The Poverty Dilemma

Multiple approaches to single-parent poverty
## World Poverty

Population and percentages in developing countries living on <$1US per day

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1.25 billion</td>
<td>31.6%</td>
</tr>
<tr>
<td>1999</td>
<td>1.17 billion</td>
<td>23.4%</td>
</tr>
<tr>
<td>2004</td>
<td>980 million</td>
<td>19.2%</td>
</tr>
<tr>
<td>2015</td>
<td>950 million (est.)</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

Source: UN Millennium Development Goals Report, 2007
Poverty in Canada

Statistics Canada’s Low Income Cut-off (LICO)

- Average Canadian family spends 44% of after-tax income on necessities
- Families in “straitened circumstances” spend >64% of after-tax income on necessities
- LICO for two-person family in large city: $21,000
Poverty in Canada

In the midst of a growing economy, more than one million children, or nearly one child in six, still live in poverty in Canada. Since 1989, the 2006 Report Card on Child Poverty in Canada notes a 20% increase in the number of poor children.

from www.campaign2000.ca
Poverty in Canada

“The rich are getting richer, the poor aren’t going anywhere... we ignore these trends at our collective peril.”

Source: Yalnizyan, 2007
“The Rich and the Rest of Us”
Canadian Centre for Policy Alternatives
Family median after-tax income

Source: Statistics Canada, 2007
LICO rates for select Canadian families

% under LICO

% all SPF under LICO  % elderly families under LICO  % all two-parent families under LICO

Source: Statistics Canada, 2007
Children under LICO

Source: Statistics Canada, 2007
Children under LICO reality check

Source: Statistics Canada, 2007
Sources of child poverty

Source: Statistics Canada, 2007
Single parent families

- 1.4 million single parent families in Canada with 2.2 million children
- 80% of single parent families are headed by mothers
- 92% of single parent families under LICO are headed by mothers

Source: Statistics Canada, 2007
<table>
<thead>
<tr>
<th>Category</th>
<th>1981</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>40-49</td>
<td>14%</td>
<td>36%</td>
</tr>
<tr>
<td>No high school</td>
<td>48%</td>
<td>24%</td>
</tr>
<tr>
<td>University degree</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>Never married</td>
<td>17%</td>
<td>38%</td>
</tr>
<tr>
<td>Divorced/Separated</td>
<td>66%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: Myles, Hou, Picot and Myers, 2006 “Why Did Employment and Earnings Rise Among Lone Mothers?” Statistics Canada
Married and single mothers in the work force

Source: “Women in Canada” Statistics Canada, 2006
Tackling single mother poverty

- A multi-fork approach
Fork #1: Marital or Fiscal Solutions?
Marriage promotion in the US

- $500 million over five years for Healthy Marriages Initiative
- $250 million over five years for Responsible Fatherhood

Two-pronged strategy:
- saturation advertising
- couples counseling
Fork #2: Welfare or Work?
Single mothers’ incomes

Source: Statistics Canada, 2007
## Disaggregating single mothers’ income

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market earnings</td>
<td>$20,300</td>
<td>$30,900</td>
</tr>
<tr>
<td>+ Gov’t transfers</td>
<td>$9,800</td>
<td>$9,200</td>
</tr>
<tr>
<td>- Income taxes</td>
<td>$3,300</td>
<td>$4,100</td>
</tr>
<tr>
<td>= Total income</td>
<td>$26,900</td>
<td>$36,000</td>
</tr>
</tbody>
</table>

LICO rate: 49% in 1995, 29% in 2005

*Source: Statistics Canada, 2007*
Single parent poverty around the world

2005 OECD report on 26 member nations

- Rate of poverty for single parent families with a working parent: 20%
- Rate of poverty for single parent families with a non-working parent: 60%

Source: “Combating Poverty and Exclusion through Work” March 2005 Policy Brief, OECD
Fork on the wall
Market or non-market solutions to the welfare wall?
The welfare wall for single mothers

Figure 4: Total MTRs, Lone Parent with Two Children, Canada, 1994

Source: Davies, 1998 “Marginal Tax Rates in Canada”
CD Howe Institute
Non-market incentives

Campaign 2000 Recommendations:

- Higher minimum wages
- Free drug, dental and health benefits
- Universal child care
- Affordable housing
- Tuition freeze
- Greater unionization

Source: “A Poverty Reduction Strategy for Ontario”
Campaign 2000, July 2007
Market incentives

US’ Earned Income Tax Credit (EITC)

- Maximum benefit of $4,716
- 20% of US families receive an EITC benefit
- Single mothers largest single demographic
- US poverty rate for children would be 25% higher without EITC

Source: Holt, 2005 “The EITC at 30” Brookings Institution
US’ EITC vs. Canada’s WITB

Source: IRS; 2007 Federal Budget
The final fork: asset building
Learn$ave pilot project
2000-2009

- 4,800 subjects in 10 Canadian cities, including 16% single mothers
- Must be at or near low income
- Every dollar saved is matched by $3 to $5 in project funds
- Money can only be withdrawn for schooling or self-employment

Source: SEDI, 2007
Our forks in the road

Single parent poverty

Marital solutions
- Make work rewarding

Fiscal solutions
- Make welfare rewarding
More forks in the road

Choosing work: The welfare wall

Market incentives

- Asset building

Non-market incentives

- Income building
The End