CHiLD POVERTY ACTION GROUP

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Oral Submission on the Budget Policy Statement 2021
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To the Finance and Expenditure Committee,

Nga Mihi o te ata

Thank you for the opportunity to talk to our submission on the Budget Policy Statement (BPS). Child Poverty Action Group (CPAG) is an independent charity working since 1994 to eliminate child poverty in New Zealand through research, education and advocacy.

We acknowledge the good work of government keeping us safe in the pandemic, BUT we are facing a pandemic of poverty that has been intensified by COVID.

When the BPS talks about the need for children to have “safe, dry, warm houses” it seems empty rhetoric and tokenism. We encourage the government to be bolder and put the needs of children who are not thriving at the heart of its fiscal policy. The public are willing and ready for a change in the narrative.

We are deeply concerned that in balancing the budget priorities, the fiscal position and net debt will be more important than taking the necessary steps to address the worst of child poverty. We fear we will see a further mushrooming of the use of private charity and food banks.

The budget policy statement itself highlights that last year well-being has slipped. More than 30% say they don't have enough or only just enough income. The percentage of people needing charity and food banks has gone up significantly (over 20%) and many will be families with children.

As the BPS outlines, sole parents, Pacifica, Māori, unemployed, the ill and disabled families are particularly badly hurt in this COVID recession. CPAG is really concerned that as the years go by the time young children are spending in real poverty is lengthening with serious long-term consequences for them and for our country.

We question the inherent fiscal conservatism of the BPS. We look at the projections to 2024 and see how taxation as a percentage of GDP is expected to remain the same at around 27%, and Government expenditure around 30%. We do not see how the government is factoring in a step change for children and their parents.

We are baffled to understand, that in the light of intense need, why the government is still putting $2 billion a year, unscrutinised, into the New Zealand Superfund. It is a bit like saving for a rainy day and not fixing the leaking roof today.

The preoccupation with a net debt projections ignores the NZ Super Fund of around $60 billion. Logically these assets should be offset against the gross debt making our net debt situation even less scary and even less of an impediment to providing urgent support for families and children.

We note the governments expressed intention to make sure additional spending is well targeted yet many current measures have not been. For example, doubling the winter energy payment for all superannuitants is very costly and unfocused while children are going hungry.

The preoccupation with net debt has obscured the state of the worst-off families' balance sheets. Those living under very low poverty lines have been going further into debt with MSD and the private sector. Core benefits are too low as the projected growth in spending on supplementary assistance, such as the Accommodation Supplement, hardship and emergency housing grants surely demonstrates.

Working for Families is also ignored. It is very hard to see that the worst off 170,000 children who are under the lowest official poverty line (40% After Housing Costs) are even a small part of thinking about well-being. When families lose hours of work in the current precarious job market and need to go on a benefit, the income support for their children is actually cut. This is all in the name of providing a work incentive.

It is an absolute mystery to CPAG as to why we punish these families by denying them $72.50 a week of Working for Families simply because they need a benefit or a part benefit. The impact has been more poverty, not more families in full-time work. Work incentives should not be tied to children's payments- doing so is using poverty itself as an incentive. And a cruel one, when it is not feasible for parents on benefits to make the leap into full-time well-paid work. Fixing this might cost a half a billion dollars but that would be a highly targeted and effective expenditure and start to make a real difference.

A second problem with Working for Families is that family tax credits are poorly indexed. NZ Super for those over 65 benefits are wage-linked as are benefits for working age adults. Figures in the HEFU show that expenditure on Working for Families is static in nominal terms out to 2025. Children and their needs for income are seen as clearly less important than other New Zealanders. We would urge the government in this budget to remedy these two defects in Working for Families, not as a promise for some time in the future, but with immediate effect. It can be done.

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