OPINION

Time to legislate to end child poverty

TONI WREN

Children can thrive and be healthy when they have what they need to develop well. Picture Shutterstock

AUSTRALIA made great strides in the 1990s when former prime minister Bob Hawke and his government committed to end child poverty.

Child poverty wasn't eliminated but it was reduced by 30 per cent through a combination of policies including increasing family payments to reflect the cost of children; linking family payments to wage growth, to maintain pace with the cost of living and; introducing a new supplement for low-income families and rent assistance to help families and others on low incomes to assist with the cost of rent.

The introduction of the child support scheme was another important poverty reduction measure, yet all these measures have been rolled back, leaving far too many of the 3.6 million Australian children starting the 2025 school year living in poverty.

Bankwest Curtin Economics Centre's report Child Poverty in Australia in 2024 found more than 820,000 Australian children are living in poverty and that this has increased by over 100,000 since the pandemic.

The authors state poverty is expected to be even higher given increased essential living costs since 2022 when the data was collected.

The report confirms that single-parent families face more than three times the poverty rate of couple families (more than one in three, compared with less than one in 10).

Children who experience poverty and housing stress are significantly more likely to suffer nervousness or feel unhappy with their lives for up to ten years after leaving home.

"Poverty scars people. It gets under the skin. Children growing up in poverty often carry these scars with them for life," the report said.

In 2021, according to the 2021 Australian Early Development Census, more than one in five Australian children were assessed as developmentally vulnerable when they started school, potentially reducing good health, education and social outcomes later in life.

For children living in the most disadvantaged areas, more than one in three started school developmentally vulnerable and more than four in 10 for Aboriginal and Torres Strait Islander children.

Research states that very few students who start behind or fall behind, catch up.

The boost in income support payments provided in the early months of the COVID pandemic delivered large reductions in poverty for adults and children.

Child poverty rates were reduced to the lowest level in 20 years, but the gains were short-lived. The Centre for Community Child Health states: "Increased household income benefits children directly through better food, stable housing, and healthcare (the 'investment' model), and indirectly through improved parent mental health and capacity (the 'family stress' model). If early disadvantage, including poverty is redressed, half of child health and developmental problems in middle childhood can be reduced."

In 2024, Tony Pietropiccolo from the End Child Poverty campaign asked 14-year-old Perth students "When is it OK to leave a child in poverty", and their answer was "Never".

This sentiment is shared by the Australian population. The Australia Institute surveyed Australians about their views on poverty and child poverty in mid-2024.

They found the vast majority of Australians are highly concerned about the effects of poverty on children's education and employment and their health and lifespan.

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What works for US dollar could be harmful for our money

JERSEY LEE

FOR decades, Australia's interest rate decisions have walked a fine line between domestic economic needs and the gravitational pull of global finance. But in today's hyper-connected markets, cutting rates isn't just a lever for local growth - it's an open invitation for money to flee. And where does it go? Straight to Wall Street.

The latest CPI reading showed trimmed mean inflation falling to 3.2 per cent over 2024, significantly below expectations. As the Reserve Bank of Australia's (RBA) mandate is primarily to keep inflation under control, this led to heightened expectations of a rate cut; money markets are now 90 per cent confident of a rate cut in February.

Some are pushing back on this emerging consensus, pointing out that inflation has yet to return to the RBA's target range of 2 to 3 per cent. The broader economic outlook is complicated too: while the Australian economy has teetered on the edge of a recession for months, the jobs market remains surprisingly robust, maintaining upwards pressure on wages.

These factors will weigh heavily on RBA governor Michele Bullock when she meets with the RBA board late in February to decide whether to give the government what it wants (especially with an election looming). What she'll also consider, and what many in the peanut gallery have missed, is the effect any move might have on the Australian dollar. Orthodox economics teaches us that cutting interest rates reduces returns on savings, encouraging capital outflows and depreciating the currency. This matters for the RBA, as a weakening AUD raises the cost of imports, fuelling inflation. There is reason to believe that this effect could be particularly pronounced for Australia this time around.

It's certainly possible for falling interest rates to redirect savings into the Australian Securities Exchange (ASX); this was the focus of financial reports after the CPI data. Fund manager Jun Bei Liu expects the ASX to grow "meaningfully higher" on the back of lower interest rates. The problem? Over the past five years, the ASX has gained just 20 per cent - roughly the same return I got leaving my money in a bank account.

By contrast, Wall Street's Nasdaq has surged over 100 per cent in that same period, with specialised indices and funds delivering even stronger returns. While dividends and franking credits may make up part of this gulf, the relative attractiveness of America's capital markets is undeniable.

If my savings yield less than 4 per cent in a bank, I won't even consider the ASX. Instead, I'd seriously think about shifting a large portion into USD investments. For those unfamiliar with investing, like me, the ASX doesn't offer enough return to justify the risk - but Wall Street just might. Even experienced investors see Wall Street as a more lucrative option.

The rise of investment platforms like Stake has made offshore investing easier than ever. Retail investors, enticed by minimal fees and seamless access, can move their money out of Australia with a few taps. Stake, sensing an opportunity, recently launched a marketing blitz targeting investors worried about the cost of living. The next time you see an ad promoting US markets, you'll understand why.

Meanwhile, the US dollar has proven remarkably resilient. According to conventional economic wisdom, the USD should have weakened when the Fed began cutting interest rates. Instead, it strengthened. While some of this was due to global markets previously pricing in major rate reductions, and simultaneous rate cuts across the world, Australian analysts were left puzzled-especially since Australia was lagging behind in easing policy. HLB Mann Judd wealth management partner Jonathan Philpot suggests that this "strange" state of affairs may soon shift, but recent history suggests betting against the Greenback is a risky move.

For years, the Japanese Yen was seen as the ultimate safe-haven currency. That's now ancient history - the US dollar has cemented itself as both the world's reserve currency and a global refuge in times of uncertainty. While a reversion to the mean is possible, global instability continues to drive capital flows into US markets. Ironically, much of the instability over the next few years will likely come from the US itself, but it's Wall Street's elite that will reap the benefits.

Trump's protectionist instincts reinforce this trend. His tariffs on Canada and Mexico demonstrated his willingness to disrupt even close trade relationships, leaving room for further USD gains and AUD losses. In early February, the AUD briefly dipped below US61c-a low not seen since the early days of COVID. With Australia's economy reliant on trade, Trump's policies could make the coming years challenging, regardless of whether Australia is directly targeted. When the US Fed cuts rates, its focus is squarely on domestic economic factors. The RBA, however, cannot afford such tunnel vision - it must keep an eye on global capital flows. What works for the world's reserve currency could prove disastrous for a middle power like Australia. Cutting rates may offer temporary relief, but if it triggers a wave of capital outflows, the long-term consequences could be far more damaging.

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