

# Welfare reform of the parenting payment single (PPS): Employment and wage outcomes of PPS recipients

Kristen Sobeck and Robert Breunig

Australian National University

13 July 2022

# What is the PPS and how did it change?



- Parenting payment single (PPS): an income support payment aimed to provide financial support to single parents (who meet income and asset thresholds).
- Until 2005 - 06: Until youngest child (YC) turned 16 years old + participation requirement\* of 150 hrs over 6 months when YC reached 13
- 1 July 2006 +
  - Grandfathered group - Until YC turned 16 + 30 hrs fortnightly participation requirement\* when YC reached 7
  - New PPS recipients - Until YC turned 8 + 30 hrs fortnightly participation requirement\* when YC reached 6
- 1 January 2013: Grandfathering provisions eliminated
- \*Paid work, study, or other employment-related activities

# What is the PPS and how did it change?



- Parenting payment single (PPS): an income support payment aimed to provide financial support to single parents (who meet income and asset thresholds).
- Until 2005 - 06: Until youngest child (YC) turned 16 years old + participation requirement\* of 150 hrs over 6 months when YC reached 13
- 1 July 2006 +
  - Grandfathered group - Until YC turned 16 + 30 hrs fortnightly participation requirement\* when YC reached 7
  - New PPS recipients - Until YC turned 8 + 30 hrs fortnightly participation requirement\* when YC reached 6
- 1 January 2013: Grandfathering provisions eliminated
- \*Paid work, study, or other employment-related activities

# What is the PPS and how did it change?



- Parenting payment single (PPS): an income support payment aimed to provide financial support to single parents (who meet income and asset thresholds).
- Until 2005 - 06: Until youngest child (YC) turned 16 years old + participation requirement\* of 150 hrs over 6 months when YC reached 13
- 1 July 2006 +
  - Grandfathered group - Until YC turned 16 + 30 hrs fortnightly participation requirement\* when YC reached 7
  - New PPS recipients - Until YC turned 8 + 30 hrs fortnightly participation requirement\* when YC reached 6
- 1 January 2013: Grandfathering provisions eliminated
- \*Paid work, study, or other employment-related activities

# How could single mothers respond to the change in eligibility for the policy?

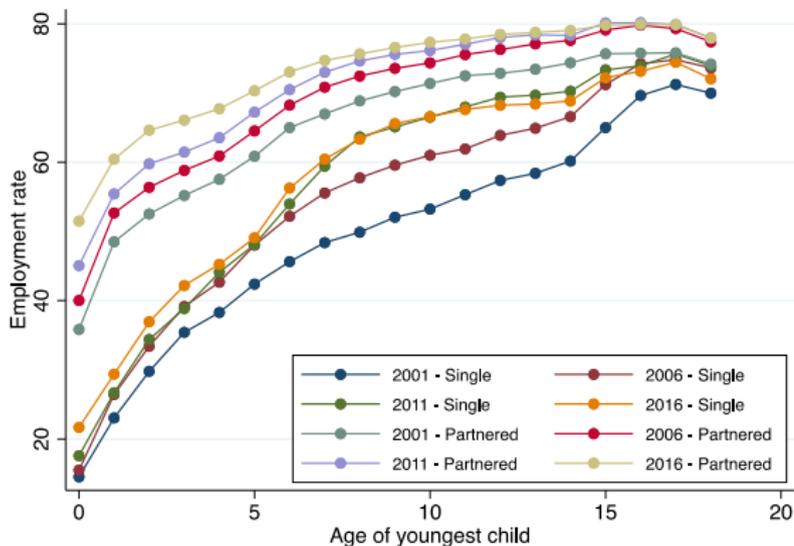
- Single parents could respond in three ways to offset the benefit payment reduction:
  - Increase labour force participation (work or work more hours)
  - Benefit (income support) substitution (if eligible for another benefit) (See Fok and McVicar 2013; Gregory and Klug 2003)
  - Re-partner (See Bradbury and Zhu 2018; Fisher and Zhu 2019)
- First paper to evaluate the first channel (in an Australian context).
  - Previously, data availability precluded evaluation of these dimensions. We use the Multi-Agency Data Integration Project (MADIP), a dataset that combines various Australian administrative datasets.

# What does the broader international literature suggest might apply in Australia?

- **Labour supply increases (on average) but with heterogeneous effects on different groups of mothers**
  - Mueser et al. 2009; Frogner et al. 2009; Moffitt and Stevens 2001; Danziger et al. 2000; Bloom et al. 2011; Blundell et al. 2005; Brewer et al. 2006; Francesconi and van der Klauuw 2007; Leigh 2007; Avram et al 2018; Mogstand and Pronzato 2012
- **Earnings increase, but not necessarily total income**
  - Ziliak 2016; Bollinger, Gonzalez and Ziliak 2009
- **Different results partially attributed to measurement error.**
  - Leading to an underestimation of the impact of welfare programs on total income and an underestimation of the share of households lifted out of poverty (Meyer et al. 2015; Meyer and Mittag 2019; Meyer et al 2021; Bee and Mitchell 2017)

- Multi-Agency Data Integration Project (MADIP)
- Includes administrative data from: the Medicare Enrolments Database (MEDB), the Medicare Benefits Schedule (MBS) datasets, the Personal Income Tax (PIT) datasets, Social Security and Related Information (SSRI) datasets and the Census of Population and Housing (Census) from 2011 or 2016.
- PAYG data for employees also included for this project.
- Sample size: 22.5 million records

# Employment rate of all mothers, by age of youngest child, 2001 to 2016)



Source: ABS Customised report from Census data.

# How does a change in eligibility requirements for welfare payments to single mothers, with a youngest child aged 7 turning 8, impact their labour market outcomes?

- Difference-in-difference approach, applied to 2011, 2013, and 2016
  - **2011:** Grandfathering in effect (not yet announced the policy would change).
  - **2013:** Grandfathering removed.
  - **2016:** Grandfathering no longer in effect.
- **Treatment group definition:**
  - 1. Identify mothers who "ever received" PPS for at least one quarter between 2011 and 2016.
  - 2. Distinguish between those eligible grandfathering and those ineligible for grandfathering.
  - 3. Limit this group to mothers with a YC (youngest child) aged 7 (turning 8) in 2011, 2013, and 2016.
- **Control groups:** (1) All females (2) All mothers and (3) All mothers with a YC aged 8 (none of the control groups ever received PPS)

## Difference in difference

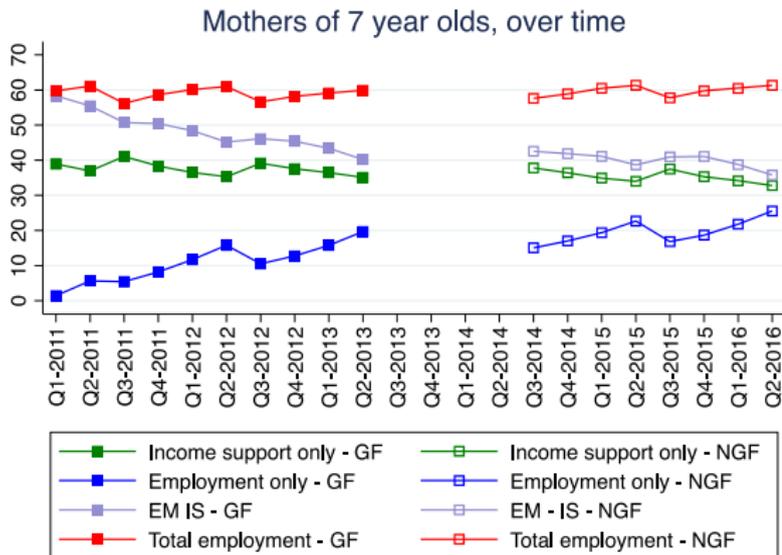
The outcomes (detailed below) are modeled by the following equation:

$$Y_{it} = \beta_0 + \beta_1 T_{it} + \beta_2 D_{it} + \beta_3 T_{it}D_{it} + \beta_4 X_{it} + \epsilon_{it} \quad (1)$$

where  $\hat{Y}_{it}$  equals outcome variable for individual  $i$  at time  $t$ ,  $T$  equals 0 in 2011 and 1 in 2016,  $D$  equals 0 for the control group and 1 for the treatment group, and  $X$  are explanatory variables.

- **Employment rates**
- **Employment (without income support) rates**
- **Wages:** The natural log of wages. Continuous variable.
- **Total quarterly income:** Quarterly wages + Quarterly income support payments
- **Explanatory variables:** time, treatment, time\*treatment, age, age squared, born in Australia, born outside Australia, education levels

# Employment and income support status of mothers with a YC aged 7, who ever received PPS (between 2011 - 16)



**Note:** “GF” refers to grandfathered and “NGF” refers to non-grandfathered. “EM – IS” refers to employment and income support.

**Source (Figures 4, 5, and 6):** Australian Bureau of Statistics 2011-2016, MADIP Longitudinal Extract (2016 Cohort). Detailed microdata, Datalab. Findings based on authors’ calculations using ABS Microdata.

# Treatment effects from difference in difference models, Control group: All women

	Employment		Employment only		ln(wages)		ln(quarterly income)	
	Q1 (1)	Q2 (2)	Q1 (3)	Q2 (4)	Q1 (5)	Q2 (6)	Q1 (7)	Q2 (8)
<b>Policy impact 1</b>								
Model without covariates	-0.0087 (0.0069) [14,254,951]	-0.0127 (0.0068) [14,254,951]	0.3130** (0.0061) [8,477,609]	0.3025** (0.0070) [8,521,607]	0.1582** (0.0065) [8,477,609]	0.1434** (0.0160) [8,521,607]	-0.3770** (0.0127) [14,254,951]	-0.4537** (0.0137) [14,254,951]
Model with covariates	-0.0199** (0.0067) [14,254,951]	-0.0247** (0.0063) [14,254,951]	0.3225** (0.0067) [8,477,609]	0.3110** (0.0070) [8,521,607]	0.2045** (0.0165) [8,477,609]	0.1897** (0.0160) [8,521,607]	-0.3213** (0.0163) [14,254,951]	-0.4131** (0.0169) [14,254,951]
<b>Policy impact 2</b>								
Model without covariates	-0.0161* (0.0065) [15,059,610]	-0.0206** (0.0064) [15,059,610]	0.2325** (0.0050) [8,753,600]	0.2289** (0.0062) [8,794,106]	0.0724** (0.0156) [8,753,600]	0.0587** (0.0151) [8,794,106]	-0.0990** (0.0099) [15,059,610]	-0.1763** (0.0106) [15,059,610]
Model with covariates	-0.0227** (0.0064) [15,059,610]	-0.0275** (0.0063) [15,059,610]	0.2344** (0.0050) [8,753,600]	0.2304** (0.0062) [8,794,106]	0.0763** (0.0157) [8,753,600]	0.0625** (0.0151) [8,794,106]	-0.0968** (0.0147) [15,059,610]	-0.1779** (0.0150) [15,059,610]
<b>Policy impact 3</b>								
Model without covariates	0.0057 (0.0060) [14,898,460]	0.0063 (0.0060) [14,898,460]	0.0814** (0.0073) [8,964,996]	0.0746** (0.0076) [9,002,704]	0.0698** (0.0145) [8,964,996]	0.0686** (0.0142) [9,002,704]	-0.3102** (0.0138) [14,898,460]	-0.3168** (0.0146) [14,898,460]
Model with covariates	-0.0038 (0.0059) [14,898,460]	-0.0038 (0.0058) [14,898,460]	0.0901** (0.0073) [8,964,996]	0.0830** (0.0076) [9,002,704]	0.1164** (0.0145) [8,964,996]	0.1158** (0.0141) [9,002,704]	-0.2911** (0.0159) [14,898,460]	-0.3096** (0.0165) [14,898,460]

# Conclusions

- Tightening the eligibility for PPS did not change employment rates of single mothers too much.
- Single mothers' exclusive reliance on income support substantially declined.
  - 31 - 36 percent of mothers became entirely self-reliant on income from employment.
  - Wages increased 18 to 26 percent.
- On average, single moms are worse off as a result of the reform. But averages often conceal heterogeneous effects (more on this, stay tuned).