Child Poverty in New Zealand

Panel discussion chaired by Tracey McIntosh with Russell Wills, Jonathan Boston, Damon Salesa and Susan St John

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Susan St John Notes for the panel 17th June

Thanks are due to Brigit Williams Books for inviting me to be on this panel and for an open and inclusive approach. It has been great to have the involvement of Brigit Williams Books in the inequality debate and profile of the issue is being raised enormously at long last. Likewise, the strong voice of Jonathan Boston has been very welcome, and the publication of this book adds a further dimension to that.

I am here representing CPAG, a major voice for better policy for children in NZ. CPAG has long advocated for policies that give all low income children full access to all child poverty relief tax-funded social security type payments. If we think investing in newborns and low income children pays dividends for society we need to ask why would we have policies that leave out the very poorest children from that investment?

The answer that poverty is needed to provide an incentive for the parents to get a full time job, just won't wash.

CPAG has difficulties with at least some of the policies proposed in this book. We can’t fault the authors’ portrayal of how bad Child poverty is for everyone- although it is worth noting that since the text of the book was written we now know the figures are much worse than we were led to believe.

Unbelievably the Treasury and the Statistics Department had ‘made a mistake’. Instead of 265,000 children below the 60% after housing costs poverty line, there are actually 285,000. It is not just about finding another 20,000 children in poverty, the real implication of the corrected figures is that almost all children in poverty are far further below the poverty line than we had been led to believe. In fact, 205,000 children are below the very low 50% after housing costs poverty line.

Time for an outpouring of rage?

It is with the deep concern for the miserable lives of so many children and their parents, especially sole parents that we looked to this book to give some concrete and workable proposals to the politicians in election year.
Unfortunately we don’t see that in this book and there are confusing calls for a universal child benefit as if that could possibly solve the dire child poverty problem we face. If we gave $50 per child per week as a universal benefit, a two child family on the 50% line might be lifted to the 60% line. The cost? Assuming 1 million children this would be $2.5 Billion, as much as we currently spend on the whole of Working for Families. Let’s be a bit careful here.

I want to tell you what CPAG is really pleased to see.

Ten year since Working for Families was announced this book unambiguously recognises that WFF is a croc badly in need of fixing. CPAG woke up to the WFF announcements in 2004 with shock and disbelief. How could the government be serious about addressing Child Poverty when it missed out 230,000 of the poorest children? By give child payments fancy names to confuse everyone to make it seem there is a rational reason for them being so exclusionary, it all got too hard for anyone to understand.

The In Work tax Credit is all just part of the weekly payment to the caregiver expressly to meet the needs of the children. It is worth at least $60 a week for family, and even more for larger families. BUT it only goes to the deserving poor children whose parents work enough hours and don’t have any benefit or student allowance. It suddenly disappears when a family loses hours of work in a recession or earthquake. The anomalies are huge:

Let me give three of thousands of examples of why it is the worst designed and most expensive work incentive in the OECD.

1. Women caregivers in high income households can get this payment for their children but they don’t have to work, in fact their rational response can be to work less or not at all.

2. A teacher’s aid has it cut off in holidays.

3. Sole parents on a benefit who now don’t get the Training Incentive Allowance worth $3000 also don’t get the In Work tax Credit worth $3000- result is they are scarcer at university than ACT members in parliament.

10 years ago in 2004 CPAG wrote a very critical analysis of the WFF policy called “Cut Price Kids”. It went down like a toffee apple in the backseat of a car on a hot day. The Minister left a message on my answer phone to say he was ‘bloody annoyed’ and we were blacklisted in Wellington circles. None of that critique was ever refuted: WFF was implemented with no proper scrutiny or consultation and has never been properly evaluated.

MSD data show that WFF lifted working families up and reduced child poverty but had no impact on the child poverty rates in workless families. CPAG fought the craziness of the IWTC for 10 years in the courts—arguing cogently that there are lots of other ways of incentivising work that don’t damage children.
So what do we think Boston and Chapple have got right?

They have said that the IWTC is very badly designed. They say the hours worked requirement is wrong and the off benefit rule is wrong. They say both of these rules should be abandoned.

At this point CPAG is feeling totally vindicated. Taking away those two rules would make the IWTC no different to the FTC and would result in the very lowest income families getting a significant and helpful boost – maybe lifting some under the 50% poverty line to being under the 60%. A very-cost effective way to make some progress on the worst child poverty. The cost would be around $450m per annum.

Break out the champagne?....except unfortunately, they want to change the In Work tax Credit into a complex Earned Income tax Credit, making it much more generous, more child-related by increasing with numbers of children, and leaving older children (past infancy might be 1 year not sure) in families that cant work, in much worse child poverty than now. Pity help working families in the next recession or natural disaster.

We are worried that Boston and Chapple take what seems to be an incredibly American focus in the tax benefit chapter (that great country whose child poverty rate is second worst in the OECD just above Romania). We will have the debate about this in another arena. Thank you to the Authors for writing the book and setting the cat among the pigeons.