

NA TA TATOU ROUROU



**With our baskets
the children will prosper**

A hui to build activism to end child
poverty in Aotearoa

CHiLD
POVERTY
ACTION
GROUP

*"The outlook
for poor
children in
Aotearoa"*

Susan St John

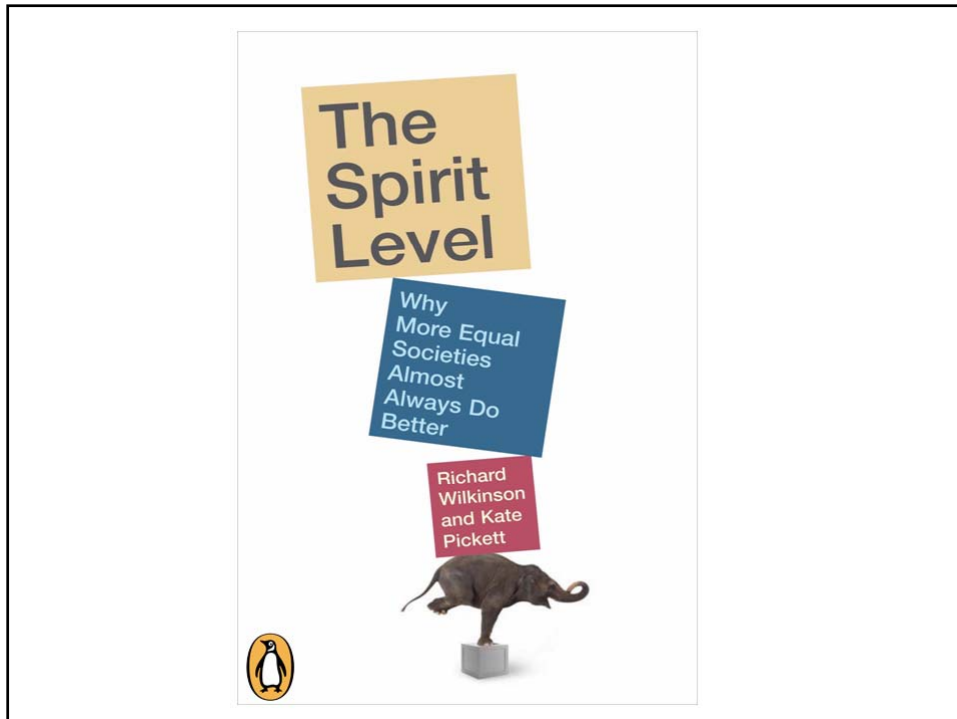
1



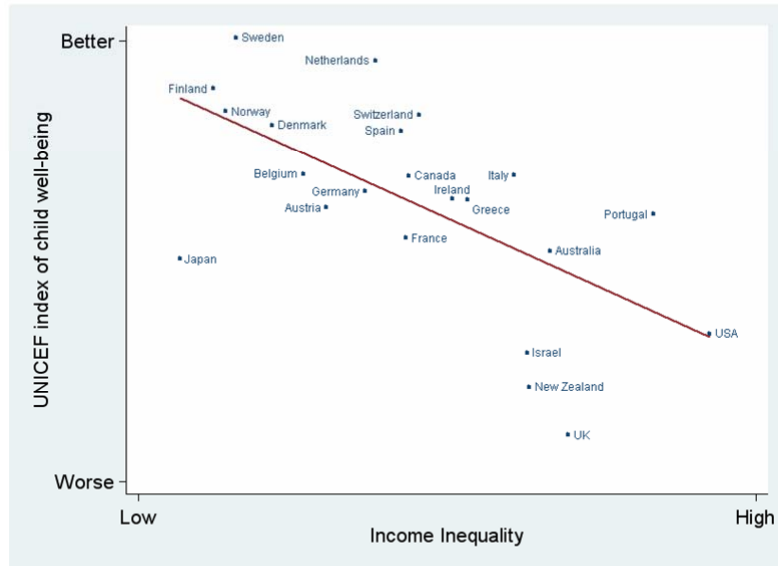
CHiLD
POVERTY
ACTION
GROUP

**Child poverty
reports**

2



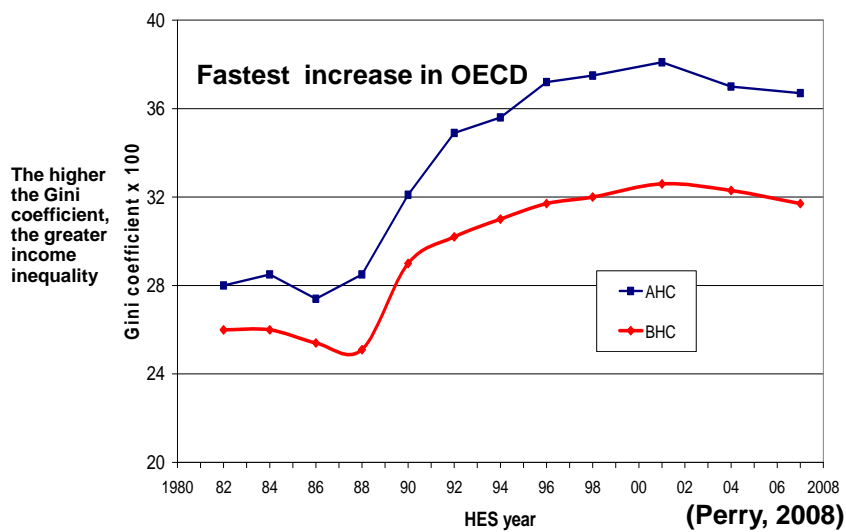
Child Well-being is Better in More Equal Rich Countries



Source: Wilkinson & Pickett, *The Spirit Level* (2009)

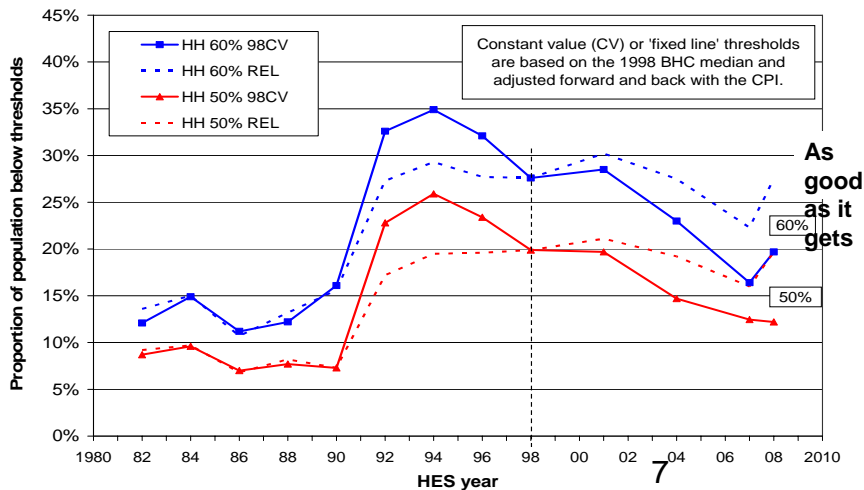
www.equalitytrust.org.uk Equality Trust

Changes in income inequality in NZ, 1982-2007 (GINI)



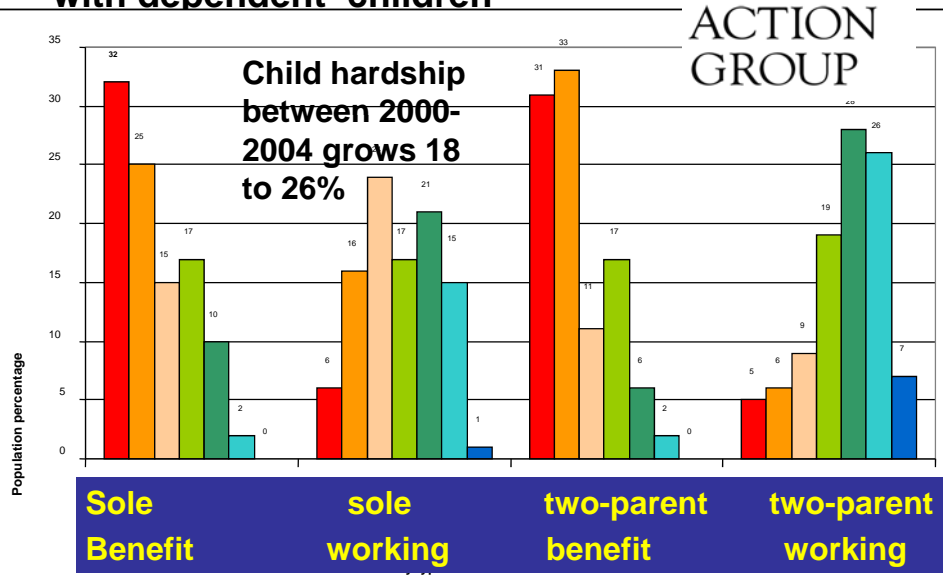
6

Proportion of children below selected thresholds (AHC): fixed line (CV) and moving line (REL) approaches compared (Perry 2009)



Living standards 2004: families with dependent children

CHILD POVERTY ACTION GROUP



Working for families


2005-2007

Expected to reduce child poverty

30% on the 60% measure

70% on the 50% measure

BUT
The poorest 230,000 were left to fall further behind



9


How do the poverty stats look in 2009?

WFF has reduced hardship among working families
On 'fixed line' measures poverty has improved
On relative measures they have stayed the same

This is as good as it gets

These figures do not take account of the recession

Nor of tax cuts




5

Poverty rates International 50% line

OECD 50%	Without WFF	With WFF expected	With WFF actual
2004	15%	15%	15%
2008	18-20%	4.5%	16%


What happens in the recession?




11

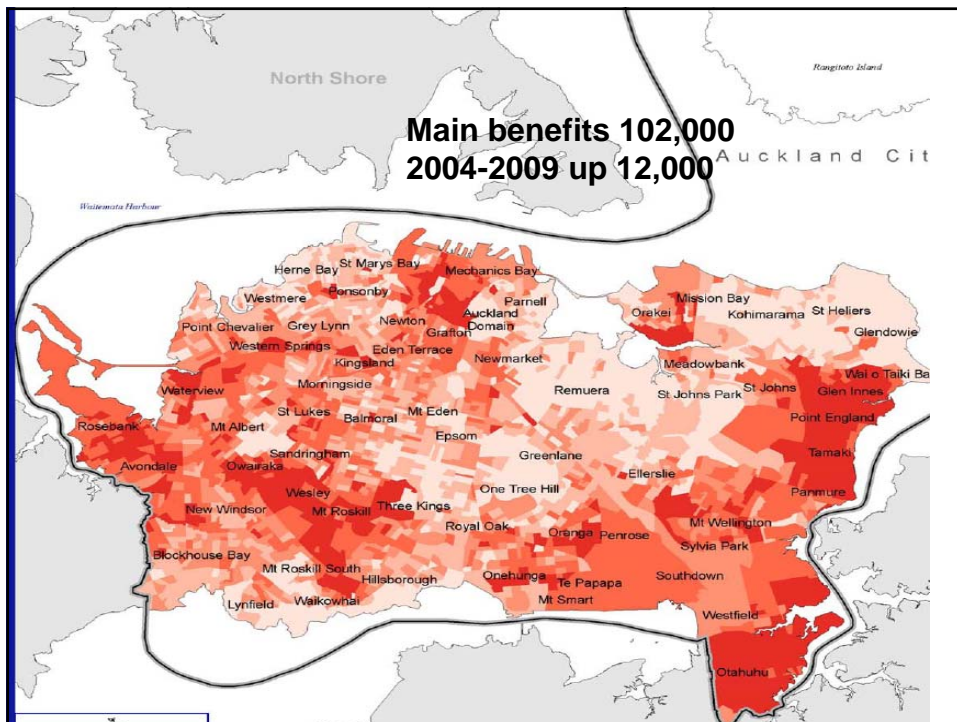
Losers

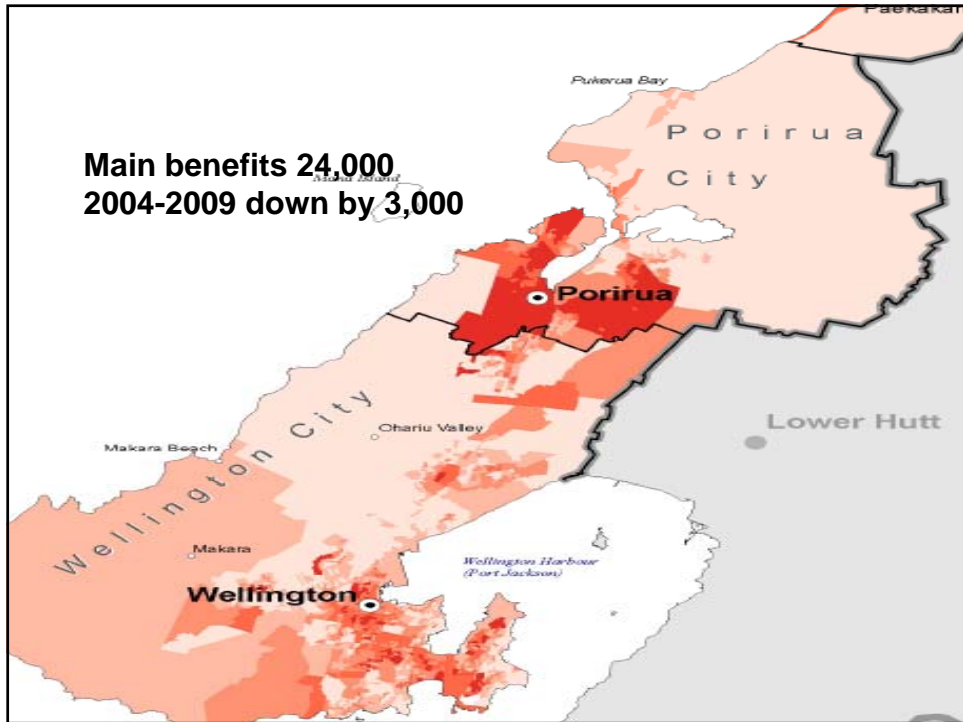
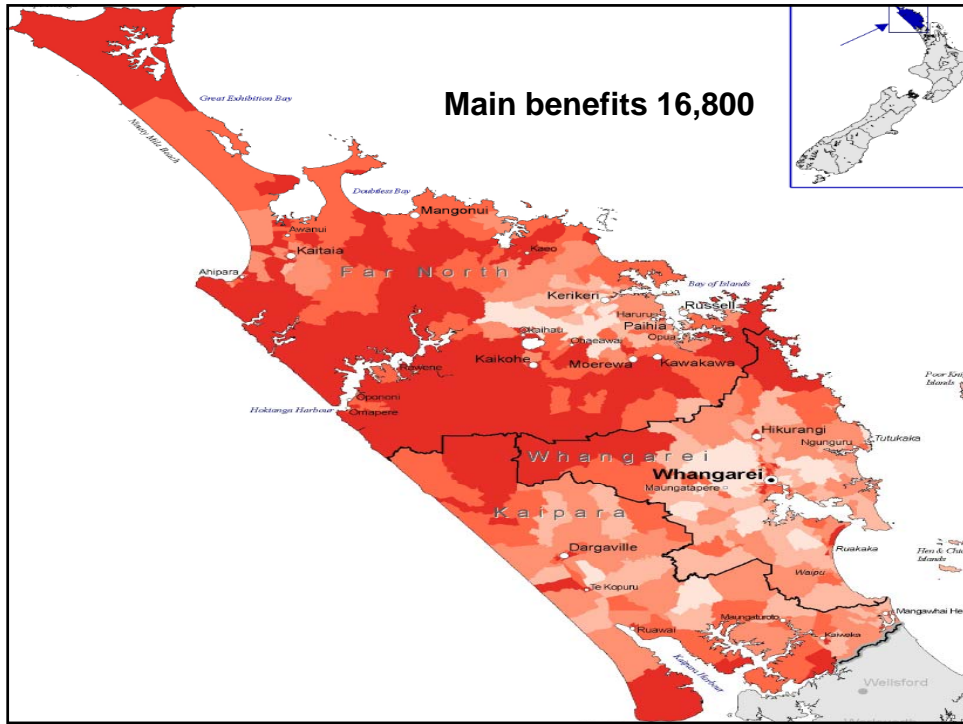
Women and children, especially sole parents





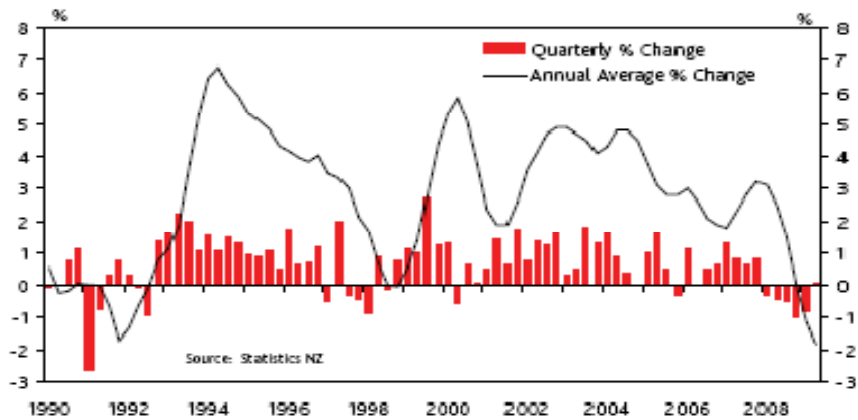
Labour-let them eat cake





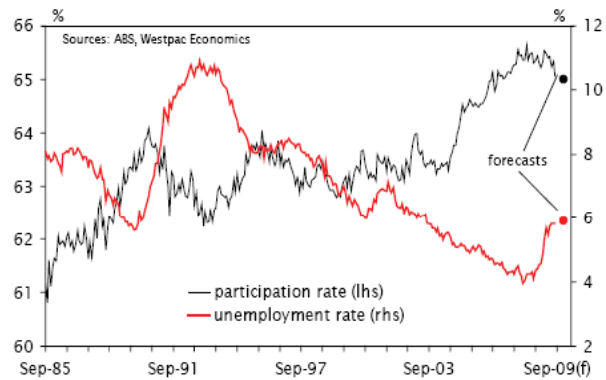
The state of the economy

Figure 1: Production Based GDP

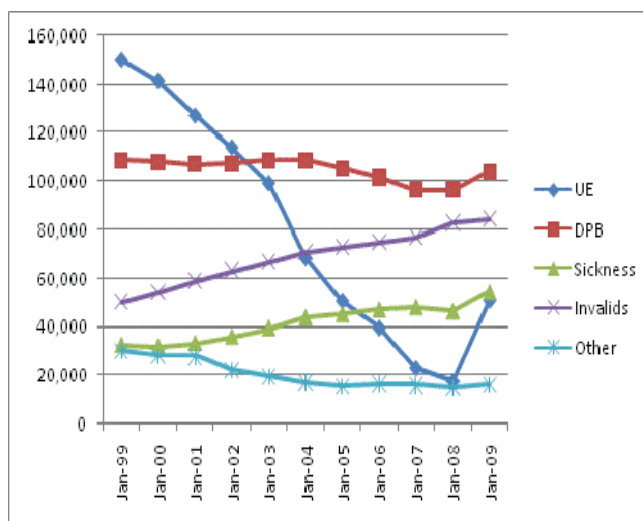
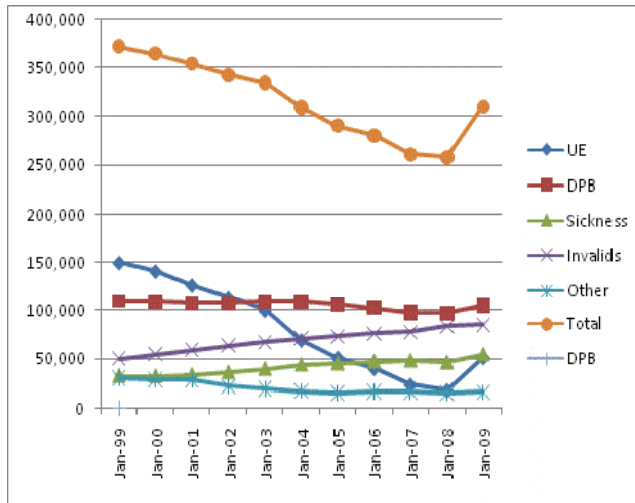


Green shoots ahead?

Unemployment and participation rates

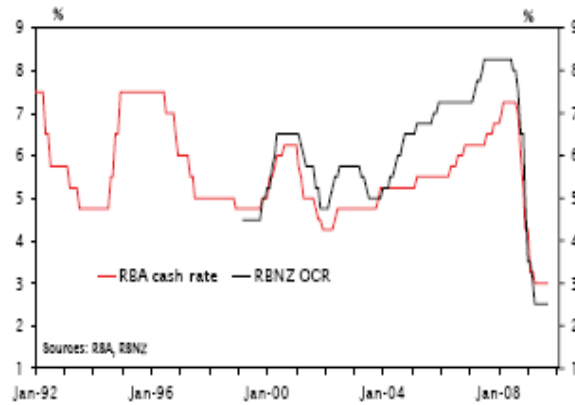


Numbers on benefits



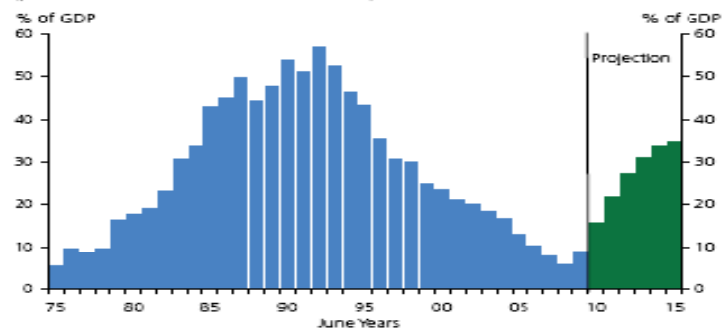
The next 5 years- interest rates

RBA: rates at unsustainable historic low



The government's debt

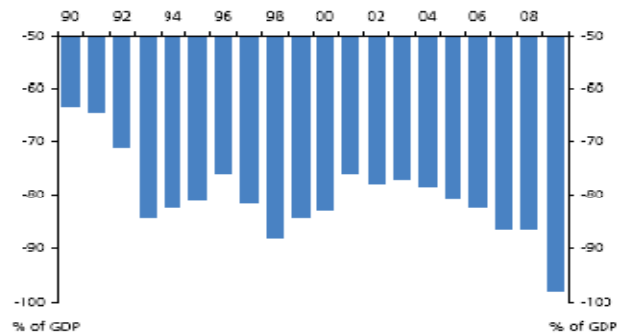
Figure 4
Net government debt
(percent of nominal GDP)



New Zealand's Debt

Figure 3

International investment position



Source: Statistics New Zealand.

How government policy entrenches poverty

CHILD
POVERTY
ACTION
GROUP

- **Welfare system**
 - Designed for the post-war period
- **Tax system**
 - favours the well-off
 - favours housing
 - pretends low flat tax is possible
- **Child benefit system**
 - Designed for a world in which well paid work is achievable by all
- **Reliance on the Charitable model**
 - not reform of systemic causes of poverty

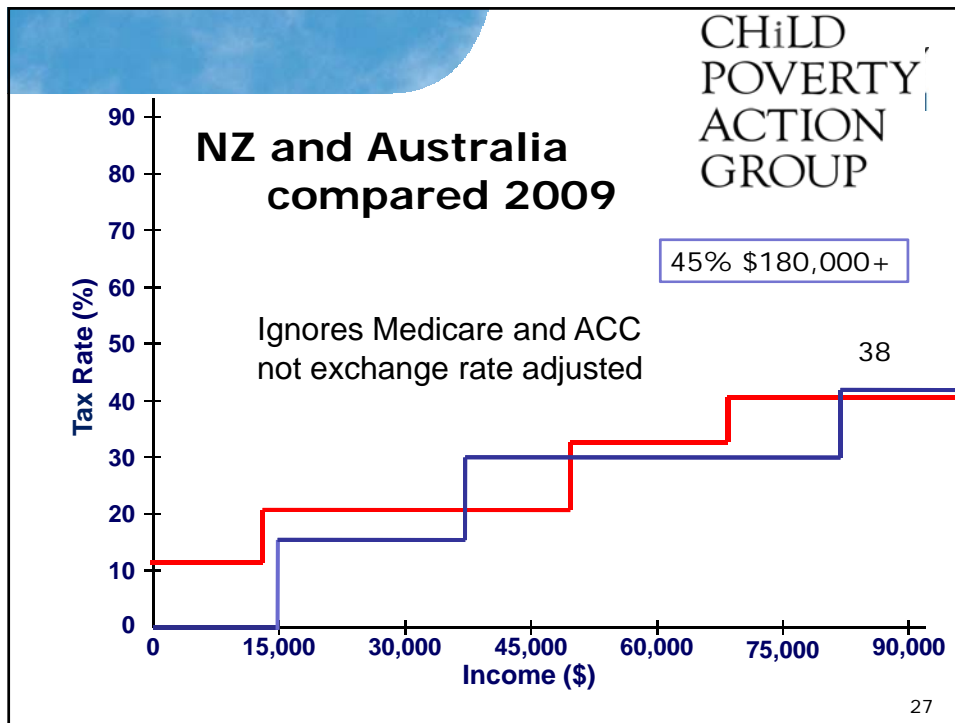
Welfare doesn't fit the 21st century

Benefits are

- linked only to prices
- don't increase when tax rates drop
- Subject to draconian joint income test
 - Worst form of poverty trap
 - Stigmatising supplementary assistance

Tax dilemma

- Pressure for alignment 30/30/30
- GST up?
- Capital gains tax?



CHiLD POVERTY ACTION GROUP

Watch out for


- Lowering the top tax rate to 30%
- GST to 15%
- Cuts to special allowances
- Revisiting of the headlines of 1999
- More cuts to social programmes

We can safely predict no redistribution to poor

CHiLD
POVERTY
ACTION
GROUP

**Child benefits badly designed
-far too complex**

In Work Tax Credit
Introduced 2006
Part of WFF
to "Make work pay"



Delivered by Inland Revenue and Work and Income

Objectives

- Increase participation in a tight labour market
 - Especially sole parents
- Reduce child poverty

29

CHiLD
POVERTY
ACTION
GROUP

In Work Tax Credit

- Just a part of family assistance
 - **Eg 1 child FTC = 86 IWTC = 60**
 - Abates from joint \$37,000
 - IWTC abates last
- Requirement of "off benefit"
- Required number of hours
 - 20 sole parent
 - 30 couple
- Administered by IRD
- End of year reconciliation

30

Unintended consequences?

- IWTC Reduces poverty selectively
 - OECD child poverty rate 50% line is now 16%
 - 160,000 poorest children have fallen further behind
- IWTC punishes families in a recession
 - Need for 'ReStart' package
 - Pays IWTC for 16 weeks to some
 - Hard for IRD to police hours worked
- IWTC constitutes discrimination under Human Rights legislation
 - Lengthy court proceedings in 2008 and 2009

31

The charitable model

1. Unlimited rebate for donations
Eg Auckland Grammar School Foundation:
tax-subsided donations to pay the 'best teachers more
2.
"Applications are now open for the Government's Aspire Scholarships, which will enable students from low-income families to attend a private secondary school." *NZ Herald*

Already drains the local schools



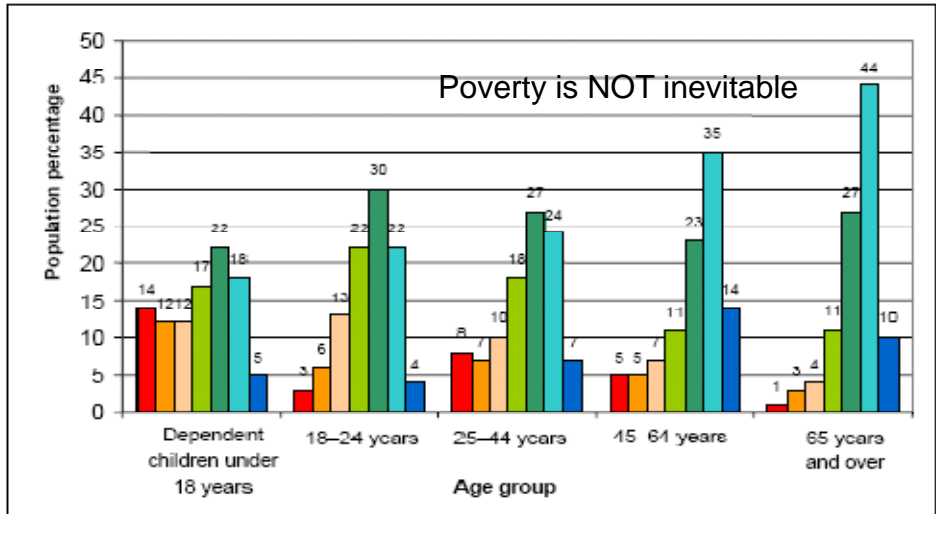
"Budget 2009 allocated \$2.6 million to these scholarships. ACT and National in Government are committed to widening the **education choices** available for students and their families - the Aspire Scholarships are an important step toward achieving that goal," Mrs Roy said.

Next five years

- Very difficult climate- whether the economy recovers or not
- Budgetary constraints
- The Michael Laws syndrome
 - Attitudinal hardening
- Climate change
- Ageing population

NZ Super *is* a success story?

Living standards by age - 2004 (MSD 2006)



.....Have we lost perspective?

- Universal NZS
- *And* wage indexation
- *And* generous KiwiSaver subsidies
- *And* PIEs
- *And* free trips to Waiheke!!

- *And low tax*

Couple NZS	Couple sickness benefit
\$478 No joint income test	\$317 Joint income test Stigmatised top-ups

The way forward

- Will we be still looking at the same dreadful statistics in 5-10 years time?
- Will we settle just for 'not letting it get worse'?
- If not us then who?
- Time for creative thinking!