



CHiLD POVERTY ACTION GROUP

Submission on the BUDGET POLICY STATEMENT 2015

To the **Finance and Expenditure Committee**

This submission is from:

Child Poverty Action Group Inc.
PO Box 5611,
Wellesley St,
Auckland 1141.
www.cpag.org.nz

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high level of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in.

Submission

We wish to make the following comments:

BUDGET DIRECTIONS

CPAG notes the government's two central statements below:

"The Government's economic programme continues to build a faster-growing economy with more jobs and rising incomes, and to support New Zealand families in need....The Government

is looking at ways to help families and children in material hardship and the Budget will contain some measures to address this issue. Another focus for Budget 2015 will be continuing work to deliver better outcomes from social housing”.

And

“Budget 2015 will continue to progress the Government’s programme and priorities, which are: Responsibly managing the Government’s finances; Building a more productive and competitive economy; Delivering better public services within tight financial constraints; and Rebuilding Christchurch, our second-biggest city.”

To help “families in need”, and “families and children in material hardship” a comprehensive and multifaceted approach is required that will reach all the affected children – the 19% (205,000) in severe income poverty and the 17% (180,000) in material hardship (Perry 2014). Recommendations reflecting a multifaceted approach are set out below.

We also note the statement:

“As signalled previously, the Government is looking at ways to help families and children in material hardship and the Budget will contain some measures to address this issue. As a first step, the Government will look hard at the billions of dollars already spent on vulnerable families and children to determine whether this can be better spent.”

CPAG respectfully asks government to take the broader view of poverty prevention by ensuring all children grow up in families with sufficient resources and access to an adequate safety net for hard times. Highly targeted programmes that rely on identification of ‘vulnerable families’ which are in the most disadvantaged circumstances by certain criteria miss many of those in need and offer little broad protection. Child poverty will not be affected materially by moving financial support from one group of low income children to another group. A meaningful and serious approach to child poverty needs to commit new and additional resources to reducing child poverty. It also needs to put in place a comprehensive framework for reporting on progress in reducing child poverty.

The Budget direction “to reduce income taxes from 2017 with a focus on low and middle-income earners” is likely to preclude finding enough funds to address child poverty. It is very unclear how tax cuts could be targeted at low income families alone. Even if the first bracket is removed, the cost is high and the most it could deliver is \$28 a week. Taking the bottom rate down from 10.5% to 9.5% would cost \$335 million a year and yet give virtually nothing to those on low incomes - someone on \$14,000 would gain \$140 a year, or about \$3 a week. If the next rate is also brought down 1 percentage point to 16.5% it would cost another \$485m and be of maximum benefit (\$9.20 a week) to those on an income of \$48,000 and above.

CPAG advises the government to relax its targets for net debt reduction and to reject the idea of tax cuts in the current economic climate, with significant numbers of children experiencing poverty.

Child poverty is New Zealand’s major social and economic issue. Reducing the rate and depth of child poverty must be the first priority in the 2015 budget. Budget measures need to extend

across improving incomes for low income families supported by benefits or wages, tax credits, housing, health, education and increasing the number of adequately paid jobs.

Recommendations

Child Poverty Action Group's specific budget recommendations are:

1. Increase incomes for low-income families

Families in paid work

- i. Continue to raise the minimum wage but at a significantly faster rate than the last 2 years;
- ii. Index all Working for Families (WFF) tax credits to increases in the average wage as is done for New Zealand Superannuation;
- iii. Increase the threshold for abatement of WFF tax credits for extra income earned and index annually. Return the abatement rate to 20%.

Beneficiary families

- i. Give beneficiary families the same amount as the In-Work Tax Credit, to be added to the current first child Family Tax Credit;
- ii. Raise Sole Parent Support rate for sole parents and the couple rate of benefits for those with children with increases pegged to the average wage;
- iii. For the future index benefits to wages as is done with New Zealand Superannuation;
- iv. Cease all benefit sanctions and other benefit reductions for beneficiaries with children.

2. Improve numbers and quality of houses for low income families

- i. Warrant of Fitness on all rental properties;
- ii. Build 1,000 additional social housing units per year in areas with the greatest need.
- lii Strengthen the state house sector

3. Improve quality and participation in education

Early Childhood Care and Education (ECCE)

- i. Require all staff counted in the ECCE teacher: child ratio to be qualified, registered teachers;
- ii. Increase the ratios of adults to children for infants and toddlers in ECCE.

Compulsory Education

- i. Provide a 100% government subsidy in all decile 1-4 secondary schools for NCEA and scholarship examination fees;
- ii. Provide before and after school and holiday programmes at all decile 1-4 schools.

4. Health

Free GP visits for 0-17 years

5. Poverty targets

Set targets to reduce each of the child poverty measures