Abstract

In 1999, UNICEF reported that countries which have the most generous welfare provision, have the lowest rates of child poverty and that children who live in sole parent families are more likely to live in poverty (Bradbury & Jantti, 1999). This paper will look at child poverty in New Zealand and the United States and at welfare provision for single parents. It will examine current global discourses around poverty reduction and whether this goal is likely to be achieved under these welfare programmes.

BACKGROUND – The Rise in Single Parents Since the 1960’s

After 1900, liberal economic governance and ‘industrialization’ in both the US and New Zealand eroded the extended family in favour of a male breadwinner, ‘nuclear’ family as a mobile, flexible, cost effective work unit (Hale, 1990). Following the civil rights movements of the 1960’s it also became increasingly unacceptable for male breadwinners to have sole access to the labour market or to dominate family units and women willingly and unwillingly joined the workforce. To achieve pay equity they needed to be equally mobile and flexible. Nuclear family units have deconstructed in a myriad of ways under increasingly malleable social and labour market conditions. Separation and divorce rates have risen as have out-of-wedlock births (Ellwood & Jencks, 2004). Consequently, increasing numbers of women raise children alone.
In 2004 there were 73 million children (under 18) in the US, a quarter of the total population (US Gov Forum. 2006) and approximately 1 million in New Zealand (Stats NZ. 2006). Single parent families made up 29% of families with children under 18 in both countries. (Statistics NZ. 2001. Simmons and O’Neill, 2001. P4)

Current demographic trends suggest that single parent families with children will increase to 36% of all families with children in NZ by 2021 (Statistics NZ, 2004). Between 1990 and 2000, single parent, female headed families increased in the US from 6 to 7.6 million households, an increase of 26%. Some argue that this trend is associated with easy access to welfare but since the 1970’s, (in both countries) cash assistance from welfare benefits has diminished but the number of female headed single families have increased (Fitzgerald & Ribar, 2004). It is likely that increasing single parenthood occurs as a result of a myriad of social complexities including greater choice and freedom for women and their participation in the labour market.

TABLE 1

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<tr>
<td>No. of Households with children under 18</td>
<td>34,800,000</td>
<td>479,000</td>
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<tr>
<td>Percentage of these Households headed by single parent families</td>
<td>22.5%</td>
<td>24%</td>
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<tr>
<td>Percentage of Households headed by single parent males with children under 18</td>
<td>6.5%</td>
<td>5%</td>
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Global Discourse on Child Poverty

The wellbeing of children is a key yardstick for measuring national development. Indeed, the ultimate criterion for gauging the integrity of society...is the way it treats children, particularly the poorest and most vulnerable ones.

(UNICEF, 2000. p7)

UNICEF’s International Child Development Centre (Innocenti Research Centre) has commissioned a number of reports on child poverty in developed countries. It aims to develop a new global ethic for children and promotes the effective implementation of the Convention on the Rights of the Child, in both developing and industrialized countries (Innocenti Website, 2007). In order to do cross national comparisons, UNICEF uses a poverty threshold of 50% of the national median income.

Child Poverty Across Industrialised Nations (Bradbury & Jantti, 1999), finds that:

- across the industrial world, that English speaking countries have higher rates of child poverty
- countries with high national income tend to have lower poverty rates. The notable exception to this being the United States which has the highest GNP and the second highest child poverty rate of 25 industrialised countries after Russia.
- children are more likely to be poor if they live with a single mother.
- countries which have generous welfare programmes or are ‘welfare leaders’ have lower child poverty rates.

Much recent research is based on The Luxembourg Income Study which has also generated a large literature on child poverty. In ‘The International Poverty Gap’ Weinshenker and Heuveline (2006) also conclude that the poverty rate for American children living with a single female is highest for any family structures in any [industrialised] nation.
Beaujot and Liu (2003) find that countries with higher GDP may have slightly lower poverty rates for two parent families but not for sole parent families or for children overall. They also find that a higher proportion of cash assistance in benefits rather than health or non-cash assistance reduces child poverty. They find no simple correlation between labour force participation for women and a reduction in child poverty. Women’s labour force participation reduces poverty in two parent families but not necessarily in single parent families. The amount that women earn is often not enough to sustain a household independently.

*When the Invisible Hand Rocks the Cradle (Blaiklock et al, 2002)* is a UNICEF report which specifically investigates child poverty in New Zealand. It recommends that the New Zealand Government carry out an evaluation on the impact on children of the economic and welfare reforms which have taken place since 1984. It argues that these reforms have been associated with growing inequality and levels of poverty, particularly on children in single parent families. It says that *successive governments have been slow to respond to the inability of the market place to improve children’s wellbeing.* *(Blaiklock et al, 2002)*

**Poverty in the US and New Zealand**

In the US, 2 million welfare families and a further 12 - 15 million ‘working’ families live in poverty. The poverty rate for single parent families in the US (after all government assistance and tax rebates) is 41.4%. The US poverty rate for 2 parent families is 19.1%. *(Smeeding, 2005.p20-22)*. The poverty rate increases to 55% if the single parent is female *(Weinschenker and Heuveline, 2006. P3)*.

Children have no earning capacity. Children who live in poverty are raised by parents who live in poverty. Relative poverty is:

*A lack of access to sufficient economic and social resources that would allow a minimum adequate standard of living and participation in that society.* *(Waldegrave, Stephens & King, 2003)*
Therefore it occurs when household income is lower than household subsistence costs. It is difficult for single parents/income earners to generate adequate household income while caring for dependent children.

In both the US and New Zealand, welfare benefits are “last resort”. They are calculated on estimated subsistence costs which are consistently lower than poverty thresholds (OECD, 2004, p12). In the US, minimum wages are also set below the resulting poverty threshold (even for two earners in the same household). In New Zealand the minimum wage for a single (fulltime) earner household would not reach the poverty threshold but two (fulltime) earners on the minimum wage would. (OECD, 2004, p15)

Government and media suggest that work provides more income than welfare and is therefore more likely to reduce poverty.

*For most people the best form of social assistance is a well paying, sustainable job*

*(NZ Labour Party, 2005)*

This is an obvious outcome when benefit levels are below minimum wage levels but for single parents this transcendence from poverty is contingent on full-time work, high wages, subsidized work related costs (childcare, transport) and welfare supplementation. For these reasons Baker (1999) argues that:

*pressure on low income mothers to enter the workforce will not necessarily improve their incomes or raise them out of poverty.*

*(Baker, 1999, P191)*

Research indicates that costs associated with working such as transport, childcare, clothing etc may reduce rather than increase household income and therefore increases household poverty (Edin & Lein, 1997; Worth & McMillan, 2004). Edin and Lein (1997) concur that welfare alone, does not provide adequate household income for single mothers. Up to half of the 379 American low income mothers they interviewed, supplemented welfare income with unreported cash jobs and a further 19% sold sex, drugs or stolen goods to supplement their income.
Poverty in the US and New Zealand is a gendered issue. The majority of single parents in both countries are women. In the US 95% of welfare recipients are women and children (Stevens, 2006). Sixty six percent of women (in both the US and NZ) are in the work force but women are more likely to do lower paid, less skilled or part-time jobs to fit in with family commitments. (Sigle-Rushton & Waldfogel, 2006. p7) In 2001, 7% of women in New Zealand were on single parent welfare.

Women in both countries also continue to be paid significantly less for equitable labour. The median income for men in the US in 2005 was US$41,386p.a. compared with US$31,858p.a. for women (US Census, 2006). In New Zealand the median income for men (2001) was equivalent to US$16,900 but only US$9,850 for women (Statistics NZ, 2001). The current value of unpaid domestic labour (by women) to a national economy is estimated at between 30 and 41% of GDP (UNPAC, 1999).

Relative poverty is most often measured at half the national median income (Bradbury and Jantti, 1999) but this can vary between nations. The US government calculates their official poverty rate at 40% of the median income. Poverty statistics published by US government departments are therefore considerably lower than those published by international research centres. The US government estimated poverty in 2004 at 12.7% and child poverty at 17.8% (US Census, 2004). Other sources of poverty data (Luxembourg Income Study, UNICEF and OECD) use a poverty threshold of 50% of the median income and their estimates are consequently higher. The OECD reports US poverty in 2003 at 17.1% and child poverty at 21.7%. New Zealand’s poverty rate in 2003 was 10.4% and child poverty was 16.3%. (OECD, 2005)

| TABLE 2 |

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<th>US</th>
<th>New Zealand</th>
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<tr>
<td>GDP</td>
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<tr>
<td>US$ 37,600 per capita</td>
<td>US$23,100 per capita</td>
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<td>Median Household Income</td>
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US $43,318 (US Census, 2007)

US$26,856 (Quality of Life Project, 2001)

Minimum Wage

US$ 5.15 per hour

NZ$7.63 per hour

Poverty Rate (50% Med Income)

17.1%

10.4%

Child Poverty Rate

21.7%

16.3%

(OECD, 2005)

History of Welfare in US and New Zealand

Between 1900 and the 1930’s, under laissez-faire liberal economic and political policy, 50% of Americans lived in poverty. The “Social Security Act, 1935” introduced widespread welfare programs including Aid to Families with Dependent Children (AFDC) and wealth redistribution which reduced poverty and created work for millions of Americans. Before 1935 it was common to see ‘the poor’ starving in American streets, as it is in many developing countries today. Mortality rates were high. In 1900, 10% of American infants died in their first year compared to 5% by 1950 and less than 1% today. This radical improvement is attributed to a general improvement in living conditions rather than medical intervention alone.

The Social Security Act (1935) introduced welfare for low income families in the establishment of the ‘Aid to Families with Dependent Children’ programme (AFDC). It was targeted at children and was relatively generous. In 1950 it was expanded to include support for caregivers. Individual states were required to establish a “standard of need” and then (funded by federal government) provide “a reasonable subsistence compatible with decency and health, as far as practicable under the
In the US in the 1950’s, 60’s and 70’s the amounts paid to welfare beneficiaries generally matched the established standards of need but by 1980 the amounts paid had dropped to two thirds of the state standards. Economic and political conditions had changed. The 1980’s saw an increase in economic liberalization and a move away from protecting the nations ‘workers’ and ‘potential workers’ as businesses moved production offshore where labour and production were cheaper.

New Zealand followed a similar welfare trajectory although it was slower to introduce welfare payments for single parents. In 1926 a means tested family allowance was introduced for low income families with children (Baker & Tippin, 1999). A comprehensive ‘welfare state’ was established in 1938 with the Social Security Act (as in the US Act of 1935) which

intended to provide subsistence to all citizens who, in the face of economic difficulties arising from exceptional or unavoidable circumstances such as unemployment or old age, could not adequately maintain themselves or their dependants.

(McLintock, 1966)

In 1946 a universal family benefit was introduced which was paid directly to mothers for each dependent child but it wasn’t until 1973 that the Domestic Purposes Act was passed which provided a benefit…

to assist women with a dependent child or children who had lost the support of a husband, or were inadequately supported by him. It was also available to unmarried mothers and their children, and to a father who was the sole parent of one or more children

(Monumental Stories Website, 2007)
US – Temporary Assistance for Needy Families (TANF)

In 1996, the US government, concerned with the 5.4% of families ‘dependent’ on state income assistance (US Dept Health & Human Services, 2006), radically reduced welfare with its welfare ‘reform’ policies. It passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The act was intended to:

_Promote work and reduce welfare dependence but also support two parent families and discourage single-parenthood._

*(Fitzgerald & Ribar, 2004. P3)*

As a consequence the AFDC programme was replaced with Temporary Assistance for Needy Families (TANF). Its aims were to:

1. _Provide assistance to needy families so that children maybe cared for in their own homes or in the homes of relatives._

2. _End the dependence of needy parents on government benefits by promoting job preparation, work and marriage._

3. _Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and_

4. _Encourage the formation and maintenance of two parent families._

*(US Govt, 2004)*

The US federal government also made changes to how welfare was funded. It introduced predetermined and limited funding which was bulk funded to states based on previous years’ welfare expenditure. States were then given discretion over distribution of these funds. They decided what kinds of programmes or assistance would be delivered, how much was paid and who was entitled. Federal law stipulated that recipients had to be in work after two years and households were entitled to no more than five years welfare assistance (of any kind) in a lifetime. The outcome was a large reduction in cash welfare assistance for low income families:
the percentage of individuals receiving AFDC/TANF cash assistance fell from 5.4 percent to 1.8 percent between 1993 and 2004

(US Dept Health & Human Services, 2006)

In order to achieve this reduction in the federal welfare budget, states were given specific welfare reduction and work targets which they were required to meet. They rewarded “states for performance relative to block grant goals and reducing out-of-wedlock births” (Wiseman, 1996). By 1997, states were required to have 25% of their single parent caseload in work and 50% by 2002. Wiseman (1996) argues that paradoxically, the cost of implementing and monitoring TANF cost the federal government and states more than the amount saved in welfare payments. Despite a 56% drop in welfare roles to 2002, the US Government has spent $1billion a year more than was spent prior to the 1996 welfare reforms (Coutts, 2004. p4). The cost of government funded Medicaid also continues to increase. Fewer families are entitled to Medicaid but the costs to government generated by private healthcare providers consistently increase.

In 2001 cash assistance for single parent families ranged between states from $163 to $673 per month. Federal rules limit cash assistance to 60 months in a lifetime. TANF Beneficiaries were also generally entitled to Medicaid and housing assistance but this ceased when recipients were required to enter paid work. (Stevens, 2005)

New Zealand - The Domestic Purposes Benefit

The Domestic Purposes Benefit was introduced in 1973 and was reasonably generous until the major economic restructuring which occurred in New Zealand in the 1980’s and 90’s. In 1991 benefits were cut by the newly elected conservative National Party. In 1992 the Department of Social Welfare was restructured into a ‘business’ model whereby it became more accountable for welfare expenditure. (Baker & Tippin, 1999, Kelsey, 2002)
In 1999 the new Labour Government was elected with policies which promised to revive social integration and reduce inequality. While there has been much said about reducing poverty, this has largely manifested in policy to assist impoverished ‘working families’ and their children, through in work payments and family tax credits and has done little for children whose parents are for whatever reason, not fully employed in the labour market. The strategy is to get more adults off welfare and into work. Cash welfare benefits are considerably less generous than before 1984. New Zealand still has relatively high child poverty rate of 16.3%. It ranks 4th highest of 30 OECD member countries after Mexico (24.8%), the US (21.7%) and Turkey (21.1%). (OECD, 2005)

The current basic weekly DPB entitlement is NZ$249.10 after tax (Work & Income NZ, 2007). Beneficiaries are also eligible for additional family support (as are all low income families) of up to $200 a week. Low income working families are entitled to a further $60 as an in-work-payment and family tax credits. (Inland Revenue, 2007). There is no limit to how long beneficiaries can receive welfare although there is an expectation that they will pursue part-time work or education when their youngest child is six.

**Conclusion**

It would seem that single parent families are an established part of the complex social and labour market nexus that is contemporary US and New Zealand society. It is also apparent that incomes for many single parents, under current welfare and labour
market conditions, are insufficient to sustain their families out of poverty.

Welfare for single parent families is considerably more generous in New Zealand than in the US and there is less pressure for single parents to enter the workforce. This may partly why despite having both a lower GDP and median household income, New Zealand has a lower child poverty rate than the US. It may also be attributable to a higher minimum wage in New Zealand.

The TANF programme in the US provides minimal cash assistance for a very limited time before it forces single parents into work. There is no evidence that this reformed welfare programme saves the US government or taxpayers money or reduces child poverty. The reforms in New Zealand have been less extreme but child poverty remains consistently high when compared with other developed countries.

In most OECD countries including the US and New Zealand, welfare benefits are considered benefits of last resort and are set below the poverty threshold. Therefore a family whose only income is a welfare benefit will live in poverty. But it is disingenuous to claim that single parents attached to the workforce can transcend poverty when minimum wages are also set below poverty threshold levels and the costs associated with working are considerable.

Poverty results from low income relative to higher basic living costs. Families on low incomes whether from insufficient welfare; low wage rates; insufficient hours of employment; inability to work or inadequate supplementary domestic support or childcare will live below the poverty threshold. To eradicate poverty, welfare benefits and wage rates must be set above the poverty threshold and governments need to effectively redistribute income. They must guarantee a minimum level of economic prosperity. Governments who are serious about reducing child poverty might benefit from examining strategies used by other OECD nations with low child poverty rates after government intervention.

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