



August 2021

Submission re the Productivity Commission's Inquiry into the Drivers of Persistent Disadvantage (Terms of Reference)

The vision of Child Poverty Action Group is

An Aotearoa where all children flourish free from poverty.

About Child Poverty Action Group

Child Poverty Action Group (CPAG) is an independent, registered charity founded in 1994 which works to eliminate child poverty in New Zealand through research, education and advocacy. We envisage an Aotearoa where our society shows respect, generosity and care for *all* children.

We focus on eliminating poverty for *children* because:

- **Overall effects of poverty are worse for children:** Child development is adversely affected by poverty, & can lead to detrimental effects for an entire life. ([Appendix 1](#))
- **Children are more likely to experience poverty:** Children are over-represented among those in deprived households
- **Children don't get a say:** Decisions affecting children are made without their input; democracy involves only adults.

Tēnā koutou,

Thank you for this opportunity to inform the scope and focus of your work.

Child Poverty Action Group (CPAG) welcomes this Inquiry into the drivers of persistent disadvantage given the Productivity Commission's great capacity to add value to this extremely important area. Systemic discrimination is an enormous barrier to realising an Aotearoa where all children flourish free from poverty – and childhood disadvantage is perhaps the most important contributing factor toward persistent disadvantage over a lifetime. We look forward to the Government being informed by the Inquiry in order to (among other things) realise their vision that children and young people are loved, safe and nurtured; have what they need; are happy and healthy; are learning and developing; are accepted, respected and connected; and are involved and empowered ([2019 Child & Youth Wellbeing Strategy](#)).

We are pleased the Commission defines “disadvantage” as lacking what is required to achieve He Ara Waiora – that is: the definition is based on Indigenous perspectives; it centres an aspiration to wellbeing and the presence of positive factors (rather than simply the removal of stressors); and it is holistic and multi-faceted, including identity and belonging; participation and connection; decision-making empowerment; and multi-generational income security.

We have structured our submission around the specific questions you've asked.

Commission Question 1. What are the main dimensions of persistent disadvantage that should be included in the Terms of Reference as areas to be investigated?

CPAG Recommendation 1:

We recommend the Inquiry focus its investigations on ways to eradicate the *cross-sector* systemic drivers of persistent disadvantage and its key causal factors of childhood poverty, abuse and neglect. These drivers include systemic discrimination (including in policy development); intersectional disempowerment, stigma and mistrust; and ongoing breaches of Te Tiriti o Waitangi.

Explanation:

There is already a lot of research on many of the main dimensions or drivers of persistent disadvantage in the context of Aotearoa New Zealand (see Appendix 2 for some examples). They include childhood poverty, abuse and neglect; systemic (often racist) discrimination and disempowerment (including of children); widespread stigma and mistrust (for example, of sole parents, and people with experience of mental distress); and intersectional oppression (including of most people with disabilities). For Māori, dimensions of persistent disadvantage include ongoing breaches of Te Tiriti o Waitangi, including a lack of rangatiratanga. Systemic discrimination begets persistent disadvantage across a range of government-led sectors (health and disability, education, justice, social welfare, state care) and government-influenced sectors (housing, employment, arts & recreation). There is

widespread evidence of racism within institutions such as the health and disability, education and justice systems, and the cumulative impact of these experiences have intergenerational consequences.

Given the aim of “breaking the disadvantage cycle”, the investigation should explicitly focus on identifying and recommending eradicators of the already-known drivers of persistent disadvantage. The Inquiry’s work may include endorsing eradicators already identified by other groups (including the Welfare Expert Advisory Group).

Centring and being led by Indigenous perspectives and research on how to eradicate perpetual disadvantage is vital in the Inquiry’s work – overlooking Indigenous expertise has often perpetuated inequity and disadvantage in spite of best intentions, and doing so reduces the likelihood that responses to inequity will be effective. Māori responses to (Crown-perpetuated) disadvantage which are focused on a particular sector may have cross-sector application. [Appendix 2](#) offers a few examples in an enormous wealth of relevant literature.

A potential area of investigation could be: **How can policy development processes be changed to avoid producing policies that entrench gender and ethnic disadvantage?** We know that personal good intentions are not enough. One example of the inbuilt bias in policies is that care of one’s own children is not regarded as valuable as paid work, across a range of sectors. This disadvantages the outcomes for children and their primary caregivers (mostly women) across a range of government policies including ACC, KiwiSaver and Working For Families. Another, recent example is the Covid19 Income Relief Payment, a more generous payment than JobSeeker which produced a discriminatory outcome: Māori and Pacific applicants were much less likely than Pākehā to be awarded the payment. This was possibly partially due to a likely-monocultural policy development process not identifying different prevailing patterns of employment for different ethnicities. At the time, benefit recipient advocate Kay Brereton said:

“The Covid Income Relief Payment is a really good example of people working within their own cultural paradigm where their reality is them and their friends have one job, they do it full time and if they lost it the world would be a terrible place. But [they’re] not recognising that a lot of other people are in a different paradigm where they have two or three jobs and just losing one of them makes the world a terrible place because that’ll be the one that puts food on the table.”¹

How can the Government prevent its own institutions from contributing to and perpetuating such systemic discrimination? We agree that the Commission’s “added value” includes

investigating systemic issues across funding streams and delivery silos (rather than at the level of individual programmes and policies). This includes identifying structural

¹ Cardwell, H. (2020). ‘Unfair outcomes’ for Māori seeking Covid income support. RNZ 3/11/20. <https://www.rnz.co.nz/news/te-manu-korihi/429746/unfair-outcomes-for-maori-seeking-covid-income-support>

or institutional barriers, as well as gaps or deficiencies in current policy settings or the way government services are delivered.

We would go further and request the Commission “investigate systemic issues” across whole government-led sectors.

We’re pleased that the understanding that disadvantage in Aotearoa New Zealand is very often systemic is inherent in the Commission consultation paper (for example, the “New Zealand historical context” section). We understand ‘systemic disadvantage’ to mean it affects groups with particular shared characteristics (such as age, ethnicity, disability status and/or lived experience of mental distress) *as the result of collective decision-making*. It is important that the Commission explicitly acknowledges that systemic disadvantage is created and maintained by collective human agency, often via government, as the (sometimes inadvertent) result of an ongoing series of decisions. This understanding offers reason for hope and action: disadvantage is created by our society, and therefore our society has the power to dismantle it, in large part via government. It is also important that the Inquiry has an intersectional analysis, i.e. is guided by an understanding of how different systems of oppression and discrimination can intersect into cumulative effects on people who belong to multiple minority groups.

We are also pleased to see the Commission acknowledge

Children in particular are affected by persistent disadvantage. Early influences (both during pregnancy and children’s first 1 000 days) have a significant impact on their ability to thrive throughout their life. Subsequent life experiences and events also play an important role but it is hard to make up for early disadvantage. This demonstrates the importance of looking through the lens of collective wellbeing which He Ara Wairoa allows. For example, without the time to develop a strong loving bond with a parent, the development of children’s emotional intelligence, health and ability to learn will likely suffer. Even if a disadvantaged child works hard and makes the best possible choices, they are less likely to have as good outcomes as a child from a less disadvantaged background. To give these children the same life opportunities will take far greater resource than for those from less disadvantaged backgrounds.

The understandings in the paragraph above – the impact of early childhood (and the pre-natal period) in influencing subsequent disadvantage, and the importance of time and caregiver empowerment in supporting important bonding – should be key guiding factors for the Inquiry. See [Appendix 1](#) for more detail on the effect of poverty on children.

In addition to early childhood, we recommend the Inquiry is informed by an understanding of the importance of the transition from childhood to adulthood, where inter-generational disadvantage operates: an early transition from education to workforce due to family poverty generates further disadvantage in the long-term. At the same time, health & disability, housing and welfare systems are not set up to focus support for young people from ages 15 to 24. Yet the focus on ‘work at all costs’ and user-pays can mean that young

people receive the pernicious message that they're more 'valuable' at work than school or tertiary education:

*Both Rāhera and Miriama became familiar with precarity in their childhood and both dealt with hardship early in their lives. Neither was a stranger to work, since **both were employed at an early age in casual and insecure work, which in turn impacted on their ability to gain further qualifications necessary for accessing secure and higher paid work.** ...These same wāhine have also lived in multiple cities, locations and types of accommodation over the past five years, including caravans, cars, cabins, social housing and refuges.²*

The Youth 2000 research group (www.youth19.ac.nz) produces very useful research on trends in disadvantage for rangatahi and young people.

Commission question 2. Where should the Commission focus its research effort?

CPAG Recommendation 2:

We recommend the Inquiry investigate how macro-economic policy in Aotearoa New Zealand has contributed to creating and perpetuating inequality and persistent disadvantage, and how macro-economic policy could be used to enable the eradication and prevention of persistent disadvantage.

Explanation:

There seems to be a widespread lack of understanding of the effect of various past, current and potential macro-economic policies on persistent disadvantage in Aotearoa New Zealand, and this is a gap which we hope the Inquiry will help to fill. The current “K-shaped recovery” is the latest outcome of a long-term trend of policy which overlooks people who are already disadvantaged, as outlined (prior to Covid-19) by Ngā Pae o te Maramatanga researchers in “Precariat Māori Households Today”:

At Hui Taumata, the Māori Economic Summit Conference held at Parliament in December 1984, Māori leaders warned that the economic and human costs of the macro-economic reforms would disproportionately be borne by Māori. They introduced the metaphor of the “shock absorber” to explain the way in which the Māori over-representation in negative health and social outcomes reflects economic and political arrangements that are primarily beneficial to certain dominant groups at the cost of Māori wellbeing. This understanding of Māori structural disadvantage is reflected in the statement below:

At Hui Taumata in 1984 Māori were warned to resist policies which make Māori the “shock absorbers in the economy” through hitting those at the bottom of the economic ladder hardest during poor times, while rewarding

² Rua, M et al (2019) “Precariat Māori Households Today”. Ngā Pae O Te Maramatanga. http://www.maramatanga.ac.nz/sites/default/files/teArotahi_19-0502%20Rua.pdf

those at the top of the economic ladder during good times. (Pomare et al., 1995, p. 149)²

CPAG Recommendation 3

We recommend the Inquiry consider investigating the child-caring and paid employment aspirations of parents and caregivers, and how the welfare-employment nexus and design of policies like Working for Families could better support parents to make the choices most appropriate for their families.

Explanation

We commend the Commission for framing disadvantage as a life course and inter-generational issue. Rather than seeking short-term increases in numbers of people in fulltime paid employment, a more useful question is: to secure Aotearoa New Zealand's future, what is required to ensure all children today can reach their full potential and contribute, as they wish, to their communities? Research suggests it is best to offer parents and caregivers genuine choices and empower them to make decisions for their children and themselves (such as not being in paid work, or being in part-time paid work for some time, or being in part-time or full-time education), secure in the knowledge that they will always be able to meet their basic needs. That way, caregivers are far more likely to be able to give their children the mental, emotional, spiritual and physical foundation they need in order to reach their full potential, as well as experiencing wellbeing for themselves, than if they are dealing with the toxic stress of a system that keeps them in poverty.

Much has been made of the income 'gap' required between benefit incomes and paid-work incomes to incentivise parents into paid employment. This is the rationale for keeping families receiving benefits in poverty (whether or not they're in paid work, making a mockery of the 'gap' explanation), and giving families not receiving benefits additional Working For Families support, in the form of the In-Work Tax Credit. However, very little research has been done into parents' own understandings of incentives and barriers to paid work (or no paid work); how much paid work they see as optimum and why; and what the system can do better to support them in these aspirations (such as free fulltime quality childcare and early childhood education; flexibility of work hours, transport, etc; ensuring part-time work is well supported and not, as it currently is, a see-saw fulcrum between the piecemeal systems of MSD and IRD; ensuring fulltime caregiving is a valued and viable financial option). Different families have different issues: parents of children with disabilities often do not have the childcare available to them that would enable them to fulfill their aspirations of paid work – and yet they are kept in poverty supposedly to compel them to go to paid work, in an all-too-common welfare policy 'Catch-22'.³

³ Neuwelt-Kearns, C., S. Murray, J. Russell & J. Lee (2020). "'Living well'? Children with disability need far greater income support in Aotearoa." Child Poverty Action Group. <https://www.cpag.org.nz/assets/Living%20Well%20Children%20with%20disability%20need%20far%20greater%20income%20support%20in%20Aotearoa%20Sept%202020%20%281%29.pdf>

CPAG Recommendation 4

We recommend the Commission prioritise investigating the role of the housing system in perpetuating intergenerational disadvantage and wealth inequality.

Explanation

We suggest that this inquiry be broader than simply ‘housing costs’, as listed as one of the potential foci areas, and instead also include the role of housing in creating intergenerational wealth inequality, particularly under current policy settings whereby capital gain from housing remains largely untaxed. This line of inquiry should also look at the compounding inequities associated with being locked out of homeownership, including for instance living in lower quality housing and having insecure tenure. One useful potential tool is outlined by Susan St John and Terry Baucher (2021) in [The Fair Economic Return: Restoring equity to the social fabric of New Zealand](#).⁴

CPAG Recommendation 5

We recommend the Commission consider developing a Minimum Income Standard for Aotearoa New Zealand.

Explanation

The Welfare Expert Advisory Group’s recommendation for the development of a Minimum Income Standard in New Zealand has not been taken up by the Government. A Minimum Income Standard study, or a budget standard study, would provide detail on what the minimum income need for participation in New Zealand is. Such studies are conducted annually in the United Kingdom. In New Zealand, we have no empirically-tested benchmark for how much income is required to enable people to properly engage in society. The Commission could be well placed to do such a study, as it is independent from Government with the requisite authority required for the results to be generally accepted.

Commission question 3. Where should government focus its effort on finding solutions?

CPAG Recommendation 6

We strongly recommend the Inquiry urges the Government to partner with relevant iwi and other Māori-led groups in order to develop solutions that work for Māori in line with Article 2 of Te Tiriti o Waitangi.

Explanation

⁴ Susan St John and Terry Baucher, [The Fair Economic Return: Restoring equity to the social fabric of New Zealand](#). RPRC working paper 2021-1 30th June.

As discussed in response to question 1, given the disproportionate disadvantage of Māori across all social indicators as a direct consequence of colonisation, solutions must be Māori-led, rather than colonise further.

CPAG Recommendation 7

We recommend the Inquiry urges the Government accelerate their promised ‘overhaul’ of the welfare system.

Explanation

The welfare system continues to disempower people and engage with them in a punitive way. While the Government commissioned the Welfare Expert Advisory Group’s review, progress so far on so-called ‘welfare overhaul’ has been slow and incremental.⁵ A range of solutions have been mapped out for the Government through this review, and we would implore the Government to accelerate this overhaul of the welfare system given its current role in perpetuating intergenerational disadvantage. **The Productivity Commission Inquiry should not be cited as a reason to delay further.**

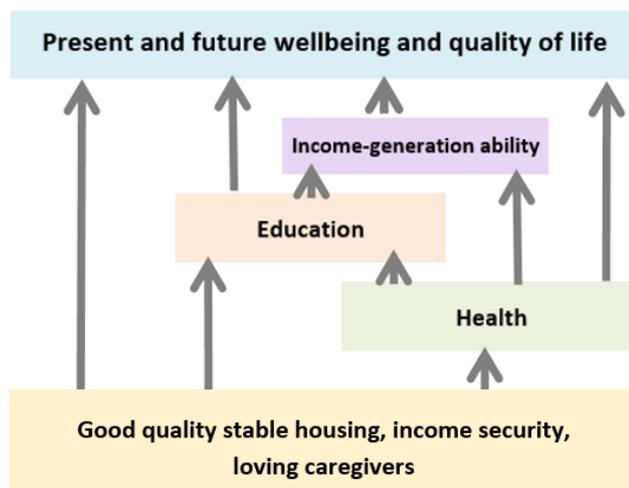
CPAG Recommendation 8

We recommend the Inquiry urges the Government continue to focus efforts on housing

Explanation

Housing is the biggest concern for people facing disadvantage right now. Housing affects all other aspects of people’s wellbeing – their health, their wairua, their educational attainment, their ability to engage in paid work, and their ongoing financial stability.

Good housing is a key foundation block for present and long-term wellbeing for children



⁵ Neuwelt-Kearns, C. & Asher, I. (2020). *What happened to ‘welfare overhaul’? A stocktake of implementation of the Welfare Expert Advisory Group’s 2019 recommendations* Child Poverty Action Group <https://www.cpag.org.nz/assets/WEAG%20Stocktake%20Final%2027%20Nov.pdf>

While this Government has made some positive steps, there is much more work to be done. Our policy recommendations include:

- Given the better housing outcomes for those who are owner-occupiers than those who aren't, and recognising that housing has been used as a means of wealth concentration, the Government must fix the current tax distortion that has incentivised over-investment in housing and led to the concentration of housing among investors rather than owner-occupiers. One proposed tax mechanism is the 'Fair Economic Return' tax.⁴
- Investigate ways to control rent increases (beyond limiting increases to once per year)
- Investigate ways to proactively enforce the healthy homes legislation (such as a Warrant of Fitness)
- Further renters' protections to provide security of tenure – moving frequently impacts mental health, makes people feel out of control of their lives, and affects educational outcomes for children

Commission question 4. Is there anything else that you would like to see covered in this inquiry?

CPAG Recommendation 9

We recommend the Commission consider the present and future implications of climate change for equity, and align its recommendations to that of the Intergovernmental Panel on Climate Change's recent 2021 report and recommendations in order to preempt future challenges.

Explanation

The climate crisis is widely understood to affect those who are already disadvantaged the most, and thus as the effects of climate change accelerate in years to come, current patterns of disadvantage are likely to be entrenched. This entrenchment of disadvantage may be accelerated (or mitigated) by our responses to climate change.

CPAG Recommendation 10

We recommend the Inquiry does not overlook the huge role played by the justice system in perpetuating disadvantage

Explanation

For victims and perpetrators – *and their children* – the current justice system is exacerbating disadvantage, creating and entrenching inter-generational inequity. Over-incarceration is

one of many concerns. For example, in a [recent public talk](#),⁶ Assoc Prof Khylee Quince, AUT Dean of Law described the issues she sees serving as a parole board member, and how poverty and inequality pushes people into prison, and makes it harder for them to leave:

“We tried to release a boy to a whare in Hokianga last week that didn’t have electricity. He said it never had electricity. [He said] ‘I lived there before, why can’t I live there now?’”

CPAG Recommendation 11

We recommend the Commission carefully examines any proposed social insurance scheme for its likely impacts on persistent disadvantage.

Explanation

We know the Commission has already conducted social insurance research, which puts it in a useful position to test any proposed scheme for risks of contributing to persistent disadvantage – including investigating its development process.

Given the issues with the Covid-19 Income Relief Payment (which has been framed by the Minister of Finance as a front-runner for social insurance), and given the inherent biases within ACC (also seen as a social-insurance influence), we are gravely concerned about the risks to inequity and poverty that a social insurance scheme is likely to carry.⁷

It is best to compare the likely effects of any social insurance scheme to a supportive and fit-for-purpose welfare system (as recommended by WEAG) rather than comparing it to our current welfare system. For example, it is not necessary to implement social insurance in order to treat couple’s incomes as individual rather than joint – this could (and should) be done by the welfare system.

⁶ Kōrero with Khylee Quince, Auckland Women’s Centre (June, 2021). Available from <https://awc.org.nz/khylee-quince-change-maker/>

⁷ For detail on our position see Child Poverty Action Group (2021) “Social Unemployment Insurance: Concerns From Equity And Anti-Poverty Perspectives” https://www.cpag.org.nz/assets/CPAG_social_insurance_concerns_regarding_inequity_and_poverty_web.pdf

Appendix 1: The effects of poverty on children: Poorer wellbeing is more likely in all areas for an entire life

- **Poverty causes poor outcomes.** Poor outcomes for children are not only correlated to lack of family income, they are caused by them. The [Rapid Evidence Review \(RER\) on the impact of poverty on life course outcomes for children](#) prepared by the Ministry of Social Development (2018) for the Welfare Expert Advisory Group is a good introduction to the large body of evidence that supports this.
- **All aspects of life are affected by deprivation,** from physical development and physiological functions to social inclusion and educational attainment. Deprivation can have detrimental effects on the physical, mental and social wellbeing of children. For example, in Aotearoa, high school students in most deprived areas (NZDep1-3) have four times the suicide rate of those in least deprived areas (NZDep8-10) ([Youth19 survey, 2020](#)).
- **Effects can be long-term, lasting (and shortening) a child's entire life.** For example, the longitudinal University of Otago study found that children born 1972-1973 who grew up in low socioeconomic status families had poorer cardiovascular health, poor dental health and more substance abuse as adults, regardless of adult socioeconomic conditions (Poulton et al., 2002)
- **Dealing with deprivation, and with the stigmatisation of deprivation, creates toxic stress and disempowerment.** Inadequate income prevents children from accessing goods, services and opportunities that support their positive development; and, in addition, poverty also increasing parental/caregiver stress, depression and shame (exacerbated by stigmatisation, including by government agencies), and places greater demands on adult decision-making, all of which may affect children as well as adults. ([Orchard, 2018](#))

*When you're in a low socio sort of environment, your head's not looking up and looking at what the future looks like for you next year. **Or what your dreams and aspirations are looking over there or "what I wanna do".** Your head's looking down and it's looking around in that pool of just trying to survive day by day.*

Tahu, Te Whakaruruhau Service Worker & whānau advocate, quoted in [Rua et al \(2019\)](#)

Appendix References:

- MSD (2018) "[Rapid Evidence Review \(RER\) on the impact of poverty on life course outcomes for children](#)" Ministry of Social Development.
- Orchard, S. (2018) [#We Are Beneficiaries Report](#).
- Poulton, R. et al., 2002. Association between children's experience of socioeconomic disadvantage and adult health: a life-course study. *Lancet*, 360(9346), pp.1640–1645.
- Rua, M et al (2019) "[Precariat Māori Households Today](#)". Ngā Pae O Te Maramatanga
- [Youth19 survey \(2020\)](#): Fleming, T., Tiatia-Seath, J., Peiris-John, R., Sutcliffe, K., Archer, D., Bavin, L., Crengle, S., & Clark, T. (2020). Youth19 Rangatahi Smart Survey, Initial Findings: Hauora Hinengaro / Emotional and Mental Health. The Youth19 Research Group, The University of Auckland and Victoria University of Wellington, New Zealand.

Appendix 2: Useful Resources

Māori analysis

We recommend the Inquiry is informed by multiple Māori responses to disadvantage, including the following:

- Waitangi Tribunal (2019). [Hauora: report on stage one of the Health Services and Outcomes Kaupapa Inquiry WAI 2575](#). Waitangi Tribunal: Wellington
And (Pākehā/Māori) commentary: Came, H., O’Sullivan, D., Kidd, J., & McCreanor, T. (2020). [The Waitangi Tribunal’s WAI 2575 report: Implications for decolonizing health systems](#). *Health and Human Rights*, 22(1), 209.
- Rua, M et al (2019) “[Precariat Māori Households Today](#)”. Ngā Pae O Te Maramatanga
- Kaiwai, H et al (2020) Ko te wā whakawhiti - It's time for change : a Māori inquiry into Oranga Tamariki. Whānau Ora Commissioning Agency
- Macfarlane et al (2018) [Bridges to success for Māori: An aspirational lens](#). *Psychology Aotearoa*, 10(1), 11-15. (based on [Ka Awatea: An iwi case study of Māori students experiencing success](#), Ngā Pae O Te Maramatanga)
- 2016 [Report of Matike Mai Aotearoa – The Independent Working Group on Constitutional Transformation](#). Iwi Chairs Forum

Other research into financial disadvantage and poverty

We recommend the Commission make use of existing work that has already been done to explore the experiences of those facing disadvantage. Some resources we recommend (many of which you are already familiar with) include:

- [Auckland City Mission’s Family 100 project](#) (2015): provides useful information on the key barriers to exiting poverty
- The Welfare Expert Advisory Group’s *Whakamana Tangata* (2019): provides a comprehensive overview of the disempowerment beneficiaries experience when navigating the welfare system, and key recommendations for reform,
- MSD (2018) “[Rapid Evidence Review \(RER\) on the impact of poverty on life course outcomes for children](#)” offers potentially useful theoretical understandings.
- Louise Humpage and Charlotte Moore’s [Income support in the wake of Covid-19: interviews](#) (April 2021): provides post-Covid insights into the realities of life without a liveable income from people with lived experience
- Child Poverty Action Group’s [The First Year of Covid-19: Initial outcomes of our collective care for low-income children in Aotearoa New Zealand](#) (July 2021): provides evidence for increasing inequities across a range of life aspects in the wake of Covid-19

- Child Poverty Action Group’s forthcoming publication *The Stories of Kathryn and her Daughters: Intergenerational harm due to the investigation and imprisonment of a parent for alleged “relationship fraud”* (**pre-print available on request**) is an update with new material (including interviews with Kathryn’s now-adult children) of [Kathryn’s Story](#) (2016), which provides a case study of lived experience of intergenerational disadvantage
- [Growing Up in New Zealand](#) longitudinal research shows how the trajectory of disadvantage impedes developmental outcomes
- Disability Connect and CPAG partnered to produce [Where will we live in the future?: Research into the Unmet Housing Needs of People with Disabilities, their Family and Whānau](#) (May 2021), to ensure the needs of people with disabilities are not overlooked in the current housing crisis.
- The Youth 2000 research group (www.youth19.ac.nz) produces very useful research on trends in disadvantage for rangatahi and young people.