2016 Conference Rupture - Repair - Restore

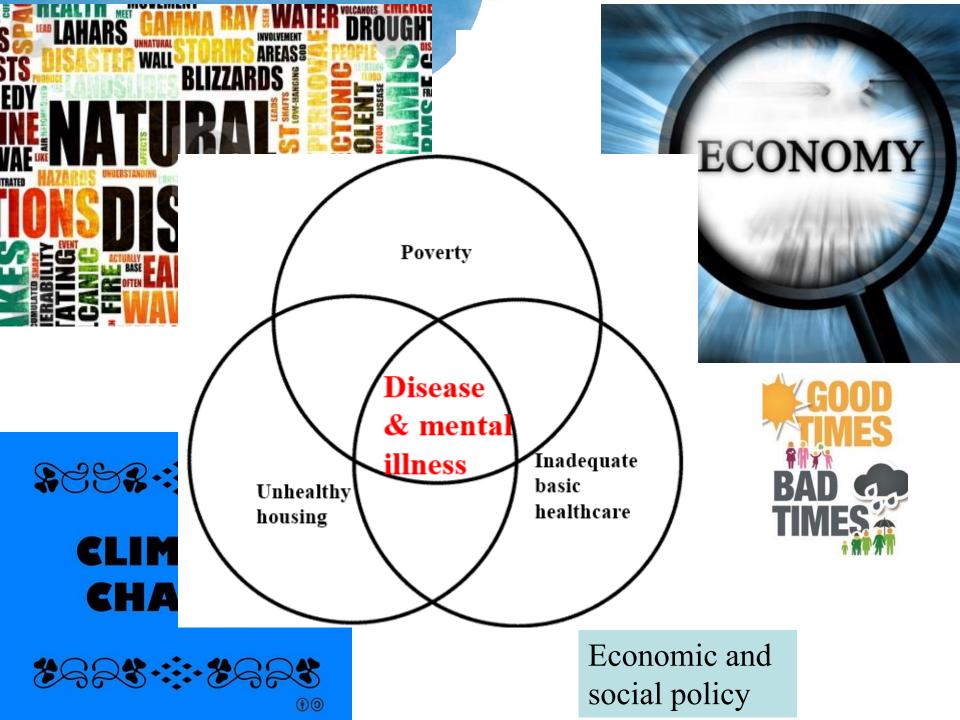
Families adrift: The Social and economic climate of the 21st century

CHiLD ANZTAA Conference POVERTY ACTION GROUP Hon A/Prof Susan St John, University of Auckland

Economics spokesperson, Child Poverty Action Group

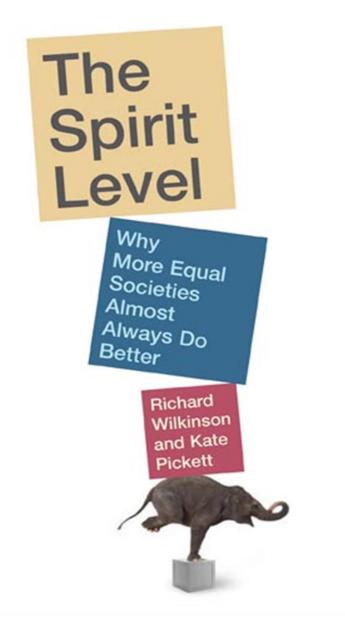


- Mental distress occurs in the context of structural social and economic inequity.
- Families and children bear the brunt of poverty in NZ
- Systemic poverty is an outcome of choice, i.e not inevitable.



Growing inequality

"For each of eleven different health and social problems: outcomes are significantly worse in more unequal rich countries."



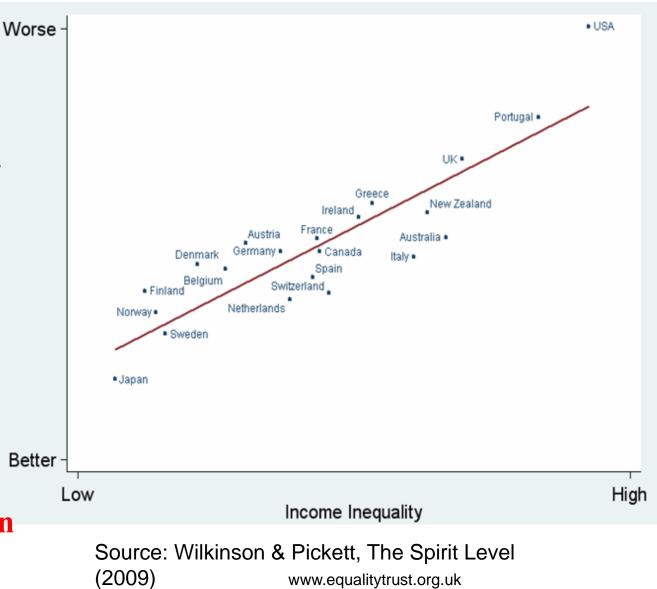
Health and social problems are worse in more unequal countries

Index of:

- Life expectancy
- Math & Literacy
- Infant mortality social pr
- Homicides
- Imprisonment
- Teenage births

ndex of health and

- Trust
- Obesity
- Mental illness incl. drug and alcohol addiction
- Social mobility



The damage of Inequality

JOSEPH E. STIGLITZ

INEQUALITY

ED SOCIE

ENDANGERS OUR FUTUR

READ BY PAUL BOEHMER

THE NOBEL PRIZE IN ECONOMICS

Old view Inequality *necessary*, AND beneficial

New View

"The recent concentration of income gains among the most affluent is both politically dangerous and economically damaging. The political worry is a descent into angry populism...there is growing evidence of fury" Economist Sept 2013



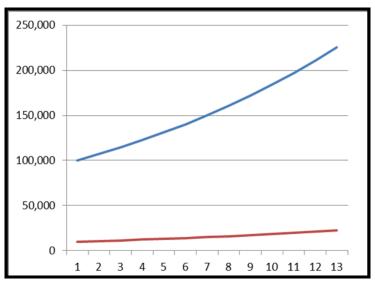
NZ's two-speed economy

Wealth is distributed *much more* unequally than income.

The top 10% hold 60% of the total wealth. (Stats 2016)



The unpleasant arithmetic of inequality



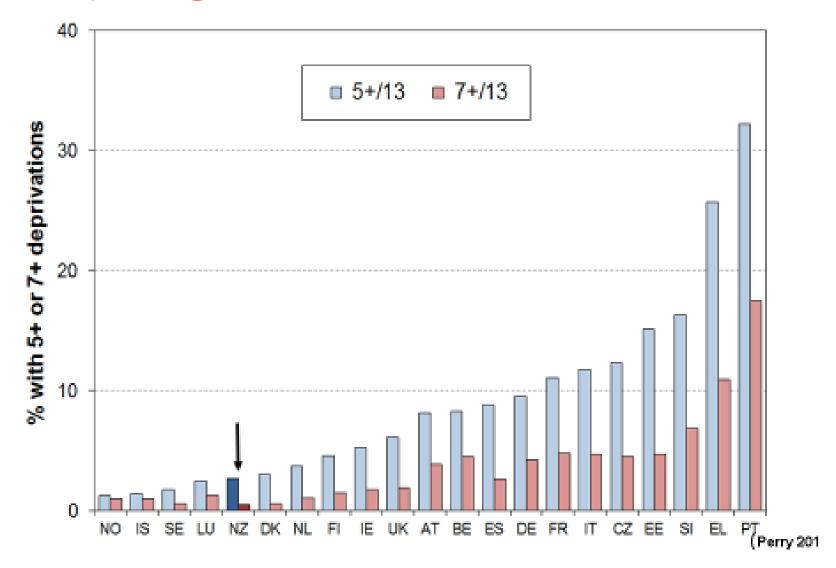
The poor used to be the old



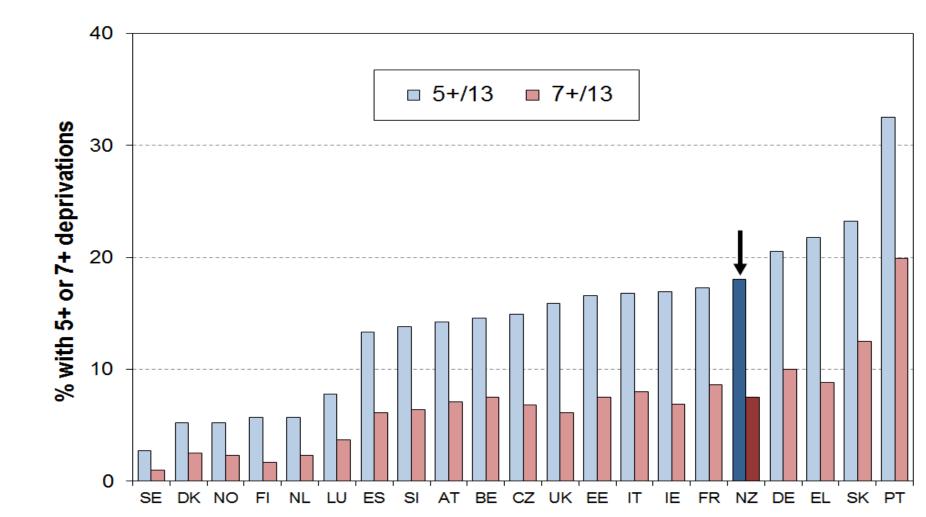
Can we do it- yes we can! National Superannuation 1976



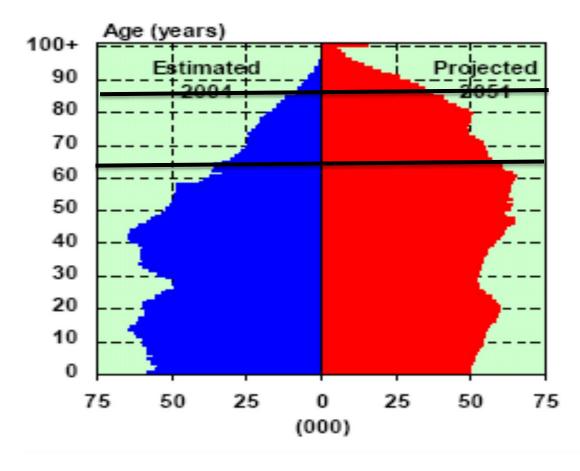
Material deprivation rates (% with 5+ and 7+ enforced lacks), EU-13, those aged 65+



Material deprivation rates (% with 5+ and 7+ enforced lacks), EU-13, those aged 17 years 20 European countries + NZ (Perry 2016)



Pressures from Ageing of the population



60,000 dementia sufferers today

By 2026, increase by more than 60%

Numbers expected to treble by mid century

Long-term fiscal outlook- Treasury 2016

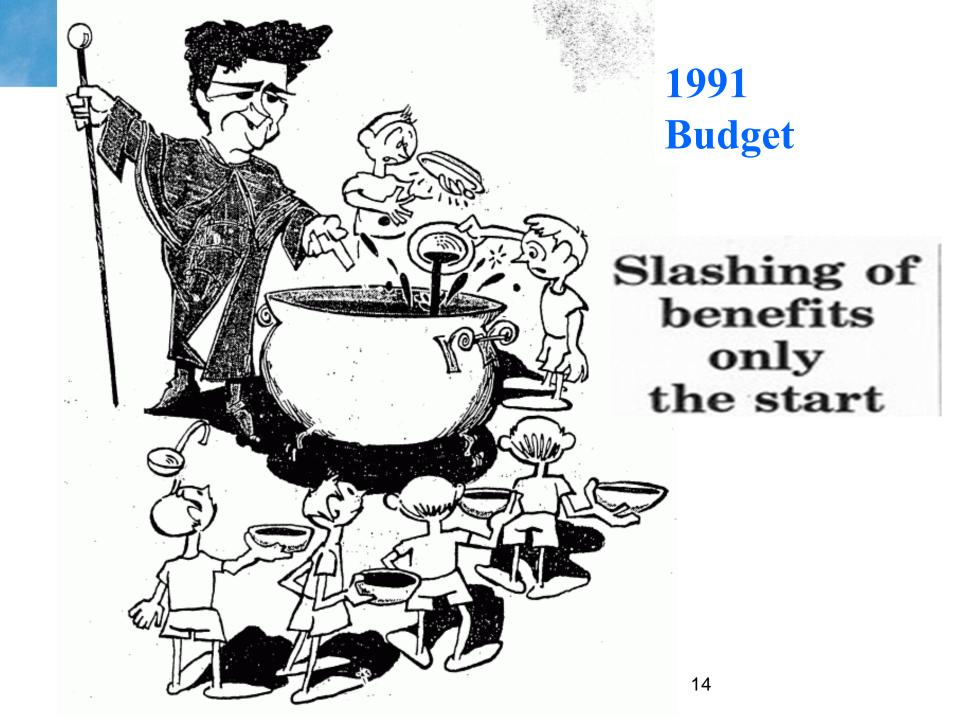
Projections under current settings

	2015	2030	2045	2060	
Healthcare	6.2	6.8	8.3	9.7	
New Zealand Superannuation (NZS)	4.8	6.3	7.2	7.9	
Education	5.3	5.4	5.5	5.7	
Law and order	1.5	1.4	1.4	1.4	
Welfare (excluding NZS)	4.2	4.5	4.7	4.7	
Other expenses	6.3	6.7	6.7	6.7	
Debt-financing costs	1.6	2.2	5.3	11.0	
Expenses	30.0	33.3	39.1	47.1	
	27.6	28.6	28.6	28.6	
Other revenue	2.3	2.4	2.4	2.5	
Revenue	29.9	31.0	31.0	31.1	
Operating balance	(0.1)	(2.3)	(8.1)	(16.0)	

My involvement in family income issues



- Early 1980s: work for NZ committee for children
- Royal Commission social policy 1987
- 1990 CPAG UK
- 1991 the mother of all budgets
- 1994 CPAG NZ
- Management committee 22 years
- 17 post budget breakfasts, 10yrs HR case
- Multiple CPAG publications, submissions, articles, talks, lectures etc. <u>website</u>



TOWARD 2000: an economic odyssey



Concluding our series of articles in which leading economists look at where we should be in the year 2000 and how we should get there. Susan St John hopes economic debate about alternatives becomes more open

Omens of further social stress

N the last seven years national income has been statwhile its distribution has come significantly less ual.

Tax and benefit cuts and user ys policies have favoured those full-time employment over ose on benefits, the healthy er the sick, the childless over milies, and those with wealth er those with few assets.

We now have children who go school hungry, diseases that e untreated, charities that are ver-stretched, and even tertiary stitutions setting up foodbanks. Maori and Pacific Island oups have been disproportionelv affected. A hint of the oblem can be inferred from the 991 census figures which show at in these groups, 40 per cent males between 20 and 60 are ot working.

There has been a marked conaction of traditional full-time, ell-paid jobs and an expansion part-time, poorly paid, casual bs and self-employment.

N THE next seven years, technological change is likely to ontinue to alter the nature of roduction and labour market pportunities.

As a result, the proportion of ational income paid out as ages is likely to continue to deline at the same time as the wnership of productive assets ecomes more concentrated.

By the year 2000 we may eed to abandon the shibboleth

that hard work and savings should be the basis of distribution. The fundamental challenge will be to find ways of redistributing non-labour income in order to maintain demand and prevent poverty and alienation.

It is extremely important that we do not continue to undermine the export sector and the domestic base with a single-minded focus on balancing the budget and holding inflation below 2 per cent. If we do, we can expect society to become more divided, more violent and more unequal.

Lester Thurow remarked recently that New Zealand and Britain may be the last two countries left in the world playing laissez faire economics.

Following the changed philosophy in the United States, our macroeconomic policies may become more moderate and pragmatic, but even so much of the damage of the past few years will be irreversible.

Moreover, there are still demands from the Business Roundtable and others for more cuts to benefits and other social provision such as tertiary education so as to produce fiscal balance.

It is to be hoped that we have learned something from the counterproductive 1990 and 1991 expenditure cuts, and that economic debate about alternatives becomes much more open.

It is also to be hoped that we develop a more sophisticated view of the role that government intervention can play to enhance

economic development. By the year 2000, we should be making collective investment in the social and physical infrastructure needed for the retirement of the baby boom generation.

The recent emphasis on selfprovision and the sharp shift in favour of targeted social provision of all kinds holds portents of further social stress. Again, the effects will not be easily reversed even if policy is moderated in the next few years.

PEOPLE who must subsist for longer and longer periods on inadequate benefits are forced to run down their assets and accumulate debt.

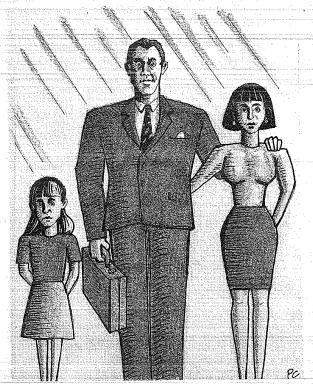
Even the lucky ones who eventually find employment will find restoring financial health is a slow and painful business.

This may become most obvious in the case of those who face early retirement through redundancy and must fall back on the support of the income-tested 55plus benefit.

At \$218 a week for a married person, this is a pittance, especially for those in poor health or without debt-free homes.

The 55-plus benefit traps people mercilessly; the only escape is an elusive full-time job. Parttime income over \$80 is effectively confiscated through the tax and clawback system.

By the year 2000, these people may come into official retirement in penury. For them, even though the state pension is paid



Some families under current policy directions actually lose disposable income as their gross income increases

benefit, it may be too late to alleviate destitution because their assets will be gone.

If we wish to avoid widespread marginalisation of older people in the future perhaps we should place less emphasis on the virtues of private provision and return to a commitment to the principle of income adequacy for all.

If nothing changes by the year 2000, many more people other than beneficiaries will experience the bizarre, cumulative effects of targeting.

Most of those coming into the work force in the year 2000 will do so after tertiary training which is now a necessity, not a luxury, Many will have large student debts to repay.

On top of current PAYE rates this will produce effective marinstitutions student allowances reduce at 25 cents in the dollar against parental income, with cumulative effects when there is more than one student.

It is easy to demonstrate that some families under current policy directions actually lose disposable income as their gross income increases.

Nevertheless the direction of policy continues to emphasise targeting. It does not appear to have been fully appreciated that this zealous approach creates very high tax rates over long income ranges.

The inevitable disincentives to earn and save, the evasion. the high administrative costs and the intrusion do not augur well for an efficiently functioning economy next century.

Just as early in the 1980s when we had a tax system that was widely abused as more and more high and middle-income people were affected by high marginal tax rates on personal income, in the early years of next century we are heading to an even bigger problem from the perverse incentives of high and arbitrary marginal tax rates on low and middle-income recipients.

These effects are the price that we have paid to maintain the low marginal tax rates of 33 per cent for the well-off.

We have no capital gains tax and now no death duties, so there are few levers in place to prevent further widening of the income and wealth distribution

Such policies also leave us illequipped to moderate another share market and asset boom

Unravelling the results described above will not be easy or necessarily equitable in the short run. A commission with at least the resources of the recent Todd Task Force on Private Provision for Retirement is needed as-a start. Unlike the recent approaches to redesigning the welfare state the process must not exclude the very people who are most affected. Susan St John is senior economics lecturer at the University of Auckland

NEXT WEEK: Finance Minister **Ruth Richardson and Opposition** finance spokesman Michael Cullen review the Toward 2000 series

at a margin above the 55-plus ginal tax rates of either 38 per cent or 43 per cent.

OTHER targeted social provi-sion markedly increases these rates, especially for those with children. Abatement of family support alone will increase the marginal tax rate to 56 per cent, 68 per cent or 73 per cent.

On top, childcare subsidies and the accommodation supplement also reduce against taxable income as will health subsidies if the "interim targeting regime" is replaced by something related more sensitively to family income as we have been promised. Pity help those who divorce, remarry and begin a new family. Child support payments are also income-related and could mean another loss of up to 30 cents for each additional earned dollar. When children enter tertiary Tax and benefit cuts and user pays policies have favoured those in full-time employment over those on benefits, the healthy over the sick, the childless over families, and those with wealth over those with few assets.

We now have children who go to school hungry, diseases that are untreated, charities that are over-stretched, and even tertiary institutions setting up foodbanks. CHiLD POVERTY ACTION GROUP

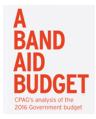
CHiLD POVERTY ACTION GROUP

We have no capital gains tax and now no death duties, so there are few levers in place to prevent further widening of the income and wealth distribution. Such policies also leave us illequipped to moderate another share market and asset boom.

So where are we 25 years on from the mother of all budgets?

Auckland Painful images of growing

inequality









New Zealand's most shameful secret: 'We have normalised child poverty'

theguardian

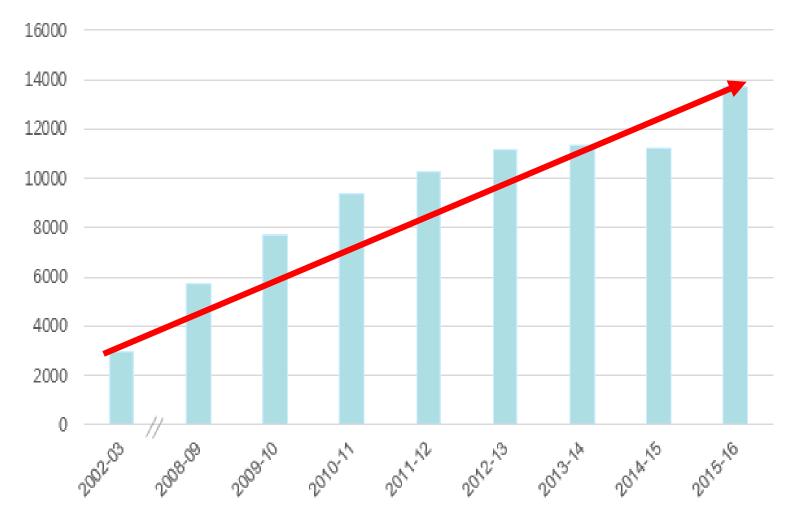


 Unicef and charities urge New Zealand to act on child poverty

Minister dismisses Guardian report highlighting issue as 'sensationalist' from a paper that 'supports Jeremy Corbyn'

Auckland City Mission- barometer of distress

Food Parcel Demand Year to Year



Auckland City Mission swamped by demand





"I knew there would be a queue but I didn't think there would be people sleeping here since 1am,". <u>Auckland City Mission swamped by demand | Stuff.co.nz</u> <u>Demand high at Auckland City Mission | Stuff.co.nz</u>



Emma-Lita Bourne (2 years) died in Aug 2014

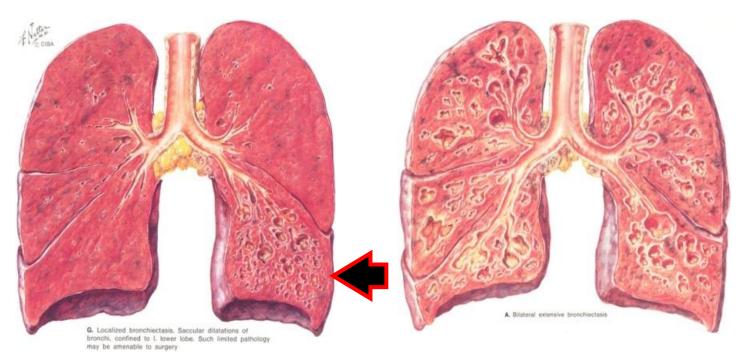


Coroner: Cold, damp house contributed to her death from pneumonia

Source: Professor Innes Asher, CPAG

Bronchiectasis (scarred dilated airways)

- Caused by repeated or severe pneumonia
- In NZ is 8-9 times commoner than UK and Finland



Normal lungs with bronchiectasis on bottom right

Bronchiectasis all areas of the lungs

Bronchiectasis sputum



Child produces a cup of sputum over one day



Bronchiectasis (scarred dilated airways)

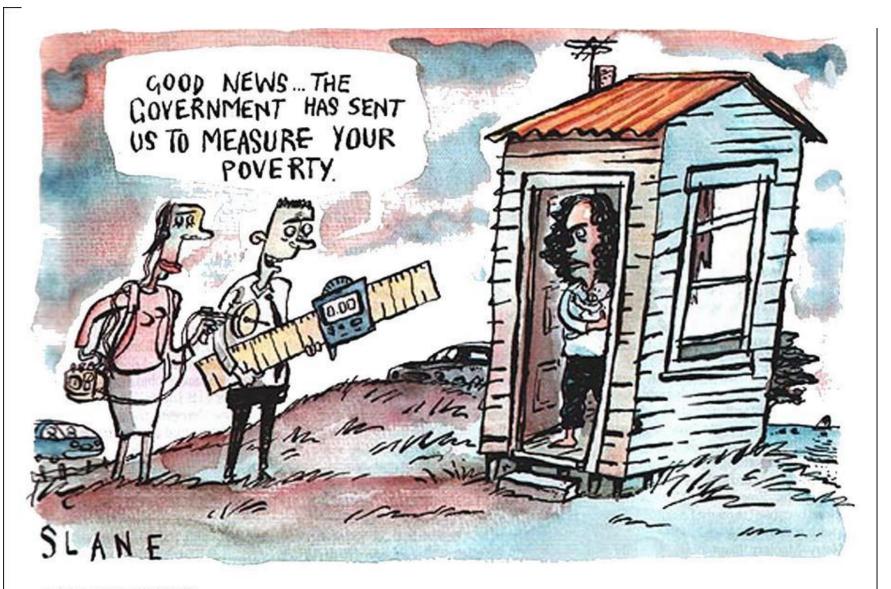




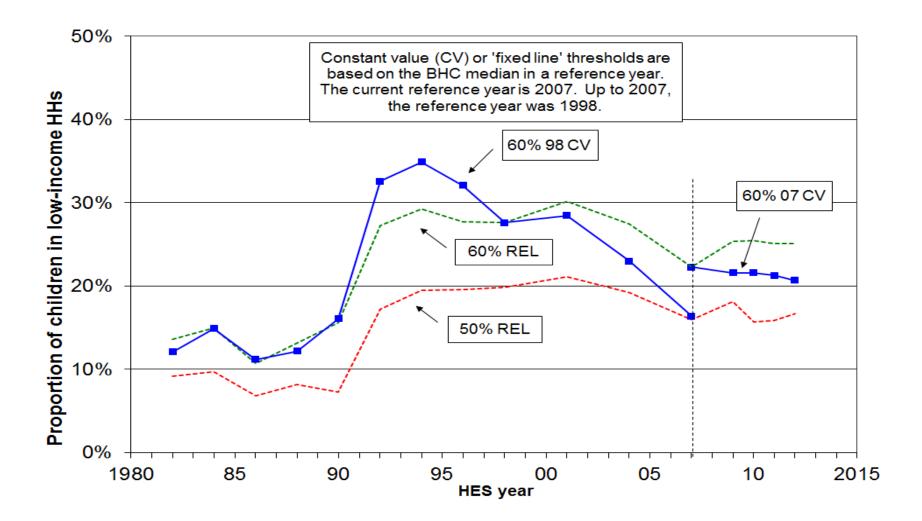
Child with bronchiectasis

May die as a teenager or young adult or too sick to work

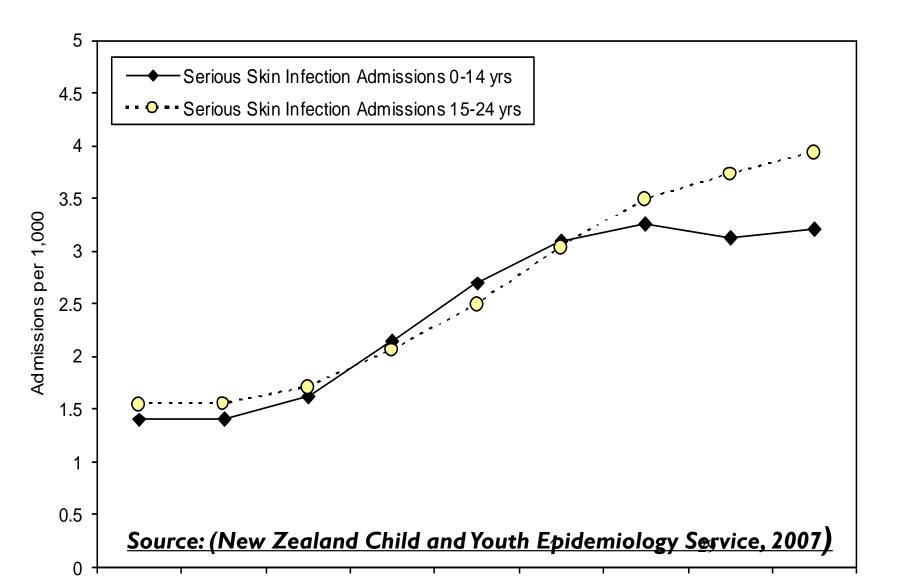
Debates over measurement: a distraction?



Proportion of children below selected poverty thresholds



Third world disease rises in 1990s



Child poverty figures in NZ	No. of children	% of children	
Total children	1,063,000	100%	
Income poverty (<60%median after housing costs, rel)	295,000	28%	
Severe income poverty (< 50% median after housing costs, rel)	210,000	20%	
Income poverty (< 60% median after housing costs, CV)	230,000	22%	
Material hardship (EU standard threshold)	155,000	15%	
Severe material hardship (EU severe threshold)	85,000	8%	

Creation of 'the other'

NATIONAL'S NEW WELFARE POLICY PEOPLE LETTING NO-HOPER BENEFICIARIES ARE JUST BREEDING PRESEN WHO SIT THEIR STATE-HOUSE AROUND CHILDREN FOR BUSINESS. BRATS ... XCEPTER ALL DAY RUN OF COURSE, WATCHING RIOT ... EH JOHN? SKY TY ... UNDERCLASS ... ER, QUITE.

The top and bottom pull apart



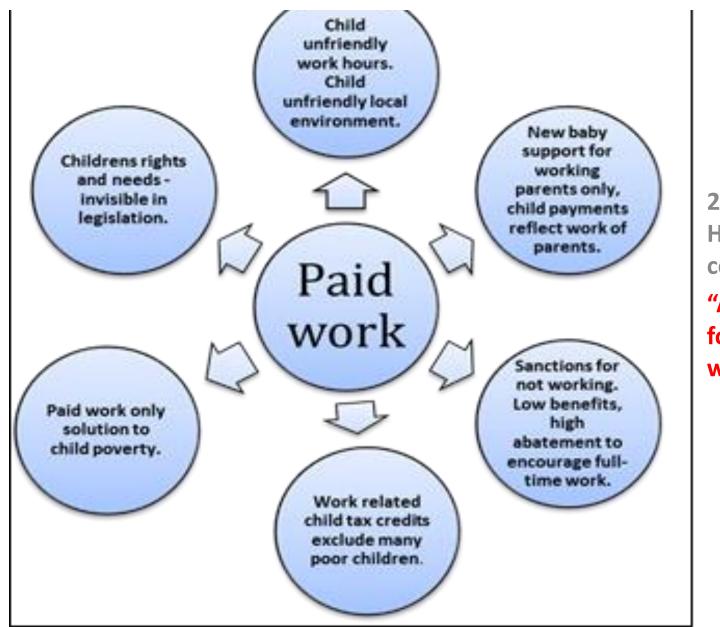
1991-2016: Policies based on narrow economic model

Policy driven by mantras eg "paid work is the best source of wellbeing"

"Work will set you free"

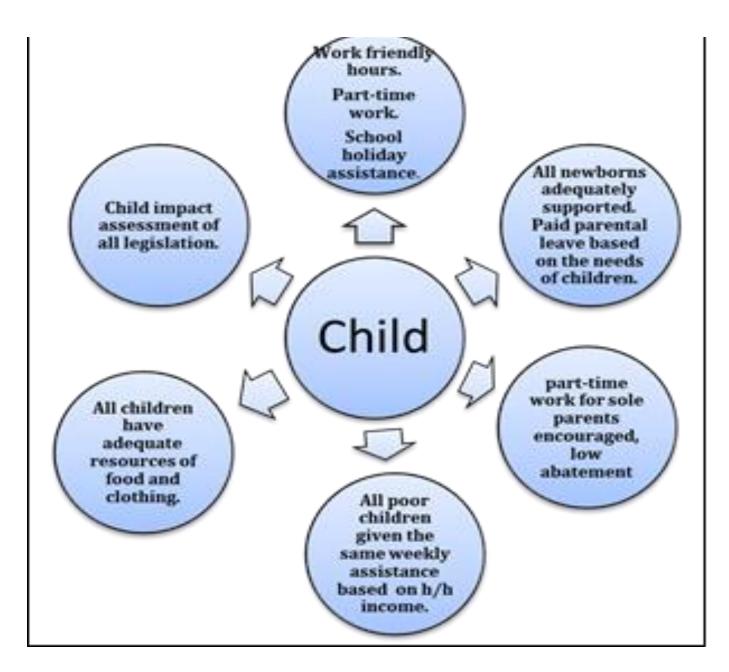
Incentives for parents are more important than the welfare of children

From 1990s policy focus has put paid work at centre



2015 Child Hardship Bill continued "A relentless focus on paid work"

Best interests of the child at the centre



Premises of Government's investment approach

- Minimising future costs is a legitimate goal
- Getting off benefit equals being in 'work'
- Being in Work means increased 'well-being' and solves poverty.
- Unpaid work is of no value
- Children need no separate consideration unless 'vulnerable'

Welfare reform = The abusive state?

I Daniel Blake





Sanctions: Where are the children?



One injustice unchallenged leads to another and another.

Sanctions imposed by benefit type from

Benefit	Sep-16
Jobseeker Support	10,435
Sole Parent Support	3,723
Total Main Benefits	14,237

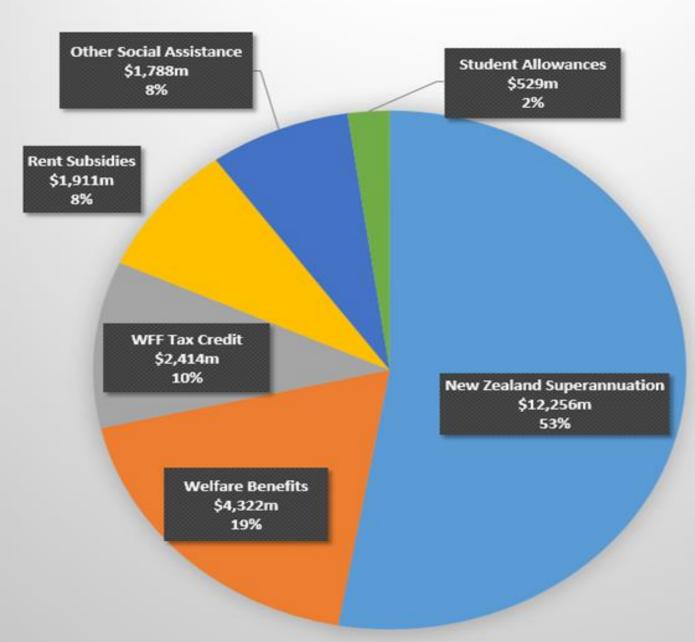
Sanctions imposed by dependent child

Client with	Sep-16
Dependent child(ren)	5,100
No dependent child(ren)	9,137
Total	14,237

First reason for sanction imposed - All

First sanction reason	Sep-16
Clients who failed to attend an arranged appointment	9,554
Clients who failed to complete a step in plan	1,636
Clients who failed to accept an offer of suitable employment	44
Other reasons	3,003
Total	14,237

Social Assistance Allocations, 2016



OF AUCKLAND

Total welfare spend \$24bn



So what is wrong with WFF?



All children's tax credits aim to meet the needs of children and reduce child poverty..but

A big part of WFF is conditional on parents meeting rigid hours of work test







\$72.50 a week

The prime aim WFF- reduce Child Poverty

"WFF had little if any impact on the poverty rates for children in workless households"

MSD 2012



Who was left out?

Why have we not been concerned about those left out ?

"And the wolf ate all children but it didn't matter because they were the children of People not like us



The Human Rights Case on the "In Work Tax Credit" CPAG v the Attorney General 2002-2013 10 hearings over 9 years



2012 Appeal in the Court of Appeal

28th 29th May 2012

Discrimination again upheld ie 270,000 children are harmed But found to be justified?



Case studies- IR website

 Dale is a single parent who works as a teacher aide for 22 hours a week. She's contracted to work for the school from February to December although she doesn't work during the two week term holidays. She's entitled to receive an in-work tax credit from early February until mid-December because she works the required hours and receives income during that period.

POVERTY

ACTION

GROUP

CHiLD POVERTY ACTION GROUP

Dale can't receive an inwork tax credit during the summer holidays because she's not contracted to work for that period.

Case study IRD

- Kezi is 20 years old. She has a two year old daughter for whom she receives child support. Kezi's been working for a temp agency for the past 16 months. Two weeks ago, she gave birth to a baby boy and is now at home with him. Kezi's new partner Mark is a student and receives a student allowance.
- Kezi can't apply for a parental tax credit but she can apply for paid parental leave.

Relationships in the 21st century are complex!



Tax is based on the *individual* BUT



Welfare based on the idea that the couple can live more cheaply than a single person and that 'married' people ought to support each other.

Just who is married? It Really really matters !!!

Weekly Benefit	single	single sharing	married/ defacto	difference for couple pw
Jobseeker/student allowance over 25	210	210	175	-70
Supported living payment	263	263	219	-88
NZ Super	385	355	296	-178

- Jill is a sole a parent she gets SPS \$325
- Jack is her boarder. He gets JS \$210

oops

 "relationships could develop quickly and some people might not be aware of their obligation to tell Work and Income." Minister Tolley.

Who wants to be 'married'?

- Jill gets SPS \$325
- Jack gets JS \$210
- Coupled they get \$187.50 each- \$160 less pw than before
- And have a joint income test of 70% on earned income over \$80
- And may be prosecuted.....

To help distinguish the nature of a de facto relationship, Work and Income (2014) suggests that the beneficiary 'thinks about these issues':

- You live together at the same address most of the time.
- You live separately but stay overnight at each other's place a few nights a week.
- You share responsibilities, for example bringing up children (if any).
- You socialise and holiday together.
- You share money, bank accounts or credit cards.
- You share household bills.
- You have a sexual relationship.
- People think of you as a couple.
- You give each other emotional support and companionship.
- Your partner would be willing to support you financially if you couldn't support yourself.

Informants are requested to supply detailed information as detailed on the Work and Income website (2014): Information that helps us when you report a suspected fraud. This includes:

- Do they live with a partner but say they're living alone?
- If you think they do then we'd like to know:
- the full name of their partner and any other names they're known by
- their partner's age and date of birth
- their partner's address
- whether their partner works and who employs them
- why you think that they're a couple
- how long they've been in a relationship
- whether they have had children together
- the names and ages of any children they have.

Website warns

.....some receiving a benefit, Student Hardship or New Zealand Superannuation are in relationships they haven't told us about.

Up until now when an MSD client was found to have dishonestly claimed a single benefit while in a relationship, that client has been solely responsible for paying back the fraud debt.

You and your partner may now be jointly responsible for paying back benefit debt

Where did CPAG interest in Kathryn's story come from?



The complexities of 'relationship' in the welfare system and the consequences for children

<u>See Report here</u>

A Child Poverty Action Group Background Paper Susan St John Catriona MacLennan Hannah Anderson Rebecca Fountain





Kathryn's Story

CHiLD POVERTY ACTION GROUP

How the Government spent well over \$100,000 and 15 years pursuing a chronically-ill beneficiary mother for a debt she should not have. By Catriona MacLennan