

## WHAT'S HAPPENING TO THE NUMBER OF SOLE PARENTS ON BENEFIT?

Over the past 20 years, we have generally seen a decline in the number of sole parents on benefit. More recently, this trend slowed, and numbers increased slightly from early 2019. Then, with the impact of COVID-19, we saw accelerated growth in the number of sole parents supported by a benefit.

We need to understand whether these changing trends just result from COVID-19 or represent a reversal of the long-term downward trend. To do this, we explored how the sole parent population is affected by societal factors like employment and demographic change.

### Sole parents are diverse, but on average, have a higher risk of experiencing poor social and economic outcomes.

Sole parents, including those supported by a benefit, are a diverse group. There are a range of pathways into sole parenthood, which means these households have different personal, financial, and social resources. For example, some people may become sole parents following relationship breakdown later in life, while others may be single when they become a parent.

Sole parenthood is also not a fixed state, instead reflecting changes in life circumstances. People move in and out of sole parenthood and may be sole parents for shorter or longer periods of time. Experience of sole parenthood also varies across different cultural contexts, and research suggests for tamariki Māori, diverse family trajectories, including living in a sole parent household, may be associated with higher levels of cultural connectedness in some cases (MSD, 2020).

Research shows that while most sole parent families fare well, a disproportionate number experience high levels of disadvantage, both in absolute terms, and when compared to other family types<sup>1</sup>. Sole parent families are more likely to experience poverty, poor living standards, and mental and physical health issues. Sole parent families struggling with these financial and psychological stresses may also lack support networks and are more likely to engage with the benefit system. For example, currently, just over 60 percent of sole parents are supported by a main benefit<sup>2</sup>.

Children living in sole parent households are also more likely to experience poor outcomes and high levels of disadvantage, which can last into adulthood. In particular, these children experience significantly higher poverty rates than those in two parent households. MSD research shows that of all the children in households in severe material hardship, 41 percent are from sole parent households (MSD, 2021a). Supporting these children and families is therefore central to improving their wellbeing and addressing disparities.

As at January 2021, there were around 99,000 sole parents receiving a main benefit, which is around 10.5 percent higher than the previous year. Most (88 percent) sole parents in this group are female. Just over half of sole parents on benefit with a

<sup>1</sup> For example, see Krasso Peach and Cording (2018) and Centre for Social Research and Evaluation (2010a).

<sup>2</sup> This includes sole parents accessing New Zealand Superannuation and the Veteran's Pension, which make up a very small percent of the overall number. This number has dropped from just over 80 percent in 2001.

<sup>3</sup> This demographic information is based on a prioritised measure of ethnicity. This means ethnicity is self-identified and multiple ethnicities may be chosen, which are then prioritised into a hierarchy. Māori has the highest priority in this hierarchy, followed by Pacific peoples. NZ European has the lowest priority. A single ethnicity is assigned to an individual based on this hierarchy.

<sup>4</sup> MSD, 2018a: 37.

youngest child aged under five are younger than 30 years, whereas over 80 percent of sole parents with a youngest child aged over 14 years are 40 years or older.

Currently, many (46 percent) of sole parents on benefit identify as Māori, around 28 percent as NZ European and 12 percent as Pacific Island<sup>3</sup>. There are also around 14 percent who identify as other/unspecified. Wahine Māori have higher and earlier fertility rates than other women, meaning they are more likely to require support from the benefit system as a parent<sup>4</sup>.



Over the past 20 years, we have generally seen a decline in the number of sole parents on benefit.

In January 2001, there were about 122,200 sole parents supported by a benefit. Over the following 20 years, the number on benefit generally declined, with a decrease of around 19 percent by January 2021.

This decline is associated with three key long-term factors.

## 01. THE NUMBER OF SOLE PARENT FAMILIES HAS BEEN RELATIVELY STEADY OVER THE PAST 20 YEARS.

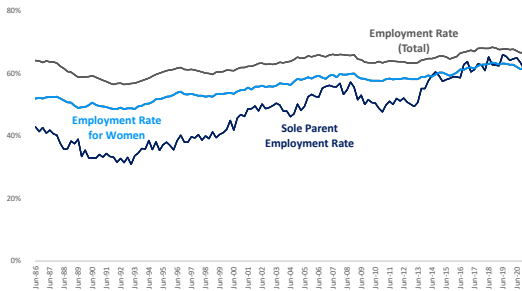
Number of sole parent families



- The number of sole parent families has remained relatively flat from around the year 2000.
- Prior to this, rapid social and economic changes saw growth in the number of sole parent families.
- These changes included evolving societal norms around childbearing, marriage, and divorce. The 1980s and 1990s also saw structural changes in the economy and labour market, which influenced family formation and stability, and therefore sole parent rates.
- While growth in the number of sole parents has flattened, New Zealand continues to have one of the highest rates of sole parenthood among developed countries (Krassoi Peach and Cording, 2018).

## 02. THE PROPORTION OF SOLE PARENTS IN EMPLOYMENT HAS GROWN, AND HAS BEEN SIMILAR TO THE OVERALL EMPLOYMENT RATE FOR WOMEN SINCE THE END OF 2014.

Sole parent employment rate compared to women's and total employment rate



- Since about the end of 2014, the proportion of sole parents in employment has been similar to the overall women's employment rate<sup>5</sup>.
- For women, most of the increasing sole parent employment rate has been driven by participation in full-time employment.

This growth in overall employment rates likely results from:

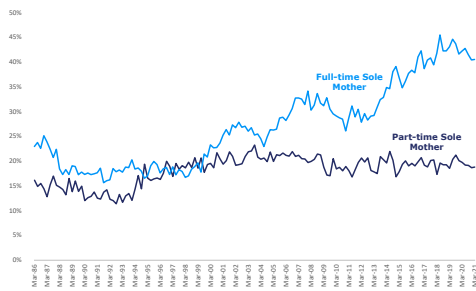
- long periods of economic growth over the last 30 years
- more sole parents having characteristics associated with favourable labour market outcomes – eg qualifications
- policy changes, including work obligations and Working for Families changes to Childcare Assistance and the Family Tax Credit (Centre for Social Research and Evaluation, 2010).

While the NZ sole parent employment rate has grown, it remains relatively low when compared to other OECD countries (when looking at the employment rates for sole mothers only)<sup>6</sup>.

<sup>5</sup> While the sole parent employment rate has converged with the overall employment rate for women, it remains below the partnered mother's employment rate.

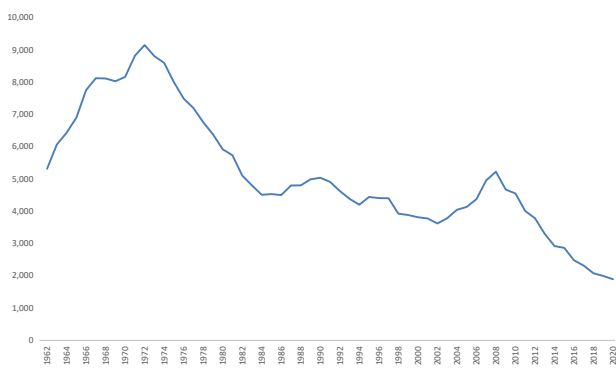
<sup>6</sup> For more information, see [www.oecd.org/els/family/database.htm](http://www.oecd.org/els/family/database.htm) (LMF\_1\_3 Maternal employment by partnership status data).

Sole mother full-time and part-time employment rate



## 03. THERE ARE FEWER TEENAGE PARENTS NOW THAN IN THE PAST.

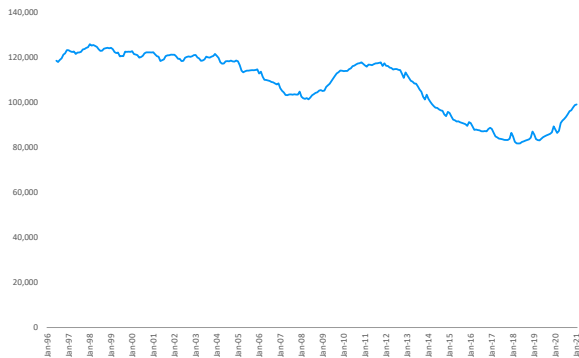
Annual teen births



- Teen births peaked during the early 1970s before dropping in the 1980s.
- Numbers grew again between 2002 and 2008, then began to fall from about 2009. We don't know the specific drivers for the temporary lift in teen births, but the subsequent falling trend may be associated with the wider availability of Long Acting Reversible Contraceptives and policy changes, like the introduction of Youth Services.
- Parents who are younger when they have their first child are more likely to be supported by the benefit, and to access this support for a longer duration (Centre for Social Research and Evaluation, 2010b).
- Therefore, falling teen births (and falling births for younger mothers) will have contributed to fewer sole parents being on benefit. In addition, if teen births remain at historic lows, this is likely to reduce the number of sole parents requiring a benefit long-term.

## THE LONG-TERM DECLINE IN THE NUMBER OF SOLE PARENTS ON BENEFIT HAS BEGUN TO SLOW, AND WE SAW SMALL INCREASES FROM EARLY 2019.

The number of sole parents on any benefit since 1996



<sup>7</sup> The 52-week reapplication process was implemented in April 2016, and the first letters were sent out one year later in April 2017. For the next 12 months, the exit rate off SPS was higher than normal as it was likely that some SPS recipients were found to be not eligible for the benefit. From April 2018, the exit rate declined towards the historical average, which contributed to the slowing in the rate of decline of SPS recipients in 2018 and 2019.

In recent years, the decline in the number of sole parents on benefit slowed. This was expected, given the sole parent employment rate has converged with the overall women's employment rate.

Then from around early 2019, the number of people on Sole Parent Support slightly increased. This growth was also seen more significantly for Jobseeker Support – Work Ready clients.

There are several potential reasons Sole Parent Support numbers, and overall benefit numbers, started to rise prior to COVID-19, including:

- The soft economic conditions at that time, especially in sectors of the economy our clients tend to be employed in.
- A significant amount of case manager's time was focused on meeting the high demand for emergency housing and hardship grants, resulting in less proactive engagement around supporting people into work.
- Operational changes, including the introduction of the 52-week reapplication process<sup>7</sup>.

### Since COVID-19, growth in the number of sole parents accelerated.

Since the impact of COVID-19, we saw a strong increase in the number of sole parents supported by the benefit. For example, from January 2020 to January 2021 there was growth of about 11,200 people. These changes mostly resulted from fewer people leaving the benefit, rather than large increases in the number of sole parents coming into the benefit system.

These changes reflect weaker labour markets conditions associated with the COVID-19 pandemic. Research shows that sole parents have generally lower exit rates than other benefit types<sup>8</sup>.

Their full-time employment rates also fall by a larger margin than partnered parents in periods of economic contraction<sup>9</sup>, which may be associated with the kinds of industries they tend to be employed in. We have seen similar patterns of growth in past recessions, for example the Global Financial Crisis.

### However, we do not expect numbers of sole parents on benefit to continue increasing beyond the next few years.

We expect the rising number of sole parents on benefit to be temporary. We are forecasting growth to continue up to January 2023, with the number of people on Sole Parent Support peaking at 74,100. Following this, we expect the number of Sole Parent Support recipients to begin falling, decreasing to 68,400 in June 2025, as economic and labour market conditions improve.

<sup>8</sup> MSD research on the outcomes of people who left the benefit system (MSD, 2021b), shows Sole Parent Support recipients have a relatively low likelihood of exit, but that these exits are more sustainable once achieved (page 19).

<sup>9</sup> (MSD, 2018a: 33).

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## **While growth in numbers is expected to be temporary, sole parents will continue to require relatively more support.**

Given sole parents face additional barriers to the labour market associated with childcare, the number of sole parents on benefit is likely to recover more slowly than for Jobseeker Support – Work Ready clients. Therefore, sole parents will continue to require relatively more support to re-engage with the labour market.

Active case management, delivered in a culturally responsive way, may be one effective way of supporting sole parents into work. This form of support has been identified as an effective intervention<sup>10</sup>, and there may be scope to increase our focus on working with the sole parent group, particularly over the next few years, while numbers are forecast to continue increasing.

However, it is important to acknowledge the balance of policy incentives in this area, which cover income adequacy, employment, and parenting responsibilities. A strong work focus may not be appropriate for all parents in the long-term, given we have comparable rates of employment for women and sole parents, and the positive benefits associated with parenting.

Future gains for sole parents are likely to come from work that improves pay equity, the sustainability and quality of employment, and wellbeing generally. An example of this could be improving access to childcare, especially for those on low incomes.

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## **Looking forward to the next ten years, there is uncertainty around what might happen to the number of sole parent families, including those supported by benefit.**

Beyond our forecast period, there is still uncertainty around what will happen with the overall number of sole parent families, and the proportion who will require support through the benefit system. We do not expect to see large increases in the sole parent population again like in the pre-2000 period, given the unique social and economic factors associated with this growth. However, long-term trends will be influenced by factors like family dynamics, migration, and fertility and population rates.

It is not clear how these factors will influence the size of the sole parent population over the next 10 years. For example, the Stats NZ population projections show that while the number of sole parent families is expected to increase, their proportion of the overall population is expected to decrease<sup>11</sup>. However, these projections are based on historical trends, which could still change because of family dynamics, like increased separations due to financial stress following the pandemic.

Longer-term, the number of sole parents requiring income-support might fall if the following occurs:

- the number of teen births keeps falling or remains low by historical standards

- there is an increasing proportion of dual-income families, reflecting the relationship between this family composition and financial security.
- there are falling fertility rates across younger mothers, who are typically less likely to be financially secure.

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<sup>10</sup> For example, see MSD (2018b), which shows that voluntary intensive case management for sole parents is generally effective in increasing time spent off benefit or employment. There is also a strong evidence base for the effectiveness of intensive case management services generally (see MSD 2019a, MSD 2019b).

<sup>11</sup> For more information, see National family and household projections: 2013(base)–2038 | Stats NZ.



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## Technical notes

For the purposes of this paper, Sole Parents on Benefit consists of people (of all ages) receiving:

- Domestic Purposes Benefit – Sole Parent (pre-July 2013)
- Sole Parent Support (post-July 2013)
- Young Parent Payment (this may include a small number of teen couples)
- Any other main benefit where a person is single with one or more dependent children (including New Zealand Superannuation and Veteran's Pension recipients).

Information on Sole Parents on Benefit is drawn from MSD's administrative data.

The Sole Parent population (defined as a sole parent with a dependent child aged 0–18 years) is a customised series provided by Statistics New Zealand, based on the Household Labour Force Survey which covers the usually resident, non-institutionalised population of New Zealand aged 15 years and over. The graphs presented throughout this report draw on these two data sources.

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## Other useful reading

- Maintaining sole parent families in New Zealand: An historical review.
- Changing expectations: Sole parents and employment in New Zealand.
- Recent trends in the employment rate of sole mothers in New Zealand.
- Obligations and sanctions rapid evidence review paper 8: Work obligations for sole parents and outcomes for children.
- Evidence brief: The effects of work testing sole parent benefit recipients on employment outcomes.
- Teen parents evidence brief.

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## Published

Ministry of Social Development, PO Box 1556, Wellington  
Published in September