

The Poverty Dilemma

Multiple approaches to single-
parent poverty

World Poverty

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

■ 1990	1.25 billion	31.6%
■ 1999	1.17 billion	23.4%
■ <u>2004</u>	<u>980 million</u>	<u>19.2%</u>
■ 2015	950 million (est.)	15.8%

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

20%
increase in
the number
of poor
children

2006 Report Card on Child Poverty in Canada

from www.campaign2000.ca

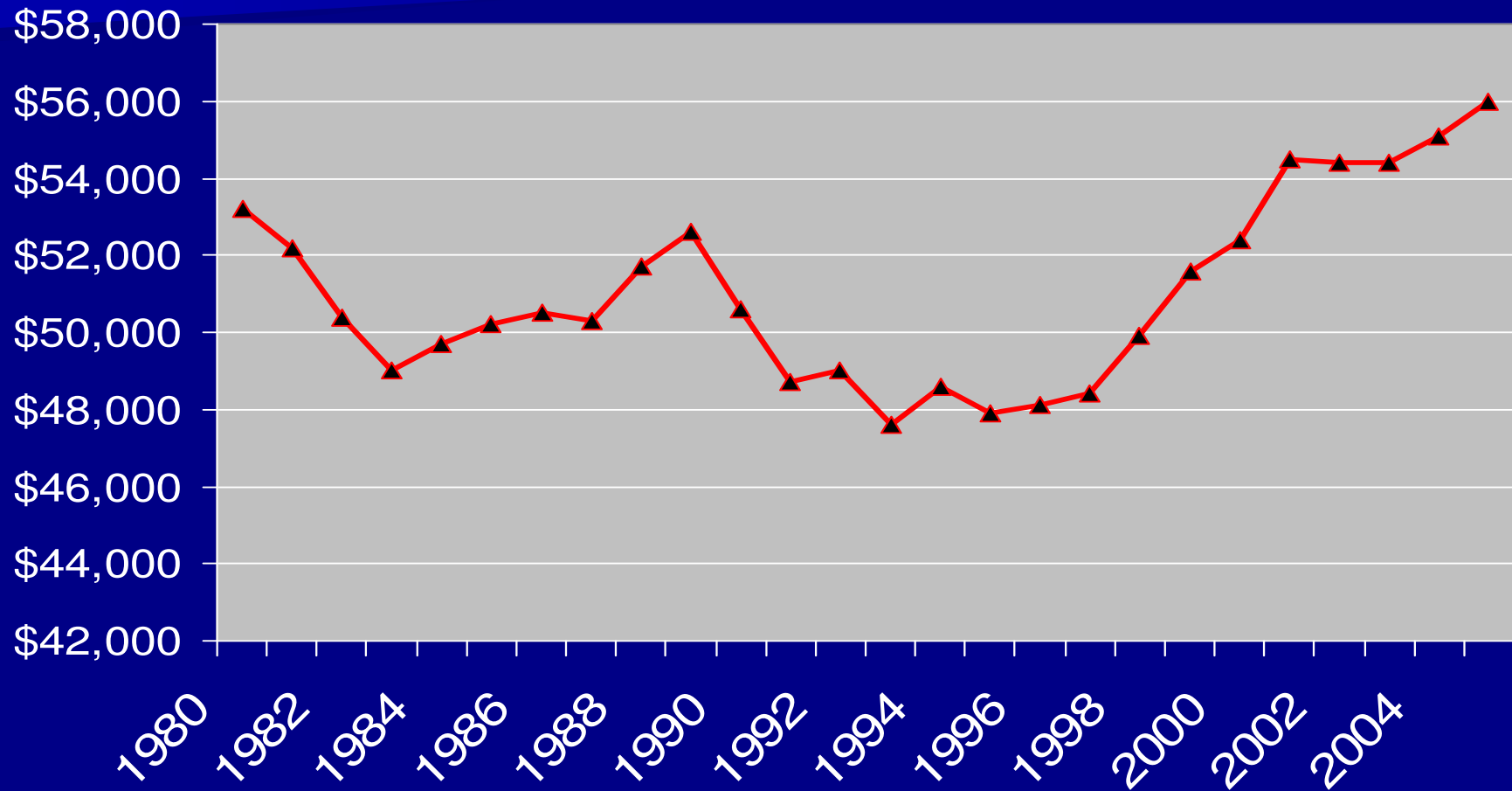
Poverty in Canada

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

Source: Yalnizyan, 2007

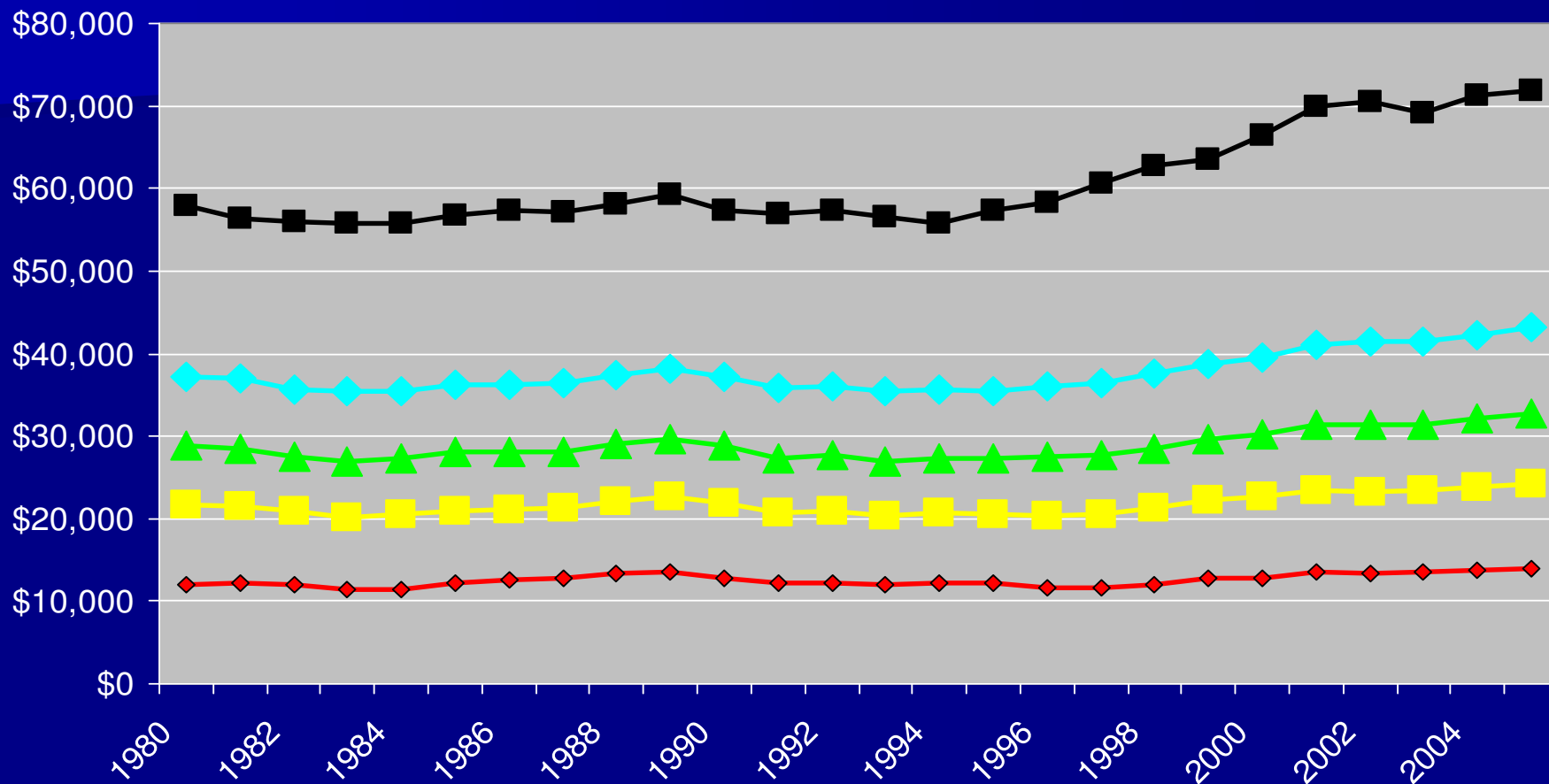
“The Rich and the Rest of Us”
Canadian Centre for Policy
Alternatives

Family median after-tax income



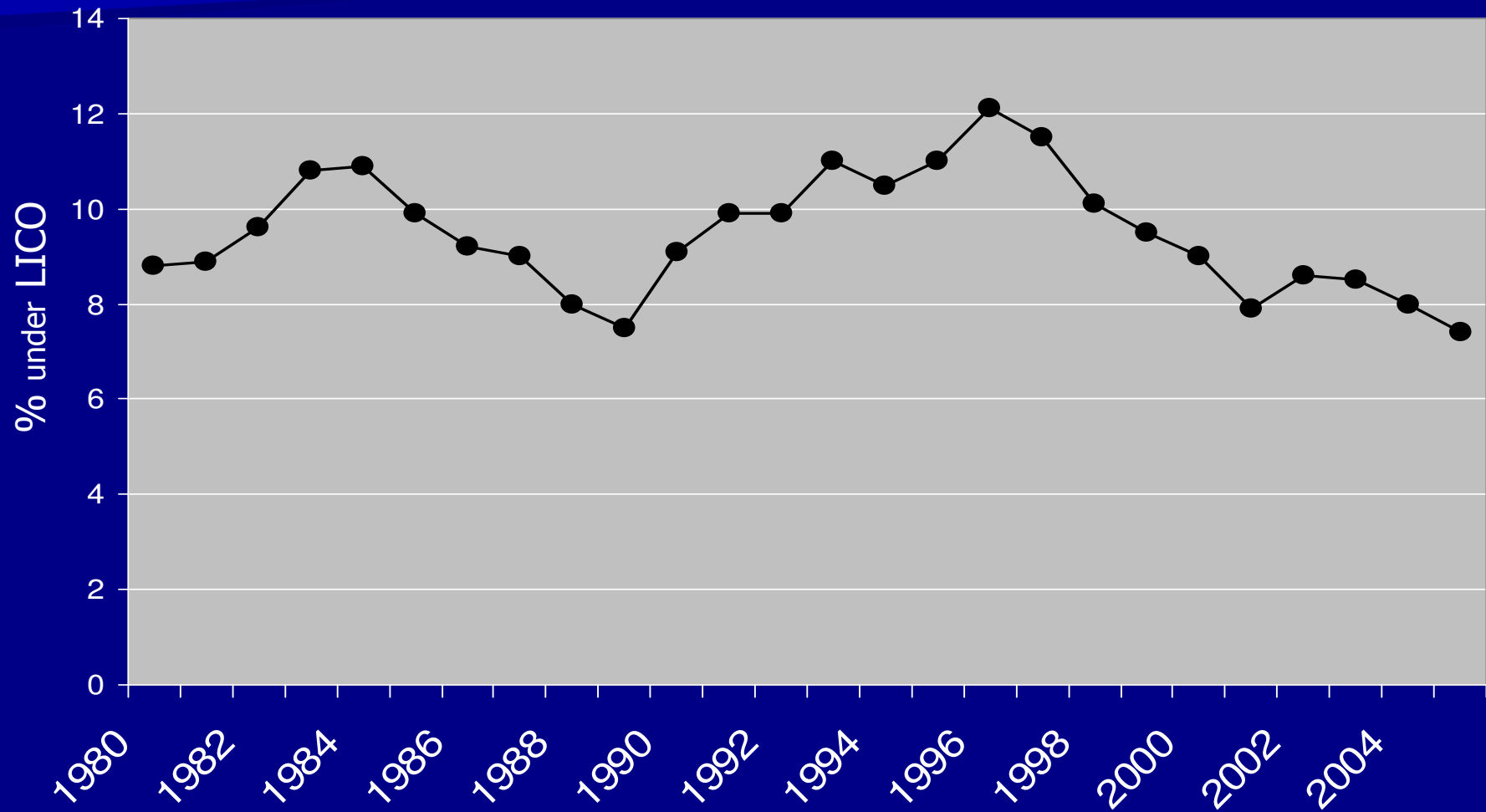
Source: Statistics Canada, 2007

Families' after-tax income growth



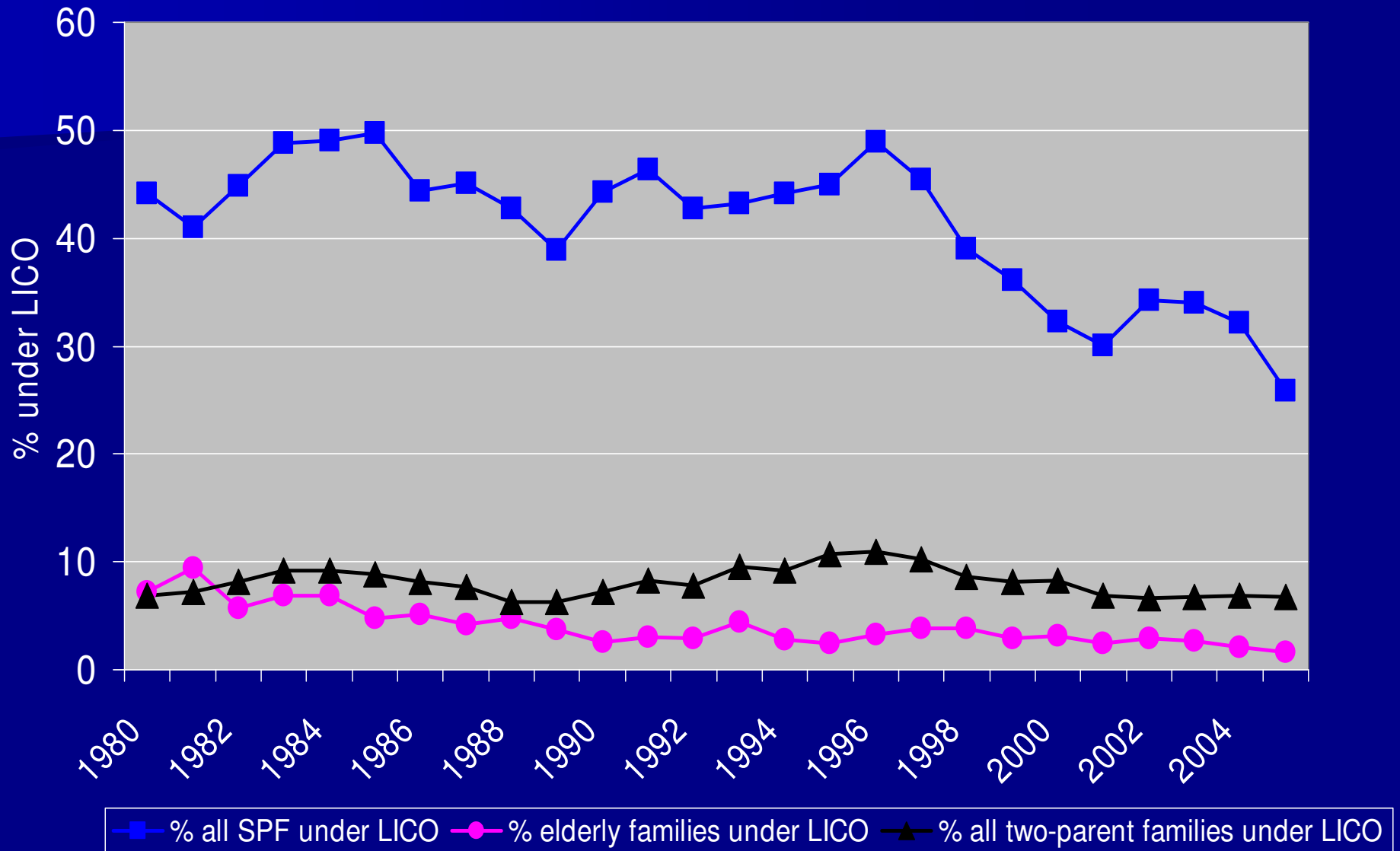
■ top quintile, adjusted after-tax income ◆ fourth quintile, adjusted after-tax income
▲ third quintile, adjusted after-tax income ■ second quintile, adjusted after-tax income
◆ bottom quintile, adjusted after-tax income Source: Statistics Canada, 2007

Percentage of all families under LICO



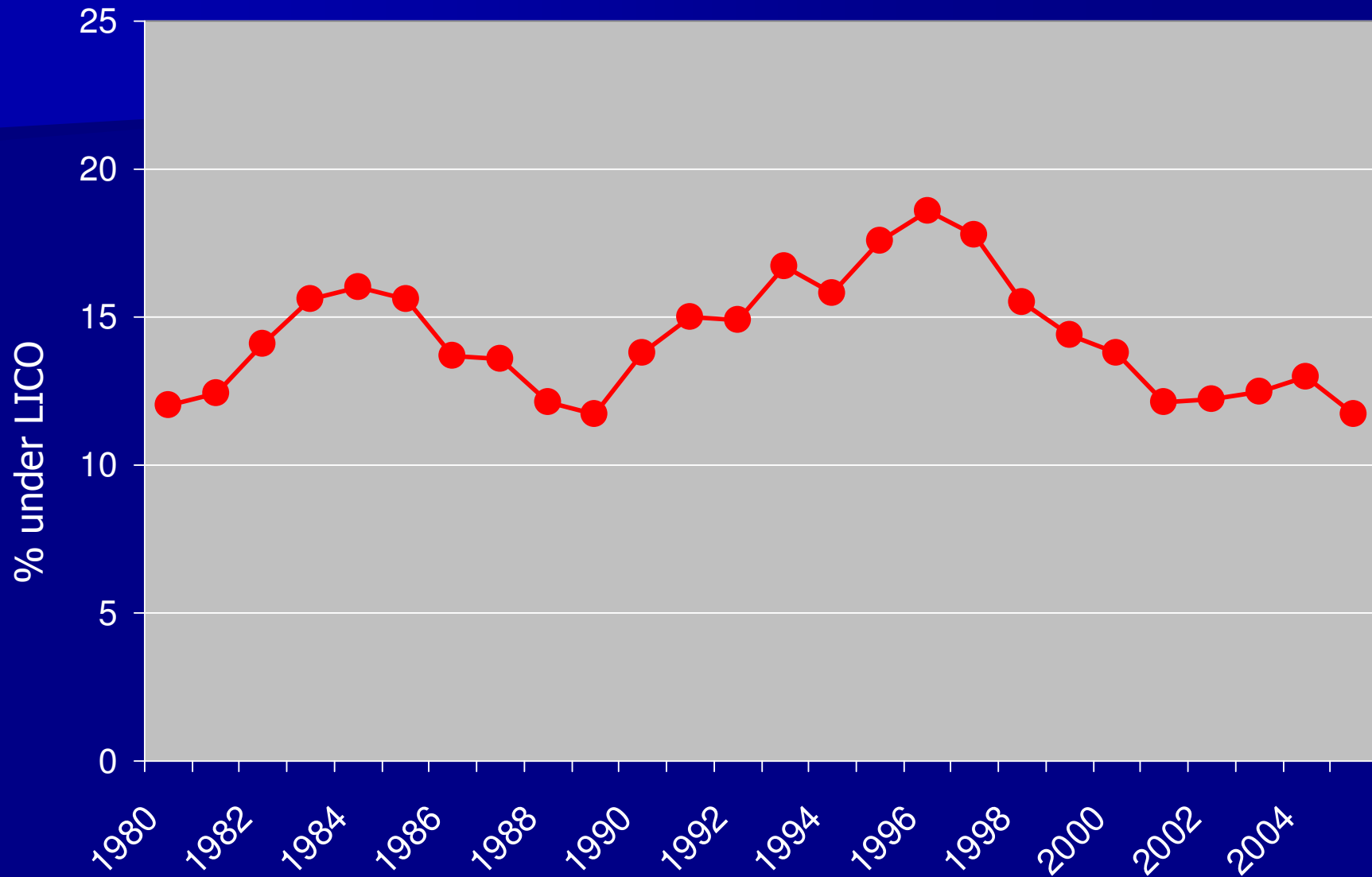
Source: Statistics Canada, 2007

LICO rates for select Canadian families



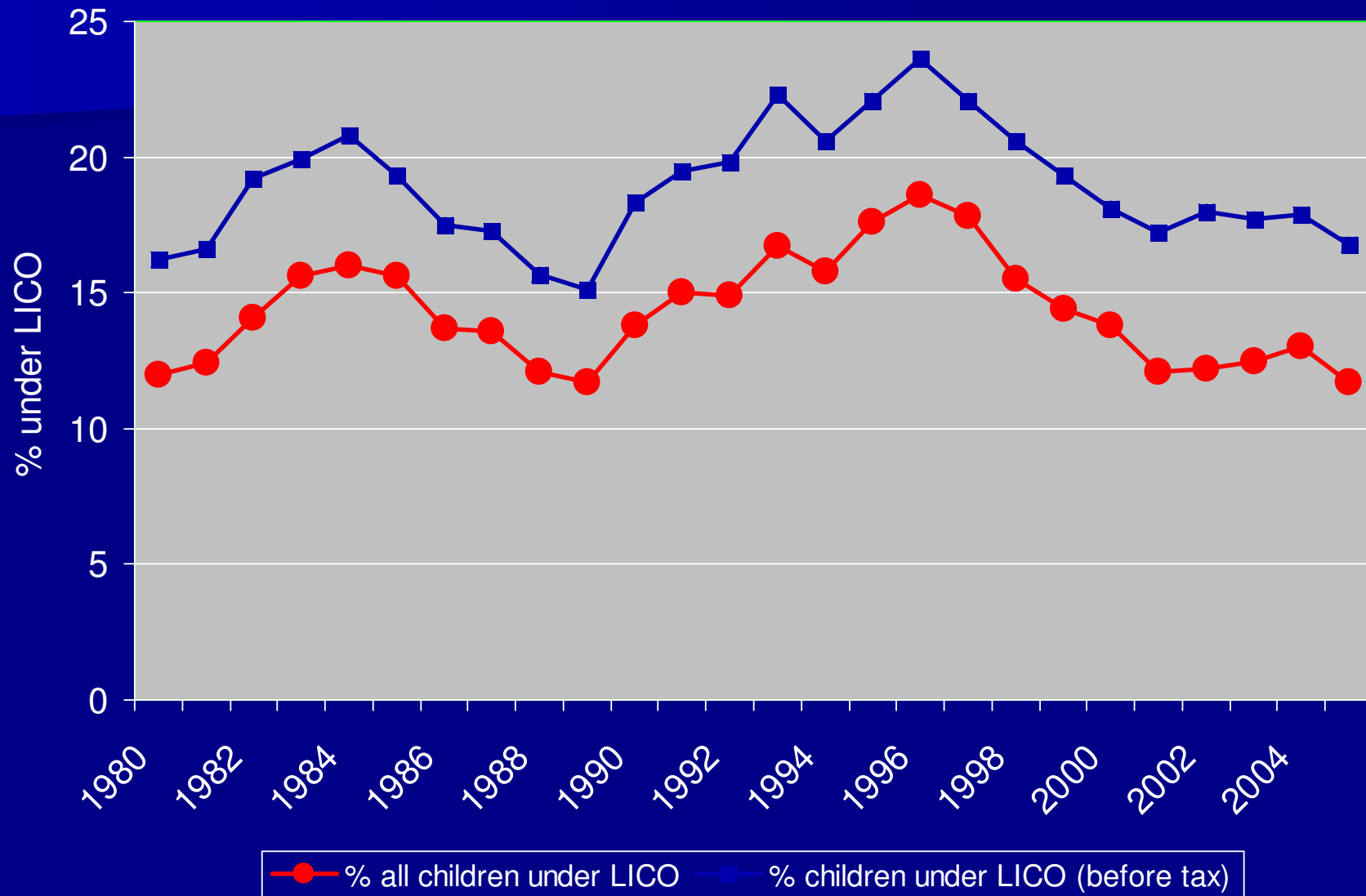
Source: Statistics Canada, 2007

Children under LICO



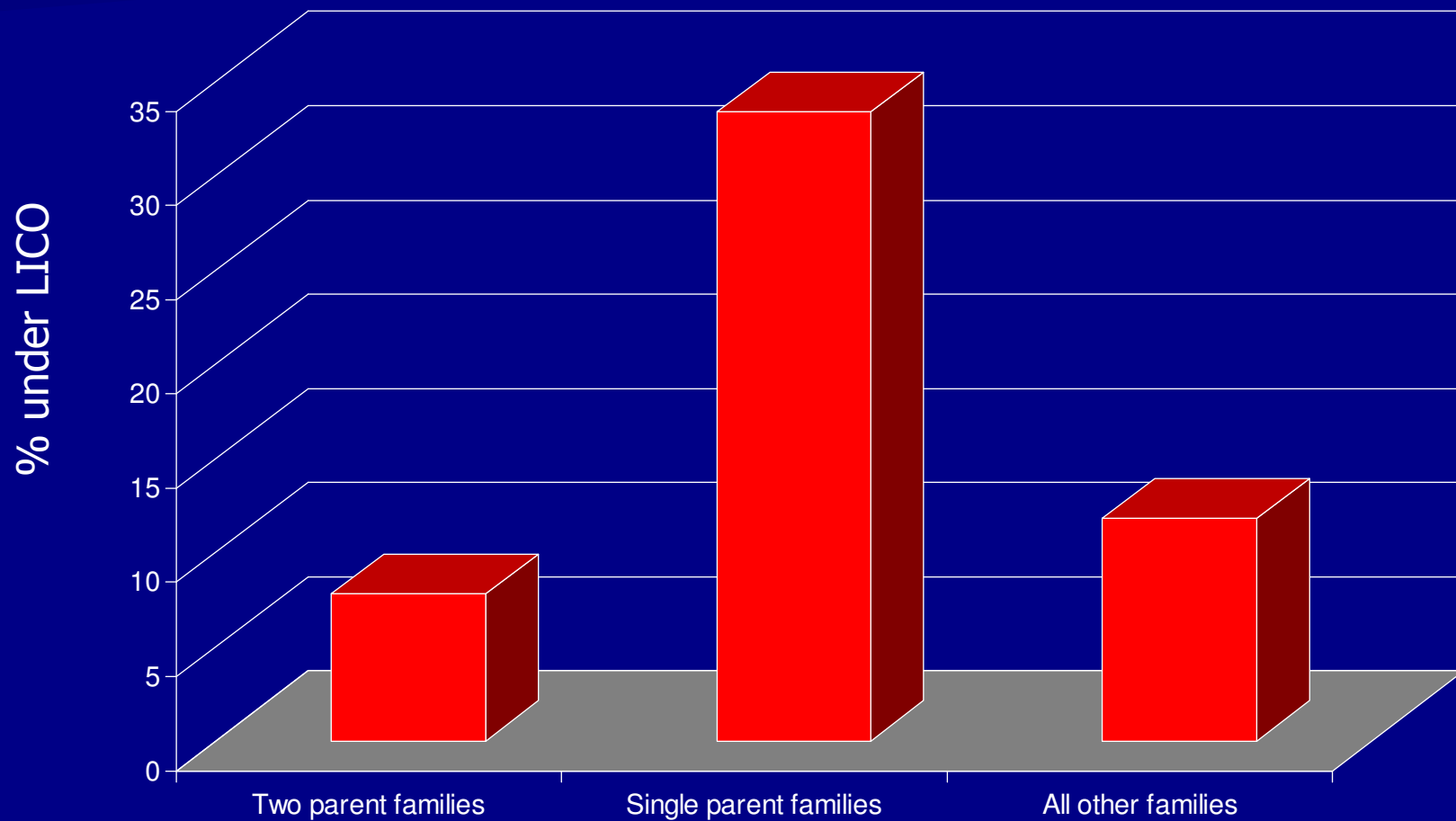
Source: Statistics Canada, 2007

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

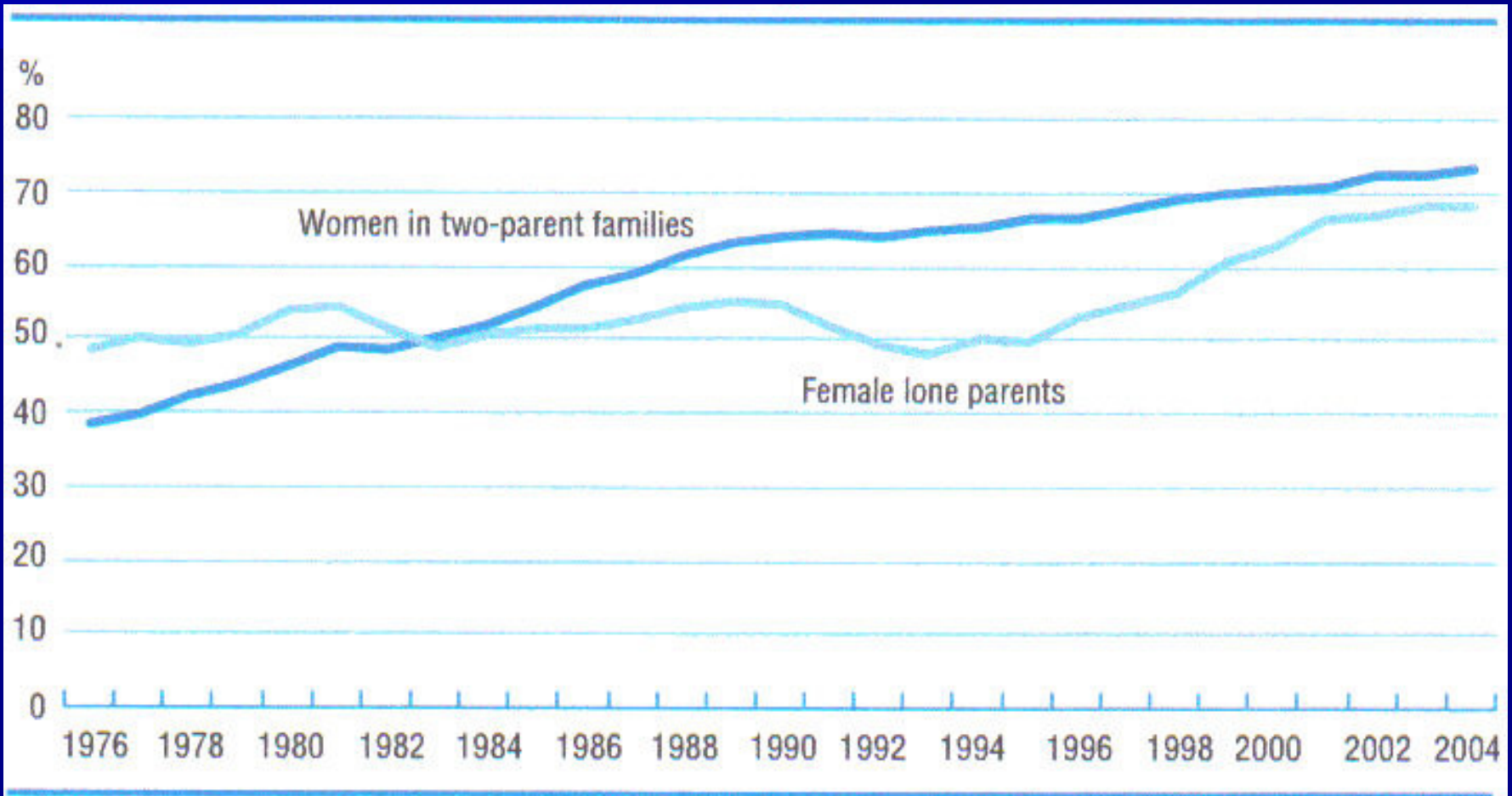
Single mothers, then and now

	1981	2001
■ Under 25	11%	7%
■ 40-49	14%	36%
■ No high school	48%	24%
■ University degree	5%	11%
■ Never married	17%	38%
■ Divorced/Separated	66%	57%

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

Employment rate for mothers



Source: Statistics Canada, Labour Force Survey.

Source: "Women in Canada" Statistics Canada, 2006

Tackling single mother poverty

- A multi-fork approach



Fork #1: Marital or Fiscal Solutions?



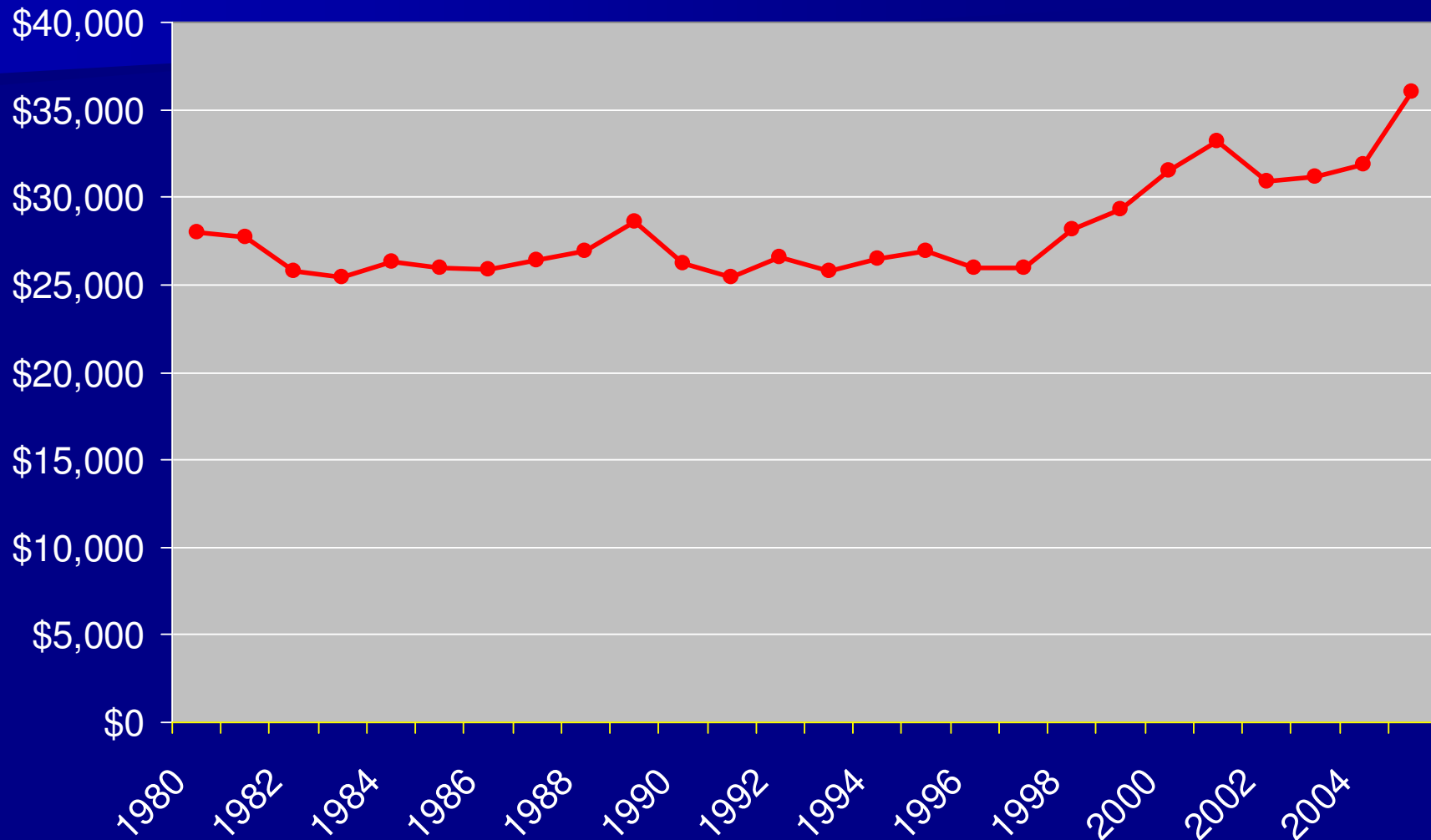
Marriage promotion in the US

- \$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



—●— average after-tax income for single mothers

Source: Statistics Canada, 2007

Disaggregating single mothers' income

	1995	2005
Market earnings	\$20,300	\$30,900
+ Gov't transfers	\$9,800	\$9,200
- Income taxes	<u>\$3,300</u>	<u>\$4,100</u>
= Total income	\$26,900	\$36,000
LICO rate	49%	29%

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

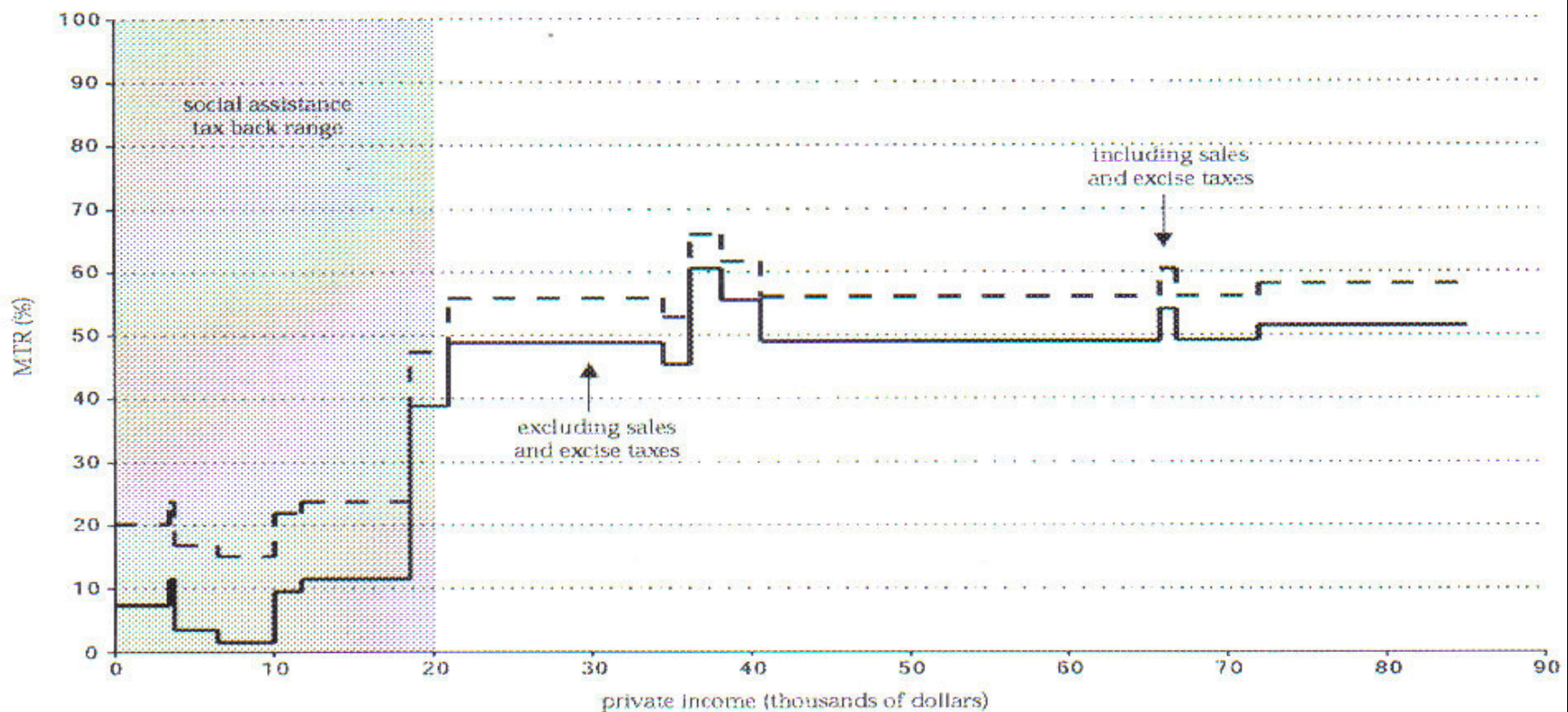
Fork on the wall

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

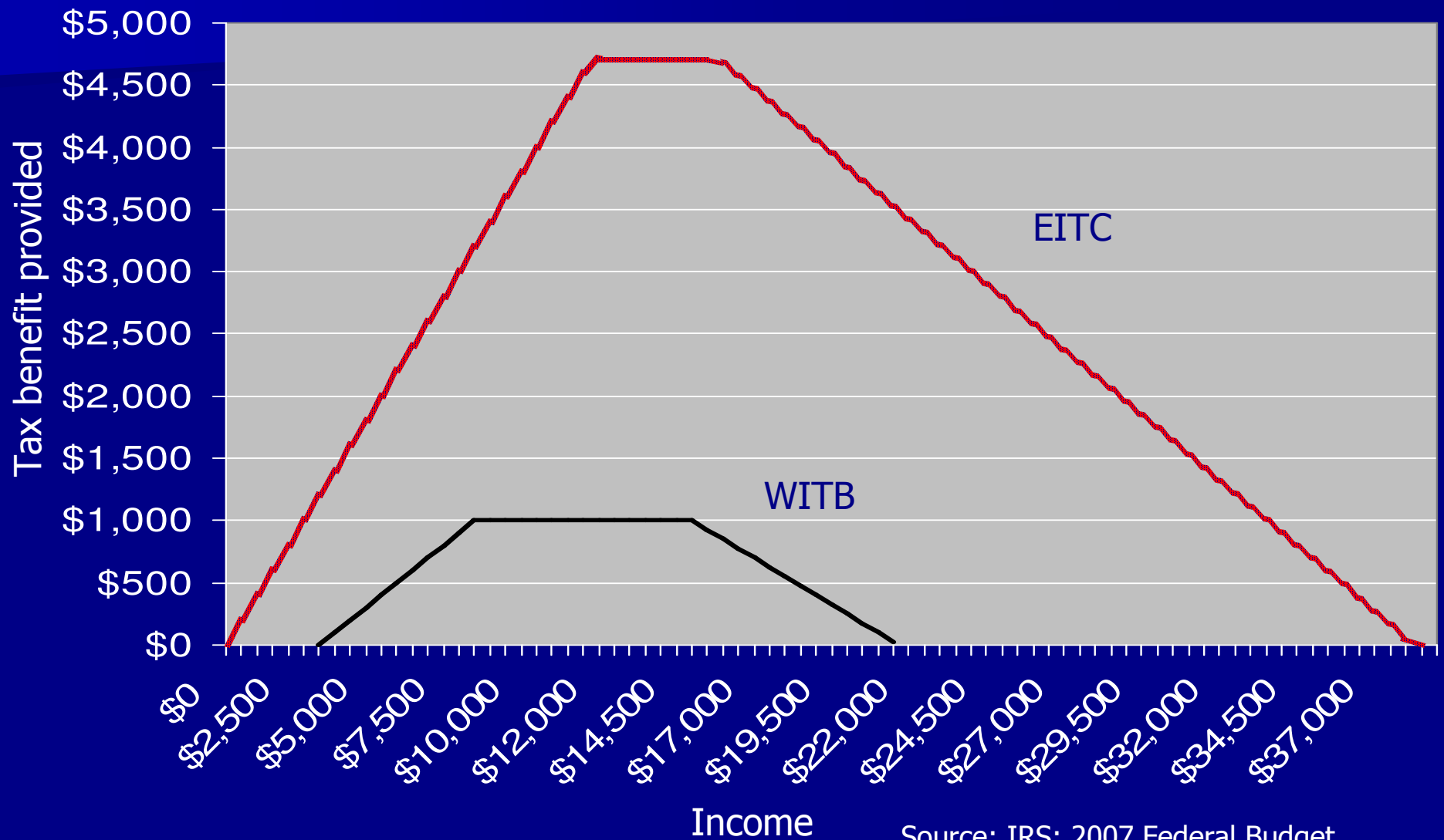
Market incentives

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

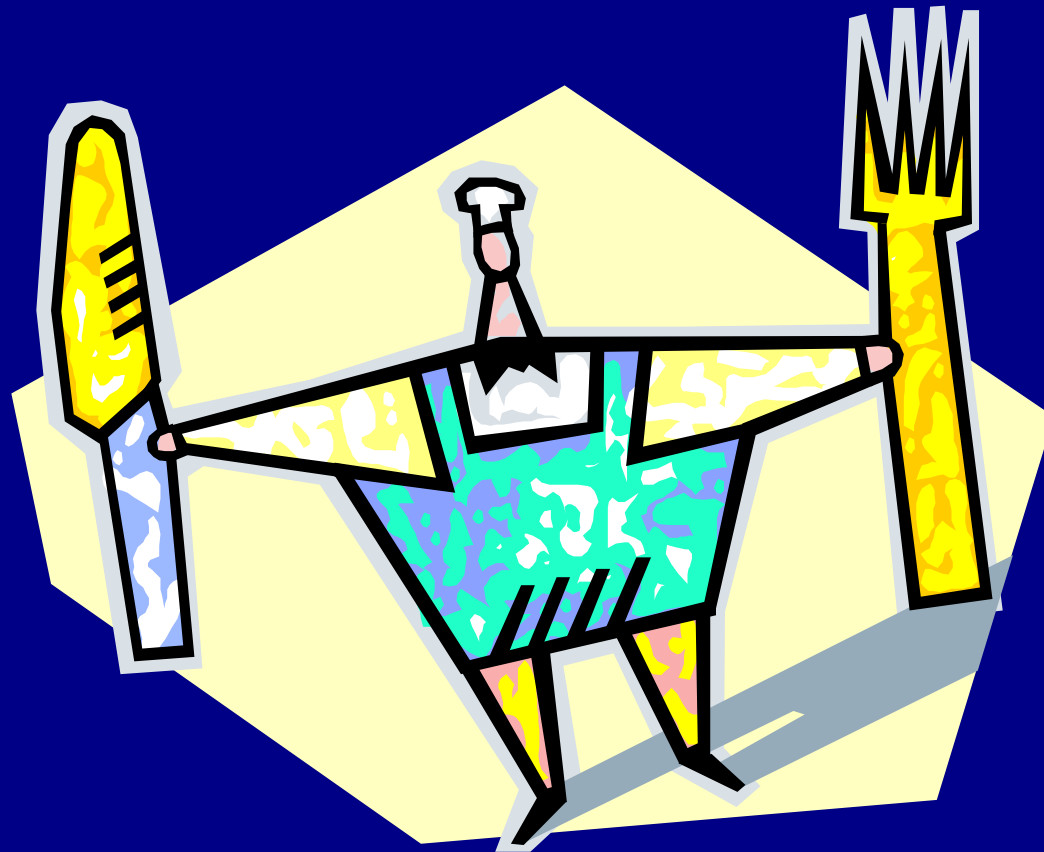
Source: Holt, 2005 "The EITC at 30"
Brookings Institution

US' EITC vs. Canada's WITB



Source: IRS; 2007 Federal Budget

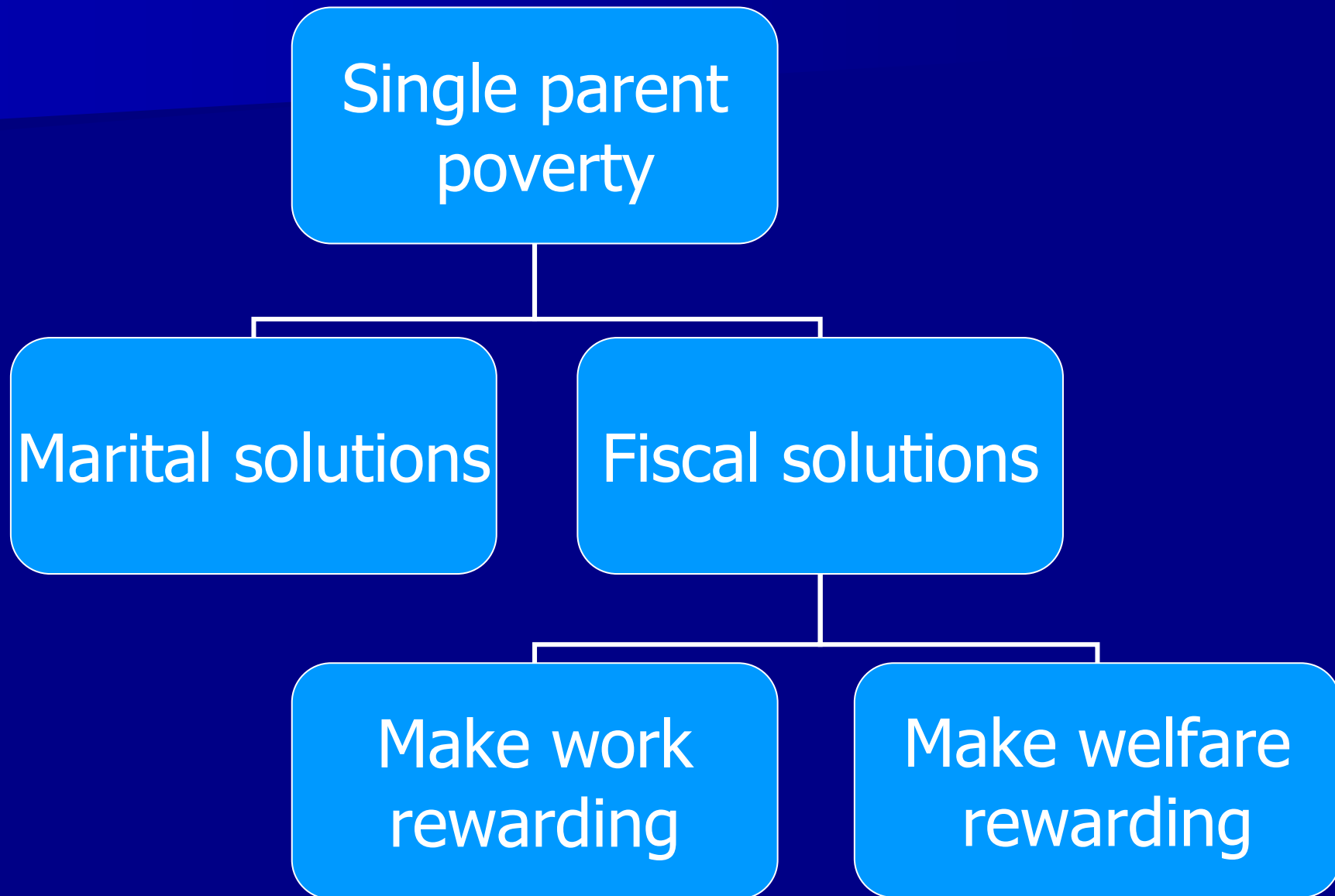
The final fork: asset building



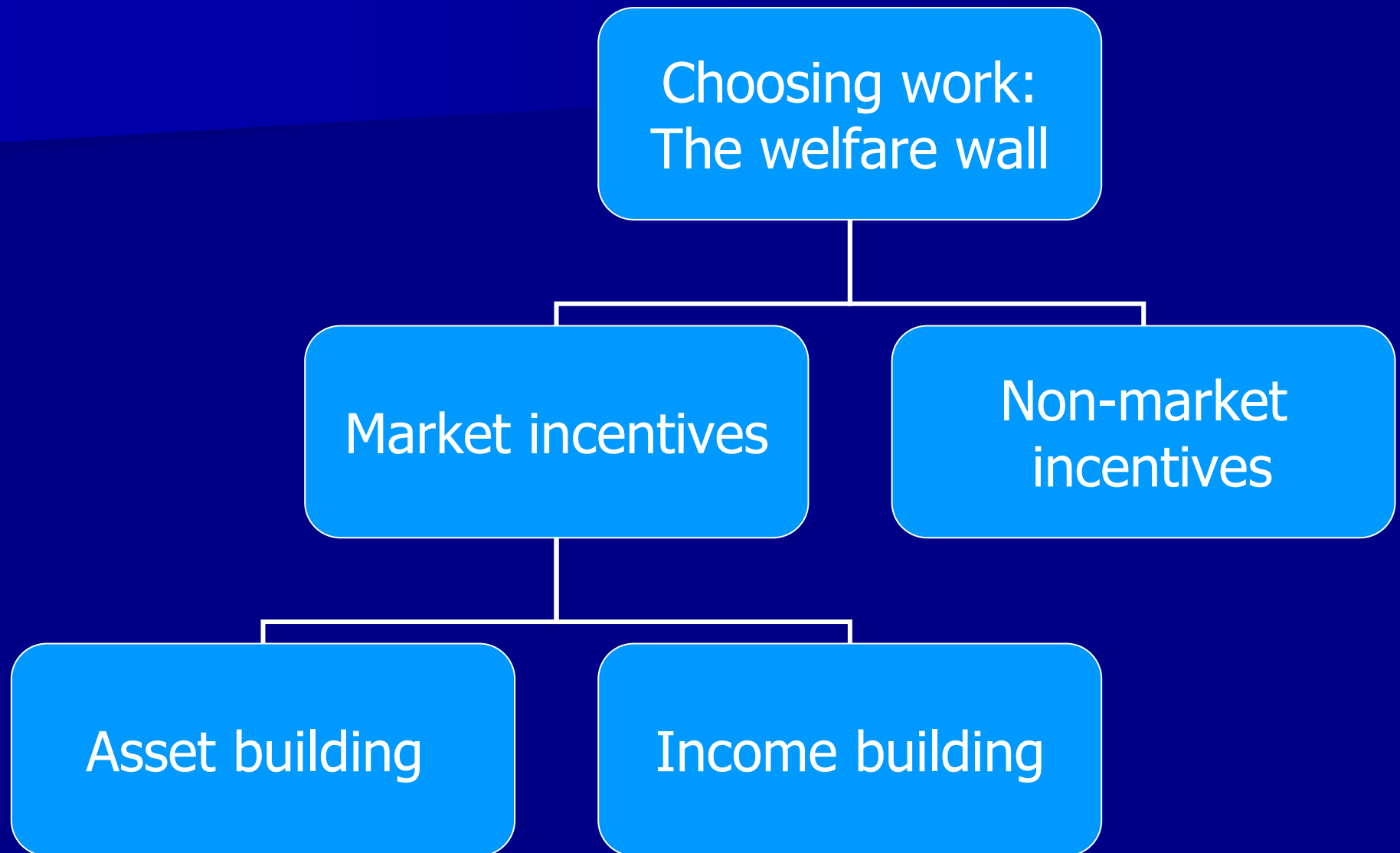
Learn\$ave pilot project 2000-2009

- 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

Our forks in the road



More forks in the road



The End

