CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

In 1989, one-parent families comprised 17 per cent of all families with dependent children, and their number has almost doubled in the past two decades. Almost all the information we have hitherto had about them comes from 'snapshots' in cross-section surveys. This book analyses for the first time the flows into and out of lone parenthood, using demographic and employment histories from a nationally representative survey carried out in 1980. It studies how various socio-economic characteristics of women and their economic environment, such as welfare benefits, affect these flows, and how these interact to determine the attributes of the population of one-parent families, particularly their economic circumstances. The book also studies the lone parents' movements into and out of paid employment, and the effect of welfare benefits on their employment. The analyses are used to gauge the effects of alternative policies on one-parent families, their paid employment, and their living standards.

JOHN F. ERMISCH is Bonar-Macfie Professor of Political Economy at the University of Glasgow, and co-Director of the Human Resources Research Programme at the Centre for Economic Policy Research. He previously worked at the National Institute of Economic and Social Research, and as a research economist for the Department of Housing and Urban Development, Washington D.C. His previous publications include *The Political Economy of Demographic Change* (Heinemann, 1983), as well as numerous articles in learned journals and contributary volumes.

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

THE NATIONAL INSTITUTE OF
ECONOMIC AND SOCIAL RESEARCH

Occasional Papers
XLIV

LONE PARENTHOOD

An Economic Analysis

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

OFFICERS OF THE INSTITUTE

PRESIDENT
R.E. UTIGER

COUNCIL OF MANAGEMENT

SIR KENNETH BERRILL* *CHAIRMAN*

R.W. ARCHER*
PROFESSOR M. ARTIS*
PROFESSOR A.B. ATKINSON*
W. BECKERMAN*
A.J.C. BRITTON*
SIR ALEC CAIRNCROSS
THE RT. HON. LORD CROHAM*
PROFESSOR C.A.E. GOODHART*
PROFESSOR D.F. HENDRY*
PROFESSOR J.A. KAY*
SIR ARTHUR KNIGHT*
H.H. LIESNER*
SIR DONALD MACDOUGALL*
PROFESSOR R.C.O. MATTHEWS*
PROFESSOR M.H. MILLER
M.V. POSNER*
PROFESSOR W.B. REDDAWAY
PROFESSOR SIR AUSTIN ROBINSON
THE RT. HON. LORD ROLL OF IPSDEN
T.M. RYBCZYNSKI*
PROFESSOR Z.A. SILBERSTON*
R.D.N. SOMERVILLE*
PROFESSOR SIR RICHARD STONE
D.K. STOUT
R.E. UTIGER*

**Members of the Executive Committee*

DIRECTOR
A.J.C. BRITTON

SECRETARY
H. STEEDMAN

2 DEAN TRENCH STREET, SMITH SQUARE, LONDON, SW1P 3HE

The National Institute of Economic and Social Research is an independent, non-profit-making body, founded in 1938 and registered under the Charities Act, 1960 (no. 306083). It has as its aim the promotion of realistic research, particularly in the field of economics. It conducts research by its own research staff and in cooperation with the universities and other academic bodies. The results of the work done under the Institute's auspices are published in several series, and a list of its publications will be found at the end of this volume.

© Cambridge University Press www.cambridge.org

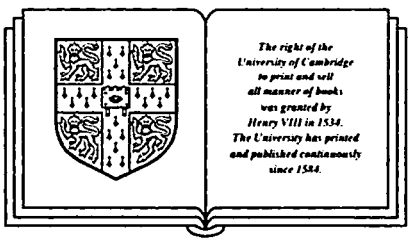
CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

LONE PARENTHOOD

An Economic Analysis

JOHN F. ERMISCH



CAMBRIDGE UNIVERSITY PRESS

CAMBRIDGE
NEW YORK PORT CHESTER MELBOURNE SYDNEY

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

Published by the Press Syndicate of the University of Cambridge
The Pitt Building, Trumpington Street, Cambridge CB2 1RP
40 West 20th Street, New York, NY 10011-4211, USA
10 Stamford Road, Oakleigh, Melbourne 3166, Australia

© The National Institute of Economic and Social Research 1991

First published 1991

Printed in Great Britain at the University Press, Cambridge

British Library cataloguing in publication data

Ermisch. John
Lone parenthood: an economic analysis
– (Occasional papers).
I. Great Britain. Families. Economic conditions
I. Title II. Series
330.9410859

Library of Congress cataloguing in publication data

Ermisch. John.
Lone parenthood: an economic analysis / John Ermisch.
p. cm. – (Occasional papers / National Institute of Economic and Social Research: 44)
Includes bibliographical references (p.) and index.
ISBN 0 521 41243 9
1. Single-parent family – Great Britain.
2 Single parent family – Economic aspects – Great Britain.
3. Single parents – Great Britain – Social conditions.
4. Single parents – Great Britain – Economic conditions.
I. Title. II. Series: Occasional papers (National Institute of Economic and Social Research): 44.
HQ759.915.E76 1991
306.85'6'0941–dc20
91–8135
CIP

ISBN 0 521 41243 9 hardback

GO

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

To my parents

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

CONTENTS

		page
List of tables		xii
List of charts		xiv
Preface		xv
1	INTRODUCTION	1
2	ONE-PARENT FAMILIES IN INDUSTRIALISED COUNTRIES: AN OVERVIEW OF TRENDS	3
	Changing family and household structure	3
	One-parent families and demographic rates	4
	Changes in the number of one-parent families	5
	Demographic trends	6
	Demographic characteristics of one-parent families	16
	Socio-economic characteristics of British one-parent families	19
	Conclusion	23
	Appendix	24
	Definitions and sources	24
3	MODELLING THE DYNAMICS OF ONE-PARENT FAMILIES	26
	Introduction	26
	A simple Markov model	28
	Basic model	28
	Single motherhood	30
	Previously-married lone mothers	32
	All lone mothers	35
	Conclusion	37
	Appendix: Relationship between illegitimacy ratio and the proportion of families with dependent children headed by a never-married mother	39
4	AN ECONOMIC MODEL OF MARRIAGE AND MARITAL SEARCH	41
	Introduction	41
	Optimal sorting of mates	42

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

Search, uncertainty and imperfect information 44
An economic model of extensive marital search 44
Impacts of parameters (c, S and w) on the reservation offer, R 47
Impacts of parameters on the duration of search 47
Impacts of parameters on the expected gains from marriage among married persons 48
Impacts of parameters on the likelihood of searching 49
Summary of predictions from the model 49
Intensive search 50
Application to the analysis of marriage and marital dissolution 50
Marital dissolution: hypotheses 51
Appendix: Some empirical evidence on search and marriage offers 57

5 ENTRY TO LONE PARENTHOOD: ANALYSIS OF MARITAL DISSOLUTION AND PRE-MARITAL BIRTHS 60
Marital dissolution among mothers 60
Results for macro-level variables 63
Impacts of a mother's characteristics on her dissolution risk 64
Pre-marital births: hypotheses 72
Empirical analysis of pre-marital births 73
Effects of women's characteristics 75
Effects of women's economic environment 77
Conclusion: selective inflows to lone parenthood 80
Appendix 82

6 LONE PARENTS' EMPLOYMENT AND WELFARE BENEFITS 84
Theoretical framework 84
The British benefit system 86
Child care 88
The employment decision 89
Welfare benefits and the employment decision 89
Effects of children 90
Estimation of the model 91
Parameter estimates 95
Robustness and comparability of results 99
Conclusion 103
Appendix 105

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

7 EMPLOYMENT DYNAMICS AMONG LONE PARENTS 113
Employment transitions around the start of lone parenthood 113
Model of labour market turnover 117
Estimation of the model's reduced form 121
Non-stationarity 122
Welfare benefits 123
Other considerations 124
Parameter estimates 128
Entry to employment 128
Exits from employment 131
Models with welfare benefits 132
Transition rates and durations 136
Conclusion 138
Appendix 140

8 THE DURATION OF LONE PARENTHOOD 142
Hypotheses 144
Empirical analysis 147
Results: previously-married mothers 148
Direct effect of welfare benefits 150
Indirect effect of welfare benefits 152
Effects of characteristics of a woman and her family 153
Results: never-married mothers 155
Estimates controlling for unobserved heterogeneity 157
Selection and economic circumstances of lone parents 158
Conclusions 160
Appendix 161

9 PROSPECTS AND POLICIES 162
Prospective numbers of one-parent families 162
Policy objectives 165
Effects of policy on the number of lone parents 166
Effects of policy on lone mothers' incomes and employment 168
Conclusion 171

Notes 172
References 182
Index 188

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

LIST OF TABLES

		page
2.1	Changes in the incidence of lone-parent families	6
2.2	Percentage of net absolute increase in the number of one-parent families contributed by each sex and marital status category	7
2.3	Number and marital status composition of one-parent families, Great Britain, 1971–86	17
3.1a	Markov chain transition matrix	29
3.1b	Estimates of transition rates p_{ij}	31
3.2a	Impact of different transition rates (p_{ij}) on proportion of single women who are mothers (α_2) and expected duration of single motherhood (D_{22}) (months)	32
3.2b	Impact of different transition rates (p_{ij}) on equilibrium probability of being in State i (α_i)	35
3.2c	Impact of different transition rates (p_{ij}) on proportion of mothers who are lone mothers (p) and proportion of women who are single (s)	36
4A.1	Gains from marriage, assortative mating and payoff to search. Dependent variable: husband's gross earnings in 1980	58
5.1	Descriptive statistics for explanatory variables	63
5.2	Hazard models of marital dissolution	65
5.3	Work status and marital dissolution	68
5.4	Hazard models of marital dissolution	70
5.5	Hazard models of marital dissolution	71
5.6	Models of the pre-marital birth hazard	76
5.7	Models of the pre-marital birth hazard	79
5.8	Impacts of welfare benefits, unemployment and education on the percentage of women having a pre-marital birth before their 22nd and 26th birthdays	80
5A.1	Models of the pre-marital birth hazard	82
5A.2	Means and standard deviations of explanatory variables for analysis of pre-marital births (calculated over months of exposure to risk of a pre-marital birth)	83

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

6.1	Logit estimates of the probability of being in employment, female lone parents, Great Britain, 1973–82	96
6.2	Elasticities of the probability of employment	99
6A.1	Parameter estimates of full-time earnings equations, female lone parents, Great Britain, 1973–82	106
6A.2	Means (and standard deviations) of variables included in probability of being in employment models, female lone parents, Great Britain, 1973–82	108
6A.3	Logit estimates of the probability of being in employment, female lone parents, Great Britain, 1973–82 (ignoring taxes and FIS)	109
6A.4	Logit estimates of the probability of being in employment, female lone parents, Great Britain, 1973–82 (with taxes and FIS and year-to-year dummy variables)	111
7.1	Employment transitions of previously-married lone mothers (relative to time of marital dissolution)	117
7.2	Parameter estimates of model of entry to full-time employment by previously-married lone mothers	127
7.3	Parameter estimates of model of exits from full-time employment by previously-married lone mothers	128
7.4a	Proportional hazard analysis of entry to part-time employment by previously-married lone mothers	129
7.4b	Proportional hazard analysis of exits from part-time employment by previously-married lone mothers	129
7.5	Coefficients of benefit and wage variables (standard errors in parentheses)	133
7.6	Illustrative transition rates and durations	137
7A.1	Coefficients of benefit and wage variables (standard errors in parentheses)	141
8.1	Variables used in analysis of remarriage	148
8.2	Proportional hazard rate analysis of remarriage	149
8.3	Model of marriage of never-married mothers	156
8.4	Expected durations of single parenthood for mothers with selected socioeconomic characteristics	159
8A.1	Proportional hazard rate analysis of remarriage	161
9.1	Policy simulations: predicted percentages employed	168

SYMBOLS IN THE TABLES

... not available
— nil or negligible
n.a. not applicable

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

LIST OF CHARTS

		page
2.1	Divorces per 1,000 existing marriages	8
2.2	Total divorce rates per 1,000 marriages	10
2.3	Remarriage rate of divorced women	11
2.4	Total first marriage rate per 1,000 women	13
2.5	Percentage of births outside marriage	14
2.6	Working mothers with a dependent child of any age	19
2.7	Working mothers: percentage working full-time and part-time	20
2.8	One-parent families' gross income as a percentage of the income of a married couple with two children	21
2.9	Average equivalent weekly household income of one-parent families as a proportion of two-parent families equivalent income	22
3.1	Survival as lone mother	33
3.2	First marriage rate and legitimate first birth rate	38
5.1	Marital dissolution raw hazard rate	61
5.2	Pre-marital first birth rate	74
6.1	Lone mother's budget constraint	87
7.1a	Transition from full-time to no job and from part-time to no job	114
7.1b	Transition from no job to full-time and from no job to part-time	115
7.2	Percentage of lone mothers employed by time since marital dissolution	116
7.3	Determination of the reservation wage	119
7.4	Welfare benefits	125
8.1	Survival as lone mother: never and previously-married women	142
8.2	Probability distribution for exit from lone parenthood by marital status	143
9.1	Divorce decrees per 1,000 married women	163

© Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-41243-8 - Lone Parenthood: An Economic Analysis
John F. Ermisch
Frontmatter
More information

PREFACE

This book arose from research financed by the Joseph Rowntree Foundation and the Economic and Social Research Council, for which I am extremely grateful. I would also like to give special thanks to Robert E. Wright who worked with me on a large part of the research that has made its way into this book. Some of the analyses have been published in academic journals, the *Oxford Bulletin of Economics and Statistics*, the *Journal of Human Resources*, the *National Institute Economic Review* and the *Journal of Population Economics*. I am grateful to the editors of these journals and to their anonymous referees, who have contributed to the improvement of the analysis and its exposition. I also thank Jon Barry, Brian Francis and Richard Davies for generously supplying their SABRE program for use in some of the estimation, and Fran Robinson for preparing the manuscript for publication. None of these people are, of course, responsible for the use that I have made of their help and advice.

JOHN ERMISCH
November, 1990

© Cambridge University Press www.cambridge.org