

Susan St John: Don't ignore the poorest children

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Working for Families has put some welcome money at last into the lean budgets of low-income families. A boost to Family Support was overdue and helps to make up for some effects of inflation on this payment.

The rest of the package is rolled out in the future, like this year's infamous budget tax cuts. Surely, something worth doing should be done as soon as it is seen to be worth doing? Nowhere is this more important than for poor children, who otherwise spend their formative years waiting for action.

But not all poor children will find the wait worthwhile. The worst-off children have already been disappointed.

Low-income families who have any benefit income missed out on the Child Tax Credit of \$15 a child a week in 1996 and got little out of the changes this April.

Most had their core benefit cut along with changes to their Special Benefit, offsetting gains from the increase in Family Support. About 250,000 children in benefit families will wait for another two years before there is a \$10 a week a child increase, and until after 2008 for an inflation adjustment.

Despite the substantial real economic growth of the past five years, the latest figures from the Ministry of Social Development show more than half of beneficiary households still live under the poverty line, and many have young children.

Even with Working for Families, a Sickness Benefit plus Family Support for a couple with two children is \$30 a week lower in today's money than 15 years ago.

A DPB plus Family Support for a sole parent with two children is \$35 lower. Housing costs have shot up for most low-income families and the Government is set to further reduce spending on Special Benefits for those experiencing the worst hardship.

Next April 1, a more generous In Work Payment will replace the Child Tax Credit. Like the Child Tax Credit, the In Work Payment is paid only to families not on a benefit. The provisions will become more complicated for those families in casual and insecure work because the payment will go only to families who can show they work a given number of hours a week.

But it is not too late for the Government to follow the lead of other countries which do not use

child payments as work incentives. Work incentives can be enhanced by other measures, for example the Australians use lower rates of abatement of family assistance and generous thresholds.

We have seen in New Zealand how when the economy booms, more people get jobs. They want to work and the availability of suitable work is the key driver, not work-related child supplements. Lump-sums are also ineffective work incentives because they do not reward an extra hour of work. Furthermore, they are damaging as they perpetuate high effective marginal tax rates over long income ranges. What poor families need is a secure reliable income supplement for their children that does not disappear during hard times.

Several millions of dollars are being channelled into an evaluation of the Working for Families package. In about five years we can expect the conclusion from this will be that complex entitlements do not work.

People working in food banks already know this and, rather than wait for the inevitable, the Government must be encouraged to rethink the In Work Payment.

A better move would be to add the Child Tax Credit to Family Support for every child. This would restore the principle, of which New Zealand was once proud, that all children be treated equally.

Once this is done it is time to consider making a good part of the Family Support payment a universal family benefit.

The universal principle is firmly in place for those over 65. Why should New Zealand treat the young so differently?

* Dr Susan St John is a senior lecturer in economics at Auckland University, and an executive member of the Child Poverty Action Group.