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Child maintenance and poverty reduction in lone parent families: analysis of typical cases in UK, US, NZ and Australia

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- Compare CM regimes in UK, US (Wisconsin), NZ & Australia
- Similar policy drivers and histories
 - Increasing lone parent families
 - Rising fiscal costs supporting lone parents
 - Initial principle of cost recovery (social assistance recipients should not get all CM paid on their behalf)
 - Explicit policy transfer: UK modelled on US Wisconsin; NZ modelled on Australia



- In 4 countries that began child maintenance regimes in part to recoup government expenditures, how do child maintenance payments today interact with social security benefit payments?
- In addition to explicit cost recovery mechanisms, are there implicit mechanisms hidden in the interactions of benefits?
- What do the explicit and implicit cost recovery rules mean for poverty among lone parents?
- Can we conceptualize CM as a substitute for social security benefits or as a complement?



- Vignette technique provides detail on several typical cases (scenarios); standardises context, makes for easier comparisons
- 3 basic questions:
 - How much CM is expected?
 - What is a lone parent's income package with and without CM?
 - What % of the CM actually increases income/ decreases a lone parent's poverty gap?



Definitions:

- Net income = set level of earnings according to scenario + CM according to scenario + any benefits for which she is eligible (whether paid directly or through tax system; divided between those for lowerincome families and broader-based benefits) – income and payroll taxes
- Disposable income (income AHC) = net income (gross housing costs – subsidies)
- Poverty threshold = 60% of equivalized median net income



- Mary & Paul: 1 child aged 3 months
- Never lived together
- Neither has other children
- Live in rented accommodation (~ bottom quartile)
- Explore 10 scenarios varying levels of Mary and Paul's earnings; with and without CM

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10 Scenarios within Vignette

	Mary	Paul	СМ
Α	Unemployed	Unemployed	No
B	Unemployed	Unemployed	Yes
С	Unemployed	2/3 median earnings	Yes
D	Unemployed	Median earnings	Yes
E	Median PT earnings	2/3 median earnings	No
F	Median PT earnings	2/3 median earnings	Yes
G	Median PT earnings	Median earnings	Yes
H	2/3 Median FT earnings	2/3 median earnings	No
I.	2/3 Median FT earnings	2/3 median earnings	Yes
J	2/3 Median FT earnings	Median earnings	Yes



Child Maintenance Amounts







Figure 2a: Gross Income for Mary, Australia PPP-adjusted US\$, Annual



■ Benefits Low-Income ■ Other Benefits ■ Earnings ■ Child Maintenance 🗵 Net Housing Cost ■ Taxes ● Disposable Income



Figure 2b: Gross Income for Mary, New Zealand PPP-adjusted US\$, Annual



■ Benefits Low-Income ■ Other Benefits ■ Earnings ■ Child Maintenance 🗵 Net Housing Cost ■ Taxes ● Disposable Income



Figure 2c: Gross Income for Mary, UK PPP-adjusted US\$, Annual



■ Benefits Low-Income ■ Other Benefits ■ Earnings ■ Child Maintenance 🗵 Net Housing Cost ■ Taxes ● Disposable Income



Figure 2d: Gross Income for Mary, US PPP-adjusted US\$, Annual



■ Benefits Low-Income ■ Other Benefits ■ Earnings ■ Child Maintenance 🗵 Net Housing Cost ■ Taxes ● Disposable Income



- Is Mary in poverty based on income AHC without CM?
- Taking into account all direct and indirect effects, does CM takes her out of poverty?
- Taking into account all direct and indirect effects, what % of CM decreases poverty?





Before CM, Is Mary Above Poverty?

	AU	NZ	UK	US
Mary has no earnings (Scenarios A-D)	No	No	No	No
Mary has part-time earnings (Scenarios E-G)	No	No	No	No
Mary has low-wage full-time earnings (Scenarios H-J)	No	No	No	No



With Low/Medium/High CM, Is Mary Out of Poverty?

	AU	NZ	UK	US
Mary has no earnings (Scenarios A-D)	No/No/No	No/No/No	No/No/No	No/No/No
Mary has part-time earnings (Scenarios E-G)	NA/No/No	NA/No/No	NA/No/Yes	NA/No/No
Mary has low-wage full-time earnings (Scenarios H-J)	NA/No/Yes	NA/No/No	NA/Yes/Yes	NA/No/No



% income increases and poverty gap decreases from Low/Medium/High CM

Rate at which income AHC increases and poverty gap declines for	
every dollar of CM (%)	

	AU	NZ	UK	US
Mary has no earnings (Scenarios A-D)	100/87/64	0/0/0	100/100/100	30/30/30
Mary has part-time earnings (Scenarios E-G)	NA/73/58	NA/100/100	NA/100/100*	NA/43/51
Mary has low-wage full- time earnings (Scenarios H-J)	NA/73/58*	NA/75/75	NA/100*/100*	NA/100/100





- 4 countries with similar explicit cost recovery histories now have very different approaches
 - AU: no explicit, some hidden in interactions
 - NZ: explicit, few hidden in interactions
 - UK: no explicit, no hidden in interactions
 - US: some explicit, some hidden in interactions
- Paper documents both importance of and limitations to CM as anti-poverty policy



Limitations:

- Only one family type limited scenarios
- Assumes CM fully paid, benefits fully received
- Ignores behavioural effects
- Does not yet incorporate fees
- No information on how these approaches are working

Need to explore:

- Advantages/ disadvantages of approaches?
- Is the approach rationalised in policy making?





THANK YOU!





	AU	NZ	UK	US
Median Female Full-Time Earnings	53,300	47,008	23,600	37,804
	(35,017)	(32,012)	(33,785)	(37,804)
Median Part-Time Female Earnings	23,972	17,950	8736	14,148
	(15,749)	(12,224)	(12,506)	(14,148)
Median Male Full-Time Earnings	65,000	54,860	29,300	47,316
	(42,704)	(37,360)	(41,944)	(47,316)
Annual Housing	13,936	14,560	8316	9936
	(9156)	(9915)	(11,905)	(9936)
Poverty Threshold, family of two	39,169	30,640	13,780	26,247
	(25,733)	(20,866)	(19,727)	(26,247)
First row is in own currency; parentheses show PPP-adjusted US dollars for 2013.				