

Child Poverty Action Group  
PO Box 56 150  
Dominion Rd  
Auckland  
www.cpag.org.nz



Monday 8 November – *embargoed until Sunday Nov 14*

## **REPORT SAYS BUDGET FAILS NZ'S POOREST CHILDREN**

Around 175,000 of New Zealand's poorest children will get little from the government's 2004 Budget, says a major new report.

*Cut Price Kids: Does the 2004 'Working for Families' Budget Work for Children?* is the most thorough independent analysis of the government's 'Working for Families' social welfare package since it was announced in May.

The authors, Dr Susan St John and Dr David Craig, are both well-qualified to write such a critique. Dr St John is one of New Zealand's leading commentators on welfare and family economics, while Dr Craig is a sociologist with an international research background in public policy around poverty and wellbeing.

Their report reveals that though this year's Budget signalled the first major redistribution of income in favour of poorer New Zealanders in 30 years, serious design flaws "entrench an underclass even further by leaving the most vulnerable behind." This, at a time when budget surpluses and low unemployment should mean government can afford to invest in the future of all New Zealand children, regardless of background.

The report points out several such "design flaws" – the In Work Payment, reduction of core benefits and reduction of temporary hardship assistance. As the report puts it, "the goal of eliminating child poverty, promised by the government, has been subsumed into the narrower goal of rewarding work and independence from the benefit system." The emphasis has been on creating a gap between benefits and work without regard to the effect on the children in the families that cannot meet the work criteria. The gap has been created, but at the expense of poorest children.

The report does recognise that paid work "provides the foundation of prosperity for most New Zealand families," but recommends that work incentives and child poverty reduction should not be entwined. In trying to kill two or three birds with one stone this policy badly compromises our most vulnerable children and families, most of whom are already barely coping after decades of living on the borderline of poverty.

*Cut Price Kids* highlights the fact that, although Family Support is increased from 2005, child-related parts of core benefits will be scrapped. This will cancel out a significant amount of the increases in Family Support for most families on benefits.

For example, a couple on the unemployment benefit with one child will only get an extra \$7.46 per week from April next year and nothing more for another two years. A

sole parent with two children gets just \$9.50 a child per week. "After waiting for so long [this amount] will not even provide a significant catch-up for inflation," says the report. In 2007, the package gives the poorest families unable to meet work criteria only another \$10 a week per child. Too little, too late, say the report's authors.

*Cut Price Kids* also notes with concern that more stringent calculations for temporary hardship assistance mean that such assistance will also be reduced.

A comparison with both Australia and the United Kingdom shows that New Zealand is "well out of step" when it comes to child poverty reduction. Both countries overseas have universal or near-universal child payments, and overall are more generous to families.

Recommendations made by the report include:

- bringing forward the Family Support increases scheduled for April 2005 and backdating them for the full 2004/5 financial year.
- scrapping the In Work Payment and using the money saved to further increase Family Support for all poor children.
- stopping the plan to scrap the child-related part of core benefits.
- reviewing the changes to temporary hardship assistance, and scrapping any elements which mean children get less money.
- adopting a specific child poverty reduction policy (as in the UK) and striving to eliminate child poverty by 2015.
- treating all children in poverty equally, regardless of the source of their parents' income.
- reducing the damaging influences of other factors on child poverty (as well as income), such as poor housing and unmanageable debt.

*Cut Price Kids* is published by the Child Poverty Action Group in the same series as last year's *Room for Improvement: Current New Zealand housing policies and their implications for our children*.

It will be launched on **Sunday November 14 from 2-4pm, St Columba Centre  
40 Vermont St, Ponsonby, Auckland. All invited.**

**For more information or embargoed copies of the report, contact:**

**Rachel Somerfield, CPAG Administrator:** *ph (09) 379-2395 xtn 210, 021-106-7380*

**For interviews, contact**

**Susan St John:** *ph (09) 377-8889 3737599 ext 87432; mob 0275 364-5436  
email: s.stjohn@auckland.ac.nz*

**David Craig:** *ph (09) 373-7599 ext 88657; mobile 021 031-5052  
email: da.craig@auckland.ac.nz*