

Policies for Low-Income Parents: Comparing New Zealand and Canada

Maureen Baker
'Welfare Reforms in NZ'
University of Auckland, 21 March 07

Introduction

- . Throughout the 1990s, the National-led government improved the enforcement of child support & expanded childcare subsidies for low-income families but also cut the Domestic Purposes Benefit, targeted family benefits & created welfare-to-work programs.
- . so did Canada and other 'liberal welfare' states
- . in this talk, I plan to discuss NZ policy reforms under Labour and how this compares with Canadian reforms and previous National policies

DPB

- . in 2002, Labour softened rules about when sole mothers are expected to re-enter paid work (used to be full-time work when youngest child was 14 and part-time at age 6) and brought in more flexibility with 'enhanced case management'
- . DPB recipients are now asked to prepare a 'personal development and employment plan' which is negotiated with their case manager
- . critics argue, however, that more emphasis is placed on employment than personal development
- . considerable pressure still exists for sole mothers to enter paid work but not as strong as in Canada (or USA)
- . Canada has no direct counterpart of DPB but instead offers provincial social assistance payments to low-income households that vary in value by province
- . also some federal and provincial tax benefits
- . low-income mothers would obtain about \$15,000 Canadian per year for 1-parent with 1 young child (including provincial social assistance and the federal child tax benefit) – in NZ just over \$15,000 before taxes (Canadian dollar worth more)
- . social assistance is paid for a much shorter period of time (varies by province but until the youngest child is 3-5 years old in most provinces but only until child is 6 months in Alberta) (In US – time-limited to 2 years at a time or 5 years over lifetime since 1996)

Child Tax Credit

. Canada pays a similar child tax benefit, with the maximum paid to lower-income families and extra in-work payment for employed parents (moderate to higher income families also receive something but no longer a universal allowance since 1993)

Childcare

. in NZ subsidies are based on parental income – maximum subsidy \$3.31 per hour but these still cover a fraction of cost and pertain only to low-income families

. Labour has promised free childcare for 3-4 yr olds in early education centres by July 2007 but proposed subsidies are below the fees currently charged by many childcare centres and some may opt out

. many parents use informal care or services that do not qualify (family day care)

. Canada subsidizes childcare for sole parents and low-income families but also offers an income tax deduction for childcare expenses of employed parents (worth \$7,000 per child with no family maximum) – most beneficial to middle-income parents

. province of Quebec heavily subsidizes childcare for all children (regardless of labour force attachment or household income) at a maximum cost of \$7 per day

. recent international statistics show that NZ expenditure on childcare among lowest in OECD (only Ireland and Korea are lower)

Child Support

. few changes in New Zealand – still using system introduced by National based on Australian reforms in the late 1980s

. focus still on making fathers pay (as in other English-speaking countries)

. minimum payment still \$10 a week – hasn't been upgraded

. Canada has several provincial-based systems in which governments help enforce child support – in some places, gov't assists only when father fails to pay ('first default system')

. minimum payment in Canada is \$6 per week

. both NZ and Canada have new reciprocal agreements with other countries to enforce parental responsibilities of parents attempting to cross national borders

Focus on Employment

- . like the National government, Labour continues to see paid work as the main solution to family poverty
- . however, recent OECD statistics indicate that over 21% of sole parents in NZ are 'poor' even when they are employed (compared to 88% if they are not employed at all)
- . in Canada, figures are even higher: 28% of employed sole parents are poor compared to 90% who are not employed (more low wage work in Canada, especially for women)
- . despite emphasis on employment, parental benefits were introduced in NZ as late as 2002 - now 14 weeks (minimum required by the ILO)
- . Canada introduced maternity benefits in 1971 (part of unemployment insurance program), parental benefits in 1980's and now offers 15 weeks maternity benefits and 35 weeks parental benefits (meaning that mothers can receive a total of 50 weeks under the social insurance program for unemployment) – much more generous than NZ
- . also full-time employment rates are much higher for mothers in Canada

Conclusion

- . NZ has made some recent family policy improvements but so have most OECD countries including Canada
- . however, both countries are below the OECD average on many social policy indicators, including social spending on child care and the value of child benefits
- . public spending on 'family benefits' in NZ well below OECD average (low in services rather than cash, and no general tax benefits for all families)
- . public services and benefits continue to be influenced by relatively high fertility rates (especially among teens) and high rates of sole mother families in NZ
- . in both countries, recent improvements in benefits continue to be counteracted by rising living costs, relatively low wages, more part-time jobs and less job security
- . government says that 'Working for Families' will improve child poverty rates and indicators of well-being compared to other countries
- . I doubt this because other countries like Canada are also reforming social programs for children because it scores political points