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Did the dual-earner model become stronger or weaker
in Finland and Sweden in the 1990s?

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Abstract

This article investigates the dual-earner model in families with children in Finland and Sweden from the end of the 1980s to the beginning of the 2000s. During this period the two countries introduced the same kind as well as different kinds of policies in relation to the dual-earner model. Simultaneously both countries experienced a very deep economic crisis in the beginning of the 1990s, which also could be expected to influence the dual-earner model. The study focuses on both two-parent families and single mothers. Because family leaves and benefits related to children and childcare are often available according to the age of the youngest child, we analyse the outcomes by children's age groups. We focus on mothers' labour market position and earnings, the share of dual-earner couples and the contribution of mothers' earnings on family income. We also assess the outcomes in terms of poverty rates. Instead of moving traditionally step by step from families' market income to final disposable income, we choose a stepwise way to analyse the impact on poverty rates of income from different sources, from men's earnings income to combined spouses' income, and income from the welfare state in relation to children and childcare etc. until disposable income. Income analyses are based on the four latest waves of LIS data.

In both countries the employment rate has gone down and the unemployment rate up among mothers as well as fathers. The shares of dual-earner families and the shares of families below the poverty line have increased. The situation of single mothers in general has degenerated substantially. The development can be seen as an indication of a weakening of the dual-earner model in both countries. On the other hand, the earnings of mothers in dual-earner families compared to fathers' average earnings are higher today than in the 1980s, which can be interpreted as a strengthening of the dual-earner model and of women's position in these families.

The results indicate that the strength of the dual-earner model in families with school age children has not weakened and the share and the earnings pattern of dual-earner families were more similar in the two countries around 2000 than in the end of the 1980s. In families with pre-school children Finnish and Swedish mothers' earnings income contribute about the same proportion to total gross family income. But there is a difference in the direction of the development. Finnish families have moved in the direction of female homemaker – male earner model, when the child is below three years of age, i.e. the dual-earner model has been weakened. While in Sweden, parents' behaviour moves, although slowly, in the same direction as the intention of the policies, in terms of mothers contributing more to family income, i.e. the dual-earner model has been strengthened. Whether this development will continue, when and if the economy and the labour market grow, can only be disclosed by long-term empirical studies.

Introduction

Policies in both Finland and Sweden have since the 1970s aimed at strengthening the dual-earner model. In the beginning of that decade both countries introduced acts on public child-care, which obligated local authorities to arrange care for the children. This was supported with state grants. The supply of public child-care was, however, for a long time far behind demand in both countries. In Finland this situation brought about a compromise between the left and centre-rightwing parties in the mid 1980s (Bergqvist et. al 1999). This compromise involved on the one hand a subjective right to public child-care for children and on the other hand a cash transfer to care for children at home, in both cases for children below the age of three. Parental leave and a short leave for fathers – daddy days – in connection with the birth of the child had also been introduced by the turn of the 1980s in Finland as well as in Sweden.

In the 1990s in Finland the child home care allowance and home care leave became very popular, even if they were not always used until the child was three years old. The demand of childcare services was met towards the end of the 1990s and subjective rights were extended to cover children below school age, which was earlier than in Sweden. However, the use of the childcare actually decreased for small children in Finland, while it increased extensively in Sweden (Nososco 2003).¹

In Sweden there was also a political compromise, in this case between different political parties within a non-social democratic government in the first half of the 1990s. The compromise meant that a child home care allowance and a so called daddy months were introduced. However, when the social democrats shortly afterwards came back in power the child home care allowance was abolished, as it was perceived as “a trap for women”, while the daddy month was retained. In this last mentioned aspect Sweden was ahead of Finland.

Thus the policies of strengthening the dual-earner model continued in the 1990s, especially in Sweden, while in Finland the policies of the child home care allowance can be seen as a weakening of the model on the level of policies. Yet, this might not be the case on the level of the practices of parents.

Not only policies, but also the economic development can be expected to influence the strength of the dual-earner model. The economic development in the beginning of the 1990s would lead us to expect that the dual-earner model was weakened. At that time economic growth was negative three years in a row, unemployment multiplied, employment decreased and budget deficits grow enormously. An economic crisis might result in a sharper distinction developing between women and men with women increasingly being defined as mothers and carers and men as workers and earners and thereby weaken the dual-earner model. Although, the development might differ

¹ See Haataja & Nyberg (forthcoming).

between the two countries, especially since the recession was deeper in Finland than in Sweden.

This article investigates the development of the dual-earner model in families with children in Finland and Sweden. The study covers the period from the end of the 1980s to the beginning of the 2000s. This is long enough to be able to compare the situation before and after the economic recession of the early 1990s. Firstly mothers' rates of employment and unemployment are measured. Secondly, after a short presentation of different income concepts, the share of dual-earner families and the share of single mothers with earnings are investigated. Thirdly, we examine cohabiting and single mothers' earnings compared to cohabiting fathers' earnings. Fourthly, we look into spouses' and single mothers' individual earnings income, incomes related to children and childcare and other family income as a share of family gross income. Finally, we study poverty rates. All income analyses are based on LIS data.

High employment rates and share of mothers' incomes as compared to fathers' are considered as signs of a stronger dual-earner model than lower rates and shares, both when comparing the two countries and when evaluating the development over time.

Mothers' rate of employment and unemployment

Since employment is the basis for incomes we start by investigating the development of employment and unemployment rates of single and cohabiting mothers with children in different age groups between the years 1989 and 2002 in Finland and Sweden. The reason for including single mothers is that their situation is an important indication of the fallback position of cohabiting mothers and the extent to which mothers can form autonomous households independent of men.

Table 1 shows that the employment rate of mothers in all categories is lower today than in the beginning of the period. The situation has changed especially among single mothers, mothers with pre-school children and more in Finland than in Sweden. Mothers' employment rate was in 1989 higher in Sweden than in Finland with the exception of single mothers with pre-school children. In 2002 the employment rate was higher in Sweden than in Finland in all categories and the difference bigger when the children are six years or younger.

(Table 1 about here)

The employment rate, however, overestimates women's involvement in wage work, especially in Sweden. Women in Finland typically work full-time, while mothers in Sweden often work part-time. In this respect, however, convergence between Finland and Sweden has occurred. Mothers with small children working less than 35 hours per week increased in Finland from 17 to 25 percent and for mothers with bigger children from 15 to 17 percent between 1989 and 2002 (LFS data for Finland). In Sweden the

proportion decreased from 55 percent in 1990 to 41 percent in 2002 for mothers with small children and from 45 percent to 34 percent with bigger children (AKU).

Employment rates also overestimate mothers' employment because mothers on parental leave are counted as employed. The overestimation is bigger in Sweden than in Finland since for mothers in Sweden the parental leave totals a maximum of 14 months, which also can be stretched out over a longer period of time, and in Finland mothers can be on parental leave about 10 months. Parents in Finland who are absent from work and on child-care leave, which can last until the child is three years of age, are not counted as employed (Haataja 2005b).

In the late 1980s the unemployment rate was low except for single mothers with small children in Sweden and single mothers with bigger children in Finland. The differences were much bigger in 2002 and the unemployment rate of single mothers was higher than of cohabiting mothers, higher for mothers with small children than with bigger children and higher in Finland than in Sweden.

(Table 2 about here)

If employment rates overestimate women's employment, unemployment rates instead underestimate women's unemployment, since part-time unemployment is not included in the unemployment rate (Nyberg 2003). Since more women in Sweden work part-time than in Finland, Swedish women's unemployment rate is probably underestimated compared to Finnish women.

To sum up, single mothers were more seriously hit than cohabiting mothers during the recession. But not only civil status but also the age of the youngest child had an impact on the labour market situation of mothers. The older the child, the better is the mothers' labour market situation. The negative effect was bigger in Finland than in Sweden. It should be pointed out that not only mothers and women were negatively affected by the economic crisis, but also fathers' and men's employment rate declined and unemployment grew.

Changes in the labour market in the 1990s indicate a weakening in the economic situation of mothers and fathers and thereby a weakening of the dual-earner model. Next we turn to analyse the development of incomes of mothers and fathers in the two countries, but firstly we shortly discuss the income concepts and the different ways incomes are measured.

The income concepts

LIS data sets include information of annual income of households and of individuals. Data have been "lissified" to make the incomes in different countries as comparable as

possible.² Information about household income is more comprehensive and total income is available both at gross and net level, while individual incomes are less complete.

LIS-data has often been used when gender gaps in earnings and incomes are studied comparing countries. Probably partly due to lack of complete information of individual incomes, different income concepts have been used in different studies.³

Since we are investigating the dual-earner model, we are interested in individual incomes. We start by studying the share of two-parent families where both parents have individual earnings, i.e. wages and/or salaries in dual-earner families, and the share of single mothers with earnings. Next we look into the earnings of mothers' as a share of cohabiting fathers' earnings.

When we then examine the development of different income sources and poverty rates we start by using all available information about individual incomes. This means wages and salaries, i.e. earnings and some social insurance schemes, such as pensions and unemployment benefits.⁴ We name these income sources together mothers' or fathers' earnings income. Then we add other social insurance transfers, which are individual and mostly paid out to mothers. They are, however, only available in the data-set at household level. Maternity, paternity and parental leave benefits⁵; as well as child allowances, alimony and child supports for single parents, and the Finnish child home care allowance, constitute families' income from the welfare state for children's maintenance and parental childcare. Other family incomes make up the rest of the household level gross income and consist of a residual of household's gross income

² www.lisproject.org, <http://lisproject.org/techdoc/variabledef.htm>

³ The most common way is to analyse earnings, which has been the most unambiguous individual income source in the personal files (e.g. Stier and Mandel 2003/WP 359; Sørensen 2001/WP 251; Manafi 2000/WP 239; Gornick 1999/WP 206; Gornick and Jacobs 1997/WP 168). Sometimes both individual earnings and household income has been used (Dickman 2003/WP 360; Huber et al. 2001/WP 279). Some researchers have used the method and the concept of "family gap" (Sigle-Ruston and Wladfogel 2004/WP 382; Sierminska 2004/WP 377) or compared incomes between female- and male-headed households or with modified income concepts (e.g. Rake and Daly 2002/WP 332), or simply women and men in poverty measured by household income (Wiepking and Maas 2004/WP 389) or between single mothers and two parent families (e.g. Christopher 2001/WP 287; Hakovirta 2001/WP 282). The papers mentioned here are all available in LIS Working Paper series: <http://lisproject.org> (Publications).

⁴ In Finland there are an earnings related unemployment benefit and a basic unemployment benefit, but also a rather common labour market subsidy, which is a transfer to long-term unemployed and for unemployed without a work history. This subsidy is counted as a household level benefit in LIS data, because it is means tested. Even though it is means tested, and not paid if the partner's income exceeds a certain limit, it is rather common among single parents and cohabiting mothers with low income partners (Forssèn et al 2004). Other unemployment benefits, i.e. basic benefits and earnings related benefit, are individual as in Sweden.

⁵ Parental leave benefits include in Sweden also temporary benefits for the parents, who take care of a sick child at home. The importance of maternity, paternity and parental leave benefits (together here called parental leave benefits) can be significant for the economic situation of mothers and fathers during periods when they are absent from paid work to take care of a child.

when the incomes mentioned above are deducted (see Appendix 1). In most cases incomes are not adjusted for the number of and age of family members. But when we calculate poverty rates and average disposable income development (Appendix 2) incomes are adjusted using the OECD consumption unit.⁶

We use the four latest waves of LIS data; i.e. from late 1980s to 2000 (Appendix 1). The latest, i.e. the fifth LIS wave (around 2000), also covers individual self-employment income, while earlier waves only include self-employment income at household level. This means that the different waves are not comparable and we have therefore excluded all households with income from self-employment from this study. This means that 70-76 percent of the Finnish and 75-80 percent of the Swedish two-parent families with children less than 18 years of age are included in our data-set. Among the single parents an even greater share is included (see Appendix 3).

The share of dual-earner families of two-parent families and the share of single mothers with earnings

To start with, we calculate the share of two-parent families where both parents have earnings and the share of single mothers with earnings of all single mothers. The higher the share, the stronger is the dual-earner model considered to be. Cohabiting parents are counted as dual-earner families and single mothers are counted as having earnings if they have had wages and/or salaries during the year. We are aware that there are objections to this way of measuring the strength of the dual-earner model. One is that we accept earnings, however small, another is that incomes in terms of parental allowances and child home-care allowance are not taken into consideration. Especially mothers of small children have such incomes. We therefore underestimate women's incomes. However, unfortunately the data does not allow us to distinguish these transfers on an individual level. In LIS data the sample size of single parents with children 0-2 years is very small. We have therefore constructed only one age group (0-6 years) for single mothers of small children.

Table 3 shows that the proportion of single mothers with pre-school children, who have no earnings, decreased significantly from 96-97 percent in 1987 in both countries to 61 percent in Finland and 74 in Sweden in 2000. The development for single mothers of schoolchildren is the same, but not as dramatic. The share has fallen slightly from above 90 percent to 88 percent in Finland and to 84 in Sweden.⁷

(Table 3 about here)

Table 3 also shows that the proportion of dual-earner families has decreased in all categories and in both countries between 1987 and 2000. The change is especially

⁶ In this unit the first adult equals 1, the next adults 0.7 and children under 18 years of age 0.5 each.

⁷ It can be noted that the proportion of persons with earnings is higher than the employment rate. The reason for this is that data on earnings covers a whole year while employment data shows the average during a year.

dramatic in two-parent families in Finland when the child is 0-2 years of age. In 2000 only 65 percent of these families had two earners compared to 85 percent in 1987. In Sweden the corresponding share dropped from 93 to 81 percent. When the child is older than three years of age the differences are small between Finland and Sweden in 2000.

In all categories, except families with children 0-2 years of age, the proportion of dual-earner families is today between 84 and 88 percent. The rest is mainly male-earner families, but there are also female-earner families (not shown in the table.) In families with children 7-17 years of age, female-earner families are as common as male-earner families in both countries (between 4 and 9 percent depending on year).

When discussing male-earner families it is often presumed that husbands in these families have high earnings and can “afford” for the women to be a homemaker. However, this does not seem to be the case in Finland and Sweden. In 1987, the earnings of men in male-earner families only reached 95 percent of the earnings of the men in dual-earner families. In 2000 the men in the male-earner families in Finland only made 82 percent of the earnings of the men in dual-earner families. In Sweden the development was in the opposite direction, from 95 to 106 percent.

Most common is the male-earner female home-maker family in Finnish families with children 0-2 years of age in 1995 and 2000 (27-28 percent). We should, however, remember that a big share of these mothers, as well as single mothers, have some form of care allowances, and a right for a rather long temporary absence from work. On the other hand, increase in temporary work contracts has created a group of mothers who do not have a work to return to and unemployment in general is higher. Also this part of the article points towards a weakening of the dual-earner model and of single mothers’ possibilities to support themselves and their children on earnings.

Mothers’ share of fathers’ earnings

Next we compare single and cohabiting mothers' average earnings in different categories to cohabiting fathers' average earnings. The comparison is thus done between mothers and fathers who have earnings, however small during the year, and the average of mothers’ earnings in different categories according to the age of the youngest child is compared with the average of the earnings of all cohabiting fathers.⁸

Earlier studies have revealed that women’s income compared to their spouses’ are higher in Finland than in Sweden, i.e. Finnish women are less dependent on their husband’s income than Swedish women are, even though the dependence compared to many other countries is small also in Sweden (Huber et al. 2001:Table 2; Sørensen

⁸ The reason we compare with all fathers is that we want to compare all different categories of mothers with the same average earnings for fathers.

2001:Table 5.3; see also Stier and Mandel 2003).⁹ The data in table 4 confirms this. In all categories, Finnish mothers' earnings compared to fathers' are higher than Swedish mothers'. This mirrors the fact that it is more common for Swedish mothers to work part-time, i.e. Swedish mothers are to a higher degree than Finnish "junior providers" (Ellingsæter 1998). Cohabiting mothers' earnings vary according to the age of the youngest child. When the child gets older, Finnish women's earnings reach almost 70 percent and Swedish women's earnings reach 64 percent of fathers' average earnings. If we compare 1987 and 2000 we find that earnings have increased in all categories, except for Finnish cohabiting mothers with children aged 0-2 years.

(Table 4 about here)

The earnings of single mothers with small children in Sweden have increased compared to cohabiting fathers earnings. This is not the case for single mothers with school-children, they have instead lost compared to fathers. In both categories, however, single mothers earn more money in absolute terms today than in the 1980s (Nyberg 2005). The rise in the earnings of single mothers with pre-school children can be seen as a result of policies, but maybe also as a selection effect. Mothers with a strong position on the labour market increase their working time and are relatively highly paid, while mothers with fewer qualifications are unemployed, consequently average earnings for those employed goes up.

In Finland single mothers with small children have lost compared to fathers in dual-earner families. Even in absolute terms, their earnings decreased. This is not among single mothers with school children, where earnings in absolute terms increased, but not as fast as cohabiting fathers or mothers. This may be a result of socio-structural changes, such as retardation in education level compared to cohabiting mothers. The huge decrease in yearly earnings level among single mothers with pre-school children obviously origins from the fact that they stay longer periods outside the labour force to take care of children at home and being unemployed than before (see also Forssén et al. 2004).

In Finland single mothers' earnings have decreased in relation to cohabiting mothers' earnings and this is also the case with single mothers with school children in Sweden. The explanation for this might be that unemployment is higher among single mothers than among cohabiting mothers. The paradox is that today cohabiting mother's possibility of supporting herself and her children on her earnings is bigger as long as she is not a single mother.

⁹ None of these analyses, however, present information after the economic crises or by the age of the youngest child.

If the years 1987 and 2000 are compared, we can see that the earnings gap between Finnish and Swedish cohabiting mothers or single mothers with school children have not changed much. Finnish single mothers with pre-school children on the other hand have lost compared to cohabiting fathers in Finland, while Swedish mothers in this category have gained and the result is that today the difference between Swedish and Finnish mothers in this category is small. If we only take cohabiting and single mothers' share of fathers' earnings into consideration, then the dual-earner model is today stronger in dual-earner families in both countries, while the situation for single mothers in Sweden is mixed and in Finland has deteriorated quite a lot.

Development in shares from different income sources

In this section, each income source is calculated as the average share of the household's gross income. The income sources are 1) men's earnings income 2) women's earnings income 3) benefits for children and childcare at the household level and 4) other household level income, totalling gross household income. Earnings income includes not only wages and/or salaries, but also unemployment benefit and pensions (see Appendix 1).

The calculations are done according to the age of the youngest child. The age of the youngest child defines what benefits for children and childcare families are entitled to. In the first category the children are less than three years of age. Since 1990 in Finland these families are able to choose parental care for the whole period, and they are entitled to parental leave benefit and child home care allowance. In Sweden the families have been entitled to 15 months of parental allowance since 1987.

Families with a youngest child 3-6 years of age or 7-17 years of age are only entitled to non-taxable child allowances in both countries. In Finland, families with children received tax-deductions in the beginning of the period, and these cannot, of course, be seen in gross income. In Finland these tax deductions were abolished in 1994 and partially compensated for by increasing non-taxable child allowances (Haataja 2005a). In Sweden tax deductions have been of minor importance since the late 1940s, and the remaining were all abolished in 1991 (Hiilamo 2002). Furthermore, in Sweden, parents can receive an allowance when temporarily taking care of a sick child until the child turns 12 years of age. In the LIS data these transfers are included in parental leave benefits. In Finland the corresponding leave is not compensated with transfers, but is often paid via work contracts.

Two-parent families

In two-parent families, *spouses' combined earnings income* as a share of total gross income decreased in Finland in all three categories of families between 1987 and 2000 (see table 5). This is not the case in Sweden, where there is no clear tendency.

The development of *mothers' earnings income* as a share of household gross income can be seen as an index of women's general integration into the labour market and the economy. It mirrors differences between women and men as far as employment, yearly and daily working time, earnings level and some transfers. It thereby gives us a measurement, which combines several different aspects of gender equality and of the dual-earner model. The results above in tables 3 and 4 suggest contradicting effects of mothers' contribution of earnings to household income; the decrease in the share of dual-earner couples foresee a decrease, while the increase in earnings among those who have earnings indicate an increase in average earnings contribution.

When we look at the share of mother's earnings income, we can identify different trends in Finland and Sweden in families with children under school age. In Finland women contribute a smaller share of earnings income in 2000 than a decade ago to total household gross income, especially when they have children below three years of age. The trend is similar, but smaller, when the youngest child is 3-6 years of age. In Sweden the trend has been different. Women contribute a bigger share of earnings to the household than they did earlier in these categories. In Finland the improvements in mothers' earnings among those who have earnings have not been strong enough to eliminate the impact of decreasing shares of dual-earner families, while in Sweden they were to some extent.

(Table 5 about here)

The trends observed among families with children under school age, however, do not seem to have influenced the income contribution of women when the children are of school age. In this category women's contribution to household gross income is rather stable in the both countries. The small temporary increase in women's income share between 1991 and 1995 does not indicate a temporary increase in women's earnings, but rather a decrease in men's. At that time men's earnings were reduced by mass unemployment to a higher degree than women's.

In Finland families relied to a higher degree in 2000 than in 1987 on *incomes related to children and childcare* and they received a smaller share from earnings income. In Sweden this is not the case. The increase of transfers for children and childcare in families with older children in the latter part of the 1990s in Finland is partially due to the fact that tax deductions in respect of children were partially replaced with increased non-taxable child allowances in 1994. However, as can be seen in table 5, the proportion of family income related to children and childcare is of about the same size and quite substantial in both countries, and especially in families with children below the age of three. A very big proportion of these incomes go to the mothers.

Other family income is a residual post and consists of the incomes not included in earnings or in incomes for children and childcare. It includes means tested benefits,

income from capital, etc. Income from capital increased quite a lot in both countries between 1995 and 2000, partially due to the fact that both countries reformed capital income taxation in the early 1990s.

That the contribution of earnings to family income has decreased in Finland is a result of that both fathers' and mothers' contributions on average have decreased, except in families with school age children. Women's dependency has increased in Finland, both on their spouses' income and on income from the welfare state. In Sweden fathers' contribution to the family income has declined in families with children 3 years and older, but increased some in families with children below that age. Mothers' share of earnings has increased or is the same in all three categories, and their dependency both on their spouses' income and welfare states has decreased slightly. This is in accordance with other studies from Sweden (Nyberg 2005).

Single mother families

Amongst single mothers the decrease in earnings income as a share of gross income is dramatic among mothers with small children in Finland, but also substantial among mothers with schoolchildren in both countries. The result, however, underestimate some of the earnings income of unemployed Finnish mothers, because a rather common means tested labour market subsidy in connection with unemployment is not available in the LIS data-set as individual earnings income as other unemployment benefits are (see footnote 4). Swedish mothers with pre-school children have not lost so much, although they start from a low level (see table 6).

(Table 6 about here)

In Finland the share of income from the welfare state increased, partially because of a tax-benefit reform in 1994, and partially because changes in single mothers' economic status. They take care of children at home or are unemployed when the child is below school age more often in 2000 than in the 1980s (Forssén et al. 2004). In Sweden the share of income for children and childcare decreased, and the importance of "other family income" increased. The increase in other family income in Finland is significant only, when the age of the youngest child is less than 7 years of age.

Single mothers' earnings income of gross income has decreased in both countries and in both age categories, which indicates that it is more difficult today for single mothers to support themselves and their children on their earnings and that cohabiting mothers' fall-back position has weakened.

Poverty rates

The economic recession in the beginning of the 1990s influenced the development of disposable incomes in households with children negatively between 1991/92 and 1995 in both countries (see Appendix 2). In 2000, real income had increased and exceeded the level of the late 1980s or the beginning of the 1990s, however more so in Sweden

than in Finland. The development of disposable income was especially modest among single mothers in both countries.

Poverty rates are often measured starting from market income, then adding transfers and thereby obtaining gross income, and deducting taxes to get disposable income. The impact of transfers and taxes on poverty rates are measured as percentage differences of poverty rates between market income and disposable income. In this study we compare gross and disposable income, but the formation of gross income is built up in the same way as in the previous chapter. The poverty line is in this study, as in many others, set at 60 percent of disposable median household income of all households adjusted by the OECD consumption unit.

First poverty rates are calculated from men's individual earnings income. This estimates the share of families who are able to exceed the poverty line even if there is only the fathers' earnings income (or single mothers' earnings income). Secondly, in cohabiting families women's earnings income is added to the husband's income, and a new poverty rate is calculated. These poverty rates inform us how many families would exceed the poverty line with parents' combined earnings income. The next poverty rate describes the impact of the support from the welfare state for children and childcare. These benefits are mostly, but not always paid to the mothers. The fourth poverty rate describes the proportion of families after other family income, i.e. the poverty rate considering the families' gross income. Finally the poverty rate is calculated at the level of disposable household income, as in traditional poverty studies. In table 7 it can be seen, step-by-step, how poverty rates decrease when income sources are added.

In the late 1980s, solely men's earnings income would have left 21 and 28 percent of the families with children below the poverty line in Finland, but only 9 and 13 percent in Sweden depending on the age of the youngest child. In 1991 the shares would have increased dramatically in both countries if families only had men's income to live on. This was mainly due to high male unemployment. These hypothetical poverty rates, however, have since then stayed rather high indicating a weakening of male breadwinning in both countries. In 2000 living only on the father's earnings would have meant that 28 and 36 percent of two-parent families in Finland and 25 and 33 percent in Sweden would be in poverty depending on the age of the youngest child.

When women's earnings income is added to men's income, poverty rates drop around 50 percent when children are younger than seven years of age and about 70-80 percent when children are at school age to 8 and 21 percent respectively in Finland and 9 and 15 percent respectively in Sweden in the year 2000. The poverty alleviating effect of mother's earnings income is the highest in both countries during the recession years. In 2000 compared with 1987 the effect of the mother's income on reducing poverty decreased in Finland but increased in Sweden among families with children below

school age. When children are at school age, the impact of women's income in alleviating poverty is lower in 2000 than in 1987 in both countries, but the difference is not big.

(Table 7 about here)

In families with children below school age, all other income sources after men's income have a greater role in alleviating poverty than when children are older. Benefits for children and childcare reduce about a half of the poverty rate on the combined earnings income of the parents. Their importance in alleviating poverty is bigger in Finland than Sweden in 2000. The poverty rate calculated on disposable family income in the year 2000 was 5 and 13 percent in Finland and 4 and 9 percent in Sweden depending on the age of the youngest child.

It has been argued that women's engagement in the labour market and women's income from labour, better prevents poverty if the marriage breaks down than any other form of income. It has also been shown empirically that in countries where the dual-earner model is prevalent, i.e. in the Nordic countries, the poverty of single parents is the lowest (e.g. Büchel et al. 2003; Hakovirta 2001) and in Sweden and Finland "women are most able to form autonomous, non-poor households independent of men" (Christopher 2001:12).

In table 8 the composition of single mothers' income package starts from her earnings income. The poverty alleviating profiles differ from two-parent families, because every income source has a much greater impact on reducing poverty than in two-parent families, where female spouses' income had the second main effect.

(Table 8 about here)

In 1987 about a third of the single mothers would have been below the poverty line if they only had their own earnings income to live on in both countries. In 2000 the corresponding share was 46 percent in Finland and just above 50 percent in Sweden. Transfers related to children and childcare alleviated poverty rather effectively until the mid 1990s, but less so afterwards. Means tested transfers, single parent's maintenance allowances as well as other incomes also reduce the share of poverty. Final poverty rates at the level of disposable income among single mothers, however, are much higher in 2000 than in 1987 in both countries, i.e. 13 percent in Finland and 16 percent in Sweden.¹⁰

¹⁰ The poverty rates are, however, very sensible to the applied concepts of poverty line and consumption unit (e.g. Fritzell and Ritakallio 2004; Misra and Moller 2005).

The increase in the rate of poverty in single parent families until the year 2000 has several explanations. The most important one is that the labour market situation for single mothers is much tighter today than earlier, as shown in previous parts of the paper. Another explanation is that for some single mothers the relative economic position has decreased compared to two-parent families and their average income growth has been slower than in other families (Appendix 2).

In Sweden the calculated poverty rate of single mothers can partly be explained by the fact that a much greater share is not employed and some are part-time unemployed and partly because relative earnings of mothers with bigger children have declined compared to cohabiting fathers' earnings (Gähler 2001; Nyberg 2005). In Finland the changes in the shares of earnings income were more dramatic in both groups of single mothers. Single mothers are more often than before, besides being unemployed, also child carers at home, and their income depends wholly on transfers (Forssén et al 2004). Thus the cuts in benefits in the latter part of the decade affected to some extent their poverty rate (Haataja 2005a). High poverty rates among single mothers (about 30 percent), however, are in both countries concentrated mainly to families with children below school age, while the poverty rate of single mothers with older children only amounts to 6-7 percent (not shown in the table).

One important reason for increased overall poverty among families with children is that there are more working age adults without any earnings at all during a year. As can be deduced from Table 3 the share of mothers without any earnings has increased. This is also the case among fathers. The age of the youngest child matters when the share of mothers without any earnings is considered. Among both Finnish and Swedish mothers the tendency over time is an increasing share of mothers with no earnings. When the youngest child reaches the age of three mothers are again becoming wage earners.

Summary

This article investigates whether the dual-earner model became stronger or weaker in families with children in Finland and Sweden from the end of the 1980s to the beginning of the 2000s. Correspondingly the income analyses are based on the four latest waves of LIS data. We use income data both on individual and household level and a combination of these two levels.

The study focuses on both two-parent families and single mothers, while single mothers' situation is an important indication of the extend to which mothers can form autonomous households. Family leaves and benefits in relation to children and childcare are often limited according to the age of the youngest child. That is why we analyse the outcomes according to the age groups of the youngest child. In the study we focus especially on mothers' labour market position and earnings, the share of dual-

earner couples and the contribution of fathers' and mothers' earnings income to family income. We also assess the outcomes in terms of poverty rates. Instead of moving traditionally step by step from families' factor income poverty to final disposable income, we choose a stepwise way to analyse the impact on poverty rates of income from different sources, from men's earnings income to combined spouses' income, and income from the welfare state in relation to children and childcare etc. until disposable income.

In spite of the partly different roads taken in Finland and Sweden as far as policies of childcare and parental leaves are concerned, the empirical analyses show both similarities and differences between Finland and Sweden.

One similarity is that both countries experienced a very deep economic crises in the beginning of the 1990s, which also could be expected to influence the dual earner model. In both countries the employment rate has gone down and the unemployment rate up. The shares of dual-earner families and single mothers with earnings have decreased and the shares of families below the poverty line have increased. Single mothers' situation in general has deteriorated substantially in both countries. The difference is that on all these accounts the situation has degenerated more in Finland than in Sweden. It should be pointed out that the development in the labour market is not specific only for women; it is true also among men. Men's employment and contribution to family income and alleviating poverty have also decreased. This is a consequence of the economic development, which has meant that a much bigger share of the population in general is not employed. This development can be seen as an indication of a weakening of the dual-earner model in both countries.

On the other hand, the earnings of mothers in dual-earner families compared to fathers' average earnings are bigger today than in the 1980s, which can be interpreted as a strengthening of the dual-earner model and of women's position in these families. And if the development of mothers' earnings income as a share of household gross income is seen as an index of women's general integration into the labour market and the economy, which mirrors differences between women and men as far as employment, yearly and daily working time and earnings level then the strength of the dual-earner model in families with bigger children has not weakened and the employment, the share of dual-earner families and mothers' contribution to family earnings were more similar in the two countries around 2000 than in the end of the 1980s. But Finnish mothers still contribute more to family earnings than Swedish mothers and if wage work was measured in full-time equivalents, Finnish mothers with school-children might be ahead of Swedish women.

In families with pre-school children Finnish and Swedish mothers contribute about the same proportion of total gross income. But there is a difference in the direction of the development. Finnish families are moving in the direction of female homemaker –

male earner model, i.e. a weakening of the dual-earner model when the child is below three years of age. This might both be a result of the situation on the labour market and of the policies of child home care allowance, which means that mothers are outside the labour force for a longer period of time. In Sweden mothers' behaviour moves, although slowly, in the same direction as the intention of the policies, in terms of mothers participating longer hours on the labour market and contributing more to family income, i.e. towards a strengthening of the dual-earner model. Whether these differences between the countries will continue, when and if the economy and the labour market grow, can only be disclosed by long-term empirical studies.

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Appendix 1: Data sources and definitions used in defining income concepts

LIS- Data sources, household and personal files (<http://www.lisproject.org>):

- Sweden: Income Distribution Surveys (HINK) from the years 1987, 1992, 1995 and 2000 (SW00HH, SW00PP, SW95HH, SW95PP, SW92HH, SW92PP, SW87HH and SW87PP).
- Finland: Income Distribution Surveys from the years 1987, 1991, 1995 and 2000 (FI00HH, FI00PP, FI95HH, FI95PP, FI92HH, FI92PP, FI87HH and FI87PP).

Definition for income sources of cohabiting and single parents:

The income formation and income sources are as follows (including LIS-variable names):

Personal income:

- Men's and women's personal wages and salaries (PGWAGE)
- Men's and women's personal earnings income = Personal wages and salaries (PGWAGE) + personal unemployment benefits (PUNEMP) + personal pensions (PSOCRET, PPUBPEN, PPRVPEN). The unemployment benefits do not include the labour market subsidy for the unemployed in Finland, because it is means tested and classified as household income.

Household level income for child care and children:

- Care benefits (income for childcare) = parental leave benefit (maternity pay V22). The parental leave benefit includes short time temporary benefits paid to parent who is absent from work caring for a sick child at home in Sweden.
- Allowances for children (other income for children and childcare) = (child and family allowances (V20, includes CHCA in Finland) + alimony or child support (V34))

Other Family Income¹¹

- Summary of all other transfers, private and market income not mentioned before, including capital income. The income is calculated as follows: Other family income = Total Gross Income (GI) – (men's and women's personal earnings income + income for children and childcare)

Gross household income (GI)

Disposable household income (DPI)

¹¹ The category "other family income" is a residue when other incomes mentioned earlier has been subtracted from Total Gross income (GI). In this category there is e.g. cash property income (V8), which include interests, rent, dividends, annuities, royalties etc. In the Swedish sample there was one family with over 25 million SEK of cash property income in the family category with a youngest child of 3-6 years of age. This observation was excluded from the final calculations, since this observation alone had a great impact on the shares of personal and family level income. In the category families with children aged 7-17 years, the share of earnings contributed by other family members than spouses, i.e. children under 18, increased in 1995-2000, but their average share of total gross income is rather low.

Appendix 2. Disposable income per OECD consumption unit in 2000, and income development in 1987-2000 (index 1987 = 100, real value adjusted with the consumer price index) in two-parent and single mother families by age of the youngest child, when families with self-employment income are excluded.

FINLAND, COUPLES					
Age of the child	1987	1991	1995	2000	FIM 2000
0 - 2	100	114	97	103	69 100
3 - 6	100	115	102	116	76 600
7 - 17	100	114	103	115	85 700
All	100	114	101	112	78 400
Average unit	2,66	2,66	2,69	2,73	
SWEDEN, COUPLES					
Age of the child	1987	1992	1995	2000	SEK 2000
0 - 2	100	116	108	128	118 700
3 - 6	100	116	107	128	125 800
7 - 17	100	122	110	127	141 800
All	100	118	107	127	131 500
Average unit	2,58	2,63	2,63	2,72	
FINLAND, SINGLE MOTHERS					
Age of the child	1987	1991	1995	2000	FIM 2000
0 - 6	100	118	107	103	59 400
7 - 17	100	112	107	111	71 300
All	100	115	109	110	68 000
Average unit	1,82	1,76	1,82	1,84	
SWEDEN, SINGLE MOTHERS					
Age of the child	1987	1992	1995	2000	SEK 2000
0 - 6	100	109	108	113	95 400
7 - 17	100	121	118	111	108 400
All	100	115	113	113	103 700
Average unit	1,71	1,75	1,81	1,91	
SINGLE MOTHERS' INCOME % OF COUPLES' INCOME					
	1987	1992	1995	2000	
FINLAND	88	89	95	87	
SWEDEN	89	87	94	79	

Appendix 3. Number of families with children and their share of all families with children in the same age categories, when families with self-employment income are excluded, 1987-2000. 1)

FINLAND		1987		1991		1995		2000	
Couples	Number	% of all families	Number	% of all families	Number	% of all families	Number	% of all families	
Age of the child									
0 - 2	108 000	74	111 100	73	125 700	80	114 600	81	
3 - 6	104 900	73	91 000	66	89 600	73	90 900	77	
7 - 17	176 000	65	178 000	65	186 200	69	171 500	70	
All	388 900	70	380 000	67	401 500	73	377 000	75	
Single mothers									
Age of the child	1987		1991		1995		2000		
0 - 6	29 200	89	27 500	87	27 600	97	30 800	91	
7 - 17	42 100	87	54 200	88	60 400	90	62 900	88	
All	71 200	88	81 700	87	88 000	92	93 700	89	
SWEDEN									
Couples		1987		1992		1995		2000	
Age of the child	Number	% of all families	Number	% of all families	Number	% of all families	Number	% of all families	
0 - 2	183 000	81	222 600	85	207 300	84	177 700	85	
3 - 6	129 000	74	151 300	78	153 700	78	167 400	80	
7 - 17	315 000	72	300 300	76	263 100	75	307 500	75	
All	628 000	75	674 200	79	624 100	78	652 600	79	
Single mothers									
Age of the child	1987		1992		1995		2000		
0 - 6	62 000	97	81 256	95	109 582	93	75 518	96	
7 - 17	90 000	96	106 498	93	113 885	97	133 034	91	
All	152 000	95	187 754	94	223 467	95	208 552	93	

Table 1. Employment rate, %, mothers with children 0-6 years and 7-16/17 years of age, Finland and Sweden 1989-2002.*

	Cohabiting mothers				Single mothers			
	7-16/17 years		0-6 years		7-16/17 years		0-6 years	
	Sweden	Finland	Sweden	Finland	Sweden	Finland	Sweden	Finland
1989	92.8	90.4	85.6	76.0	91.1	88.3	81.2	84.7
1993	87.9	79.0	76.5	62.2	81.1	72.2	64.4	47.5
1997	83.3	83.0	73.0	61.2	72.2	84.3	58.8	50.0
2002	88.7	86.3	80.0	67.8	80.4	73.1	63.5	52.9
2002-1989	-4.1	-4.1	-5.6	-8.2	-10.7	-15.2	-17.7	-31.8

Table 2. Unemployment rate, %, mothers with children 0-6 years and 7-16/17 years of age, Finland and Sweden 1989-2002.*

	Cohabiting mothers				Single mothers			
	7-16/17 years		0-6 years		7-16/17 years		0-6 years	
	Sweden	Finland	Sweden	Finland	Sweden	Finland	Sweden	Finland
1989	0.9	2.0	1.3	2.0	2.2	3.6	4.2	1.7
1993	4.5	13.1	7.5	14.4	9.1	17.7	18.9	37.2
1997	6.6	8.1	9.0	15.6	13.5	8.5	22.8	19.2
2002	2.2	5.4	3.3	7.0	4.8	9.1	9.8	14.3
2002-1989	+1.3	+3.4	+2.0	+5.0	+2.6	+5.5	+5.6	+12.6

* 7-16 years in Sweden and 7-17 years in Finland.

Source: TASTY-data based on LFS-surveys for Finland (Haataja and Nurmi 2000); AKU for Sweden.

Table 3. The share of dual-earner families of all two-parent families and the share of single mothers with earnings of all single mothers, %, 1987, 1991/1992, 1995 and 2000.

Age of the child	Dual-earner families						Single mothers with earnings			
	7-17 years		3-6 years		0-2 years		7-17 years		0-6 years	
Country	Swe	Fi	Swe	Fi	Swe	Fi	Swe	Fi	Swe	Fi
1987	91	92	95	90	93	85	93	94	97	96
1991/92	91	91	89	90	81	79	84	93	85	85
1995	86	84	85	82	76	63	85	86	75	57
2000	88	88	86	84	81	65	84	88	74	61
2000-1987	-3	-4	-9	-6	-12	-20	-9	-6	-23	-35

Table 4. Single and cohabiting mothers' average earnings as a share of all fathers' average earnings in dual-earner families, %, 1987, 1991/1992, 1995 and 2000, Finland and Sweden.

Age of the child	Mothers in dual-earner couples								Single mothers with earnings					
	7-17 years		3-6 years		0-2 years		All		7-17 years		0-6 years		All	
Country	Swe	Fi	Swe	Fi	Swe	Fi	Swe	Fi	Swe	Fi	Swe	Fi	Swe	Fi
1987	61	66	50	61	28	40	49	58	62	72	39	56	52	65
1991/92	66	72	55	63	29	40	52	61	64	71	37	50	52	65
1995	64	75	54	65	33	40	52	63	60	68	42	50	52	64
2000	64	69	55	63	32	39	53	60	57	67	43	46	52	62
2000-1987	+3	+3	+5	+2	+4	-1	+4	+2	-5	-5	+4	-10	0	-3

Table 5. Spouses' individual earnings income, income related to children and childcare and other family income as percentage of gross income and gross tax rate, two-parent families by the age of the youngest child, Finland and Sweden, 1987-2000.*

	FINLAND				SWEDEN			
	1987	1991	1995	2000	1987	1992	1995	2000
CHILD 0-2								
Spouses' earnings income	81	76	71	75	72	68	71	77
Fathers	58	56	52	57	55	51	53	58
Mothers	23	20	19	18	17	17	18	19
Children and childcare	14	18	21	17	18	21	20	16
Parental	6	7	8	7	12	15	15	12
Other	8	11	13	10	5	6	5	4
Other family income	5	6	8	7	10	10	9	7
Means tested	2	2	3	2	1	4	4	1
Other	3	4	5	5	9	6	5	6
Total gross income	100	100	100	100	100	100	100	100
Gross tax rate, %	27	23	29	30	30	24	28	31
CHILD 3-6								
Spouses' earnings income	92	89	85	86	85	83	84	85
Fathers	58	55	52	55	57	53	54	54
Mothers	34	34	33	31	28	30	30	31
Children and childcare	3	5	9	7	7	8	7	6
Other family income	5	6	6	7	8	9	9	9
Total gross income	100	100	100	100	100	100	100	100
Gross tax rate, %	27	23	29	30	30	24	28	31
CHILD 7-17								
Spouses' earnings income	90	90	87	85	88	88	88	85
Fathers	56	54	52	50	57	56	55	54
Mothers	34	36	35	35	31	33	33	31
Children and childcare	2	2	5	4	4	4	4	3
Other family income	8	8	8	11	8	8	8	12
Total gross income	100	100	100	100	100	100	100	100
Gross tax rate, %	29	28	32	31	33	26	30	32

*See Appendix 2 and 3.

Table 6. Single mothers' earnings income, income in relation to children and childcare and other family income as percentage of gross income and gross tax rate, by the age of the youngest child, Finland and Sweden, 1987-2000.*

	FINLAND				SWEDEN			
	1987	1991	1995	2000	1987	1992	1995	2000
CHILD 0-6								
Mothers' earnings income	68	57	35	40	47	40	37	44
Children and childcare	16	22	33	30	31	33	28	25
Other family income	16	21	32	29	22	27	35	31
Total gross income	100	100	100	100	100	100	100	100
Gross tax rate %	14	12	15	14	20	14	17	20
CHILD 7-17								
Mothers' earnings income	72	73	60	65	63	59	54	56
Children and childcare	7	9	14	14	16	14	13	14
Other family income	20	18	26	21	20	27	32	30
Total gross income	100	100	100	100	100	100	100	100
Gross tax rate %	19	17	22	22	23	18	20	24

* See Appendix 2 and 3.

Table 7. Poverty rates after adding different income sources in two-parent families, and poverty alleviating effect of mothers' earnings income and other income sources, Finland and Sweden from 1987 to 2000*.

	FINLAND Child 0 - 6				SWEDEN Child 0 - 6			
	1987	1991	1995	2000	1987	1992	1995	2000
Poverty rate								
On fathers' earnings income	28	35	38	36	13	42	40	33
On fathers' and mothers' combined earnings income	12	14	18	21	7	19	19	15
After transfers for care and children are added	7	6	8	11	3	10	11	9
On gross family income	2	2	1	5	0	4	2	5
On disposable family income	5	3	4	13	1	6	5	9
Poverty alleviating effect (%) of	1987	1991	1995	2000	1987	1992	1995	2000
Mothers' earnings income	58	60	51	40	43	56	54	56
Other income and taxes	82	91	89	64	94	86	88	72
	Child 7-17				Child 7-17			
Poverty rate								
On fathers' earnings income	21	26	27	28	9	21	22	25
On fathers' and mothers' combined earnings income	4	3	5	8	3	4	8	9
After transfers for care and children are added	4	3	4	6	2	2	7	7
On gross family income	1	1	0	2	0	0	1	2
On disposable family income	2	2	1	5	1	1	2	4
Poverty alleviating effect (%) of	1987	1991	1995	2000	1987	1992	1995	2000
Mothers' earnings income	79	87	80	73	71	83	64	65
Other income and taxes	92	94	95	82	88	93	90	85

* Poverty alleviating effects are calculated as percentage of the difference between corresponding poverty rates from the previous poverty rate, e.g. impact of mother's earnings in alleviating poverty is calculated as percentage of the difference between poverty rate on men's income and on spouses combined income, and other income and taxes measures the poverty alleviating affect of the difference between poverty rate on men's income and disposable income.

Table 8. Poverty rates after adding different income sources in single mother families, child 0-17 years, Finland and Sweden from 1987 to 2000*.

SINGLE MOTHERS	Finland				Sweden			
Poverty rate, %	1987	1991	1995	2000	1987	1992	1995	2000
On mothers' earnings	31	30	41	46	33	46	47	51
After transfers for care and children	21	22	20	34	12	25	23	38
On gross income	5	6	4	10	3	4	6	11
On disposable income	7	7	6	13	4	8	12	16
Poverty alleviating effect (%) of	1987	1991	1995	2000	1987	1992	1995	2000
Income for children and care	33	28	51	25	63	47	51	26
Other income and taxes	76	76	84	71	89	82	74	69

* Poverty alleviating effects are calculated as percentage of the difference between corresponding poverty rates from the previous poverty rate, e.g. impact of income for children and care in alleviating poverty is calculated as percentage of the difference between poverty rate on mothers' earnings income and on income after transfers for care and children, etc.