

What work counts?

Work incentives
and sole parent
families.

A Child Poverty Action Group Monograph
M.Claire Dale, Donna Wynd, Susan St John, & Mike O'Brien

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What work counts? Work incentives and sole parents.

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Preface

Child Poverty Action Group (CPAG) is pleased to publish this monograph 'What work counts? Work incentives and sole parent families'. Its findings raise important policy issues for New Zealand society.

It is unfortunate that far-reaching policy decisions are often made on the basis of narrow theoretical reasoning and ideology rather than a clear understanding of the human dimensions of a policy's impact. In particular, CPAG is concerned that the impact on children is rarely considered prior to much social policy implementation.

For example, between 2005 and 2007 New Zealand introduced 'Working for Families' (WFF), a package of tax credits to assist families with children. In some ways, this package reincarnates the philosophy that it is the responsibility of the individual to address their own situation by working harder. This contrasts sharply with the recognition that in a modern market economy, low skilled work is not always or even frequently the way out of poverty. Moreover, for parents with the primary responsibility for young children, paid work may not be a more gainful activity than the unpaid caregiving they are already doing.

The WFF package was originally conceived as addressing two core problems: reducing child poverty, and providing an incentive to work by 'making work pay'. But the exclusion from a major part of the package of the children whose parents are defined as 'not in work' means that the poverty objective could only be achieved for a subset of poor children, those of the 'deserving' parents.

In their 2009 report evaluating this package, the Ministry of Social Development (MSD) and the Inland Revenue Department (IRD) concluded that there was a statistically significant increase in the employment of sole parent beneficiaries by 2007. Although the evaluation credited WFF for the increase, the methodology is questionable and it was also a time of sharply falling unemployment. The analysis did not include questions on whether the increase in employment was a good thing for the sole parent and their children, or for their employers, or for society in general. That would require data over a longer period, and sound qualitative research. Other reports showed child poverty falling as a result of WFF, but noted that the gains were almost entirely found in low to middle income 'working' families.

The improvement reflects the extra WFF support received by working families with dependent children and the increase in employment opportunities from 2004 to 2008. A more careful analysis might have asked: Was any group of children systemically left out of these positive figures? If so what is the impact for them and for society? What are the human rights implications of systematic discrimination against a certain group of children? Good policy analysis would also ask: What are the unintended consequences of this policy? And: What has been the nature of the work experiences of those who attain paid employment?

The 2008 MSD survey of living standards revealed that, even after full implementation of WFF, 19% of New Zealand children remained in what the MSD report described as 'unacceptable serious hardship', with a worsening situation expected in the recession of 2009. Many families that lost jobs

in the recession were likely to experience a double blow as they also lost a substantial part of their child-related tax credits. In these circumstances, the package was not a 'work incentive', but rather a penalty for losing work - one that impacted specifically on children.

CPAG supports schemes to educate and up-skill parents as is appropriate to their abilities, circumstances and capacities. Our main concern has been the use of child-related financial assistance to 'incentivise' paid work based on arbitrary requirements such as meeting a minimum numbers of hours worked per week. CPAG has argued continually that tying child-supplements to the work status of their parents damages the poorest children in New Zealand. Our publications 'Cut price kids' (2004) and 'Left behind' (2008) provided much detailed financial analysis of the WFF package.

This report seeks to illuminate the nature of the modern labour market and the experiences of those parents with children who are 'incentivised' into it. Research in this field is difficult and can appear intrusive in the lives of people who are already time poor and economically disadvantaged. This report acknowledges the invaluable contribution made by parents, community workers, and advocates who made themselves available for interviews. The insights they provide into the realities of juggling between the tax and benefit system, low-paid work, and children's needs, reveal a side of social policy that is too often ignored.

CPAG is particularly grateful to the Tindall foundation for their support of this work; to Tom Scott for permission to use his insightful cartoon; and to Apropos for their assistance with printing this monograph. We acknowledge the contributions made by CPAG researcher, Donna Wynd, and CPAG administrator, Julie Timmins, and the time donated to this project by academic researchers Dr M.Claire Dale and Associate Professors, Susan St John and Mike O'Brien.

Coming out of this piece of work, CPAG would like to see a greater respect for the valuable unpaid work that sole parents do in caring for their children in often very difficult circumstances, and a commitment from politicians from all sides to provide them and their children with more consistent and humane financial support.

CPAG July 2010

Executive summary and recommendations

As New Zealand gears up to face another raft of social assistance reforms in 2010, the needs of children seem once again to have been sidelined in favour of a single-minded focus on their parents' work status. The philosophy that 'work is the way out of poverty' has been influential in the reforms of social assistance that have occurred across the OECD in the last twenty years, and can clearly be seen in the development of New Zealand's Working for Families (WFF) package. Yet packages such as WFF reflect the reality that work is not the way out of poverty for low income earners unless they receive generous state subsidies.

WFF aimed to provide an incentive for parents to enter paid work, and to ensure income adequacy for those who did so. This paper considers whether WFF achieved its stated aim, and asks whether work-based social assistance results in well-paid, stable employment that lifts sole parents (and their children) out of poverty, or achieves little more than 'churning' between low-end jobs and benefits. When churning occurs in a regime where the financial payments designed to help meet the costs of children are tied to employment, the impact on children can be immediate and severe.

New Zealand enjoyed very strong employment growth in the period before and immediately after the implementation of WFF and its key component, the In-Work Tax Credit (IWTC). Unemployment began to rise again as the international economy weakened, and the effects of the global financial crisis started to be felt in New Zealand. As unemployment rose, so too did the number of sole parents moving from paid work back onto a benefit. For parents who lose work, the consequences are severe: they lose both employment income and many of their WFF tax credits. Many sole parents who had only been employed for a short time or were on temporary contracts were ineligible for the ReStart package, introduced to assist "hard-working New Zealanders" who had lost their jobs.

Official evaluations of WFF found that sole parents working 20 hours or more increased by 12 percentage points to 48%, with 75% of this change attributed to improved financial incentives and support. Sole parents most likely to take advantage of the WFF tax incentives were those with an existing attachment to the workforce. But as the recession reduced the availability of low-wage, casualised work, by 2010 the number of sole parent beneficiaries was back up to pre-WFF levels. The lesson from this is that the prevailing labour market has a greater impact on sole parent employment than financial incentives, and tying family income to paid work puts children at risk of irregular and variable income.

To produce a more informed picture of life for working sole parents, Child Poverty Action Group (CPAG) conducted semi-structured interviews with people who had been in receipt of Domestic Purposes, Sickness or Unemployment Benefits, and also had been in either part- or full-time paid employment over the period from 2004 to 2009. Participants were encouraged to record their own stories in their own words, prompted by the provided schedule to ensure coverage of key questions.

The CPAG interviews clearly indicated the complexity of the issues around sole parents meeting the multiple demands of providing adequate care for their children's emotional, intellectual and physical well-being, finding and keeping employment, ensuring their own health, and maintaining security of income. The fact that so many sole parents have lost jobs in the recession supports overseas research that keeping work is often more difficult than finding it.

CPAG argues that the focus of social assistance for families must shift from parental work status to investment in children, especially in the early years. Arbitrary work requirements fail to do this, and risk further compromising the wellbeing of the thousands of New Zealand children in benefit-dependent households who are disproportionately likely to be in hardship.

Understanding how, why, and when families move in and out of poverty can reveal a more complete picture of the nation's poor than a static poverty rate provides. Enabling children to escape the trap of poverty must be the priority for any reforms in New Zealand. Income security and support for children cannot be left solely to their parents' ability to participate in the precarious labour market of the 21st century.

Based on the findings of this report, we make the following recommendations:

- Recognise the contributions made by sole parents to their children and to society, and the extra difficulties they face on a daily basis;
- Frame the welfare state as an enabling institution that invests in all children, facilitates early childhood development, and lays the foundation for the child's future development;
- Immediately reform the clumsy, complex family assistance tax credit system so that all children in low income households are entitled to assistance on the same basis, regardless of the source of parental income;
- Avoid imposing welfare-to-work policies that exacerbate household transience in families with young children;
- Identify transient and isolated mothers and work closely with them to achieve sustainable improvements in their incomes;
- Identify any special needs of children in these families, and deal with them promptly;
- Ensure adequate, affordable housing is available on public transport routes for beneficiaries and those on low incomes;
- Make reliable information available regarding all benefit and income support entitlements.

Since 2008, the global financial crisis has had a negative impact on New Zealand's economy, slowing already limited growth in employment possibilities. Improving parents' choices in and rewards from the labour market and the home will require initiatives at the workplace, in the wage system, in schools, in family law, and in the welfare state. New Zealand's children have borne the brunt of changes to all these in the last 20 years. We do not have the right to gamble with their futures, leaving their welfare to a residual safety net and the exigencies of a volatile labour market.

1. Introduction

The philosophy that ‘work is the way out of poverty’ was clearly influential in the development of New Zealand’s Working for Families (WFF) package.¹ However, the design of that package reflects the reality that work alone does not solve the problem of poverty for many low income families. It became clear during the development of WFF that if work is to be the route out of poverty, then policies to ‘make work pay’ would be required.

As a result, the WFF package offers substantial subsidies to parents in low paid work, including childcare subsidies and specific work-related tax credits. The work-related tax credits were expected to alleviate child poverty directly. The dual aims of the work incentives in WFF were to lift the employment of sole parents, and to improve the financial support to families to address child poverty issues.²

Such policies have major implications for the wellbeing of children living in marginal socio-economic circumstances:

[C]hildhood poverty, especially when it is deep and persistent, increases the chances that a child will grow up to be poor as an adult, thereby giving rise to the intergenerational transmission of economic disadvantage (Magnuson & Votruba-Drzal, 2009).

A key question is whether work-based social assistance results in well-paid, stable employment that lifts sole parents and their children out of poverty, or achieves little more than ‘churning’, that is, moving between low-end jobs and benefits, sometimes on a regular basis. When churning occurs, and the financial payments designed to help meet the costs of children are tied to employment, the impact on children can be immediate and severe.

In 2010, the New Zealand government introduced a significant raft of reforms in the Social Assistance Future Focus Bill, which is expected to be passed into law later in 2010. The government has also set up a Welfare Working Group to examine issues of long-term welfare dependency which is due to report by December 2010. The findings in this CPAG report offer some insights for that review process in the hope that the voices of children and their parents are not neglected or negated.

The context of this study is 2004 – 2010, a period that includes the phase-in of WFF and the recession that began in earnest in late 2008. In-depth interviews, mainly with sole parents who have experienced some degree of churning in New Zealand’s often unstable labour market, were conducted to provide the qualitative underpinnings of this project.

The conditions of the labour market in the relevant period 2004-2010 and the nature of the statistical data that is available are outlined in section 2. These data show that very little is officially known about the dynamics of the labour market that would provide an understanding of how work incentive policies actually operate, especially in a downturn.

Section 3 provides a background to New Zealand’s policy on ‘making work pay’ and describes the nature of the work incentives in WFF. Section 4 describes the official evaluations of the work incentives of WFF to highlight the limitations of such approaches.

In section 5, a report is provided on the empirical work and the interviews conducted in this study. It outlines the qualitative research methodology, and discusses the research sample and the findings.

The study sample did not set out to be a statistically robust random sample of the relevant population. However, it does offer an insight into the impact of work incentive policies that is difficult to obtain in other ways.

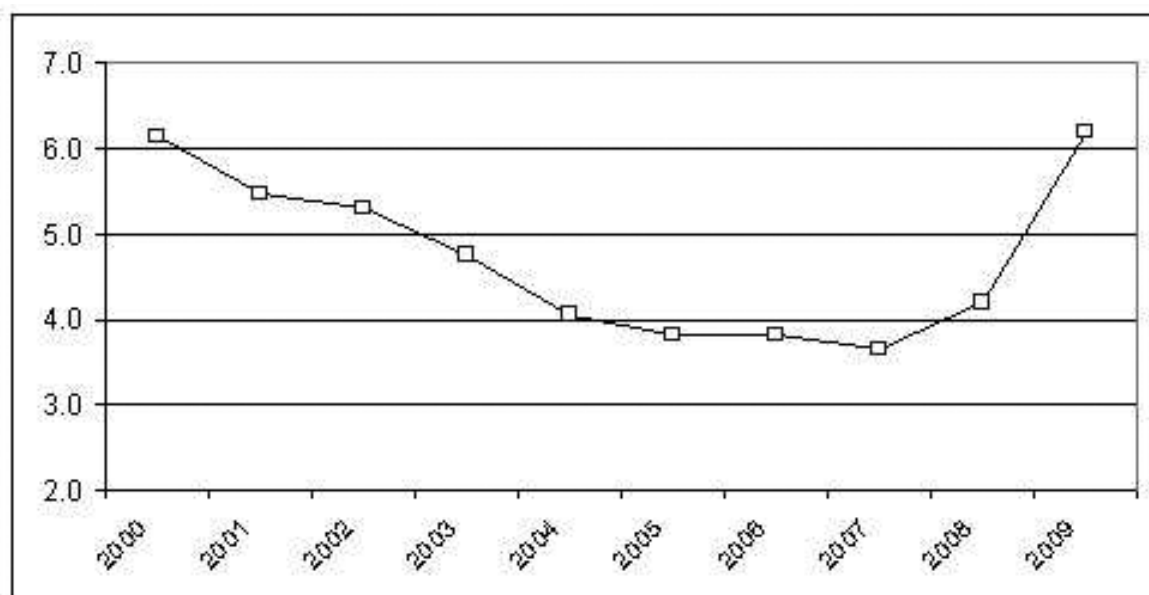
Section 6 concludes that the incentives in WFF have not actually delivered on its promise to lift sole-parent households out of poverty in a sustainable way and offers some reflections on lessons learned. The interview questionnaire is provided in Appendix 1, and Appendix 2 contains an international review of 'make work pay' policies.

2. Framing the research question

2.1 Labour market conditions, 2004-2010

Following a recessionary period, the years 2000 to 2008 were times of very strong employment growth. By 2004, the unemployment rate was 4%, a level not seen since 1987.³ Unemployment continued its downward drift, reaching 3.8% in 2007, but began to rise again thereafter, as the international economy weakened, and the effects of the global financial crisis started to be felt in New Zealand. As shown in Figure 1, by the end of 2009, all the gains to the rate of unemployment made since 2000 had been wiped out.

Figure 1: The unemployment rate (%), 2000-2009



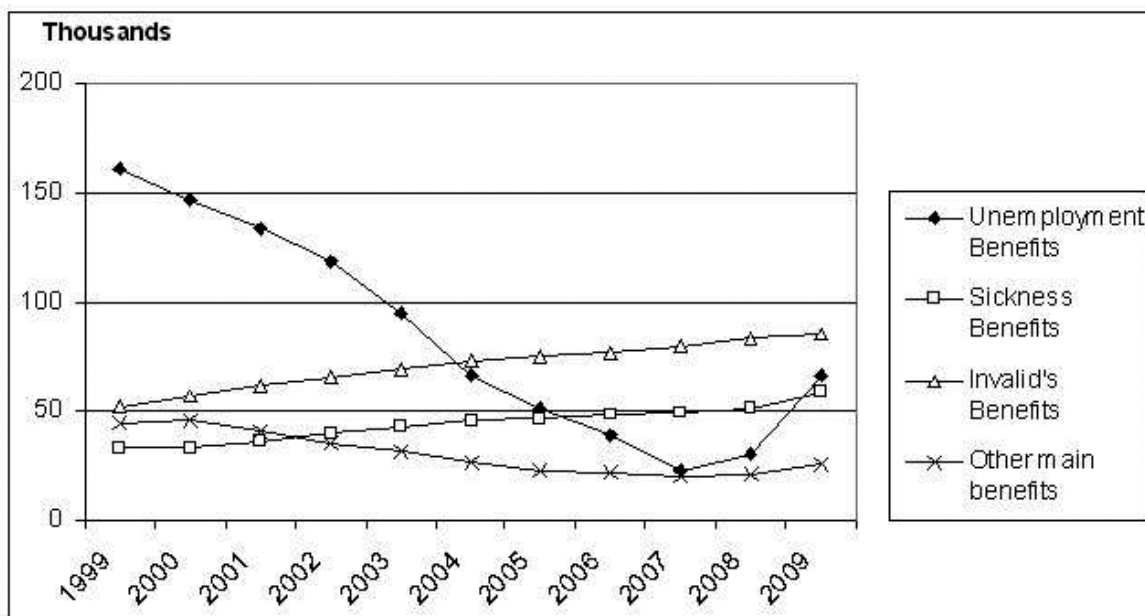
Source: Statistics New Zealand Household Labour Force Survey. Figures are annual averages.

The economy grew almost 35% between 2000 and 2008, spurred on by strong primary sector export earnings, especially dairy, and a prolonged housing boom. The housing boom was a mixed blessing. Although it provided a large number of jobs in housing construction and maintenance, it also drove house price increases far in excess of increases in income, making housing unaffordable for thousands of families.⁴

Strong labour market conditions were reflected in wage growth. Real incomes for wage and salary earners increased, widening the gap between those in work and those reliant on benefit income. This gap was widened still more after 2006 when low-income earners were able to take advantage of WFF's In-Work and Minimum Family Tax Credits. Despite the increase in real income for many low- and middle-income families, New Zealand's income inequality did not decrease throughout the 2000s. Nor did the increase in employment reduce the demand for assistance from foodbanks, whose services continued to be heavily accessed throughout the period.⁵

Some beneficiaries were able to take advantage of the boom to find work. The number on the unemployment benefit fell from 161,000 in 1998 to a low of about 20,000 in late 2007. However, as Figure 2 shows, other categories of beneficiaries grew, suggesting at least some of the unemployed had shifted to Sickness or Invalids Benefits. Then as unemployment rose in 2008, the trend sharply reversed, with 66,000 collecting an unemployment benefit in December 2009.

Figure 2. Working age clients receiving main benefits except Domestic Purposes Benefit at the end of December 1999 – 2009

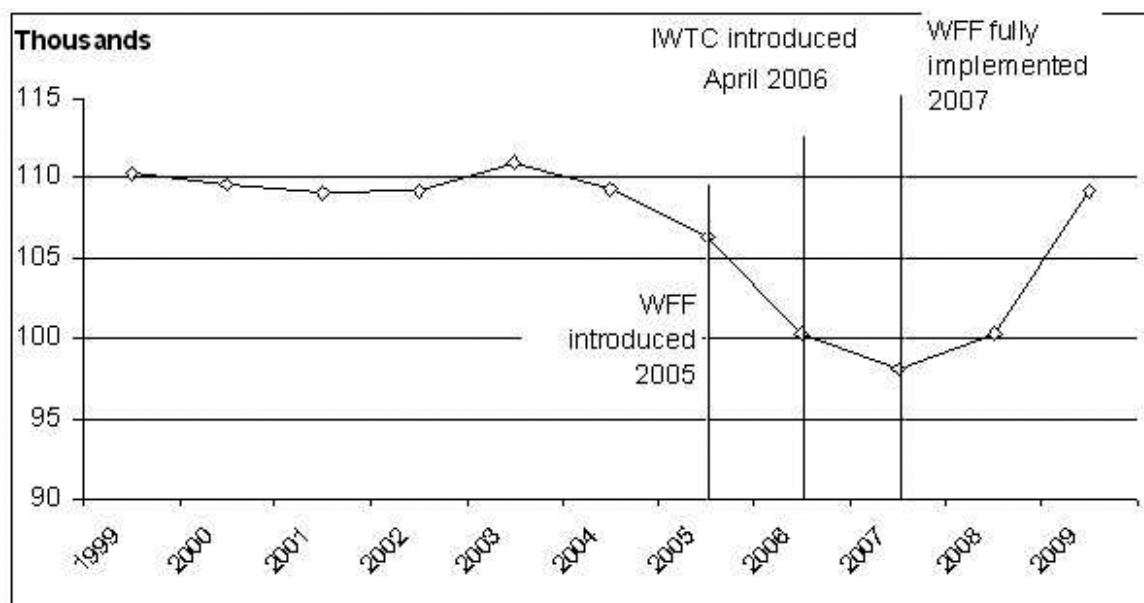


Source: National Factsheets MSD <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/2009-national-benefit-factsheets.html>. Ministry of Social Development (2009a).

In August 2007 world sharemarkets started falling and international credit lines froze soon thereafter. New Zealand did not have a financial and banking crisis of the magnitude experienced in other countries, but there were a string of finance company collapses. Over the next few years, losses from failed finance companies amounted to the equivalent of 5-6% of GDP.⁶ By 2010, with broad measure unemployment reaching a rate of 16%,⁷ the boom, with its ready job availability and debt-financed consumption, seemed a distant memory. Many economic indicators were back to where they had been at the beginning of the decade, and foodbanks and other emergency social services were reporting rocketing demand.⁸ For thousands of working families, life had become much more difficult.

For sole parents, as Figure 3 shows, the change in fortune was dramatic. Historically, the number of domestic purposes beneficiaries (DPBs) has tended to fluctuate around 108,000, with the overall level of economic activity as much as demographic and policy changes determining the employment rate among sole parents in New Zealand.⁹ As employment conditions improved in the 2000s, sole parents left the benefit to take up work, and the number of DPBs fell to 96,000 by early 2008. As the recession started to bite, many found themselves out of work again, and by December 2009, the number of DPBs was back to its December 2004 level of 109,000.

Figure 3: Domestic purposes beneficiaries, January 2000 - December 2009



Source: Ministry of Social Development Benefit Fact Sheets.

The lesson from this period is clear: when jobs are available, beneficiaries, including some sole parents, will transfer off the benefit and into paid work. For DPBs the picture is complicated by the work incentives that operated from April 2006 as part of the WFF package. However, the increase in the number of sole parents on a benefit since December 2008 suggests that the demand-side of the labour market is more important than supply-side work incentives.

2.2 Work incentive policy

The notion that beneficiaries need an incentive to leave welfare and rejoin the workforce has been a fundamental tenet of welfare reform across the OECD. There are several reasons given for this, including: the perception that people need to be motivated to get off a benefit; people who work should not be poor, or at least should be better off than those on a benefit; and social belonging is a function of labour market participation.¹⁰

Politically, 'in work benefits' (IWBs) are attractive because they appear able to simultaneously achieve both employment and distributional goals.¹¹ IWBs take a variety of forms, including tax credits, wage-related transfers or lump-sum payments where the choice of the programme type largely depends on the target group.¹²

A range of policy responses have attempted to put these instruments into practice. In New Zealand, WFF aimed to provide an incentive to work and to make work pay. The chief mechanism used was the In-Work Tax Credit (IWTC), which extended the existing Child Tax Credit, and was aimed at families with children.¹³

The IWTC provides \$60 per week for up to three children and \$15 per child thereafter to parents who are working a minimum number of hours, and not on a core benefit. By being unavailable to beneficiaries, the IWTC is designed to provide an incentive for parents to move off a benefit and into work. The IWTC threshold is 20 hours per week for sole parents, and 30 hours per week for a couple. The 20/30 hours threshold also applies to the Minimum Family Tax Credit (MFTC), which tops up total income to \$24,493 a year before tax (a minimum income of \$395 a week after tax).¹⁴

Although the IWTC is supposed to provide the incentive to work, for sole parents working at least 20 hours on wages at or about the minimum wage, it is the MFTC that 'makes work pay'. The MFTC is reduced by 100c for each extra dollar earned. This means that although there is a financial incentive to work up to 20 hours, especially for sole parents, there is no incentive to work an extra hour until the MFTC has completely abated, which happens at about 38-40 hours work per week at the minimum wage. The regime is further complicated when combined with other incentives and subsidies such as out of school care (OSCAR), the Accommodation Supplement, and income-related rents for state house tenants, all with differing thresholds and abatement rates.

The Future Focus package announced in 2010 seeks to impose a work-test of 15 hours per week on sole parents whose youngest child is aged 6, with sanctions of reduced benefit payments for non-compliance. The 15 hour work-test is not enough to receive the IWTC which requires a minimum of 20 hours. The Future Focus package raises the benefit abatement threshold for part-time work from \$80 to \$100 per week, representing slightly less than 8 hours work at the minimum wage. The remaining 7 hours of work required to meet the work-test will be partially abated from benefit entitlements, underlining the fact that the new policies will do very little to alleviate child poverty.¹⁵

2.3 Available data and its limitations

In recent years, there have been a number of publications containing qualitative and quantitative data about child poverty in New Zealand. In addition to CPAG's monographs, including "Workfare: not fair for kids?" (2005), and "Left Behind" (2008), Caritas Aotearoa New Zealand published "The unravelling of the safety net" (2008); the Office of the Children's Commissioner and Barnados published "A fair go for all children" (2008), and "Child poverty in New Zealand" (2008); the Families Commission published "What makes your family tick" (2006), and "Escaping the debt trap" (2009); and the Salvation Army Social Policy and Parliamentary Unit published "Into troubled waters" (2009). These reports document the poverty experienced by approximately one in five children in New Zealand, and the current and future consequences of this serious and avoidable hardship. In 2008, the Children's Commissioner stated:

We have a moral obligation to make sure that children have what they need to live with dignity and hope. The best chance to do this is through supporting their parents or caregivers, to provide the necessities of life, consistent with what we would expect as New Zealanders for all our children.
(Kiro, 2008, p. 3)

In recent years New Zealand's social and economic data have been considerably improved by the

MSD's annual or occasional publications such as the "Social Reports", "Living Standards Surveys", and Perry's (2009b) "Household incomes in New Zealand: trends in indicators of equality and hardship". In addition, two sources of information on beneficiaries and the labour market are benefit data from the Ministry of Social Development, and the range of data collected by Statistics New Zealand on household work, income and expenditure. Yet, despite the recognition of the incidence of poverty, New Zealand has remarkably little data tracking and monitoring labour market outcomes for sole parent beneficiaries who have been the subject of so much policy consideration. Nor has sole parents' employment experience been monitored.

To track sole parents' interactions with the labour market, ideally data would show:

- the numbers of parents moving from a benefit to work 20 hours or more per week;
- the number increasing their hours to attain the 20 hour per week threshold;
- the number leaving the workforce or reducing their hours over time;
- whether those who left the workforce went back onto a benefit; and
- their earnings while in work.

None of the available datasets include this information, although there is a special linked data set using combined administrative records of the MSD and IRD for April 2003 to March 2007, for all families who at some point over that period received a WFF payment.¹⁶

The official benefit data from MSD includes reasons for going off a benefit, but does not list why people apply for a benefit, such as relationship break-up or being made redundant. It records the percentage of DPBs declaring earnings, but this only indicates whether they have worked in the last twelve months. It does not disaggregate into current earners, or the weekly number of hours worked. Unlike the US where lifetime limits on welfare receipt have necessitated extensive databases to track welfare recipients, New Zealand only notes a reason for leaving a benefit, and the length of time on the domestic purposes or any other benefit. The available New Zealand data does not provide accessible information regarding whether those who move from a benefit into work then return to a benefit.

Statistics New Zealand collects a range of data on individual and household work, income and expenditure. These data sets were assessed to see if they could provide any information on the movement of DPBs into and out of the labour market, and the possible reasons for any observed movement.

The Household Labour Force Survey (HLFS) is a quarterly survey that measures employment, unemployment, and underemployment across subpopulations and sectors. As well as employment data, the HLFS records the number of people employed by sector, actual hours worked, and a breakdown of household labour force status by household composition, including sole parents with children. Unfortunately, the publicly released information does not disaggregate this data, and 'work' in this context means anything from one hour or more work per week. It is not possible to determine the hours households or individuals are working, or whether they are working part time while on a benefit.

The HLFS operates as a mini time series, with households remaining in the survey for eight quarters. The New Zealand Income Survey is run annually as a supplement to the June HLFS, and records individual and household income in aggregate, and across sub-populations. It includes the median

earnings of different household types, including one parent with dependent children. For working beneficiaries the survey distinguishes between benefit income and income from paid work but it is not possible to discern the number of hours worked. However, a breakdown into those working over 20 hours is available for the June quarter data.

The Survey of Working Life (SoWL) was another supplement to the HLFS, and was conducted in March 2008. At present there is no indication whether this survey will be continued. The survey asked about people's work arrangements, working conditions and job satisfaction. While the survey includes information on the number of sole parents in temporary or permanent work,¹⁷ on its own it does not assist in understanding the movement of parents into and out of work.

Other data sets investigated were the Household Economic Survey (HES), the Linked Employer-Employee data (LEED), the Quarterly Employment Survey (QES), and the New Zealand General Social Survey (NZGSS). The HES is based on aggregate and sub-population income and expenditure, including income for sole parents with dependent child(ren). The LEED provides a snapshot but gives no indication of flows into and out of the labour market. It shows job creation and destruction, changes to filled jobs by sector, by region/sex/age, and average quarterly earnings. In the quarter ending June 2008 (the last period for which data is available), there were 1,731,219 people in the workforce (that is: income tax is deducted at source, plus the self-employed). Of those, 74,040 (4.2%) held two jobs and 5,220 (0.3%) held three or more jobs, proportions that were virtually unchanged between 2003 and 2008.¹⁸ The QES shows earnings, hours and filled jobs worked by sub-populations and within industry groups. The NZGSS has non-work related data such as time with family members, unpaid work, and safety and security. It contains information about income, but not by family type or whether the household includes children. None of these data sets provide information on the movement by family type between jobs and benefits.

Given these inadequate and incomplete data sources, little is known about the work patterns of people receiving the DPB. The percentage of DPBs declaring earnings (ie worked in the previous twelve months) fell from 21% in December 2004 to 15% in December 2009 (HLFS). The number on the DPB was about 109,000 in both years. This suggests that the recession has significantly reduced the opportunity for sole parents to work part time while on a benefit.

Consistent with research from the US, it appears as soon as there is a weakening in the jobs market sole parents return to a benefit. Sustainable employment is not simply a function of supply-side welfare reform; rather it reflects what is happening in the current labour market.

2.4 Sole parents profile

Sole parents have been, and remain, the target of work incentives, the focus of reductions in social assistance. They are frequently misrepresented and maligned as a group.

Table 1 shows the ages of DPB recipients for the years 2004-09. Contrary to the widely held view that it is younger sole parents who are receiving benefits, the figures show that parents under 24 accounted for only 20% of DPB recipients in 2009. This figure has crept up since 2005, which is consistent with labour market figures generally showing that the impact of the recession has been felt most keenly by younger workers. The proportion of older age parents (40-54 years) also edged up in the five years to 2009, although the reasons for this are not clear. The figures show that about half of all recipients are aged 25-39, and are most likely to be on a benefit due to the breakdown of

a marriage or relationship.

Table 1: Ages of working aged DPB recipients (aged 18 – 24) in bands, by years¹⁹

As at December	Age 18 - 24 years	Age 25 - 39 years	Age 40 - 54 years	Total number of DPBs
2004	18,588 (17%)	57,950 (53%)	32,801 (30%)	109,339
2005	18,071 (17%)	55,277 (52%)	32,954 (31%)	106,302
2006	18,056 (18%)	51,158 (51%)	31,096 (31%)	100,309
2007	18,649 (19%)	48,095 (49%)	31,409 (32%)	98,154
2008	19,054 (19%)	48,135 (48%)	33,093 (33%)	100,282
2009	21,858 (20%)	51,366 (47%)	36,065 (33%)	109,289

Source: Ministry of Social Development Benefit Fact Sheets.

Most recipients are on the benefit for a relatively short time while their children are young, and most re-enter the workforce when their circumstances allow. On average, about 70% of DPB recipients have been receiving the benefit for less than 4 years (Table 2). The proportion of clients receiving the DPB continuously for 10 years has consistently been 11-12% since 2004, dropping marginally to 10% in 2009. It is this latter group who are most likely to need support to gain and keep employment, and for whom a cash incentive is least likely to overcome barriers to working.

Table 2: Numbers and Duration of DPB, and average annual numbers of recipients²⁰

As at December	DPB less than 1 year	DPB 1 – 4 years	DPB 10 years or more	Annual Average DPB Recipients
2004	27,335 (25%)	69,977 (44%)	12,027 (11%)	109,339
2005	26,576 (25%)	66,970 (38%)	12,756 (12%)	106,302
2006	25,077 (25%)	63,195 (37%)	12,037 (12%)	100,309
2007	26,502 (27%)	59,874 (36%)	11,778 (12%)	98,154
2008	30,085 (30%)	59,166 (36%)	11,031 (11%)	100,282
2009	32,787 (30%)	65,573 (38%)	10,929 (10%)	109,289

Source: Ministry of Social Development Benefit Fact Sheets.

The majority of those in receipt of DPB have pre-school children, or children who are new entrants at school. Consistently, from December 2004 to March 2010, 60–61% of DPB recipients have been caring for at least one child aged 6 years or under.

Table 3 below includes all sole parents of working age (18 to 64 years) with dependent children. There are approximately 40,000 more sole parents identified in 2009 in Table 3 (151,600), compared to Table 1 (109,289). Some of the difference will be explained by the sole parents being on Sickness, Invalids, or Unemployment Benefits, but most is explained by them being in receipt of earnings, or of Child Support from an ex partner rather than a benefit. In other words, approximately one third of sole parents have no current interaction with the benefit system.

Table 3 provides information on sole parents working 20 hours or more which was accessed as a special statistical run.²¹ This data shows that around 40% of sole parents appear to have had 20 hours or more paid work per week as at June 2009. The increase since 2006 suggests some sole parents have increased their hours of work, or manipulated their work hours to qualify for the IWTC (see section 3).

Table 3: Total numbers of sole parents, % working 20+/- hours per week 2003-2009

Sole Parents Aged 18-64 with dependent children			
Quarter Ending June	Number Working 20 Hours or More Per Week	Total	% Working 20 Hours or More Per Week
	Thousands		Percent
2003	55.2	161.5	34.2
2004	48.8	156.2	31.2
2005	50.3	150.5	33.5
2006	51.6	147.0	35.1
2007	60.2	145.8	41.3
2008	58.8	150.6	39.0
2009	59.8	151.6	39.5

Source: Statistics New Zealand special run April 2010

Overall, sole parents' capacity to work is affected by the age of their children, the availability of childcare, and the availability and accessibility of suitable employment. A further issue is the difficulty of having the benefit reinstated if employment ceases. Another complication is Child Support: a sole parent may prefer the security of a benefit while working part-time, to the insecurity of accessing a child support payment while off the DPB.

2.5 Sole parents and the labour market

Between 2001 and 2007, almost 38% of those who moved off a DPB to employment remained in continuous employment over the following two years, while transitions from an Unemployment Benefit to continuous employment after two years were 28%.²² Perhaps sole parents' more sustained employment over time illustrates their determination to remain off-benefit, and demonstrates the different skills, abilities, situations and responsibilities these different groups bring to the labour market. These need to be taken account of when designing policy.

While the numbers of DPB recipients appear to be relatively stable over the medium term, there is considerable turnover within this group. For example, despite the recession and a weak labour market, in the year to March 2010 nearly 26,000 came off the DPB, and about 31,000 people signed on. Similar turnover is seen with those on the unemployment benefit, with 103,000 signing on and about 78,000 coming off in the same period.

Detailed information on reasons for exiting the benefit are not collected; however the annual number of carer's benefits²³ cancelled decreased in 2008, after three years of relative stability. Reasons for clients cancelling carer's benefits showed little change between 2006/2007 and 2007/2008 (see

Table 4). Between 2003/2004 and 2006/2007, a period of strong employment growth, the proportion of working age clients cancelling carer's benefits to enter paid work increased from 32% to 41%. The most common "Other" reason for cancelling a carer's benefit was clients entering a relationship.

Table 4: Trends in reasons for clients cancelling DPB carer's benefits

Reason for cancellation	2003/2004 Number	2004/2005 Number	2005/2006 Number	2006/2007 Number	2007/2008 Number
Carer's benefits cancelled by working age clients					
Obtained paid work	12,012	13,622	14,525	16,223	14,754
Transferred to another benefit, pension or district	7,151	6,477	6,096	5,855	5,687
Other	18,464	18,861	18,077	17,195	16,432
Total cancelled by working age clients	37,627	38,960	38,698	39,273	36,873
Carer's benefits cancelled by other clients					
Total cancelled by other clients	242	304	346	370	351
Total carer's benefits cancelled					
Total	37,869	39,264	39,044	39,643	37,224

Source: (Ministry of Social Development, 2009b)

All this suggests that the current system locks sole parents into 'long-term dependency'. They want to work, but the determining factor is the availability of stable work.²⁴

The New Zealand experience is confirmed by overseas research. After a comprehensive survey of population data in the US from 1985 to 2004, Herbst (2008) concludes:

Public policies do not create the same employment incentives across all economic conditions and work margins. Therefore, flexibility in the design and implementation of policies is crucial: Reforms should be carefully tailored to specific employment goals and take account of the economic environment in which they operate. (Herbst, 2008, pp. 868 - 892)

While the optimistic assessment is that welfare and micro-economic policy reforms that promote work and decrease welfare use magnify the impact of the economy when it is strong, and soften its blow during contractions, they also create the possibility that "single mothers are forced to remain in low-wage jobs with little flexibility and reduced overtime pay in order to comply with work requirements and the threat of sanctions".²⁵ Policy reforms must be accompanied by credible research looking specifically at whether increased employment across economic conditions is matched by improved earnings and other indicators of material wellbeing.

3. Two decades of welfare reform

Punitive welfare to work policies initially appeared to have their origins in conservative concern about single mothers and the imminent demise of the traditional family.²⁶ Since then the rationale for welfare-to-work policies has changed and softened. The dominant theme now is that children from working families are more likely to have better outcomes, and that social exclusion can be overcome by participation in the workforce. Both these rationales have been misrepresented such that children of working parents are held to always be better off, and social inclusion can only come about through work – neither of which has basis in evidence. Yet the real issue is about lifting sole parents and children from poverty by enhancing their choices in and rewards from the labour market and the home.²⁷ Achieving this objective will require initiatives on many fronts: at the workplace, in the wage system, in schools, in family law, and in the welfare state. Improving the lives of children in benefit-dependent households cannot be simply a matter of paid work.

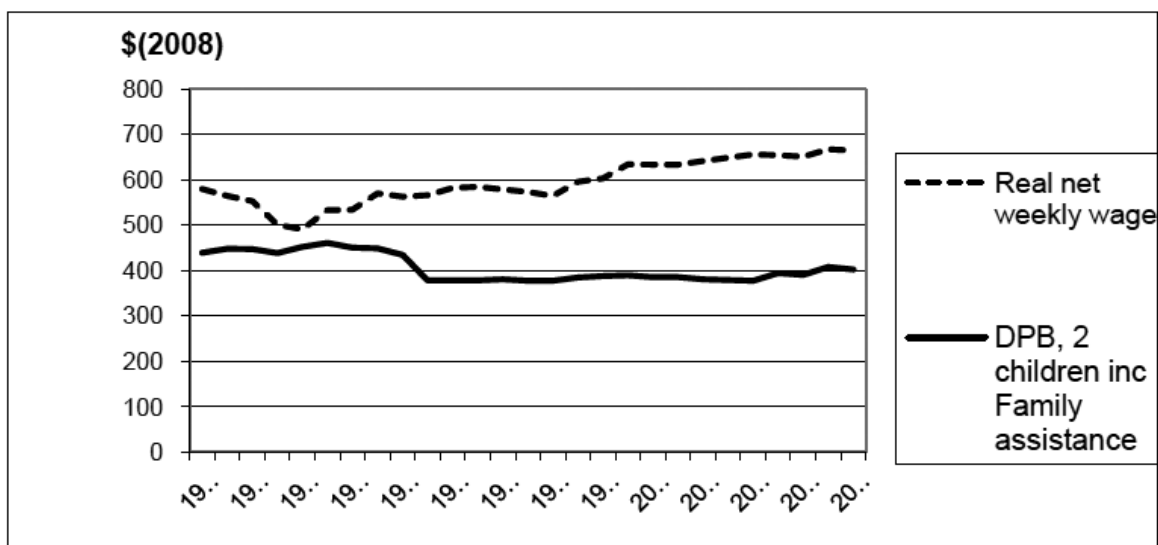
High levels of child poverty are not only socially damaging and economically costly, but they perpetuate the problem. Research in the US has found that adults who have grown up in poverty are more likely themselves to be poor, meaning their children too will be more likely to grow up in poverty. People who were poor as teenagers in the 1980s had poverty rates of 19% by their early 30s, compared to 10% for men and 5% for women among their contemporaries who had not been poor.²⁸

3.2 From welfare to workfare

As New Zealand moves to tighten access to welfare once more, the wellbeing of children appears to have been ignored in the pursuit of an ideology that emphasises individual self-reliance rather than community caring. This has not always been the case, and a brief outline of the philosophy underpinning New Zealand's welfare state since the 1970s is sketched here.

In 1972 the Royal Commission on Social Security recommended setting benefits at a level that enabled recipients to enjoy a standard of living much like that of the rest of the community, and thus feel a sense of participation and belonging.²⁹ The DPB was also introduced to enable single mothers to care for their children at home with a measure of financial security. The real income of sole parents on DPB reached its peak in 1986, after which time the real value of the benefit fell, and it also fell relative to wages, opening a gap which has continued to widen.³⁰ Flat net benefit rates through the 1990s mask an intense period of the reshaping of New Zealand's welfare state. In 1991 the infamous 'mother of all budgets' slashed benefits, including the DPB by as much as 27%, as shown in Figure 4. Indexing benefits to the Consumer Price Index (CPI) maintained the real value of the DPB until 2005 when it increased slightly with WFF, but only back to its 1991 value (Figure 4).

Figure 4. Real net benefit for DPB: 2 children, and net average weekly earnings, 1982 – 2008 (\$2008).



Source: Derived from MSD, 2009, p. 44.

The shift to an emphasis on work in the early 1990s was outlined in the government’s policy statement on social assistance, “Welfare that Works”.³¹ This policy statement explicitly insisted that social assistance be reserved for those “in genuine need”, and others would be “expected to support themselves.” The government argued for the changes on the grounds that they:

- were necessary to contain social expenditure;
- enhanced fairness, because assistance was targeted to those in need;
- promoted individual and family self-help. Because they constrained the amount of assistance available from the state, the cuts rewarded self-reliance and decreased dependency;
- reduced wastage through fraud because tightening procedures and processes reduced the possibility, and improved the detection, of fraud.³²

However, it was debatable whether the changes would contribute to the outcome hoped for by government: “unless ‘self reliance’ is understood in the narrow sense of simply being ‘off benefit’ ”³³

The increased emphasis on self reliance and personal responsibility underpinning [the] reforms... increases the risk that some people will miss out... [The] more a system demands people to be self reliant, the more likelihood there is that a greater number of people will miss out because their vulnerability is increased as the system requires more of them than they are capable of delivering.... The mainstream system will continue to need supplementing by special provisions to meet the needs of the vulnerable that the mainstream does not cover. (Higgins, 1997, p. 14)

Contrary to the 1972 Royal Commission’s emphasis on participation and belonging, the Social Policy Agency’s two top priority outcomes for social welfare services in the 1993/94 year were that:

- policies for Social Welfare contribute to a fair and just society and promote self-sufficiency and responsibility of individuals and their families/whānau; and

- income maintenance policies and practices do not contribute to continuing dependency of those who are capable of becoming self-sufficient.³⁴

There was no mention of income adequacy, or of the standard of living families and whānau could expect; the aim was simply that the state would not contribute to continuing dependency.

As well as cuts to benefits, changes to housing policies and labour market changes enacted in 1991 combined to produce an explosion in the number of foodbanks³⁵ as social agencies struggled to contain the effects of cuts in social spending, and unemployment of 11%. Child poverty had re-emerged as a problem in the 1980s, and during the 1990s, child poverty rates increased dramatically, peaking at 36%³⁶ in 1994.³⁷ Despite the mounting evidence of economic stress among families with children, the changes to welfare and housing policy were not monitored for their effects on living standards, health, psychological well-being, educational attainment, family relations or crime.³⁸

Meanwhile, the OECD was increasingly highlighting lone parent families as a critical social policy dilemma for member countries. Growth in the number of lone parent families and the associated impact on government social expenditure was portrayed as hindering economic growth, fiscal responsibility and social well-being. 'Welfare', in the form of past social policies, was now cast as being a pivotal component of the problem rather than its solution.

In New Zealand the government agency responsible for most policies towards lone parents proclaimed:

... the term 'welfare' has become devalued, having acquired negative connotations associated with bureaucratically provided assistance in response to lack of income or family dysfunction. (Department of Social Welfare, 1996, p. 7)

A key policy solution was to require non-custodial parents to make a significant financial contribution to their children's upkeep. Sole parents were to be provided with a 'hand-up' to independence and self-reliance through labour market participation. Overseas workfare schemes, such as the Wisconsin Way, were zealously scrutinised to identify a route to this virtuous world 'beyond dependency'.³⁹

In 1997, the government was still concerned about beneficiary dependence, despite the introduction in 1996 of the Independent Family Tax Credit (IFTC), a child-related tax credit specifically designed to get people "off benefits and into jobs".⁴⁰ The IFTC was designed to reward "independence" from the state, and was therefore not available to families on benefits, including New Zealand Superannuation and Veteran's pension, or those receiving a student allowance or Accident Compensation payments. At the time the IFTC was introduced the unemployment rate was 7%, and jobs for sole parents were scarce, a fact not acknowledged by the government at the time. The IFTC was later renamed the Child Tax Credit (CTC) to shift attention from its ideological underpinnings to its role as assistance for the costs of raising children.

By now, not only had income adequacy been dropped as a policy goal, the government was increasingly hardening its stance on the poorest families in the community. In 1996, work tests were announced for those receiving a DPB, Widows Benefit, or Emergency Maintenance Allowance (implemented from 1997). As well as work preparation for parents of very young children, those with children aged 7-13 were expected to work part-time (from 1999), and those with children aged 14 and over, full-time.⁴¹ In response to the government's continuing concerns about beneficiary dependency, the Department of Social Welfare ran the "Beyond Dependency" conference. The workfare state had arrived.⁴²

3.3 To social investment and back

In 1999 the fourth Labour government came to office with the stated intention of taking a social investment approach to welfare. The focus on work remained, albeit in a more moderate guise with the slogan “social investment, real jobs”.⁴³ Benefits, it was stated:

... must become an investment in people's potential. Our social security system must be focused towards that end for those of working age, whilst ensuring those, who for good reason cannot work, get the support they need. (Ministry of Social Development, 2001)

At least in the early stages of its administration, Labour seemed genuinely committed to closing the social gaps that had emerged in the 1980-1990s, and, for the first time, openly acknowledged the blight of child poverty.⁴⁴ The work test for sole parents was discontinued, and a whole-of-government approach was adopted to better deal with poverty and its effects. However, in 2003 the ‘work’ emphasis returned, with the Minister of Social Welfare, Steve Maharey, echoing the UK’s Blair administration, stating: “Getting people off benefits and into paid work is the best welfare policy any government can pursue”.⁴⁵

Despite its stated opposition to the 1991 benefit cuts and the discriminatory CTC, Labour failed to reverse either policy. Instead, as part of the WFF package announced in the 2004 Budget and implemented 2005 to 2007, it extended and strengthened the CTC, imposing a work test of 20 hours for a sole parent and 30 hours for a couple. The return to work-focused income support was heralded by the renaming of the CTC as the In Work Payment, later revised as the In-Work Tax Credit (IWTC).⁴⁶ At the same time, the “reward” for not being on a benefit was increased from \$15 per week per child to \$60 per week for up to three children and \$15 for each additional child thereafter.

While rhetoric about the moral value of work had been replaced by the language of “opportunities,” and “addressing child poverty”, in reality the aims were similar: “we need to bring our social assistance system up-to-date so that it no longer acts as a barrier to people moving from benefit to employment”.⁴⁷ Welfare recipients were poor because they didn’t work. Labour’s WFF package aimed to:

- make work pay, supporting families with dependent children, and rewarding work effort...
- ensure income adequacy, with a focus on low and middle income families with dependent children, to significantly address issues of poverty, especially child poverty...
- achieve a social assistance system that supports people into work, by making sure that people get the assistance they are entitled to, when they should, and with delivery that supports people into employment.⁴⁸

The concern about dependency remained:

A number of individuals and their families do not currently have the same opportunities to participate in the labour market and society as others, and their living standards are compromised by long-term benefit dependency. (Benson-Pope, 2006, p. 58)

Since then, ‘participation’ has been formally abandoned as a goal of social policy, to be replaced by the 2007 amendment to the Social Security Act which puts helping people “find or retain paid work” ahead of alleviating hardship “in certain circumstances”.⁴⁹ Lest there be any doubt, the first principle intended to guide those charged with administering the Act states: “work in paid employment offers

the best opportunity for people to achieve social and economic well-being”.⁵⁰ Those unable to work, or who have little prospect of ever doing so, will only “be supported in accordance with [the] Act,” a vague proposition that offers no guarantee of income adequacy or other support.

3.4 Working for Families work incentives

WFF is a complex package which includes childcare subsidies, housing assistance, and tax credits to provide financial assistance. The WFF tax credits for eligible families with children under the age of 18 are designed to improve both adequacy of income and returns to working for those with children. The programme comprises four types of tax credits (see Table 5): the Family Tax Credit (FTC), the In-Work Tax Credit (IWTC), the Minimum Family Tax Credit (MFTC), and the Parental Tax Credit (PTC) which is of minor interest here.⁵¹

Table 5: Working for Families (WFF) tax credits

Tax Credit	Abbreviation	Nature of payment
Family Tax Credit	FTC	Child-related weekly supplement available to all low-income families
In-Work Tax Credit	IWTC	Child-related weekly supplement with work requirement
Minimum Family Tax Credit	MFTC	Minimum Family income top- up with 100% abatement
Parental Tax Credit	PTC	Paid \$150 a week for 8 weeks for new child

Source: IRD, <https://interact1.ird.govt.nz/forms/famcalc2008/>

The FTC is not work-related, and is paid to all families on the basis of numbers and ages of children and household income. Families eligible for the FTC, if in work, may also be entitled to the IWTC. Both are paid together as one sum to caregivers for the ongoing costs of the child(ren). The amount paid depends on the combined annual income of the family, number of dependent children, and their age. The IWTC requires families not to access a main welfare benefit, and sole parents to work at least 20 hours per week, and couples to work at least 30 hours between them.⁵²

Without warning or explanation, in the 2005 Budget, the government extended the income range for access to WFF, meaning many families with incomes in excess of \$75,000 were still entitled to tax concessions. This policy change increased the annual cost of the WFF package by \$500 million without alleviating the poverty of the poorest families.

Unemployment is a double blow in that not only is income lost from work, but those who go onto a benefit also lose eligibility for IWTC and MFTC. In late 2008, in response to the recession, the National government introduced the ReStart package, designed to assist those made redundant. The package included the continued payment of the IWTC (renamed ReCover) to newly unemployed workers with children for their first 16 weeks of unemployment. ReCover is significant for being a rare official acknowledgement that the IWTC is essentially a payment to assist with the support of children, and not simply a work incentive.

RePlace, the second component of ReStart, raises the maximum Accommodation Supplement payable by up to \$100 for 16 weeks. This is for people who have over-extended themselves with

respect to their housing, particularly people facing the prospect of losing their homes if unemployment causes them to default on their mortgages. It does not help those in rental accommodation with cash assets (eg. savings) who do not qualify for an Accommodation Supplement.⁵³ The third component, ReConnect, is Work and Income help to 'find a job that's right for you'.

The ReStart package signalled the ideological basis of the new government's upcoming social assistance reforms: additional cash assistance is only available for a short time for formerly "hard-working New Zealanders,"⁵⁴ where "hard-working" is arbitrarily defined. Those not "hard-working", such as those not in work for a full six months before redundancy, or who choose to leave a job and can't find work, or who are dismissed, or are in temporary or casual employment – including many sole parents – are not eligible for additional assistance.

4. Evaluations of WFF

WFF was implemented as a national programme without a prior pilot study. Pre-implementation evaluation of the programme was thus restricted to simulation,⁵⁵ while later analysis relied on a Difference-in-Differences statistical approach. These evaluations, and a study considering the impact of WFF on women's employment and repartnering, are discussed below.

4.1 Simulation

A March 2004 paper to Government Ministers on the expected impacts of WFF reached the following conclusions on the anticipated key effects of the original package on employment:

As a result of the reforms there may be a small increase in labour market participation amongst both beneficiaries and non-beneficiaries who decide to enter the labour force. Depending on the skills of these new entrants and general economic conditions, this may lead to a small increase in employment. Needless to say, the package has been developed against the background of strong economic growth. In the event of an economic downturn, employers are less likely to absorb any increase in labour supply generated as a result of improved work incentives. Families already engaged in work are not generally responsive to financial work incentives and may, depending on the structure of assistance, reduce the work effort of second earners in dual-income households. These findings are confirmed by preliminary micro-simulations applied to the labour market in New Zealand. (Ministry of Social Development, 2004, paras 89-92)⁵⁶

The micro-simulation found an increase in the probability of working was largest for one-child families, primarily because the increase in IWTC over the previous CTC was largest for the 1-child family.⁵⁷ For couples, only 8% in the sample observations worked less than 30 hours a week. It was found that for those on higher incomes, the IWTC could induce a reduction in labour supply of one or both partners, and: "For married women, the most popular choice is to reduce labour supply to zero".⁵⁸

Expectations as a result of WFF were that around 1.8% of sole parent beneficiaries would enter the labour force; about 2.4% would work less; and about 1.9% would prefer longer working hours with an overall average increase of less than 1 hour a week. The tax revenue for the group would decrease, due to shorter working hours for those already working full-time and likely to earn more than new entrants to the labour-force. Overall, the MSD expected a modest increase in labour market participation as a direct result of WFF, and expressed concern that it may have consequences for other labour market policies:

Should there be an increase in labour supply, any downward pressure on wages would reduce the returns to work for people without children and make these workers increasingly reliant on minimum wage provisions. (Ministry of Social Development, 2004, paras 89-92).

The study ignored the increased childcare subsidies of WFF which were expected to increase work participation of parents with young children, although Kalb, Cai, & Tuckwell (2005, p. 24) note that the effect is probably largest for low-wage families where nearly all additional earnings to be obtained from additional working hours would otherwise be cancelled out by the price of childcare.

Apart from MSD's simulation, several authors did a predictive analysis of the likely effects of WFF. A report by the Business Roundtable concluded that the WFF package was unlikely to have any noticeable net positive effect on aggregate employment; and provided no encouragement for secondary income earners to seek employment where one parent was already working 30 hours a week.⁵⁹

Other preliminary research on the impact of tax credits was conducted using a difference-in-differences approach.⁶⁰ This report found small labour market gains and other small impacts such as the effect on partnering. It concluded that:

... we provide some evidence of employment increases and more solid evidence of work hour increases for those working due to the family assistance policy [tax credits] changes. Evidence on partnering is more elusive but there are certainly no large impacts currently. (Fitzgerald et al., 2008, p. 48)

Although limited in its scope, the statistical approach employed by Fitzgerald et al (2008), largely confirms earlier results from microsimulation, except they find partnered women increased their hours of work. This outcome may reflect the incentive effect of the reduced abatement of family assistance and higher than originally intended threshold introduced with the pre-election 2005 changes. Overall, analysis prior to the introduction of WFF did not suggest that the costly IWTC would have much effect.

4.2 Has the IWTC improved employment of sole parents?

The IWTC is a relatively new policy and official assessments have been preliminary to date. There was a statutory requirement for the review of the level of the IWTC by the 30 June 2008 and for ongoing evaluations.⁶¹

The first IRD evaluation of WFF acknowledged the difficulty of assessing the work incentive aspect of the IWTC. It found that "nearly two thirds of families agreed that the In-Work Tax Credit is a good incentive to stay off a benefit".⁶² This opinion may reflect the fear of the very low level of family support on a benefit and does not constitute proof that the IWTC is a satisfactory incentive.

In February 2009, the results of a further difference-in-differences study using June Quarters of the Household Labour Force Survey and Income Survey, and a survival analysis of recipients of DPB-Sole Parent using MSD and IRD linked data was partially released.⁶³ This "difference-in-differences" study compares employment rates of unemployed single persons with sole parents. While the methodology is clearly the best that can be done with the data, the use of this comparator group is of dubious validity. As a group, single unemployed persons are younger, more likely to be male, less well educated, and face different abatement rates if they work. And, of course, they do not have children.

It is also likely that the increase in sole parents moving into the workforce displaces young single people in a labour market with limited jobs – a point that has implications for youth unemployment as the government seeks to impose work-testing on DPBs and Sickness and Invalids beneficiaries.

Figure 3 above makes it clear that exits from the DPB were indeed occurring at a faster pace between 2004 and 2007 but this is not evidence of the efficacy of WFF and the IWTC. Over this time a number of other changes within and outside the labour market also occurred. Among those changes:

- unemployment itself was falling rapidly until 2007, demand for unskilled labour was high;
- child care subsidies and supply increased markedly, including the introduction of 20 hours free childcare for all families;
- the minimum wage was lifted each year;
- improved case management was introduced in 2002, and this may have helped some DPBs find work;
- exits off the benefit may not have entailed a significant increase in hours of work.

Nevertheless, an official evaluation of WFF found:

While the estimated employment rates suggested WFF had resulted in 8,100 more sole parents in paid employment for one hour or more a week by June 2007, the effect was due to the whole WFF package, not the IWTC alone. The authors also report that sole parents working 20 hours or more increased by 12 percentage points to 48%, with 75% of this attributed to changed financial incentives and support. However, as noted, some of the 8,100 would now have exited employment as the recession makes an impact on low-wage, casualised work. (Ministry of Social Development & Inland Revenue Department, 2010)

And:

...since WFF has been implemented, New Zealand has experienced the largest fall in numbers receiving DPB since the benefit was introduced in 1973 – the number of families receiving the DPB has fallen by 12,500 (from 109,700 at August 2004 to 97,200 at August 2007). (Centre for Social Research and Evaluation, 2007b)

A point often overlooked (noted in section 3.4) is that, by the time the IWTC was implemented in 2006, eligibility was widened considerably to higher income people. Acknowledging this, MSD stated: “By 1 April 2007 nearly all families with children earning under \$70,000, many earning \$70,000 to \$100,000, and some earning more, qualified for WFF.”⁶⁴ The large number of higher income families receiving support contrasts with the WFF’s stated objective of reducing poverty and making work pay for low-paid families.

It is not clear why increases in the number of sole parents working less than 20 hours per week can be attributed to WFF. The Family Tax Credit is assessed on income, not work status, and the other remaining tax credits are only effective once the 20 hours per week threshold is reached. The Accommodation Supplement which was increased as part of WFF is available whether the recipient is in work or not, and moreover the increases were targeted at the top end of the rent scale to houses in the expensive suburbs of Auckland and Wellington. Data from the 2006 census shows that sole parents on a benefit are more likely to live in low-income suburbs.⁶⁵

It is unfortunate that the study used data only until June 2007. As seen in Figure 3, since 2007 the fall in the number of DPBs has been reversed and numbers are now at the levels of the early/mid 2000s. This suggests that the state of the labour market has a much greater effect on sole parent employment than the availability of financial incentives, especially incentives that are only effective after meeting a relatively high work threshold.

Even assuming WFF and the IWTC were a significant factor in the greater workforce participation of sole parents, the effects were not uniform across the DPB population. Data for 2005–2007 (see Table 6) shows that approximately a quarter of DPB recipients were participating in paid employment, with most earning up to \$180 per week. After earnings of \$180 per week gross, a 70c in the dollar abatement rate results in an effective marginal tax rate of over 90%. For part-time earners, the benefit abatement rates and thresholds appear to have a marked effect on hours worked and earnings.

Table 6: Number of DPB recipients with and without income in addition to benefit⁶⁶

DPB recipients at end of August	No other income	With other income (\$ per week)					TOTAL
		All with other income	\$1-\$80	\$81-\$180	\$181-300	>\$300	
2005	80,000	26,400	8,900	9,000	5,900	2,600	106,400
2006	78,000	23,600	8,200	8,200	5,200	2,000	101,500
2007	75,600	21,600	7,300	7,500	4,800	2,000	97,100
Change							
2005-2006	-2,000	-2,800	-700	-800	-700	-600	-4,800
	-3%	-11%	-8%	-8%	-12%	-25%	-5%
2006-2007	-2,400	-2,000	-900	-700	-400	nc	-4,400
	-3%	-8%	-11%	-8%	-7%	-1%	-4%
2005-2007	-4,400	-4,800	-1,600	-1,500	-1,100	-600	-9,200
	-6%	-18%	-18%	-16%	-18%	-25%	-9%

Source: Centre for Social Research and Evaluation, 2007b, p. 40

Table 6 shows that the fall in recipient numbers was greatest among those with other income, that is, people with an existing attachment to the labour market. The table also shows that between 2005 and 2007 there was a 25% fall in numbers for those earning over \$300 a week. Some of these would have been already working at least 20 a week, sufficient hours to qualify for the IWTC.⁶⁷ Others earning less than \$300 may have been close to the 20 hour requirement and increased the hours to 20 per week and come off the benefit (and on to the MFTC in many cases. See Table 7).

The IWTC started in 2006, and between 2006 and 2007 only 2,400 of the 4,400 DPBs who came off the benefit had not previously been working at all, and most would not have gone into full-time work. As working 20 hours at the minimum wage is not enough to live on, even with the IWTC, the state often steps in with another tax credit, the (MFTC).

Table 7: Data for the receipt of the MFTC

	2004	2005	2006	2007	2008
Numbers entitled to MFTC (year)	1,412	1,007	863	2,727	2,397
% Couple	29%	30%	28%	21%	16%
% Sole	71%	70%	72%	79%	84%
Entitlement					
Mean	\$2,274	\$2,298	\$2,325	\$2,748	\$2,801
25th percentile	\$625	\$827	\$786	\$985	\$881
75th percentile	\$3,418	\$3,427	\$3,493	\$3,945	\$4,139
Total WFF tax credits: Mean	\$7,618	\$7,650	\$9,632	\$10,914	\$12,025

Source: Ministry of Social Development & Inland Revenue (2010).

MSD does not record the number who would have moved off a part benefit on to the MFTC, but the record shows the numbers of sole parents on the MFTC jumped from 621 in 2006 to 2,167 in 2007, and rising slightly in 2008. The average entitlement for MFTC in 2008 was \$2,801. The MFTC can in fact result in sole parents receiving more from the state when they are in work than they would if on a partial DPB and in part-time work.⁶⁸

While it may contribute to the goal of “making work pay” overall, there is little evidence that the IWTC has been successful in achieving its goals of increasing paid work for sole parents, and independence from the benefit system. Moving off a benefit does not necessarily equate to moving to full-time employment or even significantly increased hours because of the use of the MFTC, which is arguably just a benefit in a different guise. Furthermore, as the unemployment rate increased, many sole parents found themselves back on benefits with no reward for having been in work. They are no longer eligible for the IWTC and MFTC, and those in temporary, seasonal or casual jobs would not have been covered by the ReCover package. Indeed, so few qualified for ReStart that funding was quietly phased out as part of the 2010 budget. The lesson would appear to be that reducing child poverty cannot be achieved solely by parental participation in a volatile labour market.

5. Beneficiaries' experiences

Exploring the trends and patterns of poverty reveals who the short-term and long-term poor are; it shows how likely people are to fall into or get out of poverty, and how long families stay poor. It can also uncover which events lead people into poverty and which ones help them escape. However, in contrast to the US where there has been substantial follow up research, there has been little analysis of the social policy changes that have occurred in New Zealand since the 1980s. Work by the MSD and the Department of Labour has analysed some stand-alone policies, for example active labour market policies,⁶⁹ but has paid little attention to the effects of changes to social policy on people's day-to-day lives.

Policy solutions seem elusive, but we should nonetheless think carefully about how we characterize people in poverty. When we treat them with disdain and suspicion, the result is the sort of demeaning, even dehumanizing legal and bureaucratic practices that Barbara Ehrenreich⁷⁰

has been documenting. Or we can view them as equal human beings, people worthy of not just our sympathy but our assistance and respect. We can check our judgments and question our assumptions. And perhaps most important, we can listen to their stories so that we can understand their experiences and perspectives. When we listen to others, they become human. They become part of "us," members of our society whom we cannot so easily brush aside or condemn. (Linkon, 2010)

Various forms of participatory research can provide an insight into children's lives, especially children in low-income and benefit dependent families. The Rotorua Peoples Advocacy Centre Inc. (2007), and New Zealand Council of Christian Social Services (2009) have shown that behind the official rhetoric about opportunity, growth and prosperity, thousands of families are struggling to meet their day-to-day expenses, with families on benefits being the most likely to have insufficient income to adequately feed and clothe their children.

The factors that inhibit sole mothers from keeping and retaining paid work elsewhere also apply in New Zealand. Baker and Tippen (2004, p. 98), for example, highlight "the well-documented interrelationships among poverty, sole parenthood and poor health" that have not featured prominently in policy discussions.

For this project, qualitative data was collected from interviews conducted with community workers and community advocates. As the research was most particularly concerned with 'churning' (the experience of moving between benefit support and part- or full-time labour market participation) in depth interviews were conducted with people who had some experience of this phenomenon in the 5 years between 2004 and 2009. The interviewees had experienced, under different circumstances, a variety of income support benefits, including DPB, Sickness, and Unemployment Benefits.

Beneficiaries are well acquainted with having to tell and retell their story to bureaucratic gatekeepers and overburdened support workers.⁷¹ One feature distinguishing such bureaucratic exchanges from our conversational-style interviews is that our study provided the research participants an opportunity to be taken seriously as authors of their own lives.

While the small sample prevents the results from having statistical significance, the replicated themes and responses imply a level of reliability; and the data provides rich insights into the lives, experiences and circumstances of lone parents as they churn between paid work and receipt of a benefit.

5.1 Research questions

The questions⁷² given to the interviewees were designed to illuminate the following:

- Where information or advice about the financial implications of returning to work is obtained;
- How income support recipients assess or measure the financial implications of returning to work;
- What social values and expectations participants hold about economic participation relative to other aspects of their lives, and how important income is in this context;
- Awareness of the financial incentives for labour force participation, and of the importance of these incentives in overcoming the barriers to workforce participation;
- Other factors which prevent entry into paid work or make it difficult, for example: the age of the

youngest child; work skills; confidence; the availability of suitable work, or work hours; the size of the income gap between employment income and the benefit; or a combination of factors;

- The measures needed to make it more worthwhile or easier to enter the work force.

5.2 Method

Drawing on Bodsworth (2010), eight semi-structured interviews were conducted with people with children who had been in receipt of either Domestic Purposes, Sickness or Unemployment Benefits, and also had been in either part- or full-time paid employment over the period from 2004 to 2009. The participants were recruited through informal and formal networks, including Budget Advisory services. All participants were assured that their interviews were confidential and that their identity would remain anonymous. They were also assured that their involvement in the study would not affect their relationship with or entitlement to services from Work and Income New Zealand (WINZ) in any way.

Short interviews were conducted with participants to provide additional information about the survey before the questionnaire was forwarded. The interviewee completed and returned the questionnaire at their convenience. As further protections of the privacy of the interviewees, any questions raised by the researchers were followed up by the interviewer who had already established contact and each interviewee was assigned a code name. The code name enabled the researchers to compare and discuss the individual responses, without identifying the respondents. All participants were offered a token remuneration to thank them for taking part and to compensate them for their time.

Although an interview questionnaire was provided, participants were encouraged to record their own stories in their own words, with prompting from the schedule to ensure coverage of key questions. The interviews were collated, and a close reading and thematic analysis was carried out. The key themes form the basis for the structure of this section of the report.

5.3 The sample

Eight parents who had been both a recipient of a state benefit and a participant in the paid labour force between 2004 and 2009 were interviewed. All of the participants were women with children, 6 were one-child families, and 2 of the families each had two children. The ages of the children ranged from 4 years to 20 years.

Six of the participants were sole parents, and two were partnered. Some benefit recipients were involved in shared care of their children with former partners and some of the parents were in part- or full-time work for at least some of the period of interest. The parents were predominantly mothers in receipt of DPB. Five of the eight interviewees were currently in receipt of an abated DPB as a result of working part-time, the remaining three were currently in full-time paid employment, often by combining more than one part-time position.

5.4 Qualitative results

One respondent, still in receipt of DPB, had studied and worked part-time since the birth of a very sick child:

Since my child was born, I have never left the DPB. In 2007 and 2008, as well as doing almost full-time university study, I did contract work transcribing academic research for 12 to 19 hours a

week. That was no longer available in 2009, and I accepted contract work for 5 hours per week as a teacher aide, working with a child with severe behavioural problems. This was difficult work on minimum pay for 2 school terms, and then the contract ended because the child's funding ended. It is always very precarious and stressful trying to juggle work and study as well as take care of your own child. (CPAG Interviewee)

This issue of managing part-time work as well as caring for a family was repeated by most respondents, whether or not they were sole parents. For example:

I've often worked two part time jobs and my work is only secondary to my husband's earnings. He has his own business and is flexible, which has helped me if the children have been sick. I reckon I got my first job out of desperation. My husband was sick and I sounded really keen even though I knew nothing about the job. (CPAG Interviewee)

Some interviewees, unable to work full- or part-time for whatever reason, have chosen to volunteer:

Since I went on the DPB in 1999 I have had a mixture of jobs. I spent the first 2 years as an "op shop" volunteer, then worked on a subsidised scheme as an Administrative Assistant. At same time I did temporary work for survival money. Then a couple of years ago I got this market research job. It is fabulous, and I have great bosses. I just wish it was more regular. (CPAG Interviewee)

Many of the sample also acknowledged that on some occasions they had part-time employment for which they were paid cash, which they did not declare to either WINZ or the IRD. In most cases, this situation was prompted either by a crisis such as the ill-health of a child, or the breakdown of a vital appliance such as a fridge; or it was prompted by especially high bills as with increased electricity usage in winter when heaters were needed.

Seven of the eight participants were living in private rental accommodation throughout the period. Most interviewees moved house regularly: seeking work; avoiding an abusive partner; attending a particular education facility; or to be closer to family members.

My current position that I am trained for has meant moving house to be closer. For the first two weeks of starting this position, I was still desperately looking for a home that was much closer and that I could afford, and until we found a suitable house and moved, I drove over an hour each way in Auckland rush hour traffic with my little boy. I could have managed this if I had to for a much longer time, however my little boy could not. It was tough to make him eat his breakfast in the car and brush his teeth when he arrived at kindergarten. He was upset by the rushing. (CPAG Interviewee)

Another participant owned her home prior to becoming a beneficiary, and has had difficulty continuing to meet the mortgage payments. Accommodation Supplement has helped. She has disliked the strong encouragement by her case managers at WINZ to sell her home:

I was very worried about losing my house, although it has been a struggle to meet all the costs. I am fortunate that friends and family have helped out in times of dire need. (CPAG Interviewee)

A frequent comment was how difficult it is for a sole parent to keep a job once they are employed. In addition to school holidays, there is the extremely difficult problem of a child being ill, and unable to attend either childcare or school. This is where extended family or whānau often help to make life manageable for a parent.

I have applied for approximately 70 jobs, but cannot find one that fits in with school or childcare or would pay enough to cover the costs of rent, electricity, etc ... When I got pregnant I was only intending to take 3 months off but my son turned out to be a very sick heart baby and I was made redundant when he was in Starship. (CPAG Interviewee)

For parents of pre-school children, the cost of childcare, even after the introduction of the '20 hours free' policy, was often prohibitive. When the peripheral costs of working, including childcare and travel, are taken into consideration, working full-time for the minimum wage does not provide adequate income to meet the normal living costs of rent, food, power, telephone and occasional medical bills.

Health, both mental and physical, of themselves and their children, was a major issue for the majority of respondents. For example:

My son gets stressed if I am stressed. He is overly concerned about how much things cost. At the same time, he wants to play soccer but can't until I am paid more and can afford the fees and the boots, uniform, and all that. It is very difficult: I work all day, pick him up at 6pm, he has dinner, does his homework, and is in bed by 7.30pm. I do the housework, and am exhausted by 8.30. Then I go to bed and can't sleep. My son has paid a high price for my study. He deals with a constantly stressed mother who is tired and broke and often in tears. I need balance in my life, but part-time work does not pay enough and full-time work is bad for my mental health. I have to choose between poverty and mental well-being, or, enough money and insanity and exhaustion. When I last worked full-time, I went down the path of depression and stress – I would need to be on medication to work like that. (CPAG Interviewee)

Seven of the eight respondents had applied for a multitude of part-time jobs, and continued to apply despite frequent rejection.

I looked for jobs in the newspaper and on the internet, ideally looking for a part-time job or flexible full-time. I tried Seek.co.nz, and approached colleagues, mainly looking for research work. I applied for work as a policy analyst at the Ministry of Health, and for other research fellow positions, but have not been successful yet. Anyway, the MoH is barely suitable as their policies are not family friendly. Instead I have been mostly doing office work, and I have occasionally got more work because the Supervisor offered it. (CPAG Interviewee)

Another respondent relied on the value of networks and friends:

Word of mouth has worked for me every time. However, I have certainly looked online: Education Gazette and Trade Me Jobs, as well as contacting a top recruitment agency. However, at the end of the day, it's been bumping into an old friend or a telephone call from someone I have known who has offered me the position. This was then followed by the formal 'application' paper trail and 'interview' process. (CPAG Interviewee)

One interviewee added bleak humour to her response:

Over the years I've applied for thousands. If I had all the rejections in hard copy, I could paper a three bedroom house. (CPAG Interviewee)

Interviewees had frequently applied for more than 30 positions before being successful. This suggests that incentives, while important, are not the only factor involved. Of the interviewees, while 4 mentioned KiwiSaver as an incentive, all 8 interviewees noted the invaluable contribution of the 20

hours of subsidised childcare; ECE (early childhood education), and OSCAR (out of school care);⁷³ and/or the Training Incentive Allowance (discontinued in 2009). Many interviewees commented that this support had made it possible for them to undertake paid employment.

The information, assistance (financial and non-financial) and advice for potential job-seekers is vital, but is not necessarily forthcoming. Half the respondents reported that they were given no information or advice from WINZ or IRD about either MFTC or IWTC, and only 2 of the 8 interviewees had been given information on and understood how to qualify for the MFTC and IWTC. However, not all experiences were negative:

I attended a seminar by WINZ for people in my position. The information was thorough and very easy to understand. I've just never been able to meet the 20 hours requirement. (CPAG Interviewee)

Other complimentary stories were:

WINZ have mostly been really helpful. Only on two occasions have individual staff overstepped the mark. I complained on both occasions - but WINZ sided with staff. (CPAG Interviewee)

And:

The biggest benefit to me was having support from WINZ through the Transition to Work allowance. I had a kind case manager who allowed me to use the whole \$1500 to cover my bond of \$1500, and she approved a loan from them to cover the three weeks rent I needed in securing a home much closer to the school. I was later told by a case manager in Auckland that she would have declined my application. She said it was ok to drive 2 hours each way to and from work! (CPAG Interviewee)

On the other hand, an interviewee wrote:

Nothing was offered – I had to ask and was told I am not eligible. My scholarship is considered income by WINZ, but not by IRD. The scholarship is tax-free but is treated as income. I complained but was outside the 3 month complaint period. I did manage to access the Accommodation Supplement, and a Student Loan. (CPAG Interviewee)

One interviewee took a very proactive approach in her dealings with WINZ and IRD:

My experience with Social Welfare was anything from underwhelming to belittling. I don't remember being offered anything. I found out and pursued. I rang their 0800 line number several times, sometimes some people are more clued up than others and can give really good advice. After three calls, I get a pretty good idea of what is involved, and what information I require, and then make an appointment to talk to a case manager. I bring all the paper work required and really try to tie it down – the less times you have to go back, the better I say. (CPAG Interviewee)

One of the worst situations many beneficiaries find themselves in is described by one interviewee:

I have no idea what MFTC and IWTC are and I was given no information from IRD. Then after my tax credits were removed, I suddenly was accosted by IRD to say that I owed them money. (CPAG Interviewee)

Inadequate income, an abusive partner, and responsibility for the well-being of young children have almost inevitable consequences:

In the last 6 months I have needed a food grant, and there have been other times when I've needed this kind of help. As for winter - I used to worry, but as my girls got older they understood that I couldn't afford to run a heater, and made do with extra blankets, warm clothes and hot water bottles. It helps that we're TV/movie freaks, because in cold weather we can justify indulging. Any money we could save was used to help pay for movies, but now it simply goes into another bill. Until I found work that paid, we barely survived. I had huge debts after my previous relationship, and a Student Loan. I went bankrupt. The worst aspect for me is how family support payments are apportioned because my ex and I have shared custody. The provision for redress when costs are equally shared is very narrow. Parents like my ex can get away with contributing very little or nothing yet continue to receive their payments at their children's expense. It isn't fair. (CPAG Interviewee)

6. Discussion, conclusions and recommendations

The CPAG interviews have clearly indicated the complexity of the issues around sole parents meeting the multiple demands of providing adequate care for their children's emotional, intellectual and physical well-being, finding employment, ensuring their own health, and maintaining security of income. This is consistent with New Zealand research showing that health problems are a major barrier to sole parents entering and re-entering the workforce.⁷⁴ Also, for sole parents with health problems and few resources, while obtaining work may be possible, keeping it is more difficult. Moreover, the emphasis on moving parents into paid work often means deeper problems are ignored.

For most sole parents, there is little evidence of 'dependency', the basis of so much past – and future – social assistance reform, with the data showing very clearly that when work is available sole parents will work, even if they struggle to do so, and even when pursuit of employment forces them to be transient. This has important implications for New Zealand where up to one third of children in some low-decile schools are transient, and therefore unlikely to form social connections within their neighbourhoods and communities. Research in the US and UK has found that church and social club attendance, parent-teacher meeting attendance, and knowing neighbours, were found to be significant positive predictors of children's completed schooling in low-income families.⁷⁵ There is also some evidence from New Zealand that parents working long hours and absent from home can contribute to children's social disconnection and delinquency.⁷⁶

Sole parents able to take advantage of the WFF tax incentives tend to be those with an existing attachment to the workforce. While the IWTC has had some impact on poverty for those in paid work, it does not respond to the wider labour market, or to poverty and caring issues faced by families relying on income support. For families who remain in receipt of benefit income alone, it is likely that there are transient and isolated "disconnected" mothers⁷⁷ within this group. Blank & Kovac (2008) propose more in-depth work to identify this group and work with them to achieve sustainable improvements in their incomes. CPAG argues this proposal should be adopted in New Zealand as part of any reform to the benefit system. It would also help identify any special needs of children in these families, and dealing with them promptly.

The key rationale for welfare-to work policies has been their potential to improve family income and outcomes for children. The case for improving family incomes is persuasive: when the parent is poor, the child is in poverty, and child poverty in economies of plenty should be no more tolerated than poverty among the elderly.⁷⁸ Then there is the idea that in egalitarian societies such as New Zealand,

children's life chances should not be determined by their parents' socioeconomic status. In the US, almost 50% of children born to low-income parents become low-income adults. In the UK, the figure is 40%, and in Canada, it is about 30%. Even in the Nordic countries, where overall child poverty rates are lower and social mobility is greater, a disproportionate fraction of low-income children become low-income adults.⁷⁹

However, while money is of consequence, it is not enough. For example, Corak (2006, pp. 170 - 171) calls for broader thinking on the mechanisms and causes of generational mobility, which may draw public policy into areas of social and labour market policies that touch on the functioning of families, and he proposes a shift in thinking of the welfare state in the OECD countries as "an institution that is 'enabling', that ... invests in children", the approach initially favoured by the Clark Labour government. An investment approach is more likely to dismantle the intergenerational relationship between parent and child incomes than a focus exclusively on the traditional view of the welfare state as a scheme for redistribution or social insurance. This perspective focuses on facilitating early childhood development, as the early years lay the foundation for a child's future development.

Such an investment approach to children does not rule out parents entering or re-entering paid work when they are able; but it does shift the focus from the work status of sole parents to the wellbeing of children. This paper has demonstrated that focusing on paid work through the use of monetary incentives alone is of limited effectiveness. Labour market participation by sole parents is dominated by a combination of factors, including the prevailing state of the labour market; the social support to which sole parents have access; and the ages and needs of their children. The educational and related programmes made available to children as part of the overall welfare changes associated with workfare seem to be more critical than workfare itself.⁸⁰ Although early childhood education opportunities have been increasing in New Zealand, the declining enrolment rates for Maori and Pasifika children is concerning. It is also of concern that community based education services appear to be struggling to remain viable and relevant.⁸¹

The recently released New Zealand Childcare Survey supports anecdotal evidence that the most common providers of informal care for both pre-schoolers and school aged children were grandparents, and the most common work-related arrangement used by employed parents to help care for a child was to have their child at work with them. The same report stated that more than 14% of parents who had worked or wanted to work in the 12 months prior to the survey had experienced childcare-related difficulties.

Rather than blinkered attention to the substantial cost to taxpayers of helping families on low incomes, the significant long and short term costs of allowing child poverty to persist, compromising the wellbeing of the thousands of New Zealand children in benefit dependent households must be acknowledged. This group is already disproportionately likely to be in hardship, unable to enjoy even the basics most of us take for granted. Further changes to social assistance and support for sole parents must consider the costs to these individuals, and to this society, of child poverty. Moreover, as the evidence from overseas clearly shows, being in work is no guarantee of escaping poverty, and changes that merely entrench existing poverty cannot be justified.

Understanding how, why, and when families move in and out of poverty can reveal a more complete picture of the nation's poor than a static poverty rate provides. Exploring the patterns and trends of poverty reveals who are the short-term and long-term poor; it shows how likely people are to fall into

or get out of poverty, and how long families are likely to stay poor. It can also reveal events which lead people into poverty and events which help them escape. Welfare does not make people poor. Poverty makes people poor, and enabling children to escape the trap of poverty must be the priority for any reforms in New Zealand.

A lack of understanding of what an adequate welfare model should look like has resulted in decimation of the safety net that once characterised New Zealand's social security system as caring and comprehensive. We have now reached a point where we can say that our system of ensuring all New Zealanders have access to adequate income support is no longer with us. (Beech, 2008, p. 25)

CPAG's previous research-based recommendations to alleviate the effects of child poverty have included:

- Provide free breakfasts to children in low-decile schools so parents can be sure their children have somewhere to go where they will be fed if they take on work;
- Free medical care for under 6's for all income groups;
- One-off grants from WINZ to assist tenants to move to private rental accommodation or to assist families to move into their own housing;
- Increase the earnings disregard for working parents;
- Introduce a similar 'transition phase' to that in the UK so parents retain part of their benefit and HNZC benefits while they adjust to their new employment.

Reflecting the findings of this report, we would add the following recommendations:

- Recognise the contributions made by sole parents to their children and to society, and the extra difficulties they face on a daily basis;
- Frame the welfare state as an enabling institution that invests in all children, facilitates early childhood development, and lays the foundation for the child's future development;
- Immediately reform the clumsy, complex family assistance tax credit system so that all children in low income households are entitled to assistance on the same basis, regardless of the source of parental income;
- Avoid imposing welfare-to-work policies that exacerbate household transience in families with young children;
- Identify transient and isolated mothers and work closely with them to achieve sustainable improvements in their incomes;
- Identify any special needs of children in these families, and deal with them promptly;
- Ensure adequate, affordable housing is available on public transport routes for beneficiaries and those on low incomes;
- Make reliable information available regarding all benefit and income support entitlements.

The global financial crisis has had a negative impact on New Zealand's economy since 2008, reducing employment possibilities. Initiatives at the workplace, in the wage system, in schools, in family law, and in the welfare state are required to improving parents' choices in and rewards from the labour market and the home.⁸³ In New Zealand, children have borne the brunt of changes in the last 20 years. We can choose not to gamble with their futures, not to leave the welfare and well-being of our children to a residual safety net and the exigencies of a volatile labour market. We could choose instead to invest in our children and our future.

Appendix 1. CPAG Interview Questions

Child Poverty Action Group introductory statement:

This research is being done by Child Poverty Action Group, a group working on issues of children and poverty. The aim of this project is to record the reality of government's policies aimed at encouraging people to move from a benefit into paid work and the impacts of these policies on children.

We are interviewing parents with some experience in and out of the workforce in the last 4 years or so, and possibly on and off benefits, while caring for young children. We will not use the names of the people interviewed. You will be referred to by an interview number to ensure your identity and privacy remain strictly protected.

The questionnaire takes about 45 minutes to complete. We will reimburse you for your expenses.

We deeply appreciate your participation in this research.

Interview Questions:

1. Please describe your family structure.
2. Can we construct a brief timeline of your work and benefit history from 2006 to 2010, starting from now and working backwards. Can you please say which jobs were full-time and which were part-time. Where you wanting part-time or full-time work? For each change, can you tell us a little about why you decided to take up employment or went back on the DPB?
3. Describe the nature of the jobs you have had or sought. (Casual/permanent, friendly hours/just in time/etc).
4. Did you have to move house or change your accommodation in order to get a job?
5. When you lost your job, did that lead to any changes in your accommodation or housing arrangements?
6. What factors were important in the movement from employment to benefit? For example, was it related to problems your employer was having (demand-side- jobs drying up in recession); or to lack of transport/sickness/childcare etc (supply –side i.e. effecting your ability to work).
7. Were you offered special conditions such as KiwiSaver, or time off when your child/ren were sick or on school holidays etc?
8. Where do you get your information about available jobs? What kind of work were you looking for?
9. Do you recall roughly how many jobs you applied for before being employed?
10. When the job was part-time, did you make enough money to get by with one job? If not, how do you deal with it, eg work another job? Or did you have a partial benefit?
11. Do you recall in each case what assisted in the movement from benefit to employment?
12. How important was the role of
 - a) OSCAR
 - b) ECE free 20 hours

13. Were you given information by your WINZ case worker (or anyone) regarding the available assistance (eg clothing providers, transition allowance), and entitlements (eg In Work Tax Credit (IWTC) and Minimum Family Tax Credit (MFTC)), provided you met the work-hours requirement?
14. Do you know what the IWTC and the MFTC are, and how they work? Were you given information by the IRD?
15. What has been your experience with Working for Families tax credits for your children over this period? How helpful has been information from IRD and WINZ about your entitlements?
16. Have you needed to borrow money for basic expenses such as food or rent, ask for special grants from WINZ, or get food from a foodbank in the last six months? Are you worried about winter coming on, for example, the increased cost of electricity to warm your home? Are these episodes related to your employment or your benefit experience?
17. When you have been on a benefit, how would you describe the information and communication you have had with WINZ? Have they been helpful, or threatening? How have they made you feel?
18. How was providing for your children effected by being on a benefit, and by being in work (full time/part-time/)? Did the quality of your relationship with your children change?
19. Are there any other comments you would like to make?

Thank you again for talking to us. Your information will help us build a more accurate picture of what is happening for so many families.

Appendix 2. Experience and evidence from overseas

The US: A living laboratory for welfare reform

The changes in the US stand as a benchmark for welfare reform. It is here the system has been systematically refocused from one of reliable if minimal federal support to 'work or else'. While the changes have been imported into other jurisdictions to varying degrees, the language and rhetoric was born in the US, and, in an example of the globalisation of ideology, has been employed, largely unchanged, across the developed world since.

The legislative changes in the US provided a natural experiment for what happens when welfare rules change, and it is from there that the most substantial body of research comes. In the US recipients have a maximum lifetime allowance for welfare entitlements. This means leaving welfare for work, being able to stay in work, and churning between welfare and work has implications for recipients' long-term economic wellbeing. The requirement to track recipients to monitor their eligibility means that there is a great deal of data available on recipients – their entering and exiting welfare, and reasons for doing so. Because they were enabled to do so under the legislation, many states also took the opportunity to implement pilot programmes that were formally analysed in order to assess what activities were most effective at getting recipients off welfare, keeping them in the workforce in the long-term, and improving their incomes. Overall, results vary according to study design (duration of study, whether a control group was used, etc), target group, and variables such as general economic conditions and particularities of the state in which the study was conducted. In general, the results show that when states sought to save money by just shunting recipients into work – any work – the medium to long-term outcomes for families with children remained largely unchanged.

In the US passed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRA), which replaced the federally administered Aid for Families with Dependent Children, a Depression-era entitlement, with Temporary Assistance for Needy Families (TANF), a time-limited benefit administered by states. In the next few years 9 million women and children left welfare (DeParle, 2004). The question is where did they go? The evidence is mixed as to whether they obtained and kept employment, and were better off as a result. Proponents such as the Heritage Foundation's Robert Rector claim the changes were unambiguously positive. Other researchers are less certain. The reforms provided an incentive for some women to find work, although the outcomes for their children were not always positive; some became financially secure but many did not. Crucially, about one third of these families simply disappeared, their fate unknown. Researchers also note it is difficult to disentangle cause and effect: PRA was enacted on the cusp of a period of strong economic growth, and it is unclear how much of the caseload reductions were the result of an improved employment market. A further complicating factor is the Earned Income Tax Credit (EITC), a tax refund for working parents with children. Signed into law in 1993, federal spending on the EITC is now two and a half times the spending on TANF (Eissa & Hoynes, 2008), and is likely to be as great a contributor to poverty reduction as any other single factor.

Initially, after the passing of the PRA, declines in unemployment rates accounted for about one third to one half of caseload reductions (Corcoran, Danziger, Kalil, & Seefeldt, 2000, p. 252), although another study found declines in unemployment accounted for only about 8-12% caseload reductions. Moreover, while poverty rates fell, they did not fall by as much as caseload reductions, suggesting

that incomes did not improve for many of those who came off welfare. In reality, welfare reform was always “unlikely to elevate many welfare recipients into the middle class,” (Duncan et al., 2001); rather former recipients were more likely to become low-wage workers. It is, moreover, difficult to determine whether leaving welfare for work results in an improved standard of living because low-paid jobs often do not come with medical benefits and working often disqualifies families from food stamps and Medicaid entitlements. In fact, they may end up worse off (see also Loprest & Ledlewski, 2006). A confidential memo by a former Secretary of Health and Human Services concluded that, even with multiple supports such as health insurance and childcare assistance, “many parents leave welfare to work, yet still do not even earn enough to raise their families out of poverty” (DeParle & Holmes, 2000).

The US reforms focused most policy attention on getting recipients – especially women – off welfare and into work (Harris, 1996). Although there is “volatility” in recipients’ work trajectories, most recipients can get jobs. However, as in the UK the evidence shows that for many sole parents, getting work was, up until unemployment started rising again in late 2007, the easy part. Little or no thought was given to keeping them off welfare: “[i]n most welfare demonstration programs, a large proportion of recipients who found jobs lost them within a year” (Corcoran et al., 2000, p. 249). Aside from the usual problems related to caring for children, transport and poor health, a further factor is the type of job recipients move into. In the US temporary jobs account for about 3% of daily jobs, but 15-40% of jobs obtained by former welfare recipients. Autor and Houseman (2008) found that for long-term employment (8 quarters), providing placement in temporary work was no more effective at increasing the chances of a permanent position than no placement at all. Temporary jobs probably account for a significant proportion of the churning seen in the US.

How do children fare when their mothers work? Although alleviating child poverty has consistently been a stated rationale for social assistance reform, there is little research of its effect on children. One study (Duncan et al., 2001) that looked at outcomes for children found: “When compared with welfare families, mothers in single-parent, working families are just as depressed, hostile, and lacking in control of their fate. They spend no more time reading to their children, helping with their children’s homework, or facilitating youth activities”. They concluded that class, not welfare receipt, underlies many of the parenting differences they identified (lower levels of maternal depression, lower subjective reports of family tension, fewer hours spent watching television, and greater involvement in youth activities). They also found social connections were more important for children’s achievement than family structure.

There is also evidence that over time circumstances became more difficult for families leaving welfare. Loprest and Zedlewski (2006, p. 44) note that among recent welfare leavers 31% of parents of 6-11 year olds reported being aggravated in 2002, up from 10% in 1997 (although this fell from 23% to 18% for parents of children aged 12-17).

While reformers assume a self-evident correlation between a working parent and improved school outcomes for children, Duncan et al’s (2001) findings suggest matters are not so clear cut. Importantly, among their findings are that it is not welfare receipt that matters to children, but factors such as whether parents are socially connected. Highlighting the uncertain outcomes for young people, a controlled experiment in Minnesota, the Minnesota Family Investment Program, found that children (10-17 years) of participants who had moved from welfare to work were most likely to report (51%) at least one child was suspended or expelled from school, had trouble with the police, had a problem

with alcohol or drugs, did something illegal to get money, or dropped out of school (Minnesota Department of Human Services, 2005, p. 32). Further turning the assumed positive relationship between work and children's outcomes on its head, Loprest and Zedlewski (2006, p. 43) found that from 1997 to 2002 parents on welfare reported an increase in the percentage of children aged 12-17 receiving no suspensions or expulsions, while parents in non-welfare families reported a decrease in school engagement and an increase in expulsions for this age group. This suggests that having a parent at home is more important than many officials and welfare proponents realise or have been willing to acknowledge.

Then there is a core group who are either unable to move into work, or for whom work is a purely transitory experience. In some cases they are not in work, or training, or receiving assistance. Blank and Kovak (2008) refer to this group as "disconnected single mothers".

"[Their] economic instability, poverty, and joblessness affects their children...[t]he success of welfare reform in the past ten years demonstrates that low-income women want to work and provide better futures for their children. Yet, some parents require more assistance than others. While short-term job assistance has been effective for many former welfare recipients, those who face serious barriers to entering the workforce require greater attention and ongoing support even if they are successful in finding low-wage work. (Blank & Kovac, 2008)

A study of mothers in Michigan found approximately 9% were without employment and cash welfare during or were "chronically disconnected" for at least one-quarter of the months during the 79-month study period; and the most disadvantaged were at greatest risk of poverty, and most in need of help that they were unlikely to get in a system focused on moving them into work (Turner, Danziger, & Seefeldt, 2006).

To help deal effectively with this group, Blank and Kovak recommend a Temporary and Partial Work Waiver Program (TPWWP) to assist disconnected single mothers who face multiple barriers to securing and retaining employment. Properly implemented, a TPWWP would link families to medical and economic supports to prevent extreme poverty while providing more intensive casework assistance to ease the severity and duration of employment barriers.

The 1996 PRA Act, and the Deficit Reduction Act 2005 tightening its provisions, introduced lifetime limits for the receipt of welfare and capped federal assistance to states. Now, in the depths of a recession with high unemployment rates, falling states' revenues mean training programmes are being cut, thus reducing the chances of low-skilled parents finding stable, well-paid work (Murray, 2009). There is concern that states' efforts to balance their budgets will slash welfare and social spending even further (McNichol & Johnson, 2010). In an attempt to fill the gap, President Obama's 2009 stimulus packages included \$5 billion for states to assist families needing welfare, effectively circumventing the 2005 provisions.

Despite this additional federal cash many thousands of children remain in deep poverty. The alarming, and widely predicted, rise in child poverty in the US (Mattingly, 2009) should act as a warning about the social sustainability of welfare-to-work reforms that ignore children's wellbeing, and the social circumstances in which they find themselves. Disturbingly, there is also evidence parents' disconnection increases when the economy is weak (Loprest, 2002), that is they are less likely to be receiving social assistance at the very time they are also less likely to be working. It appears a perverse outcome of welfare reform is that parents who need the greatest support in times of high unemployment fall through the gaps in the "shredded" safety net (Herbert, 2009).

Welfare reform did not achieve its goal of making sole mothers behave “more like us” (Duncan et al., 2001), nor did it lift all those who worked out of poverty. For children who had to contend with stressed parents and persistent economic hardship the results were not those promised. At the time of writing, US is in the grip of its deepest recession since the 1930s and the welfare reform chickens are coming home to roost. Child poverty rates in the US are back to the mid-1990s levels, the official unemployment rate is 10%, and the broad-based unemployment measure is 17-20% (figures vary depending on what is counted) – and up to 50% in some areas (Wilkinson, 2009). There is no churning between work and welfare because there is no work. For some families, the only assistance they receive is food stamps – no welfare, no unemployment insurance, no pension – while TANF has barely expanded during the recession (DeParle, 2010). Welfare reform proponents would no doubt say this is proof that the reforms worked. For millions of children living the reality of poverty in the US, the evidence says otherwise. It is time to put the myth of the Cadillac Queen to rest for good.

UK: Where the best welfare policy is work

New Zealand’s social assistance reforms have closely mirrored those of the U.K.: sometimes lagging, sometimes ahead, both countries’ reforms have employed similar rationales and marketing. Under the Blair administration, the changes set in motion under the previous Conservative government were continued although, as with the Labour government in New Zealand, the judgmental overtones were mostly stripped out. The similarity between New Zealand’s and the U.K.’s reforms give strong support to Peck’s assertion that although “the rhetoric of local experimentation and street-level innovation has been widely appropriated by neoliberal reformers, rule regimes and systems of metagovernance at the national and international scales are deeply implicated in guiding and orchestrating the (local) policy development process” (Peck, 2002, pp. 332-333); a clear example of “translocal fast policy transfer” (Peck, 2002, p. 344). In moving beyond the “something-for-nothing welfare state” (Blair, 1999), the U.K. declared – as New Zealand did several years later – “work for those who can, security for those who cannot” (Department of Social Security, 1998).

Unlike the other Anglophone countries, the U.K.’s reforms coincided with a commitment by the Blair government to end child poverty. Thus, although they looked similar, they were much more generous to families with children, with a key difference being the retention of a mostly universal child benefit. Parents were also assisted into employment with a range of financial incentives including Working Tax Credit (WTC); Child Tax Credit (CTC); an In-Work Credit for lone parents (payment of £40 per week for lone parents entering work of at least 16 hours per week for up to 12 months), lone parent benefit run-on (ie recipients can continue to receive a benefit for a short time after they have entered the workforce) and housing benefit run-on, as well as employment legislation to support working parents (minimum wage, extensions to maternity and paternity leave, encouragement of flexible working) and a substantial increase in childcare provision for working parents through the National Childcare Strategy. The strategy appeared successful, with the OECD describing the UK as “one of the most effective countries in using welfare to work policies such as JSA and the New Deals to reduce unemployment”; further stating that “the UK has among the strongest work incentives in the personal tax and benefit system of any major economy” (Freud, 2007, p. 22). And, at least initially, child poverty rates fell.

However, it has become increasingly apparent that “the contribution that employment has made to reducing poverty since 1997 has decreased over time... (and) since 2001 most of the fall in child poverty can be attributed to increases in tax credits” (Cebulla, Flore, & Greenberg, 2008; Harker,

2006). Further, Harker (2006) argues that a “work first approach’ is unlikely to end child poverty in the UK “since nearly half of children in poverty now live in a family where someone is already in employment” (see also Tomlinson & Walker, 2009). Many parents, in fact simply moved from benefit poverty to income poverty.

The clear message from the US that obtaining work is easier than keeping it has been repeated in the UK. An analysis of the Labour Force Survey and Families and Children Study (FACS), over the 1992-2002 and 1999-2002 periods respectively, found that lone parents’ job exit rate was significantly higher than that of other groups: almost twice as high as that of non-lone parents (Evans, Harkness, & Ortiz, 2004). Evans et al.’s (2004) analysis found the characteristics more common amongst lone parents who exited employment over the survey period included: being likely to have younger children and more than three children; have no savings; have experienced ill health and have entered low paid (especially part-time) employment.

These findings are supported by other cross-sectional and longitudinal studies of lone parents in the UK (Evans, Eyre, Millar, & Sarre, 2003; Hales, Lessof, Roth, Gloyer, & Shaw, 2000; Millar & Ridge, 2001). Conversely, those who remained in employment were less likely to be receiving child maintenance, to be owner-occupiers, to have access to a car, and to have degrees or other qualifications. Although it was difficult for the researchers to draw conclusions about cycling between no pay and low pay given the sample sizes within the study, they concluded that “it is highly likely that there are groups of low skilled, low qualified lone parents for whom the low pay-no pay cycle is a reality” (Evans et al., 2004, p. 3).

More recently, it has been observed that the UK has probably reached a threshold with the welfare-to-work policies it provides for certain groups of benefit claimants, with programmes tending to reinforce and support the back to work transitions of those who are already ‘job ready’ and ‘work willing’ (Thomas, 2007). Continued benefit receipt is meanwhile concentrated in more challenging client groups who typically have more complex needs (Carpenter, 2006; Freud, 2007).

Overall, there is limited research on sole parents cycling between work and benefits in the UK. However, the available evidence indicates that many of the problems with keeping work are closely linked to characteristics that impinge on work entry in the first place. These include limited qualifications, skills and/or prior employment experience; childcare cost, quality and availability; and transport and health issues (Johnson, 2002; Ray et al., 2007). Poor health in particular can set up a cycle of erratic labour market participation and poverty, with one study finding “the health disadvantage of lone mothers is accounted for by the mediating factors of poverty and joblessness” (Whitehead, Burstro, & Diderichsen, 2000). Any policy aimed at reducing child poverty through the labour market participation of sole parents must address the health of many parents first.

Canada: A commitment to ending child poverty goes awry

Canada restructured its social assistance system in the 1990s with changes similar to those in Australia and New Zealand, replacing the rhetoric of social democracy with a “residual and moralistic welfare state that focuses mainly on need and work incentives” (Baker, 1997). Social assistance eligibility was tightened, and work incentives added to social assistance benefits. There were cuts to some benefits, including Canada’s universal child allowance, which was transformed into a means-tested supplement (Baker, 1997). Sole parents were required to work when their youngest child turned three, instead of the previous age of seven, and income disregards were removed. The former

Canadian Assistance Plan Act was replaced with the Canada Health and Social Transfer Act: rolling funding for health, education and welfare spending together; reducing federal funding to states; and giving the remainder as block grants. Also, states could introduce their own workfare programmes.

In Canada, as elsewhere, the aim was to get people off benefits and into the workforce. A study by Statistics Canada found that: "On average, welfare leavers saw their family income rise substantially and were less likely to be in low-income families. However, family income declined (sometimes substantially) for about one third of welfare leavers" (Frenette & Picot, 2003, p. 1). Frenette and Picot also observed the differing effects of marriage on the respective fortunes of men and women. "Marriage played a strong role in helping single men and (especially) single women exit welfare and in improving their economic well being once off welfare... Once off welfare, men who divorced enjoyed the same economic well being as men who remained married, whereas women who divorced were less likely to exit welfare, and had a lower level of economic well being than women who remained married" (Frenette & Picot, 2003). This suggests that earnings differences in the labour market have as strong an effect on whether recipients remain on benefits as work incentives.

Like New Zealand, Canada's withdrawal from the provision of adequate welfare has resulted in the emergence of foodbanks and charities to fill the gap:

Canada's eroded social safety net and inadequate welfare benefits fail to ensure the right to food of vulnerable peoples including social assistance beneficiaries, single mothers and their children and Aboriginal peoples. The institutionalisation of charitable food banks since 1981 has enabled governments to neglect their obligations to provide adequate income support necessary for the purchase of nutritious foods. (Riches, 2005)

Moreover:

Welfare reform - the re-commodification of welfare - has become the order of the day. Evidence for this lies in the renewed imposition of harsh Employment Insurance (federal) and social assistance (provincial) eligibility policies based not on need but on labour market attachment (in some provinces the imposition of US style workfare) coupled with strict work requirements resulting in the screening out of those for whom paid (low waged) work was not an option. This has meant the denial of benefits and reductions in benefit levels. (Riches, 2007)

What effect did these changes have on children? A recent review found that, despite the elimination of child poverty being stated as a policy goal in 1989, child poverty rates have continued to increase over time, and that half of households that endured long-term poverty had children (Crossley & Curtis, 2006). Although Canada introduced work incentives for working parents, between 1994 – 1997 child poverty rates rose, the opposite of what occurred in the US. No matter what measure of poverty was used, child poverty rates remained consistent, and did not improve under any measure. Crossley and Curtis (2006) concluded policies needed to take greater account of demographic and other factors, a lesson that could usefully be applied in New Zealand.

According to the OECD, Canada has been hit hard by the 2008 global recession, with unemployment expected to peak at 10%. Social assistance payments are miserable, and leave families with children "well below the poverty line" (OECD, 2009). Moreover, "in-work poverty is a large and growing problem in Canada" (OECD, 2009). In Canada, as elsewhere, welfare reform has failed to deliver on its promises, including reductions in child poverty.

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¹ St John & Craig (2004)

² Dalgety, Dorsett, Johnson & Spier (2010)

³ Statistics New Zealand (2008)

⁴ The housing boom was fiscally expensive, as the tax regime allowed landlords to write off reported losses against other income (Poletti, 2007). Also, despite the increase in export earnings and relatively high levels of employment, most mortgage debt was financed by funds sourced offshore (Johnson, 2002), increasing New Zealand's net overseas indebtedness and making it vulnerable to changes in external conditions.

⁵ Johnson (2009, p. 27)

⁶ NZPA (2008)

⁷ From Household Labour Force Survey available at: http://www.stats.govt.nz/browse_for_stats/work_income_and_spending/Employment/HouseholdLabourForceSurveyEstimatedWorkAgePopulation_MRMar10qtr.aspx. Includes all those looking for work, those discouraged, and those who would like to be working more hours.

⁸ (Downtown Community Ministry, 2010; King, 2010; Pokoney, 2010)

⁹ Goodger (2001)

¹⁰ Leppik (2006)

¹¹ Pearson & Immervoll (2008, p. 2)

¹² Leppik (2006, p. 3)

¹³ (St John & Dale, 2010 forthcoming; St John & Rankin, 2009; St John & Wynd, 2008).

¹⁴ See: <http://www.workingforfamilies.govt.nz/tax-credits/payment-table.html>.

¹⁵ A full discussion of the Future Focus Bill, its human rights implications and likely impact on families can be found at <http://www.cpag.org.nz/news/cpag-news/nr1271997091.pdf>.

¹⁶ Dalgety et al (2010)

¹⁷ The topics covered by the SoWL relate to the main job, including: employment relationship; length of time; working times, hours and place; job flexibility; employer-funded study and training; work-related health and safety; annual leave entitlement; type of employment agreement (collective or individual); union membership; job satisfaction and work-life balance. Available at: http://www.stats.govt.nz/browse_for_stats/work_income_and_spending/employment/surveyofworkinglife_hotpmar08qtr.aspx.

¹⁸ Statistics New Zealand (2008)

¹⁹ See: <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/2009-nationalbenefit-factsheets.html>

²⁰ See: <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/2004-benefitfactsheetshtml>.

²¹ Funded by the University of Auckland

²² See: http://www.stats.govt.nz/browse_for_stats/work_income_and_spending/employment/linkedemployeremployeeedata_mrmar07.aspx; and (Statistics New Zealand, 2007).

²³ Carer's benefits comprise DPB - Sole Parent, DPB - Care of Sick or Infirm, DPB - Women Alone and Emergency Maintenance Allowances.

²⁴ Armstrong (2010)

²⁵ Herbst (2008, p. 891)

²⁶ De Parle (2004)

²⁷ Mink (1994)

²⁸ (Blanden & Gibbons, 2006; Hirsch, 2006)

²⁹ Royal Commission of Inquiry into Social Security (1972, p. 65)

³⁰ St John & Rankin (2009)

³¹ Shipley (1991)

³² Jensen (1994)

³³ Higgins (1997, p. 14)

³⁴ Nixon & McCulloch (1994)

³⁵ See Wynd (2005)

³⁶ 60% of median income before housing costs. See St John and Wynd (2007), pp 16-24 for a discussion of poverty lines.

³⁷ Perry (2009a, pp. 82-83)

³⁸ Jensen (1994)

³⁹ Department of Social Welfare (1996)

⁴⁰ Birch (1996)

⁴¹ Goodger & Larose (1999)

⁴² Peck (2000)

⁴³ Maharey (2000)

⁴⁴ Ministry of Social Development (2002)

⁴⁵ Maharey (2003)

⁴⁶ See St John & Craig (2004) for an in-depth discussion of the history and implications of the In-Work Tax Credit, and St John and Wynd (2008) for a discussion of the changes brought in as part of the 2005 budget.

⁴⁷ Maharey (2004)

⁴⁸ Maharey (2004)

⁴⁹ Section 1A Social Security Act 1964, as at 5 January 2010

⁵⁰ Section 1B Social Security Act 1964, as at 5 January 2010

⁵¹ Parental Tax Credit, unchanged under the WFF package, is paid for a newborn for the first 8 weeks or 56 days after the baby is born. The amount paid depends on the combined income of the family before tax, the number of dependent children, their age and the number of newborn children per year. The family can be eligible for a maximum of \$150 dollars a week for 8 weeks after the baby is born, and they can either be paid weekly or receive the \$1,200 in a lump sum at the end of the year. This tax credit, like the IWTC, is only for families who meet the work criteria and are off-benefit.

⁵² The exclusion of families on benefits from eligibility for the IWTC has been found by the Human Rights Review Tribunal to be prima facie discrimination on the basis of work status and family status. See Child Poverty Action Group (Inc) v Attorney-General, Decision No. 31/08, Reference No. HRRT 41/05. Available <http://www.cpag.org.nz/resources/submissions/res1229590397.pdf>.

⁵³ St John & Rankin (2009)

⁵⁴ <http://www.beehive.govt.nz/release/restart+help+people+made+redundant>.

⁵⁵ Prior to a policy being put in place, the likely effects are simulated based on population characteristics.

⁵⁶ The micro-simulation the MSD refers to is the Treasury study conducted prior to the introduction of WFF, based on labour supply elasticities derived from 1990-2001 data (Kalb & Scutella, 2003). The simulation assumes an unlimited demand

for labour, and explores decreased benefit rates, increased family assistance partly dependent on the labour supply, and improved accommodation supplement (Kalb, Cai, & Tuckwell, 2005, p. 10).

⁵⁷ Kalb, Cai, & Tuckwell (2005)

⁵⁸ Kalb, Cai, & Tuckwell (2005, p. 13)

⁵⁹ Dwyer (2005). Analysis by Nolan (2004) and St John & Craig (2004) drew the same conclusions.

⁶⁰ Fitzgerald, Maloney, & Pacheco (2008)

⁶¹ See, for example, Centre for Social Research and Evaluation (2007a)

⁶² Centre for Social Research and Evaluation (2007, p. 38)

⁶³ Ministry of Social Development & Inland Revenue Department (2010)

⁶⁴ Centre for Social Research and Evaluation (2007b, p. 2)

⁶⁵ See: <http://www.stats.govt.nz/Census/2006CensusHomePage.aspx>

⁶⁶ Publications available from the MSD and IRD websites provide some insight into the work patterns of those on DPB.

⁶⁷ Centre for Social Research and Evaluation & Inland Revenue Te Tari Taake (2007)

⁶⁸ A further confounding factor not addressed in any analysis is the role of child support payment from the noncustodial parent. While on the DPB, the child support payment is used to offset her benefit and many sole parents prefer to stay on a part-benefit even when working in order to secure this payment.

⁶⁹ Johri, de Boer, Pusch, Ramasamy, & Wong (2004)

⁷⁰ Her recent four-part series on poverty in America ran on The New York Times Op-Ed page. See: http://www.nytimes.com/2009/09/13/opinion/13ehrenreich.html?_r=1.

⁷¹ Pulkingham, Fuller, & Kershaw (2010, p. 271)

⁷² The questionnaire emailed to interviewees is provided in Appendix 1.

⁷³ OSCAR is out of school care, before or after school, and during school holidays.

⁷⁴ Baker & Tippen (2004)

⁷⁵ Duncan, Dunifon, Ward, & Yeung (2001)

⁷⁶ Ministry of Social Development (2006)

⁷⁷ Blank and Kovac (2008)

⁷⁸ Corak (2006, p. 170)

⁷⁹ Corak (2006, p. 143)

⁸⁰ O'Brien (2005, p. 5)

⁸¹ Johnson (2009, p. 15)

⁸² Statistics New Zealand (2010)

⁸³ Mink (1994)

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