



Punitive policies punishing families

Associate Professor Susan St John – Child Poverty Action Group (2011)

Summary:

Our welfare and tax credit policies for supporting low income families are deeply contradictory and out of step with the nature of relationships and the labour market in the 21st century.

New Zealand has very peculiar and punitive policies for the support of children in low income families. It is no wonder that our child poverty statistics along with third world, poverty-induced, disease rates are so appalling.

Our welfare and tax credit policies for supporting low income families are deeply contradictory and out of step with the nature of relationships and the labour market in the 21st century.

While WINZ peers into the bedrooms of the poor to see if the sole-parent is co-habiting and therefore not entitled to a benefit, the IRD who are even less qualified in social matters, peers into the bedrooms of the poor to see if she is *not* co-habiting so that she can be denied the Work Tax Credit for her children.

WINZ wants to know about every single extra dollar that comes the way of the sole parent, including any helpful payments from the other parent. However, IRD, close their eyes to financial flows between parents when it suits them and define a couple as 'separated' if they are not living in the same house.

To navigate the maze of benefits, supplementary payments, family tax credits, abatements, shared care rules, hours of work requirements, reassessments, demands for payments and penalties, a sole parent needs more than a PhD. Without understanding how the various tax credits work, a sole parent is supposed to respond by getting a job, any job.

The Tax Working Group and now the Welfare Working Group, despite being well funded with tax payers' money, have completely ignored the issues around the out-of-date assumptions about relationships and work in our tax/welfare systems.

Talk of catching up with Australia? We could learn a lot from their vastly superior tax arrangements and family assistance programmes.

Unlike our highly discriminatory system, in Australia all low income children are treated the same. As a result, there are far less serious issues around child poverty in Australia, especially if one looks at the non-indigenous population.

In Australia, family tax credits are not made conditional on parents being in paid work. Thus they do not penalise children when parents lose work.

In Australia, a sole parent with a new baby is supported by a parenting payment that is the equivalent of our DPB. However, over there, all child tax credits are paid on the same basis for all low income children, whatever the source of parental income. For a one-child sole parent family these tax credits total A\$166 week (NZ\$207). A new baby not covered by their vastly superior paid parental leave is also eligible for a A\$5200 baby bonus.

In Australia, there is no 'hours worked per week' or 'off benefit' requirements. In New Zealand, a sole parent family misses out on the In Work Tax Credit of at least \$60 a week if the parent does not work 20 hours. Despite the In Work Tax Credit (IWTC) clearly being a payment to help meet the needs of the child, a one-child sole parent gets only the Family Tax Credit of NZ\$88 a week.

Coupled families must work 30 hours to get the IWTC and must have no benefit income. As families lose work in this prolonged recession, or whose hours of work are affected by the earthquake and other tragedies, the loss of the IWTC for the child or children can be serious. The children in the lowest income families pay a truly unjust and unnecessary price.

The IWTC can be paid to a mother while she is in a relationship even if she is not in paid work providing her partner works 30 or more hours. However, any overpayment becomes her debt even when it is an increase in his income that has caused it.

If they split up, and even if they remain independent from the benefit system and he continues as before to support her in a full-time care-giving role, she loses entitlement to the IWTC. The work-based logic appears to be that *because* she is living on her own she should now be expected to work 20 hours a week outside the home. There is no regard for the needs of the young child.

The IWTC part of the Working for Families (WFF) package has been judged by the Human Rights Tribunal to constitute discrimination with significant disadvantage for the children concerned:

“(192) We are satisfied that the WFF package as a whole, and the eligibility rules for the IWTC in particular, treats families in receipt of an income-tested benefit less favourably than it does families in work, and that as a result families that were and are dependent on the receipt of an income-tested benefit were and are disadvantaged in a real and substantive way.”(Human Rights Tribunal, 2008)

Both the Greens and the Maori party have raised the injustice issues of the IWTC. Labour, too, have realised that it is a very unsuitable policy especially in a recession. The central question of the child's needs have been lost in the complexity of the administration of the IWTC.

As a first step toward a fairer solution, the IWTC must be joined to the Family Tax Credit so that low income families get a secure weekly amount for their children. That tax credit would not reduce with circumstances beyond their control such as losing a job, relationship difficulties, or going on a benefit.

Perhaps then we could hold up our heads when compared to Australia.

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