



Does this budget turn the tide?

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CPAG has been holding budget breakfasts for 20 years to raise concern about the welfare of low income children who have been largely invisible in annual budgets. Some years it has looked like things might be improving somewhat and other years that they were going backwards. Does this budget turn the tide?

The government has offered real hope, that this time it will be different. That we have the possibility of a true step change.

I attended the social services budget lockup on budget day. The eight ministers and the PM exuded a new energy and sense of good will that we have not seen for decades.

And the budget delivers much to applaud: better access for low income families to primary healthcare; housing; social services, and critical infrastructure. But does it really show a grasp of the enormity of the income and wealth gaps?

Let's be clear, the family poverty inherited from the last decade of entrenched poor policies, sheer neglect or deliberate attacks on living standards won't be fixed overnight. We get that. We know the PM has solving child poverty at her core, and her values and integrity are the best thing that has happened to children for a very, very long time. But CPAG is the critical friend and has to say the hard stuff on behalf of children.

Grant Robertson talked of surpluses and debt reduction to future proof the economy against shocks. We have a massive social shock of unsustainably low incomes. It is not like an earthquake that dislocates society in an instant. It has crept up on us, but is no less significant or disruptive, or less requiring of effective action.

Of housing, incomes, health and education, housing is an absolute priority. Safe and affordable, secure, warm dry housing underpins success in the other three areas. It assists greatly in health and educational outcomes, and enables parents to have a better chance to earn in the labour market. But adequate income is critical too.

Too many low income families just don't have enough money for basics like food, after housing-costs are met. The social sector reports on this crisis every day. But who is listening?

The new Families Package, disappointingly not coming in until July, will help. But this budget does not appear to have a plan to deal with the serious systemic income deficits built into our system of family assistance.

Yes, there are working groups to meet and report eventually on tax and welfare. And it is pleasing to see that the shocking squeeze National were going to impose on the



working poor by lowering the income threshold of Working for Families to \$35,000 has been understood and addressed by raising the threshold to \$42,700. But, the rate of abatement still increases to 25 percent and there is no proper indexation promised.

Yes it is a good start for the working poor caught by vicious poverty trap but the fact is, hungry children in families 'not in work' can't wait.

The Families Package promises a big boost, but it is coming in too late and will not be nearly enough for those families and children who have been neglected for a very long time - the ones right at the bottom of the heap.

These are the children who *fall not just* under the 60 percent level of AHC (disposable income left after housing costs), or even the 50 percent AHC line, but are below the impossibly low 40 percent AHC.

MSD's 2016 figures show one half of children under the 60 percent line fall below the very low 40 percent line. This is 140,000 children (or more like 160,000 because of acknowledged problems with the survey).

We have the impression that things for this group have got worse since 2016. Over the last two years MSD hardship spending is up 50 percent for things like food grants. In spite of this, Foodbanks like the ACM and Salvation Army, and the Wellington City Mission report ever increased demand. For example, the Salvation Army had a 12 percent increase over last year. Budgeting services; KidsCan and other charities report an ever deepening poverty picture of increased debt and food hunger and mental distress.

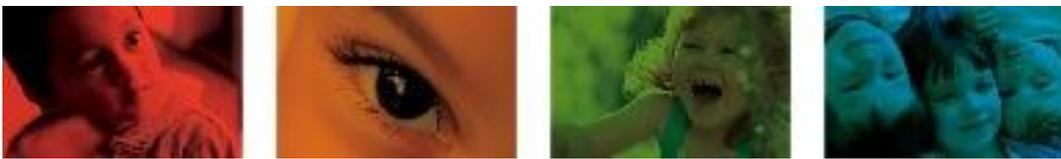
The new Best Start programme will help families with babies in the future but none of the 160,000 children I am talking about here get anything at all from it.

I think we get the best understanding of what is happening by asking the simple question. What would it take to lift a family's after housing costs income from the 40 percent line to 50 percent line? And the answer is: much more than the Families Package will deliver.

The truly shocking fact is families are falling below even the 30% line. [CPAG latest analysis](#) shows that even if such families get full core benefits for a full year (and many suffer sanctions and stand downs), after paying a rent in Auckland that gives them the new max Accommodation Supplement, their AHC income is around only 26 percent of the median for a sole parent, and can be as low as 21 percent for a couple with children. And the picture is not much better for so called cheaper areas.

A sole parent with 2 children in Auckland needs another \$251 a week to reach the 50% line. A couple with 2 kids needs another \$334. In July these 2-child families will get just \$47 a week more in family tax credits after no increase for 6 years. The one-child family gets only \$20.

The challenge that we hoped the government would pick up in this budget is to signal some concentrated spending on these families. Much of the Families Package is not about the most vulnerable- Paid Parental Leave/the Winter Energy Payment



and Best Start all have an element of expensive universalism. The Family Tax Credit is helpful but it is paid well up the income scale. The tools used in the Families Package are just not suited to the task.

To just increase the Family tax Credit (as they have done) as a means to help the very poorest runs up against the problem of horrendous fiscal cost. To contain costs, the clawback may have to be tightened imposing the damage of high effective marginal tax rates on the struggling working poor.

New thinking is needed to move away from the failed 'paid work is the answer' mentality that has created a depth of family poverty most New Zealanders, if they understood it, would find utterly unacceptable.

There are a number of changes that the government can make immediately without waiting for the Welfare Expert Advisory Group to report. Suggestions are found in The CPAG paper: *An analysis of the effectiveness of policies for children in the worst poverty in 2018* available [here](#)

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