

Speech to Child Poverty Action Group Post-Budget Breakfast

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The budget was delivered in parliament to an eerie silence yesterday. Did the politicians have tennis balls in their mouths? The only flicker in a normally rampaging parliament was in response to the so-called tax cut which Winston Peters aptly labelled half a packet of chewing gum a week by 2008.

If you listened carefully there were some nuggets for children- \$47m more spending on sure start targeted services for families in need, more for after school-hours care for working parents, and a welcome extra 300 new houses a year for South Auckland.

But the clear message from budget 2005 is that the Working for Families package announced last year is all that will be done for the incomes of poor families for the next 3 years.

The centrepiece of this budget is the savings scheme. To its credit the government has tried desperately hard to design a savings sweetener that does not give the most to the rich. But the Kiwisaver is not going to help the immediate problems of low income families. The \$1000 tossed in by the state is only if you contribute at least 4% - regardless of your family obligations and family size. Another classic example of a policy that has had no child impact analysis attached to it at all.

There is a mention of hardship provisions and 5-year suspensions, but basically you won't see the benefit of your saving or the state's \$1000 until you retire, which may be in 40 years' time. The worry is that some low income families will get sucked into this scheme when

the money should be putting food on the table, or repaying the mortgage and other debt. Moreover the returns to these savings may sadly disappoint, going by the record of many managed funds.

To more significantly address the lack of wealth of low income households the government should look at the operation of loan sharks in South Auckland, pokie machine parlours in low income shopping centres, the outrageously unfair student loans scheme, hire purchase schemes, credit cards, farmers cards, warehouse cards WINZ debt to suggest but a few.

The Kiwisaver can be used for a first home deposit after at least three years of contribution, and after five years it attracts a subsidy of \$5000. No-one will get \$5000 until 2012 and it will be income tested. The devil is in the detail, but only 3000 households per year are likely to qualify. Worthy as it may be, this will do nothing for child poverty. A poor child born today into poor housing will already have had the seven most formative years of their life by 2012.

On international measures we have 14.7% of children in 2005 living in households under 50% median income. NZ is one of the very worst in the OECD. But 50% is an impossibly low level of income- and lower than the poverty line that MSD uses. For a family of 2 parents, 2 children it means \$23,300 to go round four people. Even after some help from the accommodation supplement rents are likely to absorb a large portion of that income- it is no wonder that families have been queuing up at our food banks.

Diane Robertson, the Auckland City Missioner, is here this morning and must be feeling a sense of deja vu. Five years ago she told this breakfast of the desperate need she was seeing on a daily basis. Since then, despite the economic boom, her figures have shown a doubling

in demand for food parcels. For the first time, she comments, a period of strong economic boom has not caused a downturn in demand with record levels in recent months.

Last CPAG cautiously welcomed the Working for Families package, acknowledging the very real shift in political climate that at last placed the focus on family incomes. It undeniably gives a significant real income boost to many families who are in work, but many aspects of the package are disturbing.

It was a long time arriving. It was cold-hearted to identify child poverty and then make children wait, under Working for Families, for any extra family support for a full year, after already waiting since 1996. But, worse than that, the very poorest children did not get much at all this April. For example a couple on a sickness benefit with one child gains \$7.50 a week and gets nothing more for two years. The worst-off families in New Zealand have become invisible as all the efforts are now concentrated on working families.

Under the cover of WFF, the core benefits were cut for those with children and this year hardship provisions are also attacked, saving in total a massive \$230m per annum. Donna Wynd who is doing a food bank project for CPAG shows that even with WFF, many beneficiary families are 7-9% worse off in real terms than they were in 1990. They lost in 1991, they lost in 1996 and now they lose again in 2005.

In this period real per capita incomes have been growing, so in relative terms beneficiaries with children have fallen even further behind.

“Cut Price Kids: Does working for families work for children?” (St John and Craig 2004) emerged last November as an in depth analysis of the package, undertaken for CPAG. It took us quite a while as the package is so complex – I am pleased to say that, slow as it was to come, the New Zealand Business Round Table took even longer. Their analysis has only just emerged a year later. Theirs is called “Dissecting Working for Families” and is also critical. Interestingly, as of yet, I have not heard the minister label it ‘unscientific’ ‘sloppy’ or ‘inaccurate’.

Yesterday’s budget confirms the expectation that Working for Families is ‘as good as it gets’ and that flaws in the package are not going to be addressed as it rolls out.

Growing inequality demands that the current emphasis on work as the way out of poverty has to be balanced by deliberate, sustained and generous redistribution to low income people both in and out of work, especially where there are children. Of course work is important- but the families which Professor Innes Asher has talked about are not in a position to work. Take-up rates of complex measures are also a huge concern with complex systems and when intimidating government departments such as IRD and WINZ are involved.

Working for Families leaves in place an internationally failed model of discrimination in the payment of child-related supplements. Currently about 300,000 children miss out on the Child Tax Credit of \$15 per week. In 1996 the Labour opposition railed against the unfairness, this from Annette King:

“..it isolates beneficiaries from other families- treats them like lepers and worst of all it treats their children differently- what is different

about a beneficiary child? Does that child look different when she or he goes to school? Yes, that child probably does look different because of the circumstances of the family—But also the government wants everyone to know that he or she is different.”

Rather than take the long overdue opportunity to redress this outrage, the Child Tax Credit remains until 2006 when it is replaced by an equally divisive and discriminatory ‘In Work Payment’. Families getting the ‘In Work Payment’ in 2006 will be significantly better off with an extra \$60 a week or more than others not in work. But what happens when the next recession strikes, as it will? In good economic times or bad if a sole parent cannot sustain 20 hours in employment a week, a big ask for a mother with young children, she will lose the \$60+per week In-Work-Payment. Her children have the same needs as they had before but now will have to drop out of activities that their mother can no longer support.

While there is very little mention of it in the budget, further major reforms to benefits are about to be announced. The Minister’s promo material tells us the new single core benefit will be the ‘most significant reform to the welfare system since 1938’. Wow! Shouldn’t we listen up?

I for one feel anxious about this. If you are on a benefit, there is no-one in government to look out for you. Just get a job. No-one speaks as if they know why we have a welfare state- except if it is for the old. As the exception to this picture, I acknowledge Sue Bradford, present this morning, who works tirelessly to keep these issues before Parliament.

WFF was a good first step but we need to encourage this government to be bolder. In budget 2005 there is no rhetoric around the plight of

the low paid or even a doffing of the cap to the existence of child poverty. This is in sharp contract to the concerns about growing inequality and children's poverty expressed openly in other OECD countries and in the OECD itself (see for example OECD Observer March 2005).

George Bernard Shaw said in 1907 'The greatest of evils and the worst of crimes is poverty.' This month's Observer remarks "more than 100 years later this observation is truer than ever, for it is against the backdrop of today's wealthy OECD countries that the costs of poverty seem so large and reprehensible."