Working for Families

Initial Consultation, May 2022

New Zealand Council Of Christian Social Services

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Ko wai au | Who we are:	The New Zealand Council of Christian Social Services (NZCCSS) welcomes the opportunity to provide feedback on the public consultation phase of the Working for Families Tax Credits review. NZCCSS has six foundation members; the Anglican Care Network, Baptist Churches of New Zealand, Catholic Social Services, Presbyterian Support and the Methodist and Salvation Army Churches. Through this membership, NZCCSS represents over 250 organisations providing a range of social support services across Aotearoa. We believe in working to achieve a just and compassionate society for all, through our commitment to our faith and Te Tiriti o Waitangi. Further details on NZCCSS can be found on our website www.nzccss.org.nz.

Tirohanga Whānui | Overview

NZCCSS strongly supports the kaupapa to overhaul the Working for Families system. It is not fit for purpose. The current model is costly, unwieldy, complex and inherently unfair.

Our shared future vision for Aotearoa requires that we end child poverty. The design of the current system beds in a “worthy” vs “unworthy” model of welfare, that does little to meet the needs of the children it is intended to serve.

Our members see daily the constant struggle of families at the lowest income levels, as well as the ongoing effects of poverty on the children of these households. Ensuring the dignity of life and financial support for these children and families is of the highest priority. The opportunity here is for a complete rework of the Working for Families system to ensure that children’s needs are foremost.

Ngā Wawata | Aspiration

In an overarching sense NZCCSS would advocate strongly for a universal family transfer, based on the kaupapa of the original intentions of our welfare system. At best, an inflation adjusted version of the family benefit lost in the Mother of All Budgets. At the least, a system that starts from a kaupapa of ensuring all children in Aotearoa have their basic needs met. Either would center the child, neither would be reliant on the work or income of the parent.

In 1938, the Cradle-to-the-Grave Welfare system rightly ensured universal entitlement to family and pension benefits. Over time the pension / "super" remained largely universal, while the family benefit weakened to where we find ourselves today. The entitlement a superannuitant receives in the latter years of their life is not calculated based on their family's ability to care for them, nor on the choices they have made during their working years. Super is not tied to a series of obligations, and it does not impose the same threat of debt generation.

A lost strength of the previous model was the ability to capitalise the payment to fund housing purchases. It is unsurprising the impact that its removal had on home ownership, and the potential inherent in a return to this model. Link to an accessible discussion piece here.

We understand that the cost may be prohibitive, but believe the investment in families will be recouped in a reduction of other societal challenges. In our current downward trend and increasing cost of living we are already seeing increases in family transience, social services continue to report being overwhelmed and petty crime is increasing. The long-term costs of deprivation are well known.

There would also be substantial savings in removing the bureaucracy surrounding the current model – not least in being able to locate the system in one Governmental department.

We understand that many would argue they or others don't need it. We would direct these people to the kaupapa surrounding superannuation, and the reasoning for its universality. Also the many mechanisms available to donate or chose to not claim the transfer.

The evidence of positive outcomes for children as the result of universal payments are increasingly clear. A US based multi-University team is seeing improved infant brain development (here). Other studies reinforce what those in the community sector already know – when given more money, families spend it on their children (here).

Aotearoa has shameful child poverty. Current talk of "before housing" meeting of poverty reduction indicators helps no one. When the flagship "Child and Youth Strategy" Report comes out saying that things are just fine on the same day that Treasury's more up to date Wellbeing Report says that things really aren't, its deeply concerning. Doing something meaningful to address poverty would look like supporting all children and ensuring our next generations have enough would look very similar.

Etahi Atu Taunakitanga | Further Recommendations

Should our main point above be too aspirational, we would offer the following feedback / recommendations:

1. Working for Families reflects the value of children in society
2. Working for Families functions to enact Crown responsibilities under te Tiriti o Waitangi

3. Working for Families is adequate
4. Working for Families is delivered equitably
5. One Working for Families benefit for all families in New Zealand irrespective of employment
6. Ensuring the investment made is adequate in the crucial first 3,000 days
7. Delivery of Working for Families in mana-enhancing and consistent
8. The complexity of Working for Families is addressed and impacts of complexity are mitigated
9. Design a system that prevents the generation of debt
10. A joined-up services approach is implemented to complement a better Working for Families

To Tatou Whakaaro | Our Reasoning

1. **That Working for Families reflects the value of children in society**
   "Children's material lives should not be negatively affected by changes in income support policy aimed at changing the behaviour of adults." (O'Brien, 2005)

As a nation we quite like kids. We celebrate the cherished notion of the Kiwi childhood, comprising the now out-dated right to quarter-acre backyards, weekend sports on frosty mornings and marmite on toast. We take every opportunity to profess that *"it takes a village to raise a child"*. We lament our ability to punch above our weight when it comes to child poverty, child abuse and youth and maternal suicide. And when it comes to fiscal spending, we don't necessarily have a problem with shelling out for the kids. We happily wear gumboots to work, pink anything once a year and slot gold coins into pre-cut holes in coffee canisters with generous abandon. Our problem, it seems, is with funding that flows through to parents.

If we want to change the world, we must first invest in its future. The potential of any form of financial transfer to those with children should therefore be to ensure we are investing with that aim in mind. The review of Working for Families presents an opportunity to reclarify the purpose of the scheme. We must ensure that change is driven by recognition of the value of investing in the wellbeing of tamariki and whānau, rather than the fear of welfare dependency and subsequent incentivisation of work.

For Aotearoa to be "*the best place in the world for children and young people*" it must also be the best place in the world to parent (The Department of the Prime Minister and Cabinet, 2020). Long-term outcomes for children are inherently linked to their experience of being parented, whether by biological or other guardians or parent figures, and the circumstances within which these individuals find themselves over the course of their parenting journey. We are well aware of the myriad factors which influence a parent's ability to nurture, protect, and empower their child. We're just not sure how far the village ought to go to empower parents, or alleviate the impact of their shortcomings, as they shape the next generation.

As it stands Working for Families seeks to achieve several objectives within the one system. By design, it conveys that the extent to which children are worth investing in is defined by the employment (or not) of their parents. Even the title itself 'Working for Families' raises questions about the priority we place on 'working' within the process of investing in tamariki. Employment-based access to financial entitlements suggests that children are only worthy of investment when their parents prove *themselves* worthy. Alongside this approach sits the tension of a child-poverty lens, reflecting the scarcity mindset that investment in children is only worthy when the need is dire.

Both approaches are inconsistent with our commitments within the UN Declaration of Human Rights which recognises the right to social assistance and the right to special protections for mothers and children (Articles 25), UNCROC (Article 3), Te Tiriti o Waitangi (Article 3), and the Child and Youth Wellbeing Strategy. Further, the approaches are also inconsistent with our commitment to investing in other vulnerable demographics, such as superannuitants, who receive universal entitlements.

As a society we know that investment in older New Zealanders, irrespective of their family and wealth context, has worth. Our commitment honours their place in our society, and attempts to alleviate social harm across a key time of life. And yet any sense of universality applied to a family benefit faces substantial societal challenge. Cultural narratives of welfare dependency, driven by Western, neoliberalist ideology cloud our national empathy.

Treasury's recent release of the 'Trends in Wellbeing Report', highlights that wellbeing for older New Zealanders is generally good, and notably higher than others across the OECD (Treasury, 2022). However, they note that the same is not true for younger New Zealanders. And while there remain a material amount of older New Zealanders experiencing hardship, that the protective factors across their lifespan, including universal superannuation, provides the intended buffer to those at that age stage. It is also worth noting that this generation were the beneficiary of a universal family benefit when children and when parents. They fare well now because they have been supported across the totality of their lifespan. We advocate for a return to the approach of providing for the times of lives where New Zealanders experience the most need, and have that provision apply equally to all.

The long-term economic costs of childhood deprivation are widely accepted. There is overwhelming evidence linking experiences in early childhood to quality of outcomes in later life. To reiterate, in order to achieve our aspiration of Aotearoa being the best place to be a child, we must resource it to be the best place to parent. There is no doubt that there is a financial cost to raising children, a fact that has only been exacerbated by a global pandemic and rising inflation. The village's investment in today's children is certain. What is not certain is the way in which it will be delivered. Will it be delivered through upfront investment which alleviates household stress and empowers parent and child aspirations? Or will it come through 'bottom of the cliff' support for those struggling in generations to come?

> *"Investing early allows us to shape the future; investing later chains us to fixing the missed opportunities of the past"* (Heckman, 2011)

Working for Families is currently the most direct programme of investment in children and the family unit that we have to offer. As such it should reflect a fundamental commitment to investing in the wellbeing of tāmariki today. Commitment to this purpose would facilitate the unifying and simplification of entitlements, increase accessibility, uptake and the avoidance of debt while minimising the cost of delivering such a complex system of support.

Recommendation One - New Zealand acknowledges that children are taonga and invests appropriately in families as a reflection of this commitment

2. That Working for Families functions to enact Crown responsibilities under te Tiriti o Waitangi

A commitment to upholding the Crown's responsibilities under Te Tiriti o Waitangi is critical to the success of the Working for Families package. Articles Two and Three of Te Tiriti specifically relate to the intended goals of alleviating child poverty, supporting whānau in raising tamariki and incentivising paid mahi.

Article Two of the Te Tiriti addresses Tino Rangatiratanga, the ability for Māori to have authority over their own affairs. Article Three of Te Tiriti speaks of equality and the necessity to uphold the rights of tangata whenua consistent with the rights of tauiwi. Application of Articles 2 and 3 must recognise historic injustice and the subsequent burden of intergenerational poverty and inequality that we currently see in the overrepresentation of Māori in child poverty statistics. Māori must be supported to have authority over taonga such as their tamariki and over the affairs of their whānau, with financial support for whānau being a key aspect of addressing historic injustice. We commend this review of Working for Families as a means of identifying opportunities to better address inequalities for tangata whenua.

In applying Te Tiriti further, we recognise that Working for Families (and other models of income support) are Western in their origins, design and application. This raises the question, what Te Ao Māori approaches to addressing the challenges of raising a family may look like. What principles might guide a response? What objectives would be identified? How would 'family income' be defined and assessed? What would eligibility criteria look like and how might financial support be distributed? These questions are not asked in the hope that Working for Families might simply be patched and tweaked to somehow reflect a Te Ao Māori approach. Rather that Te Tiriti requires us to question whether Tino Rangatiratanga can really be upheld when we continue to deliver the Crown's mode of operating to iwi Māori.

We must honour our commitment to ensure Mana Motuhake, and resource Māori to identify solutions to problems that affect them - rather than merely asking for their input on how we might tweak our own solutions.

Recommendation Two – That changes honour the articles of Te Tiriti o Waitangi

3. That Working for Families is sufficient

The Living Wage is calculated as the amount of income required for a family of two adults and two children (under 13 years old) to meet their basic needs. The most recent calculations of this expected income is $23.65 per hour, or a weekly income after tax for 60 hours of $1062.06.

Various sources conflict on a reliable weekly cost for raising a child in Aotearoa, but estimates range between $280 and $405 average cost per week. This accounts for fluctuations in need, such as seasonal clothing purchase and medical expenses, but also for the standard costs to feed and shelter a child.

Based on the current abatement rates, and the resulting take-home finances, assuming the average housing costs of $650 per week, and the LWR predication of 2 children (for these calculations, one of whom is a pre-schooler in need of full time care), we are left with $142.06 to cover the weekly costs of both children, household food, and all non-housing utilities. This is less than the estimated cost to support one child, much less two and the adults in the household.

However, not all families have two parents, and with no useful way for a single parent to be supported to work 60 hours per week, the system must be flexible enough to acknowledge this. Further, if in paid employment, a single parent family will likely also have lower leave provisions alongside higher familial costs. Where care is shared, these costs are replicated across the households. In either case, the median income will not be sufficient for either parent to adequately care for their child.

Current abatement rates and ascribed payment levels simply do not provide adequate levels of support required to keep children out of poverty in New Zealand. If a median wage rate is insufficient for a single-parent to maintain a household, then abatement rates for support need to be updated to mirror the current costs of living. If payments are to ensure that a household has sufficient income to ensure that their children have sufficient quality of life, then the basis of that support must be based in the actual needs of a family, not an arbitrary level which is not based in the lived experience of modern New Zealand.

Not only does this mean that the payment rates must be regularly updated in order to ensure that they are not being devalued by inflation, as per Superannuation's annual CPI benchmarking, but that the abatement rates must be reflective of adequacy of income.

Recommendation Three: We suggest focusing on the true costs of families with a commitment to regular cost of living adjustment

4. That Working for Families is delivered equitably

Aotearoa is a country of diversity, and the makeup of our family units is no different. According to the 2018 census data, 10.3% of 0-4 year olds are living in single parent households, as are 15% of 5-9 year olds. The census makes no distinction between biological and step-parents in the 'couple with children' category, which comprised 67.6% of 0-4 and 66.5% of 5-9 year olds' homelife reality.

These families will access and receive eligibility for Working for Families support differently depending on a multiplicity of factors including which parent is allocated as the child's primary caregiver, the distribution of bed nights between households in shared care arrangements. Or, in the case of many grandparents caring for grandchildren – give up due to the challenges in design that don't acknowledge family realities.

And even with the layers of complexity, simple situations are missed. The blunt instrument of "family income" doesn't reflect the costs of one adult households. Or the reality of shared living. Effectively, Working for Families as designed seeks to serve a 2-parent household, in which one parent mostly cares for children while the other works. This is not the reality for most families, and certainly not for the families that need Working for Families the most.

While a single parent with a two-year old child working 30 hours at minimum wage can receive $352.00, a couple with one parent working the same hours receives the same entitlement. Both families would also receive the same financial support for childcare, at $5.69/hr. Mandating work clauses as a condition of support for single parents fails to acknowledge the foundation costs of parenthood, and that the number of adults in the house makes a substantial difference to how income is utilised and childcare arranged.

The current transfer fails to acknowledge that one family must engage childcare with all the associated costs – both financial and temporal – while the other need not, by virtue of having one parent not required to work. It ignores the fact that single parents only have the capacity to earn during ECE open hours, as opposed to taking alternative earning opportunities that present in overnight work or non-standard hours.

Not only does this penalise the single parent household financially, it provides no additional incentive for both parents in the coupled household to return to work. The current structure of welfare system is heavily focused on incentivising paid work, and yet the system as designed fails to ensure equity or equivalency in its approach. Rather as we will explore below – the families most incentivised in this scheme are those with one parent in work, and another caring for the children. In fact, by design, there are key points in the system where being in work costs *more* than one parent remaining at home.

Below we have calculated the take home and effective hourly rate of all three situations using standardised income and childcare costs, and extracting subsidies and entitlements from the Work and Income website. The last column in this table illustrates the disincentive to work for second parents in a coupled household. If the burden of childcare and the lost entitlement of WfF from the additional hours falls exclusively to this parent - since the cost and lost opportunity would not have occurred should they have remained outside the workforce - then we can see the incredible devaluing of their work in comparison to the other individuals in this scenario. The effective hourly rate of $7.27 does not represent the value of that individual's contribution to the workforce, nor does it maintain and uphold the mana within their mahi.

This "Working For Families Math" is the reality of every primary caregiving parent who has to make the choice to return to work, as they determine the exact value to the household finances that the additional hours of stress and separation from their child generates.

To further illustrate the disincentive for work, we have also calculated the same values if the same families instead worked 40 hours per week, again at minimum wage. Even at this lower rate of income, you can see that the abatement rates for both WfF and the childcare subsidy (which is outside the scope of this consultation) have impacted these families so significantly that for an extra ten hours of work, the single parent is only $7.85 better off. Do we truly believe that 78c is the value of an hour of work for anyone in our society?

Additional calculations illustrate the disparity between coupled and uncoupled parents in a working paradigm. While it becomes noticeably more profitable for coupled parents to engage in work as their hourly rate increases towards the median wage[1], it can also be seen there is an increasing disparity between the two single-worker households. At $30/hr, both the single and coupled worker have reduced entitlements, but at median wage there is a notable disparity in their in-hand finances. The impact of abatement rates for the childcare subsidy result in the single parent earning less per week, not just compared with coupled worker earning median wage with no childcare costs, but also than *themselves* at the lower pay of $30/hr. The value of this decrease is $26.22, a material amount to families in this situation.

Another layer of complexity would see the potential reduction in eligibility to the single parent if there is shared care / child support. Confusingly the definitions, entitlement levels and treatment of differ between funding sources and ministries.

Minimum wage ($21.20/hr)	Single parent	Couple – one working	Couple – both working	Couple – comparative of second parent
Gross income/w (30hrs)	*$636*	*$636*	*$1272*	*$636*
Net income (est.)/w	$515.18	$515.18	$1030.36	$515.18
Childcare (34hrs, $6/hr)	*$204*	*$0*	*$204*	*$204*

[1] Taken from March 2022 Labour Market Statistics

Childcare after subsidy	$10.55	$0	$96.22	$96.22
WfF entitlement	$352.00	$352.00	$141.00	-$211
Total in hand	**$856.63**	**$867.18**	**$1075.14**	**$217.96**
Effective hourly rate/adult	**$28.55**	**$28.90**	**$17.92**	**$7.27**

Minimum wage ($21.20/hr)	Single parent	Couple – one working	Couple – both working	Couple – comparative of second parent
Gross income/w (40hrs)	*$848*	*$848*	*$1696*	*$848*
Net income (est.)/w	$680.63	$680.63	$1361.26	$680.63
Childcare (45hrs, $6/hr)	*$270*	*$0*	*$270*	*$270*
Childcare after subsidy	$66.15	$0	$190.35	$190.35
WfF entitlement	$250	$250	$25	-$225
Total in hand	**$864.48**	**$930.63**	**$1195.91**	**$265.28**
Effective hourly rate/adult	**$21.61**	**$23.27**	**$14.95**	**$6.63**
Increased value compared to 30 hours at same rate	**$7.85**	**$63.45**	**$120.77**	**$47.32**

Sample wage ($30/hr)	Single parent	Couple – one working	Couple – both working	Couple – comparative of second parent
Gross income/w (40hrs)	*$1200*	*$1200*	*$2400*	*$1200*
Net income (est.)/w	$920.71	$920.71	$1841.42	$920.71
Childcare (45hrs, $6/hr)	*$270*	*$0*	*$270*	*$270*
Childcare after subsidy	$66.15	$0	$270	$270
WfF entitlement	$156	$156	$0	-$115
Total in hand	**$1010.56**	**$1076.71**	**$1571.42**	**$535.71**
Effective hourly rate/adult	**$25.26**	**$26.92**	**$19.64**	**$13.39**
Increased value compared to minimum wage, 40 hrs	**$146.08**	**$146.08**	**$375.51**	**$270.43**

Median wage ($36.18/hr)	Single parent	Couple – one working	Couple – both working	Couple – comparative of second parent
Gross income/w (40hrs)	*$1447.20*	*$1447.20*	*$2894.40*	*$1447.20*
Net income (est.)/w	$1079.69	$1079.69	$2159.38	$1079.69
Childcare (45hrs, $6/hr)	*$270*	*$0*	*$270*	*$270*
Childcare after subsidy	$190.35	$0	$270	$270
WfF entitlement	$95.00	$95.00	$0	-$95
Total in hand	**$984.34**	**$1174.69**	**$1889.38**	**$714.69**
Effective hourly rate/adult	**$24.60**	**$29.37**	**$23.62**	**$17.87**
Increased value compared to $30/hr, 40 hours	**$199.86**	**$244.06**	**$693.47**	**$449.41**

It is a poorly designed system that leads to such outcomes. By design, not flaw, the system is failing to allocate funding to the areas of most need.

Recommendation Four – The development of a system reflective of and concerned with equity across all families

5. One Working for Families benefit for all families in Aotearoa irrespective of employment

A system that exists to ensure what is best for children doesn't begin by asking if their parents are working. The design and delivery of the system as it stands is aligns itself strongly to economic expectations, rather than centering children. Not only is this not reflective of what is best for children, it penalises parents who chose to engage in un-paid work – including the vital and valuable work of raising their children. It also, strangely, commits to not paying those most in need. Families receiving other social welfare benefits are ineligible for the higher paid components of the transfer scheme.

The provision of the In-Work Tax Credit and Minimum Family Tax Credit components of the Working for Families package are designed to incentivise parents to participate in paid work and ensure that parents are always *"better off"* financially when in work than on a benefit. These are known as 'Workfare' incentives and have been widely employed to drive behaviour change among adults, not with a view to what is best for children.

The workfare model assumes a lack of inherent aspiration for parents and relies upon the state to incentivise paid work ahead of any other consideration. The approach fails to recognise the wider financial and non-financial costs beyond net income that working presents for many parents - in particular sole parent families. It also fails to recognise unpaid work in the home and or communities in which families live.

Employment incentivisation has been an explicit feature of Working for Families, commonly communicated as *"making work pay"*. The use of such terms conveys an assumption that parents have little aspiration to engage in work without such measures. This conflicts with research findings which suggest that unconditional cash transfers encourage labour force participation and can be linked to improved outcomes for children (Kenney, 2015) (Chronic Poverty Research Centre) (Vera-Cossio, 2019)

> *"…you cannot 'pull yourself up by the boot-straps' if you do not have 'boots', and 'giving 'boots' to people with little money does not make them lazy or reluctant to work; rather, just the opposite happens as it eases intense pressure on households and provides people with a foundation on which to change their lives."* (Chronic Poverty Research Centre)

Further, the workfare approach assumes that parental engagement in work results in positive outcomes for children. It fails to consider the direct and indirect effects that employment and employment changes have on children (O'Brien, 2005).

Parental employment is constrained by the economic and employment conditions of the day, access to social support and the life stage and needs of children in one's care (O'Brien, 2005). Other factors that determine a parent's propensity for work include previous labour force engagement, skills and education, the restraints and costs of childcare and transport, mental and physical health, workplace culture. For parents the decision to engage in work brings with it a series of trade-offs for both them and their tamariki, that add to the already demanding and important mahi of caring for the next generation.

> *"The role of parenting is often one that is lonely, relentless and unforgiving. It is unpaid and unrecognised in GDP calculations as a contribution to the economy. But it is hard work and it is vital work, often done without much in the way of support."* (Cartwright, 2018)

Increasingly, this role will be carried out concurrent with caring for ageing parents, another unpaid yet economically and socially worthy use of time. Currently our rate of reproduction is declining below the level of replacement with maternal birth age rising. In years to come we may in fact find ourselves incentivising child-rearing for the sake of maintaining our population and ensuring today's adults will be cared for as they age. (Radio NZ, 2021)

The value of all unpaid work in Aotearoa was estimated in 1999 at $40 billion, equivalent to almost 40% of GDP (Morris, 2010). We must not minimise the contribution that parents make to society by glorifying paid work as the antidote to poverty. Policy design must show greater recognition for the value of unpaid labour in Aotearoa and in particular the care of children.

At present children, especially those in the lowest income households, bear the brunt of ineligibility for the In-Work Tax Credit and Minimum Family Tax Credit. Greater application of universal rather than conditional entitlements and a consistent minimum family income for both beneficiary and employed clients is need to ensure that the value of unpaid labour is recognised through this programme of support.

Recommendation Five - NZCCSS advocates for greater use of universal entitlements including:

a. That Working for Families become one payment without employment discrimination
b. That a standard minimum family income be applied consistently and universally
c. That built in discrimination of beneficiaries be removed from any future system

6. Ensuring the investment made is adequate across the first 3,000 days

Greater investment during the early years of a child's life is likely to result in improved longer-term outcomes for children and our communities. The first 1,000 days of a child's life from conception onwards are crucial to their long-term wellbeing, with the relationship, interaction and responsiveness of parents and caregivers being instrumental in cognitive development. The experiences a child has during this period will play a significant role in their health and wellbeing and their ability to build resiliency into adulthood. (Wallis, 2020) (Younger, 2021)

> *"Through more than 30 years of research across multiple scientific disciplines, the importance of early life experiences on healthy social and emotional development has been highlighted, with global agreement that what happens early matters."* (Centre for Social Impact, 2015, wh. 8)

The importance of the early years on children's' long-term wellbeing, and the impact that perinatal distress can have on early childhood experiences is increasingly irrefutable. The Helen Clark Foundation's just-released report in Maternal Wellbeing argues that the relationship between perinatal mental health and children's long-term wellbeing is *"perhaps the single biggest factor in determining long term child health and wellbeing".* (Walker, 2022, wh. 9).

Mental distress occurs on a continuum: suicide is the leading cause of maternal death in Aotearoa, between 10-20% of birthing parents experience clinical levels of mental distress, and an estimated further 30% experience lower levels of distress which continue to have a significant impact on their wellbeing. Māori, Pacific and Asian parents experience higher rates of mental distress. (Walker, 2022, wh. 32, 67)

Whilst driven by a range of determinants, there are clear links between systemic and structural aspects of a parent's environment that contribute to mental distress, including poverty, food insecurity and housing instability:

> *"…analysis of the perinatal experiences of the Growing up in New Zealand cohort found in 2012 that if a family's financial situation had deteriorated or if the family had experienced hardship or increased financial stress during the perinatal period, "maternal mental health was likely to have deteriorated."* (Walker, 2022, wh. 63)

We are cognisant that the COVID-19 pandemic has increased social isolation and placed financial pressure on many in New Zealand. This, coupled with rising inflation and cost of living pressure, has led our service providers to question whether a 'middle class' really exists anymore due to the number of middle-income families / working families facing housing instability and food insecurity due to financial pressure.

Our rates of maternal suicide and perinatal mental distress indicate an urgent need to resource Aotearoa adequately and effectively to enable improved perinatal mental health outcomes. *Āhurutia Te Rito* highlights how health-focused responses to prevent perinatal distress go hand in hand with public policy investment in addressing the structural and systemic drivers of distress:

> *"As much as investment in perinatal mental health support is required at all levels – promotion, prevention, early intervention, and specialist treatment – it also won't be effective if it is not also accompanied by significant investment to address the wider structural and systemic drivers, like unstable housing, low income, food insecurity, and domestic violence."* (Walker, 2022, wh. 60)
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> *"Public policy decisions and investments will never be able to completely prevent perinatal distress, but they can have a powerful impact on external factors like income, housing, and access to support that contribute significantly to its incidence, risk, duration, and severity."* (Walker, 2022, wh. 59)

Āhurutia Te Rito identifies the following recommendations of relevance to Working for Families:

1. Alleviate or remove background stress for new parents by making sure they have warm, secure, affordable housing, adequate food, and that they are safe from violence and abuse
2. Make it easier for whānau/family to spend time with and support new parents and pēpi. This recommendation includes the possibility of extending paid parental leave and *"ensuring everyone in Aotearoa New Zealand has adequate income and enough time to support new parents and babies in their whānau and support networks, through a combination of sufficient core benefits, a liveable minimum wage, Working for Families support, and enhanced leave and employment provisions"* (Walker, 2022, wh. 63)

Money seems a blunt instrument to solve the challenges above, and yet, its help is invaluable. It creates warm homes, sufficient food, and allows for access to support. If adequate, it creates time and opportunity.

Recommendation Six - Urgently increase investment in tamariki and their whānau during their early years, including:
a. Universal application of the Best Start payment across the first three years of a child's life
b. Application of Best Start payments concurrent to Paid Parental Leave recognising this payment is targeted towards the *additional costs* associated with raising a child, whereas Paid Parental Leave addresses *loss of income* due to a pause in paid employment.

c. Prioritise efforts to establish a perinatal wellbeing action plan for Aotearoa New Zealand per the recommendations in *Āhurutia Te Rito*

7. That delivery of Working for Families is mana-enhancing and consistent

Culture shift is urgently required to ensure client experiences in the delivery of Working for Families are mana-enhancing and demonstrate manaakitanga. Further, that those receiving the scheme through MSD or IR experience equal outcomes irrespective of which department they engage with.

NZCCSS members act as advocates supporting clients of Work and Income and Inland Revenue to navigate the complexity of Working for Families entitlements. They repeatedly report serious concerns at the lack of dignity shown to clients and the need for culture shift within these agencies to ensure that clients are respected, receive their full entitlements, and avoid debt.

Recurring themes include:

- lack of promotion meaning that clients, specific populations of clients in particular, are not even aware they may be eligible for Working for Families
- assumptions being made about clients' needs without taking the time to listen
- assumptions being made with regards to clients' level of understanding of entitlements, often resulting in clients incurring debt, sometimes without their knowledge
- lack of cultural capability, particularly in relation to parents for whom English is a second language, or with disabilities who may require more specialized assistance and advocacy
- reports of service provision which feels discriminatory, demoralising and inconsistent with the intent of a system designed to support people
- behaviour that seems intended to prevent accessing support, including not sharing the full picture of entitlements or glossing over additional supports that may exist

As one NZCCSS member highlights:

> *"There needs to be an attitude change that results in staff actually listening to the client and recognizing that they have unique needs. Too often there is a one-size fits all approach where clients' needs are assumed based on similarities with other clients, rather than being assessed on a case-by-case basis."*

The overdue and urgent necessity for culture change is further evidenced in the recommendations of WEAG. These specifically note the need for MSD to reduce negative client experiences, build cultural capability, provide full and correct entitlements, *"treat people with dignity, respect and compassion"*, and *"whakamana tāngata - to build the mana of others and uplift them in a way that honours their dignity"* (Welfare Expert Advisory Group - Kia Piki Ake, 2019). We would lay a similar wero at the feet of IR.

One of our members provides Housing First services in Ōtautahi, and to provide their clients with the best access to their entitlements their staff were previously sitting in the MSD offices to act as advocates for hour-long appointments. They have now arranged an MSD integrated services case manager come to their office one day a week to provide the dedicated time and expertise to their clients to ensure that they are receiving the appropriate and correct entitlement.

> *"For our kaewa (clients) this has been an easy transfer however if it was not for MSD sitting in our office we would have struggled."* – Housing First Christchurch

While we applaud this initiative, it is not the norm. There are few case workers sitting accessibly around the country waiting to help single parents or those returning to work determine their entitlement levels and help them navigate the complex levels of access and engagement required to receive the correct Working for Families payments. Individuals who access MSD offices are often not provided with additional information beyond their own questions, nor advised in how to apply for things that may not be on their radar.

It should not be the responsibility of those in need to have an encyclopaedic knowledge of every support product and access level before they begin to engage with the process. If the system truly functioned in a way representative of the principles of kotahitanga and manaakitanga then kaimahi would be actively seeking the fullest level of support and entitlement for the clients who engage with them, ensuring that the unnecessary complexity of the system is navigated with mahi, respect, and success.

NZCCSS and its members will continue to advocate for client's rights and dignity to be upheld in accordance with Te Tiriti o Waitangi and the Declaration of Human Rights. Yet these responsibilities surely rest with MSD and Inland Revenue and as such, more must be done to ensure these agencies possess the capability and capacity to deliver dignified and comprehensive service.

Recommendation Seven - MSD and IR commit to mana-enhancing services delivery guided by manaakitanga

8. That the complexity of Working for Families is addressed, and impacts of complexity are mitigated

NZCCSS would strongly argue for a system free from complexity, that is easy to understand, access and arrange. The current scheme is so fundamentally complex that throughout our preparation of this document, we have needed to consult with accountants and tax professionals. Our current team includes an ex-Senior Accountant, an Economist, and three specifically qualified analysts. All of the team have post graduate qualifications and good financial literacy.

Our need to consult currently practicing experts from our place of relative educational privilege / economic and financial literacy highlights the inaccessible level of complexity of this system. The expectation that lay people navigate this system, and largely do so for the first time within the context of parenting across the first year, is hard to fathom.

The consistent response from these experienced accountants / tax experts has been that they themselves struggle to operate in the unreasonably difficult to manage and unpredictable entitlements from this system. Tax software, specific to a New Zealand tax environment, reliably struggles to accurately predict the Working for Families entitlements. Many clients are advised to forgo weekly payments, which risk overpayment and end of year bills, and instead receive the payment in a once-yearly sum that IRD can calculate.

How has a system of tax so complex and variable that professionals in the area cannot accurately manage it be allowed to persist? Moreover, how can we expect individuals with lower levels of information and financial literacy to navigate this system without advocacy, mentorship, and appropriate protections?

The very complexity of Working for Families demands a level of informational and financial literacy that doesn't align to the intended users of the transfer. The system requires those accessing it to have responsibility for their entitlement, and then penalises those who get it wrong. Some families will have the financial ability to wait for an annual payment or intentionally under-estimate income to ensure a wash-up payment. But for most, financial realities mean they won't be able to wait. And failure to get it right will see them repay the debt – often from already unworkable budgets.

One example from a member was supporting a client unexpectedly returning to work. The new role meant that they not only no longer qualified for Working for Families, they would be required to repay what they had already received. Another story shared, saw a client required to call weekly after variable weekend work made it impossible to calculate reliably. Due to internal systems, IR wait times and lack of flexibility the client often missed internal cut-off timings meaning reduced entitlements some week and repayments required others. These fluctuations in income and the nature of the system's reporting mechanisms undermines efforts by families to engage in financial mentoring and budget effectively.

In neither of the above situations was this scheme's focus on the child. Rather, even when in work, the parents continued to have to grapple with a system that penalised the reality of parenthood. In one case, an unplanned return to work and in the other, variable work that fitted around family.

Lastly, complexity costs. The administration of the system as it stands must be onerous to both departments. That is money better spent on children. Potentially, enough to see a return to a universal family benefit.

Recommendation Eight -
a. Design a Working for Families that is easily understood
c. Consider the cost of the complexity in relation to overall return on investment in tamariki

9. Design a system that prevents the generation of debt

The Working for Families system by its very nature risks debt generation. Due to the complexity of its entitlement structure, and its income estimation and reporting mechanisms, it is challenging to calculate an effective entitlement. When an entitlement is over-calculated, the annual calculation of true entitlement creates debt. Often among those least able to easily repay it.

We would argue a more effective and accessible Working for Families would not generate debt in the first place, and that it is inappropriate to place the onus for calculation on the parent.

In the year ending March 2021, almost 30,000 whānau were overpaid an In Work Tax Credit resulting in the recovery of close to $20 million from low-income families. This represents over 11% of the families receiving Working for Families, and an average of $667 per person in debt. This is a considerable amount to factor into the next year's annual budget, made more challenging by the addition of penalties for those who cannot repay their debt within the designated timeframes. (Mcilraith, 2021)

While the elimination of minimum weekly work hours (introduced in 2020) has gone some way to reduce pressure on parents to qualify for the In-Work Tax Credit, it does not address changes to income that occur over the year from when annual income is first predicted.

The challenge to avoid Working for Families debt is exacerbated for those who experience periods of illness, relationship status changes, those with fluctuations to their care of a child, those who work multiple roles, variable hours or pick up overtime hours, self-employed clients, and those whose work status is changing or variable over the course of year due to the nature of their work (e.g.

teacher support roles that are not paid during term breaks), parental leave or a change in role. The payment of bonuses or a change in role that results in unused annual leave being paid out are not always predictable changes to income that also impact one's propensity to incur debt. Essentially, any change to work status within a given week over the course of a year impacts on a recipient's entitlement and likelihood of incurring debt. (Child Poverty Action Group, 2012)

Of particular relevance to this 'quirk' of Working for Families system are both the impact of downsizing during the pandemic and the rise of the gig economy which has meant a greater number of Kiwis are performing task based contracted work as opposed to steady employment. (Drake, 2020)

Much discussion on the problem of client debt focuses on approaches to supporting clients with repayment. However, when our system produces a debt for over ten percent of all users, a more strategic approach is needed. NZCCSS urges government to critically examine the extent to which the system itself sets parents up to fail.

As Green MP Ricardo Menendez-March stated with regards to welfare debt:

> *"The conversation should be less about how do we ensure that the person on the benefit pays their debt fastest and it should be centred more about how do we ensure that we're not putting somebody in hardship."* (Dreaver, 2021)

This is an area that particularly disadvantages low-income families, many of whom are Māori. We must also consider the impact of this system in relation to the Crown's commitments under Te Tiriti o Waitangi. As one NZCCSS Council member stated:

> *"We have a responsibility under Te Tiriti to consider and address where systems are creating debt traps for tangata whenua."*

NZCCSS strongly urges government to explore an alternative system design with reduced risk of debt. Further, if this is unachievable, that at the least debt below a reasonable / certain level is automatically forgiven. And that repayment or forgiveness of debt above that level is highly negotiable. We also support the removal or reduction of penalties for families who are struggling to repay debt within the specified timeframe.

Recommendation Nine:

a. **Design a Working for Families that doesn't generate debt**
b. **If this is not possible, improve the treatment of debt and associated penalties to ensure whanau are not placed in further hardship.**

10. That a joined-up services approach is implemented to complement a better Working for Families

The systems of state support for whānau are complex and dispersed throughout various departments and ministries. This prompts concern that some families are not receiving their full entitlement simply because they are not fully aware of additional eligibility. This also leads to concerns about inter-departmental consistency for entitlement. Per the IRD website:

> *"Working for Families and child support have different rules for shared care. Call child support if you want to talk about your child support shared care."*

Whānau should not have to contact every department individually and apply for every different subsidy separately. We suggest standardising definitions and entitlements across departments, and creating a centralised application portal that can then send the information to each of the necessary departments. Alternatively, application for a service at one department should trigger the information for eligibility to be sent to all associated departments for blanket application. A joined-up, interdepartmental view of services will create access that is significantly less stressful for those engaging with it, and will result in more whānau receiving their full and correct entitlements.

Recommendation Ten – Create interdepartmental connections or centralised application centres to automatically trigger coincidental entitlements to ensure full support for families without barriers to access.

Whakaaro whakatau | Concluding thoughts

The review of Working for Families is welcomed. There is an opportunity to return to the commitment New Zealand made to our children as part of the initial design of our welfare system. There is the opportunity to have our commitment to our children seen through a commitment to te Tiriti, manaakitanga and an investment in the future.

Tweaks to the current system are unlikely to be adequate to generate change. The Government would do well to look to the example of superannuation of what a working system could look like.

There is immense cost and little return in the current approach. There is pain, shame, confusion and challenge in accessing the system as it stands. The system requires incredible amounts of time and expertise from clients, advocates and departmental kaimahi in order to navigate successfully.

The purpose of existing support systems could be to deliver support to the individuals who require it in the most efficient and cost-effective method possible. This would necessitate a dramatic simplification of the system to reduce the complexity and streamline the process of entitlement assessment and application. Investing in additional staff to manage the complexity of the system is not effective. Investing in a system that penalises those who access it is reductive.

New Zealand will only thrive to the extent that our children do. We must take this opportunity and commit to investing in them. It’s simply too urgent not to.

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