

CHiLD POVERTY ACTION GROUP

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Media Release John Key on wrong track

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The PM wants the better-off to donate their tax cuts to charity?

Surely at this stage in the economic cycle a more certain and equitable way of addressing the profound unfairness of tax cuts for those on higher income should be found.

An obvious anomaly is emerging for families who lose their job or whose hours are reduced. Weekly financial supplements for children are now partly dependent on being in paid work. This means low income families not only suffer the loss of the income earned by the adults in the family but they are doubly punished by losing at least \$ 60 a week for their children-that's \$3000 or more per year. This arises from the loss of the so called "In Work Tax Credit" (IWTC) which is nothing other than payment to the caregiver to help with the costs of children.

This is in contrast to what happens in Australia where there is a very generous weekly payment for all low income families regardless of whether they are in paid work or not.

The Judge in the recent CPAG court case found this IWTC payment to be discriminatory and to have serious, adverse consequences for the children in low income families who miss out. The conclusion that it could still be justified is being appealed.

Mounting evidence from foodbanks, health practitioners, teachers and others working with low income families tells us too many families are not coping. The so called

'ReStart' package is just not good enough. It allows the In Work Tax Credit to be paid for only 16 weeks and only to some newly redundant workers. This creates a new anomaly for affected children, by paying only to some newly unemployed based on whether their parents have been made redundant, and not to others whose parents for whatever reason cannot be in paid work, or whose work hours fall below the required minimum.

And why the time limit? The food needs and school and health costs of the children won't magically disappear after 16 weeks when a protracted downturn fails to produce jobs.

Tying part of family assistance to paid work to force parents to take non-existing jobs is just punitive. And what of the children? John Key should be leading the charge for removing the discrimination against the nation's poorest children in a way which is both anti-recessionary and anti poverty. It is well past time to join up the family tax credits into a coherent package and to stop relying on the philanthropy of the tax cuts recipients to solve poverty problems.