



Fix Working for Families Campaign

Part One Summary

Fix Working for Families Sub-committee

"Working for Families Tax Credits are paid to eligible families with dependent children aged 18 or younger to help with the family's day-to-day living costs." IRD website

CPAG launched the **Fix Working for Families (FWFF) Campaign** on April 1 2016. The campaign says that Working for Families (WFF) is not meeting its fundamental purpose for the families who most need help.

There are six parts to this campaign that runs until the election 2017. The **first part** concentrates on very low income families arguing that WFF discriminates against around 230,000 of New Zealand's poorest children as The Ministry of Social Development have essentially acknowledged:

- Child poverty rates in workless households are consistently several times higher than those for children in working households (three to four times higher in 1992 to 2004, six to seven times higher from 2007 to 2013 after WFF)
- The WFF package had little impact on the poverty rates for children in workless households ([MSD 2015 household incomes report](#))

FWFF part one has three key messages and two key policy recommendations.

Key messages

- Working for Families is a critical programme for ensuring adequate income for low income New Zealand families.
- However, in its current state it is deeply flawed and unfair, and this prevents it from realising its potential as a programme to address child poverty.
- All low income children must be treated the same for tax funded poverty relief tax credits.
- WFF is in breach of our human rights obligations under UNCROC that require us to put the best interests of the child at the centre.

Clearly Working for Families was a policy designed for an era that has passed for most low-income families. Tying major parts of WFF to performing fixed hours of paid work in a precarious work environment is plainly wrong. Such rules lend themselves to manipulation by the astute, all the while denying help to children most gravely in need of it.

Denying such payments for children of beneficiaries has been found by **the Courts to constitute discrimination**. Families who are not on any benefit also miss out on at least \$72.50 per week **for their children** when they don't have the right number of hours of paid work per week. There are many reasons why this may be so, including natural disasters, redundancy, recessions, closures, sickness and caring for children.

We should not be starting from the viewpoint that parents are lazy and need a 'work incentive'. Nor should we allow *any* work incentive to be so very badly designed.

Recommendations

- Abolish all fixed hours of paid work requirements for the payment of any WFF tax credits.
- Abolish the IWTC and add \$72.50 to the first child Family Tax Credit.

Cost

The cost of this first recommendation is incorporated into the cost of the second recommendation.

Between 100,000 and 150,000 low income families, either on benefits, or not on benefits but failing the hours of work test, currently miss out on the IWTC of at least \$72.50 a week or \$3770 a year. The cost of the second recommendation is between \$377m and \$565m per annum.

Implementation and Impact

Implementation of this policy could be immediate as no new structures are required except for rate changes which can be automated instantly.

It would not cure child poverty but it would have an important impact on the severity of child poverty. The latest MSD figures (Perry, 2015) reveal there are 192,000 children in families on benefits (63% of 305 000) living under the 60% after housing costs poverty line, and 113,000 children in families who are not on benefits. In total, 220,000 children live in deep poverty, under the 50% poverty line. This policy would have a positive effect on their hardship and on child poverty measures without the fiscal cost leaking further up the income scale.

The FFFF campaign says this is the most cost-effective policy available for reducing income-based measures of child poverty. It also matches up with what the front line services are saying; families and their children in deep poverty need more money not more budgeting services. It would reduce the incidence and severity of hardship at least fiscal cost.

FFFF challenges the MSD to model this policy for its impact on measured child poverty.