On our watch....................

A sign of insanity is continuing to do the same things and expecting a different result
What does CPAG try to do?

• Produce credible research
• Use academics to raise profile of social justice issues
• Contribute to public debate and political pressure for change
• Sometimes activist eg Hikoi for housing – Park-up for homes
• Argue for ‘better’ policies that puts children’s wellbeing at the centre- human rights approach
Best interests of the child at the centre

- Work friendly hours.
- Part-time work.
- School holiday assistance.
- All newborns adequately supported. Paid parental leave based on the needs of children.
- Child impact assessment of all legislation.
- All children have adequate resources of food and clothing.
- All poor children given the same weekly assistance based on household income.
- Part-time work for sole parents encouraged, low abatement.
From 1990s policy focus has put paid work at centre

“A relentless focus on paid work”
Why do we need Working for Families?

- Society must support the young and the old
- We do ‘old’ very well!
- We don’t say- “NZ Superannuation is a subsidy to employers”
- Working for Families is an investment by society in its future.
• **Benefits** are for adults.

• **Working for Families** is for children.
So what is wrong with WFF?
Components of Working for Families Tax Credits by Cost, 2016

- **In-work Tax Credit**: $530m (22%)
- **Family Tax Credit**: $1,837m (76%)
- **Minimum Family Tax Credit**: $16m (1%)
- **Parental Tax Credit**: $31m (1%)

Total WFF: $2.4 billion
10 years after IWTC came in: 2016

The In Work Tax Credit rises to $72.50 a week

Just an inflation catch-up

A lot for the poorest children to miss out on

Only work-based WFF increases

<table>
<thead>
<tr>
<th>WFF</th>
<th>2016</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>FTC</td>
<td>1837m</td>
<td>1831m</td>
</tr>
<tr>
<td>Other</td>
<td>577m</td>
<td>639m</td>
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Impact on poverty?
Child Poverty Rate fell but...

“WFF had little if any impact on the poverty rates for children in workless households”

MSD 2013
Who was left out?

Why have we not been concerned about those left out?
"And the wolf ate all children but it didn’t matter because they were the children of People not like us
What has been the cost to ‘non-deserving’ families

Since 1996 each year there has been a cumulative loss from poor families’ balance sheets

1996-2006 $2.25B due the CTC
2006-2016 $5+ B due to work based child tax credits

$7+. Billion and rising

2016-2026...???
The IWTC is an arbitrary payment
Who can't have it?

- Poorest children
- Students even if full time
- Anyone on ACC since before 2006
- Any family on a benefit or NZ Super
- Any one whose hours fall below the minimum
- A separated mother
- Someone surviving on child support
- Sole parent on a part benefit working 20 hours
Case studies- IR website

- Dale is a single parent who works as a teacher aide for 22 hours a week. She's contracted to work for the school from February to December although she doesn’t work during the two week term holidays. She's entitled to receive an in-work tax credit from early February until mid-December because she works the required hours and receives income during that period.
Dale can’t receive an in-work tax credit during the summer holidays because she’s not contracted to work for that period.
Who **can have** this ‘work incentive’?

- Those who meet fixed hours and off benefit rules
- Mothers at home
- Those in large high income households.
- Casual workers but only for the weeks they meet the hours
- Mothers on Paid Parental Leave!!

**Where is the child in all of this?**
CPAG challenge to the design of Working for Families

- **A per child per week payment**
  - the Family Tax Credit
  - In Work Tax Credit

- Supposed to
  - Reduce Child Poverty **AND**
  - Make work pay
The Human Rights Case
CPAG v the Attorney General

1996 HR complaint rejected
2002 CPAG lodged complaint under Part 1A
2003 Crown Law objected
2005 Case taken on CPAG’s behalf by Office of Human Rights Proceedings

June 2005 – Crown disputes right to take the case
Sept 2005 Human Rights Tribunal rules in CPAG’s favour
Oct 2005 Crown Appealed
May 2006 Reserved decision dismisses appeal
August 2006 goes to Judicial Review.
November 2006 CPAG won right to take the case
2008
The Human Rights Review Tribunal
We are satisfied that the WFF package as a whole, and the eligibility rules for the IWTC in particular, treats families in receipt of an income-tested benefit less favourably than it does families in work, and that as a result families that were and are dependent on the receipt of an income-tested benefit were and are disadvantaged in a real and substantive way. (Human Rights Review Tribunal 2008: para 192)
September 2011, Appeal to High Court

The High Court found that the IWTC does discriminate against some beneficiary families, but it is not unlawful as there is a legitimate objective to incentivise beneficiaries into work. Nevertheless it said CPAG’s complaint that the government was not doing enough to alleviate child poverty could be justified statistically. The judgment also said that for a so-called developed country, New Zealand has a poor record on child poverty – a social ill with significant adverse social and economic consequences.
2012 Appeal in the Court of Appeal

28th 29th May 2012

Discrimination again upheld
ie 270,000 children are harmed
But found to be justified?
CPAG does not appeal to the Supreme Court

CPAG takes the fight to political arena
The Green’s Bill: The Universalisation of the In work tax credit

Peter Dunne: “I screwed up.”
Part 1  Treat all low income children the same

Join the IWTC to the FTC

Part 2  Address the Continuous erosion of WFF for Low income ‘working families
NZ Super payments have increased not only because of demographic change but also because real rates of super have increased with wage growth.
To fix WFF

Need another $700m pa to restore lost value
And $500m to give all poor children the same

Derived from BEFU 2016
$36,350 in 2016 is no fortune

46 hours at minimum wage $15.25

....An extra $10,000 means

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Tax</td>
<td>1750</td>
</tr>
<tr>
<td>acc</td>
<td>145</td>
</tr>
<tr>
<td>wff</td>
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<tr>
<td>stud loan</td>
<td>1200</td>
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<tr>
<td>Kiwisaver</td>
<td>300</td>
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<tr>
<td>accommodation supplement</td>
<td>2500</td>
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<tr>
<td>total loss</td>
<td>8,145</td>
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<tr>
<td>disposable income</td>
<td>$1,855</td>
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</tbody>
</table>

Possible loss of childcare subsidy up to $60 a week
Part 2 ask

• Full annual indexation of rates

• Full indexation of all threshold from 2005

• Abatement 20%

• Indexation to net wages

• Living wage campaign support FWFF
Where did CPAG interest in Kathryn’s story come from?

The complexities of ‘relationship’ in the welfare system and the consequences for children

See Report here
Relationships in the 21st century are complex!

Happiness in marriage is entirely a matter of chance.

Jane Austen
Principle: neutrality

Tax and Basic income is based on individual

BUT

Welfare based on the idea that the couple can live more cheaply than a single person and that ‘married’ people ought to support each other.
In 2016 MSD justify different rate of NZS

Couples

could be able to enjoy lower accommodation costs than two single people

could be able to have their personal household effects on one insurance policy whereas two single people who are sharing accommodation would be more likely to have separate insurance costs totalling a higher amount
could share vehicle expenses, while two single people may be more likely to have their own individual transport and vehicle costs.

could generally share meals, while two single people sharing accommodation may not have merged their lives to that extent.
• Jill is a sole a parent she gets SPS $325
• Jack is her boarder. He gets JS $210

oops

• “relationships could develop quickly and some people might not be aware of their obligation to tell Work and Income.” — Minister Tolley.
Who wants to be ‘married’?

- Jill gets SPS $325
- Jack gets JS $210
- Coupled they get $187.50 each - $160 less pw than before
- And have a joint income test of 70% on earned income over $80
- And may be prosecuted…..
To help distinguish the nature of a de facto relationship, Work and Income (2014) suggests that the beneficiary ‘thinks about these issues’: 

- You live together at the same address most of the time.
- You live separately but stay overnight at each other’s place a few nights a week.
- You share responsibilities, for example bringing up children (if any).
- You socialise and holiday together.
- You share money, bank accounts or credit cards.
- You share household bills.
- You have a sexual relationship.
- People think of you as a couple.
- You give each other emotional support and companionship.
- Your partner would be willing to support you financially if you couldn’t support yourself.
Informants are requested to supply detailed information as detailed on the Work and Income website (2014): Information that helps us when you report a suspected fraud. This includes:

- Do they live with a partner but say they're living alone?
- If you think they do then we'd like to know:
  - the full name of their partner and any other names they're known by
  - their partner's age and date of birth
  - their partner's address
  - whether their partner works and who employs them
  - why you think that they're a couple
  - how long they've been in a relationship
  - whether they have had children together
  - the names and ages of any children they have.
Website warns

…..some receiving a benefit, Student Hardship or New Zealand Superannuation are in relationships they haven’t told us about.

Up until now when an MSD client was found to have dishonestly claimed a single benefit while in a relationship, that client has been solely responsible for paying back the fraud debt.

You and your partner may now be jointly responsible for paying back benefit debt
Kathryn’s Story

How the Government spent well over $100,000 and 15 years pursuing a chronically-ill beneficiary mother for a debt she should not have.

By Catriona MacLennan
Tax Evasion and Welfare Fraud in New Zealand

Associate Professor Lisa Marriott
School of Accounting and Commercial Law, Victoria Business School
The Size of the Issue (NZ$) 2014

- Tax Discrepancies: $1,240,000,000
- Welfare fraud: $30,553,600
Difference in treatment of welfare and tax fraud

- Examples courtesy Associate Professor Lisa Marriott

- Tax Judge: ‘Your counsel said, well the Inland Revenue is not like a vulnerable person who is a member of a superannuation fund…it is a state enterprise’

- GST Fraud $1,400,000
• Judge: ‘your career is now devastated. You have given 33 years of selfless service to the law...[your solicitor] submits that you do not have a malicious bone in your body and, if anything, you are too eager to help others’

• Fraud relating to GST refunds of $250,000
• Welfare Fraud Judge: ‘You have defrauded all of us…this is serious offending. As a principle of sentencing it strikes at the heart of the system put in place by the community, paid for by the taxpayer, to provide sustenance and support for the disadvantaged. You, to coin a modern phrase “ripped the system off”. You have to be accountable for that and your conduct denounced and you deterred from acting in this way. A sentence must be imposed that will deter others like minded from acting in this way’.

• Welfare fraud: Offending of $30,501.
Continuing the Conversation ... The fading star of the Rule of Law

12 February 2015 Frances Joychild QC

“Some of the most alarming cases I have dealt with recently come from income-tested beneficiaries. There are increasingly large discretions held by WINZ officials, largely without legal overview by independent lawyers. I have heard regular complaints of benefits being randomly cut off, without notice. And it taking weeks or even months and numerous phone calls or visits to WINZ offices to get them reinstated. Often these cut-offs are the result of a mistake on the part of the WINZ system (e.g. the medical certificate had been delivered on time but had not made it to the file).”
“Clearly, beneficiaries have no money to employ a lawyer. Most of the problems they encounter are not covered by legal aid. Some are lucky enough to have access to unpaid beneficiary advocates. I suspect a very large number do not. It is extraordinary that, in an area of major legal complexity, wide government discretions and deeply disempowered citizens, the rule of law is at its weakest.”
It is all very weird in a world where a rugby player can do a real crime with real victims and not even get a conviction because it would hurt his career. Women without means can have their lives ruined because they must be made examples of as warning to others, while the plight of their children can be totally ignored. Fairly disgraceful!