left behind:

How Social & Income Inequalities Damage New Zealand Children

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GROUP

Child Poverty Action Group (Inc) (CPAG) is a non-profit group formed in 1994, and made up of academics, activists, practitioners and supporters. CPAG has a strong education and research role which enables it to contribute to better informed social policy to support children in Aotearoa New Zealand, specifically children who live in poverty. CPAG believes that our high rate 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. If you are not already supporting CPAG and you would like to make a donation to assist with ongoing work, please contact us at the address below or through our website**:** www.cpag.org.nz

Child Poverty Action Group also publishes an on-going series of monographs about government policies and their impact on children:

Our Children: The Priority for Policy	***2001; 2003***
Room for Improvement: Current New Zealand housing policies and their implications for our children	***2003***
Cut Price Kids: Does the 2004 "Working for Families" budget work for children?	***2004***
Hard to Swallow: Foodbank use in New Zealand	***2005***
Workfare: Not fair for kids?	***2005***

Left behind: How social and income inequalities damage New Zealand children

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Child poverty and inequality

In the last decades of the 20th century New Zealand had the fastest growth in income and wealth inequality in the OECD. Little has been done to improve the situation since then. Child poverty remains a major concern in New Zealand, even after the implementation of Working for Families (WFF). In 2001, NZ ranked near the bottom of the rich nations' index measuring infant mortality, children's health and safety, teenage pregnancy, and immunisation. It also ranked bottom in the percentage of 15-19 year olds in full- or part-time education, and in the number of deaths from accidents and injuries.

Despite the better economy and significant increase in paid employment, between 2000 and 2004 the proportion of all children in severe and significant hardship increased by a third, to 26 percent. In 2004, there were about 185,000 children in benefit families in some degree of hardship, with 150,000 of them in significant or severe hardship. While official data is yet to be produced for 2007, this report concludes that little has changed for this group of children who have been "left behind."

Child-based welfare assistance

In 1996 child benefit policies that discriminated against the children of beneficiaries were introduced. One key policy was the Child Tax Credit (CTC), which was available only to children whose parents were not on a benefit, ACC or student allowance. These policies undermined the principle that all children from low-income families should be treated the same.

In 2002, the New Zealand government finally acknowledged child poverty, and vowed to eliminate it. Yet it was not until 2005 that WFF was implemented. WFF represents a significant redistribution of money in favour of low- and middle-income working families with children, and has reduced child poverty in many of these families. But for families supported by benefits, increased family assistance has been offset by a range of benefit cuts, leaving many simply "no worse off" than they were before these changes.

WFF has not only continued the discrimination in the CTC, it has further widened the gap between low-income families on benefits and those in work, by introducing the In-Work Tax Credit (IWTC). The IWTC gives $60 a week to families with up to three children and an additional $15 a week for subsequent children. Now, to be eligible for the IWTC families must come off an income-tested benefit and meet a worktest. Families receiving a benefit are also excluded from receiving the Minimum Family Tax Credit (MFTC), which itself is a very unsatisfactory income support policy.

In 2005 the government augmented the WFF package by an additional $500m by targeting families earning more than $27,500. Children in families receiving benefits were not helped at all by this extra spending and remained excluded from the IWTC.

In 2008, the discrimination against the children of beneficiaries that began with the CTC remains in the IWTC. CPAG has challenged this discrimination, and has taken a case which will be heard by the Human Rights Review Tribunal in June 2008. CPAG states that the IWTC breaches New Zealand's human rights legislation by discriminating against children on the basis of the employment status of their parents.

Work-based principles

The reforms to New Zealand's social security initiated in the 1990s focused on moving people off welfare into work. Principles relating to the health and general welfare of the community, and participation and belonging, were abandoned. Working for Families and Working New Zealand have entrenched and extended this approach, promoting paid work as the way out of poverty.

While work is very important for reducing poverty and increasing overall wellbeing, **a "work first" policy is not sufficient to eliminate child poverty**. Parental or child illness and disability, physical and social isolation including poor access to services, fewer employment opportunities and lack of support may all act to preclude parents from paid work.

Leveraging more parents into low-wage jobs is expensive and, in the long term, largely ineffective. The cost of the additional administration required for Working New Zealand (WNZ) from 2007 to 2012 was estimated at approximately $100 million.

Contrary to the assumptions underlying WFF and WNZ, evidence shows that most beneficiaries leave the benefit system of their own accord when they can. Generous welfare regimes need not result in a poverty trap and may be the most effective at reducing child poverty.

Tax

Flat tax regimes are regressive, and are a major contributor to income and wealth inequality. Low-income families are disadvantaged by the combination of New Zealand's relatively flat personal income tax regime and consumption tax (GST). Conversely, high-income earners are advantaged by the existing income tax regime and by gaps in the tax system, such as the lack of a capital gains tax.

Recent changes to the tax regime, such as tax breaks for savings in managed funds and KiwiSaver, signal a likely return to manipulations by the better-off to minimise tax, as occurred in the early 1980s. The fiscal costs of these tax breaks may preclude overdue tax cuts for those on low incomes.

Health

New Zealand children have higher rates of preventable illness and deaths from injuries than children in almost any other OECD country. They have comparatively high infant mortality rates and low immunisation rates.

The single most important determinant of health is income. A child growing up in poverty is three times more likely to be sick than a child growing up in a higher-income household. Poor nutrition, a stressful environment and substandard housing are factors that diminish a child's ability to fight infection.

Māori and Pasifika children are most at risk of poor health. Insufficient disposable income, substandard housing, inadequate nutritious food and unequal access to health care all contribute to the risk of poor health. Of all ethnic groups, Pasifika children have the highest rates of infant mortality and of hospitalisation for preventable diseases.

Housing

Rates of home ownership are now at their lowest since the early 1950s, reflecting decreased housing affordability and an absence of government-funded programmes to support home ownership for modest income households. Māori and Pasifika families are disproportionately affected by reduced housing affordability, and as a consequence are most likely to live in inadequate, overcrowded housing.

Low-income families increasingly unable to meet day-to-day expenses are often doubling up in the cheapest accommodation available, often state housing. Transience is a significant problem for the many thousands of low-income families in private rental accommodation, and has high costs for children's socialisation, education and health.

Housing and neighbourhood policies that deal with the many disadvantages faced by low-income households and communities are the key to providing stable, safe, healthy living arrangements for children, and supporting their development and education.

Education

Early childhood education (ECE) policies have a profound impact on children and their families. Quality early childhood education has been demonstrated nationally and internationally to have long-lasting benefits for both individuals and society.

Insufficient funding was identified as "the major issue confronting ECE services" in a 2007 national survey of New Zealand early childhood services. Almost a third of parents surveyed stated that they had difficulties in paying fees and donations, with low-income families more likely to face this dilemma.

Whānau-led services such as Playcentre and Te Kōhanga Reo are not eligible for the recently introduced provision of 20 hours per week free early childhood education for 3 and 4 year olds, raising significant equity issues for low-income families who wish to use these services.

Poverty also affects the education prospects of school-age children. Inequalities have been reinforced over time, compounding the disadvantages many children already face. Levels and methods of funding for low-decile schools are an issue, both because of relatively low parent and community contributions in such schools, and because of the sheer scale of their students' needs.

The reinstatement of school zoning would appear to protect the right of students from poorer families to attend local schools. However the fact that zones are now drawn up by schools rather than government allows zones to be manipulated to exclude lower socio-economic areas.

Given the effects of poverty on families and schools, full-service school provision should be extended in these areas. Successful programmes such as AIMHI have established that a "whole of student" approach can result in improved levels of achievement.

Social hazards

Easy access to social hazards such as gambling and alcohol has had a devastating effect on New Zealand's low-income neighbourhoods. Stereotypes of low-income householders as heavy drinkers and gamblers are inaccurate, but contribute significantly to the stigma of poverty.

Nationally, 47 percent of gambling venues are in decile 1, 2 and 3 areas. Pokie machines are five times more likely to be concentrated in decile 1 and 2 areas than in other areas and serve to transfer money from low socio-economic areas to better-off ones. The costs of problem gambling include job loss, ill health, and financial difficulties. Since the deregulation of gambling industries in the 1980s and 1990s, industry self-regulation has failed to protect low-income communities from the effects of gambling.

Smoking is a serious health hazard for children. Children from lower socio-economic groups are roughly twice as likely as those from affluent backgrounds to live in households with smokers. The government collects more than $1 billion from tobacco taxes each year, only a fraction of which is spent on tobacco control programs. There is an urgent need for a substantial increase in funding for smoking cessation programmes, especially amongst low-income parents.

The deregulation of access to alcohol has also had a negative impact on low-income communities. High rates of homicide, assaults, domestic violence and other behaviours are associated with easy access to alcohol. People living in poorer urban areas are more likely to suffer the harm from others' alcohol consumption: roads and

footpaths are less safe, and rates of motor vehicle fatalities and accidental injuries are higher.

Deregulation of the finance sector, like deregulation of the gambling and alcohol industries, has served as an open invitation for those at its fringes to prey on low-income communities.

2. CPAG key recommendations

Income, tax and benefit actions:

- Pledge to end child poverty in terms of all poverty measures in New Zealand by 2020.
- Designate an official poverty line at 60 percent of the median household disposable income after housing costs, and set net income for those on benefits at this measure to prevent poverty.
- Continue to monitor all major indicators of child poverty and report these on a regular basis with specific target reductions to be met on the way to ending child poverty by 2020.
- Acknowledge the vital social and economic contribution made by good parenting.
- Abolish the In-Work Tax Credit and add $60 to the first-child Family Tax Credit (formerly Family Support). Universalise $20 of the Family Tax Credit for each child under 5.
- Abolish the Minimum Family Tax Credit. Raise the first $80 threshold for abatement of the Domestic Purposes Benefit to $130 per week and the second $180 threshold to $225. Extend the 30 cents in the dollar abatement of net benefit effective between $130 and $225 to all beneficiaries with young children.
- Reduce tax on low incomes, and adjust benefits to maintain and improve their relativity with the new, higher, net average wage.
- Remove regressive tax incentives for KiwiSaver, especially the tax exemption for the employer contribution. Tax all investments at the appropriate marginal tax rate of the investor.
- Reform the tax treatment of rental housing investment to remove regressive advantages.

Health actions:

- Give children's health a much larger slice of the national health budget.
- Develop an intersectoral strategy to reduce socio-economic inequities in order to improve child health, particularly from pregnancy through to age 3, when the greatest potential exists for achieving improvement.
- Provide free accessible primary health care and medicines for children and young people under 18 years, 24 hours a day, 7 days a week.
- Improve access of children to better nutrition, including making breakfast in schools available unconditionally to all children in all Decile 1, 2 and 3 schools.
- Improve access to immunisation services to improve immunisation coverage in all groups to 90 percent by 2010 and 95 percent by 2012. This needs to include enrolling all children with a known general practice and well child provider at birth.

Housing actions:

- Commit to building more state houses, especially in areas of high need.
- Extend the Welcome Home loan scheme to enable more families in more areas to purchase their own homes.
- Establish a fund to landbank for affordable housing in high growth areas.
- Change the Tenancy Act to make it easier to establish long-term tenancies in order to reduce transience among renters.

Education actions:

- Improve access to quality ECE for tamariki Māori and Pasifika children in a way that recognises and affirms their culture.
- Extend the government-funded equivalent of 20 hours of free childcare to whānau-led services such as Playcentre and Te Kōhanga Reo. Monitor the pressure on families to pay 'optional' top-up fees, and ensure that the funding is adequate.
- Use the government's Discretionary Grants Scheme to address the lack of teacher-led ECE services in decile 1, 2, and 3 areas.
- The Ministry of Education take more control of school enrolment schemes to ensure schools' "zoning" cannot be used to exclude lower socio-economic neighbourhoods.

- School staff acknowledge publicly the many advantages enjoyed by children in high-decile schools, and seek to share those advantages as much as possible with children in low-decile schools.
- Full-service schools provided in low socio-economic areas.
- Continue to refine and improve the decile funding system, basing it on a more realistic understanding of the effects of poverty on families and schools.
- Improve the supply of teachers to low socio-economic schools by providing financial and resource incentives.
- Apply differing approaches to teacher education, teacher practice and school improvement appropriate to individual schools and their communities.

Social hazard actions:

- Establish alternative models for funding of community projects that do not depend on profits from gambling.
- Amend the Gambling Act to allow communities to remove machines licensed prior to 2001.
- Use taxes on tobacco to substantially increase funding for smoking cessation programs, especially amongst low-income parents.
- Raise the legal drinking age.
- Fast track the legislation to regulate and monitor finance and insurance sectors to protect consumers.
- Develop a state-funded microfinance system, with loans available at close to the bank rate, to assist families in financial crisis.