



## Dopey or what?

Assoc Prof Susan St John (2012)

### Summary

In this article CPAG's Economics Spokesperson Susan St John comments on Prime Minister John Key calling the suggestion for a universal child benefit by the Children's Commissioner's Expert Advisory Group on Child Poverty as 'dopey'. She illustrates what is 'dopey' is the way in which our family assistance policies are currently structured.

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Gareth Morgan identifies the abysmal intellectual void around the latest foray by the government into so-called benefit "reform". The draconian nature of sanctions prescribed in this Dickenson legislation (the Social Security Amendment (Benefit Categories and Work Focus Bill ) for the errant poor should send shivers up the spine of any one with a sense of history.

Forcing young children into day care while their mothers are hassled into 'suitable' work by incentivised case managers working in the private sector is a recipe for disaster. The minister is at pains to point out that where there are children her sanctions will be applied only in the extreme and dysfunctional cases. But who decides what is extreme? How can penalties cure dysfunction?

If the government cared at all about children they would pay attention to the professionals on TV3 Campbell Live this week ([24/9/12](#)) whose grim words condemned the levels and depth of child poverty in New Zealand. Strangely, not one of these experts claimed that all that was needed was for the mother to get a paid job.

John Key uses the term 'barking mad' to describe politicians trying to debate these issues. He points to government action in national standards in education as evidence of a caring government. He sneers at the suggestion of a universal benefit for families with young children describing it as 'dopey'. But it is what we do currently that is truly dopey.

And so what happens now? Let's take the case of Sarah and Bill, married with one child and another on the way. Bill is earning a low wage of \$36,000 a year and even with the full Working for Families payment of \$152 a week paid to Sarah for their first child, they are barely getting by. When the second child arrives, she gets another \$64 per week and a one-off \$150 a week for eight weeks. All up, on average for the year, Sarah gets an extra \$239 a week from Working for Families to look after the needs of their two small children.

Now imagine that Bill gets sick before the second child is born and has to leave his job and the family needs to go on to a sickness benefit. First there is the shock of a considerable drop in primary income as the married benefit is only \$19,812 gross.

But worse, Working for Families for the first child is cut to only \$92 a week. The arrival of the second child gives her an extra \$64 per week but not the eight weeks extra payment. All up she has only an extra \$156 a week for the two children.

The loss of \$83 a week from the Working for Families payment for the children is highly significant: it affects the family's ability to heat the house in winter, run a car, pay for the baby's essentials and buy nutritious food.

In Australia, playing out the same scenarios, when Bill is in work, Sarah would have A\$277 in tax credits per week plus an additional A\$5,000 for the new baby. On average this is A\$372.74 a week for the support of their children for the year. In the second scenario when misfortune strikes, the same assistance for the two children continues.

Now we can see how lacking in universalism New Zealand actually is. While both New Zealand and Australia reduce family payments for families on incomes over a threshold, Australia does not pay less for the poor children in benefit households. They have the wit to see that if poverty matters, it matters for all children, not just those whose parents happen to be lucky enough to have full time work.

Private charity may be admirable but it can provide only a band-aid. A \$15 a month donation may provide a raincoat and shoes but is only a drop in the bucket compared to the amount the family of the poorest children are unjustly denied in Working for Families.

The tentative proposal made by the Children's Commissioner's Expert Advisory Group on poverty suggests a universal payment of around \$125 a week for the first 6 years of a child's life would go a long way to addressing child poverty. Sarah would get \$250 a week regardless of Bill's employment. This would be a great improvement over today's 'dopey' judgemental policies that cut child assistance when Bill gets sick, or the family loses work in an earthquake or a factory closure.

Of course if all children under 6 get the universal payment, it would benefit some who do not need it. A less costly way to achieve the same end is to give all children under 6 access to the full Working for Families package in the spirit of the Green's Private Member's Income Tax (Universalisation of In-work Tax Credit) Amendment Bill. That way only the poorest children are helped, but they are helped substantially, and the gross anomaly that has been a key driver of child poverty is removed, at least for this age group.

**Australia: maximum weekly family assistance payment for two children (both under five yrs old, one a newborn)**

<b>Family Assistance Type</b>	<b>Weekly amount</b>
FTA 1st child	84.84
FTA 2nd child	84.84
Baby Bonus \$5,000	96.15
Family Tax Benefit Part A*	27.94
Family Tax Benefit under 5	72.16
Family Tax Benefit Part B*	6.81
<b>Max total per week</b>	<b>\$372.74</b>

\* Supplement of up to \$726.35 for each child \* Supplement of up to \$354.05 per family