Public forum on government spending priorities, 17 April 2012*

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Saturday's Dominion Post [14 April 2012] carried a report on the air force's new helicopters. Ordered in 2006, they cost $771 million and are now years behind schedule. The supply of spare parts is inadequate, the software development is unreliable, and they are missing essential equipment and data. They cannot be carried in the transport planes and they cannot land on the right ship.

Children are a much more reliable investment. They rarely need spare parts, their software is highly sophisticated, and they come with all the necessary equipment. They're very adaptable – they can fit into many different situations and land safely almost anywhere. All you have to do is properly maintain and care for them – and that means ensuring that they do not grow up in damaging levels of poverty. It's much cheaper to do this than to meet the horrendous repair costs later on.

What do we mean by poverty, in a country like New Zealand? Here, poverty is about relative disadvantage – households and individuals whose day-to-day standard of living or access to resources fall below a minimum acceptable community standard. So far below, in fact, that it will be extremely hard and in some cases impossible for children growing up in this kind of relative poverty to overcome the consequences.

We still have no official poverty line, but poverty is most commonly defined as less than 60% of median household income after housing costs. But for sole parent households living in Auckland, income goes as low as 35% of median household income after housing costs.

To our shame, poverty is now concentrated among families with children. Children are more likely to be living in poverty than any other age group. The proportion of children living in hardship fell from 26% to 19% between 2004 and 2008. But by 2010, after the impacts of the global financial crisis, it was back up to 26%. This is double the mid-1980s rate of 13%.

Working for Families seems to have led to poverty being heavily concentrated in beneficiary and especially one-parent households. Beneficiary families with dependent children have hardship rates around 5 times those of employed parent families with children.

Although I have no up to date stats on this, among all children born in 1993, over half (53%) had spent time in a benefit dependent household by the time they were seven. This has certainly increased since. So it's hardly a minority experience.

The effects of child poverty stay with those affected by it for life – and in some cases that life will be short. One glaring consequence of poverty is rheumatic fever. 200 people die of it every year.

The week before the 2011 budget, the Dominion Post reported the Northland DHB medical officer saying that rheumatic fever was the most striking example of inequality in our health system. The rate among children and teenagers is one of the worst in the developed world – 14 times higher than in any other OECD country. Maori children are 20% more likely than other children to end up in hospital with it – and Pasifika children are 37% more likely to do so. A shocking report? Yes – but there have been similar shocking reports on rheumatic fever in the Dominion Post every year for at least the last five years.

Obviously, it's good that the last Budget specified $12 million over four years to be targeted at rheumatic fever. The aim was to increase front line community staff, school based sore throat clinics, and resource and training programmes for health professionals and community workers.

But rheumatic fever is caused primarily by cold, damp, overcrowded housing. And living in this kind of housing is not a lifestyle choice. It is the consequence of poverty.

The government's only answer, it seems, is paid work. But it's important to remember that because there are many times more employed parent families than beneficiary families, there are around the same number from each group in hardship. Around half the children in hardship are from families with one or two employed parents. So paid work is not the simple answer, especially for sole parents.

CPAG believes that making a paid job the only way to access sufficient income to care for children is flawed. It directly damages children. Until this ideology is abandoned, New Zealand will continue to suffer from the high economic, social and personal costs of child poverty.

Recent policy approaches, including the latest and pending welfare changes, have focused heavily on supporting and sometimes forcing parents (especially lone parents) into paid work. The needs and interests of children require a much broader approach.

And in the interests of both children and parents, the work of caring for children needs to be given adequate recognition and support. Children's wellbeing must be central, whether parents are in paid work or not.

Working for Families reduces poverty by subsidising low paid work. This subsidy costs almost as much as paying a benefit. But in a recession, enough stable hours of paid work to qualify for and keep those crucial WFF tax credits worth $60 a week become harder and harder to find. When parents lose jobs or hours, they lose their WFF tax credits as well – a double whammy.

The government has made much of the increase in Working for Families spending, which it says is unsustainable. There can be no quarrel with decreasing Working for Families for those on genuinely higher incomes. The scheme should never have been extended in 2005 to run right up the income scale. As the tribunal hearing the Child Poverty Action case in 2009 pointed out, this clearly ran contrary to the original aim of helping low income families in paid work.

But from 1 April this year, families who do still have enough paid work to qualify for Working for Families, but earn less than $36,350 a year, will get on average just $7 more a week. The government also froze the threshold for maximum child-related payments in the last budget. Fully adjusted, the WFF threshold should be $38,668 in 2012 and $40,602 by 2014. But instead the government has now lowered it.

It has also defined family income more tightly. Money contributions by other relatives beyond a low ceiling are now to be counted as income. By contrast, from October 2011 gift duty was abolished. This massively benefitted the well-off, who can now give *their* children as much as they like, with no tax penalty.

Meanwhile the higher allowance for beneficiary children aged 16 to 18 is being cut. This will make it harder for the poorest working families to keep these hungry, expensive offspring at school. Yet anything that encourages them to leave early is not a good move, because unemployment among 15-19 year olds has leapt to well over 25 percent.

When they do make it into tertiary education, children from poor families, and their parents trying to improve their qualifications, are much more likely to need to study only part-time. Yet the Budget stopped part-time students borrowing course-related costs. It also imposed a sinking lid on repayments by suspending inflation adjustments to the student loan repayment income threshold until 1 April 2015, holding it at an extremely low $19,084 – barely the minimum wage. The training incentive allowance which Paula Bennett benefited from had been cut in the previous budget. These measures are hardly likely to bother John Key’s children, but for others they could mean the difference between no jobs or bad jobs, and better jobs.

These changes were justified as money-saving. We have heard much of the need to deal with the deficit. Yet part of the deficit problem is due to the government’s tax changes. The changes were sold as fiscally neutral, but they were not - not even in the government’s own tables. Over 4 years they were expected to cost $1 billion.

The “neutral” claim relied on the projection that by 2014, for that year, the changes were supposed to be balanced. But these claims were based on highly optimistic estimates of higher revenue from GST and PAYE—from growth in economic activity. The economic growth from tax cuts has not happened, nor has the predicted GST revenue bonanza arrived.

Where did the tax cuts go? A huge 43% of their value went to the roughly 400,000 taxpayers earning over $70,000, with the highest-earning gaining the most. Whereas the poor are going further into debt and paying higher taxes overall. Their children will inevitably suffer as a result. When children suffer, we all suffer.

In the relatively recent past, governments understood this. But protection from poverty as a basis for minimum benefit levels is no longer stipulated in either the legislative requirements or the policy frameworks for social security.

The conclusions of the welfare working group, which drove the latest welfare reforms, completely failed to explore what welfare reforms might be required to meet the real goals of the benefit system: reducing and eliminating poverty and improving human well-being.

They focused instead on reducing beneficiary numbers. The final report (Welfare Working Group, 2011, p. 37) refers to the need for incomes to be at “a decent minimum income level” for those who are unable to earn. But there is no discussion of what this minimum should be or how it should be set.

We have almost eliminated poverty among the elderly by supplying a sensibly organised universal benefit to all those who qualify by age and residence. We could massively reduce child poverty too, if we wanted to. Even getting it back to 1980s levels would halve the proportion of children in poverty.

Can I repeat here: Poverty is not inevitable. Child poverty continues to be widespread, and to grow, mainly as a result of policies devised by politicians who do not see it as unacceptable. Indeed, they almost seem to see it as a just punishment for parents’ failure to get or keep paid work. Until this attitude changes, appalling numbers of children will continue to grow up in preventable poverty, and the consequences will affect every one of us.

***** Global Day of Action on Military Spending - more information is available at **http://www.converge.org.nz/pma/gdams12.htm**