Living Arrangements and the Economic Well-being of Single Parents:
A Cross-national Comparison

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Abstract

We extend recent research on relationships between living arrangements and the economic well-being of single-parent families in the U.S. by using comparable data from five countries and by examining measures of wealth in addition to income. Preliminary tabulations of harmonized data from the Cross-National Equivalent File (CNEF) demonstrate marked cross-national differences in the living arrangements of unpartnered parents, with lone-parent families relatively common in Germany and coresidence with parents most common in Korea. There are also clear differences in the economic benefits that single parents derive from coresidence with parents, which are most pronounced in Korea and relatively limited in the U.S. Findings from this project will have implications for understanding the ways in which demographic change and living arrangements contribute to differences in levels and trends in income and wealth accumulation across countries and in comparison to the United States.

Introduction

It is important to recognize that many single parents, particularly those with young children born outside of marriage, are not "lone parents." Many single parents in the U.S. cohabit with partners and others (particularly the most disadvantaged) often live with parents or other family members. These complex living arrangements have important implications for the economic well-being of single parents (indeed, economic circumstances likely play a central role in shaping living arrangement decisions), but research on the economic well-being of single-parent families has paid relatively little attention to variation in household structure among unmarried parents. Given the central policy relevance of understanding the causes and consequences of economic deprivation among single- parent families (and the role of family support) in the U.S., cross-national comparative research is a valuable source of insight (Cherlin 2009). In this paper, we use rich, harmonized data from the U.S. and several other wealthy countries to clarify links between family structure and economic well-being across different national contexts, including East Asia, where divorce and single parenthood are growing rapidly.

Importantly, this is the first effort to examine relationships between single parenthood and both income *and* wealth across a range of wealthy countries. Findings will have implications for understanding the ways in which living arrangements contribute to differences in levels and trends in income, debt, savings, and wealth accumulation across countries and in comparison to the United States. Our approach builds upon a theoretical emphasis on family 'income packages' which recognizes that families' economic well-being is shaped by their own market labor or net assets, assistance from coresident family members, and state support in terms of net income transfers (Rainwater and Smeeding 2003). In settings like the U.S., where state income support is relatively limited, cohabitation is positively associated with economic well-being among single parents and it appears that coresidence with parents, siblings, or partners is also associated with increased employment and economic self-sufficiency among single parents. However, there has been little or no effort to examine how living arrangements are related to specific components of income, to wealth, to income and wealth jointly, and across countries characterized by very different economic, social, and policy contexts. Our goal in this paper is to begin

filling these important gaps in our understanding of relationships between single parenthood and economic deprivation. To this end, we address the following three research questions.

1: How do the living arrangements of single parents (lone parent vs. coresiding with parents/relatives) differ across countries?

2: How does the income and wealth of single parents depend on living arrangements? How do these relationships differ across countries?

3: To what extent are differences in income and wealth across alternative living arrangements explained by age, pathway to single parenthood, education, and employment circumstances? How do these relationships differ across countries?

Data

To address these questions, we use data from the Cross-National Equivalent File (CNEF). The CNEF provides harmonized panel surveys across several countries, with detailed measures of income and wealth. We will use CNEF data for the U.S. (from the Panel Study of Income Dynamics, PSID), Australia (from the HILDA survey), Britain (from the British Household Panel Survey, BHPS), Germany (from the German Socio-Economic Panel, SOEP), and Korea (from the Korean longitudinal survey, KLIPs). All surveys provide income and wealth data annually or biennally since about 2000. Our measure of income is equivalent household income (household income divided by the square root of household size to reflect income sharing and economies of scale). Wealth (net worth) is measured both at the household and at the individual level and includes comparable information on major assets (homes, businesses, financial assets, private pension wealth) and on debts (secured debt – e.g., mortgage debt, and unsecured debt – e.g., credit card debt). Both income and wealth will be adjusted for purchasing-power differences across countries in order to understand cross-national variation in absolute levels of economic well-being of single mothers in various living arrangements.

In the preliminary analyses summarized below, we begin to address our first two questions using cross-sectional data from a single wave. Recognizing that causal relationships between economic circumstances and living arrangements likely go in both directions, subsequent revisions will utilize the

longitudinal information in the CNEF in two ways. We will first take advantage of multiple observations for individuals to estimate fixed effects models of income and wealth as a function of family living arrangements. These models have the advantage of controlling for unobserved time-invariant individual characteristics that may result in biased estimates of relationships between family structure and economic well-being. We will then address the issue of endogeneity by using instrumental variable regression models for panel data (dynamic linear panel models) to estimate the effects of family structure on income and wealth (e.g., Wooldridge 2002).

Preliminary results

Our preliminary analyses to date have focused on describing the living arrangements and household income of parents of minor children in a subset of the available data (the 2007 rounds of the PSID, SOEP, and KLIPS). Figure 1 shows that the distribution of parents' living arrangements differs substantially across the three countries. Two-parent couples (married or stably cohabiting) are more common in Germany (73%) and Korea (77%) than in the U.S. (53%) and lone-parent families are far more common in the U.S. (27%) than in the other two countries. Among single-parents, lone-parent families are the modal category in the U.S. (78%) and Germany (96%) but a substantial proportion of Korean single-parents (52%) coreside with parents. This pattern is similar to that observed in Japan (Raymo and Zhou 2012). The prevalence of intergenerational coresidence among single parents in the U.S. (13%) is lower but non-trivial. Note that these figures include both fathers and mothers – subsequent analyses will examine men and women separately.

Figure 2 presents values of equivalent household income (in local currencies), by partnership status and living arrangements. From these figures, it is immediately clear that the economic circumstances of unpartnered parents are, not surprisingly, less favorable than those of partnered parents in all three countries. For example, in the U.S., the equivalent household income of unpartnered parents is less than half that of partnered parents. Differences are less pronounced in Germany and Korea but are in the same direction.

It is also clear that, among single-parent families, those living only with their children have the lowest income in Germany and Korea. In the U.S., the lowest income is for single parents living with other adults (i.e., not stable cohabiting partners or parents). Although the prevalence of coresidence with parents varies substantially across the three countries, intergenerational coresidence and associated income sharing plays an important role in mitigating economic deprivation among single parents in each. Relative to their lone-parent counterparts, the equivalent household income of single-parents coresiding with parents is 23% higher in the US, 36% higher in Germany, and 81% higher in Korea. In Korea, where the prevalence of intergenerational coresidence is high and selection into this type of living arrangement is presumably less strongly related to the economic circumstances of both generations, the income of single parents living with parents is similar to that of partnered-parent families.

Next steps

The simple tabulations in Figure 1 and Table 1 are informative but obviously not sufficient for addressing our research questions. Subsequent extensions will therefore focus on the following.

A) Estimation of pooled cross-sectional models for equivalent household income and wealth based on the subsample of single parents, comparing the income of lone parents to that of unpartnered parents living with other family members. Estimated coefficients from these models will allow for an initial assessment of the extent to which the presence of other adults contributes to the income and wealth of single parents, and comparison of coefficients across countries (via separate models or country interactions in pooled models) allows us to evaluate the hypothesis that lone mothers will be particularly disadvantaged (or equivalently, the benefits associated with coresidence will be particularly pronounced) in countries where state income support is most limited (e.g., the U.S. and Korea).

B) Efforts to further understand the value of coresidence in terms of implicit housing support and childcare for single parents who live with parents.

C) Efforts to account for observed and unobserved characteristics that may be associated with both living arrangements and the economic circumstances of unmarried mothers. The CNEF files contain detailed information on demographic characteristics and employment circumstances and the panel structure of the data facilitates control for unobserved time-invariant characteristics as well (e.g., via the estimation of fixed effects models).

D) Efforts to better understand the reciprocal influences of living arrangements and income/wealth via the estimation of dynamic linear panel models.

References

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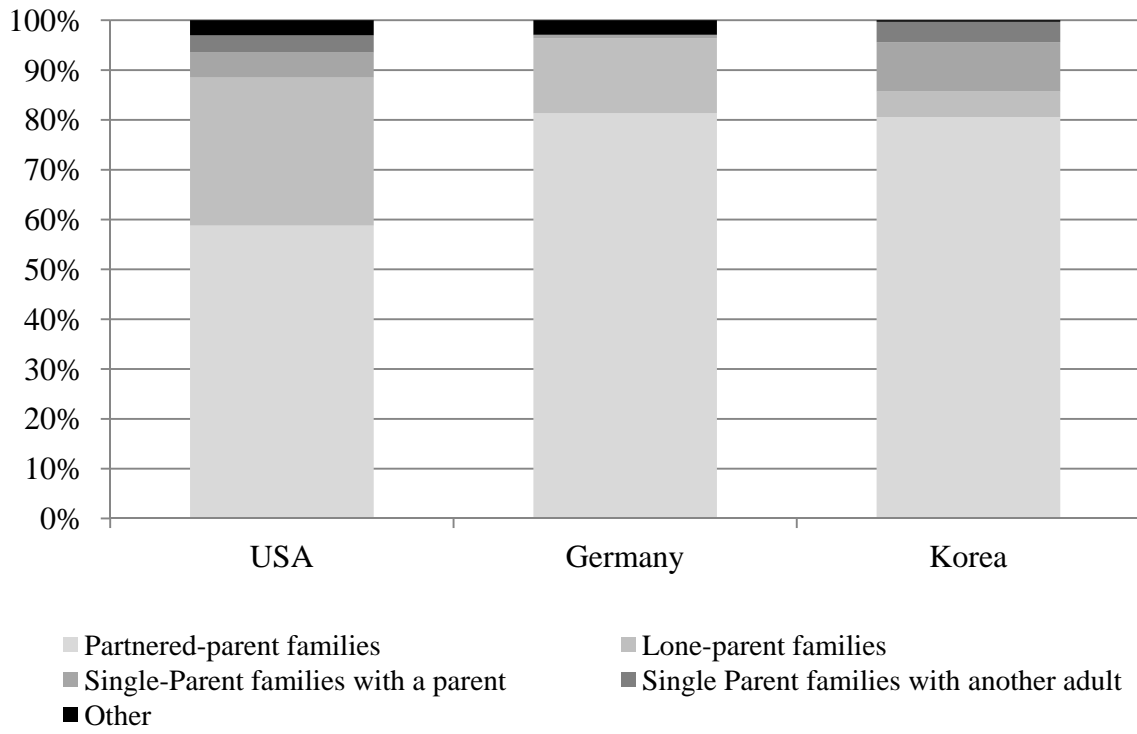Figure 1: Distribution of living arrangements of parents in the US, Germany, and Korea (2007)

- Partnered-parent families
- Lone-parent families
- Single-Parent families with a parent
- Single Parent families with another adult
- Other

Table 1: Equivalent household income in the U.S., Germany, and Korea, by parents' living arrangements

	Mean equivalent household income			Household income relative to partnered parents			Household income relative to lone-parents		
	USA	Germany	Korea	USA	Germany	Korea	USA	Germany	Korea
Partnered-parent families	50,889	23,902	2,284	1.00	1.00	1.00	2.72	1.88	1.94
Lone-parent families	18,737	12,691	1,175	0.37	0.53	0.51	1.00	1.00	1.00
Single-Parent families with a parent(s)	23,004	17,280	2,132	0.45	0.72	0.93	1.23	1.36	1.81
Single Parent families with another adult	11,581	17,350	1,791	0.23	0.73	0.78	0.62	1.37	1.52
N	3,312	2,553	2,243						

Note: Currency units are US Dollars (US), Euros (Germany), and 10,000 Won (Korea)