



What will it take for Aotearoa New Zealand to have a welfare system that is fit for families in the 21st century?

Child Poverty Action Group

Introduction

No-one is immune from life's challenges. When a situation arises that impairs a parent's ability to provide for their family, it is vital that they can continue to lead a life that is free from harm associated with poverty. Shamefully, New Zealand's system of welfare is not responsive enough, nor does it provide adequate support for families when they face their greatest need. Many people experience barriers when they seek help, including unfair treatment by those whose job is to support them. Families need better help than this, and a Welfare Expert Advisory Group is examining policies to ensure improvements.

To contribute to that process Child Poverty Action Group (CPAG) proposes reforms to make the welfare system fit for families in the 21st century. Children's wellbeing should be at the heart of all policies, so that all their needs are met adequately, and their wellbeing is not compromised by insufficient family income. Reform should be based on principles of compassion and caring, and the real needs of families, without stressful over-emphasis on paid work requirements, and punitive, corrective methods.

In the sections below, some of the issues are outlined and new methods suggested for improving systems and processes. The specific policy recommendations below each heading related to benefit sanctions, relationships, benefits and tax credits, could be easily and cost-effectively implemented. For more

information on CPAG's recommendations please refer to the "Further reading" material listed at the end of this document.

Inadequacy of welfare benefits, tax credits and other supplementary payments

Benefit and tax credit levels have been too low to adequately support families. The need for welfare hardship grants, particularly for food and housing, has soared over the past few years. Thousands of parents have been forced into debt to meet their families' basic needs or to pay an emergency bill, or they have relied on charity to ensure children are fed and clothed. While the recent Families Package is a welcome catch-up, tax credits for children are set to erode again through a lack of annual increases and rising costs such as fuel tax. Every extra dollar a family earns over the current fixed threshold reduces their tax credits and accommodation assistance far too sharply with negative impacts for 'working' poor families. It will take a long time to restore family balance sheets and to reduce the need for charity and foodbanks that have become the norm in Aotearoa-New Zealand.

A persistent and damaging focus on paid work as the priority over providing care for young children means that the children of beneficiary families and those with insufficient hours of paid work get less Working for Families than others on a low income. The "In-Work Tax Credit", worth at least \$72.50 a week, has failed

as a work incentive but is a needed payment for all low-income children. Low income families that do not get the IWTC are those who experience the most severe poverty.

A further problem is that, through misinformation or mishandling of client details, welfare beneficiaries are often denied entitlements with disastrous consequences for their children's wellbeing. Beneficiaries feel judged, mistreated, insecure and apprehensive when dealing with the Welfare System. Their difficulty in meeting stringent and unfair work obligations may result in their incomes being reduced, and worse - cut entirely.

CPAG recommends that an adequate standard of living for different family types in Aotearoa-New Zealand is established, and this should be the basis for determining benefit levels and tax credits for children. CPAG would also like to see flexible working conditions for parents of dependent children promoted more generally across the workforce in Aotearoa-New Zealand.

Best Start

According to Brainwave Trust research, full-time access to a parent until age three is important. While Best Start is a child-centred policy that acknowledges the importance of early childhood and has begun to ensure better support for all children under three, it is made complex by overlapping abatements with Working for Families - and would be better if integrated into the package.

The Accommodation Supplement

There are fundamental problems with the Accommodation Supplement (AS) as means to assist low income families. Currently, applicants are required to provide evidence of a rental being paid in order to be eligible, payments are insensitive to household size, and the AS may lead to higher rents being charged by landlords. Recipients are not able to hold cash assets above a certain level which negates the ability of families to save money for necessities or even toward owning a home one day. For low-income working families, Working for Families tax credits and AS abatements compound to reduce the extra value of every dollar earned by 50%. The AS is not indexed, so it reduces in real value as housing and other costs rise.

As a first and immediate response to the need for improved incomes for low-income families, and to increase children's chances of thriving, while at the same time increasing parents' capacity for participation in other areas of life and society, the Government should:

- Increase all core benefits substantially, by at least 20%.
- Reduce the use of the Accommodation Supplement by shifting housing assistance into higher WFF and benefits over time
- Remove the minimum hours paid work criteria from the In-Work Tax Credit.
- Abolish the In-Work Tax Credit and add \$72.50 to the Family Tax Credit for the first child payment for all children in families eligible for WFF.
- Reset Working for Families abatement rates to 20%.
- Implement full annual indexation for all WFF rates and abatement thresholds.
- Introduce a link to wage growth for WFF and benefits as is done for New Zealand Super.
- Allow welfare beneficiaries to earn more from paid work before their benefits are reduced – at least 10 hours at the minimum wage rate currently \$165, for each person
- Increase the amount of cash assets parents can have without their Accommodation Supplement being affected.
- Make Best Start part of WFF to save unnecessary expense and overlapping abatement effects.

Benefit sanctions

Benefit sanctions range from a reduction in benefit payment to a stand-down or suspension of payment for a period of time, to complete cancellation of the benefit. Changes to the way sanctions are imposed in 2018 saw a 39% reduction for sole parents, nevertheless In the June 2018 quarter alone, 3371 sanctions were applied to beneficiaries with dependent children. Many of such sanctions are applied for failure to attend meetings, or when a parent fails to name the father on the welfare application. These sanctions are harmful to children and they perpetuate a blameful, stigmatising narrative around sole parents and welfare recipients. While benefit levels are already inadequate for families, sanctions make it impossible for the parent to provide adequately for their children's basic needs.

The Government should reform the punitive nature of the welfare system by altering the sanctions system applied to beneficiaries with dependent children where obligations are deemed not to have been met:

- Immediately abolish benefit sanctions where the beneficiary is the primary caregiver of dependent children.

The manner in which relationships are treated in the welfare system

Two single people who share a home are treated much better than a couple in the welfare system. CPAG says that removing the relationship penalty will help couples with children who tend to be the worst-off in the benefit system.

In 2018, the criteria and review process for determining a relationship as 'in the nature of marriage' is antiquated and inadequate. It is also open to different and potentially harmful interpretations by those with the power to initiate investigation.

Benefit fraud convictions, often based on unfair and outdated rules around relationships, can reduce a parent's capacity to provide for their children and potentially expose them to dangerous situations. Prosecutions of parents for 'relationship' fraud may end in prison sentences where the resultant child poverty from parental imprisonment carries an extraordinarily high private, as well as a public cost.

CPAG is asking for a complete reform of law relating to relationship fraud so that a fair and just system can be put in place. CPAG also asks for removal of the harsh system of repayments even after prison terms that disadvantage children, causing harm both physically and mentally, and entrenching already high levels of child poverty.

As a first and immediate response to the current punitive approach to relationships, the Government should:

- Remove the couple penalty by raising the 'married' person rate of a benefit to the single rate and allow each person to have the same exemption for earned income.
- Allow sole parents to retain their benefit until such time as they meet criteria in accordance with the Property (Relationships) Act, or earlier if they so declare to be in a relationship where they are able to be adequately supported without need of a benefit.
- Abolish debt associated with convictions for 'benefit fraud' where a jail sentence has been served.
- Abolish jail sentences for parents who have dependent children where there is a conviction of benefit fraud.
- Establish an independent review process.
- Provide beneficiaries with legal aid so that a lawyer can assist them in preparing their cases.

Further reading

Working for families

Will children get the help they need? An analysis of effectiveness of policies for children in the worst poverty in 2018 (May 2018)

Progressive universalisation of Working for Families (March 2018)

Priorities for family income support (June 2017)

Welfare system reform & inadequacy of welfare benefits

The further fraying of the welfare safety net (Dec 17)

Barriers to support: Uptake of the Child Disability Allowance in Otara (Nov 2016)

Proceedings: Social Security Summit – Investing in children (Sept 2016)

Proceedings Summit 2017: Beyond Social Investment (Oct 2017)

Benefit sanctions

Benefit sanctions and children: An urgent need for greater clarity (Sept 2014)

Benefit sanctions: Children not seen - not heard (June 2014)

Benefit sanctions: Creating an invisible underclass of children? (Oct 2013)

Relationship status in the welfare system

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 (June 2016)

The complexities of relationship in the welfare system and the consequences for children (Dec 2014)