Law and policy
17th October 2016

Hon A/Prof Susan St John, University of Auckland
Economics spokesperson, Child Poverty Action Group
My involvement in family income issues

- Early 1980s: work for NZ committee for children
- Royal Commission social policy 1987
- 1990 CPAG UK
- **1991 the mother of all budgets**
- 1994 CPAG NZ
- 17 post budget breakfasts
- 10yrs Human Rights case
- Multiple CPAG publications, submissions, articles, talks, lectures etc. [website](#)
1991 Budget
TOWARD 2000: an economic odyssey

Concluding our series of articles in which leading economists look at where we should be in the year 2000 and how we should get there, Susan St John hopes economic debate about alternatives becomes more open.

Omens of further social stress

In the last seven years national income has stagnated while its distribution has become significantly less equal.

Tax and benefit cuts and user charges have reduced the welfare payments to the sick, the childless, the aged and those with few assets. We now have children who go to school hungry, diseases that are untreated, and the sick, the childless, the aged and those with few assets.

Some families under current policy directions actually lose disposable income as their gross income increases.

Nevertheless, the direction of policy continues to emphasise targeting. It does not appear to have been fully appreciated that this zealous approach creates very high tax rates on low incomes.

The inevitable disincentives to work and save, the Morisan, the high administrative costs and the intrusion do not augur well for an efficiently functioning economy next century.

As early as the 1980s when we had a tax system that was widely abused as more and more high and middle-income people were affected by high marginal tax rates on personal income, in the first century of this century we are leading to an even bigger problem from the process of developing incentives that encourage high and arbitrary targeted tax rates on low and middle-income recipients.

Some effects are the price we have to pay to maintain the low marginal rates of tax. These rates are for the well-off.

We have no capital gains tax and now no death duties, so there are few levers in place to prevent further widening of the income distribution.

Such policies also lead us ill-equipped to moderate another significant public share market and asset boom, as well as an even higher travel costs.

The resources of the recent Todd Task Force on Private Provision for Retirement are needed as well.

NEXT WEEK: Finance Minister Ruth Richardson and Opposition finance spokesman Michael Cullen review the Toward 2000 series.
Tax and benefit cuts and user pays policies have favoured those in full-time employment over those on benefits, the healthy over the sick, the childless over families, and those with wealth over those with few assets.

We now have children who go to school hungry, diseases that are untreated, charities that are over-stretched, and even tertiary institutions setting up foodbanks.
Just as early in the 1980s when we had a tax system that was widely abused as more and more high and middle-income people were affected by high marginal tax rates on personal income, in the early years of next century we are heading to an even bigger problem from the perverse incentives of high and arbitrary marginal tax rates on low and middle-income recipients.

These effects are the price that we have paid to maintain the low marginal tax rates of 33 per cent for the well-off.
We have no capital gains tax and now no death duties, so there are few levers in place to prevent further widening of the income and wealth distribution. Such policies also leave us ill-equipped to moderate another share market and asset boom.

So where are we 25 years on from the mother of all budgets?
Auckland Painful images of growing inequality

A Band Aid Budget

Stop the War on the Poor

Support RESTRQG

Sold

Leaders in Real Estate
New Zealand's most shameful secret: 'We have normalised child poverty'

• Unicef and charities urge New Zealand to act on child poverty

Minister dismisses Guardian report highlighting issue as ‘sensationalist’ from a paper that ‘supports Jeremy Corbyn’
Auckland City Mission - barometer of distress

Food Parcel Demand Year to Year

Graph showing the increase in food parcel demand from 2002-03 to 2015-16.
"I knew there would be a queue but I didn't think there would be people sleeping here since 1am,".

Auckland City Mission swamped by demand | Stuff.co.nz
Demand high at Auckland City Mission | Stuff.co.nz
Emma-Lita Bourne (2 years) died in Aug 2014

Coroner:
Cold, damp house contributed to her death from pneumonia

Source: Professor Innes Asher, CPAG
Bronchiectasis (scarred dilated airways)

- Caused by repeated or severe pneumonia
- In NZ is 8-9 times commoner than UK and Finland

Normal lungs with bronchiectasis on bottom right

Bronchiectasis all areas of the lungs
Bronchiectasis sputum

One cough produces a blob of sputum (pus–like phlegm)

Child produces a cup of sputum over one day

$1 coin
Bronchiectasis (scarred dilated airways)

Child with bronchiectasis

May die as a teenager or young adult or too sick to work
Third world disease rises in 1990s

Source: (New Zealand Child and Youth Epidemiology Service, 2007)
How do we measure poverty?
Should we set targets?
Proportion of children below selected thresholds (AHC): fixed line (CV) and moving line (REL) approaches compared (Perry 2013)

Constant value (CV) or 'fixed line' thresholds are based on the BHC median in a reference year. The current reference year is 2007. Up to 2007, the reference year was 1998.
Child hardship rates high - 150,000 children in severe poverty

She doesn’t choose to live in poverty, but you can choose to help her out.
Hardship measures…can you

- have a meal with meat, fish or chicken every second day
- keep the home adequately warm
- replace worn-out clothes by some new ones
- have two pairs of properly fitting shoes
- replace worn-out furniture
- have access to a car / van for personal use
- avoid arrears in mortgage or rent, utility bills or HP instalments
- spend a small amount of money each week on oneself
- have both a computer and an internet connection
- have regular leisure activities
- have a get together with friends/family for a drink/meal at least monthly
- **have one week’s annual holiday away from home**
- ability to face unexpected expenses of NZD1500
The poor used to be the old

Can we do it- yes we can!
National Superannuation
1976
Material deprivation rates (% with 5+ and 7+ enforced lacks), EU-13, those aged 65+
IS PRIVATE CHARITY THE ANSWER?

Thousands of kiwi kids live in poverty.

For $15 a month you can give them the basics.

Join online now at www.kidscan.org.nz
Published on Oct 3, 2016
How important are the first 1000 days of a child’s life?
The most important, according to Dr Johan Morreau, a paediatrician of 30 years who has seen it all.

https://youtu.be/K1slVo3BNtM