

ENCOURAGING LONE MOTHERS TO WORK: FAMILY CREDIT IS A POWERFUL INCENTIVE - BUT 'STIGMA' HALVES ITS EFFECTIVENESS

Family Credit, a welfare programme for the UK's working poor, is supposed to counteract the disincentive effects of Income Support, a welfare programme for the non-working poor. And according to Professor **Ian Walker** and **Paul Bingley**, writing in the latest issue of the *Economic Journal*, Family Credit is highly effective: it strongly encourages lone mothers to work; and it has little adverse effect on the incentives of those already in work. Unfortunately, the 'stigma' surrounding receipt of such welfare transfer payments, which means that not everyone takes up their entitlement, essentially halves the effectiveness of Family Credit.

Walker and Bingley note that providing lone mothers with an incentive to work has been a significant policy problem in the UK and elsewhere. Lone mothers' income while out of work has to be sufficient to provide a decent standard of living. But such women often have little work experience and poor educational backgrounds, which mean that they would face low wages if they did work and so they have little incentive to work.

Lone mothers are an interesting group because their numbers have risen dramatically, their attachment to the labour force has fallen dramatically, and they attract much policy interest in many countries.

Walker and Bingley's research estimates the impact of the welfare system on the labour market behaviour of a large sample of UK lone mothers, with special attention to the role of Family Credit. A major consideration is that welfare transfer payments may carry some stigma: the proportion of the sample who receive their entitlement of Family Credit is little more than a half.

The researchers' estimates allow them to compute how much income is required to tempt a non-worker into the labour market: an average of £16 a week (in 1991 prices) to work part-time, and £27 to tempt one to work full-time. These results indicate that Family Credit possesses the two most desirable features of an in-work transfer programme: it strongly encourages individuals to work; and it has little adverse effect on the incentives of those already in work.

But Walker and Bingley also find evidence of not inconsiderable 'stigma', which implies that Family Credit is not as effective at countering the disincentive effect of the Income Support programme or at countering poverty amongst the working poor as it might otherwise be. Their results suggest that stigma essentially halves the effectiveness of

Family Credit.

Note: ‘The Labour Supply, Unemployment and Participation of Lone Mothers in In-Work Transfer Programmes’ by Ian Walker and Paul Bingley is published in the Autumn 1997 issue of the *Economic Journal*. Walker is Professor of Economics at Keele University, Staffordshire ST5 5BG; Bingley is at the Centre for Labour Market Studies, Gustav Wieds Vej, DK 8000 Aarhus C, Denmark. The research was funded by a grant from the Leverhulme Trust. The authors have also received support for their work in this area from the Economic and Social Research Council and the European Union.

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