



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

Ten Actions to reduce poverty in New Zealand

1. Raise low wages

Though beneficiaries are the main victims of poverty, two in five poor children were from households where at least one adult was in full-time employment or was self-employed, according to the Ministry of Social Development's 2011 Household Incomes Report. This is a result of market wages being very unequally distributed. New Zealand has one of the most unequal income distributions and one of the lowest wage shares of income in the OECD. It can be addressed by raising the minimum wage significantly and strengthening collective bargaining for low paid workers. Collective bargaining is an effective means of raising the pay of low paid workers. Supplements to low wages can also be increased through programmes like Working for Families.

Recommendation: Raise low wages by raising the minimum wage immediately to \$15.00 per hour and to two-thirds of the average wage within 3 years, strengthening collective bargaining for low paid workers, and increasing Working for Families tax credits for low income families.

2. Increase incomes to households reliant on welfare benefits

According to the MSD's report, "poverty rates for children in beneficiary families are consistently around 70 percent, much higher than for children in families with at least one adult in full-time employment". It is inescapable that increasing incomes to families reliant on benefits is the single most important way to address poverty, particularly for children. Our benefit levels are low. The same Report notes that income tested benefit levels have fallen significantly as a proportion of average earnings since the mid 1980s with the exception of a small increase in 2004-05. As one international benchmark, OECD comparisons¹ show that in 2010, for initial stages of unemployment the net income replacement rates including housing assistance and other "top-ups" for a low-income (67% of the average wage) sole parent with two children, was 6th lowest out of 32 OECD countries². It was the lowest in the OECD for a two-earner couple and 10th lowest for a single earner couple, both with two children. Allowing beneficiaries to earn more from work would have social benefits as well as financial ones, but it will not help unless the jobs available are at decent wage rates, secure and recognise child care needs. Help with costs of getting to work and child care is essential.

¹ Benefits and Wages: OECD Indicators, at http://www.oecd.org/document/3/0,3746,en_2649_33729_39617987_1_1_1_1,00.html

² "Benefit generosity", Benefits and Wages: OECD Indicators, at www.oecd.org/els/social/workincentives.

Recommendation: Raise the level of benefits and tie them to a percentage of the average wage, and increase thresholds of earnings from work which beneficiaries can retain without abatement.

3. Provide good jobs

High levels of unemployment are a contributor to poverty, forcing people onto inadequate benefits, and leaving many people with no choice but to take jobs that cannot be described as decent work. At December 2011 we had 150,000 people officially unemployed, 105,100 people who wanted to work more hours and 261,300 jobless. Casualised and insecure employment and contracting out have grown – all of which have adverse effects on people’s ability to save, keep up with their bills, provide a secure environment for their families, and commit to owning their own house, as well as having adverse effects on their physical and mental health. Government policy and action can do much to stimulate job creation and encourage employers to improve job security and working conditions. As the 2010 Marmot Review of Health Inequalities³ found, “jobs needs to be sustainable and offer a minimum level of quality, to include not only a decent living wage, but also opportunities for in-work development, the flexibility to enable people to balance work and family life, and protection from adverse working conditions... Getting people off benefits and into low paid, insecure and health damaging work is not a desirable option.”

Recommendations: Improve employment conditions for casual workers by strengthening minimum employment rights around use of casual employment, termination of employment, and conditions such as parental leave. Give contracted workers the protections of employment law including the right to bargain collectively, and prevent the use of contracting as a means to lower pay and working conditions.

4. Create the conditions for good employment practices and job creation

The government has a unique role in setting the conditions for improved employment opportunities and the quality of jobs. It can legislate to encourage fair and productive employment and management practices, strengthen and extend the reach of collective bargaining and set effective minimum wages and working conditions. Through active labour market policies it can assist unemployed people to retrain or gain work-related skills, match skills with jobs, and create work schemes that help people into more permanent work. Alongside this, it can ensure that the costs of flexible employment practices do not land on the workers involved by providing substantially increased income replacement rates for workers who become unemployed. Through active industry policies it can assist and encourage firms to raise their productivity, their exporting capability and the participation of their workers in the industry’s continuing development to provide good and sustainable jobs.

Recommendation: Strengthen collective bargaining and extend its benefits within industry sectors. Repeal legislation which encourages poor management practices such as the 90-day trial. Extend the assistance given to people out of work to gain skills and match their skills with jobs and pay them 90 percent income replacement for the first year of unemployment

³ Marmot, M *Fair Society , Healthy Lives Review of Health Inequalities* , 2010

conditional on commitment by the worker to acquiring new skills if necessary, and job searching. Create more jobs in work schemes that help people into more permanent work. Institute industry policies which support the creation of good and sustainable jobs.

5. Provide strong public health programmes and services

Poor health and poverty are closely connected. There is now well established evidence that many serious forms of ill-health cannot be effectively addressed without reducing high levels of income inequality⁴. In turn, poor health can lead to low incomes through poor employment prospects and even loss of employment. As well as addressing income inequality and maintaining accessible, high quality public health services, strong public health programmes such as warm homes, vaccinations, health and nutrition education in schools, improved safety practices in workplaces and anti-smoking campaigns can be cost effective and long lasting.

Recommendation: Ensure all New Zealanders have affordable access to quality primary health care. Strengthen public health programmes such as warm homes, vaccinations, health and nutrition education in schools, improved safety practices in workplaces and anti-smoking campaigns.

6. Ensure access to low cost, good quality housing

Housing is the single most important cost to a family and high housing costs can plunge it into poverty. In addition, low quality housing can contribute to poor health and make it difficult for children to make educational progress, leading to further cycles of poverty. Income-related rents in publicly provided housing, law changes to provide stronger protection for long term tenancies, low cost, good quality housing designed to suit different family compositions and different cultures, assistance with mortgages for first home buyers, programmes that meet Māori needs, and stronger building regulations can all contribute.

Recommendation: Maintain and extend the stock of state and local government housing with income-related rents. Provide stronger protection for long term tenancies, ensure an adequate supply of low cost, good quality housing designed to suit different family compositions and different cultures, provide assistance with mortgages for first home buyers, programmes that meet Māori needs, and stronger building regulations to maintain standards for health homes.

7. Make sure people have good nutrition and enough food

Children going to school hungry or without lunches can lead to educational and social difficulties with long term implications for their social development and earning potential. Inadequate nutrition can lead to avoidable but serious health problems for both children and adults. Educational programmes on good nutrition are important but so are adequate incomes and provision of nutritious food in schools through quality controls on their cafeteria food and programmes such as free milk or lunches in schools where they are needed. Competition between supermarket chains should be closely monitored to ensure food prices are kept as low as possible.

⁴ See for example Marmot (op cit) and “Social determinants of health”, World Health Organisation, www.who.int/social_determinants.

Recommendation: Provide food and milk in schools where there is evidence of need, and establish nutritional guidelines for food and drinks sold in schools. Review whether benefits and low household incomes dependent on people in paid work are meeting minimum nutritional, housing, energy, health and other essential needs. Establish an inquiry into retail competition in the supermarket sector.

8. Build education and skill levels, and the rewards for them

For many children from low income families the way out of poverty is by gaining higher levels of education and skills. For people already in work, gaining additional skills can benefit both their own incomes and the productivity of their employer. Investment in early childhood education is one of the means of providing the best start in life for children. Raising educational levels must start at early childhood education by lowering costs of attendance and providing ECE with a qualified workforce. There are identified problems in transitions from schools to vocational education and work-based training which should be addressed. Caps on enrolments in tertiary education should be raised. However, raising educational and skill levels will not address poverty if incomes do not rise as a result. The evidence in New Zealand is that there are very poor returns to employees for qualifications below the degree level. That should be addressed through strengthened obligations and conditions placed on employers which benefit from government funded training programmes to recognise and reward increased skill levels in wages levels.

Recommendation: Ensure every child has access to affordable quality early childhood education provided by qualified teachers. Clarify paths for transition from school to vocational education and training and provide advice and guidance to school pupils and staff. Raise the returns to trainees from vocational education by requiring employers to tie qualification achievement to pay levels. Raise caps on tertiary education enrolments.

9. Address inequalities

Underlying poverty and many of its causes is the very unequal distribution of income and wealth in New Zealand, which is among the highest in the OECD and rose the fastest of any OECD country between the mid 1980s and mid 1990s. Raising wages, benefit levels, employee bargaining power, and job creation are all important contributions to addressing incomes. A progressive tax system also has a crucial role to play by reducing tax rates on low incomes, raising them on higher incomes, substituting asset taxes such as a capital gains tax for regressive taxes like GST, and investigating financial transactions taxes and taxes on super-profits. Boosting tax credits such as Working for Families to lower income households, including those relying on benefits, has been effective in the last decade in stopping the rise in inequality. Other identified contributors to growing inequality have been increased international trade and financial integration and their interaction with increased use of labour-saving technology. Further opening of the economy should not occur without compensating actions to ensure it does not worsen inequalities and other social conditions.

Recommendation: Increase the progressivity of the tax system by instituting a 38 percent rate on income more than approximately twice the average wage (\$100,000) and a 45 percent rate on income more than approximately three times the average wage (\$150,000). Institute a capital gains tax while progressively reducing GST. Review the social impacts of

international commercial agreements and the form of New Zealand's international trade and financial integration with the rest of the world.

10. Provide quality public services

A significant check on the worst effects of poverty is the universal availability of essential public services. Free or low cost access to primary health care, free public hospitals and public health programmes prevent even the lowest income families suffering from the most serious immediate effects of ill health or accidents. Access to universal health care regardless of the ability to pay is critical. Lack of this in other countries is one of the most frequent causes of bankruptcy and impoverishment. Free, high quality education provides opportunity and the possibility of social mobility. There are many other public services that could do more to alleviate poverty including lowering the cost and raising the quality of public transport, addressing housing needs, and ensuring households have their basic needs for electricity, water and other essential services provided at low cost.

Recommendation: Maintain quality public services and provide assistance to low income households in essential services other than those already discussed such as electricity and water by providing essential entitlements at low cost, and low cost quality public transport in our cities.

14 May 2012