

THE LEVEL OF FINANCIAL ASSISTANCE TO FAMILIES WITH DEPENDENT CHILDREN: A COMPARATIVE ANALYSIS

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Abstract

In 1992, a comparison study using a model-family methodology found New Zealand to be one of the least generous countries in the OECD in terms of offsetting the additional costs of children. Targeting meant that low-income families did comparatively better, but were still below the OECD average. Since the time of that study, the level of the Family Support Tax Credit has been increased and an in-work benefit, Child Tax Credit, has been introduced. However, other countries, notably the United States, Australia and the United Kingdom, have also increased their level of family assistance, linked to explicit statements on the removal of child poverty. This paper updates the earlier study to July 2001, covering 18 OECD countries, based on eight income levels and nine family types (single and two-parent families, with one to three children of differing ages). New Zealand is still seen as a laggard in this analysis, even on low incomes, after taking account of universal and targeted child assistance, child tax credits, and the additional expenditures that result from dependent children for health and dental care, education, housing and childcare compared to singles and couples without children. This lack of financial assistance is seen as a major factor contributing to the high level of poverty among families with dependent children and to poor child outcomes.

INTRODUCTION

There has been increasing concern at the paucity of outcomes for children in New Zealand. Attention has been drawn to the high and rising levels of income poverty among families with dependent children (Stephens et al. 1995, Waldegrave et al. 1996, MSD 2001, Waldegrave and Stephens 2003), with confirming evidence that this income poverty has impacted on adverse living standards for children (MSD 2002). Other studies indicate the degree of correlation between child income poverty (and low living standards) and child health outcomes

¹ The author was the New Zealand informant on this comparative study, undertaken for the United Kingdom Department of Pensions and Work by Jonathan Bradshaw and Naomi Finch, University of York, United Kingdom.

(Asher et al. 2002), educational attainment (Wylie et al. 2001), teenage pregnancy and behavioural problems (Fergusson 1998), employment levels (Smithies and Stephens 1999), with concerns over the development of intergenerational cycles of disadvantage (Fergusson 1998, Chapple and Yeabsley 1997).

There are significant debates in the international and New Zealand literature on the extent to which income *per se* is a cause of poor outcomes for children, as opposed to factors such as mothers' educational attainment, ethnicity, age, neighbourhood characteristics, etc. Mayer (1997, 2002), for example, argues that when the relevant family background variables are controlled for, parental income has a small to modest impact on most child outcomes. On the other hand, Brooks-Gunn and Duncan (1997) and Yeung et al. (2002) claim a much larger parental income effect, especially when the inter-related nature of all the family background variables and outcomes are considered. The cumulative impact at low-income is much larger than at higher-income levels. Mayer (2002) concedes that the relationship between income and outcome is probably non-linear, an issue supported from the literature reviews by Boggess et al. (1999) and Smithies and Stephens (1999). These studies agree that the persistence, duration and severity of low income have a strong adverse impact on child outcomes.

Not all children brought up in low-income households suffer from the afflictions of poverty, due to the presence of asset holdings, parenting skills, individual and family resilience to stress factors, and good fortune. Equally, increasing incomes in lower decile households is not a magic wand to offset the detrimental impacts on child development from material hardship, as the effects of family background or lack of social capital within a community have not been overcome. The long-term solution to adverse child outcomes requires a combination of financial resources and an integrated and co-ordinated package of social services and income maintenance in-kind, in the form of education, housing and health care, tagged to the source of the adverse outcome (Davies et al. 2002, Yeung et al. 2002, Jacobsen et al. 2002).

Given this concern for child outcomes, and the central role that income has in affecting outcomes, the logical question is whether New Zealand is allocating sufficient resources to families with dependent children. This study concentrates on one aspect of the input/outcome nexus, namely outputs, as measured by the relative generosity of cash and in-kind assistance paid through government fiscal operations to offset the additional costs of children. The strengths and weaknesses of alternative methodologies that could be used to resolve the absolute and relative spending on families with dependent children are discussed in the next section. The following sections draw on the published study by Bradshaw and Finch (2002),

based on 2001 data, comparing family assistance across 22 OECD countries.² The methodology is similar to a 1992 study on the same topic, covering 18 countries (Bradshaw et al. 1993, Stephens and Bradshaw 1995). The third section considers the assumptions underpinning the model family approach to comparing outputs, as determined by the relative generosity of financial assistance to families between OECD countries. The fourth section considers the different way that countries package their assistance, with various combinations of universal and targeted assistance and different combinations of cash assistance, tax rebates or in-kind assistance. The final section provides a summary measure of the degree to which countries offset the additional cost of children, as well as an overall ranking for the countries.

INPUTS, ENTITLEMENTS RULES AND OUTPUTS

The adequacy of expenditures on children can be ascertained by comparing financial inputs, the level of output, or outcome effects. As Hill and Bramley's (1980) production of welfare model indicates, there is unlikely to be a direct relationship between financial input assistance and child outcomes. Not only do people "get in the way", with their behaviour offsetting or reinforcing the intention of public spending and policy initiatives, but also the rules or criteria of entitlement are important. These rules influence who is receiving the assistance and the level of take-up of that assistance. Variations in the level of need for assistance indicate how greater government expenditures on families with dependent children may not affect child outcomes. For instance, child tax rebate expenditures that mainly go to upper income families are unlikely to impact on poverty rates, while increasing unemployment among parents will lead to greater fiscal commitments and child poverty rates are likely to worsen.

Inputs

Table 1 shows trends in direct input expenditures going to families with dependent children since 1986. The family benefit was a universal payment of \$6 per week per child, and was abolished in the 1991 benefit cuts. Family support was introduced in October 1986, and is a refundable tax credit paid to beneficiaries and low-income workers with dependent children. The per-child value of the family benefit was included in family support after 1991, a larger amount is paid for the first child than subsequent children, and older children receive a larger amount. The tax credit is abated against parental income (currently at 18% over \$20,000 per annum and 30% above \$27,000). The child tax credit was introduced in October

² From the original set of countries, Japan, Israel, Greece and Portugal have been eliminated, partly due to space and partly because of data limitations in those countries. With the exception of Israel, all of these excluded countries were included, along with New Zealand, in the "laggards" category.

1996, and is an in-work, refundable tax credit of \$15 per week per child, using the same abatement parameters as family support.³

Table 1 Trends in Nominal and Real Family Assistance Expenditure, 1987–2002 (\$m)

| Year to June | Family Benefit | Family Support | Child Tax Credit | Total Expenditure | Real (1994) Expenditure | Expenditure as % GDP | % Social Spending |
|--------------|----------------|----------------|------------------|-------------------|-------------------------|----------------------|-------------------|
| 1987 | 273.2 | 186.9 | n/a | 460.1 | 601.4 | 0.84 | 7.1 |
| 1988 | 290.6 | 403.4 | n/a | 694.0 | 832.1 | 1.13 | 9.0 |
| 1989 | 258.4 | 439.3 | n/a | 697.7 | 804.7 | 1.05 | 7.7 |
| 1990 | 284.4 | 465.0 | n/a | 749.4 | 807.5 | 1.06 | 7.3 |
| 1991 | 223.0 | 472.0 | n/a | 695.0 | 716.5 | 0.96 | 6.3 |
| 1992 | n/a | 618.0 | n/a | 618.0 | 631.9 | 0.86 | 5.9 |
| 1993 | n/a | 577.3 | n/a | 577.3 | 584.9 | 0.77 | 4.8 |
| 1994 | n/a | 609.4 | n/a | 609.4 | 609.4 | 0.75 | 5.3 |
| 1995 | n/a | 700.1 | n/a | 700.1 | 673.2 | 0.81 | 6.0 |
| 1996 | n/a | 748.3 | n/a | 748.3 | 703.9 | 0.82 | 6.2 |
| 1997 | n/a | 785.2 | 40.5 | 825.7 | 763.1 | 0.86 | 6.5 |
| 1998 | n/a | 881.0 | 121.4 | 1,002.4 | 914.6 | 1.02 | 7.6 |
| 1999 | n/a | 914.7 | 161.9 | 1,076.3 | 983.0 | 1.09 | 8.3 |
| 2000 | n/a | 909.6 | 173.8 | 1,083.4 | 974.9 | 1.03 | 8.2 |
| 2001 | n/a | 871.0 | 178.5 | 1,056.5 | 922.1 | 0.95 | 7.5 |
| 2002 | n/a | 899.0 | 207.0 | 1,106.0 | 940.9 | 0.94 | 7.5 |

Source: Nolan 2002.

Total direct spending to offset the cost of children has fluctuated around 1% of GDP, and ranged between 5% and 9% of social spending. The increase in spending on direct family assistance following the introduction of family support is exaggerated, as the prior child tax expenditures were never costed. The real value of spending fell through to the mid-1990s, mainly due to a failure to index family assistance for inflation. Partial inflation-adjustment occurred in 1996, and again in 1998, along with higher payments for older children, increasing relative expenditure. The lack of indexation, of both the cash payment and the threshold at which assistance begins to abate, is apparent.⁴

There are several reasons for the lack of direct relationship between the total level of fiscal expenditure and child outcomes.

³ In addition to the three programmes listed, there are two small items – the family tax credit (formerly guaranteed minimum family income, available to low-income workers with dependent children in full-time employment) included with family support (worth \$17.3m in 2001), and the parental tax credit, starting October 1999, (worth \$17.2m in 2001) available for eight weeks for working parents with a newborn child.

⁴ The current government has indicated that the level of child tax assistance will be increased in the 2005 Budget, provided fiscal surpluses remain.

- Many adverse child outcomes occur over the longer period, with the level of income being only one causal variable of poor child outcomes.
- Government financial input is only one aspect of assistance to families with dependent children. As well as the obvious education and health care expenditures, one can add the time costs that parents spend on their children, with both Ironmonger (2003) and Folbre (2003) arguing that these time costs are more significant than fiscal costs. They argue that the length and quality of parental time spent with children is a major determinant of educational attainment and positive child behaviours.
- There will be variations in the level of need. This could just relate to demographic impacts, ranging from the effects of fluctuations in birth rates,⁵ through to increasing numbers of children being raised in sole-parent families where child outcomes tend to be poorer on average, or to variations in economic conditions. This latter point is particularly important when there is a high degree of targeting, as recessions increase the number of children in low-income households eligible for assistance while reducing GDP.
- On an internationally comparative basis, countries not only structure their child assistance packages in different ways, but these packages are also often fiscally difficult to compare as most countries do not have separate tax expenditure budgets for measuring the size of child tax rebates. For instance, in the United States the in-work benefit for low-income families, the Earned Income Tax Credit, costs US\$35.4 billion, or 0.3% of GDP, while the child tax rebate, which largely goes to upper income groups, is worth US\$27.1 billion. Neither appears as an item of fiscal expenditure, but is hidden in the Budget as a reduction in tax take.
- Variations in entitlement rules and take-up rates of different child assistance packages will also affect outcomes. If the impact of expenditure on children is non-linear, with far larger effects of income on child outcomes at low income levels than at high income levels, then the distributional effects of public spending on children have to be incorporated (Mayer 2002, Yeung et al. 2002).

Entitlement Rules

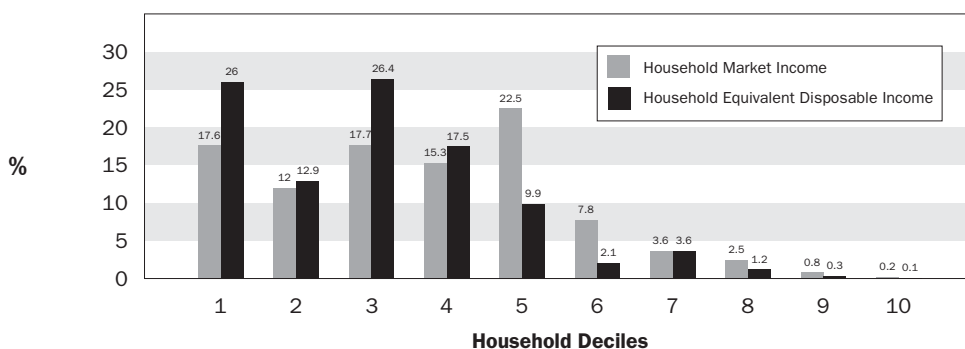
Child expenditures in New Zealand are targeted to low-income households, with objectives of vertical equity and poverty relief rather than horizontal equity designed to offset the

⁵ A blip in birth numbers around 1990 means that there is a larger proportion of children in their early teens than current fertility trends would indicate.

additional cost of children for all families. The in-work benefit, the child tax credit, has a further objective of encouraging work by increasing the net income margin between receipt of benefit and earnings from work. It is contended that the work incentive effect will be small as the \$15 per week per child is unlikely to exceed the costs of work.

Figure 1 shows the high degree of targeting of family assistance. On the basis of household market income, the bottom three deciles receive about 45% of family assistance payments, and 85% goes to the bottom five deciles (Nolan 2002). The bottom three deciles are almost exclusively beneficiaries (with a preponderance of superannuitants in decile 2), while deciles 4 and 5 comprise low-earning households. The small amounts going to higher-income households reflect either large families or changing work force or marital status. When market income is adjusted for household size and composition as well as personal income tax and transfer payments, the equivalent disposable income figures demonstrate even tighter targeting, with 65% going to the bottom three deciles and 95% to the bottom five deciles (Nolan 2002).

Figure 1 Incidence of Family Assistance Tax Credits, by Deciles, 1997–98



Source: derived from Nolan (2002).

Take-up rates of assistance are also affected by entitlement rules. No detailed study of take-up rates of family assistance have been undertaken in New Zealand, and rough estimates have been as varied as 30% to 70% (Stephens 1999). Overseas research shows that take-up rates fall with the degree of targeting; the complexity of the application process, including the frequency of application; the level of expected payout; the degree of knowledge of the system; the possibility of overpayment and rules relating to repayment; and whether the applicant is already in receipt of other benefits (Craig 1991). These factors, and casual

⁶ St John (2001) argues that eligibility for the child tax credit is extremely complex, especially for those whose workforce and family status are constantly changing.

empiricism, suggest that take-up rates of family support will be very high for beneficiaries, as the payment is an automatic add-on to existing benefits. However, take-up rates for low-income employees may be poor, especially as employers do not want the compliance costs of making applications (Sandford and Hasseldine 1992). In addition, the removal of the annual requirement for filing tax returns will probably reduce the number who claim family assistance at the end-of-the-year tax wash-up.⁶ As a consequence, the poverty relief and vertical equity objectives will be compromised, and the labour market incentive effects smaller as the lack of inclusion of family assistance in wage packets means that the benefit replacement rate is higher.

Outputs

The main output of the family financial assistance package is its relative generosity. This can be measured in two ways: first, how the generosity has altered through time; and second, how the level of assistance compares with other countries. The remainder of the paper considers the second approach, so attention is focused on the former issue here.

When the universal family benefit was first introduced in 1946 its generosity was noted, with the per child payment being about 8% of average earnings. As Beaglehole (1993) stated, "a woman with two children received the equivalent of at least a full day's pay for a labourer". The sporadic and incomplete indexation of the family benefit meant that its real value per child declined to about 3% of average earnings in 1983 and less than 1% in 1991, when it was abolished.⁷

At the time of its introduction in 1986, the level of family support was seen as being insufficient for its three major functions: compensating low-income families with dependent children for the additional burden the introduction of net GST had relative to the average burden;⁸ offsetting the emerging poverty among low-wage-earner households; and providing positive labour market incentive effects. As CPAG (2001) have demonstrated, this fiscal rectitude has continued, with a lack of inflation adjustment to either the level of assistance or the level of earnings at which that assistance starts to abate. Although some adjustments to the thresholds were made in 1994, the real value of that threshold has fallen by some 30% since 1986. And while the nominal value of the family support rates was adjusted in 1994 and 1998, the real value for a one-child family has fallen by 35% and for a three-child family by

⁷ The total decline in real value of child assistance was even greater, as a tax rebate for children was merged with the family benefit in 1972, and a low-income child rebate was incorporated into family support in 1986.

⁸ Scott et al. (1985) indicate that the expected average burden for net GST was 5.7% of household disposable income, but that low-income families faced a burden of up to 9.3%. Only the average burden was compensated for through adjustment to the basic benefit level, and low-wage earners only received a small cut in personal income tax rates (Stephens 2001).

21% compared to 1986 (CPAG 2001). For those in the workforce, the decline in the real value of assistance is a function of both family size and type and income level, with the child tax credit offsetting some of the decline in assistance. For instance, for a one-child family on 0.75 of average earnings, the purchasing power of family assistance has fallen by 36% since 1986, and for a three-child family on average earnings the impact is 31% (CPAG 2001).

Direct financial assistance is not the only form of help that governments provide to families with dependent children. The presence of children in a family can lead to extra expenditure on most goods and services, with more money being spent on food, clothing, health care, education and housing, for example. Governments will often introduce policies that offset or reduce this direct spending on commodities for children, as well as financial assistance. The total impact of all social policy spending is a better measure of a country's effort in regard to children than just the financial assistance.

MODEL FAMILY METHODOLOGY

The objective of the study is to make international comparisons of the degree of horizontal redistribution that countries make to families with dependent children. The aim is to measure the extent to which the state offsets the additional costs that children place on the household budget. The approach compares the additional real disposable income that families with children receive compared to those without children. It is recognised that countries may have different objectives in offsetting the additional costs of child-rearing: for instance, policy in New Zealand is primarily concerned with poverty relief, with vertical redistribution and targeting dominating the package, whereas France has a more pro-natalist objective and the United States gives greater emphasis to work incentives via its stress on the in-work benefit, EITC.

The model family approach provides comparative, evidence-based data on the comparability of a pre-determined package of taxes, benefits and social policies applying to all countries in the study. The approach places attention on comparability rather than representativeness, although this latter limitation is largely overcome by the use of a wide range of model family types and income levels. The methodology also provides a description of how the system is designed to work, rather than how it actually works; for example, it assumes that families rent rather than have mortgages as well as 100% take-up of assistance.

The assumptions made for the study are as follows.

1. Family types: sole-parent and two-parent families are included in the study, with the lone parent having one or two children while couples have one, two or three children. The ages of children vary, ranging from under three years, in order to assess the costs of

pre-school care (and the value of government assistance to offset that cost), to seven years or primary school, and 14 and 17 years, both at secondary school. Single people and couples without children are included to provide the benchmark for comparing the value of the child package.

2. Employment status and earnings levels: the value of the child benefit package often varies with income. Eight income levels were chosen, with earnings (and expenditures) converted to UK£ using purchasing power parities (PPP) rather than exchange rates.⁹ There is a significant difference between these for New Zealand: in July 2001 the exchange rate was US\$1 = NZ\$2.46, whereas PPP was US\$1 = NZ\$1.48, a difference of 40%. Other countries with undervalued exchange rates include Australia, Italy and Spain, while Norway was overvalued.

The cases examined are:

- Case 1: one earner working 16 hours per week at the minimum wage;
 - Case 2: one earner, half national average male earnings;
 - Case 3: one earner, half national average female earnings;
 - Case 4: one earner, average male earnings of \$792 per week for July 2001;
 - Case 5: one earner, average female earnings of \$599 per week;
 - Case 6: two earners, average male earnings and half average female earnings;
 - Case 7: two earners, average male earnings and average female earnings; and
 - Case 8: no earners, receiving social assistance.
3. The Child Benefit Package: in addition to earnings, the components of the child benefit package were calculated on a per month basis and covered:
 - income tax payable: as per the tax schedule, except that tax credits for dependent children have been included here for some countries rather than as income-related child benefits;
 - employee social security contributions: this covered employee Accident Compensation Corporation payments of 1.3% of earnings in New Zealand;
 - local taxes: not applicable for renters in New Zealand;
 - universal and income-related child benefits: New Zealand's family support tax credit and the child tax credit have been included here rather than as a subtraction from tax paid;¹⁰

⁹ Purchasing power parities are more satisfactory for international comparisons than exchange rates as they take account of differences in the price of a comparable basket of goods and services in each country rather than depending on the competitiveness of tradeables plus capital flows that dominate exchange rate determination.

¹⁰ For comparability, income-related tax credits for dependent children in the United States, United Kingdom and Australia have also been included, whereas in the original study all tax credits were regarded as reductions from income tax paid.

- gross and net housing costs after housing assistance: market rent was assumed to be 20% of average (male plus female) earnings, with assistance in New Zealand based on the state house rule of income-related rents at 25% of gross income up to market rents; and
- net childcare costs for under-fives, based on full-time crèche costs in cases where the female was in full-time employment, of \$200 per week (OSCAR childcare subsidies of a maximum of \$69 per week and the childcare tax credit were allowed for, but no after-school costs for over-fives when appropriate).

The following points should be noted.

- In Case 1, the part-time working family on the minimum wage would still be eligible for income-abated social security benefits in New Zealand (and Australia), and this was included as a negative tax value.
- Schooling was considered to be free at point of usage, so only regular costs were to be considered. While, technically, school donations in New Zealand are voluntary, their widespread occurrence meant that they were incorporated into the analysis: \$100 per annum for primary schools and \$240 for secondary school pupils.
- The baseline assumption was that healthcare was free at point of demand, with inclusion of costs that families had to pay for a standard package of health care, covering a GP visit per annum with a standard prescription, twice-annual dental visits with a cavity filled, but no hospitalisation. Eligibility for the Community Services Card was factored into the analysis for low-income families, reducing prescription and GP services costs, while under-sixes received these free, and school-age children received free dental care.
- Child Support was not included for New Zealand, as receipt by the sole parent was not guaranteed by the state, and thus not paid irrespective of whether the non-resident parent had paid.

THE DEMOGRAPHIC AND LABOUR MARKET CONTEXT

Policies may be both influenced by and impact on the demographic and labour market context. The relationship between correlation and causality is hard to separate using inter-country comparisons, as, for instance, countries may try to encourage fertility by providing generous assistance to families with dependent children, but equally countries with high fertility may have either political pressures or greater recognition of the costs associated with children and thus offer more assistance.

The data in Table 2 indicate that New Zealand is an outlier in many demographic and labour market respects. Bar Luxembourg, New Zealand and Ireland are the smallest countries, and also have the highest proportion of children in the population. New Zealand and the United States have the highest net fertility rate (though still slightly below replacement rate) and

have by far the biggest proportion of families headed by a sole parent. In addition, both these countries have the highest incidence of teenage births. Both teen births and sole parenting are significant indicators of hardship and poor child attainments and outcomes (Brooks-Gunn and Duncan 1997). Stephens (2000) indicates that there is an ethnic bias to these results, with Māori and Pacific peoples in New Zealand and African-Americans and Hispanics in the United States having a far higher incidence of sole parenting and teen births than the predominant European population, but the results for the European population are still well above the OECD average.

Table 2 The Demographic and Labour Market Context

| Country | % children < 16 | % sole parents (a) | % of married mothers who are working | % of sole mothers who are working | Female earnings % male | Total period fertility rate (b) | % Births out of marriage (c) | % Teen births (d) |
|--------------------|-----------------|--------------------|--------------------------------------|-----------------------------------|------------------------|---------------------------------|------------------------------|-------------------|
| Australia | 20 | 21 | 58 | 46 | 81 | 1.7 | 28.7 | 4.7 |
| Austria | 18 | 15 | 58 | 80 | 61 | 1.3 | 31.0 | 2.1 |
| Belgium | 19 | 12 | 65 | 59 | 82 | 1.5 | 12.6 | 2.6 |
| Canada | 20 | 17 | – | 51 | 72 | 1.5 | – | 5.7 |
| Denmark | 22 | 22 | – | 73 | 82 | 1.7 | 44.5 | 1.5 |
| Finland | 20 | 19 | 67 | 65 | 79 | 1.73 | 8.7 | 2.7 |
| France | 19 | 12 | 67 | 66 | 81 | 1.9 | 40.7 | 1.8 |
| Germany | 17 | 21 | 63 | 67 | 75 | 1.4 | 20.0 | 2.8 |
| Ireland | 23 | 14 | 42 | 53 | 66 | 1.9 | 31.8 | 5.8 |
| Italy | 16 | 10 | – | 65 | 85 | 1.2 | 9.0 | 2.1 |
| Luxembourg | 20 | 11 | 48 | 82 | 83 | 1.8 | 18.7 | 2.2 |
| Netherlands | 19 | 13 | 45 | 42 | 65 | 1.6 | 22.8 | 0.5 |
| New Zealand | 23 | 29 | 68 | 47 | 76 | 2.0 | 42.0 | 8.4 |
| Norway | 21 | 19 | 81 | 68 | 90 | 1.9 | 49.0 | 2.8 |
| Spain | 16 | 9 | – | 68 | 75 | 1.2 | 14.5 | 3.0 |
| Sweden | 20 | 18 | – | 68 | 78 | 1.5 | 55.3 | 1.4 |
| UK | 20 | 22 | 68 | 50 | 74 | 1.6 | 40.1 | 7.6 |
| USA | 21 | 29 | 68 | 68 | 73 | 2.1 | 33.0 | 12.3 |

(a) % of families with dependent children headed by sole parents

(b) mean number of births per female at end of reproductive life

(c) births outside marriage as % of total births

(d) births to teenagers as % of total births

Source: adapted from Bradshaw and Finch 2002.

The proportion of married mothers working in New Zealand is typical of the countries investigated, as is the ratio of female earnings to male earnings. Ireland and the Netherlands appear to be indicative of a male breadwinner model, with a low employment rate for married mothers and a low ratio of female:male earnings. Both these countries have a low share of sole mothers working, along with New Zealand and Australia. While the proportion of sole mothers working in New Zealand has risen from a low 27% in 1991, there is still a large difference in employment rates between married and sole mothers. This perhaps indicates

that child-rearing and nurturing rather than bread-winning are inherent in the operation of the welfare system.

THE STRUCTURE OF THE CHILD BENEFIT PACKAGE

Countries structure their child benefit packages in different ways. To concentrate attention on one aspect of the package (e.g. the level of a universal child benefit) may misrepresent the breadth and depth of that country's programme for children. Countries may have a deliberate strategy in regard to children, or the programme may have grown in an ad hoc fashion. The structure varies from case to case, and for each family type and income level. Several cases are presented here as representative of the larger portfolio.

A Large, Poor, Wage-Earning Family

The information in Table 3 relates to a large, poor family with three school-age children. The data are for a one-earner couple receiving half average male earnings,¹¹ and the values given in the table, in UK£ using PPP, represent the differences in tax paid, etc. between a childless couple and a couple with three children at this earnings level.¹² The majority of countries either provide some form of tax rebate for dependent children or an income-related child benefit, often paid out as a tax credit. Countries that provide neither of these two methods of assistance tend to have a generous universal child benefit. The combination of Family Support and Child Tax Credit in New Zealand is relatively generous, with only the United Kingdom and Italy providing higher levels of income-related assistance. The issue for New Zealand is that income-related benefits are the only source of assistance, and families are out-of-pocket over accommodation, schooling and health care, which are subsidised in many other countries.

¹¹ This is an unlikely scenario in New Zealand, as very few families receive the family tax credit.

¹² A potential danger of this approach is that one is potentially measuring the paucity of assistance to those without children. Even a modest level of assistance to children may then look relatively generous. This issue seems to explain some of the comparative generosity of the United States.

Table 3 Structure of the Child Benefit Package: CASE 2*, Differences in Income from a Childless Couple at this Earnings Level, UK£ per month, PPP

| Country | Income Tax | Income-related child benefit | Universal child benefit | Net rent | Net local tax | School costs | Health costs | Other | Net |
|--------------------|------------|------------------------------|-------------------------|------------|---------------|--------------|--------------|----------|------------|
| Australia | 0 | 300 | 0 | 123 | 0 | 167 | 0 | 57 | 654 |
| Austria | 0 | 20 | 376 | 121 | 0 | -7 | 2 | 110 | 672 |
| Belgium | 74 | 0 | 349 | 0 | -1 | -42 | -2 | 0 | 378 |
| Canada | 70 | 261 | 0 | 0 | 0 | 0 | -34 | 0 | 296 |
| Denmark | 0 | 0 | 165 | 144 | 0 | 0 | -1 | 0 | 309 |
| Finland | 0 | 0 | 129 | 103 | 0 | 130 | 0 | 162 | 524 |
| France | 5 | 136 | 222 | 150 | -10 | 34 | -2 | 0 | 535 |
| Germany | 33 | 261 | 0 | 180 | 0 | 0 | 0 | 0 | 475 |
| Ireland | 0 | 207 | 191 | -31 | 0 | -17 | -36 | 0 | 314 |
| Italy | 20 | 356 | 0 | 0 | 0 | -53 | 0 | 0 | 322 |
| Luxembourg | 0 | 0 | 498 | 0 | -8 | -63 | -8 | 193 | 612 |
| Netherlands | 21 | 0 | 173 | 26 | 0 | -66 | 0 | 0 | 154 |
| New Zealand | 0 | 332 | 0 | -23 | 0 | -21 | -3 | 0 | 286 |
| Norway | 0 | 0 | 176 | 70 | 0 | -20 | -2 | 0 | 224 |
| Spain | 0 | 61 | 0 | 0 | 0 | 0 | -19 | 0 | 42 |
| Sweden | 0 | 0 | 212 | 89 | 0 | 63 | 0 | 106 | 471 |
| UK | 0 | 421 | 157 | -6 | -21 | 0 | 4 | 0 | 554 |
| USA | 0 | 221 | 0 | 77 | 0 | 98 | 0 | 482 | 879 |

* Couple plus three children, one earner, half average male earnings

Source: adapted from Bradshaw and Finch 2002.

Eleven of the 18 countries have universal child benefits, and in Luxembourg, Austria and Belgium these are generous. Several countries, such as France, Ireland and the United Kingdom provide both universal and income-related benefits. Eight countries provide substantial offsets for accommodation costs for families with children, whereas in New Zealand (and Ireland) accommodation costs are higher. Although rents are income-related in New Zealand, the inclusion of family assistance payments for the first child in the income definition means that net rent is higher for couples with children than those without children. Except for a couple of countries, local taxes do not vary by family size, and health costs are generally small. School costs do vary considerably, with substantial assistance given mainly through free school meals, in Australia, Finland and the United States, but Luxembourg, Italy and the Netherlands have significant charges.

Only Spain, the Netherlands and Norway are less generous to these low-income wage-earning families than New Zealand (all four omitted countries would be here). The United States is surprisingly most generous, due to the comparison with a childless couple who receive comparatively little assistance, assisted by the Food Stamps programme (in "other"). Other generous countries are Australia, where families still receive abated social security benefits, Austria, Luxembourg and the United Kingdom.

An Average Family

Table 4 presents information for a couple with two children, only one earner, on male average earnings. At this income level, dependent child tax rebates become important in many countries, and in a few countries the income-related family assistance has not completely abated away – although it virtually has in New Zealand due to the lack of threshold indexation. Rent and local taxes are generally insignificant, but school costs represent a major burden in many countries, though free school meals still apply in Finland, France and Sweden. Health costs are generally small, but substantial in the Netherlands and United States, although in the United States, employer-provided health insurance would offset that cost.

Table 4 Structure of the Child Benefit Package: CASE 4*, Differences in Income from a Childless Couple at this Earnings Level, UK£ per month, PPP

| Country | Income Tax | Income-related child benefit | Universal child benefit | Net rent | School costs | Health costs | Net after tax and benefits | Net after all |
|--------------------|------------|------------------------------|-------------------------|----------|--------------|--------------|----------------------------|---------------|
| Australia | 0 | 106 | 0 | 0 | 0 | -16 | 106 | 90 |
| Austria | 0 | 0 | 238 | 0 | -3 | -1 | 238 | 234 |
| Belgium | 45 | 0 | 176 | 0 | -27 | -2 | 221 | 192 |
| Canada | 0 | 60 | 0 | 0 | 0 | -23 | 60 | 37 |
| Denmark | 0 | 0 | 110 | 23 | 0 | 0 | 110 | 133 |
| Finland | 0 | 0 | 129 | 0 | 87 | 0 | 129 | 216 |
| France | 38 | 28 | 72 | 0 | 16 | 2 | 138 | 144 |
| Germany | 189 | 0 | 0 | 0 | 0 | 0 | 189 | 189 |
| Ireland | 43 | 0 | 116 | -6 | -22 | -18 | 159 | 114 |
| Italy | 28 | 97 | 0 | 0 | -28 | 5 | 125 | 102 |
| Luxembourg | 101 | 0 | 269 | 0 | -46 | -5 | 370 | 313 |
| Netherlands | 10 | 0 | 108 | 0 | -80 | -57 | 118 | -19 |
| New Zealand | 0 | 6 | 0 | 0 | -12 | -4 | 6 | -10 |
| Norway | 0 | 0 | 117 | 0 | 0 | -1 | 117 | 116 |
| Spain | 46 | 0 | 0 | 0 | -5 | -13 | 46 | 28 |
| Sweden | 0 | 0 | 130 | 0 | 42 | 0 | 130 | 172 |
| UK | 0 | 43 | 112 | 0 | 0 | 0 | 155 | 134 |
| USA | 107 | 0 | 0 | 0 | 0 | -184 | 107 | -78 |

* Couple plus two children, one earner, average male earnings
Source: adapted from Bradshaw and Finch 2002.

Just considering direct taxes and benefits, the package is least generous in New Zealand, with Spain and Canada some distance behind. Luxembourg, Austria and Belgium are the most generous. A one-child family in New Zealand receives no assistance, but at this income level, a three-child family would still be eligible for substantial abated assistance of UK£135 per month. After housing and services, there is a negative sum for New Zealand, the Netherlands and the United States, while Finland joins the generous countries.

At higher income levels (Case 7, average male plus average female earnings), most families in most countries were beyond the scope of income-related child benefits. Child tax allowances are important in the United States, United Kingdom, Germany, France and Luxembourg, and these can be more generous at higher income levels. Eleven countries have a universal child benefit, though France's is only available to families with three or more children. School costs become more important, and the general level of assistance, especially after housing and services, is lower than in the Case 4 situation above (Bradshaw and Finch 2002: Table 9.2). New Zealand and Australia are the only two countries that give no cash or tax assistance at this income level, and after housing and services, these two countries plus Canada and Italy give negative assistance compared to childless couples.

A Sole Parent Needing Child Care

The results of Table 5 are shown for a sole parent on average earnings, needing full-time childcare for an under-three-year-old. Net childcare costs are shown in column 6, and in all countries (bar the Netherlands) these costs are substantial, and in many cases wipe out the value of any other assistance. The size of the negative value for all assistance in New Zealand is probably a major factor leading to the low participation rate of sole mothers in the workforce, and in general there is a reasonable degree of correlation between the overall generosity toward sole parents and their employment rates.

Although the value of the small childcare tax credit and the low-income earner childcare subsidy has been incorporated for New Zealand, that country still has high childcare costs. The costs of childcare are high partly because full-time crèche care has been used, and that is usually more expensive than local child-minders,¹³ and partly because the degree of subsidy is small.

In the Scandinavian and Germanic countries, the state has been willing to guarantee child support to the custodial parent, even if the non-custodial parent makes no contribution. This is in contrast to New Zealand and the United States, where the level of sole-parent benefit is reduced if the sole parent does not name the biological parent, and any payment from the non-custodial parent initially reduces the degree of state support. In some countries, sole parents are still eligible for state support even if they are in a couple relationship and the partner is not the biological parent of the child.

¹³ Using a crèche rather than local child-minding was done, partly because crèches are now the dominant form of childcare, and partly because child development is a major societal objective, with crèches generally superior for that objective.

Table 5 Structure of the Child Benefit Package: CASE 5*, Differences in Income from a Childless Couple at this Earnings Level, UK£ per month, PPP

| Country | Income Tax | Income-related child benefit | Universal child benefit | Net rent | Net child care costs | Health costs | Guaranteed child support | Net after all |
|--------------------|------------|------------------------------|-------------------------|----------|----------------------|--------------|--------------------------|---------------|
| Australia | 0 | 98 | 0 | 0 | -125 | 0 | 0 | -27 |
| Austria | 0 | 0 | 108 | 0 | -72 | 1 | 70 | 107 |
| Belgium | -18 | 0 | 50 | 0 | -136 | 0 | 0 | -105 |
| Canada | 3 | 91 | 0 | 0 | -324 | 0 | 0 | -230 |
| Denmark | -103 | 0 | 127 | 28 | -84 | 2 | 70 | 40 |
| Finland | 0 | 0 | 80 | 0 | -75 | 0 | 72 | 77 |
| France | 15 | 104 | 0 | 34 | -140 | 5 | 0 | 17 |
| Germany | 11 | 0 | 0 | 0 | -225 | 0 | 34 | -179 |
| Ireland | 0 | 0 | 58 | 0 | -375 | 0 | 0 | -316 |
| Italy | 8 | 38 | 0 | 0 | -186 | 5 | 0 | -135 |
| Luxembourg | 56 | 0 | 95 | 0 | -137 | 0 | 0 | 13 |
| Netherlands | 58 | 0 | 39 | 10 | 0 | 22 | 0 | 129 |
| New Zealand | 0 | 26 | 0 | 0 | -310 | 10 | 0 | -275 |
| Norway | 14 | 18 | 157 | 0 | -55 | 5 | 70 | 209 |
| Spain | 5 | 0 | 0 | 0 | -201 | 0 | 0 | -196 |
| Sweden | 0 | 0 | 65 | 0 | -100 | 6 | 80 | 51 |
| UK | 0 | 270 | 67 | 0 | -385 | 2 | 0 | -33 |
| USA | 0 | 68 | 0 | 0 | -160 | 0 | 0 | -92 |

* Sole parent plus one child, average female earnings

Source: adapted from Bradshaw and Finch 2002.

Social Assistance

Table 6 presents information for a couple with one child on social assistance, which for New Zealand was the Unemployment Benefit (or Community Wage). The information presented is for the difference between the social assistance paid to this family and a childless couple, rather than the total level of assistance. Most countries pay a larger amount of social assistance to families with dependent children than to a couple, with the New Zealand basic rate being slightly higher. Norway, Sweden and Italy pay less, however, and Australia and the Netherlands pay the same rate. Only New Zealand and Denmark levy taxes on social security benefits, but as benefits in both cases have been grossed up by the amount of the tax, there is no net impact.

Table 6 Structure of the Child Benefit Package: CASE 8*, Differences in Income from a Childless Couple on Social Assistance, UK£ per month, PPP

| Country | Social Assistance | Income Tax | Income-related child benefit | Universal child benefit | Net rent | School costs | Health costs | Net after tax and benefits | Net after all |
|--------------------|-------------------|------------|------------------------------|-------------------------|------------|--------------|--------------|----------------------------|---------------|
| Australia | 0 | 0 | 207 | 0 | 21 | 0 | 0 | 210 | 231 |
| Austria | 77 | 0 | 0 | 108 | 36 | -1 | 0 | 185 | 220 |
| Belgium | 0 | 0 | 0 | 92 | 9 | -4 | -1 | 92 | 96 |
| Canada | 69 | 9 | 106 | 0 | 0 | 0 | -11 | 184 | 173 |
| Denmark | 389 | -151 | 0 | 55 | 13 | 0 | 0 | 289 | 302 |
| Finland | 65 | 0 | 0 | 58 | 18 | 43 | 0 | 123 | 184 |
| France | 66 | 0 | 14 | 0 | 29 | 0 | 0 | 79 | 102 |
| Germany | 11 | 0 | 95 | 0 | 0 | 0 | 0 | 105 | 105 |
| Ireland | 108 | 0 | 0 | 58 | -16 | -6 | 0 | 166 | 143 |
| Italy | -153 | 0 | 0 | 0 | 0 | -5 | 0 | -153 | -159 |
| Luxembourg | 55 | 0 | 0 | 104 | 0 | -19 | -3 | 157 | 132 |
| Netherlands | 0 | 15 | 0 | 47 | 26 | -32 | 0 | 62 | 56 |
| New Zealand | 36 | -5 | 89 | 0 | -31 | -4 | -1 | 120 | 85 |
| Norway | -93 | 0 | 0 | 59 | 149 | 0 | -1 | -34 | 115 |
| Spain | 33 | 0 | 20 | 0 | 0 | 0 | -6 | 53 | 47 |
| Sweden | -85 | 0 | 0 | 65 | 137 | 21 | 0 | -20 | 138 |
| UK | 132 | 0 | 0 | 67 | 0 | 21 | 0 | 199 | 220 |
| USA | 94 | 0 | 0 | 0 | 0 | 81 | 0 | 175 | 175 |

* Couple plus one child, on social assistance
Source: adapted from Bradshaw and Finch 2002.

Family Support is paid in addition to the basic benefit, and that is seen in the third column as a reasonable amount. The data indicate that many countries increase the basic assistance level, while others give income-related benefits, and some like New Zealand give both. Universal child benefits are given in addition to social assistance payments, and again there is some trade-off between adjusting social assistance for children or paying a universal benefit. The net of taxes and benefits column shows that New Zealand is moderately generous for the one-child family, but far less generous than other countries such as Australia and the United Kingdom that do not have an extensive social insurance package preceding the social assistance payments. For most countries, including New Zealand, the addition of housing and services worsens the situation, though the Scandinavian countries show a marked improvement.

The Level of Social Assistance Payments.

Table 7 looks at the level of social assistance payments for all of the household types in the analysis. Attention is concentrated on social assistance, less taxes and social security contributions, plus universal and targeted family assistance, as well as guaranteed child support payments and benefits such as the United States Food Stamps programme or the Norwegian

transitional allowance. The relative level of social assistance varies by family type, but Luxembourg and Denmark have the highest benefits for couple families and Austria, Ireland and Luxembourg for sole-parent families. Spain has the lowest benefit levels, but France, Germany and the United States have lower benefit levels than would be expected based on their economic strength.

Table 7 Level of Social Assistance Payments, before Housing and Services, UK£, PPP

| Country | Single | Couple | Sole + child <3 yrs | Sole + child 7 yrs | Sole + 2 children 7&14 yrs | Couple + child 7 yrs | Couple + 2 children 7&14 yrs | Couple + 3 children 7,14&17 |
|--------------------|------------|------------|---------------------|--------------------|----------------------------|----------------------|------------------------------|-----------------------------|
| Australia | 376 | 679 | 673 | 639 | 803 | 889 | 1,054 | 1,054 |
| Austria | 390 | 565 | 609 | 679 | 1,126 | 749 | 985 | 1,249 |
| Belgium | 377 | 502 | 577 | 594 | 728 | 594 | 728 | 895 |
| Canada | 313 | 531 | 669 | 669 | 865 | 715 | 919 | 1,123 |
| Denmark | 556 | 873 | 750 | 728 | 878 | 1,162 | 1,217 | 1,272 |
| Finland | 335 | 431 | 415 | 415 | 542 | 553 | 698 | 832 |
| France | 354 | 340 | 393 | 354 | 433 | 420 | 514 | 693 |
| Germany | 196 | 354 | 390 | 312 | 532 | 459 | 601 | 792 |
| Ireland | 315 | 523 | 871 | 871 | 1,101 | 688 | 854 | 1,052 |
| Italy | 418 | 609 | 456 | 456 | 538 | 456 | 538 | 621 |
| Luxembourg | 586 | 879 | 734 | 744 | 962 | 1,036 | 1,254 | 1,536 |
| Netherlands | 342 | 685 | 552 | 560 | 621 | 747 | 808 | 872 |
| New Zealand | 294 | 489 | 510 | 510 | 609 | 610 | 670 | 771 |
| Norway | 534 | 679 | 751 | 589 | 710 | 645 | 765 | 886 |
| Spain | 210 | 262 | 283 | 283 | 336 | 316 | 363 | 409 |
| Sweden | 559 | 746 | 530 | 539 | 649 | 726 | 836 | 969 |
| UK | 230 | 361 | 429 | 429 | 565 | 560 | 696 | 836 |
| USA | 209 | 322 | 351 | 322 | 416 | 416 | 510 | 598 |

Source: adapted from Bradshaw and Finch 2002.

New Zealand oscillates between 10th and 14th place, above its relative economic performance. But it must be remembered that most of the other countries on the list have more generous social insurance payments preceding the drop to social assistance (Eardley et al. 1996 indicate that, on average, social assistance payments are 60% of social insurance receipts). For Case 8, and in Cases 1–5, New Zealand performs better for small families than for larger families, reflecting the greater payments made out to the first child compared to subsequent children. For all family types, payments in Australia are significantly above those for New Zealand, but the United Kingdom payments, except for couples with two or more children, are lower. Adjusting social assistance for all housing costs and services lowers the general value of the child assistance package, but has little impact on New Zealand's relative position for each family type.

VALUE AND RANKINGS OF THE CHILD BENEFIT PACKAGE

While Table 7 indicates that the value and ranking of the child benefit package varies by household type, Table 8 shows the variation by income level, using a couple with two children ranging from a low-income household on half average male earnings to Case 7 of average male plus average female earnings. Comparing across cases, some countries have an almost universal system of child assistance (Austria, Belgium, Denmark, Germany, Luxembourg, Netherlands and Norway). Other countries (Australia, Canada and New Zealand) have a very strongly income-related targeted system. The value of the package actually rises with income in France, while the United States has both targeted social assistance and pro-rich tax benefits.

Table 8 Value of Child Benefit Package by Earnings, After Taxes and Cash Benefits Only, Difference in Income from Childless Couple/Single at Same Income Level

| Country | Couple plus two children | | | | | | Sole + 1 child | |
|--------------------|--------------------------|----------|----------|-----------|----------|-----------|----------------|----------|
| | Case 2 | | Case 4 | | Case 7 | | Case 3 | |
| | UK£ ppp | Rank | UK£ ppp | Rank | UK£ ppp | Rank | UK£ ppp | Rank |
| Australia | 364 | 4 | 106 | 15 | 0 | 16 | 317 | 5 |
| Austria | 242 | 6 | 238 | 2 | 238 | 2 | 249 | 6 |
| Belgium | 221 | 7 | 221 | 3 | 221 | 3 | 95 | 14 |
| Canada | 220 | 8 | 60 | 16 | 0 | 16 | 166 | 13 |
| Denmark | 110 | 16 | 110 | 13 | 110 | 13 | 175 | 10 |
| Finland | 182 | 13 | 129 | 9 | 129 | 9 | 80 | 15 |
| France | 103 | 17 | 138 | 7 | 166 | 6 | 0 | 18 |
| Germany | 189 | 12 | 189 | 4 | 193 | 4 | 196 | 9 |
| Ireland | 278 | 5 | 159 | 5 | 116 | 11 | 468 | 1 |
| Italy | 197 | 10 | 125 | 10 | 48 | 14 | 122 | 13 |
| Luxembourg | 398 | 3 | 370 | 1 | 370 | 1 | 123 | 12 |
| Netherlands | 130 | 14 | 118 | 11 | 116 | 11 | 173 | 11 |
| New Zealand | 203 | 9 | 6 | 18 | 0 | 16 | 200 | 8 |
| Norway | 117 | 15 | 117 | 12 | 117 | 10 | 228 | 7 |
| Spain | 0 | 18 | 46 | 17 | 46 | 15 | 20 | 17 |
| Sweden | 192 | 11 | 130 | 8 | 130 | 8 | 70 | 16 |
| UK | 417 | 2 | 155 | 6 | 155 | 7 | 359 | 2 |
| USA | 591 | 1 | 107 | 14 | 178 | 5 | 319 | 4 |

Source: adapted from Bradshaw and Finch 2002.

In general, universality means that a country is relatively more generous at higher income levels, but the Scandinavian countries seem to be exceptions to this. In countries that target, targeting occurs rapidly, with most assistance having abated away by average earnings: New Zealand seems to represent an extreme version of this targeting. The United States, United Kingdom and Australia are countries where targeting seems to provide generous assistance at low income levels, whereas in New Zealand and Canada targeting seems to be as much

concerned with lowering fiscal costs as with poverty relief, so that the level of assistance at low income levels is comparatively modest. Only in the United States and the Netherlands does the inclusion of services and housing costs significantly alter the rankings, and in the case of the United States this is misleading as employers often provide health insurance that largely offsets the health costs.

The rankings for the sole-parent family on low (half average female) earnings are similar to those for Case 2 for couples, but there are some big movers, indicating different policies toward sole parents than couples with children. Belgium, Canada, France, Luxembourg and Sweden all fare worse on the basis of taxes and cash benefits, although France and Sweden's positions are a function of omitting housing and services from the analysis. Denmark and Norway move up the league table for sole parents compared to couples, while New Zealand is remarkably neutral in terms of family type. Again, the United States appears remarkably generous at this income level, given media coverage of its TANF scheme and the reported high incidence of poverty among sole-parent families (Stephens 2000).

CONCLUSIONS

The analysis shows that countries structure their child benefit package in quite different ways, in part in response to differing institutional structures and historical developments, but as much to do with the underlying philosophy and objectives of the country. The level of the child benefit package varies by family type, number of dependent children and their ages, and by income levels. The approach taken is to use a model family methodology, with the large number of cases reducing the problem of representativeness. Some of the assumptions made, especially in regard to housing, raise some queries over the validity of the after-housing costs results. Use of purchasing power parities rather than presenting the results as a percentage of average earnings has little impact for most countries.

Bradshaw and Finch (2002) present a summary ranking of all the countries, covering the range of ways of analysing the child benefit package. Figure 2 presents this ranking of the average child benefit package paid to a representative sample of families. The rankings are based on the value of the child support package after taxes, cash benefits, services and housing costs have been incorporated, with the value being shown for both the total impact and the impact after just taxes and benefits. As can be seen, there are some significant differences in the overall value of the package and the ranking depending on the measure used. It is the offsetting impact of the cost of services that sends New Zealand into a negative result, but even on the basis of cash benefits and taxes New Zealand is still in the lower groupings in the figure.

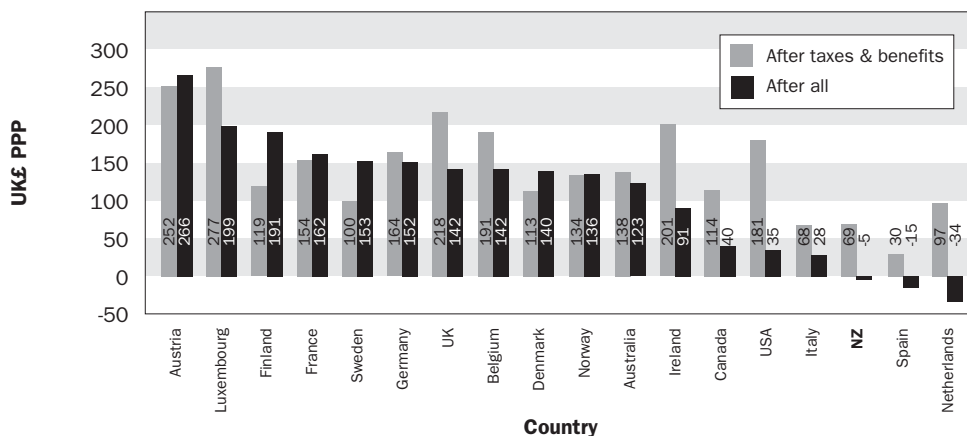
This provides the following classification:

- Leaders: Austria, Luxembourg, Finland;
- Second rank: France, Sweden, Germany, United Kingdom, Belgium, Denmark, Norway, Australia;
- Third rank: Ireland, Canada, United States, Italy (and Israel); and
- Laggards: New Zealand, Spain, the Netherlands (and Portugal, Japan and Greece).

In the 1992 study (Stephens and Bradshaw 1995), New Zealand was also toward the bottom of the generosity pile, and equally had improved rankings at low income and social assistance levels. But even then New Zealand only provided medium levels of assistance, and the same is true of the 2001 results. Restricting fiscal spending seems to dominate poverty relief as an objective. Hopefully the foreshadowed improvements in 2004/05 to Family Support and Child Tax Credit will at least raise New Zealand into the next ranking.

There were some big changes from the 1992 study. Both the United Kingdom and Australia made dramatic moves up the rankings, with both countries now in the second tier rather than slightly above New Zealand. Both countries have made a commitment to end child poverty, and have been willing to put resources into families with dependent children, using both targeted and universal means.

Figure 2 Ranking of the Value of the Child Benefit Package, “Representative Cases”



The rankings bear little resemblance to those inferred from Esping-Anderson’s (1990) regime types. The social democratic (Nordic) welfare states are in the top half but are not leaders. The liberal or Anglo countries are distributed throughout the table, and the conservative or corporatist countries are generally towards the top, but the Netherlands is a big puzzle, and

has fallen dramatically through the rankings. Southern European countries are generally in the lower rankings.

For a country that has a long history of legitimate pride in its welfare state, the position of New Zealand is disappointing, and helps explain the paucity of recent child outcomes. The issue for low-income New Zealanders is that income-related benefits are the only source of assistance, and families are out-of-pocket over accommodation, schooling and health care, which are subsidised in many other countries. Proposed increases to assistance to families with dependent children are welcomed, but the evidence presented here indicates that the increases will have to be large, and will need to include policies to offset the cost of service provision (along the lines of the Primary Health Care policy) and provide an integrated and co-ordinated package of social services and income maintenance in-kind.

The level of GDP is one factor explaining the low ranking for New Zealand, as is the overall level of social spending. But the major explanation for variations in the generosity of assistance relates to a country's willingness to commit resources to children as opposed to the elderly or the taxpaying public. Until there are increases in the level of generosity to families with dependent children in New Zealand, adverse outcomes for children are likely to bedevil the country for years to come. The research-based evidence is clear: the announcement of larger spending on children in 2004/05, along with implementation of the Agenda for Children, needs to become a reality.

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