



What the Government needs to do now to lift children out of poverty

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Child Poverty Action Group (CPAG) supports Whakamana Tāngata, the report of the Government's Welfare Expert Advisory Group (WEAG), its purposes, values, principles, and the bulk of its recommendations including:

- explicit requirements to improve outcomes for Māori at all levels;
- specific responses to achieve equitable outcomes for Pacific people;
- increase health and disability support for children and parents;
- enhance lifelong learning and better opportunities for good and sustainable work;
- better support for youth including engagement in education and training;
- promote housing policies that increase more affordable rental and ownership options for those reliant on main benefit and on low incomes. CPAG agrees with WEAG to lift the cash asset level for the Accommodation Supplement to \$47,500.

Since major policy changes that occurred nearly three decades ago (1991), there has been a marked increase in the proportion of New Zealand's children living in poverty.

CPAG is especially concerned about the one-in-six (174,000) children who live in the deepest poverty. They are commonly living in desperate situations including being cold, hungry, stressed and without a secure, safe home. Often, they are sick and struggling to learn.

This brief summary by CPAG highlights urgent steps needed to lift incomes of families who receive support from the welfare system, and some will also benefit other families in poverty. The first step is to change the purpose and principles in the Social Security Act to ensure that all policy changes are consistent with the Government's focus on wellbeing.

WEAG said: “Change the Social Security Act to reflect whakamana tāngata, restoring dignity to people so they can participate meaningfully in their communities.”

The current Social Security Act focuses on paid work, not people. This needs to change to support families and whānau in poverty, and achieve wellbeing of children.

CPAG strongly agrees that the Act be rewritten to place people, as opposed to paid work, at the centre of all legislation and policy, with these principles and purposes:

“The purpose of the welfare system is to whakamana tāngata and ensure a dignified life by:

- providing financial security and social security sufficient for an adequate standard of living
- supporting people to achieve their potential for learning, caring or volunteering, and earning through good and appropriate work.”

WEAG said: “Improve income adequacy by increasing income support for people on low incomes, including increasing main benefits and indexing this support more generously, while ensuring that people are always better off in paid work. Ensure that the income support system is easy to access, provides timely support, and that people have access to their full and correct entitlements.”

CPAG agrees with WEAG that large benefit increases are needed: at least 20-30% on average. Once this is done the need for other supplementary income support will lessen and there will be less reliance on the Accommodation Supplement.

CPAG agrees that people need to be better off as a result of having paid part-time work when they are receiving a benefit, and this will improve the transition to long-term increased hours of paid work. To achieve this, the earnings threshold needs to be raised. WEAG recommended a lift in the threshold from \$80 to \$150 per week. CPAG says this is insufficient and it needs to be increased to 10 hours at the minimum wage, currently \$177/week. In 1997, the threshold was also \$80, and the equivalent of 11.4 hours of week at the adult minimum wage. We recognise that the threshold rules are different for the Supported Living Payment and Sole Parent Support benefits, and adjustments should be made along these lines commensurately.

CPAG applauds WEAG’s recognition of the adverse effects of the treatment of relationship status in the welfare system and the group’s recommendation for this become more neutral. CPAG urges the Government to go further than WEAG recommended and immediately align the single and married person benefit rates and allow sole parents to keep their independent income until they agree they are in a marriage-like relationship (with the protections under the Property (Relationships) Act 1976).

WEAG said “Introduce a living alone payment to acknowledge the additional costs faced by this group.” [people living alone]

CPAG suggests that a living alone payment would complicate the benefit system, be difficult to police and create incentives not to share. The additional high costs for those who are best living

alone can be met with core benefit increases and if necessary, a modified Accommodation Supplement.

WEAG said: “Reform Working for Families (WFF) and other tax credits to increase incomes for individuals and families with children and to simplify the system. This includes increasing the Family Tax Credit and introducing a new Earned Income Tax Credit to replace the In-Work Tax Credit (IWTC), Minimum Family Tax Credit and Independent Earner Tax Credit.”

- CPAG agrees that WFF must be enhanced and applauds WEAG’s recommendations removing the *In-Work Tax Credit* part of WFF, with its inherent discrimination.
- CPAG agrees with substantially increasing the Family Tax Credit. This compensates higher income people who lose the IWTC and gives a meaningful boost to those who currently are denied the IWTC.
- WEAG recommends only a small increase in the core benefit for Sole Parent Support compared with other benefits, so these measures (two bullet points above) are essential.
- CPAG questions WEAG’s proposal of a new Earned Income Tax Credit with its \$1.2 billion per year cost. It complicates the system including having implications for overlapping abatements for families on the WFF which are very costly to address.
- CPAG does not prioritise the WEAG’s recommendation that years two and three of Best Start be made universal; this proposal is expensive as it reaches all children including those not in poverty.

CPAG suggests six steps to reform Working for Families that will enhance outcomes for the worst-off children in low-income households:

1. Increase the first child Family Tax Credit by \$72.50 per week and remove the IWTC. This would reach children supported by a core benefit, and cost \$450-500million per year. As this does payment does not go up the income scale, it is the most cost-effective way to reduce severe child poverty and therefore should be done immediately.
2. Improve the transition to paid work by increasing the amount that can be earned while receiving a benefit to 10 hours at the minimum wage – currently the equivalent of \$177 per week.
3. Improve the returns from paid work by reducing the WFF abatement rate to 20%.
4. Index the threshold for WFF and all tax credits for children to wages to prevent erosion over time.
5. Ensure all families receive all their entitlements.
6. CPAG recommends that years two and three Best Start payments are added to WFF and abated after the Family Tax Credit. This would greatly simplify the current regime of overlapping abatements and be less costly than WEAG’s universal suggestion.

WEAG said: “Restore trust in the system by rebalancing the social contract and improving the operation of the welfare system in line with the new purpose and principles. This will include developing a mutual expectations framework, reducing the generation of debt, and improving the culture of MSD.”

While WEAG recommended checks to mitigate potential negative impacts of any sanctions on families. CPAG strongly requests removal of all sanctions and stand-downs for parents of dependent children.

Many families lose a continuous weekly amount from their income on debts to the Ministry of Social Development, further compromising their ability to thrive, and WEAG expressed concerns about this matter. CPAG suggests a debt-forgiveness programme could be established where there are children. Grants for basic needs including food, clothing, school costs and housing should be non-recoverable. Consistent adequate income to meet the needs of all families and individuals must be prioritised.

WEAG said: “Reform child-related payments so that they follow the child and can be apportioned with shared care.”

CPAG agrees there should be alignment of child-related payments with shared care definition (WFF and Child support). All child support paid by the non-custodial parent should be passed on to the Sole Parent Support recipient (primary caregiver) and count towards the sole parent’s income.

CPAG regards the work of the Welfare Expert Advisory Group as a critical step forward to reduce the constraints of poverty experienced by so many children in Aotearoa. We formally request that the Government considers these priority recommendations with sincerity, and recognises their fiscal viability. We wish to open a constructive dialogue with government policy advisors and Members of Parliament concerned with this work and look forward to the progress we can make towards reducing child poverty in this country.

Child Poverty Action Group Inc.
PO Box 5611,
Wellesley St,
Auckland 1141.
<http://www.cpag.org.nz>
[Email: admin@cpag.org.nz](mailto:admin@cpag.org.nz)
[Phone: +64\(9\)302-5260](tel:+6493025260)