although WFTC is administered by the Inland Revenue as a tax credit, it qualifies under international accounting conventions as government spending rather than negative taxation.

### **Example 3 - Mother working part-time at minimum wage, father working full-time at minimum wage**

A lone mother living with her two-year-old child in local authority housing, working 16 hours per week at minimum wage (£4.10 per hour) and receiving WFTC, receives earnings and benefits of £186.32 per week. After housing costs, she nets £130.32 per week. The father of her child, who lives in local authority housing and works full-time at minimum wage (£4.10 per hour) nets £129.81 per week and, after housing costs, nets £78.89. Their combined weekly income before housing costs is **£316.12**. Their combined weekly income after housing costs is **£209.20**.

Upon marriage and after housing costs, the **couple loses combined income of £13.90**, which represents **7%** of their former combined after-housing income.

#### **Example 3-A**

However, it might be more realistic to assume that the father is living rent-free with his parents or friends. In this case:

Upon marriage and after housing costs, the **couple loses combined income of £64.82**, which represents **25%** of their former after-housing income.

(See appendix for full details of calculations)

Welfare experts acknowledge two problems with the strategy of targeting benefits and tax credits: the unemployment trap and the poverty trap. The unemployment trap occurs when a person in receipt of benefits is not working and would *not* be financially better off in work. WFTC was designed to alleviate the unemployment trap by 'making work pay'. Under WFTC, lone parents working at least 16 hours per week are guaranteed a weekly income (including benefits) of at least £186.32, making them £28.52 better off on average than they would be on income support or job seekers' allowance.

The poverty trap occurs when a person who is in work, but is receiving low wages and in-work benefits, would not be much better off financially by increasing earnings via increased hours or promotion. This situation occurs because, as the level of earnings increases, a portion of benefits is withdrawn or phased out, creating a higher 'marginal deduction rate', sometimes reaching 70-100%. In order to reduce this disincentive to earn more, WFTC was introduced with a 55% phase-out taper rather than the 70% taper used in the previous family credit programme.

#### ***Joint Assessment of Households***

The lone-parent trap occurs because welfare benefits and tax credits are assessed, and thus subject to phasing out, based on household income rather than individual income.<sup>12</sup> The justification for this system is that married or cohabiting couples benefit from economies of scale, i.e. they are able to live together more cheaply than they could on their own. The government has chosen to penalise this strategy if it occurs within marriage or stable cohabitation.

<sup>12</sup> The joint household assessment for welfare benefits and tax credits contrasts starkly with the current system of individual income tax assessment. Although after World War II the financial support for families and children was based upon joint income assessment, that principle was discarded in the 1990s. In 1990, Chancellor Nigel Lawson famously announced an age of individual taxation on the basis that adults should not have to share their financial details with their partners. The married couples allowance was reduced gradually and ultimately eliminated in April 2000 (except for those over 65 years old and already claiming the allowance). With very little discussion, the government has shifted the unit of assessment back to the household, at least for the very poor. This trend has manifested itself in the working families tax credit (WFTC) and the planned child tax credit. As more families become subject to means-testing via joint household assessment, the issue of privacy should become more of a concern. Not only are low-income couples expected to share their financial details with each other (a condition not required of middle and higher-income couples), but they are also expected to share details of their family situation with their employer, who is responsible for administering the WFTC.

#### **Example 4 - Mother working full-time at minimum wage; father working full-time at minimum wage**

A lone mother living with her two-year old child in local authority housing, working 35 hours per week at minimum wage (£4.10 per hour) and receiving WFTC, nets £225.08 before housing costs. After housing costs, she nets £169.08. The father of her child, who lives in local authority housing and works full-time at minimum wage (£4.10 per hour) nets £129.81 per week. After housing costs he nets £78.89. Their combined weekly income before housing costs is **£354.88**. Their combined weekly income after housing costs is **£247.96**.

Upon marriage and after housing costs, the **couple loses combined income of £24.11**, which represents **10%** of their former combined after-housing income.

##### **Example 4-A**

However, it might be more realistic to assume that the father is living rent-free with his parents or friends. In this case:

Upon marriage and after housing costs, the **couple loses combined income of £75.03**, which represents **25%** of their former after-housing income.

#### **Example 5 - Mother working full-time at minimum wage; father working full-time at double the minimum wage**

A lone mother living with her two-year old child in local authority housing, working 35 hours per week at minimum wage (£4.10 per hour) and receiving WFTC, nets £225.08 before housing costs. After housing costs, she nets £169.08. The father of her child, who lives in local authority housing and works full-time at £8.20 per hour (double the minimum wage) nets £227.39 per week. After housing costs he nets £176.47. Their combined weekly income before housing costs is **£452.46**. Their combined weekly income after housing costs is **£345.54**.

Upon marriage and after housing costs, the **couple loses combined income of £24.11**, which represents **6%** of their former combined after-housing income.

##### **Example 5-A**

However, if childcare costs of £70 per week are included in the consideration, then:

Upon marriage and after housing and child care costs, the **couple loses combined income of £73.11**, which represents **22%** of their former after-housing income.

(See appendix for full details of calculations)

Because the presence of a partner in the household may increase the household income, marriage or cohabitation often is accompanied by the withdrawal of some benefits or tax credits.<sup>13</sup> The government and several of its critics have recognised how this situation might reduce the incentives of a 'second earner' in a couple to enter paid work or increase her level of earnings. However, they have not acknowledged that this situation is also a disincentive to marry or cohabit in the first place.

Not only does joint household assessment discourage marriage, but it also encourages fraud. Couples who actually cohabit on a regular basis might maintain separate residences in order to preserve their separate benefits. In this situation, the government pays more in housing benefit and council tax benefit; local authority housing capacity is artificially stretched; and parents do not maintain a consistent partnership and commitment in their children's lives. These outcomes are not just hypothetical. Indeed, according to recent statistics, IS overpayments to lone parents who were in fact 'living together as husband and wife' represented 25% of all income support overpayment due to fraud.<sup>14</sup>

## **Is Marriage Relevant to the Poor?**

The factors influencing whether couples decide to marry are many and varied. However, a significant portion of unmarried young parents are romantically involved and would like to commit to raising their family within marriage. For example, a recent report from the American 'Fragile Families'

<sup>13</sup> There is no distinction between marriage and cohabitation in most benefit programmes, including income support, job seekers' allowance, working families tax credit, housing benefit and council tax benefit. Whether married or cohabiting, the partner's income is included in the joint household assessment.

<sup>14</sup> DWP (2002) *The Results of the Area Benefit Review*. The total amount of IS overpaid due to fraud from April 2000 to March 2001 was £573 million.

Study of unwed parents in New York City found that ‘eighty-six percent of unmarried parents are romantically involved’ and ‘seventy-two percent of unmarried mothers say the chances that they will marry the baby’s father are “fifty-fifty” or better’.<sup>15</sup> However, the same risk factors that contribute to early pregnancy can make sustaining a marriage difficult. In essence, the couple is faced with a challenge. Raising a child is demanding in any circumstances—whether within a marriage or as a lone parent. These difficulties are compounded when the parents live in poverty. In the past, young couples like these were helped by their families and by private charities, just as parents who found themselves alone were helped. Marriage was encouraged for many reasons, not least of which was that it ensured both parents could be held accountable for raising their children. However, in the last half of the twentieth century, there has been a steady erosion of society’s traditional demand that both parents take care of their children together.

## Do People Really Make Their Decisions Based on Calculations of Benefit-Tax Interactions?

Although they might not calculate the exact amount of money they are likely to forego upon marriage, it is likely that most couples recognise they would lose financially if they married and gave up their individual entitlements to benefits and tax credits. There are few good studies to measure whether or to what degree marriage penalties influence people’s actual behaviour. The factors contributing to marriage decisions can be difficult to disentangle, leading to ambiguous results in many studies, which critics of marriage are quick to point out. For example, using a ‘natural experiment’ involving changes in benefit levels over time, Harvard Political Economist David Ellwood measured the impact of the earned income tax credit (EITC), a programme in the United States which operates similarly to the WFTC. In early analyses, Ellwood found that the EITC had ‘no discernible effect’ on marriage in either direction. However, one should note that the marriage penalties in this study were never eliminated, but only reduced over time. Unlike labour market participation, the decision to marry

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<sup>15</sup> McLanahan, S., Garfinkel, I. and Audigier, C.N. (2001) *The Fragile Families and Child Wellbeing Study Baseline Report*, Princeton and Columbia Universities.

is not one that can be adjusted along a continuum of behaviour in response to incentives that change by degrees. Moreover, the women in this study had the option of cohabiting rather than marrying, as this type of partnering behaviour is not penalized by the American welfare and EITC regimes as it is in the UK.<sup>16</sup> Indeed, upon further analysis, Ellwood found that when the EITC operated as a financial reward, as it did for cohabiting couples with children in which the woman was not in paid work, marriage behaviour *did* increase. Ellwood concludes that, although he lacks strong evidence proving marriage penalties have decreased marriage, ‘social policymakers may still want to remove penalties to marriage based as much on symbolism and fairness as on any observed behavioural response’.<sup>17</sup>

Another foreign study demonstrates that tax and benefit incentives may influence the marriage behaviour of those receiving in-work benefits. Analysis of the Self-Sufficiency Project (SSP) in Canada indicated that generous in-work benefits for single parents, combined with a removal of marriage penalties, were associated with increased levels of employment, income, and earnings, but the impact on marriage behaviour varied depending upon unobserved or cultural factors. All other things being equal, where marriage was supported by cultural norms, lone parents responded to elimination of marriage penalties by marrying more. In areas where financial independence was valued more highly than marriage, lone parents chose to marry less frequently.<sup>18</sup>

Closer to home, there are fewer studies of behavioural responses to marriage penalties. However, there are several indications that lone parents are influenced by the potential loss of benefits incurred by marriage. For example, in a representative sample of British lone parents, more than one out of ten lone parents on family credit or income support listed ‘I would lose social security benefits’ as one reason for not

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<sup>16</sup> Ellwood, D.T. (1999) ‘The impact of the Earned Income Tax Credit and other social policy changes on work and marriage in the US’ *Australian Social Policy*, 1: 75-113.

<sup>17</sup> Ellwood, D.T. (2000) ‘The impact of the Earned Income Tax Credit and social policy reforms on work, marriage, and living arrangements’, *National Tax Journal*, 53 (4) (part 2): 1063-1106.

<sup>18</sup> Harknett, K. and Gennetian, L.A. (2001) *How an earnings supplement can affect the marital behaviour of welfare recipients: Evidence from the Self-Sufficiency Project*, Ottawa: Social Research and Demonstration Corporation.

partnering.<sup>19</sup> In addition, there are indications that teenage lone parents are being discouraged from cohabiting or marrying so they don't lose their benefits. According to the Independent Advisory Group on Teenage Pregnancy:

the benefits system does not appear to favour co-habiting teenage parents and a wider range of benefits is available for lone mothers. Given the detrimental effect that this can have on relationships between the child, its mother and father, and the negative effect on initiatives aiming to increase young fathers' participation in the lives of their child, the Advisory Group recommends that the government reviews the impact of the benefits system on co-habiting fathers in stable relationships.<sup>20</sup>

With these financial disincentives and in the absence of strong social pressure or support for marriage, it is not surprising that many low-income couples with children choose not to marry.

<sup>19</sup> Marsh, A., McKay, S., Smith, A. and Stephenson, A. (2001) *DSS Research Report No 138 Low-Income Families in Britain: Work, Welfare and Social Security in 1999*. The actual percentage of all respondents listing 'I would lose social security benefits' in 1999 was 8%. However, only 70% of the respondents were in receipt of FC or IS. It should also be noted that this sample is a cross section of all lone parents in 1999, including some who had been lone parents for several years.

<sup>20</sup> Independent Advisory Group on Teenage Pregnancy (2001) *First Annual Report*, Department of Health, p 37.

## Minimising the Disincentives to Marry - Some Options to Consider

### ➤ *Individual assessment of benefits eligibility*

The Canadian government is moving toward assessing some benefits based on the individual. In other words, in-work benefits would follow the worker, and child-related benefits would follow the child, regardless of the living arrangement. The obvious drawback of this system is that the costs could quickly escalate. Costs possibly could be contained by imposing time-limits upon all benefits.

### ➤ *Increase the allowances for married-couple families*

A simple solution might be to increase the weekly allowances and earnings thresholds for married couples to a level twice that of single claimants, or at least to a level equivalised to account for the additional costs of the additional adult. Again, the problem of costs arises.

### ➤ *Marriage bonuses*

Lone parents on benefits could be awarded a lump sum bonus upon marrying. This proposal has been criticised in the United States because it potentially might encourage unhappy or even fraudulent marriages.

\* In October 1998, the government launched a 'New Deal for Lone Parents' (NDLP), designed to alleviate poverty for lone parents by helping them overcome the obstacles to entering paid work. All lone parents in receipt of income support whose youngest child is over five years old are invited to participate in the programme. A personal advisor is assigned to ascertain how best to help the lone parent into work and to provide information. Costs related to training or other work preparation are sometimes reimbursed. The programme operates on the theory that many lone parents do not work because of obstacles such as lack of information, training or childcare. The programme is voluntary; there is no penalty for choosing not to participate. Of those eligible to participate (about 893,000 lone parents were in receipt of IS as of 31 August 2001), about 30% agreed to an interview with a personal adviser. About 85% of those who interviewed (25% of the total eligible) joined the NDLP case load. As of April 2001, about 25% of lone parents who attended an initial interview with NDLP had left the programme to move into employment. See DWP, (1 November 2001) *New Deal For Lone Parents and Personal Adviser Meetings: Statistics to August 2001*.

### ➤ *Transitional benefits*

The government has implemented several benefits to ease the transition from IS to WFTC, or out of WFTC. Similar transitional benefits could be introduced to ease the transition from lone parenthood into marriage.

### ➤ *Actively encourage marriage for low-income lone parents*

One of the stated goals of the 1996 welfare reform in the US was to reduce the levels of lone parenthood. Funding is available for states to encourage marriage via education and counselling. The idea of holding up marriage as the ideal family structure is still controversial in the US, but the point is now an important part of the debate at both the state and national level.

The New Deal for Lone Parents (NDLP)\*, the British government's scheme to encourage lone parents into work, could provide an opportunity to educate lone parents not just about the benefits of working, but also about the benefits of marriage. Currently, no information is provided about the benefits of marriage for lone parents and their children.

## Appendix

**Example 1: Neither parent working (one child under five years old)**

	Gross Earnings	Income Tax	Children's Tax Credit	NI	Net Earnings	WFTC	HB	CTB	Child Benefit	IS / JSA*	Net Income before housing costs	Net Income after housing costs
Mother	0	0	0	0	0	0	45.60	10.40	15.50	86.30	157.80	101.80
Father	0	0	0	0	0	0	41.52	9.40	0	53.05	103.97	53.05
Combined	0	0	0	0	0	0	87.12	19.80	15.50	139.35	261.77	154.85
Married / Cohabiting Couple	0	0	0	0	0	0	45.60	13.70	15.50	116.50	191.30	132.00
Difference after Coupling	0	0	0	0	0	0	-41.52	-6.10	0	-22.85	<b>-70.47</b>	<b>-22.85</b>
Percentage loss from former combined income											<b>-27%</b>	<b>-15%</b>

All figures are taken from Department for Work and Pensions Information Centre, Analytical Services Division (2001) *Tax and Benefit Model Tables, June 2001*. The examples do not include all the possible variations of costs and incomes across individual and geographical differences. They assume that people collect all the benefits to which they are entitled.

Minimum wage = £4.10 per hour  
 Part-time = 16 hours per week  
 Full-time = 35 hours per week  
 NI = national insurance contributions  
 WFTC = working families tax credit

HB = housing benefit  
 CTB = council tax benefit  
 IS = income support  
 JSA = jobseeker's allowance

\* Includes welfare foods for children and free school meals. Does not include value of automatic entitlement (passport) to free prescriptions, exemption from dental and optical charges and help with patients' fares to hospitals, as the worth of these benefits may vary.

**Example 2: Lone mother not in paid work (one child under five years old) and single man working full-time at minimum wage**

	Gross Earnings	Income Tax	Children's Tax Credit	NI	Net Earnings	WFTC	HB	CTB	Child Benefit	IS / JSA*	Net Income before housing costs	Net Income after housing costs
Mother	0	0	0	0	0	0	45.60	10.40	15.50	86.30	157.80	101.80
Father	143.50	8.05	0	5.65	129.80	0	0	0	0	0	129.80	78.88
Combined	143.50	8.05	0	5.65	129.80	0	45.60	10.40	15.50	86.30	287.60	180.68
Married / Cohabiting Couple	143.50	8.05	8.05	5.65	137.85	71.73	0	0	15.50	0	225.08	165.78
Difference after Coupling	0	0	8.05	0	8.05	71.73	-45.60	-10.40	0	-86.30	<b>-62.52</b>	<b>-14.90</b>
Percentage loss from former combined income											<b>-22%</b>	<b>-8%</b>

**Example 2 - A: Lone mother not in paid work (one child under five years old) and single man working full-time at minimum wage (living rent free)**

	Gross Earnings	Income Tax	Children's Tax Credit	NI	Net Earnings	WFTC	HB	CTB	Child Benefit	IS / JSA*	Net Income before housing costs	Net Income after housing costs
Mother	0	0	0	0	0	0	45.60	10.40	15.50	86.30	157.80	101.80
Father	143.50	8.05	0	5.65	129.80	0	0	0	0	0	129.80	129.80
Combined	143.50	8.05	0	5.65	129.80	0	45.60	10.40	15.50	86.30	287.60	231.60
Married / Cohabiting Couple	143.50	8.05	8.05	5.65	137.85	71.73	0	0	15.50	0	225.08	165.78
Difference after Coupling	0	0	8.05	0	8.05	71.73	-45.60	-10.40	0	-86.30	<b>-62.52</b>	<b>-65.82</b>
Percentage loss from former combined income											<b>-22%</b>	<b>-28%</b>

**Example 3: Lone mother working part-time at minimum wage (one child under five years old) and single man working full-time at minimum wage**

	Gross Earnings	Income Tax	Children's Tax Credit	NI	Net Earnings	WFTC	HB	CTB	Child Benefit	IS / JSA*	Net Income before housing costs	Net Income after housing costs
Mother	65.60	0	0	0	65.60	85.00	18.24	1.98	15.50	0	186.32	130.32
Father	143.50	8.05	0	5.65	129.80	0	0	0	0	0	129.80	78.88
Combined	209.10	8.05	0	5.65	195.40	85.00	18.24	1.98	15.50	0	316.12	209.20
Married / Cohabiting Couple	209.10	8.05	8.05	5.65	203.45	35.65	0	0	15.50	0	254.60	195.30
Difference after Coupling	0	0	8.05	0	8.05	-49.35	-18.24	-1.98	0	0	<b>-61.52</b>	<b>-13.90</b>
Percentage loss from former combined income											<b>-19%</b>	<b>-7%</b>

**Example 3 - A: Lone mother working part-time at minimum wage (one child under five years old) and single man working full-time at minimum wage (living rent free)**

	Gross Earnings	Income Tax	Children's Tax Credit	NI	Net Earnings	WFTC	HB	CTB	Child Benefit	IS / JSA*	Net Income before housing costs	Net Income after housing costs
Mother	65.60	0	0	0	65.60	85.00	18.24	1.98	15.50	0	186.32	130.32
Father	143.50	8.05	0	5.65	129.80	0	0	0	0	0	129.80	129.80
Combined	209.10	8.05	0	5.65	195.40	85.00	18.24	1.98	15.50	0	316.12	260.12
Married / Cohabiting Couple	209.10	8.05	8.05	5.65	203.45	35.65	0	0	15.50	0	254.60	195.30
Difference after Coupling	0	0	8.05	0	8.05	-49.35	-18.24	-1.98	0	0	<b>-61.52</b>	<b>-64.82</b>
Percentage loss from former combined income											<b>-19%</b>	<b>-25%</b>

**Example 4: Lone mother working full-time at minimum wage (one child under five years old) and single man working full-time at minimum wage**

	Gross Earnings	Income Tax	Children's Tax Credit	NI	Net Earnings	WFTC	HB	CTB	Child Benefit	IS / JSA*	Net Income before housing costs	Net Income after housing costs
Mother	143.50	8.05	8.05	5.65	137.85	71.73	0	0	15.50	0	225.08	169.08
Father	143.50	8.05	0	5.65	129.80	0	0	0	0	0	129.80	78.88
Combined	287.00	16.10	8.05	11.30	267.65	71.73	0	0	15.50	0	354.88	247.96
Married / Cohabiting Couple	287.00	16.10	8.05	11.30	267.65	0	0	0	15.50	0	283.15	223.85
Difference after Coupling	0	0	0	0	0	-71.73	0	0	0	0	<b>-71.73</b>	<b>-24.11</b>
Percentage loss from former combined income											<b>-20%</b>	<b>-10%</b>

**Example 4 - A: Lone mother working full-time at minimum wage (one child under five years old) and single man working full-time at minimum wage (living rent free)**

	Gross Earnings	Income Tax	Children's Tax Credit	NI	Net Earnings	WFTC	HB	CTB	Child Benefit	IS / JSA*	Net Income before housing costs	Net Income after housing costs
Mother	143.50	8.05	8.05	5.65	137.85	71.73	0	0	15.50	0	225.08	169.08
Father	143.50	8.05	0	5.65	129.80	0	0	0	0	0	129.80	129.80
Combined	287.00	16.10	8.05	11.30	267.65	71.73	0	0	15.50	0	354.88	298.88
Married / Cohabiting Couple	287.00	16.10	8.05	11.30	267.65	0	0	0	15.50	0	283.15	223.85
Difference after Coupling	0	0	0	0	0	-71.73	0	0	0	0	<b>-71.73</b>	<b>-75.03</b>
Percentage loss from former combined income											<b>-20%</b>	<b>-25%</b>

**Example 5: Lone mother working full-time at minimum wage (one child under five years old) and single man working full-time at twice the minimum wage**

	Gross Earnings	Income Tax	Children's Tax Credit	NI	Net Earnings	WFTC	HB	CTB	Child Benefit	IS / JSA*	Net Income before housing costs	Net Income after housing costs
Mother	143.50	8.05	8.05	5.65	137.85	71.73	0	0	15.50	0	225.08	169.08
Father	287.00	39.61	0	20.00	227.39	0	0	0	0	0	227.39	176.47
Combined	430.50	47.66	8.05	25.65	365.24	71.73	0	0	15.50	0	452.46	345.54
Married / Cohabiting Couple	430.50	47.66	10.00	25.65	367.19	0	0	0	15.50	0	382.69	323.39
Difference after Coupling	0	0	1.95	0	1.95	-71.73	0	0	0	0	<b>-69.77</b>	<b>-22.15</b>
Percentage loss from former combined income											<b>-15%</b>	<b>-6%</b>

**Example 5 - A: Lone mother working full-time at minimum wage (one child under five years old with child care costs of £70) and single man working full-time at twice the minimum wage**

	Gross Earnings	Income Tax	Children's Tax Credit	NI	Net Earnings	WFTC	HB	CTB	Child Benefit	IS / JSA*	Net Income before housing costs	Net Income after housing costs
Mother	143.50	8.05	8.05	5.65	137.85	120.73	0	0	15.50	0	274.08	148.08
Father	287.00	39.61	0	20.00	227.39	0	0	0	0	0	227.39	176.47
Combined	430.50	47.66	8.05	25.65	365.24	120.73	0	0	15.50	0	501.47	324.55
Married / Cohabiting Couple	430.50	47.66	10.00	25.65	367.19	0	0	0	15.50	0	382.69	253.39
Difference after Coupling	0	0	1.95	0	1.95	-120.73	0	0	0	0	<b>-118.78</b>	<b>-71.16</b>
Percentage loss from former combined income											<b>-24%</b>	<b>-22%</b>