9 June 2022

Working for Families Review
Ministry of Social Development
WELLINGTON

By email to: WFFReview@msd.govt.nz

Tēnā koutou

Re: Public Consultation on Working for Families Tax Credits

On behalf of the Royal Australian and New Zealand College of Psychiatrists, thank you for the opportunity to provide feedback on the review of Working for Families Tax Credits. Making changes to Working for Families (WFF) is one of many steps that can be taken toward reducing child poverty and ensuring wellbeing for all whānau.’

About the Royal Australian and New Zealand College of Psychiatrists (RANZCP)

The RANZCP is a membership organisation that prepares doctors to be medical specialists in the field of psychiatry and addiction, supports and enhances clinical practice, advocates for people affected by mental health and addiction issues, and advises government on mental health care.

The RANZCP represents almost 950 members around Aotearoa New Zealand, including more than 450 qualified psychiatrists and around 240 members who are training to qualify as psychiatrists.

This submission has been developed in consultation with Tu Te Akaaka Roa – New Zealand National Committee, Te Kaunihera mo ngā kaupapa Hauora Hinengaro Māori, and the New Zealand Faculty of Psychiatry of Old Age Committee.

Tu Te Akaaka Roa progresses policy and advocacy work under four policy platforms:
1. Don’t forget the 5% (of people with serious and enduring mental health issues)
2. Let’s work together
3. Look at the evidence
4. Get the right people in the right places.

* The term whānau is used in this document to refer to families of all cultures, including whānau Māori. We note that different cultures may have different understandings of family (e.g. extended family as the smallest grouping, understandings that incorporate wider spiritual connections). Ensuring WFF works for all cultures will require taking this into account.
Key recommendations

The RANZCP recommends the Ministry of Social Development (MSD):

- reconsiders the purpose of Working for Families to incentivise paid work, as this is not possible or practical for all whānau
- extends WFF to whānau on the benefit and ensure parents who are on the benefit and have serious mental health or addiction issues have adequate financial support
- extends WFF to whānau caring for adults and older people
- increases the Family Tax Credit to at least the level recommended by the Welfare Expert Advisory Group (WEAG)
- indexes WFF payments to wages annually.

Background

The RANZCP notes that the “contribution of sectors outside health to population health outcomes exceeds the contribution from the health sector”. A key determinant of mental health and health more broadly, especially for children, is the experience of poverty. There is strong evidence that addressing poverty for whānau with children has a positive impact on children’s life course outcomes, including experience of mental health and addiction issues. Addressing poverty through preventative measures in the early years of life ultimately has a lower social and economic cost for people who receive this intervention and broader society.

Poverty can occur across all cultures, which should be reflected in the WFF scheme. We note the Consultation Guidance Material includes photos almost exclusively of non-Pākehā.

It is also important to note that people with mental health and addiction issues experience poverty disproportionately. Costs associated with accessing mental health care are especially burdensome for low-income households. Children and adults in these environments are at greater risk of negative outcomes from mental health issues. Providing adequate income support for people who are not well helps to prevent further disadvantage and marginalisation.

The purpose of WFF

The Consultation Guidance Material notes, “It is important that Working for Families tax credits support low-income families to have enough money to live, help to reduce child poverty, and support low-income families to take up work”. However, it is not currently achieving these purposes. The WEAG’s report recommended a number of changes in 2019 that would “lift a large number of children out of poverty and hardship”.

There is an assumption within the current WFF scheme that all whānau should be incentivised to return or enter paid work. However, this devalues the essential unpaid work of caring for children. It is not always possible for parents to enter or return to paid work for a myriad of reasons, including health and disability among parents and/or children. For whānau with children with disabilities, pursuing adequate income through paid work could circumvent the pursuit of a thriving whānau.
Support for people on benefits

The RANZCP recommends WFF is extended to whānau receiving the benefit, to ensure all low-income whānau have adequate support to care for children and other whānau members.

We note that over 50% of working-age people receiving a main benefit have a health condition or disability. 4 It is also estimated that 15-20% of children in Aotearoa live in whānau with a parent who has a mental illness. 5 Parents with a health condition or disability (who may be sole parents) 7 may experience difficulties entering paid work, or in some instances, it may not be viable. Even if parents with a health condition or disability are not sole parents, their household income is likely to be impacted, for example if other whānau members play a role in caring for both parent and child(ren). Whānau in this situation should not be penalised economically for providing the necessary care to achieve the best health outcomes possible.

Support for carers of adults and older people

If the purpose of WFF is to support low-income whānau, we would encourage the scheme to recognise the importance of caring for adults and older people, as well as children. The majority of older people are cared for informally by (primarily female) whānau and friends. Especially as our population ages, it is important whānau members providing this care have adequate income support. 8

Level of support under WFF

The current level of support provided under WFF is not adequate to support whānau. The Family Tax Credit of $127.73 for the eldest child and $104.08 for subsequent children is much lower than levels recommended by the WEAG (of $170 and $120 respectively). 4 Since these recommendations, the median wage has further increased, and significant inflation has driven up the cost of living. 9,10

The RANZCP supports the Child Poverty Action Group’s recommendation to “index all WFF payments to wages annually (and to inflation when it exceeds wage growth) as is the case for New Zealand super”. 11 This would ensure people accessing WFF do not get left behind.

We look forward to the next stage of the review.

If you have any questions about the submission, please contact Ms Jane Renwick, National Manager New Zealand. Ms Renwick can be contacted at jane.renwick@ranzcp.org or via phone at (04) 830 7184.

Nāku noa, nā

A/Prof Susanna Every-Palmer
Chair, Tu Te Akaaka Roa – New Zealand National Committee
References

5. UK Mental Health Foundation. Poverty and Mental Health: A review to inform the Joseph Rowntree Foundation’s Anti-Poverty Strategy. 2016.
7. Over half of WFF recipients are sole parents (noted in Cabinet paper - Initial working for families changes, 2021).
8. OECD. Supporting informal carers of older people. 2022.