

A step change for children:

Fix Working for Families

A powerful unified voice is needed to make the step changes required to eradicate child poverty in New Zealand. To make an impact on this serious national problem a significant amount of the government's budget must be spent on the structural causes of child poverty in each of the following areas: incomes, housing, education and health. If the same consistent messages come from many quarters, government will find it resists the demands at its peril.

This Policy Briefing focuses on family incomes policies, particularly the tax-funded support for low income children. A foundation of agreed principles is needed for a strong, united voice to emerge and for the government to hear clearly what changes are required. While this has been a stumbling block in the past, it should be easy for all to agree to the principle of equality of treatment. All New Zealand children count and are all equally deserving of our care and financial support when the parental income is inadequate to give their children the chance of a healthy and fulfilling life.

Discrimination¹ of any kind is not only against the law in New Zealand, most New Zealanders would agree it is morally reprehensible. In practice however, New Zealand now has two classes of low income children; the worthy who can be supported to the full extent of the social security legislation and the unworthy who are consigned to remain in poverty. The “undeserving” are the outcasts; disproportionately the disabled, Maori or Pacific children, many with chronic illness or disabilities. Their parents struggle in a casualised labour market, on low wages or with redundancies, in the aftermath of natural disasters such as the Christchurch earthquakes, with child rearing responsibilities, or sheer ill-health and disability. Children's poverty is wrongly categorised as their parent's fault and has become ‘proof’ that their families are to blame. From a distance, we can see these kinds of judgements for what they are: superficial and uncritical. However, this kind of thinking has become enshrined in policy aimed at tackling child poverty. The “undeserving” are denied full tax-funded support, even when such assistance is explicitly to alleviate child poverty and whilst that same support is provided to others. This is discrimination.

The shameful disparity is between the treatment of children in families who can find paid work for a set minimum number of hours in a week² and those children whose families cannot. Irrespective of the cause of low income, regardless of circumstance, all children should be afforded the same tax-funded financial support. When the poorest, most vulnerable children are excluded we get the results we are seeing: a much greater depth of poverty; more ill-health, parental depression and a loss of hope.

¹ Children's rights are universal and a fundamental principle of the United Nations Convention on the Rights of the Child (UNCROC) is non-discrimination. UNCROC sets out children's rights to the highest attainable level of health and a standard of living that supports their mental and physical development. In domestic law, the Human Rights Act 1993 enshrines New Zealand's core legislative principles countering discrimination.

² This is 20 hours a week for a sole parent and 30 hours for a couple. Parents must also be ‘off-benefit’

Box 1 examples of exclusion

Tama has worked only 25 hours of work this week in his zero contract job, so he won't get the IWTC which is given to a couple working at least 30 hours. The mother of his children should still be entitled to the same weekly payments as caregiver as in the weeks he is fortunate enough to be rostered 30 hours; she is not.

Christine was left after a violent marriage with two young children and wants to mother her children at home and not put them into day care. She is not entitled to child care subsidies nor is she entitled to the full Working for Families tax credits for the children.

Montana has just had a baby but she doesn't have a partner and needs a benefit. She is not entitled to the in-work tax credit, nor the parental tax credit nor paid parental leave.

Those who are doubly burdened with *issues of poverty and child disability* must fight for any extra meagre entitlements. *Child Support changes* have been a long time coming but don't appear to offer any improvement. Not only are they very expensive to administer, they are having perverse effects in making some *single mothers much worse off than before*. Adding to that is the archaic and creaking benefit system that fails to offer families adequate support when they need it most and punishes them with *sanctions in the name of welfare reform*. The use of *relationship status to punish women and their children* has no place in any fair and just welfare system.

The foundation underpinning our social security system was modified in the 1990s, when discrimination against the poorest children began, and its new exclusionary basis taken further in the 2000s. A 'relentless focus on paid work' has shaped the way we create and implement policy that directly affects poor children.

Child Poverty Action Group believes that the social security system should address the needs of all children, not just a 'deserving few' whose parents work the right number of hours. With this fundamental principle in mind it can be clearly seen that the current work-based criteria for entitlement to the full Working for Families child tax credits seriously disadvantage our poorest children.

The IRD can cut off much needed child payments as soon as it can prove the parents are not working enough hours. They can lose \$60 or more a week - a very significant amount for a low income family. The payment has little at all to do with providing a sensible work incentive for parents on benefits³ and completely devalues the work of a parent looking after young children in the home.

If parents of a newborn fail work-based criteria there is no extra help for that new baby. Only *some* newborns are given the extra tax-funded support of Paid Parental Leave, some of the rest are given the

low value Parental tax credit, while the *very poorest babies who need extra help the most get nothing extra*.

Other families are effectively excluded by the need to be off a benefit and their fears about overpayments and repayments from a super vigilant and well-resourced Ministry of Social Development. Still others may be too suspicious of the system and find it far too

³ The latest evaluation of the work incentive effect from Treasury suggests that overall hours worked may have actually fallen: there was a very small increase of 0.6 hours a week for sole parents but a fall of 0.5 hours a week for partnered women. See Working Paper by Mok, P. and J. Mercante (2014) Working for Families changes: *The effect on labour supply in New Zealand*.

complicated to actually get what their children are entitled to or need. Work-based criteria for entitlement to WFF creates anxiety, instability and increased poverty in already financially stressed homes. Low income families can have their child payments cut if their working hours fall below the threshold when the next economic downturn strikes, a child or parent gets ill, or a natural disaster robs families of their livelihoods.

We have got policies very wrong and it is no wonder that there are 205,000 children in families under the very, very low 50% of median income poverty line. Private charities are not equipped to mop up the remaining problems when paid work does not deliver the expected outcomes. Nor should we rely on them to do so.

Child Poverty Action Group research and a range of other evidence demonstrate that policies for families are responsible for a large part of the child poverty problem. The UNICEF Innocenti Centre states that Government policy has the single biggest impact on child poverty rates.⁴ This was demonstrated in New Zealand when child poverty increased in the early 1990s following the 1991 Budget and then when there was a significant decline in child poverty in the period 2004-2008 when Working for Families (WFF) was introduced.

The decline in child poverty was a welcome outcome of WFF, but whose poverty was reduced and have we cared? As the Ministry of Social Development said in its 2014 report:

The WFF package had little impact on poverty rates for children in beneficiary families (close to 75% in both 2004 and 2007), but halved child poverty rates for those in working families (22% in 2004 to 12% in 2007, and close to the same since then).⁵

Seven principles are proposed to guide reforms and set out briefly in Box 2. Fundamentally, as signatories to the UNCROC, New Zealanders should have no difficulty in supporting the right of **all children** to benefit from social security, especially those tax-funded measures that reduce poverty, improve child health and enable children to participate fully in their communities.

Other principles stress the need to put the best interests of the child to the fore and ensure adequacy of income at all times. Keeping families poor to provide an incentive for parents to find paid work is a discredited policy that ensures child poverty remains embedded in New Zealand's social fabric. Much is known now about the importance of the quality of care in first three years of life for child development. New Zealand must do better to support caregivers and value the work they do, especially when babies are aged under one year.

Box 2 Principles to underpin reform

1. *Equal treatment for equal child need*
 2. *Best Interests of the Child approach (UNCROC).*
 3. *Adequacy of weekly child payments and parental welfare benefits*
 4. *Recognition of the unpaid work of mothering especially when child is young*
 5. *Paid work where appropriate with needs/wellbeing of the child/children prioritised.*
 6. *Simplicity*
 7. *Transparency*
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⁴ UNICEF Innocenti Research Centre, 2005, *Child Poverty in Rich Countries*.

⁵ Perry, B., 2014, *Household Incomes in New Zealand trends in indicators of inequality and hardship 1982 to 2013*.

Of course paid work is important to families, but the well-being of mother and child and the value of parenting for children must be the first priority. Good policies to help working parents do not need to create poverty to be effective. Finally, there is a need for huge improvements to simplicity and to transparency of policies: how they work and who is affected. Based on these principles CPAG recommends urgent improvements to Working for Families as set out in Box 3 with approximate costings. Overall an immediate spend of approximately \$1 billion more per annum is required.

Box 3 Proposed Reforms to Working for Families

	Action	Effect	Estimated approximate Annual cost
Priority 1 Immediately	Join IWTC* to the FTC* for the first child payment.	Increases the first child weekly maximum payment by \$60 to \$152. Removes judgemental discrimination. Will reduce the worst child poverty very significantly.	\$420-465m
Immediately	Recognise that the IWTC* should have been indexed at least to inflation.	The \$60 should be \$70 to reflect inflation since 2006. This increases first child payment to \$162.	\$160m
Immediately	Abolish the PTC* Add \$100 per week to the newborn's FTC for a year.	If the new born is the first child the weekly payment rises to \$262, if a second or subsequent child the FTC rate for that child rises to \$164. This will be a real investment in the first year of the child's life.	\$160m
Immediately	Abolish the MFTC* and liberalise the treatment of extra earned income for parents on a part benefit.	Improves simplicity and fairness.	Zero cost or possible saving
Immediately	Restore full indexation of WFF* abatement rate and threshold.	Makes a substantive improvement to low income 'working' families, and simplifies the setting of the living wage.	Possible \$200-400m
Longer term	Index all aspects of WFF* to wages.	Keeps families in line with the rest of society including those over 65 under NZS.	

* IWTC in work tax credit, FTC family tax credit, PTC parental tax credit, MFTC minimum family tax credit, WFF working for families. For a full discussion of policy see O'Brien and St John *Our children, our choice: priorities for policy* Part five: [Adequate incomes to address child poverty](#)

