Families adrift: 
The Social and economic climate of the 21st century

2016 Conference
Rupture - Repair - Restore

25th November 2016

Hon A/Prof Susan St John, University of Auckland
Economics spokesperson, Child Poverty Action Group
• Mental distress occurs in the context of structural social and economic inequity.
• Families and children bear the brunt of poverty in NZ
• Systemic poverty is an outcome of choice, i.e. not inevitable.
Economic and social policy

Disease & mental illness

Poverty

Unhealthy housing

Inadequate basic healthcare

Economy

Good times - Bad times

International days

Climatic change
Growing inequality

“For each of eleven different health and social problems: outcomes are significantly worse in more unequal rich countries.”
Health and social problems are worse in more unequal countries

Index of:

- Life expectancy
- Math & Literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- Mental illness – incl. drug and alcohol addiction
- Social mobility

The damage of Inequality

Old view
Inequality *necessary*, AND beneficial

New View
“The recent concentration of income gains among the most affluent is both politically dangerous and economically damaging. The political worry is a descent into angry populism…there is growing evidence of fury” Economist Sept 2013
NZ’s two-speed economy

Wealth is distributed much more unequally than income.

The top 10% hold 60% of the total wealth. (Stats 2016)
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+
Material deprivation rates (% with 5+ and 7+ enforced lacks), EU-13, those aged 17 years 20 European countries + NZ (Perry 2016)
Pressures from Ageing of the population

- **60,000** dementia sufferers today

- By 2026, increase by more than **60%**

- Numbers expected to treble by mid century
Long-term fiscal outlook - Treasury 2016

Projections under current settings

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2030</th>
<th>2045</th>
<th>2060</th>
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<tbody>
<tr>
<td>Healthcare</td>
<td>6.2</td>
<td>6.8</td>
<td>8.3</td>
<td>9.7</td>
</tr>
<tr>
<td>New Zealand Superannuation (NZS)</td>
<td>4.8</td>
<td>6.3</td>
<td>7.2</td>
<td>7.9</td>
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<tr>
<td>Education</td>
<td>5.3</td>
<td>5.4</td>
<td>5.5</td>
<td>5.7</td>
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<tr>
<td>Law and order</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Welfare (excluding NZS)</td>
<td>4.2</td>
<td>4.5</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Other expenses</td>
<td>6.3</td>
<td>6.7</td>
<td>6.7</td>
<td>6.7</td>
</tr>
<tr>
<td>Debt-financing costs</td>
<td>1.6</td>
<td>2.2</td>
<td>5.3</td>
<td>11.0</td>
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<tr>
<td>Expenses</td>
<td>30.0</td>
<td>33.3</td>
<td>39.1</td>
<td>47.1</td>
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<tr>
<td>Tax revenue</td>
<td>27.6</td>
<td>28.6</td>
<td>28.6</td>
<td>28.6</td>
</tr>
<tr>
<td>Other revenue</td>
<td>2.3</td>
<td>2.4</td>
<td>2.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Revenue</td>
<td>29.9</td>
<td>31.0</td>
<td>31.0</td>
<td>31.1</td>
</tr>
<tr>
<td>Operating balance</td>
<td>(0.1)</td>
<td>(2.3)</td>
<td>(8.1)</td>
<td>(16.0)</td>
</tr>
</tbody>
</table>
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
• Management committee 22 years
• 17 post budget breakfasts, 10yrs HR case
• Multiple CPAG publications, submissions, articles, talks, lectures etc. [website]
1991 Budget

Slashing of benefits only the start
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

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

Tax and benefit cuts and user policies have favoured those on low incomes, whereas the sick, the childless, the elderly and those with wealthier incomes have been less affected.

We now have children who go school hungry, diseases that are untreated, charities that re-stretched, and even tertiary education levels set up foodbanks. Maori and Pacific Island parents have been disproportionately affected. A hint of what could be experienced is seen in the 1991 census figures which show that 40 per cent of Kiwis are between 20 and 30.

There has been a marked contraction of traditional full-time, permanent and higher paid jobs and an expansion of part-time, poorly paid, casual and self-employment.

The next seven years technological change is likely to continue to alter the nature of production and labour market opportunities. As a result, the proportion of national income paid out as wages is likely to continue to decline at the same time as the ownership of productive assets becomes more concentrated.

By the year 2000 we may need to abandon the shibboleth that hard work and savings should be the basis of distribution. The fundamental challenge will be to find ways of redistributing non-labour income in order to maintain demand and prevent poverty and alienation.

It is extremely important that we continue to undermine the export sector and the domestic base with a single-minded focus on balancing the budget and controlling inflation below 2 per cent. If we do, we can expect society to become more divided, more unequal and more unequal.

Lester Thurow recently commented that New Zealand and Britain may be the last two countries left in the world playing laissez-faire economics. The following changes in policy are required:

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As a result, the proportion of national income paid out as wages is likely to continue to decline at the same time as the ownership of productive assets becomes more concentrated.
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.
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
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
"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
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
Debates over measurement: a distraction?

Good news... the government has sent us to measure your poverty.
Proportion of children below selected poverty thresholds

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.
Third world disease rises in 1990s

Source: (New Zealand Child and Youth Epidemiology Service, 2007)
<table>
<thead>
<tr>
<th>Child poverty figures in NZ</th>
<th>No. of children</th>
<th>% of children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total children</td>
<td>1,063,000</td>
<td>100%</td>
</tr>
<tr>
<td>Income poverty (&lt;60% median after housing costs, rel)</td>
<td>295,000</td>
<td>28%</td>
</tr>
<tr>
<td>Severe income poverty (&lt; 50% median after housing costs, rel)</td>
<td>210,000</td>
<td>20%</td>
</tr>
<tr>
<td>Income poverty (&lt; 60% median after housing costs, CV)</td>
<td>230,000</td>
<td>22%</td>
</tr>
<tr>
<td>Material hardship (EU standard threshold)</td>
<td>155,000</td>
<td>15%</td>
</tr>
<tr>
<td>Severe material hardship (EU severe threshold)</td>
<td>85,000</td>
<td>8%</td>
</tr>
</tbody>
</table>
Creation of ‘the other’
1991-2016: Policies based on narrow economic model

Policy driven by mantras eg “paid work is the best source of wellbeing”

“Work will set you free”

Incentives for parents are more important than the welfare of children
From 1990s policy focus has put paid work at centre

“A relentless focus on paid work”
Best interests of the child at the centre

Child

- Work friendly hours.
  - Part-time work.
  - School holiday assistance.

- Child impact assessment of all legislation.

- All newborns adequately supported. Paid parental leave based on the needs of children.

- All children have adequate resources of food and clothing.

- Part-time work for sole parents encouraged, low abatement

- All poor children given the same weekly assistance based on household income.
Premises of Government’s investment approach

• Minimising future costs is a legitimate goal
• Getting off benefit equals being in ‘work’
• Being in Work means increased ‘well-being’ and solves poverty.
• Unpaid work is of no value
• Children need no separate consideration unless ‘vulnerable’
Welfare reform = The abusive state?

I Daniel Blake
Sanctions: Where are the children?

One injustice unchallenged leads to another and another.
Sanctions impose by benefit type from March 2014 quarter

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Sep-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobseeker Support</td>
<td>10,435</td>
</tr>
<tr>
<td>Sole Parent Support</td>
<td>3,723</td>
</tr>
<tr>
<td><strong>Total Main Benefits</strong></td>
<td><strong>14,237</strong></td>
</tr>
</tbody>
</table>

Sanctions imposed by dependent child(ren)

<table>
<thead>
<tr>
<th>Client with</th>
<th>Sep-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent child(ren)</td>
<td>5,100</td>
</tr>
<tr>
<td>No dependent child(ren)</td>
<td>9,137</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,237</strong></td>
</tr>
</tbody>
</table>

First reason for sanction imposed - All

<table>
<thead>
<tr>
<th>First sanction reason</th>
<th>Sep-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients who failed to attend an arranged appointment</td>
<td>9,554</td>
</tr>
<tr>
<td>Clients who failed to complete a step in plan</td>
<td>1,636</td>
</tr>
<tr>
<td>Clients who failed to accept an offer of suitable employment</td>
<td>44</td>
</tr>
<tr>
<td>Other reasons</td>
<td>3,003</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,237</strong></td>
</tr>
</tbody>
</table>
Social Assistance Allocations, 2016

- Other Social Assistance: $1,788m (8%)
- Student Allowances: $529m (2%)
- Rent Subsidies: $1,911m (8%)
- WFF Tax Credit: $2,414m (10%)
- Welfare Benefits: $4,322m (19%)
- New Zealand Superannuation: $12,256m (53%)

Total welfare spend: $24bn
So what is wrong with WFF?
All children’s tax credits aim to meet the needs of children and reduce child poverty. But

A big part of WFF is conditional on parents meeting rigid hours of work test.
$72.50 a week
The prime aim WFF - reduce Child Poverty

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

MSD 2012
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."
The Human Rights Case on the “In Work Tax Credit”
CPAG v the Attorney General 2002-2013
10 hearings over 9 years
2012 Appeal in the Court of Appeal

28th 29th May 2012

Discrimination again upheld
tie 270,000 children are harmed
But found to be justified?
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.
Case study IRD

• Kezi is 20 years old. She has a two year old daughter for whom she receives child support. Kezi's been working for a temp agency for the past 16 months. Two weeks ago, she gave birth to a baby boy and is now at home with him. **Kezi's new partner Mark is a student and receives a student allowance.**

• Kezi can't apply for a parental tax credit but she can apply for paid parental leave.
Relationships in the 21st century are complex!

Happiness in marriage is entirely a matter of chance.
Jane Austen
Tax is based on the *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.
Just who is married? It Really really matters !!!

<table>
<thead>
<tr>
<th>Weekly Benefit</th>
<th>single</th>
<th>single sharing</th>
<th>married/defacto</th>
<th>difference for couple pw</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobseeker/student allowance over 25</td>
<td>210</td>
<td>210</td>
<td>175</td>
<td>-70</td>
</tr>
<tr>
<td>Supported living payment</td>
<td>263</td>
<td>263</td>
<td>219</td>
<td>-88</td>
</tr>
<tr>
<td>NZ Super</td>
<td>385</td>
<td>355</td>
<td>296</td>
<td>-178</td>
</tr>
</tbody>
</table>
• 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
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
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