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Submission on the SUPPORT FOR CHILDREN IN HARDSHIP BILL

To the **Social Services Committee**

Personal details

This submission is from:
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We wish to appear before the committee to speak to our submission.

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We wish that the following also appear in support of our submission:
Lesley Lyons - Honorary academic Education Department Auckland University

Submission

While CPAG endorses the intent of this Bill – to help children in hardship – we have reservations about the efficacy of the measures therein to achieve this. Our reasoning and recommendations are outlined below.

I/we wish to make the following comments (general views).

"In Budget 2015, the Government introduced a package of initiatives to further assist children in more severe material hardship. The package encourages employment by strengthening work expectations for parents on a benefit, provides more childcare support for low-income working families, and increases financial support for both beneficiary parents and working parents on low incomes" Anne Tolley 2015

[1] **CPAG is pleased that the government has acknowledged the role adequate income plays in child outcomes and is pleased that there is no attempt in this Bill to confine the increased income to only those children exhibiting hardship. However, we have grave reservations about the policy design: these changes will reintroduce a family component into the benefit structure, ignore non-family poverty, fail to provide adequate per child income, reinforce the use of work-based child tax credits, and intensify work obligations for those with very young children.**

[2] **CPAG also submits that this Bill should set out specific outcomes and improvements for children so that there is a considered plan of action and a serious attempt to monitor outcomes. All policy should acknowledge that the government has an obligation to improve the well-being of vulnerable children by upholding their rights under the UN Convention of the Rights of the Child, This makes clear that children's rights are the priority, not the priorities of the government of the day.**

1. Increased work expectations for parents

CPAG opposes the strengthening of work expectations for parents on a benefit and who have dependent children from 1 April 2016 by requiring part-time work-tested parents on a benefit to seek and be available for work that averages not less than 20 hours a week, rather than 15 hours, as now: **and** requiring parents on a benefit who are able to work, to seek and be available for work, and be subject to work test obligations, once their youngest child turns 3 years of age, rather than 5, as now.

This new measure appears designed to 'encourage' people currently working 15 hours to get off the benefit. If a sole parent has 20 hours of work then they are likely to be taken off' the benefit, or pressured to come off it, instead of remaining for a period of time in part work/part benefit situation that might actually be more secure for the children.

Individual families should be making their own decisions as to what works best for the children especially when they are preschool age. Parents are those best able to judge their young children's readiness for pre-school education, and how much of it.

Furthermore, research shows that the quality and availability of suitable childcare is already a problem. The vast majority of early childhood education designed to meet the needs of working parents is provided by private operators, many of whom have argued for lower levels of qualified staff, increased group size and greater child-to-adult ratios. Researchers and commentators have specifically raised concerns about the lack of high quality ECE centres in lower socio-economic areas, and assert that profit is over-riding quality.

CPAG contends it is inappropriate to direct enrolments of very young children towards centres that may be unable to respond to the specific emotional needs of young children separated from their parents under stressful conditions.

2. Benefit rates changes

While an increase in benefit rates is well overdue and welcome, CPAG urges the government to reconsider the design of these increases. Increasing benefit rates for beneficiary families with dependent children by $25 a week reintroduces a family element into the structure of benefit rates. This is a backward step. A flat $25 a week is insensitive to numbers and ages of children and introduces complexities of how the $25 is split between 2 parents who may not be living in the same household but share care. There has been little discussion of this to date.

The current benefit is clearly an adult benefit and all adult benefits are much too low. CPAG urges the government to increase all benefits by 8-10%. It is desirable to then index to median wages as the latest report from the OECD on the New Zealand economy **OECD Economic Surveys NEW ZEALAND** recommends:

Increasing main (basic) benefits and indexing them to median wages would reduce poverty across all beneficiary classes, including single-person households (below age 65), who have the second-highest relative risk of poverty. OECD 2015, p 39

3. Increase to Working for Families tax credits

The Bill increases the base rate of the in-work tax credit for low-income working families with children by $12.50 per week from 1 April 2016. CPAG says this reinforces the use of complex work-based measures to meet the needs of children. It would be much preferable to increase the rate of Family Tax Credit by $12.50 so all children benefit.

The $12.50 is only an inflation-adjustment and arguably should have been already an automatic part of the system.

CPAG notes with alarm the further use of the Minimum Family Tax Credit (MFTC) is highlighted in these changes. When only 4000 families will be entitled to an extra $12 a week at a minuscule cost to the government of $1.8 million annually, this is not a significant child poverty measure. The MFTC has many problems including a 100% effective marginal tax rate.

CPAG urges the government instead to review the abatement of benefits for those working part time. There should be no stigma to staying on a part benefit and there should be much better retention of net benefits for extra income.

CPAG urges the government to remove all hours-of-work requirements from child related payments. Even the provision of averaging hours over 3 months is very complex and many anomalies are created.

4. Changes to abatement and thresholds

CPAG notes that this Bill advances the timing of the abatement increases of these tax credits incrementally rising to a rate of 25%. The Bill increases the Working for Families abatement rate by 1.25% to 22.5%.CPAG notes that the threshold at which abatement begins is also dropping. With each future cumulative 5% inflation adjustment there will be further reductions in the threshold for abatement until it eventually reaches $35,000. It is currently $36,350 and is likely to reduce to $35,900 in 2017.

Working families earning at around or just above these levels are seriously disadvantaged. CPAG urges the government to reconsider this plan and return the rate of abatement to 20% and the threshold to the level it would be (around $45,000) if it had been indexed to prices since 2005 (when it was set first at $35,000). There is a good case in fact for indexation of the threshold to be to wages, so as wages rise, those on lower wages are not left behind to fall beneath the 60% median poverty line. In terms of child poverty the 2014 MSD report shows 205,000 children already fall below the 50% median poverty line.

This policy fails to protect the working poor. Thus a family earning the minimum wage and contributing 60 hours of paid work on $46,000 pa are approximately $2225 per annum worse off than they would have been with annual full CPI adjustment. Furthermore had the threshold been adjusted for wages growth it would be around $50,000 and the loss is $3150.

The select committee should know that the Australian equivalent threshold for Family Tax Credit A is fully indexed annually to CPI and is currently A$ $50,151.

Overall the lack of full annual indexation has disadvantaged families and would not be tolerated for other groups such as those on NZ Super where indexation to wages applies.

5. Student parents

CPAG notes the intention to allow student parents on allowances to access the $25 increase in benefits. The Minister says “A similar increase will be made to allowances for students with dependent children, both to ensure that the children of low-income students share these gains and to reward students’ efforts through study, rather than creating an incentive to move back on to a benefit.” CPAG says given this intent there can be no justification for denying students the In Work Tax Credit for their children.