



2016 Conference

Rupture - Repair - Restore

**Families adrift:
The Social and economic climate of
the 21st century**

**CHiLD
POVERTY
ACTION
GROUP**

ANZTAA Conference

25th November 2016

[Hon A/Prof Susan St John, University of Auckland](#)

Economics spokesperson , Child Poverty Action Group

- **Mental distress occurs in the context of structural social and economic inequity.**
- **Families and children bear the brunt of poverty in NZ**
- **Systemic poverty is an outcome of choice, i.e not inevitable.**

Growing inequality

“For each of eleven different health and social problems: outcomes are significantly worse in more unequal rich countries.”

The
Spirit
Level

Why
More Equal
Societies
Almost
Always Do
Better

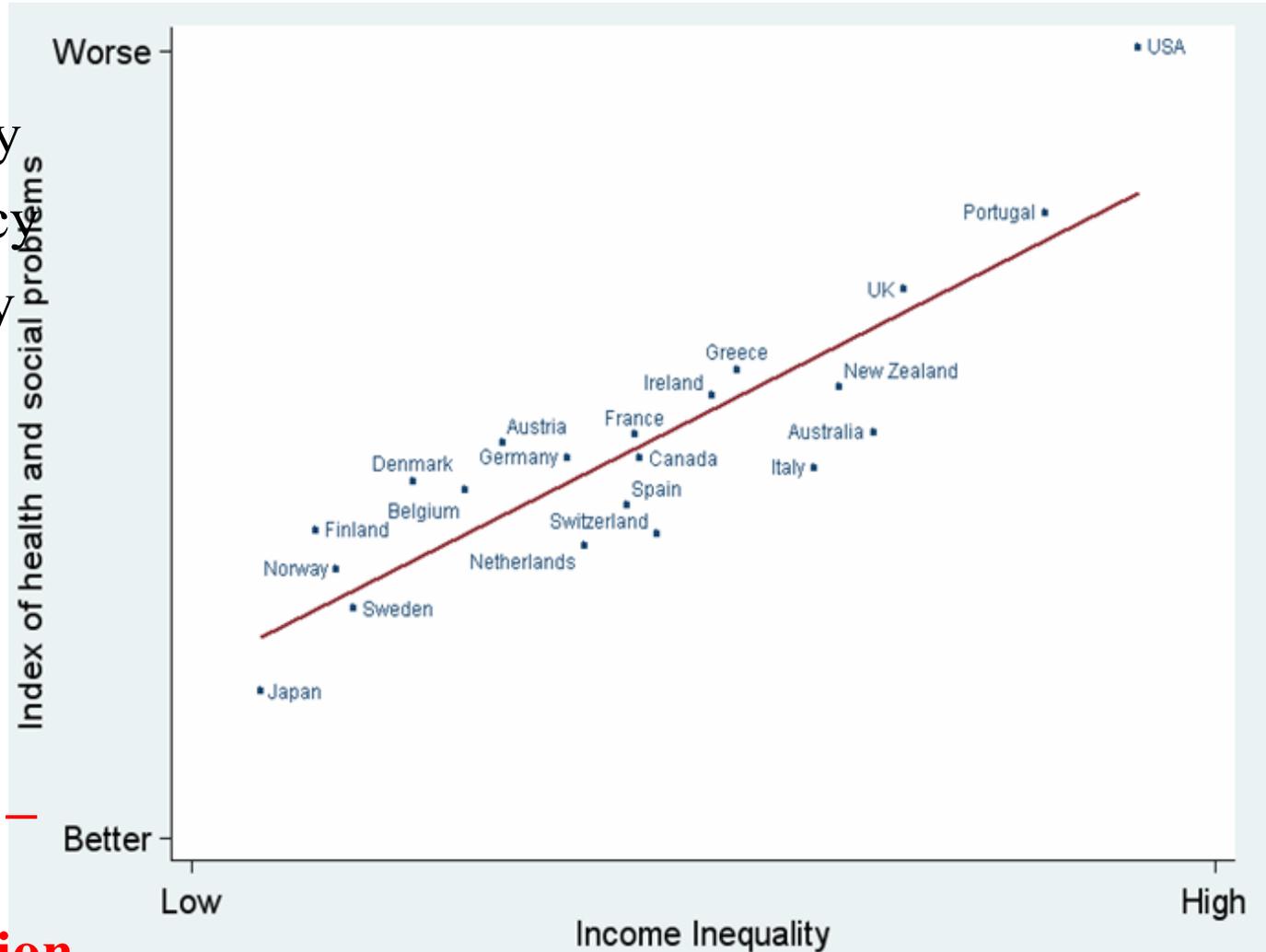
Richard
Wilkinson
and Kate
Pickett



Health and social problems are worse in more unequal countries

Index of:

- Life expectancy
- Math & Literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- **Mental illness — incl. drug and alcohol addiction**
- Social mobility



Source: Wilkinson & Pickett, The Spirit Level (2009)
www.equalitytrust.org.uk

The damage of Inequality

Old view

Inequality *necessary*,
AND beneficial

New View

“The recent concentration of income gains among the most affluent is both politically dangerous and economically damaging. The political worry is a descent into angry populism...there is growing evidence of fury” Economist Sept 2013

JOSEPH E. STIGLITZ

WINNER OF THE NOBEL PRIZE IN ECONOMICS

THE PRICE OF INEQUALITY



HOW TODAY'S
DIVIDED SOCIETY
ENDANGERS OUR FUTURE

READ BY PAUL BOEHMER

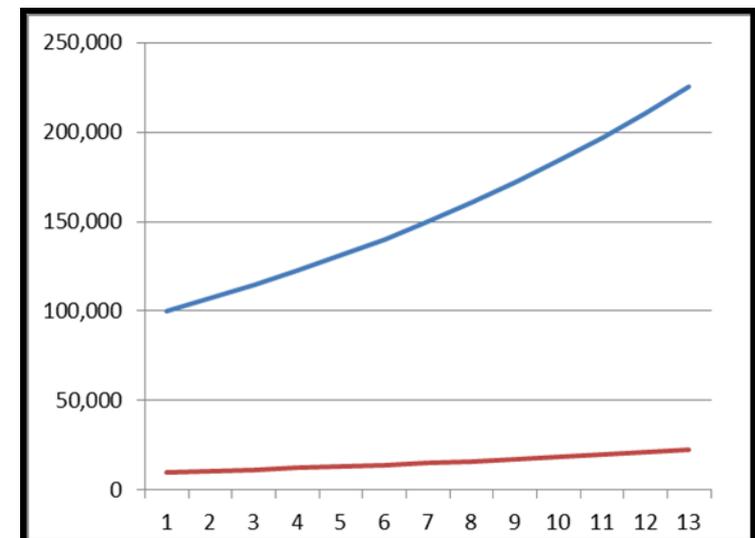
NZ's two-speed economy

Wealth is distributed *much more* unequally than income.

The top 10% hold 60% of the total wealth. (Stats 2016)



The unpleasant arithmetic of inequality

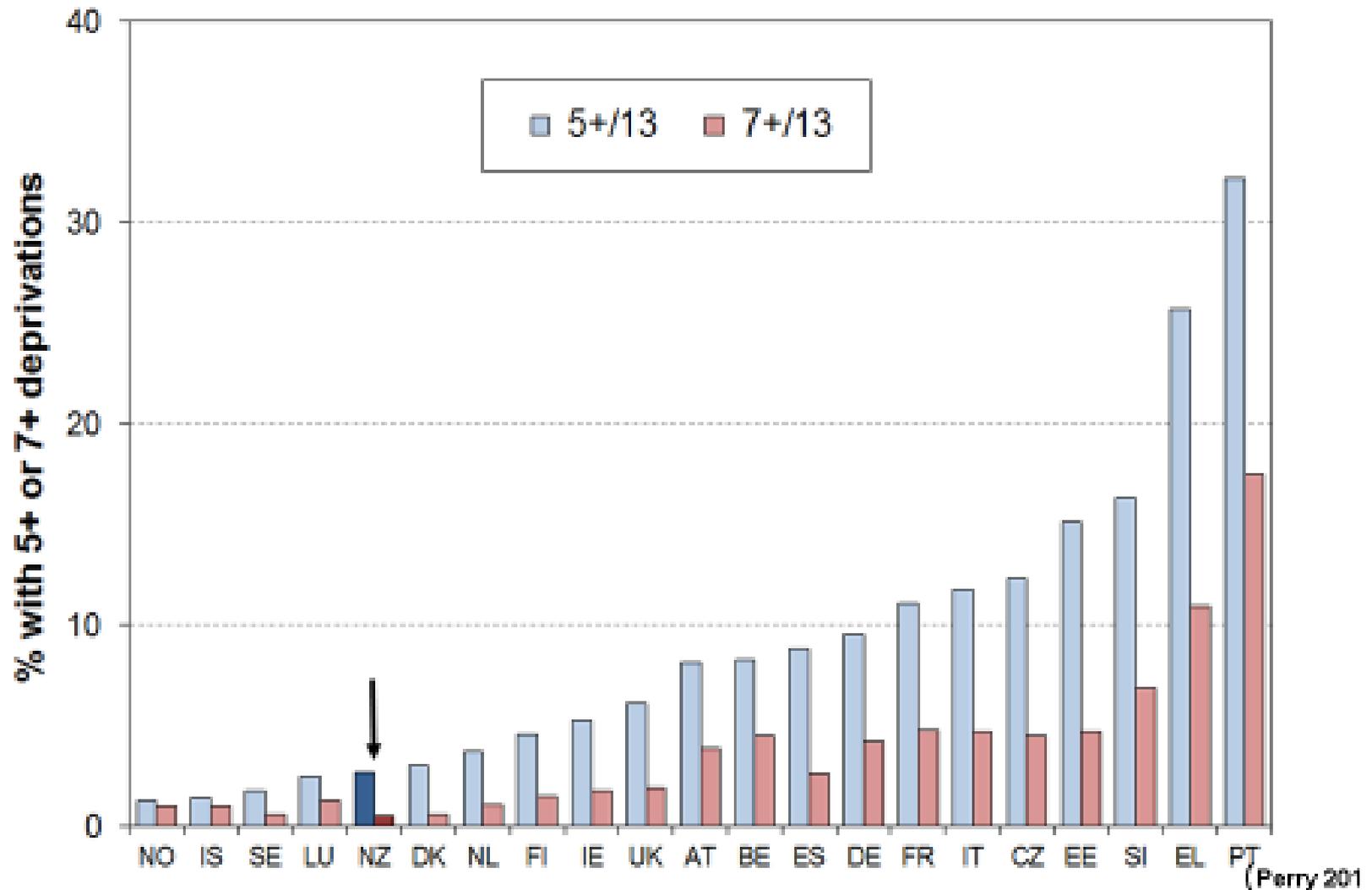


The poor used to be the old

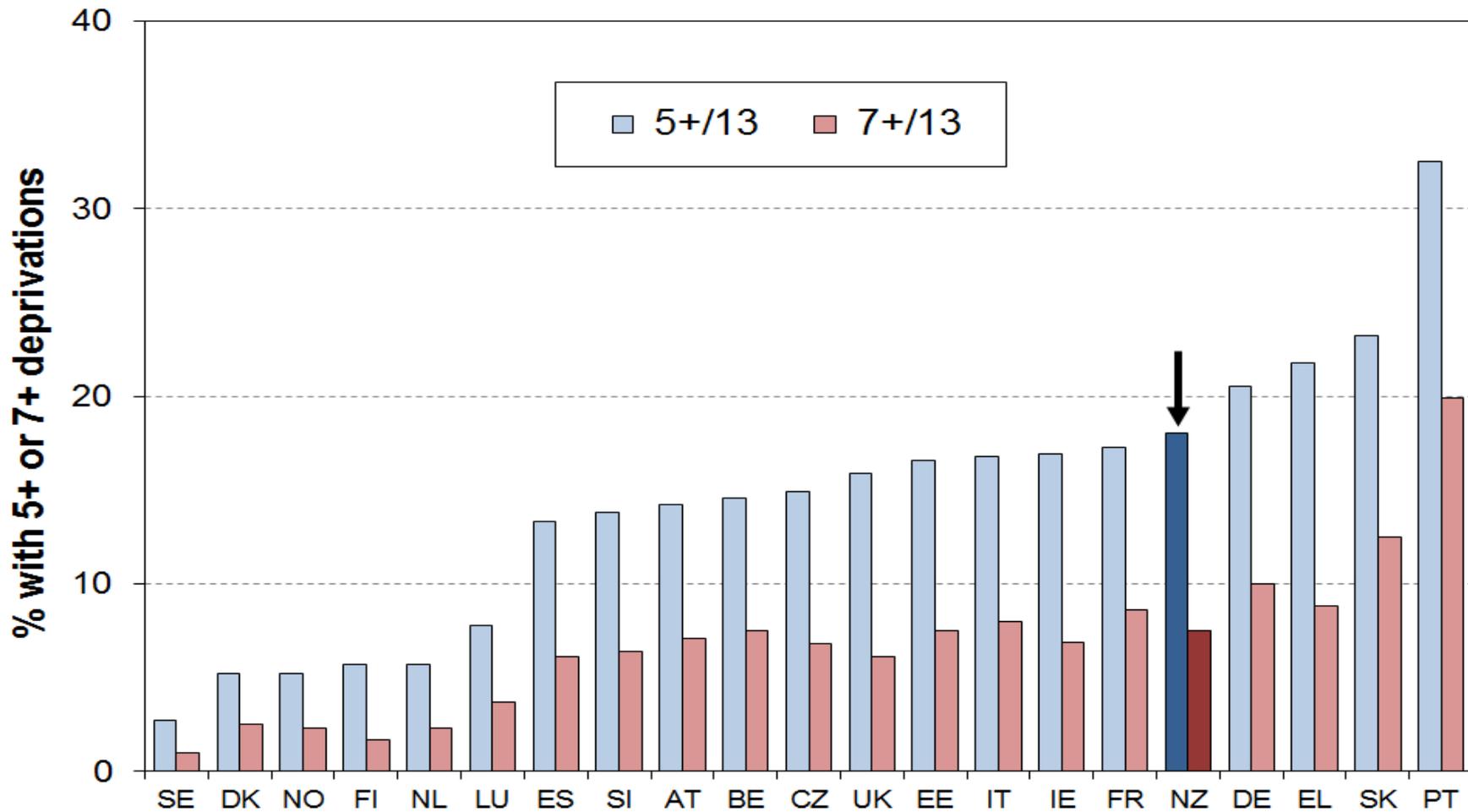
Can we do it- yes we can!
National Superannuation
1976



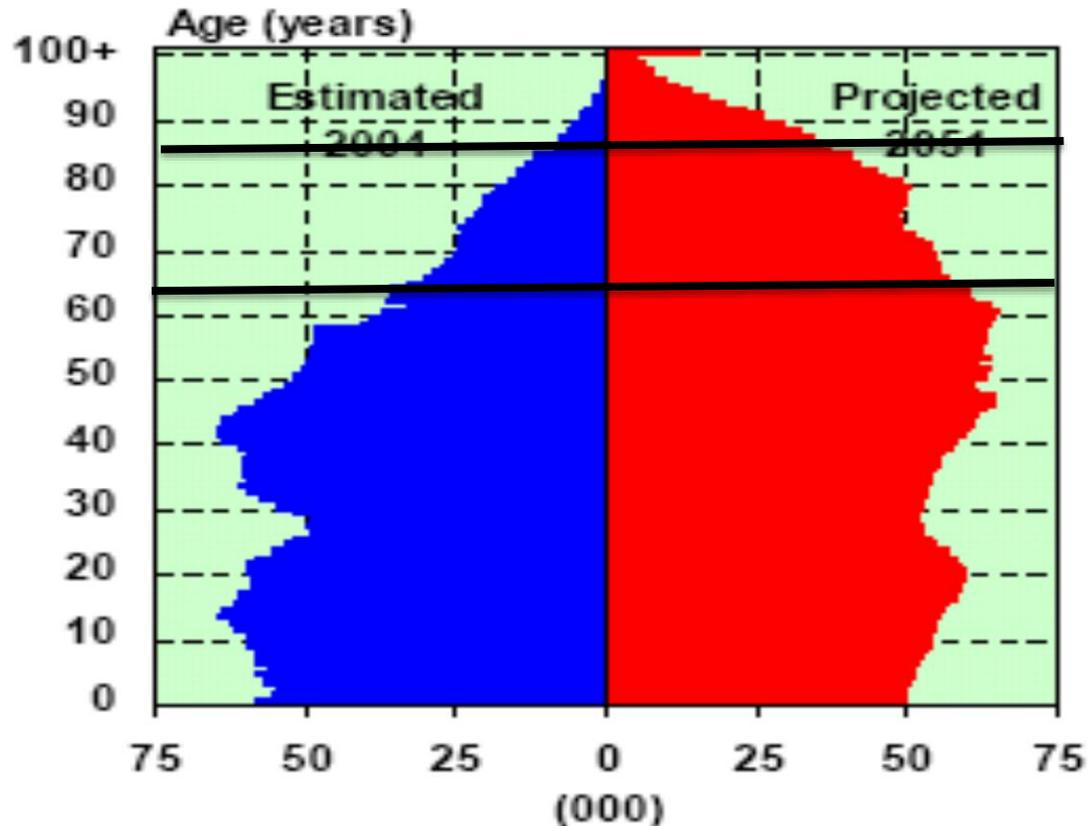
Material deprivation rates (% with 5+ and 7+ enforced lacks), EU-13, those aged 65+



Material deprivation rates (% with 5+ and 7+ enforced lacks), EU-13, those aged 17 years 20 European countries + NZ (Perry 2016)



Pressures from Ageing of the population



60,000 dementia sufferers today

By 2026, increase by more than 60%

Numbers expected to treble by mid century

Long-term fiscal outlook- Treasury 2016

Projections under current settings

	2015	2030	2045	2060
Healthcare	6.2	6.8	8.3	9.7
New Zealand Superannuation (NZS)	4.8	6.3	7.2	7.9
Education	5.3	5.4	5.5	5.7
Law and order	1.5	1.4	1.4	1.4
Welfare (excluding NZS)	4.2	4.5	4.7	4.7
Other expenses	6.3	6.7	6.7	6.7
Debt-financing costs	1.6	2.2	5.3	11.0
Expenses	30.0	33.3	39.1	47.1
Tax revenue	27.6	28.6	28.6	28.6
Other revenue	2.3	2.4	2.4	2.5
Revenue	29.9	31.0	31.0	31.1
Operating balance	(0.1)	(2.3)	(8.1)	(16.0)

My involvement in family income issues



- Early 1980s: work for NZ committee for children
- Royal Commission social policy 1987
- 1990 CPAG UK
- **1991 the mother of all budgets**
- 1994 CPAG NZ
- Management committee 22 years
- 17 post budget breakfasts, 10yrs HR case
- Multiple CPAG publications, submissions, articles, talks, lectures etc. [website](#)

1991 Budget



**Slashing of
benefits
only
the start**

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Tax and benefit cuts and user pays policies have favoured those in full-time employment over those on benefits, the healthy over the sick, the childless over families, and those with wealth over those with few assets.

We now have children who go to school hungry, diseases that are untreated, charities that are over-stretched, and even tertiary institutions setting up foodbanks.

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We have no capital gains tax and now no death duties, so there are few levers in place to prevent further widening of the income and wealth distribution.

Such policies also leave us ill-equipped to moderate another share market and asset boom.

So where are we 25 years on from the mother of all budgets?

Auckland Painful images of growing inequality

**A
BAND
AID
BUDGET**
CPAG's analysis of the
2016 Government budget



New Zealand's most shameful secret: 'We have normalised child poverty'

theguardian

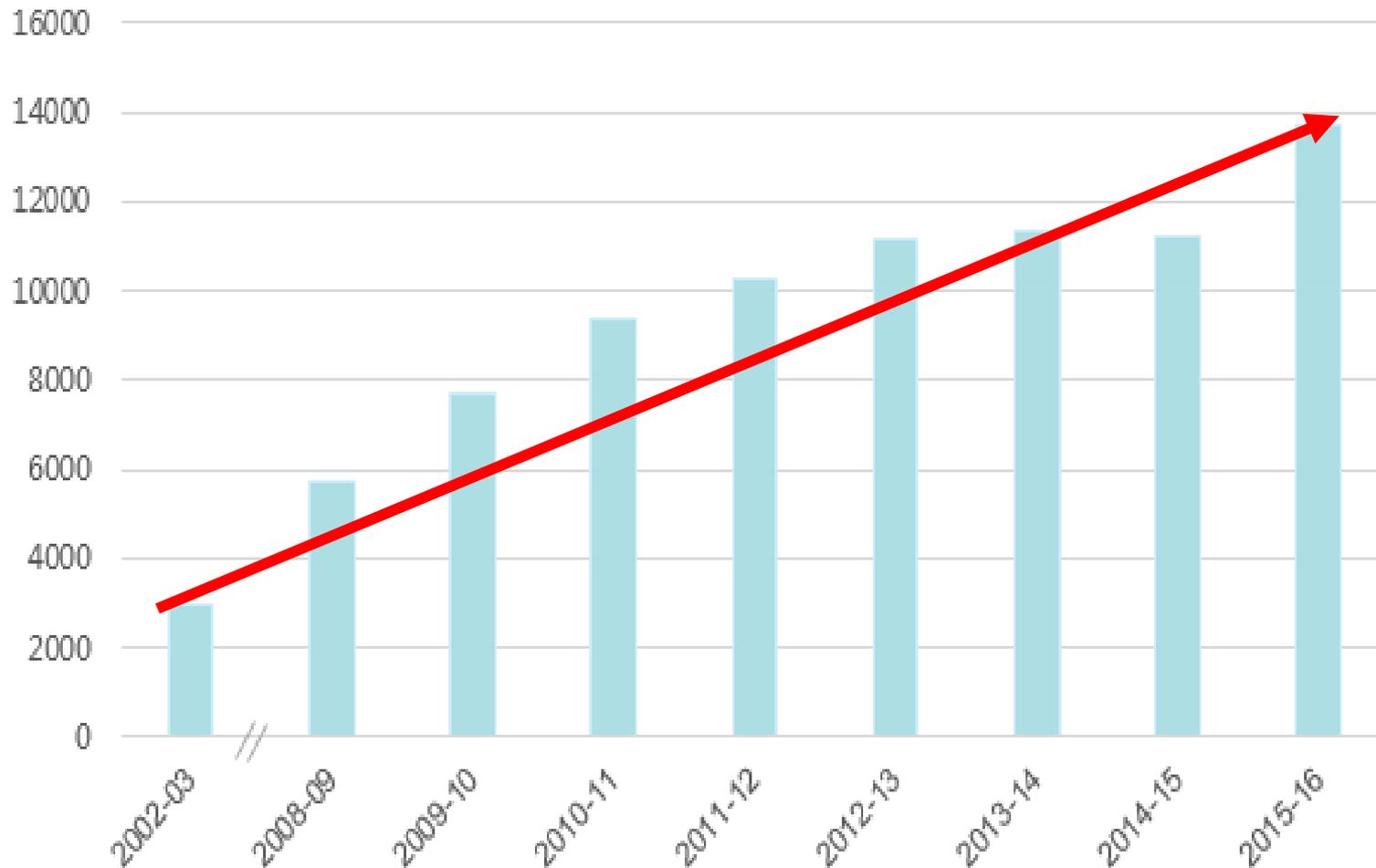


- Unicef and charities urge New Zealand to act on child poverty

Minister dismisses Guardian report highlighting issue as 'sensationalist' from a paper that 'supports Jeremy Corbyn'

Auckland City Mission- barometer of distress

Food Parcel Demand Year to Year



Auckland City Mission swamped by demand



"I knew there would be a queue but I didn't think there would be people sleeping here since 1am,".

[Auckland City Mission swamped by demand | Stuff.co.nz](#)

[Demand high at Auckland City Mission | Stuff.co.nz](#)



CHILD
POVERTY

Where
did that
come from?

Malcolm Walker..

Emma-Lita Bourne (2 years) died in Aug 2014



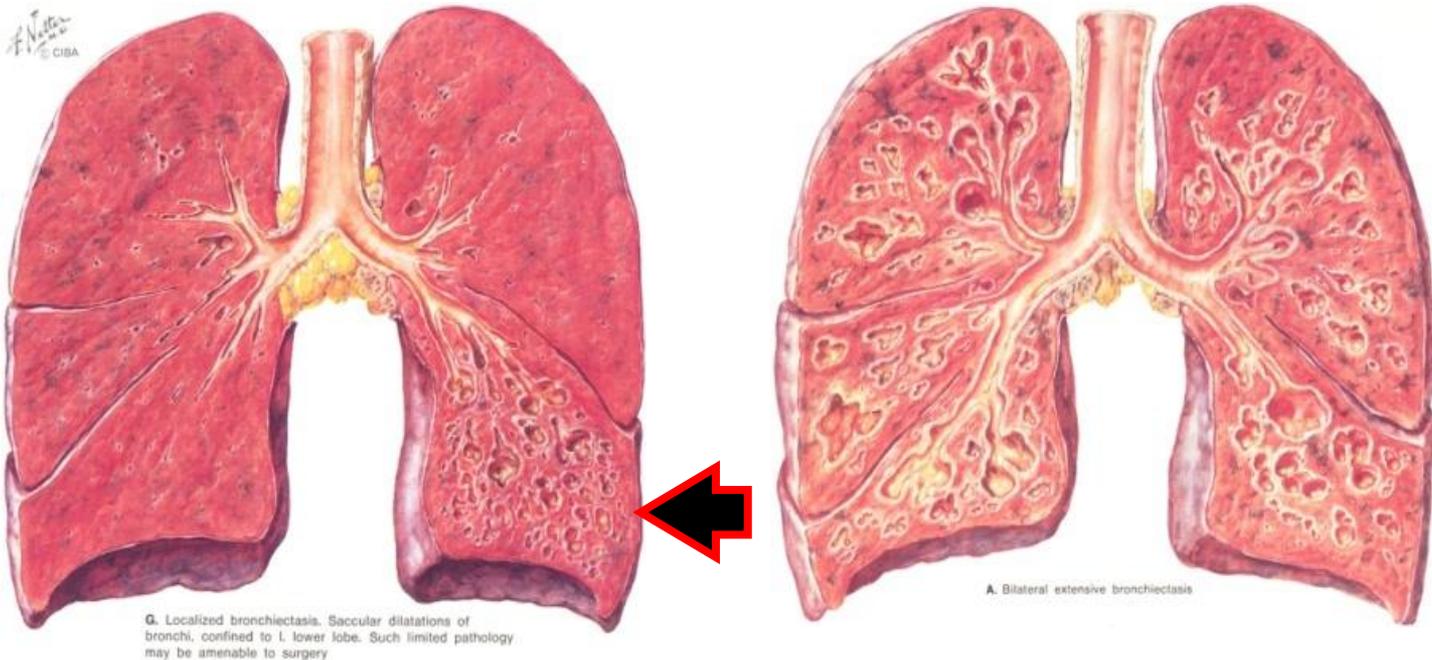
Coroner:

Cold, damp house contributed to her death from pneumonia

Source: Professor Innes Asher, CPAG

Bronchiectasis (scarred dilated airways)

- Caused by repeated or severe pneumonia
- **In NZ is 8-9 times commoner than UK and Finland**



Normal lungs with
bronchiectasis
on bottom right

Bronchiectasis
all areas of the lungs

Bronchiectasis sputum



**One cough produces
blob of sputum
(pus-like phlegm)**



\$1 coin

Child produces a cup of sputum over one day



Bronchiectasis (scarred dilated airways)

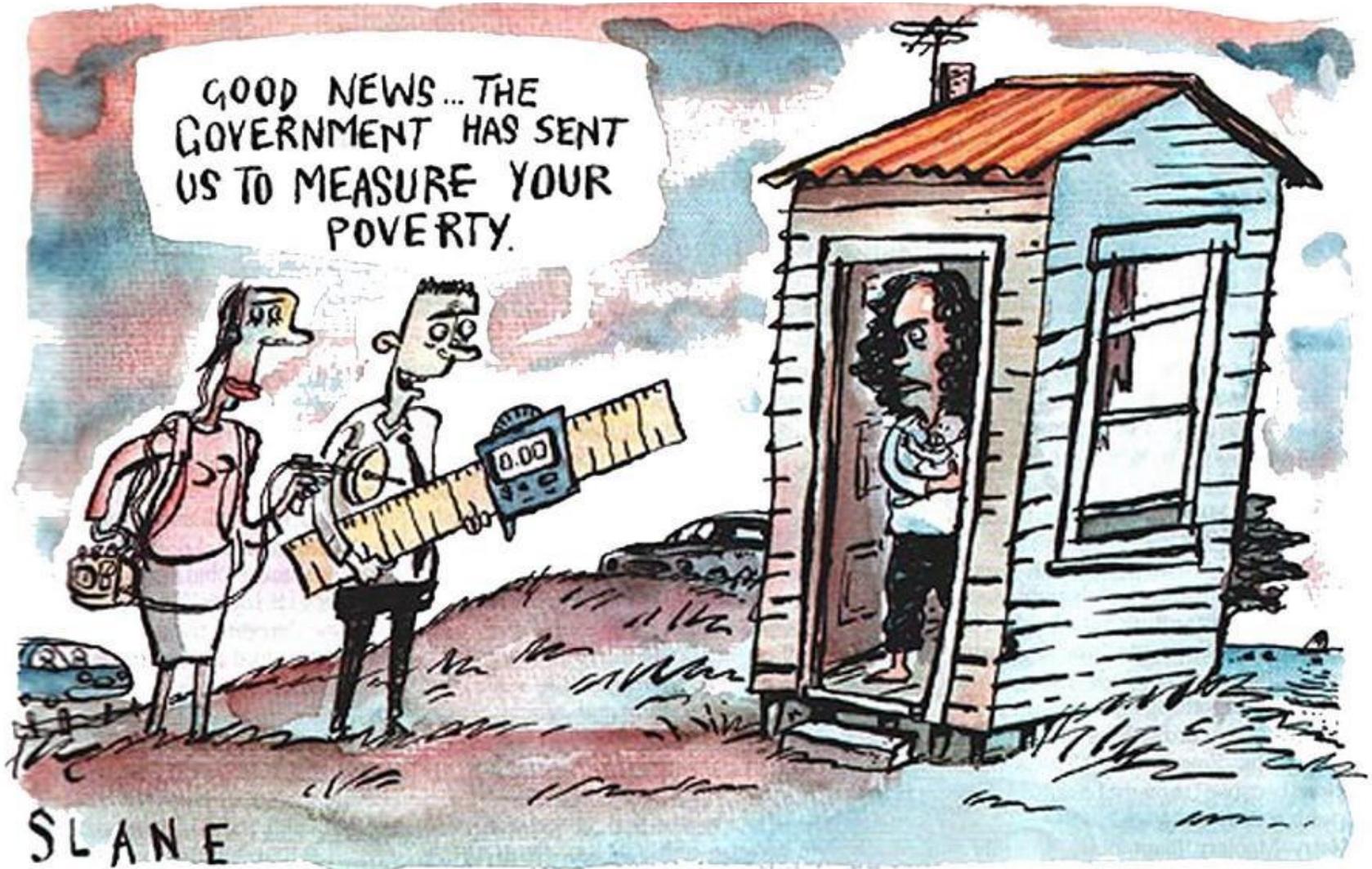


Child with
bronchiectasis

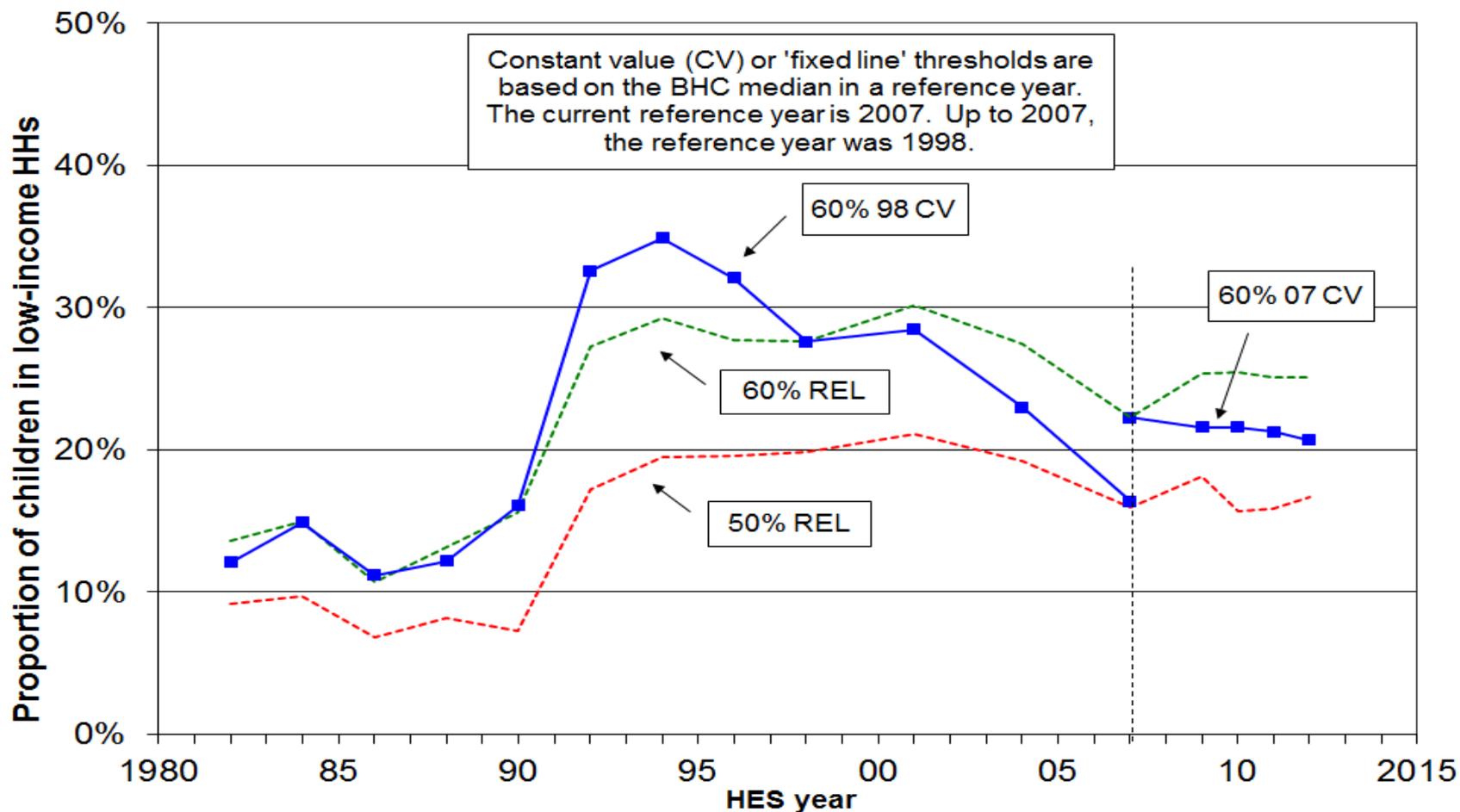


May die as a teenager or young adult
or too sick to work

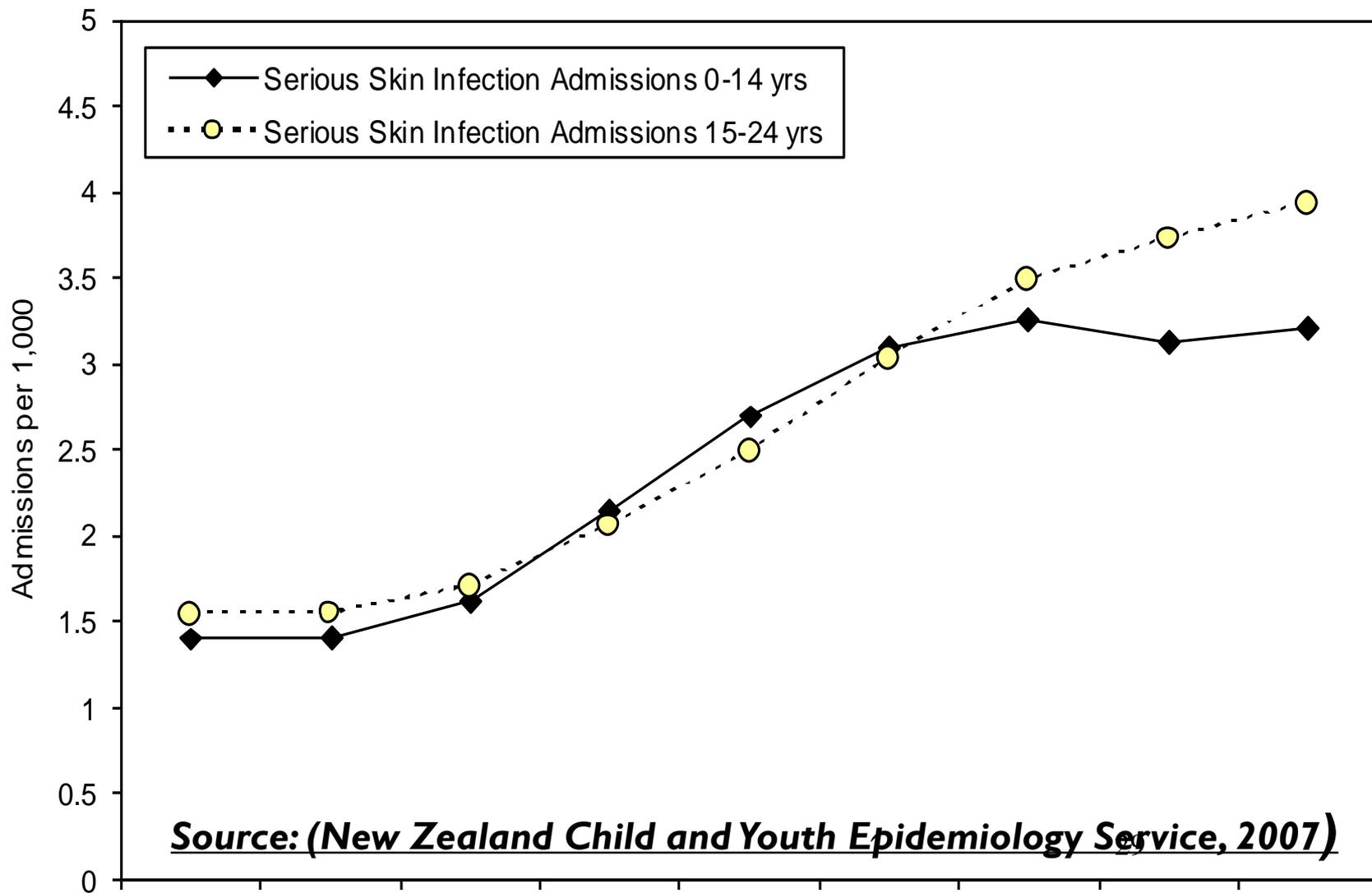
Debates over measurement: a distraction?



Proportion of children below selected poverty thresholds



Third world disease rises in 1990s



Child poverty figures in NZ	No. of children	% of children
Total children	1,063,000	100%
Income poverty (<60%median after housing costs, rel)	295,000	28%
Severe income poverty (< 50% median after housing costs, rel)	210,000	20%
Income poverty (< 60% median after housing costs, CV)	230,000	22%
Material hardship (EU standard threshold)	155,000	15%
Severe material hardship (EU severe threshold)	85,000	8%

Creation of 'the other'

BUSINESS SCHOOL



The top
and
bottom
pull
apart

1991-2016: Policies based on narrow economic model

Policy driven by mantras eg **“paid work is
the best source of wellbeing”**

“Work will set you free”

Incentives for parents are more
important than the welfare of children

From 1990s policy focus has put paid work at centre



2015 Child Hardship Bill continued

“A relentless focus on paid work”

Best interests of the child at the centre



Premises of Government's investment approach

- Minimising future costs is a legitimate goal
- Getting off benefit equals being in 'work'
- Being in Work means increased 'well-being' and solves poverty.
- Unpaid work is of no value
- Children need no separate consideration unless 'vulnerable'

Welfare reform = The abusive state?

I Daniel Blake



Sanctions: Where are the children?



One injustice
unchallenged leads
to another and
another.

Sanctions Sept quarter 2016

Sanctions imposed by benefit type from

Benefit	Sep-16
Jobseeker Support	10,435
Sole Parent Support	3,723
Total Main Benefits	14,237

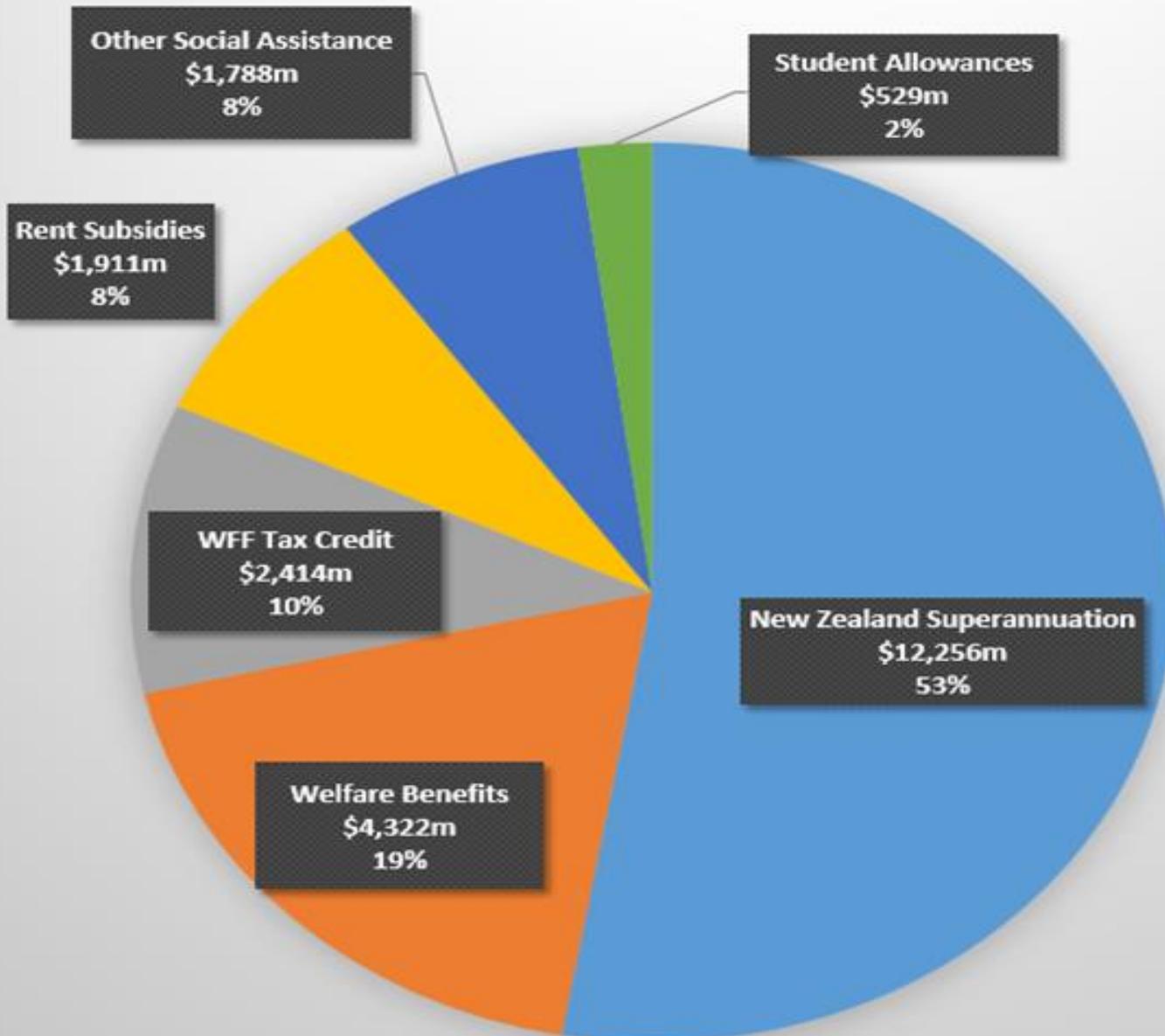
Sanctions imposed by dependent child

Client with	Sep-16
Dependent child(ren)	5,100
No dependent child(ren)	9,137
Total	14,237

First reason for sanction imposed - All

First sanction reason	Sep-16
Clients who failed to attend an arranged appointment	9,554
Clients who failed to complete a step in plan	1,636
Clients who failed to accept an offer of suitable employment	44
Other reasons	3,003
Total	14,237

Social Assistance Allocations, 2016



**Total
welfare
spend
\$24bn**

#FWFF FIX
WORKING
FOR
FAMILIES

So what is wrong with WFF?



All children's tax credits aim to meet the needs of children and reduce child poverty..but

A big part of WFF is conditional on parents meeting rigid hours of work test



The prime aim WFF- reduce Child Poverty

“WFF had **little if any impact** on
the poverty rates for children in
workless households”

MSD 2012

Who was left out?



**Why have we not been
concerned about
those left out ?**

"And the wolf ate all children but it didn't matter because they were the children of **People not like us**



The Human Rights Case on the “In Work Tax Credit”

CPAG v the Attorney General 2002-2013

10 hearings over 9 years



2012 Appeal in the Court of Appeal

28th 29th May 2012

**Discrimination again upheld
ie 270,000 children
are harmed
But found to be
justified?**



Case studies- IR website

- Dale is a single parent who works as a teacher aide for 22 hours a week. She's contracted to work for the school from February to December although she doesn't work during the two week term holidays. She's entitled to receive an in-work tax credit from early February until mid-December because she works the required hours and receives income during that period.



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Dale can't receive an in-work tax credit during the summer holidays because she's not contracted to work for that period.

Case study IRD

- Kezi is 20 years old. She has a two year old daughter for whom she receives child support. Kezi's been working for a temp agency for the past 16 months. Two weeks ago, she gave birth to a baby boy and is now at home with him. **Kezi's new partner Mark is a student and receives a student allowance.**
- Kezi can't apply for a parental tax credit but she can apply for paid parental leave.

Relationships in the 21st century are complex!

*Happiness in
marriage is
entirely a
matter of
chance.
Jane Austen*



Tax is based on the

individual

BUT



Welfare based on the idea that the couple can live more cheaply than a single person and that 'married' people ought to support each other.

Just who is married? It Really really matters !!!

Weekly Benefit	single	single sharing	married/ defacto	difference for couple pw
Jobseeker/student allowance over 25	210	210	175	-70
Supported living payment	263	263	219	-88
NZ Super	385	355	296	-178

- Jill is a sole a parent she gets SPS \$325
- Jack is her boarder. He gets JS \$210

oops

- “relationships could develop quickly and some people might not be aware of their obligation to tell Work and Income.”
Minister Tolley.

Who wants to be 'married'?

- Jill gets SPS \$325
- Jack gets JS \$210

- Coupled they get \$187.50 each- \$160 less pw than before
- And have a joint income test of 70% on earned income over \$80
- And may be prosecuted.....

To help distinguish the nature of a de facto relationship, Work and Income (2014) suggests that the beneficiary ‘thinks about these issues’:

- You live together at the same address most of the time.
- You live separately but stay overnight at each other’s place a few nights a week.
- You share responsibilities, for example bringing up children (if any).
- You socialise and holiday together.
- You share money, bank accounts or credit cards.
- You share household bills.
- You have a sexual relationship.
- People think of you as a couple.
- You give each other emotional support and companionship.
- Your partner would be willing to support you financially if you couldn’t support yourself.

Informants are requested to supply detailed information as detailed on the Work and Income website (2014): Information that helps us when you report a suspected fraud. This includes:

- Do they live with a partner but say they're living alone?
- If you think they do then we'd like to know:
- the full name of their partner and any other names they're known by
- their partner's age and date of birth
- their partner's address
- whether their partner works and who employs them
- why you think that they're a couple
- how long they've been in a relationship
- whether they have had children together
- the names and ages of any children they have.

Website warns

.....some receiving a benefit, Student Hardship or New Zealand Superannuation are in relationships they haven't told us about.

Up until now when an MSD client was found to have dishonestly claimed a single benefit while in a relationship, that client has been solely responsible for paying back the fraud debt.

You and your partner may now be jointly responsible for paying back benefit debt

Where did CPAG interest in Kathryn's story come from?



The complexities of
'relationship' in the
welfare system and
the consequences
for children

[See Report here](#)

A Child Poverty Action Group Background Paper
Susan St John
Catriona MacLennan
Hannah Anderson
Rebecca Fountain

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Kathryn's Story

How the Government spent well over \$100,000 and 15 years pursuing a chronically-ill beneficiary mother for a debt she should not have.

By Catriona MacLennan