



POLICY BRIEF

Why is lone-parent poverty so high and what can we do about it?

By Noah Zon and Hannah Aldridge

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Introduction

Despite recent increases in child benefits, the poverty rate among lone-parent families is more than double the Canadian average. That said, lone-parent poverty is much lower than it was – it fell throughout the late 1990s and 2000s, but in the 2010s progress stalled.

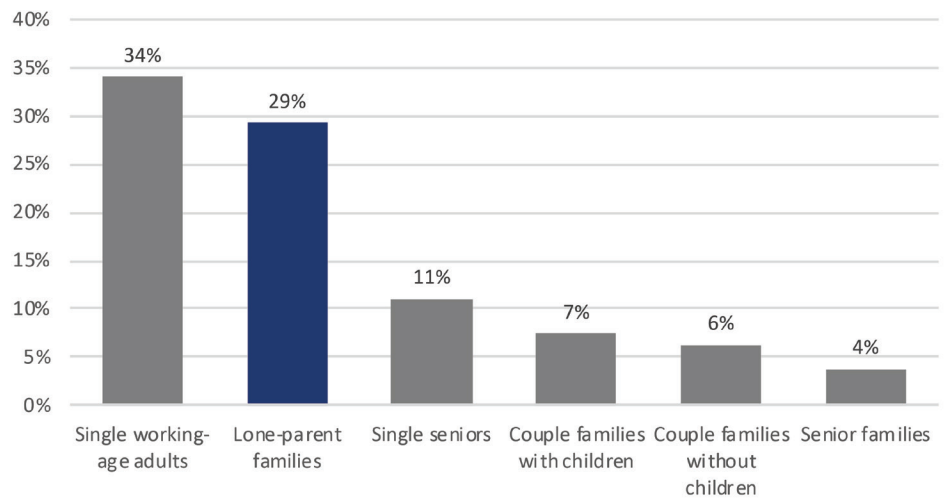
With the launch of the first national poverty reduction strategy this summer and an Ontario strategy due for renewal in 2019, this brief takes a closer look at the trends in lone-parent poverty, the possible drivers, and what poverty reduction strategies could do to help.

How does poverty among lone-parent families compare?

People in lone-parent families have one of the highest poverty rates in Canada. The poverty rate for lone-parent families in 2016 was more than double the Canadian average – almost 30 per cent of people in lone-parent families were in poverty compared to an average of 11 per cent for the Canadian population.

In a way, it is not surprising that lone parents have a high poverty rate. By definition they are more vulnerable to poverty – they are the only family type where there is only one potential earner with at least one child to support. So the income of that single adult has to stretch further than in other families. Having just one potential earner in a family with children makes a big difference – the poverty rate for lone-parent families is four times higher than the rate for couples with children.

2016 poverty rate by family type

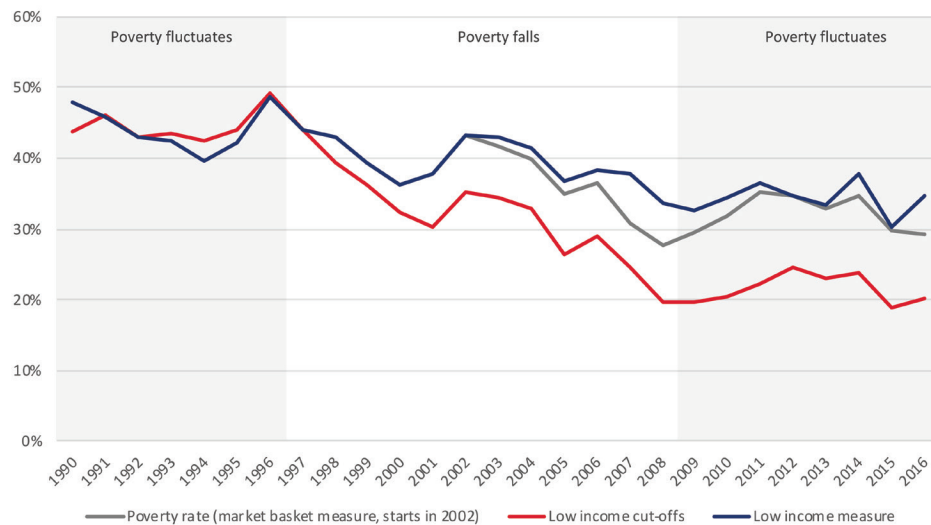


But this doesn't mean that child poverty is a lone-parent issue. Most children grow up in two-parent households and this remains true among children in poverty. Even though children are much more likely to experience poverty if they grow up in a lone-parent family, lone-parent families are much less common, and so they represent a minority (around 40 per cent) of the total number of children in poverty.

How has lone-parent poverty changed over time?

Even though lone parents have one of the highest poverty rates in Canada, it is much lower than it was in the early 1990s, when it fluctuated between 40 and 50 per cent. After 1996, lone-parent poverty rates began to decline and this downward trend continued reasonably consistently until the 2010s when progress stalled. So what caused poverty to fall, and why did it stop?

Lone-parent poverty rates since 1990s



Source: Statistics Canada. Table 11-10-0136-01 Low income statistics by economic family type

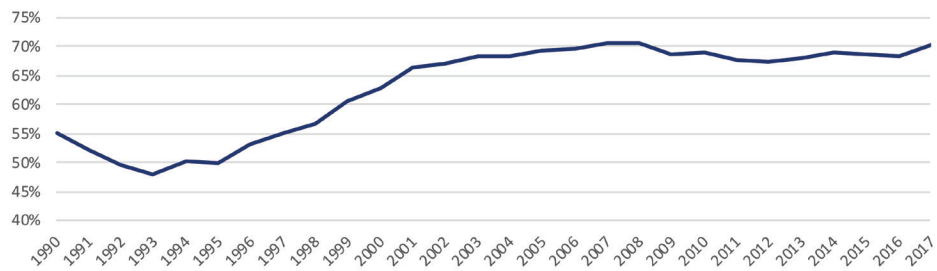
What caused lone-parent poverty to fall in the past?

At the same time as lone-parent poverty began to fall, the employment rate of lone parents began to increase. Starting in the mid-1990s, employment among lone mothers¹ rose sharply, and it continued to rise (at a slower rate) until the mid-2000s. Overall their employment rate rose for 12 consecutive years, but after 2007, coinciding with the global economic downturn, it plateaued and remains at the same level today.

Employment is crucial for most families to avoid poverty. Income security benefits such as social assistance, Employment Insurance, and child benefits provide an important boost to household income, but alone they are not sufficient to lift a family above the poverty line. The increase in employment among lone mothers in the 1990s was a prerequisite for poverty reduction.

¹ We use the statistics just for mothers here because they are more readily available. The vast majority of children in lone-parent families (80 per cent) live with their mothers.

Lone-mother employment rate



Source: Statistics Canada. Table 14-10-0120-01 Labour force characteristics by family age composition, annual

There have also been improvements in the employment earnings of lone-parent families, particularly in the mid-2000s.² So not only did the number of lone parents in work increase, but the earnings of those in work also increased. Both of these trends helped to reduce poverty among lone-parent households.

More recently, lone parents experienced an increase in their income from federal child benefits, which were boosted in both 2015 (with the now-defunct Universal Child Care Benefit) and 2016 (as the Canada Child Benefit was introduced). This has not yet had a clear impact on the official lone-parent poverty rate, in part because of time lags in data. Despite the increase, social security incomes remain substantially below the poverty line. While increasing child benefits will not lift non-working lone-parent families over the poverty line, it will reduce the depth of poverty they experience. For those in work, the increase will have helped them manage rising prices in the face of stagnating earnings.

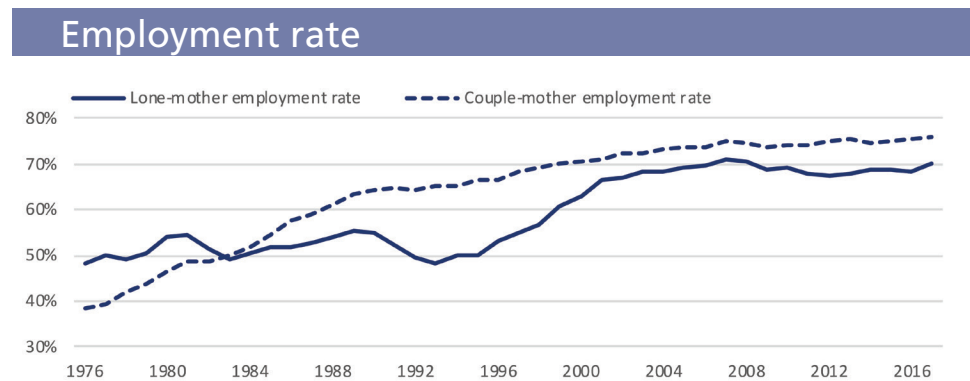
How does lone-parent employment compare to parents in couples?

Overall, mothers tend to have a lower employment rate than women without dependent children and men. Traditional gender roles in parenting continue to be influential with mothers taking longer periods of parental leave than fathers and then, when returning to work, being more restricted to jobs that match the availability of child care and the costs involved.

² The median income from earnings among lone-parent families increased from around \$30,000 to \$35,000 during the mid-2000s (in 2016 prices). Source: Statistics Canada. Table 11-10-0191-01 Income statistics by economic family type and income source.

For lone mothers these barriers to work are even greater. While working couples only need child care for the hours *both* parents are working, a lone parent needs child care every hour they work, and this reduces the financial benefit they see from that work. On top of that, they need to be able to drop off and collect their child from child care and take sole responsibility for implementing daily routines at home such as meals, homework, chores, and bedtimes. These barriers are evident in the employment rate gap — even when the employment rate of lone mothers reached its high of 71 per cent in 2008, it was still lower than the rate for mothers in couples, which was at 75 percent.

But this has not always been the case. Before the mid-1980s, lone mothers had a higher employment rate than mothers in couples. While mothers in couples saw a steady rise in their employment rate in the 30 years to 2007, lone parent employment was less consistent. The sharp increase in employment among lone mothers in the late 1990s helped to close the gap with mothers in couples. But after the global economic downturn, the employment rate of lone mothers declined compared to that of mothers in couples, and the gap between these groups has expanded once again.



Source: Statistics Canada. Table 14-10-0120-01 Labour force characteristics by family age composition, annual

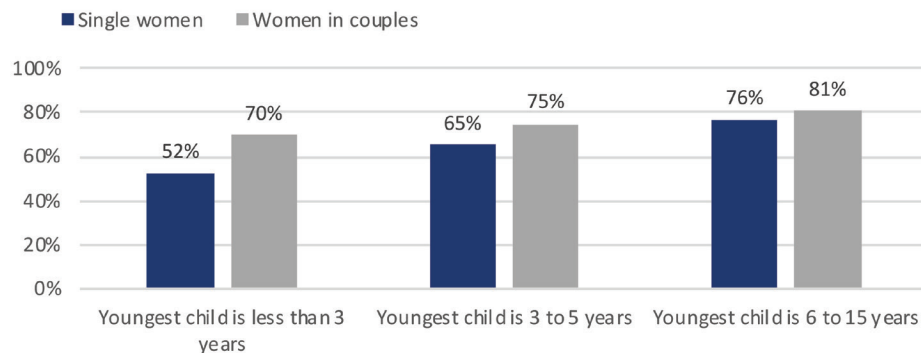
How does lone-parent employment change as children get older?

When children begin full-time education, the financial trade-off between paying for child care and being in work is reduced. So it is unsurprising that as children get older, the employment rate among mothers rises.

Regardless of the age of children, lone mothers have a slightly lower employment rate than those in couples, but the size of this gap changes. It is most pronounced when children are youngest. According to the latest data, the employment rate of lone mothers with a child aged under 3 (52 per cent) was 18 percentage points lower than mothers in couples. When their youngest child is aged 6+, this gap narrows to 5 percentage points.

This highlights that mothers, particularly lone mothers, face barriers to work when their children are young as provincial provision of affordable child care tends not to begin in these earlier years.

Employment rate of mothers in 2017



Source: Statistics Canada. Table 14-10-0120-01 Labour force characteristics by family age composition, annual

What other employment barriers do lone parents face?

Merely having a job does not always lift a family over the poverty line, particularly in a lone-parent household. For employment to lift a lone-parent family out of poverty, the hours and pay need to be high enough to meet the needs of all family members, including any child care expenses.

The data shows that not only do working lone parents earn less than dual earner households, they also earn less than just the mother in those households, even when they work the same amount of hours. A Statistics Canada paper³ shows that in 2014 working lone mothers worked on average 34.8 hours per week, slightly above mothers in dual earning households, but their average hourly wage was \$3 lower (at \$23.14 compared to \$26.10). Overall, working lone parents earned on average \$90 less per week than mothers in dual earning couples, despite no difference in the number of hours worked.

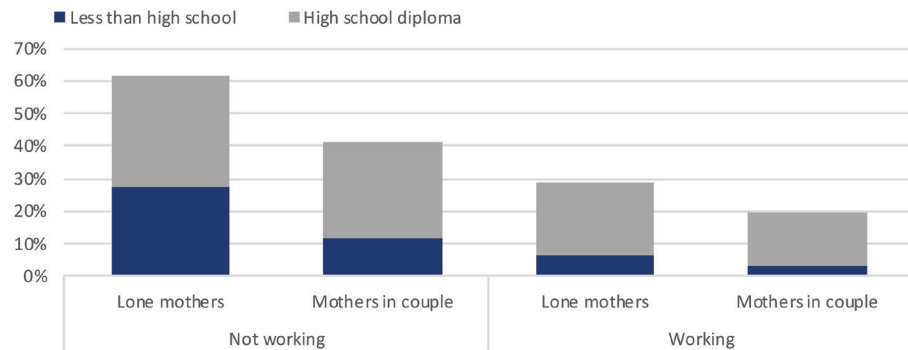
This wage gap could be linked to the fact that lone mothers are more likely than mothers in dual earning couples to work in the lower-paid services and sales sectors and less likely to be working in management, business and finance, or the public sector.⁴ It's not clear to what degree lone mothers have a preference for services and sales sector jobs or fewer opportunities to work elsewhere. On the one hand, these jobs could offer more favourable hours and flexibility. On the other, these sectors could be more likely to recruit women after a period of being out of the labour force.

Lone mothers tend to have lower qualification levels than mothers in couples. This is particularly true for non-working lone mothers – 62 per cent of whom lack post-school qualifications. When mothers have fewer qualifications they have fewer employment opportunities and are less able to find a suitable job with enough hours and pay to make them materially better off, especially in the face of child care costs.

3 Uppal, Sharanjit. 2015. "Employment patterns of families with children." Insights on Canadian Society. June. Statistics Canada Catalogue no. 75-006-X.

4 Ibid.

Employment rate of mothers in 2014



Source: Uppal, Sharanjit. 2015. "Employment patterns of families with children." Insights on Canadian Society. June. Statistics Canada Catalogue no. 75-006-X

What does this mean for policy?

Lone parents have among the highest poverty rates in Canada. In a way this is not surprising – they are the only family type where there is only one potential earner with at least themselves and a dependent child to support. But alongside needing their earnings to stretch further, lone parents face extra barriers to getting a job in the first place. They need to find employment that suits the availability and costs of child care, they often have lower qualification levels, and they are likely to be returning to work after a period out of the labour market. Those lone mothers who manage to find employment tend to be lower paid than mothers in dual earning couples despite working the same amount of hours. Policy should seek to address these systemic barriers.

To be successful, poverty reduction strategies need to include policies that reduce these barriers for lone parents. Even though lone-parent households make up a small share of all those in poverty, they represent a group that faces multiple barriers. And these barriers are likely to be something that the majority of families in poverty have in common (a lack of employment, low qualifications, low pay, among others). Poverty reduction strategies that recognize equity issues acknowledge that certain groups, such as lone parents, face more and distinct barriers. Understanding this can help us design policies that serve not just the “typical” person, but everyone, including those most in need.

Affordable child care supports parental employment and can reduce child poverty. But to what extent is the existing provision able to serve those who need it most? If affordable child care is only available Monday to Friday, 8 a.m. to 6 p.m., does this exclude parents whose only job opportunities are in shift work? If it requires substantial deposits upfront, how can low-income parents absorb that initial cost? If it has a waiting list, does this prevent lone parents from taking up work in the short term?

The solution to these problems is not solely to increase the supply of affordable child care placements. It can also be helped by alleviating demand by, for example, designing the Canada Workers Benefit to help people entering work absorb the costs of child care and transit, or incentivizing employers to accommodate the child care responsibilities of lone parents.

Policy options

Employment Insurance

The Employment Insurance system can be a very important lever to reduce and prevent poverty, particularly for lone parents who cannot rely on a second income source when they are out of work or unable to work. But lone parents are less likely to qualify for EI parental benefits, and because they are prorated to earnings, lower-income parents receive less than people with higher incomes.

There are a number of ways that the EI system could be improved to better serve lone parents at risk of poverty. One way is to make it easier to qualify: for example, Quebec's parental insurance system is based on a relatively low earnings threshold rather than number of hours, making it easier to qualify especially for people in less traditional work arrangements.⁵ Other options include boosting the family supplement (which provides extra support to new parents with low incomes⁶) or to

5 In Quebec a parent working at minimum wage would qualify for parental benefits after approximately 186 hours of work, compared to 600 hours in the rest of Canada (Source: Robson, Jennifer. 2017. *Parental Benefits in Canada: Which Way Forward?* IRPP Study 63. Montreal: Institute for Research on Public Policy.)

6 The Family Supplement increases the benefit rate to a maximum of 80% of insurable earnings for families with a net income below \$25,921 (compared to the standard rate of 55%).

reduce the claw-back rate for parents who are able to take on some part-time work to supplement their incomes while on leave.

Affordable/subsidized child care

Access to affordable child care is crucial to give lower income lone parents the opportunity to take on employment. Provincial governments, with the help of federal dollars, provide child care subsidies to allow parents to access child care at a reduced price they could not otherwise afford. For example, in Ontario, licensed child care places are subsidized on a cost-g geared-to-income basis.

But parents cannot access affordable child care spaces at short notice. The overall supply of placements is finite and, like rent-g geared-to-income housing, families have to place their names on waiting lists to access it. This restricts the ability of lone parents to take on employment because many jobs would only be viable if an affordable child care placement is available. In addition, the opening hours of most child care centres cater to standard employment patterns and may not be suitable for parents in non-standard employment such as shift work.

Given the high poverty rate among lone parents, more affordable child care spaces are needed to enable lone parents to look for and take on employment. Along with a greater supply of affordable child care spaces, the spaces available should be better able to accommodate those most in need by being accessible at short notice and available outside standard working hours.

Child care expense deduction

Another way that parents are helped with the cost of child care is through the Child Care Expense Deduction (CCED). While affordable child care spaces are constrained by supply, the CCED is available to anyone with eligible child care expenses. It allows families to reduce their tax liability by deducting child care costs from their taxable income, so families facing child care costs can claim a tax reduction the year after the initial child care expense.

Given that many lower-income families miss out on subsidized child care

due to the lack of supply, CCED has the potential to fill that gap. But its existing design means that higher earning parents see the biggest reductions and lower earning families see little to no tax relief.

Changes to the design of the CCED could improve the program for lone parents. Such changes include removing the rule that limits the size of the deduction based on parental income, tying the overall cap to the average child care costs locally to better reflect real costs,⁷ and/or changing the CCED into a refundable tax credit so parents can claim it regardless of their tax liability. They would make it better targeted to support lower-income families who cannot access subsidized child care. Advance payment options could also help low-income families who otherwise need to wait until taxes are filed the following year to get relief.

Canada Workers Benefit

The Canada Workers Benefit (CWB), previously called the Working Income Tax Benefit (WITB), boosts the incomes of working people with low earnings and can be claimed regardless of how much they pay in income tax. In its current form the CWB is a rare example of a benefit that effectively targets single people without children. (In the 2015 tax year, 75 per cent of WITB recipients did not have children). While the CWB is simple and effective in its current form, it could also present an opportunity to channel public funds intended to help with child care costs towards low earning parents by, for example, making the benefit more generous to low-earning parents with young children. But, like the CCED, individuals do not receive the CWB until the following tax year and not at the point of paying for child care which is when lower income parents need it most.

Employment standards

Rules around minimum wages, equal pay, and leave allowances, among others, determine how financially viable it is for lone parents to return to and remain in work while caring for their child. But employment standards belong to the individual rather than a couple, so if employees are legally allowed to take five days off a year to care for a sick dependent, this actually gives couple parents a total of 10 days, while a single parent can only take up to five.

⁷ Rather than an absolute cap of \$8,000 for children under 6 and \$5,000 for children aged 7–16.

Provinces could consider how the employment standards that support parents could be made more equitable by, for example, expanding the types of jobs that are entitled to family leave or by making emergency family leave something that can be split between parents.

In April 2018, Ontario became the first jurisdiction in Canada to mandate equal pay for equal work between casual, part-time, temporary, and seasonal workers, and full-time or permanent workers. Given that lone parents in particular are more likely to work part time to balance out their child care, such legislation can ensure that they are not at a pay disadvantage.

Social assistance

Social assistance provides minimal income to those with no job or other means of supporting themselves. Lone parents who lack financial resources and are unable to find employment that matches their skills, child care needs and expenses, rely on social assistance as crucial last resort support. The nature of social assistance programs varies by province and territory, but across Canada the amount of income that a lone parent can receive through government transfers (including child benefits) remains substantially below the poverty line. Making overall levels of social assistance more generous would reduce the depth of poverty among lone parents with young children who face very limited opportunities for employment.

Getting the right policy mix

These options are just examples of how public policy can improve the prospects for lone parents and alleviate their high poverty rates. But before pulling any of these individual policy levers, it is important to consider how each of these interact with one another. Poverty reduction strategies provide us with the opportunity to look at how the policies aiming to reduce poverty work together, where they fall short, and how the system can work better as a whole. A robust poverty reduction strategy both recognizes the distinct barriers those in greatest need face and identifies the kinds of policy responses that can tackle them.

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77 Bloor Street West, Suite 1600
Toronto, ON M5S 1M2
CANADA

+1-416-944-2627
policy@maytree.com
www.maytee.com
[@maytree_canada](https://twitter.com/maytree_canada)