



Mending the Safety Net

For a fairer society



GREEN PARTY ELECTION PRIORITY

Summary

No one in New Zealand should live in poverty, whether they are working or on a benefit.

The Green Party will repair the holes that have been torn in New Zealand's social safety net in recent decades by making major changes to income support – changes that will bring people out of poverty and provide independence, dignity, and choices. We will:

1. Increase all core benefits by 20 percent
2. Increase the amount people can earn before their benefit is cut
3. Increase the value of Working For Families for all families who receive tax credits
4. Create a non-discriminatory Working For Families Children's Credit of \$72 a week¹
5. Remove financial penalties and excessive sanctions for people receiving benefits
6. Raise the top tax rate to 40 percent on income over \$150,000 per year, and reduce the bottom tax rate from 10.5 percent to 9 percent on income under \$14,000.

Our welfare system should provide effective support for people who need it, while they need it. The social safety net should stop families from falling into poverty and guarantee a basic, liveable income. That's what it means to live in a decent, compassionate society.

Punishing people through benefit sanctions, cuts, and investigations has not worked. Rather than giving people 'incentives' it traps them in a cycle of poverty and puts children's wellbeing at risk.

Children suffer when the welfare system punishes their parents, and in the long term, so does society. In contrast, the simple and stable incomes system the Green Party will implement will provide parents with the support they need to raise their kids and improve their lives.

The Green Party's plan will ensure the people on the highest incomes pay their fair share and those that need help are treated with respect and dignity.

Situation

New Zealand is a country where everyone should get a fair go at a decent life. But despite years of stories and outrage about child poverty, we are still falling far behind comparable countries in our efforts to guarantee all children their basic needs.

Inequality in New Zealand rose drastically from the 1980s, a product of the zealous social and economic reforms which saw jobs lost and income support drastically cut, pushing thousands of families below the poverty line. These changes ripped holes in the social safety net that generations of New Zealanders had knitted together. That legacy still haunts us.

Far too many people in New Zealand simply do not have enough to get by on. Today, 212,000 children live in poverty. Half a million Kiwis experience hardship in education, health, income, housing, material well-being, or employment.² Housing in many New Zealand towns and cities is classed as severely unaffordable,³ and one in a hundred people are homeless.⁴

Children who grow up poor find it harder to succeed at school, and as adults, have worse health and earn less than children from wealthier households. UNICEF has calculated that the impact of child poverty on the economy is \$10 billion every year.⁵

We need to do better for families who are struggling to make ends meet. And we can do better. It is time to mend the social safety net and restore its purpose to provide a decent life for everyone in Aotearoa New Zealand.

Under National, our welfare system relies heavily on sanctions and unnecessarily harsh obligations, which force people off benefits with no guarantee that they will be able to provide for themselves or their children.

As a result, families can end up without enough money to make it through the week, or in debt to Work and Income (WINZ) or loan sharks.⁶ Forcing people, particularly parents, off benefits and into short term, poorly paid, or precarious work – or no work at all – is not a viable long term solution.⁷

Sanctions are also expensive to administer. In the UK, research by the National Audit Office concluded simply that there was “no evidence that sanctions worked”.⁸

It is not welfare that causes people to become trapped, it is poverty.

Single parents – who are overwhelmingly female – are the most likely of any family group to be living in hardship today. Yet they can lose hundreds of dollars a week if WINZ thinks they are in a relationship, even if their partner is not able or willing to financially support them.⁹ The impact of this falls hardest on children, and can quickly send families even further into poverty.

In addition, single parents are punished for not revealing the other parent of their children under a dubious section of the Social Security Act, which involves a weekly sanction of \$22 or more, per child.

To get an exemption for compelling circumstances (such as rape or domestic abuse), women may have to recount personal and often traumatic details of their lives to WINZ staff members who are not trained to deal with such situations, often in open-plan offices.

The Green Party will put all that firmly behind us and focus on ensuring that every family in Aotearoa New Zealand has what they need to get by.

Solution

The Green Party will rebuild a welfare system that recognises the need for families to live above the poverty line, to access support and advice, and to have the best opportunities to improve their circumstances. The first step is to raise benefits, which have stayed too low for too long. One of the most effective ways to help children thrive in the long term is simply to make sure they have enough money.

1. Welfare reform

The simple fact is that benefits should be enough to live on and enough to raise kids on. The Green Party will increase all core benefits by 20 percent: Jobseeker Support, Sole Parent Support, Supported Living Payments, and Student Allowances.

Government should never use poverty as a weapon against people who need help - Metiria Turei

We will also restore the Training Incentive Allowance, to support people on benefits who want to go to University or attend a course that will help them get secure, well-paid work. At a cost of just \$35 million a year, the Training Incentive Allowance is an important tool for people to use to pursue a better future for their families.

Fixing abatement rates

Currently, it is too easy for people to end up worse off financially if they work part time, as they lose 40 percent of their earnings after just 5-8 hours work on the minimum wage. This is no help for people who are trying to get back into the workforce, and leaves them exposed if they don't have regular or reliable income.

The Green Party will increase the amount that all beneficiaries can earn to \$200 a week before any reductions kick in, with a 30 percent abatement

for weekly income between \$200 and \$400, and a 70 percent abatement after that.

We estimate the combined cost of increasing benefits and fixing abatement rates will cost \$935.2 million in the first year. However, more generous core benefits are likely to reduce the amount of money that people need to claim as one-off hardship grants, which cost the Government \$70 million in the December 2016 quarter alone.¹⁰

Removing sanctions

We will remove all the obligations and sanctions that create an excessive burden on people. These include:

- excessive appointment attendance requirements
- forced budgeting appointments
- work testing for sole parent support, jobseeker support, and disability support
- repeated proof of disability or sickness
- intrusive relationship investigations.

Sanctions that take money from beneficiaries will also be removed from the Social Security Act, including the punitive, sexist section 70A which punishes women for not naming the father of their child. Reducing sanctions is estimated to cost just \$8.8 million a year.

This will be more than offset by drastically reduced Government spending on investigations into whether people are meeting obligations, which cost \$36.4 million last year.

A culture of compassion

Situations change and life can be unpredictable. People move in and out of poverty and on and off benefits through no particular fault of their own. The government's role is to support people through difficult times and help them make their lives better, not to provide the bare minimum or seek out opportunities to reduce financial support.

The Green Party will restore an individual case management system to WINZ so that each person on a benefit has a well-trained caseworker who will help that person either find appropriate well paid work, quality

training or education, or assist that person to live a decent life for the time they remain on a benefit.

2. Sole Parent Support

The Green Party will simplify the definition of a relationship in the nature of marriage, to stop the government intruding into the personal lives of sole parents. Currently, WINZ spends an inordinate amount of time and resources attempting to catch people out for being in a relationship. We will make the rules more simple and sensible.

A person receiving the Sole Parent Support (SPS) benefit will be required to advise WINZ when they enter into an intimate relationship which involves living together in the same household and a financial commitment to each other. They will be entitled to retain the SPS until they marry or enter into a civil union, or once they are entitled to a share of another person's property under the Property Relationships Act (three years in a de-facto relationship).

3. Raising incomes for working families

Working for Families has become less and less effective at helping low-income families over the past decade, as National has frozen the rates while wages and inflation rise.

In order to make sure that families get the help they need, the Green Party will turn the In Work Tax Credit into a Children's Credit for all families, which will give at least an extra \$72 a week to low income families and help 178,000 children.¹¹

We will create a Children's Credit for all low income families, so parents and kids get the help they need.

To make sure more families get some extra help, we will raise the amount people can earn before abatement rates kick in to \$44,800 and lower the abatement rate to 20%. We will also increase all Working For Families tax

credits to the value of their 2010 levels, to take account of the rising cost of living since then, and tie annual increases to the Consumer Price Index (CPI).

We estimate this will cost \$489.4 million a year.

4. Tax reform

Taxes in New Zealand should be fair. 64 percent of Kiwis believe that the economy is rigged to advantage the rich and powerful.¹² When it comes to taxes, the evidence for that is clear. Since the mid-1980s, the top tax rate has been halved from 66 percent to 33 percent, making it the fourth-lowest in the developed world. The tax rate for someone earning the median wage is only three percent less than someone earning \$200,000 a year.

The Green Party will reduce the bottom tax rate on income up to \$14,000 from 10.5 percent to 9 percent. This will help low and medium income earners keep more of their wages. Everyone who earns less than \$150,000 will be better off.

People on the highest incomes should pay their fair share of tax to help those most in need. We will raise the top tax rate to 40 percent on income over \$150,000.

The net impact of this tax reform is a slight increase in tax revenue of \$163.4 million a year.

4. Raising the minimum wage

The minimum wage must be set at a level that prevents poverty and enables families to live decent lives.

The Green Party will raise the minimum wage to \$17.75 per hour in 2018, and make further adjustments to ensure it reaches 66 percent of the average wage by 2020. Based on Treasury forecasts, that will mean a minimum wage of \$21.25 in 2020.

Currently, 152,700 people earn the minimum wage.

What difference will this make for people?

Reducing the bottom tax rate will see all working people have a bit more in their pocket each week. Families and people on benefits will see significant increases in their incomes, enabling a decent quality of life.

1. A sole parent on a benefit, with two school-age children, and no paid employment: \$179.62 better off every week.
2. A sole parent receiving the Student Allowance, with two children, and part time work on just above minimum wage: \$176.15 better off every week.
3. A single person receiving Jobseeker support: \$42.20 better off every week.
4. A two parent family, with one working parent on the median income, with three children: \$104.42 better off every week.
5. Two parents, both receiving Jobseeker support, with three children: \$207.46 better off every week.
6. A two parent family, both earning the median income of 48,000, with three children: \$130.19 better off every week.
7. Two parents, one in paid work earning \$70,000 a year, with two children: \$87.85 better off every week.

Fiscal impact

In New Zealand, there is enough to go around if it is shared fairly.

Costs for these changes to benefits, Working for Families, and the tax system have been independently modelled by BERL.¹³ This modelling assumes National's 2017 "families package" does not take effect. While that package included a small step in the right direction, the Green Party's plan is a much more comprehensive solution to raise family incomes and is designed to replace National's.

The total cost of fixing benefits and Working for Families is \$1.468 billion, while the tax reform is close to fiscally neutral with a small net positive fiscal impact of \$163.4 million. Reducing WINZ's spending on investigating beneficiaries for not meeting obligations saves a further \$35 million.

The net gain from the tax reform does not cover the whole cost of this package. Prior to the election we will release our full fiscals which will show all planned spending and revenue.

Solution	Fiscal implication (millions)
Benefit increase and abatement changes	-\$935.1
Working For Families changes	-\$489.4
Reinstate the Training Incentive Allowance	-\$35
Removing sanctions	-\$8.8
Total cost of benefit and WFF reform	-\$1,468.3
Tax reform (net)	\$163.4
Savings from changes to sanctions and obligations ¹⁴	\$35
Total revenue	\$198.4

Sources

¹ \$72 a week for the first child

² SuperU 'Families and Whanau Status Report 2017'

<http://www.superu.govt.nz/publication/families-and-whanau-status-report-2017>

³ The Economist 'Global House Prices' March 2017

<https://www.economist.com/blogs/graphicdetail/2017/03/daily-chart-6?fsrc=scn/tw/te/bl/ed/>

⁴ Dr Kate Amore 'Homelessness accelerates between censuses' 3 June 2016

<http://www.otago.ac.nz/news/news/otago613529.html>

⁵ <https://www.unicef.org.nz/learn/our-work-in-new-zealand/Child-Poverty-in-New-Zealand>

⁶ Simon Maude 'Emergency housing choices often limited, costly, says ministry'

June 25 2016 <http://www.stuff.co.nz/the-press/national/80363283/Emergency-housing-choices-often-limited-costly-says-ministry>

⁷ Expert Advisory Group on Solutions to Child Poverty

<http://www.occ.org.nz/assets/Uploads/EAG/Working-papers/No-3-Causes-and-consequences.pdf>

⁸ Rajeev Sayal 'No evidence welfare sanctions work, says National Audit Office', The Guardian, 30 November 2016

<https://www.theguardian.com/politics/2016/nov/30/no-evidence-welfare-sanctions-work-says-national-audit-office>

⁹ SuperU 'Families and Whanau Status Report 2017'

¹⁰ <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>

¹¹ \$72 a week for the first child

¹² Henry Cooke 'Over half of Kiwis think politics and the economy are rigged against them', July 3 2017.

<https://www.stuff.co.nz/national/politics/94335554/over-half-of-kiwis-think-politics-and-the-economy-are-rigged-against-them>

¹³ The BERL model does not include changes to the minimum wage.

¹⁴ Estimate, based on recent years. Most recent annual figure is \$36.4 million.

**[www.greens.org.nz/
families-package](http://www.greens.org.nz/families-package)**

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