



NEW ZEALAND COUNCIL OF TRADE UNIONS  
*Te Kauae Kaimahi*

**Submission of the  
New Zealand Council of Trade Unions  
Te Kauae Kaimahi**

to the

**Social Services and Community Select Committee**

on the

**Child Poverty Reduction Bill**

**P O Box 6645**

**Wellington**

**April 2018**

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## Summary of Key Points

- Stronger action to reducing child poverty in New Zealand is essential, overdue and strongly supported by the majority of New Zealanders.
- We support measurements and target-setting for the reduction of child poverty.
- We urge cross party support for this Bill which will bind future governments to reporting on child poverty.
- The CTU supports the joint submission, the collective statement and the seven recommendations made by Children's Sector Groups on this Bill.
- While we welcome this Bill, it must be supported by strong actions, investment and policy changes that address the root causes of poverty.
- A wage system that encourages and broadens the positive impact of collective bargaining is one of the suite of tools that is able to reduce poverty and inequality.
- We urge the Government to look at the tax and transfer systems and overhaul the welfare system where there are barriers to improving equity and lifting incomes.
- Measures of poverty should be tested against the real needs of families.
- We urge serious consideration to be given to using the Household Living-costs Price Indexes for the purposes of price indexing and deflation.
- We recommend that Constant Value thresholds are updated every five years.
- We recommend that the two primary low income poverty measures are changed to be set at below 60 percent of median income rather than 50 percent of median income, and that the corresponding targets be reframed accordingly.
- The sample size of the Household Economic Survey (HES) which is the basis for most current reporting needs to be substantially scaled up.
- We endorse the decision to change the name of Oranga Tamariki in English to be the Ministry for Children.

## 1. Introduction

- 1.1. This submission is made on behalf of the 30 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With 320,000 members, the CTU is one of the largest democratic organisations in New Zealand.
- 1.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 1.3. The impact of child poverty is experienced by union members – some directly through living in low income households; others through being exposed to child poverty in the course of their work – for many daily. Two thirds of all the children living in poverty in New Zealand are in a household in which a parent is in work – thousands of them low paid workers who are union members. Tens of thousands of union members see the impact of poverty every day in the form of children arriving at school without food; or in presentations to health services with poverty related illnesses or are witnessing families struggling and applying for emergency benefits for basic needs.
- 1.4. Child poverty exists because of families living in poverty. CTU has submitted many times in the last decade on legislation and on health, education and housing policies on measures to reduce child poverty and poverty. Our 2012 submission to the Expert Group on Child Poverty identified ten actions to reduce poverty (NZCTU, 2012).
- 1.5. The National Government declined to take up the recommendations from the Expert Advisory Group on Child Poverty including a specific measure of poverty. It was not until the lead up to the 2017 General Election that any strong government action or commitment to reduce child poverty was made.
- 1.6. We welcome the unequivocal commitment of the incoming Labour-led Coalition Government to reducing child poverty. We hope that this Bill will pass with

unanimous cross party support. Child poverty causes incalculable damage and scarring to children and to young people who are our next generation. To quote one of our most eminent New Zealanders , "an ageing society that does not take care of its young has a death wish "(Dame Anne Salmond, n.d.)

- 1.7. People in New Zealand are increasingly expecting action and priority to be given to end child poverty and improve child well-being. A recent report looked at 15,600 New Zealanders' attitudes to the 17 Sustainable Goals (SDGs), which asked specifically which of the 17 SDGs was most important for New Zealand to achieve, found that "*relieving our country of poverty*" is the number one priority, as it was in 2016 (Colmar Brunton, 2017).
- 1.8. The experience of child poverty is directly responsible for many of the difficulties that people experience later in life. Children are unable to participate in their communities and do not have the necessary conditions in life to enable them to become functioning and participative members of their communities. It imposes deleterious effects that have life time effects for adults from poor long-term health, missed educational and job opportunities.
- 1.9. The demands on social services to manage and respond to the needs of child in poverty have increased while their funding has remained static. There are expectations on community organisations, charities and service providers to meet the increasing needs of those with the least in their communities. A 2016 report described the last six years as a period of relentless change, of increasing demand for services that plateaued in 2011 but has never returned to pre Global Financial Crisis levels, and of increasing complexity of needs (New Zealand Council of Christian Social Services, 2016).
- 1.10. The reduction of child poverty is supported by CTU affiliated unions. Responding to the introduction of this Bill, the NZEI Te Riu Roa President Lynda Stuart says that ...."*members work with very young children through to teenagers, and see the effects of poverty on children's education and general wellbeing every day at their schools and centres*".

- 1.11. Health union workers – doctors, nurses, allied health professionals and support workers see the effects of child poverty in the form of avoidable hospital admissions, respiratory conditions caused by unhealthy housing, skin conditions and diseases more expected in third world countries than in a developed country like New Zealand.
- 1.12. First Union directly supports the work of the Auckland Action Against Poverty Group (AAAP) in assisting people getting support and advice about benefit entitlements and advocacy services.
- 1.13. The CTU is pleased to be a signatory to the joint submission and the collective statement and the seven recommendations made by children’s sector groups on this Bill.
- 1.14. This CTU submission presents our policy and recommendations that will contribute to reducing child poverty, comments on child poverty measures, reviews the role of wages, tax transfers and strong public services in reducing child poverty and contributes comments on the technical components of poverty targets and measurements .
- 1.15. We endorse the decision to change the name of Oranga Tamariki in English to be the Ministry for Children.

## **2. Te Tiriti, National and International Obligations**

- 2.1. It is a fundamental obligation we all have to ensure that all children have access to the essentials of life: to grow up in families that have enough money to feed them properly, to be able to keep warm, and be housed in healthy homes; and have access to good education, healthcare and other public services.
- 2.2. The obligations to reduce child poverty and ensure children have access to the essentials of life are obligations to tamariki and rangatahi in Te Tirititi o Waitangi and are consistent with upholding the principles of Te Tiriti.

- 2.3. The objects and principles of the Children and Young Persons and their Families' Act, 1989 refers to protecting the best interests of vulnerable children.
- 2.4. There are also obligations under international conventions that New Zealand has signed and ratified. The United Nations Convention on the Rights of the Child (UNCROC) in 1989, requires us to uphold the rights of children.
- 2.5. New Zealand is a signatory to the United Nations International Convention of the Rights of Indigenous People (2007).
- 2.6. Last year along with virtually every other world government, New Zealand endorsed the Sustainable Development Goals (SDGs). The first of these goals is to end poverty in all its forms.

### **3. Child Poverty in New Zealand: Facts**

- 3.1. We commend the work of the Child Poverty Monitor Group (Duncanson, M et al., 2017) who annually provide a report on child poverty. The 2018 Report reveals:
  - 12 percent of kiwi children live in material hardship equating to 135,000 children in households that are living without seven or more things necessary for their wellbeing
  - Six percent of children experience even worse material hardship and live in households that miss out on nine or more of the things they need for wellbeing
  - 27 percent of kiwi children – that is 290,000 children – are in homes where money is tight and they are in income poverty
  - Seven percent of kiwi children are in severe poverty. That is 80,000 children who experience both material hardship and live in a low income household.
- 3.2. New Zealand has one of the highest child poverty rates in the developed richer nations (Perry, 2016). The child poverty rate in New Zealand at around 25 percent is almost twice the rates of the 1980s (at 13 percent). Measured through a risk index

of hardship compared to the whole population, New Zealand is highest in deprivation rates for children across 20 European countries.

- 3.3. Māori and Pasifika children are grossly over-represented in the child poverty statistics. Just under half of children in poverty by current measurements are Māori or Pasifika and rates of poverty (including persistent poverty) for Māori or Pasifika children are around double those for Pākehā/ Palangi.

#### **4. The Child Poverty Reduction Bill**

- 4.1. The major focus of the Bill is to make reporting on child poverty a priority and specifies measures that will track levels of poverty over time.
- 4.2. The Bill commits future governments to reporting on child poverty. This is both welcome and essential. The commitment to reducing child poverty should not be confined to one or two political parties or the current Coalition Government. We support that future governments will be bound by these commitments.
- 4.3. Action is required on multiple levels to reduce child poverty levels. This Bill, with its focus on measurements and transparency, is one important component of the steps necessary to reduce child poverty and improve the wellbeing of children in New Zealand. While the Bill is welcomed, it must be accompanied other strong action and changes in policy that responds to the root causes of child poverty and the circumstances that maintain high poverty levels.
- 4.4. We welcomes the decision to change the name of Oranga Tamariki in English to be the Ministry for Children - for reasons that have been well traversed. With this name change there is work to be done on how Oranga Tamariki will shift its focus to all children. Many children who fall outside current risk criteria will have difficulty accessing services, supports and interventions that are critical to their wellbeing.

#### **5. Poverty, Inequality and Wages**

- 5.1. The role of Government in raising income levels of families is crucial to reducing child poverty.

- 5.2. Action on child poverty requires fully taking into account the wider context in which child poverty sits and the driving factors of poverty. While there has been a strong recognition of the role of benefits and their relationship to child poverty there has been less recognition and visibility of the role of wages in high child poverty levels.
- 5.3. Two out of every five children in poverty are in households where at least one adult is in full-time employment or is self-employed (Perry, 2017, p. 144).
- 5.4. Wages are the primary method of providing income to households and the fundamental mechanism for distributing the income generated by the economy.
- 5.5. Since the 1980s there has been a severe fall in the share of New Zealand's income that goes to wages. Since then, wage and salary earners' share of income has been low compared to the rest of the OECD, and since 2009 it has again declined after being partially regained during the 2000s. So by a number of measures, New Zealand has low wages for a developed country.
- 5.6. As we state in the current CTU submission on the Employment Relations Act before Parliament:

*“There is a strong and demonstrable relationship between low wages, the removal of adequate structural support for collective bargaining and widening inequality. Weak wage and salary growth for people on low and middle incomes and growing inequality in gross ‘market’ incomes requires additional support through the tax and transfer (benefits and income support) system to prevent the growth of high levels of inequality. The weaker the wage setting system, the more work the tax and transfer system must do.*”

- 5.7. Collective bargaining is one of the most important means for fair income distribution. Low wages are a cause of the sharp rise in income inequality between the mid-1980s and mid-1990s. Wages and salaries are by far the largest part of household incomes and so inadequate wage rises, particularly in low income households, must be seen as a significant contributor to household income inequality. Increasing the wage levels of low paid and middle income workers will have an impact in reducing levels of inequality.

- 5.8. CTU policy is for raising the minimum wage to two thirds of the average wage and strengthening collective bargaining. Collective bargaining is an effective means of raising the pay of low-paid workers. CTU supports the Living Wage and pay equity claims and settlements as a means to raise the pay of undervalued and underpaid groups of workers and to achieve greater income equality.

## **6. Poverty and Benefit Levels**

- 6.1. Child poverty is affected by government policy. The 1991 benefit cuts caused a dramatic increase in the level of child poverty in New Zealand. The Working for Families package, when it was introduced had some impact on decreasing child poverty levels.
- 6.2. There is major work to be done to repair Social Welfare policy and its systems. We urge the Government to look at the tax and transfer systems and where there are barriers to improving equity and incomes.
- 6.3. While we support Working for Families it is increasingly inadequate. For example, Working for Families reduced in real value by \$700 million between 2010 and 2017. In the 2010 Budget National stopped adjustment of the income thresholds at which abatement of tax credits begins, so increasing proportions of families experienced the higher abatement rates as their nominal wages rose. Abatement rates were increased in the 2011 Budget and the threshold reduced. While Labour has announced a substantial increase in Working for Families payment rates, abatement rates remain high. As a result, middle income families have effective marginal tax rates much higher than households with the highest incomes. Some low income families have even higher effective marginal tax rates. In addition, accommodation supplements were not adjusted to match rapidly rising housing costs, and will be increased for the first time in a decade from July this year. The income tax system was flattened in 2010, reducing its progressivity. At the same time (and not taken into account in the above OECD statistics), in 2010 GST was raised 20 percent from 12.5 percent to 15 percent, adding further costs disproportionately to lower income households (Tax Working Group, 2009).

- 6.4. Benefits rates are too low and there has been no substantive adjustment to the benefit rates to rectify the savage cuts made in 1991. Benefit levels are simply inadequate to provide a reasonable standard of living and participation in society. They almost guarantee that those dependent on them will live in poverty: according to the MSD, 80 percent of people aged under 65 living in households whose main source of income was a means-tested benefit lived in poverty in 2016 (that is, under the 60 percent constant value threshold using a 2007 reference year) (Perry, 2017, p. 135 Table G.10).
- 6.5. Benefits levels should be increased to ensure that they are set at a level that is enough to ensure people do not live in poverty. Basic benefits should be lifted substantially to rectify for the 1991 cuts and then indexed to the median wage as a more effective mechanism to reduce child poverty.
- 6.6. The social security system should also genuinely provide security of income plus training and support for those who lose their jobs.
- 6.7. The CTU Policy for tax transfers and social security benefits is:
- The reintroduction of a universal child benefit allowance
  - Increasing all benefits to ensure they are set at a liveable income
  - Indexing benefits including Working for Families (WfF) to the average wage
  - Reducing the WfF abatement rate to 20%
  - Restoring the total value and spend of WfF to the level it was in 2010
  - Progressive income taxation that is redistributive, lessens income inequality and provides universal social security

## **7. Measures and Targets**

- 7.1. In 2012 the Children's Commissioner's Expert Advisory Group on Solutions to Child Poverty put forward 78 recommendations on a range of ways to reduce child poverty. One of those recommendations to measure and report on child poverty rates annually. At the time a specific target to reduce child poverty was rejected by the then Prime Minister, Hon John Key as being too difficult.

7.2. This position is not credible. Targets were set for many other government policies by the previous government. The setting of targets and reporting can enhance political accountability for child-related outcomes by requiring this Government and successive Governments to set transparent targets periodically and regularly report the results.

7.3. We agree that progress on child poverty will be extremely difficult without, firstly, an agreed suite of measures, and secondly, a regular system for measuring and reporting on child poverty.

## **8. Achievable and Demanding Targets**

8.1. In aiming to reduce poverty, the question is are these targets achievable and yet ambitious enough – given the depth of child poverty and the urgency of the problem. A broad and strategic approach is needed to ensure the targets are met, that a reduction in child poverty is sustained long-term and that the wellbeing of all children is maximised.

## **9. Technical Issues: Targets and Measures**

9.1. We agree with the submission from the Child Poverty Action Group (CPAG) and the Children’s Sector Joint Submission that:

9.1.1. The measures of poverty should be tested against real needs of families. They should be validated using approaches such as focus groups, properly researched assessments of need such as the annual Food Cost Survey carried out by the University of Otago Department of Human Nutrition, Otago University Wellington’s Housing and Health research programme, and the Building Research Association of New Zealand (BRANZ) Household Energy End-Use Project (HEEP). These have been used to establish poverty thresholds (e.g. Waldegrave, Stuart, & Stephens, 1996) and a Living Wage in the sense of “the income necessary to provide workers and their families with the basic necessities of life. A living wage will enable workers to live with dignity and to

participate as active citizens in society” both in New Zealand and internationally (e.g. King & Waldegrave, 2012).

9.1.2. As a corollary, the targets should be reviewed regularly to assure the public of their validity.

9.1.3. Constant Value thresholds based on a reference year for fixed-line poverty measures (as distinct from those that are relative to current year thresholds) should be updated every five years.

9.1.4. Thresholds should be aimed at ensuring the wellbeing of families rather than survival or subsistence living, which is true all too frequently at present. We suggest that more weight should be given to higher thresholds to ensure this is the case. We are concerned that the 50 percent “low income” poverty measures, which are two of the primary measures in the Bill, are too low. This concern is consistent with the findings by Waldegrave and colleagues from their surveys of the real needs of families. We recommend that the threshold for these primary low income poverty measures be 60 percent, and that the corresponding targets be reframed accordingly.

9.1.5. Income is important but so are debt levels and actual experienced material hardship which can be tested through measures such as hospital admissions for preventable diseases, food bank use data, homelessness statistics, school attendance, and food insecurity.

9.1.6. The Household Economic Survey (HES) which is the basis for most current reporting needs to be substantially scaled up from its current sample size to allow better accuracy and reliability of statistics, and allow more depth in understanding the underlying contributors to poverty (such as benefit types and levels, income from different types of employment, security of employment, housing, and debt levels), and more detailed exploration of other variables such as ethnicity, geography and age. Consideration should also be given to improving its timeliness and timelier reporting on it. Clearly, use of administrative data may be helpful in achieving these objectives. However in

using either survey or administrative data, careful consideration also needs to be given as to whether they are properly representative of an appreciable proportion of the families at risk who may not be contactable or may avoid government services because of their previous experiences with it.

- 9.2. We also suggest that for the purposes of price indexing and deflation, serious consideration should be given to using the Household Living-costs Price Indexes (HLPs) which Statistics New Zealand has produced since 2016 and are backdated to 2008. They are available by equivalised household income and expenditure quintiles, and for Beneficiary, Superannuitant and Māori households. They are therefore better suited to these purposes than the CPI which is based on an 'average' household. The HLPs show significantly faster price rises have been experienced by lower income and expenditure households since 2008.
- 9.3. It would also be valuable to make the statistics which underlie the targets, and the Statistics New Zealand analysis of them required by the Bill, more readily available to other researchers and the public to encourage further analysis and commentary.

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