



Addressing child poverty in New Zealand

GREEN PARTY PRIORITY 2011

*The Green Party's plan to bring
100,000 children out of poverty by 2014.*

greens.org.nz/endchildpoverty

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Message from Metiria Turei MP, Green Party Co-leader

One quarter of all New Zealand children are growing up in poverty.¹

Stop and think about that for a second: one in every four children – through no fault of their own – lives in poverty in New Zealand right now.

That's about 270,000 kids.

These are our friends' children. They are our neighbours' children. They are the children of our colleagues and our acquaintances. They are our nieces and nephews, they are our mokopuna. They are our children.

1/4 of New Zealand children are growing up in poverty

We need to act now to take care of our children and bring them out of poverty – for their sake, and for our future.

The Green Party has a vision for a clean, green economy that works for everyone.

We have three priorities to achieve this vision: make our rivers safe to swim in again, create thousands of new clean, green jobs, and bring 100,000 children out of poverty by 2014.

This is our plan to bring 100,000 children out of poverty by 2014.



Metiria Turei MP
Green Party Co-leader
Metiria.Turei@parliament.govt.nz
04 817 6795

1. We use the following definition of child poverty: *dependent children under the age of 18 living in a household that survives on less than 60 percent of the current median income, after housing costs are taken into account.* We take our figures from MSD's 2010 report *Household Incomes in New Zealand: Trends in Indicators of Hardship and Inequality 1982 – 2009*, by Bryan Perry. For more see: <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/index.html>

The kids we interviewed for this project were delighted to be able choose their own pseudonyms!

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The setting: child poverty in New Zealand

What does it mean to be one of the 270,000 children growing up in poverty in New Zealand?

It means you probably live in a cold, damp, overcrowded house that makes you sick.

It means you might go without breakfast and sometimes lunch several days a week.

It means your parents either struggle on a benefit that is too low to cover your rent, food, and power, or they work long hours for minimum wage and you never see them.

It means missing out on the things your peers enjoy like sport, school trips, and birthday parties.

If you're from a Māori or Pasifika family, or if you have a physical or mental impairment, you're much more likely to live in poverty than other kids.

It means you don't get the start in life you need and deserve. You don't get the essentials, so you miss out on the opportunity to fulfil your potential.

Long term, it means you're likely to get sick, to do worse at school, to be unemployed, and to end up on a dangerous path of crime and violence.

This is bad news for our kids, and it's bad news for our country. Our children are our future, and unless we urgently address child poverty, that future is at risk.

\$6b

Approx. cost per year of not acting to reduce child poverty

International research puts the economic cost of not acting to address child poverty at three percent of GDP, or about \$6 billion per year. This is a conservative estimate.

Child poverty costs us all, but it doesn't cost much to end it. To implement our solutions to bring 100,000 children out of poverty would cost approximately \$360 million per year for the next three years – less than 0.3 percent of GDP.

The Green Party has a vision of a compassionate economy in which all our children are looked after.

Our solutions

We've developed four solutions which, if implemented, will bring 100,000 New Zealand kids out of poverty within the next term of Government.

1. **Make *Working for Families* work for every low-income family**
2. **Provide better study support for sole parents and beneficiaries**
3. **Raise the minimum wage to help working parents**
4. **Make sure rental properties are warm and healthy for kids**



SOLUTION 1

Make *Working for Families* work for every low-income family

Children have the same needs, whether their parents are in paid work or not.

Because it's hard to make ends meet on a low-income, *Working for Families* provides extra support to low-income families with dependent children in the form of the In-Work Tax Credit. This is worth an extra \$60 per week to low-income families with three children or less, and an additional \$15 per week for subsequent children.



“Poor kids feel really ashamed, because they look at themselves and compare themselves to rich kids, and they feel really bad about themselves.”

“Bill”, Age 11

The catch? It's only available to children whose parents are in paid work. If their parents rely on a benefit, or work less than a certain number of hours per week (30 for a two-parent family or 20 hours for a sole parent family), many of our most vulnerable kids miss out.

2. For more on the court case see: <http://www.cpag.org.nz/infocus/cpags-case-in-the-human-rights-review-tribunal>

140,000

number of families helped by making WFF work for every family

This is supposed to provide parents with an incentive to find work, but it doesn't work in times of high unemployment, and there are better ways – like help with study costs – to support parents off benefits and into work.

Kids whose parents rely on benefits have the same needs as other kids from low-income families. They stand to gain the most from extra family income to cover the basics like rent, food, and power, but they are arbitrarily denied this support.

The Human Rights Tribunal has found this to be discriminatory.² Yet subsequent Labour and National Governments have continued to perpetuate this discrimination.

As a consequence, approximately 140,000 of the poorest families in New Zealand miss out on important financial support to meet their children's needs.

We will extend the support and make *Working for Families* work for every low-income family.

The Green Party has a Bill drafted ready to pass through Parliament that would implement this change.

What will we do exactly?

Incorporate the In-Work Tax Credit into the Family Tax Credit regime by extending it to all families with dependent children who meet the income test, regardless of their employment status.

How much will it cost?

Approximately \$300 million per annum after offsetting increased GST take and reduced Ministry of Social Development supplementary assistance.

What are the economic benefits?

It will increase the spending power of low-income families; increase GST revenue and stimulate the local economy.

What are the other benefits?

It will provide a better standard of living for around 140,000 of the poorest families in New Zealand, and lead to better nutrition, health, and community engagement.

Will it reduce inequality?

Yes, by improving the incomes of the poorest families.

Do they do it overseas?

Yes. Australia and the United Kingdom have similar child tax credit programmes that are available to all low-income families regardless of income source.

“How do you budget when your necessities cost more than you earn? An extra \$60 a week would mean I could provide healthier food, my daughter could participate in more out of school activities, I’d get my bills paid faster so I could benefit from prompt payment discounts, and I wouldn’t have to panic if one or both of us needed the doctor unexpectedly.”

Lisa

Mum to Rachel, 12

SOLUTION 2

Provide better study support for sole parents and beneficiaries

The Training Incentive Allowance (TIA) helps sole parents on the Domestic Purposes Benefit to upskill and retrain at the same time as caring for children, so that when they are ready to return to paid work, they’re in a good position to do so.

It helps sole parents to move off the benefit faster (six months faster on average), and they tend to earn more when they do. It also delivers to their kids all the social, economic, and health benefits of having highly-educated parents, which are considerable.

It’s been used by thousands of mums (and dads) over the years to create better lives for themselves and their families. Like Green Party Co-leader Metiria Turei, who at 22 found herself on the DPB with a small baby, no School Certificate, and few prospects. She used the TIA and other public support to go to law school, got a great degree, and has taken care of herself and her family ever since.

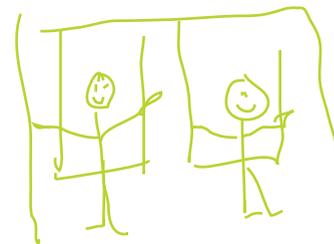
Unfortunately, the current National Government – at the behest of Social Development Minister Paula Bennett who used the TIA herself as a sole parent – has cut the TIA so that it is no longer available for beneficiaries to undertake degree-level study.

We think this was a bad move, and we’d like to bring back the TIA and make it available to more New Zealanders. We’d reinstate it for degree-level courses, and extend it to include long-term sickness beneficiaries.

Doing this will give around 10,000 New Zealanders a second chance at education and greatly improve their employment prospects. This in turn will help give their kids the best start in life, all at very little cost to the Government.

What will we do exactly?

Reinstate the Training Incentive allowance for degree-level courses, and extend its availability to long-term sickness beneficiaries.



“If you came to my school poor you’d get free uniforms and free lunches, but most other schools don’t do so much.”

“Richie McCaw”, Age 11

10,000
number of sole parents and sickness beneficiaries who could get a university education if the TIA was extended

How much will it cost?

Approximately \$40 million per annum. As the maximum TIA is \$4000 per year, and the average saving from someone spending six months less on a benefit is around \$10,000, this is likely to be cost-neutral in the long term.

What are the economic benefits?

It will reduce welfare expenditure by reducing benefit duration and may positively impact tax revenue.

What are the other benefits?

It will increase the employment prospects and earning power of at least 10,000 New Zealanders; help those with illnesses and impairments move into appropriate work; provide a better standard of living for children whose parents access the TIA; and increase the education level of parents, which has positive impacts on child health, education and social indicators.

Will it reduce inequality?

Yes, by improving the earning power of those who access the TIA.

Do they do it overseas?

Yes. The US has a "Moms Return to School Government Grant Scholarship" worth \$10,000 USD for sole parents to obtain a degree-level college education. The United Kingdom has a Special Support Grant of up to £2,835 for sole parents and people with disabilities to help with course-related costs for university study.

"I absolutely love studying, but it is really hard financially! My textbooks alone cost me over \$300, and transport and childcare are the biggest killers. The TIA would have been an amazing help."

Courteney

Law student and mum to Summer, 2

SOLUTION 3:

Raise the minimum wage to help working parents

Nearly 275,000 people earn less than \$15 an hour in New Zealand. Many of these have dependent children and struggle to make ends meet for their families on such low wages.

Immediately raising the minimum wage to \$15 an hour will significantly improve life for these people and their children at a time when living costs are soaring. It will deliver approximately \$60 more per week for someone working full time on the minimum wage.



"They'll bully you because you're poorer. They say have you got this? And you'll say, nah I got the old version. And they say, I got the new version, ha ha."

"Master Nighthawk", Age 12

That money could be spent on making sure their kids have the basics: food to grow healthy and strong, a warm, secure home with rent, power, and phone bills paid, and enough money for school trips, sports gear and uniforms.

3. This data and that in the previous paragraph is taken from the *Department of Labour's Minimum Wage Review 2010*, (page 20) obtained under the Official Information Act 1982.

Not only will raising the minimum wage help thousands of families, it will also generate up to \$173 million per year for the Government at a time when the fiscal deficit is ballooning. This is smart economics in action and makes both fiscal and social sense.

\$60 per week extra for someone working fulltime on minimum wage if raised to \$15/hr

Of the 19 percent of companies who employ someone at the minimum wage, many are large and/or very large employers. Multinational supermarket and fast food chains making multi-million dollar profits can well afford to absorb a staged increase in the minimum wage.

Few small and medium-sized employers pay minimum wage.³ However, there are some who will struggle to absorb an increase in the minimum wage. For those businesses, we will create a temporary targeted subsidy to assist the transition.

What will we do exactly?

Raise the minimum wage to \$15 an hour immediately, and commit to a schedule of staged increases so that the minimum wage is set at two-thirds of the average wage over the next four years.

How much will it cost?

A \$15 an hour minimum wage will actually generate an additional \$101 million per year in increased PAYE taxes. Higher wages also give workers increased spending power, meaning an increase of approximately \$72 million per year from GST. A temporary targeted subsidy to assist businesses with the transition will cost approximately \$20

million, and there will be costs to businesses associated with raising the minimum wage.

What are the economic benefits?

It will generate significant new revenue for the Government; increase the spending power of the poorest households, and stimulate the local economy.

What are the other benefits?

It will improve the standard of living for nearly 275,000 people on low incomes and their families; reduce inequality; and allow people to earn a living wage without government subsidies on their living costs.

Will it reduce inequality?

Yes, by improving the incomes of the poorest families.

Do they do it overseas?

Yes. The minimum wage in Australia is \$15 AUD (just under \$20 NZD). In terms of purchasing power, New Zealand's minimum wage lags behind France, Australia, Belgium, the Netherlands, the United Kingdom, and Ireland.

"It would probably be really hard to not be in poverty even with a good job, 'cause everything is really expensive."

"Slayer"
Age 11

SOLUTION 4:

Make sure rental properties are warm and healthy for kids

A large proportion of our kids (nearly 40 percent in 2006) live in rented accommodation. In some parts of New Zealand, like Manukau City, that proportion is more than half.

Of those kids who live in rented homes, the vast majority (nearly 80 percent) are in the private rental market.



"I know of one family that has five people living in one house with two bedrooms and it leaked."

"Master Nighthawk", Age 11

This is bad news, because there are at least 1 million substandard homes in New Zealand, and rental properties are generally the worst. While our *Warm Up New Zealand: Heat Smart* home insulation scheme has helped 100,000 households to become warmer, drier, and healthier, it hasn't been taken up by enough landlords to insulate their rental properties.

The result is hundreds of thousands of children living in cold, damp, unhealthy homes. A 2004 estimate put this number at 375,000 kids, and suggested that if nothing changed, generations of kids to come would continue to be exposed to poor housing.⁴

Substandard rental houses are making our kids sick, with debilitating conditions like asthma, rheumatic fever, and glue ear. These illnesses impact heavily on other health and social indicators, and often lead to kids doing worse at school. Poor rentals also waste energy, increase power bills, and increase our greenhouse gas emissions as a country.

We say the answer is to create minimum performance standards for rental properties to ensure warm, healthy, rentals. This will make positive change a reality to the hundreds of thousands of children living in cold, inefficient homes.

The Green Party has a Bill drafted ready to pass through Parliament that would implement this change.

What will we do exactly?

Introduce minimum energy performance standards for rental accommodation. Require that standards be in place by October 2012, that all residential rental accommodation be efficiency rated and publicly notified by 2015, and that all

375,000
number of kids
currently living in
cold, damp housing

4. Figures in this section are taken from the Centre for Housing Research's 2010 report *Children's Housing Futures*. For more, see <http://www.chranz.co.nz/pdfs/childrens-housing-futures-bulletin.pdf>

residential rental accommodation meets minimum energy efficiency standards by 2018.

How much will it cost?

The cost of meeting the new standards will be largely met by landlords. However, it is likely that many landlords will choose to bring their properties up to scratch by taking advantage of the *Warm Up New Zealand: Heat Smart* home insulation scheme. We will extend this successful scheme.

What are the economic benefits?

Increased efficiency in rental housing stock. Allows capital value of investing in insulation to be reflected in the value of the property. A 2004 report found that for every \$1 invested in home insulation, the value of returns was \$2.⁵

What are the other benefits?

Warmer, drier, healthier homes; reduced incidence of respiratory illnesses and other related health costs.

Will it reduce inequality?

Indirectly, yes, by reducing the average power bill for low-income families. It will help bring households out of energy poverty and free up income for other essentials.

Do they do it overseas?

Yes. The Australian experience shows that making energy efficiency ratings a matter of public record raises capital values of improved properties and improves competition between landlords, with benefits accruing to tenants and landlords, and the State through lower health costs.

"I know this from experience. Once my mum didn't have enough money to have heating in the house, and I had bronchitis because it was so cold."

"Richie McCaw"

Age 11

Addressing child poverty in New Zealand

GREEN PARTY PRIORITY 2011 CONCLUSIONS

We're confident that these four solutions, if implemented, will bring 100,000 New Zealand children out of poverty by 2014.

Making *Working for Families* work for every low income family and raising the minimum wage to help working parents will achieve this objective immediately by giving low-income families more in the hand right away to provide the basics for their kids.

Investing in better study support for sole parents and beneficiaries helps to address long-term causes of poverty and empowers parents to move out of poverty via education and training. Research clearly shows that the higher the level of education of your parents, the more highly educated you are likely to be. This solution sets families up to move out of poverty and stay out of poverty in subsequent generations.

Making sure rental properties are warm and healthy for kids also sets families up for the long term. By reducing the incidence of common illnesses we give kids a better chance to stay healthy throughout their lives, and increase their likelihood of doing well at school. We also help their parents right now by reducing their power bills and medical costs.

Together, they represent a compassionate, empowering response to the issue of child poverty which is simple, achievable, and affordable by 2014. The responsibility for bringing children out of poverty should be shared collectively across society, not just laid at the feet of poor and struggling parents. Under these solutions, parents, families, Government, employers, and landlords all play a part in addressing the growing problem of child poverty in New Zealand.

We think this sharing of responsibility is fair and equitable. Growing inequality – of which child poverty is a symptom – hurts us all, and we all benefit when it is addressed.

The Green Party has a vision for a clean, green, economy that works for everyone. Bringing 100,000 children out of poverty by 2014 will help us get there.

He waka eke noa.

A canoe that we are all in, without exception.



Metiria Turei MP, August 2011

Green Party Co-leader

Metiria.Turei@parliament.govt.nz

04 817 6795

5. *A cost-benefit evaluation of housing insulation: results from the New Zealand 'Housing, Insulation and Health' study*, Chapman, Howden-Chapman, and O'Dea, 2004.



Green
Green Party of Aotearoa New Zealand

Metiria Turei MP
Green Party Co-leader
Metiria.Turei@parliament.govt.nz
04 817 6712

greens.org.nz/endchildpoverty

Authorised by Metiria Turei and Russel Norman, Parliament Buildings, Wellington

