

CHiLD POVERTY ACTION GROUP

Budget 2009: Child poverty is the issue

- **Since the election of the new government, child poverty has become invisible.**
- **We must recognise that poverty is more damaging for young children than for any other age group.**
- **We need urgent action to reduce the effect of the recession on children.**
- **We must continue to measure and monitor poverty to deal with it equitably and effectively.**
- CPAG urges the government to ensure that children are given the priority they need and deserve in the Budget. We cannot risk the further social and economic exclusion of our most vulnerable children. Now, more than ever, we must attend to their needs. Insisting on fiscal prudence now at the expense of children will prove to be very shortsighted when the future social costs hit home. The recession will be over in a few years, but the damage done to children living in poverty now will remain with them – and us – all their lives. We can and must act to prevent this.

Before the election, National made political capital by pointing out that after a long run of economic growth, New Zealand still had a so-called underclass: people who lived in places where “rungs on the ladder of opportunity have been broken.” New Zealand was witnessing “a dangerous drift toward social and economic exclusion.” So Child Poverty Action Group was eager to see what positive plans the new government would put in place to deal with the poverty and exclusion it had identified.

Since then, all talk has been of the recession – what it will mean, and how those that already have them might be able to keep their jobs. Sadly, no anti-poverty strategy has appeared alongside this. On the contrary, poverty, especially the poverty of those who were in financial strife before the recession, has vanished from the

political radar. The underclass once again is invisible. Instead we get daily dire warnings about government debt and the fiscal constraints it necessarily imposes. The talk has focused on keeping jobs; yet the economy continues to lose jobs – 27,400 full time equivalent positions in the March 2009 quarter alone. Unemployment has inched up to an average of 5%, but it is already 12% among Maori and 13% among Pasifika people. There is little discussion and even less action around the significant consequences of rising unemployment for children.

Budget 2009: Child Poverty Action Group Recommendations

- 1. Set a target date to end child poverty, and undertake to produce a child impact assessment for all proposed legislation.**
- 2. Treat all children as deserving support and acknowledge that parenting is important work. Recognise the ‘In-Work Tax Credit’ as part of family assistance that is needed by all low-income families, as the ReStart package proves. This should be done by adding \$60 to the first child rate of the Family Tax Credit.**
- 3. Increase social assistance payments to adequate levels, and make good on the pre-election promise of raising the earned income disregard for beneficiaries from \$80 to at least \$100.**
- 4. Abandon development of proposals for income splitting.**
- 5. Provide free primary health care for under-18s, at all hours.**
- 6. Increase the operating grants for low-decile schools to cover all children’s basic educational needs, including the provision of amenities such as swimming pools.**
- 7. Ensure that 20 hours free ECE is extended to Playcentre, Kōhanga Reo, state kindergartens, and not-for-profit private and community-based education and care services.**
- 8. Urgently address the severe overcrowding and poor living conditions of thousands of children by expanding the state house building programme and providing extra funding to community housing providers.**
- 9. Tax capital gain from residential property in a fair way, for example by using the risk-free rate of return method.**

Income and children's welfare

- Approximately 220,000 children live in families reliant on benefit income. In 2007 the Ministry of Social Development calculated that families living on a benefit only could be surviving on as little as 35% of the median wage.¹ This is the estimated number of children in families headed by a sole parent on a benefit, together with children in families collecting other benefits. Of these, CPAG estimates that over 150,000 live in severe or significant hardship.
- Beneficiaries did not receive anything from the recent tax cuts, and their benefits are now worth even less relative to other incomes. New Zealand has one of the highest levels of income disparity in the OECD. The recent tax cuts have pushed it higher still. The very low levels of absolute income for thousands of families are not the only concern. There is also solid evidence that large income disparities such as New Zealand's have a negative impact on children's health, education, and social functioning. Young children suffer more significantly than other members of the community when in poverty and it is very difficult to undo early damage.
- Data from foodbanks and budgeting agencies signals that there is already a great deal more financial distress in the community than official figures suggest. The number of food parcels being given out is up by 44% for the Salvation Army and 60% for the Auckland City Mission. Foodbanks in Wellington have noted a change in families' needs, from one-off parcels to regular assistance. In Northland the number of food parcels given out by one agency alone has increased by more than 60% in a year.
- CPAG welcomes the additional \$40 million in funding announced for social agencies, but believes it falls far short of dealing adequately with the hardship faced by many families. *All* low-income families with children must be assisted through increased social assistance benefits. This means, for a start, abolishing the In-Work Tax credit and adding \$60 to the first child rate of the Family Tax Credit.
- The government's ReStart package is woefully inadequate. At the end of March only 1,300 had taken it up. Given the scale of job losses in the last six months, this suggests that many families with no wage-earner are getting no additional assistance to help them meet their living expenses. The government's priority must be to ensure that all children are cushioned to the greatest extent possible from the recession. The package should be scrapped in favour of a more equitable and efficient system of providing the In-Work Tax Credit to all low-income families, whether they are on a benefit or not.

¹ Ministry of Social Development. 2007. Pockets of significant hardship and poverty. Wellington: Ministry of Social Development.

Children's health

- Children's health is highly susceptible to economic downturns, as health services become less affordable, and living conditions deteriorate. New Zealand children already have higher rates of preventable illness and deaths from injuries than children in almost any other OECD country, as well as comparatively high infant mortality rates and low immunisation rates.
- Children's health needs to get a much larger slice of the national health budget. This must be paired with the development of an intersectoral strategy to reduce socio-economic inequities, in order to improve child health. Particular attention needs to be paid to the period from pregnancy through to age 3, when the greatest potential exists for achieving improvement.
- Priority must be given to the provision of free accessible primary health care and medicines for children and young people under 18 years, 24 hours a day, 7 days a week.

Education

- Inadequate operational funding of low-decile schools continues to be a problem. Moreover, as some low-decile schools find their rolls diminishing, their per capita-based funding is reduced, while their overheads remain high. In South Auckland, this has resulted in schools having to lay off additional staff who were employed to assist with the very high needs of the students in this area. CPAG calls for the government to improve the decile funding system, basing it on a more realistic understanding of the effects of poverty on families and schools.
- With the dramatic increase in food bank use, it is clear that many families are struggling to provide adequate, nutritious food for their children. CPAG urges the government to implement plans to improve children's access to better nutrition, including making breakfast in schools available unconditionally to all children in all Decile 1, 2 and 3 schools.

Housing

- Overcrowding remains a significant problem for many children. Decent, low-cost housing remains in short supply, especially in South Auckland and Porirua. CPAG is very concerned that the government's commitment to building state houses appears to be flagging just when greater investment is heeded. The government must commit to building more state houses, especially in areas of high need, and extend the Welcome Home loan scheme to enable more families in more areas to purchase their own homes.