

# CHiLD POVERTY ACTION GROUP

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**For immediate release**

## **Urgent action needed on child poverty in budget says group**

The Child Poverty Action Group (CPAG) is urging the Government to give children the attention they deserve in this year's Budget.

CPAG researcher Donna Wynd says poverty is more damaging for young children than for any other age group.

She believes urgent action is needed to reduce the effect of the recession on New Zealand children.

"Poverty, especially the poverty of those who were in financial strife before the recession, has vanished from the political radar," says Ms Wynd.

"The recession will be over in a few years, but the damage done to children living in poverty now will remain with them – and us – all their lives. Since the election of the new government, child poverty has become invisible."

Approximately 220,000 children live in families reliant on benefit income. In 2007 the Ministry of Social Development calculated that families living on a benefit only could be surviving on as little as 35 per cent of the median wage.

Ms Wynd says recent job loss figures are alarming, with 27,400 full time equivalent positions lost in the March 2009 quarter alone.

Unemployment has inched up to an average of five per cent, but it is already 12 per cent among Maori and 13 per cent among Pasifika people.

"We must continue to measure and monitor poverty to deal with it equitably and effectively," says Ms Wynd.

“We can’t risk the further social and economic exclusion of our most vulnerable children. Now, more than ever, we must attend to their needs.”

Economics spokesperson Dr Susan St John says New Zealand has one of the highest levels of income disparity in the OECD and believes that recent tax cuts have pushed it higher still.

“Data from food-banks and budgeting agencies signals that there is already a great deal more financial distress in the community than official figures suggest.”

The number of food parcels being given out is up by 44 per cent for the Salvation Army and 60 per cent for the Auckland City Mission.

“There is also solid evidence that large income disparities such as New Zealand’s have a negative impact on children’s health, education, and social functioning,” says Dr St John. “Young children suffer more significantly than other members of the community when in poverty and it is very difficult to undo early damage.

CPAG welcomes the additional \$40 million in funding announced for social agencies, but believes it does not deal adequately with the hardship faced by many families.

“All low-income families with children must be assisted through increased social assistance benefits. This means, for a start, abolishing the In-Work Tax credit and adding \$60 to the first child rate of the Family Tax Credit.”

Dr St John adds that the Government’s ReStart package is “woefully inadequate” and suggests it should be scrapped.

“At the end of March, only 1,300 had taken it up. The package should be scrapped in favour of a more equitable and efficient system of providing the In-Work Tax Credit to all low-income families, whether they are on a benefit or not.”

CPAG has nine recommendations for the Government leading up to this year’s Budget:

- 1) Set a target date to end child poverty, and undertake to produce a child impact assessment for all proposed legislation.
- 2) Treat all children as deserving support and acknowledge that parenting is important work. Recognise the ‘In-Work Tax Credit’ as part of family assistance that is needed by all low-income families, as the ReStart package proves. This should be done by adding \$60 to the first child rate of the Family Tax Credit.
- 3) Increase social assistance payments to adequate levels, and make good on the pre-election promise of raising the earned income disregard for beneficiaries from \$80 to at least \$100.
- 4) Abandon development of proposals for income splitting.
- 5) Provide free primary health care for under-18s, at all hours.

- 6) Increase the operating grants for low-decile schools to cover all children's basic educational needs, including the provision of amenities such as swimming pools.
- 7) Ensure that 20 hours free ECE is extended to Playcentre, Kōhanga Reo, state kindergartens, and not-for-profit private and community-based education and care services.
- 8) Urgently address the severe overcrowding and poor living conditions of thousands of children by expanding the state house building programme and providing extra funding to community housing providers.
- 9) Tax capital gain from residential property in a fair way, for example by using the risk-free rate of return method.

In addition, the group urges the Government to implement plans to improve children's access to better nutrition, including making breakfast in schools available unconditionally to all children in all Decile 1, 2 and 3 schools.

CPAG also calls for the Government to improve the decile funding system, basing it on a more realistic understanding of the effects of poverty on families and schools.

"The Government should also commit to building more state houses, especially in areas of high need, and extend the Welcome Home loan scheme to enable more families in more areas to purchase their own homes," says Dr St John.

"Children's health is highly susceptible to economic downturns, as health services become less affordable, and living conditions deteriorate. New Zealand children already have higher rates of preventable illness and deaths from injuries than children in almost any other OECD country, as well as comparatively high infant mortality rates and low immunisation rates. The government's priority must be to ensure that all children are cushioned to the greatest extent possible from the recession."