



# Does Decreasing the Generosity of Payments to Single Parents Have Employment and Earnings Effects? Evidence from Australian Administrative Data

Kristen Sobeck and Robert Breunig  
*Economic Record*, forthcoming,  
This note version: April 15, 2026

## Key findings

We examine two changes to Australia's Parenting Payment Single (PPS) payment, introduced in 2013, which lowered the age of the youngest child cut off for program eligibility, forcing new entrants onto the less generous Newstart payment, and which increased job search requirements. Using a difference-in-differences approach, we find:

- The labour market responses of single mothers are heterogenous
- The decreased generosity of the program produced a large decrease of about 35 per cent in the share of single mothers who receive welfare
- Despite this reduced reliance on welfare, the decreased generosity had a small negative impact on the employment rates for single mothers on average
- Incomes of single mothers were lower, on average, after the policy changes because the majority of women remained on income support (on lower payments than the PPS, such as Newstart (Jobseeker))
- Increased job search requirements had little effect on single mothers employment and incomes

## What we knew

- Since the 1990s, many OECD countries have reduced the generosity of welfare benefits and altered eligibility criteria. Evaluations have found modest, positive effects on employment but mixed results on long-term outcomes. Recipient heterogeneity produces a large dispersion in outcomes.
- From 1 July 2006, Australia's parenting payment single (PPS) program was made more restrictive by limiting access to parents whose youngest child was seven years old or younger (as opposed to 16). New entrants would access Newstart, a less generous unemployment payment program. New entrants to PPS were subject to "mutual obligations" which required them to engage in paid work, training or study.
- Fok and McVicar (2013); Gong and Breunig (2014); Fisher and Zhu (2019); Suziedelyte and Zhu (2021) have studied the outcomes of the policy changes and found increased participation for those who were previously not working and an increased incentive for single mothers to re-partner. Suziedelyte and Zhu (2021) found substantial heterogeneity in responses, as we do.

## What we do

- We use administrative data for the period 2011-2016 drawn from the personal income tax system, Medicare and social security data combined with census data from 2016.
- We compare the outcomes of different cohorts of mothers with youngest children of the same age who were subject to different PPS policy settings based on the birth year of the youngest child.



- 
- We use difference-in-differences to compare treated and control groups where treated groups were cohorts of mothers who were exposed to the policy changes.
  - We exploit the removal of grandfathering provisions in 2013 and the application of mutual obligations to women with different aged children to disentangle the effects of less generous benefits from additional work and study requirements.
  - We use three different control groups to account for cohort and business cycle effects and compare our estimates across the different control groups to better understand program impacts.

### **What we know now**

- While the policy did not greatly influence overall employment rates, it did change the composition of employment by drastically reducing PPS recipients' partial reliance on income support.
- 35 per cent fewer PPS recipients received income support. Two-thirds of this was driven by reduced generosity and one-third by the imposition of mutual obligations. Gross daily wages grew by about 18 per cent for this group of women.
- Incomes for single mothers went down on average because most received lower, less generous welfare payments after the reforms.

### **Caveats**

- We do not observe in our data who is actually grandfathered into the program, but rather only who is potentially grandfathered. In this respect, our estimates should be interpreted as intention to treat rather than treatment on the treated.

### **What this means for policy**

- Welfare reform has heterogeneous effects and thus studying the distribution of impacts is important for assessing outcomes.
- Work incentives matter but, in this case, only impact on a minority of the population.
- Because income support decreased, the majority of single mothers were worse off in terms of income after the reform.

### **Where to now?**

Better administrative data covering more years can be used to:

- more precisely identify the distributional effects of the policy changes; and
- examine long-term impacts on mothers and children of the policy changes

### **More information**

- Get the full paper at: <https://doi.org/10.1111/1475-4932.70039>.
- We would welcome the opportunity to present our research to your team and to discuss potential joint research projects on related or similar topics.
- Contact us at [robert.breunig@anu.edu.au](mailto:robert.breunig@anu.edu.au)



---

## References

- Fisher, H. and Zhu, A. (2019). The effect of changing financial incentives on repartnering, *Economic Journal* **129**(623): 2833–2866.
- Fok, K. and McVicar, D. (2013). Did the 2007 welfare reforms for low income parents in Australia increase welfare exits?, *IZA Journal of Labor Policy* **2**(3): 1–21.
- Gong, X. and Breunig, R. (2014). Channels of labour supply responses of lone parents to changed work incentives, *Oxford Economic Papers* **66**(4): 891–915.
- Suziedelyte, A. and Zhu, A. (2021). The intergenerational impact of reduced generosity in the social safety net, *Journal of Economic Behavior and Organization* **192**: 1–24.