ATTA 2013

A Comparison of the Outcomes of Family Benefit Schemes

Helen Hodgson
Policy Goals

• Structural Issues in the tax transfer system
  • Horizontal Equity
• Assist with cost of raising children
  • Horizontal Equity
• Anti Poverty Measures
  • Vertical Equity/Redistribution
• “Family Policies”
Evaluating Outcomes

- Child Poverty Rates
- Family Joblessness
  - Female Workforce Participation
- Inequality measures
  - Pre/post transfers
Key Resources

OECD

Database: OECD.Stat


Luxembourg Income Study: LISdatacenter.org but NZ not included
Early Australian data not in OECD series (ABS used)
Inequality has risen in both countries before tax/transfers.
NZ has drop from mid 1990s compared to Australia
### OECD Measures: Mid 2000s

<table>
<thead>
<tr>
<th></th>
<th>GINI</th>
<th></th>
<th>P90/P10</th>
<th></th>
<th>P50/P10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>Rank</td>
<td>Shift 90s</td>
<td>Value</td>
<td>Rank</td>
</tr>
<tr>
<td>NZ</td>
<td>0.34</td>
<td>23</td>
<td>0.0</td>
<td>4.27</td>
<td>19</td>
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<tr>
<td>Aus.</td>
<td>0.30</td>
<td>16</td>
<td>-0.8</td>
<td>3.95</td>
<td>15</td>
</tr>
</tbody>
</table>

- OECD Growing Unequal Table 1.A2.2 1.A2.4
- P50/P10 not available
- Ranked out of 30, most equal to least equal
Population receiving < 50% mean income

- Australia before taxes and transfers
- NZ before taxes and transfers
- Australia after taxes and transfers
- NZ after taxes and transfers
# Child Poverty Rates

## Poverty among children

<table>
<thead>
<tr>
<th>Country</th>
<th>Mid-2000s</th>
<th>Change since mid-1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>12</td>
<td>-1.2</td>
</tr>
<tr>
<td>NZ</td>
<td>15</td>
<td>2.3</td>
</tr>
<tr>
<td>OECD</td>
<td>13</td>
<td>0.6</td>
</tr>
</tbody>
</table>

## Poverty in households with children

<table>
<thead>
<tr>
<th>Country</th>
<th>Mid-2000s</th>
<th>Change since mid-1990s</th>
<th>All Level, change from 1995</th>
<th>Single Level, mid-2000s</th>
<th>Couple Level, mid-2000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>10</td>
<td>-1.0</td>
<td>68</td>
<td>51</td>
<td>1</td>
</tr>
<tr>
<td>NZ</td>
<td>13</td>
<td>1.5</td>
<td>48</td>
<td>47</td>
<td>3</td>
</tr>
<tr>
<td>OECD</td>
<td>11</td>
<td>0.3</td>
<td>58</td>
<td>49</td>
<td>2</td>
</tr>
</tbody>
</table>

Child poverty linked to
- Joblessness
- Sole parent
- Inadequate wages
• Low Pay Incidence = % earning less than 2/3 median annual wage
• Australia higher low pay incidence from 2000 & unemployment
Unemployment: Duration as % of unemployed:

- Over 1 year
- 6 to 12 months
- 3 to 6 months
- 1 to 3 months
- < 1 month
Demographic Change

- Similar in both countries
- Increasing rates of sole parents
  - Higher in NZ: 24% v 17%
  - Projections up to 30% by 2030
- Smaller families
  - Later child birth
- Cohabitation rates increased compared to formal marriage
- Increased female participation in workforce
  - About 70%
  - 2/3 part time
Political & Institutional Factors

<table>
<thead>
<tr>
<th>Australia</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975 Coalition: Fraser</td>
<td>1975 National: Muldoon</td>
</tr>
<tr>
<td>1990 National: Bolger</td>
<td>1999 Labour: Clarke</td>
</tr>
<tr>
<td>1996 Coalition: Howard</td>
<td>2007 Labour: Rudd</td>
</tr>
<tr>
<td>2008 National: Key</td>
<td></td>
</tr>
</tbody>
</table>

- NZ in coalition since 1996
- Similar trends in governing party in each country
Observations:

1. Trends very similar in the 2 countries
2. NZ performs slightly better than Australia on most measures, but timing issues
   - Bigger gap between highest and lowest earners
3. Neither country has any universal family benefit remaining
4. Australia retains “modified universal” family benefit system through base level benefit (up to about 2 x average earnings)
5. Argument in NZ centres around horizontal equity & universal benefit rather than vertical equity