

BACKGROUND 23: AUSSIES WIN, HANDS DOWN

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Why can New Zealanders not see the importance of adequate tax-based and universal child benefits? Other countries rightly view financial support for families with children as fundamental to preventing, and dealing with, child and family poverty.

The Australian system, for example, is far simpler, more generous and humane than ours.

All aspects are regularly adjusted for inflation, for a start. The Australian family assistance website shows frequently updated figures for their family payments while New Zealand's levels of family assistance remain static.

Australian parents can earn \$A31,755 before their family tax benefit begins to reduce; here family support starts to reduce at an income level of \$20,000. A one-child family quickly becomes entitled to nothing at all.

Not only does abatement start at a much higher level in Australia, but the family tax benefit stops reducing once it has fallen to \$A21 per child per week. It does not reduce further until parents have a joint income of \$A82,000 for a one-child family.

In families with more than one child, \$A3,285 per additional child is added to the joint-income limit. All but the top 6% children get this quasi-universal payment.

In contrast, family support in New Zealand reduces at \$20,000pa, no matter how many children in the family, and there is no universal component at all.

The Australians also offer another clever package, family tax benefit B, giving up to \$A56 a week assistance to single-income families, including sole parents with a child under the age of five. For children aged between five and 18, the maximum is \$A39 per week per child. For sole parents, the tax benefit is paid in full, regardless of income. In two parent families, the primary earner's income is not taken into account. The secondary earner, usually the mother, still gets some family tax benefit B if her income is below \$A11,559 a year and the youngest child is under five; or \$A8,614 a year if the youngest child is between five and 18.

There is nothing as far-sighted as this in the New Zealand system. All assistance is tested against joint parental income and sole parents with any benefit income at all get less family assistance than those at the same income level who are not on a benefit.

In the past 15 years, New Zealand family assistance has become progressively more miserable. It is easy for this to happen with a system that is not automatically adjusted for inflation.

Families get caught two ways: The purchasing power of the payments for children reduces relentlessly, even when inflation is relatively low. The impact of neglect has been substantial. For example, family support for the one-child family should now be \$74 a week instead of a \$47 a week, to maintain purchasing power.

And the level of joint family income from which the payment starts to reduce is also fixed and means that, as wages increase with inflation, more of the child payment is lost. The threshold for abatement is now so low that many hard-pressed working families are entitled to very little family support at all.

New Zealand also punishes children for the origin of their parents' income. This came about from 1996, when the vital principle that all children should be treated the same was abandoned with the introduction of the child tax credit at \$15 per week per child. Children who qualified had a \$20-per-week increase in their family support, helping to restore some of the lost spending power.

But around 300,000 of the poorest children missed out and got only a \$5 increase. They were unlucky enough to have had a parent on a sickness, invalid or unemployment benefit, ACC, student allowance, or NZ Superannuation.

Over and above this discrimination, the complexity of the child tax credit helps reinforce an ethnic bias, especially where parents fall in and out of the benefit system over the year and do not claim entitlements.

Over the past seven years, these poorest families have sacrificed around \$2 billion in lost payments due to this policy. While not politically fashionable to make the link, it is hard not to conclude that their sacrifice contributes significantly to the current Budget surpluses flowing into the New Zealand Super Fund.

Just as is the case in Australia, Britain has also made child tax credits the same for all children. These tax credits, along with the universal child benefit, are regularly adjusted for inflation.

Why is New Zealand such a laggard? Nothing has been done since the 1996 Budget, apart from a tiny crumb of a marginal change in the threshold for abatement of family support in the 2003 budget. This gave, at most, \$1 a week for some children in particular income ranges.

In the light of increasing concern about levels of child poverty in New Zealand and its alarming consequences, this lack of action is unfathomable. Families have been told to wait for the 2004 Budget, when they will get a boost to their family payments if the surpluses are large enough.

We must carefully scrutinise this package to make sure it is a good one, but it will offer only a catch-up and will not compensate for the years of neglect. In the meantime, Australia wins on this one hands down.